

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended December 31, 2021

**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**

(State or other jurisdiction of  
incorporation or organization)

**6601 West Broad Street,**

(Address of principal executive offices)

**Richmond,**

**Virginia**

**13-3260245**

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

**23230**

(Zip Code)

**804-274-2200**

(Registrant's telephone number, including area code)

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
1.000% Notes due 2023	MO23A	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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  Yes  No

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 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

As of June 30, 2021, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$88 billion based on the closing sale price of the common stock as reported on the New York Stock Exchange.

Class	Outstanding at February 15, 2022
Common Stock, \$0.33 1/3 par value	1,817,257,322 shares

### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive proxy statement for use in connection with its annual meeting of shareholders to be held on May 19, 2022, to be filed with the U.S. Securities and Exchange Commission on or about April 7, 2022, are incorporated by reference into Part III hereof.

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## **Part I**

### **Item 1. Business.**

#### **General Development of Business**

*When used in this Annual Report on Form 10-K (“Form 10-K”), the terms “Altria,” “we,” “us” and “our” refers to Altria Group, Inc. and its subsidiaries, unless the context requires otherwise.*

Altria’s Vision by 2030 is to responsibly lead the transition of adult smokers to a smoke-free future (“Vision”). Altria is *Moving Beyond Smoking*<sup>TM</sup>, 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, Altria’s businesses and society.

Altria’s wholly owned subsidiaries include 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 subsidiaries (“Helix ROW”), which operate internationally in the rest-of-world, are engaged in the manufacture and sale of *on!* oral nicotine pouches; and Philip Morris Capital Corporation (“PMCC”), which maintains a portfolio of finance assets, substantially all of which are leveraged leases. Other Altria wholly owned subsidiaries include Altria Group Distribution Company, which provides sales and distribution services to Altria’s domestic tobacco operating companies, and Altria Client Services LLC (“ALCS”), which provides various support services in areas such as legal, regulatory, consumer engagement, finance, human resources and external affairs to Altria.

On October 1, 2021, UST sold its subsidiary, International Wine & Spirits Ltd. (“IWS”), which included Ste. Michelle Wine Estates Ltd. (“Ste. Michelle”), in an all-cash transaction with a net purchase price of approximately \$1.2 billion and the assumption of certain liabilities of IWS and its subsidiaries (the “Ste. Michelle Transaction”).

In 2019, Helix acquired Burger Söhne Holding and its subsidiaries as well as certain affiliated companies that are engaged in the manufacture and sale of *on!* oral nicotine pouches. At closing, Altria owned an 80% interest in Helix, for which Altria paid \$353 million. At December 31, 2021, Altria owned 100% of the global *on!* business as a result of transactions in December 2020 and April 2021 to purchase the remaining 20% interest in (i) Helix ROW and (ii) Helix, respectively. The total purchase price of the December 2020 and April 2021 transactions was approximately \$250 million.

Altria’s reportable segments are smokeable products and oral tobacco products. The financial services and the innovative tobacco products businesses are included in an all other category due to the continued reduction of the lease portfolio of PMCC and the relative financial contribution of Altria’s innovative tobacco products businesses to Altria’s consolidated results. Prior to October 1, 2021, wine products produced and/or distributed by Ste. Michelle constituted the reportable wine segment. For further information, see Note 15. *Segment Reporting* to the consolidated financial statements in Item 8. Financial Statements and Supplementary Data of this Form 10-K (“Item 8”).

Altria’s investments in equity securities consist of Anheuser-Busch InBev SA/NV (“ABI”), Cronos Group Inc. (“Cronos”) and JUUL Labs, Inc. (“JUUL”). Altria accounts for its investments in ABI and Cronos under the equity method of accounting using a one-quarter lag. Altria accounts for its equity investment in JUUL under the fair value option.

For further discussion of Altria’s investments in equity securities, see Note 6. *Investments in Equity Securities* to the consolidated financial statements in Item 8 (“Note 6”).

#### **Description of Business**

Portions of the information relating to this Item are included in *Operating Results by Business Segment* in Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations of this Form 10-K (“Item 7”).

#### **Tobacco Space**

Altria’s tobacco operating companies include PM USA, USSTC and other subsidiaries of UST, Middleton and Helix.

The products of Altria’s tobacco operating companies 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; 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.

- **Cigarettes:** PM USA is the largest cigarette company in the United States and substantially all cigarettes are manufactured and sold to customers in the United States. *Marlboro*, the principal cigarette brand of PM USA, has been the largest-selling cigarette brand in the United States for over 45 years. Total smokeable products segment’s cigarettes shipment volume in the United States was 93.8 billion units in 2021, a decrease of 7.5% from 2020.

- **Cigars:** Middleton is engaged in the manufacture and sale of machine-made large cigars and pipe tobacco. Middleton contracts with a third-party importer to supply a majority of its cigars and sells substantially all of its cigars to customers in the United States. *Black & Mild* is the principal cigar brand of Middleton. Total smokeable products segment's cigars shipment volume was approximately 1.8 billion units in 2021, essentially unchanged from 2020.

- **Oral tobacco products:** USSTC is the leading producer and marketer of MST products. The oral tobacco products segment includes the premium brands, *Copenhagen* and *Skoal*, and value brand, *Red Seal*, sold by USSTC. In addition, the oral tobacco products segment includes *on!* oral nicotine pouches sold by Helix. Substantially all of the oral tobacco products are manufactured and sold to customers in the United States. Total oral tobacco products segment's shipment volume was 820.3 million units in 2021, essentially unchanged from 2020.

- **Innovative tobacco products:** In December 2013, Altria's subsidiaries entered into a series of agreements with Philip Morris International Inc. ("PMI"), including an agreement that grants Altria an exclusive right to commercialize certain of PMI's heated tobacco products in the United States, subject to the U.S. Food and Drug Administration's ("FDA") authorization of the applicable products. PMI submitted a pre-market tobacco product application ("PMTA") and modified risk tobacco product ("MRTP") application with the FDA for its electronically heated tobacco products, comprising the *IQOS Tobacco Heating System*. In 2019, based on FDA authorized PMTAs, PM USA began commercialization of the *IQOS Tobacco Heating System* in select markets.

In connection with a patent dispute, the U.S. International Trade Commission ("ITC") issued a limited exclusion order barring the importation of the *IQOS* devices, *Marlboro HeatSticks* and infringing components into the United States and a cease and desist order barring domestic sales, marketing and distribution of these imported products effective November 29, 2021. In December 2021, defendants appealed the orders to the U.S. Court of Appeals for the Federal Circuit. Due to this litigation, PM USA removed the *IQOS* devices and *Marlboro HeatSticks* from the marketplace. PM USA does not expect to have access to *IQOS* devices or *Marlboro HeatSticks* in 2022. For a further discussion of the ITC decision, see Note 18. *Contingencies* to the consolidated financial statements in Item 8 ("Note 18").

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 products. These products are not currently marketed or sold.

- **Distribution, Competition and Raw Materials:** Altria's tobacco subsidiaries sell their tobacco products principally to wholesalers (including distributors) and large retail organizations, including chain stores.

The market for tobacco products is highly competitive, characterized by brand recognition and loyalty, with product quality, taste, price, product innovation, marketing, packaging and distribution constituting the significant methods of competition. Promotional activities include, in certain instances and where permitted by law, allowances, the distribution of incentive items, price promotions, product promotions, coupons and other discounts.

The Family Smoking Prevention and Tobacco Control Act ("FSPTCA") provides the FDA with broad authority to regulate the design, manufacture, packaging, advertising, promotion, sale and distribution of tobacco products; the authority to require disclosures of related information; and the authority to enforce the FSPTCA and related regulations.

In the United States, under a contract growing program, PM USA purchases the majority of its burley and flue-cured leaf tobaccos directly from domestic tobacco growers. Under the terms of this program, PM USA agrees to purchase the amount of tobacco specified in the grower contracts that meets PM USA's grade and quality standards. PM USA also purchases a portion of its tobacco requirements through leaf merchants.

USSTC purchases dark fire-cured, dark air-cured and burley leaf tobaccos from domestic tobacco growers under a contract growing program. Under the terms of this program, USSTC agrees to purchase the amount of tobacco specified in the grower contracts that meets USSTC's grade and quality standard.

Middleton purchases burley, dark air-cured and flue-cured leaf tobaccos through leaf merchants. Middleton does not have a contract growing program.

Altria's tobacco subsidiaries believe there is an adequate supply of tobacco in the world markets to satisfy their current and anticipated production requirements.

For further discussion of the foregoing matters, the tobacco business environment, trends in market demand and competitive conditions, and related risks, see Item 1A. Risk Factors of this Form 10-K ("Item 1A") and *Tobacco Space - Business Environment* in Item 7.

#### **Financial Services Business**

In 2003, PMCC ceased making new investments and began focusing exclusively on managing its portfolio of finance assets in order to maximize its operating results and cash flows from its existing lease portfolio activities and asset sales. Altria expects to complete the wind-down of this business by the end of 2022.

## Other Matters

- **Customers:** For a discussion of PM USA, USSTC, Helix and Middleton's largest customers, including their percentages of Altria's consolidated net revenues for the years ended December 31, 2021, 2020 and 2019, see Note 15. *Segment Reporting* to the consolidated financial statements in Item 8 ("Note 15").
- **Executive Officers of Altria:** The disclosure regarding executive officers is included in Item 10. Directors, Executive Officers and Corporate Governance - *Information about Our Executive Officers as of February 15, 2022* of this Form 10-K.
- **Human Capital Resources:** We believe our workforce is critical to achieving our Vision. Attracting, developing and retaining the best talent with the skills to make significant progress toward our Vision is a key business priority. Moreover, we recognize the importance of doing business the right way. We believe culture influences employee actions and decision-making. This is why we dedicate resources to promoting a vibrant, inclusive workplace; attracting, developing and retaining talented, diverse employees; promoting a culture of compliance and integrity; creating a safe workplace; and rewarding and recognizing employees for both the results they deliver and, importantly, how they deliver them.

### *Oversight and Management*

Our Human Resources department is responsible for managing employment-related matters, including recruiting and hiring, onboarding, compensation and benefits design and implementation, performance management, advancement and succession planning and professional and learning development. Our inclusion, diversity and equity ("ID&E") programs are managed by our Corporate Citizenship department. Our Board of Directors ("Board of Directors" or "Board") and the Compensation and Talent Development Committee provide oversight of human capital matters, including reviewing initiatives and programs related to corporate culture and enterprise-wide talent development, including our ID&E initiatives.

### *Inclusion, Diversity and Equity*

We recognize the critical importance of ID&E in pursuing our Vision and believe in the value of a workforce composed of a broad spectrum of backgrounds and cultures. In 2020, we established the following aspirational Inclusion & Diversity Aiming Points to help guide our efforts:

- Be an inclusive place to work for all employees, regardless of level, demographic group or work function.
- Have equal numbers of men and women among our vice president and director-level employees.
- Increase our vice president and director-level employees who are Asian, Black, Hispanic or two or more races to at least 30%.
- Increase our vice president and director-level employees who are LGBTQ+, a person with a disability or a veteran.
- Have diverse functional leadership teams that reflect the organizations they lead.

As of December 31, 2021, women represented 32% of vice president-level and 41% of director-level roles; Asian, Black, Hispanic or employees of two or more races represented 24% of our vice president-level and 26% of our director-level roles.

### *Compensation and Benefits*

Our compensation and benefits programs are designed to help us attract, retain and motivate strong talent. However, we recognize that the decreasing social acceptance of tobacco usage may impact our ability to attract and retain talent. We work to manage this risk by, among other things, targeting total compensation packages to be above peer companies for which we compete for talent. Depending on employee level, total compensation includes different elements – base salary, annual cash incentives, long-term equity and cash incentives and benefits. Our goal is to provide total compensation packages between the 50th and 75th percentiles of total compensation packages paid to employees in comparable positions at our peer companies upon attainment of business and individual goals.

We are committed to pay equity across our companies. Based on the most recent annual analysis we conducted in November 2021, adjusting for factors generally considered to be legitimate differentiators of salary, such as performance and tenure, salaries of our female employees were 99.6% of those of our male employees, and salaries of our non-white employees were 99.9% of those of our white employees.

In addition to cash and equity compensation, we offer generous employee benefits such as significant company contributions to deferred profit sharing plans, consumer-driven health plan coverage, vacation and holiday pay, disability and life insurance, and up to 12 weeks paid parental and family leave for birth, adoption and foster placement and an additional six weeks paid leave for birth mothers. Our benefits also include mental health and wellness benefits and family creation assistance benefits, such as adoption assistance and coverage for fertility treatments. In response to the COVID-19 pandemic, for 2020 and 2021, we expanded dependent care coverage to include \$5,000 employee reimbursement for remote learning and other dependent care costs. In addition, we offered financial incentives to our employees to encourage vaccination against COVID-19. While there is some variability in employee benefits across our companies, the examples we provide are available to most employees.

We are also committed to investing in the educational development of our workforce through an unlimited tuition refund program for job-related courses or company-related degrees.

### *Attracting, Developing and Retaining Talent*

Our salaried entry-level recruitment efforts focus on recruiting relationships with universities, internship opportunities and partnerships with organizations that support diverse students. We complement these recruiting efforts with hiring experienced employees with demonstrated leadership capabilities.

To help our employees succeed in their roles and develop in their careers, we emphasize ongoing training and leadership development opportunities. Building skills that drive innovation and aligning our employees to our Vision is important for our long-term success. The Human Resources department leads our learning and development efforts partnering with learning professionals embedded in functions throughout our operating and services companies. Employees have access to a wide variety of development programs, including new employee onboarding, classroom and self-guided training programs, technical training, including training to maintain professional certifications, and our educational refund program for continuing education.

We regularly conduct anonymous employee engagement surveys to seek feedback on a variety of topics, including employee satisfaction, support from leadership, corporate culture and culture of compliance. In addition, in 2021, we conducted quarterly employee surveys to gauge topics such as employee well-being in light of the COVID-19 pandemic, inclusion and workload. Survey results, including comparisons to prior results, are shared with our employees and our Board and are used to modify or enhance our human capital management programs.

### *Workplace Safety*

Our goal is for every Altria employee to have an injury-free career, which is supported by our Safety Management System (“SMS”). We strive for continuous improvement in our employee safety program through SMS infrastructure. Our Occupational Safety and Health Administration recordable injury rate for 2021 was 1.7% (versus 1.9% for 2020) and remains below the benchmark for companies in the U.S. Beverage and Tobacco Product Manufacturing industry classification.

In response to the COVID-19 pandemic, we implemented safety measures aligned with Centers for Disease Control and Prevention guidelines to help protect our employees, including remote work for non-manufacturing salaried employees and additional cleaning and sanitation practices. We also established a COVID-19 Task Force and a Return to Workplace team to facilitate the decision-making process as we navigated the evolving COVID-19 environment and its impacts on our employees.

### *Number of Employees and Labor Relations*

At December 31, 2021, we employed approximately 6,000 people (a decrease from approximately 7,100 at December 31, 2020 driven by the sale of the wine business). Thirty percent of our employees were hourly manufacturing employees and members of labor unions subject to collective bargaining agreements. We believe we engage and collaborate effectively with our hourly employees, as demonstrated by the positive working relationship between our companies and the unions. We also have long-term agreements that resolve any collective bargaining dispute through binding arbitration, which further demonstrates the trust-based relationship with the unions.

### *Supply Chain Human Capital Matters*

We support efforts to address human capital concerns in the tobacco supply chain. For example, in our domestic tobacco supply chain, we use on-farm good agricultural practices assessments to assess growers’ compliance with practices related to labor management. Our tobacco companies also establish contract terms and conditions with tobacco growers addressing child and forced labor and conduct social compliance audits in high-risk tobacco growing regions.

More information about efforts discussed in this section can be found in our Corporate Responsibility Reports at [www.altria.com/responsibility](http://www.altria.com/responsibility).

- **Intellectual Property:** Trademarks are of material importance to Altria and its operating companies, and are protected by registration or otherwise. In addition, as of December 31, 2021, the portfolio of United States patents owned by Altria’s businesses, as a whole, was material to Altria and its tobacco businesses. However, no one patent or group of related patents was material to Altria’s business or its tobacco businesses as of December 31, 2021. Altria’s businesses also have proprietary trade secrets, technology, know-how, processes and other intellectual property rights that are protected by appropriate confidentiality measures. Certain trade secrets are material to Altria and its tobacco businesses.
- **Government Regulations:** Altria and its subsidiaries are subject to various federal, state and local laws and regulations. For discussion of laws and regulations impacting Altria’s tobacco operating companies, see *Tobacco Space - Business Environment* in Item 7.

Altria and its subsidiaries (and former subsidiaries) are also 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. Subsidiaries (and former subsidiaries) of Altria are involved in several matters subjecting them to potential costs of remediation

and natural resource damages under Superfund or other laws and regulations. Altria's subsidiaries expect to continue to make capital and other expenditures in connection with environmental laws and regulations. As discussed in Note 2. *Summary of Significant Accounting Policies* to the consolidated financial statements in Item 8 ("Note 2"), Altria provides 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 subsidiaries of Altria may undertake in the future. In the opinion of management, however, compliance with environmental laws and regulations, including the payment of any remediation costs or damages and related expenditures, has not had, and is not expected to have, a material adverse effect on Altria's consolidated results of operations, capital expenditures, financial position or cash flows.

### **Available Information**

Altria is required to file annual, quarterly and current reports, proxy statements and other information with the U.S. Securities and Exchange Commission ("SEC").

Altria makes available free of charge on or through its website ([www.altria.com](http://www.altria.com)) its Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after Altria electronically files such material with, or furnishes it to, the SEC. Investors can access Altria's filings with the SEC by visiting [www.altria.com/secfilings](http://www.altria.com/secfilings).

The information on the respective websites of Altria and its subsidiaries is not, and shall not be deemed to be, a part of this Form 10-K or incorporated into any other filings Altria makes with the SEC.

### **Item 1A. Risk Factors.**

*The following risk factors should be read carefully in connection with evaluating our business and the forward-looking statements contained in this Form 10-K. Any of the following risks could materially adversely affect our business, our results of operations, our cash flows, our financial position and the actual outcome of matters as to which forward-looking statements are made in this Form 10-K.*

We may from time to time make written or oral forward-looking statements, including earnings guidance and other statements contained in filings with the SEC, reports to security holders, press releases and investor webcasts and presentations. 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 vary materially from those anticipated, estimated or projected. You should bear this in mind as you consider forward-looking statements and whether to invest in or remain invested in Altria's 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 to differ materially from those contained in, or implied by, any forward-looking statements made by us; any such statement is qualified by reference to the following cautionary statements. We elaborate on these and other risks we face throughout this Form 10-K particularly in the "Business Environment" sections preceding our discussion of the operating results of our subsidiaries' businesses below in Item 7. You should understand that it is not possible to predict or identify all risk factors. Consequently, you should not consider the following to be a complete discussion of all potential risks or uncertainties. We do not undertake to update any forward-looking statement that we may make from time to time except as required by applicable law.

### **Risks Related to Litigation, Legislative or Regulatory Action**

**Unfavorable litigation outcomes could materially adversely affect the consolidated results of operations, cash flows or financial position of Altria or the businesses of one or more of its subsidiaries or investees and Altria's ability to achieve its Vision.**

Legal proceedings covering a wide range of matters are pending or threatened in various United States and foreign jurisdictions against Altria and its subsidiaries, including PM USA, as well as their respective indemnitees, indemnitors and Altria's investees. Various types of claims may be raised in these proceedings, including product liability, unfair trade practices, antitrust, tax, contraband-related claims, patent infringement, employment matters, claims alleging violations of the Racketeer Influenced and Corrupt Organizations Act ("RICO"), claims for contribution and claims of competitors, shareholders and 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 or other litigation are 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, demonstrate 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, Altria or its subsidiaries 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, Altria or its subsidiaries under certain circumstances may have to pay more than their proportionate share of any bonding- or judgment-related amounts. Furthermore, in those cases where plaintiffs are successful, Altria or its subsidiaries may also be required to pay interest and attorneys' fees.

Although PM USA 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 now limit the dollar amount of bonds or require no bond at all. As discussed in Note 18, 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. Although we cannot predict the outcome of such challenges, it is possible that the consolidated results of operations, cash flows or financial position of Altria, or the businesses of one or more of its subsidiaries or investees, could be materially adversely affected in a particular fiscal quarter or fiscal year by an unfavorable outcome of one or more such challenges.

In certain litigation, Altria, its subsidiaries and its investees may face potentially significant non-monetary remedies that could have a material adverse effect on our businesses. For example, in the Federal Government's lawsuit discussed in Note 18, the district court did not impose monetary penalties but ordered significant non-monetary remedies, including the issuance of "corrective statements." In the patent lawsuit adjudicated before the ITC discussed in Note 18, the ITC banned the importation of the *IQOS* devices, *Marlboro HeatSticks* and component parts into the United States and the sale and marketing of any such products previously imported into the United States. As a result of the ITC's decision, PM USA removed the *IQOS* devices, *Marlboro HeatSticks* and any infringing components from the marketplace.

In 2019, we determined that our investment in JUUL was impaired in part due to the increase in the number and type of legal cases pending against JUUL. Altria and PM USA are also defendants in many of these cases. In addition, in April 2020 the Federal Trade Commission ("FTC") issued an administrative complaint against Altria and JUUL alleging that Altria's 35% investment in JUUL and the associated agreements constitute unreasonable restraint on trade. In February 2022, the administrative law judge dismissed the FTC's complaint. FTC complaint counsel appealed that decision to the FTC Commissioners. E-vapor litigation and the FTC action, including the remedies the FTC is seeking, are further discussed in Item 3. Legal Proceedings of this Form 10-K ("Item 3") and Note 18.

Altria and its subsidiaries have achieved substantial success in managing litigation. Nevertheless, litigation is subject to uncertainty, and significant challenges remain.

It is possible that the consolidated results of operations, cash flows or financial position of Altria, or the businesses of one or more of its subsidiaries or investees, could be materially adversely affected in a particular fiscal quarter or fiscal year by an unfavorable outcome or settlement of certain pending litigation. In addition, an unfavorable outcome in certain pending litigation could adversely affect our ability to achieve our Vision. Altria and each of its subsidiaries named as a defendant believe, and each has been so advised by counsel handling the respective cases, that it has valid defenses to the litigation pending against it, as well as valid bases for appeal of adverse verdicts. Each of the companies has defended, and will continue to defend, vigorously against litigation challenges. However, Altria and its subsidiaries may enter into settlement discussions in particular cases if they believe it is in the best interests of Altria to do so. See Item 3, Note 18 and Exhibits 99.1 and 99.2 to this Form 10-K for a discussion of pending tobacco-related litigation.

**Significant federal, state and local governmental actions, including actions by the FDA, and various private sector actions may continue to have an adverse impact on Altria and its tobacco operating companies' or its investees' businesses and sales volumes and on Altria's ability to achieve its Vision.**

As described in *Tobacco Space - Business Environment* in Item 7, PM USA faces significant governmental and private sector actions, including efforts aimed at reducing the incidence of tobacco use and efforts seeking to hold PM USA responsible for the adverse health effects associated with both smoking and exposure to environmental tobacco smoke. These actions, combined with the diminishing social acceptance of smoking, have resulted in reduced cigarette industry volume, and we expect that these factors will continue to reduce cigarette consumption levels.

More broadly, actions by the FDA and other federal, state or local governments or agencies, including those specific actions described in *Tobacco Space - Business Environment* in Item 7, may (i) impact the adult tobacco consumer acceptability of or access to tobacco products (for example, through nicotine or constituent limits or menthol or other flavor bans), (ii) delay or prevent the launch of new or modified tobacco products or products with claims of reduced risk, (iii) limit adult tobacco consumer choices, (iv) require the recall or other removal of tobacco products from the marketplace (for example as a result of (a) product contamination, (b) legislation and rulemaking that bans menthol or other flavors, (c) a determination by the FDA that one or more tobacco products do not satisfy the statutory requirements for substantial equivalence, (d) because the FDA requires that a currently marketed tobacco product proceed

through the pre-market review process or (e) because the FDA does not authorize a PMTA or otherwise determines that removal is necessary for the protection of public health), (v) restrict communications to adult tobacco consumers, (vi) restrict the ability to differentiate tobacco products, (vii) create a competitive advantage or disadvantage for certain tobacco companies, (viii) impose additional manufacturing, labeling or packing requirements, (ix) interrupt manufacturing or otherwise significantly increase the cost of doing business, (x) result in increased illicit trade in tobacco products or (xi) restrict or prevent the use of specified tobacco products in certain locations or the sale of tobacco products by certain retail establishments. Any one or more of these actions may have a material adverse impact on the business, consolidated results of operations, cash flows or financial position of Altria and its tobacco operating companies, including adversely affecting Altria's investment in JUUL and Altria's ability to achieve its Vision. See *Tobacco Space - Business Environment* in Item 7 for a more detailed discussion.

**Tobacco products are subject to substantial taxation, which could have an adverse impact on sales of the tobacco products of Altria's tobacco operating companies and JUUL and on Altria's ability to achieve its Vision.**

Tobacco products are subject to substantial excise taxes, and significant increases in tobacco product-related taxes or fees have been proposed or enacted and are likely to continue to be proposed or enacted within the United States at the federal, state and local levels. The frequency and magnitude of excise tax increases can be influenced by various factors, including federal and state budgets and the composition of executive and legislative bodies. Tax increases are expected to continue to have an adverse impact on sales of the tobacco products of our tobacco operating companies and JUUL through lower consumption levels and the potential shift in adult tobacco consumer purchases from the premium to the non-premium or discount segments or to other low-priced or low-taxed tobacco products or to counterfeit and contraband products. Such shifts may also have an adverse impact on the reported share performance of tobacco products of Altria's tobacco operating companies. In addition, excise taxes on e-vapor and oral nicotine products may negatively impact adult smokers' transition to these products, which could adversely affect Altria's ability to achieve its Vision. For further discussion, see *Tobacco Space - Business Environment - Excise Taxes* in Item 7.

**Unfavorable outcomes of any governmental investigations could materially affect the businesses of Altria and its subsidiaries or its investees and Altria's ability to achieve its Vision.**

From time to time, Altria, its subsidiaries and its investees are subject to federal and state governmental investigations on a range of matters. For further discussion of current pending investigations, see *Tobacco Space - Business Environment - Other International, Federal, State and Local Regulation and Governmental and Private Activity* in Item 7. We cannot predict the outcome of any such investigation, and it is possible that our business or the businesses of our subsidiaries and investees and our ability to achieve our Vision could be materially adversely affected by an unfavorable outcome of any current or future investigation.

**A challenge to our tax positions, an increase in the income tax rate or other changes to federal or state tax laws could adversely affect our earnings or cash flow.**

Tax laws and regulations are complex and subject to varying interpretations. A successful challenge to one or more of Altria's tax positions (which could give rise to additional liabilities, including interest and potential penalties), an increase in the corporate income tax rate or other changes to federal or state tax laws, including changes to how foreign investments are taxed, could adversely affect Altria's earnings or cash flow.

**International business operations subject Altria, its subsidiaries and its investees to various United States and foreign laws and regulations, and violations of such laws or regulations could result in reputational harm, legal challenges and/or significant costs.**

While Altria and its subsidiaries are primarily engaged in business activities in the United States, they do engage (directly or indirectly) in certain international business activities that are subject to various United States and foreign laws and regulations, such as foreign privacy laws, the U.S. Foreign Corrupt Practices Act and other laws prohibiting bribery and corruption. Although we have a Code of Conduct for Compliance and Integrity and a compliance system designed to prevent and detect violations of applicable law, no system can provide assurance that it will always protect against improper actions by employees, investees or third parties. Altria's investees also engage in international business operations. Violations of these laws, or allegations of such violations, by Altria, its subsidiaries or its investees could result in reputational harm, legal challenges and/or significant costs.

**Risks Related to Business Operations**

**Altria, its subsidiaries and its investees face various risks related to health epidemics and pandemics, including the COVID-19 pandemic and similar outbreaks, which could have a material adverse effect on the business, consolidated results of operations, cash flows or financial position of Altria and its tobacco operating companies and investees.**

Altria's, its subsidiaries' and its investees' business and financial results, consolidated results of operations, cash flows or financial position could be negatively impacted by health epidemics, pandemics and similar outbreaks. The continuing COVID-19 pandemic could have negative impacts, such as (i) a global or U.S. recession or other economic crisis, including a financial crisis, (ii) credit and capital markets volatility (and limited access to these markets, including by those in the distribution and supply chains), (iii) significant volatility in demand for our tobacco operating companies' and investees' products, (iv) changes in adult tobacco consumer accessibility to those products, including due to government action, (v) changes in adult tobacco consumer behavior and preferences, including trading down to lower-priced products or the reduction in, or the cessation of, product use due to public health actions or concerns and

economic conditions (including those stemming from potential changes in government stimulus or reductions in unemployment payments or other benefits), and (vi) extended or multiple disruptions in our tobacco operating companies' or investees' manufacturing operations, or in their distribution and supply chains. In addition, our subsidiaries and investees may incur increased costs and otherwise be negatively affected if significant portions of their respective workforces (or the workforces within their respective distribution or supply chains) are unable to work or work effectively, including because of illness, unavailability of personal protective equipment, quarantines, government actions, facility closures or other restrictions.

The impact of the COVID-19 pandemic depends on factors beyond our knowledge or control, including the duration and severity of the outbreak (including new variants), increases in the number of cases in future periods, and actions taken to contain its spread and mitigate the public health effects. We cannot at this time predict the impact of the COVID-19 pandemic on our or our investees' future financial or operational results, but the impact could be material over time. See the risks below related to extended disruptions at a facility, of a distributor or in service by a service provider and the risks related to our investments in JUUL, ABI and Cronos and the earnings from and carrying value of those investments. For further discussion on the impact of the COVID-19 pandemic on our tobacco operating companies and investees, see *Executive Summary - COVID-19 Pandemic* in Item 7.

**Altria's tobacco businesses face significant competition (including across categories) and their failure to compete effectively could have an adverse effect on the consolidated results of operations or cash flows of Altria, or the business of Altria's tobacco operating companies and on Altria's ability to achieve its Vision.**

Each of Altria's tobacco operating companies operates in highly competitive tobacco categories. This competition also exists across categories as adult tobacco consumer preferences evolve. Significant methods of competition include product quality, taste, price, product innovation, marketing, packaging, distribution and promotional activities. This highly competitive environment could negatively impact the profitability, market share (including as a result of down-trading to lower-priced competitive brands) and shipment volume of Altria's tobacco operating companies, which could have an adverse effect on the consolidated results of operations or cash flows of Altria. See *Tobacco Space - Business Environment - Summary* in Item 7 for additional discussion concerning evolving adult tobacco consumer preferences. Growth of the e-vapor product category and other innovative tobacco products, including oral nicotine pouches, has further contributed to reductions in cigarette consumption levels and cigarette industry sales volume and in the consumption levels and sales volumes of other tobacco products, including MST. In addition, growth of unregulated synthetic nicotine products, which may not be subject to the same regulatory restrictions (including marketing restrictions and FDA pre-marketing requirements) as the tobacco-derived e-vapor and oral nicotine products of Altria's tobacco operating companies and JUUL, could negatively impact the growth of e-vapor and oral nicotine pouch products. Continued growth in these categories could have a material adverse impact on the business, results of operations, cash flows or financial position of Altria and its tobacco operating companies if they are unable to compete effectively (directly or through Altria's investments) in these innovative product categories, which could also negatively impact Altria's ability to achieve its Vision.

PM USA also faces competition from lower-priced brands sold by certain United States and foreign manufacturers that have cost advantages because they are not parties to settlements of certain tobacco litigation in the United States and, as such, are not required to make annual settlement payments as required by the parties to the settlements. These settlement payments are significant for PM USA, as described in *Liquidity and Capital Resources - Payments under State Settlement Agreements and FDA Regulation* in Item 7. These settlements, among other factors, resulted in substantial cigarette price increases to help cover the cost of the settlement payments. Manufacturers not party to the settlements are subject to state escrow legislation requiring escrow deposits. Such manufacturers may avoid these escrow obligations by concentrating on certain states where escrow deposits are not required or are required on fewer than all such manufacturers' cigarettes sold in such states. Additional competition has resulted from diversion into the United States market of cigarettes intended for sale outside the United States, the sale of counterfeit cigarettes by third parties, the sale of cigarettes by third parties over the Internet and by other means designed to avoid collection of applicable taxes, and imports of foreign lower-priced brands.

**Altria and its tobacco operating companies may be unsuccessful in anticipating changes in adult tobacco consumer preferences, responding to changes in adult tobacco consumer purchase behavior or managing through difficult competitive and economic conditions, which could have an adverse effect on the consolidated results of operations and cash flows of Altria or the business of Altria's tobacco operating companies.**

Each of our tobacco operating companies is subject to intense competition and changes in adult tobacco consumer preferences. To be successful, they must continue to:

- promote brand equity successfully;
- anticipate and respond to new and evolving adult tobacco consumer preferences;
- develop, manufacture, market and distribute new and innovative products that appeal to adult tobacco consumers (including, where appropriate, through arrangements with, or investments in, third parties);
- improve productivity; and
- protect or enhance margins through cost savings and price increases.

See *Tobacco Space - Business Environment - Summary* in Item 7 and the immediately preceding risk factor for additional discussion concerning evolving adult tobacco consumer preferences, specifically the growth of e-vapor and other innovative tobacco products and the effects on our tobacco operating companies.

The willingness of adult tobacco consumers to purchase premium consumer product brands depends in part on economic conditions, including inflation. In periods of economic uncertainty and/or high inflation, among other conditions, adult tobacco consumers may purchase more discount brands and/or, in the case of tobacco products, consider lower-priced tobacco products, including different categories of tobacco products than those they traditionally purchase, which could have a material adverse effect on the business, consolidated results of operations, cash flows or financial position of Altria and its tobacco operating companies. While our tobacco operating companies work to broaden their brand portfolios to compete effectively with lower-priced products, the failure to do so could negatively impact their ability to compete in these circumstances. During the second half of 2021, discount cigarette products resumed share growth driven primarily by deep discount products. See *Tobacco Space - Business Environment - Summary* in Item 7 for further discussion of economic conditions, including the impact of the current high inflationary environment on our businesses.

**Altria's tobacco operating companies and investees may be unsuccessful in developing and commercializing innovative products or processes, including tobacco products that may reduce the health risks associated with certain other tobacco products and that appeal to adult tobacco consumers, which may have an adverse effect on their ability to grow new revenue streams and/or put them at a competitive disadvantage and may also have an adverse effect on Altria's ability to achieve its Vision.**

Altria and its tobacco operating companies have growth strategies involving moves and potential moves into innovative products or processes. Some innovative tobacco products may reduce the health risks associated with certain other tobacco products, while continuing to offer adult tobacco consumers (within and outside the United States) products that meet their taste expectations and evolving preferences. Examples include tobacco-containing and nicotine-containing products that reduce or eliminate exposure to cigarette smoke and/or constituents identified by public health authorities as harmful, such as electronically heated tobacco products, oral nicotine pouches and e-vapor products.

In addition to internal product development, these efforts include arrangements with, or investments in, third parties such as our arrangement with PMI to commercialize *IQOS* devices and related *Marlboro HeatSticks* in the United States, which is governed by an exclusive license and distribution agreement. The *IQOS* devices and related *Marlboro HeatSticks* are currently subject to an importation ban and cease-and-desist orders imposed by the ITC. PM USA does not expect to have access to *IQOS* devices or the related *Marlboro HeatSticks* for sale and distribution during 2022. In addition, the initial 5-year term of this agreement expires in April 2024 and renews at our option for an additional 5-year period so long as we have achieved certain performance objectives. The initial term performance objectives are based on achieving 0.5% dollar share of the cigarette category within a certain period of time in a certain number of geographic areas. In addition, we maintain our exclusive distribution rights as to PMI during the term of the agreement so long as we have achieved certain performance objectives within a specified time period by April 2022. The exclusive distribution rights performance objectives are based on achieving 0.5% dollar share of the cigarette category within a certain period of time in a single geographic area. While we believe Altria has met the initial term and exclusive distribution rights performance objectives, PMI has communicated to us that it disagrees as to whether those objectives have been met. If we do not resolve this disagreement in a manner favorable to PM USA, it could result in the loss of (i) our unilateral right to extend the agreement for the additional 5-year period, and therefore we would no longer be able to commercialize *IQOS* devices and related *Marlboro HeatSticks* after April 2024, or (ii) our exclusive distribution rights as to PMI. For further discussion, see Note 18.

Additionally, our investment in JUUL subjects us to non-competition obligations restricting us from investing or engaging in the e-vapor business other than through JUUL, subject to certain exceptions.

Our tobacco operating companies and investees may not succeed in their efforts to develop and commercialize these innovative products, which would have an adverse effect on the ability to grow new revenue streams and on our ability to achieve our Vision.

Further, we cannot predict whether regulators, including the FDA, will permit the marketing or sale of any particular innovative products (including products with claims of reduced risk to adult tobacco consumers), the speed with which they may make such determinations or whether regulators will impose an unduly burdensome regulatory framework on such products. In addition, the FDA could, for a variety of reasons, determine that innovative products currently on the market but pending FDA review of the associated PMTA (such as *on!* oral nicotine pouches), or those that have previously received authorization, including with a claim of reduced exposure (such as *IQOS*), are not appropriate for the public health and the FDA could require such products be taken off the market. See *Tobacco Space - Business Environment - FSPTCA and FDA Regulation* in Item 7 for further discussion. We also cannot predict whether these products will appeal to adult tobacco consumers or whether adult tobacco consumers' purchasing decisions would be affected by reduced-risk claims on such products if permitted. Adverse developments on any of these matters could negatively impact the commercial viability of such products.

If our tobacco operating companies or investees do not succeed in their efforts to develop and commercialize innovative tobacco products or to obtain or maintain regulatory approval for the marketing or sale of products, including with claims of reduced risk, but one or more of their competitors does succeed, our tobacco operating companies or investees may be at a competitive disadvantage, which could have an adverse effect on their financial performance and on our ability to achieve our Vision.

**Significant changes in price, availability or quality of tobacco, other raw materials or component parts could have an adverse effect on the profitability and business of Altria's tobacco operating companies and investees.**

Any significant change in prices, quality or availability of tobacco, other raw materials or component parts, including as a result of the COVID-19 pandemic, economic conditions (including inflation, labor shortages and supply chain disruptions) or other factors, could adversely affect our tobacco operating companies' and our investees' profitability and business, as well as their ability to remain compliant with FDA and other regulatory requirements for tobacco products. For further discussion, see *Tobacco Space - Business Environment - Price, Availability and Quality of Tobacco, Other Raw Materials and Component Parts* in Item 7.

**Altria's tobacco operating companies and investees rely on a few significant facilities and a small number of key suppliers, distributors and distribution chain service providers. An extended disruption at a facility or in service by a supplier, distributor or distribution chain service provider could have a material adverse effect on the business, the consolidated results of operations, cash flows or financial position of Altria and its tobacco operating companies and investees.**

Altria's tobacco operating companies and investees face risks inherent in reliance on a few significant manufacturing facilities and a small number of key suppliers, distributors and distribution chain service providers. A natural or man-made disaster, cyber-incident, global pandemic or other disruption that affects the manufacturing operations of any of Altria's tobacco operating companies or investees, the operations of any key supplier, distributor or distribution chain service provider of any of Altria's tobacco operating companies or investees or any other disruption in the supply or distribution of goods or services (including a key supplier's inability to comply with government regulations, lack of available workers or unwillingness to supply goods or services to a tobacco company) could adversely impact the operations of the affected subsidiaries and investees. Operations of Altria's tobacco operating companies, suppliers, distributors and distribution chain service providers and those of its investees could be suspended temporarily once or multiple times, or closed permanently, depending on various factors. An extended disruption in operations experienced by one or more of Altria's tobacco operating companies, investees or in the supply or distribution of goods or services by one or more key suppliers, distributors or distribution chain service providers, could have a material adverse effect on the business, the consolidated results of operations, cash flows or financial position of Altria and its tobacco operating companies and investees.

**Altria's tobacco operating companies and investees could decide or be required to recall products, which could have a material adverse effect on the business, reputation, consolidated results of operations, cash flows or financial position of Altria, its tobacco operating companies and investees.**

In addition to a recall required by the FDA, as referenced above, our tobacco operating companies and investees could decide, or other laws or regulations could require them, to recall products due to the failure to meet quality standards or specifications, suspected or confirmed and deliberate or unintentional product contamination, or other adulteration, product misbranding or product tampering. Product recalls could have a material adverse effect on the business, reputation, consolidated results of operations, cash flows or financial position of Altria, its tobacco operating companies and investees.

**The failure of Altria's or its investees' information systems or service providers' or key suppliers' information systems to function as intended, or cyber-attacks or security breaches, could have a material adverse effect on the business, reputation, consolidated results of operations, cash flows or financial position of Altria, its subsidiaries or its investees.**

Altria and its subsidiaries rely extensively on information systems, many of which are managed by third-party service providers (such as cloud providers), to support a variety of business processes and activities, including: complying with regulatory, legal, financial reporting and tax requirements; engaging in marketing and e-commerce activities; managing and improving the effectiveness of our operations; manufacturing and distributing our products; collecting and storing sensitive data and confidential information; and communicating internally and externally with employees, investors, suppliers, trade customers, adult tobacco consumers and others. Suppliers and supply chain service providers also rely extensively on information systems. We continue to make appropriate investments in administrative, technical and physical safeguards to protect our information systems and data from cyber-threats, including human error and malicious acts. Our safeguards include employee training, testing and auditing protocols, backup systems and business continuity plans, maintenance of security policies and procedures, monitoring of networks and systems, and third-party risk management.

From time-to-time Altria and its suppliers experience attempts to infiltrate and interrupt information systems. While infiltration attempts have increased, to date, interruptions of these information systems as a result of infiltration attempts have not had a material impact on our operations. However, because technology is increasingly complex and cyber-attacks are increasingly sophisticated and more frequent, there can be no assurance that such incidents will not have a material adverse effect on us in the future. Failure of Altria's or its investees' information systems or service providers' or key suppliers' information systems to function as intended, or cyber-attacks or security breaches, could result in loss of revenue, assets, personal data, intellectual property, trade secrets or other sensitive and confidential data, violation of applicable privacy and data security laws, reputational harm to the companies and their brands, operational disruptions, legal challenges and significant remediation and other costs to Altria, its subsidiaries and its investees.

**Altria may be unable to attract and retain the best talent due to the impact of decreasing social acceptance of tobacco usage, tobacco control actions and other factors, which could adversely affect Altria’s ability to achieve its Vision.**

Our ability to implement our strategy of attracting and retaining the best talent may be impaired by the impact of decreasing social acceptance of tobacco usage and tobacco regulation and control actions. The tobacco industry competes for talent with the consumer products industry and other companies that may enjoy greater societal acceptance and fewer longer-term challenges. As a result, we may be unable to attract and retain the best talent. In addition, our ability to retain the best talent may be adversely affected by current labor market dynamics in which the number of U.S. workers leaving their jobs increased significantly. Failure to attract and retain the best talent could adversely affect Altria’s ability to achieve its Vision.

**Altria may be required to write down intangible assets, including goodwill, due to impairment, which could have a material adverse effect on our results of operations or financial position.**

We periodically calculate the fair value of our reporting units and intangible assets to test for impairment. This calculation may be affected by several factors, including general economic conditions (such as continued uncertainty of the COVID-19 pandemic), regulatory developments, changes in category growth rates as a result of changing adult tobacco consumer preferences, success of planned new product expansions, competitive activity and income and excise taxes. Certain events also can trigger an immediate review of intangible assets. If an impairment is determined to exist in either situation, we will incur impairment losses, which could have a material adverse effect on our results of operations or financial position. For further discussion, see *Discussion and Analysis - Critical Accounting Policies and Estimates* in Item 7.

**Risks Related to the Capital Markets and Financing**

**Acquisitions or other events may adversely affect Altria’s credit rating, and Altria may not achieve its anticipated strategic or financial objectives of a transaction.**

From time to time, Altria considers acquisitions, investments or dispositions and may engage in confidential negotiations that are not publicly announced unless and until those negotiations result in a definitive agreement. Although we seek to maintain or improve our credit ratings over time, it is possible that completing a given acquisition, investment, disposition or the occurrence of other events could negatively impact our investment grade credit ratings or the outlook for those ratings as occurred following our investment in JUUL. Any such change in ratings or outlook may negatively affect the amount of credit available to us and also may increase our costs and adversely affect our earnings or our dividend rate. Furthermore, acquisition opportunities are limited, and acquisitions present risks of failing to achieve efficient and effective integration, strategic objectives and anticipated revenue improvements and cost savings. There can be no assurance that we will be able to acquire attractive businesses on favorable terms or that we will realize any of the anticipated benefits from an acquisition or an investment. Additionally, there can be no assurance that we will be able to dispose of our businesses or investments on favorable terms, which may result in a loss in our consolidated statements of earnings (losses).

**Disruption and uncertainty in the credit and capital markets could adversely affect Altria’s access to these markets, earnings and dividend rate.**

Access to the credit and capital markets is important for us to satisfy our liquidity and financing needs. For example, we typically access the commercial paper market early in the second quarter to help fund payments under the Master Settlement Agreement (the “MSA”) tax obligations and shareholder dividends. Disruption and uncertainty in these markets and any resulting adverse impact on credit availability, pricing, credit terms or credit rating may negatively affect the amount of credit available to us and may also increase our costs and adversely affect our earnings or our dividend rate.

**Altria may be unable to attract investors due to the impact of decreasing social acceptance of tobacco usage.**

There is increasing investor focus on environmental, social and governance (“ESG”) matters. Organizations that provide ESG information to investors have developed ratings processes for evaluating companies on their approach to ESG matters. Such ratings are used by some investors to inform their investment and voting decisions. Decreasing social acceptance of tobacco products or unfavorable ESG ratings may lead to increased negative investor sentiment toward Altria, which could result in shareholders choosing to divest their ownership in Altria stock or potential investors choosing not to invest in Altria stock and could have a negative impact on the market performance of Altria stock.

**Risks Related to Our Investments**

**A challenge to our investment in JUUL, if successful, could result in a broad range of resolutions, including divestiture of the investment or rescission of the transaction.**

A challenge to our investment in JUUL, if successful, could result in a broad range of resolutions such as divestiture of the investment or rescission of the transaction. In April 2020, the FTC issued an administrative complaint against Altria and JUUL alleging that Altria’s 35% investment in JUUL and the associated agreements constitute an unreasonable restraint of trade in violation of Section 1 of the Sherman Act and Section 5 of the FTC Act, and substantially lessened competition in violation of Section 7 of the Clayton Act. The FTC seeks a broad range of remedies, including divestiture of Altria’s investment in JUUL, rescission of the transaction and prohibition against any officer or director of either Altria or JUUL serving on the other’s board of directors or attending meetings. The

administrative trial was held before an FTC administrative law judge in June 2021. In February 2022, the administrative law judge dismissed the FTC's complaint. FTC complaint counsel appealed that decision to the FTC Commissioners. Any adverse ruling the FTC Commissioners issue following their review may be appealed to a federal appellate court.

Also, various putative class action lawsuits have been filed against Altria (and in some cases, subsidiaries of Altria) and JUUL. The lawsuits cite the FTC administrative complaint referenced above and allege claims similar to those made by the FTC. Plaintiffs in these lawsuits are seeking various remedies, including treble damages, attorneys' fees, a declaration that the agreements between Altria and JUUL are invalid, divestiture of Altria's investment in JUUL and rescission of the transaction.

A successful challenge by the FTC or the plaintiffs in the lawsuits to the investment would adversely affect us, including by eliminating, or substantially limiting, our rights with respect to our investment in JUUL, and could adversely affect the estimated fair value of our investment. For further discussion of the FTC administrative complaint, see Item 3 and Note 18.

**The expected benefits of the JUUL transaction may not materialize in the expected manner or timeframe or at all.**

Regardless of whether we successfully defend against the FTC's challenge to the JUUL transaction, the expected benefits of the JUUL transaction may not materialize in the expected manner or timeframe or at all, including due to the risks encountered by JUUL in its business, some of which are described in various risk factors above, such as operational risks, competitive risks and regulatory and legislative risks at the international, federal, state and local levels, including actions by the FDA, and adverse publicity due to underage use of e-vapor products and other factors; unanticipated impacts on JUUL's relationships with employees, customers, suppliers and other third parties; potential disruptions to JUUL's management or current or future plans and operations; or domestic or international litigation developments, investigations or otherwise. As discussed in Note 18, JUUL and Altria and/or its subsidiaries, including PM USA, are named as defendants in various individual and class action lawsuits, including independent lawsuits initiated by certain state attorneys general. JUUL also is named in a significant number of additional individual and class action lawsuits to which neither Altria nor its subsidiaries is a party. See *Tobacco Space - Business Environment* in Item 7 for a discussion of certain FDA-related regulatory risks applicable to the e-vapor category, including the potential removal of certain e-vapor products from the market as a result of FDA enforcement action and the potential denial of new tobacco product applications for e-vapor products. Failure to realize the expected benefits of our JUUL investment could adversely affect the value of the investment and could also adversely affect our ability to achieve our Vision.

As discussed in Note 6, as part of the preparation of our financial statements for the quarters ended September 30, 2019, December 31, 2019 and September 30, 2020, we performed valuations of our investment in JUUL as a result of the existence of impairment indicators. As a result, we determined that our investment in JUUL was impaired and recorded total non-cash pre-tax impairment charges of \$11.2 billion. Following Share Conversion (as defined in Note 6) in the fourth quarter of 2020, Altria elected to account for its equity method investment in JUUL under the fair value option. Under this option, Altria's consolidated statements of earnings (losses) include any cash dividends received from its investment in JUUL and any changes in the estimated fair value of its investment, which is calculated quarterly. While we believe the December 31, 2021 valuation of \$1.7 billion is the appropriate current estimated fair value of our investment, the risks identified in this paragraph, some of which are also further discussed in *Discussion and Analysis - Critical Accounting Policies and Estimates - Investment in JUUL* and *Tobacco Space - Business Environment* in Item 7 and in Note 18, are ongoing with respect to the current estimated fair value. Quarterly fair value changes could create volatility in Altria's consolidated financial position and earnings and, if the estimated fair value of our investment in JUUL decreases, it could have a material adverse effect on Altria's consolidated financial position or earnings.

**Our investment in JUUL includes non-competition, standstill and transfer restrictions that prevent us from gaining control of JUUL. Furthermore, if we elect not to extend our non-competition obligations beyond December 20, 2024, we would lose certain of our governance, consent, preemptive and other rights with respect to our investment in JUUL.**

The shares of JUUL we hold generally cannot be sold or otherwise transferred until December 20, 2024, subject to limited exceptions. We also generally agreed not to compete with JUUL in the e-vapor category until at least December 20, 2024, which may be extended at our election. If, however, JUUL is prohibited by federal law from selling e-vapor products in the United States for at least one year or if Altria's carrying value of the JUUL investment is not more than 10% of its initial carrying value of \$12.8 billion, we may elect to compete with JUUL in the e-vapor category prior to December 20, 2024. In addition, in the event we elect to exercise our board designation rights at JUUL, JUUL's board of directors will include nine members, three of whom will be designated by Altria, including one independent designee. JUUL's strategy and its material decisions are not and will not be controlled by us, and the terms of our agreements with JUUL mean that we are required to bear the risks associated with our investment in JUUL and are restricted from competing with JUUL until at least December 20, 2024, subject to the exceptions mentioned above. Further, if we elect not to extend our non-competition obligations beyond that date or to terminate such obligations in the circumstances described above, we would lose some or all of our board designation rights, preemptive rights, consent rights and other rights with respect to our investment in JUUL.

