UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2025
or

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

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

Altria Group, Inc.

(Exact name of registrant as specified in its charter)

Virginia	**13-3260245**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
6601 West Broad Street Richmond Virginia	**23230**
(Address of principal executive offices)	**(Zip Code)**

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

Not Applicable

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

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

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

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

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

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

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

At July 23, 2025, there were 1,679,890,953 shares outstanding of the registrant's common stock, par value $0.33 1/3 per share.

ALTRIA GROUP, INC.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2025	December 31, 2024
Assets		
Cash and cash equivalents	**$ 1,287**	$ 3,127
Receivables	**241**	177
Inventories:		
Leaf tobacco	**475**	591
Other raw materials	**200**	190
Work in process	**21**	21
Finished product	**320**	278
	1,016	1,080
Other current assets	**88**	129
Total current assets	**2,632**	4,513
Property, plant and equipment, at cost	**4,530**	4,537
Less accumulated depreciation	**2,920**	2,920
	1,610	1,617
Goodwill	**6,072**	6,945
Other intangible assets, net	**12,900**	12,973
Investments in equity securities	**8,143**	8,195
Other assets	**975**	934
Total Assets	**$ 32,332**	$ 35,177

See notes to condensed consolidated financial statements.

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

	June 30, 2025	December 31, 2024
Liabilities		
Current portion of long-term debt	**$ 1,069**	$ 1,527
Accounts payable	**569**	700
Accrued liabilities:		
Marketing	**894**	688
Settlement charges	**1,098**	2,354
Other	**1,435**	1,780
Dividends payable	**1,723**	1,732
Total current liabilities	**6,788**	8,781
Long-term debt	**23,651**	23,399
Deferred income taxes	**3,661**	3,749
Accrued pension costs	**133**	136
Accrued postretirement health care costs	**935**	935
Other liabilities	**370**	365
Total liabilities	**35,538**	37,365
Contingencies (Note 14)		
Stockholders' Equity (Deficit)		
Common stock, par value $0.33 1/3 per share (2,805,961,317 shares issued)	**935**	935
Additional paid-in capital	**5,895**	5,905
Earnings reinvested in the business	**35,525**	35,516
Accumulated other comprehensive losses	**(2,831)**	(2,400)
Cost of repurchased stock (1,125,015,255 shares at June 30, 2025 and 1,115,309,450 shares at December 31, 2024)	**(42,780)**	(42,194)
Total stockholders' equity (deficit) attributable to Altria	**(3,256)**	(2,238)
Noncontrolling interest	**50**	50
Total stockholders' equity (deficit)	**(3,206)**	(2,188)
Total Liabilities and Stockholders' Equity (Deficit)	**$ 32,332**	$ 35,177

See notes to condensed consolidated financial statements.

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

	For the Six Months Ended June 30,		For the Three Months Ended June 30,	
	2025	**2024**	**2025**	**2024**
Net revenues	**$ 11,361**	$ 11,785	**$ 6,102**	$ 6,209
Cost of sales	**2,710**	3,039	**1,440**	1,602
Excise taxes on products	**1,552**	1,791	**812**	932
Gross profit	**7,099**	6,955	**3,850**	3,675
Marketing, administration and research costs	**1,207**	1,394	**619**	788
Asset impairment and exit costs	**1**	354	**1**	354
Impairment of goodwill	**873**	—	**—**	—
Operating income	**5,018**	5,207	**3,230**	2,533
Interest and other debt expense, net	**537**	515	**275**	261
Net periodic benefit income, excluding service cost	**(29)**	(49)	**(15)**	(25)
(Income) losses from investments in equity securities	**(291)**	(414)	**(148)**	(119)
Gain on the sale of *IQOS* System commercialization rights	**—**	(2,700)	**—**	(2,700)
Earnings before income taxes	**4,801**	7,855	**3,118**	5,116
Provision for income taxes	**1,346**	1,923	**740**	1,313
Net earnings	**$ 3,455**	$ 5,932	**$ 2,378**	$ 3,803
Per share data:				
Basic and diluted earnings per share	**$ 2.04**	$ 3.41	**$ 1.41**	$ 2.21

See notes to condensed consolidated financial statements.

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

	For the Six Months Ended June 30,		For the Three Months Ended June 30,	
	2025	**2024**	**2025**	**2024**
Net earnings	**$ 3,455**	$ 5,932	**$ 2,378**	$ 3,803
Other comprehensive earnings (losses), net of deferred income taxes:				
Benefit plans	**3**	(2)	**2**	(1)
ABI	**(414)**	394	**(145)**	(8)
Currency translation adjustments	**(20)**	(2)	**3**	(8)
Other comprehensive earnings (losses), net of deferred income taxes	**(431)**	390	**(140)**	(17)
Comprehensive earnings	**$ 3,024**	$ 6,322	**$ 2,238**	$ 3,786

See notes to condensed consolidated financial statements.

Altria Group, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity (Deficit)
for the Six Months Ended June 30, 2025 and 2024

(in millions of dollars, except per share data)
(Unaudited)

	Attributable to Altria						
	Common Stock	**Additional Paid-in Capital**	**Earnings Reinvested in the Business**	**Accumulated Other Comprehensive Losses**	**Cost of Repurchased Stock**	**Non-controlling Interest**	**Total Stockholders' Equity (Deficit)**
Balances, December 31, 2024	$ 935	$ 5,905	$ 35,516	$ (2,400)	$ (42,194)	$ 50	$ (2,188)
Net earnings	**—**	**—**	**3,455**	**—**	**—**	**—**	**3,455**
Other comprehensive earnings (losses), net of deferred income taxes	**—**	**—**	**—**	**(431)**	**—**	**—**	**(431)**
Stock award activity	**—**	**(10)**	**—**	**—**	**20**	**—**	**10**
Cash dividends declared ($2.04 per share)	**—**	**—**	**(3,446)**	**—**	**—**	**—**	**(3,446)**
Repurchases of common stock	**—**	**—**	**—**	**—**	**(600)**	**—**	**(600)**
Other	**—**	**—**	**—**	**—**	**(6)**	**—**	**(6)**
Balances, June 30, 2025	**$ 935**	**$ 5,895**	**$ 35,525**	**$ (2,831)**	**$ (42,780)**	**$ 50**	**$ (3,206)**
Balances, December 31, 2023	$ 935	$ 5,906	$ 31,094	$ (2,673)	$ (38,802)	$ 50	$ (3,490)
Net earnings	—	—	5,932	—	—	—	5,932
Other comprehensive earnings (losses), net of deferred income taxes	—	—	—	390	—	—	390
Stock award activity	—	(12)	—	—	23	—	11
Cash dividends declared ($1.96 per share)	—	—	(3,375)	—	—	—	(3,375)
Repurchases of common stock	—	(18)	—	—	(2,392)	—	(2,410)
Other	—	—	—	—	(24)	—	(24)
Balances, June 30, 2024	$ 935	$ 5,876	$ 33,651	$ (2,283)	$ (41,195)	$ 50	$ (2,966)

See notes to condensed consolidated financial statements.

Altria Group, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity (Deficit)
for the Three Months Ended June 30, 2025 and 2024

(in millions of dollars, except per share data)
(Unaudited)

	Attributable to Altria						
	Common Stock	**Additional Paid-in Capital**	**Earnings Reinvested in the Business**	**Accumulated Other Comprehensive Losses**	**Cost of Repurchased Stock**	**Non-controlling Interest**	**Total Stockholders' Equity (Deficit)**
Balances, March 31, 2025	$ 935	$ 5,883	$ 34,868	$ (2,691)	$ (42,505)	$ 50	$ (3,460)
Net earnings	**—**	**—**	**2,378**	**—**	**—**	**—**	**2,378**
Other comprehensive earnings (losses), net of deferred income taxes	**—**	**—**	**—**	**(140)**	**—**	**—**	**(140)**
Stock award activity	**—**	**12**	**—**	**—**	**2**	**—**	**14**
Cash dividends declared ($1.02 per share)	**—**	**—**	**(1,721)**	**—**	**—**	**—**	**(1,721)**
Repurchases of common stock	**—**	**—**	**—**	**—**	**(274)**	**—**	**(274)**
Other	**—**	**—**	**—**	**—**	**(3)**	**—**	**(3)**
Balances, June 30, 2025	**$ 935**	**$ 5,895**	**$ 35,525**	**$ (2,831)**	**$ (42,780)**	**$ 50**	**$ (3,206)**
Balances, March 31, 2024	$ 935	$ 5,521	$ 31,535	$ (2,266)	$ (40,839)	$ 50	$ (5,064)
Net earnings	—	—	3,803	—	—	—	3,803
Other comprehensive earnings (losses), net of deferred income taxes	—	—	—	(17)	—	—	(17)
Stock award activity	—	13	—	—	—	—	13
Cash dividends declared ($0.98 per share)	—	—	(1,687)	—	—	—	(1,687)
Repurchases of common stock	—	342 (1)	—	—	(352)	—	(10)
Other	—	—	—	—	(4)	—	(4)
Balances, June 30, 2024	$ 935	$ 5,876	$ 33,651	$ (2,283)	$ (41,195)	$ 50	$ (2,966)

(1) Represents the fair value of the shares received at final settlement of the ASR Agreements that were transferred to cost of repurchased stock. For further discussion, see Note 1. *Background and Basis of Presentation*.

See notes to condensed consolidated financial statements.

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

For the Six Months Ended June 30,		2025		2024
Cash Provided by (Used in) Operating Activities				
Net earnings	**$**	**3,455**	$	5,932
Adjustments to reconcile net earnings to operating cash flows:				
Depreciation and amortization		**142**		139
Deferred income tax provision		**33**		444
Unrecognized tax benefit		**—**		88
Fair value adjustment for NJOY Transaction contingent payments		**25**		140
(Income) losses from investments in equity securities		**(291)**		(414)
Gain on the sale of *IQOS* System commercialization rights		**—**		(2,700)
Dividends from ABI		**181**		139
Asset impairment and exit costs, net of cash paid		**(4)**		354
Impairment of goodwill		**873**		—
Cash effects of changes:				
Receivables		**(62)**		(1)
Inventories		**27**		41
Accounts payable		**(123)**		(16)
Income taxes		**267**		177
Accrued liabilities and other current assets		**(489)**		(351)
Accrued settlement charges		**(1,256)**		(1,243)
Pension plan contributions		**(9)**		(9)
Pension and postretirement, net		**(37)**		(50)
Other, net		**193**		132
Net cash provided by (used in) operating activities		**2,925**		2,802
Cash Provided by (Used in) Investing Activities				
Capital expenditures		**(70)**		(64)
Proceeds from the ABI Transaction [1]		**—**		2,353
Other, net		**(9)**		(10)
Net cash provided by (used in) investing activities	**$**	**(79)**	$	2,279

[1] See Note 6. *Investments in Equity Securities*.

See notes to condensed consolidated financial statements.

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

For the Six Months Ended June 30,	2025	2024
Cash Provided by (Used in) Financing Activities		
Long-term debt issued	**$ 997**	$ —
Long-term debt repaid	**(1,607)**	(1,121)
Repurchases of common stock	**(600)**	(2,410)
Dividends paid on common stock	**(3,454)**	(3,420)
Other, net	**(29)**	(15)
Net cash provided by (used in) financing activities	**(4,693)**	(6,966)
Cash, cash equivalents and restricted cash:		
Increase (decrease)	**(1,847)**	(1,885)
Balance at beginning of period	**3,158**	3,721
Balance at end of period	**$ 1,311**	$ 1,836

The following table provides a reconciliation of cash, cash equivalents and restricted cash [(1)] to the amounts reported on our condensed consolidated balance sheets:

	June 30, 2025	December 31, 2024
Cash and cash equivalents	**$ 1,287**	$ 3,127
Restricted cash included in other current assets	**9**	8
Restricted cash included in other assets	**15**	23
Cash, cash equivalents and restricted cash	**$ 1,311**	$ 3,158

[(1)] Restricted cash consisted of cash deposits collateralizing appeal bonds posted by PM USA to obtain stays of judgments pending appeals. See Note 14. *Contingencies*.

See notes to condensed consolidated financial statements.

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

Note 1. Background and Basis of Presentation

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

- **Background:** At June 30, 2025, our wholly owned subsidiaries included Philip Morris USA Inc. ("PM USA"), which is engaged in the manufacture and sale of cigarettes in the United States; John Middleton Co. ("Middleton"), which is engaged in the manufacture and sale of machine-made large cigars and 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 ("MST") products; Helix Innovations LLC ("Helix"), which operates in the United States, and its foreign affiliates ("Helix International"), which operate in certain other countries, are engaged in the manufacture and sale of oral nicotine pouches; and NJOY, LLC ("NJOY"), which is engaged in the manufacture and sale of e-vapor products. Other wholly owned subsidiaries included Altria Group Distribution Company ("AGDC"), which provides sales and distribution services to our domestic operating companies, and Altria Client Services LLC ("ALCS"), which provides various support services to our companies in areas such as legal, regulatory, research and product development, consumer engagement, finance, human resources and external affairs. Our access to the operating cash flows of our subsidiaries consists of cash received from the payment of dividends and distributions, and the payment of interest on intercompany loans. At June 30, 2025, our significant subsidiaries were not limited by contractual obligations in their ability to pay cash dividends or make other distributions with respect to their equity interests.

At June 30, 2025, we owned a 75% economic interest in Horizon Innovations LLC ("Horizon"), a joint venture with JTI (US) Holding, Inc., a subsidiary of Japan Tobacco Inc., which owned the remaining 25% economic interest. Horizon is responsible for the U.S. marketing and commercialization of heated tobacco stick products owned by either party. At June 30, 2025, Horizon had no products in the U.S. marketplace.

At June 30, 2025, we had investments in Anheuser-Busch InBev SA/NV ("ABI") and Cronos Group Inc. ("Cronos"). For further discussion of our investments, see Note 6. *Investments in Equity Securities*.

- **Share Repurchases:** In January 2025, our Board of Directors ("Board of Directors" or "Board") authorized a new $1.0 billion share repurchase program ("January 2025 share repurchase program"), which we expect to complete by December 31, 2025. At June 30, 2025, we had $400 million remaining under the January 2025 share repurchase program. The timing of share repurchases depends upon marketplace conditions and other factors, and the program remains subject to the discretion of our Board.

In January 2024, our Board authorized a $1.0 billion share repurchase program that it increased to $3.4 billion in March 2024 (as increased, "January 2024 share repurchase program"). We subsequently entered into accelerated share repurchase ("ASR") transactions under two separate agreements with bank counterparties (collectively, "ASR Agreements") to repurchase shares of our common stock having an aggregate value of $2.4 billion ("Repurchase Price"). In the first quarter of 2024, we paid the Repurchase Price and received 46.5 million shares of our common stock, which represented an aggregate value of approximately 85% or $2,040 million of the Repurchase Price based on the closing price per share of our common stock on the date we entered into the ASR Agreements. In the second quarter of 2024, we received approximately 7.4 million additional shares of our common stock upon the final settlement of the ASR Agreements. We funded the ASR transactions with proceeds from our sale of a portion of our investment in ABI ("ABI Transaction"). For further information on the ABI Transaction, see Note 6. *Investments in Equity Securities.* The ASR transactions were accounted for as equity transactions and included in cost of repurchased stock on our condensed consolidated balance sheet when the shares were received. We completed the January 2024 share repurchase program in December 2024.

Our share repurchase activity was as follows:

	For the Six Months Ended June 30,		For the Three Months Ended June 30,	
(in millions, except per share data)	**2025**	**2024** [(1)]	**2025**	**2024** [(1)]
Total number of shares repurchased	**10.4**	54.1	**4.7**	7.6
Aggregate cost of shares repurchased	**$ 600**	$ 2,410	**$ 274**	370
Average price per share of shares repurchased	**$ 57.71**	$ 44.50	**$ 58.63**	$ 48.36

(1) Includes 53.9 million and 7.4 million shares repurchased under the ASR Agreements at an average price per share of $44.50 and $48.44 for the six and three months ended June 30, 2024, respectively.

- **Basis of Presentation:** Our interim condensed consolidated financial statements are unaudited. These interim condensed consolidated financial statements have been prepared in conformity with United States generally accepted accounting principles ("GAAP") and such principles are applied on a consistent basis. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted. Our management believes that all adjustments necessary for a fair statement of the interim results presented have been reflected in our interim condensed consolidated financial statements. All such adjustments were of a normal recurring nature. Net revenues and net earnings for any interim period are not necessarily indicative of results that may be expected for the entire year.

These condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and related notes, which appear in our Annual Report on Form 10-K for the year ended December 31, 2024.

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

For a description of issued accounting guidance applicable to, but not yet adopted by, us, see Note 15. *New Accounting Guidance Not Yet Adopted*.

Note 2. Revenues from Contracts with Customers

We disaggregate net revenues based on product type. For further discussion, see Note 11. *Segment Reporting*.

Substantially all cash discounts in contracts with our customers are based on a percentage of the list price based on agreed-upon payment terms. We record receivables net of the cash discounts on our condensed consolidated balance sheets.

Receivables and deferred revenue associated with contracts with customers were as follows:

(in millions)	**June 30, 2025**	**December 31, 2024**
Receivables	**$ 241**	$ 177
Deferred revenue	**213**	215

At June 30, 2025 and December 31, 2024, we did not expect differences between amounts recorded as receivables and amounts that would be subsequently received; therefore, we did not record an allowance for credit losses against these receivables.

We record deferred revenue when our businesses receive payment in advance of product shipment. These payments are included in other accrued liabilities on our condensed consolidated balance sheets until control of such products is obtained by the customer. When cash is received in advance of product shipment, our companies typically satisfy their performance obligations within three days of receiving payment. At June 30, 2025 and December 31, 2024, there were no differences between amounts recorded as deferred revenue from contracts with customers and amounts subsequently recognized as revenue.

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

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

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

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

Note 3. Supplier Financing

We facilitate a voluntary supplier financing program through a third-party intermediary under which participating suppliers may elect to sell receivables due from us to participating third-party financial institutions at the sole discretion of both the suppliers and the financial institutions (“Program”). All outstanding balances under the Program are recorded in accounts payable on our condensed consolidated balance sheets, and the associated payments are included in operating activities within our condensed consolidated statements of cash flows.

At June 30, 2025 and December 31, 2024, confirmed outstanding obligations under the Program were $152 million and $128 million, respectively.

Note 4. Goodwill and Other Intangible Assets, net

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

	June 30, 2025		December 31, 2024	
(in millions)	**Goodwill**	**Other Intangible Assets, net**	**Goodwill**	**Other Intangible Assets, net**
Smokeable products segment	**$ 99**	**$ 2,924**	$ 99	$ 2,936
Oral tobacco products segment	**5,078**	**8,663**	5,078	8,679
Other [1]	**895**	**1,313**	1,768	1,358
Total	**$ 6,072**	**$ 12,900**	$ 6,945	$ 12,973

[1] Comprised primarily of e-vapor reporting unit goodwill and definite-lived intangible assets related to the acquisition of NJOY in 2023.

Other intangible assets consisted of the following:

	June 30, 2025		December 31, 2024	
(in millions)	**Gross Carrying Amount**	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
Indefinite-lived intangible assets	**$ 11,089**	**$ —**	$ 11,089	$ —
Definite-lived intangible assets	**2,622**	**811**	2,621	737
Total other intangible assets	**$ 13,711**	**$ 811**	$ 13,710	$ 737

At June 30, 2025, substantially all of our indefinite-lived intangible assets consisted of (i) MST trademarks of $8.5 billion, which consists of *Copenhagen*, *Skoal* and other MST trademarks of $4.0 billion, $3.6 billion and $0.9 billion, respectively, from our 2009 acquisition of UST, and (ii) cigar trademarks of $2.6 billion from our 2007 acquisition of Middleton. Definite-lived intangible assets, consisting primarily of intellectual property (which includes developed technology), certain cigarette trademarks, e-vapor trademarks and customer relationships, are amortized over a weighted-average period of approximately 19 years. Pre-tax amortization expense for definite-lived intangible assets was $74 million and $64 million for the six months ended June 30, 2025 and 2024, respectively, and $37 million for the three months ended June 30, 2025 and 2024.

In April 2024, we assigned the exclusive U.S. commercialization rights to the *IQOS Tobacco Heating System* (“*IQOS* System”) to Philip Morris International Inc. (“PMI”). Upon the assignment of the U.S. commercialization rights to the *IQOS* System, we recorded a pre-tax gain of $2.7 billion for the six and three months ended June 30, 2024 in our condensed consolidated statements of earnings.

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

	For the Six Months Ended June 30, 2025		For the Year Ended December 31, 2024	
(in millions)	Goodwill	Other Intangible Assets, net	Goodwill	Other Intangible Assets, net
Balance at January 1	**$ 6,945**	**$ 12,973**	$ 6,791	$ 13,686
Changes due to:				
Acquisitions [(1)]	**—**	**1**	154	(220)
Impairments [(2)]	**(873)**	**—**	—	(354)
Amortization	**—**	**(74)**	—	(139)
Balance at end of period	**$ 6,072**	**$ 12,900**	$ 6,945	$ 12,973

[(1)] The 2024 amounts represent the measurement period adjustments related to the acquisition of NJOY.

[(2)] The 2025 amount represents a non-cash impairment of our e-vapor reporting unit goodwill. The 2024 amount represents a non-cash, pre-tax impairment of the *Skoal* trademark.

We conduct a required annual review of goodwill and indefinite-lived intangible assets for potential impairment, and more frequently if an event occurs or circumstances change that would require us to perform an interim quantitative impairment assessment. There have been no events or changes in circumstances that indicate an interim quantitative impairment assessment was required for the three months ended June 30, 2025. We will perform our annual impairment testing during the fourth quarter of 2025.

Our annual impairment test of goodwill and indefinite-lived intangible assets as of October 1, 2024 resulted in no impairment charges for the fourth quarter of 2024.

At June 30, 2025, accumulated impairment losses related to goodwill were $873 million, which related to the e-vapor reporting unit goodwill impairment recorded for the three months ended March 31, 2025 in the all other category, discussed below. At December 31, 2024, there were no accumulated impairment losses related to goodwill.

First Quarter of 2025 E-vapor Reporting Unit Goodwill Impairment

At December 31, 2024, the estimated fair value of the e-vapor reporting unit exceeded its carrying value by approximately 28% ($0.3 billion). As further discussed in Note 14. *Contingencies*, Altria and certain of our affiliates, including NJOY, are defendants in lawsuits alleging patent infringement based on the sale of *NJOY ACE* in the United States. In January 2025, the U.S. International Trade Commission ("ITC") issued an exclusion order and cease-and-desist orders prohibiting the importation and sale of *NJOY ACE* in the United States, which became effective on March 31, 2025, after the 60-day review period ended without the United States Trade Representative taking action. As a result, in connection with the preparation of our condensed consolidated financial statements for the period ended March 31, 2025, we concluded a triggering event had occurred and performed an interim impairment assessment for the e-vapor reporting unit.

As a result of our interim impairment testing, we determined the estimated fair value of the e-vapor reporting unit as of March 31, 2025, was below its carrying value and recorded a non-cash goodwill impairment of $873 million for the three months ended March 31, 2025 in our condensed consolidated statements of earnings. This impairment was due primarily to (i) lower projected volume and revenue due to *NJOY ACE*'s removal from the U.S. market and (ii) higher projected costs associated with the commercialization of NJOY's future e-vapor product portfolio resulting in lower projected operating margins. As of March 31, 2025, after recording the impairment, the carrying value of goodwill within the e-vapor reporting unit was $895 million. In addition, the carrying value of the e-vapor reporting unit's net assets (including the effect of intercompany debt), which was negative, approximated its estimated fair value.

We used an income approach to estimate the fair value of the e-vapor reporting unit. Our discounted cash flows are based on a range of scenarios that consider certain potential regulatory and market outcomes. The income approach reflects the discounting of expected future cash flows 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. In performing the discounted cash flow analysis, we made various judgments, estimates and assumptions, the most significant of which were volume, revenue, income, operating margins, perpetual growth rate and discount rate. All significant inputs used in the valuation are classified in Level 3 of the fair value hierarchy.

