

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2024

OR

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

For the transition period from to

Commission File Number 001-33708

Philip Morris International Inc.

(Exact name of registrant as specified in its charter)

Virginia	13-3435103
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
677 Washington Blvd, Suite 1100	Stamford Connecticut 06901
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code	(203) 905-2410

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 Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	PM	New York Stock Exchange
0.625% Notes due 2024	PM24B	New York Stock Exchange
3.250% Notes due 2024	PM24A	New York Stock Exchange
2.750% Notes due 2025	PM25	New York Stock Exchange
3.375% Notes due 2025	PM25A	New York Stock Exchange
2.750% Notes due 2026	PM26A	New York Stock Exchange
2.875% Notes due 2026	PM26	New York Stock Exchange
0.125% Notes due 2026	PM26B	New York Stock Exchange
3.125% Notes due 2027	PM27	New York Stock Exchange
3.125% Notes due 2028	PM28	New York Stock Exchange
2.875% Notes due 2029	PM29	New York Stock Exchange
3.375% Notes due 2029	PM29A	New York Stock Exchange
3.750% Notes due 2031	PM31B	New York Stock Exchange
0.800% Notes due 2031	PM31	New York Stock Exchange
3.125% Notes due 2033	PM33	New York Stock Exchange
2.000% Notes due 2036	PM36	New York Stock Exchange
Title of each class	Trading Symbol(s)	Name of each exchange on which registered
1.875% Notes due 2037	PM37A	New York Stock Exchange
6.375% Notes due 2038	PM38	New York Stock Exchange
1.450% Notes due 2039	PM39	New York Stock Exchange
4.375% Notes due 2041	PM41	New York Stock Exchange
4.500% Notes due 2042	PM42	New York Stock Exchange
3.875% Notes due 2042	PM42A	New York Stock Exchange
4.125% Notes due 2043	PM43	New York Stock Exchange
4.875% Notes due 2043	PM43A	New York Stock Exchange
4.250% Notes due 2044	PM44	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 October 18, 2024, there were 1,554,833,410 shares outstanding of the registrant's common stock, no par value per share.

PHILIP MORRIS INTERNATIONAL INC.
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In this report, "PMI," "we," "us" and "our" refer to Philip Morris International Inc. and its subsidiaries.

Trademarks and service marks in this report are the registered property of, or licensed by, the subsidiaries of Philip Morris International Inc. and are italicized.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	For the Nine Months Ended September 30,	
	2024	2023
Net revenues ^{1 & 2} (Notes 7 & 12)	\$ 28,172	\$ 26,127
Cost of sales	9,906	9,431
Gross profit	18,266	16,696
Marketing, administration and research costs (Notes 4, 7, 15 & 18)	8,123	7,364
Impairment of goodwill (Note 4)	—	665
Operating income	10,143	8,667
Interest expense, net	817	788
Pension and other employee benefit costs (Note 3)	44	36
Earnings before income taxes	9,282	7,843
Provision for income taxes	2,145	2,019
Equity investments and securities (income)/loss, net	(852)	(131)
Net earnings	\$ 7,989	\$ 5,955
Net earnings attributable to noncontrolling interests	353	338
Net earnings attributable to PMI	\$ 7,636	\$ 5,617
Per share data (Note 6):		
Basic earnings per share	\$ 4.90	\$ 3.61
Diluted earnings per share	\$ 4.89	\$ 3.61

⁽¹⁾ Includes net revenues from related parties of \$2,866 million and \$2,631 million for the nine months ended September 30, 2024 and 2023, respectively.

⁽²⁾ Net revenues are shown net of excise tax on products. For the nine months ended September 30, 2024 and 2023, excise tax on products was \$38,535 million and \$37,140 million, respectively.

See notes to condensed consolidated financial statements.

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

	For the Three Months Ended September 30,	
	2024	2023
Net revenues ^{1 & 2} (Note 12)	\$ 9,911	\$ 9,141
Cost of sales	3,366	3,165
Gross profit	6,545	5,976
Marketing, administration and research costs (Notes 7 & 18)	2,891	2,606
Operating income	3,654	3,370
Interest expense, net	189	261
Pension and other employee benefit costs (Note 3)	15	8
Earnings before income taxes	3,450	3,101
Provision for income taxes	735	1,031
Equity investments and securities (income)/loss, net	(500)	(101)
Net earnings	3,215	2,171
Net earnings attributable to noncontrolling interests	133	117
Net earnings attributable to PMI	\$ 3,082	\$ 2,054
Per share data (Note 6):		
Basic earnings per share	\$ 1.98	\$ 1.32
Diluted earnings per share	\$ 1.97	\$ 1.32

⁽¹⁾ Includes net revenues from related parties of \$1,045 million and \$857 million for the three months ended September 30, 2024 and 2023, respectively.

⁽²⁾ Net revenues are shown net of excise tax on products. For the three months ended September 30, 2024 and 2023, excise tax on products was \$13,773 million and \$13,092 million, respectively.

See notes to condensed consolidated financial statements.

Philip Morris International Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Earnings
(in millions of dollars)
(Unaudited)

	For the Nine Months Ended September 30,	
	2024	2023
Net earnings	\$ 7,989	\$ 5,955
Other comprehensive earnings (losses), net of income taxes:		
Change in currency translation adjustments:		
Unrealized gains (losses), net of income taxes of \$14 in 2024 and \$(12) in 2023	(365)	(669)
(Gains)/losses transferred to earnings, net of income taxes of \$0 in 2024 and 2023 (Notes 11, 15 & 18)	155	4
Change in net loss and prior service cost:		
Amortization of net losses, prior service costs and net transition costs, net of income taxes of \$(26) in 2024 and \$(20) in 2023	103	59
Change in fair value of derivatives accounted for as hedges:		
Gains (losses) recognized, net of income taxes of \$(28) in 2024 and \$(56) in 2023	126	304
(Gains) losses transferred to earnings, net of income taxes of \$30 in 2024 and \$30 in 2023	(137)	(155)
Total other comprehensive earnings (losses)	(118)	(457)
Total comprehensive earnings	7,871	5,498
Less comprehensive earnings (losses) attributable to:		
Noncontrolling interests	312	139
Comprehensive earnings attributable to PMI	<u>\$ 7,559</u>	<u>\$ 5,359</u>

See notes to condensed consolidated financial statements.

Philip Morris International Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Earnings
(in millions of dollars)
(Unaudited)

	For the Three Months Ended September 30,	
	2024	2023
Net earnings	\$ 3,215	\$ 2,171
Other comprehensive earnings (losses), net of income taxes:		
Change in currency translation adjustments:		
Unrealized gains (losses), net of income taxes of \$144 in 2024 and \$(95) in 2023	(730)	158
(Gains)/losses transferred to earnings, net of income taxes of \$0 in 2024 and 2023	—	2
Change in net loss and prior service cost:		
Amortization of net losses, prior service costs and net transition costs, net of income taxes of \$(8) in 2024 and \$(6) in 2023	36	18
Change in fair value of derivatives accounted for as hedges:		
Gains (losses) recognized, net of income taxes of \$27 in 2024 and \$(8) in 2023	(160)	58
(Gains) losses transferred to earnings, net of income taxes of \$7 in 2024 and \$8 in 2023	(43)	(51)
Total other comprehensive earnings (losses)	(897)	185
Total comprehensive earnings	2,318	2,356
Less comprehensive earnings (losses) attributable to:		
Noncontrolling interests	198	74
Comprehensive earnings attributable to PMI	<u>\$ 2,120</u>	<u>\$ 2,282</u>

See notes to condensed consolidated financial statements.

Philip Morris International Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in millions of dollars)
(Unaudited)

	September 30, 2024	December 31, 2023
ASSETS		
Cash and cash equivalents	\$ 4,258	\$ 3,060
Trade receivables (less allowances of \$54 in 2024 and \$79 in 2023) ⁽¹⁾	4,239	3,461
Other receivables (less allowances of \$21 in 2024 and \$35 in 2023)	952	930
Inventories:		
Leaf tobacco	1,980	1,942
Other raw materials	2,368	2,293
Finished product	5,007	6,539
	9,355	10,774
Other current assets	1,992	1,530
Total current assets	20,796	19,755
Property, plant and equipment, at cost	17,512	17,080
Less: accumulated depreciation	9,964	9,564
	7,548	7,516
Goodwill (Note 4)	17,144	16,779
Other intangible assets, net (Note 4)	11,916	9,864
Equity investments (Note 12)	5,631	4,929
Deferred income taxes	1,012	814
Other assets (less allowances of \$26 in 2024 and \$25 in 2023) (Note 18)	2,845	5,647
TOTAL ASSETS	\$ 66,892	\$ 65,304

⁽¹⁾ Includes trade receivables from related parties of \$768 million and \$710 million as of September 30, 2024, and December 31, 2023, respectively. For further details, see Note 12. *Related Parties - Equity Investments and Other.*

See notes to condensed consolidated financial statements.

Continued

Philip Morris International Inc. and Subsidiaries
Condensed Consolidated Balance Sheets (Continued)
(in millions of dollars, except share data)
(Unaudited)

	September 30, 2024	December 31, 2023
LIABILITIES		
Short-term borrowings (Note 10)	\$ 152	\$ 1,968
Current portion of long-term debt (Note 10)	4,833	4,698
Accounts payable	3,511	4,143
Accrued liabilities:		
Marketing and selling	1,043	862
Taxes, except income taxes	6,594	7,514
Employment costs	1,235	1,262
Dividends payable	2,119	2,041
Other	2,820	2,737
Income taxes	1,059	1,158
Total current liabilities	23,366	26,383
Long-term debt (Note 10)	44,237	41,243
Deferred income taxes	2,547	2,335
Employment costs	2,957	3,046
Income taxes and other liabilities	1,498	1,743
Total liabilities	74,605	74,750
Contingencies (Note 8)		
STOCKHOLDERS' (DEFICIT) EQUITY		
Common stock, no par value (2,109,316,331 shares issued in 2024 and 2023)	—	—
Additional paid-in capital	2,283	2,285
Earnings reinvested in the business	35,556	34,090
Accumulated other comprehensive losses (Note 11)	(11,892)	(11,815)
	25,947	24,560
Less: cost of repurchased stock (554,486,775 and 556,891,800 shares in 2024 and 2023, respectively)	35,641	35,785
Total PMI stockholders' deficit	(9,694)	(11,225)
Noncontrolling interests	1,981	1,779
Total stockholders' deficit	(7,713)	(9,446)
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY	\$ 66,892	\$ 65,304

See notes to condensed consolidated financial statements.

Philip Morris International Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in millions of dollars)
(Unaudited)

	For the Nine Months Ended September 30,	
	2024	2023
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net earnings	\$ 7,989	\$ 5,955
Adjustments to reconcile net earnings to operating cash flows:		
Depreciation and amortization expense	1,310	1,029
Impairment of goodwill and other intangibles (Note 4)	27	680
Impairment related to Vectura Group's expected sale (Note 18)	198	—
Deferred income tax (benefit) provision	20	34
Asset impairment and exit costs, net of cash paid (Note 15)	134	35
Cash effects of changes, net of the effects from acquired companies:		
Receivables, net ⁽¹⁾	(987)	(267)
Inventories	1,265	(181)
Accounts payable	(261)	(623)
Accrued liabilities and other current assets	(643)	(922)
Income taxes	(241)	(201)
Pension plan contributions (Note 3)	(81)	(96)
Other	(515)	459
Net cash provided by (used in) operating activities	8,215	5,902
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Capital expenditures	(1,166)	(1,010)
Acquisitions, net of acquired cash (Note 18)	44	—
Altria Group, Inc. agreement (Note 18)	—	(1,775)
Equity investments	(124)	(111)
Collateral posted/settlements for derivatives, (paid)/returned (Note 5)	(159)	(110)
Other	(128)	(24)
Net cash provided by (used in) investing activities	(1,533)	(3,030)

⁽¹⁾ Includes amounts from related parties of \$(111) million and \$(130) million for September 30, 2024 and 2023, respectively

See notes to condensed consolidated financial statements.

Continued

Philip Morris International Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Continued)
(in millions of dollars)
(Unaudited)

	For the Nine Months Ended September 30,	
	2024	2023
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Short-term borrowing activity by original maturity:		
Net issuances (repayments) - maturities of 90 days or less	\$ (1,452)	\$ 356
Issuances - maturities longer than 90 days	100	1,109
Repayments - maturities longer than 90 days	(433)	(554)
Repayments under credit facilities related to Swedish Match AB acquisition	—	(4,430)
Long-term debt proceeds	5,194	9,959
Long-term debt repaid	(2,381)	(2,034)
Dividends paid	(6,091)	(5,941)
Collateral received/settlements for derivatives, received/(returned)	22	2
Payments to acquire Swedish Match AB noncontrolling interests	—	(883)
Noncontrolling interests activity and Other (Note 18)	(337)	(269)
Net cash provided by (used in) financing activities	(5,378)	(2,685)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(149)	(370)
Cash, cash equivalents and restricted cash ⁽¹⁾ :		
Increase (Decrease)	1,155	(183)
Balance at beginning of period	3,146	3,217
Balance at end of period	<u>\$ 4,301</u>	<u>\$ 3,034</u>

⁽¹⁾ The amounts for cash, cash equivalents and restricted cash shown above include restricted cash of \$43 million and \$17 million as of September 30, 2024 and 2023, respectively, and \$86 million and \$10 million as of December 31, 2023 and 2022, respectively, which were included in other current assets in the condensed consolidated balance sheets.

See notes to condensed consolidated financial statements.

Philip Morris International Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' (Deficit) Equity
For the Nine Months Ended September 30, 2024 and 2023
(in millions of dollars, except per share amounts)
(Unaudited)

	PMI Stockholders' (Deficit) Equity						
	Common Stock	Additional Paid-in Capital	Earnings Reinvested in the Business	Accumulated Other Comprehensive Losses	Cost of Repurchased Stock	Noncontrolling Interests	Total
Balances, January 1, 2023	\$ —	\$ 2,230	\$ 34,289	\$ (9,559)	\$ (35,917)	\$ 2,646	\$ (6,311)
Net earnings			5,617			338	5,955
Other comprehensive earnings (losses), net of income taxes				(438)		(19)	(457)
Issuance of stock awards		29			129		158
Dividends declared (\$3.84 per share)			(5,987)				(5,987)
Dividends paid to noncontrolling interests						(407)	(407)
Sale (purchase) of subsidiary shares to/(from) noncontrolling interests (Note 18)		(6)		180		(831)	(657)
Balances, September 30, 2023	\$ —	\$ 2,253	\$ 33,919	\$ (9,817)	\$ (35,788)	\$ 1,727	\$ (7,706)
Balances, January 1, 2024	\$ —	\$ 2,285	\$ 34,090	\$ (11,815)	\$ (35,785)	\$ 1,779	\$ (9,446)
Net earnings			7,636			353	7,989
Other comprehensive earnings (losses), net of income taxes				(77)		(41)	(118)
Issuance of stock awards		(2)			144		142
Dividends declared (\$3.95 per share)			(6,170)				(6,170)
Dividends paid to noncontrolling interests						(360)	(360)
Acquisitions (Note 18)						159	159
Sale (purchase) of subsidiary shares to/(from) noncontrolling interests						91	91
Balances, September 30, 2024	\$ —	\$ 2,283	\$ 35,556	\$ (11,892)	\$ (35,641)	\$ 1,981	\$ (7,713)

See notes to condensed consolidated financial statements.

Philip Morris International Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' (Deficit) Equity
For the Three Months Ended September 30, 2024 and 2023
(in millions of dollars, except per share amounts)
(Unaudited)

	PMI Stockholders' (Deficit) Equity						
	Common Stock	Additional Paid-in Capital	Earnings Reinvested in the Business	Accumulated Other Comprehensive Losses	Cost of Repurchased Stock	Noncontrolling Interests	Total
Balances, July 1, 2023	\$ —	\$ 2,240	\$ 33,893	\$ (10,045)	\$ (35,791)	\$ 1,743	\$ (7,960)
Net earnings			2,054			117	2,171
Other comprehensive earnings (losses), net of income taxes				227		(42)	185
Issuance of stock awards		40			3		43
Dividends declared (\$1.30 per share)			(2,028)				(2,028)
Dividends paid to noncontrolling interests						(89)	(89)
Sale (purchase) of subsidiary shares to/(from) noncontrolling interests		(27)		1		(2)	(28)
Balances, September 30, 2023	\$ —	\$ 2,253	\$ 33,919	\$ (9,817)	\$ (35,788)	\$ 1,727	\$ (7,706)
Balances, July 1, 2024	\$ —	\$ 2,249	\$ 34,582	\$ (10,930)	\$ (35,645)	\$ 1,802	\$ (7,942)
Net earnings			3,082			133	3,215
Other comprehensive earnings (losses), net of income taxes				(962)		65	(897)
Issuance of stock awards		34			4		38
Dividends declared (\$1.35 per share)			(2,108)				(2,108)
Dividends paid to noncontrolling interests						(98)	(98)
Sale (purchase) of subsidiary shares to/(from) noncontrolling interests						79	79
Balances, September 30, 2024	\$ —	\$ 2,283	\$ 35,556	\$ (11,892)	\$ (35,641)	\$ 1,981	\$ (7,713)

See notes to condensed consolidated financial statements.

Philip Morris International Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1. Background and Basis of Presentation:

Background

Philip Morris International Inc. is a holding company incorporated in Virginia, U.S.A. (also referred to herein as the U.S., the United States or the United States of America), whose subsidiaries and affiliates and their licensees are primarily engaged in the manufacture and sale of cigarettes and smoke-free products. Throughout these financial statements, the term "PMI" refers to Philip Morris International Inc. and its subsidiaries.

Smoke-Free Business ("SFB") is the term PMI uses to refer to all of its smoke-free products. SFB also includes wellness and healthcare products, as well as consumer accessories, such as lighters and matches.

Smoke-free products (also referred to herein as "SFPs") is the term PMI uses to refer to all of its products that provide nicotine without combusting tobacco, such as heat-not-burn, e-vapor, and oral smokeless, and that therefore generate far lower levels of harmful chemicals. As such, these products have the potential to present less risk of harm versus continued smoking.

"Platform 1" is the term PMI uses to refer to PMI's smoke-free products that use a precisely controlled heating device into which a specially designed and proprietary tobacco unit is inserted and heated to generate an aerosol.

On September 17, 2024, PMI announced the execution of a definitive agreement pursuant to which PMI's direct, wholly-owned subsidiary, Vectura Fertin Pharma Inc., agreed to sell Vectura Group Ltd. (formerly, Vectura Group plc, and hereinafter referred to as "Vectura" or "Vectura Group") to Molex Asia Holdings Ltd. The transaction is expected to close by the end of 2024, subject to regulatory approval, which may impact the timing, and other customary closing conditions. For further details, see Note 18. *Acquisitions and Divestitures*.

Basis of Presentation

The interim condensed consolidated financial statements of PMI are unaudited. These interim condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. 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 U.S. GAAP have been omitted. It is the opinion of PMI's management that all adjustments necessary for a fair statement of the interim results presented have been reflected therein. All such adjustments were of a normal recurring nature. Net revenues and net earnings attributable to PMI for any interim period are not necessarily indicative of results that may be expected for the entire year.

Following the combination and the progress in 2023 toward the integration of the Swedish Match business into PMI's existing regional structure, PMI updated in January 2024 its segment reporting by including the former Swedish Match segment results into the four existing geographical segments. The four existing geographical segments are as follows: Europe Region; South and Southeast Asia, Commonwealth of Independent States, Middle East and Africa Region ("SSEA, CIS & MEA"); East Asia, Australia, and PMI Duty Free Region ("EA, AU & PMI DF"); and Americas Region. The Wellness and Healthcare ("W&H") segment remained unchanged.

Certain prior years' amounts have been reclassified to conform with the current year's presentation as a result of the new segment structure discussed above. See Note 4. *Goodwill and Other Intangible Assets, net*, Note 7. *Segment Reporting* and Note 15. *Asset Impairment and Exit Costs* for further details. These reclassifications did not impact PMI's consolidated financial position, results of operations or cash flows in any of the periods presented.

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

Note 2. Stock Plans:

In May 2022, PMI's shareholders approved the Philip Morris International Inc. 2022 Performance Incentive Plan (the "2022 Plan"). Under the 2022 Plan, PMI may grant to eligible employees restricted shares and restricted share units, performance-based cash incentive awards and performance-based equity awards. Up to 25 million shares of PMI's common stock may be issued under the 2022 Plan. At September 30, 2024, shares available for grant under the 2022 Plan were 19,188,146.

Philip Morris International Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

In May 2017, PMI's shareholders approved the Philip Morris International Inc. 2017 Stock Compensation Plan for Non-Employee Directors (the "2017 Non-Employee Directors Plan"). A non-employee director is defined as a member of the PMI Board of Directors who is not a full-time employee of PMI or of any corporation in which PMI owns, directly or indirectly, stock possessing at least 50% of the total combined voting power of all classes of stock entitled to vote in the election of directors in such corporation. Up to 1 million shares of PMI common stock may be awarded under the 2017 Non-Employee Directors Plan. At September 30, 2024, shares available for grant under the plan were 855,920.

Restricted share unit (RSU) awards

During the nine months ended September 30, 2024 and 2023, shares granted to eligible employees and the weighted-average grant date fair value per share related to RSU awards were as follows:

	Number of Shares Granted	Weighted-Average Grant Date Fair Value Per RSU Award Granted
2024	2,005,920	\$ 89.58
2023	1,756,750	\$ 101.96

Compensation expense related to RSU awards was as follows:

(in millions)	Compensation Expense Related to RSU Awards	
	For the Nine Months Ended September 30,	For the Three Months Ended September 30,
2024	\$ 115	\$ 31
2023	\$ 124	\$ 38

As of September 30, 2024, PMI had \$190 million of total unrecognized compensation cost related to non-vested RSU awards. The cost is recognized over the original restriction period of the awards, which is typically three years after the date of the award, or upon death, disability or reaching the age of 58.

During the nine months ended September 30, 2024, 1,826,668 RSU awards vested. The grant date fair value of all the vested awards was approximately \$156 million. The total fair value of RSU awards that vested during the nine months ended September 30, 2024 was approximately \$168 million.

Performance share unit (PSU) awards

During the nine months ended September 30, 2024 and 2023, PMI granted PSU awards to certain executives. The PSU awards require the achievement of certain performance metrics, which are predetermined at the time of grant, typically over a three-year performance cycle.

The performance metrics for such PSU's granted during the nine months ended September 30, 2023 consisted of PMI's Total Shareholder Return ("TSR") relative to a predetermined peer group and on an absolute basis (40% weight), PMI's currency-neutral compound annual adjusted diluted earnings per share growth rate (30% weight), and a Sustainability Index, which consists of two drivers:

- Product Sustainability (20% weight) measuring progress primarily on PMI's efforts to maximize the benefits of smoke-free products, purposefully phase out cigarettes, and reduce post-consumer waste; and
- Operational Sustainability (10% weight) measuring progress on PMI's efforts to benefit PMI and its stakeholders by tackling climate change, preserving nature, improving the quality of life of people in its supply chain, and fostering an empowered, and inclusive workplace.

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The performance metrics, targets and relative weights for the PSU's granted during the nine months ended September 30, 2024 were the same as the PSU's granted during the nine months ended September 30, 2023, with the exception of adjustments made to certain components of the Sustainability Index intended to address PMI's developing sustainability strategy and reporting.

The PSU performance metrics may be adjusted if appropriate to reflect the impact of unusual or infrequently occurring events, including, to the extent significant, corporate transactions, accounting or tax law changes, asset write-downs, litigation or claim adjustments, foreign exchange gains and losses, unbudgeted capital expenditures and other such events.

The aggregate of the weighted performance factors for the three metrics in each such PSU award determines the percentage of PSUs that will vest at the end of the three-year performance cycle. The minimum percentage of such PSUs that can vest is zero, with a target percentage of 100 and a maximum percentage of 200. Each such vested PSU entitles the participant to one share of common stock. An aggregate weighted PSU performance factor of 100 will result in the targeted number of PSUs being vested. At the end of the performance cycle, participants are entitled to an amount equivalent to the accumulated dividends paid on common stock during the performance cycle for the number of shares earned.

During the nine months ended September 30, 2024 and 2023, shares granted to eligible employees and the grant date fair value per share related to PSU awards were as follows:

	Number of Shares Granted	Weighted- Average PSU Grant Date Fair Value Subject to Other Performance Factors (Per Share)	Weighted- Average PSU Grant Date Fair Value Subject to TSR Performance Factors (Per Share)
2024	543,560	\$ 89.01	\$ 85.72
2023	482,360	\$ 102.02	\$ 133.54

The grant date fair value of the PSU awards subject to the other performance factors was determined by using the market price of PMI's stock on the date of the grant. The grant date fair value of the PSU market-based awards subject to the TSR performance factor was determined by using the Monte Carlo simulation model. The following assumptions were used to determine the grant date fair value of the PSU awards subject to the TSR performance factor:

	2024	2023
Average risk-free interest rate ^(a)	4.2 %	4.1 %
Average expected volatility ^(b)	19.9 %	24.3 %

^(a) Based on the U.S. Treasury yield curve.

^(b) Determined using the observed historical volatility.

in millions)	Compensation Expense Related to PSU Awards	
	For the Nine Months Ended September 30,	For the Three Months Ended September 30,
2024	\$ 58	\$ 9
2023	\$ 51	\$ 6

As of September 30, 2024, PMI had \$42 million of total unrecognized compensation cost related to non-vested PSU awards. The cost is recognized over the performance cycle of the awards, or upon death, disability or reaching the age of 58.

During the nine months ended September 30, 2024, 916,452 PSU awards vested. The grant date fair value of all the vested awards was approximately \$86 million. The total fair value of PSU awards that vested during the nine months ended September 30, 2024 was approximately \$83 million.

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Note 3. Benefit Plans:

Pension coverage for employees of PMI's subsidiaries is provided, to the extent deemed appropriate, through separate plans, many of which are governed by local statutory requirements. In addition, PMI provides health care and other benefits to certain U.S. retired employees and certain non-U.S. retired employees. In general, health care benefits for non-U.S. retired employees are covered through local government plans.

Pension and other employee benefit costs per the condensed consolidated statements of earnings consisted of the following:

(in millions)	For the Nine Months Ended September 30,		For the Three Months Ended September 30,	
	2024	2023	2024	2023
Net pension costs (income)	\$ (58)	\$ (61)	\$ (19)	\$ (24)
Net postemployment costs	93	88	31	29
Net postretirement costs	9	9	3	3
Total pension and other employee benefit costs	\$ 44	\$ 36	\$ 15	\$ 8

Pension Plans
Components of Net Periodic Benefit Cost

Net periodic pension cost consisted of the following:

(in millions)	Pension ⁽¹⁾			
	For the Nine Months Ended September 30,		For the Three Months Ended September 30,	
	2024	2023	2024	2023
Service cost	\$ 162	\$ 130	\$ 53	\$ 45
Interest cost	173	193	57	64
Expected return on plan assets	(299)	(273)	(99)	(92)
Amortization:				
Net loss	69	21	23	5
Prior service cost (credit)	(1)	(2)	—	(1)
Net periodic pension cost	\$ 104	\$ 69	\$ 34	\$ 21

⁽¹⁾ Primarily non-U.S. based defined benefit retirement plans.

Employer Contributions

PMI makes, and plans to make, contributions, to the extent that they are tax deductible and meet specific funding requirements of its funded pension plans. Employer contributions of \$81 million were made to the pension plans during the nine months ended September 30, 2024. Currently, PMI anticipates making additional contributions during the remainder of 2024 of approximately \$48 million to its pension plans, based on current tax and benefit laws. However, this estimate is subject to change as a result of changes in tax and other benefit laws, as well as asset performance significantly above or below the assumed long-term rate of return on pension assets, or changes in interest and currency rates.

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Note 4. Goodwill and Other Intangible Assets, net:

2024 Annual impairment review of goodwill and non-amortizable intangible assets

During the second quarter of 2024, PMI completed its annual review of goodwill and non-amortizable intangible assets for potential impairment using a quantitative assessment for all of its reporting units and non-amortizable intangible assets. As a result of this review, no impairment charges were required. Each of PMI's reporting units had fair values substantially in excess of their carrying values with the exception of the Wellness & Healthcare reporting unit, which had less than 20% excess of fair value over its carrying value. PMI will continue to monitor this reporting unit as any changes in assumptions and estimates, unfavorable clinical trial results, failure to obtain regulatory approvals or other market factors could result in additional future goodwill and other intangible asset impairments. In addition, there are still risks related to PMI's Russian reporting unit's assets as the fair value of these assets is difficult to predict due to the current economic, political, regulatory and social conditions as well as the foreign currency volatility. As of September 30, 2024, our Russian operations had approximately \$2.9 billion in total assets, excluding intercompany balances, of which approximately \$1.0 billion consisted of cash and cash equivalents held mostly in local currency (Russian rubles). Additionally, we hold a 23% equity interest in Megapolis Distribution B.V., the holding company of JSC TK Megapolis, pursuant to Dutch law, PMI's distributor in Russia. For further details, see Note 8. *Contingencies* and Note 12. *Related Parties – Equity Investments and Other*.

Goodwill

The movements in goodwill were as follows:

(in millions)	Europe	SSEA, CIS & MEA	EA, AU & PMI DF	Americas	Wellness & Healthcare	Total
Balances at December 31, 2023	\$ 4,173	\$ 2,877	\$ 492	\$ 8,847	\$ 390	\$ 16,779
Changes due to:						
Acquisitions and divestitures	—	510	—	—	(65)	445
Currency	(52)	29	5	(74)	12	(80)
Balances, September 30, 2024	\$ 4,121	\$ 3,416	\$ 497	\$ 8,773	\$ 337	\$ 17,144

As discussed in Note 1. *Background and Basis of Presentation*, PMI updated in January 2024 its segment reporting by including the former Swedish Match segment results into its geographical segments. As a result, the December 31, 2023 goodwill balance in the table above included the reclassification of the former Swedish Match segment to the Europe and Americas segments.

The increase in goodwill was due primarily to the preliminary purchase price allocation of PMI's acquisition in Egypt of United Tobacco Company in the second quarter of 2024. In the third quarter of 2024, the foregoing increase was partially offset by goodwill allocated to the disposal group in relation to Vectura Group's expected sale and currency movements. For further details on the acquisition in Egypt and Vectura Group's expected sale, see Note 18. *Acquisitions and Divestitures*.

At September 30, 2024, goodwill primarily reflects PMI's acquisitions of Swedish Match AB and Fertin Pharma A/S, as well as acquisitions in Egypt, Greece, Indonesia, Mexico, the Philippines and Serbia.

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Other Intangible Assets

Details of other intangible assets were as follows:

(in millions)	Weighted-Average Remaining Useful Life	September 30, 2024			December 31, 2023		
		Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Non-amortizable intangible assets		\$ 4,630		\$ 4,630	\$ 4,543		\$ 4,543
Amortizable intangible assets:							
Trademarks	15 years	2,230	\$ 848	1,382	2,267	\$ 784	1,483
Reacquired commercialization rights for IQOS in the U.S.	5 years	2,777	231	2,546	—	—	—
Developed technology, including patents	8 years	338	118	220	774	329	445
Customer relationships and other	11 years	3,805	667	3,138	3,843	450	3,393
Total other intangible assets		\$ 13,780	\$ 1,864	\$ 11,916	\$ 11,427	\$ 1,563	\$ 9,864

Non-amortizable intangible assets substantially consist of the ZYN trademarks and other trademarks related to acquisitions in Indonesia and Mexico, as well as the tobacco manufacturing license associated with the preliminary purchase price allocation of PMI's acquisition in Egypt in the second quarter of 2024 (see Note 18. *Acquisitions and Divestitures* for further details). The increase since December 31, 2023, was mainly due to the recognition of the Egyptian tobacco manufacturing license, partially offset by currency movements of \$92 million and a pre-tax impairment charge in the first quarter of 2024 of \$27 million primarily for an in-process research and development project in the Wellness and Healthcare segment. The pre-tax impairment charge of \$27 million was recorded in marketing, administration and research costs on PMI's condensed consolidated statements of earnings during the nine months ended September 30, 2024.

The increase in the gross carrying amount of amortizable intangible assets from December 31, 2023, was primarily due to the classification of the IQOS commercialization rights in the U.S. on the acquisition date (May 1, 2024) as Other intangible assets, net (see Note 18. *Acquisitions and Divestitures*), partially offset by developed technology assets of \$454 million reclassified as held for sale in relation to Vectura Group's expected sale (see Note 18. *Acquisitions and Divestitures*) and currency movements of \$62 million.

The change in the accumulated amortization from December 31, 2023, was mainly due to the 2024 amortization of \$588 million, partially offset by accumulated amortization of developed technology assets of \$267 million reclassified as held for sale in relation to Vectura Group's expected sale and currency movements of \$20 million. The amortization of intangibles for the nine months ended September 30, 2024 was recorded in cost of sales (\$46 million) and in marketing, administration and research costs (\$542 million) on PMI's condensed consolidated statements of earnings.

Amortization expense for each of the next five years is estimated to be approximately \$993 million or less, assuming no additional transactions occur that require the amortization of intangible assets. This amount includes amortization of IQOS commercialization rights in the U.S. (see Note 18, *Acquisitions and Divestitures*).

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2023 Annual impairment review of goodwill and non-amortizable intangible assets

During the second quarter of 2023, as a result of the completion of PMI's annual review of goodwill and non-amortizable intangible assets for potential impairment, it was determined that the estimated fair value of the Wellness and Healthcare reporting unit was lower than its carrying value. Consequently, PMI recorded a goodwill impairment charge of \$665 million in the consolidated statements of earnings for the nine months ended September 30, 2023, reflecting the impact of reduced estimated future cash flows, which were primarily attributable to unfavorable clinical trial results that became available in June 2023 for an inhalable aspirin product being developed by the Wellness and Healthcare business. Additionally, as a result of the impairment test of non-amortizable intangible assets, PMI recorded a pre-tax impairment charge of \$15 million for an in-process research and development project related to one of PMI's 2021 acquisitions. This pre-tax impairment charge of \$15 million was recorded within marketing, administration and research costs in the consolidated statements of earnings for the nine months ended September 30, 2023.

Note 5. Financial Instruments:

Overview

PMI operates globally with manufacturing and sales facilities in various locations around the world and is exposed to risks such as changes in foreign currency exchange rates and interest rates. As a result, PMI uses deliverable and non-deliverable forward foreign exchange contracts, foreign currency swaps and foreign currency options, (collectively referred to as "foreign exchange contracts"), and interest rate contracts to mitigate its exposure to changes in foreign currency exchange and interest rates related to net investments in foreign operations, third-party and intercompany actual and forecasted transactions. The primary currencies to which PMI is exposed include the Euro, Egyptian pound, Indonesian rupiah, Japanese yen, Mexican peso, Philippine peso, Russian ruble and Swiss franc.

Additionally, certain materials that PMI uses in the manufacturing of its products are exposed to market price risks. PMI uses commodity derivative contracts ("commodity contracts") to manage its exposure to the market price volatility of certain commodity components of these materials.

These foreign exchange contracts, interest rate contracts and commodity contracts are collectively referred to as "derivative contracts". PMI is not a party to leveraged derivatives and, by policy, does not use derivative financial instruments for speculative purposes. Substantially all of PMI's derivative financial instruments are subject to master netting arrangements, whereby the right to offset occurs in the event of default by a participating party. While these contracts contain the enforceable right to offset through close-out netting rights, PMI elects to present them on a gross basis in the condensed consolidated balance sheets. Collateral associated with these arrangements is in the form of cash and is unrestricted. Changes in collateral posted are included in cash flows from investing activities and changes in collateral received are included in cash flows from financing activities. Financial instruments qualifying for hedge accounting must maintain a specified level of effectiveness between the hedging instrument and the item being hedged, both at inception and throughout the hedged period. PMI formally documents the nature and relationships between the hedging instruments and hedged items, as well as its risk-management objectives, strategies for undertaking the various hedge transactions and method of assessing hedge effectiveness. Additionally, for hedges of forecasted transactions, the significant characteristics and expected terms of the forecasted transaction must be specifically identified, and it must be probable that each forecasted transaction will occur. If it were deemed probable that the forecasted transaction would not occur, the gain or loss would be recognized in earnings.

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The gross notional amounts for outstanding derivatives at the end of each period were as follows:

(in millions)	At September 30, 2024	At December 31, 2023
Derivative contracts designated as hedging instruments:		
Foreign exchange contracts	\$ 26,975	\$ 21,987
Interest rate contracts	2,300	3,600
Commodity contracts	17	20
Derivative contracts not designated as hedging instruments:		
Foreign exchange contracts	21,101	17,658
Total	\$ 50,393	\$ 43,265

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The fair value of PMI's derivative contracts included in the condensed consolidated balance sheets as of September 30, 2024 and December 31, 2023, were as follows:

(in millions)	Derivative Assets			Derivative Liabilities		
	Balance Sheet Classification	Fair Value		Balance Sheet Classification	Fair Value	
		At September 30, 2024	At December 31, 2023		At September 30, 2024	At December 31, 2023
Derivative contracts designated as hedging instruments:						
Foreign exchange contracts	Other current assets	\$ 328	\$ 345	Other accrued liabilities	\$ 203	\$ 249
	Other assets	177	153	Income taxes and other liabilities	427	449
Interest rate contracts	Other current assets	—	1	Other accrued liabilities	43	78
	Other assets	—	—	Income taxes and other liabilities	6	18
Commodity contracts	Other current assets	—	—	Other accrued liabilities	3	5
	Other assets	—	—	Income taxes and other liabilities	—	1
Derivative contracts not designated as hedging instruments:						
Foreign exchange contracts	Other current assets	100	85	Other accrued liabilities	337	425
	Other assets	—	—	Income taxes and other liabilities	149	143
Total gross amount derivatives contracts presented in the condensed consolidated balance sheets		\$ 605	\$ 584		\$ 1,168	\$ 1,368
Gross amounts not offset in the condensed consolidated balance sheets						
Financial instruments		(428)	(374)		(428)	(374)
Cash collateral received/pledged		(96)	(109)		(620)	(551)
Net amount		\$ 81	\$ 101		\$ 120	\$ 443

PMI assesses the fair value of its derivative contracts using standard valuation models that use, as their basis, readily observable market inputs. The fair value of PMI's foreign exchange forward contracts, foreign currency swaps and interest rate contracts is determined by using the prevailing foreign exchange spot rates and interest rate differentials, and the respective maturity dates of the instruments. The fair value of PMI's currency options is determined by using a Black-Scholes methodology based on foreign exchange spot rates and interest rate differentials, currency volatilities and maturity dates. The fair value of PMI's commodity contracts is determined by using the prevailing market spot and futures prices and the respective maturity dates of the instruments. PMI's derivative contracts have been classified within Level 2 at September 30, 2024 and December 31, 2023.

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For the nine months ended September 30, 2024 and 2023, PMI's derivative contracts impacted the condensed consolidated statements of earnings and comprehensive earnings as follows:

(pre-tax, in millions)			For the Nine Months Ended September 30,							
			Amount of Gain/(Loss) Recognized in Other Comprehensive Earnings/(Losses) on Derivatives		Statement of Earnings Classification of Gain/(Loss) on Derivatives		Amount of Gain/(Loss) Reclassified from Other Comprehensive Earnings/(Losses) into Earnings		Amount of Gain/(Loss) Recognized in Earnings	
			2024	2023			2024	2023	2024	2023
Derivative contracts designated as hedging instruments:										
Cash flow hedges:										
Foreign exchange contracts	\$	104	\$	290	Net revenues		\$	133	\$	112
					Cost of sales			—		—
					Marketing, administration and research costs			4		52
					Interest expense, net			(7)		(13)
Interest rate contracts		51		72	Interest expense, net			37		34
Commodity contracts		(1)		(2)	Cost of sales			—		—
Fair value hedges:										
Interest rate contracts					Interest expense, net ^(a)				\$	(7)
Net investment hedges ^(b) :										
Foreign exchange contracts		(52)		14	Interest expense, net ^(c)					221
Derivative contracts not designated as hedging instruments:										
Foreign exchange contracts					Interest expense, net					214
					Marketing, administration and research costs ^(d)					13
Total	\$	102	\$	374			\$	167	\$	185
							\$	441	\$	542

^(a) The gains (losses) from these contracts are offset by the changes in the fair value of the hedged item

^(b) Amount of gains (losses) on hedges of net investments principally related to changes in foreign currency exchange and interest rates between the Euro and U.S. dollar

^(c) Represent the gains for amounts excluded from the effectiveness testing

^(d) The gains (losses) from these contracts attributable to changes in foreign currency exchange rates are partially offset by the (losses) and gains generated by the underlying intercompany and third-party loans being hedged

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For the three months ended September 30, 2024 and 2023, PMI's derivative contracts impacted the condensed consolidated statements of earnings and comprehensive earnings as follows:

(pre-tax, in millions)			For the Three Months Ended September 30,				
	Amount of Gain/(Loss) Recognized in Other Comprehensive Earnings/(Losses) on Derivatives		Statement of Earnings Classification of Gain/(Loss) on Derivatives	Amount of Gain/(Loss) Reclassified from Other Comprehensive Earnings/(Losses) into Earnings		Amount of Gain/(Loss) Recognized in Earnings	
	2024	2023		2024	2023	2024	2023
Derivative contracts designated as hedging instruments:							
Cash flow hedges:							
Foreign exchange contracts	\$ (184)	\$ 67	Net revenues	\$ 43	\$ 73		
			Cost of sales	—	—		
			Marketing, administration and research costs	(3)	(19)		
			Interest expense, net	(2)	(7)		
Interest rate contracts	(3)	—	Interest expense, net	12	12		
Commodity contracts	—	(1)	Cost of sales	—	—		
Fair value hedges:							
Interest rate contracts			Interest expense, net ^(a)			\$ 10	\$ (10)
Net investment hedges ^(b) :							
Foreign exchange contracts	(630)	453	Interest expense, net ^(c)			74	73
Derivative contracts not designated as hedging instruments:							
Foreign exchange contracts			Interest expense, net			115	60
			Marketing, administration and research costs ^(d)			(419)	258
Total	\$ (817)	\$ 519		\$ 50	\$ 59	\$ (220)	\$ 381

^(a) The gains (losses) from these contracts are offset by the changes in the fair value of the hedged item

^(b) Amount of gains (losses) on hedges of net investments principally related to changes in foreign currency exchange and interest rates between the Euro and U.S. dollar

^(c) Represent the gains for amounts excluded from the effectiveness testing

^(d) The gains (losses) from these contracts attributable to changes in foreign currency exchange rates are partially offset by the (losses) and gains generated by the underlying intercompany and third-party loans being hedged

Cash Flow Hedges

PMI has entered into derivative contracts to hedge the foreign currency exchange, interest rate and commodity price risks related to certain forecasted transactions. Gains and losses associated with qualifying cash flow hedge contracts are deferred as components of accumulated other comprehensive losses until the underlying hedged transactions are reported in PMI's condensed consolidated statements of earnings. As of September 30, 2024, PMI has hedged forecasted transactions with derivative contracts expiring at various dates through May 2028. Premiums paid for, and settlements of, the derivative contracts designated as cash flow hedges are included primarily in cash flows from operating activities on PMI's condensed consolidated statements of cash flows.

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Fair Value Hedges

PMI has entered into fixed-to-floating interest rate contracts, designated as fair value hedges to minimize exposure to changes in the fair value of fixed rate U.S. dollar-denominated debt that results from fluctuations in benchmark interest rates. For derivative contracts that are designated and qualify as fair value hedges, the gain or loss on the derivative, as well as the offsetting gain or loss on the hedged items attributable to the hedged risk, is recognized in current earnings. The carrying amount of the debt hedged, which includes the cumulative adjustment for fair value gains/losses, as of September 30, 2024 was \$952 million, of which \$337 million was recorded in current portion of long-term debt and \$615 million was recorded in long-term debt in the condensed consolidated balance sheets. The cumulative amount of fair value gains/(losses) included in the carrying amount of the debt hedged was \$46 million as of September 30, 2024.

Hedges of Net Investments in Foreign Operations

PMI designates derivative contracts and certain foreign currency denominated debt and other financial instruments as net investment hedges, primarily of its Euro net assets. For the nine months ended September 30, 2024 and 2023, the amount of pre-tax gain/(loss) related to the non-derivative financial instruments, that was reported as a component of accumulated other comprehensive losses within currency translation adjustments, was \$(18) million and \$51 million, respectively. For the three months ended September 30, 2024 and 2023, the amount of pre-tax gain/(loss) related to the non-derivative financial instruments, that was reported as a component of accumulated other comprehensive losses within currency translation adjustments, was \$(23) million and \$27 million, respectively. Settlements of the derivative contracts designated as net investment hedges are included in cash flows from investing activities on PMI's condensed consolidated statements of cash flows.

Other Derivatives

PMI has entered into derivative contracts to hedge the foreign currency exchange and interest rate risks related to intercompany loans between certain subsidiaries and third-party loans. While effective as economic hedges, no hedge accounting is applied for these contracts; therefore, the gains (losses) relating to these contracts are reported in PMI's condensed consolidated statements of earnings. Settlements of other derivative contracts are included primarily in cash flows from investing activities on PMI's condensed consolidated statements of cash flows.