**Altria's reported earnings from and carrying value of its equity investment in ABI and the dividends paid by ABI on shares owned by Altria may be adversely affected by various factors, including foreign currency exchange rates and ABI's business results, including as a result of the COVID-19 pandemic, and ABI's stock price.**

For purposes of financial reporting, the earnings from and carrying value of our equity investment in ABI are translated into U.S. dollars ("USD") from various local currencies. In addition, ABI pays dividends in euros, which we convert into USD. During times of a strengthening USD against these currencies, our reported earnings from and carrying value of our equity investment in ABI will be reduced because these currencies will translate into fewer USD and the dividends that we receive from ABI will convert into fewer USD. Dividends and earnings from and carrying value of our equity investment in ABI are also subject to the risks encountered by ABI in its business, its business outlook, cash flow requirements and financial performance, the state of the market and the general economic climate, including the impact of the COVID-19 pandemic. For example, in 2020, as a result of the uncertainty, volatility and impact of the COVID-19 pandemic on ABI's business, ABI reduced by 50% its final 2019 dividend paid in the second quarter of 2020 and did not pay its interim 2020 dividend that would have been paid in the fourth quarter of 2020, which resulted in a reduction of cash dividends Altria received from ABI.

**If the carrying value of our investment in ABI exceeds its fair value and the loss in value is other than temporary, the investment is considered impaired, which would result in additional impairment losses and could have a material adverse effect on our consolidated financial position or earnings.**

As further discussed in Note 6, in preparing our financial statements for the period ended September 30, 2021, we concluded that the carrying value of our investment in ABI exceeded the fair value of our equity investment in ABI and that the decline in fair value of our investment in ABI below its carrying value was other than temporary at September 30, 2021. As a result, we recorded a non-cash, pre-tax impairment charge of \$6.2 billion for the nine and three months ended September 30, 2021 to (income) losses from equity investments in Altria's condensed consolidated statements of earnings (losses). If ABI is unable to successfully execute its business plans and strategies and the carrying value of our investment in ABI again exceeds the fair value of our investment in ABI, it could result in additional impairment losses, which could have a material adverse effect on our consolidated financial position or earnings.

**If our percentage ownership in ABI were to decrease below certain levels, we may be subject to additional tax liabilities, incur a reduction in the number of directors that we can have appointed to the ABI board of directors and be unable to account for our investment in ABI under the equity method of accounting.**

In the event that our ownership percentage in ABI were to decrease below certain levels, (i) we may be subject to additional tax liabilities, (ii) the number of directors that we have the right to have appointed to the ABI board of directors could be reduced from two to one or zero and (iii) we may be unable to continue to account for our investment in ABI under the equity method of accounting.

**Tax authorities may challenge the tax treatment of the consideration Altria received in the October 2016 SABMiller plc/ABI business combination ("ABI Transaction") and the tax treatment of our investment in ABI may not be as favorable as Altria anticipates.**

While we expect the tax treatment of the consideration that we received from the ABI Transaction to be respected, the statute of limitations for the tax year in which the transaction occurred has not expired. Therefore, we cannot provide any assurance that federal and state tax authorities will not challenge the expected tax treatment and, if they do, what the outcome of any such challenge will be. In addition, there is a risk that the tax treatment of our investment in ABI may not be as favorable as we anticipate.

**The expected benefits of the Cronos transaction may not materialize in the expected manner or timeframe or at all.**

In March 2019, we acquired common shares representing a 45% equity interest in Cronos, a warrant to acquire common shares representing an additional 10% equity interest in Cronos and anti-dilution protections to purchase Cronos shares to maintain our ownership percentage. There can be no assurance that we will realize the expected benefits of the Cronos transaction, including due to the risks encountered by Cronos in its business, some of which are described in various risk factors above, such as operational risks and legal and regulatory risks; unanticipated impacts on Cronos's relationships with third parties, its management, or its current or future plans and operations due to the Cronos transaction or other factors; or domestic or international litigation developments, tax disputes, investigations, or otherwise; or that Cronos will successfully execute its business plans and strategies. Further, a failure by Cronos or Altria to comply with applicable laws, including cannabis laws, could result in criminal, civil or tax liability or reputational harm for Altria.

**If the carrying value of our investment in Cronos exceeds its fair value and the loss in value is other than temporary, the investment is considered impaired, which would result in impairment losses and could have a material adverse effect on our consolidated financial position or earnings.**

As further discussed in Note 6, in preparing our financial statements for the year ended December 31, 2021, we concluded that our equity method investment in Cronos declined below its carrying value and that there was not sufficient evidence to conclude that the impairment was temporary. As a result, we recorded a non-cash, pre-tax impairment charge of \$205 million to (income) losses from equity investments in our consolidated statement of earnings (losses) for the year ended December 31, 2021. If Cronos is unable to

successfully execute its business plans and strategies and the fair value of our investment in Cronos continues to decrease, it could result in additional impairment losses, which could have a material adverse effect on our consolidated financial position or earnings.

### **Item 1B. Unresolved Staff Comments.**

None.

### **Item 2. Properties.**

ALCS owns one property in Richmond, Virginia that serves as the headquarters facilities for Altria, PM USA, USSTC, Middleton, Helix and certain other subsidiaries.

PM USA owns and operates a manufacturing facility located in Richmond, Virginia that PM USA uses in the manufacturing of cigarettes (smokeable products segment). PM USA leases portions of this facility to other Altria subsidiaries for use in the manufacturing of cigars (smokeable products segment) and MST, snus and oral nicotine pouch products (oral tobacco products segment). In addition, PM USA owns a research and technology center in Richmond, Virginia that is leased to ALCS.

The oral tobacco products segment has various manufacturing and processing facilities, the most significant of which are located in Nashville, Tennessee.

The plants and properties owned or leased and operated by Altria and its subsidiaries are maintained in good condition and are believed to be suitable and adequate for present needs.

### **Item 3. Legal Proceedings.**

The information required by this Item is included in Note 18 and Exhibits 99.1 and 99.2 to this Form 10-K. Altria's consolidated financial statements and accompanying notes for the year ended December 31, 2021 were filed on Form 8-K on January 27, 2022 (such consolidated financial statements and accompanying notes are also included in Item 8). The following summarizes certain developments in Altria's litigation since the filing of the Form 8-K.

#### **Recent Developments**

##### **▪ Engle Progeny Trial Results**

In *Gloger*, in February 2022, the Florida Third District Court of Appeals reversed the trial court verdict against PM USA and R.J. Reynolds Tobacco Company and remanded the case for a new trial.

In *Jordan*, in February 2022, PM USA filed a notice to invoke the discretionary jurisdiction of the Florida Supreme Court.

In *Kaplan*, in February 2022, the Florida Supreme Court vacated the \$2 million compensatory damages award against PM USA based on its decision in *Sheffield* and remanded the case to the Florida Fourth District Court of Appeals for reconsideration.

##### **▪ E-Vapor Product Litigation**

In the lawsuit filed by the Alaska Attorney General, in February 2022, the court granted Altria's motion to dismiss the public nuisance claim, but denied its motion to dismiss the other claims.

##### **▪ Antitrust Litigation**

In February 2022, in the FTC administrative complaint against Altria and JUUL, the administrative law judge dismissed the FTC's complaint. FTC complaint counsel appealed that decision to the FTC Commissioners. Any adverse ruling the FTC Commissioners issue following their review may be appealed to any U.S. Court of Appeals.

### **Item 4. Mine Safety Disclosures.**

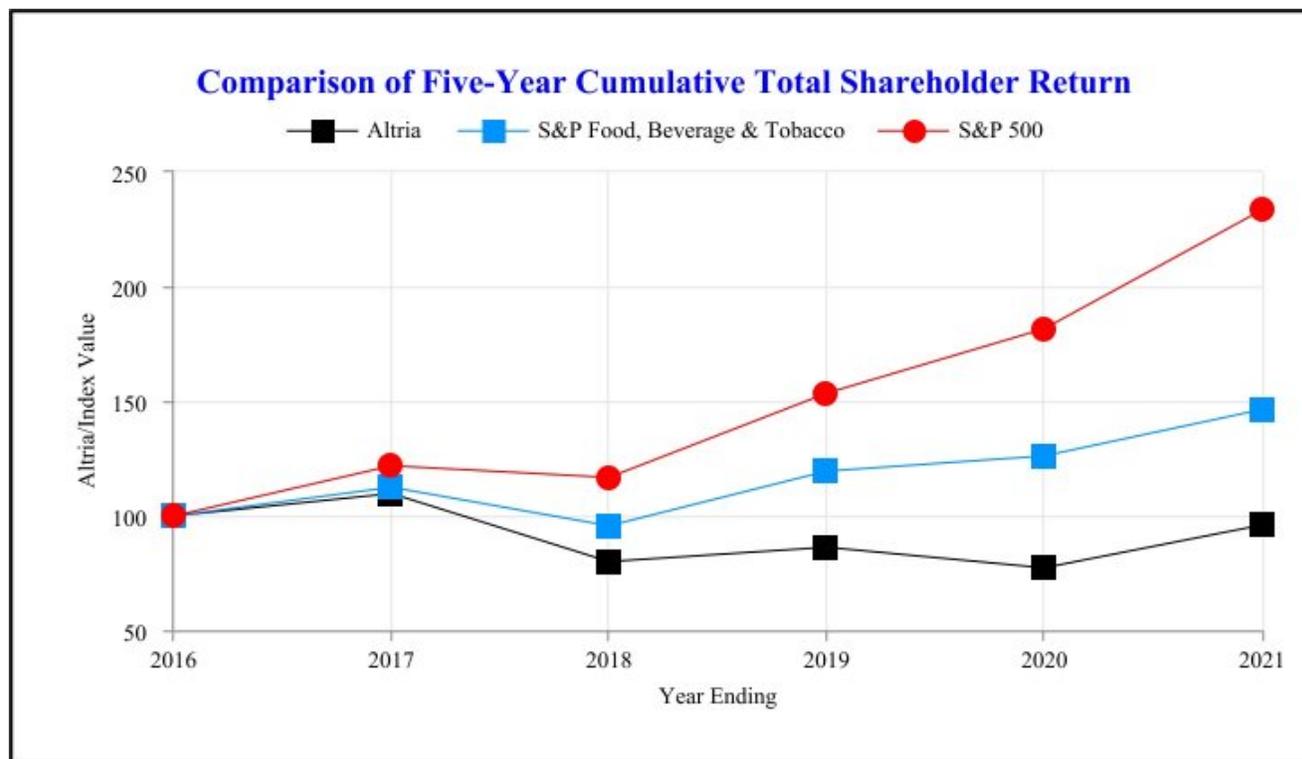
Not applicable.

## Part II

### Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

#### Performance Graph

The graph below compares the cumulative total shareholder return of Altria’s common stock for the last five years with the cumulative total return for the same period of the S&P 500 Index and the S&P Food, Beverage and Tobacco Industry Group Total Return Index. The graph assumes the investment of \$100 in common stock and each of the indices as of the market close on December 31, 2016 and the reinvestment of all dividends on a quarterly basis.



Date	Altria	S&P Food, Beverage & Tobacco	S&P 500
December 2016	\$ 100.00	\$ 100.00	\$ 100.00
December 2017	\$ 109.45	\$ 112.35	\$ 121.82
December 2018	\$ 79.80	\$ 95.59	\$ 116.47
December 2019	\$ 86.15	\$ 119.42	\$ 153.14
December 2020	\$ 77.21	\$ 126.06	\$ 181.31
December 2021	\$ 95.94	\$ 146.45	\$ 233.36

Source: Bloomberg - “Total Return Analysis” calculated on a daily basis and assumes reinvestment of dividends as of the ex-dividend date.

#### Market and Dividend Information

The principal stock exchange on which Altria’s common stock (par value \$0.33 1/3 per share) is listed is the New York Stock Exchange under the trading symbol “MO”. At February 15, 2022, there were approximately 52,000 holders of record of Altria’s common stock.

Altria has a history of paying cash dividends and maintains its dividend payout ratio target of approximately 80% of its adjusted diluted earnings per share. Future dividend payments remain subject to the discretion of the Board of Directors.

**Issuer Purchases of Equity Securities During the Quarter Ended December 31, 2021**

In January 2021, the 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”), which Altria expects to complete by December 31, 2022. The timing of share repurchases under this program depends upon marketplace conditions and other factors, and the program remains subject to the discretion of the Board.

Altria’s share repurchase activity for each of the three months in the period ended December 31, 2021, was as follows:

Period	Total Number of Shares Purchased <sup>(1)</sup>	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
October 1- October 31, 2021	2,299,678	\$ 47.49	2,299,435	\$ 2,418,402,110
November 1- November 30, 2021	6,626,237	\$ 44.58	6,625,750	\$ 2,123,017,842
December 1- December 31, 2021	6,547,494	\$ 45.51	6,545,903	\$ 1,825,142,753
For the Quarter Ended December 31, 2021	15,473,409	\$ 45.40	15,471,088	

<sup>(1)</sup> The total number of shares purchased includes (a) shares purchased under the January 2021 share repurchase program and (b) shares withheld by Altria in an amount equal to the statutory withholding taxes for vested stock-based awards previously granted to eligible employees (which totaled 243 shares in October, 487 shares in November and 1,591 shares in December).

**Item 6. [Reserved].****Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.**

The following discussion should be read in conjunction with the other sections of this Form 10-K, including the consolidated financial statements and related notes contained in Item 8, and the discussion of risk factors that may affect future results in Item 1A. Additionally, refer to Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations in Altria’s 2020 Annual Report on Form 10-K for management’s discussion and analysis of financial condition and results of operations for the year ended December 31, 2020 compared to the year ended December 31, 2019.

**Description of the Company**

For a description of Altria, see Item 1. Business of this Form 10-K (“Item 1”), and *Background* in Note 1. *Background and Basis of Presentation* to the consolidated financial statements in Item 8.

**Executive Summary**

In this Management’s Discussion and Analysis of Financial Condition and Results of Operations section, Altria refers to the following “adjusted” financial measures: adjusted operating companies income (loss) (“OCI”); adjusted OCI margins; adjusted net earnings attributable to Altria; adjusted diluted earnings per share attributable to Altria; and adjusted effective tax rates. These adjusted 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 adjusted 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 *2022 Forecasted Results* section below, when Altria provides a non-GAAP measure in this Form 10-K, it also provides a reconciliation of that non-GAAP financial measure to the most directly comparable GAAP financial measure. OCI for the segments is defined as operating income before general corporate expenses and amortization of intangibles. For a further description of these non-GAAP financial measures, see the *Non-GAAP Financial Measures* section below.

**COVID-19 Pandemic**

The COVID-19 pandemic has led to adverse impacts on the United States and global economies and continues to create economic uncertainty, including due to variants of the COVID-19 virus, even as COVID-19 vaccines have been and continue to be administered and certain portions of the United States and global economies have begun to operate with reduced restrictions on consumer movements and business operations. Uncertainty still surrounds the pandemic, including its duration, the impact of COVID-19 variants and the ultimate overall impact on United States and global economies, Altria’s operations and those of its investees. Altria continues to monitor the macroeconomic risks arising in part from the COVID-19 pandemic (including labor shortages, inflation and supply change shortages) and continues to carefully evaluate potential outcomes and work to mitigate risks. Specifically, Altria remains focused on any potential impact to its liquidity, operations, supply and distribution chains and on economic conditions. In terms of Altria’s liquidity,

despite some temporary volatility in commercial paper markets in 2020, Altria has not experienced a material adverse impact to its liquidity.

As with so many other companies throughout the United States and globally, Altria's operations have been affected by the COVID-19 pandemic. To date, Altria believes its tobacco businesses have not experienced any material adverse effects associated with governmental actions to restrict consumer movement or business operations, but continues to monitor these factors. Altria continues to operate in a remote working environment for many employees and believes that remote working due to the COVID-19 pandemic has had minimal impact on productivity. Also, Altria's critical information technology systems have remained operational. Although Altria's tobacco businesses previously suspended operations temporarily at several of their manufacturing facilities in March 2020, the businesses resumed operations at those facilities under enhanced safety protocols in April 2020, and all manufacturing and non-manufacturing facilities are currently operational under enhanced safety protocols recommended by public health authorities. Altria continues to monitor the risks associated with facility disruptions and workforce availability as a result of uncertainty related to the COVID-19 pandemic and guidance from public health officials as it evolves its safety protocols.

Altria also continues to monitor the inflationary environment arising in part from the COVID-19 pandemic and its impact on Altria's financial position and results of operations. For the year ended December 31, 2021, inflation did not have a material impact on Altria's MSA expense or on direct materials and other costs. While Altria anticipates that inflation will continue at increased levels in 2022, it does not believe the impacts will be material to Altria's financial position and results of operations. See *Operating Results by Business Segment - Tobacco Space - State Settlement Agreements* below for further discussion on MSA expense.

Altria's suppliers and those within its distribution chain continue to be subject to potential facility closures, remote working protocols, labor shortages, supply chain disruptions and inflation. To date, Altria has not experienced any material disruptions to its supply chains or distribution systems. Altria continues to monitor the risk that the business of one or more suppliers, distributors or any other entities within its supply and distribution chains may be disrupted.

Altria believes that the COVID-19 pandemic altered adult tobacco consumer behaviors and purchasing patterns, particularly in the earlier stages of the pandemic. While the number of adult tobacco consumer trips to the store remain below pre-pandemic levels and tobacco expenditures per trip remain elevated, the environment continues to evolve as the effects of government stimulus have lessened and consumer mobility returns to more normal levels. Although Altria's tobacco businesses have not experienced a material adverse impact to date by the COVID-19 pandemic, there is continued uncertainty as to how the COVID-19 pandemic (including changes in COVID-19-related restrictions and guidelines and new variants) may impact adult tobacco consumers in the future. Altria continues to monitor the macroeconomic risks of the COVID-19 pandemic (including risks associated with the timing and extent of vaccine administration and the impact of COVID-19 variants), and their effect on adult tobacco consumers, including stay-at-home practices and disposable income, which may be further impacted by unemployment rates and inflation. Altria also continues to monitor adult tobacco consumers' purchasing behaviors, including overall tobacco product expenditures, mix between premium and discount brand purchases and adoption of smoke-free products. See *Operating Results by Business Segment - Tobacco Space Business Environment - Summary* below for further discussion of economic conditions and the impact on adult tobacco consumer purchasing behavior.

During 2021, ABI continued to be impacted by the COVID-19 pandemic, including the effects of COVID-19 variants, supply-chain constraints across certain markets, adverse transactional foreign exchange rates, inflation and commodity cost headwinds. While Altria considers the impacts related to the COVID-19 pandemic that have negatively impacted ABI's global business to be transitory, Altria will continue to monitor its investment in ABI, including the impact of the COVID-19 pandemic on ABI's business and market valuation. See Note 6 for further discussion of Altria's investment in ABI, including the recording of a \$6.2 billion non-cash, pre-tax impairment charge in 2021.

Altria considered the impact of the COVID-19 pandemic on the business of JUUL, including its sales, distribution, operations, supply chain and liquidity, in conducting its periodic impairment assessment and quantitative valuations. JUUL's operations were negatively impacted in 2020 and 2021 by the COVID-19 pandemic due to stay-at-home practices and government-mandated restrictions. While the impact was considered in Altria's quantitative valuations conducted in connection with the preparation of its financial statements for the years ended December 31, 2021 and 2020, Altria does not believe the COVID-19 pandemic was a primary driver of the non-cash, pre-tax impairment charge recorded during 2020 or any quarterly changes in fair value recorded since the fourth quarter of 2020. Altria will continue to monitor the impact of the COVID-19 pandemic on JUUL's business, including near-term supply chain constraints, component part shortages and inflation, in Altria's quarterly quantitative valuations of JUUL. See Note 6 for further discussion of Altria's investment in JUUL.

Altria considered the impact of the COVID-19 pandemic on the business of Cronos, including its sales, distribution, operations, supply chain and liquidity. During 2020 and 2021, Cronos was adversely impacted by the COVID-19 pandemic, due in part to government actions limiting access to retail stores in the United States and Canada. Altria will continue to monitor the impact of the COVID-19 pandemic on Cronos's business, including as a result of new variants, near-term supply chain challenges, inflation and market valuation. See Note 6 for further discussion of Altria's investment in Cronos.

## Consolidated Results of Operations

The changes in net earnings (losses) attributable to Altria and diluted earnings (losses) per share (“EPS”) attributable to Altria for the year ended December 31, 2021, from the year ended December 31, 2020, were due primarily to the following:

(in millions, except per share data)	Net Earnings (Losses)	Diluted EPS
For the year ended December 31, 2020	\$ 4,467	\$ 2.40
2020 NPM Adjustment Items	3	—
2020 Asset impairment, exit, implementation, acquisition and disposition-related costs	342	0.18
2020 Tobacco and health and certain other litigation items	62	0.03
2020 Impairment of JUUL equity securities	2,600	1.40
2020 JUUL changes in fair value	(100)	(0.05)
2020 ABI-related special items	603	0.32
2020 Cronos-related special items	53	0.03
2020 COVID-19 special items	37	0.02
2020 Tax items	50	0.03
Subtotal 2020 special items	3,650	1.96
2021 NPM Adjustment Items	57	0.03
2021 Asset impairment, exit, implementation, acquisition and disposition-related costs	(99)	(0.05)
2021 Tobacco and health and certain other litigation items	(138)	(0.07)
2021 ABI-related special items	(4,901)	(2.66)
2021 Cronos-related special items	(470)	(0.25)
2021 Loss on early extinguishment of debt	(496)	(0.27)
2021 Tax items	3	—
Subtotal 2021 special items	(6,044)	(3.27)
Fewer shares outstanding	—	0.03
Change in tax rate	(33)	(0.02)
Operations	435	0.24
For the year ended December 31, 2021	\$ 2,475	\$ 1.34
2021 Reported Net Earnings (Losses)	\$ 2,475	\$ 1.34
2020 Reported Net Earnings (Losses)	\$ 4,467	\$ 2.40
% Change	(44.6)%	(44.2)%
2021 Adjusted Net Earnings and Adjusted Diluted EPS	\$ 8,519	\$ 4.61
2020 Adjusted Net Earnings and Adjusted Diluted EPS	\$ 8,117	\$ 4.36
% Change	5.0 %	5.7 %

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

- **Fewer Shares Outstanding:** Fewer shares outstanding were due to shares repurchased by Altria under its share repurchase program in 2021.
- **Change in Tax Rate:** The change in the tax rate (which excludes the impact of special items shown in the table above) was driven primarily by a higher foreign tax rate differential and higher state tax expense.
- **Operations:** The increase of \$435 million in operations (which excludes the impact of special items shown above) was due primarily to the following:
  - higher OCI from the smokeable products segment;
  - lower losses in the all other category (primarily driven by reductions in the estimated residual values of certain assets at PMCC in 2020);

- favorable net periodic benefit income, excluding service cost; and
- higher income from Altria's equity investment in ABI.

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

## 2022 Forecasted Results

Altria expects its 2022 full-year adjusted diluted EPS to be in a range of \$4.79 to \$4.93, representing a growth rate of 4% to 7% over its 2021 full-year adjusted diluted EPS of \$4.61, as shown in the table below. Altria expects 2022 adjusted diluted EPS growth to be weighted toward the second half of the year. While the 2022 full-year adjusted diluted EPS guidance accounts for a range of scenarios, the external environment remains dynamic. Altria will continue to monitor conditions related to (i) the economy, including the impact of increased inflation, (ii) the impact of current and future COVID-19 variants and mitigation strategies, (iii) adult tobacco consumer dynamics, including tobacco usage occasions, available disposable income, purchasing patterns and adoption of smoke-free products and (iv) regulatory and legislative developments.

Altria's 2022 full-year adjusted diluted EPS guidance range includes planned investments in support of its Vision, such as (i) costs to enhance its digital consumer engagement system, (ii) increased smoke-free product research, development and regulatory preparation expenses and (iii) marketplace activities in support of Altria's smoke-free products. The guidance range also includes anticipated inflationary increases in MSA expenses and direct materials costs and Altria's current expectation that PM USA will not have access to the IQOS system in 2022.

Altria expects its 2022 full-year adjusted effective tax rate will be in a range of 24.5% to 25.5%.

### Reconciliation of 2021 Reported Diluted EPS to 2021 Adjusted Diluted EPS

2021 Reported diluted EPS	\$	1.34
NPM Adjustment Items		(0.03)
Asset impairment, exit, implementation, acquisition and disposition-related costs		0.05
Tobacco and health and certain other litigation items		0.07
ABI-related special items		2.66
Cronos-related special items		0.25
Loss on early extinguishment of debt		0.27
2021 Adjusted diluted EPS	\$	4.61

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

Altria's full-year adjusted diluted EPS forecast and full-year forecast for its 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 management believes are not part of underlying operations. Altria's management cannot estimate on a forward-looking basis the impact of these items on its reported diluted EPS or its 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, Altria does not provide a corresponding GAAP measure for, or reconciliation to, its adjusted diluted EPS forecast or its adjusted effective tax rate forecast.

## Non-GAAP Financial Measures

While Altria reports its financial results in accordance with GAAP, its management also reviews certain financial results, including OCI, OCI margins, net earnings (losses) attributable to Altria and diluted EPS, on an adjusted basis, which excludes certain income and expense items that 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-related and disposition-related costs, COVID-19 special items, equity investment-related special items (including any changes in fair value of the equity investment and any related warrants and preemptive rights), certain 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 (such dispute resolutions are referred to as "NPM Adjustment Items"). Altria's management does not view any of these special items to be part of Altria's 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. Altria's management also reviews income tax rates on an adjusted basis. Altria's adjusted effective tax rate may exclude certain tax items from its reported effective tax rate.

Altria's management believes that adjusted financial measures provide useful additional insight into underlying business trends and results, and provide a more meaningful comparison of year-over-year results. Adjusted financial measures are used by management and regularly provided to Altria's chief operating decision maker (the "CODM") for planning, forecasting and evaluating business and financial performance, including allocating resources and evaluating results relative to employee compensation targets. These adjusted 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. These adjusted 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.

## Discussion and Analysis

### Critical Accounting Policies and Estimates

Note 2 includes a summary of the significant accounting policies and methods used in the preparation of Altria's consolidated financial statements. In most instances, Altria must use an accounting policy or method because it is the only policy or method permitted under GAAP.

The preparation of financial statements includes the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the dates of the financial statements and the reported amounts of net revenues and expenses during the reporting periods. If actual amounts are ultimately different from previous estimates, the revisions are included in Altria's consolidated results of operations for the period in which the actual amounts become known. Historically, the aggregate differences, if any, between Altria's estimates and actual amounts in any year have not had a significant impact on its consolidated financial statements.

The following is a review of the more significant assumptions and estimates, as well as the accounting policies and methods, used in the preparation of Altria's consolidated financial statements:

- **Revenue Recognition:** Altria's businesses generate substantially all of their revenue from sales contracts with customers. Net revenues are defined as revenues, which include excise taxes and shipping and handling charges billed to customers, net of cash discounts for prompt payment, sales returns (also referred to as returned goods) and sales incentives. Altria's businesses exclude from the transaction price sales taxes and value-added taxes imposed at the time of sale.

Altria's businesses record sales incentives, which consist of consumer incentives and trade promotion activities, as a reduction to revenues (a portion of which is based on amounts estimated as being due to wholesalers, retailers and consumers at the end of a period) based principally on historical volume, utilization and redemption rates. Expected payments for sales incentives are included in accrued marketing liabilities on Altria's consolidated balance sheets.

For further discussion, see Note 3. *Revenues from Contracts with Customers* to the consolidated financial statements in Item 8.

- **Depreciation, Amortization, Impairment Testing and Asset Valuation:** Altria depreciates property, plant and equipment and amortizes its definite-lived intangible assets using the straight-line method over the estimated useful lives of the assets. Machinery and equipment are depreciated over periods up to 25 years, and buildings and building improvements over periods up to 50 years. Definite-lived intangible assets are amortized over their estimated useful lives up to 25 years.

Altria reviews long-lived assets, including definite-lived intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying value of the assets may not be fully recoverable. Altria performs undiscounted operating cash flow analyses to determine if an impairment exists. These analyses are affected by general economic conditions and projected growth rates. For purposes of recognition and measurement of an impairment for assets held for use, Altria groups assets and liabilities at the lowest level for which cash flows are separately identifiable. If Altria determines that an impairment exists, any related impairment loss is calculated based on fair value. Impairment losses on assets to be disposed of, if any, are based on the estimated proceeds to be received, less costs of disposal. Altria also reviews the estimated remaining useful lives of long-lived assets whenever events or changes in business circumstances indicate the lives may have changed.

Altria conducts 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 Altria to perform an interim review. Altria has the option of first performing a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit or indefinite-lived intangible asset is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative impairment test. If necessary, Altria will perform a single step quantitative impairment test. Additionally, Altria has the option to unconditionally bypass the qualitative assessment and perform a single step quantitative assessment. If the carrying value of a reporting unit that includes goodwill exceeds its fair value, which is determined using discounted cash flows, goodwill is considered impaired. The amount of impairment loss is measured as the difference between the carrying value and the fair value of a reporting unit, but is limited to the total amount of goodwill allocated to a reporting unit. If the carrying value of an indefinite-lived intangible asset exceeds its fair value, which is determined using discounted cash flows, the intangible asset is considered impaired and is reduced to fair value in the period identified.

Goodwill by reporting unit and indefinite-lived intangible assets at December 31, 2021 were as follows:

(in millions)	Goodwill		Indefinite-Lived Intangible Assets	
Cigarettes	\$	22	\$	2
MST and snus products		5,023		8,801
Cigars		77		2,640
Oral nicotine pouches		55		—
<b>Total</b>	<b>\$</b>	<b>5,177</b>	<b>\$</b>	<b>11,443</b>

During 2021, Altria completed its annual impairment test of goodwill and indefinite-lived intangible assets performed as of October 1, 2021 and the results of this testing were as follows:

- no impairment charges were recorded; and
- the estimated fair values of all reporting units and the indefinite-lived intangible assets within all reporting units substantially exceeded their carrying values.

During 2020, Altria’s quantitative annual impairment test of goodwill and indefinite-lived intangible assets resulted in no impairment charges. For further discussion on goodwill, see Note 4. *Goodwill and Other Intangible Assets, net* to the consolidated financial statements in Item 8 (“Note 4”).

In 2021, Altria elected to perform a qualitative assessment for certain of its reporting units and indefinite-lived intangible assets. This qualitative assessment included the review of certain macroeconomic factors and entity-specific qualitative factors to determine if it was more likely than not that the fair values of its reporting units were below carrying value. For certain of its other reporting units and indefinite-lived intangible assets, Altria elected to unconditionally bypass the qualitative assessment and perform a single step quantitative assessment. Altria used an income approach to estimate the fair values of its reporting units and indefinite-lived intangible assets. 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. The weighted-average discount rate used in performing the valuations was approximately 10%.

In performing the 2021 discounted cash flow analysis, Altria made various judgments, estimates and assumptions, the most significant of which were volume, income, growth rates and discount rates. The analysis incorporated assumptions used in Altria’s long-term financial forecast, which is used by Altria’s management to evaluate business and financial performance, including allocating resources and evaluating results relative to setting employee compensation targets. The assumptions incorporated the highest and best use of Altria’s indefinite-lived intangible assets and also included perpetual growth rates for periods beyond the long-term financial forecast. The perpetual growth rate used in performing all of the valuations was 2%. Fair value calculations are sensitive to changes in these estimates and assumptions, some of which relate to broader macroeconomic conditions outside of Altria’s control.

Although Altria’s discounted cash flow analysis is based on assumptions that are considered reasonable and based on the best available information at the time that the discounted cash flow analysis is developed, there is significant judgment used in determining future cash flows. The following factors have the most potential to impact expected future cash flows and, therefore, Altria’s impairment conclusions: general economic conditions (such as continued uncertainty from the COVID-19 pandemic); federal, state and local regulatory developments; category growth rates; consumer preferences; success of planned new product expansions; competitive activity; and income and excise taxes. For further discussion of these factors, see *Operating Results by Business Segment - Tobacco Space - Business Environment* below.

While Altria’s management believes that the estimated fair values of each reporting unit and indefinite-lived intangible asset at December 31, 2021 are reasonable, actual performance in the short-term or long-term could be significantly different from forecasted performance, which could result in impairment charges in future periods.

For further discussion of goodwill and other intangible assets, see Note 4.

- **Investments in Equity Securities:** Altria reviews its equity investments accounted for under the equity method of accounting (ABI and Cronos) for impairment by comparing the fair value of each of its investments to their carrying value. If the carrying value of an investment exceeds its fair value and the loss in value is other than temporary, the investment is considered impaired and reduced to fair value, and the impairment is recognized in the period identified. The factors used to make this determination include the duration and magnitude of the fair value decline, the financial condition and near-term prospects of the investee, and Altria’s intent and ability to hold its investment until recovery.

Following Share Conversion (as defined in Note 6) in the fourth quarter of 2020, Altria elected to account for its equity investment in JUUL under the fair value option. Under this option, any cash dividends received and any changes in the fair value of the equity investment in JUUL, which is calculated quarterly using level 3 fair value measurements, are included in (income) losses from equity investments in the consolidated statements of earnings (losses).

*Investment in ABI*

At December 31, 2021, Altria's investment in ABI consisted of 185 million restricted shares of ABI (the "Restricted Shares") and 12 million ordinary shares of ABI. The fair value of Altria's equity investment in ABI is 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. Altria can convert its Restricted Shares to ordinary shares at its discretion. Therefore, the fair value of each Restricted Share is based on the value of an ordinary share.

The fair value of Altria's equity investment in ABI at December 31, 2021 and 2020 was \$11.9 billion (carrying value of \$11.1 billion) and \$13.8 billion (carrying value of \$16.7 billion), respectively, which was above its carrying value by approximately 7% at December 31, 2021, and less than its carrying value by approximately 17% at December 31, 2020.

In October 2019, the fair value of Altria's equity investment in ABI declined below its carrying value and at September 30, 2021 had not recovered. In preparing its financial statements for the period ended September 30, 2021, Altria evaluated the factors related to the fair value decline, including the impact on the fair value of ABI's shares during the COVID-19 pandemic, which has negatively impacted ABI's business. Altria evaluated the duration and magnitude of the fair value decline at September 30, 2021, ABI's financial condition and near-term prospects, and Altria's intent and ability to hold its investment in ABI until recovery. Altria concluded that the decline in fair value of its investment in ABI at September 30, 2021 was other than temporary. As a result, Altria recorded a non-cash, pre-tax impairment charge of \$6.2 billion during the third quarter of 2021, which was recorded to (income) losses from equity investments in its condensed consolidated statements of earnings (losses). This impairment charge reflected the difference between the fair value using ABI's share price at September 30, 2021 and the carrying value of Altria's equity investment in ABI at September 30, 2021, prior to recording the impairment charge. This conclusion was based on the following factors:

- the fair value of Altria's investment in ABI had been below its carrying value since October 2019 and had not fully recovered. At its lowest point in March 2020, the fair value of Altria's investment in ABI was below its carrying value by approximately 52% and at December 31, 2020 had recovered to approximately 17% below its carrying value. During the first nine months of 2021, ABI's share price continued to fluctuate, ultimately resulting in a share price decline of 18% since December 31, 2020. At September 30, 2021, prior to recording the impairment charge, the fair value of Altria's investment in ABI was below its carrying value by approximately 35%;
- the fair value of Altria's investment in ABI historically exceeded its carrying value since October 2016 (when Altria obtained its ownership interest in ABI) with the exception of certain periods starting in September 2018 and since October 2019. Altria was optimistic about a near-term recovery because ABI's share price demonstrated significant recovery, including during 2019, the second half of 2020 and the first half of 2021. However, during the third quarter of 2021, the decline in ABI's share price resumed and, at September 30, 2021, the share price was lower than at December 31, 2020, erasing much of the recovery experienced in the second half of 2020 and first half of 2021;
- ABI's share price continued to decline following the release of ABI's second quarter of 2021 earnings report in which ABI's performance in the first half of 2021 improved meaningfully versus the same period in 2020. Despite ABI's second quarter of 2021 results, which also included top-line growth ahead of the pre-pandemic levels from the second quarter of 2019 as well as the reaffirmation of its 2021 outlook, ABI's income growth was impacted by, among other things, transactional foreign exchange and commodity cost headwinds; and
- the industry disruption and volatility associated with the COVID-19 pandemic, including the impact of COVID-19 variants and related cost headwinds, have continued. While Altria continues to believe that ABI's share price performance is not reflective of its underlying long-term equity value, and ABI's share price will recover, Altria determined that it will take longer than previously expected as Altria believes that COVID-19 variants, supply-chain constraints across certain markets, transactional foreign exchange and commodity cost headwinds may continue to impact ABI's near-term financial results and share price performance.

Although Altria recorded an impairment charge on its investment in ABI during the third quarter of 2021, Altria continues to have confidence in ABI's (i) long-term strategies, (ii) premium global brands, (iii) experienced management team and (iv) capability to successfully navigate its near-term challenges. While Altria considers the impacts related to the COVID-19 pandemic that have negatively impacted ABI's global business to be transitory, Altria determined, as of the third quarter of 2021, that the full recovery to carrying value would take longer than previously expected.

At February 22, 2022, the fair value of Altria's equity investment in ABI was \$12.2 billion, which exceeded its carrying value by approximately 9%. Altria will continue to monitor its investment in ABI, including the impact of the COVID-19 pandemic and subsequent recovery on ABI's business and market valuation.

### *Investment in JUUL*

At December 31, 2021, the estimated fair value of Altria's investment in JUUL was \$1.7 billion, unchanged from December 31, 2020, as Altria's projections of lower JUUL revenues in the United States over time due to lower JUUL volume assumptions were offset by (i) the effect of passage of time on the projected cash flows and (ii) a decrease in the discount rate due to change in market factors.

Altria uses an income approach to estimate the fair value of its investment in JUUL. The income approach reflects the discounting of future cash flows for the United States and international markets 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 future cash flows. Future cash flows are based on a range of scenarios that consider various potential regulatory and market outcomes.

In determining the fair value of its investment in JUUL in 2021, Altria made various judgments, estimates and assumptions, the most significant of which were sales volume, operating margins, discount rates and perpetual growth rates. All significant inputs used in the valuation are classified in Level 3 of the fair value hierarchy. The discount rates used in performing the valuations ranged from 17.0% to 19.0% at December 31, 2021. The perpetual growth rates used in performing each valuation ranged from (0.5%) to 0.0%. Additionally in determining these significant assumptions, Altria made judgments regarding the: (i) likelihood and extent of various potential regulatory actions and the continued adverse public perception impacting the e-vapor category and specifically JUUL; (ii) risk created by the number and types of legal cases pending against JUUL; (iii) expectations for the future state of the e-vapor category including competitive dynamics; and (iv) timing of international expansion plans.

Although Altria's discounted cash flow analyses were based on assumptions that Altria's management considered reasonable and were based on the best available information at the time that the analyses were developed, there is significant judgment used in determining future cash flows. If the following factors, in isolation, significantly deviate from current expectations, Altria believes that they have the potential to materially impact Altria's significant assumptions of sales volume, operating margins, discount rate, and perpetual growth rate, thus potentially materially decreasing Altria's valuation of its investment in JUUL:

- adverse developments related to litigation;
- a successful challenge by the FTC in its administrative complaint against Altria and JUUL, for a further discussion, see Item 3 and Note 18;
- a substantial increase in state and federal e-vapor excise taxes;
- adverse publicity due to underage use of e-vapor products and other factors;
- supply chain constraints and component part shortages, if not transitory;
- unanticipated adverse impacts on JUUL's relationships with employees, customers, suppliers and other third parties;
- unfavorable financial and market performance, including substantial changes in competitive dynamics;
- delay in timing of international expansion plans;
- disruption in JUUL's current and future plans or operations in domestic and international markets; and
- unfavorable regulatory and legislative developments at the international, federal, state and local levels such as the potential removal of certain e-vapor products from the market as a result of FDA enforcement action or the potential denial of new tobacco product applications for e-vapor products.

If the following factors, in isolation, significantly deviate from current expectations, Altria believes that they have the potential to materially impact Altria's significant assumptions of sales volume, operating margins, discount rate, and perpetual growth rate, thus potentially materially increasing Altria's valuation of its investment in JUUL:

- favorable developments related to litigation;
- favorable financial and market performance, including substantial changes in competitive dynamics;
- improvement of public perception around JUUL and the e-vapor category; and
- favorable regulatory and legislative developments at the international, federal, state and local levels such as FDA authorization of future tobacco product applications for JUUL flavored e-vapor products, which are currently not permitted in the market without authorization.

While Altria's management believes that the recorded value of its investment in JUUL at December 31, 2021 represents its best estimate of the fair value of the investment, JUUL's actual performance in the short term or long term could be significantly different from forecasted performance due to changes in the factors noted above. Additionally, the value of Altria's investment in JUUL could be significantly impacted by changes in the discount rate, which could be caused by numerous factors, including changes in market inputs, as well as risks specific to JUUL and its litigation environment.

### *Investment in Cronos*

The fair value of Altria's equity method investment in Cronos is based on unadjusted quoted prices in active markets for Cronos's common shares and was classified in Level 1 of the fair value hierarchy. The fair value of Altria's equity method investment in Cronos

at December 31, 2020 was \$1.1 billion (carrying value of \$1.0 billion), which exceeded its carrying value by approximately 8% at December 31, 2020.

In September 2021, the fair value of Altria's equity method investment in Cronos declined below its carrying value (by approximately 2% as of September 30, 2021) and had not recovered as of December 31, 2021. Accounting guidance requires the evaluation of the following factors when determining if the decline in fair value is other than temporary: (i) the duration and magnitude of the fair value decline; (ii) the financial condition and near-term prospects of the investee; and (iii) the investor's intent and ability to hold its equity method investment until full recovery to its carrying value in the near-term. In preparing its financial statements for the year ended December 31, 2021, Altria evaluated these factors and determined that there was not sufficient evidence to conclude that the impairment was temporary. As a result, Altria recorded a non-cash, pre-tax impairment charge of \$205 million for the year ended December 31, 2021, which was recorded to (income) losses from equity investments in its consolidated statement of earnings (losses). The impairment charge reflects the difference between the fair value of Altria's equity method investment in Cronos using Cronos's share price at December 31, 2021 and the carrying value of Altria's equity method investment in Cronos at December 31, 2021. At December 31, 2021, prior to recording the impairment charge, the fair value of Altria's equity method investment in Cronos was less than its carrying value by approximately 25%. After recording the impairment charge, the fair value and carrying value of Altria's equity method investment in Cronos at December 31, 2021 were \$617 million.

At February 22, 2022, the fair value of Altria's equity method investment in Cronos was \$524 million, which was less than its carrying value by approximately 15%. Altria will continue to assess the fair value of its equity method investment in Cronos to determine if any decline in fair value below its carrying value is other than temporary.

For further discussion of Altria's investments in ABI, JUUL and Cronos, see Note 6.

- **Marketing Costs:** Altria's businesses promote their products with consumer incentives, trade promotions and consumer engagement programs. These consumer incentive and trade promotion activities, which include discounts, coupons, rebates, in-store display incentives and volume-based incentives, do not create a distinct deliverable and are, therefore, recorded as a reduction of revenues. Consumer engagement program payments are made to third parties. Altria's businesses expense these consumer engagement programs, which include event marketing, as incurred and such expenses are included in marketing, administration and research costs in Altria's consolidated statements of earnings (losses). For interim reporting purposes, Altria's businesses charge consumer engagement programs and certain consumer incentive expenses to operations as a percentage of sales, based on estimated sales and related expenses for the full year.

- **Contingencies:** As discussed in Note 18 and Item 3, legal proceedings covering a wide range of matters are pending or threatened in various U.S. and foreign jurisdictions against Altria and its subsidiaries, including PM USA and UST and its subsidiaries, as well as their respective indemnitees and Altria's investees. In 1998, PM USA and certain other U.S. tobacco product manufacturers entered into the MSA with 46 states and various other governments and jurisdictions to settle asserted and unasserted health care cost recovery and other claims. PM USA and certain other U.S. 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"). PM USA's portion of ongoing adjusted payments and legal fees is based on its relative share of the settling manufacturers' domestic cigarette shipments, including roll-your-own cigarettes, in the year preceding that in which the payment is due. In addition, PM USA, Middleton and USSTC are subject to quarterly user fees imposed by the FDA as a result of the FSPTCA. Payments under the State Settlement Agreements and the FDA user fees are based on variable factors, such as volume, operating income, market share and inflation, depending on the subject payment. Altria's subsidiaries account for the cost of the State Settlement Agreements and FDA user fees as a component of cost of sales. Altria's subsidiaries recorded approximately \$4.6 billion and \$4.7 billion of charges to cost of sales for the years ended December 31, 2021 and 2020, respectively, in connection with the State Settlement Agreements and FDA user fees.

Altria and its subsidiaries record provisions in the consolidated financial statements for pending litigation when they 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 in Note 18 and Item 3: (i) management has concluded that it is not probable that a loss has been incurred in any pending litigation; (ii) management is unable to estimate the possible loss or range of loss that could result from an unfavorable outcome in any pending case; and (iii) accordingly, management has not provided any amounts in the consolidated financial statements for unfavorable outcomes, if any. Litigation defense costs are expensed as incurred and included in marketing, administration and research costs in the consolidated statements of earnings (losses).

- **Employee Benefit Plans:** Altria provides a range of benefits to certain employees and retired employees, including pension, postretirement health care and postemployment benefits. Altria records annual amounts relating to these plans based on calculations specified by GAAP, which include various actuarial assumptions as to discount rates, assumed rates of return on plan assets, mortality, compensation increases, turnover rates and health care cost trend rates. Altria reviews its actuarial assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is deemed appropriate to do so. Any effect of the modifications is generally amortized over future periods.

Altria recognizes the funded status of its defined benefit pension and other postretirement plans on the consolidated balance sheet and records as a component of other comprehensive earnings (losses), net of deferred income taxes, the gains or losses and prior service

costs or credits that have not been recognized as components of net periodic benefit cost (income). The gains or losses and prior service costs or credits recorded as components of other comprehensive earnings (losses) are subsequently amortized into net periodic benefit cost (income) in future years.

Due to changes in market inputs, Altria's discount rate assumptions for its pension and postretirement plans obligations increased to 3.0% and 2.9%, respectively, at December 31, 2021 from 2.7% and 2.6%, respectively, at December 31, 2020. Altria presently anticipates net pre-tax pension and postretirement income of \$103 million in 2022 versus net pre-tax income of \$114 million in 2021, excluding amounts in each year related to settlement and curtailment. This anticipated change is due primarily to: (i) lower expected return on plan assets due to the change in the target asset allocation for its pension plan assets for 2022, which lowered the expected rate of return from 6.6% in 2021 to 6.1% in 2022; (ii) higher interest costs, driven by the impact of higher discount rates; and (iii) lower amortization of unrecognized losses, primarily driven by the impact of higher discount rates and changes to mortality rate assumptions. Assuming no change to the shape of the yield curve, a 50 basis point decrease (increase) in Altria's discount rates would increase (decrease) Altria's pension and postretirement expense by approximately \$10 million. Similarly, a 50 basis point decrease (increase) in the expected return on plan assets would increase (decrease) Altria's pension and postretirement expense by approximately \$40 million.

For additional information see Note 16. *Benefit Plans* to the consolidated financial statements in Item 8 ("Note 16").

- **Income Taxes:** Significant judgment is required in determining income tax provisions and in evaluating tax positions. Deferred tax assets and liabilities are determined based on the difference 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. Altria determines the realizability of deferred tax assets based on the weight of available evidence, that it is more likely than not that the deferred tax asset will not be realized. In reaching this determination, Altria considers all available positive and negative evidence, including the character of the loss, carryback and carryforward considerations, future reversals of temporary differences and available tax planning strategies.

Altria recognizes a benefit for uncertain tax positions when a tax position taken or expected to be taken in a tax return is more likely than not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. Altria recognizes accrued interest and penalties associated with uncertain tax positions as part of the provision for income taxes in its consolidated statements of earnings (losses).

Altria recognized income tax benefits and charges in the consolidated statements of earnings (losses) during 2021 and 2020 as a result of various tax events.

For additional information on income taxes, see Note 14. *Income Taxes* to the consolidated financial statements in Item 8 ("Note 14").

**Consolidated Operating Results**

<b>(in millions)</b>	<b>For the Years Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Net Revenues:</b>		
Smokeable products	\$ 22,866	\$ 23,089
Oral tobacco products	2,608	2,533
Wine	494	614
All other	45	(83)
Net revenues	\$ 26,013	\$ 26,153
<b>Excise Taxes on Products:</b>		
Smokeable products	\$ 4,754	\$ 5,162
Oral tobacco products	132	130
Wine	14	19
All other	2	1
Excise taxes on products	\$ 4,902	\$ 5,312
<b>Operating Income:</b>		
OCI:		
Smokeable products	\$ 10,394	\$ 9,985
Oral tobacco products	1,659	1,718
Wine	21	(360)
All other	(97)	(172)
Amortization of intangibles	(72)	(72)
General corporate expenses	(345)	(227)
Corporate asset impairment and exit costs	—	1
Operating income	\$ 11,560	\$ 10,873

As discussed further in Note 15, the CODM reviews OCI to evaluate the performance of, and allocate resources to, the segments. Management believes it is appropriate to disclose this measure to help investors analyze the business performance and trends of the various business segments.

The following table provides a reconciliation of adjusted net earnings attributable to Altria and adjusted diluted EPS attributable to Altria for the years ended December 31:

(in millions of dollars, except per share data)	Earnings (Losses) before Income Taxes	Provision for Income Taxes	Net Earnings (Losses)	Net Earnings (Losses) Attributable to Altria	Diluted EPS
2021 Reported	\$ 3,824	\$ 1,349	\$ 2,475	\$ 2,475	\$ 1.34
NPM Adjustment Items	(76)	(19)	(57)	(57)	(0.03)
Asset impairment, exit, implementation, acquisition and disposition-related costs	120	21	99	99	0.05
Tobacco and health and certain other litigation items	182	44	138	138	0.07
ABI-related special items	6,203	1,302	4,901	4,901	2.66
Cronos-related special items	466	(4)	470	470	0.25
Loss on early extinguishment of debt	649	153	496	496	0.27
Tax items	—	3	(3)	(3)	—
<b>2021 Adjusted for Special Items</b>	<b>\$ 11,368</b>	<b>\$ 2,849</b>	<b>\$ 8,519</b>	<b>\$ 8,519</b>	<b>\$ 4.61</b>
2020 Reported	\$ 6,890	\$ 2,436	\$ 4,454	\$ 4,467	\$ 2.40
NPM Adjustment Items	4	1	3	3	—
Asset impairment, exit, implementation, acquisition and disposition-related costs	431	89	342	342	0.18
Tobacco and health and certain other litigation items	83	21	62	62	0.03
Impairment of JUUL equity securities	2,600	—	2,600	2,600	1.40
JUUL changes in fair value	(100)	—	(100)	(100)	(0.05)
ABI-related special items	763	160	603	603	0.32
Cronos-related special items	51	(2)	53	53	0.03
COVID-19 special items	50	13	37	37	0.02
Tax items	—	(50)	50	50	0.03
<b>2020 Adjusted for Special Items</b>	<b>\$ 10,772</b>	<b>\$ 2,668</b>	<b>\$ 8,104</b>	<b>\$ 8,117</b>	<b>\$ 4.36</b>

The following special items affected the comparability of statements of earnings (losses) amounts.