As a result of the ITC orders, in connection with the preparation of our condensed consolidated financial statements for the period ended March 31, 2025, we also reviewed the definite-lived intangible assets in the e-vapor reporting unit for impairment and concluded the carrying value was recoverable and no impairment existed.

Second Quarter of 2024 Skoal Trademark Impairment

In connection with the preparation of our condensed consolidated financial statements for the period ended June 30, 2024, we determined the estimated fair value of our *Skoal* trademark was below its carrying value and recorded a non-cash, pre-tax impairment of $354 million for the six and three months ended June 30, 2024 in our condensed consolidated statements of earnings. Our carrying value and estimated fair value of the *Skoal* trademark at June 30, 2024 were $3.6 billion, after recording the impairment.

Note 5. Exit and Implementation Costs

Pre-tax implementation and exit costs consisted of the following:

	For the Six Months Ended June 30, 2025		For the Three Months Ended June 30, 2025	
(in millions)	**Exit Costs**	**Implementation Costs [1]**	**Exit Costs**	**Implementation Costs [1]**
Smokeable products segment	**$ 1**	**$ 25**	**$ 1**	**$ 12**
Oral tobacco products segment	**—**	**4**	**—**	**2**
Total	**$ 1**	**$ 29**	**$ 1**	**$ 14**

[1] Recorded in marketing, administration and research costs in our condensed consolidated statement of earnings.

There were no exit or implementation costs for the six months ended June 30, 2024.

In October 2024, we announced a multi-phase *Optimize & Accelerate* initiative ("Initiative") designed to modernize our ways of working. Through the Initiative, we plan to increase our organization's speed, efficiency and effectiveness by centralizing work, outsourcing certain transactional tasks and streamlining, automating and standardizing processes. We expect the design and detailed plans for all phases of the Initiative to be substantially complete in early 2026.

We estimate total pre-tax charges for the Initiative's currently planned phases to be approximately $125 million. As of June 30, 2025, total pre-tax charges since the inception of the Initiative were $98 million, consisting of employee separation cost of $36 million and implementation costs of $62 million. All of these charges result in cash expenditures and consist of severance payments associated with employee separations, implementation costs for new technology and business advisory services and other costs. Employee separation costs are recorded when probable and reasonably estimable. As we further develop and finalize detailed plans for the additional phases of the Initiative, we will update estimated pre-tax charges for the Initiative. As of June 30, 2025, total cash payments since the inception of the Initiative were $49 million, consisting of $5 million for exit costs and $44 million for implementation costs.

A summary of the Initiative's charges and cash paid for exit and implementation costs is as follows:

(in millions)	**Exit Costs**	**Implementation Costs**	**Total**
Balances at December 31, 2023	$ —	$ —	$ —
Charges	35	33	68
Cash paid	—	(11)	(11)
Balances at December 31, 2024	35	22	57
Charges	**1**	**29**	**30**
Cash paid	**(5)**	**(33)**	**(38)**
Balances at June 30, 2025	**$ 31** [1]	**$ 18**	**$ 49**

[1] Restructuring liabilities, all of which were severance liabilities.

Note 6. Investments in Equity Securities

The carrying amount of our investments consisted of the following:

(in millions)	**June 30, 2025**	**December 31, 2024**
ABI	**$ 7,837**	$ 7,880
Cronos	**306**	315
Total	**$ 8,143**	$ 8,195

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

	For the Six Months Ended June 30,		For the Three Months Ended June 30,	
(in millions)	**2025**	**2024**	**2025**	**2024**
ABI [1]	**$ (273)**	$ (434) [2]	**$ (148)**	$ (121)
Cronos [1]	**(18)**	20	**—**	2
(Income) losses from investments in equity securities	**$ (291)**	$ (414)	**$ (148)**	$ (119)

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

[2] Includes $165 million of the total pre-tax gain on the ABI Transaction discussed below.

Investment in ABI

At June 30, 2025, we had an approximate 8.1% ownership interest in ABI, consisting of approximately 125 million restricted shares of ABI ("Restricted Shares") and approximately 34 million ordinary shares of ABI. Our Restricted Shares:

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

We account for our investment in ABI under the equity method of accounting because we have active representation on ABI's board of directors and certain ABI board committees. Through this representation, we believe we have the ability to exercise significant influence over the operating and financial policies of ABI and participate in ABI's policy making processes.

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

The fair value of our investment in ABI is based on (i) unadjusted quoted prices in active markets for ABI's ordinary shares and is 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 is classified in Level 2 of the fair value hierarchy. We can convert our Restricted Shares into ordinary shares at our discretion. The fair value of each Restricted Share is based on the value of an ordinary share.

At June 30, 2025, the fair value of our investment in ABI was $10.9 billion, which exceeded its carrying value of $7.8 billion by approximately 39%. At December 31, 2024, the fair value of our investment in ABI approximated its carrying value of $7.9 billion.

2024 ABI Transaction

In the first quarter of 2024, we converted 60 million of our Restricted Shares into ordinary shares of ABI and completed the ABI Transaction, which consisted of the following:

- We sold 35 million of our ABI ordinary shares in a global secondary offering for gross proceeds of approximately $2.2 billion.
- We sold $200 million of our ABI ordinary shares (approximately 3.3 million ordinary shares) to ABI in a private transaction.

As a result of the ABI Transaction, in the first quarter of 2024, we received pre-tax cash proceeds totaling approximately $2.4 billion and incurred transaction costs of approximately $62 million. In conjunction with the ABI Transaction, we entered into the ASR Agreements to repurchase shares of our common stock. For further discussion of the ASR Agreements, see Note 1. *Background and Basis of Presentation*.

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

(in millions)		For the Six Months Ended June 30, 2024
Gain on partial sale of our investment	**$**	**165**
Transaction costs		**(62)**
Total pre-tax gain on ABI Transaction	**$**	**103**

- The pre-tax gain on the partial sale of our investment was recorded in (income) losses from investments in equity securities and includes a $408 million gain representing the excess of the selling price of the ABI shares sold over the carrying value of those shares, partially offset by a $243 million reclassification of the proportionate share of our pre-tax accumulated other comprehensive losses directly attributable to ABI and our designated net investment hedges related to our investment in ABI (see Note 7. *Financial Instruments* and Note 10. *Other Comprehensive Earnings/Losses*).
- The pre-tax transaction costs were approximately $62 million ($59 million in marketing, administration and research costs and $3 million in interest and other debt expense, net), substantially all of which were underwriter fees.

In addition, in conjunction with the ABI Transaction, we recorded an income tax benefit from the partial release of a valuation allowance of approximately $94 million in provision for income taxes in our condensed consolidated statement of earnings for the six months ended June 30, 2024. For further discussion, see Note 13. *Income Taxes*.

Investment in Cronos

At June 30, 2025, we had an approximate 40.8% ownership interest in Cronos, consisting of approximately 157 million shares, which we account for under the equity method of accounting. We report our share of Cronos's results using a one-quarter lag because Cronos's results are not available in time for us to record them in the concurrent period.

The fair value of our investment in Cronos is based on unadjusted quoted prices in active markets for Cronos's common shares and is classified in Level 1 of the fair value hierarchy. At June 30, 2025, the fair value of our investment in Cronos was less than its carrying value by approximately $6 million or approximately 2%. Based on our evaluation of the duration and magnitude of the fair value decline, our evaluation of Cronos's financial condition (including its strong cash position) and near-term prospects, and our intent and ability to hold our investment in Cronos until recovery, we concluded that the decline in fair value of our investment in Cronos below its carrying value is temporary and, therefore, no impairment was recorded. At December 31, 2024, the fair value of our investment in Cronos approximated its carrying value of $315 million.

Note 7. Financial Instruments

Our investment in ABI, whose functional currency is the Euro, exposes us to foreign currency exchange risk on the carrying value of our investment. To manage this risk, we may designate Euro denominated unsecured long-term notes ("foreign currency denominated debt") and certain foreign exchange contracts, including cross-currency swap contracts and forward contracts (collectively, "foreign currency contracts"), as net investment hedges of our investment in ABI. At June 30, 2025 and December 31, 2024, we had no outstanding foreign currency contracts.

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

(in millions)		June 30, 2025		December 31, 2024
Carrying value	**$**	**24,720**	$	24,926
Fair value		**22,979**		22,741
Foreign currency denominated debt included in long-term debt:				
Carrying value		**2,647**		3,100
Fair value		**2,629**		3,059

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

Net Investment Hedging

We recognize changes in the carrying value of the foreign currency denominated debt due to changes in the Euro to U.S. dollar exchange rate in accumulated other comprehensive losses related to ABI. We recognized pre-tax (gains) losses of our net investment hedges of $403 million and $(98) million for the six months ended June 30, 2025 and 2024, respectively, and $264 million and $(23) million for the three months ended June 30, 2025 and 2024, respectively.

In addition, as a result of the ABI Transaction, for the six months ended June 30, 2024, we reclassified $42 million of pre-tax gains from our designated net investment hedges included in accumulated other comprehensive losses to (income) losses from investments in equity securities in our condensed consolidated statement of earnings. For further discussion of the ABI Transaction and reclassification of accumulated other comprehensive losses, see Note 6. *Investments in Equity Securities* and Note 10. *Other Comprehensive Earnings/Losses.*

Contingent Payments

In 2023, we acquired NJOY Holdings, Inc. ("NJOY Transaction"). The total consideration for the NJOY Transaction included the fair value of up to $500 million in additional cash payments contingent on receipt of U.S. Food and Drug Administration ("FDA") authorizations with respect to NJOY's menthol ($250 million), blueberry ($125 million) and watermelon ($125 million) pod products.

The changes in the liability associated with contingent payments were as follows:

(in millions)	For the Six Months Ended June 30, 2025	For the Year Ended December 31, 2024
Balance at January 1	**$ 20**	$ 130
Change in the fair value of contingent payments [1]	**25** [2]	140 [3]
Payments	**—**	(250) [4]
Balance at end of period	**$ 45**	$ 20

[1] Pre-tax charges were recorded in marketing, administration and research costs in our condensed consolidated statements of earnings.
[2] Recorded in the first quarter of 2025 and relates to blueberry and watermelon pod products.
[3] Recorded in the second quarter of 2024 and relates to menthol pod products.
[4] Payments made during the third quarter of 2024 following FDA authorization of NJOY's menthol products.

Contingent payments related to the NJOY Transaction were recognized at their estimated fair value as of the acquisition date. Subsequent changes to the fair value of the liability associated with contingent payments are recognized in earnings until the contingency is resolved. In determining the estimated fair value of contingent payments, we made certain judgments, estimates and assumptions, the most significant of which was the likelihood of certain potential regulatory outcomes. Contingent payments are classified in Level 3 of the fair value hierarchy.

Note 8. Benefit Plans

Components of Net Periodic Benefit Cost (Income)

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

	Pension		Postretirement		Pension		Postretirement	
	For the Six Months Ended June 30,				For the Three Months Ended June 30,			
(in millions)	2025	2024	2025	2024	2025	2024	2025	2024
Service cost	**$ 18**	$ 21	**$ 6**	$ 8	**$ 9**	$ 12	**$ 3**	$ 4
Interest cost	**159**	161	**28**	32	**80**	81	**14**	16
Expected return on plan assets	**(215)**	(233)	**(2)**	(3)	**(108)**	(117)	**(1)**	(2)
Amortization:								
Net loss (gain)	**25**	13	**(6)**	(2)	**12**	6	**(3)**	(1)
Prior service cost (credit)	**2**	3	**(20)**	(20)	**1**	2	**(10)**	(10)
Net periodic benefit cost (income)	**$ (11)**	$ (35)	**$ 6**	$ 15	**$ (6)**	$ (16)	**$ 3**	$ 7

Employer Contributions

We make contributions to our pension plans to the extent that the contributions are tax deductible and pay benefits that relate to plans for salaried employees that cannot be funded under Internal Revenue Service regulations. We made employer contributions of $9 million to our pension plans and did not make any contributions to our postretirement plans during the six months ended June 30, 2025. Currently, we anticipate making additional employer contributions of up to approximately $20 million to our pension plans and contributions of up to approximately $30 million to our postretirement plans in 2025. However, the foregoing estimates of 2025 contributions to our pension and postretirement plans are subject to change as a result of changes in tax and other benefit laws, changes in interest rates and asset performance significantly above or below the assumed long-term rate of return for each respective plan.

Note 9. Earnings per Share

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

	For the Six Months Ended June 30,		For the Three Months Ended June 30,	
(in millions)	**2025**	**2024**	**2025**	**2024**
Net earnings	**$ 3,455**	$ 5,932	**$ 2,378**	$ 3,803
Less: Distributed and undistributed earnings attributable to share-based awards	**(10)**	(14)	**(7)**	(9)
Earnings for basic and diluted EPS	**$ 3,445**	$ 5,918	**$ 2,371**	$ 3,794
Weighted-average shares for basic and diluted EPS	**1,687**	1,738	**1,684**	1,718

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

Note 10. Other Comprehensive Earnings/Losses

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

	For the Six Months Ended June 30, 2025			
(in millions)	**Benefit Plans**	**ABI**	**Currency Translation Adjustments**	**Accumulated Other Comprehensive Losses**
Balances, December 31, 2024	$ (1,392)	$ (1,018)	$ 10	$ (2,400)
Other comprehensive earnings (losses) before reclassifications	**—**	**(510)**	**(20)**	**(530)**
Deferred income taxes	**—**	**118**	**—**	**118**
Other comprehensive earnings (losses) before reclassifications, net of deferred income taxes	**—**	**(392)**	**(20)**	**(412)**
Amounts reclassified to net earnings	**4**	**(28)**	**—**	**(24)**
Deferred income taxes	**(1)**	**6**	**—**	**5**
Amounts reclassified to net earnings, net of deferred income taxes	**3**	**(22)**	**—**	**(19)**
Other comprehensive earnings (losses), net of deferred income taxes	**3**	**(414)** [1]	**(20)**	**(431)**
Balances, June 30, 2025	**$ (1,389)**	**$ (1,432)**	**$ (10)**	**$ (2,831)**

(in millions)	For the Three Months Ended June 30, 2025 Benefit Plans	ABI	Currency Translation Adjustments	Accumulated Other Comprehensive Losses
Balances, March 31, 2025	$ (1,391)	$ (1,287)	$ (13)	$ (2,691)
Other comprehensive earnings (losses) before reclassifications	**—**	**(179)**	**3**	**(176)**
Deferred income taxes	**—**	**45**	**—**	**45**
Other comprehensive earnings (losses) before reclassifications, net of deferred income taxes	**—**	**(134)**	**3**	**(131)**
Amounts reclassified to net earnings	**2**	**(14)**	**—**	**(12)**
Deferred income taxes	**—**	**3**	**—**	**3**
Amounts reclassified to net earnings, net of deferred income taxes	**2**	**(11)**	**—**	**(9)**
Other comprehensive earnings (losses), net of deferred income taxes	**2**	**(145)** [1]	**3**	**(140)**
Balances, June 30, 2025	**$ (1,389)**	**$ (1,432)**	**$ (10)**	**$ (2,831)**

(in millions)	For the Six Months Ended June 30, 2024 Benefit Plans	ABI	Currency Translation Adjustments	Accumulated Other Comprehensive Losses
Balances, December 31, 2023	$ (1,493)	$ (1,195)	$ 15	$ (2,673)
Other comprehensive earnings (losses) before reclassifications	—	243	(2)	241
Deferred income taxes	—	(54)	—	(54)
Other comprehensive earnings (losses) before reclassifications, net of deferred income taxes	—	189	(2)	187
Amounts reclassified to net earnings	(3)	257	—	254
Deferred income taxes	1	(52)	—	(51)
Amounts reclassified to net earnings, net of deferred income taxes	(2)	205	—	203
Other comprehensive earnings (losses), net of deferred income taxes	(2)	394 [1]	(2)	390
Balances, June 30, 2024	$ (1,495)	$ (801)	$ 13	$ (2,283)

(in millions)	For the Three Months Ended June 30, 2024 Benefit Plans	ABI	Currency Translation Adjustments	Accumulated Other Comprehensive Losses
Balances, March 31, 2024	$ (1,494)	$ (793)	$ 21	$ (2,266)
Other comprehensive earnings (losses) before reclassifications	—	(11)	(8)	(19)
Deferred income taxes	—	1	—	1
Other comprehensive earnings (losses) before reclassifications, net of deferred income taxes	—	(10)	(8)	(18)
Amounts reclassified to net earnings	(1)	2	—	1
Deferred income taxes	—	—	—	—
Amounts reclassified to net earnings, net of deferred income taxes	(1)	2	—	1
Other comprehensive earnings (losses), net of deferred income taxes	(1)	(8) [1]	(8)	(17)
Balances, June 30, 2024	$ (1,495)	$ (801)	$ 13	$ (2,283)

[1] Primarily reflects our share of ABI's currency translation adjustments and the impact of our designated net investment hedges related to our investment in ABI. For further discussion of designated net investment hedges, see Note 7. *Financial Instruments.*

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

(in millions)	For the Six Months Ended June 30, 2025	2024	For the Three Months Ended June 30, 2025	2024
Benefit Plans: [1]				
Net loss	**$ 22**	$ 14	**$ 11**	$ 7
Prior service credit	**(18)**	(17)	**(9)**	(8)
	4	(3)	**2**	(1)
ABI [2]	**(28)**	257	**(14)**	2
Pre-tax amounts reclassified from accumulated other comprehensive losses to net earnings	**$ (24)**	$ 254	**$ (12)**	$ 1

[1] Amounts are included in net periodic benefit income, excluding service cost. For further details, see Note 8. *Benefit Plans.*

[2] Amounts are included in (income) losses from investments in equity securities. For the six months ended June 30, 2024, as a result of the ABI Transaction, we reclassified $243 million from our accumulated other comprehensive losses of which $285 million is directly attributable to ABI, partially offset by $42 million from our designated net investment hedges related to our investment in ABI. For further information, see Note 6. *Investments in Equity Securities* and Note 7. *Financial Instruments*.

Note 11. Segment Reporting

At June 30, 2025, our reportable segments were (i) smokeable products, consisting of combustible cigarettes and machine-made large cigars; and (ii) oral tobacco products, consisting of MST products and oral nicotine pouches.

Our all other category included (i) NJOY; (ii) Horizon; (iii) Helix International; and (iv) other business activities, which primarily consists of research and development ("R&D") expense related to certain new product platforms and technologies.

Altria's Chief Executive Officer is our chief operating decision maker ("CODM"). Our measure of segment profitability is segment operating companies income (loss) ("OCI"), which is defined as operating income before general corporate expenses and amortization of intangibles. Our CODM uses OCI for planning, forecasting and evaluating business and financial performance of the segments, including allocating capital and other resources to our segments and evaluating results relative to employee compensation targets. Interest and other debt expense, net, along with net periodic benefit income, excluding service cost, and provision for income taxes are centrally managed at the corporate level and, accordingly, such items are not presented by segment since they are excluded from the measure of segment profitability reviewed by our CODM. We do not disclose information about total assets by segment because such information is not reported to or used by our CODM. Segment goodwill and other intangible assets, net, are disclosed in Note 4. *Goodwill and Other Intangible Assets, net.*

Segment data were as follows:

(in millions)	For the Six Months Ended June 30, 2025	2024	For the Three Months Ended June 30, 2025	2024
Net revenues:				
Smokeable products	**$ 9,979**	$ 10,401	**$ 5,357**	$ 5,495
Oral tobacco products	**1,407**	1,362	**753**	711
All other	**(25)**	22	**(8)**	3
Net revenues	**$ 11,361**	$ 11,785	**$ 6,102**	$ 6,209
Earnings before income taxes:				
OCI:				
Smokeable products	**$ 5,399**	$ 5,246	**$ 2,930**	$ 2,807
Oral tobacco products	**931**	532	**498**	97
All other	**(1,122)**	(172)	**(108)**	(111)
Amortization of intangibles	**(74)**	(64)	**(37)**	(37)
General corporate expenses	**(116)**	(335)	**(53)**	(223)
Operating income	**5,018**	5,207	**3,230**	2,533
Interest and other debt expense, net	**537**	515	**275**	261
Net periodic benefit income, excluding service cost	**(29)**	(49)	**(15)**	(25)
(Income) losses from investments in equity securities	**(291)**	(414)	**(148)**	(119)
Gain on the sale of *IQOS* System commercialization rights	**—**	(2,700)	**—**	(2,700)
Earnings before income taxes	**$ 4,801**	$ 7,855	**$ 3,118**	$ 5,116

Smokeable products segment OCI consisted of the following, including expenses under the significant expense principle in accordance with GAAP:

(in millions)	For the Six Months Ended June 30, 2025	2024	For the Three Months Ended June 30, 2025	2024
Net revenues	**$ 9,979**	$ 10,401	**$ 5,357**	$ 5,495
Settlement charges [1]	**(1,486)**	(1,779)	**(799)**	(924)
Excise taxes on products sold	**(1,502)**	(1,742)	**(787)**	(908)
Other segment items [2]	**(1,592)**	(1,634)	**(841)**	(856)
Operating companies income	**$ 5,399**	$ 5,246	**$ 2,930**	$ 2,807

[1] Represents charges related to State Settlement Agreements included in cost of sales. For additional information, see *Health Care Cost Recovery Litigation* in Note 14. *Contingencies*.

[2] Other segment items includes manufacturing, marketing, administration and research costs and FDA user fees.

For the oral tobacco products segment, we did not identify any expenses under the significant expense principle in accordance with GAAP. Other segment items for our oral tobacco products segment include manufacturing, asset impairment, marketing, administration and research costs and excise taxes on products sold. Total oral tobacco products other segment items were $476 million and $830 million for the six months ended June 30, 2025 and 2024, respectively, and $255 million and $614 million for the three months ended June 30, 2025 and 2024, respectively. The CODM reviews total oral tobacco products segment expenses in the aggregate in conjunction with the review of budget-to-actual OCI variances to manage segment operations.

Details of our depreciation expense and capital expenditures were as follows:

	For the Six Months Ended June 30,		For the Three Months Ended June 30,	
(in millions)	**2025**	**2024**	**2025**	**2024**
Depreciation expense:				
Smokeable products	**$ 29**	$ 36	**$ 14**	$ 17
Oral tobacco products	**21**	21	**11**	12
General corporate and other	**18**	18	**9**	8
Total depreciation expense	**$ 68**	$ 75	**$ 34**	$ 37
Capital expenditures:				
Smokeable products	**$ 30**	$ 27	**$ 12**	$ 9
Oral tobacco products	**22**	16	**9**	7
General corporate and other	**18**	21	**11**	13
Total capital expenditures	**$ 70**	$ 64	**$ 32**	$ 29

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

- **Asset Impairment, Exit and Implementation Costs:** We recorded exit and implementation costs of $30 million and $15 million related to the Initiative for the six and three months ended June 30, 2025, respectively. For a breakdown of these costs by segment, see Note 5. *Exit and Implementation Costs*. We recorded a non-cash, pre-tax impairment of the *Skoal* trademark of $354 million for the six and three months ended June 30, 2024 in our oral tobacco products segment. For further discussion, see Note 4. *Goodwill and Other Intangible Assets, net.*

- **Tobacco and Health and Certain Other Litigation Items:** We recorded pre-tax charges related to tobacco and health and certain other litigation items as follows:

	For the Six Months Ended June 30,		For the Three Months Ended June 30,	
(in millions)	**2025**	**2024**	**2025**	**2024**
Smokeable products segment	**$ 40**	$ 38	**$ 4**	$ 20
General corporate expenses	**1**	30	**1**	24
Interest and other debt expense, net	**4**	—	**—**	—
Total	**$ 45**	$ 68	**$ 5**	$ 44

We recorded the amounts shown in the table above in our smokeable products segment and general corporate expenses in marketing, administration and research costs in our condensed consolidated statements of earnings. For further discussion, see Note 14. *Contingencies*.

