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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2025

OR

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

For the transition period from to

Commission File Number 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
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
2.750% Notes due 2029	PM29D	New York Stock Exchange
3.750% Notes due 2031	PM31B	New York Stock Exchange
0.800% Notes due 2031	PM31	New York Stock Exchange
3.250% Notes due 2032	PM32	New York Stock Exchange
3.125% Notes due 2033	PM33	New York Stock Exchange
2.000% Notes due 2036	PM36	New York Stock Exchange
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 July 18, 2025, there were 1,556,589,337 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 Six Months Ended June 30,	
	2025	2024
Net revenues [1 & 2] (Note 13)	$ 19,441	$ 18,261
Cost of sales	6,319	6,540
Gross profit	13,122	11,721
Marketing, administration and research costs (Note 16)	5,825	5,232
Impairment of goodwill (Note 5)	41	—
Operating income	7,256	6,489
Interest expense, net	518	628
Pension and other employee benefit costs (Note 4)	23	29
Earnings before income taxes	6,715	5,832
Provision for income taxes	1,311	1,410
Equity investments and securities (income)/loss, net	(581)	(352)
Net earnings	$ 5,985	$ 4,774
Net earnings attributable to noncontrolling interests	256	220
Net earnings attributable to PMI	$ 5,729	$ 4,554
Per share data (Note 7):		
Basic earnings per share	$ 3.67	$ 2.92
Diluted earnings per share	$ 3.67	$ 2.92

(1) Includes net revenues from related parties of $2,080 million and $1,821 million for the six months ended June 30, 2025 and 2024, respectively.

(2) Net revenues are shown net of excise tax on products. For the six months ended June 30, 2025 and 2024, excise tax on products was $25,274 million and $24,762 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 June 30,	
	2025	2024
Net revenues [1 & 2] (Note 13)	$ 10,140	$ 9,468
Cost of sales	3,279	3,345
Gross profit	6,861	6,123
Marketing, administration and research costs (Note 16)	3,108	2,679
Impairment of goodwill (Note 5)	41	—
Operating income	3,712	3,444
Interest expense, net	277	329
Pension and other employee benefit costs (Note 4)	11	14
Earnings before income taxes	3,424	3,101
Provision for income taxes	652	734
Equity investments and securities (income)/loss, net	(376)	(161)
Net earnings	3,148	2,528
Net earnings attributable to noncontrolling interests	109	122
Net earnings attributable to PMI	$ 3,039	$ 2,406
Per share data (Note 7):		
Basic earnings per share	$ 1.95	$ 1.54
Diluted earnings per share	$ 1.95	$ 1.54

(1) Includes net revenues from related parties of $1,143 million and $961 million for the three months ended June 30, 2025 and 2024, respectively.

(2) Net revenues are shown net of excise tax on products. For the three months ended June 30, 2025 and 2024, excise tax on products was $13,272 million and $12,923 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 Six Months Ended June 30,	
	2025	2024
Net earnings	$ 5,985	$ 4,774
Other comprehensive earnings (losses), net of income taxes:		
Change in currency translation adjustments:		
Unrealized gains (losses), net of income taxes of $433 in 2025 and $(130) in 2024	(1,626)	365
(Gains)/losses transferred to earnings, net of income taxes of $0 in 2025 and 2024 (Note 2 and 16)	—	155
Change in net loss and prior service cost:		
Net gains (losses) and prior service costs, net of income taxes of $(7) in 2025 and $0 in 2024	12	—
Amortization of net losses, prior service costs and net transition costs, net of income taxes of $(25) in 2025 and $(18) in 2024	93	67
Change in fair value of derivatives accounted for as hedges:		
Gains (losses) recognized, net of income taxes of $43 in 2025 and $(55) in 2024	(235)	286
(Gains) losses transferred to earnings, net of income taxes of $9 in 2025 and $23 in 2024	(50)	(94)
Total other comprehensive earnings (losses)	(1,806)	779
Total comprehensive earnings	4,179	5,553
Less comprehensive earnings (losses) attributable to:		
Noncontrolling interests	289	114
Comprehensive earnings attributable to PMI	$ 3,890	$ 5,439

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 June 30,	
	2025	2024
Net earnings	$ 3,148	$ 2,528
Other comprehensive earnings (losses), net of income taxes:		
Change in currency translation adjustments:		
Unrealized gains (losses), net of income taxes of $339 in 2025 and $(28) in 2024	(1,922)	(123)
(Gains)/losses transferred to earnings, net of income taxes of $0 in 2025 and 2024 (Note 2)	—	113
Change in net loss and prior service cost:		
Net gains (losses) and prior service costs, net of income taxes of $(7) in 2025 and $0 in 2024	12	—
Amortization of net losses, prior service costs and net transition costs, net of income taxes of $(11) in 2025 and $(9) in 2024	47	33
Change in fair value of derivatives accounted for as hedges:		
Gains (losses) recognized, net of income taxes of $19 in 2025 and $(16) in 2024	(113)	108
(Gains) losses transferred to earnings, net of income taxes of $7 in 2025 and $7 in 2024	(29)	(48)
Total other comprehensive earnings (losses)	(2,005)	83
Total comprehensive earnings	1,143	2,611
Less comprehensive earnings (losses) attributable to:		
Noncontrolling interests	140	70
Comprehensive earnings attributable to PMI	$ 1,003	$ 2,541

See notes to condensed consolidated financial statements.

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

	June 30, 2025	December 31, 2024
ASSETS		
Cash and cash equivalents	$ 4,138	$ 4,216
Trade receivables (less allowances of $35 in 2025 and $47 in 2024) [1]	4,994	3,789
Other receivables (less allowances of $23 in 2025 and $22 in 2024)	895	886
Inventories:		
Leaf tobacco	2,195	2,080
Other raw materials	2,815	2,261
Finished product	5,718	5,112
	10,728	9,453
Other current assets	2,609	1,826
Total current assets	23,364	20,170
Property, plant and equipment, at cost	18,999	16,685
Less: accumulated depreciation	10,956	9,375
	8,043	7,310
Goodwill (Note 5)	17,225	16,600
Other intangible assets, net (Note 5)	11,382	11,327
Equity investments (Note 13)	3,352	2,654
Deferred income taxes	1,111	940
Other assets (less allowances of $29 in 2025 and $26 in 2024)	4,029	2,783
TOTAL ASSETS	$ 68,506	$ 61,784

[1] Includes trade receivables from related parties of $1,026 million and $691 million as of June 30, 2025, and December 31, 2024, respectively. For further details, see Note 13. *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)

	June 30, 2025	December 31, 2024
LIABILITIES		
Short-term borrowings (Note 11)	$ 2,540	$ 137
Current portion of long-term debt (Note 11)	6,491	3,392
Accounts payable	3,870	3,952
Accrued liabilities:		
Marketing and selling	1,169	1,015
Taxes, except income taxes	6,361	6,904
Employment costs	1,252	1,305
Dividends payable	2,123	2,120
Other	3,556	2,832
Income taxes	786	1,258
Total current liabilities	28,148	22,915
Long-term debt (Note 11)	42,431	42,166
Deferred income taxes	2,152	2,517
Employment costs	3,295	2,940
Other liabilities	2,492	1,116
Total liabilities	78,518	71,654
Contingencies (Note 9)		
STOCKHOLDERS' (DEFICIT) EQUITY		
Common stock, no par value (2,109,316,331 shares issued in 2025 and 2024)	—	—
Additional paid-in capital	2,364	2,335
Earnings reinvested in the business	34,376	32,869
Accumulated other comprehensive losses (Note 12)	(13,153)	(11,314)
	23,587	23,890
Less: cost of repurchased stock (552,739,414 and 554,470,731 shares in 2025 and 2024, respectively)	35,553	35,640
Total PMI stockholders' deficit	(11,966)	(11,750)
Noncontrolling interests	1,954	1,880
Total stockholders' deficit	(10,012)	(9,870)
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY	$ 68,506	$ 61,784

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 Six Months Ended June 30,	
	2025	2024
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net earnings	$ 5,985	$ 4,774
Adjustments to reconcile net earnings to operating cash flows:		
Depreciation and amortization expense	970	812
Impairment of goodwill and other intangibles (Note 5)	41	27
Deferred income tax (benefit) provision	(274)	59
Restructuring charges, net of cash paid (Note 16)	239	136
Cash effects of changes, net of the effects from acquired and divested companies:		
Receivables, net	(780)	(978)
Inventories	(419)	1,047
Accounts payable	(161)	(145)
Accrued liabilities and other current assets	(1,972)	(341)
Income taxes	(611)	(329)
Pension plan contributions (Note 4)	(62)	(55)
Other	106	(134)
Net cash provided by (used in) operating activities	3,062	4,873
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Capital expenditures	(760)	(787)
Proceeds from sale of business, net of cash disposed (Note 2)	32	—
Acquisitions, net of acquired cash (Note 2)	—	44
Equity investments	(35)	(113)
Collateral posted/settlements for derivatives, (paid)/returned (Note 6)	(1,953)	439
Other	(34)	(113)
Net cash provided by (used in) investing activities	(2,750)	(530)

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 Six Months Ended June 30,	
	2025	2024
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Short-term borrowing activity by original maturity:		
Net issuances (repayments) - maturities of 90 days or less	$ 2,294	$ (1,463)
Issuances - maturities longer than 90 days	170	100
Repayments - maturities longer than 90 days	(70)	(433)
Long-term debt proceeds	3,596	5,194
Long-term debt repaid	(1,566)	(1,812)
Dividends paid	(4,222)	(4,064)
Collateral received/settlements for derivatives, received/(returned)	(824)	350
Noncontrolling interests activity and Other	(268)	(269)
Net cash provided by (used in) financing activities	(890)	(2,397)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	500	(216)
Cash, cash equivalents and restricted cash [1]:		
Increase (Decrease)	(78)	1,730
Balance at beginning of period	4,254	3,146
Balance at end of period	$ 4,176	$ 4,876

[1] The amounts for cash, cash equivalents and restricted cash shown above include restricted cash of $38 million and $69 million as of June 30, 2025 and 2024, respectively, and $38 million and $86 million as of December 31, 2024 and 2023, 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 Six Months Ended June 30, 2025 and 2024
(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, 2024	$ —	$ 2,285	$ 34,090	$ (11,815)	$ (35,785)	$ 1,779	$ (9,446)
Net earnings			4,554			220	4,774
Other comprehensive earnings (losses), net of income taxes				885		(106)	779
Issuance of stock awards		(36)			140		104
Dividends declared (2.60 per share)			(4,062)				(4,062)
Dividends paid to noncontrolling interests						(262)	(262)
Acquisitions (Note 2)						159	159
Sale (purchase) of subsidiary shares to/(from) noncontrolling interests						12	12
Balances, June 30, 2024	$ —	$ 2,249	$ 34,582	$ (10,930)	$ (35,645)	$ 1,802	$ (7,942)
Balances, January 1, 2025	$ —	$ 2,335	$ 32,869	$ (11,314)	$ (35,640)	$ 1,880	$ (9,870)
Net earnings			5,729			256	5,985
Other comprehensive earnings (losses), net of income taxes				(1,839)		33	(1,806)
Issuance of stock awards		29			87		116
Dividends declared ($2.70 per share)			(4,222)				(4,222)
Dividends paid to noncontrolling interests						(215)	(215)
Balances, June 30, 2025	$ —	$ 2,364	$ 34,376	$ (13,153)	$ (35,553)	$ 1,954	$ (10,012)

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 June 30, 2025 and 2024
(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, April 1, 2024	$ —	$ 2,205	$ 34,208	$ (11,065)	$ (35,657)	$ 1,746	$ (8,563)
Net earnings			2,406			122	2,528
Other comprehensive earnings (losses), net of income taxes				135		(52)	83
Issuance of stock awards		44			12		56
Dividends declared ($1.30 per share)			(2,032)				(2,032)
Dividends paid to noncontrolling interests						(186)	(186)
Acquisitions (Note 2)						159	159
Sale (purchase) of subsidiary shares to/(from) noncontrolling interests						13	13
Balances, June 30, 2024	$ —	$ 2,249	$ 34,582	$ (10,930)	$ (35,645)	$ 1,802	$ (7,942)
Balances, April 1, 2025	$ —	$ 2,326	$ 33,447	$ (11,117)	$ (35,557)	$ 1,975	$ (8,926)
Net earnings			3,039			109	3,148
Other comprehensive earnings (losses), net of income taxes				(2,036)		31	(2,005)
Issuance of stock awards		38			4		42
Dividends declared ($1.35 per share)			(2,110)				(2,110)
Dividends paid to noncontrolling interests						(161)	(161)
Balances, June 30, 2025	$ —	$ 2,364	$ 34,376	$ (13,153)	$ (35,553)	$ 1,954	$ (10,012)

See notes to condensed consolidated financial statements.