- **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 18 and *NPM Adjustment Items* in Note 15, respectively.
  - **Asset Impairment, Exit, Implementation, Acquisition and Disposition-Related Costs:** For the years ended December 31, 2021 and 2020, Altria recorded pre-tax asset impairment, exit and implementation costs of \$1 million and \$407 million, respectively. For further discussion of asset impairment, exit and implementation costs, including a breakdown of these costs by segment, see Note 5. *Asset Impairment, Exit and Implementation Costs* to the consolidated financial statements in Item 8 (“Note 5”).
- For the years ended December 31, 2021 and 2020, Altria also recorded pre-tax acquisition and disposition-related costs of \$119 million and \$24 million, respectively. The 2021 costs included a net pre-tax charge of \$51 million related to the Ste. Michelle Transaction and \$37 million for the settlement of an arbitration related to the 2019 *on!* transaction. For further discussion of these acquisition and disposition-related costs, see Note 15.
- **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 18 and *Tobacco and Health and Certain Other Litigation Items* in Note 15, respectively.
  - **Impairment of JUUL Equity Securities:** For the year ended December 31, 2020, Altria recorded a non-cash, pre-tax impairment charge of \$2,600 million, reported as impairment of JUUL equity securities in its consolidated statements of earnings (losses). A full tax valuation allowance was recorded in 2020 attributable to the tax benefit associated with the impairment charge. For further discussion, see Note 6 and Note 14.
  - **JUUL Changes in Fair Value:** For the year ended December 31, 2021, there was no change in the estimated fair value of Altria’s investment in JUUL. For the year ended December 31, 2020, Altria recorded a non-cash, pre-tax unrealized gain of \$100 million, reported as (income) losses from equity investments in its consolidated statements of earnings (losses) as a result of an increase

in the estimated fair value of Altria's investment in JUUL. A corresponding adjustment was made to the JUUL tax valuation allowance. For further discussion, see Note 6 and Note 14.

- **ABI-Related Special Items:** Altria's losses from its equity investment in ABI for the year ended December 31, 2021, included net pre-tax charges of \$6,203 million, substantially all of which related to a non-cash impairment (\$6,157 million) of Altria's equity investment in ABI. For further discussion, see Note 6.

Altria's losses from its equity investment in ABI for the year ended December 31, 2020 included net pre-tax charges of \$763 million, consisting primarily of Altria's share of ABI's (i) mark-to-market losses on certain ABI financial instruments associated with its share commitments, (ii) completion of the sale of its Australia subsidiary and (iii) goodwill impairment charge associated with its Africa businesses.

These amounts include Altria's respective share of the amounts recorded by ABI and additional adjustments related to (i) conversion from international financial reporting standards to GAAP and (ii) adjustments to Altria's investment required under the equity method of accounting.

- **Cronos-Related Special Items:** For the years ended December 31, 2021 and 2020, Altria recorded net pre-tax (income) expense, consisting of the following:

(in millions)	2021	2020
Loss on Cronos-related financial instruments <sup>(1)</sup>	\$ 148	\$ 140
(Income) losses from equity investments <sup>(2)</sup>	318	(89)
Total Cronos-related special items - (income) expense	\$ 466	\$ 51

<sup>(1)</sup> Amounts are related to the non-cash change in the fair value of the warrant and certain anti-dilution protections (the "Fixed-price Preemptive Rights") acquired in the Cronos transaction.

<sup>(2)</sup> Amounts include Altria's share of special items recorded by Cronos and additional adjustments, if required under the equity method of accounting, related to Altria's investment in Cronos including the \$205 million non-cash, pre-tax impairment of Altria's investment in Cronos in 2021, discussed above.

For further discussion, see Note 6 and Note 7. *Financial Instruments* to the consolidated financial statements in Item 8.

- **Loss on Early Extinguishment of Debt:** During 2021, Altria recorded pre-tax losses of \$649 million as a result of the completed debt tender offers and redemption of certain long-term senior unsecured notes. For further discussion, see Note 9. *Long-Term Debt* to the consolidated financial statements in Item 8 ("Note 9").
- **COVID-19 Special Items:** For the year ended December 31, 2020, Altria recorded net pre-tax charges totaling \$50 million directly related to disruptions caused by or efforts to mitigate the impact of the COVID-19 pandemic. For further discussion and a breakdown of these costs by segment, see Note 15.
- **Tax Items:** For the year ended December 31, 2020, Altria recorded net tax expense of \$50 million, due primarily to net tax expense of \$27 million for adjustments resulting from amended returns and audit adjustments related to prior years, and tax expense of \$23 million for a tax basis adjustment to Altria's investment in ABI.

## 2021 Compared with 2020

Net revenues, which include excise taxes billed to customers, decreased \$140 million (0.5%), due primarily to lower net revenues in the smokeable products and wine segments (resulting from the sale of the wine business in October 2021), partially offset by higher net revenues in the financial services business (primarily driven by reductions in the estimated residual values of certain assets at PMCC in 2020) and the oral tobacco products segment.

Cost of sales decreased \$699 million (8.9%), due primarily to changes in the wine segment, which included the inventory-related charges in 2020 (as discussed in Note 15) and the sale of the wine business in October 2021, lower shipment volume in the smokeable products segment, NPM Adjustment Items in 2021 and COVID-19 special items in 2020, partially offset by higher per unit settlement charges, higher manufacturing costs and volume and mix in the oral tobacco products segment.

Excise taxes on products decreased \$410 million (7.7%), due primarily to lower shipment volume in the smokeable products segment.

Marketing, administration and research costs increased \$278 million (12.9%), due primarily to higher general corporate expenses (including an agreement to resolve a shareholder class action lawsuit in 2021 as discussed in Note 18), higher spending in the oral tobacco products (including higher acquisition-related costs as discussed in Note 15) and smokeable products segments and higher spending associated with the retail expansion of *IQOS* and *Marlboro HeatSticks*.

Operating income increased \$687 million (6.3%), due primarily to higher operating results in the smokeable products and wine segments and the all other category (primarily driven by reductions in the estimated residual value of certain assets at PMCC in 2020), partially offset by higher general corporate expenses and lower operating results in the oral tobacco products segment.

Net periodic benefit income, excluding service cost, increased by \$125 million (100.0%+), due primarily to lower interest cost resulting from a decrease in discount rates and amendments to Altria's salaried retiree healthcare plans during 2021. For further discussion, see Note 16.

(Income) losses from equity investments, which decreased \$5,868 million (100.0%+), were negatively impacted by higher losses from Altria's equity investment in ABI (primarily due to the non-cash impairment of Altria's equity investment in ABI in 2021 discussed above), unfavorable Cronos special items (as discussed above) and a non-cash, unrealized gain resulting from an increase in the estimated fair value of Altria's investment in JUUL in 2020.

Reported net earnings (losses) attributable to Altria of \$2,475 million decreased \$1,992 million (44.6%), due primarily to higher net losses from Altria's equity investments and the loss on early extinguishment of debt, partially offset by the 2020 impairment of JUUL equity securities, higher operating income and favorable net periodic benefit income, excluding service cost. Reported basic and diluted EPS attributable to Altria of \$1.34, each decreased by 44.2%, due to lower reported net earnings (losses) attributable to Altria, partially offset by fewer shares outstanding.

Adjusted net earnings attributable to Altria of \$8,519 million increased \$402 million (5.0%), due primarily to higher smokeable products segment OCI, favorable net periodic benefit income, excluding service cost, higher income from Altria's investment in ABI and lower losses in the all other category (primarily driven by reductions in the estimated residual values of certain assets at PMCC in 2020), partially offset by a higher income tax rate. Adjusted diluted EPS attributable to Altria of \$4.61 increased by 5.7%, due to higher adjusted net earnings attributable to Altria and 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 adversely affected and may adversely affect the business and sales volume of Altria's tobacco operating companies and investees and Altria's consolidated results of operations, cash flows or financial position or Altria's ability to achieve its Vision. These challenges, some of which are discussed in more detail in Note 18, Item 1A and Item 3, include:

- pending and threatened litigation and bonding requirements;
- restrictions and requirements imposed by the FSPTCA, and restrictions and requirements (and related enforcement actions) that have been, and in the future will be, imposed by the FDA;
- 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 cigarette and MST consumption levels due to growth of innovative tobacco 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;
- changes in adult tobacco consumer purchase behavior, which is influenced by various factors such as economic conditions (including inflation), excise taxes and price gap relationships, may result in adult tobacco consumers switching to discount products or other lower-priced tobacco products;
- the highly competitive nature of all tobacco categories, including competitive disadvantages related to cigarette price increases attributable to the settlement of certain litigation and the proliferation of innovative tobacco products, such as e-vapor and oral nicotine pouch products;
- illicit trade in tobacco products;
- potential adverse changes in prices, availability and quality of tobacco, other raw materials and component parts; and
- the COVID-19 pandemic.

In addition to and in connection with the foregoing, evolving adult tobacco consumer preferences are continuing to impact the tobacco industry. Altria's tobacco operating companies 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 continue to transition from cigarettes to exclusive use of smoke-free tobacco product alternatives, which aligns with Altria's Vision.

Altria and its tobacco operating companies 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).

Over the past two years, the legislative and regulatory activities discussed below negatively impacted growth in the e-vapor category. While these activities continue to impact the e-vapor category, the category experienced moderate growth in 2021 and remains competitive.

Oral nicotine pouch retail share of the total oral tobacco category grew significantly over the prior year from 8.4% during 2020 to 15.4% during 2021. The oral nicotine pouch category has become increasingly competitive.

We are monitoring the sale and continued introduction of unregulated synthetic nicotine products, which may lead to further competition for regulated tobacco products, including oral nicotine pouches and e-vapor products, and may result in underage use of these unregulated products if not marketed responsibly by manufacturers.

Altria and its tobacco operating companies believe the innovative tobacco products categories will continue to be dynamic due to competition, adult tobacco consumer exploration of a variety of tobacco product options, adult consumer perceptions of the relative risks of smoke-free products compared to cigarettes, FDA determinations on product applications and legislative actions.

For the year ended December 31, 2021, we estimate that, when adjusted for trade inventory movements, calendar differences and other factors, domestic cigarette industry volume declined by 5.5%. Altria expects 2022 cigarette industry volume trends to continue to be most influenced by (i) changes to adult smoker stay-at-home practices, disposable income, purchasing patterns and adoption of smoke-free products, (ii) economic conditions (including unemployment rates, the impact of increased inflation and gasoline prices), (iii) fiscal stimulus, (iv) cross-category movement, (v) the timing and extent of COVID-19 vaccine administration and the impact of COVID-19 variants, and (vi) regulatory and legislative (including excise tax) developments.

Economic conditions (including a high inflationary environment) can also impact adult tobacco consumer purchasing behavior. For example, economic downturns have resulted in adult tobacco consumers choosing discount products and other lower priced tobacco products. Although the economic impact resulting from the COVID-19 pandemic did not meaningfully increase the growth of discount and lower priced tobacco products throughout much of the pandemic, in part due to stimulus payments, discount cigarette products resumed share growth in the second half of 2021 driven primarily by deep discount products. Share gains for discount cigarette products typically coincide with rising gas prices, higher inflation and increased consumer mobility. We expect fluctuations in discount cigarette product segment share to continue as price sensitive adult tobacco consumers react to economic conditions in the current high inflationary environment.

#### **FSPTCA and FDA Regulation**

- **The Regulatory Framework:** The FSPTCA, its implementing regulations and its 2016 deeming 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; and
  - equip the FDA with a variety of investigatory and enforcement tools, including the authority to inspect product manufacturing and other facilities.

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 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.

- **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<sup>(1)</sup> products (the "Final Tobacco Marketing Rule"). The May

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<sup>(1)</sup> "Smokeless tobacco," as used in this section of this Form 10-K, 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.

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, but do not include any component or part that is not made or derived from tobacco.

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 and in August 2016 for all other tobacco products, including e-vapor and oral nicotine pouch products containing tobacco-derived nicotine.

▪ **Rulemaking and Guidance:** From time to time, the FDA issues proposed regulations and guidance, which may be issued in draft or final form, 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”). Altria’s tobacco operating companies 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 United States states, territories and localities of their laws and regulations as well as of the State Settlement Agreements discussed below (see *State Settlement Agreements* below). Such enforcement efforts may adversely affect the ability of Altria’s tobacco operating companies and investees to market and sell regulated tobacco products in those states, territories and localities.

▪ **FDA’s Comprehensive 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 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 *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.

▪ **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 (“Grandfathered 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 in the market, specifically:

- Grandfathered 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; and
- tobacco products that were first regulated by the FDA in 2016, including cigars, e-vapor products and oral nicotine pouches that are not Grandfathered Products, are generally products for which either an SE report or PMTA needed to be filed by September 9, 2020.

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 being unable to maintain the consistency required in ingredients, could trigger the FDA's pre-market or SE review processes. Through these processes, a manufacturer could receive (i) a "not substantially equivalent" determination, (ii) a denial of a PMTA or (iii) 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. Such actions could have a material adverse impact on the business and consolidated results of operations of Altria's tobacco operating companies and investees, and the cash flows or financial position of Altria and its tobacco operating companies, including adversely affecting the value of Altria's investment in JUUL.

*Provisional Products:* Most cigarette and smokeless tobacco products currently marketed by PM USA and USSTC are "Provisional Products." Altria's subsidiaries timely submitted SE reports for these Provisional Products. PM USA and USSTC 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 Altria's cigarette and smokeless tobacco operating companies believe their current Provisional Products meet the statutory requirements of the FSPTCA, they cannot predict how the FDA will ultimately apply law, regulation and guidance to their various SE reports. Should Altria's cigarette and smokeless tobacco operating companies receive unfavorable determinations on any SE reports currently pending with the FDA, they believe they can replace the vast majority of their respective product volumes with other FDA authorized products or with Grandfathered Products.

*Non-Provisional 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 Products may be obtained by filing an SE report, PMTA or using another pre-market pathway established by the FDA. Altria's cigarette and smokeless tobacco operating companies 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. Due to the large number of applications received by September 9, 2020, the FDA did not complete its review of all submitted applications by September 9, 2021, although it represents that it has made decisions on more than 98% of the applications, with most being marketing denial orders and a few marketing granted orders for tobacco flavor e-vapor products. A number of the marketing denial orders are subject to litigation 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. JUUL submitted PMTAs to the FDA for its e-vapor device and the related tobacco and menthol flavors in July 2020. As of February 22, 2022, the FDA has not issued marketing order decisions for any *on!* or JUUL products. In addition, as of February 22, 2022, Middleton has received market orders or exemptions that cover over 99% of its cigar product volume.

In December 2013, Altria's subsidiaries entered into a series of agreements with PMI, including an agreement that grants Altria an exclusive right to commercialize certain of PMI's heated tobacco products in the United States, subject to FDA authorization of the applicable products. PMI submitted a PMTA and a MRTP application with the FDA for its electronically heated tobacco products comprising the *IQOS Tobacco Heating System*. The *IQOS* devices heat, but do not burn tobacco. In April 2019, the FDA authorized the PMTA for the *IQOS Tobacco Heating System* and in July 2020, the FDA authorized the marketing of this system as a MRTP with a reduced exposure claim. In December 2020, the FDA authorized the PMTA for *IQOS 3*, an updated version of the *IQOS* devices. The MRTP authorization for the original *IQOS* device currently does not apply to the *IQOS 3* device. PMI submitted an MRTP application for the *IQOS 3* device in March 2021, which is currently under review by the FDA.

In September 2021, in connection with a patent dispute, the 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 18. For a further discussion of risks associated with the agreements with PMI, see *Risks Related to Our Businesses* in Item 1A.

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.

*Post-Market Surveillance:* Manufacturers that receive product authorizations through the PMTA process must submit to the FDA post-market records and reports, as detailed in market orders. This includes notification of all marketing activities. The *IQOS Tobacco Heating System* is subject to this post-market surveillance requirement. 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. Failure of manufacturers to submit applications by the applicable deadline, an unfavorable determination on an application or the withdrawal by the FDA of a prior marketing order could result in the removal of products from the market. These manufacturers would have the option of marketing products that have received FDA pre-market authorization or Grandfathered Products. 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 the business and consolidated results of operations of our tobacco operating companies and investees, and the cash flows or financial position of Altria and its tobacco operating companies, including adversely affecting the value of Altria's investment in JUUL. Also, an adverse FDA determination on one or more innovative tobacco products could impede 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. As a result of a March 2021 court order related to the COVID-19 pandemic and subsequent court orders resulting from a lawsuit brought by R.J. Reynolds Tobacco Company and others against the FDA, the final rule is presently anticipated to become effective on April 9, 2023. PM USA and other cigarette manufacturers have filed lawsuits challenging the final rule on substantive and procedural grounds.

In the preamble to the final rule, the FDA stated that it would not exempt *Marlboro HeatSticks*, a heated tobacco product used with the *IQOS* devices, as part of the rulemaking, but would consider the *Marlboro HeatSticks* marketing order, and other marketing orders, on a case-by-case basis. To date, the FDA has not taken any action to exempt *Marlboro HeatSticks* from the graphic health warnings requirements.

- *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. Altria has engaged with the FDA on this topic and has reaffirmed to the FDA its ongoing and long-standing commitment to preventing underage use. For example, during 2019, Altria 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. 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 intends to prioritize enforcement action against certain product categories, including cartridge-based, flavored e-vapor products and products targeted to minors.

- *Flavored Electronic Nicotine Delivery System ("ENDS") Products:* Some e-vapor product manufacturers filed PMTAs for flavored tobacco products. As of February 22, 2022, many of these manufacturers received marketing denial orders 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. FDA has communicated in these marketing denial orders 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 will require strong, product-specific evidence. A number of manufacturers are appealing the marketing denial orders for their products. If the FDA does not ultimately allow for the reintroduction of flavors other than tobacco, it could adversely affect the value of Altria's investment in JUUL.

Some ENDS manufacturers, including some that have received marketing denial orders, have indicated their intention to market ENDS products containing synthetically-derived nicotine, which is not currently FDA-regulated. If these products are sold in higher volumes, and marketed outside of FDA oversight, it could adversely affect the value of Altria's investment in JUUL, have a material adverse effect on Altria's consolidated financial position or earnings and adversely affect Altria's ability to achieve its Vision.

▪ **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. Were the FDA to develop and finalize a product standard for nicotine in combustible products, and if the standard was appealed and upheld in the courts, it could have a material adverse effect on the business, consolidated results of operations, cash flows or financial position of Altria and its tobacco operating companies.

▪ *Flavors in Tobacco Products:* As discussed above under *FDA's Comprehensive Plan for Tobacco and Nicotine Regulation*, the FDA indicated that it is considering proposing rulemaking for a product standard that would seek to ban menthol in combustible tobacco products, including cigarettes and cigars, and that it intends to propose a product standard that would ban characterizing flavors in all cigars, including Grandfathered Products and those that have received SE determinations from the FDA - an intention reiterated in the FDA's January 2020 guidance. In March 2018, the FDA issued an ANPRM seeking comments on the role, if any, that flavors (including menthol) in tobacco products may play in attracting youth and in helping some smokers switch to potentially less harmful forms of nicotine delivery. In the context of litigation, in April 2021, the FDA issued a response to a 2013 citizen petition requesting that the FDA prohibit menthol as a characterizing flavor in cigarettes. In the response, the FDA announced it intends to develop and propose two product standards, which are expected by the second quarter of 2022, that would (i) ban menthol as a characterizing flavor in cigarettes and (ii) ban all characterizing flavors (including menthol) in cigars. While the FDA has yet to define "characterizing flavors" with respect to cigars, most of Middleton's cigar products contain added flavors and may be subject to any action by the FDA to ban flavors in cigars.

If any such product standards become final and are appealed and upheld in the courts, it could have a material adverse effect on the business of Altria's tobacco operating companies, and the consolidated results of operations, cash flows or financial position of Altria and its tobacco operating companies, including adversely affecting the value of Altria's investment in JUUL (due to the impact on JUUL's business) if the FDA pursues broader flavor restrictions beyond cigarettes and cigars.

▪ *NNN in Smokeless Tobacco:* In January 2017, the FDA proposed a product standard for N-nitrosornicotine ("NNN") levels in finished smokeless tobacco products. If the proposed rule, in present form, were to become final and was appealed and upheld in the courts, it could have a material adverse effect on the business, consolidated results of operations, cash flows or financial position of Altria and USSTC.

▪ **Good Manufacturing Practices:** The FSPTCA requires that the FDA promulgate good manufacturing practice regulations (referred to by the FDA as "Requirements for Tobacco Product Manufacturing Practice") for tobacco product manufacturers, but does not specify a timeframe for such regulations. Compliance with any such regulations could result in increased costs, which could have a material adverse effect on the financial position of Altria, its tobacco operating companies and its investees, including adversely affecting the value of Altria's investment in JUUL.

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

- impact the consumer acceptability of tobacco products;
- delay, discontinue 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/or
- otherwise significantly increase the cost of doing business.

The failure to comply with FDA regulatory requirements, even inadvertently, and FDA enforcement actions also could have a material adverse effect on the business of Altria's tobacco operating companies and investees, and the consolidated results of operations, cash flows or financial position of Altria and its tobacco operating companies, including adversely affecting the value of Altria's investment in JUUL.

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. For a discussion of the impact of the FDA user fee payments on Altria, see *Liquidity and Capital Resources - Payments Under State Settlement Agreements and FDA Regulation* below. In addition, compliance with the FSPTCA's regulatory requirements has resulted, and will continue to result, in additional costs for Altria's tobacco operating companies. 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, to one or more of Altria's tobacco subsidiaries.

▪ **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, 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 the business of Altria's tobacco operating companies and investees, and the consolidated results of operations, cash flows or financial position of Altria and its tobacco operating companies, including adversely affecting the value of Altria's investment in JUUL.

#### **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.

During 2021, Congress considered legislation that would have significantly increased the federal excise tax for all tobacco products and created a new tax for e-vapor products and other products containing nicotine that are not currently subject to a tobacco federal excise tax ("novel tobacco products"). The U.S. House of Representatives removed the proposal to increase the federal excise tax on tobacco products currently subject to the tax from the legislation it was considering, but retained the proposed nicotine tax for novel tobacco products. The U.S. Senate debated the legislation and removed the nicotine tax for novel tobacco products; however, as of February 22, 2022, the legislation is still pending before the Senate and could be subject to further tax related amendments.

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 February 22, 2022, the weighted-average state cigarette excise tax increased from \$0.36 to \$1.89 per pack. As of February 22, 2022, no state has enacted new legislation increasing cigarette excise taxes in 2022, but 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. Altria supports 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 February 22, 2022, the federal government, 23 states, Puerto Rico, Philadelphia, Pennsylvania and Cook County, Illinois have adopted a weight-based tax methodology for MST.

An increasing number of states and localities also are imposing excise taxes on e-vapor and oral nicotine pouches. As of February 22, 2022, 30 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 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 product sales of Altria's tobacco operating companies and JUUL through lower consumption levels and the potential shift in adult consumer purchases from the premium to the non-premium or discount segments, to lower taxed tobacco products, or to counterfeit and contraband products. Lower sales volume and reported share performance of Altria's tobacco operating companies' and investees' products could have a material adverse effect on Altria's consolidated financial position or earnings. In addition, substantial excise tax increases on e-vapor and oral nicotine products, may negatively impact adult smokers' transition to these products, which could 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 February 22, 2022, 181 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 U.S., either indirectly or as a result of the U.S. 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 18, 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 2021, the inflation calculation was approximately 7% based on the latest CPI-U data; however, the increase in the annual payments did not have a material impact on Altria's financial position. Altria believes that inflation will continue at increased levels in 2022, but does not expect the corresponding increase in annual payments to result in a material financial impact. However, we will continue to monitor conditions related to the impact of increased inflation on the macro-economic environment.

For a discussion of the impact of the State Settlement Agreements on Altria, see *Liquidity and Capital Resources - Payments Under State Settlement Agreements and FDA Regulation* below and Note 18. 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. 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 February 22, 2022, multiple states and localities are considering legislation to ban flavors in one or more tobacco products, and six states (California, Massachusetts, New Jersey, Utah, New York and Illinois) 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 bans the sale of most tobacco products with characterizing flavors, including menthol, mint and wintergreen. Following enactment of the flavor ban in August 2020, several registered California voters filed a referendum against the legislation. In January 2021 the requisite number of registered California voters signed a petition to place the question of whether the legislation should be affirmed or overturned on the next statewide general election ballot, which will likely take place in November 2022, unless a special statewide election is called earlier. As a result, the implementation of the legislation is delayed until after a vote on the referendum occurs.

Massachusetts passed legislation capping the amount of nicotine in e-vapor products. Similar legislation is pending in one other state.

Restrictions on e-vapor and oral nicotine pouch products also have been instituted or proposed internationally.

Altria's tobacco operating companies have challenged and will continue to challenge certain federal, state and local legislation and other governmental action, including through litigation. It is possible, however, that legislation, regulation or other governmental action could be enacted or implemented that could have a material adverse impact on the business and volume of Altria's tobacco operating companies and investees, and the consolidated results of operations, cash flows or financial position of Altria and its tobacco operating companies, including adversely affecting the value of Altria's investment in JUUL. Such action also could negatively impact adult smokers' transition to these products, which could 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 February 22, 2022, 39 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 sales volume of our tobacco businesses, as discussed above under *Underage Access and Use of Certain Tobacco Products*, Altria supports raising the minimum legal age to purchase all tobacco products to 21 at the federal and state levels, reflecting its 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. In 2019, there were public health advisories concerning vaping-related lung injuries and deaths and there have been health concerns raised about potential increased risks associated with COVID-19 among smokers and vapers. Altria believes 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.

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, during the COVID-19 pandemic, state and local governments required additional health and safety requirements of all businesses, including tobacco manufacturing and other facilities. State and local governments also mandated the temporary closure of some businesses. While many restrictions have eased, 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.

Additionally, 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; 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.

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. It is possible, however, that legislation, regulation or other governmental action could be enacted or implemented that could have a material adverse impact on the business and volume of Altria's tobacco operating companies and investees, and the consolidated results of operations, cash flows or financial position of Altria and its tobacco operating companies, including adversely affecting the value of Altria's investment in JUUL.

▪ **Governmental Investigations:** From time to time, Altria and its subsidiaries and investees are subject to governmental investigations on a range of matters. For example: (i) the FTC issued a Civil Investigative Demand ("CID") to Altria while conducting its antitrust review of Altria's investment in JUUL seeking information regarding, among other things, Altria's 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 18 and Item 3 for a description of the FTC's administrative complaint against Altria and JUUL); (ii) the SEC commenced an investigation relating to Altria's 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 Altria seeking documents relating to Altria's investment in and provision of services to JUUL. Additionally, JUUL is currently under investigation by various federal and state agencies, including the SEC, the FDA and the FTC, and state attorneys general. Such investigations vary in scope but at least some appear to include JUUL's marketing practices, particularly as such practices relate to youth, and Altria may be asked in the context of those investigations to provide information concerning its investment in JUUL or relating to its marketing of Nu Mark LLC e-vapor products.

#### **Private Sector Activity on E-Vapor**

A number of retailers, including national chains, have discontinued the sale of e-vapor products. Reasons for the discontinuation include reported illnesses related to e-vapor product use and the uncertain regulatory environment. It is possible that this private sector activity

could adversely affect the value of Altria's investment in JUUL and have a material adverse effect on Altria's consolidated financial position or earnings.

### **Illicit Trade in Tobacco Products**

Illicit trade in tobacco products can have an adverse impact on the businesses of Altria, its tobacco operating companies and investees. 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; 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 tobacco operating companies' and investees' products can negatively affect adult tobacco consumer experiences with and opinions of those brands. Illicit trade in tobacco products also harms law-abiding wholesalers and retailers by depriving them of lawful sales and undermines the significant investment Altria's tobacco operating companies and investees 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 that may adversely impact Altria's consolidated results of operations and cash flows, including adversely affecting the value of Altria's investment in JUUL, and the businesses of its tobacco operating companies and investees; or asserting claims against manufacturers of tobacco products or members of the trade channels through which such tobacco products are distributed and sold.

Altria's tobacco operating companies communicate with wholesale and retail trade members regarding illicit trade in tobacco products and how they 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 their trademarks.

### **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 or other raw materials or ingredients or component parts used to manufacture our companies' and our investees' products. Any significant change in the price, availability or quality of tobacco, other raw materials, ingredients or component parts used to manufacture our products and those of our investees could restrict our tobacco operating companies' and investees' ability to continue manufacturing and marketing existing products or impact adult consumer product acceptability and adversely affect our tobacco operating companies' and investees' profitability and businesses.

With respect to tobacco, as with other agricultural commodities, crop quality and availability can be influenced by variations in weather patterns, including those caused by climate change. Additionally, the price and availability of tobacco leaf can be influenced by economic conditions and imbalances in supply and demand. Economic conditions, including inflation and the economic effects of the COVID-19 pandemic, are unpredictable, which, among other factors, may result in changes in the patterns of demand for agricultural products and the cost of tobacco production which could negatively impact tobacco leaf prices and tobacco supply. In addition, as consumer demand increases for smoke-free products and decreases for combustible products, the volume of tobacco leaf required for production may decrease. The reduced demand for tobacco leaf may result in the reduced supply and availability of domestic tobacco as growers divert resources to other crops, which could result in increased costs to our tobacco operating companies.

Tobacco production in certain countries also is subject to a variety of controls, including government-mandated prices and production control programs. Moreover, certain types of tobacco are only available in limited geographies, including geographies experiencing political instability or government prohibitions on the import or export of tobacco, and loss of their availability could impair our subsidiaries' ability to continue marketing existing products or impact adult tobacco consumer product acceptability.

The COVID-19 pandemic also may limit access to and increase the cost of raw materials, component parts and personal protective equipment as United States and global suppliers may temporarily shut down facilities or use different production schedules with lower productivity in order to address exposure to the virus or as a result of a government mandate. In addition, (i) current labor market dynamics indicate labor shortages, with employers in a number of industries having difficulty employing workers and (ii) supply chain dynamics reflect failures and delays resulting from various issues including labor shortages, logistical problems and weather-related incidents. These labor shortages and supply failures and delays have led to certain increases in raw material (for example, resins used in our packaging), ingredient and component part prices and may lead to supply chain disruptions; however, to date, the impact on our operating companies and investees has been immaterial. However, the effects of the COVID-19 pandemic, labor market dynamics and supply chain disruptions outlined above may continue, which could adversely affect our subsidiaries' and investees' profitability and businesses. Recent economic conditions reflect an increased rate of inflation. To date, higher inflation has not had a material impact on our or our investees' businesses, revenues or profitability. Although Altria anticipates inflation will continue at elevated levels in 2022, it is not expected to have a material impact on our or our investees' businesses, revenues or profitability.

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 products. For example, additional

taxes on the use of certain single-use plastics have been proposed by the U.S. Congress, which, if passed, could increase the costs of, and impair our ability to, source certain materials used in the packaging for our tobacco operating companies' products.

### Timing of Sales

In the ordinary course of business, our tobacco operating companies 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

### 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 the smokeable products segment:

(in millions)	Operating Results	
	For the Years Ended December 31,	
	2021	2020
Net revenues	\$ 22,866	\$ 23,089
Excise taxes	(4,754)	(5,162)
Revenues net of excise taxes	\$ 18,112	\$ 17,927
Reported OCI	\$ 10,394	\$ 9,985
NPM Adjustment Items	(53)	4
Asset impairment, exit, implementation, acquisition and disposition-related costs	—	2
Tobacco and health and certain other litigation items	83	79
COVID-19 special items	—	41
Adjusted OCI	\$ 10,424	\$ 10,111
Reported OCI margins <sup>(1)</sup>	57.4 %	55.7 %
Adjusted OCI margins <sup>(1)</sup>	57.6 %	56.4 %

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

### 2021 Compared with 2020

Net revenues, which include excise taxes billed to customers, decreased \$223 million (1.0%), due primarily to lower shipment volume (\$1,931 million), partially offset by higher pricing (\$1,703 million).

Reported OCI increased \$409 million (4.1%), due primarily to higher pricing (\$1,688 million), NPM Adjustment Items in 2021 (\$53 million) and COVID-19 special items in 2020 (\$41 million), partially offset by lower shipment volume (\$1,158 million), higher per unit settlement charges and higher costs (\$38 million).

Adjusted OCI increased \$313 million (3.1%), due primarily to higher pricing, partially offset by lower shipment volume, higher per unit settlement charges and higher costs.

Marketing, administration and research costs for the smokeable products segment include PM USA's cost of administering and litigating product liability claims. Litigation defense costs are influenced by a number of factors, including the number and types of cases filed, the number of cases tried annually, the results of trials and appeals, the development of the law controlling relevant legal issues, and litigation strategy and tactics. For further discussion on these matters, see Note 18 and Item 3. For the years ended December 31, 2021 and 2020, product liability defense costs for PM USA were \$111 million and \$110 million, respectively. Product liability defense costs have decreased since 2019 driven by the COVID-19 pandemic and fewer trials as a result of court closures due to the COVID-19 pandemic, which may continue into 2022. Once regular trial activity resumes, PM USA expects product liability defense costs to return to amounts similar to 2019, which were \$151 million.

**Shipment Volume and Retail Share Results**

The following table summarizes the smokeable products segment shipment volume performance:

(sticks in millions)	Shipment Volume	
	For the Years Ended December 31,	
	2021	2020
Cigarettes:		
<i>Marlboro</i>	82,970	88,858
Other premium	4,216	4,566
Discount	6,607	8,001
<b>Total cigarettes</b>	<b>93,793</b>	<b>101,425</b>
Cigars:		
<i>Black &amp; Mild</i>	1,796	1,790
Other	7	10
<b>Total cigars</b>	<b>1,803</b>	<b>1,800</b>
<b>Total smokeable products</b>	<b>95,596</b>	<b>103,225</b>

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

The following table summarizes cigarettes retail share performance:

	Retail Share	
	For the Years Ended December 31,	
	2021	2020
Cigarettes:		
<i>Marlboro</i>	43.1 %	42.9 %
Other premium	2.3	2.3
Discount	3.4	3.9
<b>Total cigarettes</b>	<b>48.8 %</b>	<b>49.1 %</b>

Note: Retail share results for cigarettes are based on data from IRI/Management Science Associates, Inc., a tracking service that uses a sample of stores and certain wholesale shipments 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. For other trade classes selling cigarettes, retail share is based on shipments from wholesalers to retailers through the Store Tracking Analytical Reporting System ("STARS"). This service is not designed to capture sales through other channels, including the internet, direct mail and some illicitly tax-advantaged outlets. It is IRI's standard practice to periodically refresh its services, which could restate retail share results that were previously released in this service.

For a discussion of volume trends and factors that impact volume and retail share performance, see *Tobacco Space - Business Environment* above.

**2021 Compared with 2020**

The smokeable products segment's reported domestic cigarettes shipment volume decreased 7.5%, driven primarily by the industry's rate of decline, trade inventory movements, retail share losses, calendar differences and other factors. When adjusted for trade inventory movements, calendar differences and other factors, the smokeable products segment's reported domestic cigarettes shipment volume decreased by an estimated 6%. When adjusted for trade inventory movements, calendar differences and other factors, total estimated domestic cigarette industry volume decreased by an estimated 5.5%.

Shipments of premium cigarettes accounted for 93.0% and 92.1% of the smokeable products segment's reported domestic cigarettes shipment volume for 2021 and 2020, respectively.

Total cigarettes industry discount category retail share increased 0.5 share points to 25.4% in 2021 versus 2020. For a discussion regarding discount category dynamics in 2021 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 2021 and 2020:

- Effective December 12, 2021, PM USA increased the list price of *Marlboro*, *L&M* and *Chesterfield* by \$0.15 per pack. In addition, PM USA increased the list price of all of its other cigarette brands by \$0.20 per pack.
- Effective August 15, 2021, PM USA increased the list price of *Marlboro*, *L&M* and *Chesterfield* by \$0.14 per pack. In addition, PM USA increased the list price of all of its other cigarette brands by \$0.17 per pack.
- Effective January 24, 2021, PM USA increased the list price on all of its cigarette brands by \$0.14 per pack.
- Effective January 10, 2021, Middleton increased various list prices across substantially all of its cigar brands resulting in a weighted-average increase of approximately \$0.07 per five-pack.
- Effective November 1, 2020, PM USA increased the list price on all of its cigarette brands by \$0.13 per pack.
- Effective June 21, 2020, PM USA increased the list price on all of its cigarette brands by \$0.11 per pack.
- Effective February 16, 2020, PM USA increased the list price on all of its cigarette brands by \$0.08 per pack.
- Effective January 12, 2020, Middleton increased various list prices across substantially all of its cigar brands resulting in a weighted-average increase of approximately \$0.08 per five-pack.

In addition:

- 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.

**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 the oral tobacco products segment:

(in millions)	Operating Results	
	For the Years Ended December 31,	
	2021	2020
Net revenues	\$ 2,608	\$ 2,533
Excise taxes	(132)	(130)
Revenues net of excise taxes	\$ 2,476	\$ 2,403
Reported OCI	\$ 1,659	\$ 1,718
Asset impairment, exit, implementation, acquisition and disposition-related costs	37	(3)
COVID-19 special items	—	9
Adjusted OCI	\$ 1,696	\$ 1,724
Reported OCI margins <sup>(1)</sup>	67.0 %	71.5 %
Adjusted OCI margins <sup>(1)</sup>	68.5 %	71.7 %

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

**2021 Compared with 2020**

Net revenues, which include excise taxes billed to customers, increased \$75 million (3.0%), due primarily to higher pricing (\$105 million), which includes higher promotional investments in *on!*, partially offset by volume and mix (\$36 million) due primarily to a shift between MST and *on!* shipment volumes resulting in a higher percentage of 2021 *on!* volume versus 2020 (“volume/mix”).

Reported OCI decreased \$59 million (3.4%) due primarily to higher costs (\$98 million), which include higher acquisition-related costs and COVID-19 special items in 2020, and volume/mix (\$61 million), partially offset by higher pricing, which includes higher promotional investments in *on!*.

Adjusted OCI decreased \$28 million (1.6%) due primarily to higher costs and volume/mix, partially offset by higher pricing, which includes higher promotional investments in *on!*.

**Shipment Volume and Retail Share Results**

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

(cans and packs in millions)	Shipment Volume	
	For the Years Ended December 31,	
	2021	2020
<i>Copenhagen</i>	503.6	522.4
<i>Skoal</i>	197.4	208.5
Other (includes <i>Red Seal</i> and <i>on!</i> )	119.3	88.7
Total oral tobacco products	820.3	819.6

Note: 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 the 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 oral tobacco products segment retail share performance (excluding international volume):

	Retail Share	
	For the Years Ended December 31,	
	2021	2020
<i>Copenhagen</i>	29.4 %	31.8 %
<i>Skoal</i>	12.6	13.9
Other (includes <i>Red Seal</i> and <i>on!</i> )	5.8	4.2
Total oral tobacco products	47.8 %	49.9 %

Note: The oral tobacco products segment retail share results exclude international volume, which is currently not material. Retail share results for oral tobacco products are based on data from IRI InfoScan, 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 is defined by IRI 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 IRI's standard practice to periodically refresh its InfoScan services, which could restate retail share results that were previously released in this service.

For a discussion of volume trends and factors that impact volume and retail share performance, see *Tobacco Space - Business Environment* above.

**2021 Compared with 2020**

The oral tobacco products segment's reported domestic shipment volume was essentially unchanged as the industry's growth rate and trade inventory movements were essentially offset by retail share losses and calendar differences. When adjusted for trade inventory movements and calendar differences, the oral tobacco products segment's reported domestic shipment volume decreased by an estimated 0.5%.

Total oral tobacco products category industry volume increased by an estimated 2% over the six months ended December 31, 2021, driven by growth in oral nicotine pouches.

Retail share losses in the oral tobacco products segment, including *Copenhagen*, were due to the growth of oral nicotine pouches.

Total U.S. oral tobacco category share for *on!* nicotine pouches grew to 3.9% in the fourth quarter of 2021, an increase of 2.8 percentage points versus the fourth quarter of 2020.

In 2021, Helix achieved unconstrained *on!* manufacturing capacity for the current estimated size of the U.S. oral nicotine pouch category.

As of December 31, 2021, *on!* was available for sale in approximately 117,000 U.S. stores.

**Pricing Actions**

USSTC executed the following pricing actions during 2021 and 2020:

- Effective October 26, 2021, USSTC increased the list price on its *Copenhagen* and *Skoal* brands by \$0.08 per can. USSTC also increased the list price on its *Husky* brand by \$0.12 per can. In addition, USSTC decreased the price on its *Red Seal* brand by \$0.17 per can.
- Effective June 29, 2021, USSTC increased the list price on its *Skoal* Blend products by \$0.46 per can. USSTC also increased the list price on its *Red Seal* and *Copenhagen* brands and the balance of its *Skoal* products by \$0.05 per can. In addition, USSTC decreased the price on its *Husky* brand by \$1.65 per can.
- Effective March 2, 2021, USSTC increased the list price on its *Skoal* Blend products by \$0.16 per can. USSTC also increased the list price on its *Husky*, *Red Seal* and *Copenhagen* brands and the balance of its *Skoal* products by \$0.08 per can.
- Effective October 20, 2020, USSTC increased the list price on its *Skoal* Blend products by \$0.15 per can. USSTC also increased the list price on its *Husky* and *Red Seal* brands and its *Copenhagen* and *Skoal* popular price products by \$0.08 per can. In addition, USSTC increased the list price on the balance of its *Copenhagen* and *Skoal* products by \$0.07 per can.
- Effective July 21, 2020, USSTC increased the list price on its *Skoal* Blend products by \$0.15 per can. USSTC also increased the list price on its *Husky*, *Red Seal* and *Copenhagen* brands and the balance of its *Skoal* products by \$0.07 per can.
- Effective February 18, 2020, USSTC increased the list price on its *Skoal* X-TRA products by \$0.56 per can. USSTC also increased the list price on its *Skoal* Blend products by \$0.16 cents per can and increased the list price on its *Husky*, *Red Seal* and *Copenhagen* brands and the balance of its *Skoal* products by \$0.07 per can.

- In addition:
- 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 per can.

**Wine Segment**

**Financial Results**

Full-year 2021 results include wine business financial results for the period January 1, 2021 through September 30, 2021 as a result of the Ste. Michelle Transaction. For further discussion, see Item 1.

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

(in millions)	Operating Results	
	For the Years Ended December 31,	
	2021	2020
Net revenues	\$ 494	\$ 614
Excise taxes	(14)	(19)
Revenues net of excise taxes	\$ 480	\$ 595
Reported OCI	\$ 21	\$ (360)
Asset impairment, exit, implementation, acquisition and disposition-related costs	52	411
Adjusted OCI	\$ 73	\$ 51
Reported OCI margins <sup>(1)</sup>	4.4 %	(60.5)%
Adjusted OCI margins <sup>(1)</sup>	15.2 %	8.6 %

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

**2021 Compared with 2020**

Net revenues, which include excise taxes billed to customers, decreased \$120 million (19.5%).

Reported OCI and adjusted OCI increased \$381 million (100%+) and \$22 million (43.1%), respectively.

Reported OCI for the year ended December 31, 2021 included disposition-related charges associated with the Ste. Michelle Transaction (as discussed in Note 15).

Reported OCI for the year ended December 31, 2020 included inventory-related charges related to the strategic reset of the wine business (as discussed in Note 5).

## Liquidity and Capital Resources

Altria is a holding company that is primarily dependent on the capital resources of its subsidiaries to satisfy its liquidity requirements. Altria's 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. At December 31, 2021, Altria's significant wholly owned 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, Altria receives cash dividends on its interest in ABI and will continue to do so as long as ABI pays dividends.

At December 31, 2021, Altria had \$4.5 billion of cash and cash equivalents. In addition to having access to the operating cash flows of its wholly owned subsidiaries, Altria's capital resources include access to credit markets in the form of commercial paper, borrowings available under its \$3.0 billion Credit Agreement (as defined below) and its 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, Altria primarily uses its net cash from operating activities for payment of dividends, share repurchases under its share repurchase programs, repayment of debt, acquisition of or investments in businesses and assets, and capital expenditures.

Altria believes its cash and cash equivalents balance, along with its future cash flows from operations and capacity for borrowings through its access to the credit and capital markets, provide sufficient liquidity to meet its business operations and satisfy its projected cash requirements for the next 12 months and the foreseeable future.

### Capital Markets and Other Matters

*Credit Ratings* - Altria's cost and terms of financing and its access to commercial paper markets may be impacted by applicable credit ratings. The impact of credit ratings on the cost of borrowings under the Credit Agreement is discussed in Note 8. *Short-Term Borrowings and Borrowing Arrangements* to the consolidated financial statements in Item 8 ("Note 8").

At December 31, 2021, the credit ratings and outlook for Altria's 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	Stable
Fitch Ratings Inc.	F2	BBB	Stable

*Credit Lines* - From time to time, Altria has short-term borrowing needs to meet its working capital requirements arising from the timing of annual MSA payments, quarterly income tax payments and quarterly dividend payments, and generally uses its commercial paper program to meet those needs.

In August 2021, Altria entered into an extension and amendment to its \$3.0 billion senior unsecured 5-year revolving credit agreement (as amended, the "Credit Agreement"). Altria monitors the credit quality of its bank group and is not aware of any potential non-performing credit provider in that group. For further discussion on short-term borrowings, see Note 8.

Any commercial paper issued by Altria and borrowings under the Credit Agreement are guaranteed by PM USA. For further discussion, see *Supplemental Guarantor Financial Information* below and Note 9.

*Debt* - At December 31, 2021 and 2020, Altria's total debt was \$28.0 billion and \$29.5 billion, respectively.

In May 2021, Altria repaid in full its 4.75% senior unsecured notes in the aggregate principal amount of \$1.5 billion at maturity.

In February 2021, Altria issued long-term senior unsecured notes in the aggregate principal amount of \$5.5 billion (the "Notes"). The net proceeds from the Notes were used (i) to fund the purchase and redemption of certain unsecured notes and payment of related fees and expenses (as described below) and (ii) for other general corporate purposes.

During the first quarter of 2021, Altria (i) completed debt tender offers to purchase for cash certain of its long-term senior unsecured notes in the aggregate principal amount of \$4,042 million and (ii) redeemed all of its outstanding 3.490% Notes due 2022 in an aggregate principal amount of \$1.0 billion. As a result, for the year ended December 31, 2021, Altria recorded pre-tax losses on early extinguishment of debt of \$649 million, which included premiums and fees of \$623 million and the write-off of related unamortized debt discounts and debt issuance costs of \$26 million. As a result of the debt transactions, Altria reduced its near-term maturity towers, extended the weighted-average maturity of its debt and lowered its weighted-average coupon interest rate on total long-term debt.

All of Altria's long-term debt outstanding at December 31, 2021 and 2020 was fixed-rate debt. The weighted-average coupon interest rate on total long-term debt was approximately 4.0% and 4.1% at December 31, 2021 and 2020, respectively.

For further details on long-term debt, see Note 9.

*Ste. Michelle Transaction* - On October 1, 2021, UST received net cash proceeds of approximately \$1.2 billion from the Ste. Michelle Transaction, which was used to partially fund the expansion of the January 2021 share repurchase program as discussed in Note 10. *Capital Stock* to the consolidated financial statements in Item 8 (“Note 10”).

In October 2020, Altria filed a registration statement on Form S-3 with the SEC, under which Altria may offer debt securities or warrants to purchase debt securities from time to time over a three-year period from the date of filing.

#### **Off-Balance Sheet Arrangements and Other Future Contractual Obligations**

Altria has no off-balance sheet arrangements, including special purpose entities, other than guarantees and contractual obligations that are discussed below.

*Guarantees and Other Similar Matters* - As discussed in Note 18, Altria and certain of its subsidiaries had unused letters of credit obtained in the ordinary course of business and guarantees (including third-party guarantees) outstanding at December 31, 2021. From time to time, subsidiaries of Altria also issue lines of credit to affiliated entities. In addition, as discussed below in *Supplemental Guarantor Financial Information* and in Note 9, PM USA has issued guarantees relating to Altria’s obligations under its outstanding debt securities, borrowings under the Credit Agreement and amounts outstanding under the commercial paper program. These items have not had, and are not expected to have, a significant impact on Altria’s liquidity.

*Long-Term Debt and Interest on Borrowings* - In addition to maturities of long-term debt, Altria makes interest payments based on stated coupon interest rates. For information on annual debt maturities and interest payments, see Note 9.

*Purchase Obligations* - Altria has entered into purchase obligations for inventory and production costs (such as raw materials, indirect materials and services, contract manufacturing, packaging, storage and distribution) and other commitments for projected needs to be used in the normal course of business. Arrangements are considered purchase obligations if a contract specifies all significant terms, including fixed or minimum quantities to be purchased, a pricing structure and approximate timing of the transaction. Most arrangements are cancelable without a significant penalty and with short notice (usually 30 days). At December 31, 2021, purchase obligations for inventory and production costs for the next 12 months were \$827 million and \$1,274 million thereafter (a decrease from \$1,095 million and \$2,902 million at December 31, 2020, respectively, driven primarily by the Ste. Michelle Transaction).

At December 31, 2021, Altria had \$609 million of other purchase obligation commitments for marketing, capital expenditures, information technology and professional services, which occur through the ordinary course of business. Substantially all of these commitments are expected to be satisfied within 12 months. Accounts payable and accrued liabilities are reflected on Altria’s consolidated balance sheet at December 31, 2021 and are excluded from the amounts above.

*Payments Under State Settlement Agreements and FDA Regulation* - As discussed previously and in Note 18, PM USA has entered into State Settlement Agreements with the states and territories of the United States 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 18.

Based on current agreements, estimated market share, estimated annual industry volume decline rates and inflation rates, the estimated amounts that Altria’s subsidiaries may charge to cost of sales for payments related to State Settlement Agreements and FDA user fees are \$4.4 billion on average for the next three years. These amounts exclude 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 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. Altria’s subsidiaries paid approximately \$4.7 billion and \$4.5 billion for the years ended December 31, 2021 and 2020, 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.

*Litigation-Related Deposits and Payments* - With respect to certain adverse verdicts currently on appeal, to obtain stays of judgments pending appeals, as of December 31, 2021, PM USA had posted appeal bonds totaling \$50 million, which have been collateralized with restricted cash that is included in assets on the consolidated balance sheet.