Note 12. Debt

Short-term Borrowings and Borrowing Arrangements

At June 30, 2025 and December 31, 2024, we had no short-term borrowings.

At June 30, 2025, we had availability under our senior unsecured 5-year revolving credit agreement (“Credit Agreement”) for borrowings of up to an aggregate principal amount of $3.0 billion. We intend to use any borrowings under our Credit Agreement for general corporate purposes. In July 2025, we entered into an extension agreement (“Extension”) to extend the expiration of the Credit Agreement from October 24, 2028 to October 24, 2029. All other terms and conditions remain in full force and effect. The Credit Agreement, after entering into the Extension, includes an option, subject to certain conditions, for us to extend the term for an additional one-year period.

Pricing for interest and fees under our Credit Agreement may be modified in the event of a change in the rating of our long-term senior unsecured debt. We expect interest rates on borrowings under our Credit Agreement to be based on the Term Secured Overnight Financing Rate plus a percentage based on the higher of the ratings of our long-term senior unsecured debt from Moody’s Investors Service, Inc. (“Moody’s”) and Standard & Poor’s Financial Services LLC (“S&P”). The applicable percentage for borrowings under our Credit Agreement at June 30, 2025 was 1.0% based on our long-term senior unsecured debt ratings on that date. Our Credit Agreement does not include any other rating triggers or any provisions that could require the posting of collateral.

Our Credit Agreement includes various covenants, one of which requires us to maintain a ratio of Consolidated EBITDA (earnings before interest, taxes, depreciation and amortization) to Consolidated Interest Expense of not less than 4.0 to 1.0, calculated for the four most recent fiscal quarters. At June 30, 2025, we were in compliance with our covenants in our Credit

Agreement. The terms "Consolidated EBITDA" and "Consolidated Interest Expense," each as defined in our Credit Agreement, include certain adjustments.

PM USA guarantees any borrowings under our Credit Agreement and any amounts outstanding under our commercial paper program.

Long-term Debt

The aggregate carrying value of our total long-term debt at June 30, 2025 and December 31, 2024 was $24.7 billion and $24.9 billion, respectively.

In May 2025 and June 2025, we repaid in full at maturity our 2.350% and 1.700% senior unsecured notes in the aggregate principal amounts of $750 million and $857 million (€750 million), respectively.

In the first quarter of 2025, we issued U.S. dollar denominated senior unsecured notes in the aggregate principal amount of $1.0 billion. The net proceeds from the notes were used for general corporate purposes, which included repayment of certain of our notes in the second quarter of 2025 as discussed above. The notes contain the following terms:

- $0.5 billion at 4.875%, due 2028, interest payable semiannually beginning August 4, 2025; and
- $0.5 billion at 5.625%, due 2035, interest payable semiannually beginning August 6, 2025.

Similar to our other notes, these notes are senior unsecured obligations and rank equally in right of payment with all of our existing and future senior unsecured indebtedness. Following 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., we 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.

At June 30, 2025 and December 31, 2024, accrued interest on long-term debt of $369 million and $389 million, respectively, was included in other accrued liabilities on our condensed consolidated balance sheets.

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

Note 13. Income Taxes

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

	For the Six Months Ended June 30,		For the Three Months Ended June 30,	
(in millions)	**2025**	**2024**	**2025**	**2024**
Earnings before income taxes	**$ 4,801**	$ 7,855	**$ 3,118**	$ 5,116
Provision for income taxes	**1,346**	1,923	**740**	1,313
Income tax rate	**28.0 %**	24.5 %	**23.7 %**	25.7 %

Our income tax rate for the six months ended June 30, 2025 differed from the U.S. federal statutory rate of 21%, due primarily to the non-deductible impairment of the e-vapor reporting unit goodwill and state tax expense. Our income tax rate for the three months ended June 30, 2025 differed from the U.S. federal statutory rate of 21%, due primarily to state tax expense. For further discussion of the impairment charge, see Note 4. *Goodwill and Other Intangible Assets, net*.

Our income tax rate for the six months ended June 30, 2024 differed from the U.S. federal statutory rate of 21%, due primarily to state tax expense and the change in the fair value of the contingent payments related to the NJOY Transaction, which is treated as an outside basis difference that we do not expect to reverse in the foreseeable future, partially offset by an income tax benefit from the partial release of a valuation allowance recorded against a deferred tax asset associated with our losses related to our former investment in JUUL Labs, Inc. ("JUUL"). The valuation allowance release was due to our capital gain on the ABI Transaction. Our income tax rate for the three months ended June 30, 2024 differed from the U.S. federal statutory rate of 21%, due primarily to state tax expense and the change in the fair value of the contingent payments related to the NJOY Transaction, which is treated as an outside basis difference that we do not expect to reverse in the foreseeable future. For further discussion of the ABI Transaction and contingent payments related to the NJOY Transaction, see Note 6. *Investments in Equity Securities* and Note 7. *Financial Instruments*, respectively.

The One Big Beautiful Bill Act ("OBBB") was signed into law on July 4, 2025. The OBBB includes various tax law changes, including the restoration of favorable tax treatment for certain business-related provisions and modifications to the international tax law framework. The OBBB has multiple effective dates, with certain provisions effective in 2025 and others implemented through 2027. We do not expect these provisions and modifications to have a material impact on our consolidated financial statements.

Note 14. Contingencies

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

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

Although PM USA historically has 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. However, tobacco litigation plaintiffs have challenged the constitutionality of Florida's bond cap statute in several cases, and plaintiffs may challenge state bond cap statutes in other jurisdictions as well. Such challenges may include the applicability of state bond caps in federal court. States, including Florida, also may seek to repeal or alter bond cap statutes through legislation. Although we cannot predict the outcome of such challenges, it is possible that our consolidated results of operations, cash flows or financial position could be materially affected in a particular fiscal quarter or fiscal year by an unfavorable outcome of one or more such challenges.

We record provisions in our condensed consolidated financial statements for pending litigation when we determine that an unfavorable outcome is probable and the amount of the loss can be reasonably estimated. At the present time, while it is reasonably possible that an unfavorable outcome in a case may occur, except to the extent discussed elsewhere in this Note 14. *Contingencies*: (i) management has concluded that it is not probable that a loss has been incurred in any of the pending cases; (ii) management is unable to estimate the possible loss or range of loss that could result from an unfavorable outcome in any of the pending cases; and (iii) accordingly, management has not provided any amounts in our condensed consolidated financial statements for unfavorable outcomes, if any. Litigation defense costs are expensed as incurred.

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

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

	For the Six Months Ended June 30,		For the Three Months Ended June 30,	
(in millions)	**2025**	**2024**	**2025**	**2024**
Accrued liability for tobacco and health and certain other litigation items at beginning of period	**$ 96**	$ 346	**$ 118**	$ 364
Pre-tax charges for:				
Tobacco and health and certain other litigation (1)	**40**	38	**4**	20
Shareholder derivative lawsuits (2)	**—**	—	**—**	—
JUUL-related settlements (3)	**1**	30	**1**	24
Related interest costs	**4**	—	**—**	—
Payments	**(46)**	(263)	**(28)**	(257)
Accrued liability for tobacco and health and certain other litigation items at end of period	**$ 95**	$ 151	**$ 95**	$ 151

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

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

(3) Includes the settlement of certain e-vapor product litigation relating to JUUL e-vapor products. See *E-vapor Product Litigation* below for a discussion of these settlements.

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

Since October 2004, PM USA has paid judgments and settlements (including related costs and fees) totaling approximately $1.1 billion and interest totaling approximately $246 million as of June 30, 2025. These amounts include payments for *Engle* progeny judgments (and related costs and fees) totaling approximately $452 million and related interest totaling approximately $62 million.

Security for Judgments: To obtain stays of judgments pending appeal, PM USA has posted various forms of security. As of June 30, 2025, PM USA has posted appeal bonds totaling approximately $24 million, which have been collateralized with restricted cash and are included in assets on our condensed consolidated balance sheets.

Overview of Tobacco-Related Litigation

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

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

	July 28, 2025	July 29, 2024	July 27, 2023
Individual Smoking and Health Cases (1)	**195**	177	171
Health Care Cost Recovery Actions (2)	**1**	1	1
E-vapor Cases(3)	**24**	81	5,326
Other Tobacco-Related Cases (4)	**3**	3	3

(1) Includes as of July 28, 2025, 30 cases filed in Illinois, 16 cases filed in New Mexico, 90 cases filed in Massachusetts, 14 cases filed in Oregon, six cases filed in Hawaii and 15 non-*Engle* cases filed in Florida. Does not include individual smoking and health cases brought by or on behalf of plaintiffs in Florida state and federal courts following the decertification of the *Engle* class (these *Engle* progeny cases are discussed below in *Smoking and Health Litigation - Engle Progeny Cases*). Also does not include three *Broin* cases pending as of July 28, 2025. For further discussion of the *Broin* cases, see *Other Smoking and Health Class Actions* below.

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

(3) In May 2023, we reached agreement on terms to resolve the majority of the Multidistrict Litigation lawsuits, and, in March 2024, the court granted final approval of the settlement. Pending final dismissal of these cases, as of July 28, 2025, the remaining cases include 20 individual cases that opted out of the settlement, three class action lawsuits pending in Canada and one individual state court case relating to the Multidistrict Litigation. For further discussion of the Multidistrict Litigation settlement, see *E-vapor Product Litigation* below.

(4) Includes as of July28, 2025, 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 July 28, 2025, (i) Altria is named as a defendant in three e-vapor class action lawsuits in Canada; (ii) PM USA is a named defendant in 10 health care cost recovery actions in Canada, eight of which also name Altria as a defendant; and (iii) PM USA and Altria are named as defendants in seven smoking and health class actions filed in various Canadian provinces. See *Guarantees and Other Similar Matters* below for a discussion of the Distribution Agreement (defined below) between Altria and PMI that provides for indemnities for certain liabilities concerning tobacco products.

Tobacco-Related Cases Set for Trial: As of July 28, 2025, one *Engle* progeny case, one individual smoking and health case and no e-vapor cases are set for trial through September 30, 2025. Trial dates are subject to change.

Trial Results: Since January 1999, excluding the *Engle* progeny cases (separately discussed below), verdicts have been returned in 85 tobacco-related cases in which PM USA was a defendant. Verdicts in favor of PM USA and other defendants were returned in 53 of the 85 cases. Of the 32 non-*Engle* progeny cases in which verdicts were returned in favor of plaintiffs, 28 have reached final resolution.

See *Smoking and Health Litigation - Engle Progeny Trial Results* below for a discussion of verdicts in state and federal *Engle* progeny cases involving PM USA as of July 28, 2025.

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 in which verdicts were returned in favor of plaintiff and against PM USA and remain outstanding or cases concluded within the last 12 months where PM USA paid a final judgment. Charts listing certain verdicts for plaintiffs in the *Engle* progeny cases can be found in *Smoking and Health Litigation - Engle Progeny Trial Results* below.

Amaral: In March 2025, a jury in a Massachusetts state court returned a verdict in favor of plaintiff and against PM USA and R.J. Reynolds Tobacco Company ("R.J. Reynolds"), awarding an aggregate of $4 million in compensatory damages against PM USA and R.J. Reynolds and $25 million in punitive damages against PM USA. PM USA has filed post-trial motions challenging the verdict and, if necessary, will appeal.

Taylor: In April 2024, a jury in an Oregon state court returned a verdict in favor of plaintiff and against PM USA, awarding less than $1 million in compensatory damages. The jury found that plaintiff was not entitled to punitive damages. Plaintiff has appealed the judgment, and the appeal remains pending. PM USA filed post-trial motions, which were denied, and PM USA has noticed an appeal from the final judgment and the trial court's denial of the post-trial motions. The parties filed a motion to stay execution pending appeal, and the court has stayed execution of the final judgment pending conclusion of appellate activity.

Ricapor-Hall: In August 2023, a jury in a Hawaii state court returned a verdict in favor of plaintiff and against PM USA, awarding $6 million in compensatory damages and $8 million in punitive damages. In October 2023, the court entered judgment against PM USA for $11 million, having reduced the compensatory damages award to $3 million based on the jury's finding on comparative fault and a set-off against plaintiff's settlements with other defendants. PM USA filed post-trial motions challenging the verdict, which were denied in March 2024. In April 2024, PM USA filed a notice of appeal and a motion to stay execution pending appeal, and the court has stayed execution of the final judgment pending resolution of PM USA's appeal rights. PM USA's appeal remains pending, and plaintiff has noticed a cross-appeal. In April 2025, the Hawaii Supreme Court granted plaintiff's application to transfer the appeal to that Court from the Intermediate Court of Appeals.

Woodley: In February 2023, a jury in a Massachusetts state court returned a verdict in favor of plaintiff and against PM USA, awarding $5 million in compensatory damages. There was no claim for punitive damages. Following the denial of PM USA's post-trial motions, PM USA appealed the judgment to the Appeals Court of Massachusetts, which affirmed the judgment in January 2025. Accordingly, we recorded a pre-tax charge of $5 million and paid the recorded amount in the first quarter of 2025.

Fontaine: In September 2022, a jury in a Massachusetts state court returned a verdict in favor of plaintiff and against PM USA, awarding approximately $8 million in compensatory damages and $1 billion in punitive damages. In September 2023, the court denied PM USA's motion for a new trial and partially granted PM USA's motion for remittitur, reducing the punitive damages award to $56 million. In December 2023, the court entered a final judgment awarding plaintiff $8 million in compensatory damages, $56 million in punitive damages and prejudgment interest. PM USA has noticed an appeal to the Appeals Court of Massachusetts. In May 2025, the Massachusetts Supreme Judicial Court took jurisdiction over the appeal, and the appeal remains pending.

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* Progeny Cases:** *Engle* progeny cases are individual smoking and health lawsuits filed by Florida resident plaintiffs against one or more cigarette manufacturer defendants. The lawsuits arose following the Florida Supreme Court's decertification of the class in *Engle, et. al. v. R.J. Reynolds Tobacco Co., et. al.*, a smoking and health class action lawsuit filed in Florida state court against multiple defendants, including PM USA, in which the jury returned a verdict in favor of the plaintiff class and the trial court assessed punitive damages against the defendants. In July 2006, the Florida Supreme Court mandated that the trial court's punitive damages award be vacated, that the class approved by the trial court be decertified and that members of the decertified class could file individual actions against defendants within one year of issuance of the mandate. Plaintiffs in *Engle* progeny lawsuits are entitled to rely on certain liability findings from the class action lawsuit, substantially reducing each plaintiff's burden of proof. These liability findings stipulate: (i) that smoking causes various diseases; (ii) that nicotine in cigarettes is addictive; (iii) that defendants' cigarettes were defective and unreasonably dangerous; (iv) that defendants concealed or omitted material information not otherwise known or available knowing that the material was false or misleading or failed to disclose a material fact concerning the health effects or addictive nature of smoking; (v) that defendants agreed to 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; (vi) that defendants sold or supplied cigarettes that were defective; and (vii) that defendants were negligent.

Pending *Engl*e 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 July 28, 2025, approximately 81 state court cases were pending against PM USA or Altria asserting individual claims by or on behalf of approximately 97 state court plaintiffs. Because of a number of factors, including docketing delays, duplicated filings and overlapping dismissal orders, these numbers are estimates. Each federal *Engle* progeny case has been resolved.

***Engle* Progeny Trial Results:** As of July 28, 2025, 147 federal and state *Engle* progeny cases involving PM USA have resulted in verdicts. Eighty-eight were returned in favor of plaintiffs, four of which have been reversed post-trial or on appeal and remain pending. Fifty-nine verdicts were returned in favor of PM USA, one of which have been reversed post-trial or on appeal and remain pending. In addition, there have been a number of mistrials, only some of which have resulted in new trials as of July 28, 2025.

Post-trial activity in a case can result in a final resolution that differs from the initial verdict. In many cases, parties have appealed either compensatory or punitive damages awards or both. Courts also have increased and decreased the amounts of compensatory damages juries have awarded, decreased the amounts of punitive damages juries have awarded, declared mistrials and vacated judgments, in whole or in part, with respect to compensatory and punitive damages awards. Initial verdicts have been reversed in whole or in part on appeal or following retrial. Juries have returned verdicts in favor of or against PM USA awarding no damages. In cases where juries returned verdicts against PM USA awarding no damages, some trial courts have decided to award plaintiff damages notwithstanding the verdict. Cases also have been dismissed with or without prejudice before or after a verdict.

The charts below list the verdicts in and post-trial status of certain Engle progeny cases in which verdicts were returned in favor of plaintiffs. The first chart lists cases that are pending as of July 28, 2025 where PM USA has determined an unfavorable outcome is not probable and the amount of loss cannot be reasonably estimated, and the second chart lists cases that have concluded in the past 12 months. 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.

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

Plaintiff	Verdict Date	Defendant(s)	Court	Compensatory Damages[1]	Punitive Damages (PM USA)	Post-Trial Status
Garcia	June 2024	PM USA	Miami-Dade	$2 million	$10 million	Appeals to the Third District Court of Appeal pending.
Chacon	October 2023	PM USA	Miami-Dade	<$1 million	<$1 million	Appeals to the Third District Court of Appeal pending.
Lipp	September 2021	PM USA	Miami-Dade	$15 million	$28 million	Third District Court of Appeal reversed and remanded for a new trial. Plaintiff's motion for rehearing pending.
McCall	March 2019	PM USA	Broward	<$1 million (<$1 million PM USA)	<$1 million	Appeal to the Fourth District Court of Appeal pending.

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

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

Plaintiff	Verdict Date	Defendant(s)	Court	Payment Amount for Damages (if any)
Chadwell	September 2018	PM USA	Miami-Dade	$2 million
Schertzer	April 2022	PM USA and R.J. Reynolds	Miami-Dade	$4 million

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

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

As of July 28, 2025, PM USA and Altria are named as defendants, along with other cigarette manufacturers, in seven class actions filed in the Canadian provinces of Alberta, Manitoba, Nova Scotia, Saskatchewan, British Columbia and Ontario. In Saskatchewan, British Columbia (two separate cases) and Ontario, plaintiffs seek class certification on behalf of individuals who suffer or have suffered from various diseases, including chronic obstructive pulmonary disease, emphysema, heart disease or cancer, after smoking defendants' cigarettes. In the actions filed in Alberta, Manitoba and Nova Scotia, plaintiffs seek certification of classes of all individuals who smoked defendants' cigarettes. In March 2019, all of these class actions were stayed as a result of three Canadian tobacco manufacturers (none of which is related to us) seeking protection under Canada's Companies' Creditors Arrangement Act (which is similar to Chapter 11 bankruptcy in the United States). The companies entered into these proceedings following a Canadian appellate court upholding two smoking and health class action verdicts against those companies totaling approximately CAD $13 billion. See *Guarantees and Other Similar Matters* below for a discussion of the Distribution Agreement between Altria and PMI, which provides for indemnities for certain liabilities concerning tobacco products.

As of July 28, 2025, PM USA is named as a defendant in three cases brought by flight attendants against United States cigarette manufacturers 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 that 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. In July 2024, we reached agreement on terms to resolve approximately 627 individual *Broin* lawsuits. Accordingly, in the second quarter of 2024, we recorded a pre-tax provision of $4 million related to the settlement of these cases, which we paid in the third quarter of 2024.

Health Care Cost Recovery Litigation

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

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

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

Since the beginning of 2008, the Canadian Provinces of British Columbia, New Brunswick, Ontario, Newfoundland and Labrador, Quebec, Alberta, Manitoba, Saskatchewan, Prince Edward Island and Nova Scotia have brought health care reimbursement claims against cigarette manufacturers. PM USA is named as a defendant in the British Columbia and Quebec cases, while both Altria and PM USA are named as defendants in the New Brunswick, Ontario, Newfoundland and Labrador, Alberta, Manitoba, Saskatchewan, Prince Edward Island and Nova Scotia cases. The Nunavut Territory and Northwest Territory have passed legislation permitting similar claims, but lawsuits based on this legislation have not been filed. All of these cases have been stayed pending resolution of proceedings in Canada involving three tobacco manufacturers (none of which are affiliated with us) under the Companies’ Creditors Arrangement Act discussed above. See *Smoking and Health Litigation - Other Smoking and Health Class Actions* above for a discussion of these proceedings. See *Guarantees and Other Similar Matters* below for a discussion of the Distribution Agreement between Altria and PMI that provides for indemnities for certain liabilities concerning tobacco products.

Settlements of Health Care Cost Recovery Litigation: In November 1998, PM USA and certain other tobacco product manufacturers entered into the Master Settlement Agreement (the “MSA”) with 46 states, the District of Columbia and certain United States territories to settle asserted and unasserted health care cost recovery and other claims. PM USA and certain other tobacco product manufacturers had previously entered into agreements to settle similar claims brought by Mississippi, Florida, Texas and Minnesota (together with the MSA, the “State Settlement Agreements”). The State Settlement Agreements require that the original participating manufacturers or “OPMs” (now PM USA, R.J. Reynolds and, with respect to certain brands, ITG Brands, LLC (“ITG”)) make annual payments of approximately $10.4 billion, subject to adjustments for several factors, including inflation, market share and industry volume. The OPMs’ obligation to make quarterly payments settling plaintiffs’ attorneys’ fees, subject to an annual cap of $500 million, on a pro rata basis based on market share, ended in the fourth quarter of 2024. For the six months ended June 30, 2025 and 2024, the aggregate amount recorded in cost of sales with respect to the State Settlement Agreements was approximately $1.5 billion and $1.8 billion, respectively. These amounts include PM USA’s estimate of amounts related to NPM Adjustments discussed below.

Non-Participating Manufacturer (“NPM”) Adjustment Disputes: The “NPM Adjustment” is a reduction in MSA payments made by the OPMs and those manufacturers that are subsequent signatories to the MSA (collectively, the “participating manufacturers” or “PMs”) that applies if the PMs collectively lose at least a specified level of market share to non-participating manufacturers since 1997, subject to certain conditions and defenses. The applicability of this reduction has been subject to certain disputes, some of which have been resolved via settlement, as discussed below.

Settlements of NPM Adjustment Disputes.

- *Multi-State Settlement*. As of December 2024, a total of 39 states and territories have joined the multi-state settlement. Pursuant to this settlement, PM USA has received $1.47 billion since 2014 and expects to receive annual credits applied against PM USA’s MSA payments through 2041.

- *New York Settlement.* In 2015, PM USA entered into a separate NPM Adjustment settlement in which PM USA settled the NPM Adjustment disputes with New York in perpetuity. PM USA has received $646 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 in which PM USA settled the NPM Adjustment disputes with Montana through 2030, resulting in a payment from PM USA to Montana for an immaterial amount.
- *Massachusetts Settlement*. In 2024, PM USA entered into a separate NPM Adjustment settlement in which PM USA settled the NPM Adjustment disputes with Massachusetts through 2011. As a result of this settlement, PM USA will receive $28 million. Accordingly, PM USA recorded $28 million as a reduction in costs of sales in the third quarter of 2024.

Continuing NPM Adjustment Disputes with States That Have Not Settled.

- *2004 NPM Adjustment.* The PMs and the nine states that had not settled the NPM Adjustment disputes for 2004 participated in a multi-state arbitration. Iowa subsequently joined the multistate settlement in August 2023. The arbitration panel found three of the remaining eight states that have not settled the NPM Adjustment disputes, Washington, Missouri and New Mexico, were not diligent in the enforcement of their escrow statutes in 2004, and PM USA received approximately $52 million on account of the 2004 NPM Adjustment as a credit against its April 2023 MSA payment. Washington, Missouri and New Mexico have challenged those determinations in their respective state courts, and several issues remain to be resolved by the state trial and appellate courts that may affect the final amount of the 2004 NPM adjustment PM USA and other PMs will receive.
- *2005-2007 NPM Adjustments.* The PMs and the six 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 through 2007, for five of the six states, and one year, 2005, for one state. As of July 28, 2025, the arbitration panel had issued decisions for Maryland, Washington, Wisconsin and Ohio, finding Maryland, Wisconsin and Ohio diligent for all three years and Washington not diligent for all three years. Washington challenged that determination in Washington state court, and the challenge was denied by the trial court. Washington has appealed that denial, and the appeal remains pending. PM USA recorded $35 million in the fourth quarter of 2023 for its estimate of the minimum amount of the 2005 through 2007 NPM Adjustment it will receive.
- *Subsequent Years.* No assurance can be given as to when proceedings for 2008 and subsequent years will be scheduled or the precise form those proceedings will take.