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.

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 sale of Vectura Group Ltd. on December 31, 2024, PMI updated in January 2025 its segment reporting by including the ongoing Wellness & Healthcare results in the Europe segment. For further details on the sale of Vectura Group Ltd., see Note 2. *Acquisitions and Divestitures*. In addition, PMI renamed its "PMI Duty Free" business to "PMI Global Travel Retail" effective in the first quarter of 2025. As a result of this change, PMI's segment that includes its duty free business was renamed East Asia, Australia & PMI Global Travel Retail ("EA, AU & PMI GTR").

Certain prior year amounts have been reclassified to conform with the current year's presentation as a result of the new segment structure discussed above. See Note 5. *Goodwill and Other Intangible Assets, net* and Note 8. *Segment Reporting* 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, 2024.

Note 2. Acquisitions and Divestitures:

Sale of 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. (formerly, Vectura Group plc, and hereinafter referred to as "Vectura" or "Vectura Group") to Molex Asia Holdings Ltd ("Molex"), subject to customary regulatory approval and other completion conditions. On December 31, 2024, PMI completed the sale of Vectura for an upfront cash consideration of GBP 152 million (approximately $191 million at exchange rate on sale completion date) and a short-term receivable of GBP 24 million (approximately $30 million at exchange rate on sale completion date) which was collected in the second quarter of 2025, reflecting certain customary completion account adjustments, with additional deferred payments of up to GBP 148 million (approximately $186 million at exchange rate on sale completion date), contingent on achievement of certain milestones over periods up to and through 2039. In addition, PMI agreed to indemnify Molex for certain claims related to the pre-completion period. As of June 30, 2025 and December 31, 2024, the liability related to the indemnity was not material.

As of September 17, 2024, and through the completion date, Vectura's net assets and liabilities were classified as held-for-sale in PMI's consolidated balance sheet. For the year ended December 31, 2024, the sale resulted in a pre-tax loss of $199 million ($206 million including the tax costs), of which $198 million of loss related to the impairment charge recognized in the third quarter of 2024, to record the net assets held-for-sale at the lower of their carrying value or fair value less costs to sell. This amount also included reclassification of currency translation losses from other comprehensive losses of $16 million.

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 $316 million included cash consideration of $31 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.

In May 2025, PMI finalized all measurement period adjustments related to the UTC acquisition. The following table summarizes the final 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)	Preliminary Purchase Price Allocation Recognized in the second quarter 2024	Measurement Period Adjustments	Final Purchase Price Allocation
Cash and cash equivalent	$ 74	$ —	$ 74
Current assets, including receivables and inventories	11	—	11
Other intangible assets - Tobacco manufacturing license	211	25	236
Other non-current assets, including property, plant and equipment	16	—	16
Current liabilities	(8)	—	(8)
Non-Current liabilities	—	(18)	(18)
Identifiable net assets acquired	304	7	311
Noncontrolling interest	(159)	(1)	(160)
Goodwill	510	(5)	505
Acquisition fair value	$ 655	$ 1	$ 656

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 goodwill is not deductible for income tax purposes. 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.

UTC's results of operations from May 16, 2024, through December 31, 2024, were included 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.

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. Prior to the acquisition date, the cash consideration paid was accounted for within Other assets in PMI's consolidated balance sheets.

On the acquisition date and as of December 31, 2024 and June 30, 2025, the reacquired rights were classified as Other intangible assets, net in PMI's consolidated balance sheets, and are being amortized over their useful life of 5 years.

Note 3. 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 June 30, 2025, shares available for grant under the 2022 Plan were 16,942,225.

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 June 30, 2025, shares available for grant under the plan were 865,940.

Restricted share unit (RSU) awards

During the six months ended June 30, 2025 and 2024, 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
2025	1,506,180	$ 145.19
2024	1,976,920	$ 89.05

Compensation expense related to RSU awards was as follows:

	Compensation Expense Related to RSU Awards	
(in millions)	For the Six Months Ended June 30,	For the Three Months Ended June 30,
2025	$ 97	$ 34
2024	$ 84	$ 37

As of June 30, 2025, PMI had $259 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 six months ended June 30, 2025, 1,320,538 RSU awards vested. The grant date fair value of all the vested awards was approximately $139 million. The total fair value of RSU awards that vested during the six months ended June 30, 2025 was approximately $198 million.

Performance share unit (PSU) awards

During the six months ended June 30, 2025 and 2024, 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 six months ended June 30, 2025 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): aggregates key performance indicators pertaining to social and environmental impacts generated by PMI's products; 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): aggregates key performance indicators pertaining to social and environmental impacts generated by PMI's business activities; 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.

The performance metrics, targets and relative weights for the PSU's granted during the six months ended June 30, 2025 were the same as the PSU's granted during the six months ended June 30, 2024, with the exception of the annual growth rate of adjusted diluted EPS metric goals, which was increased, and for changes to certain components of the Sustainability Index. In the Sustainability Index, certain KPIs were adjusted to reflect PMI's developing sustainability strategy and the number of individual KPIs was reduced, both in acknowledgment of the maturity of certain programs measured by removed KPIs and to further focus management performance on the remaining Sustainability Index metrics.

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 six months ended June 30, 2025 and 2024, 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)
2025	396,400	$ 145.35	$ 213.72
2024	543,560	$ 89.01	$ 85.72

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:

	2025	2024
Average risk-free interest rate [a]	4.1 %	4.2 %
Average expected volatility [b]	21.0 %	19.9 %

[a] Based on the U.S. Treasury yield curve.
[b] Determined using the observed historical volatility.

	Compensation Expense Related to PSU Awards	
(in millions)	For the Six Months Ended June 30,	For the Three Months Ended June 30,
2025	$ 60	$ 9
2024	$ 49	$ 18

As of June 30, 2025, PMI had $60 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 six months ended June 30, 2025, 686,052 PSU awards vested. The grant date fair value of all the vested awards was approximately $84 million. The total fair value of PSU awards that vested during the six months ended June 30, 2025 was approximately $102 million.

Note 4. 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:

	For the Six Months Ended June 30,		For the Three Months Ended June 30,	
(in millions)	2025	2024	2025	2024
Net pension costs (income)	$ (42)	$ (39)	$ (22)	$ (20)
Net postemployment costs	58	62	29	31
Net postretirement costs	7	6	4	3
Total pension and other employee benefit costs	$ 23	$ 29	$ 11	$ 14

Pension Plans

Components of Net Periodic Benefit Cost

Net periodic pension cost consisted of the following:

	Pension [1]			
	For the Six Months Ended June 30,		For the Three Months Ended June 30,	
(in millions)	2025	2024	2025	2024
Service cost	$ 116	$ 109	$ 59	$ 54
Interest cost	102	116	52	57
Expected return on plan assets	(210)	(200)	(108)	(99)
Amortization:				
Net loss	67	46	34	23
Prior service cost (credit)	(1)	(1)	—	(1)
Net periodic pension cost	$ 74	$ 70	$ 37	$ 34

[1] Primarily non-U.S. based defined benefit retirement plans.

All of the amounts in the table above, other than service cost, are recognized in pension and other employee benefit costs in the condensed consolidated statement of earnings.

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 $62 million were made to the pension plans during the six months ended June 30, 2025. Currently, PMI anticipates making additional contributions during the remainder of 2025 of approximately $102 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.

Note 5. Goodwill and Other Intangible Assets, net:

2025 Annual impairment review of goodwill and non-amortizable intangible assets

During the second quarter of 2025, PMI completed its annual review of goodwill and non-amortizable intangible assets for potential impairment. As a result of updated financial projections, it was determined that the estimated fair value of a reporting unit included within the Europe segment was lower than its carrying value. Consequently, PMI recorded a goodwill impairment charge of $41 million, which represented the entirety of the goodwill recorded in the reporting unit.

Each of PMI's reporting units had fair values substantially in excess of their carrying values. PMI continues to monitor the Wellness and Healthcare reporting unit as any changes in assumptions and estimates, unfavorable clinical trial results, failure to obtain regulatory approvals and authorizations, and other market factors could result in future goodwill and other intangible asset impairments. In addition, there are 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 June 30, 2025, our Russian operations had approximately $4.3 billion in total assets, excluding intercompany balances, of which approximately $1.8 billion consisted of cash and cash equivalents held mostly in local currency (Russian rubles). Additionally, we hold a 23% equity interest in JSC TK Megapolis, PMI's distributor in Russia. For further details, see Note 13. *Related Parties – Equity Investments and Other*.

Goodwill

The movements in goodwill were as follows:

(in millions)	Europe	SSEA, CIS & MEA	EA, AU & PMI GTR	Americas	Total
Balances at December 31, 2024	$ 4,130	$ 3,251	$ 470	$ 8,749	$ 16,600
Changes due to:					
Impairment	(41)	—	—	—	(41)
Measurement period adjustments	—	(7)	—	—	(7)
Currency	592	34	5	42	673
Balances, June 30, 2025	$ 4,681	$ 3,278	$ 475	$ 8,791	$ 17,225

As discussed in Note 1. *Background and Basis of Presentation*, following the sale of Vectura Group Ltd. on December 31, 2024, we updated our segment reporting in January 2025 by including the Wellness & Healthcare balance in the Europe segment. As a result, the December 31, 2024 goodwill balance for the Europe segment in the table above includes the reclassification of the former Wellness & Healthcare segment.

At June 30, 2025, goodwill primarily reflects PMI's acquisitions of Swedish Match AB and Fertin Pharma A/S, as well as acquisitions in Indonesia, the Philippines, Egypt, Greece, Mexico, and Serbia.