Although litigation is subject to uncertainty and an adverse outcome or settlement of litigation could have a material adverse effect on the financial position, cash flows or results of operations of PM USA, UST or Altria in a particular fiscal quarter or fiscal year, as more fully disclosed in Note 18, Item 3 and Item 1A, management expects cash flow from operations, together with Altria’s access to capital markets, to provide sufficient liquidity to meet ongoing business needs.

*Other Long-Term Liabilities* - Altria had \$1.5 billion of accrued postretirement health care costs on its consolidated balance sheet at December 31, 2021 and estimates approximately \$100 million of annual payments. In addition, Altria has accrued pension obligations, substantially all of which are funded from plan assets. For further information on Altria’s postretirement health care and pension

obligations, see Note 16. Altria is unable to estimate the timing of payments of other long-term liabilities (accrued postemployment costs, income taxes and tax contingencies, and other accruals) included on its consolidated balance sheet at December 31, 2021.

### **Equity and Dividends**

As discussed in Note 11, *Stock Plans* to the consolidated financial statements in Item 8, during 2021 Altria granted an aggregate of 1.1 million restricted stock units and 0.2 million performance stock units to eligible employees.

At December 31, 2021, the number of shares to be issued upon vesting of restricted stock units and performance stock units was not significant.

Dividends paid in 2021 and 2020 were approximately \$6.4 billion and \$6.3 billion, respectively, an increase of 2.5%, reflecting a higher dividend rate, partially offset by fewer shares outstanding as a result of shares repurchased by Altria in 2021 under its share repurchase program.

In the third quarter of 2021, the Board of Directors approved a 4.7% increase in the quarterly dividend rate to \$0.90 per share of Altria common stock versus the previous rate of \$0.86 per share. The current annualized dividend rate is \$3.60 per share. Altria maintains its long-term objective of a dividend payout ratio target of approximately 80% of its adjusted diluted EPS. Future dividend payments remain subject to the discretion of the Board.

For a discussion of Altria's share repurchase programs, see Note 10 and Part II, Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities in this Form 10-K.

### **Financial Review**

#### **Cash Provided by/Used in Operating Activities**

During 2021, net cash provided by operating activities was \$8.4 billion, essentially unchanged from 2020 as higher net revenues, net of excise taxes, in the smokeable products and oral tobacco products segments were mostly offset by higher settlement and income tax payments.

Altria had a working capital deficit at December 31, 2021 and 2020. Altria's management believes that Altria has the ability to fund working capital deficits with cash provided by operating activities and borrowings through its access to the credit markets.

#### **Cash Provided by/Used in Investing Activities**

During 2021, net cash provided by investing activities was \$1.2 billion compared with net cash used in investing activities of \$0.1 billion during 2020. This change was due primarily to proceeds from the Ste. Michelle Transaction, higher proceeds from finance asset sales and lower capital expenditures.

Capital expenditures for 2021 decreased 26.8% to \$169 million. Capital expenditures were lower due primarily to the timing of projects and the sale of the wine business. Capital expenditures for 2022 are expected to be in the range of \$200 million to \$250 million, and are expected to be funded from operating cash flows.

#### **Cash Provided by/Used in Financing Activities**

During 2021, net cash used in financing activities was \$10.0 billion compared with \$5.4 billion during 2020. This increase was due primarily to the following:

- repayment of \$5.0 billion of Altria senior unsecured notes in connection with the 2021 debt tender offers and redemption and payments of \$0.6 billion for the premiums and fees in connection with the debt tender offers described above and in Note 9;
- proceeds of \$2.0 billion from the issuance of long-term senior unsecured notes in 2020;
- repayment of \$1.5 billion in full of Altria senior unsecured notes at scheduled maturity in May 2021;
- repurchases of common stock in 2021; and
- higher dividends paid in 2021;

partially offset by:

- proceeds of \$5.5 billion from the issuance of long-term senior unsecured notes used to repurchase and redeem senior unsecured notes in connection with the 2021 debt tender offers and redemption; and
- repayment of \$1.0 billion in full of Altria senior unsecured notes at scheduled maturity in January 2020.

#### **New Accounting Guidance Not Yet Adopted**

See Note 2 for a discussion of issued accounting guidance applicable to, but not yet adopted by, Altria.

#### **Contingencies**

See Note 18 and Item 3 for a discussion of contingencies.

### Supplemental Guarantor Financial Information

PM USA (the “Guarantor”), which is a 100% owned subsidiary of Altria Group, Inc. (the “Parent”), has guaranteed the Parent’s obligations under its outstanding debt securities, borrowings under its Credit Agreement and amounts outstanding under its commercial paper program (the “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”), 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)

	December 31, 2021	
	Parent	Guarantor
<b>Assets</b>		
Due from Non-Guarantor Subsidiaries	\$ 25	\$ 240
Other current assets	4,635	874
Total current assets	\$ 4,660	\$ 1,114
Due from Non-Guarantor Subsidiaries	\$ 4,790	\$ —
Other assets	11,195	1,764
Total non-current assets	\$ 15,985	\$ 1,764
<b>Liabilities</b>		
Due to Non-Guarantor Subsidiaries	\$ 1,179	\$ 778
Other current liabilities	3,339	4,452
Total current liabilities	\$ 4,518	\$ 5,230
Total non-current liabilities	\$ 28,865	\$ 979

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

	For the Year Ended December 31, 2021	
	Parent <sup>(1)</sup>	Guarantor
Net revenues	\$ —	\$ 21,848
Gross profit	—	11,064
Net earnings (losses)	(5,812)	7,256

<sup>(1)</sup> For the year ended December 31, 2021, net earnings (losses) includes \$231 million of intercompany interest income from non-guarantor subsidiaries.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

### Interest Rate Risk

The fair value of Altria's long-term debt, all of which is fixed-rate debt, is subject to fluctuations resulting from changes in market interest rates. The following table provides the fair value of Altria's long-term debt and the change in fair value based on a 1% increase or decrease in market interest rates at December 31:

(in billions)	2021	2020
Fair value	\$ 30.5	\$ 34.7
Decrease in fair value from a 1% increase in market interest rates	2.7	2.7
Increase in fair value from a 1% decrease in market interest rates	3.2	3.1

Interest rates on borrowings under the Credit Agreement are expected to be based on the London Interbank Offered Rate ("LIBOR"), or a fallback benchmark rate determined based on prevailing market convention, plus a percentage based on the higher of the ratings of Altria's long-term senior unsecured debt from Moody's and S&P. The applicable percentage based on Altria's long-term senior unsecured debt ratings at December 31, 2021 for borrowings under the Credit Agreement was 1.0%. At December 31, 2021 and 2020, Altria had no borrowings under the Credit Agreement.

**Equity Price Risk**

The estimated fair values of the Fixed-price Preemptive Rights and the Cronos warrant are subject to equity price risk. The Fixed-price Preemptive Rights and warrant are recorded at fair value, which is estimated using Black-Scholes option-pricing models. The fair values of the Fixed-price Preemptive Rights and Cronos warrant are subject to fluctuations resulting from changes in the quoted market price of Cronos shares, the underlying equity security.

The following table provides (i) fair values of the Fixed-price Preemptive Rights and Cronos warrants and (ii) the change in fair value based on a 10% increase or decrease in the quoted market price of Cronos shares at December 31:

(in millions)	2021		2020					
	Fixed-price Preemptive Rights		Cronos Warrant					
Fair values	\$	1	\$	24	\$	14	\$	139
Change in fair value based on a 10% increase/decrease in the quoted market price of Cronos shares		—		6		5		28

**Item 8. Financial Statements and Supplementary Data.****Altria Group, Inc. and Subsidiaries**  
**Consolidated Balance Sheets**  
(in millions of dollars)

at December 31,	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 4,544	\$ 4,945
Receivables	47	137
Inventories:		
Leaf tobacco	744	844
Other raw materials	166	200
Work in process	23	502
Finished product	261	420
	1,194	1,966
Other current assets	298	69
Total current assets	6,083	7,117
Property, plant and equipment, at cost:		
Land and land improvements	123	348
Buildings and building equipment	1,422	1,480
Machinery and equipment	2,652	3,010
Construction in progress	235	312
	4,432	5,150
Less accumulated depreciation	2,879	3,138
	1,553	2,012
Goodwill	5,177	5,177
Other intangible assets, net	12,306	12,615
Investments in equity securities (\$1,720 million and \$1,868 million at December 31, 2021 and 2020, respectively, measured at fair value)	13,481	19,529
Other assets	923	964
<b>Total Assets</b>	<b>\$ 39,523</b>	<b>\$ 47,414</b>

See notes to consolidated financial statements.

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

at December 31,	2021	2020
<b>Liabilities</b>		
Current portion of long-term debt	\$ 1,105	\$ 1,500
Accounts payable	449	380
Accrued liabilities:		
Marketing	664	523
Settlement charges	3,349	3,564
Other	1,365	1,494
Dividends payable	1,647	1,602
Total current liabilities	8,579	9,063
Long-term debt	26,939	27,971
Deferred income taxes	3,692	4,532
Accrued pension costs	200	551
Accrued postretirement health care costs	1,436	1,951
Other liabilities	283	381
<b>Total liabilities</b>	<b>41,129</b>	<b>44,449</b>
Contingencies (Note 18)		
Redeemable noncontrolling interest	—	40
<b>Stockholders' Equity (Deficit)</b>		
Common stock, par value \$0.33 1/3 per share (2,805,961,317 shares issued)	935	935
Additional paid-in capital	5,857	5,910
Earnings reinvested in the business	30,664	34,679
Accumulated other comprehensive losses	(3,056)	(4,341)
Cost of repurchased stock (982,785,699 shares at December 31, 2021 and 947,542,152 shares at December 31, 2020)	(36,006)	(34,344)
Total stockholders' equity (deficit) attributable to Altria	(1,606)	2,839
Noncontrolling interests	—	86
<b>Total stockholders' equity (deficit)</b>	<b>(1,606)</b>	<b>2,925</b>
<b>Total Liabilities and Stockholders' Equity (Deficit)</b>	<b>\$ 39,523</b>	<b>\$ 47,414</b>

See notes to consolidated financial statements.

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

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<b>for the years ended December 31,</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Net revenues	\$ 26,013	\$ 26,153	\$ 25,110
Cost of sales	7,119	7,818	7,085
Excise taxes on products	4,902	5,312	5,314
Gross profit	13,992	13,023	12,711
Marketing, administration and research costs	2,432	2,154	2,226
Asset impairment and exit costs	—	(4)	159
Operating income	11,560	10,873	10,326
Interest and other debt expense, net	1,162	1,209	1,280
Net periodic benefit income, excluding service cost	(202)	(77)	(37)
Loss on early extinguishment of debt	649	—	—
(Income) losses from equity investments	5,979	111	(1,725)
Impairment of JUUL equity securities	—	2,600	8,600
Loss on Cronos-related financial instruments	148	140	1,442
Earnings before income taxes	3,824	6,890	766
Provision for income taxes	1,349	2,436	2,064
Net earnings (losses)	2,475	4,454	(1,298)
Net losses attributable to noncontrolling interests	—	13	5
Net earnings (losses) attributable to Altria	\$ 2,475	\$ 4,467	\$ (1,293)
Per share data:			
Basic and diluted earnings (losses) per share attributable to Altria	\$ 1.34	\$ 2.40	\$ (0.70)

See notes to consolidated financial statements.

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

for the years ended December 31,	2021	2020	2019
Net earnings (losses)	\$ 2,475	\$ 4,454	\$ (1,298)
Other comprehensive earnings (losses), net of deferred income taxes:			
Benefit plans	808	(228)	(24)
ABI	426	(1,245)	(319)
Currency translation adjustments and other	51	(4)	26
Other comprehensive earnings (losses), net of deferred income taxes	1,285	(1,477)	(317)
Comprehensive earnings (losses)	3,760	2,977	(1,615)
Comprehensive losses attributable to noncontrolling interests	—	13	5
Comprehensive earnings (losses) attributable to Altria	\$ 3,760	\$ 2,990	\$ (1,610)

See notes to consolidated financial statements.

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

for the years ended December 31,	2021	2020	2019
<b>Cash Provided by (Used in) Operating Activities</b>			
Net earnings (losses)	\$ 2,475	\$ 4,454	\$ (1,298)
Adjustments to reconcile net earnings (losses) to operating cash flows:			
Depreciation and amortization	244	257	226
Deferred income tax benefit	(1,160)	(164)	(95)
(Income) losses from equity investments	5,979	111	(1,725)
Dividends from ABI	119	108	396
Loss on Cronos-related financial instruments	148	140	1,442
Impairment of JUUL equity securities	—	2,600	8,600
Loss on early extinguishment of debt	649	—	—
Cash effects of changes: <sup>(1)</sup>			
Receivables	(18)	20	(8)
Inventories	57	2	42
Accounts payable	163	53	(79)
Income taxes	(149)	(29)	89
Accrued liabilities and other current assets	165	(15)	11
Accrued settlement charges	(215)	218	(108)
Pension plan contributions	(26)	(33)	(56)
Pension provisions and postretirement, net	(175)	(49)	(52)
Other, net <sup>(2)</sup>	149	712	452
Net cash provided by (used in) operating activities	<b>8,405</b>	<b>8,385</b>	<b>7,837</b>
<b>Cash Provided by (Used in) Investing Activities</b>			
Capital expenditures	(169)	(231)	(246)
Acquisitions of businesses and assets	—	—	(421)
Investment in Cronos	—	—	(1,899)
Proceeds from the Ste. Michelle Transaction, net of cash transferred	1,176	—	—
Other, net	205	88	168
Net cash provided by (used in) investing activities	<b>1,212</b>	<b>(143)</b>	<b>(2,398)</b>

<sup>(1)</sup> 2021 amounts reflect changes from operations for Ste. Michelle prior to the Ste. Michelle Transaction.

<sup>(2)</sup> 2020 primarily reflects inventory-related amounts associated with the wine business strategic reset. For further discussion, see Note 5. *Asset Impairment, Exit and Implementation Costs*.

See notes to consolidated financial statements.

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

for the years ended December 31,	2021	2020	2019
<b>Cash Provided by (Used in) Financing Activities</b>			
Proceeds from short-term borrowings	\$ —	\$ 3,000	\$ —
Repayment of short-term borrowings	—	(3,000)	(12,800)
Long-term debt issued	5,472	1,993	16,265
Long-term debt repaid	(6,542)	(1,000)	(1,144)
Repurchases of common stock	(1,675)	—	(845)
Dividends paid on common stock	(6,446)	(6,290)	(6,069)
Premiums and fees related to early extinguishment of debt	(623)	—	—
Other, net	(215)	(99)	(119)
Net cash provided by (used in) financing activities	(10,029)	(5,396)	(4,712)
<b>Cash, cash equivalents and restricted cash:</b>			
Increase (decrease)	(412)	2,846	727
Balance at beginning of year	5,006	2,160	1,433
Balance at end of year	\$ 4,594	\$ 5,006	\$ 2,160
Cash paid:			
Interest	\$ 1,189	\$ 1,246	\$ 991
Income taxes	\$ 2,673	\$ 2,616	\$ 1,977

The following table provides a reconciliation of cash, cash equivalents and restricted cash to the amounts reported on Altria's consolidated balance sheets:

at December 31,	2021	2020	2019
Cash and cash equivalents	\$ 4,544	\$ 4,945	\$ 2,117
Restricted cash included in other current assets <sup>(1)</sup>	—	1	—
Restricted cash included in other assets <sup>(1)</sup>	50	60	43
Cash, cash equivalents and restricted cash	\$ 4,594	\$ 5,006	\$ 2,160

<sup>(1)</sup> Restricted cash consisted of cash deposits collateralizing appeal bonds posted by PM USA to obtain stays of judgments pending appeals. See Note 18. *Contingencies*.

See notes to consolidated financial statements.

**Altria Group, Inc. and Subsidiaries**  
**Consolidated Statements of Stockholders' Equity (Deficit)**  
(in millions of dollars, except per share data)

	Attributable to Altria							Total Stockholders' Equity (Deficit)
	Common Stock	Additional Paid-in Capital	Earnings Reinvested in the Business	Accumulated Other Comprehensive Losses	Cost of Repurchased Stock	Non- controlling Interests		
Balances, December 31, 2018	\$ 935	\$ 5,961	\$ 43,962	\$ (2,547)	\$ (33,524)	\$ 2	\$ 14,789	
Net earnings (losses) <sup>(1)</sup>	—	—	(1,293)	—	—	(7)	(1,300)	
Other comprehensive earnings (losses), net of deferred income taxes	—	—	—	(317)	—	—	(317)	
Stock award activity	—	9	—	—	11	—	20	
Cash dividends declared (\$3.28 per share)	—	—	(6,130)	—	—	—	(6,130)	
Repurchases of common stock	—	—	—	—	(845)	—	(845)	
Other <sup>(2)</sup>	—	—	—	—	—	102	102	
Balances, December 31, 2019	935	5,970	36,539	(2,864)	(34,358)	97	6,319	
Net earnings (losses) <sup>(1)</sup>	—	—	4,467	—	—	(16)	4,451	
Other comprehensive earnings (losses), net of deferred income taxes	—	—	—	(1,477)	—	—	(1,477)	
Stock award activity	—	13	—	—	14	—	27	
Cash dividends declared (\$3.40 per share)	—	—	(6,327)	—	—	—	(6,327)	
Other <sup>(2)</sup>	—	(73)	—	—	—	5	(68)	
Balances, December 31, 2020	935	5,910	34,679	(4,341)	(34,344)	86	2,925	
Net earnings (losses) <sup>(1)</sup>	—	—	2,475	—	—	(4)	2,471	
Other comprehensive earnings (losses), net of deferred income taxes	—	—	—	1,285	—	—	1,285	
Stock award activity	—	24	—	—	13	—	37	
Cash dividends declared (\$3.52 per share)	—	—	(6,490)	—	—	—	(6,490)	
Repurchases of common stock	—	—	—	—	(1,675)	—	(1,675)	
Other <sup>(2)</sup>	—	(77)	—	—	—	(82)	(159)	
Balances, December 31, 2021	\$ 935	\$ 5,857	\$ 30,664	\$ (3,056)	\$ (36,006)	\$ —	\$ (1,606)	

<sup>(1)</sup> Amounts attributable to noncontrolling interests for each of the years ended December 31, 2021, 2020 and 2019 exclude net earnings of \$4 million, \$3 million and \$2 million, respectively, due to the redeemable noncontrolling interest related to Stag's Leap Wine Cellars, which is reported in the mezzanine equity section on the consolidated balance sheets.

<sup>(2)</sup> Includes the purchase of an 80% noncontrolling interest in Helix in 2019 and the remaining noncontrolling interest in Helix ROW and Helix in 2020 and 2021, respectively. For additional information, see Note 1. *Background and Basis of Presentation*.

See notes to consolidated financial statements.

Altria Group, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements

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**Note 1. Background and Basis of Presentation**

*When used in these notes, the term “Altria” refers to Altria Group, Inc. and its subsidiaries, unless the context requires otherwise.*

▪ **Background:** At December 31, 2021, Altria’s 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 subsidiaries (“Helix ROW”), which operate internationally in the rest-of-world, are engaged in the manufacture and sale of *on!* oral nicotine pouches; and Philip Morris Capital Corporation (“PMCC”), which maintains a portfolio of finance assets, substantially all of which are leveraged leases. Other Altria wholly owned subsidiaries included Altria Group Distribution Company, which provides sales and distribution services to certain Altria operating subsidiaries, and Altria Client Services LLC, which provides various support services in areas such as legal, regulatory, consumer engagement, finance, human resources and external affairs to Altria. Altria’s 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. At December 31, 2021, Altria’s significant wholly owned 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 October 2021, UST sold its subsidiary, International Wine & Spirits Ltd. (“IWS”), which included Ste. Michelle Wine Estates Ltd. (“Ste. Michelle”), to an entity controlled by investment funds managed by Sycamore Partners Management, L.P. in an all-cash transaction with a net purchase price of approximately \$1.2 billion and the assumption of certain liabilities of IWS and its subsidiaries (the “Ste. Michelle Transaction”).

In 2019, Helix acquired Burger Söhne Holding and its subsidiaries as well as certain affiliated companies that are engaged in the manufacture and sale of *on!* oral nicotine pouches. At closing, Altria owned an 80% interest in Helix, for which Altria paid \$353 million. At December 31, 2021, Altria owned 100% of the global *on!* business as a result of transactions in December 2020 and April 2021 to purchase the remaining 20% interest in (i) Helix ROW and (ii) Helix, respectively. The total purchase price of the December 2020 and April 2021 transactions was approximately \$250 million.

At December 31, 2021, Altria’s investments in equity securities consisted of Anheuser-Busch InBev SA/NV (“ABI”), Cronos Group Inc. (“Cronos”) and JUUL Labs, Inc. (“JUUL”). Altria accounts for its investments in ABI and Cronos under the equity method of accounting using a one-quarter lag. Altria accounts for its equity investment in JUUL under the fair value option.

For further discussion of Altria’s investments in equity securities, see Note 6. *Investments in Equity Securities.*

▪ **Basis of Presentation:** The consolidated financial statements include Altria, as well as its wholly owned and majority-owned subsidiaries. Investments in equity securities in which Altria has the ability to exercise significant influence over the operating and financial policies of the investee are accounted for under the equity method of accounting or the fair value option. All intercompany transactions and balances have been eliminated.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the dates of the financial statements and the reported amounts of net revenues and expenses during the reporting periods. Significant estimates and assumptions include, among other things, pension and benefit plan assumptions, lives and valuation assumptions for goodwill and other intangible assets, impairment and fair value evaluations for equity investments, marketing programs and income taxes. Actual results could differ from those estimates.

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

On January 1, 2021, Altria adopted Accounting Standards Update (“ASU”) 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (“ASU No. 2019-12”). This guidance removes certain exceptions for investments, intraperiod allocations and interim calculations, and adds guidance to reduce complexity in accounting for income taxes. The adoption of ASU No. 2019-12 did not have a material impact on Altria’s consolidated financial statements.

Additionally, on January 1, 2021, Altria adopted ASU No. 2020-01, *Investments - Equity Securities (Topic 321), Investments - Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815* (“ASU No. 2020-01”). This guidance provides clarification of the interaction of rules for equity securities, the equity method of accounting, and forward contracts and purchase options on certain types of securities. The adoption of ASU No. 2020-01 did not have a material impact on Altria’s consolidated financial statements.

## Note 2. Summary of Significant Accounting Policies

- **Cash and Cash Equivalents:** Cash equivalents include demand deposits with banks and all highly liquid investments with original maturities of three months or less. Cash equivalents are stated at cost plus accrued interest, which approximates fair value.

- **Depreciation, Amortization and Impairment Testing:** Property, plant and equipment are stated at historical costs and depreciated by the straight-line method over the estimated useful lives of the assets. Machinery and equipment are depreciated over periods up to 25 years, and buildings and building improvements over periods up to 50 years. Definite-lived intangible assets are amortized over their estimated useful lives up to 25 years.

Altria reviews long-lived assets, including definite-lived intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying value of the assets may not be fully recoverable. Altria performs undiscounted operating cash flow analyses to determine if an impairment exists. For purposes of recognition and measurement of an impairment for assets held for use, Altria groups assets and liabilities at the lowest level for which cash flows are separately identifiable. If Altria determines that an impairment exists, any related impairment loss is calculated based on fair value. Impairment losses on assets to be disposed of, if any, are based on the estimated proceeds to be received, less costs of disposal. Altria also reviews the estimated remaining useful lives of long-lived assets whenever events or changes in business circumstances indicate the lives may have changed.

Altria conducts 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 Altria to perform an interim review. Altria has the option of first performing a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit or indefinite-lived intangible asset is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative impairment test. If necessary, Altria will perform a single step quantitative impairment test. Additionally, Altria has the option to unconditionally bypass the qualitative assessment and perform a single step quantitative assessment. If the carrying value of a reporting unit that includes goodwill exceeds its fair value, which is determined using discounted cash flows, goodwill is considered impaired. The amount of impairment loss is measured as the difference between the carrying value and the fair value of a reporting unit, but is limited to the total amount of goodwill allocated to a reporting unit. If the carrying value of an indefinite-lived intangible asset exceeds its fair value, which is determined using discounted cash flows, the intangible asset is considered impaired and is reduced to fair value in the period identified.

- **Derivative Financial Instruments:** Altria enters into derivatives to mitigate the potential impact of certain market risks, including foreign currency exchange rate risk. Altria uses various types of derivative financial instruments, including forward contracts, options and swaps.

Derivative financial instruments are recorded at fair value on the consolidated balance sheets as either assets or liabilities. Derivative financial instruments that qualify for hedge accounting are designated as either fair value hedges, cash flow hedges or net investment hedges at the inception of the contracts. For fair value hedges, changes in the fair value of the derivative, as well as the offsetting changes in the fair value of the hedged item, are recorded in the consolidated statements of earnings (losses) each period. For cash flow hedges, changes in the fair value of the derivative are recorded each period in accumulated other comprehensive earnings (losses) and are reclassified to the consolidated statements of earnings (losses) in the same periods in which operating results are affected by the respective hedged item. For net investment hedges, changes in the fair value of the derivative or foreign currency transaction gains or losses on a nonderivative hedging instrument are recorded in accumulated other comprehensive earnings (losses) to offset the change in the value of the net investment being hedged. Such amounts remain in accumulated other comprehensive earnings (losses) until the complete or substantially complete liquidation of the underlying foreign operations occurs for investments in foreign entities accounted for under the equity method of accounting. Cash flows from hedging instruments are classified in the same manner as the respective hedged item in the consolidated statements of cash flows.

To qualify for hedge accounting, the hedging relationship, both at inception of the hedge and on an ongoing basis, is expected to be highly effective at offsetting changes in the fair value of the hedged risk during the period that the hedge is designated. Altria formally designates and documents, at inception, the financial instrument as a hedge of a specific underlying exposure, the risk management objective, the strategy for undertaking the hedge transaction and method for assessing hedge effectiveness. Additionally, for qualified hedges of forecasted transactions, if it becomes probable that a forecasted transaction will not occur, the hedge would no longer be considered effective and all of the derivative gains and losses would be recorded in the consolidated statement of earnings (losses) in the current period.

For financial instruments that are not designated as hedging instruments or do not qualify for hedge accounting, changes in fair value are recorded in the consolidated statement of earnings (losses) each period. Altria does not enter into or hold derivative financial instruments for trading or speculative purposes.

- **Employee Benefit Plans:** Altria provides a range of benefits to certain employees and retired employees, including pension, postretirement health care and postemployment benefits. Altria records annual amounts relating to these plans based on calculations

specified by GAAP, which include various actuarial assumptions as to discount rates, assumed rates of return on plan assets, mortality, compensation increases, turnover rates and health care cost trend rates.

Altria recognizes the funded status of its defined benefit pension and other postretirement plans on the consolidated balance sheets and records as a component of other comprehensive earnings (losses), net of deferred income taxes, the gains or losses and prior service costs or credits that have not been recognized as components of net periodic benefit cost. The gains or losses and prior service costs or credits recorded as components of other comprehensive earnings (losses) are subsequently amortized into net periodic benefit cost in future years.

- **Environmental Costs:** Altria is subject to laws and regulations relating to the protection of the environment. Altria provides 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.

Compliance with environmental laws and regulations, including the payment of any remediation and compliance costs or damages and the making of related expenditures, has not had, and is not expected to have, a material adverse effect on Altria's consolidated results of operations, capital expenditures, financial position or cash flows. See Note 18. *Contingencies - Environmental Regulation.*

- **Fair Value Measurements:** Altria measures certain assets and liabilities at fair value. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Altria uses a fair value hierarchy, which gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of inputs used to measure fair value are:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

- **Guarantees:** Altria recognizes a liability for the fair value of the obligation of qualifying guarantee activities. See Note 18. *Contingencies* for a further discussion of guarantees.

- **Income Taxes:** Significant judgment is required in determining income tax provisions and in evaluating tax positions.

Deferred tax assets and liabilities are determined based on the difference 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. Altria records a valuation allowance when it is more likely than not that some portion or all of a deferred tax asset will not be realized. Altria determines the realizability of deferred tax assets based on the weight of all available positive and negative evidence. In reaching this determination, Altria considers 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.

Altria recognizes the financial statement benefit for uncertain income tax positions when it is more likely than not, based on the technical merits, that the position will be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. Altria recognizes accrued interest and penalties associated with uncertain tax positions as part of the provision for income taxes in its consolidated statements of earnings (losses).

- **Inventories:** The last-in, first-out ("LIFO") method is used to determine the cost of substantially all tobacco inventories. The cost of the remaining inventories is determined using the first-in, first-out ("FIFO") and average cost methods. Inventories that are measured using the LIFO method are stated at the lower of cost or market. Inventories that are measured using the FIFO and average cost methods are stated at the lower of cost and net realizable value. It is a generally recognized industry practice to classify leaf tobacco and wine inventories as current assets although part of such inventory, because of the duration of the curing and aging process, ordinarily would not be used within one year. The cost of approximately 81% and 59% of inventories at December 31, 2021 and 2020, respectively, was determined using the LIFO method. The increase in LIFO percentage was due to the Ste. Michelle Transaction (as Ste. Michelle accounted for its inventory using FIFO). The stated LIFO amounts of inventories were approximately \$0.6 billion lower than the current cost of inventories at December 31, 2021 and 2020.

- **Investments in Equity Securities:** Investments in equity securities in which Altria has the ability to exercise significant influence over the operating and financial policies of the investee are accounted for under the equity method of accounting or the fair value option. The election of the fair value option is irrevocable and is made on an investment by investment basis.

Altria elected to account for its investments in ABI and Cronos under the equity method of accounting. Altria's share of equity (income) losses and other adjustments associated with these equity investments are included in (income) losses from equity investments in the consolidated statements of earnings (losses). The carrying value for each of Altria's equity investments in ABI and Cronos is reported in

investments in equity securities on the consolidated balance sheets. Equity method investments accounted for under the equity method of accounting are reported at cost and adjusted each period for Altria's share of (income) losses and dividends paid, if any. Altria reports its share of ABI's and Cronos's results using a one-quarter lag because results are not available in time for Altria to record them in the concurrent period. Altria reviews its equity investments accounted for under the equity method of accounting for impairment by comparing the fair value of each of its investments to their carrying value. If the carrying value of an investment exceeds its fair value and the loss in value is other than temporary, the investment is considered impaired and reduced to fair value, and the impairment is recognized in the period identified. The factors used to make this determination include the duration and magnitude of the fair value decline, the financial condition and near-term prospects of the investee, and Altria's intent and ability to hold its investment until recovery.

Following Share Conversion (as defined in Note 6. *Investments in Equity Securities*) in the fourth quarter of 2020, Altria elected to account for its equity investment in JUUL under the fair value option. Under this option, any cash dividends received and any changes in the fair value of the equity investment in JUUL, which is calculated quarterly using level 3 fair value measurements, are included in (income) losses from equity investments in the consolidated statements of earnings (losses). The fair value of the equity investment in JUUL is included in investments in equity securities on the consolidated balance sheets at December 31, 2021 and 2020. Prior to Altria exercising its right to convert its non-voting shares to voting shares, Altria accounted for its investment in JUUL as an investment in an equity security. Since the JUUL shares did not have a readily determinable fair value, Altria elected to measure its investment in JUUL at its cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

- **Litigation Contingencies and Costs:** Altria and its subsidiaries record provisions in the consolidated financial statements for pending litigation when it is determined that an unfavorable outcome is probable and the amount of the loss can be reasonably estimated. Litigation defense costs are expensed as incurred and included in marketing, administration and research costs in the consolidated statements of earnings (losses). See Note 18. *Contingencies*.

- **Marketing Costs:** Altria's businesses promote their products with consumer incentives, trade promotions and consumer engagement programs. These consumer incentive and trade promotion activities, which include discounts, coupons, rebates, in-store display incentives and volume-based incentives, do not create a distinct deliverable and are, therefore, recorded as a reduction of revenues. Consumer engagement program payments are made to third parties. Altria's businesses expense these consumer engagement programs, which include event marketing, as incurred and such expenses are included in marketing, administration and research costs in Altria's consolidated statements of earnings (losses). For interim reporting purposes, Altria's businesses charge consumer engagement programs and certain consumer incentive expenses to operations as a percentage of sales, based on estimated sales and related expenses for the full year.

- **Revenue Recognition:** Altria's businesses generate substantially all of their revenue from sales contracts with customers. While Altria's businesses enter into separate sales contracts with each customer for each product type, all sales contracts are similarly structured. These contracts create an obligation to transfer product to the customer. All performance obligations are satisfied within one year; therefore, costs to obtain contracts are expensed as incurred and unsatisfied performance obligations are not disclosed. There is no financing component because Altria's businesses expect, at contract inception, that the period between when Altria's businesses transfer product to the customer and when the customer pays for that product will be one year or less.

Altria's businesses define net revenues as revenues, which include excise taxes and shipping and handling charges billed to customers, net of cash discounts for prompt payment, sales returns (also referred to as returned goods) and sales incentives. Altria's businesses exclude from the transaction price sales taxes and value-added taxes imposed at the time of sale.

Altria's businesses recognize revenues from sales contracts with customers upon shipment of goods when control of such products is obtained by the customer. Altria's businesses determine that a customer obtains control of the product upon shipment when title of such product and risk of loss transfers to the customer. Altria's businesses account for shipping and handling costs as fulfillment costs and such amounts are classified as part of cost of sales in Altria's consolidated statements of earnings (losses). Altria's businesses record an allowance for returned goods, based principally on historical volume and return rates, which is included in other accrued liabilities on Altria's consolidated balance sheets. Altria's businesses record sales incentives, which consist of consumer incentives and trade promotion activities, as a reduction to revenues (a portion of which is based on amounts estimated as being due to wholesalers, retailers and consumers at the end of a period) based principally on historical volume, utilization and redemption rates. Expected payments for sales incentives are included in accrued marketing liabilities on Altria's consolidated balance sheets.

Payment terms vary depending on product type. Altria's businesses consider payments received in advance of product shipment as deferred revenue, which is included in other accrued liabilities on Altria's consolidated balance sheets until revenue is recognized. PM USA receives payment in advance of a customer obtaining control of the product. USSTC and Helix receive substantially all payments within one business day of the customer obtaining control of the product. Amounts due from customers are included in receivables on Altria's consolidated balance sheets.

- **New Accounting Guidance Not Yet Adopted:** The following table provides a description of issued accounting guidance applicable to, but not yet adopted by, Altria:

Standards	Description	Effective Date for Public Entity	Effect on Financial Statements
ASU 2020-06 <i>Accounting for Convertible Instruments and Contracts in an Entity's Own Equity</i>	The guidance simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity's own equity. Key provisions of the guidance include reducing the number of accounting models, simplifying the earnings per share calculations and expanding the disclosures related to convertible instruments.	The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021.	Altria's adoption of this guidance is not expected to have a material impact on its consolidated financial statements and related disclosures.
ASU 2021-08 <i>Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers</i>	The guidance updates how an entity recognizes and measures contract assets and contract liabilities acquired in a business combination. Acquirers will now account for related revenue contracts in accordance with Topic 606 as if it had originated the contract.	The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022.	Altria is in the process of evaluating the impact of this guidance on its consolidated financial statements and related disclosures.

### Note 3. Revenues from Contracts with Customers

Altria disaggregates net revenues based on product type. For further discussion, see Note 15. *Segment Reporting*.

In 2020, a majority of Altria's businesses offered cash discounts to customers for prompt payment and calculated cash discounts as a percentage of the list price based on historical experience and agreed-upon payment terms. Beginning in the first quarter of 2021 for USSTC and in the third quarter of 2021 for PM USA, cash discounts were calculated as a flat rate per unit, based on agreed-upon payment terms. Altria's businesses record receivables net of the cash discounts on Altria's consolidated balance sheets.

Altria's businesses that receive payments in advance of product shipment record such payments as deferred revenue. These payments are included in other accrued liabilities on Altria's consolidated balance sheets until control of such products is obtained by the customer. Deferred revenue was \$287 million and \$301 million at December 31, 2021 and 2020, respectively. When cash is received in advance of product shipment, Altria's businesses satisfy their performance obligations within three days of receiving payment. At December 31, 2021 and 2020, there were no differences between amounts recorded as deferred revenue and amounts subsequently recognized as revenue.

Receivables were \$47 million and \$137 million at December 31, 2021 and 2020, respectively; the decrease was due primarily to the Ste. Michelle Transaction. At December 31, 2021 and 2020, there were no expected differences between amounts recorded and subsequently received, and Altria's businesses did not record an allowance for doubtful accounts against these receivables.

Altria's businesses record an allowance for returned goods, which is included in other accrued liabilities on Altria's consolidated balance sheets. While all of Altria's tobacco operating companies sell tobacco products with dates relative to freshness as printed on product packaging, it is USSTC's policy to accept authorized sales returns from its customers for products that have passed such dates due to the limited shelf life of USSTC's MST and snus products. Altria's businesses 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. Altria's businesses 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 Altria's consolidated financial statements. All returned goods are destroyed upon return and not included in inventory. Consequently, Altria's businesses do not record an asset for their right to recover goods from customers upon return.

Sales incentives include variable payments related to goods sold by Altria's businesses. Altria's businesses 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*- Altria's businesses make price promotion payments, substantially all of which are made to their retail partners to incent the promotion of certain product offerings in select geographic areas.
- *Wholesale and retail participation payments*- Altria's businesses make payments to their wholesale and retail partners to incent merchandising and sharing of sales data in accordance with each business's 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 Altria's consolidated financial statements.

#### Note 4. Goodwill and Other Intangible Assets, net

Goodwill and other intangible assets, net, by segment were as follows at December 31:

(in millions)	Goodwill		Other Intangible Assets, net	
	2021	2020	2021	2020
Smokeable products	\$ 99	\$ 99	\$ 3,017	\$ 3,044
Oral tobacco products	5,078	5,078	9,129	9,164
Wine	—	—	—	237
Other	—	—	160	170
<b>Total</b>	<b>\$ 5,177</b>	<b>\$ 5,177</b>	<b>\$ 12,306</b>	<b>\$ 12,615</b>

Other intangible assets consisted of the following at December 31:

(in millions)	2021		2020	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Indefinite-lived intangible assets	\$ 11,443	\$ —	\$ 11,676	\$ —
Definite-lived intangible assets	1,260	397	1,275	336
<b>Total other intangible assets</b>	<b>\$ 12,703</b>	<b>\$ 397</b>	<b>\$ 12,951</b>	<b>\$ 336</b>

At December 31, 2021, substantially all of Altria's indefinite-lived intangible assets consist of MST and snus trademarks (\$8.8 billion) and cigar trademarks (\$2.6 billion) from Altria's 2009 acquisition of UST and 2007 acquisition of Middleton, respectively. Definite-lived intangible assets, which consist primarily of intellectual property, certain cigarette trademarks and customer relationships, are amortized over a weighted-average period of 20 years. Pre-tax amortization expense for definite-lived intangible assets during the years ended December 31, 2021, 2020 and 2019, was \$72 million, \$72 million and \$44 million, respectively. Annual amortization expense for each of the next five years is estimated to be approximately \$70 million, assuming no additional transactions occur that require the amortization of intangible assets.

The changes in goodwill and net carrying amount of intangible assets were as follows:

(in millions)	2021		2020	
	Goodwill	Other Intangible Assets, net	Goodwill	Other Intangible Assets, net
Balance at January 1	\$ 5,177	\$ 12,615	\$ 5,177	\$ 12,687
Changes due to:				
Dispositions <sup>(1)</sup>	—	(237)	—	—
Amortization	—	(72)	—	(72)
<b>Balance at December 31</b>	<b>\$ 5,177</b>	<b>\$ 12,306</b>	<b>\$ 5,177</b>	<b>\$ 12,615</b>

<sup>(1)</sup> Dispositions related to the Ste. Michelle Transaction. See Note 1. *Background and Basis of Presentation*.

During 2021 and 2020, Altria's annual impairment test of goodwill and indefinite-lived intangible assets resulted in no impairment charges.

During 2019, upon completion of Altria's annual impairment testing of goodwill and other indefinite-lived intangible assets, Altria concluded that goodwill of \$74 million in the wine segment was fully impaired as the wine reporting unit was impacted by a slowing growth rate in the premium wine category and higher inventories.

At December 31, 2021, there were no accumulated impairment losses related to goodwill as a result of the disposition of Ste. Michelle. At December 31, 2020, the accumulated impairment losses related to goodwill were \$74 million.

## Note 5. Asset Impairment, Exit and Implementation Costs

Pre-tax asset impairment, exit and implementation costs (income) consisted of the following:

(in millions)	Asset Impairment and Exit Costs		Implementation Costs				Total	
	2020	2019	2021	2020	2019 <sup>(1)</sup>	2021	2020	2019
For the year ended December 31,								
Smokeable products	\$ 2	\$ 59	\$ —	\$ —	\$ 33	\$ —	\$ 2	\$ 92
Oral tobacco products	(5)	9	—	—	5	—	(5)	14
Wine	—	76	1	411	—	1	411	76
All other	—	14	—	—	(10)	—	—	4
General corporate	(1)	1	—	—	—	—	(1)	1
Total	(4)	159	1	411	28	1	407	187
Plus amounts included in net periodic benefit (income) cost, excluding service cost <sup>(2)</sup>	—	29	—	—	—	—	—	29
Total	\$ (4)	\$ 188	\$ 1	\$ 411	\$ 28	\$ 1	\$ 407	\$ 216

<sup>(1)</sup> Included in cost of sales (\$2 million) and marketing, administration and research costs (\$26 million) in Altria's consolidated statement of earnings (losses).

<sup>(2)</sup> Represents settlement and curtailment costs. See Note 16. *Benefit Plans*.

Pre-tax implementation costs for 2021 and 2020, which were included in cost of sales in Altria's consolidated statements of earnings (losses), were related to Ste. Michelle's strategic reset, as discussed below.

Pre-tax asset impairment, exit and implementation costs for 2019 were primarily related to the cost reduction program discussed below, and the impairment of goodwill for the wine reporting unit. See Note 4. *Goodwill and Other Intangible Assets, net*.

- **Wine Business Strategic Reset:** During the year ended December 31, 2020, Ste. Michelle recorded pre-tax implementation costs of \$411 million associated with a strategic reset initiated in the first quarter of 2020 intended to maximize Ste. Michelle's profitability and achieve improved long-term cash flow generation. Substantially all of the charges consisted of the following: (i) write-off of inventory (\$292 million) as Ste. Michelle no longer believed that the benefit of the blending and production plans for its inventory outweighed inventory carrying cost given the reduced product volume demand; and (ii) estimated losses on future non-cancelable grape purchase commitments that Ste. Michelle believed no longer had a future economic benefit (\$100 million).

- **Cost Reduction Program:** In December 2018, Altria announced a cost reduction program that included workforce reductions and third-party spending reductions across the businesses. As a result of the cost reduction program, Altria recorded total pre-tax restructuring charges of \$250 million, which included employee benefit-related curtailment and settlement costs. Of this amount, Altria recorded net pre-tax cost reversals of \$4 million in 2020 and pre-tax charges of \$133 million in 2019. The total charges, the majority of which resulted in cash expenditures, related primarily to employee separation costs of \$198 million and other costs of \$52 million. Cash payments of \$11 million, \$44 million and \$136 million were made during the years ended December 31, 2021, 2020 and 2019, respectively, for total program cash payments of \$191 million. The cash payments and pre-tax charges related to this cost reduction program are complete.

## Note 6. Investments in Equity Securities

The carrying amount of Altria's investments consisted of the following at December 31:

(in millions)	2021	2020
ABI	\$ 11,144	\$ 16,651
JUUL	1,705	1,705
Cronos <sup>(1)</sup>	632	1,173
Total	\$ 13,481	\$ 19,529

<sup>(1)</sup> Altria's investment in Cronos at December 31, 2021 consisted of Altria's equity method investment in Cronos (\$617 million), the Cronos warrant (\$14 million) and the Fixed-price Preemptive Rights (\$1 million) (collectively, "Investment in Cronos"). The Investment in Cronos at December 31, 2020 consisted of Altria's equity method investment in Cronos (\$1,010 million), the Cronos warrant (\$139 million) and the Fixed-price Preemptive Rights (\$24 million). See below for further discussion.

(Income) losses from equity investments accounted for under the equity method of accounting and fair value option consisted of the following:

(in millions)	For the Years Ended December 31,		
	2021	2020	2019
ABI <sup>(1)</sup>	\$ 5,564	\$ 223	\$ (1,229)
Cronos <sup>(1)</sup>	415	(12)	(496)
(Income) losses from investments under equity method of accounting	5,979	211	(1,725)
JUUL	—	(100)	—
(Income) losses from equity investments	\$ 5,979	\$ 111	\$ (1,725)

<sup>(1)</sup> Includes Altria's share of amounts recorded by its investees and additional adjustments, if required, related to (i) conversion from international financial reporting standards to GAAP and (ii) adjustments to Altria's investment required under the equity method of accounting.

Investees' summarized financial data for Altria's equity investments was as follows:

(in millions)	For Altria's Year Ended December 31,					
	2021 <sup>(1)</sup>		2020 <sup>(2)</sup>		2019 <sup>(3)</sup>	
	ABI	Other Investments	ABI	Other Investments	ABI	Other Investments
Net revenues	\$ 52,864	\$ 1,313	\$ 48,294	\$ 37	\$ 54,187	\$ 21
Gross profit	\$ 30,653	\$ 757	\$ 28,438	\$ (31)	\$ 33,735	\$ 10
Earnings (losses) from continuing operations	\$ 7,434	\$ (800)	\$ 4,265	\$ 99	\$ 10,530	\$ 1,117
Net earnings (losses)	\$ 7,434	\$ (800)	\$ 4,266	\$ 98	\$ 10,530	\$ 1,117
Net earnings (losses) attributable to equity investments	\$ 5,780	\$ (798)	\$ 3,323	\$ 100	\$ 9,189	\$ 1,117

(in millions)	At September 30,			
	2021 <sup>(1)</sup>		2020 <sup>(2)</sup>	
	ABI	Other Investments	ABI	Other Investments
Current assets	\$ 21,593	\$ 1,882	\$ 28,672	\$ 1,394
Long-term assets	\$ 190,082	\$ 1,049	\$ 185,106	\$ 525
Current liabilities	\$ 33,540	\$ 451	\$ 34,884	\$ 143
Long-term liabilities	\$ 105,973	\$ 2,277	\$ 117,400	\$ 12
Convertible Preferred Stock	\$ —	\$ 715	\$ —	\$ —
Noncontrolling interests	\$ 11,356	\$ (3)	\$ 8,459	\$ (3)

<sup>(1)</sup> Reflects a one-quarter lag. Other Investments reflect summarized financial data of Cronos's and JUUL's results for Altria's year ended December 31, 2021, which includes JUUL's results for the period November 11, 2020 (the date of Share Conversion, defined below) through September 30, 2021.

<sup>(2)</sup> Reflects a one-quarter lag. Other Investments reflect summarized financial data of Cronos.

<sup>(3)</sup> Reflects a one-quarter lag. Other Investments reflect summarized financial data of Cronos's results for Altria's year ended December 31, 2019, which includes Cronos's results for the period March 8, 2019 through September 30, 2019.

#### Investment in ABI

At December 31, 2021, Altria had an approximate 10.0% ownership interest in ABI, consisting of 185 million restricted shares of ABI (the "Restricted Shares") and 12 million ordinary shares of ABI. The Restricted Shares:

- are unlisted and not admitted to trading on any stock exchange;
- are convertible by Altria 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.

The Restricted Shares were subject to a five-year lock-up period that ended October 10, 2021. As of this filing, Altria has not elected to convert its Restricted Shares into ordinary shares of ABI.

Altria accounts for its investment in ABI under the equity method of accounting because Altria has 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, Altria participates in ABI policy making processes.

Altria reports its share of ABI's results using a one-quarter lag because ABI's results are not available in time for Altria to record them in the concurrent period.

The fair value of Altria's equity investment in ABI is 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. Altria can convert its Restricted Shares to ordinary shares at its discretion. Therefore, the fair value of each Restricted Share is based on the value of an ordinary share.

In October 2019, the fair value of Altria's equity investment in ABI declined below its carrying value. At December 31, 2020, the fair value of Altria's equity investment in ABI was \$13.8 billion (carrying value of \$16.7 billion), which was less than its carrying value by approximately 17%. In preparing its financial statements for the period ended December 31, 2020, Altria evaluated the factors related to the fair value decline, including the impact on the fair value of ABI's shares during the COVID-19 pandemic, which negatively impacted ABI's business. Altria evaluated the duration and magnitude of the fair value decline, ABI's financial condition and near-term prospects and Altria's intent and ability to hold its investment in ABI until recovery. Altria concluded that the decline in fair value of its equity investment in ABI below its carrying value at December 31, 2020 was temporary and, therefore, no impairment was recorded at that time.

Following the consideration of the same factors, Altria, in preparing its financial statements for the period ended September 30, 2021, concluded that the decline in fair value of its equity investment in ABI below its carrying value at September 30, 2021 was other than temporary. As a result, Altria recorded a non-cash, pre-tax impairment charge of \$6.2 billion during the third quarter of 2021, which was recorded to (income) losses from equity investments in its consolidated statements of earnings (losses). This impairment charge reflects the difference between the fair value of Altria's investment in ABI using ABI's share price at September 30, 2021 and the carrying value of Altria's equity investment in ABI at September 30, 2021. While Altria considers the impacts related to the COVID-19 pandemic that have negatively impacted ABI's global business to be transitory, Altria determined, as of the third quarter of 2021, that the full recovery to carrying value would take longer than previously expected. This was evidenced by the resumption of declines in fair value during the third quarter of 2021, following positive share price momentum during the first half of 2021. At September 30, 2021, prior to recording the impairment charge, the fair value of Altria's investment in ABI was below the carrying value by approximately 35%, which represented an additional 18% reduction in ABI's share price since December 31, 2020. After recording the impairment charge, the fair value and carrying value of Altria's equity investment in ABI at September 30, 2021 were \$11.2 billion.

At December 31, 2021, the fair value of Altria's equity investment in ABI was \$11.9 billion (carrying value of \$11.1 billion), which exceeded its carrying value by approximately 7%.

At December 31, 2021, the carrying value of Altria's equity investment in ABI exceeded its share of ABI's net assets attributable to equity holders of ABI by approximately \$5.1 billion. Substantially all of this difference is comprised of goodwill and other indefinite-lived intangible assets (consisting primarily of trademarks).

#### *Investment in JUUL*

In December 2018, Altria made an investment in JUUL for \$12.8 billion and received a 35% economic interest in JUUL through non-voting shares, which were convertible at Altria's election into voting shares ("Share Conversion"), and a security convertible into additional non-voting or voting shares, as applicable, upon settlement or exercise of certain JUUL convertible securities (the "JUUL Transaction"). At December 31, 2021, Altria had a 35% ownership interest in JUUL, consisting of 42 million voting shares.

Altria received a broad preemptive right to purchase JUUL shares, exercisable each quarter upon dilution, to maintain its ownership percentage and is subject to a standstill restriction under which it may not acquire additional JUUL shares above its 35% interest. Furthermore, Altria agreed not to sell or transfer any of its JUUL shares until December 20, 2024.