Qualifying Hedging Activities Reported in Accumulated Other Comprehensive Losses

Derivative gains or losses reported in accumulated other comprehensive losses are a result of qualifying hedging activity. Transfers of these gains or losses to earnings are offset by the corresponding gains or losses on the underlying hedged item. Hedging activity affected accumulated other comprehensive losses, net of income taxes, as follows:

(in millions)	For the Nine Months Ended September 30,		For the Three Months Ended September 30,	
	2024	2023	2024	2023
Gain/(loss) as of beginning of period,	\$ 241	\$ 266	\$ 433	\$ 408
Derivative (gains)/losses transferred to earnings	(137)	(155)	(43)	(51)
Change in fair value	126	304	(160)	58
Gain/(loss) as of September 30,	\$ 230	\$ 415	\$ 230	\$ 415

At September 30, 2024, PMI expects \$67 million of derivative gains that are included in accumulated other comprehensive losses to be reclassified to the condensed consolidated statement of earnings within the next 12 months. These gains are expected to be substantially offset by the statement of earnings impact of the respective hedged transactions.

Contingent Features

PMI's derivative instruments do not contain contingent features.

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Credit Exposure and Credit Risk

PMI is exposed to credit loss in the event of non-performance by counterparties. While PMI does not anticipate non-performance, its risk is limited to the fair value of the financial instruments less any cash collateral received or pledged. PMI actively monitors its exposure to credit risk through the use of credit approvals and credit limits and by selecting and continuously monitoring a diverse group of major international banks and financial institutions as counterparties.

Other Investments

Certain PMI investments, which are comprised primarily of money market funds, have been classified within Level 1 and had a fair value of \$128 million at September 30, 2024. For the nine months and three months ended September 30, 2024, the unrealized pre-tax gains (losses) on these investments were immaterial.

Note 6. Earnings Per Share:

Basic and diluted earnings per share ("EPS") were calculated using the following:

(in millions)	For the Nine Months Ended September 30,		For the Three Months Ended September 30,	
	2024	2023	2024	2023
Net earnings attributable to PMI	\$ 7,636	\$ 5,617	\$ 3,082	\$ 2,054
Less distributed and undistributed earnings attributable to share-based payment awards	22	17	9	6
Net earnings for basic and diluted EPS	\$ 7,614	\$ 5,600	\$ 3,073	\$ 2,048
Weighted-average shares for basic EPS	1,554	1,552	1,555	1,552
Plus contingently issuable performance stock units (PSUs) ⁽¹⁾	2	1	1	2
Weighted-average shares for diluted EPS	1,556	1,553	1,556	1,554

⁽¹⁾ Including rounding adjustment

Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents are participating securities and therefore are included in PMI's earnings per share calculation pursuant to the two-class method.

For the 2024 and 2023 computations, there were no antidilutive stock awards.

Note 7. Segment Reporting:

PMI's subsidiaries and affiliates are primarily engaged in the manufacture and sale of cigarettes and smoke-free products, including heat-not-burn, e-vapor and oral nicotine products. Excluding the Wellness and Healthcare segment, PMI's segments are generally organized by geographic region and managed by segment managers who are responsible for the operating and financial results of the regions inclusive of combustible tobacco and smoke-free product categories sold in the region. As discussed in Note 1, *Background and Basis of Presentation*, in January 2024, PMI updated its segment reporting by including the former Swedish Match segment results into the four existing geographical segments. The four existing geographical segments are as follows: Europe Region; South and Southeast Asia, Commonwealth of Independent States, Middle East and Africa Region ("SSEA, CIS & MEA"); East Asia, Australia, and PMI Duty Free Region ("EA, AU & PMI DF"); and Americas Region. The Wellness and Healthcare segment remained unchanged.

PMI's chief operating decision-maker evaluates geographical segment performance and allocates resources based on regional operating income, which includes results from all product categories sold in each region, excluding Wellness and Healthcare products. Business operations in the Wellness and Healthcare segment are evaluated separately.

PMI disaggregates its net revenues from contracts with customers by product category for each of PMI's four geographical segments. For the Wellness and Healthcare business, Vectura Fertin Pharma, net revenues from contracts with customers are included in the Wellness and Healthcare segment. PMI believes this best depicts how the nature, amount, timing and uncertainty of its revenue and cash flows are affected by economic factors.

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Segment data were as follows:

(in millions)	For the Nine Months Ended September 30,		For the Three Months Ended September 30,	
	2024	2023	2024	2023
Net revenues:				
Europe	\$ 11,301	\$ 10,465	\$ 4,121	\$ 3,823
SSEA, CIS & MEA	8,393	7,922	2,964	2,777
EA, AU & PMI DF	4,959	4,771	1,602	1,571
Americas	3,273	2,732	1,148	895
Wellness and Healthcare	246	237	76	75
Net revenues	\$ 28,172	\$ 26,127	\$ 9,911	\$ 9,141
Operating income (loss):				
Europe	\$ 5,136	\$ 4,551	\$ 2,020	\$ 1,717
SSEA, CIS & MEA	2,623	2,437	960	823
EA, AU & PMI DF	2,304	1,963	788	769
Americas	419	524	137	98
Wellness and Healthcare	(339)	(808)	(251)	(37)
Operating income	\$ 10,143	\$ 8,667	\$ 3,654	\$ 3,370

PMI's net revenues by product category were as follows:

(in millions)	For the Nine Months Ended September 30,		For the Three Months Ended September 30,	
	2024	2023	2024	2023
Net revenues:				
Combustible tobacco:				
Europe	\$ 6,467	\$ 6,084	\$ 2,322	\$ 2,160
SSEA, CIS & MEA	7,390	6,988	2,612	2,485
EA, AU & PMI DF	1,889	2,091	673	678
Americas	1,653	1,682	527	509
Total combustible tobacco	17,399	16,845	6,134	5,832
Smoke-free:				
Smoke-free excluding Wellness and Healthcare:				
Europe	4,834	4,381	1,799	1,663
SSEA, CIS & MEA	1,003	934	352	292
EA, AU & PMI DF	3,070	2,680	929	893
Americas	1,620	1,050	621	386
Total Smoke-free excluding Wellness and Healthcare	10,527	9,045	3,701	3,234
Wellness and Healthcare	246	237	76	75
Total Smoke-free	10,773	9,282	3,777	3,309
Total PMI net revenues	\$ 28,172	\$ 26,127	\$ 9,911	\$ 9,141

Note: Sum of product categories or Regions might not foot to total PMI due to rounding

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Items affecting the comparability of results from operations were as follows:

- **Egypt sales tax charge** – In the third quarter of 2024, following a ruling issued by the Higher Administrative Court in Egypt and subsequent evaluation of available remedies, PMI concluded that an adverse outcome was probable and recorded a pre-tax charge of \$45 million in relation to tax assessments for general sales tax deducted on imported cutfiller for the years 2014 to 2016. This pre-tax charge was recorded in marketing, administration and research costs in the condensed consolidated statement of earnings for the nine months and three months ended September 30, 2024, and was included in the SSEA, CIS & MEA segment results.
- **Impairment related to Vectura Group's expected sale** – In September 2024, PMI announced the execution of a definitive agreement to sell Vectura to MolexAsia Holdings Ltd. As a result, PMI recorded in the third quarter of 2024 an impairment charge of \$198 million related to Vectura's classification as held for sale. This pre-tax charge was recorded in marketing, administration and research costs in the condensed consolidated statement of earnings for the nine months and three months ended September 30, 2024, and was included in the Wellness and Healthcare segment results. For further details, see Note 18. *Acquisitions and Divestitures*.
- **Asset impairment and exit costs** – See Note 15. *Asset Impairment and Exit Costs* for a breakdown of these costs by segment for the nine months ended September 30, 2024 and 2023.
- **Termination of distribution arrangement in the Middle East** – In the first quarter of 2023, PMI recorded a pre-tax charge of \$80 million following the termination of a distribution arrangement in the Middle East. This pre-tax charge was recorded as a reduction of net revenues in the condensed consolidated statements of earnings, and was included in the SSEA, CIS & MEA segment results for the nine months ended September 30, 2023.
- **Impairment of goodwill and other intangibles** – For the nine months ended September 30, 2023, PMI recorded \$680 million of goodwill and non-amortizable intangible assets impairment charges that was included in the Wellness and Healthcare segment. For further details, see Note 4. *Goodwill and Other Intangible Assets, net*.
- **South Korea indirect tax charge** – On July 13, 2023, PMI's South Korean subsidiary, PM Korea, received an adverse ruling from the Supreme Court of South Korea related to cases alleging underpayment of excise taxes in connection with a 2015 excise tax increase and subsequent audit by the South Korean Board of Audit and Inspection. The Supreme Court ruling reversed previous decisions that were in PM Korea's favor at the trial and appellate levels. As a result of the ruling, we concluded that an adverse outcome was probable. Consequently, we recorded a non-cash pre-tax charge of \$204 million in marketing, administration and research costs in the condensed consolidated statements of earnings, reflecting the full amount previously paid by PM Korea, which was included in the EA, AU & PMI DF segment for the nine months ended September 30, 2023.
- **Termination of agreement with Foundation for a Smoke-Free World** – On September 29, 2023, PMI and the Foundation for a Smoke-Free World (the "Foundation") entered into the Final Grant Agreement and Termination of the Second Amended and Restated Pledge Agreement ("Agreement"). Under the terms of the agreement, PMI paid \$140 million in the third quarter of 2023 in return for the termination of the pledge agreement between the parties. As a result, in the third quarter of 2023, PMI recorded a pre-tax charge of \$140 million commensurate with the early termination of the pledge agreement. The pre-tax charge was recorded in marketing, administration and research costs in the consolidated statements of earnings for the nine months and three months ended September 30, 2023 and was included in the operating results of the following segments: Europe (\$60 million); SSEA, CIS & MEA (\$41 million); EA, AU & PMI DF (\$24 million); and Americas (\$15 million).

Net revenues related to combustible tobacco refer to the operating revenues generated from the sale of these products, including shipping and handling charges billed to customers, net of sales and promotion incentives, and excise taxes. These net revenue amounts consist of the sale of PMI's cigarettes and other tobacco products that are combusted. Other tobacco products primarily include roll-your-own and make-your-own cigarettes, pipe tobacco, cigars and cigarillos, and do not include smoke-free products.

Net revenues related to smoke-free, excluding wellness and healthcare, refer to the operating revenues generated from the sale of these products, including shipping and handling charges billed to customers, net of sales and promotion incentives, and

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excise taxes, if applicable. These net revenue amounts consist of the sale of PMI's products that are not combustible tobacco products, such as heat-not-burn, e-vapor, and oral products, as well as consumer accessories.

Net revenues related to wellness and healthcare consist of operating revenues generated from the sale of products primarily associated with inhaled therapeutics, and oral and intra-oral delivery systems that are included in the operating results of PMI's Wellness and Healthcare business, Vectura Fertin Pharma.

Note 8. Contingencies:

Tobacco and/or Nicotine-Related Litigation

Legal proceedings covering a wide range of matters are pending or threatened against us, and/or our subsidiaries, and/or our indemnitees in various jurisdictions. Our indemnitees include distributors, licensees, and others that have been named as parties in certain cases and that we have agreed to defend, as well as to pay costs and some or all of judgments, if any, that may be entered against them. Pursuant to the terms of the Distribution Agreement between Altria Group, Inc. ("Altria") and PMI, PMI will indemnify Altria and Philip Morris USA Inc. ("PM USA"), a U.S. tobacco subsidiary of Altria, for tobacco product claims based in substantial part on products manufactured by PMI or contract manufactured for PMI by PM USA, and PM USA will indemnify PMI for tobacco product claims based in substantial part on products manufactured by PM USA, excluding tobacco products contract manufactured for PMI.

It is possible that there could be adverse developments in pending cases against us and our subsidiaries. An unfavorable outcome or settlement of pending tobacco or nicotine-related litigation could encourage the commencement of additional litigation.

Damages claimed in some of the tobacco-related litigation are significant and, in the case of the *"Health Care Cost Recovery Litigation"* described below, could range into the billions of U.S. dollars. The variability in pleadings in multiple jurisdictions, together with the actual experience of management in litigating claims, demonstrate that the monetary relief that may be specified in a lawsuit bears little relevance to the ultimate outcome. While, as discussed below, we have to date been largely successful in defending tobacco-related litigation, litigation is subject to uncertainty. Additionally, as reported further below, beginning in March 2024, litigation related to oral nicotine products was filed against us and our subsidiary before certain courts in the United States.

We and our subsidiaries record provisions in the 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, except as stated otherwise in this Note 8. *Contingencies*, it is reasonably possible that an unfavorable outcome in a case may occur. Legal defense costs are expensed as incurred.

It is possible that our consolidated financial statements, including our 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. Nevertheless, although litigation is subject to uncertainty, we and each of our subsidiaries named as a defendant believe, and each has 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. All such cases are, and will continue to be, vigorously defended. However, we and our subsidiaries may enter into settlement discussions in particular cases if we believe it is in our best interests to do so.

After assessing the information available to it, except as stated otherwise in this Note 8. *Contingencies*, (i) management has not concluded that it is probable that a loss has been incurred in any of the pending combustible tobacco product-related cases; (ii) management is unable to estimate the possible loss or range of loss for any of the pending combustible tobacco product-related cases; and (iii) accordingly, no estimated loss has been accrued in the consolidated financial statements for unfavorable outcomes in these cases, if any.

CCAA Proceedings and Stay of Combustible Tobacco Product-Related Cases Pending in Canada

As a result of the Court of Appeal of Quebec's decision in both the *Létourneau* and *Blais* cases described below, our subsidiary, Rothmans, Benson & Hedges Inc. ("RBH"), and the other defendants, JTI Macdonald Corp. ("JTIM"), and Imperial Tobacco Canada Limited ("ITL"), sought protection in the Ontario Superior Court of Justice under the Companies' Creditors Arrangement Act ("CCAA") on March 22, March 8, and March 12, 2019, respectively. CCAA is a Canadian federal law that permits a Canadian business to restructure its affairs while carrying on its business in the ordinary course. The initial CCAA

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order made by the Ontario Superior Court on March 22, 2019 authorizes RBH to pay all expenses incurred in carrying on its business in the ordinary course after the CCAA filing, including obligations to employees, vendors, and suppliers. RBH's financial results have been deconsolidated from our consolidated financial statements since March 22, 2019.

As part of the CCAA proceedings, there is currently a comprehensive stay up to and including October 31, 2024 of all combustible tobacco product-related litigation pending in Canada against RBH and the other defendants, including PMI and our indemnitees (PM USA and Altria), namely, the smoking and health class actions filed in various Canadian provinces and health care cost recovery actions. These proceedings are presented below under the caption "*Stayed Litigation — Canada*." Ernst & Young Inc. has been appointed as monitor of RBH in the CCAA proceedings. In accordance with the CCAA process, it is anticipated that the court will set additional hearings and further extend the stay of proceedings. On April 17, 2019, the Ontario Superior Court ruled that RBH and the other defendants will not be allowed to file an application to the Supreme Court of Canada for leave to appeal the Court of Appeal's decision in the *Létourneau* and the *Blais* cases so long as the comprehensive stay of all combustible tobacco product-related litigation in Canada remains in effect and that the time period to file the application would be extended by the stay period.

While RBH believes that the findings of liability and damages in both *Létourneau* and the *Blais* cases were incorrect, the CCAA proceedings provide a forum for RBH to seek resolution through a plan of arrangement or compromise of all combustible tobacco product-related litigation pending in Canada. On October 17, 2024, the court-appointed mediator and monitor in the CCAA proceedings filed a proposed plan of compromise and arrangement ("Proposed Plan") setting forth, among other things, certain terms of a proposed comprehensive resolution of Canadian tobacco claims and related litigation against RBH, its affiliates, and its affiliates' indemnitees. The court-appointed mediator and monitors also filed substantially similar proposed plans for ITL and JTIM.

Under the resolution contemplated by the Proposed Plan, RBH, ITL and JTIM (together, the "Companies") would pay an aggregate global settlement amount of CAD 32.5 billion (approximately \$23.5 billion). This amount would be funded by an upfront payment equal to the companies' cash and cash equivalents on hand plus court deposits (subject to an aggregate withholding of CAD 750 million (approximately \$543 million) of working capital) and annual payments based on a percentage of the Companies' aggregate net income after taxes (excluding that generated by alternative products such as heat-not-burn, nicotine pouches, and e-vapor) until the global settlement amount is paid in full. As stated in the Proposed Plan, the issue of allocation of the CAD 32.5 billion aggregate settlement amount among RBH, ITL, and JTIM remains unresolved. RBH and its affiliates, including PMI and its indemnitees, would obtain a release of claims relating to the manufacture, marketing, sale, or use of or exposure to, RBH's combustible and traditional smokeless tobacco products based on conduct prior to the effective date of the Proposed Plan; related litigation would also be dismissed—including those actions described in the section below entitled "*Stayed Litigation — Canada*." Alternative product businesses (including heat-not-burn, e-vapor, and nicotine pouches) would be transferred to an RBH affiliate. The Proposed Plan also contains a number of operating covenants that would govern RBH's business going forward until the settlement amount has been paid.

The Proposed Plan, including the terms described above, remains subject to further negotiation by the parties, voting by claimants, and approval by the CCAA court. According to a schedule proposed by the court-appointed mediator and monitor (if ordered by the CCAA court), voting on the Proposed Plan would occur in December 2024. If accepted by claimants, a hearing to consider whether the Proposed Plan should be approved would then be expected in the first half of 2025.

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Stayed Litigation — Canada

Smoking and Health Litigation — Canada

In the first class action pending in Canada, *Conseil Québécois Sur Le Tabac Et La Santé and Jean-Yves Blais v. Imperial Tobacco Canada Ltd., Rothmans, Benson & Hedges Inc. and JTI-Macdonald Corp.*, Quebec Superior Court, Canada, filed in November 1998, RBH and other Canadian cigarette manufacturers (Imperial Tobacco Canada Ltd. and JTI-Macdonald Corp.) are defendants (the "*Blais* Class Action"). The plaintiffs, an anti-smoking organization and an individual smoker, sought compensatory and punitive damages for each member of the class who suffers allegedly from certain smoking-related diseases. The class was certified in 2005. The trial court issued its judgment on May 27, 2015. The trial court found RBH and two other Canadian manufacturers liable and found that the class members' compensatory damages totaled approximately CAD 15.5 billion (approximately \$11.2 billion), including pre-judgment interest. The trial court awarded compensatory damages on a joint and several liability basis, allocating 20% to our subsidiary (approximately CAD 3.1 billion (approximately \$2.2 billion) including pre-judgment interest). In addition, the trial court awarded CAD 90,000 (approximately \$65,000) in punitive damages, allocating CAD 30,000 (approximately \$22,000) to RBH. The trial court estimated the disease class at 99,957 members. RBH appealed to the Court of Appeal of Quebec. In October 2015, the Court of Appeal ordered RBH to furnish security totaling CAD 226 million (approximately \$163 million) to cover both the *Létourneau* and *Blais* cases, which RBH has paid in installments through March 2017. The Court of Appeal ordered Imperial Tobacco Canada Ltd. to furnish security totaling CAD 758 million (approximately \$548 million) in installments through June 2017. JTI Macdonald Corp. was not required to furnish security in accordance with plaintiffs' motion. The Court of Appeal ordered that the security is payable upon a final judgment of the Court of Appeal affirming the trial court's judgment or upon further order of the Court of Appeal.

On March 1, 2019, the Court of Appeal issued a decision largely affirming the trial court's findings of liability and the compensatory and punitive damages award while reducing the total amount of compensatory damages to approximately CAD 13.5 billion (approximately \$9.8 billion), including interest due to the trial court's error in the calculation of interest. The compensatory damages award is on a joint and several basis with an allocation of 20% to RBH (approximately CAD 2.7 billion (approximately \$2.0 billion), including pre-judgment interest). The Court of Appeal upheld the trial court's findings that defendants violated the Civil Code of Quebec, the Quebec Charter of Human Rights and Freedoms, and the Quebec Consumer Protection Act by failing to warn adequately of the dangers of smoking and by conspiring to prevent consumers from learning of the dangers of smoking. The Court of Appeal further held that the plaintiffs either need not prove, or had adequately proven, that these faults were a cause of the class members' injuries. In accordance with the judgment, defendants were required to deposit their respective portions of the damages awarded in both the *Létourneau* case described below and the *Blais* case, approximately CAD 1.1 billion (approximately \$796 million), into trust accounts within 60 days. RBH's share of the deposit was approximately CAD 257 million (approximately \$194 million). PMI recorded a pre-tax charge of \$194 million in its consolidated results, representing \$142 million net of tax, as tobacco litigation-related expense, in the first quarter of 2019. The charge reflects PMI's assessment of the portion of the judgment that represents probable and estimable loss prior to the deconsolidation of RBH and corresponds to the trust account deposit required by the judgment.

In the second class action pending in Canada, *Cecilia Létourneau v. Imperial Tobacco Ltd., Rothmans, Benson & Hedges Inc. and JTI-Macdonald Corp.*, Quebec Superior Court, Canada, filed in September 1998, RBH and other Canadian cigarette manufacturers (Imperial Tobacco Canada Ltd. and JTI-Macdonald Corp.) are defendants (the "*Létourneau* Class Action"). The plaintiff, an individual smoker, sought compensatory and punitive damages for each member of the class who is deemed addicted to smoking. The class was certified in 2005. The trial court issued its judgment on May 27, 2015. The trial court found RBH and two other Canadian manufacturers liable and awarded a total of CAD 131 million (approximately \$95 million) in punitive damages, allocating CAD 46 million (approximately \$33 million) to RBH. The trial court estimated the size of the addiction class at 918,000 members but declined to award compensatory damages to the addiction class because the evidence did not establish the claims with sufficient accuracy. The trial court found that a claims process to allocate the awarded punitive damages to individual class members would be too expensive and difficult to administer. On March 1, 2019, the Court of Appeal issued a decision largely affirming the trial court's findings of liability and the total amount of punitive damages awarded allocating CAD 57 million (approximately \$41 million), including interest to RBH. See the *Blais* description above for further detail concerning the security order pertaining to both *Létourneau* and *Blais* cases and the impact of the decision on PMI's financial statements.

RBH and PMI believe the findings of liability and damages in both *Létourneau* and the *Blais* cases were incorrect and in contravention of applicable law on several grounds including, the following: (i) defendants had no obligation to warn class members who knew, or should have known, of the risks of smoking; (ii) defendants cannot be liable to class members who

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would have smoked regardless of what warnings were given; and (iii) defendants cannot be liable to all class members given the individual differences among class members.

In the third class action pending in Canada, *Kunta v. Canadian Tobacco Manufacturers' Council, et al., The Queen's Bench, Winnipeg, Canada*, filed June 12, 2009, we, RBH, and our indemnitees (PM USA and Altria), and other members of the industry are defendants. The plaintiff, an individual smoker, alleges her own addiction to tobacco products and chronic obstructive pulmonary disease ("COPD"), severe asthma, and mild reversible lung disease resulting from the use of tobacco products. She is seeking compensatory and punitive damages on behalf of a proposed class comprised of all smokers, their estates, dependents and family members, as well as restitution of profits, and reimbursement of government health care costs allegedly caused by tobacco products.

In the fourth class action pending in Canada, *Adams v. Canadian Tobacco Manufacturers' Council, et al., The Queen's Bench, Saskatchewan, Canada*, filed July 10, 2009, we, RBH, and our indemnitees (PM USA and Altria), and other members of the industry are defendants. The plaintiff, an individual smoker, alleges her own addiction to tobacco products and COPD resulting from the use of tobacco products. She is seeking compensatory and punitive damages on behalf of a proposed class comprised of all smokers who have smoked a minimum of 25,000 cigarettes and have allegedly suffered, or suffer, from COPD, emphysema, heart disease, or cancer, as well as restitution of profits.

In the fifth class action pending in Canada, *Semple v. Canadian Tobacco Manufacturers' Council, et al., The Supreme Court (trial court), Nova Scotia, Canada*, filed June 18, 2009, we, RBH, and our indemnitees (PM USA and Altria), and other members of the industry are defendants. The plaintiff, an individual smoker, alleges his own addiction to tobacco products and COPD resulting from the use of tobacco products. He is seeking compensatory and punitive damages on behalf of a proposed class comprised of all smokers, their estates, dependents and family members, as well as restitution of profits, and reimbursement of government health care costs allegedly caused by tobacco products.

In the sixth class action pending in Canada, *Dorion v. Canadian Tobacco Manufacturers' Council, et al., The Queen's Bench, Alberta, Canada*, filed June 15, 2009, we, RBH, and our indemnitees (PM USA and Altria), and other members of the industry are defendants. The plaintiff, an individual smoker, alleges her own addiction to tobacco products and chronic bronchitis and severe sinus infections resulting from the use of tobacco products. She is seeking compensatory and punitive damages on behalf of a proposed class comprised of all smokers, their estates, dependents and family members, restitution of profits, and reimbursement of government health care costs allegedly caused by tobacco products. To date, we, our subsidiaries, and our indemnitees have not been properly served with the complaint.

In the seventh class action pending in Canada, *McDermid v. Imperial Tobacco Canada Limited, et al., Supreme Court, British Columbia, Canada*, filed June 25, 2010, we, RBH, and our indemnitees (PM USA and Altria), and other members of the industry are defendants. The plaintiff, an individual smoker, alleges his own addiction to tobacco products and heart disease resulting from the use of tobacco products. He is seeking compensatory and punitive damages on behalf of a proposed class comprised of all smokers who were alive on June 12, 2007, and who suffered from heart disease allegedly caused by smoking, their estates, dependents and family members, plus disgorgement of revenues earned by the defendants from January 1, 1954, to the date the claim was filed.

In the eighth class action pending in Canada, *Bourassa v. Imperial Tobacco Canada Limited, et al., Supreme Court, British Columbia, Canada*, filed June 25, 2010, we, RBH, and our indemnitees (PM USA and Altria), and other members of the industry are defendants. The plaintiff, the heir to a deceased smoker, alleges that the decedent was addicted to tobacco products and suffered from emphysema resulting from the use of tobacco products. She is seeking compensatory and punitive damages on behalf of a proposed class comprised of all smokers who were alive on June 12, 2007, and who suffered from chronic respiratory diseases allegedly caused by smoking, their estates, dependents and family members, plus disgorgement of revenues earned by the defendants from January 1, 1954, to the date the claim was filed. In December 2014, plaintiff filed an amended statement of claim.

In the ninth class action pending in Canada, *Suzanne Jacklin v. Canadian Tobacco Manufacturers' Council, et al., Ontario Superior Court of Justice*, filed June 20, 2012, we, RBH, and our indemnitees (PM USA and Altria), and other members of the industry are defendants. The plaintiff, an individual smoker, alleges her own addiction to tobacco products and COPD resulting from the use of tobacco products. She is seeking compensatory and punitive damages on behalf of a proposed class comprised of all smokers who have smoked a minimum of 25,000 cigarettes and have allegedly suffered, or suffer, from COPD, heart disease, or cancer, as well as restitution of profits.

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Health Care Cost Recovery Litigation — Canada

In the first health care cost recovery case pending in Canada, *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, we, RBH, our indemnitee (PM USA), and other members of the industry are defendants. The plaintiff, the government of the province of British Columbia, brought a claim based upon legislation enacted by the province authorizing the government to file a direct action against cigarette manufacturers to recover the health care costs it has incurred, and will incur, resulting from a “tobacco related wrong.”

In the second health care cost recovery case filed in Canada, *Her Majesty the Queen in Right of New Brunswick v. Rothmans Inc., et al.*, Court of Queen's Bench of New Brunswick, Trial Court, New Brunswick, Fredericton, Canada, filed March 13, 2008, we, RBH, our indemnitees (PM USA and Altria), and other members of the industry are defendants. The claim was filed by the government of the province of New Brunswick based on legislation enacted in the province. This legislation is similar to the law introduced in British Columbia that authorizes the government to file a direct action against cigarette manufacturers to recover the health care costs it has incurred, and will incur, as a result of a “tobacco related wrong.”

In the third health care cost recovery case filed in Canada, *Her Majesty the Queen in Right of Ontario v. Rothmans Inc., et al.*, Ontario Superior Court of Justice, Toronto, Canada, filed September 29, 2009, we, RBH, our indemnitees (PM USA and Altria), and other members of the industry are defendants. The claim was filed by the government of the province of Ontario based on legislation enacted in the province. This legislation is similar to the laws introduced in British Columbia and New Brunswick that authorize the government to file a direct action against cigarette manufacturers to recover the health care costs it has incurred, and will incur, as a result of a “tobacco related wrong.”

In the fourth health care cost recovery case filed in Canada, *Attorney General of Newfoundland and Labrador v. Rothmans Inc., et al.*, Supreme Court of Newfoundland and Labrador, St. Johns, Canada, filed February 8, 2011, we, RBH, our indemnitees (PM USA and Altria), and other members of the industry are defendants. The claim was filed by the government of the province of Newfoundland and Labrador based on legislation enacted in the province that is similar to the laws introduced in British Columbia, New Brunswick and Ontario. The legislation authorizes the government to file a direct action against cigarette manufacturers to recover the health care costs it has incurred, and will incur, as a result of a “tobacco related wrong.”

In the fifth health care cost recovery case filed in Canada, *Attorney General of Quebec v. Imperial Tobacco Limited, et al.*, Superior Court of Quebec, Canada, filed June 8, 2012, we, RBH, our indemnitee (PM USA), and other members of the industry are defendants. The claim was filed by the government of the province of Quebec based on legislation enacted in the province that is similar to the laws enacted in several other Canadian provinces. The legislation authorizes the government to file a direct action against cigarette manufacturers to recover the health care costs it has incurred, and will incur, as a result of a “tobacco related wrong.”

In the sixth health care cost recovery case filed in Canada, *Her Majesty in Right of Alberta v. Altria Group, Inc., et al.*, Supreme Court of Queen's Bench Alberta, Canada, filed June 8, 2012, we, RBH, our indemnitees (PM USA and Altria), and other members of the industry are defendants. The claim was filed by the government of the province of Alberta based on legislation enacted in the province that is similar to the laws enacted in several other Canadian provinces. The legislation authorizes the government to file a direct action against cigarette manufacturers to recover the health care costs it has incurred, and will incur, as a result of a “tobacco related wrong.”

In the seventh health care cost recovery case filed in Canada, *Her Majesty the Queen in Right of the Province of Manitoba v. Rothmans, Benson & Hedges, Inc., et al.*, The Queen's Bench, Winnipeg Judicial Centre, Canada, filed May 31, 2012, we, RBH, our indemnitees (PM USA and Altria), and other members of the industry are defendants. The claim was filed by the government of the province of Manitoba based on legislation enacted in the province that is similar to the laws enacted in several other Canadian provinces. The legislation authorizes the government to file a direct action against cigarette manufacturers to recover the health care costs it has incurred, and will incur, as a result of a “tobacco related wrong.”

In the eighth health care cost recovery case filed in Canada, *The Government of Saskatchewan v. Rothmans, Benson & Hedges Inc., et al.*, Queen's Bench, Judicial Centre of Saskatchewan, Canada, filed June 8, 2012, we, RBH, our indemnitees (PM USA and Altria), and other members of the industry are defendants. The claim was filed by the government of the province of Saskatchewan based on legislation enacted in the province that is similar to the laws enacted in several other Canadian provinces. The legislation authorizes the government to file a direct action against cigarette manufacturers to recover the health care costs it has incurred, and will incur, as a result of a “tobacco related wrong.”

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In the ninth health care cost recovery case filed in Canada, *Her Majesty the Queen in Right of the Province of Prince Edward Island v. Rothmans, Benson & Hedges Inc., et al., Supreme Court of Prince Edward Island (General Section), Canada*, filed September 10, 2012, we, RBH, our indemnitees (PM USA and Altria), and other members of the industry are defendants. The claim was filed by the government of the province of Prince Edward Island based on legislation enacted in the province that is similar to the laws enacted in several other Canadian provinces. The legislation authorizes the government to file a direct action against cigarette manufacturers to recover the health care costs it has incurred, and will incur, as a result of a “tobacco related wrong.”

In the tenth health care cost recovery case filed in Canada, *Her Majesty the Queen in Right of the Province of Nova Scotia v. Rothmans, Benson & Hedges Inc., et al., Supreme Court of Nova Scotia, Canada*, filed January 2, 2015, we, RBH, our indemnitees (PM USA and Altria), and other members of the industry are defendants. The claim was filed by the government of the province of Nova Scotia based on legislation enacted in the province that is similar to the laws enacted in several other Canadian provinces. The legislation authorizes the government to file a direct action against cigarette manufacturers to recover the health care costs it has incurred, and will incur, as a result of a “tobacco related wrong.”

Combustible tobacco products litigation

Since 1995, more than 600 combustible tobacco product-related cases, including smoking and health, label-related, health care cost recovery, and public civil actions, have been filed by governmental entities or individual plaintiffs, or on behalf of a class or purported class of individual plaintiffs against a PMI entity. All resolved cases have been terminated in our favor and only a small number of cases remain pending. The pending cases include 9 proposed class actions, 17 health care cost recovery cases, 1 public civil action, and individual cases. The amounts at issue in the pending individual cases would not have a material adverse effect on our consolidated financial statements, including our results of operations, cash flows, or financial position. Of the pending combustible tobacco product-related cases, four were initially decided in favor of plaintiffs and remain on appeal, or are subject to an appeal. These four cases include the *Blais* Class Action and the *Létourneau* Class Action, described above under the caption “*Smoking and Health Litigation — Canada*,” and two individual cases where final resolution in the amount of the verdict would not have a material adverse effect on our consolidated financial statements, including our results of operations, cash flows, or financial position.

Pending claims related to combustible tobacco products generally fall within the following categories:

Smoking and Health Proposed Class Actions: These cases primarily allege personal injury and are brought by individual plaintiffs on behalf of a class or purported class of individual plaintiffs. Plaintiffs’ allegations of liability in these cases are based on various theories of recovery, including negligence, gross negligence, strict liability, fraud, misrepresentation, design defect, failure to warn, breach of express and implied warranties, violations of deceptive trade practice laws and consumer protection statutes. Plaintiffs in these cases seek various forms of relief, including compensatory and other damages, and injunctive and equitable relief. Defenses raised in these cases include licit activity, failure to state a claim, lack of defect, lack of proximate cause, assumption of the risk, contributory negligence, and statute of limitations.

As of September 30, 2024, there were 9 cases brought on behalf of classes of individual plaintiffs pending against us, our subsidiaries or indemnitees, compared with 9 such cases on September 30, 2023, and such cases are described above under the caption “*Smoking and Health Litigation — Canada*.”

Health Care Cost Recovery Litigation: These cases, brought by governmental and non-governmental plaintiffs, seek reimbursement of health care cost expenditures allegedly caused by tobacco products. Plaintiffs’ allegations of liability in these cases are based on various theories of recovery including unjust enrichment, negligence, negligent design, strict liability, breach of express and implied warranties, violation of a voluntary undertaking or special duty, fraud, negligent misrepresentation, conspiracy, public nuisance, defective product, failure to warn, sale of cigarettes to minors, and claims under statutes governing competition and deceptive trade practices. Plaintiffs in these cases seek various forms of relief including compensatory and other damages, and injunctive and equitable relief. Defenses raised in these cases include lack of proximate cause, remoteness of injury, failure to state a claim, adequate remedy at law, “unclean hands” (namely, that plaintiffs cannot obtain equitable relief because they participated in, and benefited from, the sale of cigarettes), and statute of limitations.

As of September 30, 2024, there were 17 health care cost recovery cases pending against us, our subsidiaries or indemnitees in Brazil (1), Canada (10), Korea (1) and Nigeria (5), compared with 17 such cases on September 30, 2023.

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The health care cost recovery actions pending in Canada are described above under the caption “*Health Care Cost Recovery Litigation — Canada.*”

In the health care cost recovery case in Brazil, *The Attorney General of Brazil v. Souza Cruz Ltda., et al.*, Federal Trial Court, Porto Alegre, Rio Grande do Sul, Brazil, filed May 21, 2019, we, our subsidiaries, and other members of the industry are defendants. Plaintiff seeks reimbursement for the cost of treating alleged smoking-related diseases in certain prior years, payment of anticipated costs of treating future alleged smoking-related diseases, and moral damages. Defendants filed answers to the complaint in May 2020.

In the first health care cost recovery case in Nigeria, *The Attorney General of Lagos State v. British American Tobacco (Nigeria) Limited, et al.*, High Court of Lagos State, Lagos, Nigeria, filed March 13, 2008, we and other members of the industry are defendants. Plaintiff seeks reimbursement for the cost of treating alleged smoking-related diseases for the past 20 years, payment of anticipated costs of treating alleged smoking-related diseases for the next 20 years, various forms of injunctive relief, plus punitive damages. We are in the process of making challenges to service and the court's jurisdiction. Currently, the case is stayed in the trial court pending the appeals of certain co-defendants relating to service objections.

In the second health care cost recovery case in Nigeria, *The Attorney General of Kano State v. British American Tobacco (Nigeria) Limited, et al.*, High Court of Kano State, Kano, Nigeria, filed May 9, 2007, we and other members of the industry are defendants. Plaintiff seeks reimbursement for the cost of treating alleged smoking-related diseases for the past 20 years, payment of anticipated costs of treating alleged smoking-related diseases for the next 20 years, various forms of injunctive relief, plus punitive damages. We are in the process of challenging the court's jurisdiction. Currently, the case is stayed in the trial court pending the appeals of certain co-defendants relating to service objections.

In the third health care cost recovery case in Nigeria, *The Attorney General of Gombe State v. British American Tobacco (Nigeria) Limited, et al.*, High Court of Gombe State, Gombe, Nigeria, filed October 17, 2008, we and other members of the industry are defendants. Plaintiff seeks reimbursement for the cost of treating alleged smoking-related diseases for the past 20 years, payment of anticipated costs of treating alleged smoking-related diseases for the next 20 years, various forms of injunctive relief, plus punitive damages. In February 2011, the court ruled that the plaintiff had not complied with the procedural steps necessary to serve us. As a result of this ruling, plaintiff must re-serve its claim. We have not yet been re-served.

In the fourth health care cost recovery case in Nigeria, *The Attorney General of Oyo State, et al., v. British American Tobacco (Nigeria) Limited, et al.*, High Court of Oyo State, Ibadan, Nigeria, filed May 25, 2007, we and other members of the industry are defendants. Plaintiffs seek reimbursement for the cost of treating alleged smoking-related diseases for the past 20 years, payment of anticipated costs of treating alleged smoking-related diseases for the next 20 years, various forms of injunctive relief, plus punitive damages. We challenged service as improper. In June 2010, the court ruled that plaintiffs did not have leave to serve the writ of summons on the defendants and that they must re-serve the writ. We have not yet been re-served.

In the fifth health care cost recovery case in Nigeria, *The Attorney General of Ogun State v. British American Tobacco (Nigeria) Limited, et al.*, High Court of Ogun State, Abeokuta, Nigeria, filed February 26, 2008, we and other members of the industry are defendants. Plaintiff seeks reimbursement for the cost of treating alleged smoking-related diseases for the past 20 years, payment of anticipated costs of treating alleged smoking-related diseases for the next 20 years, various forms of injunctive relief, plus punitive damages. In May 2010, the trial court rejected our objections to the court's jurisdiction. We have appealed. Currently, the case is stayed in the trial court pending the appeals of certain co-defendants relating to service objections.

In the health care cost recovery case in Korea, the *National Health Insurance Service v. KT&G, et. al.*, filed April 14, 2014, our subsidiary and other Korean manufacturers are defendants. Plaintiff alleges, among other things, that defendants concealed the health hazards of smoking, marketed to youth, added ingredients to make their products more harmful and addictive, and misled consumers into believing that *Lights* cigarettes are safer than regular cigarettes. The National Health Insurance Service seeks to recover damages allegedly incurred in treating 3,484 patients with small cell lung cancer, squamous cell lung cancer, and squamous cell laryngeal cancer from 2003 to 2012. The trial court dismissed the case in its entirety on November 20, 2020. The Appellate court granted the Plaintiff a *de novo* appeal in 2021 and determined that the appellate proceedings will take place in stages: wrongful conduct/product defect allegations first, then causation and finally issues such as standing/direct action. The plaintiff's appeal remains pending.

Public Civil Actions: Claims have been filed either by an individual, or a public or private entity, seeking to protect collective or individual rights, such as the right to health, the right to information or the right to safety. Plaintiffs' allegations of liability in these cases are based on various theories of recovery including product defect, concealment, and misrepresentation. Plaintiffs in

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these cases seek various forms of relief including injunctive relief such as banning cigarettes, descriptors, smoking in certain places and advertising, as well as implementing communication campaigns and reimbursement of medical expenses incurred by public or private institutions.

As of September 30, 2024, there was 1 public civil action pending against our subsidiary in Venezuela (1), compared with 1 such case on September 30, 2023.

In a public civil action in Venezuela, *Federation of Consumers and Users Associations ("FEVACU"), et al. v. National Assembly of Venezuela and the Venezuelan Ministry of Health, Constitutional Chamber of the Venezuelan Supreme Court*, filed April 29, 2008, we were not named as a defendant, but the plaintiffs published a notice pursuant to court order, notifying all interested parties to appear in the case. In January 2009, our subsidiary appeared in the case in response to this notice. The plaintiffs purport to represent the right to health of the citizens of Venezuela and claim that the government failed to protect adequately its citizens' right to health. The claim asks the court to order the government to enact stricter regulations on the manufacture and sale of tobacco products. In addition, the plaintiffs ask the court to order companies involved in the tobacco industry to allocate a percentage of their "sales or benefits" to establish a fund to pay for the health care costs of treating smoking-related diseases. In October 2008, the court ruled that plaintiffs have standing to file the claim and that the claim meets the threshold admissibility requirements. In December 2012, the court admitted our subsidiary and a subsidiary of British American Tobacco plc as interested third parties. In February 2013, our subsidiary answered the complaint. On February 27, 2024, the Attorney General of Venezuela filed, on behalf of defendants, a motion to dismiss the case for lack of prosecution.

Smoke-Free Products-Related Litigation

Claims have been filed against PMI and a subsidiary related to ZYN nicotine pouches. These cases were filed either on behalf of an individual plaintiff, or on behalf of a purported class of individuals. Plaintiffs assert a variety of common law and statutory claims, and seek various forms of relief, including monetary and equitable relief.

In the first case, a putative class action, *Kelly v. Philip Morris International Inc., et al.*, filed March 19, 2024, before United States District Court for the Southern District of Florida, plaintiff alleges, among other things, addiction to nicotine resulting from the use of ZYN nicotine pouches (the "*Kelly* class action"). The named defendants are PMI and Swedish Match North America LLC. Plaintiff purports to represent classes comprised of (i) all persons who purchased ZYN products in the United States, (ii) all residents of Florida who purchased ZYN products, and (iii) all residents of Florida who, at the time of their use of ZYN products, were under the age of 21, and who procured and used ZYN products. He alleges, among other things, that defendants defectively designed ZYN products and sold them in an unreasonably unsafe and dangerous condition, marketed ZYN products to minors, and misrepresented or failed to warn consumers about information related to ZYN products, including information about health risks associated with these products. Plaintiff asserts strict liability design defect and failure to warn claims, as well as negligence and fraud claims and is seeking compensatory and punitive damages, attorney's fees and costs, interest, and medical monitoring. On May 6, 2024, PMI and Swedish Match North America LLC filed motions to dismiss the complaint with prejudice. On August 20, 2024, the court granted Swedish Match North America LLC's motion to dismiss the fraud claim and plaintiff's request for medical monitoring, but denied the motion to dismiss other claims. The court gave plaintiff the opportunity to amend his complaint by November 4, 2024. On August 20, 2024, the court also denied PMI's motion to dismiss without prejudice, granted plaintiff's request to conduct jurisdictional discovery, and gave PMI the opportunity to refile its motion to dismiss by November 18, 2024. At this time, no estimated loss has been accrued in the consolidated financial statements for this proceeding and we cannot determine the likelihood of loss, or reasonably estimate a range of loss, if any, from this proceeding.

In the second case, a putative class action, *Bates-Ferreira v. Philip Morris International Inc., et al.*, filed March 29, 2024, before United States District Court for the Eastern District of California, plaintiff alleges, among other things, addiction to nicotine resulting from the use of ZYN nicotine pouches. The named defendants are PMI and Swedish Match North America LLC. Plaintiff purports to represent classes comprised of (i) all persons who used ZYN products in the United States, (ii) all persons who used ZYN products in the United States while under the age of 18, (iii) all residents of California who used ZYN products, and (iv) all residents of California who used ZYN products while under the age of 18. Plaintiff alleges, among other things, that defendants made misrepresentations about ZYN products in their advertising and marketing, marketed ZYN products to minors, and misrepresented or failed to disclose to consumers information about ZYN products, including information about health risks associated with these products. Plaintiff asserts fraud, unjust enrichment, breach of implied warranty, and breach of consumer protection, unfair competition and advertising statutes claims and is seeking compensatory and punitive damages, disgorgement of profits, attorney's fees and expenses, interest and other applicable injunctive relief. On June 7, 2024, PMI and Swedish Match North America LLC filed motions to dismiss the complaint with prejudice, and Swedish Match North America

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LLC also filed a motion to stay the proceedings pending resolution of the *Kelly* class action. On August 5, 2024, plaintiff voluntarily dismissed his claim against PMI without prejudice. At this time, no estimated loss has been accrued in the consolidated financial statements for this proceeding and we cannot determine the likelihood of loss, or reasonably estimate a range of loss, if any, from this proceeding.