In the second quarter of 2025, PMI finalized the measurement period adjustments related to its acquisition in Egypt of United Tobacco Company (UTC). For further details, see Note 2. *Acquisitions and Divestitures.*

Other Intangible Assets

Details of other intangible assets were as follows:

(in millions)	Weighted-Average Remaining Useful Life	June 30, 2025 Gross Carrying Amount	June 30, 2025 Accumulated Amortization	June 30, 2025 Net	December 31, 2024 Gross Carrying Amount	December 31, 2024 Accumulated Amortization	December 31, 2024 Net
Non-amortizable intangible assets		$ 4,723		$ 4,723	$ 4,446		$ 4,446
Amortizable intangible assets:							
Trademarks	15 years	2,294	$ 936	1,358	2,134	$ 850	1,284
Reacquired commercialization rights for *IQOS* in the U.S.	4 years	2,777	648	2,129	2,777	370	2,407
Developed technology, including patents	7 years	351	143	208	320	121	199
Customer relationships and other	10 years	3,878	914	2,964	3,712	721	2,991
Total other intangible assets		$ 14,023	$ 2,641	$ 11,382	$ 13,389	$ 2,062	$ 11,327

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 final purchase price allocation of PMI's acquisition in Egypt in the second quarter of 2024 (see Note 2. *Acquisitions and Divestitures* for further details). The increase since December 31, 2024, was mainly due to currency movements of $257 million and measurement period adjustments related to the final purchase price allocation of UTC acquisition in Egypt of $25 million.

The increase in the gross carrying amount of amortizable intangible assets from December 31, 2024, was primarily due to currency movements of $352 million.

The change in the accumulated amortization from December 31, 2024, was mainly due to the 2025 amortization of $496 million, combined with currency movements of $83 million. The amortization of intangibles for the six months ended June 30, 2025 was recorded in cost of sales ($11 million) and in marketing, administration and research costs ($485 million) on PMI's condensed consolidated statements of earnings.

Amortization expense for each of the next five years is estimated to be approximately $997 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 2. *Acquisitions and Divestitures*).

Note 6. 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, as well as 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, Polish zloty, 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.

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

(in millions)	At June 30, 2025	At December 31, 2024
Derivative contracts designated as hedging instruments:		
Foreign exchange contracts	$ 31,573	$ 25,149
Interest rate contracts	4,200	3,000
Commodity contracts	6	9
Derivative contracts not designated as hedging instruments:		
Foreign exchange contracts	16,472	15,942
Total	$ 52,251	$ 44,100

The fair value of PMI's derivative contracts included in the condensed consolidated balance sheets as of June 30, 2025 and December 31, 2024, were as follows:

	Derivative Assets			Derivative Liabilities		
		Fair Value			Fair Value	
(in millions)	Balance Sheet Classification	At June 30, 2025	At December 31, 2024	Balance Sheet Classification	At June 30, 2025	At December 31, 2024
Derivative contracts designated as hedging instruments:						
Foreign exchange contracts	Other current assets	$ 350	$ 772	Other accrued liabilities	$ 541	$ 7
	Other assets	113	299	Other liabilities	1,157	60
Interest rate contracts	Other current assets	3	—	Other accrued liabilities	31	50
	Other assets	66	4	Other liabilities	—	3
Commodity contracts	Other current assets	—	—	Other accrued liabilities	—	—
	Other assets	—	—	Other liabilities	—	—
Derivative contracts not designated as hedging instruments:						
Foreign exchange contracts	Other current assets	100	331	Other accrued liabilities	640	69
	Other assets	—	12	Other liabilities	308	58
Total gross amount derivatives contracts presented in the condensed consolidated balance sheets		$ 632	$ 1,418		$ 2,677	$ 247
Gross amounts not offset in the condensed consolidated balance sheets						
Financial instruments		(495)	(218)		(495)	(218)
Cash collateral received/pledged		(76)	(863)		(1,760)	(18)
Net amount		$ 61	$ 337		$ 422	$ 11

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 June 30, 2025 and December 31, 2024.

For the six months ended June 30, 2025 and 2024, PMI's derivative contracts impacted the condensed consolidated statements of earnings and comprehensive earnings as follows:

(pre-tax, in millions)	For the Six Months Ended June 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	
	2025	2024		2025	2024	2025	2024
Derivative contracts designated as hedging instruments:							
Cash flow hedges:							
Foreign exchange contracts	$ (279)	$ 288	Net revenues	$ 63	$ 90		
			Cost of sales	—	—		
			Marketing, administration and research costs	(27)	7		
			Interest expense, net	(1)	(5)		
Interest rate contracts	1	54	Interest expense, net	28	25		
Commodity contracts	—	(1)	Cost of sales	(4)	—		
Fair value hedges:							
Interest rate contracts			Interest expense, net [a]			$ 66	$ (17)
Net investment hedges [b]:							
Foreign exchange contracts	(1,992)	578	Interest expense, net [c]			141	147
Derivative contracts not designated as hedging instruments:							
Foreign exchange contracts			Interest expense, net			183	99
			Marketing, administration and research costs [d]			(1,350)	432
Total	$ (2,270)	$ 919		$ 59	$ 117	$ (960)	$ 661

[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 largely offset by the (losses) and gains generated by the underlying intercompany and third-party loans being hedged

For the three months ended June 30, 2025 and 2024, 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 June 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	
	2025	2024		2025	2024	2025	2024
Derivative contracts designated as hedging instruments:							
Cash flow hedges:							
Foreign exchange contracts	$ (133)	$ 122	Net revenues	$ 11	$ 61		
			Cost of sales	—	—		
			Marketing, administration and research costs	14	(17)		
			Interest expense, net	(1)	(2)		
Interest rate contracts	2	—	Interest expense, net	14	13		
Commodity contracts	(1)	2	Cost of sales	(2)	—		
Fair value hedges:							
Interest rate contracts			Interest expense, net [a]			$ 19	$ (6)
Net investment hedges [b]:							
Foreign exchange contracts	(1,555)	125	Interest expense, net [c]			71	75
Derivative contracts not designated as hedging instruments:							
Foreign exchange contracts			Interest expense, net			90	55
			Marketing, administration and research costs [d]			(1,108)	(80)
Total	$ (1,687)	$ 249		$ 36	$ 55	$ (928)	$ 44

[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 largely 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 June 30, 2025, 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.

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 June 30, 2025 was $4,116 million, of which $635 million was recorded in current portion of long-term debt and $3,481 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 $(44) million as of June 30, 2025.

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 six months ended June 30, 2025 and 2024, 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 nil and $5 million, respectively. For the three months ended June 30, 2025 and 2024, 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 nil for both periods. 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 Six Months Ended June 30,		For the Three Months Ended June 30,	
	2025	2024	2025	2024
Gain/(loss) as of beginning of period,	$ 467	$ 241	$ 324	$ 373
Derivative (gains)/losses transferred to earnings	(50)	(94)	(29)	(48)
Change in fair value	(235)	286	(113)	108
Gain/(loss) as of June 30,	$ 182	$ 433	$ 182	$ 433

At June 30, 2025, PMI expects $22 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.

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 U.S. dollar denominated bonds in Argentina, have been classified within Level 1 and had a fair value of $241 million at June 30, 2025. For the six months and three months ended June 30, 2025, the gross unrealized pre-tax gains (losses) on these investments were immaterial.

Note 7. Earnings Per Share:

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

(in millions)	For the Six Months Ended June 30,		For the Three Months Ended June 30,	
	2025	2024	2025	2024
Net earnings attributable to PMI	$ 5,729	$ 4,554	$ 3,039	$ 2,406
Less distributed and undistributed earnings attributable to share-based payment awards [1]	16	14	8	7
Net earnings for basic and diluted EPS	$ 5,713	$ 4,540	$ 3,031	$ 2,399
Weighted-average shares for basic EPS	1,556	1,554	1,557	1,555
Plus contingently issuable performance stock units (PSUs)[1]	2	2	1	1
Weighted-average shares for diluted EPS	1,558	1,556	1,558	1,556

[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 2025 and 2024 computations, there were no antidilutive stock awards.

Note 8. 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. PMI's segments are 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 categories sold in the region. As discussed in Note 1. *Background and Basis of Presentation*, in January 2025, PMI updated its segment reporting by including the former Wellness & Healthcare segment results in the Europe segment. The 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 & PMI Global Travel Retail ("EA, AU & PMI GTR"); and Americas Region.

PMI's Chief Executive Officer, who is the chief operating decision maker ("CODM") evaluates geographical segment performance based on the regional operating income, which includes results from all product categories sold in each region. The CODM reviews short-term and long-term trends, forecasts, and budget-to-actual variances to assess geographical segment performance and to allocate resources. Interest expense, net, and provision for income taxes are centrally managed and, accordingly, such items are not presented by segment since they are excluded from the measure of segment profitability reviewed by management. Information about total assets by segment is not disclosed because such information is not reported to or used by PMI's CODM. Segment goodwill and other intangible assets, net, are disclosed in Note 5. *Goodwill and Other Intangible Assets, net*. The accounting policies of the segments are the same as those described in Item 8, Note 2. *Summary of Significant Accounting Policies* of PMI's Annual Report on Form 10-K for the year ended December 31, 2024.

PMI disaggregates its net revenues from contracts with customers by product category for each of PMI's geographical segments. PMI believes this best depicts how the nature, amount, timing and uncertainty of its revenue and cash flows are affected by economic factors.

Net revenues, significant expenses, and operating income by segment were as follows:

(in millions)	Europe	SSEA, CIS & MEA	EA, AU & PMI GTR	Americas	Total
For the Six Months Ended June 30, 2025					
Net revenues	$ 7,794	$ 5,669	$ 3,439	$ 2,539	$ 19,441
Less:					
Cost of sales	2,111	2,441	977	790	6,319
Marketing, administration and research costs	2,537	1,308	696	1,284	5,825
Impairment of goodwill	41	—	—	—	41
Operating income	$ 3,105	$ 1,920	$ 1,766	$ 465	$ 7,256
For the Six Months Ended June 30, 2024					
Net revenues	$ 7,350	$ 5,429	$ 3,357	$ 2,125	$ 18,261
Less:					
Cost of sales	2,153	2,548	1,105	734	6,540
Marketing, administration and research costs	2,169	1,218	736	1,109	5,232
Operating income	$ 3,028	$ 1,663	$ 1,516	$ 282	$ 6,489

(in millions)	Europe	SSEA, CIS & MEA	EA, AU & PMI GTR	Americas	Total
For the Three Months Ended June 30, 2025					
Net revenues	$ 4,234	$ 2,926	$ 1,708	$ 1,272	$ 10,140
Less:					
Cost of sales	1,129	1,241	489	420	3,279
Marketing, administration and research costs	1,396	685	366	661	3,108
Impairment of goodwill	41	—	—	—	41
Operating income	$ 1,668	$ 1,000	$ 853	$ 191	$ 3,712
For the Three Months Ended June 30, 2024					
Net revenues	$ 3,895	$ 2,771	$ 1,673	$ 1,129	$ 9,468
Less:					
Cost of sales	1,126	1,311	528	380	3,345
Marketing, administration and research costs	1,152	569	392	566	2,679
Operating income	$ 1,617	$ 891	$ 753	$ 183	$ 3,444

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

(in millions)	For the Six Months Ended June 30,		For the Three Months Ended June 30,	
	2025	2024	2025	2024
Net revenues:				
Combustible tobacco:				
Europe	$ 4,235	$ 4,145	$ 2,329	$ 2,214
SSEA, CIS & MEA	4,917	4,778	2,504	2,432
EA, AU & PMI GTR	1,202	1,217	600	620
Americas	1,031	1,126	547	592
Total Combustible tobacco	11,386	11,265	5,979	5,858
Smoke-free:				
Europe	3,559	3,205	1,905	1,681
of which, Wellness & Healthcare	*109*	*170*	*57*	*80*
SSEA, CIS & MEA	752	651	422	339
EA, AU & PMI GTR	2,237	2,140	1,108	1,053
Americas	1,508	999	725	537
Total Smoke-free	8,055	6,996	4,161	3,610
Total PMI net revenues	$ 19,441	$ 18,261	$ 10,140	$ 9,468

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:

- **Restructuring charges** - See Note 16. *Restructuring Activities* for a breakdown of these costs by segment for the six months and three months ended June 30, 2025 and 2024.
- **Impairment of goodwill –** See Note 5. *Goodwill and Other Intangible Assets, net* for details of the $41 million of goodwill impairment charge recorded in the Europe segment for the six months and three months ended June 30, 2025.