As part of the JUUL Transaction, Altria and JUUL entered into a services agreement pursuant to which Altria agreed to provide JUUL with certain commercial services, as requested by JUUL, for an initial term of six years. In January 2020, Altria and JUUL amended certain JUUL Transaction agreements and entered into a new cooperation agreement. In conjunction with these amendments, the parties agreed that Altria would discontinue all services as of March 31, 2020 except regulatory affairs support for JUUL's pursuit of its pre-market tobacco applications and/or its modified risk tobacco products applications.

Altria also agreed to non-competition obligations generally requiring that it participate in the e-vapor business only through JUUL. However, Altria has the option to be released from its non-compete obligation (i) in the event JUUL is prohibited by federal law from selling e-vapor products in the U.S. for a continuous period of at least 12 months (subject to tolling of this period in certain circumstances), (ii) if the carrying value of Altria's investment in JUUL is not more than 10% of its initial carrying value of \$12.8 billion or (iii) if Altria is no longer providing JUUL services as of December 20, 2024.

Additionally, with respect to certain litigation in which Altria and JUUL are both defendants against third-party plaintiffs, Altria will not pursue any claims against JUUL for indemnification or reimbursement except for any non-contractual claims for contribution or indemnity where a judgment has been entered against Altria and JUUL.

On April 1, 2020, the U.S. Federal Trade Commission (“FTC”) issued an administrative complaint challenging Altria’s investment in JUUL. For further discussion, see Note 18. *Contingencies - Antitrust Litigation*.

In November 2020, Altria exercised its rights to convert its non-voting JUUL shares into voting shares. Altria does not currently intend to exercise its additional governance rights obtained upon Share Conversion, including the right to elect directors to JUUL’s board, as described below, or to vote its JUUL shares other than as a passive investor, pending the outcome of the FTC administrative complaint.

If Altria chooses to exercise its governance rights, JUUL will:

- restructure JUUL’s current seven-member board of directors to a nine-member board that will include independent board members. The new structure will include: (i) three independent directors (one of whom will be designated by Altria and two of whom will be designated by JUUL stockholders other than Altria) unanimously certified as independent by a nominating committee, which will include at least one Altria designee, (ii) two directors designated by Altria, (iii) three directors designated by JUUL stockholders other than Altria and (iv) the JUUL Chief Executive Officer; and
- create a Litigation Oversight Committee, which will include two Altria designated directors (one of whom will chair the Litigation Oversight Committee); that will have oversight authority and review of litigation management for matters in which JUUL and Altria are co-defendants and have, or reasonably could have, a written joint defense agreement in effect between them. Subject to certain limitations, the Litigation Oversight Committee will recommend to JUUL changes to outside counsel and litigation strategy by majority vote, with disagreements by JUUL’s management being resolved by majority vote of JUUL’s board of directors.

Following Share Conversion in the fourth quarter of 2020, Altria elected to account for its equity method investment in JUUL under the fair value option. Under this option, Altria’s consolidated statements of earnings (losses) include any cash dividends received from its investment in JUUL and any changes in the estimated fair value of its investment, which is calculated quarterly. Altria believes the fair value option provides quarterly transparency to investors as to the fair market value of Altria’s investment in JUUL, given the changes and volatility in the e-vapor category since Altria’s initial investment, as well as the lack of publicly available information regarding JUUL’s business or a market-derived valuation.

The following table provides a reconciliation of the beginning and ending balance of Altria’s investment in JUUL, which is classified in Level 3 of the fair value hierarchy:

<b>(in millions)</b>	<b>Investment Balance</b>	
Balance at December 31, 2019	\$	—
Transfers into Level 3 fair value		<b>1,605</b>
Unrealized gains (losses) included in (income) losses from equity investments		<b>100</b>
Balance at December 31, 2020		<b>1,705</b>
Unrealized gains (losses) included in (income) losses from equity investments		—
Balance at December 31, 2021	\$	<b>1,705</b>

Prior to Share Conversion, Altria accounted for its investment in JUUL as an investment in an equity security. Since the JUUL shares do not have a readily determinable fair value, Altria elected to measure its investment in JUUL at its cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. There were no upward or downward adjustments to the carrying value of Altria’s investment in JUUL resulting from observable price changes in orderly transactions since the JUUL Transaction through the date of Share Conversion. In addition, prior to Share Conversion, Altria reviewed its investment in JUUL for impairment by performing a qualitative assessment of impairment indicators on a quarterly basis in connection with the preparation of its financial statements. If this qualitative assessment indicated that Altria’s investment in JUUL may be impaired, a quantitative assessment was performed. If the quantitative assessment indicated the estimated fair value of the investment was less than its carrying value, the investment was written down to its estimated fair value.

#### 2021 Financial Activity

- For the year ended December 31, 2021, Altria recorded no change in the estimated fair value of its investment in JUUL. During the year ended December 31, 2021, the estimated fair value was primarily impacted by Altria’s projections of lower JUUL revenues in the U.S. over time due to lower JUUL volume assumptions offset by (i) the effect of passage of time on the projected cash flows and (ii) a decrease in the discount rate due to change in market factors. The estimated fair value of Altria’s investment in JUUL was \$1.7 billion at December 31, 2021 and 2020.

### 2020 Financial Activity

- Altria recorded a non-cash pre-tax unrealized gain of \$100 million for the fourth quarter and year ended December 31, 2020 as a result of an increase in the estimated fair value of its investment in JUUL. The increase in fair value was primarily driven by the effect of passage of time on the projected cash flows, as there were no material changes in the significant assumptions.
- In September 2020, JUUL announced a strategic update, which included its plans for a significant global workforce reduction, its evaluation of its resource allocation and the possibility of exiting various international markets. As part of the preparation of Altria's financial statements for the period ended September 30, 2020, Altria performed a qualitative assessment of impairment indicators for its investment in JUUL and determined that JUUL's strategic update was an indicator of impairment at September 30, 2020, given the significant deterioration in JUUL's business prospects.

Given the existence of this impairment indicator, Altria performed a quantitative valuation of its investment in JUUL during the third quarter of 2020 and recorded a non-cash, pre-tax impairment charge of \$2.6 billion for the year ended December 31, 2020, reported as impairment of JUUL equity securities in its consolidated statements of earnings (losses). The impairment charge was driven by Altria's projections of lower JUUL revenues over time due to lower pricing assumptions and delays in JUUL achieving previously forecasted operating margin performance. These drivers were the result of (i) JUUL's revised international expansion plans and (ii) the evolving U.S. e-vapor category and associated competitive dynamics.

### 2019 Financial Activity

- In 2019, Altria recorded total non-cash pre-tax impairment charges of \$8.6 billion (\$4.5 billion in the third quarter of 2019 and \$4.1 billion in the fourth quarter of 2019) related to its investment in JUUL resulting in a \$4.2 billion carrying value of its investment in JUUL at December 31, 2019.
  - In the third quarter of 2019, Altria performed a qualitative assessment for impairment indicators and concluded that impairment indicators existed. These indicators included significant adverse changes in both the e-vapor regulatory environment and the industry in which JUUL operates. While there was no single determinative event or factor, Altria considered in totality the following indicators of impairment: the increased likelihood of a United States Food and Drug Administration ("FDA") compliance policy prohibiting the sale of certain flavored e-vapor products in the U.S. market without a pre-market authorization; various e-vapor bans put in place by certain states and cities in the U.S. and in certain international markets, coupled with the increased potential for additional bans in the future; and the impact of heightened adverse publicity, including news reports and public health advisories concerning vaping-related lung injuries and deaths. Altria determined that the third-quarter 2019 impairment charge was due primarily to lower e-vapor sales volume assumptions in the U.S. and international markets and a delay in achieving operating margin performance as compared to the assumptions at the time of the JUUL Transaction, which resulted in a non-cash pre-tax impairment charge of \$4.5 billion.
  - In the fourth quarter of 2019, Altria determined that a significant increase in the number of legal cases pending against JUUL in the fourth quarter of 2019, which included a variety of class action lawsuits and personal injury claims, as well as cases brought by state attorneys general and local governments, resulted in an additional indicator of impairment. Altria determined that the fourth-quarter 2019 impairment charge resulted substantially from increased discount rates applied to future cash flow projections, due to the significant risk created by the increase in the number of legal cases pending against JUUL and the expectation that the number of legal cases against JUUL will continue to increase, which resulted in an additional non-cash pre-tax impairment charge of \$4.1 billion.

Altria uses an income approach to estimate the fair value of its investment in JUUL. The income approach reflects the discounting of future cash flows for the U.S. and international markets 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 future cash flows. Future cash flows were based on a range of scenarios that consider various potential regulatory and market outcomes.

In determining the estimated fair value of its investment in JUUL, in 2021, 2020 and 2019, Altria made various judgments, estimates and assumptions, the most significant of which were sales volume, operating margins, discount rates and perpetual growth rates. All significant inputs used in the valuation are classified in Level 3 of the fair value hierarchy. Additionally, in determining these significant assumptions, Altria made judgments regarding the (i) likelihood and extent of various potential regulatory actions and the continued adverse public perception impacting the e-vapor category and specifically JUUL, (ii) risk created by the number and types of legal cases pending against JUUL, (iii) expectations for the future state of the e-vapor category including competitive dynamics and (iv) timing of international expansion plans.

### *Investment in Cronos*

At December 31, 2021, Altria had a 41.8% ownership interest in Cronos, consisting of 156.6 million shares, which Altria accounts for under the equity method of accounting. Altria's ownership percentage decreased from 43.5% at December 31, 2020 due to the issuance of additional shares by Cronos. Altria reports its share of Cronos's results using a one-quarter lag because Cronos's results are not available in time for Altria to record them in the concurrent period.

In March 2019, Altria completed its acquisition of 149.8 million newly issued common shares of Cronos ("Acquired Common Shares"), which represented a 45% economic and voting interest. As part of its Investment in Cronos, at December 31, 2021, Altria also owned:

- anti-dilution protections to purchase Cronos common shares, exercisable each quarter upon dilution, to maintain its ownership percentage. Certain of the anti-dilution protections provide Altria 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"). Based on Altria's assumptions as of December 31, 2021, Altria estimates the Fixed-price Preemptive Rights allows Altria to purchase up to an additional approximately 12 million common shares of Cronos; and
- a warrant providing Altria the ability to purchase an additional approximate 10% of common shares of Cronos (approximately 83 million common shares at December 31, 2021) at a per share exercise price of CAD \$19.00, which expires on March 8, 2023.

The total purchase price for the Acquired Common Shares, Fixed-price Preemptive Rights and warrant was CAD \$2.4 billion (U.S. dollar ("USD") \$1.8 billion).

If exercised in full, the exercise prices for the warrant and Fixed-price Preemptive Rights are approximately CAD \$1.6 billion and CAD \$0.2 billion, respectively (approximately USD \$1.3 billion and \$0.2 billion, respectively, based on the CAD to USD exchange rate on January 24, 2022). At December 31, 2021, upon full exercise of the Fixed-price Preemptive Rights, to the extent such rights become available, and the warrant, Altria would own approximately 52% of the outstanding common shares of Cronos.

For a discussion of derivatives related to the Investment in Cronos, including Altria's accounting for changes in the fair value of these derivatives, see Note 7.

### *Financial Instruments*

Altria nominated four directors, including one director who is independent from Altria, who serve on Cronos's seven-member board of directors.

The fair value of Altria's equity method investment in Cronos is based on unadjusted quoted prices in active markets for Cronos's common shares and was classified in Level 1 of the fair value hierarchy.

The fair value of Altria's equity method investment in Cronos exceeded its carrying value by \$77 million or approximately 8% at December 31, 2020.

In September 2021, the fair value of Altria's equity method investment in Cronos declined below its carrying value and has not recovered. Accounting guidance requires the evaluation of the following factors when determining if the decline in fair value is other than temporary: (i) the duration and magnitude of the fair value decline, (ii) the financial condition and near-term prospects of the investee and (iii) the investor's intent and ability to hold its equity method investment until full recovery to its carrying value in the near-term. In preparing its financial statements for the year ended December 31, 2021, Altria evaluated these factors and determined that there is not sufficient evidence to conclude that the impairment is temporary. As a result, Altria recorded a non-cash, pre-tax impairment charge of \$205 million for the year ended December 31, 2021, which was recorded to (income) losses from equity investments in its consolidated statement of earnings (losses). The impairment charge reflects the difference between the fair value of Altria's equity method investment in Cronos using Cronos's share price at December 31, 2021 and the carrying value of Altria's equity method investment in Cronos at December 31, 2021. At December 31, 2021, prior to recording the impairment charge, the fair value of Altria's equity method investment in Cronos was less than its carrying value by approximately 25%. After recording the impairment charge, the fair value and carrying value of Altria's equity method investment in Cronos at December 31, 2021 were \$617 million.

At December 31, 2021, Altria's carrying value of its equity method investment in Cronos approximated its share of Cronos's net assets attributable to equity holders of Cronos.

## **Note 7. Financial Instruments**

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

Altria's investment in ABI, whose functional currency is the Euro, exposes Altria to foreign currency exchange risk on the carrying value of its investment. To manage this risk, Altria 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 Altria's investment in ABI.

In May 2021, all outstanding foreign currency contracts matured and, at December 31, 2021, Altria had no outstanding foreign currency contracts. When Altria has foreign currency contracts in effect, counterparties are domestic and international financial institutions. Under these contracts, Altria is exposed to potential losses due to non-performance by these counterparties. Altria manages its credit risk by entering into transactions with counterparties with investment grade credit ratings, limiting the amount of exposure Altria has with each counterparty and monitoring the financial condition of each counterparty. The counterparty agreements contain provisions that require Altria to maintain an investment grade credit rating. In the event Altria's credit rating falls below investment grade, counterparties to Altria's foreign currency contracts can require Altria to post collateral.

The following table provides (i) the aggregate notional amounts of foreign currency contracts and (ii) the aggregate carrying value and fair value of foreign currency denominated debt at December 31:

(in millions)	2021		2020	
Foreign currency contracts (notional amounts)	\$	—	\$	1,066
Foreign currency denominated debt				
Carrying value		4,817		5,171
Fair value		5,114		5,687

Altria's estimates of the fair values of its foreign currency contracts are determined using valuation models with significant inputs that are readily available in public markets, or can be derived from observable market transactions, and therefore are classified in Level 2 of the fair value hierarchy. An adjustment for credit risk and non-performance risk is included in the fair values of foreign currency contracts.

The following table provides the aggregate carrying value and fair value of Altria's total long-term debt at December 31:

(in millions)	2021		2020	
Carrying value	\$	28,044	\$	29,471
Fair value		30,459		34,682

Altria's estimate of the fair value of its 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.

The Fixed-price Preemptive Rights and Cronos warrant, which are further discussed in Note 6. *Investments in Equity Securities*, are derivative financial instruments, which are required to be recorded at fair value. The fair values of the Fixed-price Preemptive Rights and Cronos warrant are estimated using Black-Scholes option-pricing models, adjusted for observable inputs (which are classified in Level 1 of the fair value hierarchy), including share price, and unobservable inputs, including probability factors and weighting of expected life, volatility levels and risk-free interest rates (which are classified in Level 3 of the fair value hierarchy) based on the following assumptions at December 31:

	2021	2020	2021	2020
	Fixed-price Preemptive Rights		Cronos Warrant	
Share price <sup>(1)</sup>	C\$4.98	C\$8.84	C\$4.98	C\$8.84
Expected life <sup>(2)</sup>	0.59 year	1.05 years	1.18 years	2.18 years
Expected volatility <sup>(3)</sup>	79.64%	80.68%	79.64%	80.68%
Risk-free interest rate <sup>(4)(5)</sup>	0.43%	0.13%	0.80%	0.21%
Expected dividend yield <sup>(6)</sup>	—%	—%	—%	—%

<sup>(1)</sup> Based on the closing market price for Cronos common stock on the Toronto Stock Exchange on the date indicated.

<sup>(2)</sup> Based on the weighted-average expected life of the Fixed-price Preemptive Rights (with a range from approximately 0.25 year to 4 years at December 31, 2021 and 0.25 year to 5 years at December 31, 2020) and the March 8, 2023 expiration date of the Cronos warrant.

<sup>(3)</sup> Based on a blend of historical volatility of the underlying equity security and implied volatility from traded options on the underlying equity security at December 31, 2021. Based on a blend of historical volatility levels of the underlying equity security and peer companies at December 31, 2020.

<sup>(4)</sup> Based on the implied yield currently available on Canadian Treasury zero coupon issues (with a range from approximately 0.16% to 1.14% at December 31, 2021 and 0.06% to 0.39% at December 31, 2020) weighted for the remaining expected life of the Fixed-price Preemptive Rights.

<sup>(5)</sup> Based on the implied yield currently available on Canadian Treasury zero coupon issues and the expected life of the Cronos warrant.

<sup>(6)</sup> Based on Cronos's expected dividend payments.

The following table provides a reconciliation of the beginning and ending balance of the Fixed-price Preemptive Rights and Cronos warrant (which are classified in Level 3 of the fair value hierarchy):

<b>(in millions)</b>	
Balance at December 31, 2019	\$ 303
Pre-tax losses recognized in net earnings (losses)	(140)
Balance at December 31, 2020	163
Pre-tax losses recognized in net earnings (losses)	(148)
Balance at December 31, 2021	\$ 15

Altria elects to record the gross assets and liabilities of derivative financial instruments executed with the same counterparty on its consolidated balance sheets. The fair values of Altria's derivative financial instruments on a gross basis included on the consolidated balance sheets were as follows at December 31:

<b>(in millions)</b>	<b>Fair Value of Assets</b>			<b>Fair Value of Liabilities</b>		
	<b>Balance Sheet Classification</b>	<b>2021</b>	<b>2020</b>	<b>Balance Sheet Classification</b>	<b>2021</b>	<b>2020</b>
Derivatives designated as hedging instruments:						
Foreign currency contracts	Other current assets	\$ —	\$ —	Other accrued liabilities	\$ —	\$ 87
Foreign currency contracts	Other assets	—	—	Other liabilities	—	—
<b>Total</b>		<b>\$ —</b>	<b>\$ —</b>		<b>\$ —</b>	<b>\$ 87</b>
Derivatives not designated as hedging instruments:						
Cronos warrant	Investments in equity securities	\$ 14	\$ 139			
Fixed-price Preemptive Rights	Investments in equity securities	1	24			
<b>Total</b>		<b>\$ 15</b>	<b>\$ 163</b>			
<b>Total derivatives</b>		<b>\$ 15</b>	<b>\$ 163</b>		<b>\$ —</b>	<b>\$ 87</b>

Altria records in its consolidated statements of earnings (losses) any changes in the fair values of the Fixed-price Preemptive Rights and Cronos warrant as gains or losses on Cronos-related financial instruments in the periods in which the changes occur. Altria recorded non-cash, pre-tax unrealized losses, representing the changes in the fair values of the Fixed-price Preemptive Rights and Cronos warrant, as follows:

<b>(in millions)</b>	<b>For the Years Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Fixed-price Preemptive Rights	\$ 23	\$ 45	\$ 434
Cronos warrant	125	95	977
<b>Total</b>	<b>\$ 148</b>	<b>\$ 140</b>	<b>\$ 1,411</b>

Additionally, in January and February 2019, Altria entered into derivative financial instruments in the form of forward contracts, which were settled in March 2019, to hedge Altria's exposure to CAD to USD foreign currency exchange rate movements, in relation to the CAD \$2.4 billion purchase price for the Investment in Cronos. The aggregate notional amounts of the forward contracts were USD \$1.8 billion (CAD \$2.4 billion). The forward contracts did not qualify for hedge accounting; therefore, in the first quarter of 2019, pre-tax losses of USD \$31 million representing changes in the fair values of the forward contracts were recorded in loss on Cronos-related financial instruments in Altria's consolidated statement of earnings (losses).

## Net Investment Hedging

The pre-tax effects of Altria's net investment hedges on accumulated other comprehensive losses and the consolidated statements of earnings (losses) were as follows:

(in millions)	(Gain) Loss Recognized in Accumulated Other Comprehensive Losses			(Gain) Loss Recognized in Net Earnings (Losses)		
	For the Years Ended December 31,					
	2021	2020	2019	2021	2020	2019
Foreign currency contracts	\$ (16)	\$ 79	\$ (23)	\$ (7)	\$ (40)	\$ (36)
Foreign currency denominated debt	(359)	424	(35)	—	—	—
Total	\$ (375)	\$ 503	\$ (58)	\$ (7)	\$ (40)	\$ (36)

The changes in the fair value of the foreign currency contracts and in the carrying value of the foreign currency denominated debt due to changes in the Euro to USD exchange rate were recognized in accumulated other comprehensive losses related to ABI. Gains on the foreign currency contracts arising from components excluded from effectiveness testing were recognized in interest and other debt expense, net in the consolidated statements of earnings (losses) based on an amortization approach.

## Note 8. Short-Term Borrowings and Borrowing Arrangements

At December 31, 2021 and 2020, Altria had no short-term borrowings.

Altria has a senior unsecured 5-year revolving credit agreement (as amended, the "Credit Agreement") that provides for borrowings up to an aggregate principal amount of \$3.0 billion. In August 2021, Altria entered into an extension and amendment to the Credit Agreement that extended the maturity date of the Credit Agreement from August 1, 2023 to August 1, 2024 and amended the Credit Agreement to update certain provisions regarding a successor interest rate to the London Interbank Offered Rate ("LIBOR") and made certain other market updates. All other terms and conditions of the Credit Agreement remain in full force and effect. The Credit Agreement, which is used for general corporate purposes, includes an additional option, subject to certain conditions, for Altria to extend the expiration date for an additional one-year period.

At December 31, 2021 and 2020, the Credit Agreement had available borrowings up to an aggregate principal amount of \$3.0 billion.

Pricing for interest and fees under the Credit Agreement may be modified in the event of a change in the rating of Altria's long-term senior unsecured debt. Interest rates on borrowings under the Credit Agreement are expected to be based on LIBOR, or a fallback benchmark rate determined based on prevailing market convention, plus a percentage based on the higher of the ratings of Altria's long-term senior unsecured debt from Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Financial Services LLC ("S&P"). The applicable percentage based on Altria's long-term senior unsecured debt ratings at December 31, 2021 for borrowings under the Credit Agreement was 1.0%. The Credit Agreement does not include any other rating triggers or any provisions that could require the posting of collateral.

The Credit Agreement includes various covenants, one of which requires Altria to maintain a ratio of consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA") 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 December 31, 2021, the ratio of consolidated EBITDA to Consolidated Interest Expense, calculated in accordance with the Credit Agreement, was 10.3 to 1.0. At December 31, 2021, Altria was in compliance with its covenants in the Credit Agreement. The terms "Consolidated EBITDA" and "Consolidated Interest Expense," each as defined in the Credit Agreement, include certain adjustments.

In March 2020, due to the uncertainty at that time in the global capital markets, including the commercial paper markets, resulting from the COVID-19 pandemic, Altria elected to borrow the full \$3.0 billion available under the Credit Agreement as a precautionary measure to increase its cash position and preserve financial flexibility. In June 2020, Altria repaid the full amount outstanding under the Credit Agreement using the net proceeds from the issuance of long-term senior unsecured notes issued in May 2020 and available cash.

In February 2019, Altria repaid short-term borrowings of \$12.8 billion outstanding under a term loan agreement. The term loan agreement, which was entered into in connection with Altria's investments in JUUL and Cronos, was set to mature in December 2019, and was repaid using the net proceeds from the issuance of long-term senior unsecured notes. Upon repayment, the term loan agreement terminated, and Altria recorded approximately \$95 million of pre-tax acquisition-related costs for the write-off of the debt issuance costs related to the term loan agreement, which were recorded in interest and other debt expense, net in Altria's consolidated statement of earnings (losses).

Any commercial paper issued by Altria and borrowings under the Credit Agreement are guaranteed by PM USA as further discussed in Note 9. *Long-Term Debt*.

## Note 9. Long-Term Debt

Altria's long-term debt consisted of the following at December 31:

(in millions)	2021	2020
USD notes, 2.350% to 10.20%, interest payable semi-annually, due through 2061 <sup>(1)</sup>	\$ 23,185	\$ 24,258
USD debenture, 7.75%, interest payable semi-annually, due 2027	42	42
Euro notes, 1.000% to 3.125%, interest payable annually, due through 2031 <sup>(2)</sup>	4,817	5,171
	<b>28,044</b>	29,471
Less current portion of long-term debt	<b>1,105</b>	1,500
	<b>\$ 26,939</b>	\$ 27,971

<sup>(1)</sup> Weighted-average coupon interest rate of 4.4% and 4.6% at December 31, 2021 and 2020, respectively.

<sup>(2)</sup> Weighted-average coupon interest rate of 2.0% at December 31, 2021 and 2020.

At December 31, 2021, Altria's outstanding long-term debt consisted of the following:

(in millions)	Type	Face Value	Interest Rate	Issuance	Maturity
USD notes		\$1,105	2.850%	August 2012	August 2022
Euro notes		€1,250	1.000%	February 2019	February 2023
USD notes		\$218	2.950%	May 2013	May 2023
USD notes		\$776	4.000%	October 2013	January 2024
USD notes		\$345	3.800%	February 2019	February 2024
USD notes		\$750	2.350%	May 2020	May 2025
Euro notes		€750	1.700%	February 2019	June 2025
USD notes		\$1,069	4.400%	February 2019	February 2026
USD notes		\$500	2.625%	September 2016	September 2026
USD debenture		\$42	7.750%	January 1997	January 2027
Euro notes		€1,000	2.200%	February 2019	June 2027
USD notes		\$1,906	4.800%	February 2019	February 2029
USD notes		\$750	3.400%	May 2020	May 2030
Euro notes		€1,250	3.125%	February 2019	June 2031
USD notes		\$1,750	2.450%	February 2021	February 2032
USD notes		\$177	9.950%	November 2008	November 2038
USD notes		\$208	10.200%	February 2009	February 2039
USD notes		\$2,000	5.800%	February 2019	February 2039
USD notes		\$1,500	3.400%	February 2021	February 2041
USD notes		\$900	4.250%	August 2012	August 2042
USD notes		\$650	4.500%	May 2013	May 2043
USD notes		\$1,800	5.375%	October 2013	January 2044
USD notes		\$1,500	3.875%	September 2016	September 2046
USD notes		\$2,500	5.950%	February 2019	February 2049
USD notes		\$500	4.450%	May 2020	May 2050
USD notes		\$1,250	3.700%	February 2021	February 2051
USD notes		\$271	6.200%	February 2019	February 2059
USD notes		\$1,000	4.000%	February 2021	February 2061

At December 31, 2021, aggregate maturities of Altria’s long-term debt were as follows:

(in millions)	Aggregate Maturities
2022	\$ 1,105
2023	1,639
2024	1,121
2025	1,603
2026	1,569
Thereafter	21,262
	28,299
Less: debt issuance costs	163
debt discounts	92
	\$ 28,044

At December 31, 2021 and 2020, accrued interest on long-term debt of \$429 million and \$458 million, respectively, was included in other accrued liabilities on Altria’s consolidated balance sheets.

▪ **Altria Senior Notes:** In February 2021, Altria issued long-term senior unsecured notes in the aggregate principal amount of \$5.5 billion (the “Notes”). The net proceeds from the Notes were used (i) to fund the purchase and redemption of certain unsecured notes and payment of related fees and expenses, as described below, and (ii) for other general corporate purposes. The Notes contain the following terms:

- \$1.75 billion at 2.450%, due 2032, interest payable semiannually beginning August 4, 2021;
- \$1.50 billion at 3.400%, due 2041, interest payable semiannually beginning August 4, 2021;
- \$1.25 billion at 3.700%, due 2051, interest payable semiannually beginning August 4, 2021; and
- \$1.00 billion at 4.000%, due 2061, interest payable semiannually beginning August 4, 2021.

The Notes are Altria’s senior unsecured obligations and rank equally in right of payment with all of Altria’s existing and future senior unsecured indebtedness. Upon the occurrence of both (i) a change of control of Altria and (ii) the Notes ceasing to be rated investment grade by each of Moody’s, S&P and Fitch Ratings Inc. within a specified time period, Altria will be required to make an offer to purchase the Notes at a price equal to 101% of the aggregate principal amount of such Notes, plus accrued and unpaid interest to the date of repurchase as and to the extent set forth in the terms of the Notes.

In May 2021, Altria repaid in full its 4.75% senior unsecured notes in the aggregate principal amount of \$1.5 billion at maturity.

▪ **Debt Tender Offers and Redemption:** During the first quarter of 2021, Altria completed debt tender offers to purchase for cash certain of its long-term senior unsecured notes in an aggregate principal amount of \$4,042 million. Details of the debt tender offers are as follows:

(in millions)	Principal Amount of Notes Purchased
2.850% Notes due 2022	\$ 795
2.950% Notes due 2023	132
4.000% Notes due 2024	624
3.800% Notes due 2024	655
4.400% Notes due 2026	430
4.800% Notes due 2029	1,094
9.950% Notes due 2038	65
10.200% Notes due 2039	18
6.200% Notes due 2059	229
	\$ 4,042

During the first quarter of 2021, Altria also redeemed all of its outstanding 3.490% Notes due 2022 in an aggregate principal amount of \$1.0 billion.

As a result of the debt tender offers and redemption, Altria recorded pre-tax losses on early extinguishment of debt as follows:

(in millions)	For the Year Ended December 31, 2021	
Premiums and fees	\$	623
Write-off of unamortized debt discounts and debt issuance costs		26
<b>Total</b>	<b>\$</b>	<b>649</b>

PM USA (the “Guarantor”), which is a 100% owned subsidiary of Altria Group, Inc. (the “Parent”), has guaranteed the Parent’s obligations under its outstanding debt securities, borrowings under its Credit Agreement and amounts outstanding under its commercial paper program (the “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”), 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.

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 Obligations are limited by contractual obligations on their ability to pay cash dividends or make other distributions with respect to their equity interests.

For a discussion of the fair value of Altria’s long-term debt and the designation of its Euro denominated senior unsecured notes as a net investment hedge of its investment in ABI, see Note 7. *Financial Instruments*.

## Note 10. Capital Stock

At December 31, 2021, Altria had 12 billion shares of authorized common stock; issued, repurchased and outstanding shares of common stock were as follows:

	Shares Issued	Shares Repurchased	Shares Outstanding
Balances, December 31, 2018	2,805,961,317	(931,903,722)	1,874,057,595
Stock award activity	—	427,276	427,276
Repurchases of common stock	—	(16,503,317)	(16,503,317)
Balances, December 31, 2019	2,805,961,317	(947,979,763)	1,857,981,554
Stock award activity	—	437,611	437,611
Balances, December 31, 2020	2,805,961,317	(947,542,152)	1,858,419,165
Stock award activity	—	412,569	412,569
Repurchases of common stock	—	(35,656,116)	(35,656,116)
<b>Balances, December 31, 2021</b>	<b>2,805,961,317</b>	<b>(982,785,699)</b>	<b>1,823,175,618</b>

At December 31, 2021, Altria had 27,585,919 shares of common stock reserved for stock-based awards under Altria’s stock plans.

At December 31, 2021, 10 million shares of serial preferred stock, \$1.00 par value, were authorized; no shares of serial preferred stock have been issued.

- **Dividends:** In the third quarter of 2021, Altria’s Board of Directors (the “Board of Directors” or “Board”) approved a 4.7% increase in the quarterly dividend rate to \$0.90 per share of Altria common stock versus the previous rate of \$0.86 per share. The current annualized dividend rate is \$3.60 per share. Future dividend payments remain subject to the discretion of the Board.

- **Share Repurchases:** In July 2019, the Board of Directors authorized a \$1.0 billion share repurchase program (the “July 2019 share repurchase program”). In April 2020, the Board rescinded the \$500 million remaining in this program as part of Altria’s efforts to enhance its liquidity position in response to the COVID-19 pandemic.

In January 2021, the Board authorized a new \$2.0 billion share repurchase program that it expanded to \$3.5 billion in October 2021 (as expanded, the “January 2021 share repurchase program”). At December 31, 2021, Altria had \$1,825 million remaining in the January

2021 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 the Board.

Altria did not repurchase any shares in 2020. For the years ended December 31, 2021 and 2019, Altria's total share repurchase activity was as follows:

(in millions, except per share data)	2021		2019		Total
	January 2021 Share Repurchase Program	July 2019 Share Repurchase Program	January 2018 Share Repurchase Program <sup>(1)</sup>		
Total number of shares repurchased	35.7	10.1	6.4		16.5
Aggregate cost of shares repurchased	\$ 1,675	\$ 500	\$ 345	\$	\$ 845
Average price per share of shares repurchased	\$ 46.97	\$ 49.29	\$ 54.36	\$	\$ 51.24

<sup>(1)</sup> In January 2018, the Board of Directors authorized a \$1.0 billion share repurchase program that it expanded to \$2.0 billion in May 2018. The program was completed in June 2019.

## Note 11. Stock Plans

In 2020, the Board of Directors adopted, and shareholders approved, the Altria Group, Inc. 2020 Performance Incentive Plan (the "2020 Plan"). The 2020 Plan succeeded the 2015 Performance Incentive Plan, under which no new awards were permitted to be made after May 31, 2020. Under the 2020 Plan, Altria may grant stock options, stock appreciation rights, restricted stock, restricted stock units ("RSUs"), performance stock units ("PSUs") and other stock-based awards, as well as cash-based annual and long-term incentive awards to employees of Altria or any of its subsidiaries or affiliates. Any awards granted pursuant to the 2020 Plan may be in the form of performance-based awards, including PSUs subject to the achievement or satisfaction of performance goals and performance cycles. Up to 25 million shares of common stock may be issued under the 2020 Plan. In addition, under the 2015 Stock Compensation Plan for Non-Employee Directors (the "Directors Plan"), Altria may grant up to one million shares of common stock to members of the Board of Directors who are not employees of Altria.

Shares available to be granted under the 2020 Plan and the Directors Plan at December 31, 2021, were 23,459,288 and 703,256, respectively.

▪ **RSUs:** During the vesting period, RSUs include nonforfeitable rights to dividends or dividend equivalents and may not be sold, assigned, pledged or otherwise encumbered. RSUs are subject to forfeiture if certain employment conditions are not met. Altria estimates the number of awards expected to be forfeited and adjusts this estimate when subsequent information indicates that the actual number of forfeitures is likely to differ from previous estimates. RSUs generally vest three years after the grant date.

The fair value of the RSUs at the date of grant, net of estimated forfeitures, is amortized to expense ratably over the restriction period, which is generally three years. Altria recorded pre-tax compensation expense related to RSUs for the years ended December 31, 2021, 2020 and 2019 of \$34 million, \$31 million and \$28 million, respectively. The deferred tax benefit recorded related to this compensation expense was \$9 million, \$8 million and \$7 million for the years ended December 31, 2021, 2020 and 2019, respectively. The unamortized compensation expense related to RSUs was \$59 million at December 31, 2021 and is expected to be recognized over a weighted-average period of approximately two years.

RSU activity was as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Balance at December 31, 2020	2,239,379	\$ 51.76
Granted	1,069,531	\$ 45.22
Vested	(424,217)	\$ 69.04
Forfeited	(182,231)	\$ 46.09
Balance at December 31, 2021	2,702,462	\$ 46.84

The weighted-average grant date fair value of RSUs granted during the years ended December 31, 2021, 2020 and 2019 was \$48 million, \$49 million and \$37 million, respectively, or \$45.22, \$42.59 and \$52.03 per RSU, respectively. The total vesting date fair value of RSUs that vested during the years ended December 31, 2021, 2020 and 2019 was \$19 million, \$25 million and \$30 million, respectively.

▪ **PSUs:** Altria granted an aggregate of 229,494, 275,288 and 181,409 of PSUs during 2021, 2020 and 2019, respectively. The payout of the PSUs is based on the achievement of certain performance measures over the three-year performance period. For the 2021 and 2020 grants, these performance measures consist of Altria's adjusted diluted earnings per share compounded annual growth rate and

a cash conversion measure for Altria. Additionally, the payout resulting from the performance measures is then adjusted up or down by a total shareholder return (“TSR”) performance multiplier, which depends on Altria’s relative TSR to a predetermined peer group. For the 2019 grant, the performance measures consist of Altria’s adjusted diluted earnings per share compounded annual growth rate and Altria’s TSR relative to a predetermined peer group. PSUs are subject to forfeiture if certain employment conditions are not met. At December 31, 2021, Altria had 554,551 PSUs outstanding, with a weighted-average grant date fair value of \$46.58 per PSU. The fair value of PSUs at the date of grant, net of estimated forfeitures, is amortized to expense over the performance period. Altria recorded pre-tax compensation expense related to PSUs for the years ended December 31, 2021, 2020 and 2019 of \$6 million, \$4 million and \$4 million, respectively. The unamortized compensation expense related to PSUs was \$12 million at December 31, 2021.

## Note 12. Earnings (Losses) per Share

Basic and diluted earnings (losses) per share (“EPS”) were calculated using the following:

(in millions)	For the Years Ended December 31,		
	2021	2020	2019
Net earnings (losses) attributable to Altria	\$ 2,475	\$ 4,467	\$ (1,293)
Less: Distributed and undistributed earnings attributable to share-based awards	(11)	(8)	(7)
Earnings (losses) for basic and diluted EPS	\$ 2,464	\$ 4,459	\$ (1,300)
Weighted-average shares for basic EPS	1,845	1,858	1,869
Plus: contingently issuable PSUs	—	1	—
Weighted-average shares for diluted EPS	1,845	1,859	1,869

### Note 13. Other Comprehensive Earnings/Losses

The following tables set forth the changes in each component of accumulated other comprehensive losses, net of deferred income taxes, attributable to Altria:

(in millions)	Benefit Plans	ABI	Currency Translation Adjustments and Other	Accumulated Other Comprehensive Losses
Balances, December 31, 2018	\$ (2,168)	\$ (374)	\$ (5)	\$ (2,547)
Other comprehensive earnings (losses) before reclassifications	(204)	(367)	26	(545)
Deferred income taxes	51	75	—	126
Other comprehensive earnings (losses) before reclassifications, net of deferred income taxes	(153)	(292)	26	(419)
Amounts reclassified to net earnings (losses)	173	(34)	—	139
Deferred income taxes	(44)	7	—	(37)
Amounts reclassified to net earnings (losses), net of deferred income taxes	129	(27)	—	102
Other comprehensive earnings (losses), net of deferred income taxes	(24)	(319) <sup>(1)</sup>	26	(317)
Balances, December 31, 2019	(2,192)	(693)	21	(2,864)
Other comprehensive earnings (losses) before reclassifications	(454)	(1,613)	(4)	(2,071)
Deferred income taxes	115	352	—	467
Other comprehensive earnings (losses) before reclassifications, net of deferred income taxes	(339)	(1,261)	(4)	(1,604)
Amounts reclassified to net earnings (losses)	148	21	—	169
Deferred income taxes	(37)	(5)	—	(42)
Amounts reclassified to net earnings (losses), net of deferred income taxes	111	16	—	127
Other comprehensive earnings (losses), net of deferred income taxes	(228)	(1,245) <sup>(1)</sup>	(4)	(1,477)
Balances, December 31, 2020	(2,420)	(1,938)	17	(4,341)
Other comprehensive earnings (losses) before reclassifications	961	627	25	1,613
Deferred income taxes	(245)	(141)	—	(386)
Other comprehensive earnings (losses) before reclassifications, net of deferred income taxes	716	486	25	1,227
Amounts reclassified to net earnings (losses)	122	(76)	35	81
Deferred income taxes	(30)	16	(9)	(23)
Amounts reclassified to net earnings (losses), net of deferred income taxes	92	(60)	26	58
Other comprehensive earnings (losses), net of deferred income taxes	808	426 <sup>(1)</sup>	51	1,285
Balances, December 31, 2021	\$ (1,612)	\$ (1,512)	\$ 68	\$ (3,056)

<sup>(1)</sup> Primarily reflects Altria's share of ABI's currency translation adjustments and the impact of Altria's designated net investment hedges. For further discussion of designated net investment hedges, see Note 7. *Financial Instruments*.

The following table sets forth pre-tax amounts by component, reclassified from accumulated other comprehensive losses to net earnings (losses):

(in millions)	For the Years Ended December 31,		
	2021	2020	2019
Benefit Plans: <sup>(1)</sup>			
Net loss	\$ 163	\$ 173	\$ 200
Prior service cost/credit	(41)	(25)	(27)
	122	148	173
ABI <sup>(2)</sup>	(76)	21	(34)
Other <sup>(3)</sup>	35	—	—
Pre-tax amounts reclassified from accumulated other comprehensive losses to net earnings (losses)	\$ 81	\$ 169	\$ 139

<sup>(1)</sup> Amounts are included in net defined benefit plan costs. For further details, see Note 16. *Benefit Plans*.

<sup>(2)</sup> Amounts are included in (income) losses from equity investments. For further information, see Note 6. *Investments in Equity Securities*.

<sup>(3)</sup> Amounts are included in marketing, administration and research costs and are related to the Ste. Michelle Transaction. For further details, see Note 16. *Benefit Plans*.

## Note 14. Income Taxes

Earnings (losses) before income taxes and provision for income taxes consisted of the following:

(in millions)	For the Years Ended December 31,		
	2021	2020	2019
Earnings (losses) before income taxes:			
United States	\$ 4,239	\$ 6,842	\$ 266
Outside United States	(415)	48	500
Total	\$ 3,824	\$ 6,890	\$ 766
Provision (benefit) for income taxes:			
Current:			
Federal	\$ 1,965	\$ 2,025	\$ 1,686
State and local	542	553	470
Outside United States	2	22	3
	2,509	2,600	2,159
Deferred:			
Federal	(1,190)	(130)	(78)
State and local	30	(34)	(19)
Outside United States	—	—	2
	(1,160)	(164)	(95)
Total provision (benefit) for income taxes	\$ 1,349	\$ 2,436	\$ 2,064

Altria's U.S. subsidiaries join in the filing of a U.S. federal consolidated income tax return. The U.S. federal income tax statute of limitations remains open for the year 2016 and forward, with years 2017 through 2018 currently under examination by the Internal Revenue Service ("IRS") as part of an audit conducted in the ordinary course of business. State statutes of limitations generally remain open for the year 2016 and forward. Certain of Altria's state tax returns are currently under examination by various states as part of routine audits conducted in the ordinary course of business.

A reconciliation of the beginning and ending amount of unrecognized tax benefits was as follows:

(in millions)	For the Years Ended December 31,		
	2021	2020	2019
Balance at beginning of year	\$ 74	\$ 64	\$ 85
Additions for tax positions of prior years	40	12	32
Reductions for tax positions due to lapse of statutes of limitations	(5)	—	—
Reductions for tax positions of prior years	(23)	(2)	(16)
Tax settlements	(33)	—	(37)
Balance at end of year	\$ 53	\$ 74	\$ 64

Unrecognized tax benefits and Altria's consolidated liability for tax contingencies were as follows at December 31:

(in millions)	2021	2020
Unrecognized tax benefits	\$ 53	\$ 74
Accrued interest and penalties	11	15
Tax credits and other indirect benefits	—	(1)
Liability for tax contingencies	\$ 64	\$ 88

The amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate at December 31, 2021 was \$31 million, along with \$22 million affecting deferred taxes. The amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate at December 31, 2020 was \$47 million, along with \$27 million affecting deferred taxes.

Altria recognizes accrued interest and penalties associated with uncertain tax positions as part of the tax provision.

For the years ended December 31, 2021, 2020 and 2019, Altria recognized in its consolidated statements of earnings (losses) \$(4) million, \$4 million and \$6 million, respectively, of gross interest (income) expense associated with uncertain tax positions.

Altria is subject to income taxation in many jurisdictions. Unrecognized tax benefits reflect the difference between tax positions taken or expected to be taken 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 the control of Altria. It is reasonably possible that within the next 12 months certain examinations will be resolved, which could result in a decrease in unrecognized tax benefits of approximately \$17 million.

A reconciliation between actual income taxes and amounts computed by applying the federal statutory rate to earnings (losses) before income taxes is as follows:

(dollars in millions)	For the Years Ended December 31,					
	2021		2020		2019	
	\$	%	\$	%	\$	%
U.S. federal statutory rate	\$ 803	21.0 %	\$ 1,447	21.0 %	\$ 161	21.0 %
Increase (decrease) resulting from:						
State and local income taxes, net of federal tax benefit	451	11.8	410	6.0	356	46.5
Tax basis in foreign investments	25	0.7	23	0.3	84	11.0
Uncertain tax positions	(25)	(0.7)	9	0.1	(40)	(5.2)
Investment in ABI	(31)	(0.8)	(16)	(0.2)	(210)	(27.4)
Investment in JUUL	7	0.2	537	7.8	1,808	236.0
Investment in Cronos	128	3.3	20	0.3	(66)	(8.6)
Other <sup>(1)</sup>	(9)	(0.2)	6	0.1	(29)	(3.8)
Effective tax rate	\$ 1,349	35.3 %	\$ 2,436	35.4 %	\$ 2,064	269.5 %

<sup>(1)</sup> Other in 2019 is primarily deferred profit sharing dividends tax benefit of \$21 million and immaterial miscellaneous items.

The tax provision (benefit) in 2021 was impacted by the state tax treatment of the impairment charge on Altria's equity investment in ABI. The tax provision (benefit) in 2021 also included net tax expense of \$128 million related to Altria's Investment in Cronos, including an addition to a valuation allowance on a deferred tax asset.

The tax provision (benefit) in 2020 included tax expense of \$612 million for a valuation allowance on a deferred tax asset related to Altria's impairment of its investment in JUUL in the third quarter of 2020, partially offset by a \$24 million tax benefit reflecting the

release of a portion of the valuation allowance related to a reduction of a deferred tax asset associated with an increase in the estimated fair value of JUUL in the fourth quarter of 2020.

The tax provision (benefit) in 2019 included tax expense of \$2,024 million for a valuation allowance on a deferred tax asset related to Altria's impairment of its investment in JUUL, tax expense of \$84 million resulting from a partial reversal of the tax basis benefit associated with the deemed repatriation tax recorded in 2017 and tax expense of \$38 million for a valuation allowance against foreign tax credits not realizable. These amounts were partially offset by a tax benefit of \$105 million for amended tax returns and audit adjustments relating to prior years, a tax benefit of \$100 million for accruals no longer required and a net tax benefit of \$79 million related to Altria's Investment in Cronos, including a valuation allowance release on a deferred tax asset.

The tax effects of temporary differences that gave rise to deferred income tax assets and liabilities consisted of the following at December 31:

(in millions)	2021	2020
Deferred income tax assets:		
Accrued postretirement and postemployment benefits	\$ 387	\$ 524
Settlement charges	835	888
Accrued pension costs	—	148
Investment in JUUL	2,652	2,642
Investment in Cronos	403	128
Net operating losses and tax credit carryforwards	46	81
<b>Total deferred income tax assets</b>	<b>4,323</b>	<b>4,411</b>
Deferred income tax liabilities:		
Property, plant and equipment	(216)	(273)
Intangible assets	(2,802)	(2,806)
Investment in ABI	(1,695)	(2,819)
Finance assets, net	(29)	(117)
Accrued pension costs	(55)	—
Other	(94)	(12)
<b>Total deferred income tax liabilities</b>	<b>(4,891)</b>	<b>(6,027)</b>
Valuation allowances	(3,097)	(2,817)
<b>Net deferred income tax liabilities</b>	<b>\$ (3,665)</b>	<b>\$ (4,433)</b>

At December 31, 2021, Altria had estimated gross state tax net operating losses of \$272 million that, if unused, will expire in 2022 through 2038.

A reconciliation of the beginning and ending valuation allowances was as follows:

(in millions)	For the Years Ended December 31,		
	2021	2020	2019
Balance at beginning of year	\$ 2,817	\$ 2,324	\$ 71
Additions to valuation allowance related to Altria's initial Investment in Cronos	—	—	352
Additions to valuation allowance charged to income tax expense	401	692	2,063
Reductions to valuation allowance credited to income tax benefit	(118)	(200)	(159)
Foreign currency translation	(3)	1	(3)
<b>Balance at end of year</b>	<b>\$ 3,097</b>	<b>\$ 2,817</b>	<b>\$ 2,324</b>

Altria determines the realizability of deferred tax assets based on the weight of available evidence, that it is more-likely-than-not that the deferred tax asset will not be realized. In reaching this determination, Altria considers all available positive and negative evidence, including the character of the loss, carryback and carryforward considerations, future reversals of temporary differences and available tax planning strategies.

The changes in valuation allowances during 2021 were primarily due to deferred tax assets recorded in connection with Altria's Investment in Cronos. The cumulative valuation allowance at December 31, 2021 was primarily attributable to deferred tax assets recorded in connection with Altria's investment in JUUL (\$2,652 million) and its Investment in Cronos (\$407 million).

The 2020 valuation allowance was primarily attributable to deferred tax assets recorded in connection with the impairments of Altria's investment in JUUL (\$2,610 million), and its Investment in Cronos (\$121 million).

The 2019 valuation allowance was primarily attributable to the deferred tax asset recorded in connection with the impairment of Altria's investment in JUUL. Altria recorded a full valuation allowance of \$2,024 million against this deferred tax asset. For a discussion regarding the impairment of Altria's investment in JUUL, see Note 6. *Investments in Equity Securities*.

## **Note 15. Segment Reporting**

The products of Altria's subsidiaries include 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; oral tobacco products, consisting of MST and snus products manufactured and sold by USSTC, and oral nicotine pouches manufactured and sold by Helix. The products and services of these subsidiaries constitute Altria's reportable segments of smokeable products and oral tobacco products at December 31, 2021. The financial services and the innovative tobacco products businesses, which include the heated tobacco business and Helix ROW, are included in all other.

On October 1, 2021, UST sold IWS, which included Ste. Michelle, for a net purchase price of approximately \$1.2 billion. Prior to October 1, 2021, wine produced and/or sold by Ste. Michelle was a reportable segment. For further discussion, see Note 1. *Background and Basis of Presentation and Asset Impairment, Exit, Implementation, Acquisition and Disposition-Related Costs - Ste. Michelle Transaction* below.

Altria's chief operating decision maker (the "CODM") reviews operating companies income (loss) ("OCI") to evaluate the performance of, and allocate resources to, the segments. OCI for the 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/cost, excluding service cost, and provision (benefit) 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 the CODM. Information about total assets by segment is not disclosed because such information is not reported to or used by the CODM. Substantially all of Altria's long-lived assets are located in the United States. Segment goodwill and other intangible assets, net, are disclosed in Note 4. *Goodwill and Other Intangible Assets, net*. The accounting policies of the segments are the same as those described in Note 2. *Summary of Significant Accounting Policies*.