In the third case, an individual complaint, *Palmer v. Philip Morris International Inc., et al.*, filed April 3, 2024, before United States District Court for the Southern District of Florida, plaintiff alleges, among other things, addiction to nicotine resulting from the use of ZYN nicotine pouches. The named defendants are PMI and Swedish Match North America LLC. He alleges, among other things, that defendants defectively designed ZYN products and sold them in an unreasonably unsafe and dangerous condition, marketed ZYN products to minors, and misrepresented or failed to warn consumers about information related to ZYN products, including information about health risks associated with these products. Plaintiff asserts strict liability design defect and failure to warn claims, as well as negligence and fraud claims, and is seeking compensatory and punitive damages, attorney's fees and costs, interest, and medical monitoring. On June 3, 2024, PMI and Swedish Match North America LLC filed motions to dismiss the complaint with prejudice. On August 20, 2024, the court granted Swedish Match North America LLC's motion to dismiss the fraud claim and plaintiff's request for medical monitoring, but denied the motion to dismiss other claims. The court gave plaintiff the opportunity to amend his complaint by November 4, 2024. On August 20, 2024, the court also denied PMI's motion to dismiss without prejudice, granted plaintiff's request to conduct jurisdictional discovery, and gave PMI the opportunity to refile its motion to dismiss by November 18, 2024. At this time, no estimated loss has been accrued in the consolidated financial statements for this proceeding and we cannot determine the likelihood of loss, or reasonably estimate a range of loss, if any, from this proceeding.

In the fourth case, an individual complaint, *Lendinara v. Philip Morris International Inc., et al.*, filed July 30, 2024, before United States District Court for the Southern District of Florida, plaintiff alleges, among other things, addiction to nicotine resulting from the use of ZYN nicotine pouches. The named defendants are PMI and Swedish Match North America LLC. He alleges, among other things, that defendants defectively designed ZYN products and sold them in an unreasonably unsafe and dangerous condition, marketed ZYN products to minors, and misrepresented or failed to warn consumers about information related to ZYN products, including information about health risks associated with these products. Plaintiff asserts strict liability design defect and failure to warn claims, as well as negligence and fraud claims, and is seeking compensatory and punitive damages, attorney's fees and costs, interest, and medical monitoring. On September 19, 2024, the court granted the parties' joint motion to apply its decisions on the motions to dismiss in *Palmer* to the *Lendinara* matter, including granting plaintiff's request to conduct jurisdictional discovery and setting the same timeline for plaintiff to amend his complaint and for PMI to refile its motion to dismiss. At this time, no estimated loss has been accrued in the consolidated financial statements for this proceeding and we cannot determine the likelihood of loss, or reasonably estimate a range of loss, if any, from this proceeding.

In the fifth case, a putative class action, *Norris v. Philip Morris International Inc., et al.*, filed July 30, 2024, before United States District Court for the District of Connecticut, plaintiff alleges, among other things, addiction to nicotine resulting from the use of ZYN nicotine pouches. The named defendants are PMI and Swedish Match North America LLC. Plaintiff purports to represent classes comprised of (i) all persons who used ZYN products in the United States, (ii) all persons who used ZYN products in the United States while under the age of 18, (iii) all residents of Florida who used ZYN products, and (iv) all residents of Florida who used ZYN products while under the age of 18. Plaintiff alleges, among other things, that defendants made misrepresentations about ZYN products in their advertising and marketing, marketed ZYN products to minors, and misrepresented or failed to disclose to consumers information about ZYN products, including information about health risks associated with these products. Plaintiff asserts unjust enrichment, and breach of consumer protection, unfair trade and advertising statutes claims and is seeking compensatory and punitive damages, disgorgement of profits, attorney's fees and expenses, interest and other applicable injunctive relief. On September 24, 2024, PMI and Swedish Match North America LLC filed motions to dismiss the complaint with prejudice. On October 2, 2024, Plaintiff filed a notice of voluntary dismissal without prejudice as to Swedish Match, which the Court ordered on October 3, 2024. At this time, no estimated loss has been accrued in the consolidated financial statements for this proceeding and we cannot determine the likelihood of loss, or reasonably estimate a range of loss, if any, from this proceeding.

District of Columbia Attorney General Investigation: On June 11, 2024, Swedish Match North America LLC ("SMNA") received a subpoena from the office of the Attorney General of the District of Columbia ("D.C."). The subpoena requests, among other things, information concerning SMNA's compliance with D.C.'s licensing regulations, age-verification requirements, and prohibition on the sale of flavored tobacco products, including with respect to ZYN nicotine pouches. SMNA is cooperating with the investigation. It is too early to assess the timeline on which such investigation will conclude or its outcome.

Other Litigation

The Department of Special Investigations of the government of Thailand ("DSI") conducted an investigation into alleged underpayment by our subsidiary, Philip Morris (Thailand) Limited ("PM Thailand"), of customs duties and excise taxes relating to imports from the Philippines covering the period 2003-2007. On January 18, 2016, the Public Prosecutor filed charges against our subsidiary and seven former and current employees in the Bangkok Criminal Court alleging that PM Thailand and the individual defendants jointly and with the intention to defraud the Thai government, under-declared import prices of cigarettes to avoid full payment of taxes and duties in connection with import entries of cigarettes from the Philippines during the period of July 2003 to June 2006. The government sought a fine of approximately THB 80.8 billion (approximately \$2.4 billion). In May 2017, Thailand enacted a new customs act. The new act, which took effect in November 2017, substantially limits the amount of fines that Thailand could seek in these proceedings. PM Thailand believes that its declared import prices are in compliance with the Customs Valuation Agreement of the World Trade Organization and Thai law and that the allegations of the Public Prosecutor are inconsistent with several decisions by Thai Customs and other Thai governmental agencies. Trial in the case began in November 2017 and concluded in September 2019. In November 2019, the trial court found our subsidiary guilty of under-declaration of the prices and imposed a fine of approximately THB 1.2 billion (approximately \$35.8 million). The trial court dismissed all charges against the individual defendants. In December 2019, as required by the Thai law, our subsidiary paid the fine. This payment was included in other assets on the condensed consolidated balance sheets and negatively impacted net cash provided by operating activities in the condensed consolidated statements of cash flows in the period of payment. Both our subsidiary and the Public Prosecutor filed an appeal of the trial court's decision. The appellate court issued its decision on the appeals on June 1, 2022. The appellate court affirmed the findings of under-declaration of import prices of cigarettes but reduced the fine to approximately THB 122 million (approximately \$3.6 million) finding the trial court erred in its calculation of the under-declaration and fine. The appellate court affirmed the acquittals of the individual defendants. Our subsidiary appealed the decision to the Supreme Court of Thailand. The Public Prosecutor also filed an appeal challenging the dismissal of charges against the individual defendants and the amount of the fine imposed. On September 5, 2024, the Supreme Court of Thailand issued its decision. The Supreme Court affirmed the findings of under-declaration of import prices of cigarettes but further reduced the fine imposed to THB 50 million (approximately \$1.5 million), which PMI recorded as a pre-tax charge in the condensed consolidated statements of earnings for the nine months ended September 30, 2024. The Supreme Court also affirmed the acquittals of the individual defendants. Thailand is required to refund the payment made by our subsidiary in 2019 in excess of the THB 50 million (approximately \$1.5 million) fine ultimately assessed by the Supreme Court.

The DSI also conducted an investigation into alleged underpayment by PM Thailand of customs duties and excise taxes relating to imports from Indonesia covering the period 2000-2003. On January 26, 2017, the Public Prosecutor filed charges against PM Thailand and its former Thai employee in the Bangkok Criminal Court alleging that PM Thailand and its former employee jointly and with the intention to defraud the Thai government under-declared import prices of cigarettes to avoid full payment of taxes and duties in connection with import entries during the period from January 2002 to July 2003. The government sought a fine of approximately THB 19.8 billion (approximately \$592 million). In May 2017, Thailand enacted a new customs act. The new act, which took effect in November 2017, substantially limits the amount of fines that Thailand could seek in these proceedings. PM Thailand believes that its declared import prices are in compliance with the Customs Valuation Agreement of the World Trade Organization and Thai law, and that the allegations of the Public Prosecutor are inconsistent with several decisions already taken by Thai Customs and a Thai court. Trial in the case began in November 2018 and concluded in December 2019. In March 2020, the trial court found our subsidiary guilty of under-declaration of the prices and imposed a fine of approximately THB 130 million (approximately \$3.9 million). The trial court dismissed all charges against the individual defendant. In April 2020, as required by Thai law, our subsidiary paid the fine. This payment is included in other assets on the condensed consolidated balance sheets and negatively impacted net cash provided by operating activities in the condensed consolidated statements of cash flows in the period of payment. Our subsidiary filed an appeal of the trial court's decision. In addition, the Public Prosecutor filed an appeal of the trial court's decision challenging the dismissal of charges against the individual defendant and the amount of the fine imposed. The appellate court issued its decision on the appeals on January 31, 2023. The appellate court affirmed the findings of under-declaration of import prices of cigarettes but reduced the fine imposed by the trial court. The appellate court directed the Public Prosecutor to coordinate with customs officials to calculate such reduced fine in accordance with the appellate court's decision. The appellate court affirmed the acquittal of the individual defendant. Our subsidiary has appealed the decision to the Supreme Court of Thailand. The Public Prosecutor has filed an appeal to the Supreme Court of Thailand challenging the dismissal of charges against the individual defendant and the amount of the fine. Thailand is required to refund any payment made by our subsidiary in excess of any fine assessed by the courts.

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In July 2020, the Public Prosecutor's office of Rome, Italy, notified our Italian subsidiary, Philip Morris Italia S.r.l. ("PM Italia"), as well as three former or current employees and a former external consultant of PM Italia in July and March 2020, respectively, that it concluded a preliminary investigation against them for alleged contravention of anti-corruption laws and related disruption of trade freedom. The Public Prosecutor alleges that the individuals involved promised certain personal favors to government officials from January to July of 2018 in exchange for favorable treatment for PM Italia, and that PM Italia lacked appropriate organizational controls to prevent the alleged actions by the individuals. In September 21, 2020, the Public Prosecutor issued his indictment and referred the matter to the court. At the preliminary hearing held on May 11, 2021, the judge decided to refer all charges/defendants (including our affiliate) to trial. The first trial hearing took place on September 22, 2021. BAT has filed a civil claim against PM Italia claiming vicarious liability for the alleged wrongdoings of its former or current employees and seeking EUR50 million (approximately \$54 million) in damages. After various postponements, trial started on September 25, 2023, and will continue through a series of hearings until 2025 (the court set the calendar only through January 20, 2025, although other hearings will have to be scheduled thereafter). PM Italia believes the charges are without merit and will defend them vigorously.

The Ministry of Industry and Trade of the Russian Federation filed a petition before the Arbitrazh Court of the Moscow Region seeking the suspension of corporate rights that Megapolis Distribution B.V. ("MDBV"), a legal entity incorporated in the Netherlands, holds, pursuant to Dutch law, in JSC TK Megapolis (formerly CJSC TK Megapolis), which is the distributor of PMI's products in Russia. Our affiliate holds a 23% equity interest in MDBV. On July 18, 2024, the court admitted the petition. On August 8, 2024, the Arbitrazh Court of the Moscow Region granted the forced localization, as requested by the Ministry of Industry and Trade. As a result, MDBV's interest and corporate rights in JSC TK Megapolis were transferred to JSC TK Megapolis. We currently expect such interest and corporate rights will be subsequently transferred to JSC TK Megapolis' indirect shareholders, or their designees, during the fourth quarter of 2024. For additional information, see Part I, Item 1. *Financial Statements* – Note 12. *Related Parties – Equity Investments and Other*.

On December 21, 2023, we were informed that Future Technology K.K. ("FTKK") filed an application with Tokyo Customs against Sojitz Corporation ("Sojitz"), Philip Morris Japan Limited's ("PMJL") importer and distributor, due to alleged infringement of JP7299432. FTKK sought an order stopping the importation of *TEREA* consumables. FTKK did not in its application seek any monetary damages or costs. PMJL entered an appearance in the proceeding as an interested party and filed its response to FTKK's application on January 31, 2024. The Customs hearing was held on May 28, 2024. On June 27, 2024 expert advisors to Customs provided their opinion that the patent at issue was not infringed. On June 28, 2024, FTKK withdrew its Customs application. The proceeding is now concluded. On January 26, 2024, PMJL filed a declaratory judgment action in Tokyo District Court seeking a declaration that JP7299432 is invalid and/or not infringed. The declaratory judgment action has now concluded following FTKK's waiver of its right to seek relief from PMJL for infringement of JP7299432, which effectively resolved PMJL's request for a declaration of no liability for infringement of that patent.

In July and August 2024, respectively, FTKK filed two patent infringement actions against Sojitz, PMJL's importer and distributor, for alleged infringement of two patents by *TEREA* consumables. FTKK asserts a claim for damages. PMJL is obligated to indemnify Sojitz for damages and intervened in the matters. Merits briefing in the matters is expected to commence in late 2024. PMJL intends to vigorously defend these matters.

Other patent challenges are pending in various jurisdictions.

We are also involved in additional litigation arising in the ordinary course of our business. While the outcomes of these proceedings are uncertain, management does not expect that the ultimate outcomes of other litigation, including any reasonably possible losses in excess of current accruals, will have a material adverse effect on our consolidated results of operations, cash flows or financial position.

Note 9. Income Taxes:

Income tax provisions for jurisdictions outside the United States of America, as well as state and local income tax provisions, were determined on a separate company basis, and the related assets and liabilities were recorded in PMI's condensed consolidated balance sheets.

PMI's effective tax rates for the nine months and three months ended September 30, 2024 were 23.1% and 21.3%, respectively. PMI's effective tax rates for the nine months and three months ended September 30, 2023 were 25.7% and 33.2%, respectively.

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The effective tax rate for the nine months ended September 30, 2024, was unfavorably impacted by: (i) an increase in deferred tax liabilities related to the fair value adjustment of equity securities held by PMI (\$185 million); and (ii) an impairment loss related to the sale of Vectura Group, partially offset by: (i) a deferred tax benefit for unrealized foreign currency losses on intercompany loans related to the Swedish Match acquisition financing reflected in the condensed consolidated statements of earnings (\$9 million), while the underlying pre-tax foreign currency movements fully offset in the condensed consolidated statements of earnings and were reflected as currency translation adjustments in its condensed consolidated statements of stockholders' (deficit) equity; and (ii) a U.S. tax benefit for a worthless stock deduction under section 165(g) of the Internal Revenue Code related to PMI's investment in C.A. Tabacalera Nacional, a wholly owned foreign corporation incorporated in Venezuela (\$47 million). For further details on PMI's ceased operations in Venezuela and the impairment loss related to the sale of Vectura Group, see Note 15. *Asset Impairment and Exit Costs* and Note 18. *Acquisitions and Divestitures*, respectively.

Changes in the tax laws of foreign jurisdictions could arise as a result of the Base Erosion and Profit Shifting project undertaken by the Organisation for Economic Co-operation and Development ("OECD"), which recommended changes to numerous long-standing tax principles. Many countries have enacted the OECD's framework on a global minimum tax (referred to as "Pillar Two"), effective for taxable years beginning after December 31, 2023. PMI has determined that Pillar Two should not have a material impact on its 2024 consolidated financial statements.

The effective tax rate for the nine months ended September 30, 2023, was unfavorably impacted by: (i) an increase in deferred tax liabilities related to the unremitted earnings of PMI's Russian subsidiaries (\$173 million) due to the unilateral suspension of certain Russian double tax treaties by the Russian authorities on August 8, 2023, with respect to certain payments including dividends; (ii) the non-deductible Wellness and Healthcare goodwill impairment charge; and (iii) a deferred tax costs for unrealized foreign currency losses on intercompany loans related to the Swedish Match acquisition financing reflected in the condensed consolidated statements of earnings (\$41 million), while the underlying pre-tax foreign currency movements fully offset in the condensed consolidated statements of earnings and were reflected as currency translation adjustments in its condensed consolidated statements of stockholders' (deficit) equity.

The effective tax rate for the three months ended September 30, 2023 was unfavorably impacted by an increase in deferred tax liabilities related to the unremitted earnings of PMI's Russian subsidiaries (\$173 million) and a deferred tax cost for unrealized foreign currency gains on intercompany loans related to the Swedish Match acquisition financing reflected in the condensed consolidated statements of earnings (\$138 million).

PMI is regularly examined by tax authorities around the world and is currently under examination in a number of jurisdictions. The U.S. federal statute of limitations remains open for the years 2019 and onward. Foreign and U.S. state jurisdictions have statutes of limitations generally ranging from 3 to 5 years after the filing of a return.

Subsidiaries of PMI in Indonesia, principally PT Hanjaya Mandala Sampoerna Tbk ("HMS"), have recorded income tax receivables in the amount of 4.0 trillion Indonesian rupiah (approximately \$267 million) relating to corporate income tax assessments paid to avoid potential penalties, primarily for domestic and other intercompany transactions for the years 2015 to 2021. Objection letters have been filed with the Tax Office and these assessments are being challenged at various levels in court. These income tax receivables are included in other assets in PMI's condensed consolidated balance sheets at September 30, 2024 and December 31, 2023.

It is reasonably possible that within the next 12 months certain tax examinations will close, which could result in a change in unrecognized tax benefits along with related interest and penalties. An estimate of any possible change cannot be made at this time.

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Note 10. Indebtedness:

Short-term Borrowings:

At September 30, 2024 and December 31, 2023, PMI's short-term borrowings and related average interest rates consisted of the following:

(in millions)	September 30, 2024		December 31, 2023	
	Amount Outstanding	Average Rate	Amount Outstanding	Average Rate
Commercial paper	\$ —	— %	\$ 1,685	5.6 %
Bank loans	152	9.3	283	8.9
	\$ 152		\$ 1,968	

Given the mix of PMI's legal entities and their respective local economic environments, the average interest rate for bank loans above can vary significantly from day to day and country to country.

The fair values of PMI's short-term borrowings, based on current market interest rates, approximate carrying value.

Long-term Debt:

At September 30, 2024 and December 31, 2023, PMI's long-term debt consisted of the following:

(in millions)	September 30, 2024	December 31, 2023
U.S. dollar notes, 0.875% to 6.375% (average interest rate 4.572%), due through 2044	\$ 34,082	\$ 30,272
Foreign currency obligations:		
Euro notes, 0.125% to 3.750% (average interest rate 1.964%), due through 2039	8,126	8,526
Swiss franc note, 1.625%, due 2024	—	299
Euro credit facility borrowings related to Swedish Match AB acquisition, (average interest rate 4.009%), due through 2027	6,140	6,121
Swedish krona notes, 1.395% to 2.710% (average interest rate 2.016%), due through 2029	236	236
Other (average interest rate 5.038%), due through 2032 ^(a)	486	487
Carrying value of long-term debt	49,070	45,941
Less current portion of long-term debt	4,833	4,698
	\$ 44,237	\$ 41,243

^(a) Includes long-term bank loans at subsidiaries, as well as \$41 million and \$53 million in finance leases at September 30, 2024 and December 31, 2023, respectively.

The fair value of PMI's outstanding long-term debt, which is utilized solely for disclosure purposes, is determined using quotes and market interest rates currently available to PMI for issuances of debt with similar terms and remaining maturities. At September 30, 2024, the fair value of PMI's outstanding long-term debt, excluding the aforementioned finance leases, was as follows:

(in millions)	September 30, 2024
Level 1	\$ 42,337
Level 2	6,716

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For a description of the fair value hierarchy and the three levels of inputs used to measure fair values, see Item 8, Note 2, *Summary of Significant Accounting Policies* of PMI's Annual Report on Form 10-K for the year ended December 31, 2023.

Credit Facilities related to the Financing of the Swedish Match Acquisition

In connection with PMI's all-cash recommended public offer to the shareholders of Swedish Match, on May 11, 2022, PMI entered into a credit agreement relating to a 364-day senior unsecured bridge facility. The facility provided for borrowings up to an aggregate principal amount of \$17 billion, expiring 364 days after the occurrence of certain events unless extended. On June 23, 2022, PMI entered into a €5.5 billion (approximately \$5.8 billion at the date of signing) senior unsecured term loan credit agreement consisting of a €3.0 billion (approximately \$3.2 billion at the date of signing) tranche expiring three years after the occurrence of certain events and a €2.5 billion (approximately \$2.6 billion at the date of signing) tranche expiring on June 23, 2027. In connection with the term loan facility, the aggregate principal amount of commitments under the 364-day senior unsecured bridge facility was reduced from \$17 billion to \$11 billion. On November 11, 2022, PMI acquired a controlling interest of 85.87% of the total issued shares in Swedish Match and acquired 94.81% of its outstanding shares as of December 31, 2022. In accordance with the Swedish Companies Act, PMI subsequently exercised its right to compulsorily redeem the remaining shares for which acceptances were not received and obtained legal title to 100% of the shares in Swedish Match on February 17, 2023.

PMI borrowed \$8.4 billion under the bridge facility by delivering notices of borrowing for advances of \$7.9 billion and \$0.5 billion on November 7, 2022 and November 10, 2022, respectively. On November 21, 2022 and February 17, 2023, PMI repaid \$4.0 billion and \$4.4 billion, respectively, under the bridge facility. Effective February 20, 2023, the remaining outstanding commitments under the bridge facility were fully canceled and the bridge facility agreement was terminated in accordance with its terms.

On November 7, 2022, PMI also delivered notices of borrowing for advances totaling €5.5 billion under the term loan facility, of which €3.0 billion will become due on November 9, 2025 and €2.5 billion will become due on June 23, 2027 unless prepaid pursuant to the terms of the credit agreement. As of September 30, 2024 and December 31, 2023, the €5.5 billion (approximately \$6 billion) term loan facility was fully drawn and remained outstanding.

The proceeds under the bridge facility and the term loan facility were used, directly or indirectly, to finance the acquisition, including, the payment of related fees and expenses.

Debt Issuances

PMI's debt issuances in the first nine months of 2024 were as follows:

(in millions)

Type		Face Value	Interest Rate	Issuance	Maturity
U.S. dollar notes	(a)	\$750	4.750%	February 2024	February 2027
U.S. dollar notes	(a)	\$1,000	4.875%	February 2024	February 2029
U.S. dollar notes	(a)	\$1,250	5.125%	February 2024	February 2031
U.S. dollar notes	(a)	\$1,750	5.250%	February 2024	February 2034
Euro notes	(b) (c)	€500 (approximately \$543)	3.750%	June 2024	January 2031

(a) Interest is payable semi-annually, commencing in August 2024

(b) Interest is payable annually, commencing in January 2025

(c) USD equivalents for foreign currency notes were calculated based on exchange rates on the date of issuance.

The net proceeds from the sale of the securities listed in the table above have been or will be used for general corporate purposes, including working capital requirements, repayment of commercial paper and to refinance certain of our outstanding notes due in 2024.

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Revolving Credit Facilities:

At September 30, 2024, PMI's total committed revolving credit facilities were as follows:

(in billions)

Type	Committed Revolving Credit Facilities
364-day revolving credit, expiring January 28, 2025	\$ 1.7
Multi-year revolving credit, expiring February 10, 2026 ⁽¹⁾	2.0
Multi-year revolving credit, expiring September 29, 2026 ⁽²⁾⁽³⁾	2.5
Total facilities	\$ 6.2

⁽¹⁾ On January 28, 2022, PMI entered into an agreement, effective February 10, 2022, to amend and extend the term of its \$2.0 billion multi-year revolving credit facility, for an additional year covering the period February 11, 2026 to February 10, 2027, in the amount of \$1.9 billion.

⁽²⁾ Includes pricing adjustments that may result in the reduction or increase in both the interest rate and commitment fee under the credit agreement if PMI achieves, or fails to achieve, certain specified targets.

⁽³⁾ On September 20, 2022, PMI entered into an agreement, effective September 29, 2022, to amend and extend the term of its \$2.5 billion multi-year revolving credit facility, for an additional year covering the period September 30, 2026 to September 29, 2027, in the amount of \$2.3 billion. On September 20, 2023, PMI entered into an agreement, effective September 29, 2023, to amend and further extend the term to September 29, 2028.

At September 30, 2024, there were no borrowings under these committed revolving credit facilities, and the entire committed amounts were available for borrowing.

In addition to the committed revolving credit facilities discussed above, PMI maintains certain short-term credit arrangements, including uncommitted credit lines, to primarily meet working capital needs. These credit arrangements amounted to approximately \$2.2 billion at September 30, 2024, and approximately \$2.7 billion at December 31, 2023. Borrowings under these arrangements and other bank loans amounted to \$152 million at September 30, 2024, and \$283 million at December 31, 2023.

Note 11. Accumulated Other Comprehensive Losses:

PMI's accumulated other comprehensive losses, net of taxes, consisted of the following:

(Losses) Earnings (in millions)	At September 30, 2024	At December 31, 2023	At September 30, 2023
Currency translation adjustments	\$ (9,636)	\$ (9,467)	\$ (8,475)
Pension and other benefits	(2,486)	(2,589)	(1,757)
Derivatives accounted for as hedges	230	241	415
Total accumulated other comprehensive losses	\$ (11,892)	\$ (11,815)	\$ (9,817)

Reclassifications from Other Comprehensive Earnings

The movements in accumulated other comprehensive losses and the related tax impact, for each of the components above, that are due to current period activity and reclassifications to the income statement, are shown on the condensed consolidated statements of comprehensive earnings for the nine months and three months ended September 30, 2024 and 2023. For additional information, see Note 3. *Benefit Plans* for disclosures related to PMI's pension and other benefits, Note 5. *Financial Instruments* for disclosures related to derivative financial instruments, as well as Note 15. *Asset Impairment and Exit Costs* and

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Note 18. *Acquisitions and Divestitures* for disclosures related to the reclassification of accumulated foreign currency translation losses from other comprehensive losses.

Note 12. Related Parties - Equity Investments and Other:

Equity Method Investments:

At September 30, 2024 and December 31, 2023, PMI had total equity method investments of \$1,203 million and \$1,309 million, respectively. Equity method investments are initially recorded at cost. Under the equity method of accounting, the investment is adjusted for PMI's proportionate share of earnings or losses, dividends, capital contributions, changes in ownership interests and movements in currency translation adjustments. The carrying value of our equity method investments at September 30, 2024 and December 31, 2023, exceeded our share of the investees' book value by \$1,121 million and \$907 million, respectively. The difference between the investment carrying value and the amount of underlying equity in net assets is mainly attributable to equity method goodwill, convertible debt instruments, and definite-lived intangible assets and other assets. The difference related to the definite-lived intangibles and other assets at September 30, 2024 and December 31, 2023 of \$152 million and \$31 million, respectively, is amortized on a straight-line basis and is included in Equity investments and securities (income)/loss, net on the condensed consolidated statements of earnings. At September 30, 2024, PMI received no year-to-date dividends from equity method investees. At December 31, 2023, PMI received year-to-date dividends from equity method investees of \$57 million.

PMI holds a 23% equity interest in Megapolis Distribution B.V. ("MDBV"), the holding company of JSC TK Megapolis (formerly CJSC TK Megapolis), pursuant to Dutch law, PMI's distributor in Russia (SSEA, CIS & MEA segment), which as of September 30, 2024 had a carrying value of \$408 million. Additionally, there was approximately \$573 million of cumulative foreign currency translation losses associated with MDBV reflected in accumulated other comprehensive losses in the condensed consolidated statement of stockholders' equity as of September 30, 2024. In June 2024, the Russian government included JSC TK Megapolis in the list of economically significant organizations that may be subject to forced localization under applicable Russian law, which refers to the mandatory removal of a foreign holding company from the shareholding structure. On August 8, 2024, the Arbitrazh Court of the Moscow Region granted the forced localization of MDBV as requested by the Ministry of Industry and Trade on July 18, 2024. As a result, MDBV's shares in JSC TK Megapolis were transferred to JSC TK Megapolis and we currently expect they will be subsequently transferred to its indirect shareholders or their designees during the fourth quarter of 2024. While as of September 30, 2024, there was no other-than-temporary impairment identified, there are still risks related to this investment and our associated economic and ownership rights as the fair value of these assets with their associated rights is difficult to predict due to the current economic, political, regulatory, legal and social conditions as well as the foreign currency volatility.

PMI holds a 49% equity interest in United Arab Emirates-based Emirati Investors-TA (FZC) ("EITA"). PMI holds an approximate 25% economic interest in Société des Tabacs Algéro-Emirat ("STAEM"), an Algerian joint venture that is 51% owned by EITA and 49% by the Algerian state-owned enterprise Management et Développement des Actifs et des Ressources Holding ("MADAR Holding"), which manufactures and distributes under license some of PMI's brands (SSEA, CIS & MEA segment).

In April 2023, PMI acquired an approximate economic interest of 25% in United Tobacco Company ("UTC"). UTC is an entity incorporated in Egypt which manufactures products under license for PMI's Egyptian subsidiary. On May 16, 2024, PMI acquired a controlling interest in UTC. For further details, see Note 18. *Acquisitions and Divestitures*.

In May 2024, PMI acquired an indirect economic interest of 14.7% in Eastern Company ("Eastern"), Egypt's largest cigarette manufacturer which also includes cigars and pipe tobacco, among others, in its portfolio. PMI accounted for its investment in Eastern under the equity method of accounting as it has the indirect ability to participate in Eastern's policy making processes. In relation to the acquisition, PMI subsequently entered into an agreement in August 2024 to guarantee certain credit facilities and repayment of certain bank loan liabilities. The maximum amount of these guarantee obligations is \$385 million and they will be in effect until 2034. As of September 30, 2024, PMI has not finalized the basis difference allocation resulting from the investment.

The initial investments in Megapolis Distribution BV, EITA, Eastern and UTC (up to the acquisition of controlling interest in UTC on May 16, 2024) have been recorded at cost and are included in equity investments on the consolidated balance sheets.

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Transactions between these equity method investees and PMI subsidiaries are considered to be related-party transactions and are included in the tables below.

Equity securities:

On March 22, 2019, PMI's wholly owned subsidiary in Canada, Rothmans, Benson & Hedges Inc. ("RBH") obtained an initial order from the Ontario Superior Court of Justice granting it protection under the Companies' Creditors Arrangement Act ("CCAA"), which is a Canadian federal law that permits a Canadian business to restructure its affairs while carrying on its business in the ordinary course with minimal disruption to its customers, suppliers and employees. The administration of the CCAA process, principally relating to the powers provided to the court under the CCAA and the oversight provided by the court appointed monitor, removes certain elements of control of the business from both PMI and RBH. As a result, PMI determined that it no longer had a controlling financial interest over RBH as defined in ASC 810 (Consolidation), and deconsolidated RBH as of the date of the CCAA filing.

Since the deconsolidation of RBH on March 22, 2019, PMI has accounted for its continuing investment in RBH in accordance with ASC 321 (Investments-Equity Securities) as an equity security, without readily determinable fair value, and recorded its continuing investment in RBH at fair value of \$3,280 million, which included the estimated settlement amount at the date of deconsolidation, within equity investments.

On October 17, 2024, the court-appointed mediator and monitor in the CCAA proceedings filed a proposed plan of compromise and arrangement ("Proposed Plan") setting forth, among other things, certain terms of a proposed comprehensive resolution of Canadian tobacco claims and related litigation. Under the resolution contemplated by the Proposed Plan, RBH, ITL and JTIM would pay an aggregate global settlement amount of CAD 32.5 billion (approximately \$23.5 billion). Further developments in the CCAA process, including with respect to the issue of allocation of CAD 32.5 billion aggregate settlement amount among RBH, ITL, and JTIM may have a material adverse impact on the fair value of PMI's continuing investment in RBH and may result in impairment charges. Transactions between PMI and RBH are considered to be related-party transactions from the date of deconsolidation and are included in the tables below. For further details, see Note 8. *Contingencies.*

The fair value of PMI's other equity securities, which have been classified within Level 1, was \$1,174 million at September 30, 2024. Unrealized pre-tax gain (loss) of \$799 million (\$614 million net of tax) on these equity securities was recorded in equity investments and securities (income)/loss, net on the condensed consolidated statements of earnings for the nine months ended September 30, 2024.

Other related parties:

United Arab Emirates-based Trans-Emirates Trading and Investments (FZC) ("TTI") holds a 33% non-controlling interest in Philip Morris Mistr LLC ("PMM"), an entity incorporated in Egypt which is consolidated in PMI's financial statements in the SSEA, CIS & MEA segment. PMM sells, under license, PMI brands in Egypt through an exclusive distribution agreement with a local entity that is also controlled by TTI.

Godfrey Phillips India Ltd ("GPI") is one of the non-controlling interest holders in IPM India, which is a 56.3% owned PMI consolidated subsidiary in the SSEA, CIS & MEA segment. GPI also acts as contract manufacturer and distributor for IPM India.

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Financial activity with the above related parties:

PMI's net revenues and expenses with the above related parties were as follows:

(in millions)	For the Nine Months Ended September 30,		For the Three Months Ended September 30,	
	2024	2023	2024	2023
Net revenues:				
Megapolis Group	\$ 1,756	\$ 1,714	\$ 660	\$ 530
Other	1,110	917	385	327
Net revenues (a)	\$ 2,866	\$ 2,631	\$ 1,045	\$ 857
Expenses:				
Other	\$ 90	\$ 180	\$ 17	\$ 67
Expenses	\$ 90	\$ 180	\$ 17	\$ 67

(a) Net revenues exclude excise taxes and VAT billed to customers.

PMI's balance sheet activity with the above related parties was as follows:

(in millions)	At September 30, 2024	At December 31, 2023
Receivables:		
Megapolis Group	\$ 457	\$ 474
Other	311	236
Receivables	\$ 768	\$ 710
Payables:		
Other	\$ 65	\$ 18
Payables	\$ 65	\$ 18

The activities with the above related parties are in the ordinary course of business, and are primarily for distribution, service fees, contract manufacturing and license agreements. PMI eliminated its respective share of all significant intercompany transactions with the equity method investees.

Note 13. Sale of Accounts Receivable:

To mitigate risk and enhance cash and liquidity management, PMI sells trade receivables to unaffiliated financial institutions. These arrangements allow PMI to sell, on an ongoing basis, certain trade receivables without recourse. The trade receivables sold are generally short-term in nature and are removed from the condensed consolidated balance sheets. PMI sells trade receivables under two types of arrangements, servicing and non-servicing. For servicing arrangements, PMI continues to service the sold trade receivables on an administrative basis and does not act on behalf of the unaffiliated financial institutions. When applicable, a servicing liability is recorded for the estimated fair value of the servicing. The amounts associated with the servicing liability were not material as of September 30, 2024 and September 30, 2023. Under the non-servicing arrangements, PMI does not provide any administrative support or servicing after the trade receivables have been sold to the unaffiliated financial institutions.

Cumulative trade receivables sold, including excise taxes, for the nine months ended September 30, 2024 and 2023, were \$8.8 billion and \$9.4 billion, respectively. PMI's operating cash flows were positively impacted by the amount of the trade receivables sold and derecognized from the condensed consolidated balance sheets, which remained outstanding with the unaffiliated financial institutions. The trade receivables sold that remained outstanding under these arrangements as of September 30, 2024 and September 30, 2023, were \$0.6 billion and \$0.7 billion, respectively. The net proceeds received are included in cash provided by operating activities in the condensed consolidated statements of cash flows. The difference

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between the carrying amount of the trade receivables sold and the sum of the cash received is recorded as a loss on sale of trade receivables within marketing, administration and research costs in the condensed consolidated statements of earnings.

The loss on sale of trade receivables was as follows:

(in millions)	For the Nine Months Ended September 30,	For the Three Months Ended September 30,
2024	\$ 33	\$ 11
2023	\$ 37	\$ 13

Note 14. Product Warranty:

PMI's heat-not-burn devices and e-vapor products are subject to standard product warranties generally for a period of 12 months from the date of purchase or such other periods as required by law. PMI generally provides in cost of sales for the estimated cost of warranty in the period the related revenue is recognized. PMI assesses the adequacy of its accrued product warranties and adjusts the amounts as necessary based on actual experience and changes in future estimates. Factors that affect product warranties may vary across markets but typically include device version mix, product failure rates, logistics and service delivery costs, and warranty policies. PMI accounts for its product warranties within other accrued liabilities. At September 30, 2024 and December 31, 2023, these amounts were as follows:

(in millions)	As of and For the Nine Months Ended September 30, 2024	As of and For the Year Ended December 31, 2023
Balance at beginning of period	\$ 80	\$ 104
Changes due to:		
Warranties issued	50	60
Settlements	(58)	(83)
Currency/Other	—	(1)
Balance at end of period	\$ 72	\$ 80

Note 15. Asset Impairment and Exit Costs:

For the nine months ended September 30, 2024 and 2023, PMI recorded total pre-tax asset impairment and exit costs of \$168 million and \$109 million, respectively, related to restructuring activities. These 2024 and 2023 pre-tax charges were included in marketing, administration and research costs in the condensed consolidated statements of earnings. For the three months ended September 30, 2024 and 2023, PMI did not record any charges for asset impairment and exit costs related to restructuring activities.

For the nine months ended September 30, 2024, PMI recorded a pre-tax impairment charge of other intangibles of \$27 million within the Wellness and Healthcare segment. For the nine months and the three months ended September 30, 2024, PMI recorded an impairment charge of \$198 million related to Vectura's classification as held for sale. For the nine months ended September 30, 2023, PMI recorded a pre-tax impairment charge of goodwill and other intangibles of \$680 million within the Wellness and Healthcare segment. For further details on these impairment charges, see Note 4. *Goodwill and Other Intangible Assets, net* and Note 18. *Acquisitions and Divestitures*.

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Platform 1 (IQOS) products sourcing for the U.S. market

On February 1, 2024, a subsidiary of PMI entered into a settlement agreement (the “Settlement Agreement”) with Nicoventures Trading Limited (“NTV”), an affiliate of British American Tobacco p.l.c. (“BAT”). In accordance with its terms, the parties to the Settlement Agreement filed a joint motion to rescind the limited exclusion order and the cease-and-desist order issued by the International Trade Commission (“ITC”) on September 29, 2021, which was granted on March 11, 2024. Prior to their rescission, the orders prohibited the importation and sales of imported Platform 1 products to the United States of America (for further details of the Settlement Agreement, ITC order and its rescission, see Note 8. *Contingencies*). As a result, PMI has initiated a project in the first quarter of 2024 to restructure the sourcing of Platform 1 products to commercialize *IQOS* in the United States. For further details on *IQOS* commercialization in the U.S. and the related agreement with Altria Group, Inc (“Altria”), see Note 18. *Acquisitions and Divestitures*.

In the first quarter of 2024, PMI recorded pre-tax asset impairment and exit costs of \$121 million related to this restructuring activity. This amount included contract termination costs with suppliers of \$61 million, including prepaid commitments of \$20 million. The amount also included asset impairment costs of \$60 million, primarily related to machinery and equipment and other assets, which were non-cash charges.

Venezuela

In the first quarter of 2024, PMI ceased its operations in Venezuela and as a result, recorded pre-tax asset impairment and exit costs of \$47 million. The amount primarily included non-cash charges related to the reclassification of accumulated foreign currency translation losses from other comprehensive losses of \$38 million and asset impairment charge of \$5 million related to land and buildings. This amount also included contract termination, severance and other related costs of \$4 million, which were paid in cash.

For details on the income tax impact of the transaction, see Note 9. *Income Taxes*.

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e-Vapor Products Manufacturing Optimization

In the first quarter of 2023, PMI initiated a project to fully outsource and restructure the manufacturing of e-vapor devices and consumables. As a result, PMI recorded pre-tax asset impairment and exit costs of \$109 million. This amount included contract termination costs for suppliers of \$78 million, including \$21 million of embedded finance lease terminations, payable in cash. This amount also included asset impairment costs of \$31 million, primarily related to machinery and equipment, which were non-cash charges.

Asset Impairment and Exit Costs by Segment

PMI recorded the following pre-tax asset impairment and exit costs by segment:

(in millions)	For the Nine Months Ended September 30,	
	2024	2023
Reclassification of accumulated foreign currency translation losses from other comprehensive losses:		
Americas	\$ 38	\$ —
Total reclassification of accumulated foreign currency translation losses from other comprehensive losses	38	—
Contract termination charges:		
Europe	—	34
SSEA, CIS & MEA	—	23
EA, AU & PMI DF	—	14
Americas	65	7
Total contract termination charges	65	78
Asset impairment charges:		
Europe	—	13
SSEA, CIS & MEA	—	9
EA, AU & PMI DF	—	5
Americas	65	4
Total asset impairment charges	65	31
Asset impairment and exit costs	\$ 168	\$ 109

Movement in Exit Cost Liabilities

The movement in exit cost liabilities for the nine months ended September 30, 2024 was as follows:

(in millions)	
Liability balance, January 1, 2024	\$ 29
Charges, net	65
Cash spent	(34)
Prepaid commitments	(20)
Currency/other	2
Liability balance, September 30, 2024	\$ 42

Future cash payments for exit costs incurred to date are anticipated to be substantially paid by the end of 2025, with approximately \$31 million expected to be paid in the remainder of 2024.

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Note 16. Leases:

The components of PMI's lease cost were as follows for the nine months and three months ended September 30, 2024 and 2023:

(in millions)	For the Nine Months Ended September 30,		For the Three Months Ended September 30,	
	2024	2023	2024	2023
Operating lease cost	\$ 210	\$ 199	\$ 72	\$ 66
Finance lease cost:				
Amortization of right-of-use assets	55	37	18	9
Interest on lease liabilities	1	1	—	1
Short-term lease cost	48	44	16	15
Variable lease cost	21	20	8	6
Total lease cost	\$ 335	\$ 301	\$ 114	\$ 97

Note 17. Supply Chain Financing:

PMI has engaged with unaffiliated global financial institutions that offer a voluntary supply chain financing ("SCF") program to some of our suppliers. Under the SCF program, the suppliers may elect, at their sole discretion, to sell PMI's payment obligations to these financial institutions. The suppliers independently negotiate the sale arrangements directly with these financial institutions. PMI does not participate in these negotiations, nor does it have any economic interest in these agreements, or in the designated suppliers' voluntary decision to sell PMI's payment obligations to these financial institutions. No guarantees or securities are provided by PMI or any of its subsidiaries under the SCF programs. PMI's obligations to its suppliers, including amounts due and scheduled payment terms are not impacted by the suppliers' decision to sell amounts under the SCF program. The payment terms of PMI's suppliers generally do not exceed 120 days. All outstanding payable amounts related to suppliers that are participating in the SCF program are recorded in accounts payable in PMI's condensed consolidated balance sheets. The associated payments are included in cash flows from operating activities within PMI's condensed consolidated statement of cash flows. As of September 30, 2024 and December 31, 2023, the total amount due to suppliers participating in the SCF program was approximately \$0.9 billion.

Note 18. Acquisitions and Divestitures:

Transactions With Noncontrolling Interests - Turkey

In the first quarter of 2022, PMI acquired the remaining 25% stake of its holding in Philip Morris Tütün Mamulleri Sanayi ve Ticaret A.Ş. ("PMTM") (formerly Philsa Philip Morris Sabancı Sigara ve Tütünçülük Sanayi ve Ticaret A.Ş.) and 24.75% stake in Philip Morris Pazarlama ve Satış A.Ş. ("PMPS") (formerly Philip Morris SA, Philip Morris Sabancı Pazarlama ve Satış A.Ş.) from its Turkish partners, Sabancı Holding for a total acquisition price including transaction costs and remaining dividend entitlements of approximately \$223 million. As a result of this acquisition, PMI owned 100% of these Turkish subsidiaries as of December 31, 2022. The purchase of the remaining stakes in these holdings resulted in a decrease to PMI's additional paid-in capital of \$30 million and an increase to accumulated other comprehensive losses of \$171 million primarily following the reclassification of accumulated currency translation losses from noncontrolling interests to PMI's accumulated other comprehensive losses during the first quarter of 2022.

In January 2023, PMI sold the acquired stakes of its holdings in PMTM and PMPS to Pioneers Tütün Yatırım Anonim Şirketi ("Pioneers") for a consideration of approximately \$258 million, including transaction costs and dividend entitlements. The sale resulted in an increase to PMI's additional paid-in capital of \$36 million and a decrease to accumulated other comprehensive losses of \$179 million, following the reclassification of accumulated other comprehensive losses from PMI's accumulated other comprehensive losses to noncontrolling interests.

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Altria Group, Inc. Agreement

On October 20, 2022, PMI announced that it had reached an agreement with Altria Group, Inc. ("Altria") to end the companies' relationship regarding the *IQOS* commercialization rights in the U.S. as of April 30, 2024. As a result of PMI reacquiring these rights, effective May 1, 2024 ("acquisition date"), PMI holds the full rights to commercialize *IQOS* in the U.S. As part of the agreement, PMI agreed to pay a total cash consideration of approximately \$2.8 billion, including interest, of which \$1.0 billion was paid at the inception of the agreement and the remaining \$1.8 billion was paid on July 14, 2023. The cash consideration paid was accounted for within Other assets in PMI's condensed consolidated balance sheets as of December 31, 2023.