Other Disputes under the State Settlement Agreements: The payment obligations of the tobacco product manufacturers that are parties to the State Settlement Agreements, as well as the allocations of any NPM Adjustments and related settlements, have been and may continue to be affected by R.J. Reynolds's acquisition of Lorillard Tobacco Company in 2015 and its related sale of certain cigarette brands to ITG (the "ITG transferred brands"). PM USA continues to dispute how the ITG transferred brands are treated in allocating the NPM Adjustments and profit adjustments under the State Settlement Agreements.

In December 2019, the State of Mississippi filed a motion in Mississippi state court seeking to enforce the Mississippi State Settlement Agreement against PM USA, R.J. Reynolds and ITG concerning the tax rates used in the annual calculation of the net operating profit adjustment payments starting in 2018. The Mississippi state court held a hearing in October 2021 and issued a decision in June 2022 granting the State's motion. PM USA appealed the court's decision in June 2024. In September 2024, PM USA and Mississippi settled their dispute over the profit adjustment payments. Pursuant to the settlement, PM USA paid $7 million to Mississippi for 2018 through 2023. Accordingly, PM USA recorded $5 million of expense to cost of sales and $2 million of interest expense in the third quarter of 2024.

In May 2023, PM USA and R.J. Reynolds filed a motion in the U.S. District Court for the Eastern District of Texas seeking to enforce the Texas State Settlement Agreement against the State of Texas concerning the same tax rate issue raised by the State of Mississippi. The State of Texas filed a cross-motion to enforce, and the court found in favor of the State of Texas. In March 2025, the court issued a final order in the matter, finding that PM USA owes $31 million to the State of Texas, plus pre- and post-judgment interest. PM USA has appealed, and the appeal remains pending.

In July 2024, the State of Minnesota filed a motion in Minnesota state court seeking to enforce the Minnesota State Settlement Agreement against PM USA, R.J. Reynolds and ITG concerning the same state tax issues raised by Mississippi and Texas. The court found in favor of the State of Minnesota. As of July 28, 2025, the court had not made a determination on damages. PM USA intends to appeal.

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

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

Corrective statements appeared in newspapers and on television for four months and one year, respectively, beginning in the fourth quarter of 2017, and the onserts appeared for two weeks at a time for a total of twelve weeks over two years beginning in the fourth quarter of 2018. Corrective statements have appeared on websites since the second quarter of 2018. In December 2022, the district court entered a consent order approving a settlement with respect to corrective statements on point-of-sale signage, which appeared through June 2025. In addition to the $28 million of provisions recorded in 2022, we recorded in the first quarter of 2024 provisions of $15 million for estimated costs of implementing the corrective statements on point-of-sale signage remedy.

E-vapor Product Litigation

We have been named as defendants in federal class action lawsuits, individual lawsuits and “third party” lawsuits relating to JUUL e-vapor products, which include school districts, state and local governments and tribal and healthcare organization lawsuits. We refer to this litigation in the United States collectively as the “Multidistrict Litigation.” The theories of recovery in the Multidistrict Litigation include violation of RICO, fraud, failure to warn, design defect, negligence, public nuisance and unfair trade practices. Plaintiffs seek various remedies, including compensatory and punitive damages, restitution or remediation (for plaintiffs that are government entities) and an injunction prohibiting product sales. We also have been named as defendants in a group of cases pending in a consolidated California state court proceeding.

In May 2023, we reached agreement on terms to resolve the majority of the Multidistrict Litigation lawsuits as well as the majority of the group of cases pending in the consolidated California state court proceeding for $235 million, for which amount we recorded a pre-tax provision in the second quarter of 2023. In March 2024, the court granted final approval of the class action settlement, and we paid the settlement amount in the second quarter of 2024. The settlement applies to all of the Multidistrict Litigation except 11 individual cases that opted out of the settlement, all of the consolidated California cases except nine individual cases that opted out of the settlement and 38 “third party” cases brought by Native American tribes. We separately agreed to settle the cases brought by Native American tribes in July 2024, and these cases have been dismissed. We recorded a pre-tax provision for $20 million in the second quarter of 2024 related to the Native American tribes settlement and paid the settlement amount in October 2024. Neither settlement applies to three class action lawsuits pending in Canada or 17 putative class action antitrust lawsuits. For a description of the antitrust cases not subject to the settlement, see *Antitrust Litigation* below.

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

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

Also in June 2023, the same plaintiffs filed a related action against the same defendants with the ITC. There, the plaintiffs also allege patent infringement, but the remedies sought include an exclusion order that would prohibit the importation of *NJOY ACE* into the United States. No damages are recoverable in the proceedings before the ITC. A hearing before the Administrative Law Judge (“ALJ”) was held in May 2024, and, in August 2024, the ALJ issued an initial determination supporting the plaintiffs’ allegations with respect to four patents and recommending an exclusion order. In September 2024, NJOY petitioned the ITC to review the ALJ’s initial determination. In October 2024, the ITC granted review of the ALJ’s initial determination with respect to aspects of two of the four patents. In January 2025, the ITC issued its final determination finding that *NJOY ACE* infringes the four patents plaintiff asserted and issued an exclusion order and cease-and-desist orders prohibiting the importation and sale of *NJOY ACE* in the United States. The ITC sent its orders to the Office of the United

States Trade Representative, which had 60 days to review the ITC's determination. The orders became effective on March 31, 2025 after the 60-day review period ended without the United States Trade Representative taking action. The final exclusion order and cease-and-desist orders prohibiting the importation and sale of *NJOY ACE* will remain in effect during the pendency of the appeal. In February 2025, we filed a motion for reconsideration of the ITC's determination finding that *NJOY ACE* infringes the four patents plaintiff asserted, asking the ITC to reverse its determination that *NJOY ACE* infringes one of the four patents. The ITC denied the motion in April 2025. We have appealed the final exclusion order and cease-and-desist orders to the U.S. Court of Appeals for the Federal Circuit.

In November and December 2023 and February 2024, Altria and our affiliates filed petitions with the U.S. Patent Office Patent Trial and Appeal Board ("PTAB") challenging the validity of the patents underlying JUUL and VMR's patent infringement claims. In May, June and August 2024, the PTAB denied Altria's requests to institute review as to four patents (including three of the patents that form the basis of the ITC's final determination) and, in June 2024, granted Altria's request to institute review as to one of the patents that forms the basis of the ITC's final determination. In June 2025, the PTAB issued its decision concluding that the patent it reviewed was valid. Appeals may be filed with the U.S. Court of Appeals for the Federal Circuit.

In August 2023, NJOY filed a complaint against JUUL in the U.S. District Court for the District of Delaware asserting claims of patent infringement based on the sale of certain JUUL e-vapor products, including the currently marketed *JUUL* device and *JUULpods*, in the United States. The lawsuit is currently stayed. However, as discussed below, we have moved to lift the stay.

Also in August 2023, NJOY filed a related action against JUUL with the ITC alleging patent infringement and seeking a ban on the importation and sale of the same JUUL products in the United States. A hearing before the ALJ was held in June 2024. In December 2024, the ALJ issued an initial determination concluding that, while the patents NJOY asserted against JUUL are valid, JUUL products do not infringe the patents. The ALJ also determined that, with respect to the asserted patents, NJOY did not satisfy the "domestic industry" requirement, which requires the party asserting a patent to show significant and substantial domestic investments, such as investments related to engineering, research and development or licensing, designed to exploit the patent. Subsequently, in December 2024, NJOY petitioned the ITC to review the ALJ's initial determination. In March 2025, the ITC granted in part NJOY's petition to review the ALJ's initial determination. On review, the ITC affirmed the ALJ's initial determination that the JUUL products do not infringe the asserted patents and terminated the investigation. In May 2025, we appealed the ITC's final determination to the U.S. Court of Appeals for the Federal Circuit. Subsequently, in July 2025, we voluntarily dismissed the appeal and moved to lift the stay on NJOY's lawsuit against JUUL in the U.S. District Court for the District of Delaware (discussed above).

In November 2023, JUUL filed petitions with the PTAB challenging the validity of the patents underlying NJOY's patent infringement claims. In May 2024, the PTAB agreed to review JUUL's challenge to both of the NJOY patents asserted against JUUL. In May 2025, the PTAB issued its decision concluding that the patents it reviewed were valid. The deadline to appeal the PTAB's decision has passed, and JUUL did not appeal.

We, JUUL and VMR previously engaged with a mediator to attempt to negotiate a resolution of the proceedings pending before the ITC, U.S. District Courts and the PTAB. The parties also have engaged in negotiations without a mediator. Based on the status of the negotiations and the proceedings before the ITC, U.S. District Courts, the PTAB and the U.S. Court of Appeals for the Federal Circuit, we have determined that a loss with respect to a negotiated resolution of such proceedings is not probable or reasonably estimable as of the date of this filing.

***IQOS* Litigation**

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

PM USA, ALCS and Philip Morris Products S.A. filed counterclaims against plaintiffs in the Eastern District of Virginia lawsuit alleging patent infringement by R.J. Reynolds' e-vapor products. In June 2022, PM USA and ALCS reached an agreement with R.J. Reynolds resulting in dismissal of their counterclaims. In addition, ALCS filed a separate lawsuit against R.J. Reynolds in the U.S. District Court for the Middle District of North Carolina also alleging patent infringement by R.J. Reynolds' e-vapor products. In September 2022, a jury awarded ALCS $95 million in damages for past infringement, plus supplemental damages and interest. In January 2023, the court ordered R.J. Reynolds to pay ALCS a 5.25% royalty on future sales of its infringing product resulting in positive net income through the expiration of the relevant patents in 2035. R.J. Reynolds filed a notice of appeal of the judgment to the U.S. Court of Appeals for the Federal Circuit, which affirmed the judgment in December 2024. In July 2024, R.J. Reynolds moved the district court to vacate the judgment, including the damages awards and ongoing royalties, on the grounds that R.J. Reynolds obtained a sub-license to the asserted patents from JUUL in December 2023. In December 2024, the district court denied the motion as to the damages award and royalties due through December 2023. The district court also found that additional proceedings were warranted on the part of the motion regarding royalties after R.J. Reynolds obtained the sub-license. The district court has set an evidentiary hearing for February 2026. As gains related to this lawsuit have not yet been determined to be realized or realizable in accordance with GAAP, they have not been recognized in our condensed consolidated financial statements.

Antitrust Litigation

In March 2023, we entered into a stock transfer agreement with JUUL pursuant to which, among other things, we transferred to JUUL all of our beneficially owned JUUL equity securities.

As of July 28, 2025, 17 putative class action lawsuits have been filed against Altria and JUUL in the U.S. District Court for the Northern District of California. 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, allege that Altria and JUUL violated Sections 1, 2 and/or 3 of the Sherman Antitrust Act of 1890 and Section 7 of the Clayton Antitrust Act and various state antitrust, consumer protection and unjust enrichment laws by restraining trade and/or substantially lessening competition in the U.S. closed-system electronic cigarette market. Plaintiffs seek various remedies, including treble damages, attorneys' fees, a declaration that the agreements between Altria and JUUL are invalid and rescission of the transaction. In February 2024, the court ordered that certain of the direct-purchaser plaintiffs' claims against JUUL be sent to arbitration pursuant to an arbitration provision in JUUL's online purchase agreement and dismissed without prejudice the direct-purchaser plaintiffs' claims for injunctive relief. In April 2025, plaintiffs voluntarily dismissed all monopolization claims and all claims against the Altria defendants under California's Unfair Competition Law. The trial with respect to the remaining claims in the consolidated lawsuits is set to commence in May 2026.

Federal and State Shareholder Derivative Lawsuits

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

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

Certain Other Tobacco-Related Litigation

***"Lights/Ultra Lights" Cases and Other Smoking and Health Class Actions*:** Plaintiffs have sought certification of their cases as class actions, alleging among other things, that the uses of the terms "Lights" and/or "Ultra Lights" constitute deceptive and unfair trade practices, common law or statutory fraud, unjust enrichment or breach of warranty, and have sought injunctive and equitable relief, including restitution and, in certain cases, punitive damages. These class actions have been brought against PM USA and, in certain instances, Altria or our other subsidiaries, on behalf of individuals who purchased and consumed various brands of cigarettes. Defenses raised in these cases include lack of misrepresentation, lack of causation, injury and damages, the statute of limitations, non-liability under state statutory provisions exempting conduct that complies with federal regulatory directives, and the First Amendment. Twenty-one state courts in 23 "Lights" cases have refused to certify class actions, dismissed class action allegations, reversed prior class certification decisions or have entered judgment in favor of PM USA. As of July 28, 2025, two "Lights/Ultra Lights" class actions are pending in U.S. state courts. Neither case is active.

As of July 28, 2025, one smoking and health case alleging personal injury or seeking court-supervised programs or an ongoing medical monitoring program on behalf of individuals exposed to ETS and purporting to be brought on behalf of a class of individual plaintiffs, is pending in a U.S. state court. The case is currently inactive.

***UST Litigation*:** UST and/or its tobacco subsidiaries have been named in a number of individual tobacco and health lawsuits over time. Plaintiffs' allegations of liability in these cases have been based on various theories of recovery, such as negligence, strict liability, fraud, misrepresentation, design defect, failure to warn, breach of implied warranty, addiction and breach of consumer protection statutes. Plaintiffs have typically sought various forms of relief, including compensatory and punitive damages, and certain equitable relief, including disgorgement. Defenses raised in these cases have included lack of causation, assumption of the risk, comparative fault and/or contributory negligence, and statutes of limitations. As of July 28, 2025, there is no such case pending against UST and/or its tobacco subsidiaries.

Environmental Regulation

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

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

Guarantees and Other Similar Matters

In the ordinary course of business, we have agreed to indemnify a limited number of third parties in the event of future litigation. At June 30, 2025, we (i) had $43 million of unused letters of credit obtained in the ordinary course of business and (ii) were contingently liable for guarantees related to our own performance, including $90 million for surety bonds. In addition, from time to time, we issue lines of credit to affiliated entities. These items have not had, and are not expected to have, a significant impact on our liquidity.

Under the terms of a distribution agreement between Altria and PMI ("Distribution Agreement"), entered into as a result of our 2008 spin-off of our former subsidiary PMI, liabilities concerning tobacco products will be allocated based in substantial part on the manufacturer. PMI will indemnify Altria and PM USA for liabilities related to tobacco products manufactured by PMI or contract manufactured for PMI by PM USA, and PM USA will indemnify PMI for liabilities related to tobacco products manufactured by PM USA, excluding tobacco products contract manufactured for PMI. We do not have a related liability recorded on our condensed consolidated balance sheet at June 30, 2025 as the fair value of this indemnification is insignificant. PMI has agreed not to seek indemnification with respect to the active *IQOS* System patent litigation discussed above under *IQOS Litigation*.

As part of the supplier financing program, Altria guarantees the financial obligations of ALCS under the financing program agreement.

PM USA guarantees our obligations under our outstanding debt securities, any borrowings under our $3.0 billion Credit Agreement and any amounts outstanding under our commercial paper program.

Note 15. New Accounting Guidance Not Yet Adopted

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

Standards	Description	Effective Date for Public Entity	Effect on Financial Statements
ASU No. 2023-09 *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*	The guidance will require additional income tax disclosures, primarily related to the rate reconciliation and income taxes paid information.	The guidance is effective for fiscal years beginning after December 15, 2024.	The guidance will result in expanded disclosures beginning in our annual consolidated financial statements for the year ending December 31, 2025, which we plan to adopt retrospectively.
ASU Nos. 2024-03 and 2025-01 *Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*	The guidance will require additional disclosures about specific types of expenses included in the expense captions presented on the face of the income statement as well as disclosures about selling expenses.	The guidance is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027.	We are in the process of evaluating the impact of this guidance on our disclosures.

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

The following discussion should be read in conjunction with the other sections in this Quarterly Report on Form 10-Q ("Form 10-Q"), including our condensed consolidated financial statements and related notes contained in Item 1. Financial Statements of this Form 10-Q ("Item 1"). When used in this Form 10-Q, the terms "Altria," "we," "us" and "our" refer to either (i)

Altria Group, Inc. and its consolidated subsidiaries or (ii) Altria Group, Inc. only and not its consolidated subsidiaries, as appropriate in the context.

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

Executive Summary

Our Business

We have a leading portfolio of tobacco products for U.S. tobacco consumers age 21+. We are *Moving Beyond Smoking*™, by responsibly transitioning adult smokers to a smoke-free future, competing vigorously for existing smoke-free adult nicotine consumers and exploring new growth opportunities - beyond the United States and beyond nicotine ("Vision"). We previously established our 2028 Enterprise Goals ("2028 Goals") to provide our investors with specific metrics to measure our progress as we execute on our Vision. For further discussion of our 2028 Goals, see our Annual Report on Form 10-K for the year ended December 31, 2024 ("2024 Form 10-K").

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

In smoke-free products, we own U.S. Smokeless Tobacco Company LLC ("USSTC"), the leading global moist smokeless tobacco ("MST") manufacturer, Helix Innovations LLC ("Helix"), a leading manufacturer of oral nicotine pouches, and NJOY, LLC ("NJOY"), a manufacturer of tobacco and menthol e-vapor products covered by marketing granted orders ("MGO") from the U.S. Food and Drug Administration ("FDA"). Additionally, we have a majority-owned joint venture, Horizon Innovations LLC ("Horizon"), for the U.S. marketing and commercialization of heated tobacco stick products. As of this Form 10-Q, Horizon had no products in the U.S. marketplace.

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

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

Trends and Developments

In this section of MD&A, we discuss certain factors that have impacted our businesses as of the date of this Form 10-Q. In addition, we are aware of and address certain trends and developments that could, individually or in the aggregate, have a material impact on our businesses, including the value of our investments in equity securities, in the future. In this section, we focus on the discretionary income pressures on adult tobacco consumers, illicit flavored disposable e-vapor products, tariffs and evolving consumer preferences. Other trends and developments are discussed elsewhere in this MD&A.

During the first half of 2025, U.S. adult tobacco consumers continued to face pressure on discretionary income due to the cumulative effects of inflation, particularly impacting lower income consumers. Although the inflation rate during this period saw marginal decreases in line with most economists' forecast, it remained above the Federal Reserve's target of 2%. Persistent high prices for essentials such as groceries and housing continued to constrain consumer spending. While gas prices declined compared to the prior year, the average price of gas remained above $3.00 per gallon. Additionally, tariffs introduced in April of 2025 remained at historically high levels. Ongoing trade negotiations, along with potential inflation and unemployment concerns, have weighed on consumer confidence creating a likelihood of continued headwinds for discretionary spending. While we have not seen a material impact on adult tobacco consumer purchasing behavior as a result of tariffs and tariff speculation, we continue to monitor the additional pressure that tariff-related price increases may have. In addition, we are monitoring other effects of tariffs on our businesses, including the price, availability and quality of raw materials and ingredients, and component parts for production. While we expect higher tariffs to impact our costs in 2025, we do not expect the impact to be material based on presently available information on tariffs.

Overall discretionary income pressures on adult tobacco consumers have resulted in increased discount brand share performance and evolving adult tobacco consumer preferences, each of which have negatively impacted the sales volumes of our companies' premium brands. For the second quarter of 2025, the discount share of the cigarette category reached 31.2%, an increase of 1.9 share points versus the second quarter of 2024. Additionally, we believe that a significant number of adult tobacco consumers switch among tobacco categories, use multiple forms of tobacco products and try innovative tobacco products, such as e-vapor products and oral nicotine pouches. We estimate that, when adjusted for calendar differences, trade inventory movements and other factors, total estimated domestic cigarette industry volume declined by 8.5% in the second quarter of 2025 versus the second quarter of 2024. In addition, the U.S. nicotine pouch category continued to grow throughout the second quarter of 2025 to 52.0% of the U.S. oral tobacco category, an increase of 10.0 share points versus the second quarter of 2024. As innovative smoke-free products evolve to better address the preferences of adult tobacco consumers, these consumers continue to transition from cigarettes and MST products to innovative smoke-free tobacco products, which has negatively impacted the sales volumes of our companies' cigarette and MST products.

Product assortment, regulation and enforcement continue to evolve in the e-vapor category. Flavored disposable e-vapor products have continued driving growth in the e-vapor category. We estimate that flavored disposable e-vapor products, the majority of which we believe have evaded the regulatory process, represent more than 60% of the e-vapor category. In response to the proliferation of illicit flavored disposable e-vapor products, states and the federal government have taken various regulatory and enforcement actions. For example, the FDA and Customs and Border Protection have made it more difficult to import properly declared illicit e-vapor products, seized unauthorized vapor products and issued warning letters to importers. However, although the FDA, in conjunction with other federal entities, has increased enforcement activity, insufficient actions against manufacturers, distributors and retailers of tobacco products requiring FDA review for which no pre-market tobacco product applications ("PMTA") have been submitted have allowed such products to continue to proliferate in the market.

Additionally, we continue to see increased illicit activity across multiple tobacco categories, including nicotine pouch products and cigarettes. Throughout 2024 and the first half of 2025, various synthetic oral nicotine pouch products emerged in traditional tobacco retailers. We continue to track the overall dynamics across multiple tobacco categories as well as competitive threats to our brands.

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

The trends and developments above have not had a material adverse impact on our results of operations, cash flows or financial position or our ability to achieve our Vision. As the trends and developments evolve and new ones emerge, we will continue to evaluate the potential impacts on our businesses and Vision.

Consolidated Results of Operations for the Six Months Ended June 30, 2025

The changes in net earnings and diluted EPS for the six months ended June 30, 2025, from the six months ended June 30, 2024, were due primarily to the following:

(in millions, except per share data)	**Net Earnings**	**Diluted EPS**
For the six months ended June 30, 2024	$ 5,932	$ 3.41
2024 NPM Adjustment Items	(5)	—
2024 Acquisition and disposition-related items	(1,882)	(1.09)
2024 Asset impairment, exit and implementation costs	264	0.15
2024 Tobacco and health and certain other litigation items	52	0.03
2024 Amortization of intangibles	54	0.03
2024 ABI-related special items	(48)	(0.02)
2024 Cronos-related special items	19	0.01
2024 Income tax items	(52)	(0.03)
Subtotal 2024 special items [(1)]	(1,598)	(0.92)
2025 Acquisition and disposition-related items	**(77)**	**(0.05)**
2025 Asset impairment, exit and implementation costs	**(896)**	**(0.53)**
2025 Tobacco and health and certain other litigation items	**(34)**	**(0.02)**
2025 Amortization of intangibles	**(62)**	**(0.04)**
2025 ABI-related special items	**(1)**	**—**
2025 Cronos-related special items	**16**	**0.01**
2025 Income tax items	**(13)**	**—**
Subtotal 2025 special items	**(1,067)**	**(0.63)**
Fewer shares outstanding	**—**	**0.08**
Change in tax rate	**60**	**0.03**
Operations	**128**	**0.07**
For the six months ended June 30, 2025	**$ 3,455**	**$ 2.04**
2025 Reported Net Earnings and Reported Diluted EPS	**$ 3,455**	**$ 2.04**
2024 Reported Net Earnings and Reported Diluted EPS	$ 5,932	$ 3.41
% Change	**(41.8)%**	**(40.2)%**
2025 Adjusted Net Earnings and Adjusted Diluted EPS	**$ 4,522**	**$ 2.67**
2024 Adjusted Net Earnings and Adjusted Diluted EPS	$ 4,334	$ 2.49
% Change	**4.3 %**	**7.2 %**

[(1)] Prior period amounts have been recast to conform with current period presentation for amortization of intangibles, which we did not previously identify as a special item and we now exclude from our adjusted financial measures. See *Non-GAAP Financial Measures* below.