Segment data were as follows:

(in millions)	For the Years Ended December 31,		
	2021	2020	2019
Net revenues:			
Smokeable products	\$ 22,866	\$ 23,089	\$ 21,996
Oral tobacco products	2,608	2,533	2,367
Wine	494	614	689
All other	45	(83)	58
Net revenues	\$ 26,013	\$ 26,153	\$ 25,110
Earnings before income taxes:			
OCI:			
Smokeable products	\$ 10,394	\$ 9,985	\$ 9,009
Oral tobacco products	1,659	1,718	1,580
Wine	21	(360)	(3)
All other	(97)	(172)	(16)
Amortization of intangibles	(72)	(72)	(44)
General corporate expenses	(345)	(227)	(199)
Corporate asset impairment and exit costs	—	1	(1)
Operating income	11,560	10,873	10,326
Interest and other debt expense, net	1,162	1,209	1,280
Loss on early extinguishment of debt	649	—	—
Net periodic benefit income, excluding service cost	(202)	(77)	(37)
(Income) losses from equity investments	5,979	111	(1,725)
Impairment of JUUL equity securities	—	2,600	8,600
Loss on Cronos-related financial instruments	148	140	1,442
Earnings before income taxes	\$ 3,824	\$ 6,890	\$ 766

The smokeable products segment included net revenues of \$21,877 million, \$22,135 million and \$21,158 million for the years ended December 31, 2021, 2020 and 2019, respectively, related to cigarettes and net revenues of \$989 million, \$954 million and \$838 million for the years ended December 31, 2021, 2020 and 2019, respectively, related to cigars.

Substantially all of Altria's net revenues are from sales generated in the United States for the years ended December 31, 2021, 2020 and 2019. PM USA, USSTC, Helix and Middleton's customer, McLane Company, Inc., accounted for approximately 23%, 26% and 25% of Altria's consolidated net revenues for the years ended December 31, 2021, 2020 and 2019, respectively. In addition, Performance Food Group Company, which acquired Core-Mark Holding Company, Inc. in 2021, also accounted for approximately 23% of Altria's consolidated net revenues for the year ended December 31, 2021. Core-Mark Holding Company, Inc. accounted for 17% and 15% of Altria's consolidated net revenues for the years ended December 31, 2020 and 2019, respectively. Substantially all of these net revenues were reported in the smokeable products and oral tobacco products segments. No other customer accounted for more than 10% of Altria's consolidated net revenues for the years ended December 31, 2021, 2020 and 2019.

Details of Altria's depreciation expense and capital expenditures were as follows:

(in millions)	For the Years Ended December 31,		
	2021	2020	2019
Depreciation expense:			
Smokeable products	\$ 80	\$ 81	\$ 88
Oral tobacco products	34	32	27
Wine	27	40	41
General corporate and other	31	32	26
Total depreciation expense	\$ 172	\$ 185	\$ 182
Capital expenditures:			
Smokeable products	\$ 48	\$ 49	\$ 61
Oral tobacco products	43	67	44
Wine	12	31	63
General corporate and other	66	84	78
Total capital expenditures	\$ 169	\$ 231	\$ 246

The comparability of OCI for the reportable segments and the all other category was affected by the following:

- **Non-Participating Manufacturer ("NPM") Adjustment Items:** Pre-tax (income) expense for NPM adjustment items was recorded to Altria's consolidated statements of earnings (losses) as follows:

(in millions)	For the Years Ended December 31,	
	2021	2020
Smokeable products segment	\$ (53)	\$ 4
Interest and other debt expense, net	(23)	—
Total	\$ (76)	\$ 4

NPM adjustment items result from the resolutions of certain disputes with states and territories related to the NPM adjustment provision under the 1998 Master Settlement Agreement (such dispute resolutions are referred to as "NPM Adjustment Items" and are more fully described in *Health Care Cost Recovery Litigation* in Note 18. *Contingencies*). The amounts shown in the table above for the smokeable products segment were recorded as (reductions) increases to cost of sales, which (increased) decreased OCI in the smokeable products segment. No NPM adjustment items were recorded for 2019.

- **Tobacco and Health and Certain Other Litigation Items:** Pre-tax charges related to tobacco and health and certain other litigation items were recorded in Altria's consolidated statements of earnings (losses) as follows:

(in millions)	For the Years Ended December 31,		
	2021	2020	2019
Smokeable products segment	\$ 83	\$ 79	\$ 72
General corporate	90	—	—
Interest and other debt expense, net	9	4	5
Total	\$ 182	\$ 83	\$ 77

The amounts shown in the table above for the smokeable products segment and general corporate were recorded in marketing, administration and research costs. For further discussion, see Note 18. *Contingencies*.

- **COVID-19 Special Items:** Net pre-tax charges of \$50 million (\$41 million in the smokeable products segment and \$9 million in the oral tobacco products segment) related to the COVID-19 pandemic were recorded in Altria's consolidated statement of earnings (losses) for the year ended December 31, 2020. The net pre-tax charges, which were directly related to disruptions caused by or efforts to mitigate the impact of the COVID-19 pandemic, were all recorded in costs of sales and included premium pay, personal protective equipment and health screenings, which were partially offset by certain employment tax credits. The COVID-19 special items do not include the inventory-related implementation costs associated with the wine business strategic reset which are included in asset impairment, exit, implementation, acquisition and disposition-related costs. These implementation costs were due to increased inventory levels, which were further negatively impacted by the COVID-19 pandemic, including economic uncertainty and government restrictions.

- **Asset Impairment, Exit, Implementation, Acquisition and Disposition-Related Costs:** For the years ended December 31, 2021, 2020 and 2019, Altria recorded pre-tax asset impairment, exit and implementation costs of \$1 million, \$407 million and \$216 million, respectively. For a breakdown of asset impairment, exit and implementation costs by segment, see Note 5. *Asset Impairment, Exit and Implementation Costs*.

In addition, in 2021 the comparability of OCI was further impacted by the following disposition and acquisition-related costs:

*Ste. Michelle Transaction:* For the year ended December 31, 2021, net pre-tax disposition-related costs of \$51 million were recorded in the wine segment, which consisted of a net pre-tax charge of \$41 million to record the assets and liabilities associated with the Ste. Michelle Transaction at their fair value less costs to sell and \$10 million of other disposition-related costs. The total net pre-tax charges of \$51 million were recorded in marketing, administration and research costs in Altria's consolidated statements of earnings (losses).

*Acquisition-Related Costs:* For the year ended December 31, 2021, Altria recorded pre-tax acquisition-related costs of \$37 million in the oral tobacco products segment primarily for the settlement of an arbitration related to the 2019 *on!* transaction. These costs were included in marketing, administration and research costs in Altria's consolidated statements of earnings (losses).

- **PMCC Residual Value Adjustments:** For the year ended December 31, 2020, PMCC recorded pre-tax charges of \$125 million (as a reduction to net revenues in the all other category) related to the decrease in unguaranteed residual values of certain leased assets. There were no such adjustments in 2021 or 2019.

## Note 16. Benefit Plans

Subsidiaries of Altria sponsor noncontributory defined benefit pension plans covering certain employees of Altria and its subsidiaries. Employees hired on or after a date specific to their employee group, except for certain employees of UST's subsidiaries and Middleton, are not eligible to participate in these noncontributory defined benefit pension plans but are instead eligible to participate in a defined contribution plan with enhanced benefits. Altria and its subsidiaries also provide postretirement health care and other benefits to certain retired employees.

The plan assets and benefit obligations of Altria's pension plans and postretirement plans are measured at December 31 of each year.

The discount rates for Altria's plans were based on a yield curve developed from a model portfolio of high-quality corporate bonds with durations that match the expected future cash flows of the pension and postretirement benefit obligations.

- **Obligations and Funded Status:** The benefit obligations, plan assets and funded status of Altria's pension and postretirement plans were as follows at December 31:

(in millions)	Pension		Postretirement	
	2021	2020	2021	2020
<b>Change in benefit obligation:</b>				
Benefit obligation at beginning of year	\$ 9,465	\$ 8,659	\$ 2,229	\$ 2,091
Service cost	68	74	20	16
Interest cost	184	251	38	59
Benefits paid	(465)	(477)	(104)	(107)
Actuarial (gains) losses	(523)	970	(150)	169
Plan amendments	8	(12)	(345)	1
Divestiture	(193) <sup>(1)</sup>	—	—	—
Benefit obligation at end of year	8,544	9,465	1,688	2,229
<b>Change in plan assets:</b>				
Fair value of plan assets at beginning of year	8,911	8,167	201	213
Actual return on plan assets	466	1,188	21	21
Employer contributions	26	33	—	—
Benefits paid	(465)	(477)	(37)	(33)
Divestiture	(145) <sup>(1)</sup>	—	—	—
Fair value of plan assets at end of year	8,793	8,911	185	201
Funded status at December 31	\$ 249	\$ (554)	\$ (1,503)	\$ (2,028)
<b>Amounts recognized on Altria's consolidated balance sheets were as follows:</b>				
Other accrued liabilities	\$ (27)	\$ (23)	\$ (67)	\$ (77)
Accrued pension costs	(200)	(551)	—	—
Other assets	476	20	—	—
Accrued postretirement health care costs	—	—	(1,436)	(1,951)
	\$ 249	\$ (554)	\$ (1,503)	\$ (2,028)

<sup>(1)</sup> Divestiture of benefit obligations and plan assets related to the Ste. Michelle Transaction. For further discussion, see Note 1. *Background and Basis of Presentation*.

The table above presents the projected benefit obligation for Altria's pension plans. The accumulated benefit obligation, which represents benefits earned to date, for the pension plans was \$8.2 billion and \$9.1 billion at December 31, 2021 and 2020, respectively.

Actuarial (gains) losses for the years ended December 31, 2021 and 2020 for the pension and postretirement plans were due primarily to changes in the discount rate. Actuarial (gains) losses for the pension plans for the year ended December 31, 2021 were further impacted by changes to mortality rate assumptions.

Plan amendments for the postretirement plans for the year ended December 31, 2021 included several plan changes announced in June 2021 to Altria's salaried retiree healthcare plans, primarily changing its post-age 65 coverage to a private medicare marketplace. These amendments triggered a plan remeasurement in June 2021, resulting in a reduction of \$432 million (including discount rate impact and other changes) to the postretirement obligation in the second quarter of 2021 and a corresponding reduction to its accumulated other comprehensive losses.

For pension plans with accumulated benefit obligations in excess of plan assets at December 31, 2021, the accumulated benefit obligation and fair value of plan assets were \$176 million and \$0 million, respectively. For pension plans with accumulated benefit obligations in excess of plan assets at December 31, 2020, the accumulated benefit obligation and fair value of plan assets were \$393 million and \$149 million, respectively.

For pension plans with projected benefit obligations in excess of plan assets at December 31, 2021, the projected benefit obligation and fair value of plan assets were \$227 million and \$0 million, respectively. For pension plans with projected benefit obligations in excess of plan assets at December 31, 2020, the projected benefit obligation and fair value of plan assets were \$9,324 million and \$8,750 million, respectively.

At December 31, 2021 and 2020, the accumulated postretirement benefit obligations were in excess of plan assets for all postretirement plans.

The following assumptions were used to determine Altria's pension and postretirement benefit obligations at December 31:

	Pension		Postretirement	
	2021	2020	2021	2020
Discount rate	3.0 %	2.7 %	2.9 %	2.6 %
Rate of compensation increase - long-term	4.0	4.0	—	—
Health care cost trend rate assumed for next year	—	—	6.5	6.5
Ultimate trend rate	—	—	5.0	5.0
Year that the rate reaches the ultimate trend rate	—	—	2027	2027

▪ **Components of Net Periodic Benefit Cost (Income):** Net periodic benefit cost (income) consisted of the following for the years ended December 31:

(in millions)	Pension			Postretirement		
	2021	2020	2019	2021	2020	2019
Service cost	\$ 68	\$ 74	\$ 70	\$ 20	\$ 16	\$ 16
Interest cost	184	251	306	38	59	76
Expected return on plan assets	(522)	(502)	(576)	(14)	(14)	(15)
Amortization:						
Net loss	131	134	159	22	10	5
Prior service cost (credit)	5	5	6	(46)	(30)	(30)
Settlement and curtailment	—	10	27	—	—	5
Net periodic benefit cost (income)	\$ (134)	\$ (28)	\$ (8)	\$ 20	\$ 41	\$ 57

Settlement and curtailment shown in the table above for 2019 primarily relates to the cost reduction program discussed in Note 5. *Asset Impairment, Exit and Implementation Costs*.

The amounts included in settlement and curtailment in the table above were comprised of the following changes:

(in millions)	Pension		Postretirement	
	2020	2019	2019	2019
Benefit obligation	\$ —	\$ 6	\$ —	\$ 10
Other comprehensive earnings/losses:				
Net loss	10	20	—	—
Prior service cost (credit)	—	1	—	(5)
	\$ 10	\$ 27	\$ —	\$ 5

The following assumptions were used to determine Altria's net periodic benefit cost for the years ended December 31:

	Pension			Postretirement		
	2021	2020	2019	2021	2020	2019
Discount rates:						
Service cost	3.1 %	3.7 %	4.6 %	3.1 %	3.6 %	4.5 %
Interest cost	2.0	3.0	4.0	2.0	3.0	4.0
Expected rate of return on plan assets	6.6	6.6	7.8	7.7	7.7	7.8
Rate of compensation increase - long-term	4.0	4.0	4.0	—	—	—
Health care cost trend rate	—	—	—	6.5	6.5	6.5

▪ **Defined Contribution Plans:** Altria sponsors deferred profit-sharing plans covering certain salaried, non-union and union employees. Contributions and costs are determined generally as a percentage of earnings, as defined by the plans. Amounts charged to expense for these defined contribution plans totaled \$90 million, \$88 million and \$78 million in 2021, 2020 and 2019, respectively.

▪ **Pension and Postretirement Plan Assets:** In managing its pension assets, Altria implements a liability-driven investment framework that aligns plan assets with liabilities. In the fourth quarter of 2021, Altria adjusted its target asset allocation for the majority

of its pension plan assets from an equity/fixed income allocation of 30%/70% to a target allocation of 20%/80%. The objective of this change is to further reduce the overall exposure to equity volatility and more closely align the values of plan assets with the liabilities. The target allocation between fixed income and growth assets balances pension liability hedging and asset growth in order to maintain the plan's funded status and cover incremental service accruals and interest cost. Liability hedging is achieved through investing in rate-sensitive fixed income securities, primarily corporate bonds and U.S. Treasuries, while growth assets are comprised of publicly traded equity securities.

Altria's investment strategy for its postretirement plan assets is aimed at maximizing the total asset return based on expectation that equity securities will outperform debt securities over the long term and reflects the maturity structure of the benefit obligation. The equity/fixed income target allocation for postretirement plan assets remains unchanged at 55%/45%.

Altria believes that it implements these investment strategies in a prudent and risk-controlled manner, consistent with the fiduciary requirements of the Employee Retirement Income Security Act of 1974, by investing retirement plan assets in a well-diversified mix of equities, fixed income and other securities.

The actual composition of Altria's plan assets at December 31, 2021 was broadly characterized with the following allocation:

	<b>Pension</b>	<b>Postretirement</b>
Equity securities	<b>31 %</b>	<b>56 %</b>
Corporate bonds	<b>53 %</b>	<b>35 %</b>
U.S. Treasury and foreign government securities	<b>16 %</b>	<b>9 %</b>

Altria's pension and postretirement plan asset performance is monitored on an ongoing basis to adjust the mix as necessary to achieve the target allocation.

Substantially all pension and all postretirement assets can be used to make monthly benefit payments.

Altria's investment objective for its pension and postretirement plan assets is accomplished by investing in long-duration fixed income securities that primarily include U.S. corporate bonds of companies from diversified industries and U.S. Treasury securities that mirror Altria's pension obligation benchmark, as well as U.S. and international equity index strategies that are intended to mirror broad market indices, including, the Standard & Poor's 500 Index and Morgan Stanley Capital International ("MSCI") Europe, Australasia, and the Far East ("EAFE") Index. Altria's pension and postretirement plans also invest in actively managed international equity securities of mid and small cap companies located in developed and emerging markets. For pension plan assets, the allocation to below investment grade securities represented approximately 16% of the fixed income holdings or approximately 11% of the total plan assets at December 31, 2021. The allocation to emerging markets represented less than 1% of total plan assets at December 31, 2021. For postretirement plan assets, the allocation to below investment grade securities represented approximately 8% of the fixed income holdings or approximately 3% of the total plan assets at December 31, 2021. There were no postretirement plan assets invested in emerging markets at December 31, 2021.

Altria's risk management practices for its pension and postretirement plans include (i) ongoing monitoring of asset allocation, investment performance and investment managers' compliance with their investment guidelines, (ii) periodic rebalancing between equity and debt asset classes and (iii) annual actuarial re-measurement of plan liabilities.

Altria's expected rate of return on pension and postretirement plan assets is determined by the plan assets' historical long-term investment performance, current asset allocation and estimates of future long-term returns by asset class. The forward-looking estimates are consistent with the long-term historical averages exhibited by returns on equity and fixed income securities. As a result of the target asset allocation change described above, Altria has reduced its expected rate of return assumption for determining its pension net periodic benefit cost (income) from 6.6% in 2021 to 6.1% in 2022. For determining its postretirement net periodic benefit cost (income), Altria's 2022 expected rate of return assumption remains unchanged from prior year at 7.7%.

The fair values of the pension plan assets by asset category were as follows at December 31:

(in millions)	2021			2020		
	Level 1	Level 2	Total	Level 1	Level 2	Total
U.S. and foreign government securities or their agencies:						
U.S. government and agencies	\$ —	\$ 1,147	\$ 1,147	\$ —	\$ 950	\$ 950
U.S. municipal bonds	—	60	60	—	64	64
Foreign government and agencies	—	88	88	—	90	90
Corporate debt instruments:						
Above investment grade	—	3,442	3,442	—	3,760	3,760
Below investment grade and no rating	—	1,032	1,032	—	868	868
Common stock:						
International equities	373	—	373	316	—	316
U.S. equities	856	—	856	970	—	970
Other, net	52	237	289	21	356	377
	<u>\$ 1,281</u>	<u>\$ 6,006</u>	<u>\$ 7,287</u>	<u>\$ 1,307</u>	<u>\$ 6,088</u>	<u>\$ 7,395</u>
Investments measured at NAV as a practical expedient for fair value:						
Collective investment funds						
U.S. large cap			\$ 873			\$ 924
U.S. small cap			462			455
International developed markets			125			114
Total investments measured at NAV			<u>\$ 1,460</u>			<u>\$ 1,493</u>
Other			46			23
<b>Fair value of plan assets, net</b>			<u>\$ 8,793</u>			<u>\$ 8,911</u>

Level 3 holdings and transactions were immaterial to total plan assets at December 31, 2021 and 2020.

The fair value of the postretirement plan assets were as follows at December 31:

(in millions)	2021			2020		
	Level 1	Level 2	Total	Level 1	Level 2	Total
U.S. and foreign government securities or their agencies:						
U.S. government and agencies	\$ —	\$ 5	\$ 5	\$ —	\$ 6	\$ 6
Foreign government and agencies	—	3	3	—	4	4
Corporate debt instruments:						
Above investment grade	—	55	55	—	55	55
Below investment grade and no rating	—	10	10	—	11	11
Other, net	—	—	—	—	7	7
	<u>\$ —</u>	<u>\$ 73</u>	<u>\$ 73</u>	<u>\$ —</u>	<u>\$ 83</u>	<u>\$ 83</u>
Investments measured at NAV as a practical expedient for fair value:						
Collective investment funds:						
U.S. large cap			\$ 84			\$ 97
International developed markets			25			25
Total investments measured at NAV			<u>\$ 109</u>			<u>\$ 122</u>
Other			3			(4)
<b>Fair value of plan assets, net</b>			<u>\$ 185</u>			<u>\$ 201</u>

There were no Level 3 postretirement plan holdings or transactions during 2021 and 2020.

For a description of the fair value hierarchy and the three levels of inputs used to measure fair value, see Note 2. *Summary of Significant Accounting Policies*.

Following is a description of the valuation methodologies used for investments measured at fair value.

- *U.S. and Foreign Government Securities*: U.S. and foreign government securities consist of investments in Treasury Nominal Bonds and Inflation Protected Securities and municipal securities. Government securities are valued at a price that is based on a compilation of primarily observable market information, such as broker quotes. Matrix pricing, yield curves and indices are used when broker quotes are not available.
- *Corporate Debt Instruments*: Corporate debt instruments are valued at a price that is based on a compilation of primarily observable market information, such as broker quotes. Matrix pricing, yield curves and indices are used when broker quotes are not available.
- *Common Stock*: Common stocks are valued based on the price of the security as listed on an open active exchange on last trade date.
- *Collective Investment Funds*: Collective investment funds consist of funds that are intended to mirror indices such as Standard & Poor's 500 Index and MSCI EAFE Index. They are valued on the basis of the relative interest of each participating investor in the fair value of the underlying assets of each of the respective collective investment funds. The underlying assets are valued based on the net asset value ("NAV"), which is provided by the investment account manager as a practical expedient to estimate fair value. These investments are not classified by level but are disclosed to permit reconciliation to the fair value of plan assets.

**Cash Flows:** Altria makes contributions to the pension plans to the extent that the contributions are tax deductible and pays benefits that relate to plans for salaried employees that cannot be funded under IRS regulations. Currently, Altria anticipates making employer contributions to its pension and postretirement plans of up to approximately \$30 million for each in 2022. However, the foregoing estimates of 2022 contributions to the 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 asset performance significantly above or below the assumed long-term rate of return for each respective plan.

Estimated future benefit payments at December 31, 2021 were as follows:

(in millions)	Pension	Postretirement
2022	\$ 499	\$ 107
2023	477	103
2024	476	99
2025	479	96
2026	478	95
2027-2031	2,387	472

#### Comprehensive Earnings/Losses

The amounts recorded in accumulated other comprehensive losses at December 31, 2021 consisted of the following:

(in millions)	Pension	Post-retirement	Post-employment	Total
Net loss	\$ (2,093)	\$ (362)	\$ (32)	\$ (2,487)
Prior service (cost) credit	(30)	340	(5)	305
Deferred income taxes	549	12	9	570
Amounts recorded in accumulated other comprehensive losses	\$ (1,574)	\$ (10)	\$ (28)	\$ (1,612)

The amounts recorded in accumulated other comprehensive losses at December 31, 2020 consisted of the following:

(in millions)	Pension	Post-retirement	Post-employment	Total
Net loss	\$ (2,689)	\$ (541)	\$ (44)	\$ (3,274)
Prior service (cost) credit	(27)	41	(5)	9
Deferred income taxes	702	132	11	845
Amounts recorded in accumulated other comprehensive losses	\$ (2,014)	\$ (368)	\$ (38)	\$ (2,420)

The movements in other comprehensive earnings/losses during the year ended December 31, 2021 were as follows:

(in millions)	Pension	Post-retirement	Post-employment	Total
Amounts reclassified to net earnings (losses) as components of net periodic benefit cost:				
Amortization:				
Net loss	\$ 131	\$ 22	\$ 10	\$ 163
Prior service cost/credit	5	(46)	—	(41)
Other expense (income):				
Net loss	—	—	—	—
Prior service cost/credit	—	—	—	—
Deferred income taxes	(35)	7	(2)	(30)
	\$ 101	\$ (17)	\$ 8	\$ 92
Other movements during the year:				
Net loss	\$ 465	\$ 157	\$ 2	\$ 624
Prior service cost/credit	(8)	345	—	337
Deferred income taxes	(118)	(127)	—	(245)
	\$ 339	\$ 375	\$ 2	\$ 716
<b>Total movements in other comprehensive earnings/losses</b>	<b>\$ 440</b>	<b>\$ 358</b>	<b>\$ 10</b>	<b>\$ 808</b>

The movements in other comprehensive earnings/losses during the year ended December 31, 2020 were as follows:

(in millions)	Pension	Post-retirement	Post-employment	Total
Amounts reclassified to net earnings (losses) as components of net periodic benefit cost:				
Amortization:				
Net loss	\$ 134	\$ 10	\$ 19	\$ 163
Prior service cost/credit	5	(30)	—	(25)
Other expense (income):				
Net loss	10	—	—	10
Prior service cost/credit	—	—	—	—
Deferred income taxes	(37)	5	(5)	(37)
	\$ 112	\$ (15)	\$ 14	\$ 111
Other movements during the year:				
Net loss	\$ (268)	\$ (162)	\$ (18)	\$ (448)
Prior service cost/credit	(5)	(1)	—	(6)
Deferred income taxes	69	41	5	115
	\$ (204)	\$ (122)	\$ (13)	\$ (339)
<b>Total movements in other comprehensive earnings/losses</b>	<b>\$ (92)</b>	<b>\$ (137)</b>	<b>\$ 1</b>	<b>\$ (228)</b>

The movements in other comprehensive earnings/losses during the year ended December 31, 2019 were as follows:

(in millions)	Pension	Post-retirement	Post-employment	Total
Amounts reclassified to net earnings (losses) as components of net periodic benefit cost:				
Amortization:				
Net loss	\$ 159	\$ 5	\$ 20	\$ 184
Prior service cost/credit	6	(30)	1	(23)
Other expense (income):				
Net loss	20	—	(4)	16
Prior service cost/credit	1	(5)	—	(4)
Deferred income taxes	(47)	7	(4)	(44)
	\$ 139	\$ (23)	\$ 13	\$ 129
Other movements during the year:				
Net loss	(153)	(67)	17	(203)
Prior service cost/credit	—	(1)	—	(1)
Deferred income taxes	38	18	(5)	51
	\$ (115)	\$ (50)	\$ 12	\$ (153)
<b>Total movements in other comprehensive earnings/losses</b>	<b>\$ 24</b>	<b>\$ (73)</b>	<b>\$ 25</b>	<b>\$ (24)</b>

**Note 17. Additional Information**

(in millions)	For the Years Ended December 31,		
	2021	2020	2019
Research and development expense	\$ 145	\$ 131	\$ 168
Interest and other debt expense, net:			
Interest expense	\$ 1,188	\$ 1,223	\$ 1,322
Interest income	(26)	(14)	(42)
	\$ 1,162	\$ 1,209	\$ 1,280

The activity in the allowance for discounts and allowance for returned goods was as follows:

(in millions)	For the Years Ended December 31,					
	2021		2020		2019	
	Discounts	Returned Goods	Discounts	Returned Goods	Discounts	Returned Goods
Balance at beginning of year	\$ —	\$ 40	\$ —	\$ 32	\$ —	\$ 32
Charged to costs and expenses	647	124	633	98	604	127
Deductions <sup>(1)</sup>	(647)	(114)	(633)	(90)	(604)	(127)
Balance at end of year	\$ —	\$ 50	\$ —	\$ 40	\$ —	\$ 32

<sup>(1)</sup> Represents the recording of discounts and returns for which allowances were created.

## **Note 18. Contingencies**

Legal proceedings covering a wide range of matters are pending or threatened in various U.S. and foreign jurisdictions against Altria and its subsidiaries, including PM USA and USSTC, as well as their respective indemnitees and Altria's investees. 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 ("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, demonstrate 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, Altria or its subsidiaries 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, Altria or its subsidiaries under certain circumstances may have to pay more than their proportionate share of any bonding- or judgment-related amounts. Furthermore, in those cases where plaintiffs are successful, Altria or its subsidiaries also may be required to pay interest and attorneys' fees.

Although PM USA 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, 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 Altria cannot predict the outcome of such challenges, it is possible that the consolidated results of operations, cash flows or financial position of Altria, or one or more of its subsidiaries, could be materially affected in a particular fiscal quarter or fiscal year by an unfavorable outcome of one or more such challenges.

Altria and its subsidiaries record provisions in the consolidated financial statements for pending litigation when they 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 18. *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 the consolidated financial statements for unfavorable outcomes, if any. Litigation defense costs are expensed as incurred.

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

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

(in millions)	2021	2020	2019
Accrued liability for tobacco and health and certain other litigation items at beginning of period	\$ 9	\$ 14	\$ 112
Pre-tax charges for:			
Tobacco and health litigation	83	79	72
Agreement to resolve shareholder class action <sup>(1)</sup>	90	—	—
Related interest costs	9	4	5
Payments	(100)	(88)	(175)
Accrued liability for tobacco and health and certain other litigation items at end of period	\$ 91	\$ 9	\$ 14

<sup>(1)</sup> See *Shareholder Class Action and Shareholder Derivative Lawsuits* below for a discussion of the shareholder class action case and related settlement.

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

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 \$896 million and interest totaling approximately \$227 million as of December 31, 2021. These amounts include payments for *Engle* progeny judgments (and related costs and fees) totaling approximately \$410 million and related interest totaling approximately \$56 million.

**Security for Judgments:** To obtain stays of judgments pending appeal, PM USA has posted various forms of security. As of December 31, 2021, PM USA has posted appeal bonds totaling approximately \$50 million, which have been collateralized with restricted cash that are included in assets on the consolidated balance sheets.

#### Overview of Altria and/or PM USA 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 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 U.S. against PM USA and/or Altria at December 31:

	2021	2020	2019
Individual Smoking and Health Cases <sup>(1)</sup>	176	148	104
Health Care Cost Recovery Actions <sup>(2)</sup>	1	1	1
E-vapor Cases <sup>(3)</sup>	3,296	1,563	101
Other Tobacco-Related Cases <sup>(4)</sup>	3	3	4

<sup>(1)</sup> Includes as of December 31, 2021, 18 cases filed in Illinois, 17 cases filed in New Mexico, 42 cases filed in Massachusetts and 67 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* case (these *Engle* progeny cases are discussed below in *Smoking and Health Litigation - Engle Class Action*). Also does not include 1,471 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 (*Broin*). 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.

<sup>(2)</sup> See *Health Care Cost Recovery Litigation - Federal Government’s Lawsuit* below.

<sup>(3)</sup> Includes as of December 31, 2021, 53 class action lawsuits, 2,795 individual lawsuits and 448 “third party” lawsuits relating to JUUL e-vapor products, which include school districts, state and local government, tribal and healthcare organization lawsuits. JUUL is an additional named defendant in each of these lawsuits. The 53 class action lawsuits include 28 cases in the Northern District of California (“Multidistrict Litigation” or “MDL”) 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.

<sup>(4)</sup> Includes as of December 31, 2021, 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 January 24, 2022, (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 Philip Morris International Inc. (“PMI”) that provides for indemnities for certain liabilities concerning tobacco products.

**Tobacco-Related Cases Set for Trial:** As of January 24, 2022, three *Engle* progeny cases are set for trial through March 31, 2022. In addition, there are no individual smoking and health cases against PM USA set for trial during this period. Trial dates are subject to change and many of the trials were postponed due to the COVID-19 pandemic; however, the courts are reopening and additional trials may be scheduled for the remainder of 2022.

**Trial Results:** Since January 1999, excluding the *Engle* progeny cases (separately discussed below), verdicts have been returned in 70 tobacco-related cases in which PM USA was a defendant. Verdicts in favor of PM USA and other defendants were returned in 45 of the 70 cases. These 45 cases were tried in Alaska (1), California (7), Connecticut (1), Florida (10), Louisiana (1), Massachusetts (5), Mississippi (1), Missouri (4), New Hampshire (1), New Jersey (1), New York (5), Ohio (2), Pennsylvania (1), Rhode Island (1), Tennessee (2) and West Virginia (2).

Of the 25 non-*Engle* progeny cases in which verdicts were returned in favor of plaintiffs, 20 have reached final resolution, and two cases (*Gentile* and *Principe*) that were initially returned in favor of plaintiffs were reversed post-trial and remain pending.

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 January 24, 2022.

### 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 2021 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.

*Principe*: In February 2020, a jury in a Florida state court returned a verdict in favor of plaintiff and against PM USA, awarding approximately \$11 million in compensatory damages. There was no claim for punitive damages. PM USA appealed the trial court verdict to the Third District Court of Appeal and, in September 2021, the appellate court reversed the trial court's decision and found in favor of PM USA. In November 2021, plaintiff moved for a rehearing before the Third District Court of Appeal.

*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. In July 2021, following denial of PM USA's post-trial motions, PM USA appealed the judgment to the Appeals Court of Massachusetts.

*Laramie*: In August 2019, a jury in a Massachusetts state court returned a verdict in favor of plaintiff and against PM USA, awarding \$11 million in compensatory damages and \$10 million in punitive damages. PM USA appealed and, in February 2021, the Massachusetts Supreme Judicial Court asserted jurisdiction over the appeal. In September 2021, the Massachusetts Supreme Judicial Court affirmed the trial court award of \$21 million in compensatory and punitive damages. PM USA recorded a pre-tax provision of approximately \$27.1 million in the third quarter of 2021 and paid \$30.3 million (including the judgment and interest) in December 2021.

*Gentile*: In October 2017, a jury in a Florida state court returned a verdict in favor of plaintiff and against PM USA, awarding approximately \$7.1 million in compensatory damages and allocating 75% of the fault to PM USA. PM USA appealed. In September 2019, the Florida Fourth District Court of Appeal reversed the judgment entered by the trial court, granted PM USA judgment on certain claims and remanded for a new trial on the remaining claims. Plaintiff petitioned the Florida Supreme Court for further review, which the court denied in January 2021.

*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**: In July 2000, in the second phase of the *Engle* smoking and health class action in Florida, a jury returned a verdict assessing punitive damages totaling approximately \$145 billion against various defendants, including \$74 billion against PM USA. Following entry of judgment, PM USA appealed. In May 2003, the Florida Third District Court of Appeal reversed the judgment entered by the trial court and instructed the trial court to order the decertification of the class. Plaintiffs petitioned the Florida Supreme Court for further review.

In July 2006, the Florida Supreme Court ordered that the 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 are entitled to *res judicata* effect in such individual actions brought within one year of the issuance of the mandate: (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 January 24, 2022, approximately 969 state court cases were pending against PM USA or Altria asserting individual claims by or on behalf of approximately 1,172 state court plaintiffs. Because of a number of factors, including docketing delays, duplicated filings and overlapping dismissal orders, these numbers are estimates. While the 2015 federal *Engle* agreement resolved nearly all *Engle* progeny cases pending in federal court, as of January 24, 2022, two cases were pending against PM USA in federal court representing the cases excluded from that agreement.

**Engle Progeny Trial Results**: As of January 24, 2022, 137 federal and state *Engle* progeny cases involving PM USA have resulted in verdicts since the Florida Supreme Court *Engle* decision. Seventy-six verdicts were returned in favor of plaintiffs and seven verdicts (*Skolnick*, *Calloway*, *Oshinsky-Blacker*, *McCoy*, *Mahfuz*, *Neff* and *Frogel*) that were initially returned in favor of plaintiffs were reversed post-trial or on appeal and remain pending.

Fifty-four verdicts were returned in favor of PM USA, of which 44 were state cases. In addition, there have been a number of mistrials, only some of which have resulted in new trials as of January 24, 2022. The jury in one case, *Garcia*, awarded plaintiff compensatory

damages and found plaintiff was entitled to punitive damages; however, the court declared a mistrial in the second phase of the trial regarding punitive damages because the jury was unable to determine the amount of the punitive damages. Four verdicts (*Pearson, D. Cohen, Collar and Chacon*) that were 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 PM USA. Juries in two other cases (*Weingart and Hancock*) returned verdicts against PM USA awarding no damages, but the trial court in each case decided to award plaintiffs damages. One case, *Pollari*, resulted in a verdict in favor of PM USA following a retrial of an initial verdict returned in favor of plaintiff. Plaintiff and defendants appealed the verdict and the appellate court affirmed the judgment in favor of the defendants. Three cases, *Gloger, Rintoul (Caprio)* and *Duignan*, resulted in verdicts in favor of plaintiffs following retrial of initial verdicts returned in favor of plaintiffs. Post-trial appeals are pending in those three cases. 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.

The charts below list the verdicts and post-trial developments in certain *Engle* progeny cases in which verdicts were returned in favor of plaintiffs. The first chart lists cases that are pending as of January 24, 2022 but where PM USA has determined an unfavorable outcome is not probable and the amount of loss cannot be reasonably estimated. The second chart lists cases that have concluded within the previous 12 months. 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. As of January 24, 2022, there are no *Engle* progeny cases where PM USA has recorded a provision in its consolidated financial statements because PM USA has not determined for any currently pending case that an unfavorable outcome is probable and the amount of the loss can be reasonably estimated.

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 <sup>(1)</sup>	Punitive Damages (PM USA)	Appeal Status
<i>Lipp</i>	September 2021	PM USA	Miami-Dade	\$15 million	\$28 million	Appeal by defendant to Third District Court of Appeal pending.
<i>Garcia</i>	May 2021	PM USA	Miami-Dade	\$6 million	Mistrial	Appeals by plaintiff and defendant to Third District Court of Appeal pending.
<i>Duignan</i>	February 2020 <sup>(2)</sup>	PM USA and R.J. Reynolds	Pinellas	\$3 million	\$12 million	Appeal by defendants to Second District Court of Appeal pending.
<i>Cuddihee</i>	January 2020	PM USA	Duval	\$3 million	\$0	Appeal by defendant to First District Court of Appeal pending.
<i>Rintoul (Caprio)</i>	November 2019 <sup>(2)</sup>	PM USA and R.J. Reynolds	Broward	\$9 million	\$74 million	Appeals by plaintiff and defendants to Fourth District Court of Appeal pending.
<i>Gloger</i>	November 2019 <sup>(2)</sup>	PM USA and R.J. Reynolds	Miami-Dade	\$15 million	\$11 million	Appeal by defendants to Third District Court of Appeal pending.
<i>McCall</i>	March 2019	PM USA	Broward	<\$1 million (<\$1 million PM USA)	\$0	New trial ordered on punitive damages.
<i>Neff</i>	March 2019	PM USA and R.J. Reynolds	Broward	\$4 million	\$2 million	Fourth District Court of Appeal reversed the judgment against defendants and remanded for a new trial. Plaintiff’s petition for review to the Florida Supreme Court pending.
<i>Mahfuz</i>	February 2019	PM USA and R.J. Reynolds	Broward	\$12 million	\$10 million	Fourth District Court of Appeal reversed the judgment against defendants and remanded for a new trial. Plaintiff’s petition for review to the Florida Supreme Court pending.
<i>Holliman</i>	February 2019	PM USA	Miami-Dade	\$3 million	\$0	Appeal by defendant to Third District Court of Appeal pending.
<i>Chadwell</i>	September 2018	PM USA	Miami-Dade	\$2 million	\$0	Third District Court of Appeal affirmed the compensatory damages award. PM USA petitioned Florida Supreme Court for review. Case stayed pending Florida Supreme Court decision in <i>Prentice</i> . <sup>(3)</sup>

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

<sup>(2)</sup> Plaintiff’s verdict following a retrial of an initial verdict in favor of plaintiff.

<sup>(3)</sup> PM USA is not a defendant in *Prentice*. *Prentice* is discussed below in *Engle Progeny Appellate Issues*.

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

Plaintiff	Verdict Date	Defendant(s)	Court	Compensatory Damages <sup>(1)</sup>	Punitive Damages (PM USA)	Appeal Status
<i>Kaplan</i>	July 2018	PM USA and R.J. Reynolds	Broward	\$2 million	\$2 million	Fourth District Court of Appeal affirmed the verdict and reaffirmed the verdict on rehearing. Defendants' petition for review to the Florida Supreme Court pending.
<i>R. Douglas</i>	November 2017	PM USA	Duval	<\$1 million	\$0	Awaiting entry of final judgment by the trial court.
<i>Sommers</i>	April 2017	PM USA	Miami-Dade	\$1 million	\$0	Third District Court of Appeal affirmed compensatory damages award and granted new trial on punitive damages. Florida Supreme Court denied PM USA's petition for review of the Third District Court of Appeal's decision. PM USA paid approximately \$1 million for the compensatory damages award and awaits the new trial on punitive damages. <sup>(2)</sup>
<i>Cooper (Blackwood)</i>	September 2015	PM USA and R.J. Reynolds	Broward	\$5 million (<\$1 million PM USA)	\$0	Fourth District Court of Appeal affirmed judgment and granted a new trial on punitive damages.
<i>D. Brown</i>	January 2015	PM USA	Federal Court - Middle District of Florida	\$8 million	\$9 million	Appeal by defendant to U.S. Court of Appeals for the Eleventh Circuit stayed pending Florida Supreme Court decision in <i>Prentice</i> . <sup>(3)</sup>

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

<sup>(2)</sup> Plaintiff was granted an award of approximately \$3 million in fees, costs and interest that PM USA appealed. The Florida Third District Court of Appeals affirmed the award and PM USA paid the award amount in March 2021.

<sup>(3)</sup> PM USA is not a defendant in *Prentice*. *Prentice* is discussed below in *Engle Progeny Appellate Issues*.

**Engle Cases Concluded Within Past 12 Months <sup>(1)</sup>**  
(rounded to nearest \$ million)

Plaintiff	Verdict Date	Defendant(s)	Court	Accrual Date	Payment Amount (if any)	Payment Date
<i>Berger (Cote)</i>	September 2014	PM USA	Federal Court - Middle District of Florida	Fourth quarter of 2018 and first quarter of 2021	\$29 million	February 2021
<i>Santoro</i>	March 2017	PM USA, R.J. Reynolds and Liggett Group	Broward	Second quarter of 2020 and first quarter of 2021	\$1 million	January 2021

<sup>(1)</sup> In six cases in which PM USA paid the judgments more than a year ago, *Naugle*, *Gore*, *M. Brown*, *Jordan*, *Theis* and *Landi*, plaintiffs were awarded approximately \$8 million, \$2 million, \$8 million, \$4 million, \$1 million and \$3 million in fees and costs, respectively. PM USA has appealed in all of these cases, except *Theis* and *Landi*. In *M. Brown*, in March 2021 the Florida First District Court of Appeals affirmed the fee award and reversed the pre-judgment interest award and, in April 2021, PM USA paid \$8.2 million in satisfaction of the fee award and post-judgment interest. In *Jordan*, in January 2022, the Florida First District Court of Appeals affirmed the fee award. In *Theis*, PM USA paid \$1 million in satisfaction of fees and costs in May 2021 and, in *Landi*, PM USA paid approximately \$1.5 million in satisfaction of fees, costs and interest in July 2021 (R.J. Reynolds paid approximately \$1.5 million of the approximately \$3 million award).

**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 First District Court of Appeal in January 2020 reversed a judgment in favor of the plaintiff and remanded for a new trial. The court held that the trial court had erred by failing to instruct the jury that in order to prevail on her claim for conspiracy to commit fraudulent concealment, the plaintiff was required to prove that her decedent relied to his detriment on a statement that concealed or omitted material information about the health risks of smoking. That holding conflicts with decisions from the Second, Third, and Fourth District Courts of Appeal,

which have each held that *Engle* plaintiffs do not need to prove reliance on a statement, and instead can prevail by proving reliance on the *Engle* defendants' concealment of information. In August 2020, the Florida Supreme Court accepted jurisdiction in the case. As an alternative ground to approve the First District Court of Appeal's decision in its favor in *Prentice*, R.J. Reynolds has asked the Florida Supreme Court to reconsider its prior decisions giving the *Engle* Phase I findings preclusive effect in *Engle* progeny cases, as described more fully in the section *Engle* Class Action above. Oral argument was held before the Florida Supreme Court in June 2021; a decision has not yet been issued.

**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 purport to be brought on behalf of residents of a particular state or states (although a few cases purport to be nationwide in scope) and raise 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 January 24, 2022, 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 Altria or its subsidiaries) seeking protection under Canada's Companies' Creditors Arrangement Act (which is similar to Chapter 11 bankruptcy in the U.S.). 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 U.S. 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 U.S., 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 Altria or its subsidiaries) 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 1998 Master Settlement Agreement (the “MSA”) with 46 states, the District of Columbia and certain U.S. 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, 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 quarterly payments are expected to end in 2024. For the years ended December 31, 2021, 2020 and 2019, the aggregate amount recorded in cost of sales with respect to the State Settlement Agreements was approximately \$4.3 billion, \$4.4 billion and \$4.2 billion, respectively. These amounts include PM USA’s estimate of amounts related to NPM Adjustments discussed below.

**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 has calculated that PM USA’s share of the maximum potential NPM Adjustments for 2004-2020 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; \$302 million for 2017; \$325 million for 2018; \$444 million for 2019; and \$572 million for 2020. These maximum amounts will be reduced, likely substantially, to reflect the NPM Adjustment settlements discussed below, and potentially for current and future calculation disputes and other developments. In addition, PM USA’s recovery of these amounts, even as reduced, is dependent upon subsequent determinations regarding state-specific defenses and disputes with other PMs.

#### Settlements of NPM Adjustment Disputes.

- *Multi-State Settlement.* By the end of 2018, PM USA entered into a multi-state settlement of NPM Adjustment disputes with a total of 36 MSA states and territories in which PM USA settled the NPM Adjustment disputes through 2022 with 35 of the 36 states, and through 2024 with one state. Pursuant to the multi-state settlement, PM USA received \$1.03 billion and expects to receive approximately \$320 million in credits to offset PM USA’s MSA payments through 2029.
- *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 received \$373 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 in a payment by PM USA of \$4 million.

#### Continuing NPM Adjustment Disputes with States That Have Not Settled.

- *2004 NPM Adjustment.* The PMs and the 10 states that have not settled the NPM Adjustment disputes are currently arbitrating NPM Adjustment disputes for 2004 in a multi-state arbitration. Hearings for nine of the 10 states have concluded. In September 2021, the arbitration panels issued decisions finding that two states, Missouri 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. The hearing for one remaining state is currently scheduled for February 2022. The two states determined by the arbitration panel to be non-diligent have filed motions in applicable state courts and with the arbitration panels challenging these determinations and several issues remain to be resolved by the arbitration panels that will affect the final amount of the 2004 NPM adjustment PM USA and other PMs will receive. PM USA recorded \$21 million as a reduction to cost of sales in the third quarter of 2021 for its estimate of the minimum amount of the 2004 NPM adjustment it will receive. PM USA estimates it is entitled to interest of approximately \$23 million in connection with the 2004 NPM adjustment, which it recorded as interest income in the third quarter of 2021.
- *2005-2007 NPM Adjustments.* The PMs and the 10 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 nine of the 10 states, and one year, 2005, for one state. As of January 24, 2022, no decisions have resulted from the arbitration.
- *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.

**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 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. Despite these resolutions, PM USA continues to dispute the accuracy of certain submissions made by R.J. Reynolds and ITG concerning the calculation of certain payments relating to the ITG transferred brands and may pursue such claims.

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 has not yet issued a decision.

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 Altria's consolidated statement of earnings for the first quarter of 2021 as a reduction to cost of sales.

**Federal Government's Lawsuit:** In 1999, the United States 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 seven of the eight "sub-schemes" to defraud that the government had alleged. Specifically, the court found that:

- defendants falsely denied, distorted and minimized the significant adverse health consequences of smoking;
- defendants hid from the public that cigarette smoking and nicotine are addictive;
- defendants falsely denied that they control the level of nicotine delivered to create and sustain addiction;
- defendants falsely marketed and promoted "low tar/light" cigarettes as less harmful than full-flavor cigarettes;
- defendants falsely denied that they intentionally marketed to youth;
- defendants publicly and falsely denied that ETS is hazardous to non-smokers; and
- defendants suppressed scientific research.

The court did not impose monetary penalties on defendants, but ordered the following relief: (i) an injunction against "committing any act of racketeering" relating to the manufacturing, marketing, promotion, health consequences or sale of cigarettes in the United States; (ii) an injunction against participating directly or indirectly in the management or control of the Council for Tobacco Research, the Tobacco Institute, or the Center for Indoor Air Research, or any successor or affiliated entities of each; (iii) an injunction against "making, or causing to be made in any way, any material false, misleading, or deceptive statement or representation or engaging in any public relations or marketing endeavor that is disseminated to the United States public and that misrepresents or suppresses information concerning cigarettes;" (iv) 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; (v) 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; (vi) the disclosure on defendants' public document websites and in the Minnesota document repository of all documents produced to the government in the lawsuit or produced in any future court or administrative action concerning smoking and health until the third quarter of 2021, with certain additional requirements as to documents withheld from production under a claim of privilege or confidentiality; (vii) the disclosure of disaggregated marketing data to the government in the same form and on the same schedule as defendants now follow in disclosing such data to the FTC for a period of 10 years; (viii) certain restrictions on the sale or transfer by defendants of any cigarette brands, brand names, formulas or cigarette businesses within the U.S.; and (ix) payment of the government's costs in bringing the action.

Following several years of appeals relating to the content of the corrective statements remedy described above, in October 2017, the district court approved the parties' proposed consent order implementing corrective statements in newspapers and on television. The corrective statements began appearing in newspapers and on television in the fourth quarter of 2017. In April 2018, the parties reached agreement on the implementation details of the corrective statements on websites and onserts. The corrective statements began appearing on websites in the second quarter of 2018 and the onserts began appearing in the fourth quarter of 2018.

In 2014 and 2019, Altria and PM USA recorded provisions totaling approximately \$36 million for the estimated costs of implementing the corrective communications remedy.

The requirements related to corrective statements at point-of-sale remain outstanding. In May 2014, the district court ordered further briefing on the issue, which was completed in June 2014. In May 2018, the parties submitted a joint status report and additional briefing on point-of-sale signage to the district court. In May 2019, the district court ordered a hearing on the point-of-sale signage issue. The hearing is currently scheduled for June 2022.

In June 2020, the United States government filed a motion with the district court asking for clarification as to whether the court-ordered injunction that applies to cigarettes also applies to *HeatSticks*, a heated tobacco product used with the *IQOS* electronic device. In August 2020, Altria and PM USA 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*. Regardless of the district court's decisions on the pending motions, the government has indicated it will not oppose a modification to the injunction that permits PM USA to use the Modified Risk Tobacco Product claim authorized by the United States Food and Drug Administration for *HeatSticks*.

### **E-vapor Product Litigation**

As of January 24, 2022, Altria and/or its subsidiaries, including PM USA, are defendants in 53 class action lawsuits relating to JUUL e-vapor products. JUUL is an additional named defendant in each of these lawsuits. The theories of recovery include violation of RICO, fraud, failure to warn, design defect, negligence and unfair trade practices. Plaintiffs seek various remedies, including compensatory and punitive damages and an injunction prohibiting product sales. The 53 class action lawsuits include 28 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.

Altria and/or its subsidiaries, including PM USA, also have been named as defendants in other lawsuits involving JUUL e-vapor products, including 2,851 individual lawsuits and 483 "third party" lawsuits, which include school districts, state and local governments and tribal and healthcare organization lawsuits. JUUL is an additional named defendant in each of these lawsuits.

The majority of the individual and class action lawsuits mentioned above were filed in federal court. In October 2019, the U.S. Judicial Panel on Multidistrict Litigation ordered the coordination or consolidation of these lawsuits in the U.S. District Court for the Northern District of California for pretrial purposes.

Altria and its subsidiaries filed motions to dismiss certain claims in the class action and school district cases, including the federal RICO claim. In October 2020, the U.S. District Court for the Northern District of California granted the motion to dismiss the RICO class action claim without prejudice. Although it otherwise denied the motion, the court found that plaintiffs had not sufficiently alleged standing or causation with respect to their claim under California law. The court also granted the motion to dismiss the RICO claim in the cases filed by various school districts, but denied the motion in all other respects. The court gave plaintiffs the opportunity to amend their complaints to attempt to cure the deficiencies the court identified and plaintiffs filed their amended complaints in November 2020. In January 2021, Altria and its subsidiaries filed a renewed motion to dismiss the RICO claim, which the court denied in April 2021. In July 2021, the court set dates for the first four cases to be tried in 2022, with the first case commencing in April 2022.

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.

JUUL also is named in a significant number of additional individual and class action lawsuits to which neither Altria nor any of its subsidiaries is currently named.