On the acquisition date and as of September 30, 2024, the reacquired rights were classified as Other intangible assets, net in PMI's condensed consolidated balance sheets, and will be amortized over their useful life of 5 years.

United Tobacco Company

In April 2023, PMI acquired 66.73% of Egyptian Investment Holding ("EIH"), a United Arab Emirates based company and as a result, acquired an approximate economic interest of 25% in United Tobacco Company ("UTC"), which was accounted for using the equity method of accounting. In May 2024, PMI increased its indirect economic interest and acquired a controlling interest of 54.25% in UTC. UTC is an entity incorporated in Egypt and manufactures products under license for Philip Morris Misr LLC ("PMM"), PMI's Egyptian subsidiary. The acquisition builds on PMI's existing investments in Egypt and increases the manufacturing synergies between PMM and UTC.

As a result of PMI obtaining control over UTC, PMI's previously held 25% economic interest in UTC was remeasured to its fair value by applying the guideline transaction method adjusted for a discount for lack of control. The difference between the book value of \$312 million, including related cumulative translation losses balance of \$112 million, which was reclassified from accumulated other comprehensive losses and the fair value of PMI's previously held interest in UTC was not material.

The total purchase price for the incremental equity interest of \$315 million included cash consideration of \$30 million, contingent consideration of \$22 million and \$263 million of assumed bank loan liabilities. During the third quarter of 2024, PMI paid the contingent consideration of \$22 million and \$240 million of assumed bank loans.

The following table summarizes the preliminary purchase price allocation for the fair value of assets acquired and liabilities assumed as of the date of the acquisition, which includes previously held interest:

(in millions)	
Cash and cash equivalent	\$ 74
Current assets, including receivables and inventories	11
Other intangible assets - Tobacco manufacturing license	211
Other non-current assets, including property, plant and equipment	16
Current liabilities	(8)
Identifiable net assets acquired	304
Noncontrolling interest	(159)
Goodwill	510
Acquisition fair value	\$ 655

Goodwill is primarily attributable to future growth opportunities, anticipated synergies in the manufacturing processes and intangible assets that did not qualify for separate recognition. The fair value of the noncontrolling interest was estimated based on the enterprise value of UTC, adjusted for a discount for lack of control. The manufacturing license, which relates to the manufacturing of both smoke-free and combustible tobacco products, was valued using the multi-period excess earnings method and has been determined to have an indefinite life.

The purchase price allocation is preliminary and continues to be subject to refinement. PMI is evaluating the deductibility of goodwill for income tax purposes. UTC's results of operations from May 16, 2024, through September 30, 2024, were included

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in PMI's consolidated statements of earnings and were not material. Pro forma results of operations for the business combination have not been presented as the aggregate impact is not material to PMI's consolidated statements of earnings.

Agreement to sell Vectura Group Ltd.

On September 17, 2024, PMI announced the execution of a definitive agreement pursuant to which PMI's direct, wholly-owned subsidiary, Vectura Fertin Pharma Inc., agreed to sell Vectura Group Ltd. to Molex Asia Holdings Ltd. Vectura's results are included in the Wellness and Healthcare segment. The transaction price is GBP 150 million (approximately \$201 million), with additional deferred payments of up to GBP 148 million (approximately \$198 million), contingent on achievement of certain milestones over periods up to and through 2039. The transaction is expected to close during the fourth quarter of 2024, subject to customary regulatory approvals and other closing conditions.

In connection with the expected transaction, Vectura's net assets including \$333 million of assets and \$191 million of liabilities have been classified as held-for-sale and included within other current assets and other accrued liabilities, respectively, in PMI's condensed consolidated balance sheet as of September 30, 2024. Carrying value of Vectura's net assets held for sale exceeded their fair value less costs to sell, resulting in an impairment charge of \$198 million, which has been recorded in marketing, administration and research costs in PMI's condensed consolidated statements of earnings during the nine months and the three months ended September 30, 2024. The estimated fair value of the disposal group less costs to sell was determined using a market approach, based upon the expected net sales proceeds of the disposal group.

Philip Morris International Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 19. New Accounting Standards:

Improvements to Reportable Segment Disclosures

On November 27, 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update ASU 2023-07, “Improvements to Reportable Segment Disclosures” (“ASU 2023-07”), which improves reportable segment disclosures, primarily through enhanced disclosures about significant segment expenses that impact segment profit and loss, regularly provided to the chief operating decision maker.

The amendments are effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024, on a retrospective basis, with early adoption permitted. PMI will adopt the additional disclosure requirements on the specified effective date within its annual reporting for the year ending December 31, 2024, and its interim reporting starting for the quarter ending March 31, 2025.

Improvements to Income Tax Disclosures

On December 14, 2023, the FASB issued Accounting Standards Update ASU 2023-09, “Improvements to Income Tax Disclosures” (“ASU 2023-09”). ASU 2023-09 enhances the transparency of income tax disclosures, primarily by requiring public business entities to disclose specific categories in the rate reconciliation tabular presentation, as well as by providing additional information for reconciling items that meet a quantitative threshold. The ASU also requires disaggregated disclosures of federal, state and foreign income taxes paid.

ASU 2023-09 is effective for annual periods beginning after December 15, 2024, and early adoption is permitted. The amendments are applicable on a prospective basis, although retrospective basis is also permitted. PMI is currently evaluating the impact of ASU 2023-09 on its disclosures.

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Description of Our Company

We are a leading international tobacco company, actively delivering a smoke-free future. We are evolving our portfolio for the long term to include products outside of the tobacco and nicotine sector. Our current product portfolio primarily consists of cigarettes and smoke-free products. Since 2008, we have invested over \$12.5 billion to develop, scientifically substantiate and commercialize innovative smoke-free products for adults who would otherwise continue to smoke, with the goal of completely ending the sale of cigarettes. This investment includes the building of world-class scientific assessment capabilities, notably in the areas of pre-clinical systems toxicology, clinical and behavioral research, as well as post-market studies. In November 2022, we acquired Swedish Match AB ("Swedish Match") – a leader in oral nicotine delivery – creating a global smoke-free combination led by the companies' *IQOS* and *ZYN* brands. The U.S. Food and Drug Administration (the "FDA") has authorized versions of our *IQOS* devices and consumables and Swedish Match's *General* snus as Modified Risk Tobacco Products ("MRTPs") and renewal applications for these products are presently pending before the FDA. We describe the MRTTP orders in more detail in the "Business Environment" section of this Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations* ("MD&A").

Following the combination and the progress in 2023 toward the integration of the Swedish Match business into PMI's existing regional structure, PMI updated in January 2024 its segment reporting by including the former Swedish Match segment results into the four existing geographical segments. Our four geographical segments are as follows:

- Europe Region;
- South and Southeast Asia, Commonwealth of Independent States, Middle East and Africa Region ("SSEA, CIS & MEA");
- East Asia, Australia, and PMI Duty Free Region ("EA, AU & PMI DF"); and
- Americas Region.

The Wellness and Healthcare segment ("W&H"), which includes the operating results of our Vectura Fertin Pharma business, remains unchanged.

Our cigarettes are sold in approximately 175 markets, and in many of these markets they hold the number one or number two market share position. We have a wide range of premium, mid-price and low-price brands. Our portfolio comprises both international and local brands.

Smoke-Free Business ("SFB") is the term PMI uses to refer to all of its smoke-free products. SFB also includes wellness and healthcare products, as well as consumer accessories, such as lighters and matches.

Smoke-free products (also referred to herein as "SFPs") is the term PMI uses to refer to all of its products that provide nicotine without combusting tobacco, such as heat-not-burn, e-vapor, and oral smokeless, and that therefore generate far lower levels of harmful chemicals. As such, these products have the potential to present less risk of harm versus continued smoking.

IQOS and *ZYN* are the leading brands in our SFPs portfolio. As of September 30, 2024, our smoke-free products were available for sale in 92 markets.

Our Wellness and Healthcare business strategy focuses on developing and commercializing oral and inhaled consumer health and wellness offerings and inhaled prescription products for therapy areas that include pain management and cardiovascular emergencies. This includes medical and pharmaceutical cannabinoids, and non-recreational cannabinoid products (including CBD), in line with applicable regulatory requirements, though any revenue related to cannabinoids is expected to be negligible in the near to medium term.

In 2022, we acquired Swedish Match AB, a market leader in oral nicotine delivery with a significant presence in the United States market. The Swedish Match acquisition is a key milestone in PMI's transformation to becoming a smoke-free company. Swedish Match has a leading nicotine pouch franchise in the U.S. under the *ZYN* brand name. The Swedish Match product portfolio is complementary to our existing portfolio, permitting us to bring together a leading oral nicotine product with the leading heat-not-burn product. By joining forces with Swedish Match, we expect to accelerate the achievement of our joint

smoke-free ambitions, switching more adults who would otherwise continue to smoke cigarettes to better alternatives faster than either company could achieve separately.

In 2022, we also completed an agreement with Altria Group, Inc. to end our commercial relationship in the U.S. covering *IQOS* as of April 30, 2024. PMI now holds the full rights to commercialize *IQOS* in the U.S. For further details, see Note 18. *Acquisitions and Divestitures*.

We use the term net revenues to refer to our operating revenues from the sale of our products, including shipping and handling charges billed to customers, net of sales and promotion incentives, and excise taxes. Our net revenues and operating income are affected by various factors, including the volume of products we sell, the price of our products, changes in currency exchange rates and the mix of products we sell. Mix is a term used to refer to the proportionate value of premium-price brands to mid-price or low-price brands in any given market (product mix). Mix can also refer to the proportion of shipment volume in more profitable markets versus shipment volume in less profitable markets (geographic mix).

Our cost of sales consists principally of: tobacco leaf, non-tobacco raw materials, labor and manufacturing costs; shipping and handling costs; and the cost of devices produced by third-party electronics manufacturing service providers. Estimated costs associated with device warranty programs are generally provided for in cost of sales in the period the related revenues are recognized.

Our marketing, administration and research costs include the costs of marketing and selling our products, other costs generally not related to the manufacture of our products (including general corporate expenses), and costs incurred to develop new products. The most significant components of our marketing, administration and research costs are marketing and sales expenses and general and administrative expenses.

Philip Morris International Inc. is a legal entity separate and distinct from its direct and indirect subsidiaries. Accordingly, our right, and thus the right of our creditors and stockholders, to participate in any distribution of the assets or earnings of any subsidiary is subject to the prior rights of creditors of such subsidiary, except to the extent that claims of our company itself as a creditor may be recognized. As a holding company, our principal sources of funds, including funds to make payment on our debt securities, are from the receipt of dividends and repayment of debt from our subsidiaries. Our principal wholly owned and majority-owned subsidiaries currently are not limited by long-term debt or other agreements in their ability to pay cash dividends or to make other distributions that are otherwise compliant with law.

Executive Summary

The following executive summary provides the business update and significant highlights from the "*Discussion and Analysis*" that follows.

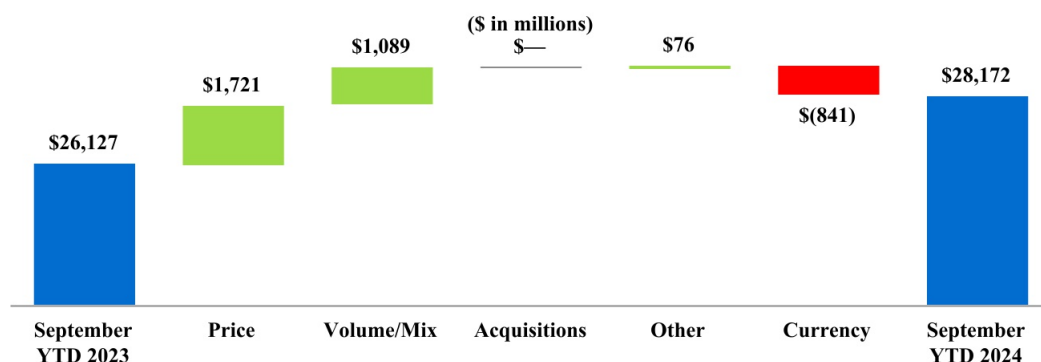
Sale of Vectura Group

In September 2024, PMI announced the sale of its subsidiary, Vectura Group Ltd. (formerly, Vectura Group plc, and hereinafter referred to as "Vectura" or "Vectura Group"), to Molex Asia Holdings Ltd., and the establishment of master service agreements to develop Vectura Fertin Pharma's inhaled therapeutics proprietary pipeline. The transaction is expected to close by the end of 2024, subject to regulatory approval, which may impact the timing, and other customary closing conditions. In the third quarter of 2024, PMI recorded an impairment charge of \$198 million related to Vectura's classification as held for sale. For further details, see Note 18. *Acquisitions and Divestitures*.

The remaining units of Vectura Fertin Pharma will continue to operate as a separate company under PMI's ownership and will be given a new corporate identity. This business will focus on developing and commercializing oral consumer health and wellness offerings and inhaled prescription products for therapy areas that include pain management and cardiovascular emergencies.

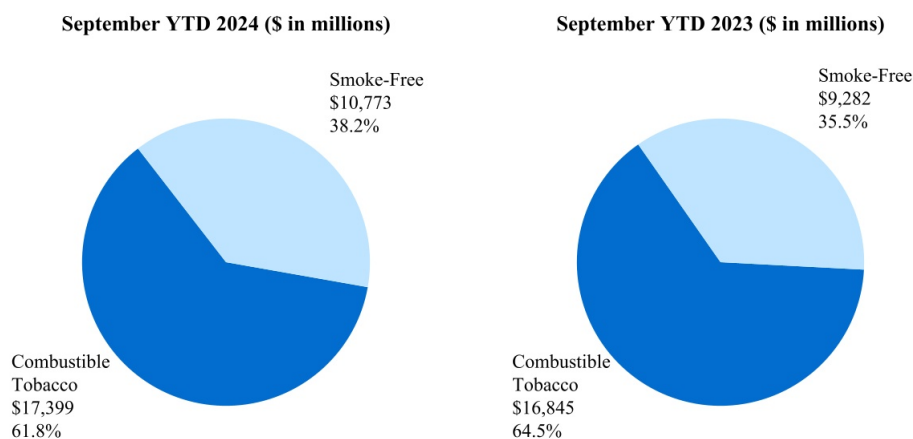
Consolidated Operating Results for the Nine Months Ended September 30, 2024

- **Net Revenues** - Net revenues of \$28.2 billion for the nine months ended September 30, 2024, increased by \$2.0 billion, or 7.8%, from the comparable 2023 amount. The change in our net revenues from the comparable 2023 amount was driven by the following (variances not to scale with year-to-date results):



For the nine months ended September 30, 2024, net revenues increased by 7.8%. Net revenues, excluding currency and acquisitions, increased by 11.0%, mainly reflecting: a favorable pricing variance, primarily driven by higher combustible tobacco pricing; and favorable volume/mix, driven by higher smoke-free products volume, partly offset by unfavorable cigarette mix, as well as a favorable comparison to 2023 reflecting a charge in the first quarter of 2023 of \$80 million following the termination of a distribution arrangement in the Middle East, shown in "Other." The termination of a distribution arrangement in the Middle East is further described in the following "Diluted Earnings Per Share" discussion.

Net revenues by product category for the nine months ended September 30, 2024 and 2023 are shown below:



- **Diluted Earnings Per Share** - The changes in our reported diluted earnings per share ("diluted EPS") for the nine months ended September 30, 2024, from the comparable 2023 amounts, were as follows:

	Diluted EPS	% Change
For the nine months ended September 30, 2023	\$ 3.61	
2023 Charges related to the war in Ukraine	0.01	
2023 Asset impairment and exit costs	0.06	
2023 South Korea indirect tax charge	0.11	
2023 Termination of agreement with Foundation for a Smoke-Free World	0.07	
2023 Fair value adjustment for equity security investments	(0.02)	
2023 Amortization of intangibles	0.18	
2023 Impairment of goodwill and other intangibles	0.44	
2023 Termination of distribution arrangement in the Middle East	0.04	
2023 Swedish Match AB acquisition accounting related items	0.01	
2023 Income tax impact associated with Swedish Match AB financing	0.03	
2023 Tax items	0.11	
Subtotal of 2023 items	1.04	
2024 Asset impairment and exit costs	(0.09)	
2024 Impairment of other intangibles	(0.01)	
2024 Amortization of intangibles	(0.29)	
2024 Fair value adjustment for equity security investments	0.39	
2024 Impairment related to Vectura Group's expected sale	(0.13)	
2024 Egypt sales tax charge	(0.03)	
2024 Income tax impact associated with Swedish Match AB financing	0.01	
2024 Tax items	0.03	
Subtotal of 2024 items	(0.12)	
Currency	(0.44)	
Interest	—	
Change in tax rate	(0.03)	
Operations	0.83	
For the nine months ended September 30, 2024	\$ 4.89	35.5 %

Charges related to the war in Ukraine – During the nine months ended September 30, 2023, we recorded a pre-tax charge of \$19 million (representing \$15 million net of income tax and a diluted EPS charge of \$0.01 per share), related to circumstances driven by the war, including the cost of PMI's humanitarian efforts.

Asset impairment and exit costs – During the nine months ended September 30, 2023, we recorded pre-tax asset impairment and exit costs of \$109 million, representing \$96 million net of income tax and a diluted EPS charge of \$0.06 per share, related to a project to fully outsource and restructure the manufacturing of e-vapor devices and consumables. During the nine months ended September 30, 2024, we recorded pre-tax asset impairment and exit costs of \$168 million, representing \$141 million net of income tax and a diluted EPS charge of \$0.09 per share, related to the restructuring of the sourcing of *IQOS* products to be commercialized in the U.S., and the cessation of our operations in Venezuela. For further details, see Note 15. *Asset Impairment and Exit Costs*.

South Korea indirect tax charge – On July 13, 2023, our South Korean subsidiary, PM Korea, received an adverse ruling from the Supreme Court of South Korea related to cases alleging underpayment of excise taxes in connection with a 2015 excise tax increase and subsequent audit by the South Korean Board of Audit and Inspection. The Supreme Court ruling reversed previous decisions that were in PM Korea's favor at the trial and appellate levels. As a result of the ruling, we concluded that an adverse outcome was probable. Consequently, we recorded a non-cash pre-tax charge of \$204 million (representing \$174 million net of

income tax or \$0.11 per share decrease in diluted EPS) in the second quarter results of 2023, reflecting the full amount previously paid by PM Korea.

Termination of agreement with Foundation for a Smoke-Free World – On September 29, 2023, PMI and the Foundation for a Smoke-Free World (the "Foundation") entered into the Final Grant Agreement and Termination of the Second Amended and Restated Pledge Agreement ("Agreement"). Under the terms of the Agreement, PMI paid \$140 million in the third quarter of 2023 in return for the termination of the pledge agreement between the parties. As a result, in the third quarter of 2023, PMI recorded a pre-tax charge of \$140 million (representing \$111 million net of income tax or \$0.07 per share decrease in diluted EPS) commensurate with the early termination of the pledge agreement. The pre-tax charge was recorded in marketing, administration and research costs in the condensed consolidated statements of earnings during the nine months ended September 30, 2023. For further details, see "Other Developments" within the Business Environment section of this MD&A.

Fair value adjustment for equity security investments – During the nine months ended September 30, 2023, we recorded a favorable fair value adjustment for our equity security investments in India and Sri Lanka of \$41 million after tax (or \$0.02 per share increase in diluted EPS). During the nine months ended September 30, 2024, we recorded a favorable fair value adjustment for our equity security investments in India and Sri Lanka of \$614 million after tax (or \$0.39 per share increase in diluted EPS). For further details, see Note 12. *Related Parties - Equity Investments and Other*.

Amortization of intangibles – During the nine months ended September 30, 2023 and 2024, we recorded amortization of intangible expense of \$368 million (representing \$285 million net of income tax or \$0.18 per share decrease in diluted EPS) and \$588 million (representing \$459 million net of income tax or \$0.29 per share decrease in diluted EPS), respectively. The higher 2024 amount includes the reacquired rights recorded as other intangible assets, net following the reacquisition of IQOS commercialization rights in the U.S. from Altria Group, Inc. For further details, see Note 4. *Goodwill and Other Intangible Assets, net*.

Impairment of goodwill and other intangibles – During the second quarter of 2023, as a result of the completion of our annual review of goodwill and non-amortizable intangible assets for potential impairment, it was determined that the estimated fair value of the Wellness and Healthcare reporting unit was lower than its carrying value. Consequently, we recorded a total non-cash impairment charge of \$680 million (representing a \$0.44 per share decrease in diluted EPS) consisting of a goodwill impairment charge of \$665 million and a non-amortizable intangible asset pre-tax impairment charge of \$15 million for an in-process research and development project related to one of our 2021 acquisitions. The impairment charge was recorded in impairment of goodwill (\$665 million) and marketing, administration and research costs (\$15 million) in the condensed consolidated statements of earnings during the nine months ended September 30, 2023 and was included in the Wellness and Healthcare segment results. During the first quarter of 2024, we recorded an impairment charge of \$27 million (representing \$20 million net of income tax or \$0.01 per share decrease in diluted EPS), primarily reflecting the impairment of non-amortizable intangible assets related to an in-process research and development project in the Wellness and Healthcare segment. The impairment charge of \$27 million was recorded in marketing, administration and research costs in the condensed consolidated statements of earnings during the nine months ended September 30, 2024. For further details, see Note 4. *Goodwill and Other Intangible Assets, net*.

Termination of distribution arrangement in the Middle East – Following the termination of a distribution arrangement in the Middle East, we recorded a pre-tax charge of \$80 million in the first quarter of 2023 (representing \$70 million net of income tax and a diluted EPS charge of \$0.04 per share). The pre-tax charge was recorded as a reduction of net revenues in the condensed consolidated statements of earnings and was included in the SSEA, CIS & MEA segment results.

Swedish Match AB acquisition accounting related items – During the first quarter of 2023, we recorded pre-tax purchase accounting adjustments of \$18 million related to the sale of acquired inventories stepped up to fair value (representing \$13 million net of income tax and a diluted EPS charge of \$0.01 per share). These pre-tax adjustments were recorded in cost of sales in the condensed consolidated statements of earnings for the nine months ended September 30, 2023.

Impairment related to Vectura Group's expected sale – In September 2024, we announced the execution of a definitive agreement to sell Vectura to Molex Asia Holdings Ltd. As a result, we recorded in the third quarter of 2024 an impairment charge of \$198 million (representing a diluted EPS charge of \$0.13 per share) related to Vectura's classification as held for sale. The impairment charge was recorded in marketing, administration and research costs in PMI's condensed consolidated statements of earnings for the nine months ended September 30, 2024, and was included in the Wellness and Healthcare segment results. For further details, see Note 18. *Acquisitions and Divestitures*.

Egypt sales tax charge – In the third quarter of 2024, following a ruling issued by the Higher Administrative Court in Egypt and subsequent evaluation of available remedies, we concluded that an adverse outcome was probable and recorded a pre-tax charge of \$45 million (representing \$39 million net of income tax and a diluted EPS charge of \$0.03 per share) in relation to tax assessments for general sales tax deducted on imported cutfiller for the years 2014 to 2016. This pre-tax charge was recorded in marketing, administration and research costs in the condensed consolidated statement of earnings for the nine months ended September 30, 2024, and was included in the SSEA, CIS & MEA segment results.

Income taxes – The Income tax impact associated with Swedish Match financing that decreased our 2023 diluted EPS by \$0.03 per share and increased our 2024 diluted EPS by \$0.01 per share in the table above was due to a deferred tax impact for unrealized foreign currency gains and losses on intercompany loans related to the Swedish Match acquisition financing reflected in the condensed consolidated statements of earnings, while the underlying pre-tax foreign currency movements fully offset in the condensed consolidated statements of earnings and were reflected as currency translation adjustments in the condensed consolidated statements of stockholders' (deficit) equity.

The 2023 tax items that decreased our 2023 diluted EPS by \$0.11 per share in the table above were due to an increase in deferred tax liabilities related to the unremitted earnings of PMI's Russian subsidiaries due to the unilateral suspension of certain Russian double tax treaties by the Russian authorities on August 8, 2023, with respect to certain payments including dividends. The 2024 tax items that increased our 2024 diluted EPS by \$0.03 per share in the table above were due to a U.S. tax benefit for a worthless stock deduction under section 165(g) of the Internal Revenue Code related to PMI's investment in C.A. Tabacalera Nacional, a wholly owned foreign corporation incorporated in Venezuela.

The change in the tax rate that decreased our diluted EPS by \$0.03 per share in the table above was primarily due to increases in U.S. state tax expense, repatriation cost differences, and changes in earnings mix by taxing jurisdiction.

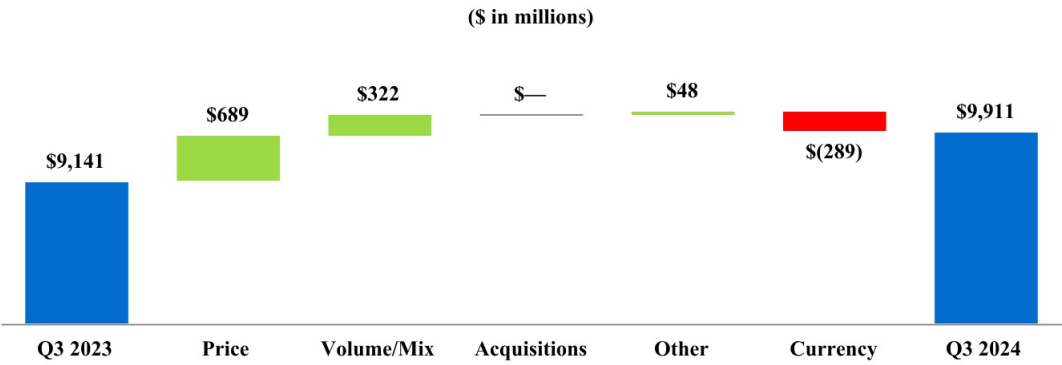
Currency – The unfavorable impact of \$0.44 per share during the reporting period primarily results from the fluctuations of the U.S. dollar, especially against the Egyptian pound, Japanese yen and Russian ruble. This unfavorable currency movement has impacted our profitability across our primary revenue markets and local currency cost bases.

Operations – The increase in diluted EPS of \$0.83 from our operations in the table above was due primarily to the following segments:

- SSEA, CIS & MEA: Favorable pricing and favorable volume/mix, partly offset by higher manufacturing costs;
- Europe: Favorable pricing and favorable volume/mix, partly offset by higher marketing, administration and research costs and manufacturing costs;
- EA, AU & PMI DF: Favorable pricing and favorable volume/mix; and
- Americas: Favorable volume/mix and favorable pricing, partly offset by higher marketing, administration and research costs.

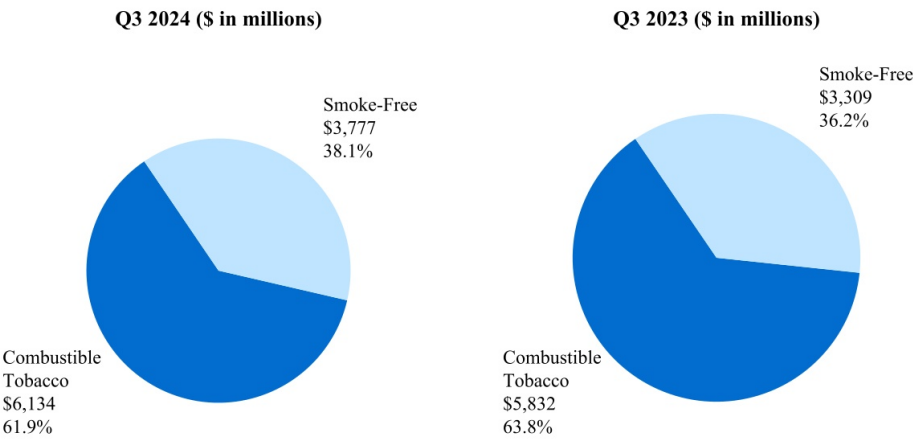
Consolidated Operating Results for the Three Months Ended September 30, 2024

- **Net Revenues** - Net revenues of \$9.9 billion for the three months ended September 30, 2024, increased by \$0.8 billion, or 8.4%, from the comparable 2023 amount. The change in our net revenues from the comparable 2023 amount was driven by the following (variances not to scale with quarterly results):



During the quarter, net revenues increased by 8.4%. Net revenues, excluding currency and acquisitions, increased by 11.6%, mainly reflecting: a favorable pricing variance, primarily due to higher combustible tobacco pricing; and favorable volume/mix, mainly driven by higher smoke-free products volume.

Net revenues by product category for the three months ended September 30, 2024 and 2023, are shown below:



- **Diluted Earnings Per Share** - The changes in our reported diluted EPS for the three months ended September 30, 2024, from the comparable 2023 amounts, were as follows:

	Diluted EPS	% Change
For the three months ended September 30, 2023	\$ 1.32	
2023 Charges related to the war in Ukraine	0.01	
2023 Fair value adjustment for equity security investments	(0.03)	
2023 Amortization of intangibles	0.10	
2023 Termination of agreement with Foundation for a Smoke-Free World	0.07	
2023 Income tax impact associated with Swedish Match AB financing	0.09	
2023 Tax items	0.11	
Subtotal of 2023 items	0.35	
2024 Amortization of intangibles	(0.12)	
2024 Fair value adjustment for equity security investments	0.24	
2024 Impairment related to Vectura Group's expected sale	(0.13)	
2024 Egypt sales tax charge	(0.03)	
2024 Income tax impact associated with Swedish Match AB financing	0.10	
2024 Tax items	—	
Subtotal of 2024 items	0.06	
Currency	(0.06)	
Interest	0.04	
Change in tax rate	0.04	
Operations	0.22	
For the three months ended September 30, 2024	\$ 1.97	49.2 %

Charges related to the war in Ukraine – During the third quarter of 2023, we recorded a pre-tax charge of \$19 million (representing \$15 million net of income tax and a diluted EPS charge of \$0.01 per share), related to circumstances driven by the war, including the cost of PMI's humanitarian efforts.

Fair value adjustment for equity security investments – During the third quarter of 2023, we recorded a favorable fair value adjustment for our equity security investments in India and Sri Lanka of \$51 million after tax (or \$0.03 per share increase in diluted EPS). During the third quarter of 2024, we recorded a favorable fair value adjustment for our equity security investments in India and Sri Lanka of \$372 million after tax (or \$0.24 per share increase in diluted EPS). For further details, see Note 12. *Related Parties - Equity Investments and Other*.

Amortization of intangibles – During the third quarter of 2023 and 2024, we recorded amortization of intangible expense of \$205 million (representing \$157 million net of income tax or \$0.10 per share decrease in diluted EPS) and \$256 million (representing \$199 million net of income tax or \$0.12 per share decrease in diluted EPS), respectively. The higher 2024 amount includes the reacquired rights recorded as other intangible assets, net following the reacquisition of IQOS commercialization rights in the U.S. from Altria Group, Inc. For further details, see Note 4. *Goodwill and Other Intangible Assets, net*.

Termination of agreement with Foundation for a Smoke-Free World – On September 29, 2023, PMI and the Foundation for a Smoke-Free World (the "Foundation") entered into the Final Grant Agreement and Termination of the Second Amended and Restated Pledge Agreement ("Agreement"). Under the terms of the Agreement, PMI paid \$140 million in the third quarter of 2023 in return for the termination of the pledge agreement between the parties. As a result, in the third quarter of 2023, PMI recorded a pre-tax charge of \$140 million (representing \$111 million net of income tax or \$0.07 per share decrease in diluted EPS) commensurate with the early termination of the pledge agreement. The pre-tax charge was recorded in marketing, administration and research costs in the condensed consolidated statements of earnings during the three months ended September 30, 2023. For further details, see "Other Developments" within the Business Environment section of this MD&A.

Impairment related to Vectura Group's expected sale – In September 2024, we announced the execution of a definitive agreement to sell Vectura to Molex Asia Holdings Ltd. As a result, we recorded in the third quarter of 2024 an impairment charge of \$198 million (representing a diluted EPS charge of \$0.13 per share) related to Vectura's classification as held for sale. The impairment charge was recorded in marketing, administration and research costs in PMI's condensed consolidated statements of earnings for the three months ended September 30, 2024, and was included in the Wellness and Healthcare segment results. For further details, see Note 18. *Acquisitions and Divestitures*.

Egypt sales tax charge – In the third quarter of 2024, following a ruling issued by the Higher Administrative Court in Egypt and subsequent evaluation of available remedies, we concluded that an adverse outcome was probable and recorded a pre-tax charge of \$45 million (representing \$39 million net of income tax and a diluted EPS charge of \$0.03 per share) in relation to tax assessments for general sales tax deducted on imported cutfiller for the years 2014 to 2016. This pre-tax charge was recorded in marketing, administration and research costs in the condensed consolidated statement of earnings for the three months ended September 30, 2024, and was included in the SSEA, CIS & MEA segment results.

Income taxes – The Income tax impact associated with Swedish Match financing that decreased our 2023 diluted EPS by \$0.09 per share and increased our 2024 diluted EPS by \$0.10 per share in the table above was due to a deferred tax impact for unrealized foreign currency gains and losses on intercompany loans related to the Swedish Match acquisition financing reflected in the condensed consolidated statements of earnings, while the underlying pre-tax foreign currency movements fully offset in the condensed consolidated statements of earnings and were reflected as currency translation adjustments in the condensed consolidated statements of stockholders' (deficit) equity.

The 2023 tax items that decreased our 2023 diluted EPS by \$0.11 per share in the table above were due to an increase in deferred tax liabilities related to the unremitted earnings of PMI's Russian subsidiaries due to the unilateral suspension of certain Russian double tax treaties by the Russian authorities on August 8, 2023, with respect to certain payments including dividends.

The change in the tax rate that increased our diluted EPS by \$0.04 per share in the table above was primarily due to changes in earnings mix by taxing jurisdiction.

Currency – The unfavorable impact of \$0.06 per share during the reporting period primarily results from the fluctuations of the U.S. dollar, especially against the Egyptian pound. This unfavorable currency movement has impacted our profitability across our primary revenue markets and local currency cost bases.

Interest – The favorable impact of \$0.04 per share from interest in the table above was primarily due to a favorable mark-to-market adjustment related to derivative financial instruments.

Operations – The increase in diluted EPS of \$0.22 from our operations in the table above was due primarily to the following segments:

- SSEA, CIS & MEA: Favorable pricing and favorable volume/mix, partly offset by higher manufacturing costs;
- Europe: Favorable pricing and favorable volume/mix, partly offset by higher marketing, administration and research costs;
- Americas: Favorable volume/mix and favorable pricing, partly offset by higher marketing, administration and research costs; and
- EA, AU & PMI DF: Favorable pricing, partly offset by unfavorable volume/mix and higher marketing, administration and research costs.

For further details, see the “Consolidated Operating Results” and “Operating Results by Business Segment” sections of the following “Discussion and Analysis.”

Discussion and Analysis

Critical Accounting Estimates

For information on our critical accounting estimates, see "Critical Accounting Estimates" in the MD&A included in Item 7 of the Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Consolidated Operating Results

See pages 103 - 116 for a discussion of our "Cautionary Factors That May Affect Future Results." Our net revenues and operating income by segment are shown in the table below:

(in millions)	For the Nine Months Ended September 30,		For the Three Months Ended September 30,	
	2024	2023	2024	2023
Net revenues:				
Europe	\$ 11,301	\$ 10,465	\$ 4,121	\$ 3,823
SSEA, CIS & MEA	8,393	7,922	2,964	2,777
EA, AU & PMI DF	4,959	4,771	1,602	1,571
Americas	3,273	2,732	1,148	895
Wellness and Healthcare	246	237	76	75
Net revenues	\$ 28,172	\$ 26,127	\$ 9,911	\$ 9,141
Operating income (loss):				
Europe	\$ 5,136	\$ 4,551	\$ 2,020	\$ 1,717
SSEA, CIS & MEA	2,623	2,437	960	823
EA, AU & PMI DF	2,304	1,963	788	769
Americas	419	524	137	98
Wellness and Healthcare	(339)	(808)	(251)	(37)
Operating income	\$ 10,143	\$ 8,667	\$ 3,654	\$ 3,370

Our net revenues by product category are shown in the table below:

PMI Net Revenues by Product Category						
(in millions)	For the Nine Months Ended September 30,			For the Three Months Ended September 30,		
	2024	2023	Change	2024	2023	Change
Combustible tobacco:						
Europe	\$ 6,467	\$ 6,084	6.3 %	\$ 2,322	\$ 2,160	7.5 %
SSEA, CIS & MEA	7,390	6,988	5.7 %	2,612	2,485	5.1 %
EA, AU & PMI DF	1,889	2,091	(9.6) %	673	678	(0.8) %
Americas	1,653	1,682	(1.7) %	527	509	3.4 %
Total combustible tobacco	17,399	16,845	3.3 %	6,134	5,832	5.2 %
Smoke-free:						
Smoke-free excluding Wellness and Healthcare:						
Europe	4,834	4,381	10.4 %	1,799	1,663	8.2 %
SSEA, CIS & MEA	1,003	934	7.4 %	352	292	20.3 %
EA, AU & PMI DF	3,070	2,680	14.5 %	929	893	4.1 %
Americas	1,620	1,050	54.3 %	621	386	61.1 %
Total Smoke-free excluding Wellness and Healthcare	10,527	9,045	16.4 %	3,701	3,234	14.5 %
Wellness and Healthcare	246	237	3.8 %	76	75	1.3 %
Total Smoke-free	10,773	9,282	16.1 %	3,777	3,309	14.2 %
Total PMI net revenues	\$ 28,172	\$ 26,127	7.8 %	\$ 9,911	\$ 9,141	8.4 %

Note: Sum of product categories or Regions might not foot to total PMI due to rounding

Items affecting the comparability of results from operations were as follows:

- **Egypt sales tax charge** – In the third quarter of 2024, following a ruling issued by the Higher Administrative Court in Egypt and subsequent evaluation of available remedies, PMI concluded that an adverse outcome was probable and recorded a pre-tax charge of \$45 million in relation to tax assessments for general sales tax deducted on imported cutfiller for the years 2014 to 2016. This pre-tax charge was recorded in marketing, administration and research costs in the condensed consolidated statement of earnings for the nine months and three months ended September 30, 2024, and was included in the SSEA, CIS & MEA segment results.
- **Impairment related to Vectura Group's expected sale** – In September 2024, PMI announced the execution of a definitive agreement to sell Vectura to MolexAsia Holdings Ltd. As a result, PMI recorded in the third quarter of 2024 an impairment charge of \$198 million related to Vectura's classification as held for sale. This pre-tax charge was recorded in marketing, administration and research costs in the condensed consolidated statement of earnings for the nine months and three months ended September 30, 2024, and was included in the Wellness and Healthcare segment results. For further details, see Note 18. *Acquisitions and Divestitures*.
- **Asset impairment and exit costs** – See Note 15. *Asset Impairment and Exit Costs* for a breakdown of these costs by segment for the nine months ended September 30, 2024 and 2023.
- **Termination of distribution arrangement in the Middle East** – In the first quarter of 2023, PMI recorded a pre-tax charge of \$80 million following the termination of a distribution arrangement in the Middle East. This pre-tax charge was recorded as a reduction of net revenues in the condensed consolidated statements of earnings, and was included in the SSEA, CIS & MEA segment results for the nine months ended September 30, 2023.

- **Impairment of goodwill and other intangibles** – For the nine months ended September 30, 2023, PMI recorded \$680 million of goodwill and non-amortizable intangible assets impairment charges that was included in the Wellness and Healthcare segment. For further details, see Note 4. *Goodwill and Other Intangible Assets, net*.
- **South Korea indirect tax charge** – On July 13, 2023, PMI's South Korean subsidiary, PM Korea, received an adverse ruling from the Supreme Court of South Korea related to cases alleging underpayment of excise taxes in connection with a 2015 excise tax increase and subsequent audit by the South Korean Board of Audit and Inspection. The Supreme Court ruling reversed previous decisions that were in PM Korea's favor at the trial and appellate levels. As a result of the ruling, we concluded that an adverse outcome was probable. Consequently, we recorded a non-cash pre-tax charge of \$204 million in marketing, administration and research costs in the condensed consolidated statements of earnings, reflecting the full amount previously paid by PM Korea, which was included in the EA, AU & PMI DF segment for the nine months ended September 30, 2023.
- **Termination of agreement with Foundation for a Smoke-Free World** – On September 29, 2023, PMI and the Foundation for a Smoke-Free World (the "Foundation") entered into the Final Grant Agreement and Termination of the Second Amended and Restated Pledge Agreement ("Agreement"). Under the terms of the agreement, PMI paid \$140 million in the third quarter of 2023 in return for the termination of the pledge agreement between the parties. As a result, in the third quarter of 2023, PMI recorded a pre-tax charge of \$140 million commensurate with the early termination of the pledge agreement. The pre-tax charge was recorded in marketing, administration and research costs in the consolidated statements of earnings for the nine months and three months ended September 30, 2023 and was included in the operating results of the following segments: Europe (\$60 million); SSEA, CIS & MEA (\$41 million); EA, AU & PMI DF (\$24 million); and Americas (\$15 million).

Net revenues related to combustible tobacco refer to the operating revenues generated from the sale of these products, including shipping and handling charges billed to customers, net of sales and promotion incentives, and excise taxes. These net revenue amounts consist of the sale of our cigarettes and other tobacco products that are combusted. Other tobacco products primarily include roll-your-own and make-your-own cigarettes, pipe tobacco, cigars and cigarillos and do not include smoke-free products.

Net revenues related to smoke-free, excluding wellness and healthcare, refer to the operating revenues generated from the sale of these products, including shipping and handling charges billed to customers, net of sales and promotion incentives, and excise taxes, if applicable. These net revenue amounts consist of the sale of our products that are not combustible tobacco products, such as heat-not-burn, e-vapor, and oral products, as well as consumer accessories.

Net revenues related to wellness and healthcare consist of operating revenues generated from the sale of products primarily associated with inhaled therapeutics, and oral and intra-oral delivery systems that are included in the operating results of our Wellness and Healthcare business, Vectura Fertin Pharma.

PMI's heat-not-burn products include licensed KT&G heat-not-burn products.

References to "Cost/Other" in the Consolidated Financial Summary table of total PMI and the five segments throughout this *"Discussion and Analysis"* reflects the currency and acquisition-neutral variances of: cost of sales (excluding the volume/mix cost component); marketing, administration and research costs (including asset impairment and exit costs); and amortization and impairment of intangibles. "Cost/Other" also includes the currency and acquisition-neutral net revenue variance, unrelated to volume/mix and price components, attributable to: fees for certain distribution rights billed to customers in certain markets in the SSEA, CIS & MEA Region and the revenue adjustment for the termination of a distribution arrangement in the Middle East.

Our consolidated shipment volume is shown in the table below:

Consolidated Shipment Volume

Cigarettes and Heated Tobacco Units (million units)	For the Nine Months Ended September 30,			For the Three Months Ended September 30,		
	2024	2023	Change	2024	2023	Change
Cigarettes	464,047	461,855	0.5 %	163,238	161,137	1.3 %
Heated Tobacco Units	104,025	91,291	13.9 %	35,347	32,471	8.9 %
Total Cigarettes and Heated Tobacco Units	568,072	553,146	2.7 %	198,585	193,608	2.6 %

Oral SFP Volume (million cans) ⁽¹⁾

Nicotine Pouches	460.2	295.4	55.8 %	164.6	114.6	43.6 %
Snus	181.5	178.5	1.7 %	61.3	60.3	1.6 %
Moist Snuff	102.6	102.5	0.1 %	34.1	33.2	2.6 %
Other Oral SFP ⁽²⁾	2.7	3.3	(17.9)%	0.7	0.9	(20.9)%
Total Oral Products	747.0	579.8	28.9 %	260.7	209.0	24.7 %

⁽¹⁾ Excluding snuff, snuff leaf and U.S. chew

⁽²⁾ Includes chew bags and tobacco bits

Note: Sum may not foot due to rounding

Following the deconsolidation of our Canadian subsidiary, we continue to report the volume and corresponding royalty revenues of brands sold by RBH for which other PMI subsidiaries are the trademark owners. These include *HEETS*, *Next*, *Philip Morris* and *Rooflop*. The volume and corresponding royalty revenues of these brands sold by RBH were not material to PMI for all periods presented.

Heated tobacco units ("HTUs") is the term we use to refer to heated tobacco consumables, which include our *BLENDS*, *DELLA*, *HEETS*, *HEETS Creations*, *HEETS Dimensions* (defined collectively as *HEETS*), *SENTIA*, *TEREA*, *TEREA CRAFTED* and *TEREA Dimensions*, as well as the KT&G-licensed brands, *Fiit* and *Miix* (outside of South Korea). HTUs also include zero tobacco heat-not-burn consumables (*LEVIA*).

Oral smoke-free product volume excludes snuff, snuff leaf and U.S. chew and is measured in cans or, for the purposes of total shipment volumes, in pouches or pouch equivalents.

Oral smoke-free products conversion: (i) nicotine pouches: 15 pouches per can in the U.S. and weighted average 21 pouches per can outside the U.S.; (ii) snus products: weighted average 21 pouches equivalent per can; (iii) moist snuff products: weighted average 17 pouches equivalent per can; (iv) tobacco bits products: weighted average 30 pouches equivalent per can; (v) chew bags products: weighted average 20 pouches per can.