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 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 refer to the operating revenues generated from the sale of product, primarily associated with inhaled therapeutics, and oral and intra-oral delivery systems.

Other segment data were as follows:

(in millions)	For the Six Months Ended June 30,		For the Three Months Ended June 30,	
	2025	2024	2025	2024
Depreciation and amortization expense:				
Europe	$ 260	$ 295	$ 136	$ 149
SSEA, CIS & MEA	138	152	70	76
EA, AU & PMI GTR	101	88	50	41
Americas	471	277	234	179
Total depreciation and amortization expense	$ 970	$ 812	$ 490	$ 445

(in millions)	For the Six Months Ended June 30,		For the Three Months Ended June 30,	
	2025	2024	2025	2024
Capital expenditures:				
Europe	$ 394	$ 500	$ 165	$ 220
SSEA, CIS & MEA	111	170	47	80
EA, AU & PMI GTR	9	12	3	6
Americas	246	105	141	64
Total capital expenditures	$ 760	$ 787	$ 356	$ 370

Note 9. 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 subsidiaries 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 9. *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 9. *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.

Approval of CCAA Plan 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 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 the Effective Date (defined below) 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.

While RBH believes that the findings of liability and damages in both *Létourneau* and the *Blais* cases were incorrect, the CCAA proceedings provided 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. The issue of allocation of the CAD 32.5 billion aggregate settlement amount among RBH, ITL, and JTIM ("Allocation Issue") was unresolved in the Proposed Plan.

On January 15, 2025, RBH's court-appointed mediator and monitor filed a motion seeking an order by the CCAA court approving and sanctioning the Proposed Plan and authorizing and directing the monitor, among others, to take all steps and actions necessary and appropriate to implement the Proposed Plan ("Sanction Motion" and the requested order, the "Proposed Sanction Order").

On January 24, 2025, RBH filed an objection to the Sanction Motion ("RBH Objection"). The RBH Objection argued that the Proposed Plan could not be approved because it failed to resolve the Allocation Issue. The RBH Objection also stated that, without an appropriate, fair and reasonable resolution of the Allocation Issue, RBH could not consent to implementation of the Proposed Plan. To address the Allocation Issue, the RBH Objection sought to amend the Proposed Sanction Order to include provisions (the "Proposed Allocation Provisions") requiring that ITL and JTIM make payments to RBH from their retained working capital and net income after taxes over a period of years. ITL, JTIM, and certain claimant groups opposed the Proposed Allocation Provisions set forth in the RBH Objection.

Following a judicial hearing on the Sanction Motion, RBH, JTIM and ITL reached a consensual resolution of all outstanding objections to the Proposed Plan filed by RBH, JTIM and ITL, including the RBH Objection, that resulted in amendments to the Proposed Plan that, among other things, would permit RBH to retain CAD 750 million (approximately $547 million) in accumulated cash.

On March 6, 2025, the CCAA court issued a decision approving the Proposed Plan as amended (the "Plan").

Under the resolution contemplated by the Plan, as approved by the CCAA Court, RBH, JTIM, and ITL will pay an aggregate global settlement amount of CAD 32.5 billion (approximately $23.7 billion). This amount will be funded by an upfront payment equal to the companies' cash and cash equivalents on hand plus court deposits, less the CAD 750 million that RBH will be permitted to retain, as well as 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. Annual contributions start at 85% of net after-tax income ("NATI"), with a five-percentage point reduction in NATI every five years until reaching 70%. Annual contributions are contingent on positive NATI of RBH. Such payment obligations concern only RBH and not PMI. RBH and its affiliates, including PMI and its indemnitees, will 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 Plan; related litigation will 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) will be transferred to an RBH affiliate. The Plan also contains a number of operating covenants that would govern RBH's business going forward until the settlement amount has been paid.

Implementation of the Plan is subject to certain conditions precedent, including execution and delivery of definitive documentation, such as execution of contractual releases. Subject to satisfaction of the conditions precedent, it is expected that the Plan will be implemented and become effective sometime in the second half of 2025 ("Effective Date").

For additional information concerning the fair value of PMI's continuing investment in RBH and the impairment charge recorded in the Company's consolidated statement of earnings for the year ended December 31, 2024, as a recognized subsequent event, see Note 13. *Related Parties – Equity Investments and Other*.

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 $11.3 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 $2.3 billion) including pre-judgment interest). In addition, the trial court awarded CAD 90,000 (approximately $65,700) in punitive damages, allocating CAD 30,000 (approximately $21,900) 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 $165 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 $553 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 $9.9 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 $803 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 $96 million) in punitive damages, allocating CAD 46 million (approximately $34 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 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.

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."

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 nine proposed class actions, seventeen health care cost recovery cases, one 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, three were initially decided in favor of plaintiffs and remain on appeal, or are subject to an appeal. These three cases include the *Blais* Class Action and the *Létourneau* Class Action, described above under the caption "*Smoking and Health Litigation — Canada,*" and one individual case 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 June 30, 2025, there were nine cases brought on behalf of classes of individual plaintiffs pending against us, our subsidiaries or indemnitees, compared with nine such cases on June 30, 2024, 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 June 30, 2025, 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), unchanged from 17 such cases on June 30, 2024.

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 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 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 would 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, with final submissions due in August 2025.

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 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 June 30, 2025, there was one public civil action pending against our subsidiary in Venezuela (1), compared with one such case on June 30, 2024.

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 one or more subsidiaries related to *ZYN* nicotine pouches. These cases were filed either on behalf of an individual plaintiff, on behalf of a purported class of individuals, or on behalf of a municipal entity. 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 on 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 complaint named PMI and Swedish Match North America LLC as defendants. 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. Plaintiff 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, denied PMI's motion to dismiss without prejudice, and granted plaintiff's request to conduct jurisdictional discovery. On December 4, 2024, plaintiff filed an amended complaint against PMI and Swedish Match North America LLC and added three additional entities as named defendants: Swedish Match USA Inc., PMI Global Services Inc., and Philip Morris Global Brands Inc. On December 18, 2024, PMI, Swedish Match USA Inc., PMI Global Services Inc., and Philip Morris Global Brands Inc., filed motions to dismiss the amended complaint with prejudice, and Swedish Match North America LLC filed a motion to dismiss the fraud claim. On March 19, 2025, the Court granted defendants' motion to dismiss the plaintiff's fraud claim with prejudice but denied the motion to dismiss Swedish Match USA Inc. The Court also denied the motion to dismiss the three PMI defendants for lack of personal jurisdiction. The defendants filed their answers to plaintiff's amended complaint on April 2, 2025, and the case has moved to the discovery phase and will be consolidated with the other Florida cases (*Palmer, Lendinara, and Friedman*) for purposes of pre-trial discovery. The Court has set a deadline of June 26, 2026 for the completion of all fact and expert discovery and December 7, 2026 for the start of trial.

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 complaint named PMI and Swedish Match North America LLC as defendants. 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 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. On March 28, 2025, the Court granted Swedish Match North America LLC's motion to stay the case, ordering that the case be stayed until the court in the *Kelly* case, described above, issues a ruling on any motion that the plaintiffs in that case might make to certify a class. 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 complaint named PMI and Swedish Match North America LLC as defendants. Plaintiff 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, denied PMI's motion to dismiss without prejudice, and granted plaintiff's request to conduct jurisdictional discovery. On December 4, 2024, plaintiff filed an amended complaint against PMI and Swedish Match North America LLC and added three additional entities as named defendants: Swedish Match USA Inc., PMI Global Services Inc., and Philip Morris Global Brands Inc. On December 18, 2024, PMI, Swedish Match USA Inc., PMI Global Services Inc., and Philip Morris Global Brands Inc., filed motions to dismiss the amended complaint with prejudice, and Swedish Match North America LLC filed a motion to dismiss the fraud claim. On March 19, 2025, the Court granted defendants' motion to dismiss the fraud claim with prejudice but denied the motion to dismiss Swedish Match USA Inc. The Court also denied the motion to dismiss the three PMI defendants for lack of personal jurisdiction. The defendants filed their answers to plaintiff's amended complaint on April 2, 2025, and the case has moved to the discovery phase and will be consolidated with the other Florida cases (*Kelly, Lendinara,* and *Friedman*) for purposes of pre-trial discovery. The Court has set a deadline of June 26, 2026 for the completion of all fact and expert discovery and December 7, 2026 for the start of trial.

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 complaint named PMI and Swedish Match North America LLC as

defendants. Plaintiff 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. On December 4, 2024, plaintiff filed an amended complaint against PMI and Swedish Match North America LLC and added three additional entities as named defendants: Swedish Match USA Inc., PMI Global Services Inc., and Philip Morris Global Brands Inc. On December 18, 2024, PMI, Swedish Match USA Inc., PMI Global Services Inc., and Philip Morris Global Brands Inc., filed motions to dismiss the amended complaint with prejudice, and Swedish Match North America LLC filed a motion to dismiss the fraud claim. On March 19, 2025, the Court granted defendants' motion to dismiss the plaintiffs' fraud claim with prejudice but denied the motion to dismiss Swedish Match USA Inc. The Court also denied the motion to dismiss the three PMI defendants for lack of personal jurisdiction. The defendants filed their answers to plaintiff's amended complaint on April 2, 2025, and the case has moved to the discovery phase and will be consolidated with the other Florida cases (*Kelly, Palmer,* and *Friedman*) for purposes of pre-trial discovery. The Court has set a deadline of June 26, 2026 for the completion of all fact and expert discovery and December 7, 2026 for the start of trial.

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 complaint named PMI and Swedish Match North America LLC as defendants. 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, PMI and Swedish Match North America LLC filed motions to dismiss the complaint with prejudice, and a motion to stay discovery. On October 2, 2024, Plaintiff filed a notice of voluntary dismissal without prejudice as to Swedish Match North America LLC, which the Court ordered on October 3, 2024. On April 11, 2025, PMI filed a motion to stay the proceedings until the court in the *Kelly* case, described above, issues a ruling on any motion for class certification that the plaintiff in that case might bring. On June 13, 2025, the Court granted PMI's motion to stay until the court in the *Kelly* case issues a ruling on class certification. In light of the ruling on the motion to stay, the Court denied PMI's motion to dismiss 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 sixth case, an individual complaint, *Friedman v. Philip Morris International Inc., et al.*, filed April 2, 2025, 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 complaint named PMI, Swedish Match North America LLC, Swedish Match USA Inc., PMI Global Services Inc., and Philip Morris Global Brands Inc. as defendants. Plaintiff 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 a negligence claim, and is seeking compensatory and punitive damages, attorney's fees and costs, and interest. The defendants filed their answers to Plaintiffs' complaint on May 5, 2025, and the case has moved to the discovery phase and will be consolidated with the other Florida cases (*Kelly, Palmer, Lendinara, and Friedman*) for purposes of pre-trial discovery. The Court has set a deadline of June 26, 2026 for the completion of all fact and expert discovery and December 7, 2026 for the start of trial.