Three of the "third party" lawsuits noted above against Altria and/or its subsidiaries and JUUL, as an additional named defendant, were initiated, individually, by the attorneys general of Alaska, Hawaii and Minnesota alleging violations of state consumer protection and other similar laws. Altria filed motions to dismiss each of these three lawsuits and the motions were denied in the lawsuits from the attorneys general of Hawaii and Minnesota in May 2021 and June 2021, respectively. With respect to the lawsuit from the attorney general of Alaska, as of January 24, 2022, the court has yet to rule on the motion. JUUL is also named in other attorneys general lawsuits to which neither Altria nor any of its subsidiaries is currently named. JUUL settled two such lawsuits by agreeing to pay approximately \$40 million in one case and \$14.5 million in the second. In addition, in both cases, JUUL agreed to certain restrictions on its sales and marketing activities.

### **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, Altria Client Services LLC, PMI and its affiliate, Philip Morris Products S.A., in the U.S. District Court for the Eastern District of Virginia. The lawsuit asserts claims of patent infringement based on the sale of the *IQOS* electronic device and *HeatSticks* in the United States. Plaintiffs seek various remedies, including preliminary and permanent injunctive relief, treble damages and attorneys' fees. Altria and PMI have been dismissed from the lawsuit. In June 2020, the remaining defendants filed a motion to dismiss certain of plaintiffs' claims and also filed counterclaims against the plaintiffs for infringement of various patents owned by the remaining

defendants. The case was stayed in December 2020 due to the COVID-19 pandemic; however, the stay was lifted with respect to defendants' counterclaims in February 2021. As of January 24, 2022, the court had not set a trial date.

Also 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 United States International Trade Commission ("ITC"), but the remedies sought included a prohibition on the importation of the IQOS electronic device, *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 electronic device, *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. Consequently, PM USA removed the IQOS electronic device and *HeatSticks* from the marketplace. In December 2021, defendants appealed the orders to the U.S. Court of Appeals for the Federal Circuit and, in January 2022, the court denied defendants' motion to stay the orders pending the conclusion of the appeal.

An additional unrelated patent infringement case regarding the IQOS electronic device was filed in November 2020 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.

### **Antitrust Litigation**

In April 2020, the FTC issued an administrative complaint against Altria and JUUL alleging that Altria's 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"). If the FTC's challenge is successful, the FTC may order a broad range of remedies, including divestiture of Altria's minority investment in JUUL, rescission of the transaction and all associated agreements, a requirement of FTC approval of future agreements related to the development, manufacture, distribution or sale of e-vapor products and prohibition against any officer or director of either Altria or JUUL serving on the other party's board of directors or attending meetings of the other party's board of directors. The administrative trial was held before an FTC administrative law judge in June 2021. The post-trial briefing was completed in October 2021. The administrative law judge's decision is subject to review by the FTC on its own motion or at the request of any party. The FTC then issues its ruling, which may be appealed to any U.S. Court of Appeals.

Also as of January 24, 2022, 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, divestiture of Altria's minority investment in JUUL and rescission of the transaction. Altria filed a motion to dismiss these lawsuits in January 2021. In August 2021, the U.S. District Court for the Northern District of California denied Altria's 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 the direct-purchaser plaintiffs' claims be sent to arbitration pursuant to an arbitration provision in JUUL's online purchase agreement.

In November 2020, Altria exercised its rights to convert its non-voting JUUL shares to voting shares. However, pending the outcome of the FTC administrative complaint, Altria currently does not intend to exercise its additional governance rights obtained upon the conversion, including the right to elect directors to JUUL's board or to vote its JUUL shares other than as a passive investor. For further discussion of Altria's rights in the event of share conversion, see Note 6. *Investments in Equity Securities - Investment in JUUL*.

### **Shareholder Class Action and Shareholder Derivative Lawsuits**

**Shareholder Class Action:** In October and December 2019, two purported Altria shareholders filed putative class action lawsuits against Altria, Howard A. Willard III, Altria's former Chairman and Chief Executive Officer, and William F. Gifford, Jr., Altria's former Vice Chairman and Chief Financial Officer and current Chief Executive Officer, in the U.S. District Court for the Eastern District of New York. In December 2019, the court consolidated the two lawsuits into a single proceeding. The consolidated lawsuit was subsequently transferred to the U.S. District Court for the Eastern District of Virginia. The lawsuit asserts claims under Sections 10(b) and 20(a) and under Rule 10b-5 of the Exchange Act. In April 2020, JUUL, its founders and some of its current and former executives were added to the lawsuit. The claims allege false and misleading statements and omissions relating to Altria's investment in JUUL. Plaintiffs seek various remedies, including damages and attorneys' fees. In July 2020, the defendants filed motions to dismiss plaintiffs' claims, which the district court denied in March 2021. In the fourth quarter of 2021, plaintiffs and defendants agreed upon a class action settlement

under which, among other things, (i) all claims asserted against Altria and the other named defendants are resolved without any liability or wrongdoing attributed to them personally or to Altria and (ii) Altria will pay the class an aggregate amount of \$90 million, which amount includes attorneys' fees. The class is defined to include persons and entities who purchased or otherwise acquired share of Altria between October 25, 2018 through April 2, 2020, subject to certain exclusions. The trial court preliminarily approved the settlement in December 2021; however, the settlement is subject to final approval by the trial court and other customary conditions. Altria recorded pre-tax provisions totaling \$90 million in 2021 and, in January 2022, paid \$90 million to plaintiffs' escrow account.

**Federal Shareholder Derivative Lawsuits:** In August 2020, two purported Altria shareholders filed separate derivative lawsuits in the U.S. District Court for the Northern District of California on behalf of themselves and Altria, against Mr. Willard, Mr. Gifford, JUUL and certain of its executives and officers. These derivative lawsuits relate to Altria's investment in JUUL, and assert 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. In March 2021, the U.S. District Court for the Northern District of California granted defendants' motion to transfer both lawsuits to the U.S. District Court for the Eastern District of Virginia. Three additional federal derivative lawsuits were filed in October 2020, January 2021 and March 2021, respectively, in the U.S. District Court for the Eastern District of Virginia against Mr. Willard, Mr. Gifford, Mr. Crosthwaite, certain members of Altria's Board of Directors, JUUL, its founders and some of its current and former executives. These suits assert various claims, including breach of fiduciary duty, unjust enrichment, waste of corporate assets and violations of certain federal securities laws. The remedies sought in these lawsuits include damages, disgorgement of profits, reformation of Altria's corporate governance and internal procedures, and attorneys' fees. In April 2021, the court consolidated the five cases pending in the Eastern District of Virginia into a single case.

**State Shareholder Derivative Lawsuits:** Six derivative lawsuits have been filed in Virginia state courts against Mr. Willard, Mr. Gifford, Mr. Crosthwaite (Altria's former Chief Growth Officer and JUUL's current Chief Executive Officer), certain members of Altria's Board of Directors, JUUL, its founders and some of its current and former executives. The lawsuits were filed in September 2020, May 2021, June 2021, July 2021, August 2021 and August 2021, respectively. The lawsuits assert various claims, including breach of fiduciary duty, and seek remedies similar to those sought by plaintiffs in the cases pending in federal court in the Eastern District of Virginia. In July 2021 and September 2021, the court consolidated the first four of these state derivative cases into a single consolidated case.

#### **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 its 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 January 24, 2022, two "Lights/Ultra Lights" class actions are pending in U.S. state court. Neither case is active.

As of January 24, 2022, one smoking and health case alleging personal injury or seeking court-supervised programs or ongoing medical monitoring 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 but not limited to disgorgement. Defenses raised in these cases include lack of causation, assumption of the risk, comparative fault and/or contributory negligence, and statutes of limitations. As of January 24, 2022, there is no case pending against UST and/or its tobacco subsidiaries.

#### **Environmental Regulation**

Altria and its subsidiaries (and 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 U.S.: 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. Subsidiaries (and former subsidiaries) of Altria are involved in several matters subjecting them to potential costs of remediation and natural resource damages under Superfund or other laws and regulations. Altria's subsidiaries expect to continue to make capital and other expenditures in connection with environmental laws and regulations.

Altria provides 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 subsidiaries of Altria may undertake in the future. In the opinion of 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 Altria's consolidated results of operations, capital expenditures, financial position or cash flows.

#### **Guarantees and Other Similar Matters**

In the ordinary course of business, certain subsidiaries of Altria have agreed to indemnify a limited number of third parties in the event of future litigation. At December 31, 2021, Altria and certain of its subsidiaries (i) had \$48 million of unused letters of credit obtained in the ordinary course of business and (ii) were contingently liable for guarantees related to their own performance, including \$19 million for surety bonds recorded on its consolidated balance sheet. In addition, from time to time, subsidiaries of Altria issue lines of credit to affiliated entities. These items have not had, and are not expected to have, a significant impact on Altria's liquidity.

Under the terms of a distribution agreement between Altria and PMI (the "Distribution Agreement"), entered into as a result of Altria's 2008 spin-off of its 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. Altria does not have a related liability recorded on its consolidated balance sheet at December 31, 2021 as the fair value of this indemnification is insignificant. PMI has agreed not to seek indemnification with respect to the *IQOS* 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.

PM USA has issued guarantees relating to Altria's obligations under its outstanding debt securities, borrowings under its \$3.0 billion Credit Agreement and amounts outstanding under its commercial paper program. For further discussion, see Note 9. *Long-Term Debt*.

## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of Altria Group, Inc.

### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Altria Group, Inc. and its subsidiaries (the “Company”) as of December 31, 2021 and 2020, and the related consolidated statements of earnings (losses), comprehensive earnings (losses), stockholders’ equity (deficit) and cash flows for each of the three years in the period ended December 31, 2021, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

### ***Basis for Opinions***

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management On Internal Control Over Financial Reporting. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### ***Definition and Limitations of Internal Control over Financial Reporting***

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### ***Critical Audit Matters***

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole,

and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

*Tobacco and Health Litigation Provisions and Disclosures*

As described in Note 18 to the consolidated financial statements, legal proceedings covering a wide range of matters are pending or threatened in various U.S. and foreign jurisdictions against the Company as well as its respective indemnitees and investees. The Company records provisions in the consolidated financial statements for pending litigation when management determines that an unfavorable outcome is probable and the amount of the loss can be reasonably estimated. The Company's most significant category of legal proceedings is tobacco and health litigation. The Company's accrued liability for tobacco and health litigation was \$1 million as of December 31, 2021. While it is reasonably possible that an unfavorable outcome in a case may occur, except for those cases which have been accrued for: (i) management has concluded that it is not probable that a loss has been incurred in any of the pending tobacco and health related 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 tobacco and health related cases; and (iii) accordingly, management has not provided any amounts in the consolidated financial statements for unfavorable outcomes, if any.

The principal considerations for our determination that performing procedures relating to tobacco and health litigation provisions and disclosures is a critical audit matter are (i) the significant judgment by management when determining if a loss for tobacco and health litigation should be recorded in the consolidated financial statements, which in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence related to management's determination of whether a loss should be recorded; and (ii) the significant judgment by management when disclosing facts and circumstances related to the litigation, which in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures related to the disclosures, including evaluating the audit evidence obtained related to management's disclosures.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's loss determination for tobacco and health litigation matters and controls over the related financial statement disclosures. These procedures also included, among others, (i) evaluating the completeness of the Company's description of tobacco and health litigation matters; (ii) confirming with external and internal legal counsel the likelihood of an unfavorable outcome and the extent to which a loss is estimable; (iii) evaluating the reasonableness of management's determination regarding the likelihood of an unfavorable outcome; and (iv) evaluating the sufficiency of the Company's tobacco and health litigation disclosures.

*JUUL Labs, Inc. ("JUUL") - Determination of the Fair Value of the Investment*

As described in Notes 1, 2, and 6 to the consolidated financial statements, as of December 31, 2021, the Company accounts for its equity method investment in JUUL under the fair value option. The Company's investment in JUUL was \$1.7 billion as of December 31, 2021. Fair value is estimated by management using an income approach, which reflects the discounting of future cash flows for the U.S. and international markets of JUUL's business. In determining the fair value of the Company's investment in JUUL, management has made various judgments, estimates and assumptions, the most significant of which were sales volume, operating margins, discount rates and perpetual growth rates. All significant inputs used in the valuation are classified in Level 3 of the fair value hierarchy. Additionally, management has made judgments regarding the: (i) likelihood and extent of various potential regulatory actions and the continued adverse public perception impacting the e-vapor category and specifically JUUL, (ii) risk created by the number and types of legal cases pending against JUUL, (iii) expectations for the future state of the e-vapor category including competitive dynamics and (iv) timing of international expansion plans.

The principal considerations for our determination that performing procedures relating to the determination of the fair value of the investment in JUUL is a critical audit matter are the (i) significant judgment by management when determining the fair value of the investment in JUUL; (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures to evaluate management's assessment of the risk created by the number and types of legal cases pending against JUUL, the timing of international expansion plans, the reasonableness of the range of scenarios that consider various potential regulatory and market outcomes and evaluating management's significant assumptions related to sales volume, operating margins, and discount rates; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's determination of the fair value of the investment in JUUL, including controls over the significant judgments and assumptions related to sales volume, operating margins, discount rates, the risk created by the number and types of legal cases pending against JUUL and timing of international expansion plans. These procedures also included, among others, (i) testing management's process for determining the fair value estimate; (ii) evaluating the appropriateness of the income approach; (iii) testing the completeness and accuracy of underlying data used in the income approach; (iv) evaluating management's assessment of the risk created by the number and types of legal cases pending against JUUL; (v) evaluating the reasonableness of the range of scenarios that consider various potential regulatory and market outcomes; (vi) evaluating the reasonableness of the timing of international expansion plans; and (vii) evaluating the reasonableness of the significant assumptions used by management related to sales volume, operating margins, and discount rates.

Evaluating management's assumptions related to sales volume and operating margins involved evaluating whether the judgments and assumptions used by management were reasonable considering (i) the current and past performance of the investee; (ii) the consistency with external market and industry data; and (iii) evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of (i) the Company's income approach and (ii) the discount rate assumptions.

*Impairment Assessment - Investment in Anheuser-Busch InBev SA/NV ("ABI")*

As described in Notes 1, 2, and 6 to the consolidated financial statements, as of December 31, 2021, the Company had an approximate 10.0% ownership interest in ABI with a carrying value of \$11.1 billion. Management reviews the Company's equity investment in ABI, accounted for under the equity method of accounting, for impairment by comparing the fair value of the investment to its carrying value. If the carrying value of the investment exceeds its fair value and the loss in value is other than temporary, the investment is considered impaired and reduced to fair value, and the impairment is recognized in the period identified. The factors used to make the determination regarding temporary impairment include the duration and magnitude of the fair value decline, the financial condition and near-term prospects of the investee, and the Company's intent and ability to hold its investment in ABI until recovery. Management concluded that the decline in fair value of its investment in ABI at September 30, 2021 was other than temporary. As a result, the Company recorded a pre-tax impairment charge of \$6.2 billion during the third quarter of 2021.

The principal considerations for our determination that performing procedures relating to the impairment assessment for the investment in ABI is a critical audit matter are the significant judgment by management when determining whether the impairment represented a temporary or other than temporary impairment and the period in which to take the impairment charge; this in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's assessment of the financial condition and near-term prospects of the investee, as well as the Company's intent and ability to hold the investment in ABI until recovery.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's impairment assessment for the investment in ABI. These procedures also included, among others, evaluating management's assessment that the loss in value was temporary or other than temporary, including the reasonableness of management's assessment of the financial condition and near-term prospects of the investee, as well as the Company's intent and ability to hold the investment in ABI until recovery. Evaluating the reasonableness of management's assessment related to the financial condition and near-term prospects of the investee and the Company's intent and ability to hold the investment until recovery involved consideration of whether the factors in the assessment were consistent with (i) the current and past performance of the investee; (ii) external market and industry data; and (iii) evidence obtained in other areas of the audit.

*/s/ PricewaterhouseCoopers LLP*

Richmond, Virginia

January 27, 2022

We have served as the Company's auditor since at least 1934, which is when the Company became subject to SEC reporting requirements. We have not been able to determine the specific year we began serving as auditor of the Company.

## Report of Management On Internal Control Over Financial Reporting

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Management of Altria Group, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Altria Group, Inc.'s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes those written policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Altria Group, Inc.;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America;
- provide reasonable assurance that receipts and expenditures of Altria Group, Inc. are being made only in accordance with the authorization of management and directors of Altria Group, Inc.; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

Internal control over financial reporting includes the controls themselves, monitoring and internal auditing practices and actions taken to correct deficiencies as identified.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of Altria Group, Inc.'s internal control over financial reporting as of December 31, 2021. Management based this assessment on criteria for effective internal control over financial reporting described in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Management's assessment included an evaluation of the design of Altria Group, Inc.'s internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of Altria Group, Inc.'s Board of Directors.

Based on this assessment, management determined that, as of December 31, 2021, Altria Group, Inc. maintained effective internal control over financial reporting.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, who audited and reported on the consolidated financial statements of Altria Group, Inc. included in this report, has audited the effectiveness of Altria Group, Inc.'s internal control over financial reporting as of December 31, 2021, as stated in their report herein.

January 27, 2022

## Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

### Item 9A. Controls and Procedures.

#### Disclosure Controls and Procedures

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

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

The Report of Independent Registered Public Accounting Firm and the Report of Management on Internal Control over Financial Reporting are included in Item 8.

### Item 9B. Other Information.

None.

### Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

## Part III

Except for the information relating to the executive officers set forth in Item 10, the information called for by Items 10-14 is hereby incorporated by reference to Altria's definitive proxy statement for use in connection with its Annual Meeting of Shareholders to be held on May 19, 2022 that is expected to be filed with the SEC on or about April 7, 2022 (the "proxy statement"), and, except as indicated therein, made a part hereof.

### Item 10. Directors, Executive Officers and Corporate Governance.

Refer to "Board and Governance Matters - Proposal 1 - Election of Directors" and "Board and Governance Matters - Board and Committee Governance" sections of the proxy statement.

#### Information about Our Executive Officers as of February 15, 2022:

Name	Office	Age
Jody L. Begley	Executive Vice President and Chief Operating Officer	50
Daniel J. Bryant	Vice President and Treasurer	52
Steven D'Ambrosia	Vice President and Controller	55
Murray R. Garnick	Executive Vice President and General Counsel	62
William F. Gifford, Jr.	Chief Executive Officer	51
Salvatore Mancuso	Executive Vice President and Chief Financial Officer	56
Heather A. Newman	Senior Vice President, Corporate Strategy	44
W. Hildebrandt Surgner, Jr.	Vice President, Corporate Secretary and Associate General Counsel	56
Charles N. Whitaker	Senior Vice President, Chief Human Resources Officer and Chief Compliance Officer	55

All of the above-mentioned executive officers have been employed by Altria or its subsidiaries in various capacities during the past five years.

Mr. Whitaker's wife and Mr. Surgner's wife are first cousins.

#### Codes of Conduct and Corporate Governance

Altria has adopted the Altria Code of Conduct for Compliance and Integrity, which complies with requirements set forth in Item 406 of Regulation S-K. This Code of Conduct applies to all of its employees, including its principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. Altria has also adopted a code of business conduct and ethics that applies to the members of its Board of Directors. These documents are available free of charge on Altria's website at [www.altria.com](http://www.altria.com).

Any waiver granted by Altria to its principal executive officer, principal financial officer or controller under the Code of Conduct, and certain amendments to the Code of Conduct, will be disclosed on Altria’s website at [www.altria.com](http://www.altria.com) within the time period required by applicable rules.

In addition, Altria has adopted corporate governance guidelines and charters for its Audit, Compensation and Nominating, Corporate Governance and Social Responsibility Committees and the other committees of the Board of Directors. All of these documents are available free of charge on Altria’s website at [www.altria.com](http://www.altria.com).

The information on the respective websites of Altria and its subsidiaries is not, and shall not be deemed to be, a part of this Form 10-K or incorporated into any other filings Altria makes with the SEC.

### Item 11. Executive Compensation.

Refer to “Executive Compensation,” and “Board and Governance Matters - Director Compensation” sections of the proxy statement.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The number of shares to be issued upon exercise or vesting and the number of shares remaining available for future issuance under Altria’s equity compensation plans at December 31, 2021, were as follows:

	Number of Shares to be Issued upon Exercise of Outstanding Options and Vesting of Deferred Stock (a)	Weighted Average Exercise Price of Outstanding Options (b)	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (c)
Equity compensation plans approved by shareholders <sup>(1)</sup>	3,423,375 <sup>(2)</sup>	\$—	24,162,544 <sup>(3)</sup>

<sup>(1)</sup> The following plans have been approved by Altria shareholders and have shares referenced in column (a) or column (c): the 2015 Performance Incentive Plan, the 2020 Performance Incentive Plan and the 2015 Stock Compensation Plan for Non-Employee Directors.

<sup>(2)</sup> Represents 2,702,462 shares of restricted stock units and 720,913 shares that may be issued upon vesting of performance stock units if maximum performance measures are achieved.

<sup>(3)</sup> Includes 23,459,288 shares available under the 2020 Performance Incentive Plan and 703,256 shares available under the 2015 Stock Compensation Plan for Non-Employee Directors, and excludes shares reflected in column (a).

Refer to “Ownership of Equity Securities of Altria - Directors and Executive Officers” and “Ownership of Equity Securities of Altria - Certain Other Beneficial Owners” sections of the proxy statement.

### Item 13. Certain Relationships and Related Transactions, and Director Independence.

Refer to “Related Person Transactions and Code of Conduct” and “Board and Governance Matters - Altria Board of Directors - Director Independence Determinations” sections of the proxy statement.

### Item 14. Principal Accounting Fees and Services.

Refer to “Audit Committee Matters - Independent Registered Public Accounting Firm’s Fees” and “Audit Committee Matters - Pre-Approval Policy” sections of the proxy statement.

## **Part IV**

### **Item 15. Exhibits and Financial Statement Schedules.**

(a) Index to Consolidated Financial Statements

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Consolidated Statements of Earnings (Losses) for the years ended December 31, 2021, 2020 and 2019	<b><u>52</u></b>
Consolidated Statements of Comprehensive Earnings (Losses) for the years ended December 31, 2021, 2020 and 2019	<b><u>53</u></b>
Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020 and 2019	<b><u>54</u></b>
Consolidated Statements of Stockholders' Equity (Deficit) for the years ended December 31, 2021, 2020 and 2019	<b><u>56</u></b>
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Schedules have been omitted either because such schedules are not required or are not applicable.

In accordance with Regulation S-X Rule 3-09, the audited financial statements of ABI for the year ended December 31, 2021 will be filed by amendment within six months after ABI's year ended December 31, 2021.

(b) The following exhibits are filed as part of this Form 10-K:

- 2.1 [Distribution Agreement by and between Altria Group, Inc. and Kraft Foods Inc. \(now known as Mondelēz International, Inc.\), dated as of January 31, 2007. Incorporated by reference to Altria Group, Inc.'s Current Report on Form 8-K filed on January 31, 2007 \(File No. 1-08940\).](#)
- 2.2 [Distribution Agreement by and between Altria Group, Inc. and Philip Morris International Inc., dated as of January 30, 2008. Incorporated by reference to Altria Group, Inc.'s Current Report on Form 8-K filed on January 30, 2008 \(File No. 1-08940\).](#)
- 2.3 [Class C-1 Common Stock Purchase Agreement, dated as of December 20, 2018, by and among JUUL Labs, Inc., Altria Group, Inc. and Altria Enterprises LLC. Incorporated by reference to Altria Group, Inc.'s Current Report on Form 8-K filed on December 20, 2018 \(File No. 1-08940\).](#)
- 2.4 [Amendment No. 1 to Class C-1 Common Stock Purchase Agreement, dated as of January 28, 2020, by and among JUUL Labs, Inc., Altria Group, Inc. and Altria Enterprises LLC. Incorporated by reference to Altria Group, Inc.'s Current Report on Form 8-K filed on January 30, 2020 \(File No. 1-08940\).](#)
- 2.5 [Relationship Agreement, dated as of December 20, 2018, by and among JUUL Labs, Inc., Altria Group, Inc. and Altria Enterprises LLC. Incorporated by reference to Altria Group, Inc.'s Current Report on Form 8-K filed on December 20, 2018 \(File No. 1-08940\).](#)
- 2.6 [Amendment No. 1 to Relationship Agreement, dated as of January 28, 2020, by and among JUUL Labs, Inc. and Altria Group, Inc. and Altria Enterprises LLC. Incorporated by reference to Altria Group, Inc.'s Current Report on Form 8-K filed on January 30, 2020 \(File No. 1-08940\).](#)
- 3.1 [Articles of Amendment to the Restated Articles of Incorporation of Altria Group, Inc. and Restated Articles of Incorporation of Altria Group, Inc. Incorporated by reference to Altria Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2002 \(File No. 1-08940\).](#)
- 3.2 [Amended and Restated By-Laws of Altria Group, Inc. \(effective as of May 20, 2021\). Incorporated by reference to Altria Group, Inc.'s Current Report on Form 8-K filed on May 24, 2021 \(File No. 1-08940\).](#)

- 4.1 [Description of Altria Group, Inc.'s Registered Securities.](#)
- 4.2 Indenture between Altria Group, Inc. and The Bank of New York (as successor in interest to JPMorgan Chase Bank, formerly known as The Chase Manhattan Bank), as Trustee, dated as of December 2, 1996. Incorporated by reference to Altria Group, Inc.'s Registration Statement on Form S-3/A filed on January 29, 1998 (No. 333-35143).
- 4.3 [First Supplemental Indenture to Indenture, dated as of December 2, 1996, between Altria Group, Inc. and The Bank of New York \(as successor in interest to JPMorgan Chase Bank, formerly known as The Chase Manhattan Bank\), as Trustee, dated as of February 13, 2008. Incorporated by reference to Altria Group, Inc.'s Current Report on Form 8-K filed on February 15, 2008 \(File No. 1-08940\).](#)
- 4.4 [Indenture among Altria Group, Inc., as Issuer, Philip Morris USA Inc., as Guarantor, and Deutsche Bank Trust Company Americas, as Trustee, dated as of November 4, 2008. Incorporated by reference to Altria Group, Inc.'s Registration Statement on Form S-3 filed on November 4, 2008 \(No. 333-155009\).](#)
- 4.5 [5-Year Revolving Credit Agreement, dated as of August 1, 2018, among Altria Group, Inc., the lenders named therein and JPMorgan Chase Bank, N.A. and Citibank, N.A., as administrative agents. Incorporated by reference to Altria Group, Inc.'s Current Report on Form 8-K filed on August 1, 2018 \(File No. 1-08940\).](#)
- 4.6 [Amendment No. 1 to the Credit Agreement, dated January 25, 2019, among Altria Group, Inc. the Lenders and JPMorgan Chase Bank, N.A. and Citibank, N.A. as administrative agents. Incorporated by reference to Altria Group, Inc.'s Current Report on Form 8-K filed on January 31, 2019 \(File No. 1-08940\).](#)
- 4.7 [Extension and Amendment No. 2 to the Credit Agreement, effective August 18, 2021, among Altria Group, Inc., the lenders party thereto and JPMorgan Chase Bank, N.A. and Citibank, N.A., as administrative agents. Incorporated by reference to Altria Group, Inc.'s Current Report on Form 8-K filed on August 18, 2021 \(File No. 1-08940\).](#)
- 4.8 The Registrant agrees to furnish copies of any instruments defining the rights of holders of long-term debt of the Registrant and its consolidated subsidiaries that does not exceed 10 percent of the total assets of the Registrant and its consolidated subsidiaries to the Commission upon request.
- 10.1 Comprehensive Settlement Agreement and Release related to settlement of Mississippi health care cost recovery action, dated as of October 17, 1997. Incorporated by reference to Altria Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 1-08940).
- 10.2 Settlement Agreement related to settlement of Florida health care cost recovery action, dated August 25, 1997. Incorporated by reference to Altria Group, Inc.'s Current Report on Form 8-K filed on September 3, 1997 (File No. 1-08940).
- 10.3 Comprehensive Settlement Agreement and Release related to settlement of Texas health care cost recovery action, dated as of January 16, 1998. Incorporated by reference to Altria Group, Inc.'s Current Report on Form 8-K filed on January 28, 1998 (File No. 1-08940).
- 10.4 Settlement Agreement and Stipulation for Entry of Judgment regarding the claims of the State of Minnesota, dated as of May 8, 1998. Incorporated by reference to Altria Group, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 1998 (File No. 1-08940).
- 10.5 Settlement Agreement and Release regarding the claims of Blue Cross and Blue Shield of Minnesota, dated as of May 8, 1998. Incorporated by reference to Altria Group, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 1998 (File No. 1-08940).
- 10.6 Stipulation of Amendment to Settlement Agreement and For Entry of Agreed Order regarding the settlement of the Mississippi health care cost recovery action, dated as of July 2, 1998. Incorporated by reference to Altria Group, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 1998 (File No. 1-08940).
- 10.7 Stipulation of Amendment to Settlement Agreement and For Entry of Consent Decree regarding the settlement of the Texas health care cost recovery action, dated as of July 24, 1998. Incorporated by reference to Altria Group, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 1998 (File No. 1-08940).
- 10.8 Stipulation of Amendment to Settlement Agreement and For Entry of Consent Decree regarding the settlement of the Florida health care cost recovery action, dated as of September 11, 1998. Incorporated by reference to Altria Group, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 1998 (File No. 1-08940).
- 10.9 Master Settlement Agreement relating to state health care cost recovery and other claims, dated as of November 23, 1998. Incorporated by reference to Altria Group, Inc.'s Current Report on Form 8-K filed on November 25, 1998, as amended by Form 8-K/A filed on December 24, 1998 (File No. 1-08940).

- 10.10 [Stipulation and Agreed Order Regarding Stay of Execution Pending Review and Related Matters, dated as of May 7, 2001, Incorporated by reference to Altria Group, Inc.'s Current Report on Form 8-K filed on May 8, 2001 \(File No. 1-08940\).](#)
- 10.11 [Term Sheet effective December 17, 2012, between Philip Morris USA, Inc., the other participating manufacturers, and various states and territories for settlement of the 2003 - 2012 Non-Participating Manufacturer Adjustment with those states. Incorporated by reference to Altria Group, Inc.'s Current Report on Form 8-K filed on December 18, 2012 \(File No. 1-08940\).](#)
- 10.12 [Intellectual Property Agreement by and between Philip Morris International Inc. and PM USA, dated as of January 1, 2008. Incorporated by reference to Altria Group, Inc.'s Current Report on Form 8-K filed on March 28, 2008 \(File No. 1-08940\).](#)
- 10.13 [Guarantee made by Philip Morris USA Inc. in favor of the lenders party to the 5-Year Revolving Credit Agreement, dated as of August 1, 2018, among Altria Group, Inc., the lenders named therein and JPMorgan Chase Bank, N.A. and Citibank, N.A., as administrative agents, dated as of August 1, 2018. Incorporated by reference to Altria Group, Inc.'s Current Report on Form 8-K filed on August 1, 2018 \(File No. 1-08940\).](#)
- 10.14 [Benefit Equalization Plan, effective September 2, 1974, as amended. Incorporated by reference to Altria Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2014 \(File No. 1-08940\).\\*](#)
- 10.15 [Amendment to Benefit Equalization Plan, effective March 31, 2016. Incorporated by reference to Altria Group, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2016 \(File No. 1-08940\).\\*](#)
- 10.16 [Amendment to Benefit Equalization Plan, effective January 1, 2016 and October 1, 2016. Incorporated by reference to Altria Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016 \(File No. 1-08940\).\\*](#)
- 10.17 [Amendment to Benefit Equalization Plan, effective January 1, 2019. Incorporated by reference to Altria Group, Inc.'s Annual Report on Form 10-K for year ended December 31, 2018 \(File No. 1-08940\).\\*](#)
- 10.18 [Form of Employee Grantor Trust Enrollment Agreement. Incorporated by reference to Altria Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1995 \(File No. 1-08940\).\\*](#)
- 10.19 [Long-Term Disability Benefit Equalization Plan, effective as of January 1, 1989, as amended. Incorporated by reference to Altria Group, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2009 \(File No. 1-08940\).\\*](#)
- 10.20 [Deferred Fee Plan for Non-Employee Directors, as amended and restated effective October 28, 2015. Incorporated by reference to Altria Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015 \(File No. 1-08940\).\\*](#)
- 10.21 [2015 Stock Compensation Plan for Non-Employee Directors, as amended and restated effective March 31, 2021. Incorporated by reference to Altria Group, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2021 \(File No. 1-08940\).\\*](#)
- 10.22 [2015 Performance Incentive Plan, effective on May 1, 2015. Incorporated by reference to Altria Group, Inc.'s definitive proxy statement on Schedule 14A filed on April 9, 2015 \(File No. 1-08940\).\\*](#)
- 10.23 [2020 Performance Incentive Plan. Incorporated by reference to Exhibit A to Altria Group, Inc.'s Definitive Proxy Statement on Schedule 14A filed on April 2, 2020, as amended by Altria Group, Inc.'s Supplement to Proxy Statement on Schedule 14A filed on April 17, 2020 \(File No. 1-08940\).](#)
- 10.24 [Form of Indemnity Agreement. Incorporated by reference to Altria Group, Inc.'s Current Report on Form 8-K filed on October 30, 2006 \(File No. 1-08940\).](#)
- 10.25 [Form of Restricted Stock Unit Agreement, dated as of January 30, 2018. Incorporated by reference to Altria Group, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2018 \(File No. 1-08940\).\\*](#)
- 10.26 [Form of Performance Stock Unit Agreement, dated as of January 30, 2018. Incorporated by reference to Altria Group, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2018 \(File No. 1-08940\).\\*](#)
- 10.27 [Form of Restricted Stock Unit Agreement, dated as of February 26, 2019. Incorporated by reference to Altria Group, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2019 \(File No. 1-08940\).\\*](#)
- 10.28 [Form of Performance Stock Unit Agreement, dated as of February 26, 2019. Incorporated by reference to Altria Group, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2019 \(File No. 1-08940\).\\*](#)
- 10.29 [Form of Restricted Stock Unit Agreement \(2020\). Incorporated by reference to Altria Group, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2020 \(File No. 1-08940\).\\*](#)

10.30	<a href="#">Form of Performance Stock Unit Agreement (2020). Incorporated by reference to Altria Group, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2020 (File No. 1-08940).*</a>
10.31	<a href="#">Form of Restricted Stock Unit Agreement (2021). Incorporated by reference to Altria Group, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2021 (File No. 1-08940).*</a>
10.32	<a href="#">Form of Performance Stock Unit Agreement (2021). Incorporated by reference to Altria Group, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2021 (File No. 1-08940).*</a>
10.33	<a href="#">Form of Executive Confidentiality and Non-Competition Agreement (October 2018). Incorporated by reference to Altria Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2018 (File No. 1-08940).*</a>
10.34	<a href="#">Form of Confidentiality and Non-Competition Agreement (February 2019). Incorporated by reference to Altria Group, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2019 (File No. 1-08940).*</a>
10.35	<a href="#">Form of Letter Regarding Reimbursement of Legal Expenses. Incorporated by reference to Altria Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2020 (File No. 1-08940).*</a>
10.36	<a href="#">Time Sharing Agreement between Altria Client Services LLC and William F. Gifford, Jr., dated June 17, 2020. Incorporated by reference to Altria Group, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2020 (File No. 1-08940).*</a>
10.37	<a href="#">Form of Agreement and General Release (September 2019). Incorporated by reference to Altria Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2019 (File No. 1-08940).*</a>
21	<a href="#">Subsidiaries of Altria Group, Inc.</a>
22	<a href="#">Guarantor Subsidiary of the Registrant. Incorporated by reference to Altria Group, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2020 (File No. 1-08940).</a>
23	<a href="#">Consent of independent registered public accounting firm.</a>
24	<a href="#">Powers of attorney.</a>
31.1	<a href="#">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.</a>
31.2	<a href="#">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.</a>
32.1	<a href="#">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.</a>
32.2	<a href="#">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.</a>
99.1	<a href="#">Certain Litigation Matters.</a>
99.2	<a href="#">Trial Schedule for Certain Cases.</a>
101.INS	Inline 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	Inline XBRL Taxonomy Extension Schema.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

\* Denotes management contract or compensatory plan or arrangement in which directors or executive officers are eligible to participate.

## **Item 16. Form 10-K Summary.**

None.

**SIGNATURES**

**Pursuant to the requirements of Section 13 or 15(d) 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.

By: /s/ WILLIAM F. GIFFORD, JR.  
(William F. Gifford, Jr.  
Chief Executive Officer)

Date: February 25, 2022

**Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated:**

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<u>/s/ WILLIAM F. GIFFORD, JR.</u> (William F. Gifford, Jr.)	Director and Chief Executive Officer	February 25, 2022
<u>/s/ SALVATORE MANCUSO</u> (Salvatore Mancuso)	Executive Vice President and Chief Financial Officer	February 25, 2022
<u>/s/ STEVEN D'AMBROSIA</u> (Steven D'Ambrosia)	Vice President and Controller	February 25, 2022
* JOHN T. CASTEEN III, MARJORIE M. CONNELLY, R. MATT DAVIS, DINYAR S. DEVITRE, DEBRA J. KELLY-ENNIS, W. LEO KIELY III, KATHRYN B. MCQUADE, GEORGE MUÑOZ, NABIL Y. SAKKAB, VIRGINIA E. SHANKS, ELLEN R. STRAHLMAN	Directors	
* By: <u>/s/ WILLIAM F. GIFFORD, JR.</u> (WILLIAM F. GIFFORD, JR. ATTORNEY-IN-FACT)		February 25, 2022

**DESCRIPTION OF ALTRIA GROUP, INC.'S SECURITIES  
REGISTERED PURSUANT TO SECTION 12 OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Altria Group, Inc. (the "Company") had five classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): (i) common stock, \$0.33 1/3 par value per share ("Common Stock"); (ii) 1.000% Notes due 2023; (iii) 1.700% Notes due 2025; (iv) 2.200% Notes due 2027; and (v) 3.125% Notes due 2031. Each of the Company's securities registered under Section 12 of the Exchange Act is listed on the New York Stock Exchange.

**DESCRIPTION OF COMMON STOCK**

The following is a description of the rights of Common Stock and related provisions of the Company's Restated Articles of Incorporation, as amended (the "Articles"), and Amended and Restated By-Laws (the "By-Laws") and applicable Virginia law. This description is qualified in its entirety by reference to, and should be read together with, the Articles, the By-Laws and applicable Virginia law.

**Authorized Capital Stock**

The Company's authorized capital stock consists of 12,000,000,000 shares of Common Stock and 10,000,000 shares of Serial Preferred Stock, \$1 par value per share (the "Serial Preferred Stock").

**General**

***Fully Paid and Nonassessable***

All of the outstanding shares of Common Stock are fully paid and nonassessable.

***Voting Rights***

The holders of shares of Common Stock are entitled to one vote per share on all matters to be voted on by the shareholders. Holders of shares of Common Stock are not entitled to cumulative voting rights in the election of directors.

***Dividends***

The holders of shares of Common Stock are entitled to receive such dividends, if any, as may be declared from time to time by the Company's Board of Directors (the "Board of Directors") in its discretion from legally available funds.

***Right to Receive Liquidation Distributions***

Upon liquidation, dissolution or winding-up, the holders of shares of Common Stock are entitled to share equally in the assets remaining available for distribution to holders of such shares after payment of the Company's prior obligations, including outstanding shares of Serial Preferred Stock, if any.

***No Preemptive or Similar Rights***

The holders of shares of Common Stock have no preemptive or other subscription rights or rights to convert their shares of Common Stock into any other securities, and the Common Stock is not subject to any redemption or sinking fund provisions.

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## **Anti-Takeover Provisions**

Various provisions contained in the Articles, the By-Laws and Virginia law could delay, discourage or limit transactions involving an actual or potential change in control of the Company or change in its management, including transactions in which shareholders might otherwise receive a premium for their shares, or transactions that its shareholders might otherwise deem to be in their best interests.

### ***Articles and By-Laws***

Among other things, the Articles and the By-Laws:

- provide that any vacancy occurring in the Board of Directors, including a vacancy resulting from an increase in the number of directors, may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors;
- provide that only the Chairman of the Board of Directors or a majority of the Board of Directors may call a special meeting of shareholders;
- require that shareholders seeking to present proposals before a meeting of shareholders or to nominate candidates for election as directors at a meeting of shareholders provide advance written notice in a timely manner, and also specify requirements as to the form and content of a shareholder's notice;
- provide that the Board of Directors has the authority, without any vote or action by shareholders, to issue one or more series of Serial Preferred Stock and fix and determine the terms, including the preferences and rights, of any series of Serial Preferred Stock;
- do not authorize cumulative voting in the election of directors; and
- do not permit shareholders to take action without a meeting other than by unanimous written consent.

### ***Virginia Law***

*Affiliated Transactions.* The Company is subject to Article 14 of the Virginia Stock Corporation Act (the "VSCA"), a Virginia statute regulating "affiliated transactions." An affiliated transaction is generally defined as a merger, a share exchange, a material disposition of corporate assets not in the ordinary course of business, any dissolution of the corporation proposed by or on behalf of a holder of more than 10% of any class of the corporation's outstanding voting shares (a "10% holder") or any reclassification, including reverse stock splits, recapitalization or merger of the corporation with its subsidiaries, that increases the percentage of voting shares owned beneficially by a 10% holder by more than five percent. In general, these provisions prohibit a Virginia corporation from engaging in affiliated transactions with any 10% holder for a period of three years following the date that such person became a 10% holder unless (1) the board of directors of the corporation and the holders of two-thirds of the voting shares, other than the shares beneficially owned by the 10% holder, approve the affiliated transaction or (2) before the date the person became a 10% holder, the board of directors approved the transaction that resulted in the shareholder becoming a 10% holder. After three years, any such transaction must be at a "fair price," as described in the VSCA, or must be approved by a majority of the disinterested directors or the holders of two-thirds of the voting shares, other than the shares beneficially owned by the 10% holder.

*Control Share Acquisitions.* The Company is subject to Article 14.1 of the VSCA, the Virginia anti-takeover statute regulating "control share acquisitions," which are transactions causing the voting power of any person acquiring beneficial ownership of shares of a Virginia public corporation to meet or exceed certain threshold percentages (20%, 33 1/3% or 50%) of the total votes entitled to be cast for the election of directors. Under that Virginia statute, shares acquired in a control share acquisition have no voting rights unless granted by a majority vote of all outstanding shares entitled to vote in the election of directors other than those held by the acquiring person or held by any officer or employee director of the corporation, unless at the time of any control share

acquisition, the articles of incorporation or bylaws of the corporation provide that this statute does not apply to acquisitions of its shares. An acquiring person that owns five percent or more of the corporation's voting stock may require that a special meeting of the shareholders be held, within 50 days of the acquiring person's request, to consider the grant of voting rights to the shares acquired or to be acquired in the control share acquisition. If voting rights are not granted and the corporation's articles of incorporation or bylaws permit, the acquiring person's shares may be redeemed by the corporation, at the corporation's option, at a price per share equal to the acquiring person's cost. Unless otherwise provided in the corporation's articles of incorporation or bylaws, the VSCA grants appraisal rights to any shareholder who objects to a control share acquisition that is approved by a vote of disinterested shareholders and that gives the acquiring person control of a majority of the corporation's voting shares. This regulation was designed to deter certain takeovers of Virginia public corporations.

#### **Transfer Agent**

The transfer agent and registrar for the Common Stock is Computershare Trust Company, N.A.

### **DESCRIPTION OF NOTES**

The following description of particular terms of the Company's 1.000% Notes due 2023 ("2023 notes"), 1.700% Notes due 2025 ("2025 notes"), 2.200% Notes due 2027 ("2027 notes") and 3.125% Notes due 2031 ("2031 notes"), which we refer to collectively as the "notes," is not complete and is qualified by reference to, and should be read in together with, the indenture, dated as of November 4, 2008 (the "indenture"), among the Company, the Company's wholly-owned subsidiary, Philip Morris USA Inc. ("PM USA"), and Deutsche Bank Trust Company Americas, as trustee, under which the notes were issued. For reference, in the summary that follows, we have included references to section numbers of the indenture so that these provisions can be more easily located. In cases where portions of the summary are taken from more than one section of the indenture, we have referred only to the section of the indenture that is principally applicable to that part of the summary. In this "Description of Notes" section, references to the "Company," "we," "us" and "our" are only to Altria Group, Inc. and not its subsidiaries.

#### **Certain Terms of the 2023 Notes**

We issued €1,250,000,000 aggregate principal amount of the 2023 notes on February 15, 2019. The 2023 notes will mature on February 15, 2023 and bear interest at the rate of 1.000% per annum from February 15, 2019, payable annually in arrears on February 15 of each year, beginning February 15, 2020, to the persons in whose names the 2023 notes are registered at the close of business on the preceding January 31, the record date.

#### **Certain Terms of the 2025 Notes**

We issued €750,000,000 aggregate principal amount of the 2025 notes on February 15, 2019. The 2025 notes mature on June 15, 2025 and bear interest at the rate of 1.700% per annum from February 15, 2019, payable annually in arrears on June 15 of each year, beginning June 15, 2020, to the persons in whose names the 2025 notes are registered at the close of business on the preceding May 31, the record date.

#### **Certain Terms of the 2027 Notes**

We issued €1,000,000,000 aggregate principal amount of the 2027 notes on February 15, 2019. The 2027 notes will mature on June 15, 2027 and bear interest at the rate of 2.200% per annum from February 15, 2019, payable annually in arrears on June 15 of each year, beginning June 15, 2020, to the persons in whose names the 2027 notes are registered at the close of business on the preceding May 31, the record date.

### **Certain Terms of the 2031 Notes**

We issued €1,250,000,000 aggregate principal amount of the 2031 notes on February 15, 2019. The 2031 notes will mature on June 15, 2031 and bear interest at the rate of 3.125% per annum from February 15, 2019, payable annually in arrears on June 15 of each year, beginning June 15, 2020, to the persons in whose names the 2031 notes are registered at the close of business on the preceding May 31, the record date.

### **Subsidiary Guarantee**

Each series of notes is guaranteed fully and unconditionally by PM USA. The guarantee ranks equally with all of PM USA's existing and future senior unsecured indebtedness and guarantees from time to time outstanding.

In addition to the events of default set forth in the indenture and described under "Events of Default" below, the following will constitute an event of default with respect to the notes:

- PM USA or a court takes certain actions relating to bankruptcy, insolvency or reorganization of PM USA; and
- PM USA's guarantee with respect to the notes is determined to be unenforceable or invalid or for any reason ceases to be in full force and effect except as permitted by the indenture and the guarantee agreement, or PM USA repudiates its obligations under such guarantee.

### **General**

The notes are senior unsecured obligations of Altria and rank equally with all of our other existing and future senior unsecured indebtedness.

Interest on the notes of each series is computed on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the notes (or February 15, 2019, if no interest has been paid on the notes) to, but excluding the next scheduled interest payment date. This payment convention is referred to as ACTUAL/ACTUAL (ICMA) as defined in the rulebook of the International Capital Market Association.

We may, without the consent of the holders of the notes, issue additional notes having the same ranking and the same interest rate, maturity and other terms as the notes, except for the public offering price and issue date. Any additional notes having such similar terms, together with the applicable notes, will constitute a single series of notes under the indenture. No additional notes may be issued if an event of default has occurred with respect to the applicable series of notes.

In some circumstances, we may elect to discharge our obligations on the notes through full defeasance or covenant defeasance. See "Defeasance" below.

The notes will not be entitled to any sinking fund.

### **Optional Redemption**

#### ***2023 Notes***

Prior to January 15, 2023 (the date that is one month prior to the scheduled maturity date for the 2023 notes), we may, at our option, redeem the 2023 notes, in whole at any time or in part from time to time (in €1,000 increments, provided that any remaining principal amount of any note remaining outstanding after a repurchase in part shall be €100,000 or a higher integral multiple of €1,000). The redemption price will be equal to the greater of (i) 100% of the principal amount of the 2023 notes to be redeemed and (ii) the sum of the present values of each Remaining Scheduled Payment (as defined below) of principal and interest that would be due if such notes matured on January 15, 2023 (exclusive of interest accrued to the date of redemption), discounted to the redemption date on

an annual basis (Actual/Actual (ICMA)), at a rate equal to the applicable Comparable Government Bond Rate (as defined below) plus 25 basis points plus, in either case, accrued and unpaid interest, if any, thereon to, but excluding, the redemption date.

On or after January 15, 2023 (the date that is one month prior to the scheduled maturity date of the 2023 notes), we may, at our option, redeem the 2023 notes, in whole at any time or in part from time to time (in €1,000 increments, provided that any remaining principal amount of any note remaining outstanding after a repurchase in part shall be €100,000 or a higher integral multiple of €1,000), at a redemption price equal to 100% of the principal amount of the 2023 notes to be redeemed plus accrued and unpaid interest, if any, thereon to, but excluding, the redemption date.

#### **2025 Notes**

Prior to April 15, 2025 (the date that is two months prior to the scheduled maturity date for the 2025 notes), we may, at our option, redeem the 2025 notes, in whole at any time or in part from time to time (in €1,000 increments, provided that any remaining principal amount of any note remaining outstanding after a repurchase in part shall be €100,000 or a higher integral multiple of €1,000). The redemption price will be equal to the greater of (i) 100% of the principal amount of the 2025 notes to be redeemed and (ii) the sum of the present values of each Remaining Scheduled Payment of principal and interest that would be due if such notes matured on April 15, 2025 (exclusive of interest accrued to the date of redemption), discounted to the redemption date on an annual basis (Actual/Actual (ICMA)), at a rate equal to the applicable Comparable Government Bond Rate (as defined below) plus 30 basis points plus, in either case, accrued and unpaid interest, if any, thereon to, but excluding, the redemption date.

On or after April 15, 2025 (the date that is two months prior to the scheduled maturity date of the 2025 notes), we may, at our option, redeem the 2025 notes, in whole at any time or in part from time to time (in €1,000 increments, provided that any remaining principal amount of any note remaining outstanding after a repurchase in part shall be €100,000 or a higher integral multiple of €1,000), at a redemption price equal to 100% of the principal amount of the 2025 notes to be redeemed plus accrued and unpaid interest, if any, thereon to, but excluding, the redemption date.

#### **2027 Notes**

Prior to April 15, 2027 (the date that is two months prior to the scheduled maturity date for the 2027 notes), we may, at our option, redeem the 2027 notes, in whole at any time or in part from time to time (in €1,000 increments, provided that any remaining principal amount of any note remaining outstanding after a repurchase in part shall be €100,000 or a higher integral multiple of €1,000). The redemption price will be equal to the greater of (i) 100% of the principal amount of the 2027 notes to be redeemed and (ii) the sum of the present values of each Remaining Scheduled Payment of principal and interest that would be due if such notes matured on April 15, 2027 (exclusive of interest accrued to the date of redemption), discounted to the redemption date on an annual basis (Actual/Actual (ICMA)), at a rate equal to the applicable Comparable Government Bond Rate (as defined below) plus 35 basis points plus, in either case, accrued and unpaid interest, if any, thereon to, but excluding, the redemption date.