Unless otherwise stated, market share for HTUs is defined as the in-market sales volume for HTUs as a percentage of the total estimated industry sales volume for cigarettes and HTUs.

References to total industry (or total market), our shipment volume and our market share performance reflect cigarettes and heated tobacco units, unless otherwise stated.

Total industry volume, PMI in-market sales volume and PMI market share for the following geographies include the cigarillo category in Japan: the total international market, EA, AU & PMI DF Region, and Japanese domestic market.

In-market sales ("IMS") is defined as sales to the retail channel, depending on the market and distribution model.

Adjusted market share for HTUs is defined as the total in-market sales volume for PMI HTUs as a percentage of the total estimated sales volume for cigarettes and HTUs, excluding the impact of estimated distributor and wholesaler inventory movements.

References to total international market, defined as worldwide cigarette and heated tobacco unit volume excluding the United States, total industry (or total market) and market shares throughout this "Discussion and Analysis" are our estimates for tax-paid products based on the latest available data from a number of internal and external sources and may, in defined instances, exclude China and/or our duty free business.

From time to time, PMI's shipment volumes are subject to the impact of distributor inventory movements (or wholesaler inventory movements in certain markets where PMI does not sell to distributors), and estimated total industry/market volumes are subject to the impact of inventory movements in various trade channels that include estimated trade inventory movements of PMI's competitors arising from market-specific factors that significantly distort reported volume disclosures. Such factors may include changes to the manufacturing supply chain, shipment methods, consumer demand, timing of excise tax increases or other influences that may affect the timing of sales to customers. In such instances, in addition to reviewing PMI shipment volumes and certain estimated total industry/market volumes on a reported basis, management reviews these measures on an adjusted basis that excludes the impact of distributor and/or estimated trade inventory movements. Management also believes that disclosing PMI shipment volumes and estimated total industry/market volumes in such circumstances on a basis that excludes the impact of distributor and/or estimated trade inventory movements improves the comparability of performance and trends for these measures over different reporting periods.

Key market data regarding total market size, our shipments and market share of cigarettes and heated tobacco units are shown in the tables below:

Market	For the Nine Months Ended September 30,											
	Total Market (billion units)		PMI Shipments (billion units)						PMI Market Share ⁽²⁾ , (%)			
			Total		Cigarette		Heated Tobacco Unit		Total		Heated Tobacco Unit	
			2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Total ⁽¹⁾⁽²⁾	1,952.0	1,929.4	568.1	553.1	464.0	461.9	104.0	91.3	28.7	28.3	5.2	4.6
Europe												
France	19.8	22.7	8.3	10.2	8.2	10.0	0.1	0.2	40.9	42.3	0.6	0.7
Germany ⁽³⁾	53.0	53.0	20.1	19.8	17.0	17.7	3.1	2.2	38.8	39.0	6.1	5.2
Italy ⁽³⁾	55.7	55.1	29.0	29.1	20.9	20.8	8.1	8.4	53.7	53.6	17.0	16.6
Poland ⁽³⁾	44.5	43.7	19.4	18.1	15.4	14.3	4.0	3.8	43.5	41.3	8.9	8.8
Spain	33.3	33.0	9.9	9.9	9.0	9.2	0.9	0.8	29.2	29.4	2.7	2.2
SSEA, CIS & MEA												
Egypt	59.9	54.8	18.5	18.1	17.4	17.4	1.1	0.7	30.6	33.3	1.9	1.6
Indonesia	221.4	219.5	60.5	63.5	59.7	63.1	0.8	0.4	27.3	28.9	0.4	0.2
Philippines	30.4	32.2	15.8	18.0	15.6	17.8	0.2	0.2	52.0	56.0	0.7	0.5
Russia	160.7	151.0	51.9	48.3	38.9	36.5	13.0	11.8	32.3	31.9	8.5	7.9
Turkey	111.7	101.2	57.8	50.3	57.8	50.3	—	—	51.7	49.7	—	—
EA, AU & PMI DF												
Australia	4.0	5.6	1.4	2.0	1.4	2.0	—	—	35.8	35.4	—	—
Japan ⁽²⁾	112.2	111.1	51.1	47.0	12.6	13.9	38.5	33.0	41.1	39.5	29.6	26.4
South Korea	52.9	54.3	10.6	10.6	6.3	6.8	4.3	3.8	20.0	19.5	8.0	7.0
Americas												
Argentina	19.1	21.6	11.8	13.4	11.8	13.4	—	—	61.9	62.0	—	—
Mexico	21.0	21.3	12.9	13.2	12.8	13.1	0.2	0.1	61.6	62.1	0.8	0.5

(1) Market share estimates are calculated using IMS data, unless otherwise stated

(2) Total market and market share estimates include cigarillos in Japan

(3) PMI market share reflects estimated adjusted IMS volume share; Total Market is based on reported IMS

Market	For the Three Months Ended September 30,											
	Total Market (billion units)		PMI Shipments (billion units)						PMI Market Share ⁽²⁾ , (%)			
			Total		Cigarette		Heated Tobacco Unit		Total		Heated Tobacco Unit	
			2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Total ^{(1) (2)}	676.7	667.8	198.6	193.6	163.2	161.1	35.3	32.5	29.5	28.9	5.3	4.6
Europe												
France	6.8	7.6	2.4	2.7	2.4	2.6	—	—	41.0	42.2	0.6	0.7
Germany ⁽³⁾	19.7	19.3	7.0	6.9	5.9	6.0	1.1	0.9	37.9	38.4	5.9	4.9
Italy ⁽³⁾	20.1	19.4	10.5	10.4	7.2	6.8	3.3	3.6	54.9	53.5	16.6	16.0
Poland ⁽³⁾	15.4	15.2	6.9	6.5	5.5	5.2	1.3	1.3	44.0	42.0	8.6	8.4
Spain	12.3	11.9	3.6	3.5	3.2	3.1	0.4	0.3	29.6	29.9	2.7	2.3
SSEA, CIS & MEA												
Egypt	21.5	16.2	6.5	6.4	6.0	6.1	0.5	0.2	30.4	40.2	1.9	2.0
Indonesia	75.5	78.1	20.7	22.7	20.3	22.5	0.3	0.2	27.4	29.0	0.4	0.2
Philippines	10.4	10.5	5.3	5.7	5.2	5.6	0.1	0.1	50.7	54.5	0.7	0.5
Russia	58.8	54.3	19.0	17.1	14.5	12.9	4.6	4.2	32.9	31.8	8.1	7.7
Turkey	41.2	37.7	21.4	18.9	21.4	18.9	—	—	52.0	50.3	—	—
EA, AU & PMIDF												
Australia	1.3	1.8	0.5	0.7	0.5	0.7	—	—	37.2	38.1	—	—
Japan ⁽²⁾	38.6	38.2	15.7	15.5	4.2	4.3	11.5	11.2	41.4	39.5	30.0	26.5
South Korea	18.2	18.8	3.7	3.7	2.2	2.4	1.5	1.3	19.9	19.6	8.2	7.1
Americas												
Argentina	6.1	6.6	3.9	4.0	3.9	4.0	—	—	62.7	61.4	—	—
Mexico	7.3	7.7	4.6	4.9	4.5	4.8	0.1	—	62.7	62.7	0.7	0.5

(1) Market share estimates are calculated using IMS data, unless otherwise stated

(2) Total market and market share estimates include cigarillos in Japan

(3) PMI market share reflects estimated adjusted IMS volume share; Total Market is based on reported IMS

Consolidated Operating Results for the Nine Months Ended September 30, 2024

The following discussion compares our consolidated operating results for the nine months ended September 30, 2024, with the nine months ended September 30, 2023.

Total Market

Estimated international industry volume (excluding China and the U.S.) for cigarettes and HTUs increased by 1.2%, reflecting an increase in the SSEA, CIS & MEA Region, partly offset by a decrease in the Americas Region, and broad stability in the EA, AU & PMIDF and Europe Regions, as described in the Regional sections of this MD&A.

For the full year 2024, we currently expect an estimated total international industry volume growth of up to 1% for cigarettes and HTUs, excluding China and the U.S.

Shipment Volume

Our total cigarette and HTU shipment volume increased by 2.7% (HTU shipments increased by 13.9%, while cigarette shipments were broadly stable).

Our total oral product shipment volume in cans increased by 28.9%, primarily reflecting growth in nicotine pouches.

For the full year 2024, we currently expect the total cigarette, HTU and oral smoke-free product shipment volume growth for PMI of 2% to 3% driven by smoke-free products.

For the full year 2024, we also expect nicotine pouch shipment volume in the U.S. of 570 to 580 million cans.

Adjusted in-market sales for HTUs increased by 12.6%, including growth in Japan of 13.4% and Europe of 9.2%.

International Share of Market - Cigarette and HTUs (Excluding China and the United States)

	Nine Months Year-to-Date		
	2024	2023	Change (pp)
Total International Market Share ⁽¹⁾	28.7 %	28.3 %	0.4
Cigarettes	23.6 %	23.7 %	(0.1)
HTU	5.2 %	4.6 %	0.6
Cigarette over Cigarette Market Share ⁽²⁾	25.3 %	25.2 %	0.1

(1) Defined as PMI's cigarette and heated tobacco unit in-market sales volume as a percentage of total industry cigarette and heated tobacco unit sales volume, excluding China and the U.S., including cigarillos in Japan

(2) Defined as PMI's cigarette in-market sales volume as a percentage of total industry cigarette sales volume, excluding China and the U.S., including cigarillos in Japan

Note: Sum of share of market by product categories might not foot to total due to rounding

Financial Summary										
Nine Months Ended September 30, (in millions)	2024	2023	Change Fav./Unfav.)		Variance Fav./Unfav.)					
			Total	Excl. Curr. & Acquis.	Total	Currency	Acquisitions	Price	Vol/ Mix	Cost/ Other
Net Revenues ⁽¹⁾	\$ 28,172	\$ 26,127	7.8 %	11.0 %	\$ 2,045	\$ (841)	\$ —	\$ 1,721	\$ 1,089	\$ 76
Cost of Sales	(9,906)	(9,431)	(5.0)%	(6.8) %	(475)	134	33	—	(473)	(169)
Marketing, Administration and Research Costs ⁽²⁾	(8,123)	(7,364)	(10.3)%	(9.4) %	(759)	(70)	—	—	—	(689)
Impairment of Goodwill ⁽³⁾	—	(665)	+100%	+100%	665	—	—	—	—	665
Operating Income	\$ 10,143	\$ 8,667	17.0 %	25.6 %	\$ 1,476	\$ (777)	\$ 33	\$ 1,721	\$ 616	\$ (117)

⁽¹⁾ Cost/Other variance includes charges in 2023 of \$80 million following the termination of a distribution arrangement in the Middle East.

⁽²⁾ Cost/Other variance includes charges in 2024 of \$168 million related to asset impairment and exit costs, \$27 million related to impairment of other intangibles, \$542 million related to amortization of intangibles, \$198 million related to impairment of Vectura Group's expect sale and \$45 million related to the Egypt sales tax charge, partly offset by charges in 2023 of \$109 million related to asset impairment and exit costs, \$204 million related to the South Korea indirect tax charge, \$140 million related to the termination of a pledge agreement with the Foundation for a Smoke-Free World, \$325 million related to amortization of intangibles and \$15 million related to the impairment of other intangibles. For more details, see Note 4. *Goodwill and Other Intangible Assets, net*, Note 7. *Segment Reporting*, Note 15. *Asset Impairment and Exit Costs* and Note 18. *Acquisitions and Divestitures*.

⁽³⁾ For details on the impairment of goodwill recorded in the second quarter of 2023, see Note 4. *Goodwill and Other Intangible Assets, net*.

For the nine months ended September 30, 2024, net revenues increased by 7.8%. Net revenues, excluding currency and acquisitions, increased by 11.0%, mainly reflecting: a favorable pricing variance, primarily driven by higher combustible tobacco pricing; and favorable volume/mix, driven by higher smoke-free products volume, partly offset by unfavorable cigarette mix; as well as a favorable comparison to 2023 reflecting a charge in the first quarter of 2023 of \$80 million (recognized as a reduction of net revenues in 2023) following the termination of a distribution arrangement in the Middle East,

shown in "Other."

The unfavorable currency impact in net revenues was due primarily to the Egyptian pound, Indonesian rupiah, Japanese yen and Russian ruble.

Net revenues include \$10.8 billion in 2024 and \$9.3 billion in 2023 related to smoke-free.

Operating income increased by 17.0%. Operating income, excluding currency and acquisitions, increased by 25.6%, mainly reflecting: the same factors as for net revenues, as well as a favorable comparison to 2023 reflecting the impairment of goodwill recorded in the second quarter of 2023, the South Korea indirect tax charge of \$204 million in 2023 and the termination of a pledge agreement with the Foundation for a Smoke-Free World of \$140 million. The increase was partly offset by higher amortization of intangibles in 2024, higher asset impairment and exit costs in 2024, a charge of \$198 million related to impairment of Vectura Group's expect sale in 2024 and the Egypt sales tax charge of \$45 million in 2024, as well as higher marketing, administration and research costs (primarily due to inflationary impacts, notably related to wages, and higher commercial investments), and higher manufacturing costs (notably related to tobacco leaf and the impact of the EU single-use plastics directive, partly offset by productivity).

Amortization expense on a pre-tax basis for each of the next five years is estimated to be approximately \$1.0 billion or less, assuming no additional transactions occur that require the amortization of intangible assets. This amount includes the reacquired rights recorded as other intangible assets, net, in May 2024 following the reacquisition of *IQOS* commercialization rights in the U.S. from Altria Group, Inc. (see Note 4. *Goodwill and Other Intangible Assets, net*, Note 18. *Acquisitions and Divestitures* and the "Business Environment" section of this MD&A for details).

Interest expense, net, of \$817 million increased by \$29 million or 3.7%.

Our effective tax rate decreased by 2.6 percentage points to 23.1%. For further details, see Note 9. *Income Taxes*. PMI estimates that its full-year 2024 effective tax rate will be approximately 21% to 22%, excluding discrete tax events. Changes in currency exchange rates, earnings mix by taxing jurisdiction or future legislative or regulatory developments may have an impact on the effective tax rates, which PMI monitors each quarter. Significant judgment is required in determining income tax provisions and in evaluating tax positions.

Income from equity investments and securities, net, increased by \$721 million or over 100%, primarily driven by a favorable fair value adjustment for our equity security investments in India and Sri Lanka. For further details, see Note 12. *Related Parties - Equity Investments and Other*.

Net earnings attributable to PMI of \$7.6 billion increased by \$2.0 billion or 35.9%. This increase was due primarily to higher operating income and higher income from equity investments and securities, as discussed above. Basic and diluted EPS of \$4.90 and \$4.89 increased by 35.7% and 35.5%, respectively. Excluding an unfavorable currency impact of \$0.44, diluted EPS increased by 47.6%.

We continue to expect our 2024 performance to be favorably impacted by total volume growth and pricing despite currency headwinds in the first nine months of 2024. This reflects the strong outlook for *ZYN*, despite short-term supply constraints; and the increasing profitability of *IQOS* due to operating leverage, manufacturing efficiencies, as well as a robust combustibles performance.

Consolidated Operating Results for the Three Months Ended September 30, 2024

The following discussion compares our consolidated operating results for the three months ended September 30, 2024, with the three months ended September 30, 2023.

Total Market

During the quarter, estimated international industry volume (excluding China and the U.S.) for cigarettes and HTUs increased by 1.3%, reflecting increases in the SSEA, CIS & MEA and Europe Regions, partly offset by decreases in the EA, AU & PMI DF and Americas Regions, as described in the Regional sections of this MD&A.

Shipment Volume

Our total cigarette and HTU shipment volume increased by 2.6% (HTU shipments increased by 8.9%, and cigarette shipments increased by 1.3%), with increases across all regions except the Americas Region.

Our total oral product shipment volume in cans increased by 24.7%, predominantly reflecting growth in nicotine pouches.

Adjusted in-market sales for HTUs increased by 14.8%, including growth in Japan of 14.3% and Europe of 11.3%.

International Share of Market - Cigarette and HTUs (Excluding China and the United States)

	Third-Quarter		
	2024	2023	Change (pp)
Total International Market Share ⁽¹⁾	29.5 %	28.9 %	0.6
Cigarettes	24.2 %	24.3 %	(0.1)
HTU	5.3 %	4.6 %	0.7
Cigarette over Cigarette Market Share ⁽²⁾	26.0 %	25.9 %	0.1

(1) Defined as PMI's cigarette and heated tobacco unit in-market sales volume as a percentage of total industry cigarette and heated tobacco unit sales volume, excluding China and the U.S., including cigarillos in Japan

(2) Defined as PMI's cigarette in-market sales volume as a percentage of total industry cigarette sales volume, excluding China and the U.S., including cigarillos in Japan

Note: Sum of share of market by product categories might not foot to total due to rounding

Financial Summary										
Quarters Ended September 30, (in millions)	2024	2023	Change Fav./(Unfav.)		Total	Variance Fav./(Unfav.)				
			Total	Excl. Curr. & Acquis.		Total	Currency	Acquisitions	Price	Vol/ Mix
Net Revenues	\$ 9,911	\$ 9,141	8.4 %	11.6 %	\$ 770	\$ (289)	\$ —	\$ 689	\$ 322	\$ 48
Cost of Sales	(3,366)	(3,165)	(6.4)%	(9.0)%	(201)	63	21	—	(159)	(126)
Marketing, Administration and Research Costs ⁽¹⁾	(2,891)	(2,606)	(10.9)%	(15.1)%	(285)	108	—	—	—	(393)
Operating Income	\$ 3,654	\$ 3,370	8.4 %	11.3 %	\$ 284	\$ (118)	\$ 21	\$ 689	\$ 163	\$ (471)

⁽¹⁾ Cost/Other variance includes charges in 2024 of \$242 million related to amortization of intangibles, \$198 million related to impairment of Vectura Group's expect sale and \$45 million related to the Egypt sales tax charge, partly offset by charges in 2023 of \$206 million related to amortization of intangibles and \$140 million related to the termination of a pledge agreement with the Foundation for a Smoke-Free World. For more details, see Note 7. *Segment Reporting* and Note 18. *Acquisitions and Divestitures*.

During the quarter, net revenues increased by 8.4%. Net revenues, excluding currency and acquisitions, increased by 11.6%, mainly reflecting: a favorable pricing variance, primarily due to higher combustible tobacco pricing; and favorable volume/mix, mainly driven by higher smoke-free products volume.

The unfavorable currency impact in net revenues was due primarily to the Egyptian pound, Indonesian rupiah and Japanese yen.

Net revenues include \$3.8 billion in 2024 and \$3.3 billion in 2023 related to smoke-free.

Operating income increased by 8.4%. Operating income, excluding currency and acquisitions, increased by 11.3%, mainly reflecting: the same factors as for net revenues, notwithstanding unfavorable cigarette mix, as well as a favorable comparison to 2023 reflecting the termination of a pledge agreement with the Foundation for a Smoke-Free World of \$140 million. The increase was partly offset by higher amortization of intangibles in 2024, a charge of \$198 million related to impairment of Vectura Group's expect sale in 2024 and the Egypt sales tax charge of \$45 million in 2024, as well as higher manufacturing costs, notably related to tobacco leaf, and higher marketing, administration and research costs.

Interest expense, net, of \$189 million decreased by \$72 million or 27.6%, primarily due to a favorable mark-to-market adjustment related to derivative financial instruments.

Our effective tax rate decreased by 11.9 percentage points to 21.3%. The effective tax rate for the three months ended September 30, 2023 was unfavorably impacted by an increase in deferred tax liabilities related to the unremitted earnings of PMI's Russian subsidiaries (\$173 million) and a deferred tax cost for unrealized foreign currency gains on intercompany loans related to the Swedish Match acquisition financing reflected in the condensed consolidated statements of earnings (\$138 million). For further details, see Note 9. *Income Taxes*.

Income from equity investments and securities, net, increased by \$399 million or over 100%, primarily driven by a favorable fair value adjustment for our equity security investments in India and Sri Lanka. For further details, see Note 12. *Related Parties - Equity Investments and Other*.

Net earnings attributable to PMI of \$3.1 billion increased by \$1.0 billion or 50.0%. This increase was due primarily to higher operating income, a lower effective tax rate, higher income from equity investments and securities, net, and lower interest expense, net, as discussed above. Basic and diluted EPS of \$1.98 and \$1.97 increased by 50.0% and 49.2%, respectively. Excluding an unfavorable currency impact of \$0.06, diluted EPS increased by 53.8%.

Operating Results by Business Segment

Business Environment

Taxes, Legislation, Regulation and Other Matters Regarding the Manufacture, Marketing, Sale and Use of Tobacco and Non-Tobacco Products

The tobacco industry and our company face a number of challenges that may adversely affect our business, product sales volume, results of operations, cash flows and financial position. These challenges, which are discussed below and in Part II, Item 1A. *Risk Factors — Cautionary Factors That May Affect Future Results* in this report include:

- regulatory restrictions on our products, including restrictions on the packaging, marketing, and sale of tobacco or other nicotine-containing products or related devices that could reduce our competitiveness, eliminate our ability to communicate with adult consumers, or even ban certain of our products;
- fiscal challenges, such as excessive excise tax increases and discriminatory tax structures;
- illicit trade in cigarettes and other tobacco and nicotine-containing products, including counterfeit, contraband and other non-compliant or otherwise illicit products;
- intense competition, including unfair competition from non-taxpaid volume by certain manufacturers;
- pending and threatened litigation as discussed in Part I, Item 1. *Financial Statements* — Note 8. *Contingencies* in this report; and
- governmental investigations.

Regulatory Restrictions: The tobacco industry operates in a highly regulated environment. The well-known risks of smoking have led regulators to impose significant restrictions and high excise taxes on cigarettes.

Much of the regulation that shapes the business environment in which we operate is driven by the World Health Organization's (the "WHO") Framework Convention on Tobacco Control (the "FCTC"), which entered into force in 2005. The main objective of the FCTC is to establish a global agenda for tobacco regulation, with the purpose of reducing tobacco use. To date, 182

countries and the European Union ("EU") are Parties to the FCTC. The treaty requires Parties to have in place various tobacco control measures and recommends others. The FCTC governing body, the Conference of the Parties ("CoP"), has also adopted non-binding guidelines and policy recommendations related to certain articles of the FCTC that go beyond the text of the treaty. In October 2018, the CoP recognized the need for more scientific assessment and improved reporting to define policy on heated tobacco products. Similar to its previous policy recommendations on e-cigarettes, the CoP invited countries to regulate, restrict or prohibit heated tobacco products, as appropriate under their national laws.

The Tenth Session of the CoP to the FCTC took place in February 2024. According to reports and decisions published, neither new decisions nor new policy recommendations on novel and emerging tobacco products were adopted. Specific Guidelines were adopted to address cross-border Tobacco Advertising, Promotion, and Sponsorship ("TAPS") and the depiction of tobacco in entertainment media. The Eleventh session of the CoP is currently scheduled to take place in November 2025. The WHO's reports and other FCTC guidelines or recommendations are not binding on the WHO Member States or on parties to the FCTC.

We believe that when better alternatives to cigarettes exist, the discussion should not be whether these alternatives should be made available to the more than one billion people who smoke cigarettes today, but how fast, and within what regulatory framework to maximize their adoption while minimizing unintended use. Therefore, we advocate for regulatory frameworks that are based on a continuum of risk where non-combustible products fall below combustible cigarettes. Product regulation should include measures that encourage and accelerate switching to non-combustible products, for example, by allowing adult consumers who would not otherwise quit smoking cigarettes to receive truthful and non-misleading information about such alternatives to enable them to make informed decisions and by applying uniform product standards to enable manufacturers to demonstrate the reduction in harmful and potentially harmful constituents, as well as the absence of combustion. Regulation should also include specific rules for ingredients, labeling and consumer communication, and should ensure that the public is informed about the health risks of all combustible and non-combustible tobacco and nicotine-containing products. Importantly, regulation must include measures designed to prevent initiation by youth and non-smokers. We support mandated health warnings, minimum age laws, restrictions on advertising, and smoking restrictions in public spaces. We also support regulatory measures that help reduce illicit trade. At the same time, we oppose excessive or prohibitive regulations that may prevent adult smokers, who would otherwise continue smoking, from accessing and switching to SFPs or trigger unintended consequences such as illicit trade.

Certain measures are discussed in more detail below and in the *Smoke-Free Products (SFPs)* section.

Fiscal Challenges: Excessive and disruptive excise, sales and other tax increases and discriminatory tax structures are expected to continue to have an adverse impact on our profitability, due to lower consumption and consumer down-trading to non-premium, discount, other low-price or low-taxed combustible tobacco products such as fine cut tobacco, illicit cigarettes or illicit SFPs. In addition, in certain jurisdictions, some of our combustible tobacco products are subject to tax structures that discriminate against premium-price products and manufactured cigarettes. We believe that such tax policies undermine public health by encouraging consumers to turn to illicit trade, and ultimately undercut government revenue objectives, disrupt the competitive environment, and encourage criminal activity. Other jurisdictions have imposed, or are seeking to impose, levies or other taxes specifically on tobacco companies, such as taxes on revenues and/or profits.

EU Tobacco Products Directive ("TPD"): In April 2014, the EU adopted a significantly revised TPD, which came into force in May 2016. All EU Member States have adopted laws transposing the TPD. The TPD sets forth a comprehensive set of regulatory requirements for tobacco products, including:

- health warnings covering 65% of the front and back panels of cigarette packs, with an option for Member States to further standardize tobacco packaging, including the introduction of plain packaging;
- a ban on characterizing flavors in some tobacco products, with a transition period for menthol that expired in May 2020;
- security features and tracking and tracing measures that became effective in May 2019; and
- a framework for the regulation of novel tobacco products and e-cigarettes, including requirements for health warnings and information leaflets, a prohibition on product packaging text related to reduced risk, and the introduction of notification requirements or authorization procedures in advance of commercialization.

In May 2021, the European Commission published its first report on the application of the TPD. The report identifies significant progress made due to the implementation of the TPD and where there is still room for improvement. Most notably, it finds that the EU legislation has enhanced tobacco control, which contributed to protecting the health of EU citizens by providing Member States with strong rules to address the use of tobacco products in the EU. The TPD reportedly achieved the

2% reduction target of the impact assessment with decreased smoking prevalence among youth. The report also concludes that there is scope for improvement in certain areas, such as enforcement at national level, assessment of ingredients, and a better consideration for novel and emerging products.

In February 2024, the European Commission published an updated implementation roadmap to Europe's Beating Cancer Plan (the "Plan"). According to the updated Plan, the evaluation of the current TPD is expected to be finalized in 2024.

In May 2024, the EU-wide systems of traceability and security features for tobacco products were extended to include tobacco products other than cigarettes. As such, all tobacco products are covered by the traceability system.

EU Tobacco Excise Directive ("TED"): The EU Commission is preparing a legislative proposal for the revision of the 2011 EU Tobacco Excise Directive that may include definitions and tax treatment for novel tobacco and nicotine-containing products, including heated tobacco products, e-cigarettes and nicotine pouches. The timeline for the revision has not been announced. Any final amendments to TED require unanimous agreement by all EU Member States, followed by transposition of TED into national legislation. A potential enforcement date for any changes to TED, after the transposition in Member States' national legislation, could be 2027.

Plain Packaging and Other Packaging Restrictions: Plain packaging legislation bans the use of branding, logos and colors on packaging other than the brand name and variant that may be printed only in specified locations and in a uniform font. To date, plain packaging laws have been adopted in certain markets in all of our operating segments, including the key markets of Australia, France, Saudi Arabia and Turkey. Some countries, such as Canada, Denmark and Israel, adopted plain packaging regulations that apply to all tobacco products, including SFPs. Other countries are also considering plain packaging legislation.

Some countries have adopted, or are considering adopting, packaging restrictions that could have an impact similar to plain packaging. Examples of such restrictions include standardizing the shape and size of packages, prohibiting certain colors or the use of certain descriptive phrases on packaging, and requiring very large graphic health warnings that leave little space for branding.

Restrictions and Bans on the Use of Ingredients: The WHO and others in the public health community have recommended restrictions or total bans on the use of some or all ingredients in tobacco products, including menthol. Broad restrictions and ingredient bans would require us to reformulate our American blend tobacco products and could reduce our ability to differentiate these products in the market in the long term. In many countries, menthol bans would eliminate the entire category of mentholated tobacco products. The EU banned cigarettes and roll-your-own tobacco products with characterizing flavors. Other tobacco products, are currently exempted under EU TPD from this characterizing flavor ban. This was also the case for heated tobacco products until November 23, 2022, when the EU Commission published a delegated directive that eliminates this exemption. All EU Member States were required to apply the delegated directive as of October 23, 2023, which bans the use of characterizing flavors in heated tobacco products, impacting a significant proportion of our SFP products currently sold in the EU. Currently a majority of EU Member States have transposed this directive, or are in the final stages of transposing it, withdrawing the heated tobacco product exemption from the characterizing flavor ban into national law. Based on high consumer switching to non-flavored products in reaction to past bans on flavors in other categories and markets, we anticipated that, while short-term volatility would be possible, the ban's impact on our shipment volumes in the EU would be relatively limited in the near term. To date, our experience is consistent with this expectation. There has been some short-term volatility in countries that have implemented the ban, but the impact has generally been limited in time and magnitude. Nevertheless, it remains possible that the impact in countries that have yet to implement the ban could be more significant in duration or magnitude. But our fundamental view remains that we do not expect a meaningful change in the structural growth of the category. We will continue to actively monitor relevant developments in the EU market, including from an illicit trade standpoint. Other countries may follow the EU's approach toward tobacco product ingredients. Turkey banned menthol as of May 2020. Broader ingredient bans have been adopted by Brazil and Canada.

Bans on Display of Tobacco Products at Retail: In a number of our markets, including, but not limited to, Australia and Russia, governments have banned the display of tobacco products at the point of sale. Other countries are considering similar bans.

Bans and Restrictions on Advertising, Marketing, Promotions and Sponsorships: For many years, the FTC has called for, and countries have imposed, partial or total bans on tobacco advertising, marketing, promotions and sponsorships, including bans and restrictions on advertising on radio and television, in print and on the Internet. The FTC's non-binding guidelines recommend that governments prohibit all forms of communication with adult smokers.

Restrictions on Product Design: Some members of the public health community are calling for the further standardization of tobacco products by requiring, for example, that cigarettes have a certain minimum diameter, which would result in a ban on slim cigarettes, or requiring the use of standardized filter and cigarette paper designs. In addition, at its meeting in November 2016, the CoP adopted non-binding guidelines recommending that countries regulate product design features that increase the attractiveness of tobacco products, such as the diameter of cigarettes and the use of flavor capsules. In March 2024, the EU Commission, in line with the procedure established by TPD, approved a decree banning disposable e-cigarettes, limited to the jurisdiction of Belgium. Few other countries are also considering bans of disposable e-cigarettes.

Restrictions on Public Smoking and Use of Nicotine-Containing Products in Public: The pace and scope of restrictions on the use of our products have increased significantly in most of our markets. Many countries around the world have adopted, or are likely to adopt, regulations that restrict or ban smoking and use of nicotine-containing products in public and/or work places, restaurants, bars and nightclubs. Some public health groups have called for, and some countries, regional governments and municipalities have adopted or proposed, bans on smoking in outdoor places, as well as bans on smoking in cars (typically, when minors are present) and private homes.

Other Regulatory Issues: Some regulators are considering, or in some cases have adopted, regulatory measures designed to reduce the supply of tobacco products. These include regulations intended to reduce the number of retailers selling tobacco products by, for example, reducing the overall number of tobacco retail licenses available or banning the sale of tobacco products within specified distances of certain public facilities. Other regulators are also considering generation sales bans, which prohibit the sale of certain tobacco or nicotine products to people born after a certain year.

On December 13, 2022, the New Zealand parliament passed a bill introducing regulatory measures restricting the sale and supply of smoked tobacco products, including reducing the number of retail outlets licensed to sell smoked tobacco products, imposing a maximum limit of nicotine content for smoked tobacco products and prohibiting the sale of smoked tobacco products to anyone born on or after January 1, 2009. These measures are limited to smoked tobacco products and do not apply to heated tobacco products and e-cigarettes. On February 28, 2024, the New Zealand parliament passed a law repealing the three above-mentioned measures. On June 27, 2024, the New Zealand government published the Excise and Excise-equivalent Duties Table (Reductions for Specified Tobacco Products) Amendment Order 2024, reducing the excise on HTPs by 50%. The changes took effect on July 1, 2024.

In Mexico, since February 2020, the federal government has issued a series of decrees banning the importation and commercialization of HTPs, vaping devices and consumables. In June 2022, the Senate approved an amendment to the Imports and Exports Tax Law, aligning its content with the existing bans. Despite these restrictions, PMI has been able to import and commercialize SFPs in Mexico due to injunctive relief and favorable court decisions, including findings of unconstitutionality regarding the bans. Specifically, in October 2021, the Mexican Supreme Court found that the interpretation of Article 16-VI of the tobacco control law, which was interpreted to restrict the commercialization of SFPs, was unconstitutional.

On December 16, 2022, the Mexican Federal Government enacted an implementation regulation for the tobacco control law, which included (i) a point-of-sale display ban of tobacco products; (ii) restrictions on where tobacco products can be consumed; and (iii) prohibition to communicate corporate social responsibility programs funded by the tobacco industry. In a legal proceeding initiated by our local affiliate, the Federal Court of Appeals of Mexico City found that these restrictions are unconstitutional.

On January 1, 2023, a law regulating the marketing of nicotine pouches went into effect in Slovakia. The regulatory framework contains a minimum legal age (18 years) to purchase, a nicotine limit, and a labelling requirement. In Belgium, a Royal Decree banning nicotine pouches entered into force on July 1, 2023, with a sell-off period from retail to consumer as of October 1, 2023.

On March 22, 2023, a bill amending the Tobacco Hazards Prevention and Control Act in Taiwan went into effect. It regulates heated tobacco products and bans e-cigarettes. The amendment particularly specifies that designated tobacco products (including heated tobacco products) that are not cigarettes, cut tobacco, cigars, snuff nor chewing tobacco, must undergo a health risk assessment as part of an authorization system. We have filed an authorization request to commercialize IQOS in Taiwan pursuant to this Act, but this authorization is currently still pending approval by the Ministry of Health of Taiwan.

On March 28, 2023, the Argentinian Ministry of Health prohibited the import, distribution, commercialization and advertisement of heated tobacco products, including related devices. The country had previously banned the use of e-cigarettes in 2011.

In a limited number of markets, most notably Japan, we are dependent on governmental approvals that may limit our pricing flexibility.

The EU Single-Use Plastics Directive, which will require tobacco manufacturers and importers to cover the costs of public collection systems for tobacco product filters, under Extended Producer Responsibility ("EPR") schemes, came into force on July 2, 2019. To date, some member states transposed the Directive into national legislation. By the end of 2024, most EU Member States are expected to bring into force national legislation for mandatory EPR schemes and related EPR costs for tobacco manufacturers and importers. We currently expect further adoption of similar laws in other jurisdictions, and we are monitoring developments in this area. We do not estimate a material impact to our business in the EU as a result of compliance with these mandatory EPR schemes.

On March 14, 2024 the Court of Justice of the European Union (the "CJEU") ruled that the German fiscal regulation imposing an additional excise tax on HTPs does not contravene EU law. Fiscal Court in Dusseldorf (the "FCD") had previously referred that question to the CJEU. On May 21, 2024, the FCD delivered its judgement and dismissed our local affiliate's, *ff Cigarettenfabrik GmbH & Co.KG* ("PM Germany") claim. PM Germany filed a notice of appeal to the Federal Fiscal Court on June 19, 2024.

On April 16, 2024, Brazil's Health Control Agency enacted Resolution 855, imposing strict regulations on electronic smoking devices, including heat-not-burn devices and vaping devices ("ESDs"). The resolution prohibits their manufacture, importation, sale, distribution, storage, transportation, advertising, and use in enclosed public spaces. Travelers are also forbidden from bringing ESDs into the country.

On August 28, 2024, the Ministry of Health in Canada approved a ban on all flavors of nicotine pouches except mint and menthol. They also imposed new restrictions on where nicotine pouches can be sold, allowing sales only behind pharmacy counters by pharmacists (no prescription required).

In some countries, including in the EU, cigarettes are subject to testing, disclosure and mandatory emissions limits for tar, nicotine, carbon monoxide and other smoke constituents. In the Netherlands, several public health organizations have requested that the Dutch enforcement body enforce the requirements for maximum tar, nicotine, and carbon monoxide ("TNCO") emissions levels for cigarettes using a test method other than the method currently set forth in the EU TPD and transposed into national legislation. This request followed publication of a report by the Dutch State Institute for Public Health & Environment, which found that all cigarette brands sold in the Netherlands exceeded the maximum TNCO levels when measured under an alternative method. The Dutch enforcement body declined the request, and the applicants have challenged such decision in pending legal proceedings. The case is currently pending before the Court of Justice of the European Union following a referral from the Trade and Industry Appeals Tribunal in the Netherlands. While we cannot predict the outcome, a decision to enforce the existing TNCO ceilings using the alternative test method could impact a significant portion of the manufactured cigarettes available on the market in the Netherlands and could lead to similar actions in other EU countries.

Illicit Trade: Illicit trade creates a cheap and unregulated supply of tobacco and nicotine-containing products, undermines efforts to reduce smoking prevalence, especially among youth, damages legitimate businesses and intellectual property rights, stimulates organized crime, increases corruption and reduces government tax revenue. We generally estimate that, excluding China and the U.S., illicit trade may account for as much as 14% of global cigarette consumption; this includes counterfeit, contraband and the persistent problem of "illicit whites," which are cigarettes legally purchased in one jurisdiction for the sole purpose of being exported and illegally sold in another jurisdiction where they have no legitimate market. Currently, we estimate that illicit trade in the EU accounted for approximately 8% of total cigarette consumption in 2023. Illicit trade also increasingly targets SFPs.

We devote substantial resources to help prevent illicit trade in combustible tobacco products and SFPs. We engage with governments, our business partners and other stakeholders to implement effective measures to combat illicit trade. Where effective and appropriate, we pursue legal remedies to protect our intellectual property rights from counterfeiting or to counter the illicit diversion of our products. We also cooperate with governmental authorities to combat fraudulent imports of non-compliant or unauthorized tobacco and nicotine-containing products.

As an example, the recent commercial success of the nicotine pouch category makes it more prone to be affected by illicit trade. Our ongoing anti-illicit initiatives for nicotine pouches include PMI's 'know-your-customer' and 'anti-diversion' governance

and other measures, such as volume monitoring, tracking and tracing, product security, as well as internal and external awareness training and communications. We are also expanding our market monitoring -both online and offline- and illicit trade research program to nicotine pouches. PMI affiliates and Swedish Match affiliates, are taking appropriate actions to address the illicit resale of certain of our oral products including nicotine pouches outside their initial intended market of retail, such as Scandinavia, the U.S. and other markets. Such actions include awareness communications to trade partners, cease-and-desist letters to those involved in illicit trade of products bearing our brands and limiting and/or terminating sales to certain customers in both the online and traditional trade.

A number of jurisdictions are considering actions to prevent illicit trade. In November 2012, the FCTC adopted the Protocol to Eliminate Illicit Trade in Tobacco Products (the "Protocol"), which includes supply chain control measures, such as licensing of manufacturers and distributors, enforcement of these control measures in free trade zones, controls on duty free and Internet channels and the implementation of tracking and tracing technologies. To date, 68 Parties, including the EU, have ratified it. The Protocol came into force in September 2018. Since then, implementation in national legislations has been ongoing. In February 2024, the third Meeting of the Parties to the Protocol took place. No additional restrictive measures were adopted, and a mandate to conduct further work will be considered at the next session, currently scheduled to take place in November 2025.

The tracking and tracing regulations for cigarettes and roll-your-own products manufactured or destined for the EU were extended to include tobacco products other than cigarettes, including some of our SFPs, as of May 20, 2024.

Smoke-Free Products (SFPs)

Our Approach to SFPs: We recognize that smoking cigarettes causes serious diseases and that the best way to avoid the harm of smoking is to never start or to quit. Nevertheless, it is predicted that by 2025, the number of smokers will remain largely unchanged from the current estimate of over one billion, despite considerable efforts to discourage smoking.

Cigarettes burn tobacco, which produces smoke. As a result of the combustion process, the smoker inhales various toxic substances. In contrast, SFPs do not burn tobacco and therefore contain significantly lower levels of harmful and potentially harmful constituents ("HPHCs") than found in cigarette smoke.

Our SFPs and commercial activities for these products are designed for, and directed toward, current adult smokers and users of nicotine-containing products. We put significant effort to restrict access to our products from non-smokers and youth.

For adult smokers who would otherwise continue to smoke cigarettes, we believe that SFPs, while not risk-free, offer a much better choice. Accordingly, our key strategic priorities are to: (i) continue developing and commercializing products that have the potential to present less risk of harm to adult smokers who switch to such products versus continued cigarette smoking; and (ii) educate and encourage current adult smokers who would otherwise continue to smoke cigarettes to switch to those products.

We recognize that this transformation from cigarettes to SFPs will take time and that the rate of transformation will depend in part upon factors beyond our control, such as the willingness of governments, regulators and other policy groups to embrace SFPs as a desirable alternative to continued cigarette smoking. As a leading international cigarette manufacturer, we will continue to accelerate this transformation by using our extensive commercial and distribution infrastructure as an effective platform for the commercialization of our SFPs and communication with adult smokers and trade partners about the substantiated benefits of switching to our SFPs. As long as a significant number of adult smokers continue to smoke cigarettes, responsible leadership of the category is critical. We aim to maintain our competitive position in the cigarette market through selective investment. We are judiciously reallocating resources from cigarettes to SFPs and are streamlining our cigarette portfolio.

We have a range of SFPs in various stages of development, scientific assessment, and commercialization. We are committed to conducting rigorous scientific assessments of our SFP platforms to substantiate that they reduce exposure to HPHCs and, ultimately, that these products present, are likely to present, or have the potential to present less risk of harm to adult smokers who switch to SFPs versus continued cigarette smoking. We draw upon a team of expert scientists and engineers from a broad spectrum of scientific disciplines and our extensive learnings of adult consumer preferences to further develop and assess our SFPs. Our efforts are guided by the following key objectives:

- to develop SFPs that adult smokers who would otherwise continue to smoke cigarettes find to be satisfying alternatives to smoking;
- for those adult smokers, our goal is to offer SFPs with a scientifically substantiated risk-reduction profile that approaches as closely as possible the risk-reduction profile associated with smoking cessation;
- to substantiate the reduction of risk for the individual adult smoker and the reduction of harm to the population as a whole, based on scientific evidence of the highest standard that is made available for scrutiny and review by external independent scientists and relevant regulatory bodies; and
- to advocate for the development of science-based regulatory frameworks for the development and commercialization of SFPs, including the communication of scientifically substantiated information to enable adult smokers to make better choices.

Our SFP Platforms: Our product development is based on the elimination of combustion via tobacco heating and other innovative systems, as well as through oral tobacco and nicotine products, which we believe are the most promising paths to providing a better consumer choice for those who would otherwise continue to smoke cigarettes. We recognize that no single product will appeal to all adult smokers. Therefore, we are developing a portfolio of products intended to appeal to a variety of distinct adult consumer preferences and achieve population harm reduction.

Five PMI-developed or improved SFP platforms are in various stages of development and commercialization readiness:

Platform 1 uses a precisely controlled heating device incorporating our *IQOS HeatControl* technology, into which a specially designed and proprietary tobacco unit is inserted in a holder and heated to generate an aerosol. We have conducted a series of clinical studies for this platform, the results of which were included in our submissions to the U.S. Food and Drug Administration (“FDA”). In addition to the original version of Platform 1 which relies on a heating technology using a blade, a newer version of Platform 1 is now available using induction. Most of the studies referenced above were conducted with the blade version of Platform 1 and additional research was conducted with the induction technology. We believe that there is full comparability between the bladed versions of *IQOS* and the subsequent induction versions of *IQOS*, and that the data from the studies conducted with the blade version of Platform 1 remain valid and applicable to the newer and adjacent versions of Platform 1. In 2022, we also began the initial launch of a heated tobacco product, which utilizes external resistive heating technology and is commercialized under the *BONDS by IQOS* brand.

Platform 2 used a pressed carbon heat source which, when ignited, generated a nicotine-containing aerosol by heating tobacco. As a result of consumer testing feedback, the design of our current Platform 2 technology has been discontinued. We are assessing alternative designs for this consumer segment.

Platform 3 uses a nicotine salt and is composed of two parts: (1) a consumable that contains a highly soluble encapsulated nicotine salt powder and (2) a non-electric device that activates it. Once a consumable is inserted into the mechanical device, the nicotine salt powder is aerosolized upon inhalation. The results of our pharmacokinetic and pharmacodynamic studies related to this version indicate that, subject to a period of adaptation to the product, the product has potential as an acceptable alternative to continued cigarette smoking in terms of product satisfaction. We are working on product modifications to enable adult smokers, who are looking for better alternatives to cigarettes, to switch to a Platform 3 product.

Platform 4 covers e-vapor products, which are battery-powered devices that produce an aerosol by vaporizing a tobacco-free liquid solution. We developed new e-liquids for our e-vapor products to deliver an authentic tobacco taste. Using patented technology, flavors and nicotine are extracted directly from the tobacco leaves and captured in a tobacco-free liquid solution, without having to add flavoring ingredients.