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

- **Fewer Shares Outstanding:** Fewer shares outstanding were due to shares we repurchased under our share repurchase programs.
- **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 lower state tax expense.
- **Operations:** The increase of $128 million in operations (which excludes the impact of special items shown in the table above) was due primarily to higher OCI, partially offset by lower income from our equity investment in ABI and higher interest and other debt expense, net.

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

Consolidated Results of Operations for the Three Months Ended June 30, 2025

The changes in net earnings and diluted EPS for the three months ended June 30, 2025, from the three months ended June 30, 2024, were due primarily to the following:

(in millions, except per share data)	Net Earnings	Diluted EPS
For the three months ended June 30, 2024	$ 3,803	$ 2.21
2024 Acquisition and disposition-related items	(1,882)	(1.09)
2024 Asset impairment, exit and implementation costs	264	0.15
2024 Tobacco and health and certain other litigation items	33	0.02
2024 Amortization of intangibles	30	0.02
2024 ABI-related special items	19	0.01
2024 Cronos-related special items	2	—
2024 Income tax items	19	0.01
Subtotal 2024 special items [(1)]	(1,515)	(0.88)
2025 Acquisition and disposition-related items	**$ (12)**	**$ (0.01)**
2025 Asset impairment, exit and implementation costs	**(12)**	**(0.01)**
2025 Tobacco and health and certain other litigation items	**(4)**	**—**
2025 Amortization of intangibles	**(31)**	**(0.02)**
2025 ABI-related special items	**16**	**0.01**
2025 Cronos-related special items	**(2)**	**—**
2025 Income tax items	**(10)**	**—**
Subtotal 2025 special items	**(55)**	**(0.03)**
Fewer shares outstanding	**—**	**0.03**
Change in tax rate	**28**	**0.01**
Operations	**117**	**0.07**
For the three months ended June 30, 2025	**$ 2,378**	**$ 1.41**
2025 Reported Net Earnings and Reported Diluted EPS	**$ 2,378**	**$ 1.41**
2024 Reported Net Earnings and Reported Diluted EPS	$ 3,803	$ 2.21
% Change	**(37.5)%**	**(36.2)%**
2025 Adjusted Net Earnings and Adjusted Diluted EPS	**$ 2,433**	**$ 1.44**
2024 Adjusted Net Earnings and Adjusted Diluted EPS	$ 2,288	$ 1.33
% Change	**6.3 %**	**8.3 %**

(1) Prior period amounts have been recast to conform with current period presentation for amortization of intangibles, which we did not previously identify as a special item and we now exclude from our adjusted financial measures. See *Non-GAAP Financial Measures* below.

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

- **Fewer Shares Outstanding:** Fewer shares outstanding were due to shares we repurchased under our share repurchase programs.
- **Operations:** The increase of $117 million in operations (which excludes the impact of special items shown in the table above) was due primarily to higher OCI, partially offset by lower income from our equity investment in ABI and higher interest and other debt expense, net.

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

Non-GAAP Financial Measures

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

Beginning in the first quarter of 2025, we changed our treatment of our amortization of intangibles that we previously included in our adjusted results, including adjusted net earnings and adjusted diluted EPS, and now treat this expense as a special item and exclude it from our adjusted results. Amortization of intangibles is significantly impacted by the timing, frequency and size of acquisitions, each with unique facts and circumstances, which could result in amortization charges that could be inconsistent in size and timing. Net revenues generated from these definite-lived intangible assets during the periods presented, if applicable, are included in our adjusted financial measures.

Our management believes that the foregoing financial measures provide useful additional insight into underlying business trends and results, and provide a more meaningful comparison of year-over-year results. Our management uses these financial measures and regularly provides these to our chief operating decision maker (“CODM”) for planning, forecasting and evaluating business and financial performance, including allocating capital and other resources and evaluating results relative to employee compensation targets. The foregoing financial measures are not required by, or calculated in accordance with GAAP and may not be calculated the same as similarly titled measures used by other companies. The foregoing financial measures should thus be considered as supplemental in nature and not considered in isolation or as a substitute for the related financial information prepared in accordance with GAAP. When we provide a non-GAAP measure in this Form 10-Q, we also provide a reconciliation of that non-GAAP financial measure to the most directly comparable GAAP financial measure.

Discussion and Analysis

Our critical accounting policies and estimates are discussed in our 2024 Form 10-K; there have been no updates to these critical accounting estimates, except as noted below.

Critical Accounting Estimates

Goodwill and Other Intangible Assets Impairment Testing

We conduct a required annual review of goodwill and indefinite-lived intangible assets for potential impairment, and more frequently if an event occurs or circumstances change that would require an interim quantitative impairment assessment. There have been no events or changes in circumstances that indicate an interim quantitative impairment assessment was required for the three months ended June 30, 2025. We will perform our annual impairment testing during the fourth quarter of 2025.

E-Vapor Reporting Unit Goodwill

At December 31, 2024, the estimated fair value of the e-vapor reporting unit exceeded its carrying value by approximately 28% ($0.3 billion). As further discussed in Note 4. *Goodwill and Other Intangible Assets, net* to our condensed consolidated financial statements in Item 1 (“Note 4”), we determined the estimated fair value of the e-vapor reporting unit as of March 31, 2025 was below its carrying value and recorded a non-cash goodwill impairment of $873 million for the three months ended March 31, 2025 in our condensed consolidated statements of earnings. As of March 31, 2025, after recording the goodwill impairment, the carrying value of goodwill within the e-vapor reporting unit was $895 million. In addition, the carrying value of the e-vapor reporting unit’s net assets (including the effect of intercompany debt), which was negative, approximated its estimated fair value.

At March 31, 2025, we used an income approach to estimate the fair value of the e-vapor reporting unit. Due to the uncertainties discussed below, our discounted cash flows are based on a range of scenarios that consider certain potential regulatory and market outcomes. In performing the discounted cash flow analysis, we made various judgments, estimates and assumptions, the most significant of which were volume, revenue, income, operating margins, perpetual growth rate and discount rates. The discount rates used in performing the valuation ranged from 12.0% to 15.0%.

Additionally, in determining these significant assumptions, we made judgments regarding our expectations for the future state of the e-vapor category and NJOY’s business, including the (i) timing and extent of effective enforcement against illicit flavored disposable e-vapor products; (ii) timing and likelihood of regulatory authorizations of e-vapor products, including of NJOY’s products; (iii) timing of the commercialization of NJOY e-vapor products in the United States; (iv) long-term growth of the e-vapor category; and (v) conversion rates of illicit flavored disposable e-vapor consumers to lawful e-vapor products and, specifically, NJOY’s e-vapor products. Fair value calculations are sensitive to changes in these estimates and assumptions, some of which relate to broader macroeconomic conditions and governmental actions outside of our control.

Although our discounted cash flow analyses are based on assumptions that we consider reasonable using the best available information as of March 31, 2025, we used significant judgment in determining future cash flows. In addition to the judgments discussed above, the following factors also have the potential to impact our assumptions and, therefore, our impairment conclusions: general macroeconomic conditions; governmental actions, including FDA regulatory actions and inaction; changes in the e-vapor category growth (decline) rates as a result of changing adult tobacco consumer preferences; success of planned new product extensions; competitive activity; unfavorable outcomes with respect to litigation proceedings, including actions brought against us alleging patent infringement; and income and excise taxes. For further discussion of these factors, see *Operating Results by Business Segment - Business Environment* below.

Our management believes that the estimated fair value of the e-vapor reporting unit at March 31, 2025 remains reasonable and no events or circumstances exist indicating an impairment for the three months ended June 30, 2025. If the assumptions or judgments regarding the expectations for the future state of the e-vapor category and NJOY's business discussed above fail to materialize as anticipated or if the discount rate used to estimate the fair value increases, we could have additional non-cash impairments of our e-vapor reporting unit goodwill in future periods, which could be material. A hypothetical 1% increase to the discount rate used to estimate the fair value of the e-vapor reporting unit as of March 31, 2025 would have resulted in an additional goodwill impairment charge of approximately $275 million in the first quarter of 2025.

Skoal Trademark Indefinite-Lived Intangible Asset

At December 31, 2024, the estimated fair value of the *Skoal* trademark exceeded its carrying value by approximately 7% ($0.3 billion). MST products, including *Skoal*, continued to be negatively impacted due in part to evolving adult tobacco consumer preferences, which have continued to contribute to reductions in sales volumes for MST products, including *Skoal*. For further discussion, see *Trends and Developments* above and *Operating Results by Business Segment - Business Environment - Summary* below.

If the decline in sales volume for *Skoal* is higher than currently estimated and results in material revenue declines, we believe there may be a material adverse effect on the significant assumptions used in performing our valuation. We believe that the estimated fair value of the *Skoal* trademark at December 31, 2024 remains reasonable and no events or circumstances exist indicating an impairment for the three months ended June 30, 2025. If *Skoal*'s actual revenue and income or long-term outlook are significantly unfavorable compared to forecasted performance used to estimate the fair value or if the discount rate used to estimate the fair value increases, we could have material non-cash impairments of the *Skoal* trademark in future periods. Based on the 2024 annual impairment test, a hypothetical 1% increase to the discount rate used would have resulted in a pre-tax impairment charge to the *Skoal* intangible asset of approximately $85 million.

For further discussion of goodwill and other intangible assets, including the impairments of the e-vapor reporting unit goodwill in the first quarter of 2025 and the *Skoal* trademark in the second quarter of 2024, see Note 4.

Consolidated Operating Results

(in millions)	For the Six Months Ended June 30, 2025	2024	For the Three Months Ended June 30, 2025	2024
Net Revenues:				
Smokeable products	**$ 9,979**	$ 10,401	**$ 5,357**	$ 5,495
Oral tobacco products	**1,407**	1,362	**753**	711
All other	**(25)**	22	**(8)**	3
Net revenues	**$ 11,361**	$ 11,785	**$ 6,102**	$ 6,209
Excise Taxes on Products:				
Smokeable products	**$ 1,502**	$ 1,742	**$ 787**	$ 908
Oral tobacco products	**50**	49	**25**	24
Excise taxes on products	**$ 1,552**	$ 1,791	**$ 812**	$ 932
Operating Income:				
OCI:				
Smokeable products	**$ 5,399**	$ 5,246	**$ 2,930**	$ 2,807
Oral tobacco products	**931**	532	**498**	97
All other	**(1,122)**	(172)	**(108)**	(111)
Amortization of intangibles	**(74)**	(64)	**(37)**	(37)
General corporate expenses	**(116)**	(335)	**(53)**	(223)
Operating income	**$ 5,018**	$ 5,207	**$ 3,230**	$ 2,533

As discussed further in Note 11. *Segment Reporting* to our condensed consolidated financial statements in Item 1 (“Note 11”), our CODM reviews OCI, which is defined as operating income before general corporate expenses and amortization of intangibles, to evaluate the performance of, and allocate resources to, our segments. Our management believes it is appropriate to disclose this measure to help investors analyze our business performance and trends.

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

(in millions of dollars, except per share data)	Earnings before Income Taxes	Provision for Income Taxes	Net Earnings	Diluted EPS
2025 Reported	**$ 4,801**	**$ 1,346**	**$ 3,455**	**$ 2.04**
Acquisition and disposition-related items	**95**	**18**	**77**	**0.05**
Asset impairment, exit and implementation costs	**903**	**7**	**896**	**0.53**
Tobacco and health and certain other litigation items	**45**	**11**	**34**	**0.02**
Amortization of intangibles	**74**	**12**	**62**	**0.04**
ABI-related special items	**2**	**1**	**1**	**—**
Cronos-related special items	**(16)**	**—**	**(16)**	**(0.01)**
Income tax items	**—**	**(13)**	**13**	**—**
2025 Adjusted for Special Items	**$ 5,904**	**$ 1,382**	**$ 4,522**	**$ 2.67**
2024 Reported	$ 7,855	$ 1,923	$ 5,932	$ 3.41
NPM Adjustment Items	(6)	(1)	(5)	—
Acquisition and disposition-related items	(2,557)	(675)	(1,882)	(1.09)
Asset impairment, exit and implementation costs	354	90	264	0.15
Tobacco and health and certain other litigation items	68	16	52	0.03
Amortization of intangibles	64	10	54	0.03
ABI-related special items	(62)	(14)	(48)	(0.02)
Cronos-related special items	20	1	19	0.01
Income tax items	—	52	(52)	(0.03)
2024 Adjusted for Special Items [1]	$ 5,736	$ 1,402	$ 4,334	$ 2.49

[1] Prior period amounts have been recast to conform with current period presentation for amortization of intangibles, which we did not previously identify as a special item and we now exclude from our adjusted financial measures. See *Non-GAAP Financial Measures* above.

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

(in millions of dollars, except per share data)	Earnings before Income Taxes	Provision for Income Taxes	Net Earnings	Diluted EPS
2025 Reported	**$ 3,118**	**$ 740**	**$ 2,378**	**$ 1.41**
Acquisition and disposition-related items	**16**	**4**	**12**	**0.01**
Asset impairment, exit and implementation costs	**15**	**3**	**12**	**0.01**
Tobacco and health and certain other litigation items	**5**	**1**	**4**	**—**
Amortization of intangibles	**37**	**6**	**31**	**0.02**
ABI-related special items	**(19)**	**(3)**	**(16)**	**(0.01)**
Cronos-related special items	**2**	**—**	**2**	**—**
Income tax items	**—**	**(10)**	**10**	**—**
2025 Adjusted for Special Items	**$ 3,174**	**$ 741**	**$ 2,433**	**$ 1.44**
2024 Reported	$ 5,116	$ 1,313	$ 3,803	$ 2.21
Acquisition and disposition-related items	(2,557)	(675)	(1,882)	(1.09)
Asset impairment, exit and implementation costs	354	90	264	0.15
Tobacco and health and certain other litigation items	44	11	33	0.02
Amortization of intangibles	37	7	30	0.02
ABI-related special items	24	5	19	0.01
Cronos-related special items	3	1	2	—
Income tax items	—	(19)	19	0.01
2024 Adjusted for Special Items [(1)]	$ 3,021	$ 733	$ 2,288	$ 1.33

[(1)] Prior period amounts have been recast to conform with current period presentation for amortization of intangibles, which we did not previously identify as a special item and we now exclude from our adjusted financial measures. See *Non-GAAP Financial Measures* above.

The following special items affected the comparability of statements of earnings amounts for the six and three months ended June 30, 2025 and 2024:

- **Acquisition and disposition-related items:** We recorded net pre-tax charges of $70 million and $16 million for the six and three months ended June 30, 2025, respectively, due to expenses related to the U.S International Trade Commission ("ITC") exclusion order and cease-and-desist orders prohibiting the importation and sale of *NJOY ACE* in the United States. These charges are net of insurance recoveries from insurance contracts associated with the acquisition of NJOY Holdings, Inc. ("NJOY Transaction"). For further information on the ITC's determination, see *E-vapor Product Litigation* in Note 14. *Contingencies* to our condensed consolidated financial statements in Item 1 ("Note 14"). We recorded these items as follows:

(in millions)	For the Six Months Ended June 30, 2025	For the Three Months Ended June 30, 2025
Net revenues [(1)]	**$ 42**	**$ 8**
Cost of sales [(1)]	**44**	**7**
Marketing, administration and research costs [(2)]	**(16)**	**1**
Total	**$ 70**	**$ 16**

[(1)] Included in our all other category.

[(2)] Recorded as general corporate expense, net of $25 million in insurance recoveries. In 2024 and 2025, we incurred total costs of $156 million associated with the ITC determination and patent infringement lawsuits related to the NJOY Transaction, which were offset by insurance recoveries of $50 million. These total amounts include $61 million of costs offset by $25 million of insurance recoveries recorded in 2024.

Additionally, we recorded a non-cash, pre-tax charge of $25 million for the six months ended June 30, 2025 for the change in the fair value of the contingent payments associated with the NJOY Transaction. In connection with the June 2024 issuance by the FDA of MGOs for four NJOY menthol e-vapor products, we recorded a pre-tax charge of approximately $140 million for the six and three months ended June 30, 2024 for the change in the fair value of the contingent payments associated with the NJOY Transaction. These charges were recorded as general corporate expense and included in marketing, administration and research costs in our condensed consolidated statements of earnings. For further information, see *Contingent Payments* in Note 7. *Financial Instruments*.

We recorded a pre-tax gain of $2.7 billion upon the assignment of the *IQOS Tobacco Heating System* ("*IQOS* System") commercialization rights to Philip Morris International Inc. in April 2024, for the six and three months ended June 30, 2024.

- **Asset Impairment, Exit and Implementation Costs:** We recorded pre-tax charges of $903 million, which consisted primarily of a non-cash impairment charge of $873 million to reduce the carrying value of the e-vapor reporting unit goodwill to its estimated fair value for the six months ended June 30, 2025 in our all other category. There was no income tax benefit associated with the impairment of the e-vapor reporting unit goodwill as the impairment is non-deductible for tax purposes. We recorded a non-cash, pre-tax impairment of the *Skoal* trademark of $354 million for the six and three months ended June 30, 2024 in our oral tobacco products segment. For further discussion, see Note 4.
- **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 14 and *Tobacco and Health and Certain Other Litigation Items* in Note 11, respectively.
- **Amortization of Intangibles:** We recorded pre-tax amortization expense of definite-lived intangible assets of $74 million and $64 million for the six months ended June 30, 2025 and 2024, respectively, and $37 million for the three months ended June 30, 2025 and 2024, respectively, in marketing, administration and research costs in our condensed consolidated statements of earnings.
- **ABI-Related Special Items:** We recorded net pre-tax income of $62 million from our investment in ABI for the six months ended June 30, 2024, which consisted primarily of a gain related to our sale of a portion of our investment in ABI ("ABI Transaction"), net of transaction costs. For further information on the gain related to the ABI Transaction, see Note 6. *Investments in Equity Securities* to our condensed consolidated financial statements in Item 1.

  The ABI-related special items include our respective share of the amounts recorded by ABI and additional adjustments related to (i) the conversion of ABI-related special items from international financial reporting standards to GAAP and (ii) adjustments to our investment required under the equity method of accounting.
- **Income Tax Items:** We recorded income tax items of $52 million for the six months ended June 30, 2024, due primarily to an income tax benefit from the partial release of a valuation allowance associated with our losses related to our former investment in JUUL Labs, Inc. ("JUUL"), partially offset by interest expense on tax reserves recorded in prior years. The valuation allowance release was due to our capital gain on the ABI Transaction.

Six Months Ended June 30, 2025 Compared with Six Months Ended June 30, 2024

Net revenues, which include excise taxes billed to customers, decreased $424 million (3.6%), due primarily to lower net revenues in our smokeable products segment.

Cost of sales decreased $329 million (10.8%), due primarily to lower shipment volume and lower per unit settlement charges in our smokeable products segment, partially offset by higher NJOY costs.

Excise taxes on products decreased $239 million (13.3%), due primarily to lower shipment volume in our smokeable products segment.

Marketing, administration and research costs decreased $187 million (13.4%), due primarily to lower acquisition-related items discussed above and transaction costs associated with the ABI Transaction in 2024, both of which are included in general corporate expenses.

Operating income decreased $189 million (3.6%), due primarily to lower OCI (which includes the net impact of a non-cash impairment of the e-vapor reporting unit goodwill in 2025 and a non-cash impairment of the *Skoal* trademark in our oral tobacco product segment in 2024), partially offset by lower general corporate expenses.

(Income) losses from investments in equity securities were unfavorable $123 million (29.7%), due primarily to lower income from our equity investment in ABI (due primarily to our gain on the ABI Transaction in 2024 and lower ownership interest), partially offset by favorable Cronos-related special items.

Provision for income taxes decreased $577 million (30.0%), due primarily to lower earnings before income taxes, partially offset by unfavorable tax items as discussed above.

Reported net earnings of $3,455 million decreased $2,477 million (41.8%), due primarily to the gain on the sale of the *IQOS* System commercialization rights in 2024, lower operating income, unfavorable results from our equity investment in ABI and unfavorable income tax items. Reported basic and diluted EPS of $2.04, each decreased by 40.2% due to lower reported net earnings, partially offset by fewer shares outstanding.

Adjusted net earnings of $4,522 million increased $188 million (4.3%), due primarily to higher OCI and a lower adjusted tax rate, partially offset by lower income from our equity investment in ABI and higher interest and other debt expense, net. Adjusted diluted EPS of $2.67 increased by 7.2%, due to higher adjusted net earnings and fewer shares outstanding.

Three Months Ended June 30, 2025 Compared with Three Months Ended June 30, 2024

Net revenues, which include excise taxes billed to customers, decreased $107 million (1.7%), due primarily to lower net revenues in our smokeable products segment, partially offset by higher net revenues in our oral tobacco segment.

Cost of sales decreased $162 million (10.1%), due primarily to lower shipment volume and lower per unit settlement charges in our smokeable products segment.

Excise taxes on products decreased $120 million (12.9%), due primarily to lower shipment volume in our smokeable products segment.

Marketing, administration and research costs decreased $169 million (21.4%), due primarily to lower acquisition-related items discussed above.

Operating income increased $697 million (27.5%), due primarily to higher OCI (which includes the non-cash impairment of the *Skoal* trademark in 2024 in our oral tobacco product segment) and lower general corporate expenses.

(Income) losses from investments in equity securities were favorable $29 million (24.4%), due primarily to higher income from our equity investment in ABI (due primarily to favorable special items, partially offset by lower ownership interest).

Provision for income taxes decreased $573 million (43.6%), due primarily to lower earnings before income taxes.

Reported net earnings of $2,378 million decreased $1,425 million (37.5%), due primarily to the gain on the sale of the *IQOS* System commercialization rights in 2024, partially offset by higher operating income. Reported basic and diluted EPS of $1.41, each decreased by 36.2% due to lower reported net earnings, partially offset by fewer shares outstanding.

Adjusted net earnings of $2,433 million increased $145 million (6.3%), due primarily to higher OCI, partially offset by lower income from our equity investment in ABI and higher interest and other debt expense, net. Adjusted diluted EPS of $1.44 increased by 8.3%, due to higher adjusted net earnings and fewer shares outstanding.

Operating Results by Business Segment

Business Environment

Summary

The U.S. tobacco industry faces a number of business and legal challenges that have materially adversely affected and may continue to materially adversely affect our business, results of operations, cash flows or financial position or our ability to achieve our Vision. These challenges, which we discuss below and in more detail in Note 14, and in Part I, Item 1A. Risk Factors in our 2024 Form 10-K and in Part II, Item 1A. Risk Factors of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2025 ("First Quarter Form 10-Q"), include:

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

- increased efforts by tobacco control advocates and other private sector entities (including retail establishments) to further restrict the availability and use of tobacco products or the ability to communicate with consumers through third-party digital platforms;
- changes in adult tobacco consumer purchase behavior, which is influenced by various factors such as macroeconomic conditions (including inflation and tariffs), the proliferation of illicit disposable e-vapor products, excise taxes and product price gap relationships, each of which has resulted and may in the future result in adult tobacco consumers switching to lower-priced tobacco products and lower shipment volumes;
- the highly competitive nature of all tobacco categories, including competitive disadvantages related to the impact on cigarette prices due to the settlement of certain healthcare cost recovery litigation and the growth of innovative tobacco products, such as e-vapor and oral nicotine pouch products;
- the growth of products using nicotine analogues that are designed to imitate the effects of nicotine but are not subject to the FDA regulatory framework for tobacco products; and
- potential adverse changes in prices, availability and quality of tobacco, other raw materials and component parts, including as a result of changes in macroeconomic, geopolitical, climate and environmental conditions.

We continue to monitor the evolving business, legal and regulatory challenges within our business environment to assess potential impacts on us. Changes in these and other conditions could have a material adverse effect on our business, results of operations, cash flows, financial position and our ability to achieve our Vision.