On or after April 15, 2027 (the date that is two months prior to the scheduled maturity date of the 2027 notes), we may, at our option, redeem the 2027 notes, in whole at any time or in part from time to time (in €1,000 increments, provided that any remaining principal amount of any note remaining outstanding after a repurchase in part shall be €100,000 or a higher integral multiple of €1,000), at a redemption price equal to 100% of the principal amount of the 2027 notes to be redeemed plus accrued and unpaid interest, if any, thereon to, but excluding, the redemption date.

#### **2031 Notes**

Prior to March 15, 2031 (the date that is three months prior to the scheduled maturity date for the 2031 notes), we may, at our option, redeem the 2031 notes, in whole at any time or in part from time to time (in €1,000 increments, provided that any remaining principal amount of any note remaining outstanding after a repurchase in

part shall be €100,000 or a higher integral multiple of €1,000). The redemption price will be equal to the greater of (i) 100% of the principal amount of the 2031 notes to be redeemed and (ii) the sum of the present values of each Remaining Scheduled Payment of principal and interest that would be due if such notes matured on March 15, 2031 (exclusive of interest accrued to the date of redemption), discounted to the redemption date on an annual basis (Actual/Actual (ICMA)), at a rate equal to the applicable Comparable Government Bond Rate (as defined below) plus 45 basis points plus, in either case, accrued and unpaid interest, if any, thereon to, but excluding, the redemption date.

On or after March 15, 2031 (the date that is three months prior to the scheduled maturity date of the 2031 notes), we may, at our option, redeem the 2031 notes, in whole at any time or in part from time to time (in €1,000 increments, provided that any remaining principal amount of any note remaining outstanding after a repurchase in part shall be €100,000 or a higher integral multiple of €1,000), at a redemption price equal to 100% of the principal amount of the 2031 notes to be redeemed plus accrued and unpaid interest, if any, thereon to, but excluding, the redemption date.

“Comparable Government Bond Rate” means, with respect to any redemption date, the price, expressed as a percentage (rounded to three decimal places, 0.0005 being rounded upwards), at which the gross redemption yield on the applicable series of notes to be redeemed, if they were to be purchased at such price on the third business day prior to the date fixed for redemption, would be equal to the gross redemption yield on such business day of the Reference Bond on the basis of the middle market price of the Reference Bond prevailing at 11:00 a.m. (London time) on such dealing day as determined by the Independent Investment Bank.

“Independent Investment Bank” means one of the Reference Bond Dealers that we appoint as the Independent Investment Bank from time to time.

“Reference Bond” means, in relation to any Comparable Government Bond Rate calculation, a German government bond whose maturity is closest to the maturity of the applicable series of notes, or if we or the Independent Investment Bank considers that such similar bond is not in issue, such other German government bond as we or the Independent Investment Bank, with the advice of three brokers of, and/or market makers in, German government bonds selected by us or the Independent Investment Bank, determine to be appropriate for determining the Comparable Government Bond Rate.

“Reference Bond Dealer” means (A) each of Barclays Bank PLC, Deutsche Bank AG, London Branch, Goldman Sachs & Co. LLC and J.P. Morgan Securities plc (or their respective affiliates that are Primary Bond Dealers), and their respective successors and (B) any other broker of, and/or market maker in, German government bonds (a “Primary Bond Dealer”) selected by us.

“Remaining Scheduled Payments” means, with respect to the applicable note to be redeemed, the remaining scheduled payments of principal of and interest on the relevant note that would be due after the related redemption date but for the redemption. If that redemption date is not an interest payment date with respect to a note, the amount of the next succeeding scheduled interest payment on the relevant note will be reduced by the amount of interest accrued on the applicable note to, but excluding, the redemption date.

If money sufficient to pay the redemption price on the applicable notes (or portions thereof) to be redeemed on the applicable redemption date is deposited with the trustee or paying agent on or before the applicable redemption date and certain other conditions are satisfied, then on and after such redemption date, interest will cease to accrue on such notes (or such portion thereof) called for redemption.

We will, or will cause the trustee or paying agent on our behalf to, mail notice of a redemption to holders of the applicable notes to be redeemed by first-class mail (or otherwise transmit in accordance with applicable procedures of Clearstream Banking, société anonyme (“Clearstream”), or Euroclear Bank SA/NV (“Euroclear”) at least 15 and not more than 45 days prior to the date fixed for redemption. Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the applicable notes or any portions thereof called for redemption. On or before the applicable redemption date, we will deposit with the trustee

or paying agent or set aside, segregate and hold in trust (if we are acting as paying agent), funds sufficient to pay the redemption price of, and accrued and unpaid interest on, such notes to be redeemed on that redemption date. If fewer than all of the notes of any series are to be redeemed, the trustee or paying agent will select, not more than 60 days prior to the redemption date, the particular notes or any portions thereof for redemption from the outstanding notes not previously called by such method as the trustee or paying agent deems fair and appropriate and in accordance with the applicable procedures of the depository; provided, however, that no notes of a principal amount of €100,000 or less shall be redeemed in part.

We may at any time, and from time to time, purchase notes of any series at any price or prices in the open market or otherwise.

### **Repurchase Upon Change of Control Triggering Event**

If a change of control triggering event occurs, unless we have exercised our option to redeem the notes of a series as described under “-Optional Redemption” above or “-Redemption for Tax Reasons” below, we will be required to make an offer (the “change of control offer”) to each holder of such notes to repurchase all or any part (equal to €100,000 or an integral multiple of €1,000 in excess thereof) of that holder’s notes on the terms set forth in such notes. In a change of control offer, we will be required to offer payment in cash equal to 101% of the aggregate principal amount of notes repurchased, plus accrued and unpaid interest, if any, on the notes repurchased to, but not including, the date of repurchase (a “change of control payment”).

Within 30 days following any change of control triggering event or, at our option, prior to any change of control, but after public announcement of the transaction that constitutes or may constitute the change of control, a notice will be mailed to holders of the notes describing the transaction that constitutes or may constitute the change of control triggering event and offering to repurchase such notes on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed (a “change of control payment date”). The notice, if mailed prior to the date of consummation of the change of control, will state that the change of control offer is conditioned on the change of control triggering event occurring on or prior to the change of control payment date.

On the change of control payment date, we will, to the extent lawful:

- accept for payment all notes or portions of notes properly tendered pursuant to the change of control offer;
- deposit with the paying agent an amount equal to the change of control payment in respect of all notes or portions of notes properly tendered; and
- deliver or cause to be delivered to the trustee the notes properly accepted together with an officers’ certificate stating the aggregate principal amount of notes or portions of notes being purchased.

The paying agent will promptly mail to each holder of properly tendered notes the change of control payment for the notes, and the trustee will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a new note equal in principal amount to any unpurchased portion of any notes surrendered; provided that each new note will be in a principal amount of €100,000 or an integral multiple of €1,000 in excess of that amount.

We will not be required to make a change of control offer upon the occurrence of a change of control triggering event if a third party makes such an offer at the times and otherwise in compliance with the requirements set for an offer made by us, and the third party repurchases all notes properly tendered and not withdrawn under its offer. In addition, we will not repurchase any notes if there has occurred and is continuing on the change of control payment date an event of default under the indenture, other than a default in the payment of the change of control payment upon a change of control triggering event.

To the extent that we are required to offer to repurchase the notes of a series upon the occurrence of a change of control triggering event, we may not have sufficient funds to repurchase such notes in cash at such time. In addition, our ability to repurchase the notes for cash may be limited by law or the terms of other agreements relating to our indebtedness outstanding at the time. The failure to make such repurchase would result in a default under the notes.

We will comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the notes as a result of a change of control triggering event. To the extent that the provisions of any such securities laws or regulations conflict with the change of control offer provisions of the notes, we will comply with those securities laws and regulations and will not be deemed to have breached our obligations under the change of control offer provisions of the notes by virtue of any such conflict.

For purposes of the change of control offer provisions of the notes, the following terms will be applicable:

“Change of control” means the occurrence of any of the following:

- (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or more series of related transactions, of all or substantially all of our assets and the assets of our subsidiaries, taken as a whole, to any “person,” other than to our company or one of our subsidiaries;
- (2) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any person becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of our outstanding voting stock or other voting stock into which our voting stock is reclassified, consolidated, exchanged or changed, measured by voting power rather than the number of shares;
- (3) we consolidate with, or merge with or into, any person, or any person consolidates with, or merges with or into, us, in any such event pursuant to a transaction in which any of our outstanding voting stock is converted into or exchanged for cash, securities or other property, other than any such transaction where the shares of our voting stock outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the voting stock of the surviving person or any direct or indirect parent company of the surviving person immediately after giving effect to such transaction;
- (4) the first day on which a majority of the members of our Board of Directors are not continuing directors; or
- (5) the adoption of a plan relating to our liquidation or dissolution (other than our liquidation into a newly formed holding company).

Notwithstanding the foregoing, a transaction will not be deemed to involve a change of control if (i) we become a direct or indirect wholly-owned subsidiary of a holding company and (ii) (A) the direct or indirect holders of the voting stock of such holding company immediately following that transaction are substantially the same as the holders of our voting stock immediately prior to that transaction or (B) immediately following that transaction no person (other than a holding company) is the beneficial owner, directly or indirectly, of more than 50% of the voting stock of such holding company.

The definition of “change of control” includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of “all or substantially all” of our assets and the assets of our subsidiaries, taken as a whole. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of notes to require us

to repurchase its notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of our assets and the assets of our subsidiaries, taken as a whole, to another person or group may be uncertain.

“Change of control triggering event” means the occurrence of both (1) a change of control and (2) a ratings event.

“Continuing directors” means, as of any date of determination, any member of our Board of Directors who (1) was a member of such Board of Directors on the date the notes were issued or (2) was nominated for election, elected or appointed to such Board of Directors with the approval of a majority of the continuing directors who were members of such Board of Directors at the time of such nomination, election or appointment (either by a specific vote or by approval of our proxy statement in which such member was named a nominee for election as a director, without objection to such nomination).

“Fitch” means Fitch Ratings Inc., an indirect subsidiary of Hearst Corporation and Fimalac, S.A., and its successors.

“Investment grade” means a rating equal to or higher than Baa3 (or the equivalent) by Moody’s; a rating equal to or higher than BBB- (or the equivalent) by S&P or Fitch; and the equivalent investment grade credit rating from any replacement rating agency or rating agencies selected by us.

“Moody’s” means Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors.

“Person” has the meaning given thereto in Section 13(d)(3) of the Exchange Act.

“Rating agencies” means (1) each of Moody’s, S&P and Fitch; and (2) if any of Moody’s, S&P or Fitch ceases to rate the notes or fails to make a rating of the notes publicly available for reasons outside of our control, a substitute rating agency.

“Ratings event” means the notes cease to be rated investment grade by each of the rating agencies on any day within the 60-day period (which 60-day period will be extended so long as the rating of the notes is under publicly announced consideration for a possible downgrade by any of the rating agencies) after the earlier of (1) the occurrence of a change of control and (2) public notice of the occurrence of a change of control or our intention to effect a change of control.

“S&P” means Standard & Poor’s Financial Services LLC, a division of S&P Global Inc., and its successors.

“Substitute rating agency” means a “nationally recognized statistical rating organization” within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act selected by us (as certified by our Chief Executive Officer or Chief Financial Officer) as a replacement agency for Moody’s, S&P or Fitch, or all of them, as the case may be.

“Voting stock” means, with respect to any specified person as of any date, the capital stock of such person that is at the time entitled to vote generally in the election of the board of directors of such person.

### **Payment of Additional Amounts**

We will, subject to the exceptions and limitations set forth below, pay to the beneficial owner of any note who is a non-United States person (as defined below) such additional amounts as may be necessary to ensure that every net payment on such note, after deduction or withholding by us or any of our paying agents for or on account of any present or future tax, assessment or other governmental charge imposed upon or as a result of such payment by the United States or any political subdivision or taxing authority of the United States, will not be less than the amount provided in such note to be then due and payable. However, we will not pay additional amounts if the

beneficial owner is subject to taxation solely for reasons other than its ownership of the note, nor will we pay additional amounts for or on account of:

(a) any tax, assessment or other governmental charge that is imposed or withheld solely by reason of the existence of any present or former connection (other than the mere fact of being a beneficial owner of a note) between the beneficial owner (or between a fiduciary, settlor, beneficiary or person holding a power over such beneficial owner, if the beneficial owner is an estate or trust, or a member or shareholder of the beneficial owner, if the beneficial owner is a partnership or corporation) of a note and the United States, including, without limitation, such beneficial owner (or such fiduciary, settlor, beneficiary, person holding a power, member or shareholder) being or having been a citizen or resident of the United States or treated as being or having been a resident thereof;

(b) any tax, assessment or other governmental charge that is imposed or withheld solely by reason of the beneficial owner (or a fiduciary, settlor, beneficiary or person holding a power over such beneficial owner, if the beneficial owner is an estate or trust, or a member or shareholder of the beneficial owner, if the beneficial owner is a partnership or corporation) (1) being or having been present in, or engaged in a trade or business in, the United States, (2) being treated as having been present in, or engaged in a trade or business in, the United States, or (3) having or having had a permanent establishment in the United States;

(c) any tax, assessment or other governmental charge that is imposed or withheld solely by reason of the beneficial owner (or a fiduciary, settlor, beneficiary or person holding a power over such beneficial owner, if the beneficial owner is an estate or trust, or a member or shareholder of the beneficial owner, if the beneficial owner is a partnership or corporation) being or having been with respect to the United States a personal holding company, a controlled foreign corporation, a passive foreign investment company or a foreign private foundation or other foreign tax-exempt organization, or being a corporation that accumulates earnings to avoid United States federal income tax;

(d) any tax, assessment or other governmental charge imposed on a beneficial owner that actually or constructively owns 10% or more of the total combined voting power of all of our classes of stock that are entitled to vote within the meaning of Section 871(h)(3) of the Internal Revenue Code of 1986, as amended, or the Code;

(e) any tax, assessment or other governmental charge that is payable by any method other than withholding or deduction by us or any paying agent from payments in respect of such note;

(f) any gift, estate, inheritance, sales, transfer, personal property or excise tax or any similar tax, assessment or other governmental charge;

(g) any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment in respect of any note if such payment can be made without such withholding by at least one other paying agent;

(h) any tax, assessment or other governmental charge that is imposed or withheld by reason of a change in law, regulation, or administrative or judicial interpretation that becomes effective more than 15 days after the payment becomes due or is duly provided for, whichever occurs later;

(i) any tax, assessment or other governmental charge imposed as a result of the failure of the beneficial owner to comply with applicable certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of a note, if such compliance is required by statute or regulation of the United States as a precondition to relief or exemption from such tax, assessment or other governmental charge;

(j) any tax, assessment or other governmental charge imposed by reason of the failure of the beneficial owner to fulfill the statement requirements of Section 871(h) or Section 881(c) of the Code;

- (k) any tax, assessment or other governmental charge imposed pursuant to the provisions of Section 1471 through 1474 of the Code; or
- (l) any combination of items (a), (b), (c), (d), (e), (f), (g), (h), (i), (j) and (k).

In addition, we will not pay additional amounts to a beneficial owner of a note that is a fiduciary, partnership, limited liability company or other fiscally transparent entity, or to a beneficial owner of a note that is not the sole beneficial owner of such note, as the case may be. This exception, however, will apply only to the extent that a beneficiary or settlor with respect to the fiduciary, or a beneficial owner or member of the partnership, limited liability company or other fiscally transparent entity, would not have been entitled to the payment of an additional amount had the beneficiary, settlor, beneficial owner or member received directly its beneficial or distributive share of the payment. The term “beneficial owner” includes any person holding a note on behalf of or for the account of a beneficial owner.

As used herein, the term “non-United States person” means a person that is not a United States person. The term “United States person” means a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof, an estate the income of which is subject to United States federal income taxation regardless of its source, a trust subject to the primary supervision of a court within the United States and the control of one or more United States persons as described in Section 7701(a)(30) of the Code, or a trust that existed on August 20, 1996, and elected to continue its treatment as a domestic trust. “United States” means the United States of America (including the states and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction (including the Commonwealth of Puerto Rico).

### **Redemption for Tax Reasons**

We may redeem a series of notes prior to maturity in whole, but not in part, on not more than 60 days’ notice and not less than 30 days’ notice at a redemption price equal to the principal amount of such notes plus any accrued interest and additional amounts to the date fixed for redemption if:

- as a result of a change in or amendment to the tax laws, regulations or rulings of the United States or any political subdivision or taxing authority of or in the United States or any change in official position regarding the application or interpretation of such laws, regulations or rulings (including a holding by a court of competent jurisdiction in the United States) that is announced or becomes effective on or after February 15, 2019, we have or will become obligated to pay additional amounts with respect to such series of notes as described above under “-Payment of Additional Amounts,” or
- on or after February 15, 2019, any action is taken by a taxing authority of, or any decision is rendered by a court of competent jurisdiction in, the United States or any political subdivision or taxing authority of or in the United States, including any of those actions specified in the bullet point above, whether or not such action is taken or decision is rendered with respect to us, or any change, amendment, application or interpretation is officially proposed, which, in any such case, in the written opinion of independent legal counsel of recognized standing, will result in a material probability that we will become obligated to pay additional amounts with respect to such series of notes,

and we in our business judgment determine that such obligations cannot be avoided by the use of reasonable measures available to us.

If we exercise our option to redeem a series of notes, we will deliver to the trustee a certificate signed by an authorized officer stating that we are entitled to redeem such notes and the written opinion of independent legal counsel if required.

### **Issuance in Euros**

Initial holders were required to pay for the notes in euros, and all payments of interest and principal, including payments made upon any redemption of the notes, are payable in euro. If we are unable to obtain euros in amounts sufficient to make a required payment under the notes due to the imposition of exchange controls or other circumstances beyond our control (including the dissolution of the Economic and Monetary Union) or if the euro is no longer being used by the then member states of the Economic and Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the notes will be made in U.S. dollars until the euro is again available to us or so used. In such circumstances, the amount payable on any date in euros will be converted into U.S. dollars at the rate mandated by the U.S. Federal Reserve Board as of the close of business on the second business day prior to the relevant payment date or, in the event the U.S. Federal Reserve Board has not mandated a rate of conversion, on the basis of the then most recent U.S. dollar/euro exchange rate available on or prior to the second business day prior to the relevant payment date as determined by us in our sole discretion. Any payment in respect of the notes so made in U.S. dollars will not constitute an event of default under the notes or the indenture governing the notes. Neither the trustee nor the paying agent shall have any responsibility for any calculation or conversion in connection with the foregoing.

### **Consolidation, Merger or Sale**

Under the indenture, neither we nor PM USA may consolidate with or merge into any other corporation or convey or transfer our respective properties and assets substantially as an entirety to any person unless:

- the corporation formed by such consolidation or into which we or PM USA, as applicable, are merged or the person which acquires by conveyance or transfer our or PM USA's, as applicable, properties and assets substantially as an entirety is a corporation organized and existing under the laws of the United States, any state thereof or the District of Columbia and expressly assumes, by a supplemental indenture, payment of the principal of and any premium and interest (including any additional amounts payable) on all the notes and the performance of every covenant of the indenture, or the guarantee of any series of notes, on the part of us or PM USA, as the case may be, to be performed;
- after giving effect to the transaction, no Event of Default with respect to any series of notes, and no event which, after notice or lapse of time or both, would become an Event of Default, will have happened and be continuing;
- the successor corporation assuming the notes agrees, by supplemental indenture, to indemnify the individuals liable therefor for the amount of United States federal estate tax paid solely as a result of such assumption in respect of notes held by individuals who are not citizens or residents of the United States at the time of their death; and
- we or PM USA, as the case may be, deliver to the trustee an officers' certificate and an opinion of counsel, each stating that the consolidation, merger, conveyance or transfer and the supplemental indenture comply with these provisions. (Section 801)

The successor corporation will assume all of our or PM USA's, as applicable, obligations under the indenture and, in the case of PM USA, any guarantee agreement relating to any outstanding notes that are guaranteed by PM USA, as if such successor were an original party to the indenture or such guarantee. After assuming such obligations, the successor corporation will have all of our or PM USA's, as applicable, rights and powers under the indenture or such guarantee. (Section 802)

### **Waivers under the Indenture**

Under the indenture, the holders of more than 50% in principal amount of the outstanding notes of any particular series, may on behalf of the holders of all the notes of that series:

- waive our compliance with certain covenants of the indenture; and (Section 1009)
- waive any past default under the indenture, except:
  - a default in the payment of the principal of, or any premium or interest on, any notes of that series; and
  - a default with respect to a covenant or provision of the indenture which itself cannot be modified or amended without the consent of the holder of each affected note of that series. (Section 513)

#### **Events of Default**

Each of the following events is defined as an “Event of Default” in the indenture with respect to a particular series of notes:

- we fail to pay any installment of interest on any note of that series for 30 days after payment was due;
- we fail to make payment of the principal of, or any premium on, any note of that series when due;
- we fail to make any sinking fund payment when due with respect to notes of that series;
- we fail to perform, or breach, any other covenant or warranty in respect of any note of that series contained in the indenture or in such notes or in the applicable board resolution under which such series is issued and this failure or breach continues for 90 days after we receive written notice of it from the trustee or holders of at least 25% in principal amount of the outstanding notes of that series;
- we or a court take certain actions relating to bankruptcy, insolvency or reorganization of our company; or
- any other event of default that may be specified for the notes of the series or in the board resolution with respect to the notes of that series. (Section 501)

A default with respect to a single series of notes under the indenture will not necessarily constitute a default with respect to any other series of notes issued under the indenture. A default under our other indebtedness will not be a default under the indenture. The trustee may withhold notice to the holders of notes of any default, except for defaults that involve our failure to pay principal or any premium or interest, if it determines in good faith that the withholding of notice is in the interest of the holders. (Section 602)

If an Event of Default for any series of notes occurs and continues (other than an Event of Default involving our bankruptcy, insolvency or reorganization), either the trustee or the holders of not less than 25% in principal amount of the outstanding notes of that series may require us upon notice in writing to us, to repay immediately the entire principal of all the notes of such series together with accrued interest on the notes.

If an Event of Default occurs that involves our bankruptcy, insolvency or reorganization, then all unpaid principal amounts of all the notes of such series together with accrued interest on the notes and accrued interest on all notes of each series then outstanding will immediately become due and payable, without any action by the trustee or any holder of notes. (Section 502)

Subject to certain conditions, the holders of a majority in principal amount of the outstanding notes of a series may rescind a declaration of acceleration if all Events of Default, other than the failure to pay principal or interest due solely because of the declaration of acceleration, have been cured or waived. (Section 502)

Other than its duties in case of an Event of Default, the trustee is not obligated to exercise any of its rights or powers under the indenture at the request, order or direction of any holders, unless the holders offer the trustee indemnity satisfactory to it. (Section 507) The holders of a majority in principal amount outstanding of any series of

notes may, subject to certain limitations, direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any power conferred upon the trustee, for any series of notes. (Section 512)

The indenture requires us to file each year with the trustee, an officer's certificate that states that:

- the signing officer has supervised a review of our activities during such year and performance under the indenture; and
- to the best of his or her knowledge, based on the review, we comply with all conditions and covenants of the indenture. (Section 1005)

A judgment for money damages by courts in the United States, including a money judgment based on an obligation expressed in a foreign currency, will ordinarily be rendered only in U.S. dollars. New York statutory law provides that a court shall render a judgment or decree in the foreign currency of the underlying obligation and that the judgment or decree shall be converted into U.S. dollars at the exchange rate prevailing on the date of entry of the judgment or decree. If a court requires a conversion to be made on a date other than a judgment date, the indenture requires us to pay additional amounts necessary to ensure that the amount paid in U.S. dollars to a holder is equal to the amount due in such foreign currency or currency unit. (Section 515)

Notwithstanding the foregoing, the indenture provides that, to the extent elected by us, the sole remedy for an Event of Default relating to the failure to comply with the reporting obligations in the indenture will, for the first 120 days after the occurrence of such an Event of Default, consist exclusively of the right for holders of each series of notes with respect to which we elect to pay additional interest to receive additional interest on the notes of that particular series at an annual rate equal to 0.25% of the principal amount of the notes of such series. If we so elect, this additional interest will accrue on all outstanding notes with respect to which we elect to pay additional interest from and including the date on which the Event of Default relating to the failure to comply with the reporting obligations in the indenture first occurs to but not including the 120th day thereafter (or such earlier date on which such Event of Default is cured or waived by holders as provided above). On such 120th day (or earlier, if the Event of Default relating to the reporting obligations under the indenture is cured or waived by holders as provided above prior to such 120th day), the additional interest will cease to accrue and, if the Event of Default relating to reporting obligations under the indenture has not been cured or waived prior to such 120th day, the notes will be subject to acceleration as provided above. The provisions of the indenture described in this paragraph will not affect the rights of holders of notes in the event of the occurrence of any other Event of Default. If we do not elect to pay the additional interest upon an Event of Default in accordance with this paragraph, the notes will be subject to acceleration as provided above.

In order to elect to pay the additional interest on the notes in accordance with the immediately preceding paragraph, we must notify all holders of notes of such series and the trustee and paying agent of such election on or before the close of business on the date on which such Event of Default first occurs. (Section 502)

## **Restrictive Covenants**

The indenture includes the following restrictive covenants:

### ***Limitations on Liens***

The indenture limits the amount of liens that we or our Subsidiaries (as defined below) may incur or otherwise create, in order to secure indebtedness for borrowed money, upon any Principal Facility (as defined below) or any shares of capital stock that any of our Subsidiaries owning any Principal Facility has issued to us or any of our Subsidiaries. If we or any of our Subsidiaries incur such liens, then we will secure the notes and, in the case of liens upon any Principal Facility owned or leased by PM USA, then PM USA will secure the guarantee of the notes to the same extent and in the same proportion as the debt that is secured by such liens. This covenant does not apply, however, to any of the following:

- in the case of a Principal Facility, liens incurred in connection with the issuance by a state or political subdivision thereof of any securities the interest on which is exempt from federal income taxes by virtue of Section 103 of the Internal Revenue Code of 1986, as amended, or any other laws or regulations in effect at the time of such issuance;
- liens existing on the date of the indenture;
- liens on property or shares of capital stock existing at the time we or any of our Subsidiaries acquire such property or shares of stock (including acquisition through merger, share exchange or consolidation) or securing the payment of all or part of the purchase price, construction or improvement thereof incurred prior to, at the time of, or within 180 days after the later of the acquisition, completion of construction or improvement or commencement of full operation of such property for the purpose of financing all or a portion of such purchase or construction or improvement; or
- liens for the sole purpose of extending, renewing or replacing in whole or in part the indebtedness secured by any lien referred to in the foregoing three bullet points or in this bullet point; *provided, however*, that the principal amount of indebtedness secured thereby shall not exceed the principal amount of indebtedness so secured at the time of such extension, renewal or replacement, and that such extension, renewal or replacement shall be limited to all or a part of the property that secured the lien so extended, renewed or replaced (plus improvements on such property).

Notwithstanding the foregoing, we and/or any of our Subsidiaries may create, assume or incur liens that would otherwise be subject to the restriction described above, without securing notes issued under the indenture equally and ratably, if the aggregate value of all outstanding indebtedness secured by the liens plus the value of Sale and Leaseback Transactions does not at the time exceed 5% of Consolidated Net Tangible Assets (as defined below). (Section 1007)

#### ***Sale and Leaseback Transactions***

A Sale and Leaseback Transaction (as defined below) by us or any of our Subsidiaries of any Principal Facility is prohibited unless, within 180 days of the effective date of the arrangement, an amount equal to the greater of the net proceeds of the sale of the property leased pursuant to the Sale and Leaseback Transaction or the fair value of the property at the time of entering into the Sale and Leaseback Transaction as determined by our board of directors (“value”) is applied by us to the retirement of non-subordinated indebtedness for money borrowed with more than one year stated maturity, including our notes, except that such sales and leasebacks are permitted to the extent that the “value” thereof plus the other secured debt referred to in the penultimate paragraph above in the subsection entitled “Restrictive Covenants-Limitations on Liens” does not at the time exceed 5% of our Consolidated Net Tangible Assets. (Section 1008)

There are no other restrictive covenants in the indenture. The indenture does not require us to maintain any financial ratios, minimum levels of net worth or liquidity or restrict the incurrence of indebtedness, the makeup of asset sales, the payment of dividends, the making of other distributions on our capital stock or the redemption or purchase of our capital stock. Moreover, the indenture does not contain any provision requiring us to repurchase or redeem any notes or debt warrants or modify the terms thereof or afford the holders thereof any other protection in the event of our change of control, any highly leveraged transaction or any other event involving us that may materially adversely affect our creditworthiness or the value of the notes or debt warrants.

#### ***Defined Terms***

“Consolidated Capitalization” means the total of all the assets appearing on our most recent quarterly or annual consolidated balance sheet, less (a) current liabilities, including liabilities for indebtedness maturing more than 12 months from the date of the original creation thereof, but maturing within 12 months from the date of such

consolidated balance sheet, and (b) deferred income tax liabilities appearing on such consolidated balance sheet. (Section 101)

“Consolidated Net Tangible Assets” means the excess over current liabilities of all assets appearing on our most recent quarterly or annual consolidated balance sheet, less (a) goodwill and other intangible assets and (b) the minority interests of others in Subsidiaries. (Section 101)

“Principal Facility” means any facility, together with the land upon which it is erected and fixtures comprising a part thereof, used primarily for manufacturing, processing or production and located in the United States, owned or leased pursuant to a capital lease by us or any Subsidiary, that has a gross book value (without deduction of any depreciation reserve) on the date as of which the determination is being made exceeding 2% of Consolidated Capitalization. (Section 1007)

“Sale and Leaseback Transaction” means the sale or transfer of a Principal Facility now owned or hereafter acquired with the intention of taking back a lease of the property, except a lease for a temporary period of less than three years, including renewals, with the intent that the use by us or any Subsidiary will be discontinued on or before the expiration of such period. (Section 1008)

“Subsidiaries” means any corporation of which at least a majority of all outstanding stock or other interests having ordinary voting power in the election of directors, managers or trustees (without regard to the occurrence of any contingency) thereof is at the time, directly or indirectly, owned or controlled by us or by one or more Subsidiaries or by us and one or more Subsidiaries. (Section 101)

## **Defeasance**

### ***Legal Defeasance***

We can legally release ourselves from all of our obligations, with certain limited exceptions, on any series of notes. This is called legal defeasance. In order to achieve legal defeasance:

- we must deposit, or cause to be deposited, in trust for the benefit of all holders of that series of notes an amount of cash in the currency or currency unit in which that series of notes is payable, direct obligations of the government that issued the currency in which that series of notes is payable or a combination thereof that will generate sufficient cash, in the opinion of an internationally recognized firm of independent public accountants, to make interest, principal, premium and any other payments on that series of notes on their due date or redemption date;
- we have delivered to the trustee an opinion of counsel confirming that (1) we have received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (2) since the issuance date of the notes, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of counsel shall confirm that holders of the notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the legal defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if the legal defeasance had not occurred;
- no Event of Default or event that with the giving of notice or passage of time, or both, would become an Event of Default shall have occurred and be continuing at the time of the deposit described above and no Event of Default described in the fifth bullet point under “-Events of Default” shall have occurred and be continuing on the 123<sup>rd</sup> day after the date of such deposit;
- such defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument to which we are a party or by which we are bound; and

- we have delivered to the trustee an officers' certificate and an opinion of counsel in each stating that all conditions precedent provided for or relating to the legal defeasance have been complied with.

### ***Covenant Defeasance***

We can make the same type of deposit described above under “-Defeasance-Legal Defeasance” and be released from the restrictive covenants on any series of notes. This is called covenant defeasance. In order to achieve covenant defeasance:

- we must deposit, or cause to be deposited, in trust for the benefit of all holders of that series of notes an amount of cash in the currency or currency unit in which that series of notes is payable, direct obligations of the government that issued the currency in which that series of debt securities is payable or a combination thereof that will generate sufficient cash, in the opinion of an internationally recognized firm of independent accountants, to make interest, principal, premium and any other payments on that series of notes on their due date or redemption date;
- we have delivered to the trustee an opinion of counsel confirming that holders of the notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if the covenant defeasance had not occurred;
- no Event of Default or event that with the giving of notice or passage of time, or both, would become an Event of Default shall have occurred and be continuing at the time of the deposit described above and no Event of Default described in the fifth bullet point under “-Events of Default” shall have occurred and be continuing on the 123<sup>rd</sup> day after the date of such deposit;
- such defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument to which we are a party or by which we are bound; and
- we have delivered to the trustee an officers' certificate and an opinion of counsel in each stating that all conditions precedent provided for or relating to the covenant defeasance have been complied with.

If we accomplish covenant defeasance, the following provisions, among others, of the indenture and the notes would no longer apply:

- our promises previously described under “-Restrictive Covenants-Limitation on Liens;”
- our promises previously described under “-Restrictive Covenants-Sale and Leaseback Transactions;”
- the events of default relating to breach of such covenants, described under “-Events of Default;” and
- certain other covenants applicable to the series of notes. (Sections 402-404)

### **Book-Entry Notes**

The notes were issued in book-entry form and are represented by global notes deposited with, or on behalf of, a common depository on behalf of Clearstream and Euroclear, and are registered in the name of the common depository or its nominee. Except as described herein, certificated notes will not be issued in exchange for beneficial interests in the global notes.

**Certificated Notes**

If Clearstream or Euroclear is at any time unwilling or unable to continue as depository or ceases to be a clearing agency registered under the Exchange Act, and a successor depository registered as a clearing agency under the Exchange Act is not appointed by us within 90 days, we will issue notes of like tenor in minimum denominations of €100,000 principal amount and integral multiples of €1,000 in excess thereof in definitive form in exchange for an applicable registered global note that had been held by the depository. Any notes issued in definitive form in exchange for a registered global note will be registered in the name or names that the depository gives to the trustee or other relevant agent of the trustee. It is expected that the depository's instructions will be based upon directions received by the depository from participants with respect to ownership of beneficial interests in the applicable registered global note that had been held by the depository. In addition, we may at any time determine that the notes of an applicable series shall no longer be represented by a global note and will issue notes in definitive form in exchange for such global note pursuant to the procedure described above.

**Notices**

Notices to holders of the notes will be sent by first class mail, postage prepaid, to the registered holders at the physical addresses as they appear in the security registrar for the notes.

**Trustee, Paying Agent and Security Registrar**

Deutsche Bank Trust Company Americas, as trustee under the indenture, is also be the paying agent and security registrar with respect to the notes.

**ALTRIA GROUP, INC. SUBSIDIARIES**

Certain subsidiaries of Altria Group, Inc. as of December 31, 2021 and their respective state of incorporation or organization are listed below. The names of certain other subsidiaries have been omitted because, considered in the aggregate as a single subsidiary, they would not constitute, as of December 31, 2021, a “significant subsidiary” as that term is defined in Rule 1-02(w) of Regulation S-X.

<u>Name</u>	<u>State of Incorporation or Organization</u>
Philip Morris USA Inc.	Virginia
U.S. Smokeless Tobacco Company LLC	Virginia
UST LLC	Virginia

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in Post-Effective Amendment No. 13 to the Registration Statement on Form S-14 (File No. 2-96149) and in the Registration Statements on Form S-3 (File No. 333-249743) and Form S-8 (File Nos. 333-28631, 33-10218, 33-13210, 33-14561, 33-48781, 33-59109, 333-43478, 333-43484, 333-128494, 333-139523, 333-148070, 333-156188, 333-167516, 333-170185, 333-204477, 333-209701 and 333-238513) of Altria Group, Inc. of our report dated January 27, 2022 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP  
Richmond, Virginia  
February 25, 2022

**POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENT THAT** the undersigned, a Director of Altria Group, Inc., a Virginia corporation (the “Company”), does hereby constitute and appoint William F. Gifford, Jr., Murray R. Garnick, Salvatore Mancuso, and W. Hildebrandt Surgner, Jr., or any one or more of them, his true and lawful attorney, for him and in his name, place and stead, to execute, by manual or facsimile signature, electronic transmission or otherwise, the Annual Report on Form 10-K of the Company for the year ended December 31, 2021 and any amendments or supplements to said Annual Report and to cause the same to be filed with the Securities and Exchange Commission, together with any exhibits, financial statements and schedules included or to be incorporated by reference therein, hereby granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite or desirable to be done in and about the premises as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all acts and things which said attorneys may do or cause to be done by virtue of these present.

**IN WITNESS WHEREOF**, the undersigned has hereunto set his hand and seal this 25th day of February, 2022.

/s/ JOHN T. CASTEEN III

John T. Casteen III

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**POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENT THAT** the undersigned, a Director of Altria Group, Inc., a Virginia corporation (the “Company”), does hereby constitute and appoint William F. Gifford, Jr., Murray R. Garnick, Salvatore Mancuso, and W. Hildebrandt Surgner, Jr., or any one or more of them, her true and lawful attorney, for her and in her name, place and stead, to execute, by manual or facsimile signature, electronic transmission or otherwise, the Annual Report on Form 10-K of the Company for the year ended December 31, 2021 and any amendments or supplements to said Annual Report and to cause the same to be filed with the Securities and Exchange Commission, together with any exhibits, financial statements and schedules included or to be incorporated by reference therein, hereby granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite or desirable to be done in and about the premises as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all acts and things which said attorneys may do or cause to be done by virtue of these present.

**IN WITNESS WHEREOF**, the undersigned has hereunto set her hand and seal this 25th day of February, 2022.

/s/ MARJORIE M. CONNELLY

Marjorie M. Connelly

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**POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENT THAT** the undersigned, a Director of Altria Group, Inc., a Virginia corporation (the “Company”), does hereby constitute and appoint William F. Gifford, Jr., Murray R. Garnick, Salvatore Mancuso, and W. Hildebrandt Surgner, Jr., or any one or more of them, his true and lawful attorney, for him and in his name, place and stead, to execute, by manual or facsimile signature, electronic transmission or otherwise, the Annual Report on Form 10-K of the Company for the year ended December 31, 2021 and any amendments or supplements to said Annual Report and to cause the same to be filed with the Securities and Exchange Commission, together with any exhibits, financial statements and schedules included or to be incorporated by reference therein, hereby granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite or desirable to be done in and about the premises as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all acts and things which said attorneys may do or cause to be done by virtue of these present.

**IN WITNESS WHEREOF**, the undersigned has hereunto set his hand and seal this 25th day of February, 2022.

/s/ R. MATT DAVIS

R. Matt Davis

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**POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENT THAT** the undersigned, a Director of Altria Group, Inc., a Virginia corporation (the “Company”), does hereby constitute and appoint William F. Gifford, Jr., Murray R. Garnick, Salvatore Mancuso, and W. Hildebrandt Surgner, Jr., or any one or more of them, his true and lawful attorney, for him and in his name, place and stead, to execute, by manual or facsimile signature, electronic transmission or otherwise, the Annual Report on Form 10-K of the Company for the year ended December 31, 2021 and any amendments or supplements to said Annual Report and to cause the same to be filed with the Securities and Exchange Commission, together with any exhibits, financial statements and schedules included or to be incorporated by reference therein, hereby granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite or desirable to be done in and about the premises as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all acts and things which said attorneys may do or cause to be done by virtue of these present.

**IN WITNESS WHEREOF**, the undersigned has hereunto set his hand and seal this 25th day of February, 2022.

/s/ DINYAR S. DEVITRE

Dinyar S. Devitre

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**POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENT THAT** the undersigned, a Director of Altria Group, Inc., a Virginia corporation (the “Company”), does hereby constitute and appoint William F. Gifford, Jr., Murray R. Garnick, Salvatore Mancuso, and W. Hildebrandt Surgner, Jr., or any one or more of them, her true and lawful attorney, for her and in her name, place and stead, to execute, by manual or facsimile signature, electronic transmission or otherwise, the Annual Report on Form 10-K of the Company for the year ended December 31, 2021 and any amendments or supplements to said Annual Report and to cause the same to be filed with the Securities and Exchange Commission, together with any exhibits, financial statements and schedules included or to be incorporated by reference therein, hereby granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite or desirable to be done in and about the premises as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all acts and things which said attorneys may do or cause to be done by virtue of these present.

**IN WITNESS WHEREOF**, the undersigned has hereunto set her hand and seal this 25th day of February, 2022.

/s/ DEBRA J. KELLY-ENNIS

Debra J. Kelly-Ennis

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## **POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENT THAT** the undersigned, a Director of Altria Group, Inc., a Virginia corporation (the “Company”), does hereby constitute and appoint William F. Gifford, Jr., Murray R. Garnick, Salvatore Mancuso, and W. Hildebrandt Surgner, Jr., or any one or more of them, his true and lawful attorney, for him and in his name, place and stead, to execute, by manual or facsimile signature, electronic transmission or otherwise, the Annual Report on Form 10-K of the Company for the year ended December 31, 2021 and any amendments or supplements to said Annual Report and to cause the same to be filed with the Securities and Exchange Commission, together with any exhibits, financial statements and schedules included or to be incorporated by reference therein, hereby granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite or desirable to be done in and about the premises as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all acts and things which said attorneys may do or cause to be done by virtue of these present.

**IN WITNESS WHEREOF**, the undersigned has hereunto set his hand and seal this 25th day of February, 2022.

/s/ W. LEO KIELY III  
W. Leo Kiely III

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**POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENT THAT** the undersigned, a Director of Altria Group, Inc., a Virginia corporation (the “Company”), does hereby constitute and appoint William F. Gifford, Jr., Murray R. Garnick, Salvatore Mancuso, and W. Hildebrandt Surgner, Jr., or any one or more of them, her true and lawful attorney, for her and in her name, place and stead, to execute, by manual or facsimile signature, electronic transmission or otherwise, the Annual Report on Form 10-K of the Company for the year ended December 31, 2021 and any amendments or supplements to said Annual Report and to cause the same to be filed with the Securities and Exchange Commission, together with any exhibits, financial statements and schedules included or to be incorporated by reference therein, hereby granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite or desirable to be done in and about the premises as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all acts and things which said attorneys may do or cause to be done by virtue of these present.

**IN WITNESS WHEREOF**, the undersigned has hereunto set her hand and seal this 25th day of February, 2022.

/s/ KATHRYN B. MCQUADE  
Kathryn B. McQuade

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**POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENT THAT** the undersigned, a Director of Altria Group, Inc., a Virginia corporation (the “Company”), does hereby constitute and appoint William F. Gifford, Jr., Murray R. Garnick, Salvatore Mancuso, and W. Hildebrandt Surgner, Jr., or any one or more of them, his true and lawful attorney, for him and in his name, place and stead, to execute, by manual or facsimile signature, electronic transmission or otherwise, the Annual Report on Form 10-K of the Company for the year ended December 31, 2021 and any amendments or supplements to said Annual Report and to cause the same to be filed with the Securities and Exchange Commission, together with any exhibits, financial statements and schedules included or to be incorporated by reference therein, hereby granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite or desirable to be done in and about the premises as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all acts and things which said attorneys may do or cause to be done by virtue of these present.

**IN WITNESS WHEREOF**, the undersigned has hereunto set his hand and seal this 25th day of February, 2022.

/s/ GEORGE MUÑOZ

George Muñoz

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**POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENT THAT** the undersigned, a Director of Altria Group, Inc., a Virginia corporation (the “Company”), does hereby constitute and appoint William F. Gifford, Jr., Murray R. Garnick, Salvatore Mancuso, and W. Hildebrandt Surgner, Jr., or any one or more of them, his true and lawful attorney, for him and in his name, place and stead, to execute, by manual or facsimile signature, electronic transmission or otherwise, the Annual Report on Form 10-K of the Company for the year ended December 31, 2021 and any amendments or supplements to said Annual Report and to cause the same to be filed with the Securities and Exchange Commission, together with any exhibits, financial statements and schedules included or to be incorporated by reference therein, hereby granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite or desirable to be done in and about the premises as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all acts and things which said attorneys may do or cause to be done by virtue of these present.

**IN WITNESS WHEREOF**, the undersigned has hereunto set his hand and seal this 25th day of February, 2022.

/s/ NABIL Y. SAKKAB  
Nabil Y. Sakkab

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**POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENT THAT** the undersigned, a Director of Altria Group, Inc., a Virginia corporation (the “Company”), does hereby constitute and appoint William F. Gifford, Jr., Murray R. Garnick, Salvatore Mancuso, and W. Hildebrandt Surgner, Jr., or any one or more of them, her true and lawful attorney, for her and in her name, place and stead, to execute, by manual or facsimile signature, electronic transmission or otherwise, the Annual Report on Form 10-K of the Company for the year ended December 31, 2021 and any amendments or supplements to said Annual Report and to cause the same to be filed with the Securities and Exchange Commission, together with any exhibits, financial statements and schedules included or to be incorporated by reference therein, hereby granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite or desirable to be done in and about the premises as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all acts and things which said attorneys may do or cause to be done by virtue of these present.

**IN WITNESS WHEREOF**, the undersigned has hereunto set her hand and seal this 25th day of February, 2022.

/s/ VIRGINIA E. SHANKS  
Virginia E. Shanks

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## **POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENT THAT** the undersigned, a Director of Altria Group, Inc., a Virginia corporation (the “Company”), does hereby constitute and appoint William F. Gifford, Jr., Murray R. Garnick, Salvatore Mancuso, and W. Hildebrandt Surgner, Jr., or any one or more of them, her true and lawful attorney, for her and in her name, place and stead, to execute, by manual or facsimile signature, electronic transmission or otherwise, the Annual Report on Form 10-K of the Company for the year ended December 31, 2021 and any amendments or supplements to said Annual Report and to cause the same to be filed with the Securities and Exchange Commission, together with any exhibits, financial statements and schedules included or to be incorporated by reference therein, hereby granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite or desirable to be done in and about the premises as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all acts and things which said attorneys may do or cause to be done by virtue of these present.

**IN WITNESS WHEREOF**, the undersigned has hereunto set her hand and seal this 25th day of February, 2022.

/s/ ELLEN R. STRAHLMAN  
Ellen R. Strahlman

## Certifications

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

1. I have reviewed this annual report on Form 10-K 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: February 25, 2022

/s/ WILLIAM F. GIFFORD, JR.

William F. Gifford, Jr.  
Chief Executive Officer

## Certifications

I, Salvatore Mancuso, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 25, 2022

/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 Annual Report of Altria Group, Inc. (the “Company”) on Form 10-K for the period ended December 31, 2021 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  
February 25, 2022

**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 Annual Report of Altria Group, Inc. (the “Company”) on Form 10-K for the period ended December 31, 2021 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  
February 25, 2022

## CERTAIN LITIGATION MATTERS

As described in Item 3. *Legal Proceedings* in the Annual Report on Form 10-K, to which this Exhibit 99.1 is attached (“Item 3”) and in Note 18. *Contingencies* to Altria Group, Inc.’s (“Altria”) consolidated financial statements in Item 8 of such Annual Report on Form 10-K (“Note 18”), 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 February 22, 2022. 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 18 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 18 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 February 22, 2022. 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 18 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 February 22, 2022.

*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 February 22, 2022.

*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.*

*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.*

*Timothy Critzer, individually and on behalf of others similarly situated v. Juul Labs Inc., United States District Court, Northern District of California, filed March 31, 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 Puente, 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.*

*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.*

*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.

See Note 18 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.

*Certain Tobacco Heating Articles and Components Thereof*, United States International Trade Commission, filed April 9, 2020.

*Healthier Choices Management Corp. v. Philip Morris USA Inc., et al.*, United States District Court, Northern District of Georgia, filed December 4, 2020.

See Note 18 for a discussion of these cases.

#### **ANTITRUST LITIGATION**

*In re Altria Group, Inc., et al.*, United States of America Before the Federal Trade Commission, filed April 1, 2020.

*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.

*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.

#### **SHAREHOLDER CLASS ACTION**

*Klein, et al. v. Altria Group, Inc., et al.*, United States District Court, Eastern District of Virginia, filed October 2, 2019. See Note 18 for a discussion of this case.

#### **SHAREHOLDER DERIVATIVE LAWSUITS**

*Sandys, et al. v. Willard, et al.*, United States District Court, Northern District of California, filed August 7, 2020.

*Lorca, et al. v. Gifford, et al.*, United States District Court, Northern District of California, filed August 27, 2020.

*Cohen, et al. v. Willard, et al.*, Circuit Court for Henrico County, Virginia, filed September 14, 2020.

*Gilbert, et al. v. Gifford et al.*, United States District Court, Eastern District of Virginia, filed October 1, 2020.  
*Hamilton et al. v. Gifford et al.*, United States District Court, Eastern District of Virginia, filed January 25, 2021.  
*Randolph et al. v. Gifford et al.*, United States District Court, Eastern District of Virginia, filed March 28, 2021.  
*Braunstein et al. v. Gifford et al.*, Circuit Court for Henrico County, Virginia, filed May 18, 2021.  
*Lopez et al. v. Casteen et al.*, Circuit Court for Henrico County, Virginia, filed June 16, 2021.  
*Merritts et al. v. Casteen et al.*, Circuit Court for Albemarle County, Virginia, filed July 30, 2021.  
*Dalton et al. v. W. Hildebrandt Surgner et al.*, Circuit Court for Henrico County, Virginia, filed August 17, 2021.  
*McCollum et al. v. Gifford et al.*, Circuit Court for Henrico County, Virginia, filed August 26, 2021.  
See Note 18 for a discussion of these cases.

## INTERNATIONAL CASES

The following lists cases pending against Altria and/or its subsidiaries in foreign jurisdictions as of February 22, 2022.

### Canada

*O'Donnell, et al. v. JUUL Labs, Canada, Ltd., et al.*, Ontario, Ontario Superior Court, filed April 17, 2020. E-vapor class action. See Note 18 for a discussion of this case.  
*Salvatore, et al. v. JUUL Labs Canada, Ltd., et al.*, Quebec, District of Montreal Superior Court, filed June 12, 2019. E-vapor class action. See Note 18 for a discussion of this case.  
*Stephens, et al. v. JUUL Labs, Inc., et al.*, British Columbia, Canada Supreme Court, filed October 1, 2019. E-vapor class action. See Note 18 for a discussion of this case.  
*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. See Note 18 for a discussion of this case.  
*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. See Note 18 for a discussion of this case.  
*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. See Note 18 for a discussion of this case.  
*Simple 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. See Note 18 for a discussion of this case.  
*Kunta 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. See Note 18 for a discussion of this case.  
*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. See Note 18 for a discussion of this case.  
*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. See Note 18 for a discussion of this case.  
*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. See Note 18 for a discussion of this case.  
*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. See Note 18 for a discussion of this case.  
*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. See Note 18 for a discussion of this case.  
*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. See Note 18 for a discussion of this case.  
*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. See Note 18 for a discussion of this case.

*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. See Note 18 for a discussion of this case.

*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. See Note 18 for a discussion of this case.

*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. See Note 18 for a discussion of this case.

*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. See Note 18 for a discussion of this case.

*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 18 for a discussion of this case.

**TRIAL SCHEDULE FOR CERTAIN CASES**

Below is a schedule, as of February 22, 2022, 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 April 30, 2022.

2022

*Engle* progeny

February	0
March	1
April	6

As of February 22, 2022, there are no *Engle* progeny cases in trial.

Other Individual Smoking & Health

February	0
March	0
April	1

As of February 22, 2022, there are no non-*Engle* progeny cases in trial.