We entered into a licensing agreement with Kaival Brands International, LLC, in June 2022 to distribute an e-vapor product, known in the U.S. as the BIDI® Stick. The agreement grants PMI certain intellectual property rights relating to the premium e-vapor devices and, potentially, other newly developed devices, to permit PMI to manufacture, promote, sell, and distribute the e-vapor device and, to the extent included, other newly developed devices in international markets outside of the U.S.

Platform 5 covers snus and modern oral nicotine pouches. Snus refers to (a) dried loose tobacco, or snuff, which is consumed by sniffing the product through the nose; (b) moist loose tobacco which is put in the mouth between the lower or upper lip and gum; and (c) snus pouches which contain ground tobacco, water, salt and flavors. Modern oral nicotine pouches consist of white pre-conditioned pouches containing nicotine derived from tobacco, and they primarily contain nicotine, flavors,

and cellulose substrate. Users place a pouch between the upper lip and gum and leave it there while the nicotine and flavor are being released. Nicotine pouches are inherently smoke-free as they are consumed orally, and no combustion process occurs during use. The pouches contain pharmaceutical-grade tobacco-derived nicotine like the nicotine used in medicinal products, such as nicotine-containing gums and inhalers, and flavors approved for use in food in accordance with the product quality standards for nicotine pouches developed by the Swedish Institute for Standards and the British Standards Institute. In 2021, PMI acquired AG Snus Aktieselskab ("AG Snus"), as well as Fertin Pharma A/S, two companies manufacturing and/or marketing nicotine pouches. In 2022, we significantly expanded our Platform 5 products portfolio with the acquisition of Swedish Match. The acquisition also represents an expansion of our SFP presence in the U.S. market, where Swedish Match's ZYN brand is the leading nicotine pouch franchise.

We aim to expand our brand portfolio and market positions with additional SFPs. In addition, we continue to use our expertise, technology and capabilities to explore new growth opportunities beyond our current business, including products that do not contain nicotine or tobacco.

Commercialization of SFPs: We are continuing to develop a multiplatform approach and tailoring our commercialization strategy to the characteristics of each specific market. We focus our commercialization efforts on consumer retail experience, guided consumer trials and customer care, and increasingly, digital communication programs and e-commerce. In order to accelerate switching to our Platform 1 products, our initial market introductions typically entail one-on-one consumer engagement (in person or by digital means) and device discounts. These initial commercialization efforts require substantial investment, which we believe will moderate over time and further benefit from the increased use of digital engagement capabilities. PMI has, and continues to, invest in digital consumer engagement.

In 2014, we introduced our Platform 1 product in pilot city launches in Nagoya, Japan, and in Milan, Italy. Since then, we have continuously expanded our commercialization activities.

As of September 30, 2024, PMI's smoke-free products were available for sale in 92 markets.

Data show that only a very small percentage of adult smokers who convert to IQOS switch back to cigarettes.

We have integrated the production of our heated tobacco units into several of our existing manufacturing facilities, are progressing with our plans to build manufacturing capacity for our other SFP platforms, and continue to optimize our manufacturing infrastructure and expand our commercialization activities for new products and markets. We discuss certain risks related to the commercialization and supply of our SFP portfolio in Part II, Item 1A. *Risk Factors—Cautionary Factors That May Affect Future Results* in this report.

We discuss product warranties in more detail in Part I, Item 1, *Financial Statements—Note 14. Product Warranty* in this report. The significance of warranty claims depends on a number of factors, including device version mix, product failure rates, logistics and service delivery costs, and warranty policies, and may increase with the number of devices sold.

On October 20, 2022, PMI announced that it had reached an agreement with Altria Group, Inc., ("Altria") to end the companies' commercial relationship as of April 30, 2024 with respect to Platform 1 in the U.S. (the "Altria Agreement"). Under the Altria Agreement, PMI now holds the full rights to commercialize Platform 1 in the United States - the world's largest smoke-free market. The Altria Agreement provides a clear path to expanding Platform 1's international success in a market where approximately 30 million adults continue to smoke cigarettes.

Our commercialization efforts for the other PMI-developed SFP platforms are as follows:

- In late 2022, we began commercializing our *BONDS* product in the Philippines and Colombia.
- Since August 2020, we have launched and expanded our portfolio of vaping products (branded *VEEV*) in 42 markets.
- Following our acquisition of Swedish Match, we have access to a strong portfolio of Swedish Match brands in both the snus and nicotine pouch categories. Nicotine pouches are currently available in 32 markets.

SFP Regulation and Taxation: SFPs contain nicotine and are addictive and not risk-free. As we describe in more detail above, we support science-based regulation and taxation of SFPs, and believe that regulation and taxation should differentiate between cigarettes and products that present, are likely to present, or have the potential to present less risk of harm to adult smokers who switch to these products versus continued smoking and should recognize a continuum of risk with respect to tobacco and other

nicotine-containing products. Regulation, as well as industry practices, should reflect the fact that youth should not consume nicotine in any form.

Some governments have banned, are seeking to ban, or severely restrict emerging tobacco and nicotine-containing products such as our SFPs, and communication of truthful and non-misleading information about such products. These regulations might foreclose or unreasonably restrict adult consumer access to products that might be a better consumer choice than continuing to smoke cigarettes.

We oppose blanket bans and unreasonable restrictions of products that have the potential to present less risk of harm compared to continued cigarette smoking. By contrast, we support regulation that sets clear standards for all SFP categories and propels innovation to benefit adult smokers who would otherwise continue to smoke cigarettes.

In the United States, an established regulatory framework for assessing “Modified Risk Tobacco Products” (“MRTP”) and “New Tobacco Products” exists under the jurisdiction of the FDA. We submitted to the FDA a Modified Risk Tobacco Product Application (“MRTPA”) for our Platform 1 product in December 2016, and a Premarket Tobacco Product Application (“PMTA”) for our Platform 1 product in March 2017.

On April 30, 2019, the FDA determined that a version of our Platform 1 product, namely, *IQOS* 2.4 and three related consumables, is appropriate for the protection of public health and authorized it for sale in the United States. The FDA’s decision followed its comprehensive assessment of our PMTA. On December 7, 2020, the FDA reached the same determination for the *IQOS* 3 device and authorized that version of our Platform 1 product for sale in the United States.

On July 7, 2020, the FDA determined that the available scientific evidence demonstrates that the issuance of an exposure modification order would be appropriate for the promotion of public health and authorized the marketing of a version of our Platform 1 product, namely *IQOS* 2.4 and three related consumables, as an MRTP. The FDA authorized the marketing of this product in the U.S. with the following information:

“AVAILABLE EVIDENCE TO DATE:

- the *IQOS* system heats tobacco but does not burn it.
- this significantly reduces the production of harmful and potentially harmful chemicals.
- scientific studies have shown that switching completely from conventional cigarettes to the *IQOS* system significantly reduces your body’s exposure to harmful or potentially harmful chemicals.”

The FDA may issue two types of MRTP orders: a “risk modification” order or an “exposure modification” order. We had requested both types of orders for *IQOS* 2.4 and an initial selection of three related consumables’ variants. After review, the FDA determined that the evidence did not support issuing a “risk modification” order at that time, but that it did support issuing an “exposure modification” order for the product. This determination included a finding that issuance of the exposure modification order is expected to benefit the health of the population as a whole. We also received an exposure modification order for *IQOS* 3. We look forward to working with the FDA to provide any additional information they may require to market Platform 1 products with reduced risk claims.

The FDA’s PMTA and MRTP orders do not mean that the agency “approved” our Platform 1 product. These authorizations are subject to strict marketing, reporting, and other requirements, and are not a guarantee that the product will remain authorized, particularly if there is a significant uptake in youth or non-smoker initiation. The FDA will monitor the marketing of the product.

On March 18, 2021, we submitted to the FDA a supplemental MRTPA (“sMRTPA”) for *IQOS* 3 requesting authorization to market this version of the device as a MRTP with reduced exposure information like *IQOS* 2.4. In June 2021, the FDA formally accepted and filed our sMRTPA for substantive scientific review, following a period for the public to provide comments on our application. The FDA authorized our sMRTPA for *IQOS* 3 by issuing a Modified Risk Granted Order – Exposure Modification on March 11, 2022.

On January 26, 2023, the FDA authorized the marketing of two new tobacco-flavored consumables (*Marlboro* Sienna *HeatSticks* and *Marlboro* Bronze *HeatSticks*) and a modified version of the authorized *Marlboro* Amber *HeatSticks*. These products are line extensions and/or modified versions of the tobacco-flavored consumables for which the FDA had previously issued a marketing granted order. In its assessment, the FDA determined that the three variants of *HeatSticks* were comparable to the previously authorized tobacco-flavored consumables.

On July 5, 2023, we submitted renewal applications to the FDA requesting re-authorization to continue to market those *IQOS* products that previously received an exposure modification order with a modified exposure claim in the United States. These renewal requests were received by the FDA 360 days prior to the stated July 2024 expiration date of the original exposure modification orders, as requested by the FDA in the original orders. On May 9, 2024, the FDA filed for scientific review of our MRTP renewal applications for *IQOS* products and posted materials from these applications. As our applications proceed through the review process, the FDA may request additional information or conduct subsequent inspections to verify the information we submitted. The FDA did not issue a decision on our MRTP renewal applications prior to the stated July 7, 2024 expiration date of the original exposure modification orders. The MRTP renewal applications were timely filed in accordance with FDA direction, and we believe that we should be permitted to continue to use the modified exposure claim with respect to those products that received exposure modification orders until the FDA decides on our MRTP renewal applications.

On October 20, 2023, we submitted bundled PMTAs for our *IQOS ILUMA* THS products together with MRTPAs requesting authorization of the exposure reduction marketing order previously granted for *IQOS* blade versions. We submitted these applications at the same time in order for the FDA to evaluate the PMTAs and MRTPAs concurrently. In March 2024, the FDA formally accepted our bundled PMTAs and MRTPAs. As our applications proceed through the review process, the FDA may request additional information or conduct subsequent inspections to verify the information we submitted.

On January 19, 2024, the FDA completed its review of our Requests for Exemption from Substantial Equivalence (the "EX REQs") for the five submitted *IQOS* consumables and determined that these tobacco products were exempt from the requirements outlined for substantial equivalence (a regulatory pathway that can be used to introduce new tobacco products which have the same characteristics as a product previously authorized by the FDA). These submissions were made in November 2022 (for the three initial *IQOS* consumables) and February 2023 (for the two new *IQOS* consumables) to enable domestic manufacturing of *IQOS* consumables utilizing materials purchased from vendors operating in the United States.

On July 17, 2023, Swedish Match USA, Inc. submitted a renewal application to the FDA requesting re-authorization to continue to market its eight snus smokeless tobacco products (sold under the *General* snus brand name) with a modified risk claim. *General* snus products received modified risk orders on October 22, 2019. Swedish Match USA, Inc. was authorized to market these products with the claim, "Using General snus instead of cigarettes puts you at a lower risk of mouth cancer, heart disease, lung cancer, stroke, emphysema, and chronic bronchitis." This renewal request was received by the FDA 360 days prior to the stated October 22, 2024 expiration date of the original modified risk claim orders, as requested by the FDA in the original orders. On November 30, 2023, the FDA filed for scientific review of the MRTP renewal applications for *General* snus products and posted materials from these applications. The FDA held a Tobacco Products Scientific Advisory Committee meeting to discuss the MRTP renewal applications on June 26, 2024. On July 3, 2024, the FDA extended the comment period on the MRTP renewal applications to provide time for the public to review application materials that were recently made available. Subsequently, on July 15, 2024, the FDA reposted application documents related to the MRTP renewal and announced a deadline for public comments. Public comments on these applications were due by August 14, 2024, and comments are no longer being accepted by the FDA. The FDA did not issue a decision on the MRTP renewal applications prior to the stated October 22, 2024 expiration date of the original modified risk orders. The MRTP renewal applications were timely filed in accordance with FDA direction, and we believe that we should be permitted to continue to use the modified risk claim with respect to those products that received modified risk orders until the FDA decides on the MRTP renewal applications.

Premarket tobacco applications for certain *ZYN* products, which are currently marketed in the U.S., were submitted in March 2020. In the same month, these applications were filed for scientific review and in July 2020 the FDA issued a deficiency letter which Swedish Match USA, Inc. addressed in September 2020. The FDA has not completed its review of such applications but, consistent with its practice concerning products with respect to which applications were filed prior to a September 9, 2020 deadline, the FDA has not taken enforcement action to prevent these *ZYN* products from being marketed or indicated that it intends to do so. After the September 9, 2020 deadline, we also submitted additional applications for authorization to market other *ZYN* products. We are unable to market these products until the FDA authorizes such applications. In April 2024, we submitted MRTPAs for *ZYN* products currently marketed in the U.S. and requested authorization of the modified risk claim. As these applications proceed through the review process, the FDA may request additional information or conduct subsequent inspections to verify the submitted information.

On April 29, 2024, we submitted the Annual Report for the *IQOS* Tobacco Heating System ("THS") to the FDA. The report included a systematic review of the literature covering publications related to the *IQOS* THS between March 1, 2023 and February 29, 2024. The report included publications in various scientific fields including aerosol chemistry and physics, standard and systems toxicology, clinical studies on exposure reduction to HPHCs, and observational studies. Overall, the review continues to support the finding that *IQOS* THS is "appropriate for the promotion of public health."

Some states and municipalities in the U.S. have introduced stringent restrictions on the sale of certain SFPs, including those authorized by the FDA. We believe that many of those restrictions on FDA-authorized products are unlikely to advance public health and instead are likely to limit adult consumer access to products that are shown to be a better alternative to continued cigarette smoking.

In March 2020, the FDA issued a final rule to require new text and graphic health warnings on cigarette packs and advertisements. HTPs are technically covered by this rule; however, the FDA stated that it would make product-specific decisions about health warnings when issuing or revising individual product or marketing orders. This approach would be consistent with the original marketing order granted for *Heatsticks* where the FDA required us to remove the Surgeon General's health warning for carbon monoxide from our packaging and advertising, and to use a nicotine addiction health warning instead. We are committed to providing adult consumers with complete, accurate, and non-misleading information about possible health risks associated with our products. We shared our views with the FDA on the application of the new warnings to our HTPs. The final rule is the subject of litigation in the U.S. and was previously vacated nationwide by a federal court in December 2022. In March 2024, the decision to vacate was reversed by a U.S. appellate court and the lower court was directed to consider additional issues. Proceedings remain ongoing. We are not a party to this litigation.

On March 8, 2023, the FDA proposed new requirements for tobacco product manufacturers regarding the manufacture, design, packing and storage of their products. The FDA stated that these proposed requirements would help protect public health by, among other things, minimizing or preventing contamination and limiting additional risks by ensuring product consistency. The FDA held a public hearing on April 12, 2023, to gather additional comments from stakeholders, including the industry, the scientific community, advocacy groups, and the public. The proposed rule was also made available for public comment for 180 days. The FDA will review all comments as part of the rulemaking process for this rule. PMI welcomes the FDA's rule under section 906(e) of the Federal Food, Drug, and Cosmetic Act and shared its views with the FDA in September 2023 on this important foundational rule.

In April 2022, the FDA issued two proposed product standards that would (a) prohibit menthol as a characterizing flavor in cigarettes; and (b) prohibit characterizing flavors in cigars. In doing so, the FDA specifically requested comments as to whether the rule addressing menthol in cigarettes should contain an exemption process for certain tobacco products, including heated tobacco products, that meet the definition of cigarette and thus fall within the scope of the proposed rule. We submitted comments to the FDA in August 2022, explained why we believe any prohibition should not extend to FDA-authorized smoke-free products, and otherwise advocated for an automatic exemption for smoke-free products authorized through the PMTA or MRTP review pathways. The FDA has not completed rulemaking with respect to either of these two proposed product standards, and it is uncertain whether these product standards will be finalized and, if so, when. In October 2023, the FDA submitted the proposed product standards to the White House Office of Management and Budget for review. It is possible that the FDA will not accept our comments to the proposed product standard and that the menthol product standard, if finalized, will encompass menthol heated tobacco consumables.

FDA actions may influence the regulatory approach of other governments and international regulatory agencies.

Currently, national standards in certain countries set minimum quality and safety requirements for heat-not-burn products with technical heat-not-burn specifications and/or methods for demonstrating the absence of combustion. These standards are mandatory in Armenia, Bahrain, Egypt, Jordan, Lebanon, the Philippines, Saudi Arabia, Tajikistan, Tunisia, the UAE and Uzbekistan, and voluntary in Algeria, Colombia, Costa Rica, Dominican Republic, Indonesia, Kazakhstan, Kyrgyzstan, Morocco, Russia, Vietnam, the U.K. and Ukraine. In Japan, a voluntary standard sets minimum safety requirements for tobacco heating devices.

For e-vapor products (e.g., e-cigarettes), national standards setting minimum quality and safety requirements have been adopted in several markets. These standards are mandatory in Armenia, Bahrain, China, Egypt, Jordan, New Zealand, the Philippines, Russia, United Arab Emirates, and Saudi Arabia and Tajikistan, and voluntary in Azerbaijan, Costa Rica, Dominican Republic, France, Indonesia, Kazakhstan, the Philippines, Russia, the U.K. and Ukraine.

Currently, industry standards setting minimum quality and safety requirements for tobacco-free oral nicotine products (e.g., nicotine pouches) have been adopted in Armenia, Pakistan, Sweden, the U.K., and Ukraine. These standards are voluntary.

We expect other governments to consider similar product standards for all novel tobacco and nicotine-containing products and encourage making them mandatory.

All EU member states have transposed the EU TPD, including the provisions on novel tobacco products, such as heated tobacco units, and e-cigarettes. Most of the EU member states require a notification submitted six months before the intended placing on the market of such products, while some require pre-market authorizations for the introduction of such products. To date, we have filed a comprehensive dossier summarizing our scientific assessment of our Platform 1 product in over 20 member states.

On March 23, 2023, the Greek Ministry of Health authorized a claim for *IQOS* with *HEETS AMBER* to inform Greek *IQOS* users about reduction in emissions of toxicants when using such product compared to cigarette smoking. The decision authorized the following claim: “The concentration of chemical substances with recognized toxicity produced when using *IQOS* with *HEETS AMBER* tobacco sticks is lower compared to conventional smoking. A reduction in the concentration of chemical substances with recognized toxicity does not mean a corresponding reduction in risk for health. The aerosol of this tobacco product contains nicotine and other hazardous chemicals. This tobacco product harms your health and is addictive. The best choice is to quit tobacco and nicotine use altogether.” With this authorization, Greece is the second country officially recognizing the reduction in level of toxicants in the *IQOS* aerosol compared to cigarette smoke.

On September 12, 2022, Norway rejected a submission for authorization of *HEETS* as a novel tobacco product. Norway partially transposed the EU TPD under the European Free Trade Association agreement and introduced an authorization system for novel tobacco products following Article 19 of TPD. To date, Norway has not granted authorization of any novel tobacco product, including e-cigarettes and tobacco free nicotine pouches.

To date, several governmental agencies have published their scientific findings that analyze the harm-reduction potential of certain SFPs versus continuing to smoke cigarettes, including:

In December 2017, at the request of the U.K. Department of Health and Public Health England, the U.K. Committee on Toxicity published its assessment of the risk of heat-not-burn products relative to cigarette smoking. This assessment included analysis of scientific data for two heat-not-burn products, one of which was our Platform 1 product. The assessment concluded that, while still harmful to health, compared with the known risks from cigarettes, heat-not-burn products are probably less harmful. Subsequently, in February 2018, Public Health England published a report stating that the available evidence suggests that heat-not-burn products may be considerably less harmful than cigarettes but more harmful than e-cigarettes.

In May 2018, the German Federal Institute for Risk Assessment (“BfR”) published a study on the Platform 1 aerosol relative to cigarette smoke using the Health Canada Intense Smoking Regimen. BfR found reductions in selected HPHCs in a range of 80-99%. This publication indicates that significant reductions in the levels of selected toxicants are likely to reduce toxicant exposure, which BfR stated might be regarded as a discrete benefit compared to combustible cigarettes.

In May 2018, the Dutch National Institute for Public Health and Environment (“RIVM”) published a factsheet on novel tobacco products that heat rather than burn tobacco, focusing on our Platform 1 product. RIVM analyzed the aerosol generated by our Platform 1 product and concluded that the use of this product, while still harmful to health, is probably less harmful than continuing to smoke cigarettes.

In June 2018, the Korean Food and Drug Administration (“KFDA”) issued a statement on products that heat rather than burn tobacco. The KFDA tested three heat-not-burn products, one of which was our Platform 1 product. The KFDA confirmed that the levels of the nine HPHCs tested in the aerosol of these products were on average approximately 90% lower compared to those measured in the cigarette smoke of the top five cigarette brands in South Korea. However, the KFDA stated that it could not establish that the tested heat-not-burn products are less harmful than cigarettes. In October 2018, our Korean subsidiary filed a request with a local court seeking information underlying KFDA’s analysis, conclusions and public statements. In May 2020, the court ordered KFDA to produce certain records. Subsequent to that decision, and after exchanges between the parties, the case was closed.

In August 2018, the Science & Technology Committee of the U.K. House of Commons published a report of its inquiry into e-cigarettes and heat-not-burn products. The report concluded that e-cigarettes are significantly less harmful to health than smoking tobacco. The report also observed that for those smokers who do not accept e-cigarettes, heat-not-burn products may offer a public health benefit despite their relative risk. The report called for a risk-proportionate regulatory environment for both e-cigarettes and heat-not-burn products and noted that e-cigarettes should remain the least taxed, cigarettes the most taxed, with heat-not-burn products falling between the two. The U.K. Committee on Advertising Practice announced the removal of a prohibition of health claims in the advertising of e-cigarettes in the U.K., effective November 2018.

In November 2018, the Eurasian Economic Commission (regulatory body of the Eurasian Union consisting of Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia) published the results of its commissioned study on novel nicotine-containing

products, including our Platform 1 product. The study confirms significantly lower levels of HPHCs in the aerosol generated by this product compared to cigarette smoke.

In January 2019, scientific media published the results of the study of the China National Tobacco Quality Supervision and Test Centre (“CNTQST”) comparing the aerosol generated by our Platform 1 product with cigarette smoke. The CNTQST found that the former contained fewer, and lower levels of, harmful constituents than the latter and concluded that the lower temperature of heating tobacco in our Platform 1 product contributed to the difference. The CNTQST stated that the reduction in emissions of harmful constituents cannot be interpreted as a harm/risk reduction for cigarette smokers in the same proportion.

In April 2020, the Superior Health Council of Belgium (“SHC”) published results of its inquiry into heat-not-burn products. The SHC concluded that heat-not-burn products, while not safe, have a more favorable toxicity profile than cigarettes. However, in light of the uncertainty of such products’ short and long-term impacts, the toxic effects of the dual use with cigarettes, and the existence of approved smoking cessation tools, the SHC recommended that current regulations for cigarettes should apply to heat-not-burn products.

In June 2022, the SHC published new advice on e-cigarettes in which they confirm that e-cigarettes are substantially less harmful than smoking cigarettes and, therefore, a better alternative for smokers. The SHC underlines that the vast majority of the risks of tobacco smoking are not caused by nicotine, but by the harmful substances that are released by the combustion of tobacco. Based on the cited science, the SHC calls for legislation that makes a clear distinction between cigarettes and e-cigarettes by focusing on better informing smokers about the benefits of the lower-risk (but not risk-free) alternative, as well as on protecting non-smokers and young people.

The foregoing scientific findings of government agencies may not be indicative of the measures that the relevant government authorities could take in regulating our products.

We make our scientific findings publicly available for scrutiny and peer review through several channels, including our websites. From time to time, adult consumers, competitors, members of the scientific community, and others inquire into our scientific methodologies, challenge our scientific conclusions or request further study of certain aspects of our SFPs and their health effects. We are committed to a robust and open scientific debate and believe that such debate should be based on accurate and reliable scientific information. We seek to provide accurate and reliable scientific information about our SFPs; nonetheless, we may not be able to prevent third-party dissemination of false, misleading or unsubstantiated information about these products. The dissemination of scientifically unsubstantiated information or studies with a strong confirmation bias by third parties may cause confusion among adult smokers and affect their decision to switch from continued smoking to better alternatives, such as our SFPs.

To date, we have been largely successful in demonstrating to regulators that our heated tobacco units are not cigarettes due to the absence of combustion, and as such, they are generally taxed either as a separate category or as other tobacco products, which typically yields more favorable tax rates than cigarettes. Although we believe that this is sensible from the public health perspective, we cannot guarantee that regulators will continue this approach.

There can be no assurance that we will succeed in our efforts to replace cigarettes with SFPs or that regulation will allow us to commercialize SFPs in all markets, to communicate about our SFPs, including making scientifically substantiated risk-reduction claims, or to treat SFPs differently from cigarettes.

Legal Challenges to SFPs: We face various administrative and legal challenges related to certain SFP activities, including allegations concerning product classification; advertising, distribution and sales restrictions; corporate communications; product coach activities; scientific substantiation; product liability; and unfair competition. While we design our programs to comply with relevant regulations, we expect these or similar challenges to continue as we expand our efforts to commercialize SFPs and to communicate with the public. The outcomes of these matters may affect our SFP commercialization and public communication activities and performance in one or more markets.

On June 11, 2024, Swedish Match North America LLC (“SMNA”) received a subpoena from the office of the Attorney General of the District of Columbia (“D.C.”). The subpoena requests, among other things, information concerning SMNA’s compliance with D.C.’s licensing regulations, age-verification requirements, and prohibition on the sale of flavored tobacco products, including with respect to ZYN nicotine pouches. SMNA is cooperating with the investigation and is conducting a full review of its sales and supply chain arrangements in D.C. and other U.S. localities where flavor bans may apply.

As part of its sales and supply chain review, SMNA has discontinued sales through the e-commerce shop associated with ZYN.com and direct sales to dedicated online retailers in the United States indefinitely. U.S. e-commerce has represented a small fraction of sales of SMNA in the United States, and the current network of approximately 170,000 brick-and-mortar retailers will remain SMNA's focus.

Our SFP Business Development Initiatives: In December 2013, we established a strategic framework with Altria Group, Inc. ("Altria") setting out terms on how the parties would collaborate to develop and commercialize e-vapor products and commercialize two of our SFPs in the U.S. In late 2018, Altria announced that it will participate in the e-vapor category only through another e-vapor company in which Altria acquired a minority interest. In September 2019, Altria's subsidiary, Philip Morris USA Inc. ("PM USA"), began commercialization of a version of our Platform 1 product in the U.S. Under the agreement, PM USA was required to achieve certain milestones in order to maintain its exclusive distribution right and additional milestones in order to extend the agreement after the initial 5-year term. On October 20, 2022, PMI announced that it had reached an agreement with Altria to terminate the companies' commercial relationship covering IQOS in the U.S. As of April 30, 2024, PMI holds the full rights to commercialize IQOS in the U.S. For more details, see Part I, Item 1. *Financial Statements*— Note 18. *Acquisitions and Divestitures* to our condensed consolidated financial statements in this report.

In January 2020, we announced an agreement with KT&G, a leading tobacco and nicotine company in South Korea, for the commercialization of KT&G's smoke-free products outside of South Korea on an exclusive basis. On January 30, 2023, we announced a renewal and extension of this arrangement. For more information, see *Acquisitions, Divestitures and Other Business Arrangements* below.

Other Developments: In September 2017, we announced our support of the Foundation for a Smoke-Free World (the "Foundation"). The Foundation is an independent, nonprofit organization dedicated to reducing the health impacts of smoking as set out in its Articles of Incorporation and its Bylaws. In September 2020, our pledge agreement with the Foundation was amended. We contributed \$45 million in 2020, \$40 million in 2021, \$17.5 million in 2022, and had expected to contribute up to \$35 million annually from 2023 through 2029, as specified in the amended pledge agreement. In 2023, the Foundation and PMI agreed to terminate the existing pledge agreement and PMI has made final grant payments totaling \$140 million, commensurate with the early termination of the pledge agreement.

Governmental Investigations

From time to time, we are subject to governmental investigations on a range of matters, including tax, customs, antitrust, advertising, and labor practices. We describe certain pending matters in Note 8. *Contingencies*.

In November 2010, a World Trade Organization ("WTO") panel issued its decision in a dispute between the Philippines and Thailand, concerning a series of Thai customs and tax measures affecting cigarettes imported by Philip Morris (Thailand) Limited ("PM Thailand") into Thailand. The decision concluded that Thailand had no basis to find that PM Thailand's declared customs values and taxes paid were too low, as alleged by the Thai government and created obligations for Thailand to revise its laws, regulations, or practices affecting the customs valuation and tax treatment of future cigarette imports. Thailand agreed to fully comply with the decision, but the Philippines asserts that to date Thailand has not fully complied with the WTO panel decision and commenced challenges at the WTO Appellate Body. The WTO Appellate Body is not operational, and the appeals by Thailand are suspended indefinitely. In December 2020, the Philippines and Thailand agreed to pursue facilitator-assisted discussions aimed at progressing and resolving outstanding issues and the countries have since agreed to seek the establishment of a bilateral consultative mechanism, with the goal of reaching a comprehensive settlement of their dispute, consistent with their rights and obligations under the WTO Agreements, as well as the recommendations and rulings of the WTO Dispute Settlement Body.

War in Ukraine

In Ukraine, our main priority remains the safety and security of our employees and their families in the country. We continue commercial activities in select locations where safety allows, in order to provide product availability and service to adult consumers, and supplies the market from production centers outside Ukraine, as well as through a contract manufacturing arrangement. Production at our factory in Kharkiv remains suspended. On June 20, 2023, we announced the investment of \$30 million in a new production facility in the Lviv region, in Western Ukraine. Preparatory work for the facility began in July 2023. The new production facility was completed at the end of the first quarter of 2024 and local production commenced in April 2024. As of September 30, 2024, our Ukrainian operations had approximately \$0.6 billion in total assets, excluding intercompany balances.

In Russia, we are continuously assessing the evolving situation in the country. This includes regulatory constraints in the market entailing very complex terms and conditions that must be met for any divestment transaction to be granted approval by the authorities, and restrictions resulting from international regulations. In the event of a divestment, our ability to fully realize the value of the business would likely be subject to material impairment. As of September 30, 2024, our Russian operations had approximately \$2.9 billion in total assets, excluding intercompany balances, of which approximately \$1.0 billion consisted of cash and cash equivalents held mostly in local currency (Russian rubles).

Additionally, we hold a 23% equity interest in Megapolis Distribution B.V., the holding company of JSC TK Megapolis (formerly CJSC TK Megapolis), pursuant to Dutch law, PMI's distributor in Russia. On July 18, 2024, the Ministry of Industry and Trade filed a petition before the Arbitrazh Court of Moscow seeking the forced localization of JSC TK Megapolis. For further details, see Note 8. *Contingencies* and Note 12. *Related Parties – Equity Investments and Other*.

These developments above have and will continue to have a material adverse impact on our business, results of operations, cash flows and financial position, and may result in impairment charges.

For further details, see "Trade Policy" and "Cautionary Factors That May Affect Future Results" sections of this MD&A.

Impact of Inflation on Our Business and Mitigation Efforts

Like many other global companies, we have experienced inflationary pressures in 2022, 2023 and the first nine months of 2024, including: growing pressures on the cost of certain direct materials, wages, energy, transportation, and logistics as well as an increased cost of capital due to interest rate increases driven by the response to increased inflation. For the year ended December 31, 2023, the impact on cost of sales was approximately \$580 million and while tobacco leaf costs remain a headwind we expect certain inflationary elements to ease, with a more moderate overall increase in 2024. This impact has been, and we expect it to continue to be, significantly offset by the positive elements of pricing, productivities and the mitigating factors as we progress through the year. The net result of the inflationary impacts and our efforts to mitigate these impacts were not material to PMI during these periods.

Inflationary impacts driven by higher wages have resulted from merit increases that reflect local inflation as we continuously evaluate our compensation and benefit offerings to be competitive with the current market. Increased transportation costs resulted from increased shipping rates for all modes of transportation (air, ocean and inland) due to ocean and air capacity constraints. Increases in cost of sales resulted from higher cost of direct materials due to the pass on of energy, transportation, labor and commodity price increases from suppliers as well as increases in utility costs, including gas and electricity prices, primarily in Europe resulting from the war in Ukraine. Raw materials such as tobacco leaf have longer inventory durations which resulted in insignificant inflationary impacts to our cost of sales in 2022; however tobacco leaf purchases in both 2022 and 2023 were at higher prices due to inflationary impacts on fertilizer prices and labor costs, thus resulting in increases in the cost of inventory with corresponding impacts on our financial results in 2023 and continuation in 2024. In addition, our cash flow from operating activities in 2023 was impacted by the net working capital investment related to the procurement of tobacco leaf inventory and higher cost of direct materials. We expect certain of these inflationary elements to ease in 2024 as noted above.

We have taken several actions to mitigate these inflationary pressures. Mitigation efforts have included (i) indexation clauses related to commodity costs and energy pricing within contracts, (ii) tactical inventory purchases, (iii) identification of new suppliers in different geographical locations for incremental sourcing, (iv) increasing tobacco leaf inventory durations to secure additional volumes at favorable prices, (v) optimizing the mix of tobacco leaf origins and suppliers, (vi) continuous evaluation of shipping routes and methods of shipment, (vii) supplier negotiations, (viii) variable contract durations for energy costs, (ix) hedging strategies, and (x) other pricing, productivity and procurement initiatives.

Asset Impairment and Exit Costs

We discuss asset impairment and exit costs related to restructuring activities in Note 15. *Asset Impairment and Exit Costs* to our condensed consolidated financial statements.

U.S. GAAP Treatment of Highly Inflationary Economies

We apply highly inflationary accounting to the results of operations of our subsidiaries in Argentina, Turkey and Lebanon as the cumulative inflation rate in these economies for a three-year period meets or exceeds 100%, in accordance with U.S. GAAP. As a result, monetary assets and liabilities denominated in local currencies are remeasured to the U.S. Dollar at each balance sheet date, with remeasurement gains and losses recognized in consolidated statement of earnings.

This impact of currency fluctuations could negatively impact our financial condition and results of operations. For the nine months ended September 30, 2024 and 2023, exchange gains (losses) recognized resulting from remeasurement adjustments related to highly inflationary accounting, were not material.

Climate Change Laws and Regulations

While, to date, the effect of climate-related laws and regulations on PMI has not been material to our business, results of operations or financial condition, consideration of environmental and climate-related laws and regulations is an integral aspect of PMI's climate-related risk assessment process. To this end, we actively monitor the existing and potential impact on PMI of significant pending or existing climate change-related legislation, regulations, international accords, reporting frameworks, standards, principles, and other forms of guidance. Examples include, but are not limited to, the EU Emissions Trading System, the 2015 Paris Climate Agreement, the work of the International Financial Reporting Standards Foundation, including the International Sustainability Standards Board proposed climate standard and the recommendations of the Task Force on Climate-related Financial Disclosures, the SEC's rules regarding climate-related disclosures, the California Climate Corporate Accountability Act, the California Greenhouse Gases: Climate-Related Financial Risk Act, the Task Force on Nature-related Financial Disclosures, the EU Corporate Sustainability Reporting Directive, the EU Taxonomy Regulation, the EU Deforestation Regulation, the EU Corporate Sustainability Due Diligence Directive, CDP, the GHG Protocol, and carbon tax programs in Europe and Canada.

Acquisitions, Divestitures and Other Business Arrangements

We discuss our acquisitions and divestitures in Note 18. *Acquisitions and Divestitures* to our condensed consolidated financial statements.

KT&G

On January 30, 2023, PMI announced a long-term collaboration with KT&G, South Korea's leading tobacco and nicotine manufacturer, to continue to commercialize KT&G's innovative smoke-free devices and consumables on an exclusive, worldwide basis (excluding South Korea).

The agreement covers fifteen years, to January 29, 2038, with performance-review cycles and associated commitments, based on volume, to be confirmed for each three-year period, to allow flexibility for evolving market conditions.

The agreement gives PMI continued exclusive access to KT&G's smoke-free brands and product-innovation pipeline, including offerings for low- and middle-income markets, that will enhance PMI's existing portfolio of smoke-free products.

Products sold under the agreement will be subject to assessment to ensure they meet the regulatory requirements in the markets where they are launched, as well as PMI's high standards of quality and scientific substantiation. PMI and KT&G will seek any necessary regulatory approvals that may be required on a market-by-market basis.

On July 30, 2024, PMI announced a memorandum of understanding with KT&G. This non-binding memorandum establishes the parties' intent to collaborate on regulatory submissions for those new KT&G heat-not-bum products that PMI selects to commercialize in the U.S. KT&G's new platform products are expected to be launched first outside the U.S. Thereafter, the partners plan to work on a PMTA submission for review by the U.S. FDA, in accordance with the memorandum.

Equity Investments

We discuss our equity investments in Note 12. *Related Parties - Equity Investments and Other* to our condensed consolidated financial statements.

Trade Policy

PMI complies with all applicable trade restrictions and requirements, including sanctions, in the markets in which it operates. We have taken appropriate actions in response to the latest sanctions to ensure full compliance with the relevant restrictions.

We are subject to various trade restrictions imposed by the U.S., the EU, Switzerland, the U.K., and other jurisdictions in which we do business (“Trade Sanctions”), including the trade and economic sanctions administered by the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) and the U.S. Department of State. It is our policy to comply fully with these Trade Sanctions.

Pursuant to specific exemptions or licenses, or where sanctions do not apply to our business, PMI may make sales in countries subject to Trade Sanctions.

We do not do business or sell products in Iran, North Korea or Syria.

We sell cigarettes in Cuba under a distribution agreement. These sales are permitted by U.S. law under a License Exception for Agricultural Commodities, issued by the U.S. Department of Commerce (Bureau of Industry and Security), and specifically granted to our distributor.

Certain states within the U.S. have enacted legislation permitting or requiring state pension funds to divest or abstain from future investment in stocks of companies that do business with certain countries that are sanctioned by the U.S. Because we do business in certain of these countries, consistent with our policy to fully comply with Trade Sanctions and as described above, these state pension funds may have divested of our stock or may not invest in our stock. We do not believe such legislation has had a material effect on the price of our shares.

On June 24, 2021, the EU introduced sanctions in relation to Belarus aimed at specific sectors of the Belarus economy, including the tobacco sector. Subsequently, seven non-EU countries (Norway, Iceland, Liechtenstein, North Macedonia, Bosnia and Herzegovina, Montenegro, and Albania) announced that they “aligned themselves” with the majority of the EU sanctions. Switzerland and the U.K. have also imposed sanctions similar in scope to the EU sanctions.

On August 9, 2021, the U.S. imposed blocking sanctions on certain Belarusian individuals and entities pursuant to an Executive Order, which expanded the bases for the imposition of sanctions, including, among others, by authorizing the imposition by OFAC of blocking sanctions on persons operating in the tobacco sector of the Belarus economy. From 2021 to 2023, the U.S., the EU, the U.K., Switzerland and several other jurisdictions supplemented their respective sanctions lists by including additional Belarusian sanctions targets.

Following the start of the conflict in Ukraine on February 24, 2022, the U.S., the EU, the U.K., Switzerland, Canada, Australia, New Zealand, Singapore, South Korea, Japan and other countries introduced extensive economic sanctions and export controls in relation to Russia. While the introduced sanctions vary from jurisdiction to jurisdiction, they are largely aligned. The restrictions target, among others, the Russian financial, banking, oil, military, aviation and marine sectors. The U.S. has also introduced a prohibition on new investment in the Russian Federation by a U.S. person, wherever located, and authorized the imposition of blocking sanctions on anyone operating in the Russian manufacturing sector. Among sanctions targets are Russian political figures and military personnel, certain oligarchs and journalists, and companies operating in the above-mentioned sectors. Export to Russia of certain luxury goods, and goods and technology which might contribute to Russia’s technological enhancement was banned. Seven non-EU countries (Norway, Iceland, Liechtenstein, North Macedonia, Bosnia and Herzegovina, Montenegro, and Albania) announced that they “aligned themselves” with the majority of the EU sanctions. The U.S., the EU, Switzerland and Japan introduced additional trade restrictions banning, among many other goods, the export of certain non-tobacco materials used to produce cigarettes and heated tobacco consumables in Russia. The EU, Switzerland and the U.K. also prohibited technical assistance and other services related to restricted goods. The EU, Switzerland and the U.K. prohibited import into their territories of certain goods, including cigarettes, among others, which might generate significant revenues for Russia if they originate in Russia or are exported from Russia. The EU and Switzerland prohibited transfer and licensing of intellectual property rights in relation to restricted goods. Additionally, the EU, the U.S., the U.K., Switzerland, Canada, Australia, New Zealand and Ukraine imposed sanctions on Mr. Igor Kesaev, a non-majority shareholder of Megapolis Distribution B.V.

The U.S., the U.K., Switzerland and the EU banned the export of electric accumulators and static converters to Russia. In addition, the U.S., the EU and the U.K. banned the export of electronic cigarettes and similar personal electric vaporizing devices, including IQOS devices. Certain countries have also banned the delivery of services to Russia, such as information

technology consultancy services, accounting and business and management consulting services, or require licenses to continue delivering these services to Russian persons or entities. We are working to mitigate any potential impacts from these restrictions.

Russia introduced certain countermeasures aimed at reducing the effect of Western sanctions. Countermeasures include restrictions on export of certain goods from Russia, including tobacco-related production equipment, restrictions on lending to foreign borrowers, repatriation of dividends and transactions with securities and real estate involving companies from “hostile” countries (i.e., those which introduced sanctions in relation to Russia).

PMI continues to monitor the development of new sanctions and ensure full compliance.

Segment Operating Results – Three Months and Nine Months Ended September 30, 2024

The following discussion compares operating results within each of our segments for the three months and nine months ended September 30, 2024, with the three months and nine months ended September 30, 2023.

Europe:

Financial Summary										
Change Fav./ (Unfav.)					Variance Fav./ (Unfav.)					
<u>Quarters Ended September 30,</u>										
(in millions)	2024	2023	Total	Excl. Curr. & Acquis.	Total	Currency	Acquisitions	Price	Vol/ Mix	Cost/ Other
Net Revenues	\$ 4,121	\$ 3,823	7.8 %	8.7 %	\$ 298	\$ (35)	—	\$ 228	\$ 105	—
Operating Income	\$ 2,020	\$ 1,717	17.6 %	15.5 %	\$ 303	\$ 37	—	\$ 228	\$ 47	(9)

During the quarter, net revenues increased by 7.8%. Net revenues, excluding currency and acquisitions, increased by 8.7%, reflecting: a favorable pricing variance, mainly driven by higher combustible tobacco pricing; and favorable volume/mix, primarily driven by higher HTU volume, partly offset by adverse cigarette mix.

Operating income increased by 17.6%. Operating income, excluding currency and acquisitions, increased by 15.5%, primarily reflecting: the same factors as for net revenues, as well as a favorable comparison to 2023 reflecting the 2023 charge related to the termination of a pledge agreement with the Foundation for a Smoke-Free World of \$60 million; partly offset by higher marketing, administration and research costs.

Financial Summary										
Change Fav./(Unfav.)					Variance Fav./(Unfav.)					
<u>Nine Months Ended September 30,</u>			Excl.							
(in millions)	2024	2023	Total	Curr. & Acquis.	Total	Currency	Acqui- sitions	Price	Vol/ Mix	Cost/ Other
Net Revenues	\$ 11,301	\$ 10,465	8.0 %	7.7 %	\$ 836	\$ 34	\$ —	\$ 596	\$ 206	\$ —
Operating Income	\$ 5,136	\$ 4,551	12.9 %	12.7 %	\$ 585	\$ 6	\$ —	\$ 596	\$ 113	\$ (130)

For the nine months ended September 30, 2024, net revenues increased by 8.0%. Net revenues, excluding currency and acquisitions, increased by 7.7%, primarily driven by the same factors as for the quarter.

The pricing variance for the full year 2023 and the first nine months of 2024 was negatively impacted by the supplemental tax surcharge on heated tobacco products ("HTPs") in Germany, which went into effect in 2022. On March 14, 2024, the Court of Justice of the European Union (the "CJEU") ruled that the German fiscal regulation imposing an additional excise tax on HTPs does not contravene EU law. On May 15, 2024, following the decision issued by CJEU, the Fiscal Court in Dusseldorf (the "FCD") also ruled that the German fiscal regulation imposing an additional excise tax on HTPs does not contravene EU law. The FCD admitted an appeal to the Federal Tax Court. On June 19, 2024, PMI submitted an appeal. The negative impact will continue, at least until the appeal ruling on the legality of the surcharge is concluded. PMI currently accounts for the surcharge as a reduction in net revenues and in accrued liabilities in its results, with amounts withdrawn before May 15, 2024, currently under a payment suspension. The accrued liability balance of \$0.8 billion (excluding interest), existing as of September 30, 2024, may remain until the outcome of the appeal is known. An unfavorable outcome to the appeal would negatively impact PMI's future cash provided by operating activities. A favorable outcome to the appeal would positively impact future PMI's operating results.