FSPTCA and FDA Regulation

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

Effective April 2022, the U.S. Congress expanded the statutory definition of tobacco products to include products containing nicotine derived from any source, including synthetic nicotine. See *Pre-Market Review Pathways for Tobacco Products and Market Authorization Enforcement* below for additional information. Currently, however, the statutory definition of tobacco products does not cover products containing nicotine analogues, which are designed to imitate the effects of nicotine. As a result, products containing nicotine analogues are not subject to the FDA regulatory framework for tobacco products.

- **Final Tobacco Marketing Rule:** As required by the FSPTCA, the FDA has promulgated a wide range of advertising and promotion restrictions for cigarettes and smokeless tobacco[(1)] products (the “Final Tobacco Marketing Rule”), which the FDA has subsequently amended 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 such as synthetic nicotine. The Final Tobacco Marketing Rule currently does not apply to products containing nicotine analogues.

- **Rulemaking and Guidance:** From time to time, the FDA issues proposed regulations and guidance, which may be issued in draft or final form, that generally involve public comment and may include scientific review. We actively engage with the FDA to develop and implement the FSPTCA’s regulatory framework, including submission of comments to various FDA policies and proposals and participation in public hearings and engagement sessions.

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

- **FDA’s Five-Year Strategic Plan for Tobacco and Nicotine Regulation:** In December 2023, the FDA released its five-year strategic plan to address concerns raised by the Reagan-Udall Foundation’s operational evaluation of the FDA’s

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

Center for Tobacco Products. The Reagan-Udall report urged the FDA to clearly define product pathways, accelerate PMTA decision making, address the need for health risk communications to tobacco consumers and take enforcement actions against manufacturers and products that violate the law.

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

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

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

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

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

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

The FSPTCA requires the FDA to issue a marketing order (either an MGO or a marketing denial order (“MDO”)) with respect to a PMTA no later than 180 days after receipt of the PMTA. Following the 180-day FDA review period, the FSPTCA allows any party that receives an MDO to seek expedited judicial review of the ruling in a federal appellate court within 30 days. Together, these statutory deadlines for FDA action and judicial review create a structure and timeline for manufacturers seeking to market new products. We are unaware of any FDA enforcement actions relating to products for which a PMTA has been pending longer than the 180-day review period. Although it is possible that the FDA may bring such an action in the future, we believe that any enforcement action against sales in the United States of products with PMTAs pending for more than 180 days would conflict with the FSPTCA and FDA enforcement practice to date. In the future, our operating companies may decide to commercialize products that have not received MGOs from the FDA if the operating company submitted a PMTA with respect to any such product in compliance with the FSPTCA and the FDA failed to issue a marketing order within the statutory review period.

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

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

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

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

Cigarette and smokeless tobacco products introduced into the market or modified after March 22, 2011 are "Non-Provisional Products" and must apply to receive an MGO from the FDA prior to being offered for sale. MGOs for Non-Provisional Products may be obtained by filing an SE report, a PMTA or using another pre-market pathway established by the FDA. PM USA and USSTC may not be able to obtain an MGO 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 a 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 enforcement discretion, so long as the report or application was timely filed with the FDA. 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 discretion. For products (new or modified) not on the market as of August 8, 2016, manufacturers must file an SE report or a PMTA. As described above, the FSPTCA requires the FDA to issue a marketing order with respect to a PMTA no later than 180 days after receipt of the PMTA.

Helix submitted PMTAs for *on!* oral nicotine pouches on the market as of August 2016 in May 2020, PMTAs for additional *on!* oral nicotine pouches in September 2024 and PMTAs for *on! PLUS* oral nicotine pouches in tobacco, mint and wintergreen flavors in June 2024. As of July 28, 2025, the FDA has not issued a marketing order with respect to any *on!* or *on! PLUS* PMTA.

As of July 28, 2025, Middleton has received MGOs or exemptions that cover over 99% of its cigar product volume.

As a result of our June 2023 acquisition of NJOY Holdings, Inc., we gained full global ownership of NJOY's e-vapor product portfolio, including *NJOY ACE*, a pod-based e-vapor product with an MGO from the FDA, and *NJOY DAILY*, which also has an MGO. In June 2024, NJOY received MGOs with respect to two *NJOY ACE* menthol products and two *NJOY DAILY* menthol products. In May 2024, NJOY submitted a supplemental PMTA to the FDA to commercialize and market the *NJOY ACE 2.0* device, which leverages Bluetooth® connectivity to incorporate access restriction technology designed to prevent underage use by authenticating the user before unlocking the device. Also in May 2024, NJOY re-submitted PMTAs for blueberry and watermelon flavored pod-based e-vapor products that work exclusively with the Bluetooth®-enabled *NJOY ACE 2.0* device. These products previously received MDOs on the basis of FDA concerns regarding potential underage use. *NJOY ACE* and the *NJOY ACE 2.0* are subject to U.S. International Trade Commission exclusion and cease-and-desist orders prohibiting their importation and sale in the United States. *NJOY Daily* is not subject to these orders.

Effect of Adverse FDA Determinations: FDA review timeframes have varied. It is therefore difficult to predict the duration of FDA reviews of SE reports or PMTAs. An unfavorable determination on an application, the withdrawal by the FDA of a prior MGO, an FDA enforcement action or other changes in FDA regulatory requirements could result in the removal of products from the market. A "not substantially equivalent" determination, a denial of a PMTA, an MGO withdrawal or an enforcement action by the FDA with respect to one or more products (each of which could require the removal of the product or products from the market) could have a material adverse impact on our business, results of operations, cash flows or financial position.

Also, adverse FDA determinations or enforcement actions concerning innovative tobacco products could have a material adverse effect on our innovative tobacco businesses and our ability to achieve our Vision.

Post-Market Surveillance: Manufacturers that receive MGOs must adhere to the FDA post-market record keeping and reporting requirements, as detailed in market orders and in the final PMTA rule. The requirements include prior notification of marketing activities. The FDA may amend requirements of an MGO or withdraw the MGO 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. In the future, if the FDA fails to issue a marketing order within the statutory review period with respect to a PMTA submitted by one of our operating companies and that operating company elects to commercialize the applicable product, we expect that our operating company would operate consistent with the post-market record keeping and reporting requirements of the FDA's most recently issued MGOs for similar products.

- **FDA Regulatory Actions**

- *Graphic Warnings*: In March 2020, the FDA issued a final rule requiring 11 textual warnings accompanied by color graphics depicting certain negative health consequences of smoking on cigarette packaging and advertising. PM USA and other cigarette manufacturers filed lawsuits challenging the final rule on substantive and procedural grounds. In December 2022, the U.S. District Court for the Eastern District of Texas found in favor of cigarette manufacturers in one such suit and blocked the rule, finding it unconstitutional on the basis that it compelled speech in violation of the First Amendment. The FDA appealed the decision, and, in March 2024, the U.S. Court of Appeals for the Fifth Circuit reversed the district court and remanded the case for further proceedings. In August 2024, the cigarette manufacturers in the suit petitioned the U.S. Supreme Court to review the case, which the U.S. Supreme Court declined to do.

  In January 2025, the U.S. District Court for the Eastern District of Texas found in favor of cigarette manufacturers that had challenged the final rule on the basis that the FDA exceeded its statutory authority by requiring cigarette packaging and advertising to contain 11 specific warnings when it only had the authority to require nine. In its ruling, the court granted a preliminary injunction staying the FDA's enforcement of the rule against all cigarette manufacturers pending further litigation. In March 2025, the FDA appealed that decision to the U.S. Court of Appeals for the Fifth Circuit.

  In December 2024, PM USA and several Georgia co-plaintiffs filed suit against the FDA in the U.S. District Court for the Southern District of Georgia, challenging the final rule on substantive and procedural grounds. A hearing on PM USA's request to enjoin the rule was held in April 2025.

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

  Additionally, the FDA issued final guidance in April 2020, stating that it intended to prioritize enforcement action against certain product categories, including pod-based, flavored e-vapor products and products targeted to minors. For more information on the FDA's and other federal agencies' enforcement efforts, see *Investigation and Enforcement* below.

- *E-Vapor Products*: In September 2022, the FDA represented that it had resolved more than 99% of the timely applications it had received, the vast majority of which were for e-vapor products and resulted in MDOs. As of July 28, 2025, many manufacturers of menthol and other flavored e-vapor products have received MDOs for failure to provide sufficiently strong product-specific scientific evidence to demonstrate that the benefits of their products to adult smokers overcome the risks that their products pose to youth. The FDA has communicated in these MDOs that vapor products with non-tobacco flavors present unique questions relevant to the FDA's "Appropriate for the Protection of Public Health" standard and that successful applications require strong, product-specific evidence. A number of these manufacturers are challenging the MDOs for their products. In January 2024, the U.S. Court of Appeals for the Fifth Circuit ruled that the FDA had unlawfully changed its position with respect to the information required to obtain a PMTA. The court decided the case *en banc*, with all judges on the court hearing the case. In July 2024, the U.S. Supreme Court agreed to review the U.S. Court of Appeals for the Fifth Circuit's decision. In April 2025, the U.S. Supreme Court vacated the U.S. Court of Appeals for the Fifth Circuit's determination, concluding that manufacturers had been given fair notice of the PMTA requirements, and remanded the case for further review. Other U.S. Courts of Appeals have upheld adverse FDA determinations.

- **Potential Product Standards**
- *Nicotine in Cigarettes and Other Combustible Tobacco Products*: In January 2025, the FDA proposed a tobacco product standard that would establish a maximum nicotine level in cigarettes and certain other combustible tobacco products (including little cigars, cigarillos and most large cigars) significantly lower than the average concentration in these products currently on the market with the aim of making such products minimally or non-addictive. The public comment period on the proposed product standard is scheduled to close on September 15, 2025, and we intend to engage with the FDA through the rulemaking process, including by submitting comments. We believe the rulemaking process for this proposed product standard will take multiple years to complete.
- *Flavors in Tobacco Products*: In April 2022, the FDA issued two proposed product standards: (i) banning menthol in cigarettes and (ii) banning all characterizing flavors (including menthol) in cigars. We submitted comments during the notice-and-comment period. In October 2023, the FDA submitted the two proposed product standards to the White House Office of Management and Budget for review. In January 2025, the Trump Administration withdrew the two proposed product standards from the Office of Management and Budget ("OMB") and sent them back to the FDA.
- *N-nitrosonornicotine ("NNN") in Smokeless Tobacco*: In January 2017, the FDA proposed a product standard for NNN levels in finished smokeless tobacco products.

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

- **Tobacco Product Manufacturing Practices:** In March 2023, the FDA, pursuant to the requirements of the FSPTCA, issued a proposed rule setting forth requirements for tobacco product manufacturers regarding the manufacture, design, packing and storage of their products. This proposed rule establishes a framework of tobacco product manufacturing practices. OMB lists the rule as a long-term action. If the proposed rule were to take effect, our operating companies could experience increased costs to comply with the rule.
- **Impact on Our Business; Compliance Costs and User Fees:** Additional FDA regulatory actions under the FSPTCA could have a material adverse effect on our business, results of operations, cash flows or financial position in various ways. For example, actions (or inaction) by the FDA could:
  - impact the consumer acceptability of tobacco products;
  - discontinue, delay or prevent the sale or distribution of existing, new or modified tobacco products;
  - limit adult tobacco consumer choices;
  - impose restrictions on communications with adult tobacco consumers;
  - create a competitive advantage or disadvantage for certain tobacco companies;
  - impose additional manufacturing, labeling or packaging requirements;
  - impose additional restrictions at retail;
  - result in increased illicit trade in tobacco products; and
  - otherwise significantly increase the cost of doing business.

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

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

Although the FDA, in conjunction with other federal entities, has increased enforcement activity, insufficient actions against manufacturers, distributors and retailers of tobacco products requiring FDA review for which no PMTA has been submitted have allowed such products to proliferate on the market. In addition, the FDA's failure to clearly define product pathways and issue marketing orders within the statutory review period has resulted in a market with few authorized smoke-free products available to adult tobacco consumers.

Excise Taxes

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

Federal, state and local cigarette excise taxes have increased substantially over the past two decades, far outpacing the rate of inflation. Between the end of 1998 and July 28, 2025, the weighted-average state cigarette excise tax increased from \$0.36 to \$1.93 per pack. Three states (Maryland, Colorado and Rhode Island) increased excise taxes in 2024. As of July 28, 2025, three states (Hawaii, Indiana and Maine) have increased excise taxes in 2025. Various other increases are under consideration or have been proposed.

A majority of states currently tax MST using an ad valorem method, which is calculated as a percentage of the price of the product, typically the wholesale price. This ad valorem method results in more tax being paid on premium products than is paid on lower-priced products of equal weight. We support legislation to convert ad valorem taxes on MST to a weight-based methodology because, unlike the ad valorem tax, a weight-based tax subjects cans of equal weight to the same tax. As of July 28, 2025, the federal government, 25 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 are proposing excise taxes on e-vapor products and oral nicotine pouches. As of July 28, 2025, 36 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, 17 states and the District of Columbia have enacted legislation to tax oral nicotine pouches.

Tax increases are expected to continue to have an adverse impact on sales of our operating companies' products through lower consumption levels and the potential shift in adult tobacco consumer purchases from premium to non-premium or discount cigarettes, to lower-taxed tobacco products or to counterfeit and contraband products. Lower sales volume and reported share performance of our operating companies' products could have a material adverse effect on our business, results of operations, cash flows or financial position. In addition, substantial excise tax increases on e-vapor and oral nicotine products may negatively impact adult smokers' transition to these products, which could materially adversely affect our innovative tobacco businesses and 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 July 28, 2025, 182 countries, as well as the European Union, have become parties to the FCTC. While the United States is a signatory of the FCTC, it is not 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 under consideration by the governing body of the FCTC, some of which call for substantial restrictions on the manufacture, marketing, distribution and sale of tobacco products. It is not possible to predict the outcome of these proposals or the impact of any FCTC actions on legislation or regulation in the United States, either indirectly or as a result of the United States becoming a party to the FCTC, or whether or how these actions might indirectly influence FDA regulation and enforcement.

State Settlement Agreements

As discussed in Note 14, 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. Higher rates of inflation can increase our financial liability under the State Settlement Agreements as 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 2024, the applicable percentage rate was approximately 2.9% based on the latest CPI-U data. We will continue to monitor the impact of increased inflation on the macroeconomic environment and our businesses.

For a discussion of the impact of the State Settlement Agreements on us, see *Liquidity and Capital Resources - Payments Under State Settlement Agreements and FDA Regulation* below and Note 14. 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. 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, (iv) restricts commercial speech or imposes additional restrictions on the marketing or sale of tobacco products and (v) requires manufacturers of e-vapor products to certify that they are in compliance with FDA requirements to be allowed to sell in the state. The legislation varies in terms of the type of tobacco products, the conditions under which such products are or would be restricted or prohibited, and exceptions to the restrictions or prohibitions. As of July 28, 2025, multiple states and localities are considering legislation to ban flavors in one or more tobacco products, and six states (California, Massachusetts, New Jersey, New York, Rhode Island and Utah) and the District of Columbia have passed such legislation. Some states, such as New York and Illinois, exempt certain products that have received FDA market authorization through the PMTA pathway. The legislation in California, which became effective in December 2022, bans the sale of most tobacco products with characterizing flavors, including menthol, mint and wintergreen. Maryland banned e-vapor product flavors other than tobacco and menthol through Maryland Department of Assessments and Taxation rulemaking.

Indiana, Massachusetts and Utah passed legislation capping the amount of nicotine in e-vapor products. As of July 28, 2025, legislation relating to this issue is pending in one other state.

Similar restrictions to those enacted or proposed in various U.S. states and localities on e-vapor and oral nicotine pouch products have been enacted or proposed internationally.

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

▪ **Federal, State and Local Legislation to Increase the Legal Age to Purchase Tobacco Products:** In December 2019, 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, the federal government passed legislation increasing the minimum age to purchase all tobacco products, including e-vapor products, to 21 nationwide. As of July 28, 2025, 44 states, the District of Columbia and Puerto Rico have enacted laws increasing the legal age to purchase tobacco products to 21. Although an increase in the minimum age to purchase tobacco products may have a negative impact on our operating companies' sales volumes, we support and advocate for raising the minimum legal age to purchase all tobacco products to 21 at the federal and state levels.

▪ **Health Effects of Tobacco Products, Including E-vapor Products:** Reports with respect to the health effects of smoking have been publicized for many years, including various reports by the U.S. Surgeon General. We believe that the public should be guided by the messages of the U.S. Surgeon General and public health authorities worldwide in making decisions concerning the use of tobacco products, including e-vapor products. Along with the scientific and public health communities, we continue to study and gather scientific evidence concerning the health effects of e-vapor and other innovative tobacco products. It is not possible to predict the results of ongoing scientific research or the types of future scientific research into the health risks of tobacco exposure and the impact of such research on legislation and regulation. Scientific determinations as to any health risks or negative health consequences associated with the use of e-vapor and other innovative tobacco products could materially adversely affect our innovative tobacco products businesses and our ability to achieve our Vision.

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.

- **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, legislation has been introduced or enacted at the state or local level to subject tobacco products to various reporting requirements and performance standards; establish educational campaigns relating to tobacco consumption or tobacco control programs or provide additional funding for governmental tobacco control activities; restrict the sale of tobacco products in certain retail establishments and the sale of tobacco products in certain package sizes; prohibit the sale of tobacco products based on environmental concerns; impose responsibility on manufacturers for the disposal, recycling or other treatment of post-consumer goods such as plastic packaging; require tax stamping of smokeless tobacco products; require the use of state tax stamps using data encryption technology; and further restrict the sale, marketing and advertising of cigarettes and other tobacco products. Such legislation may be subject to constitutional or other challenges on various grounds, which may or may not be successful. In addition, if a pandemic or similar health emergency occurs, state and local governments may reimpose additional health and safety requirements for all businesses, which could result in the potential temporary closure of certain businesses and facilities. It is possible that tobacco manufacturing and other facilities and the facilities of our suppliers, our suppliers' suppliers and our trade partners could be subject to additional government-mandated temporary closures and restrictions.

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

- **Governmental Investigations:** From time to time, we are subject to governmental investigations on a range of matters. For example, we are, or recently have been, subject to a number of governmental investigations with respect to our former investment in JUUL, which we divested in March 2023, including the following: (i) the U.S. Federal Trade Commission ("FTC") issued a Civil Investigative Demand to us while conducting its antitrust review of our former investment in JUUL; (ii) the SEC commenced an investigation relating to our acquisition, disclosures and accounting controls in connection with the JUUL investment; and (iii) the New York State Office of the Attorney General and the Commonwealth of Massachusetts Office of the Attorney General, separately, issued independent subpoenas to us seeking documents relating to our former investment in and provision of services to JUUL.

Private Sector Activity on Tobacco Products

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

Illicit Trade in Tobacco Products

Illicit trade in tobacco products has had, and could continue to have, an adverse impact on our businesses, including the sales volumes and market shares of our operating companies' innovative and smoke-free products and traditional tobacco products. Illicit trade can take many forms, including the sale of counterfeit tobacco products; the sale of tobacco products requiring FDA review for which no PMTA has been submitted; 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 products can negatively affect adult tobacco consumer experiences with and opinions of those brands. Illicit disposable e-vapor and oral nicotine pouch products may be designed to appeal to youth and are manufactured without scientific standards, exposing consumers to undocumented risks. Illicit trade in tobacco products also harms law-abiding wholesalers and retailers by depriving them of lawful sales and undermines the significant investment we have made in legitimate distribution channels. Moreover, illicit trade in tobacco products results in federal, state and local governments losing tax revenues. Losses in tax revenues can cause such governments to take various actions, including increasing excise taxes, imposing legislative or regulatory requirements, or asserting claims against manufacturers of tobacco products or members of the trade channels through which such tobacco products are distributed and sold, each of which could have an adverse effect on our business, results of operations, cash flows or financial position.

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

In June 2024, the U.S. Department of Justice ("DOJ") and the FDA announced the creation of a federal multi-agency task force to combat the illegal marketing and sale of e-vapor products in the United States. The DOJ and the FDA stated that the task force will focus on many topics, such as investigating and prosecuting new criminal, civil, seizure and forfeiture actions under various U.S. laws, including the FSPTCA. While these federal entities have increased enforcement activity against manufacturers, distributors and retailers of tobacco products requiring FDA review for which no PMTA has been submitted, we do not believe these efforts have had a significant impact on the volume of such products on the market.

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

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

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

Current geopolitical and macroeconomic conditions (including tariffs, inflation, high interest rates, labor shortages, supply and demand imbalances and international armed conflict) and adverse weather events have caused and continue to cause worldwide disruptions and delays to supply chains and commercial markets, and have limited access to, and increased the cost of, raw materials, ingredients and component parts (for example, wood tips used in our cigar products and aluminum used in our packaging). As consumer demand increases for innovative smoke-free products and decreases for combustible and MST products, the volume of raw materials, ingredients and component parts required for the production of combustible and MST products has decreased. Reduced demand for raw materials, ingredients and component parts may reduce supply and availability of raw materials, ingredients and component parts as suppliers divert resources to other products or cease producing these products. Furthermore, challenging economic conditions can create the risk that our suppliers, distributors, logistics providers or other third-party partners suffer financial or operational difficulties, which may impact their ability to provide us with or distribute finished product, raw materials and component parts and services in a timely manner or at all. If we are unable to identify alternate sources of raw materials, ingredients and component parts for our operating companies' products, we could be exposed to supply risk.

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

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

Timing of Sales

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

Operating Results

Smokeable Products Segment

Financial Results

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

	Operating Results					
	For the Six Months Ended June 30,			For the Three Months Ended June 30,		
(in millions)	**2025**	**2024**	**Change**	**2025**	**2024**	**Change**
Net revenues	**$ 9,979**	$ 10,401	(4.1)%	**$ 5,357**	$ 5,495	(2.5)%
Excise taxes	**(1,502)**	(1,742)		**(787)**	(908)	
Revenues net of excise taxes	**$ 8,477**	$ 8,659		**$ 4,570**	$ 4,587	
Reported OCI	**$ 5,399**	$ 5,246	2.9 %	**$ 2,930**	$ 2,807	4.4 %
NPM Adjustment Items	**—**	(6)		**—**	—	
Asset impairment, exit and implementation costs	**26**	—		**13**	—	
Tobacco and health and certain other litigation items	**40**	38		**4**	20	
Adjusted OCI	**$ 5,465**	$ 5,278	3.5 %	**$ 2,947**	$ 2,827	4.2 %
Reported OCI margins [(1)]	**63.7 %**	60.6 %	3.1 pp	**64.1 %**	61.2 %	2.9 pp
Adjusted OCI margins [(1)]	**64.5 %**	61.0 %	3.5 pp	**64.5 %**	61.6 %	2.9 pp

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

Six Months Ended June 30, 2025 Compared with Six Months Ended June 30, 2024

Net revenues, which include excise taxes billed to customers, decreased $422 million (4.1%), due primarily to lower shipment volume ($1,414 million), partially offset by higher pricing ($968 million), which includes higher promotional investments.

Reported OCI increased $153 million (2.9%), due primarily to higher pricing, which includes higher promotional investments, lower per unit settlement charges and lower costs ($53 million), partially offset by lower shipment volume ($942 million) and costs associated with our *Optimize & Accelerate* initiative in 2025 ($26 million).

Adjusted OCI increased $187 million (3.5%), due primarily to higher pricing, which includes higher promotional investments, lower per unit settlement charges and lower costs, partially offset by lower shipment volume.

Three Months Ended June 30, 2025 Compared with Three Months Ended June 30, 2024

Net revenues, which include excise taxes billed to customers, decreased $138 million (2.5%), due primarily to lower shipment volume ($639 million), partially offset by higher pricing ($477 million), which includes higher promotional investments.

Reported OCI increased $123 million (4.4%), due primarily to higher pricing, which includes higher promotional investments, lower per unit settlement charges, lower costs ($26 million) and lower tobacco and health and certain other litigation items ($16 million), partially offset by lower shipment volume ($432 million) and costs associated with our *Optimize & Accelerate* initiative in 2025 ($13 million).