In the seventh case, *Mayor and City Council of Baltimore v. Philip Morris International Inc. et al*, filed May 7, 2025, before the Circuit Court for Baltimore City, Maryland, the City of Baltimore alleges that the defendants have violated the City of Baltimore's Consumer Protection Ordinance by, among other things, marketing *ZYN* products in a deceptive manner. The complaint names PMI, Swedish Match North America LLC, and Swedish Match USA Inc. as defendants. Plaintiff alleges, among other things, that defendants 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 that defendants' actions violate the prohibition on "unfair, abusive, or deceptive trade practices" in the Consumer Protection Ordinance and seeks monetary and injunctive relief. The Complaint was served on Defendants on June 9, 2025. On July 7, 2025, Defendants removed the case to the United States District Court for the District of Maryland. Defendants have not yet

answered or otherwise responded to the complaint. 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.

Other Litigation

On November 18, 2024, a putative class action, *Neumark v. Swedish Match North America LLC*, was filed before United States District Court for the Eastern District of Virginia. The complaint named Swedish Match North America LLC as the defendant. Plaintiff alleged that Swedish Match North America LLC violated federal and state antitrust laws by, among other things, driving a competitor from the market through purportedly baseless litigation and entering into an allegedly anticompetitive agreement with PMI whereby PMI, through an indirect subsidiary, acquired Swedish Match North America LLC and eliminated itself as a competitor in the U.S. nicotine pouch market. Plaintiff asserts claims under the Sherman Antitrust Act, the Clayton Antitrust Act, state antitrust law, and for unjust enrichment. Plaintiff seeks to represent (i) all natural persons, businesses, entities, and corporations in the United States who purchased *ZYN* at retail during the class period; and (ii) all natural persons, businesses, entities, and corporations in the United States who live in states that have certain antitrust statutes who purchase *ZYN* at retail during the class period. Plaintiff is seeking damages (including treble damages as available under antitrust laws), costs, attorneys' fees, disgorgement of profit, pre- and post-judgment interest, and declaratory and injunctive relief (including a declaration that the acquisition of Swedish Match North America LLC by PMI is unlawful and must result in divestiture or be enjoined). On January 15, 2025, Swedish Match North America LLC filed a motion to dismiss the complaint with prejudice. Rather than respond to the motion, Plaintiff filed an amended complaint ("Amended Complaint") on February 10, 2025. The Amended Complaint dropped Plaintiff's baseless litigation theory and named PMI as a defendant in its merger challenge claim. Swedish Match North America and PMI filed a motion to dismiss on March 3, 2025. Briefing is completed and we are awaiting a decision from the court. 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.

The Department of Special Investigations of the government of Thailand ("DSI") conducted an investigation into alleged underpayment by Philip Morris (Thailand) Limited ("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 $614 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 $4 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 consolidated balance sheets and negatively impacted net cash provided by operating activities in the 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.

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. On 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. British American Tobacco Italia S.p.a. 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 $58 million) in damages. After various postponements, the trial started on September 25, 2023, and is expected to continue in 2025 and onwards through a series of evidentiary hearings. PM Italia believes it has strong defenses to the charges against it and will defend them vigorously.

Following an October 2020 final decision by the highest court in Brazil in tax litigation pertaining to overpayments of certain indirect taxes, our affiliate modified the methodology for calculation of the deduction applicable to the indirect taxes at issue. The Brazilian Tax Authority objected to such methodology and, on December 3, 2024, served our affiliate with notice of an assessment alleging underpayments of these indirect taxes during the 2020 fiscal year, for approximately BRL 137 million ($25 million). On March 31, 2025, the Brazilian Tax Authority served our affiliate with notice of a similar assessment alleging underpayments of indirect taxes during the 2021 fiscal year, for approximately BRL 211 million ($39 million). Our affiliate believes it is probable that the Brazilian Tax Authority will issue assessments alleging underpayment of indirect taxes for subsequent fiscal years. We disagree with the position of the Brazilian Tax Authority and will defend vigorously.

On August 2, 2024, the German Main Custom Office ("MCO") notified Philip Morris (Germany) GmbH ("PM Germany") of its decision to classify *TEREA* consumables as a cigarette for excise tax purposes. On August 7, 2024, PM Germany formally objected to the classification of *TEREA* as a cigarette. On October 17, 2024, PM Germany filed a suit with the Fiscal Court in Düsseldorf ("FC Düsseldorf") against the tax classification as cigarettes. The associated tax assessment was received by PM Germany on December 9, 2024 indicating a payment amount of EUR 141 million, subsequently increased to EUR 151 million (approximately $176 million) for the withdrawal of *TEREA* heat-not-burn tax stamps since the launch of *TEREA* in Germany, covering the period of February 15, 2023 through August 1, 2024. An appeal including suspension of proceedings and execution was submitted on January 9, 2025. In April 2025 PM Germany paid the amount outstanding which is recorded in Other assets in the consolidated balance sheets and negatively impacted cash provided by operating activities in the consolidated statements of cash flows in the period of payment. An oral hearing was held before the FC Düsseldorf on July 15, 2025. Following the hearing, on July 22, 2025, PM Germany was notified of the Fiscal Court Düsseldorf's decision to refer two questions to the European General Court: (1) whether, based on EU tax laws, heated tobacco products fall under the conventional cigarette definition; and (2) if so, whether EU tax laws preclude the application to heated tobacco of a tax rate lower than that applicable to cigarettes. An unfavorable outcome in the appeal could result in a loss corresponding to the amount of the tax assessment.

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 patent infringement of JP7299432. FTKK sought an order to stop the importation of *TEREA* consumables. FTKK did not seek in its application 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.

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 commenced in December 2024. Between November 2024 and March 2025, FTKK filed nine additional patent infringement actions against Sojitz for alleged infringement of nine new FTKK patents by *TEREA* and *SENTIA* consumables. FTKK asserts a claim for damages in these actions. Between February 2025 and July 2025, FTKK filed seven patent infringement actions against Sojitz seeking a preliminary injunction. The patents FTKK has asserted in each of these actions were previously asserted by FTKK in earlier filed (and still pending) actions seeking monetary damages. PMJL is obligated to indemnify Sojitz for damages and has intervened, or will intervene, in all of these matters. Merits proceedings in these matters are at various stages.

On November 27, 2024, we were informed that FTKK filed another application with Tokyo Customs against Sojitz, PMJL's importer and distributor, on the basis of alleged infringement of another FTKK patent. FTKK sought an order to stop the importation of *TEREA* and *SENTIA* consumables. FTKK did not seek any monetary damages or costs. PMJL has entered an appearance in the proceeding as an interested party and filed its opposition to FTKK's application on January 9, 2025. A

hearing before Customs officials was held on March 31, 2025. On April 16, 2025, expert advisors to Tokyo Customs provided their opinion that the patent at issue in the Customs matter is not infringed. On April 28, 2025, Tokyo Customs issued a formal notification rejecting FTKK's request for an import injunction on the basis that the accused products do not infringe FTKK's patent.

On June 5, 2025, we were informed that FTKK filed a new application with Tokyo Customs against Sojitz, PMJL's importer and distributor, on the basis of alleged infringement of another FTKK patent. FTKK is seeking an order to stop the importation of *TEREA* and *SENTIA* consumables. At this time, FTKK is not seeking any monetary damages or costs. PMJL has entered an appearance in the proceeding as an interested party and filed its opposition to FTKK's application on July 9, 2025. A hearing before Customs officials has not yet been scheduled.

PMJL intends to vigorously defend the matters commenced by FTKK and take steps to mitigate disruption, if any, that could result from FTKK's claims.

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 10. 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.

On July 4, 2025, the One Big Beautiful Bill Act ("the Act") was signed into law in the U.S. The Act contains several provisions related to corporate income taxes, including the extension of many expiring provisions from the Tax Cuts and Jobs Act of 2017, modifications to the international tax framework, and the restoration of favorable tax treatment for certain business provisions. PMI is currently evaluating the impact on its consolidated financial statements.

PMI's effective tax rates for the six months and three months ended June 30, 2025 were 19.5% and 19.0%, respectively. PMI's effective tax rates for the six months and three months ended June 30, 2024 were 24.2% and 23.7%, respectively.

The effective tax rate for the six months ended June 30, 2025 was favorably impacted by 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 ($373 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; partially offset by an increase in deferred tax liabilities related to the fair value adjustment of equity securities held by PMI ($115 million), as well as the recognition of current tax expense related to the potential disallowance of intercompany transactions in Indonesia ($46 million).

The effective tax rate for the six months ended June 30, 2024 was unfavorably impacted by: (i) a deferred tax charge for unrealized foreign currency gains on intercompany loans related to the Swedish Match acquisition financing reflected in the condensed consolidated statements of earnings ($142 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) an increase in deferred tax liabilities related to the fair value adjustment of equity securities held by PMI ($77 million); partially offset by 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, see Note 16. *Restructuring Activities*.

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 did not have a material impact on its 2024 consolidated financial statements.

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 3.4 trillion Indonesian rupiah (approximately $209 million) relating to corporate income tax assessments paid to avoid potential penalties, primarily for domestic and other intercompany transactions for the years 2015 to 2022. 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 June 30, 2025 and December 31, 2024.

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.

Note 11. Indebtedness:

Short-term Borrowings:

At June 30, 2025 and December 31, 2024, PMI's short-term borrowings and related average interest rates consisted of the following:

	June 30, 2025		December 31, 2024	
(in millions)	**Amount Outstanding**	**Average Rate**	**Amount Outstanding**	**Average Rate**
Commercial paper	$ 2,310	4.4 %	$ —	— %
Bank loans	230	10.8	137	8.6
	$ 2,540		$ 137	

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 June 30, 2025 and December 31, 2024, PMI's long-term debt consisted of the following:

(in millions)	June 30, 2025	December 31, 2024
U.S. dollar notes, 0.875% to 6.375% (average interest rate 4.651%), due through 2044	$ 37,130	$ 35,297
Foreign currency obligations:		
Euro notes, 0.125% to 3.750% (average interest rate 2.121%), due through 2039	8,240	7,082
Euro credit facility borrowings related to Swedish Match AB acquisition, (average interest rate 2.626%), due 2027	2,928	2,610
Swedish krona notes, 1.395% to 2.710% (average interest rate 2.016%), due through 2029	256	218
Other (average interest rate 5.143%), due through 2032 [(a)]	368	351
Carrying value of long-term debt	48,922	45,558
Less current portion of long-term debt	6,491	3,392
	$ 42,431	$ 42,166

[(a)] Includes long-term bank loans at subsidiaries, as well as $93 million and $67 million in finance leases at June 30, 2025 and December 31, 2024, 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 June 30, 2025, the fair value of PMI's outstanding long-term debt, excluding the aforementioned finance leases, was as follows:

(in millions)	June 30, 2025
Level 1	$ 45,044
Level 2	3,340

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, 2024.

Term Loan Facility related to the Financing of the Swedish Match Acquisition

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.