Operating income increased by 12.9%. Operating income, excluding currency and acquisitions, increased by 12.7%, primarily reflecting: a favorable comparison to 2023 reflecting the 2023 charge related to the termination of a pledge agreement with the Foundation for a Smoke-Free World of \$60 million and \$47 million related to asset impairment and exit costs in 2023, as well as a favorable pricing variance, mainly driven by higher combustible tobacco pricing; and favorable volume/mix, primarily driven by higher HTU volume, notwithstanding lower cigarette volume; partly offset by higher marketing, administration and research costs, as well as manufacturing costs, including the impact of the EU single-use plastics directive.

Europe - Total Market, PMI Shipment Volume and Market Share Commentaries

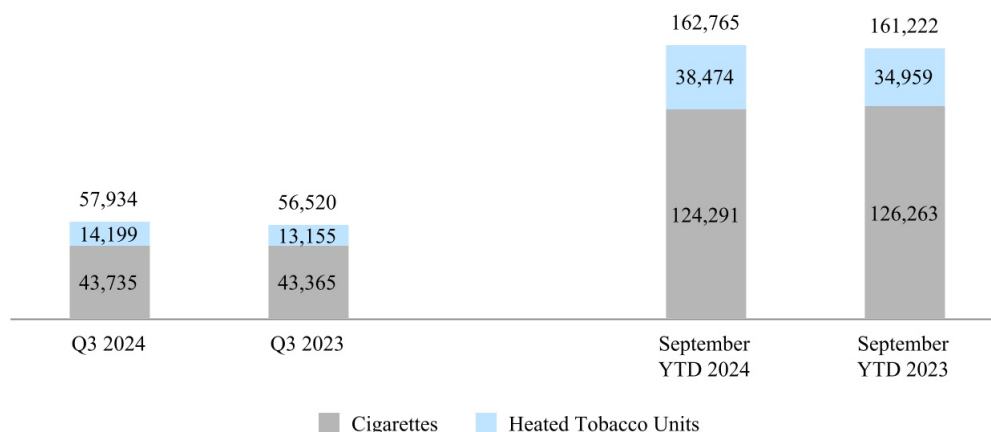
In the third quarter, the estimated total market for cigarettes and HTUs in the Region increased by 1.8% to 148.6 billion units, reflecting a 0.6% increase for cigarettes and continued HTU growth. The increase in the estimated total market was predominantly due to Ukraine (up by 9.4%), Italy (up by 3.5%) and Spain (up by 3.8%), partly offset by France (down by 10.9%), the Netherlands (down by 25.6%), and Belgium (down by 16.2%).

For the nine months year-to-date, the estimated total market for cigarettes and HTUs in the Region was broadly stable, reflecting a 1.5% decrease for cigarettes, largely offset by an increase for HTUs. The decrease in the estimated total market was predominantly due to France (down by 12.8%), the United Kingdom (down by 11.0%), and the Netherlands (down by 18.7%), partly offset by Bulgaria (up by 7.9%), Greece (up by 8.2%), and Poland (up by 1.9%).

Europe Key Data	Third-Quarter			Nine Months Year-to-Date		
	2024	2023	Change % / pp	2024	2023	Change % / pp
PMI Market Share						
Cigarettes	30.1 %	30.5 %	(0.4)	30.1 %	30.4 %	(0.3)
Heated Tobacco Units	9.5 %	8.6 %	0.9	9.7 %	8.8 %	0.9
Total Europe	39.6 %	39.1 %	0.5	39.8 %	39.1 %	0.7

Note: Sum may not foot due to rounding

Europe Shipment Volume (million units)



In the third quarter, our total cigarette and HTU shipment volume in the Region increased by 2.5% to 57.9 billion units. Total cigarette and HTU shipment volume increased notably in Ukraine (up by 12.3%) and Poland (up by 5.7%), and decreased notably in Belgium (down by 25.8%), as well as the Netherlands (down by 24.9%).

Our estimated HTU adjusted in-market sales volume in the Region increased by 11.3% in the quarter, reflecting continued growth momentum for *IQOS*.

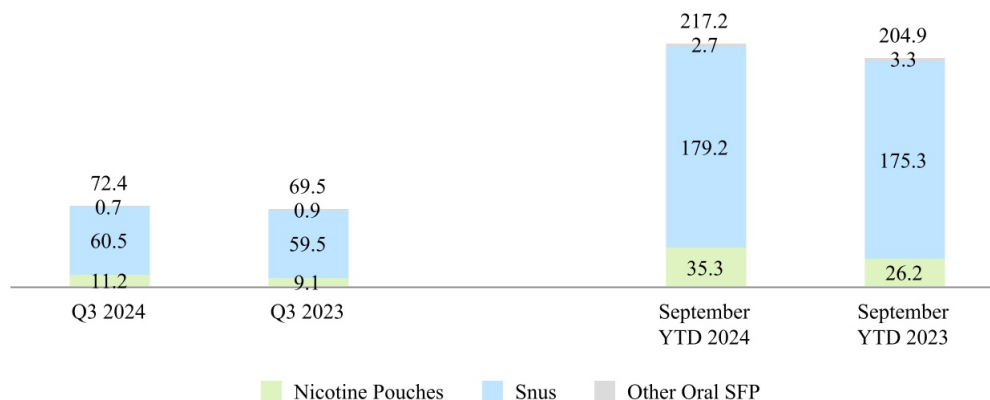
In the third quarter, our HTU share of the total cigarette and HTU market in the Region increased by 0.8 pp on an adjusted basis.

For the nine months year-to-date, our total cigarette and HTU shipment volume in the Region increased by 1.0% to 162.8 billion units. Total cigarette and HTU shipment volume increased notably in Poland (up by 7.1%) and Ukraine (up by 8.7%), and decreased notably in France (down by 18.4%), as well as the Netherlands (down by 18.2%).

For the nine months year-to-date, our estimated HTU adjusted in-market sales volume in the Region increased by 9.2%, reflecting continued growth momentum for *IQOS*, partly offset by the impact from the EU characterizing flavor ban.

For the nine months year-to-date, our HTU share of the total cigarette and HTU market in the Region increased by 0.9 pp on an adjusted basis.

Europe Oral SFP Shipment Volume (million cans)



Other Oral SFP includes chew bags and tobacco bits
Note: Sum may not foot due to rounding

In the third quarter, oral SFP shipments increased by 4.2%, primarily driven by nicotine pouches (up by 23.5%).

For the nine months year-to-date, oral SFP shipments increased by 6.0%, driven by growth of nicotine pouches (up by 34.4%).

SSEA, CIS & MEA:

Financial Summary										
Quarters Ended September 30, (in millions)	Change Fav./ (Unfav.)				Variance Fav./ (Unfav.)					
	2024	2023	Total	Excl. Curr. & Acquis.	Total	Currency	Acquisitions	Price	Vol/ Mix	Cost/ Other
Net Revenues	\$ 2,964	\$ 2,777	6.7 %	12.1 %	\$ 187	\$ (148)	\$ —	\$ 296	\$ 39	\$ —
Operating Income	\$ 960	\$ 823	16.6 %	29.8 %	\$ 137	\$ (129)	\$ 21	\$ 296	\$ 21	\$ (72)

During the quarter, net revenues increased by 6.7%. Net revenues, excluding currency and acquisitions, increased by 12.1%, primarily reflecting: a favorable pricing variance, predominantly driven by higher combustible tobacco pricing; and favorable volume/mix, driven by HTU performance.

Operating income increased by 16.6%. Operating income, excluding currency and acquisitions, increased by 29.8%, primarily reflecting: the same factors as for net revenues, as well as a favorable comparison to 2023 reflecting the 2023 charge related to the termination of a pledge agreement with the Foundation for a Smoke-Free World of \$41 million; partly offset by higher manufacturing costs (primarily due to higher cost of tobacco leaf) and the Egypt sales tax charge of \$45 million in 2024.

Financial Summary										
	Change				Variance					
	Fav./ (Unfav.)				Fav./ (Unfav.)					
<u>Nine Months Ended September 30,</u> (in millions)	2024	2023	Total	Excl. Curr. & Acquis.	Total	Cur- rency	Acqui- sitions	Price	Vol/ Mix	Cost/ Other
Net Revenues	\$ 8,393	\$ 7,922	5.9 %	13.4 %	\$ 471	\$ (593)	\$ —	\$ 680	\$ 306	\$ 78
Operating Income	\$ 2,623	\$ 2,437	7.6 %	30.9 %	\$ 186	\$ (600)	\$ 33	\$ 680	\$ 117	\$ (44)

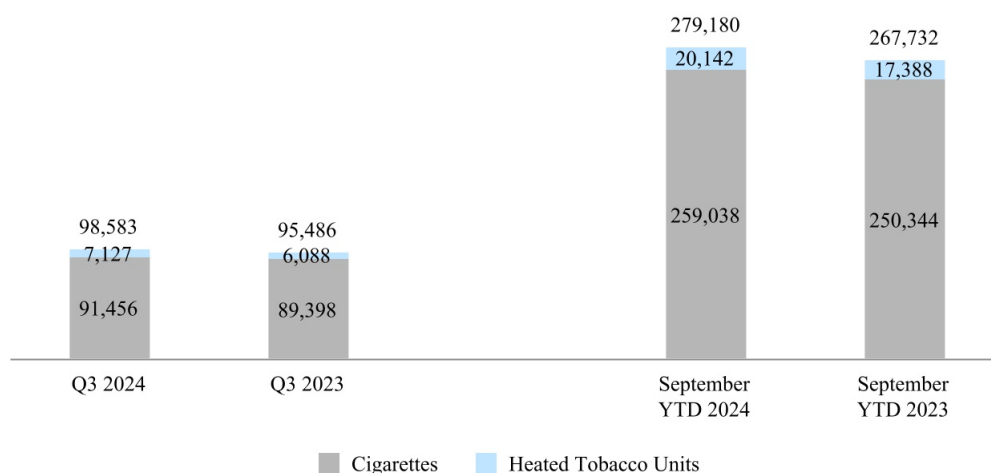
For the nine months ended September 30, 2024, net revenues increased by 5.9%. Net revenues, excluding currency and acquisitions, increased by 13.4%, primarily reflecting: a favorable pricing variance, predominantly driven by higher combustible tobacco pricing; favorable volume/mix, driven by higher cigarette and HTU volume, as well as favorable mix, and a favorable comparison to 2023 due to the charge of \$80 million following the termination of a distribution arrangement in the Middle East (recognized as a reduction of net revenues in 2023).

Operating income increased by 7.6%. Operating income, excluding currency and acquisitions, increased by 30.9%, primarily reflecting: a favorable pricing variance, predominantly driven by higher combustible tobacco pricing; favorable volume/mix, driven by higher cigarette and HTU volume, notwithstanding unfavorable cigarette mix, a favorable comparison to 2023 reflecting a 2023 charge of \$80 million following the termination of a distribution arrangement in the Middle East, a 2023 charge related to the termination of a pledge agreement with the Foundation for a Smoke-Free World of \$41 million and \$32 million related to asset impairment and exit costs in 2023. These increases were partly offset by higher manufacturing costs (primarily due to higher cost of tobacco leaf), and the Egypt sales tax charge of \$45 million in 2024.

SSEA, CIS & MEA - Total Market, PMI Shipment Volume and Market Share Commentaries

In the third quarter, the estimated total market for cigarettes and HTUs in the Region increased by 2.0% to 399.4 billion units. The increase in the estimated total market was mainly due to Egypt (up by 32.4%), Russia (up by 8.3%), and Turkey (up by 9.4%), partly offset by Bangladesh (down by 30.8%), Indonesia (down by 3.3%), and Thailand (down by 17.0%).

For the nine months year-to-date, the estimated total market for cigarettes and HTUs in the Region increased by 2.4% to 1,167.0 billion units. The increase in the estimated total market was mainly due to Turkey (up by 10.4%), Russia (up by 6.4%), and Egypt (up by 9.4%), partly offset by Bangladesh (down by 4.9%), Thailand (down by 15.4%), and the Philippines (down by 5.4%).

SSEA, CIS & MEA Shipment Volume (million units)


In the third quarter, our total cigarette and HTU shipment volume in the Region increased by 3.2% to 98.6 billion units, mainly driven by Turkey (up by 13.1%), partly offset by Indonesia (down by 8.9%). Our estimated HTU adjusted in-market sales volume increased by 20.9%, with 17.1% HTU shipment volume growth.

For the nine months year-to-date, our total cigarette and HTU shipment volume in the Region increased by 4.3% to 279.2 billion units, mainly driven by Turkey (up by 14.9%), partly offset by Indonesia (down by 4.6%). Our estimated HTU adjusted in-market sales volume increased by 15.5%, with 15.8% HTU shipment volume growth.

EA, AU & PMIDE:

Financial Summary										
Quarters Ended September 30, (in millions)	Change Fav./Unfav.)				Variance Fav./Unfav.)					
	2024	2023	Total	Excl. Curr. & Acquis.	Total	Cur- rency	Acqui- sitions	Price	Vol/ Mix	Cost/ Other
Net Revenues	\$ 1,602	\$ 1,571	2.0 %	7.4 %	\$ 31	\$ (85)	\$ —	\$ 71	\$ 45	\$ —
Operating Income	\$ 788	\$ 769	2.5 %	7.8 %	\$ 19	\$ (41)	\$ —	\$ 71	\$ (21)	\$ 10

During the quarter, net revenues increased by 2.0%. Net revenues, excluding currency and acquisitions, increased by 7.4%, reflecting: a favorable pricing variance and favorable volume/mix, mainly driven by higher HTU volume, partly offset by lower cigarette volume.

Operating income increased by 2.5%. Operating income, excluding currency and acquisitions, increased by 7.8%, primarily reflecting: a favorable pricing variance and a favorable comparison to 2023 for a 2023 charge related to the termination of a pledge agreement with the Foundation for a Smoke-Free World of \$24 million. This increase was partly offset by unfavorable volume/mix, driven by cigarettes, and higher marketing, administration and research costs.

Financial Summary										
Nine Months Ended September 30, (in millions)	Change Fav./ (Unfav.)				Variance Fav./ (Unfav.)					
	2024	2023	Total	Excl. Curr. & Acquis.	Total	Currency	Acquisitions	Price	Vol/ Mix	Cost/ Other
Net Revenues	\$ 4,959	\$ 4,771	3.9 %	10.5 %	\$ 188	\$ (314)	\$ —	\$ 289	\$ 213	\$ —
Operating Income	\$ 2,304	\$ 1,963	17.4 %	30.5 %	\$ 341	\$ (257)	\$ —	\$ 289	\$ 53	\$ 256

For the nine months ended September 30, 2024, net revenues increased by 3.9%. Net revenues, excluding currency and acquisitions, increased by 10.5%, reflecting: a favorable pricing variance and favorable volume/mix, mainly driven by higher HTU volume, partly offset by lower cigarette volume.

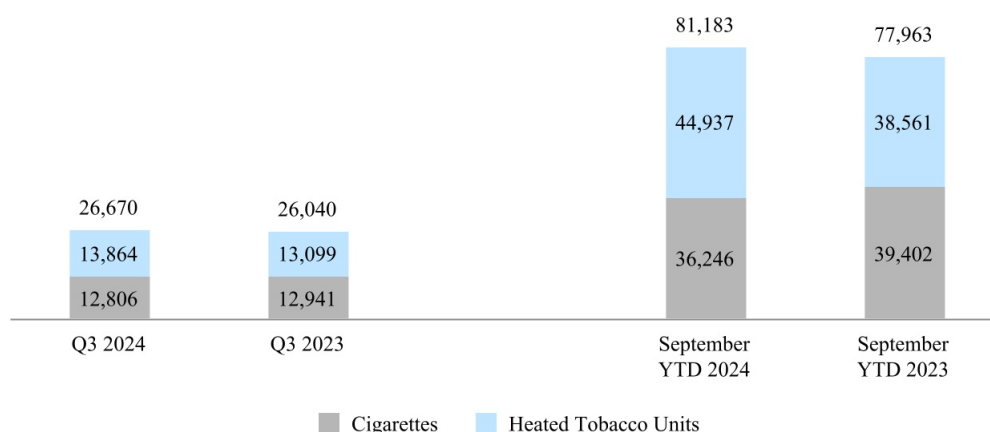
Operating income increased by 17.4%. Operating income, excluding currency and acquisitions, increased by 30.5%, mainly driven by the same factors as for net revenues, as well as a favorable comparison to 2023 reflecting the South Korea indirect tax charge of \$204 million in 2023.

EA, AU & PMI DF - Total Market, PMI Shipment Volume and Market Share Commentaries

In the third quarter, the estimated total market for cigarettes and HTUs in the Region, excluding China, decreased by 1.4% to 82.2 billion units, with a decrease in cigarettes, partly offset by HTU growth. The decrease in the estimated total market was mainly driven by Taiwan (down by 10.0%) and Korea (down by 3.2%), partly offset by International Duty Free (up by 7.2%) and Japan (up by 0.9%).

For the nine months year-to-date, the estimated total market for cigarettes and HTUs in the Region, excluding China was broadly stable, with a decrease in cigarettes, largely offset by HTU growth. The decrease in the estimated total market was mainly driven by Australia (down by 29.0%) and Korea (down by 2.5%), partly offset by International Duty Free (up by 10.9%) and Japan (up by 1.0%).

EA, AU & PMI DF Shipment Volume (million units)



In the third quarter, our total cigarette and HTU shipment volume in the Region increased by 2.4% to 26.7 billion units, driven by Japan (up by 1.5%), partly offset by Australia (down by 30.0%).

Our estimated HTU adjusted in-market sales volume in the Region increased by 15.5% in the quarter, including growth in Japan of 14.3%.

For the nine months year-to-date, our total cigarette and HTU shipment volume in the Region increased by 4.1% to 81.2 billion units, driven by Japan (up by 8.9%), partly offset by Australia (down by 28.2%).

For the nine months year-to-date, our estimated HTU adjusted in-market sales volume in the Region increased by 14.7%, including growth in Japan of 13.4%.

Americas:

Financial Summary										
			Change Fav./ (Unfav.)		Variance Fav./ (Unfav.)					
Quarters Ended September 30, (in millions)	2024	2023	Total	Excl. Curr. & Acquis.	Total	Cur- rency	Acqui- sitions	Price	Vol/ Mix	Cost/ Other
Net Revenues	\$ 1,148	\$ 895	28.3 %	30.5 %	\$ 253	\$ (20)	\$ —	\$ 92	\$ 133	\$ 48
Operating Income	\$ 137	\$ 98	39.8 %	20.4 %	\$ 39	\$ 19	\$ —	\$ 92	\$ 116	\$ (188)

During the quarter, net revenues increased by 28.3%. Net revenues, excluding currency and acquisitions, increased by 30.5%, primarily reflecting: a favorable pricing variance and favorable volume/mix, both predominantly driven by nicotine pouches in the U.S., partly offset by lower cigarette volume and unfavorable cigarette mix outside of the U.S.

Operating income increased by 39.8%. Operating income, excluding currency and acquisitions, increased by 20.4%, mainly reflecting: favorable volume/mix and price variance, mainly due to the same factors as for net revenues; partly offset by higher marketing, administration and research costs, including incremental investment in the U.S., as well as higher amortization of intangibles in 2024.

Financial Summary										
			Change Fav./ (Unfav.)		Variance Fav./ (Unfav.)					
Nine Months Ended September 30, (in millions)	2024	2023	Total	Excl. Curr. & Acquis.	Total	Cur- rency	Acqui- sitions	Price	Vol/ Mix	Cost/ Other
Net Revenues	\$ 3,273	\$ 2,732	19.8 %	18.7 %	\$ 541	\$ 31	\$ —	\$ 146	\$ 364	\$ —
Operating Income	\$ 419	\$ 524	(20.0)%	(34.5)%	\$ (105)	\$ 76	\$ —	\$ 146	\$ 333	\$ (660)

For the nine months ended September 30, 2024, net revenues increased by 19.8%. Net revenues, excluding currency and acquisitions, increased by 18.7%, primarily reflecting: favorable volume/mix, mainly due to growth of ZYN nicotine pouches in the U.S., partly offset by cigarette volume declines outside of the U.S.; and favorable cigarette pricing.

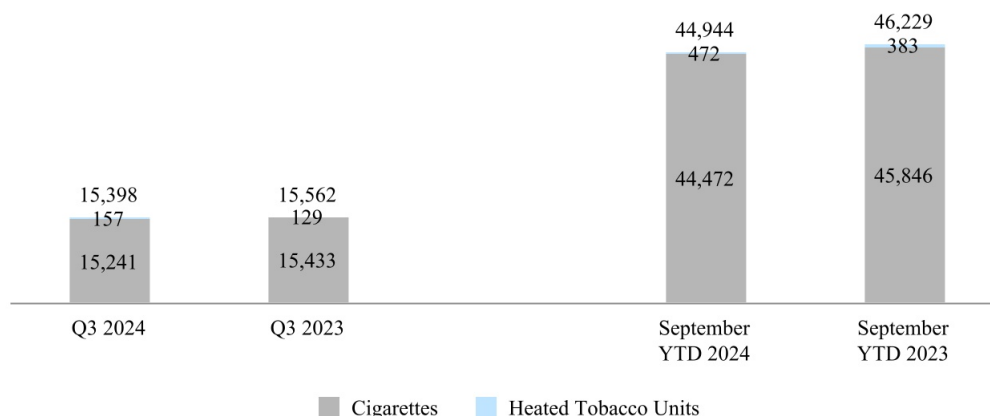
Operating income decreased by 20.0%. Operating income, excluding currency and acquisitions, decreased by 34.5%, mainly reflecting: higher marketing, administration and research costs, including incremental investment in the U.S., higher asset impairment and exit costs and higher amortization of intangibles, partly offset by favorable price variance and favorable volume/mix, mainly due to the same factors as for net revenues.

Americas - Total Market, PMI Shipment Volume and Market Share Commentaries

In the third quarter, the estimated total market for cigarettes and HTUs in the Region, excluding the U.S., decreased by 0.7% to 46.5 billion units, primarily reflecting a decline in the cigarette market. The decrease in the estimated total market was mainly due to Canada (down by 15.4%) and Mexico (down by 5.8%), partly offset by Brazil (up by 12.3%).

For the nine months year-to-date, the estimated total market for cigarettes and HTUs in the Region, excluding the U.S., decreased by 2.1% to 136.1 billion units, primarily reflecting a decline for cigarettes. The decrease in the estimated total market was mainly due to Argentina (down by 11.5%) and Canada (down by 13.1%), partly offset by Brazil (up by 8.5%).

Americas Shipment Volume (million units)

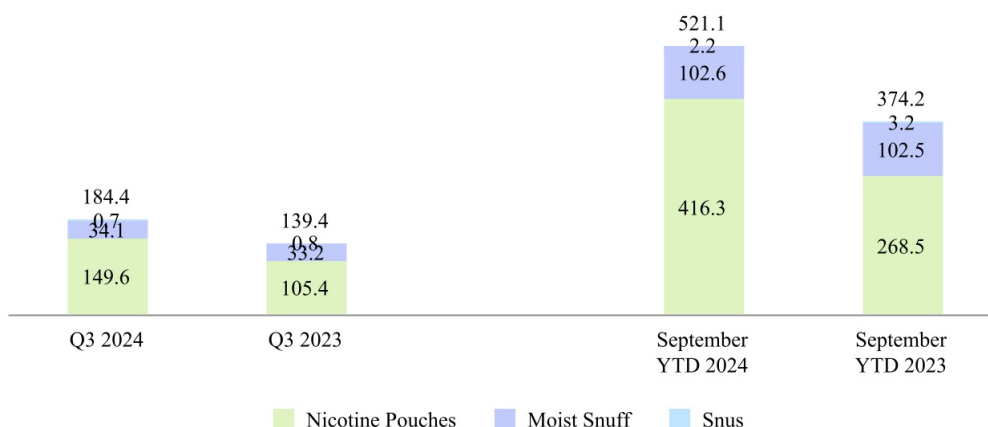


In the third quarter, our total cigarette and HTU shipment volume in the Region decreased by 1.1% to 15.4 billion units, mainly due to Mexico (down by 5.9%) and Argentina (down by 4.3%), partly offset by Brazil (up by 13.6%).

For the nine months year-to-date, our total cigarette and HTU shipment volume in the Region decreased by 2.8% to 44.9 billion units, mainly due to Argentina (down by 11.6%), partly offset by Brazil (up by 10.8%).

For the nine months year-to-date, our cigar shipment volume decreased by 14.6%, predominantly due to trade inventory movements in the prior-year around the April 2023 price increase.

Americas Oral SFP Shipment Volume (1) (million cans)



(1) Excluding U.S. chew

Note: Volumes of other oral SFP introduced in Q3 2024 are not material. Sum may not foot due to rounding.

In the third quarter, oral products shipments increased by 32.3%, predominantly driven by ZYN nicotine pouches in the U.S.

For the nine months year-to-date, oral products shipments increased by 39.3%, predominantly driven by ZYN nicotine pouches in the U.S.

Wellness and Healthcare:

The results of PMI's Vectura Fertin Pharma business are reported in the Wellness and Healthcare segment. The business operations of our Wellness and Healthcare segment are evaluated separately from the geographical segments.

Financial Summary										
Quarters Ended September 30, (in millions)	Change Fav./Unfav.)				Variance Fav./Unfav.)					
	2024	2023	Total	Excl. Curr. & Acquis.	Total	Currency	Acquisitions	Price	Vol/ Mix	Cost/ Other
Net Revenues	\$ 76	\$ 75	1.3 %	2.7 %	\$ 1	\$ (1)	\$ —	\$ 2	\$ —	\$ —
Operating Income / (Loss)	\$ (251)	\$ (37)	-(100)%	-(100)%	\$ (214)	\$ (4)	\$ —	\$ 2	\$ —	\$ (212)

During the quarter, net revenues increased by 1.3%. Net revenues, excluding currency and acquisitions, increased by 2.7%.

The operating loss of \$251 million in 2024 was primarily due to a charge of \$198 million related to the impairment of Vectura Group's expected sale in 2024, as well as research and development, and administration costs. For further details, see Note 18. *Acquisitions and Divestitures*.

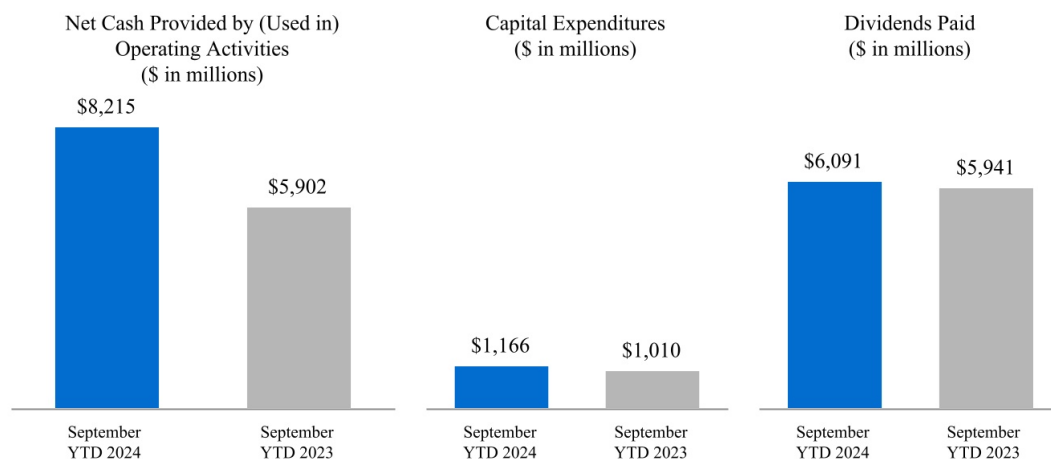
Financial Summary										
Nine Months Ended September 30, (in millions)	Change Fav./Unfav.)				Variance Fav./Unfav.)					
	2024	2023	Total	Excl. Curr. & Acquis.	Total	Currency	Acquisitions	Price	Vol/ Mix	Cost/ Other
Net Revenues	\$ 246	\$ 237	3.8 %	3.4 %	\$ 9	\$ 1	\$ —	\$ 10	\$ —	\$ (2)
Operating Income / (Loss)	\$ (339)	\$ (808)	58.0 %	58.3 %	\$ 469	\$ (2)	\$ —	\$ 10	\$ —	\$ 461

For the nine months ended September 30, 2024, net revenues increased by 3.8%. Net revenues, excluding currency and acquisitions, increased by 3.4%.

The operating loss of \$339 million in 2024 was primarily due to a charge of \$198 million related to the impairment of Vectura Group's expected sale in 2024, as well as research and development, and administration costs. The operating loss in 2023 included an impairment charge of \$680 million consisting of a goodwill impairment of \$665 million and a non-amortizable intangible asset impairment charge of \$15 million. For further details, see Note 4. *Goodwill and Other Intangible Assets, net* and Note 18. *Acquisitions and Divestitures*.

Financial Review

Cash Flow Highlights



(in millions)	For the Nine Months Ended September 30,	
	2024	2023
Net cash provided by (used in) operating activities	\$ 8,215	\$ 5,902
Net cash provided by (used in) investing activities	(1,533)	(3,030)
Net cash provided by (used in) financing activities	(5,378)	(2,685)

Net Cash Provided by (Used in) Operating Activities

During the first nine months of 2024, net cash provided by operating activities was \$8.2 billion as compared to \$5.9 billion in the first nine months of 2023. Excluding unfavorable currency movements of \$1.1 billion, the favorable variance of \$3.4 billion was due primarily to lower working capital requirements of \$1.5 billion and higher currency-neutral net earnings, excluding non-cash depreciation and amortization expense and impairment charges of goodwill and other intangibles, as well as impairment related to Vectura Group's expected sale.

The unfavorable currency movements primarily related to the currency impact on net earnings and represented the fluctuations of the U.S. dollar, especially against the Egyptian pound, Japanese yen and Russian ruble.

The lower working capital requirements in 2024 as compared with 2023 were primarily due to more cash provided by inventories, coupled with less cash used in accrued liabilities and other current assets, mainly reflecting the timing of excise tax-paid inventory movements primarily related to excise tax increases and the timing of the corresponding excise tax payments and less cash used in accounts payable in 2024 primarily due to comparison with 2023 payment for higher *IQOS ILUMA* device purchases in the fourth quarter of 2022 to meet the needs of *ILUMA* launches. The favorable 2024 working capital comparison to 2023 is also impacted by higher 2023 working capital requirements following the higher cost of tobacco leaf and other direct materials due to inflationary pressures (for further details, see "Impact of Inflation on Our Business and Mitigation Efforts" section of this MD&A), as well as tactical stock increases for certain direct materials. These changes in the working capital requirements were partly offset by more cash used in accounts receivable mainly reflecting lower usage of our factoring arrangements to sell trade receivables, as well as the timing of sales and cash collections. For further detail on our factoring arrangements, see Note 13. *Sale of Accounts Receivable*.

For the full year 2024, we currently expect net cash provided by operating activities of approximately \$11 billion at prevailing exchange rates, subject to year-end working capital requirements.

Net Cash Provided by (Used in) Investing Activities

During the first nine months of 2024, net cash used in investing activities was \$1.5 billion as compared to \$3.0 billion in the first nine months of 2023. This decrease in net cash used was primarily due to the remaining cash payment (including interest) to Altria Group, Inc. in July 2023 of \$1.8 billion for PMI to reacquire the *IQOS* commercialization rights in the U.S., partially offset by higher capital expenditures.

Capital expenditures of \$1.2 billion during the first nine months of 2024 increased by \$0.2 billion as compared with the first nine months of 2023. The 2024 capital expenditures were primarily related to our ongoing investments in smoke-free product manufacturing capacity. We expect total capital expenditures in 2024 to be around \$1.4 billion, including further investments in *ZYN* capacity in the U.S.

Net Cash Provided by (Used in) Financing Activities

During the first nine months of 2024, net cash used in financing activities was \$5.4 billion as compared to \$2.7 billion in the first nine months of 2023. The increase in net cash used was primarily due to lower net borrowings in 2024 reflecting lower long-term debt proceeds and higher repayments on short-term borrowings (primarily commercial paper). The increase was partly offset by favorable comparisons to 2023 mainly reflecting repayment on the bridge facility in 2023 related to the Swedish Match acquisition, and payments in 2023 to acquire the remaining issued and outstanding shares in Swedish Match.

Debt and Liquidity

We define cash and cash equivalents as short-term, highly liquid investments, readily convertible to known amounts of cash that mature within a maximum of three months and have an insignificant risk of change in value due to interest rate or credit risk changes. As a policy, we do not hold any investments in structured or equity-linked products. Our cash and cash equivalents are predominantly held with institutions that have investment-grade long-term credit rating.

In a number of jurisdictions, including Argentina and Russia, we are impacted by various capital controls and/or foreign currency exchange constraints that affect the ability of our subsidiaries in these jurisdictions to settle foreign currency denominated imports of goods and services and/or to pay dividends. These factors increase foreign currency devaluation risks, which may have a negative impact on our financial condition, net assets and results of operations in these jurisdictions.

We utilize long-term and short-term debt financing, including a commercial paper program that is regularly used to finance ongoing liquidity requirements, as part of our overall cash management strategy. Our ability to access the capital and credit markets as well as overall dynamics of these markets may impact borrowing costs. We expect that the combination of our long-term and short-term debt financing, the commercial paper program and the committed credit facilities, coupled with our operating cash flows, will enable us to meet our liquidity requirements.

In August 2021, we published a business transformation-linked financing framework (“Framework”), which integrates PMI’s smoke-free transformation into its financing strategy. The Framework outlines the guidelines that we will follow in issuing business transformation-linked financing instruments in the debt capital and loan markets, which may include public notes offerings, private placements, loans, and other relevant financing instruments.

Credit Ratings – The cost and terms of our financing arrangements as well as our access to commercial paper markets may be affected by applicable credit ratings. At September 30, 2024, our credit ratings and outlook by major credit rating agencies were as follows:

	Short-term	Long-term	Outlook
Moody’s	P-1	A2	Stable
Standard & Poor’s	A-2	A-	Stable
Fitch	F1	A	Negative

Revolving Credit Facilities

At September 30, 2024, our committed revolving credit facilities were as follows:

Type (in billions)	Committed Revolving Credit Facilities	
364-day revolving credit, expiring January 28, 2025	\$	1.7
Multi-year revolving credit, expiring February 10, 2026 ⁽¹⁾		2.0
Multi-year revolving credit, expiring September 29, 2026 ⁽²⁾⁽³⁾		2.5
Total facilities	\$	6.2

⁽¹⁾ On January 28, 2022, we entered into an agreement, effective February 10, 2022, to amend and extend the term of our \$2.0 billion multi-year revolving credit facility, for an additional year covering the period February 11, 2026 to February 10, 2027, in the amount of \$1.9 billion.

⁽²⁾ Includes business transformation-linked pricing adjustments that may result in the reduction or increase in both the interest rate and commitment fee under the credit agreement if PMI achieves, or fails to achieve, certain specified targets based on its business transformation goals.

⁽³⁾ On September 20, 2022, we entered into an agreement, effective September 29, 2022, to amend and extend the term of our \$2.5 billion multi-year revolving credit facility, for an additional year covering the period September 30, 2026 to September 29, 2027, in the amount of \$2.3 billion. On September 20, 2023, we entered into an agreement, effective September 29, 2023, to amend and further extend the term to September 29, 2028.

At September 30, 2024, there were no borrowings under the committed revolving credit facilities, and the entire committed amounts were available for borrowing.

All banks participating in our committed revolving credit facilities have an investment-grade long-term credit rating from the credit rating agencies. We continuously monitor the credit quality of our banking group, and at this time we are not aware of any potential non-performing credit provider.

These committed revolving credit facilities do not include any credit rating triggers, material adverse change clauses or any provisions that could require us to post collateral. We expect to continue to meet our covenants.

In addition to the committed revolving credit facilities discussed above, PMI maintains certain short-term credit arrangements, including uncommitted credit lines, to primarily meet working capital needs. These credit arrangements amounted to approximately \$2.2 billion at September 30, 2024, and approximately \$2.7 billion at December 31, 2023. Borrowings under these arrangements and other bank loans amounted to \$152 million at September 30, 2024, and \$283 million at December 31, 2023.

Credit Facilities related to the Financing of the Swedish Match Acquisition

In connection with PMI's all-cash recommended public offer to the shareholders of Swedish Match, on May 11, 2022, PMI entered into a credit agreement relating to a 364-day senior unsecured bridge facility. The facility provided for borrowings up to an aggregate principal amount of \$17 billion, expiring 364 days after the occurrence of certain events unless extended. On June 23, 2022, PMI entered into a €5.5 billion (approximately \$5.8 billion at the date of signing) senior unsecured term loan credit agreement consisting of a €3.0 billion (approximately \$3.2 billion at the date of signing) tranche expiring three years after the occurrence of certain events and a €2.5 billion (approximately \$2.6 billion at the date of signing) tranche expiring on June 23, 2027. In connection with the term loan facility, the aggregate principal amount of commitments under the 364-day senior unsecured bridge facility was reduced from \$17 billion to \$11 billion. On November 11, 2022, PMI acquired a controlling interest of 85.87% of the total issued shares in Swedish Match and acquired 94.81% of its outstanding shares as of December 31, 2022. In accordance with the Swedish Companies Act, PMI subsequently exercised its right to compulsorily redeem the remaining shares for which acceptances were not received and obtained legal title to 100% of the shares in Swedish Match on February 17, 2023.

PMI borrowed \$8.4 billion under the bridge facility by delivering notices of borrowing for advances of \$7.9 billion and \$0.5 billion on November 7, 2022 and November 10, 2022, respectively. On November 21, 2022 and February 17, 2023, PMI repaid \$4.0 billion and \$4.4 billion, respectively, under the bridge facility. Effective February 20, 2023, the remaining outstanding commitments under the bridge facility were fully canceled and the bridge facility agreement was terminated in accordance with its terms.

On November 7, 2022, PMI also delivered notices of borrowing for advances totaling €5.5 billion under the term loan facility, of which €3.0 billion will become due on November 9, 2025 and €2.5 billion will become due on June 23, 2027 unless prepaid pursuant to the terms of the credit agreement. As of September 30, 2024 and December 31, 2023, the €5.5 billion (approximately \$6 billion) term loan facility was fully drawn and remained outstanding.

The proceeds under the bridge facility and the term loan facility were used, directly or indirectly, to finance the acquisition, including, the payment of related fees and expenses.

Commercial Paper Program – We continue to have access to liquidity in the commercial paper market through programs in place in the U.S. and in Europe having an aggregate issuance capacity of \$8.0 billion. At September 30, 2024, we had no commercial paper outstanding. At December 31, 2023, we had \$1.7 billion commercial paper outstanding. The average commercial paper balance outstanding during the first nine months of 2024 was \$1.5 billion. The average commercial paper balance outstanding during 2023 was \$3.6 billion.

Sale of Accounts Receivable – To mitigate credit risk and enhance cash and liquidity management, we sell trade receivables to unaffiliated financial institutions. For further details, see Note 13. *Sale of Accounts Receivable* to our condensed consolidated financial statements.

Supply Chain Financing – We engage with unaffiliated global financial institutions that offer a voluntary supply chain financing program to some of our suppliers. For further details, see Note 17. *Supply Chain Financing* to our condensed consolidated financial statements.

Debt – Our total debt was \$49.2 billion at September 30, 2024 and \$47.9 billion at December 31, 2023.

On February 10, 2023, we filed a shelf registration statement with the U.S. Securities and Exchange Commission, under which we may from time to time sell debt securities and/or warrants to purchase debt securities over a three-year period.

PMI's debt issuances in the first nine months of 2024 were as follows:

(in millions)

Type		Face Value	Interest Rate	Issuance	Maturity
U.S. dollar notes	(a)	\$750	4.750%	February 2024	February 2027
U.S. dollar notes	(a)	\$1,000	4.875%	February 2024	February 2029
U.S. dollar notes	(a)	\$1,250	5.125%	February 2024	February 2031
U.S. dollar notes	(a)	\$1,750	5.250%	February 2024	February 2034
Euro notes	(b) (c)	€500 (approximately \$543)	3.750%	June 2024	January 2031

(a) Interest is payable semi-annually, commencing in August 2024

(b) Interest is payable annually, commencing in January 2025

(c) USD equivalents for foreign currency notes were calculated based on exchange rates on the date of issuance.

The net proceeds from the sale of the securities listed in the table above have been or will be used for general corporate purposes, including working capital requirements, repayment of commercial paper and to refinance certain of our outstanding notes due in 2024.

Guarantees – At September 30, 2024, we have guarantees of our own performance, which are primarily related to excise taxes on the shipment of our products. There is no liability in the condensed consolidated financial statements associated with these guarantees. These guarantees have not had, and are not expected to have, a significant impact on PMI's liquidity.

In August 2024, PMI entered into a guarantee agreement for an equity investee. For further details, see Note 12. *Related Parties – Equity Investments and Other*.

Swedish Match Notes Consent Solicitation and PMI Guarantee

On June 15, 2023, our wholly owned subsidiary, Swedish Match AB ("Swedish Match"), initiated a public consent solicitation of eligible holders of certain outstanding series of its notes to amend certain terms and conditions of these respective notes. The eligible noteholders provided the requisite irrevocable consent instructions voting in favor of the amendments, which were subsequently passed by way of extraordinary resolution at the noteholders' meeting held on July 28, 2023. As a result of the passage of the extraordinary resolution, Philip Morris International Inc. entered into a guarantee, which guarantees unconditionally and irrevocably to the noteholders the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of the principal, premium, if any, and interest on the notes.

Equity and Dividends

We discuss our stock awards as of September 30, 2024 in Note 2. *Stock Plans* to our condensed consolidated financial statements.

On June 11, 2021, our Board of Directors authorized a share repurchase program of up to \$7 billion, with target spending of \$5 billion to \$7 billion over a three-year period. On July 22, 2021, we began repurchasing shares under this share repurchase program. On May 11, 2022, we announced the suspension of our three-year share repurchase program following the recommended public offer to acquire the outstanding shares of Swedish Match from its shareholders. We did not make any share repurchases in 2023 and 2024. Our three-year share repurchase program expired on July 21, 2024.

Dividends paid in the first nine months of 2024 were \$6.1 billion. During the third quarter of 2024, our Board of Directors approved a 3.8% increase in the quarterly dividend to \$1.35 per common share. As a result, the present annualized dividend rate is \$5.40 per common share.

Market Risk

Counterparty Risk - We predominantly work with financial institutions with strong short- and long-term credit ratings as assigned by Standard & Poor's and Moody's. These banks are also part of a defined group of relationship banks. Non-investment grade institutions are only used in certain emerging markets to the extent required by local business needs. We have a conservative approach when it comes to choosing financial counterparties and financial instruments. As such, we do not invest or hold investments in any structured or equity-linked products. The majority of our cash and cash equivalents is currently invested with maturities of less than 30 days.

We continuously monitor and assess the credit worthiness of all our counterparties.

Derivative Financial Instruments - We operate in markets globally with manufacturing and sales facilities in various locations around the world. Consequently, we use certain financial instruments to manage our foreign currency and interest rate exposure. We use derivative financial instruments principally to reduce our exposure to market risks resulting from fluctuations in foreign exchange and interest rates by creating offsetting exposures. We are not a party to leveraged derivatives and, by policy, do not use derivative financial instruments for speculative purposes.

See Note 5. *Financial Instruments* to our condensed consolidated financial statements for further details on our derivative financial instruments and the related collateral arrangements.

Contingencies

See Note 8. *Contingencies* to our condensed consolidated financial statements for a discussion of contingencies.

Cautionary Factors That May Affect Future Results

Forward-Looking and Cautionary Statements

We may from time to time make written or oral forward-looking statements, including statements contained in filings with the SEC, in reports to stockholders and in press releases and investor webcasts. You can identify these forward-looking statements by use of words such as "strategy," "expects," "continues," "plans," "anticipates," "believes," "will," "aspires," "estimates," "intends," "projects," "aims," "goals," "targets," "forecasts" 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 and assumptions. Our SFPs constitute a relatively new product category that is less predictable than our mature cigarette business. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider 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 to differ materially from those contained in any forward-looking statements made by us; any such statement is qualified by reference to the following cautionary statements. We elaborate on these and other risks we face throughout this document, particularly in the Part I, Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations — Business Environment* section in this report. You should understand that it is not possible to predict or identify all risk factors. Consequently, you should not consider the following to be a complete discussion of all potential risks or uncertainties. We do not undertake to update any forward-looking statement that we may make from time to time, except in the normal course of our public disclosure obligations.

Overall Business Risks

We may be unsuccessful in our attempts to introduce, commercialize, and grow smoke-free products in existing and new markets, and regulators may prohibit or significantly restrict the commercialization of these products or the communication of scientifically substantiated information and claims.

Our key strategic priorities are to: (i) continue developing and commercializing products that present less risk of harm to adult smokers who switch to smoke-free products versus continued cigarette smoking; and (ii) encourage and educate current adult smokers who would otherwise continue to smoke cigarettes to switch to those products. For our efforts to be successful, we must:

- develop SFPs that adult smokers who would otherwise continue to smoke cigarettes find to be satisfying alternatives to smoking;
- for those adult smokers, our goal is to offer SFPs with a scientifically substantiated risk-reduction profile that approaches as closely as possible the risk-reduction profile associated with smoking cessation;
- substantiate the reduction of risk for the individual adult smoker and the reduction of harm to the population as a whole, based on scientific evidence of the highest standard that is made available for scrutiny and review by external independent scientists and relevant regulatory bodies; and
- advocate for the development of science-based regulatory frameworks for the development and commercialization of SFPs, including the communication of scientifically substantiated information to enable adult smokers to make better choices.