Adjusted OCI increased $120 million (4.2%), due primarily to higher pricing, which includes higher promotional investments, lower per unit settlement charges and lower costs, partially offset by lower shipment volume.

Shipment Volume and Retail Share Results

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

	Shipment Volume					
	For the Six Months Ended June 30,			For the Three Months Ended June 30,		
(sticks in millions)	**2025**	**2024**	**Change**	**2025**	**2024**	**Change**
Cigarettes:						
Marlboro	**27,436**	31,289	(12.3)%	**14,458**	16,316	(11.4)%
Other premium	**1,397**	1,573	(11.2)%	**719**	826	(13.0)%
Discount	**1,437**	1,486	(3.3)%	**889**	756	17.6 %
Total cigarettes	**30,270**	34,348	(11.9)%	**16,066**	17,898	(10.2)%
Cigars:						
Black & Mild	**883**	877	0.7 %	**478**	460	3.9 %
Other	**1**	2	(50.0)%	**1**	2	(50.0)%
Total cigars	**884**	879	0.6 %	**479**	462	3.7 %
Total smokeable products	**31,154**	35,227	(11.6)%	**16,545**	18,360	(9.9)%

Note: Cigarettes shipment volume includes *Marlboro*; Other premium brands, such as *Virginia Slims* and *Parliament*; and Discount brands, which include *L&M* and *Basic*. Cigarettes volume includes units sold as well as promotional units but excludes units not considered domestic, which are not material to our smokeable products segment.

The following table summarizes our cigarettes retail share performance:

	Retail Share					
	For the Six Months Ended June 30,			For the Three Months Ended June 30,		
	2025	**2024**	**Percentage Point Change**	**2025**	**2024**	**Percentage Point Change**
Cigarettes:						
Marlboro	**41.0 %**	42.0 %	(1.0)	**41.0 %**	41.9 %	(0.9)
Other premium	**2.2**	2.3	(0.1)	**2.2**	2.3	(0.1)
Discount	**1.9**	2.0	(0.1)	**2.0**	2.0	—
Total cigarettes	**45.1 %**	46.3 %	(1.2)	**45.2 %**	46.2 %	(1.0)

Note: Retail share results for cigarettes are based on data from Circana, LLC ("Circana"), as well as Management Science Associates, Inc. ("MSAi"). Circana maintains a blended retail 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, as provided by MSAi. This service is not designed to capture sales through other channels, including the internet, direct mail and some tax-advantaged outlets. It is the standard practice of retail services to periodically refresh their retail scan services, which could restate retail share results that were previously released in these services.

For a discussion of volume trends and factors that impact volume and retail share performance, see *Trends and Developments* and *Operating Results by Business Segment - Business Environment - Summary* above.

Six Months Ended June 30, 2025 Compared with the Six Months Ended June 30, 2024

Our smokeable products segment's reported domestic cigarettes shipment volume decreased 11.9%, driven primarily by the industry's decline rate (impacted by the continued growth of flavored disposable e-vapor products, the majority of which we believe have evaded the regulatory process, and discretionary income pressures on adult tobacco consumers), retail share losses and calendar differences. When adjusted for calendar differences and trade inventory movements, our smokeable products segment domestic cigarette shipment volume decreased by an estimated 11.0%. When adjusted for trade inventory movements, calendar differences and other factors, total estimated domestic cigarette industry volume decreased by an estimated 8.5%.

Shipments of premium cigarettes accounted for 95.3% and 95.7% of our smokeable products segment's reported domestic cigarettes shipment volume for the six months ended June 30, 2025 and 2024, respectively.

Marlboro share of the premium segment was 59.4%, an increase of 0.1 share point.

Total cigarettes industry discount category retail share was 31.0%, an increase of 1.8 share points, primarily due to continued discretionary income pressures on adult tobacco consumers.

Three Months Ended June 30, 2025 Compared with the Three Months Ended June 30, 2024

Our smokeable products segment's reported domestic cigarettes shipment volume decreased 10.2%, driven primarily by the industry's decline rate (impacted by the continued growth of flavored disposable e-vapor products, the majority of which we believe have evaded the regulatory process, and discretionary income pressures on adult tobacco consumers) and retail share losses. When adjusted for trade inventory movements, our smokeable products segment domestic cigarette shipment volume decreased by an estimated 10.5%. When adjusted for trade inventory movements, total estimated domestic cigarette industry volume decreased by an estimated 8.5%.

Shipments of premium cigarettes accounted for 94.5% and 95.8% of our smokeable products segment's reported domestic cigarettes shipment volume for the three months ended June 30, 2025 and 2024, respectively.

Marlboro share of the premium segment was 59.5%, an increase of 0.2 share points versus the prior year and sequentially.

Total cigarettes industry discount category retail share was 31.2%, an increase of 1.9 share points versus the prior year and 0.4 share points sequentially, primarily due to continued discretionary income pressures on adult tobacco consumers.

For a discussion regarding discount category dynamics in 2025, the growth of flavored disposable e-vapor products and the economic conditions that impact adult tobacco consumer purchasing behavior, see *Trends and Developments* and *Operating Results by Business Segment - Business Environment - Summary* above.

Pricing Actions

PM USA and Middleton executed the following pricing actions during 2025 and 2024:

- Effective April 20, 2025, Middleton increased various list prices across substantially all of its cigar brands resulting in a weighted-average increase of approximately $0.14 per five-pack.
- Effective April 13, 2025, PM USA increased the list price of *Marlboro* (excluding Mainline Menthol and 72s Menthol) and *L&M* by $0.20 per pack. PM USA also increased the list price of all its other premium cigarette brands by $0.25 per pack.
- Effective January 19, 2025, PM USA increased the list price of *Marlboro* (excluding Mainline Menthol and 72s Menthol) and *L&M* by $0.17 per pack. PM USA decreased the list price of *Marlboro* Black by $0.28 per pack. PM USA also increased the list price of all its other premium cigarette brands by $0.22 per pack.
- Effective October 20, 2024, PM USA increased the list price of *Marlboro* (excluding Mainline Menthol and 72s Menthol), *L&M* and *Basic* by $0.17 per pack. PM USA also increased the list price of all its other cigarette brands by $0.22 per pack.
- Effective October 6, 2024, 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.
- Effective July 14, 2024, PM USA increased the list price of *Marlboro* (excluding Mainline Menthol and 72s Menthol), *L&M* and *Basic* by $0.17 per pack. PM USA also increased the list price of all its other cigarette brands by $0.22 per pack.
- Effective April 21, 2024, Middleton increased various list prices across substantially all of its cigar brands resulting in a weighted-average increase of approximately $0.16 per five-pack.
- Effective April 14, 2024, PM USA increased the list price of *Marlboro* (excluding Mainline Menthol and 72s Menthol), *L&M* and *Basic* by $0.20 per pack. PM USA also increased the list price of all its other cigarette brands by $0.25 per pack.
- Effective January 14, 2024, PM USA increased the list price of *Marlboro* (excluding Mainline Menthol and 72s Menthol), *L&M* and *Basic* by $0.15 per pack. PM USA also increased the list price of all its other cigarette brands by $0.20 per pack.

In addition:

- Effective July 20, 2025, PM USA increased the list price of *Marlboro* (excluding Mainline Menthol and 72s Menthol) and *L&M* by $0.17 per pack. PM USA also increased the list price of all its other premium cigarette brands by $0.22 per pack.

Oral Tobacco Products Segment

Financial Results

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

	Operating Results					
	For the Six Months Ended June 30,			For the Three Months Ended June 30,		
(in millions)	2025	2024	Change	2025	2024	Change
Net revenues	**$ 1,407**	$ 1,362	3.3 %	**$ 753**	$ 711	5.9 %
Excise taxes	**(50)**	(49)		**(25)**	(24)	
Revenues net of excise taxes	**$ 1,357**	$ 1,313		**$ 728**	$ 687	
Reported OCI	**$ 931**	$ 532	75.0 %	**$ 498**	$ 97	100+%
Asset impairment, exit and implementation costs	**4**	354		**2**	354	
Adjusted OCI	**$ 935**	$ 886	5.5 %	**$ 500**	$ 451	10.9 %
Reported OCI margins [1]	**68.6 %**	40.5 %	28.1 pp	**68.4 %**	14.1 %	54.3 pp
Adjusted OCI margins [1]	**68.9 %**	67.5 %	1.4 pp	**68.7 %**	65.6 %	3.1 pp

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

Six Months Ended June 30, 2025 Compared with Six Months Ended June 30, 2024

Net revenues, which include excise taxes billed to customers, increased $45 million (3.3%), as higher pricing ($128 million), which includes higher promotional investments, was partially offset by lower shipment volume and a higher percentage of *on!* shipment volume relative to MST ("volume/mix") ($83 million).

Reported OCI increased $399 million (75.0%), due primarily to a non-cash impairment of the *Skoal* trademark ($354 million) in 2024 and higher pricing, which includes higher promotional investments, partially offset by lower volume/mix ($90 million).

Adjusted OCI increased $49 million (5.5%), due to higher pricing, which includes higher promotional investments, and lower costs ($11 million), partially offset by lower volume/mix.

Three Months Ended June 30, 2025 Compared with Three Months Ended June 30, 2024

Net revenues, which include excise taxes billed to customers, increased $42 million (5.9%), as higher pricing ($70 million), which includes higher promotional investments, was partially offset by lower volume/mix ($28 million).

Reported OCI increased $401 million (100+%), due primarily to a non-cash impairment of the *Skoal* trademark ($354 million) in 2024 and higher pricing, which includes higher promotional investments, partially offset by lower volume/mix ($33 million).

Adjusted OCI increased $49 million (10.9%), due to higher pricing, which includes higher promotional investments, and lower costs ($12 million), partially offset by lower volume/mix.

Shipment Volume and Retail Share Results

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

	Shipment Volume					
	For the Six Months Ended June 30,			For the Three Months Ended June 30,		
(cans in millions)	2025	2024	Change	2025	2024	Change
Copenhagen	**185.6**	203.0	(8.6)%	**95.9**	103.9	(7.7)%
Skoal	**65.6**	74.2	(11.6)%	**34.2**	37.5	(8.8)%
on!	**91.4**	74.5	22.7 %	**52.1**	41.2	26.5 %
Other	**31.4**	33.6	(6.5)%	**16.4**	18.1	(9.4)%
Total oral tobacco products	**374.0**	385.3	(2.9)%	**198.6**	200.7	(1.0)%

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

We have restated prior period retail share performance data and estimated industry volume to reflect the inclusion of synthetic oral nicotine pouch products. Prior to 2025, our reported oral tobacco segment retail share performance data excluded synthetic oral nicotine pouch products. Throughout 2024 and into the first quarter of 2025, we tracked the quarterly sequential growth of synthetic oral nicotine pouch products in various traditional tobacco retailers. Based on the consistency of this trend, beginning in the first quarter of 2025 our reported oral tobacco products segment retail share performance data and category industry volume estimates have been updated to include synthetic oral nicotine pouch products.

The following table summarizes our oral tobacco products segment's retail restated share performance:

	Retail Share					
	For the Six Months Ended June 30,			For the Three Months Ended June 30,		
	2025	**2024**	**Percentage Point Change**	**2025**	**2024**	**Percentage Point Change**
Copenhagen	**16.4 %**	19.8 %	(3.4)	**15.9 %**	19.4 %	(3.5)
Skoal	**6.3**	7.8	(1.5)	**6.1**	7.7	(1.6)
on!	**8.7**	7.5	1.2	**8.7**	8.0	0.7
Other	**2.5**	2.6	(0.1)	**2.4**	2.6	(0.2)
Total oral tobacco products	**33.9 %**	37.7 %	(3.8)	**33.1 %**	37.7 %	(4.6)

Note: Our oral tobacco products segment's retail share results exclude non-domestic volume, which is currently not material to our oral tobacco products segment. Retail share results for oral tobacco products are based on data from Circana, a tracking service that uses a sample of stores to project market share and depict share trends. This service tracks sales in the food, drug, mass merchandisers, convenience, military, dollar store and club trade classes on the number of cans sold. Oral tobacco products are defined by Circana as domestic oral products, in the form of MST and all oral nicotine pouch products (inclusive of tobacco-derived and synthetic oral nicotine products). 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 can of oral nicotine pouches, irrespective of the number of pouches in the can, is assumed to be equivalent to one can of MST. Because this service represents retail share performance only in key trade channels, it should not be considered a precise measurement of actual retail share. It is the standard practice of retail services to periodically refresh their retail scan services, which could restate retail share results that were previously released in these services.

For a discussion of volume trends and factors that impact volume and retail share performance, see *Trends and Developments* and *Operating Results by Business Segment - Business Environment - Summary* above.

Six Months Ended June 30, 2025 Compared with Six Months Ended June 30, 2024

Our oral tobacco products segment's reported domestic shipment volume decreased 2.9%, primarily driven by retail share losses, calendar differences and other factors, partially offset by the industry's growth rate and trade inventory movements. When adjusted for calendar differences and trade inventory movements, our oral tobacco products segment's reported domestic shipment volume decreased by an estimated 2.5%.

Total oral tobacco products category industry volume increased by an estimated 11% over the six months ended June 30, 2025, primarily driven by growth in oral nicotine pouches, partially offset by declines in MST volumes.

Our oral tobacco products segment's retail share was 33.9%, as share declines for MST products were partially offset by oral nicotine pouch segment share growth.

The U.S. nicotine pouch category grew to 50.6% of the U.S. oral tobacco category, an increase of 9.4 share points versus the prior year. In addition, *on!*'s share of the nicotine pouch category was 17.3%, a decrease of 0.9 share points versus the prior year.

Three Months Ended June 30, 2025 Compared with Three Months Ended June 30, 2024

Our oral tobacco products segment's reported domestic shipment volume decreased 1.0%, primarily driven by retail share losses and other factors, partially offset by the industry's growth rate and trade inventory movements. When adjusted for trade inventory movements, our oral tobacco products segment's reported domestic shipment volume decreased by an estimated 4%.

Our oral tobacco products segment's retail share was 33.1%, as share declines for MST products were partially offset by oral nicotine pouch segment share growth.

Total U.S. oral tobacco category share for *on!* nicotine pouches was 8.7%, an increase of 0.7 share points versus the prior year, and a decrease of 0.1 share point sequentially.

The U.S. nicotine pouch category grew to 52.0% of the U.S. oral tobacco category, an increase of 10.0 share points versus the prior year. In addition, *on!*'s share of the nicotine pouch category was 16.7%, a decrease of 2.3 share points versus the prior year.

For a discussion regarding the growth of oral nicotine pouch products and the related impact on the MST category and economic conditions that impact adult tobacco consumer purchasing behavior, see *Trends and Developments* and *Operating Results by Business Segment - Business Environment - Summary* above.

Pricing Actions

USSTC and Helix executed the following pricing actions during 2025 and 2024:

- Effective April 22, 2025, USSTC increased the list price on its *Copenhagen* and *Red Seal* brands by $0.12 per can. USSTC also increased the list price on its *Skoal* brands by $0.17 per can.
- Effective February 23, 2025, Helix increased the list price on its *on!* brand by $0.20 per can.
- Effective January 21, 2025, USSTC increased the list price on its *Copenhagen* and *Red Seal* brands by $0.12 per can. USSTC also increased the list price on its *Skoal* brands by $0.17 per can.
- Effective August 25, 2024, Helix increased the list price on its *on!* brand by $0.10 per can.
- Effective July 23, 2024, USSTC increased the list price on its *Copenhagen*, *Skoal* and *Red Seal* brands by $0.10 per can.
- Effective April 23, 2024, USSTC increased the list price on its *Copenhagen*, *Skoal* and *Red Seal* brands by $0.10 per can.
- Effective January 23, 2024, USSTC increased the list price on its *Copenhagen*, *Skoal* and *Red Seal* brands by $0.11 per can.

In addition:

- Effective July 22, 2025, USSTC increased the list price on its *Copenhagen* and *Red Seal* brands by $0.12 per can. USSTC also increased the list price on its *Skoal* brands by $0.17 per can and *Husky* brands by $0.25 per can.

Liquidity and Capital Resources

We are a holding company that is primarily dependent on the capital resources of our subsidiaries to satisfy our liquidity requirements. Our access to the operating cash flows of our subsidiaries consists of cash received from the payment of dividends and distributions, and the payment of interest on intercompany loans. At June 30, 2025, our significant subsidiaries were not limited by contractual obligations in their ability to pay cash dividends or make other distributions with respect to their equity interests. In addition, we receive cash dividends on our interest in ABI and will continue to do so as long as we hold shares in ABI and ABI pays dividends.

At June 30, 2025, we had $1.3 billion of cash and cash equivalents. In addition to having access to the operating cash flows of our subsidiaries, our capital resources include access to credit markets in the form of commercial paper, availability under our $3.0 billion senior unsecured 5-year revolving credit agreement ("Credit Agreement"), which we use for general corporate purposes, and access to credit markets through the issuance of long-term senior unsecured notes. For additional information, see *Capital Markets and Other Matters* below.

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

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

Capital Markets and Other Matters

Credit Ratings - Our cost and terms of financing and our access to commercial paper markets may be impacted by applicable credit ratings. The impact of credit ratings on the cost of borrowings under our Credit Agreement is discussed in Note 12. *Debt* to our condensed consolidated financial statements in Item 1 ("Note 12").

At June 30, 2025, the credit ratings and outlook for our indebtedness by major credit rating agencies were:

	Short-term Debt	Long-term Debt	Outlook
Moody's Investors Service, Inc. ("Moody's")	**P-2**	**A3**	**Stable**
Standard & Poor's Financial Services LLC ("S&P")	**A-2**	**BBB+ (1)**	**Stable (1)**
Fitch Ratings Inc.	**F2**	**BBB**	**Stable**

(1) On May 14, 2025, S&P changed its long-term debt credit rating to BBB+ from BBB and outlook to Stable from Positive.

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

At June 30, 2025, we had availability under our Credit Agreement for borrowings of up to an aggregate principal amount of $3.0 billion, and we were in compliance with the covenants in our Credit Agreement. In July 2025, we entered into an extension agreement to our Credit Agreement. We monitor the credit quality of our bank group and do not know of any potential non-performing credit provider in that group. For further discussion on short-term borrowings, see Note 12.

Long-Term Debt - At June 30, 2025 and December 31, 2024, our total long-term debt was $24.7 billion and $24.9 billion, respectively. In May 2025 and June 2025, we repaid in full at maturity our senior unsecured notes in the aggregate principal amounts of $750 million and $857 million (€750 million), respectively. In addition, in the first quarter of 2025, we issued senior unsecured notes in the aggregate principal amount of $1.0 billion. As a result of the issuances and repayments, the weighted-average coupon interest rate on our total long-term debt increased to approximately 4.5% at June 30, 2025 from approximately 4.3% at December 31, 2024. For further discussion of long-term debt, see Note 12.

At June 30, 2025, our debt-to-Consolidated net earnings and debt-to-Consolidated EBITDA ratios were calculated as follows:

(in millions)		**For the Twelve Months Ended June 30, 2025 (1)**
Consolidated net earnings	**$**	**8,787**
Interest and other debt expense, net		1,059
Provision for income taxes		1,817
Depreciation and amortization		289
EBITDA		**11,952**
(Income) loss from investments in equity securities and noncontrolling interest, net		(529)
Dividends from less than 50% owned affiliates		181
Asset impairment and exit costs		36
Impairment of goodwill		873
Fair value adjustment for NJOY Transaction contingent payments		25
Consolidated EBITDA	**$**	**12,538**
Current portion of long-term debt (2)	$	1,069
Long-term debt (2)		23,651
Debt	**$**	**24,720**
Debt / Consolidated net earnings		**2.8**
Debt / Consolidated EBITDA		**2.0**

(1) Calculated for the four most recent fiscal quarters.
(2) Balance at June 30, 2025.

Guarantees and Other Similar Matters - As discussed in Note 14, we had unused letters of credit obtained in the ordinary course of business and guarantees (including third-party guarantees) outstanding at June 30, 2025. From time to time, we also issue lines of credit to affiliated entities. As part of the supplier financing program further discussed in Note 3. *Supplier Financing* to our condensed consolidated financial statements in Item 1, Altria guarantees the financial obligations of ALCS under the financing program agreement. In addition, as discussed below in *Supplemental Guarantor Financial Information* and in Note 12, PM USA guarantees our obligations under our outstanding debt securities, any borrowings under our Credit Agreement and any amounts outstanding under our commercial paper program. These items have not had, and are not expected to have, a significant impact on our liquidity.

Payments Under State Settlement Agreements and FDA Regulation - PM USA has entered into State Settlement Agreements with the states, the District of Columbia and certain U.S. territories that call for certain payments. In addition, PM USA, Middleton and USSTC are subject to quarterly user fees imposed by the FDA as a result of the FSPTCA. For further discussion of the State Settlement Agreements, see *Health Care Cost Recovery Litigation* in Note 14.

Based on current agreements, estimated annual industry volume decline rates, estimated operating income, estimated market share and inflation, the estimated amounts that we may charge to cost of sales for payments related to State Settlement Agreements and FDA user fees are $3.0 billion on average for the next three years. The estimated amount excludes the potential impact of any NPM Adjustment Items.

The estimated amounts due under the State Settlement Agreements charged to cost of sales in each year are generally paid in April of the following year. The amounts charged to cost of sales for FDA user fees are generally paid in the quarter in which the fees are incurred. We paid approximately $2.9 billion and $3.1 billion for the six months ended June 30, 2025 and 2024, respectively, in connection with the State Settlement Agreements and FDA user fees, primarily all of which was paid in the second quarter of each period. We recorded $1.6 billion and $1.9 billion of charges to cost of sales for the six months ended June 30, 2025 and 2024, respectively, and $0.9 billion and $1.0 billion of charges to cost of sales for the three months ended June 30, 2025 and 2024, 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, market share and inflation. The future payment amounts discussed above are estimates, and actual payment amounts will differ to the extent underlying assumptions differ from actual future results. For further discussion on the potential impact of inflation on future payments, see *Operating Results by Business Segment - Business Environment - State Settlement Agreements* above.

Litigation-Related Deposits and Payments - With respect to certain adverse verdicts currently on appeal, to obtain stays of judgments pending appeals, as of June 30, 2025, PM USA had posted appeal bonds totaling $24 million, which have been collateralized with restricted cash that is included in assets on our condensed consolidated balance sheet.

Litigation is subject to uncertainty, and an adverse outcome or settlement of litigation could have a material adverse effect on our results of operations, cash flows or financial position in a particular fiscal quarter or fiscal year, as more fully disclosed in Note 14.

Equity and Dividends

During the first six months of 2025 and 2024, we paid dividends of $3,454 million and $3,420 million, respectively, an increase of 1.0%, reflecting a higher dividend rate, partially offset by fewer shares outstanding as a result of shares we repurchased under our share repurchase programs. Our current annualized dividend rate is $4.08 per share. We have a progressive dividend goal targeting mid-single digits dividend growth annually through 2028. Future dividend payments remain subject to the discretion of our Board of Directors (“Board of Directors” or “Board”).

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

Financial Review

Cash Provided by/Used in Operating Activities

During the first six months of 2025, net cash provided by operating activities was $2,925 million compared with $2,802 million during the first six months of 2024. This increase was due primarily to lower payments for State Settlement Agreements, litigation, excise taxes and income taxes, partially offset by payments for certain transferable income tax credits and lower net revenues.

We had a working capital deficit at June 30, 2025 and December 31, 2024, and believe we have the ability to fund working capital deficits with cash provided by operating activities, borrowings under our Credit Agreement and access to the credit and capital markets.

Cash Provided by/Used in Investing Activities

During the first six months of 2025, net cash used in investing activities was $79 million compared with net cash provided by investing activities of $2,279 million during the first six months of 2024. This change was due primarily to proceeds from the ABI Transaction in 2024.

Cash Provided by/Used in Financing Activities

During the first six months of 2025, net cash used in financing activities was $4,693 million compared with $6,966 million during the first six months of 2024. This decrease was due to lower share repurchases and issuances of long-term debt in 2025, partially offset by higher repayments of long-term debt.