On November 7, 2022, PMI delivered notices of borrowing for advances totaling €5.5 billion under the term loan facility, of which €3.0 billion would become due on November 9, 2025, and €2.5 billion would become due on June 23, 2027, unless prepaid pursuant to the terms of the credit agreement.

On November 21, 2024, PMI prepaid approximately €3 billion (approximately $3.2 billion), including outstanding principal and accrued interest, representing all borrowings outstanding under the 3-year tranche of the senior unsecured term loan facility. As of June 30, 2025, borrowings in the amount of €2.5 billion (approximately $2.9 billion) under the 5-year tranche of the term loan facility remained outstanding.

Debt Issuances

PMI's debt issuances in the first six months of 2025 were as follows:

(in millions)

Type		Face Value	Interest Rate	Issuance	Maturity
U.S. dollar notes	(a)	$400	Floating	April 2025	April 2028
U.S. dollar notes	(b)	$750	4.125%	April 2025	April 2028
U.S. dollar notes	(b)	$750	4.375%	April 2025	April 2030
U.S. dollar notes	(b)	$600	4.875%	April 2025	April 2035
Euro notes	(c) (d)	€500 (approximately $569)	2.750%	June 2025	June 2029
Euro notes	(c) (d)	€500 (approximately $569)	3.250%	June 2025	June 2032

(a) Interest is payable quarterly, commencing in July 2025

(b) Interest is payable semi-annually, commencing in October 2025

(c) Interest is payable annually, commencing in June 2026

(d) 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 2025.

Revolving Credit Facilities:

At June 30, 2025, PMI's total committed revolving credit facilities were as follows:

(in billions)

Type		Committed Revolving Credit Facilities
Multi-year $2.0 billion revolving credit, expiring February 10, 2026 [1]	$	2.0
Multi-year $2.5 billion revolving credit, expiring September 29, 2026 [2] [3]		2.5
Multi-year €1.5 billion revolving credit, expiring January 29, 2028		1.8
Total facilities	$	6.3

[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 June 30, 2025, 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 $3.8 billion at June 30, 2025, and approximately $2.1 billion at December 31, 2024. Borrowings under these arrangements and other bank loans amounted to $230 million at June 30, 2025, and $137 million at December 31, 2024.

Note 12. Accumulated Other Comprehensive Losses:

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

(Losses) Earnings (in millions)	At June 30, 2025	At December 31, 2024	At June 30, 2024
Currency translation adjustments	$ (10,979)	$ (9,320)	$ (8,841)
Pension and other benefits	(2,356)	(2,461)	(2,522)
Derivatives accounted for as hedges	182	467	433
Total accumulated other comprehensive losses	$ (13,153)	$ (11,314)	$ (10,930)

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 six months and three months ended June 30, 2025 and 2024. For additional information, see Note 2. *Acquisitions and Divestitures* and Note 16. *Restructuring Activities* for disclosures related to the reclassification of accumulated foreign currency translation losses from other comprehensive losses, Note 4. *Benefit Plans* for disclosures related to PMI's pension and other benefits and Note 6. *Financial Instruments* for disclosures related to derivative financial instruments.

Note 13. Related Parties - Equity Investments and Other:

Equity Method Investments:

At June 30, 2025 and December 31, 2024, PMI had total equity method investments of $1,093 million and $1,005 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 June 30, 2025 and December 31, 2024, exceeded our share of the investees' book value by $1,160 million and $1,060 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 June 30, 2025 and December 31, 2024 of $178 million and $152 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 June 30, 2025 and December 31, 2024, PMI received year-to-date dividends from equity method investees of $139 million and $151 million, respectively.

PMI holds a 23% equity interest in JSC TK Megapolis ("TKM"), PMI's distributor in Russia (SSEA, CIS & MEA segment), which as of June 30, 2025 had a carrying value of $319 million. Additionally, there was approximately $521 million of cumulative foreign currency translation losses associated with TKM reflected in accumulated other comprehensive losses in the condensed consolidated statement of stockholders' equity as of June 30, 2025. Previously TKM was a subsidiary of Megapolis Distribution B.V. ("MDBV"), Dutch holding company in which PMI holds 23% equity interest. In June 2024, the Russian government included TKM in the list of economically significant organizations that may be subject to forced localization under applicable Russian law, which referred 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 TKM were transferred to TKM and subsequently transferred to the Russian subsidiaries of its indirect shareholders during the fourth quarter of 2024. As a result of

the transfer of shares, PMI recorded a tax charge of $77 million in the fourth quarter of 2024, primarily reflecting additional deferred withholding taxes related to the TKM pre-localization earnings and other adjustments of accumulated earnings of the Russian subsidiary. As of June 30, 2025, there are risks related to this investment 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-Emiratie (“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 2. *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.

Additionally, as part of its Wellness and Healthcare business strategy, PMI holds non-controlling equity interests in certain companies, which as of June 30, 2025 had a carrying value of $152 million. There are risks associated with these investments as changes in assumptions and estimates, unfavorable regulatory developments, failure to obtain regulatory approvals and authorizations, and other factors could have an adverse impact on the fair value of these investments and may result in impairment charges.

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 condensed consolidated balance sheets. 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, removed 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, Imperial Tobacco Canada Limited ("ITL") and JTI Macdonald Corp ("JTIM") would pay an aggregate global settlement amount of CAD 32.5 billion (approximately 23.7 billion). A significant determinative factor in the analysis of impairment indicators was the issue of allocation of CAD 32.5 billion aggregate settlement amount among RBH, ITL, and JTIM which remained unresolved

at the time of filing.

On January 24, 2025, RBH filed an objection to approval of the Proposed Plan with the CCAA court (for further details, see Note 9. *Contingencies*). Developments, including the positions taken by RBH in this objection and the positions taken by other parties in related filings narrowed the range of possible outcomes with respect to the allocation of the aggregate settlement amount of CAD 32.5 billion among RBH, ITL, and JTIM, which was determined to be an indicator that PMI's investment in RBH may be impaired. Although there remained some uncertainty as to the final terms of the Proposed plan, PMI evaluated its investment in RBH for potential impairment and concluded that the estimated fair value of its investment in RBH was lower than its carrying value. As a result, PMI performed a quantitative valuation of its investment in RBH as of December 31, 2024, and recorded a non-cash impairment charge of $2,316 million in the consolidated statement of earnings in the fourth quarter and for the year ended December 31, 2024, as a recognized subsequent event. The fair value of PMI's continuing investment in RBH of $714 million represented the estimated fair value of the underlying business, net of PMI's best estimate of the share of the aggregate global settlement amount that could be allocated to RBH, and was determined based on an income approach using a discounted cash flow analysis.

In determining the fair value of PMI's investment in RBH, PMI made various judgements, estimates and assumptions, the most significant of which were the discount rate, sales volumes and operating margins related to the fair value of the combustible tobacco product business in Canada. In addition, significant estimates were made with respect to the allocation amount of the aggregate global settlement amount among RBH, ITL and JTIM, as well as the deductibility of the settlement amount payment for income tax purposes in Canada. All significant inputs used in the valuation are classified in Level 3 of fair value hierarchy. Transactions between PMI and RBH are considered to be related-party transactions from the date of deconsolidation and are included in the tables below.

On March 6, 2025, the CCAA court issued a decision approving the Proposed Plan as amended (the "Plan"), for further details, see Note 9. *Contingencies*. PMI evaluated the terms of the Plan, and no indicators of further impairment were identified as a result of this evaluation. PMI records its continuing investment in RBH at its fair value determined as of December 31, 2024, adjusted for currency translation adjustments.

The fair value of PMI's other equity securities, which have been classified within Level 1, was $1,446 million at June 30, 2025. Unrealized pre-tax gain (loss) of $525 million ($410 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 six months ended June 30, 2025.

Other related parties:

United Arab Emirates-based Trans-Emirates Trading and Investments (FZC) ("TTI") holds a 33% non-controlling interest in Philip Morris Misr 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.

Financial activity with the above related parties:

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

	For the Six Months Ended June 30,		For the Three Months Ended June 30,	
(in millions)	2025	2024	2025	2024
Net revenues:				
Megapolis Group	$ 1,264	$ 1,096	$ 715	$ 576
Other	816	725	428	385
Net revenues [(a)]	$ 2,080	$ 1,821	$ 1,143	$ 961
Expenses:				
Other	$ 103	$ 73	$ 66	$ 33
Expenses	$ 103	$ 73	$ 66	$ 33

[(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 June 30, 2025	At December 31, 2024
Receivables:		
Megapolis Group	$ 641	$ 405
Other	385	286
Receivables	$ 1,026	$ 691
Payables:		
Other	$ 93	$ 60
Payables	$ 93	$ 60

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 14. 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 June 30, 2025 and June 30, 2024. 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 six months ended June 30, 2025 and 2024, were $5.6 billion for both periods. 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 June 30, 2025 and June 30, 2024, were $0.7 billion for both periods. The net proceeds received are included in cash provided by operating activities in the condensed consolidated statements of cash flows. The difference 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 Six Months Ended June 30,	For the Three Months Ended June 30,
2025	$ 17	$ 9
2024	$ 22	$ 10

Note 15. 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 June 30, 2025 and December 31, 2024, these amounts were as follows:

(in millions)	As of and For the Six Months Ended June 30, 2025	As of and For the Year Ended December 31, 2024
Balance at beginning of period	$ 76	$ 80
Changes due to:		
Warranties issued	43	76
Settlements	(42)	(77)
Currency/Other	6	(3)
Balance at end of period	$ 83	$ 76

Note 16. Restructuring Activities:

For the six months and three months ended June 30, 2025, PMI recorded total pre-tax restructuring charges of $243 million. For the six months ended June 30, 2024, PMI recorded total pre-tax restructuring charges of $168 million. For the three months ended June 30, 2024, PMI did not record any charges related to restructuring activities. The 2025 and 2024 pre-tax charges were included in marketing, administration and research costs in the condensed consolidated statements of earnings.

Manufacturing Footprint Optimization - Germany

As a result of declining demand for cigarettes and other combustible tobacco products in Europe, two of PMI's German subsidiaries, Philip Morris Manufacturing GmbH and F6 Cigarettenfabrik GmbH & Co. KG, initiated consultations with employee representatives on October 29, 2024, on a proposal to end production in the factories located in Berlin and in Dresden by the end of the second quarter of 2025, and to seek to agree on fair solutions for any impacted employees.

The consultation processes for both of these factories were concluded in April 2025, and as a result of the closure PMI recorded pre-tax restructuring charges of $243 million in the second quarter of 2025. This amount included pension and employee separation costs of $127 million and contract termination and other costs of $24 million, which will be paid in cash, as well as asset impairment costs of $92 million, primarily related to property lease, and machinery and equipment, which are non-cash charges. The final amount of the charges, as well as the timing of payments, will depend on the separation options selected by impacted employees under the agreement and the evaluation of the potential future use of assets.

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 *IQOS* products to the United States of America. As a result, PMI has initiated a project in the first quarter of 2024 to restructure the sourcing of *IQOS* products to commercialize them 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 2. *Acquisitions and Divestitures*.

In the first quarter of 2024, PMI recorded pre-tax charges 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 restructuring charges 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 10. *Income Taxes*.