We might not succeed in our effort to introduce, commercialize, and grow our SFPs in existing and new markets. If we do not succeed, but others do, or if heat-not-burn products are inequitably regulated compared to other SFP categories without regard to the totality of the scientific evidence available for such products, we may be at a competitive disadvantage. In addition, actions of some market participants, such as the inappropriate marketing of e-vapor products to youth, as well as alleged health consequences associated with the use of certain e-vapor products, may unfavorably impact public opinion and/or mischaracterize the health consequences of all e-vapor products or other SFPs to consumers, regulators and policy makers without regard to the totality of scientific evidence available for specific products. This may impede our efforts to advocate for the development of science-based regulatory frameworks for the development and commercialization of SFPs. We cannot predict the extent to which regulators will permit the sale and/or marketing of SFPs. Regulatory restrictions could limit the success of our SFPs.

The World Health Organization (the "WHO") study group on tobacco product regulation published their ninth report on the scientific basis of tobacco product regulation in August 2023. The report is based on a review of scientific evidence related to novel and emerging nicotine and tobacco products, such as electronic nicotine delivery systems ("ENDS"), electronic non-nicotine delivery systems and HTPs. The report concludes by making a number of policy recommendations on HTPs and ENDS that, if implemented, could restrict both the availability of these products and the access to accurate information about them. In August 2021, the FCTC Secretariat published two reports on novel and emerging tobacco products to the Ninth Session of the CoP of the FCTC, which are not materially different from the WHO study group report. Substantive decisions based on these reports were deferred to the Tenth Session of the CoP ("CoP 10"). CoP 10 to the FCTC took place in February 2024. According to reports and decisions published, neither new decisions nor new policy recommendations on novel and emerging tobacco products were adopted. Specific Guidelines were adopted to address cross-border Tobacco Advertising, Promotion, and Sponsorship ("TAPS") and the depiction of tobacco in entertainment media. The Eleventh Session of the CoP is currently scheduled to take place in 2025.

The WHO's reports and other FCTC guidelines or recommendations are not binding on the WHO Member States or on parties to the FCTC, and so it is not possible to predict the extent to which any proposals it adopts will be implemented. However, the WHO proposals could lead to restrictions on the availability of certain of our SFPs and access to accurate information about them in one or more of our markets, which could have a material adverse effect on our results of operations.

Additionally, any claims, regardless of merit, challenging our research and clinical data available to date, may impact the development of science-based regulatory frameworks for the commercialization of the SFP category and the commercialization of the SFP category in general.

Our SFPs and commercial activities for these products are designed for, and directed toward, current adult smokers and users of nicotine-containing products. We put significant effort to restrict access of our products from non-smokers and youth. Despite our efforts, technological, operational, regulatory and/or commercial developments might impact the implementation or effectiveness of youth access prevention mechanisms and surrounding infrastructure. If there is significant usage, whether actual or perceived, of our products or competitive products among youth or non-smokers, even in situations over which we have no control, our reputation and credibility may suffer, the regulatory approach to our products may become more restrictive, and our efforts to advocate for the development of science-based regulatory frameworks for the development and commercialization of SFPs may be significantly impacted.

Moreover, the FDA's premarket tobacco product and modified risk tobacco product authorizations of two versions of our Platform 1 product are subject to strict marketing, reporting and other requirements. Although we have received these authorizations from the FDA, there is no guarantee that the product will remain authorized for sale in the U.S., or that new versions of the product (Platform 1 or other smoke-free platforms) will receive necessary authorizations, particularly if there is a significant uptake in youth or non-smoker initiation.

Premarket tobacco applications for certain ZYN products, which are currently marketed in the U.S., were submitted in March 2020. The FDA has not completed its review of such applications but, consistent with its practice concerning products with respect to which applications were filed prior to a September 9, 2020 deadline, the FDA has not taken enforcement action to prevent these ZYN products from being marketed or indicated that it intends to do so. We also submitted additional premarket tobacco applications for other ZYN products after the deadline, and we are unable to market these products until the FDA authorizes such applications. In April 2024, we submitted MRTPAs for ZYN products currently marketed in the U.S. and requested authorization of the modified risk claim. There is no guarantee that the ZYN products will receive the necessary authorizations from the FDA or that the FDA will allow us to continue to sell the ZYN products currently in the market, pending its review of the applications.

The commercialization of our products in the United States is dependent on successfully managing compliance with federal, state, and local laws, regulations, legal agreements, and related interpretations. Failure to successfully manage compliance and to resolve any disputes that may arise regarding the application of legal and administrative requirements to our products could negatively impact the timing, manner, or success of our SFP commercialization in the United States and could have a material adverse effect on our results of operations, revenues, cash flows, or profitability.

The financial and business performance of our smoke-free products is less predictable than our cigarette business.

Our SFPs are novel products in a relatively new category, and the pace at which adult smokers adopt them may vary, depending on the competitive, regulatory, fiscal and cultural environment, and other factors in a specific market. There may be periods of accelerated growth and periods of slower growth for these products, the timing and drivers of which may be more difficult for

us to predict versus our mature cigarette business. The impact of this lower predictability on our projected results for a specific period may be significant, due to geopolitical or macroeconomic events that negatively impact SFP availability or adoption, which in turn may have a material adverse effect on our results of operations.

We may be unsuccessful in our efforts to differentiate smoke-free products and cigarettes with respect to taxation.

To date, we have been largely successful in demonstrating to regulators that our SFPs are not cigarettes due to the absence of combustion, and accordingly they are generally taxed either as a separate category or as other tobacco products, which typically yields more favorable tax rates than cigarettes. Nevertheless, we are unable to predict whether regulators will be issuing new regulations under which SFPs will be equally taxed in line with other tobacco products such as conventional cigarettes. If we cease to be successful in these efforts, SFP unit margins may be materially adversely affected, which in turn may have a material adverse effect on our results of operations, revenues, cash flows, and profitability.

Consumption of tax-paid cigarettes continues to decline in many of our markets.

This decline is due to multiple factors, including increased taxes and pricing, governmental actions, the diminishing social acceptance of smoking, health concerns, competition, continuing economic and geopolitical uncertainty, and the continuing prevalence of illicit products. These factors and their potential consequences are discussed more fully below and in Part I, Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations — Business Environment* section of this report. A continuous decline in the consumption of cigarettes could have a material adverse effect on our revenue, cash flow and profitability, which in turn may have a material adverse effect on our ability to fund our smoke-free transformation.

Cigarettes are subject to substantial taxes. Significant increases in cigarette-related taxes have been proposed or enacted and are likely to continue to be proposed or enacted in numerous jurisdictions. These tax increases may disproportionately affect our profitability and make us less competitive versus certain of our competitors.

Tax regimes, including excise taxes, sales taxes and import duties, can disproportionately affect the retail price of cigarettes versus other combustible tobacco products, or disproportionately affect the relative retail price of our cigarette brands versus cigarette brands manufactured by certain of our competitors. Because our portfolio is weighted toward the premium-price cigarette category, tax regimes based on sales price can place us at a competitive disadvantage in certain markets. Furthermore, our volume and profitability may be adversely affected in these markets.

In addition, increases in cigarette taxes are expected to continue to have an adverse impact on our sales of cigarettes, due to resulting lower consumption levels, a shift in sales from manufactured cigarettes to other combustible tobacco products and from the premium-price to the mid-price or low-price cigarette categories, where we may be under-represented, from local sales to cross-border purchases of lower price products, or to illicit products such as contraband, counterfeit and other non-compliant or otherwise illicit products.

Each of these risks could have a material adverse effect on our business, operations, results of operations, revenues, cash flow and profitability.

Our business faces significant governmental action aimed at increasing regulatory requirements with the goal of reducing or preventing the use of tobacco or nicotine-containing products.

Governmental actions, combined with the diminishing social acceptance of smoking and private actions to restrict smoking, have resulted in reduced industry volumes for our products in many of our markets, and we expect that such factors will continue to reduce consumption levels and will increase down-trading and the risk of counterfeiting, contraband, illicit trade and cross-border purchases. Significant regulatory developments will continue to take place over the next few years in most of our markets, driven principally by the Framework Convention on Tobacco Control (the "FCTC"). Since it came into force in 2005, the FCTC has led to increased efforts by tobacco control advocates and public health organizations to promote increasingly restrictive regulatory measures on the marketing and sale of tobacco and nicotine-containing products to adult nicotine users. Regulatory initiatives that have been proposed, introduced or enacted by governmental authorities in various jurisdictions include:

- restrictions on or licensing of outlets permitted to sell tobacco or nicotine-containing products;
- the levying of substantial and increasing tax and duty charges;
- restrictions or bans on advertising, marketing and sponsorship;

- the display of larger health warnings, graphic health warnings and other labeling requirements;
- restrictions on packaging design, including the use of colors, and mandating plain packaging;
- restrictions on packaging and cigarette formats and dimensions;
- restrictions or bans on the display of product packaging at the point of sale and restrictions or bans on vending machines;
- generation sales bans, under which the sale of certain tobacco or nicotine-containing products to people born after a certain year would be prohibited;
- requirements regarding testing, disclosure and performance standards for tar, nicotine, carbon monoxide and/or other smoke or product constituents;
- disclosure, restrictions, or bans of tobacco product ingredients, including bans on the flavors of certain tobacco and nicotine-containing products;
- increased restrictions on smoking and use of tobacco and nicotine-containing products in public and work places and, in some instances, in private places and outdoors;
- restrictions or prohibitions of novel tobacco or nicotine-containing products or related devices;
- elimination of duty free sales and duty free allowances for travelers;
- restrictions in terms of importing or exporting our products impacting our logistics activities and ability to ship our products;
- encouraging litigation against tobacco companies; and
- excluding tobacco companies from transparent public dialogue regarding public health and other policy matters.

Our financial results could be materially affected by regulatory initiatives resulting in a significant decrease in demand for our brands. More specifically, requirements that lead to a commoditization of tobacco products or impede adult consumers' ability to convert to our SFPs, as well as any significant increase in the cost of complying with new regulatory requirements could have a material adverse effect on our financial results.

Changes in the earnings mix and changes in tax laws may result in significant variability in our effective tax rates. Our ability to receive payments from foreign subsidiaries or to repatriate royalties and dividends could be restricted by local country currency exchange controls and other regulations.

We are subject to income tax laws in the United States and numerous foreign jurisdictions. Changes in the U.S. tax system, including significant increases in the U.S. corporate income tax rate and the minimum tax rate on certain earnings of foreign subsidiaries could be enacted. Such changes could have a material adverse impact on our effective tax rate thereby reducing our net earnings. Further changes in the tax laws of foreign jurisdictions could arise as a result of the base erosion and profit shifting project undertaken by the Organisation for Economic Co-operation and Development, which recommended changes to numerous long-standing tax principles, and could have a material adverse impact on our effective tax rate thereby reducing our net earnings. Currently, many countries have enacted the OECD's framework on a global minimum tax (referred to as "Pillar Two"), effective for taxable years beginning after December 31, 2023. While we have determined that Pillar Two should not have a material impact on our 2024 consolidated financial statements, we will continue to evaluate and monitor as additional guidance and clarification becomes available. If implemented, such changes, as well as changes in taxing jurisdictions' administrative interpretations, decisions, policies, or positions, could also have a material adverse impact on our effective tax rate thereby reducing our net earnings. In future periods, our ability to recover deferred tax assets could be subject to additional uncertainty as a result of such developments. Furthermore, changes in the earnings mix or applicable foreign tax laws may result in significant variability in our effective tax rates.

As a result of Russia's invasion of Ukraine, certain taxing jurisdictions, including the U.S., have proposed punitive tax legislation applicable to companies doing business in Russia, which could also have a material adverse impact on our effective tax rate if enacted thereby reducing our net earnings.

Because we are a U.S. holding company, our most significant source of funds is distributions from our non-U.S. subsidiaries. Certain countries in which we operate have adopted or could institute currency exchange controls and other regulations or policies that limit or prohibit our local subsidiaries' ability to convert local currency into U.S. dollars or to make payments outside the country. This could subject us to the risks of local currency devaluation and business disruption.

Disruptions in the credit markets or changes to our credit ratings may adversely affect our business.

We currently generate significant cash flows from ongoing operations and have access to global credit markets through our various short- and long- term financing activities. Our financial performance, credit ratings, interest rates, the stability of financial institutions with which we partner, geopolitical or national developments, the stability and liquidity of the credit markets and the state of the global economy could affect the availability and cost of financing.

Disruption in the credit markets, limitations on our ability to borrow, slower than anticipated debt deleveraging, or a downgrade of our current credit rating could increase our future borrowing costs which could materially and adversely affect our financial condition and results of operations. In addition, tighter or more volatile credit markets may lead to business disruptions for certain of our suppliers, contract manufacturers or trade customers which could, in turn, adversely impact our business, results of operations, cash flow and financial condition.

We could decide, or be required to, recall products, which could have a material adverse effect on our business, reputation, results of operations, cash flows or financial position.

We could decide - or laws, regulations, or judicial administrative action could require us - to recall products due to the failure, or alleged failure, to meet quality or safety standards or specifications, suspected or confirmed and deliberate or unintentional product contamination, manufacturing defects, or other product safety concerns, adulteration, misbranding or tampering. A product recall or a product liability or other claim (even if unsuccessful or without merit) could generate negative publicity about us and our products, and our Company's reputation or that of our brands may be adversely affected. In addition, if another company recalls or experiences negative publicity related to a product in a category in which we compete, adult nicotine consumers might reduce their overall consumption of products in that product category. Any of these events could have a material adverse effect on our business, reputation, results of operations, cash flows or financial position.

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

We continuously monitor the values of our long-lived assets, reporting units, intangible assets, as well as investments in equity securities, to determine whether events or changes in circumstances indicate that an impairment exists. In particular, developments in connection with the resolution of Canadian tobacco claims and related litigation could have a material adverse impact on the fair value of PMI's continuing investment in Rothmans, Benson & Hedges ("RBH") and may result in non-cash impairment charges, which could be material to PMI. See Note 12. *Related Parties - Equity Investments and Other* for additional information concerning the risk of impairment to our RBH investment and our other equity securities and investments. Additionally, we test goodwill and non-amortizable intangible assets for impairment annually. The values of these assets may be affected by several factors, including general macroeconomic and geopolitical conditions; regulatory and legal developments; changes in product volume growth rates; changes in pricing strategies and costs bases; discount rates; success of planned new product expansions; competitive activity; and income and excise taxes. If an impairment is determined to exist, we will incur impairment losses, which could have a material adverse effect on our results of operations or financial position. See Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates* of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 for additional information concerning impairment determination and calculation.

Risks Related to the Impact of the War in Ukraine on our Business

Our business, results of operations, cash flows and financial position may be adversely impacted by the continuation and consequences of the war in Ukraine.

In 2023, Russia accounted for around 9% of our total cigarette and heated tobacco unit shipment volume, and around 6% of our total net revenues. Ukraine accounted for around 2% of our total cigarette and heated tobacco unit shipment volume, and around 1% of our total net revenues. Historically, we also produced finished goods in Ukraine for export and manufactured products in Russia. In 2022, as a result of Russia's invasion of Ukraine, we suspended planned investments and scaled down our manufacturing operations in Russia.

The full implications of the Russian invasion of Ukraine for our operations in those countries are impossible to predict at this time. The likelihood of retaliatory action by the Russian government against companies, including PMI, as a result of actions and statements made in response to the Russian invasion or otherwise, including the possibility of legal action against us or our employees; the deprivation of rights in, or access to, our Russian or Russia-related assets; or nationalization of foreign businesses or assets (including cash reserves held in Russia and intangible assets such as trademarks), is impossible to predict. We are continuously assessing the evolving situation in Russia, including regulatory constraints in the market entailing very

complex terms and conditions that must be met for any divestment transaction to be granted approval by the authorities, and restrictions resulting from international regulations. In the event of a divestment, our ability to fully realize the value of the business would likely be subject to material impairment. The deprivation of rights in, or access to, our Russian or Russia-related assets could also result in a material impairment and could cause the deconsolidation of our Russian business. In Ukraine, there is no way to know when and to what extent we will be able to fully normalize our operations or to what extent our workforce, facilities, inventory, and other assets will remain intact. These developments have and will continue to have a material adverse impact on our business, results of operations, cash flows and financial position, and may result in further impairment charges.

The conflict also continues to elevate the likelihood of supply chain disruptions, both in the region and globally, and may inhibit our ability to timely source materials and services needed to make and sell our products. For example, historically we sourced certain finished goods, production materials and components from both Russia and Ukraine, including printed materials and filters, and the invasion has, and may continue to, disrupt the availability of and impact our supply chain for these materials. These disruptions, to the extent we are unable to find alternative sources or otherwise address these supply constraints, may impact the availability and cost of our products in other markets, which would adversely impact our business, results of operations, cash flows and financial position, and may result in impairment charges. Furthermore, the imposition of various restrictions on transactions with parties from certain jurisdictions, the ban on exports of various products, and other economic and financial restrictions may adversely affect certain third parties with which we do business in Russia, such as customers, suppliers, intermediaries, service providers and banks.

The broader consequences of the invasion are also impossible to predict, but could include reputational consequences, further sanctions, financial or currency restrictions, punitive tax law changes, embargoes, regional instability, and geopolitical shifts as well as adverse effects on macroeconomic conditions, security conditions, currency exchange rates, and financial markets. Given the nature of our business and global operations, such geo-political instability and uncertainty could increase the costs of our materials and operations; reduce demand for our products; have a negative impact on our supply chains, manufacturing capabilities, or distribution capabilities; increase our exposure to currency fluctuations; constrain our liquidity or our ability to access capital markets; create staffing or operations difficulties; or subject us to increased cyber-attacks. While we will continue to monitor this fluid situation and develop contingency plans as necessary to address any disruptions to our business operations as they develop, the extent of the conflict's effect on our business and results of operations as well as the global economy, cannot be predicted.

The conflict may also heighten many other risks disclosed in this report, any of which could adversely affect our business, results of operations, cash flows or financial position. Such risks could affect, without limitation, the achievement of our strategic priorities, including achievement of our smoke-free business growth targets; the availability of third-party manufacturing resources; the availability of attractive acquisition and strategic business opportunities and our ability to fully realize the benefits of these transactions; our ability to attract, motivate, and retain the best global talent; and our loss of revenue from counterfeiting and similar illicit activities.

Risks Related to Sourcing and Distribution of Products, Services and Materials

Use of third-parties may negatively impact the distribution, quality, and availability of our products and services, and we may be required to replace third-party contract distributors, manufacturers or service providers.

We increasingly rely on third-parties and their subcontractors/suppliers, sometimes concentrated in a specific geographic area, for product distribution and to manufacture some of our products and product parts (particularly, the electronic devices and accessories), as well as to provide services, including to support our finance, commercialization and information technology processes. While many of these arrangements improve efficiencies and decrease our operating costs, they also diminish our direct control. Such diminished control may lead to disruption in the distribution of our products and may have a material adverse effect on the quality and availability of products or services, our supply chain, and the speed and flexibility in our response to changing market conditions and adult consumer preferences, all of which may place us at a competitive disadvantage. In addition, we may be unable to renew these agreements on satisfactory terms for numerous reasons, including government regulations, and the distribution of our products may be disrupted in certain markets or our costs may increase significantly if we must replace such third parties with other partners or our own resources.

The effects of climate change, other environmental issues, and related legal or regulatory responses may have a negative impact on our business and results of operations.

While we seek to mitigate our business risks associated with environmental issues, such as climate change, by establishing environmental goals and standards and seeking business partners, including within our supply chain, that are committed to operating in ways that protect the environment or mitigate environmental impacts, we recognize that there are inherent environmental-related risks, including climate change-related risks, wherever business is conducted. Among other potential

impacts, climate change could influence the quality and volume of the agricultural products we rely on, including tobacco, due to several factors beyond our control, including more frequent variations in weather patterns, extreme weather events causing unexpected downtime and inventory losses, other adverse weather conditions, and governmental restrictions on trade, all of which may lead to disruption of operations at factories, warehouses and other premises.

Furthermore, nature-related risks, including those related to natural ecosystems degradation, decreased agricultural productivity in certain regions of the world, biodiversity loss, water resource depletion and deforestation, which are partially driven or exacerbated by climate change, may negatively impact the resilience of, or otherwise disrupt, our business operations or those of our suppliers and business partners.

There is an increased focus by foreign, federal, state and local regulatory and legislative bodies on environmental policies, including those relating to climate change. New environmental-related legal or regulatory requirements may lead to additional carbon taxation, raw or other materials taxation, energy price increases, new compliance costs, increased distribution and supply chain costs, and other expenses impacting our cost of operations. Moreover, given that the regulatory framework in this regard is highly dynamic, additional uncertainties may be driven by further upcoming regulatory changes on which we might have limited visibility or limited time to implement, which could have an impact on several elements of our business, including elevating the cost or complexity of our operations. Even if we make changes to align ourselves with legal or regulatory requirements, we may still be subject to significant penalties if such laws or regulations are interpreted and applied in a manner inconsistent with our practices.

Government mandated prices, production control programs, and shifts in crops driven by economic conditions may increase the cost or reduce the quality of the tobacco and other agricultural products used to manufacture our products.

As with other agricultural commodities, the price of tobacco leaf and cloves can be influenced by imbalances in supply and demand and the impacts of natural disasters and pandemics such as COVID-19. Tobacco production in certain countries is subject to a variety of controls, including government mandated prices and production control programs. Changes in the patterns of demand for agricultural products could cause farmers to produce less tobacco or cloves. Any significant change in tobacco leaf and clove prices, quality and quantity could affect our profitability and our business.

A prolonged disruption of our production facilities could have a material adverse effect on our business, financial condition and results of operations.

A prolonged disruption at or shut-down of one or more of our production facilities, especially our ZYN production facility in Kentucky, U.S., which currently supplies substantially all of our capacity for ZYN sales in the U.S., due to natural- or man-made disasters or other events outside of our control, such as equipment malfunction or widespread outbreaks of acute illness, including COVID-19, or for any other reason, could limit our capacity to meet customer demands. Such an event could disrupt our operations; delay production, shipments and revenue; and result in significant expense to repair or replace our affected facilities. As a result, we could forgo revenue opportunities and potentially lose market share, which could materially and adversely affect our business, financial condition and results of operations.

Risks Related to our International Operations

Because we have operations in numerous countries, our results may be adversely impacted by economic, regulatory and political developments, natural disasters, pandemics or conflicts.

Some of the countries in which we operate face the threat of civil unrest and can be subject to regime changes. In others, nationalization, terrorism, conflict and the threats of war or acts of war may have a significant impact on the business environment. Factors beyond our control, such as, without limitation, natural disasters, extreme weather events, pandemics (including COVID-19), economic, political, regulatory, acts of war or threats of war, or other developments could disrupt or increase the expenses related to our supply chain, manufacturing capabilities, distribution capabilities, or the energy and other utility services required to operate our factories, warehouses, and other premises. Our business continuity plans and other safeguards might not always be effective to fully mitigate their impact. For example, the global pandemic outbreak of the COVID-19 virus in 2020 created significant societal and economic disruption and the closure of stores, factories and offices, restrictions on manufacturing, distribution and travel, and supply chain disruptions, among other impacts. Such developments – including the impact of geopolitical disruptions resulting from the conflict in the Middle East and the impact on energy prices and availability in the EU and elsewhere resulting from the invasion of Ukraine by Russia – could cause significant volume declines in our duty-free business and certain other key markets; disrupt or delay our distribution, manufacturing or supply chain; increase currency volatility; increase costs of our materials and operations and lead to loss of property or equipment that are critical to our business in certain markets and difficulty in staffing and managing our operations, all of which could have a material adverse effect on our business, operations, volumes, revenue, cash flows, financial position, net earnings and profitability. We discuss additional risks associated with Russia's invasion of Ukraine and climate change, above.

In certain markets, we are dependent on governmental approvals of various actions such as price changes, and failure to obtain such approvals could impair growth of our profitability.

In addition, despite our high ethical standards and rigorous controls and compliance policies aimed at preventing and detecting unlawful conduct, given the breadth and scope of our international operations, we may not be able to detect all potential improper or unlawful conduct by our employees and partners. Such improper or unlawful conduct (actual or alleged) could lead to litigation and regulatory action, cause damage to our reputation and that of our brands, and result in substantial costs.

Our reported results could be adversely affected by unfavorable currency exchange rates and currency fluctuations could impair our competitiveness. Our results could also be adversely affected by capital controls or by foreign currency exchange constraints or devaluations.

We conduct our business primarily in local currency and, for purposes of financial reporting, the local currency results are translated into U.S. dollars based on average exchange rates prevailing during a reporting period. Foreign currencies may fluctuate significantly against the U.S. dollar, reducing our net revenues, operating income and EPS. Our primary local currency cost bases may be different from our primary currency revenue markets, and U.S. dollar fluctuations against various currencies may have disproportionate negative impact on cash flows and on net revenues as compared to our gross profit and operating income margins.

Capital controls and/or foreign currency exchange constraints may affect the ability of our subsidiaries in impacted jurisdictions to settle foreign currency denominated imports of goods and services and/or to pay dividends and royalties. These factors may also increase foreign currency devaluation risks, which may have a negative impact on our net assets and results of operations in these jurisdictions. All of which could have a material adverse effect on our financial condition, including our leverage ratios, cash flows, net earnings, and profitability.

A sustained period of elevated inflation across the markets in which we operate could result in higher operating and financing costs and lead to reduced demand for our products.

Increasing inflationary pressures have and may continue to result in significant increases to our expenses, including direct materials, wages, energy, and transportation costs. While we take actions, wherever possible, to reduce the impact of the effects of inflation, in cases of sustained and elevated inflation across several of our major markets, it may be difficult to effectively control the increases to our costs. In recent periods, increased inflation has and may continue to lead to growing pressures on the cost of certain direct materials, wages, energy, transportation, and logistics as well as an increased cost of capital due to interest rate increases driven by the response to increased inflation. Inflationary pressures may also negatively impact consumer purchasing power, which could result in reduced demand for our products. We expect certain inflationary elements to ease, with a moderate increase in 2024. If we are unable to increase our prices sufficiently or take other actions to mitigate the effect of inflationary pressures, our profitability and financial position could be negatively impacted.

Risks Related to Legal Challenges and Investigations

Litigation related to tobacco products and nicotine products could substantially reduce our profitability and could severely impair our liquidity.

There is litigation related to tobacco products and/or nicotine products pending in certain jurisdictions in which we operate. Damages claimed in some tobacco-related litigation are significant and, in certain cases in Canada and Nigeria, range into the billions of U.S. dollars. As of March 2024, we began facing litigation related to our oral nicotine products before certain courts in the United States. We anticipate that new cases will continue to be filed. The FTC encourages litigation against tobacco product manufacturers. It is possible that our consolidated results of operations, cash flows or financial position could be materially adversely affected in a particular fiscal quarter or fiscal year by an unfavorable outcome or settlement of certain pending litigation. We face various administrative and legal challenges related to certain SFP activities, including allegations concerning product classification, advertising and distribution restrictions, corporate communications, product coach activities, scientific substantiation, product liability, antitrust, and unfair competition. While we design our programs to comply with relevant regulations, we expect these or similar challenges to continue as we expand our efforts to commercialize SFPs and to communicate with the public. The outcomes of these matters may affect our SFP commercialization and public communication activities and performance in one or more markets. Also, see Note 8. *Contingencies* to our consolidated financial statements for a discussion of pending litigation.

From time to time, we are subject to governmental investigations on a range of matters.

Investigations include allegations of contraband shipments of cigarettes, allegations of unlawful pricing activities within certain markets, allegations of underpayment of income taxes, customs duties and/or excise taxes, allegations of false and misleading usage of descriptors, allegations of unlawful advertising or distribution, and allegations of unlawful labor practices. We cannot predict the outcome of those investigations or whether additional investigations may be commenced, and it is possible that our business could be materially adversely affected by an unfavorable outcome of pending or future investigations. See Note 8. *Contingencies—Other Litigation* to our condensed consolidated financial statements and Part I, Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations—Operating Results by Business Segment—Business Environment—Governmental Investigations* in this report for a description of certain governmental investigations to which we are subject.

We may be unable to adequately protect our intellectual property rights, and disputes relating to intellectual property rights could harm our business.

Our intellectual property rights are valuable assets, their protection is important to our business, and that protection may not be equally available in every country in which we operate or in which our products are sold. If the steps we take to protect our intellectual property rights globally, including through applying for, prosecuting, maintaining and enforcing, where relevant, a combination of trademark, design, copyright, patent, trade secrets and other intellectual property rights, are inadequate, or if others infringe or misappropriate our intellectual property rights, notwithstanding legal protection, our business, financial condition, and results of operations could be adversely impacted. Moreover, failing to manage our existing and/or future intellectual property may place us at a competitive disadvantage. Intellectual property rights of third parties may limit our ability to develop, manufacture and/or commercialize our products in one or more markets. Competitors or other third parties may claim that we infringe their intellectual property rights. Any such claims, regardless of merit, could divert management's attention, be costly, disruptive, time-consuming and unpredictable and expose us to significant litigation costs and damages, and may impede our ability to develop, manufacture and/or commercialize new or existing SFPs and improve our products, and thus have a material adverse effect on our revenue and our profitability. In addition, if, as a result, we are unable to manufacture or

sell our SFPs or improve their quality in one or more markets, our ability to convert adult smokers to our SFPs in such markets would be adversely affected. See Note 8. *Contingencies—Other Litigation* to our condensed consolidated financial statements for a description of certain intellectual property proceedings.

The research, development, and commercialization of non-recreational cannabinoid products subjects the Company to legal, regulatory, reputational and other risks.

Our Wellness and Healthcare business, Vectura Fertin Pharma, is researching, developing, and exploring the commercialization of medical and pharmaceutical cannabinoids and non-recreational cannabinoid products (including CBD). Vectura Fertin Pharma currently anticipates pursuing these activities in select non-U.S. markets. While Vectura Fertin Pharma will undertake the activities in a manner consistent with all applicable requirements, successful commercialization is dependent on compliance with a constantly evolving legal and regulatory environment. These activities subject us to various legal, reputational, and regulatory risks, and a failure by Vectura Fertin Pharma to comply with applicable laws could result in criminal, civil, or tax liability.

Risks Related to our Competitive Environment

We face intense competition, and our failure to compete effectively could have a material adverse effect on our profitability and results of operations.

We are subject to highly competitive conditions in all aspects of our business. We compete primarily on the basis of product quality, brand recognition, brand loyalty, taste, R&D, innovation, packaging, customer service, marketing, advertising and retail price and, increasingly, adult smoker willingness to convert to our SFPs. The competitive environment and our competitive position can be significantly influenced by weak economic conditions; erosion of consumer confidence; competitors' introduction of lower-price products or innovative products; novel products which given their taste characteristics may be more commercially successful; higher product taxes; higher absolute prices and larger gaps between retail price categories; unfair competition; and product regulation that diminishes the ability to differentiate tobacco products, restricts adult consumer access to truthful and non-misleading information about our SFPs, or disproportionately impacts the commercialization of our products in relation to our competitors.

Competitors in our industry include British American Tobacco plc, Japan Tobacco Inc., Imperial Brands plc, new market entrants, particularly with respect to innovative products, several regional and local tobacco companies and, in some instances, state-owned tobacco enterprises, principally in Algeria, Egypt, China, Taiwan, Thailand and Vietnam. Some competitors have different profit, volume and regulatory objectives, some international competitors may be less susceptible than PMI to changes in currency exchange rates, and some competitors may sell products in circumvention of applicable regulations that compete directly with our products. Certain new market entrants in the non-combustible product category may alienate consumers from innovative products through inappropriate marketing campaigns, messaging and inferior product satisfaction, and without scientific substantiation based on appropriate R&D protocols and standards. The growing use of digital media could increase the speed and extent of the dissemination of inaccurate and misleading information about our SFPs, all of which could have a material adverse effect on our profitability and results of operations. See Item 1. *Business—Competition* of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 for a description of the competitive environment in which we operate.

We may be unable to anticipate changes in adult consumer preferences.

Our business is subject to changes in adult consumer preferences, which may be influenced by local economic conditions, accessibility to our products and availability of accurate information related to our products.

To be successful, we must:

- promote brand equity successfully;
- anticipate and respond to new adult consumer trends;
- ensure that our products meet our quality standards;
- develop new products and markets and broaden brand portfolios;
- improve productivity;
- educate and encourage adult smokers to convert to our SFPs;
- ensure effective adult consumer engagement, including communication about product characteristics and usage of SFPs;
- mitigate the impact of developments that cause damage to our reputation and that of our brands;
- provide excellent customer care;
- ensure adequate production capacity to meet demand for our products; and
- be able to protect or enhance margins through price increases.

In periods of economic uncertainty, adult consumers may tend to purchase low-price brands, and the volume of our premium-price and mid-price brands and our profitability could be materially adversely impacted as a result. Such down-trading trends may be reinforced by regulation that limits branding, communication and product differentiation. In addition to economic uncertainty (including recessions and inflation) unusual weather events and global or local epidemics, endemics or pandemics (such as COVID-19) has and may change the preferences of our adult consumers and lower demand for our products, particularly for our mid-price or premium-price brands.

Our ability to grow profitability may be limited by our inability to introduce new products, enter new markets, maintain sufficient production capacity, or improve our margins through higher pricing and improvements in our brand and geographic mix.

Our profit growth may be materially adversely impacted if we are unable to introduce new products or enter new markets successfully, to meet the demand for our products with increased production capacity, to raise prices, or to improve the proportion of our sales of higher margin products and in higher margin geographies.

We may be unable to expand our brand portfolio through acquisitions or the development of strategic business relationships, and the intended benefits from our investments may not materialize.

One element of our growth strategy is to expand our brand portfolio and market positions through selective acquisitions and the development of strategic business relationships. Acquisition and strategic business development opportunities are limited and present risks of failing to achieve efficient and effective integration, strategic objectives and/or anticipated revenue improvements and cost savings. There is no assurance that we will be able to acquire attractive businesses or enter into strategic business relationships on favorable terms ahead of our competitors, or that such acquisitions or strategic business development relationships will be accretive to earnings or improve our competitive position. In addition, we may not have a controlling position in certain strategic investments or relationships, which could impact the extent to which the intended financial growth and other benefits from these investments or relationships may ultimately materialize.

Our ability to achieve our strategic goals may be impaired if we fail to attract, motivate and retain the best global talent and effectively align our organizational design with the goals of our transformation.

To be successful, we must continue transforming our culture and ways of working, align our talent and organizational design with our increasingly complex business needs, and innovate and transform to a consumer-centric business. We compete for talent, including in areas that are relatively new to us such as digital, information technology, and life sciences, with companies in the consumer products, technology, pharmaceutical and other sectors that enjoy greater societal acceptance. As a result, we may be unable to attract, motivate and retain the best global talent with the right degree of diversity, experience and skills to achieve our strategic goals.

Risks Related to Illicit Trade

Our revenues may be materially adversely affected as a result of counterfeiting, contraband, cross-border purchases, illicit products, and non-tax-paid volume produced by local manufacturers, and counterfeiting of our smoke-free products' devices and consumables.

Large quantities of counterfeit cigarettes are sold in the international market. We believe that *Marlboro* is the most heavily counterfeited international cigarette brand, although we cannot quantify the revenues we lose as a result of this activity. Counterfeits of our smoke-free products are not subject to our scientific validation procedures, are unlikely to meet our product quality standards, and may materially adversely affect the reputation of our smoke-free products with consumers, regulators, and other stakeholders. In addition, our revenues may be materially adversely affected by counterfeiting, contraband, cross-border purchases, illicit products and non-tax-paid volume produced by local manufacturers of cigarettes and/or smoke-free products.

Risks Related to Cybersecurity and Data Governance

We are significantly dependent on our and third-party information technology networks and systems, and a cybersecurity incident or attack against those networks or systems may adversely impact our business and operations.

We and our business partners heavily rely on information technology networks and systems, including those connected to the Internet, to help manage business processes and operations, including the collection, storage, interpretation, and processing of confidential, sensitive, personal and other data; internal and external communications; marketing and e-commerce activities; the manufacture, sale, and distribution of our products; management of third-party business relationships; engagement with governmental authorities; innovation through research and development; and other activities necessary for business operations. Some of these information systems and networks are developed, supplied, or managed by third-party service providers that may make us vulnerable to “supply chain” style cyberattacks. The failure or disruption of our information technology networks and systems, or those managed by third-party service providers or owned by our business partners and used in furtherance of PMI’s business, due to cybersecurity attacks; unauthorized attempts to access, corrupt or extract data; security vulnerabilities; misconfigurations; human error; or failure or inability by us, third-parties, or our business partners to adhere to cybersecurity industry best practices, could place us at a competitive disadvantage, cause reputational damage, impact our operations, result in data breaches, significant business disruption, litigation, regulatory action including significant fines or penalties, financial impact, loss of revenue or assets including our intellectual property, personal, confidential, or sensitive data.

Cyberattacks, security incidents and vulnerabilities, including through artificial intelligence-driven techniques, impacting PMI, newly acquired companies, our business partners, or our third-party providers, continue to dynamically evolve in sophistication and volume, making it difficult for us to predict probability, frequency, and impact severity of security incidents. Further, it may be inherently difficult to detect vulnerabilities during due diligence, for long periods of time, or soon enough to mitigate exploitation. There can be no assurance that such security incidents or vulnerabilities will not have a material adverse effect on us in the future. While PMI works to mitigate these risks by implementing a cybersecurity risk program and a third-party cybersecurity risk management program, there can be no assurance that these programs are comprehensive or accurately identify and sufficiently mitigate all cybersecurity risks.

We continue to make investments in administrative, technical, and physical safeguards to maintain information security protections in line with industry standards and best practices. We evaluate the adequacy of preventative actions to reduce security incidents on an ongoing basis.

Our safeguards may not, however, be effective in mitigating the impact of service disruptions or other failures of these information technology networks and systems. Failure to timely respond and mitigate security incidents, could result in wide-ranging business interruptions. Such security incidents could place us at a competitive disadvantage; result in financial impacts, a loss of revenue, assets, including our intellectual property, personal or other sensitive data; result in litigation and regulatory action including significant fines or penalties; impact our operations; cause damage to our reputation and that of our brands; and result in significant remediation and other costs. See Item 1C. *Cybersecurity* of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 for a description of our cybersecurity risk management and strategy and governance.

Our or our business partners' failure or inability to adhere to privacy, data, artificial intelligence and information security laws could result in business disruption, loss of reputation and consumer trust, litigation, regulatory action including significant fines or penalties, financial impact, and loss of revenue, assets or personal confidential, or sensitive data.

An actual or alleged failure to comply with complex and changing privacy, data, artificial intelligence and information security laws and regulations under the EU General Data Protection Regulation, various U.S. state and federal laws, and other similar privacy and information security laws across the jurisdictions in which PMI operates, such as the failure to protect personal data; implement appropriate technological and reasonable security measures; implement and maintain appropriate safeguards for personal data being transferred internationally; respect the privacy rights of data subjects; provide sufficient detailed notices of personal data processing; retrieve consent and provide opt-outs; meet stringent timeframe requirements for incident reporting to regulatory authorities; comply with artificial intelligence regulations including, but not limited to, the EU Artificial Intelligence Act; and others, could have a material adverse effect on us, subject us to substantial fines and/or legal challenges, and/or harm our business, reputation, financial condition, or operating results. Such laws and regulations across the jurisdictions in which PMI operates may vary, resulting in inconsistent or conflicting legal obligations.

Risks Related to Acquisitions and Divestitures

We may not successfully identify, complete, or realize the benefits from strategic acquisitions, divestitures, joint ventures, or investments.

From time to time, we evaluate acquisition candidates, joint ventures, or investments that may strategically fit our business objectives. As a result of some of these evaluations, we have acquired and may acquire in the future certain businesses (or parts of businesses) or assets. We have also divested and may divest businesses from time to time. These activities may present financial, managerial, and operational risks including, but not limited to, diversion of management's attention from existing core businesses; difficulties in integrating, or inability to successfully integrate, acquired businesses, including integrating or separating personnel, information technology, financial and other systems; inability to effectively and immediately implement control environment processes across a diverse employee population; adverse effects on existing or acquired customer and supplier business relationships; potential disputes with buyers, sellers, or partners, as well as other unanticipated problems or liabilities, such as contingent liabilities and litigation. Activities in such areas are regulated by numerous antitrust and competition laws in the United States, the European Union, the United Kingdom, and elsewhere. We have in the past and may in the future be required to obtain approval of these transactions by competition or other regulatory authorities or to satisfy certain legal requirements, and we may be unable to obtain such approvals or satisfy such requirements, each of which may result in additional costs, delays, or our inability to complete such transactions. Any of these factors could prevent us from realizing the anticipated benefits of any such transaction and/or could materially and adversely affect our financial condition and operating results.

We may face additional risks related to divestitures. For example, risks related to our ability to find appropriate buyers, execute transactions on favorable terms, separate divested business operations with minimal impact to our remaining operations, and effectively manage any transitional or long-term service arrangements. Further, our divestiture activities may require us to recognize impairment charges. Any of these factors could materially and adversely affect our financial condition and operating results.

Accounting adjustments related to acquisitions could adversely affect our financial results.

Given the nature of assets acquired through acquisitions, we may not be able to avoid future impairments of those assets, which may also have a material adverse impact on our future operating results and financial position.

We may fail to complete the sale of Vectura Group Ltd. and its affiliates ("Vectura Group") to MolexAsia Holdings Ltd. (the "Vectura Divestiture"), and a completed Vectura Divestiture may disrupt our remaining business or not achieve its intended benefits.

On September 17, 2024, Vectura Fertin Pharma, Inc. and MolexAsia Holdings Ltd. entered into the Sale and Purchase Agreement in respect of the Vectura Divestiture. The transaction is anticipated to close in the fourth quarter of 2024, subject to regulatory approval, which may impact the timing. A number of risks and challenges may arise in consummating the Vectura Divestiture, including, among others:

- the ability to obtain required regulatory approval for the Vectura Divestiture and the timing and conditions for such approval;

- the failure to satisfy customary closing conditions and consummate the Vectura Divestiture; or
- the occurrence of any event, change or other circumstance that could give rise to the termination of the Sale and Purchase Agreement.

In addition, the Vectura Divestiture could cause disruption in our remaining Wellness and Healthcare business, including potential adverse changes in relationships with customers, employees, suppliers or other parties resulting from the Vectura Divestiture. Even if the Vectura Divestiture is successfully consummated, we may not realize some or all of the anticipated benefits from the Vectura Divestiture, including with respect to the anticipated performance of our remaining Wellness and Healthcare business.

Item 4. Controls and Procedures.

PMI carried out an evaluation, with the participation of PMI's management, including PMI's Chief Executive Officer and Chief Financial Officer, of the effectiveness of PMI's 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 report. Based upon that evaluation, PMI's Chief Executive Officer and Chief Financial Officer concluded that PMI's disclosure controls and procedures are effective. There have been no changes in PMI's internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, PMI's internal control over financial reporting.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings.

See Note 8, *Contingencies* of the Notes to the Condensed Consolidated Financial Statements included in Part I – Item 1 of this report for a discussion of legal proceedings pending against Philip Morris International Inc. and its subsidiaries.

Item 1A. Risk Factors.

Information regarding Risk Factors appears in “MD&A – Cautionary Factors That May Affect Future Results,” in Part I – Item 2 of this Form 10-Q and in Part I – Item 1A, Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2023.

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

Our share repurchase activity for each of the three months in the quarter ended September 30, 2024, was as follows:

Period	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
July 1, 2024 – July 31, 2024 (1)	—	\$ —	10,481,359	\$ 6,016,847,275
August 1, 2024 – August 31, 2024 (1)	—	\$ —	—	\$ —
September 1, 2024 – September 30, 2024 (1)	—	\$ —	—	\$ —
Pursuant to Publicly Announced Plans or Programs	—	\$ —		
July 1, 2024 – July 31, 2024 (2)	3,964	\$ 102.26		
August 1, 2024 – August 31, 2024 (2)	3,818	\$ 113.73		
September 1, 2024 – September 30, 2024 (2)	3,913	\$ 122.41		
For the Quarter Ended September 30, 2024	<u>11,695</u>	\$ 112.75		

(1) On June 11, 2021, our Board of Directors authorized a new share repurchase program of up to \$7 billion, with target spending of \$5 billion to \$7 billion over a three-year period that commenced in July 2021. These share repurchases have been made pursuant to the \$7 billion program. On May 11, 2022, we announced the suspension of our three-year share repurchase program following the recommended public offer to acquire the outstanding shares of Swedish Match from its shareholders. Our three-year share repurchase program expired on July 21, 2024.

(2) Shares repurchased represent shares tendered to us by employees who vested in restricted and performance share unit awards and used shares to pay all, or a portion of, the related taxes.

Item 5. Other Information.

During the three months ended September 30, 2024, no director or officer of PMI adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as such terms are defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits.

31.1	Certification of the Registrant's 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 the Registrant's 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 the Registrant's 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 the Registrant's Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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	XBRL 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.

PHILIP MORRIS INTERNATIONAL INC.

/s/ EMMANUEL BABEAU

Emmanuel Babeau

Chief Financial Officer

October 24, 2024