New Accounting Guidance Not Yet Adopted

See Note 15. *New Accounting Guidance Not Yet Adopted* to our condensed consolidated financial statements in Item 1 for a discussion of issued accounting guidance applicable to, but not yet adopted by, us.

Contingencies

See Note 14 for a discussion of contingencies.

Supplemental Guarantor Financial Information

PM USA ("Guarantor"), which is a 100% owned subsidiary of Altria Group, Inc. ("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 ("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 ("Obligations"), subject to release under certain customary circumstances as noted below.

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

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

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

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

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

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

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

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

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

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

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

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

Summarized Balance Sheets
(in millions of dollars)

	Parent		Guarantor	
	June 30, 2025	**December 31, 2024**	**June 30, 2025**	**December 31, 2024**
Assets				
Due from Non-Guarantor Subsidiaries	**$ 1**	$ —	**$ 334**	$ 334
Other current assets	**1,285**	3,215	**728**	658
Total current assets	**$ 1,286**	$ 3,215	**$ 1,062**	$ 992
Due from Non-Guarantor Subsidiaries	**$ 6,561**	$ 6,561	**$ —**	$ —
Other assets	**7,964**	8,005	**1,242**	1,246
Total non-current assets	**$ 14,525**	$ 14,566	**$ 1,242**	$ 1,246
Liabilities				
Due to Non-Guarantor Subsidiaries	**$ 3,712**	$ 3,549	**$ 1,155**	$ 1,157
Other current liabilities	**3,453**	4,216	**2,375**	3,510
Total current liabilities	**$ 7,165**	$ 7,765	**$ 3,530**	$ 4,667
Total non-current liabilities	**$ 25,220**	$ 25,039	**$ 516**	$ 522

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

	For the Six Months Ended June 30, 2025	
	Parent (1)	**Guarantor (2)**
Net revenues	**$ —**	**$ 9,347**
Gross profit	**—**	**5,657**
Net earnings (losses)	**(274)**	**3,825**

(1) For the six months ended June 30, 2025, net earnings (losses) include $184 million of intercompany interest income from non-guarantor subsidiaries and $214 million of interest expense from non-guarantor subsidiaries.

(2) For the six months ended June 30, 2025, net earnings (losses) include $132 million of intercompany interest income from non-guarantor subsidiaries.

Cautionary Factors That May Affect Future Results

Forward-Looking and Cautionary Statements

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

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans, estimates and assumptions. Achievement of future results is subject to risks, uncertainties and assumptions that may prove to be inaccurate. Should known or unknown risks or uncertainties materialize, or should underlying estimates or assumptions prove inaccurate, actual results could differ materially from those anticipated, estimated or projected. You should bear this in mind as you consider our forward-looking statements and whether to invest in or remain invested in our securities. In connection with the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, we are identifying important factors that, individually or in the aggregate, could cause actual results and outcomes, including with respect to our ability to achieve our Vision, to differ materially from those contained in, or implied by, any forward-looking statements we make. Any such statement is qualified by reference to the following cautionary statements. We elaborate on these important factors and the risks we face throughout this Form 10-Q, particularly in the *Executive Summary* and *Business Environment* sections preceding our discussion of the operating results of our segments above, and in our other publicly filed reports, including our 2024 Form 10-K and First Quarter Form 10-Q. These factors and risks include the following:

- our inability to anticipate and respond to changes in adult tobacco consumer preferences and purchase behavior;
- our inability to compete effectively;
- the growth of the e-vapor category, including illicit disposable e-vapor products, which contributes to reductions in domestic cigarette consumption levels and shipment volume;
- the impact of illicit trade in tobacco products and the sale of products designed to avoid the regulatory framework for tobacco products, each of which contribute to reductions in the consumption levels and shipment volumes of our businesses’ products;
- our failure to develop and commercialize innovative products, including tobacco products that may reduce health risks relative to other tobacco products and appeal to adult tobacco consumers;
- changes, including in macroeconomic and geopolitical conditions (including inflation and tariffs), that result in shifts in adult tobacco consumer disposable income and purchasing behavior, including choosing lower-priced and discount brands or products, and reductions in shipment volumes;
- unfavorable outcomes with respect to litigation proceedings or any governmental investigations, including significant monetary and non-monetary remedies and importation bans;
- the risks associated with significant federal, state and local government actions, including FDA regulatory actions and inaction, and various private sector actions;
- the risk that regulators, including the FDA, and courts may interpret laws, rules and regulations applicable to our operating companies’ products differently than we do;
- increases in tobacco product-related taxes;
- our failure to complete or manage successfully strategic transactions, including acquisitions, dispositions, joint ventures and investments in third parties, or realize the anticipated benefits of such transactions;
- significant changes in price, availability or quality of tobacco, other raw materials or component parts, including as a result of changes in macroeconomic, climate and geopolitical conditions;
- our reliance on a few significant facilities and a small number of key suppliers, distributors and distribution chain service providers and the risks associated with an extended disruption at a facility or in service by a supplier, distributor or distribution chain service provider;
- the risk that we may be required to write down goodwill and intangible assets, including trademarks and other intellectual property, due to impairment;
- the risks associated with our *Optimize & Accelerate* initiative, including risks relating to business continuity, our internal control over financial reporting and audit procedures and our ability to recognize the expected savings;
- the risk that we could decide, or be required, to recall products;
- the various risks related to health epidemics and pandemics and the measures that international, federal, state and local governments, agencies, law enforcement and health authorities implement to address them;
- our inability to attract and retain a highly skilled workforce due to the decreasing social acceptance of tobacco usage, tobacco control actions and other factors;
- the risks associated with the various U.S. and foreign laws and regulations to which we are subject due to our international business operations;
- the risks concerning a challenge to our tax positions, an increase in the income tax rate or other changes to federal or state tax laws;
- the risks associated with legal and regulatory requirements related to climate change and other environmental sustainability matters;
- disruption and uncertainty in the credit and capital markets, including risk of losing access to these markets;
- a downgrade or potential downgrade of our credit ratings;

- the impact of heightened focus by investors and other stakeholders on our performance relating to corporate responsibility matters;
- the failure of our, or our key service providers' or key suppliers', information systems to function as intended, or cyber-attacks or security breaches affecting us or our key service providers or key suppliers;
- our failure, or the failure of our key service providers or key suppliers, to comply with laws related to personal data protection, privacy, artificial intelligence and information security;
- the risk that the expected benefits of our investment in ABI may not materialize in the expected manner or timeframe or at all; and
- the risks associated with our investment in Cronos, including legal, regulatory and reputational risks and the risk that the expected benefits of the transaction may not materialize in the expected manner or timeframe or at all.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

The fair value of our long-term debt, all of which is fixed-rate debt, is subject to fluctuations resulting primarily from changes in market interest rates. The fair value of our long-term debt and the change in fair value based on a 1% increase or decrease in market interest rates were as follows:

(in billions)	**June 30, 2025**	December 31, 2024
Fair value	**$ 23.0**	$ 22.7
Decrease in fair value from a 1% increase in market interest rates	**1.8**	1.7
Increase in fair value from a 1% decrease in market interest rates	**2.0**	2.0

We expect interest rates on borrowings under our Credit Agreement to be based on the Term Secured Overnight Financing Rate, plus a percentage based on the higher of the ratings of our long-term senior unsecured debt from Moody's and S&P. The applicable percentage for borrowings under our Credit Agreement at June 30, 2025 was 1.0% based on our long-term senior unsecured debt ratings on that date. At June 30, 2025 and December 31, 2024, we had no borrowings under our Credit Agreement.

Item 4. Controls and Procedures

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

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

Part II – OTHER INFORMATION

Item 1. Legal Proceedings

See Note 14 for a discussion of legal proceedings pending against us. See also Exhibits 99.1 and 99.2 to this Form 10-Q.

Item 1A. Risk Factors

Information regarding Risk Factors appears in Part I, Item 1A. Risk Factors of our 2024 Form 10-K and Part II, Item 1A. Risk Factors of our First Quarter Form 10-Q. There have been no material changes to the risk factors previously disclosed in our 2024 Form 10-K and First Quarter Form 10-Q.

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

In January 2025, our Board authorized a $1.0 billion share repurchase program ("January 2025 share repurchase program"), which we expect to complete by December 31, 2025. The timing of share repurchases depends upon marketplace conditions and other factors, and the program remains subject to the discretion of our Board.

Our share repurchase activity for each of the three months in the period ended June 30, 2025, was as follows:

Period	Total Number of Shares Purchased [(1)]	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
April 1-30, 2025	**1,714,864**	**$ 57.83**	**1,677,621**	**$ 576,688,888**
May 1-31, 2025	**1,385,047**	**$ 58.86**	**1,381,555**	**$ 495,371,436**
June 1-30, 2025	**1,609,639**	**$ 59.25**	**1,609,639**	**$ 400,000,010**
	4,709,550	**$ 58.62**	**4,668,815**	

[(1)] The total number of shares purchased includes (a) shares purchased under the January 2025 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 37,243 in April and 3,492 in May).

Item 5. Other Information

During the quarter ended June 30, 2025, none of our directors or officers adopted, modified or terminated any "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

4.1	Description of Altria Group, Inc.’s Registered Securities.
10.1	2025 Performance Incentive Plan. Incorporated by reference to Exhibit A to Altria Group, Inc.’s Definitive Proxy Statement on Schedule 14A filed on April 3, 2025 (File No. 1-08940).
10.2	2025 Stock Compensation Plan for Non-Employee Directors. Incorporated by reference to Exhibit B to Altria Group, Inc.’s Definitive Proxy Statement on Schedule 14A filed on April 3, 2025 (File No. 1-08940).
10.3	Form of Restricted Stock Unit Agreement (2025).
10.4	Form of Performance Stock Unit Agreement (2025).
22	Guarantor Subsidiary of the Registrant.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Certain Litigation Matters.
99.2	Trial Schedule for Certain Cases.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	Taxonomy Extension Presentation Linkbase.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

Signature

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

ALTRIA GROUP, INC.

/s/ SALVATORE MANCUSO

Salvatore Mancuso
Executive Vice President and
Chief Financial Officer

July 30, 2025

Exhibit 4.1

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 three 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) 2.200% Notes due 2027; and (iii) 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.

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 ⅓% 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 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 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

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 depositary; 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 123rd 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 123rd 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 depositary on behalf of Clearstream and Euroclear, and are registered in the name of the common depositary 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 depositary or ceases to be a clearing agency registered under the Exchange Act, and a successor depositary 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 depositary. Any notes issued in definitive form in exchange for a registered global note will be registered in the name or names that the depositary gives to the trustee or other relevant agent of the trustee. It is expected that the depositary's instructions will be based upon directions received by the depositary from participants with respect to ownership of beneficial interests in the applicable registered global note that had been held by the depositary. 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.

Exhibit 10.3

THE ALTRIA GROUP, INC.
2025 PERFORMANCE INCENTIVE PLAN

RESTRICTED STOCK UNIT AGREEMENT

ALTRIA GROUP, INC. (“Company”), a Virginia corporation, hereby grants to the employee identified in the Stock Award section of the Award Statement (“Employee”) under the Altria Group, Inc. 2025 Performance Incentive Plan (“Plan”) a restricted stock unit award (“Award”) with respect to the number of shares of Common Stock of the Company (“Common Stock”) set forth in the Stock Award section of the Award Statement (“RSUs”), all in accordance with and subject to the following terms and conditions of this Restricted Stock Unit Agreement (“Agreement”).

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

(a) **“Award Date”** means the date on which the Award is granted to the Employee, as specified in the Award Statement.

(b) **“Award Statement”** means the written notice of a restricted stock unit award provided to the Employee by the Company.

(c) **“Code”** means the Internal Revenue Code of 1986, as amended.

(d) **“Compensation and Talent Development Committee”** means the Compensation and Talent Development Committee of the Board of Directors of Altria Group, Inc.

(e) **“Disability”** means a disability that entitles the Employee to benefits under the applicable long-term disability insurance program of the Company or any of its Subsidiaries.

(f) **“Normal Retirement”** means retirement from active employment with the Company and its Subsidiaries following both attainment of age 65 and completion of five years of service with the Company and its Subsidiaries.

(g) **“Payment Date**” has the meaning set forth in Section 6(a) of this Agreement.

(h) **“Retirement”** means retirement from active employment with the Company and its Subsidiaries following both attainment of age 50 and completion of five years of service with the Company and its Subsidiaries.

(i) **“Subsidiary”** means any company in which the Company, directly or indirectly, has a beneficial ownership interest of greater than 50 percent.

(j) **“Termination of Employment”** means a separation from service within the meaning of Code section 409A with the Company and all of its Subsidiaries, which includes circumstances in which the Employee is reasonably anticipated not to perform further services with the Company and its Subsidiaries. Notwithstanding the foregoing, with respect to an Employee who is not a United States taxpayer and is based in a jurisdiction outside the United States, a Termination of Employment shall be deemed to occur on the date that such Employee gives or is given notice of termination of employment with the Company and all of its Subsidiaries.

(k) **“Vesting Date”** means the date set forth in the Award Statement upon which the Award is generally no longer subject to forfeiture.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ALTRIA GROUP, INC.

By: W. Hildebrandt Surgner, Jr.
Corporate Secretary

Exhibit 10.4

THE ALTRIA GROUP, INC.
2025 PERFORMANCE INCENTIVE PLAN

PERFORMANCE STOCK UNIT AGREEMENT

ALTRIA GROUP, INC. (“Company”), a Virginia corporation, hereby grants to the employee identified in the Stock Award section of the Award Statement (“Employee”) under the Altria Group, Inc. 2025 Performance Incentive Plan (“Plan”) a performance stock unit award (“Award”) with respect to the target number of shares of Common Stock of the Company (“Common Stock”) set forth in the Stock Award section of the Award Statement (“PSUs”), all in accordance with and subject to the following terms and conditions of this Performance Stock Unit Agreement (“Agreement”).

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

(a) **“Award Date”** means the date on which the Award is granted to the Employee, as specified in the Award Statement.

(b) **“Award Statement”** means the written notice of a performance stock unit award provided to the Employee by the Company.

(c) **“Code”** means the Internal Revenue Code of 1986, as amended.

(d) **“Compensation and Talent Development Committee”** means the Compensation and Talent Development Committee of the Board of Directors of Altria Group, Inc.

(e) **“Disability”** means a disability that entitles the Employee to benefits under the applicable long-term disability insurance program of the Company or any of its Subsidiaries. A **“409A Disability”** means a Disability that is also a disability within the meaning of Code section 409A. A **“Non-409A Disability”** means a Disability that is not also a disability within the meaning of Code section 409A.

(f) **“Normal Retirement”** means retirement from active employment with the Company and its Subsidiaries following both attainment of age 65 and completion of five years of service with the Company and its Subsidiaries.

(g) “**Payment Date**” has the meaning set forth in Section 6(a) of this Agreement.

(h) **“Performance Percentage”** means a percentage that is determined based on the Company’s performance during the applicable PSU performance period against performance goals pre-determined by the Compensation and Talent Development Committee.

(i) **“Retirement”** means retirement from active employment with the Company and its Subsidiaries following both attainment of age 50 and completion of five years of service with the Company and its Subsidiaries.

(j) **“Subsidiary”** means any company in which the Company, directly or indirectly, has a beneficial ownership interest of greater than 50 percent.

(k) **“Termination of Employment”** means a separation from service within the meaning of Code section 409A with the Company and all of its Subsidiaries, which includes circumstances in which the Employee is reasonably anticipated not to perform further services with the Company and its Subsidiaries. Notwithstanding the foregoing, with respect to an Employee who is not a United States taxpayer and is based in a jurisdiction outside the United States, a Termination of Employment shall be deemed to occur on the date that such Employee gives or is given notice of termination of employment with the Company and all of its Subsidiaries.

(l) **“Vesting Date”** means the date set forth in the Award Statement upon which the Award is generally no longer subject to forfeiture.

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

3. Normal Vesting.

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

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

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

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

Termination of Employment described in this paragraph, the Compensation and Talent Development Committee may, in its sole discretion, determine that the service condition to PSU vesting, set forth in Section 3(a), will be deemed satisfied for some or all of the PSUs. In such event, the number of such PSUs that become vested on the Vesting Date will be determined based on actual performance as set forth in Section 3(b).

6. Payment of PSUs.

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

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

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

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

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

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

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

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

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

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

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

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

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

ALTRIA GROUP, INC.

By: W. Hildebrandt Surgner, Jr.
Corporate Secretary

Exhibit 22

Altria Group, Inc.
Guarantor Subsidiary

Philip Morris USA Inc., which is a 100% owned subsidiary of Altria Group, Inc. (the “Parent”), has fully and unconditionally guaranteed the Parent’s obligations under the following senior unsecured notes issued by the Parent:

USD denominated notes

- 4.400% Notes due February 2026
- 2.625% Notes due September 2026
- 4.875% Notes due February 2028
- 6.200% Notes due November 2028
- 4.800% Notes due February 2029
- 3.400% Notes due May 2030
- 2.450% Notes due February 2032
- 6.875% Notes due November 2033
- 5.625% Notes due February 2035
- 9.950% Notes due November 2038
- 10.200% Notes due February 2039
- 5.800% Notes due February 2039
- 3.400% Notes due February 2041
- 4.250% Notes due August 2042
- 4.500% Notes due May 2043
- 5.375% Notes due January 2044
- 3.875% Notes due September 2046
- 5.950% Notes due February 2049
- 4.450% Notes due May 2050
- 3.700% Notes due February 2051
- 6.200% Notes due February 2059
- 4.000% Notes due February 2061

Euro denominated notes

- 2.200% Notes due June 2027
- 3.125% Notes due June 2031

Exhibit 31.1

Certifications

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

1. I have reviewed this quarterly report on Form 10-Q of Altria Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2025

/s/ WILLIAM F. GIFFORD, JR.
William F. Gifford, Jr.
Chief Executive Officer

Exhibit 31.2

Certifications

I, Salvatore Mancuso, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Altria Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2025

/s/ SALVATORE MANCUSO
Salvatore Mancuso
Executive Vice President and
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Altria Group, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2025 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
July 30, 2025

Exhibit 32.2

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

In connection with the Quarterly Report of Altria Group, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2025 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
July 30, 2025

Exhibit 99.1

CERTAIN LITIGATION MATTERS

As described in Note 14. *Contingencies* to Altria Group, Inc.'s ("Altria") condensed consolidated financial statements in Part I, Item 1 of the Quarterly Report on Form 10-Q to which this Exhibit 99.1 is attached ("Note 14"), there are legal proceedings covering a wide range of matters pending or threatened in various United States and foreign jurisdictions against Altria and certain of our subsidiaries, including Philip Morris USA Inc. ("PM USA"), as well as our indemnitees. Various types of claims may be raised in these proceedings, including product liability, unfair trade practices, antitrust, income tax liability, contraband shipments, patent infringement, employment matters, environmental 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 July 28, 2025. 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 14 for a discussion of this litigation.

Domestic Class Actions

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

Engle Progeny Litigation

See Note 14 for a discussion of the *Engle* progeny litigation.

HEALTH CARE COST RECOVERY LITIGATION

The following lists a health care cost recovery action pending against PM USA and Altria as of July 28, 2025. 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 14 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 July 28, 2025.

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.

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.

See Note 14 for a discussion of this case.

ANTITRUST LITIGATION

Reece, et al. v. Altria Group, Inc., et al., United States District Court, Northern District of California, filed April 7, 2020.

See Note 14 for a discussion of this case.

INTERNATIONAL CASES

The following lists cases pending against Altria and/or its subsidiaries in foreign jurisdictions as of July 28, 2025.

Canada

O'Donnell, et. al. v. JUUL Labs, Canada, Ltd., et al., Ontario, Ontario Superior Court, filed April 17, 2020. E-vapor class action.

Salvatore, et al. v. JUUL Labs Canada, Ltd., et al., Quebec, District of Montreal Superior Court, filed June 12, 2019. E-vapor class action.

Stephens, et al. v. JUUL Labs, Inc., et al., British Columbia, Canada Supreme Court, filed October 1, 2019. E-vapor class action.

Her Majesty the Queen in Right of British Columbia v. Imperial Tobacco Limited, et al., Supreme Court, British Columbia, Vancouver Registry, Canada, filed January 24, 2001. Health care cost recovery action.

Her Majesty the Queen in Right of the Province of New Brunswick v. Rothmans, Inc., et al., Court of Queen's Bench of New Brunswick Judicial District of Fredericton, Canada, filed March 13, 2008. Health care cost recovery action.

Dorion v. Canadian Tobacco Manufacturers' Council, et al., Court of Queen's Bench of Alberta, Judicial District of Calgary, Canada, filed on or about June 17, 2009. Smoking and health class action.

Semple v. Canadian Tobacco Manufacturers' Council, et al., Supreme Court of Nova Scotia, Canada, filed on or about June 18, 2009. Smoking and health class action.

Kunka v. Canadian Tobacco Manufacturers' Council, et al., Court of Queen's Bench of Manitoba, Winnipeg Judicial Centre, Canada, filed on an unknown date in June 2009. Smoking and health class action.

Adams v. Canadian Tobacco Manufacturers' Council, et al., Court of Queen's Bench for Saskatchewan, Judicial Centre of Regina, Canada, filed on or about July 10, 2009. Smoking and health class action.

Her Majesty the Queen in Right of Ontario v. Rothmans Inc., et al., Superior Court of Justice of Ontario, Canada, filed on or about September 30, 2009. Health care cost recovery action.

Bourassa v. Imperial Tobacco Canada Limited, et al., Supreme Court of British Columbia, Victoria Registry, Canada, filed on or about June 25, 2010. Smoking and health class action.

McDermid v. Imperial Tobacco Canada Limited, et al., Supreme Court of British Columbia, Victoria Registry, Canada, filed on or about June 25, 2010. Smoking and health class action.

Attorney General of Newfoundland and Labrador v. Rothmans Inc., et al., Supreme Court of Newfoundland and Labrador, Trial Division, Canada, filed February 8, 2011. Health care cost recovery action.

Attorney General of Quebec v. Imperial Tobacco Canada Limited, et al., Superior Court of Quebec, Montreal District, Canada, filed June 8, 2012. Health care cost recovery action.

Her Majesty in Right of Alberta v. Altria Group, Inc., et al., Court of Queen's Bench of Alberta, Judicial District of Calgary, Canada, filed June 8, 2012. Health care cost recovery action.

Her Majesty the Queen in the Right of Manitoba v. Rothmans, Benson & Hedges Inc., et al., Court of Queen's Bench of Manitoba, Winnipeg Judicial Centre, Canada, filed May 31, 2012. Health care cost recovery action.

Her Majesty the Queen in Right of Saskatchewan v. Rothmans, Benson & Hedges Inc., et al., Court of Queen's Bench of Saskatchewan, Judicial Centre of Saskatoon, Canada, filed on June 8, 2012. Health care cost recovery action.

Her Majesty in the Right of the Province of Prince Edward Island v. Rothmans, Benson & Hedges, Inc., et al., Supreme Court of Prince Edward Island, filed on September 10, 2012. Health care cost recovery action.

Her Majesty the Queen in Right of the Province of Nova Scotia v. Benson & Hedges, Inc., et al., Supreme Court of Nova Scotia, filed on January 2, 2015. Health care cost recovery action.

Jacklin v. Canadian Tobacco Manufacturers' Council et al., Ontario Superior Court of Justice, Case No. 5379412, Ontario, Canada, filed on or about June 27, 2012. Smoking and health class action.

See Note 14 for a discussion of these cases.

Exhibit 99.2

TRIAL SCHEDULE FOR CERTAIN CASES

Below is a schedule, as of July 28, 2025, 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 September 30, 2025.

<u>2025</u>

Engle progeny

July	0
August	0
September	1

As of July 28, 2025, there are no *Engle* progeny cases in trial.

Other Individual Smoking & Health

July	0
August	0
September	1

As of July 28, 2025, there are no non-*Engle* progeny cases in trial.