Restructuring Charges by Segment

PMI recorded the following pre-tax restructuring charges by segment:

(in millions)	For the Six Months Ended June 30,		For the Three Months Ended June 30,	
	2025	2024	2025	2024
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	—	—
Separation programs:				
Europe	127	—	127	—
Total separation programs	127	—	127	—
Contract termination and other charges:				
Europe	24	—	24	—
Americas	—	65	—	—
Total contract termination and other charges	24	65	24	—
Asset impairment charges:				
Europe	92	—	92	—
Americas	—	65	—	—
Total asset impairment charges	92	65	92	—
Restructuring charges	$ 243	$ 168	$ 243	$ —

Movement in Restructuring Related Liabilities

The movement in restructuring related liabilities for the six months ended June 30, 2025 was as follows:

(in millions)	
Liability balance, January 1, 2025	$ 28
Charges, net	151
Cash spent	(4)
Currency/other	(14)
Liability balance, June 30, 2025	$ 161

Future cash payments for restructuring activities incurred to date are anticipated to be substantially paid by the end of 2026.

Note 17. Leases:

The components of PMI's lease cost were as follows for the six months and three months ended June 30, 2025 and 2024:

	For the Six Months Ended June 30,		For the Three Months Ended June 30,	
(in millions)	2025	2024	2025	2024
Operating lease cost	$ 150	$ 138	$ 78	$ 72
Finance lease cost:				
Amortization of right-of-use assets	26	37	11	12
Interest on lease liabilities	1	1	1	1
Short-term lease cost	29	32	15	16
Variable lease cost	16	13	9	6
Total lease cost	$ 222	$ 221	$ 114	$ 107

Note 18. 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 June 30, 2025 and December 31, 2024, the total amount due to suppliers participating in the SCF program was $0.8 billion and $1.0 billion, respectively.

Note 19. New Accounting Standards:

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. ASU 2023-09 also requires disaggregated disclosures of federal, state and foreign income tax 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 consumer goods 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, including heat-not-burn, nicotine pouch and e-vapor products. Since 2008, we have invested over $14 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. Following a robust science-based review, the U.S. Food and Drug Administration (the "FDA") has authorized the marketing of Swedish Match's *General* snus and *ZYN* nicotine pouches and versions of PMI's *IQOS* devices and consumables - the first-ever such authorizations in their respective categories. Versions of *IQOS* devices and consumables and *General* snus also obtained the first-ever Modified Risk Tobacco Product ("MRTP") authorizations from the FDA. We describe the MRTP 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 sale of Vectura Group Ltd. on December 31, 2024, we updated our segment reporting in January 2025 by including the ongoing Wellness & Healthcare results in the Europe segment. In addition, we renamed our "PMI Duty Free" business to "PMI Global Travel Retail" effective in the first quarter of 2025. As a result of this change, our segment that includes our duty free business was renamed East Asia, Australia & PMI Global Travel Retail ("EA, AU & PMI GTR").

Our four geographical segments are as follows:

- Europe Region, including our Wellness & Healthcare business;
- South and Southeast Asia, Commonwealth of Independent States, Middle East and Africa Region ("SSEA, CIS & MEA");
- East Asia, Australia, and PMI Global Travel Retail ("EA, AU & PMI GTR"); and
- Americas Region.

Our cigarettes are sold in approximately 170 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, *ZYN* and *VEEV* are the leading brands in our SFPs portfolio. As of June 30, 2025, our smoke-free products were available for sale in 97 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 was a key milestone in PMI's transformation to becoming a smoke-free company. The Swedish Match product portfolio is complementary to our portfolio, permitting us to bring together a leading oral nicotine product with the leading heat-not-burn product.

In 2022, we reached 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.

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.

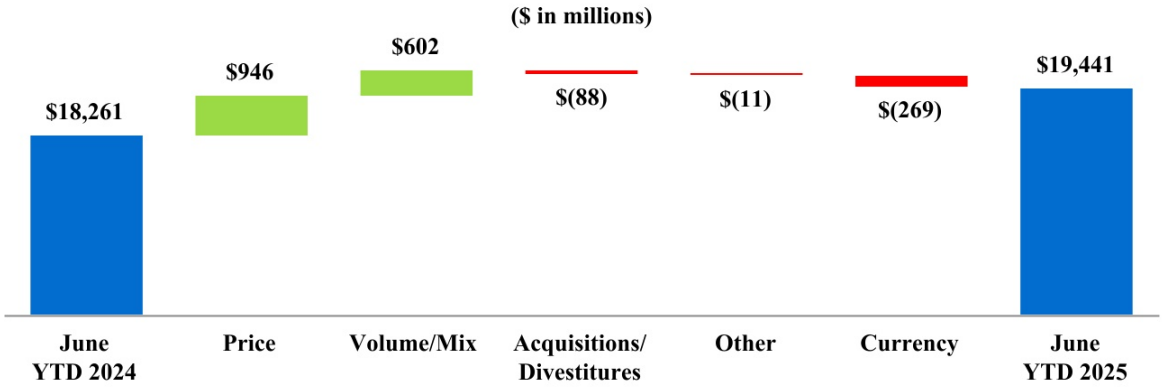
Philip Morris International Inc. is a legal entity separate and distinct from its direct and indirect subsidiaries. Accordingly, our right, and thus the right of our creditors and stockholders, to participate in any distribution of the assets or earnings of any subsidiary is subject to the prior rights 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, including governmental capital and foreign currency exchange controls.

Executive Summary

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

Consolidated Operating Results for the Six Months Ended June 30, 2025

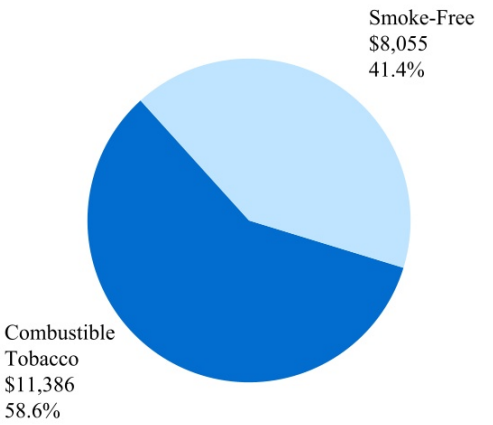
- **Net Revenues** - Net revenues of $19.4 billion for the six months ended June 30, 2025, increased by $1.2 billion, or 6.5%, from the comparable 2024 amount. The change in our net revenues from the comparable 2024 amount was driven by the following (variances not to scale with year-to-date results):



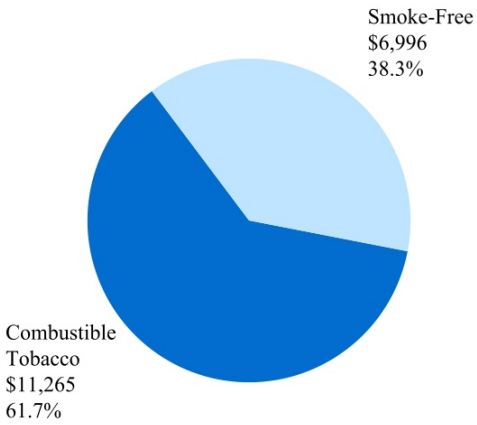
For the six months ended June 30, 2025, net revenues increased by 6.5%. Net revenues, excluding currency and acquisitions/divestitures, increased by 8.4%, mainly reflecting: a favorable pricing variance, predominantly due to higher combustible tobacco pricing; and favorable volume/mix, driven by higher smoke-free volume, notwithstanding unfavorable mix and lower volumes for cigarettes.

Net revenues by product category for the six months ended June 30, 2025 and 2024 are shown below:

June YTD 2025 ($ in millions)



June YTD 2024 ($ in millions)



- **Diluted Earnings Per Share** - The changes in our reported diluted earnings per share ("diluted EPS") for the six months ended June 30, 2025, from the comparable 2024 amounts, were as follows:

		Diluted EPS	% Change
For the six months ended June 30, 2024	$	2.92	
2024 Restructuring charges		0.09	
2024 Impairment of other intangibles		0.01	
2024 Amortization of intangibles		0.17	
2024 Fair value adjustment for equity security investments		(0.15)	
2024 Income tax impact associated with Swedish Match AB financing		0.09	
2024 Tax items		(0.03)	
Subtotal of 2024 items		0.18	
2025 Restructuring charges		(0.13)	
2025 Impairment of goodwill		(0.03)	
2025 Amortization of intangibles		(0.24)	
2025 Fair value adjustment for equity security investments		0.26	
2025 Income tax impact associated with Swedish Match AB financing		0.24	
2025 Tax items		(0.03)	
Subtotal of 2025 items		0.07	
Currency		(0.05)	
Interest		0.05	
Change in tax rate		(0.06)	
Operations		0.56	
For the six months ended June 30, 2025	$	3.67	25.7 %

Restructuring charges – During the six months ended June 30, 2024, we recorded pre-tax restructuring charges 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. During the six months ended June 30, 2025, we recorded pre-tax restructuring charges of $243 million, representing $200 million net of income tax and a diluted EPS charge of $0.13 per share, related to the end of combustible tobacco production in two of our factories in Germany. For further details, see Note 16. *Restructuring Activities*.

Impairment of goodwill and other intangibles – 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 our Wellness and Healthcare business. During the second quarter of 2025, after the completion of our annual review of goodwill, it was determined that the estimated fair value of a reporting unit included within the Europe segment was lower than its carrying value. Consequently, PMI recorded a goodwill impairment charge of $41 million (representing a $0.03 per share decrease in diluted EPS). For further details on the goodwill impairment charge, see Note 5. *Goodwill and Other Intangible Assets, net*.

Amortization of intangibles – During the six months ended June 30, 2024 and 2025, we recorded amortization of intangible expense of $332 million (representing $260 million net of income tax or $0.17 per share decrease in diluted EPS) and $496 million (representing $385 million net of income tax or $0.24 per share decrease in diluted EPS), respectively. The higher 2025 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., effective in May 2024. For further details, see Note 5. *Goodwill and Other Intangible Assets, net*.

Fair value adjustment for equity security investments – During the six months ended June 30, 2024 and 2025, we recorded fair value adjustments for our equity security investments in India and Sri Lanka of $242 million after tax gain (or $0.15 per share increase in diluted EPS) and $410 million after tax gain (or $0.26 per share increase in diluted EPS), respectively. For further details, see Note 13. *Related Parties - Equity Investments and Other*.

Income taxes – The Income tax impact associated with Swedish Match AB financing that decreased our 2024 diluted EPS by $0.09 per share and increased our 2025 diluted EPS by $0.24 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 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 2025 tax items that decreased our 2025 diluted EPS by $0.03 per share in the table above were due to the recognition of current tax expense related to the potential disallowance of deductions for certain intercompany transactions in Indonesia.

The change in the tax rate that decreased our diluted EPS by $0.06 per share in the table above was primarily due to increases in foreign statutory tax rates and repatriation cost differences, partially offset by a decrease in U.S. state income tax expense.

Currency – The unfavorable impact of $0.05 per share during the reporting period primarily results from the fluctuations of the U.S. dollar, especially against the Russian ruble and Swiss franc, partly offset by the Euro and Japanese yen. This unfavorable currency movement has impacted our profitability across our primary revenue markets and local currency cost bases.

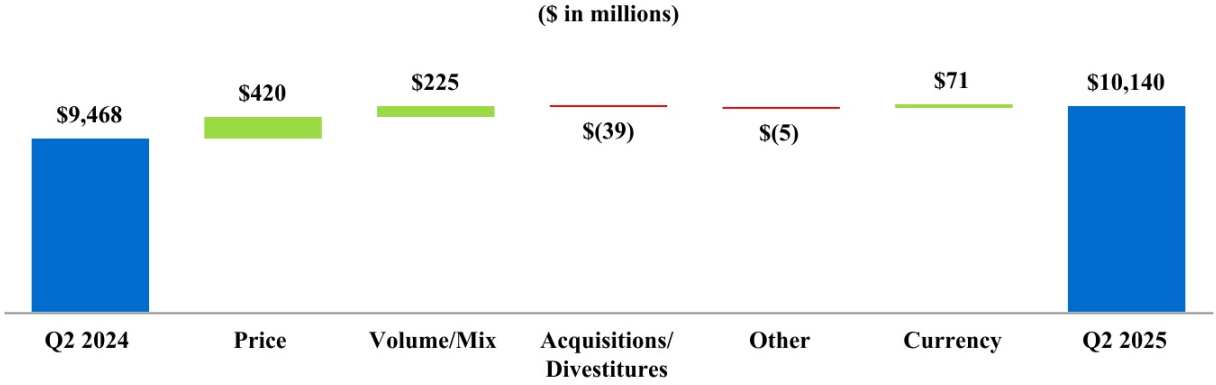
Interest – The favorable impact of $0.05 per share from interest in the table above was primarily due to a lower weighted average cost of debt, including the favorable impact of derivative financial instruments.

Operations – The increase in diluted EPS of $0.56 from our operations in the table above was due primarily to the following segments:

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

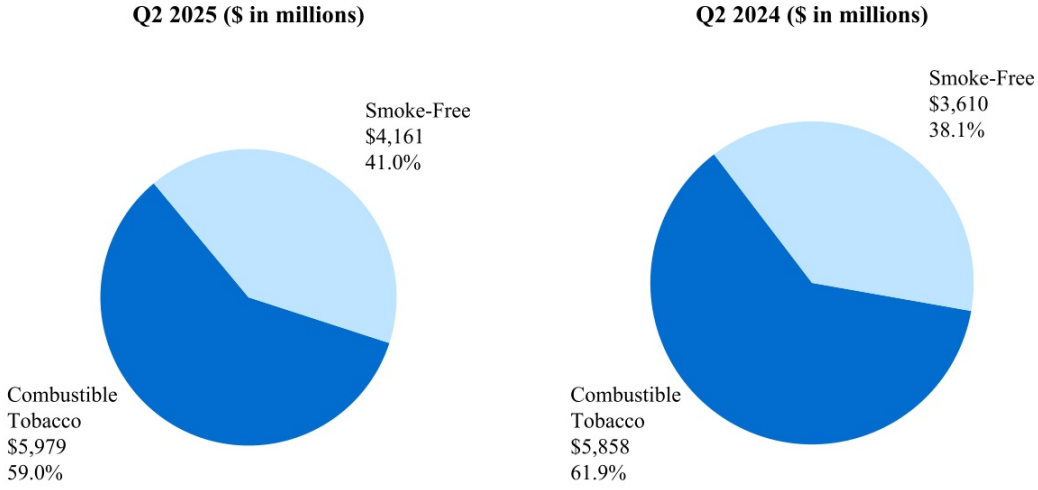
Consolidated Operating Results for the Three Months Ended June 30, 2025

- **Net Revenues** - Net revenues of $10.1 billion for the three months ended June 30, 2025, increased by $0.7 billion, or 7.1%, from the comparable 2024 amount. The change in our net revenues from the comparable 2024 amount was driven by the following (variances not to scale with quarterly results):



During the quarter, net revenues increased by 7.1%. Net revenues, excluding currency and acquisitions/divestitures, increased by 6.8%, mainly reflecting: a favorable pricing variance due to higher combustible tobacco pricing; and favorable volume/mix driven by higher smoke-free products volume, notwithstanding lower volumes and unfavorable mix for cigarettes.

Net revenues by product category for the three months ended June 30, 2025 and 2024, are shown below:



- **Diluted Earnings Per Share** - The changes in our reported diluted EPS for the three months ended June 30, 2025, from the comparable 2024 amounts, were as follows:

		Diluted EPS	% Change
For the three months ended June 30, 2024	$	1.54	
2024 Amortization of intangibles		0.11	
2024 Fair value adjustment for equity security investments		(0.08)	
2024 Income tax impact associated with Swedish Match AB financing		0.02	
2024 Tax items		—	
Subtotal of 2024 items		0.05	
2025 Restructuring charges		(0.13)	
2025 Impairment of goodwill		(0.03)	
2025 Amortization of intangibles		(0.12)	
2025 Fair value adjustment for equity security investments		0.17	
2025 Income tax impact associated with Swedish Match AB financing		0.18	
2025 Tax items		(0.03)	
Subtotal of 2025 items		0.04	
Currency		0.02	
Interest		0.02	
Change in tax rate		(0.03)	
Operations		0.31	
For the three months ended June 30, 2025	$	1.95	26.6 %

Amortization of intangibles – During the second quarter of 2024 and 2025, we recorded amortization of intangible expense of $212 million (representing $165 million net of income tax or $0.11 per share decrease in diluted EPS) and $250 million (representing $194 million net of income tax or $0.12 per share decrease in diluted EPS), respectively.

Fair value adjustment for equity security investments – During the second quarter of 2024 and 2025, we recorded fair value adjustments for our equity security investments in India and Sri Lanka of $116 million after tax gain (or $0.08 per share increase in diluted EPS) and $267 million after tax gain (or $0.17 per share increase in diluted EPS), respectively. For further details, see Note 13. *Related Parties - Equity Investments and Other*.

Restructuring charges – During the second quarter of 2025, we recorded pre-tax restructuring charges of $243 million, representing $200 million net of income tax and a diluted EPS charge of $0.13 per share, related to the end of combustible tobacco production in two of our factories in Germany. For further details, see Note 16. *Restructuring Activities*.

Impairment of goodwill – During the second quarter of 2025, after the completion of our annual review of goodwill, it was determined that the estimated fair value of a reporting unit included within the Europe segment was lower than its carrying value. Consequently, PMI recorded a goodwill impairment charge of $41 million (representing a $0.03 per share decrease in diluted EPS). For further details, see Note 5. *Goodwill and Other Intangible Assets, net*.

Income taxes – The Income tax impact associated with Swedish Match AB financing that decreased our 2024 diluted EPS by $0.02 per share and increased our 2025 diluted EPS by $0.18 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 2025 tax items that decreased our 2025 diluted EPS by $0.03 per share in the table above were due to the recognition of current tax expense related to the potential disallowance of deductions for certain intercompany transactions in Indonesia.

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 foreign statutory tax rates and repatriation cost differences, partially offset by a decrease in U.S. state income tax expense.

Currency – The favorable impact of $0.02 per share during the reporting period primarily results from the fluctuations of the U.S. dollar, especially against the Euro, Russian ruble and Japanese yen, partly offset by the Swiss franc. This favorable currency movement has impacted our profitability across our primary revenue markets and local currency cost bases.

Interest – The favorable impact of $0.02 per share from interest in the table above was primarily due to a lower weighted average cost of debt, including the favorable impact of derivative financial instruments.

Operations – The increase in diluted EPS of $0.31 from our operations in the table above was due primarily to the following segments:

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

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, 2024.

Consolidated Operating Results

See pages 96 - 108 for a discussion of our "*Cautionary Factors That May Affect Future Results*." Net revenues, significant expenses, and operating income by segment were as follows:

(in millions)	Europe	SSEA, CIS & MEA	EA, AU & PMI GTR	Americas	Total
For the Six Months Ended June 30, 2025					
Net revenues	$ 7,794	$ 5,669	$ 3,439	$ 2,539	$ 19,441
Less:					
Cost of sales	2,111	2,441	977	790	6,319
Marketing, administration and research costs	2,537	1,308	696	1,284	5,825
Impairment of goodwill	41	—	—	—	41
Operating income	$ 3,105	$ 1,920	$ 1,766	$ 465	$ 7,256
For the Six Months Ended June 30, 2024					
Net revenues	$ 7,350	$ 5,429	$ 3,357	$ 2,125	$ 18,261
Less:					
Cost of sales	2,153	2,548	1,105	734	6,540
Marketing, administration and research costs	2,169	1,218	736	1,109	5,232
Operating income	$ 3,028	$ 1,663	$ 1,516	$ 282	$ 6,489

(in millions)	**Europe**	**SSEA, CIS & MEA**	**EA, AU & PMI GTR**	**Americas**	**Total**
For the Three Months Ended June 30, 2025					
Net revenues	$ 4,234	$ 2,926	$ 1,708	$ 1,272	$ 10,140
Less:					
Cost of sales	1,129	1,241	489	420	3,279
Marketing, administration and research costs	1,396	685	366	661	3,108
Impairment of goodwill	41	—	—	—	41
Operating income	$ 1,668	$ 1,000	$ 853	$ 191	$ 3,712
For the Three Months Ended June 30, 2024					
Net revenues	$ 3,895	$ 2,771	$ 1,673	$ 1,129	$ 9,468
Less:					
Cost of sales	1,126	1,311	528	380	3,345
Marketing, administration and research costs	1,152	569	392	566	2,679
Operating income	$ 1,617	$ 891	$ 753	$ 183	$ 3,444

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

PMI Net Revenues by Product Category

(in millions)	For the Six Months Ended June 30,			For the Three Months Ended June 30,		
	2025	2024	Change	2025	2024	Change
Combustible tobacco:						
Europe	$ 4,235	$ 4,145	2.2 %	$ 2,329	$ 2,214	5.2 %
SSEA, CIS & MEA	4,917	4,778	2.9 %	2,504	2,432	3.0 %
EA, AU & PMI GTR	1,202	1,217	(1.2)%	600	620	(3.2)%
Americas	1,031	1,126	(8.4)%	547	592	(7.7)%
Total Combustible tobacco	11,386	11,265	1.1 %	5,979	5,858	2.1 %
Smoke-free:						
Europe	3,559	3,205	11.0 %	1,905	1,681	13.3 %
of which, Wellness & Healthcare	*109*	*170*	*(36.1)%*	*57*	*80*	*(28.7)%*
SSEA, CIS & MEA	752	651	15.4 %	422	339	24.3 %
EA, AU & PMI GTR	2,237	2,140	4.5 %	1,108	1,053	5.2 %
Americas	1,508	999	51.0 %	725	537	35.1 %
Total Smoke-free	8,055	6,996	15.1 %	4,161	3,610	15.2 %
Total PMI net revenues	$ 19,441	$ 18,261	6.5 %	$ 10,140	$ 9,468	7.1 %

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:

- **Restructuring charges –** See Note 16. *Restructuring Activities* for a breakdown of these costs by segment for the six months and three months ended June 30, 2025 and 2024.
- **Impairment of goodwill –** See Note 5. *Goodwill and Other Intangible Assets, net* for details of the $41 million of goodwill impairment charge recorded in the Europe segment for the six months and three months ended June 30, 2025.

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 refer to the operating revenues generated from the sale of products, primarily associated with inhaled therapeutics, and oral and intra-oral delivery systems.

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 four segments throughout this *"Discussion and Analysis"* reflects the currency and acquisition/divestiture-neutral variances of: cost of sales (excluding the volume/mix cost component); marketing, administration and research costs (including restructuring charges); and amortization and impairment of intangibles. “Cost/Other” also includes the currency and acquisition/divestiture-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.

Our shipment volume for cigarettes, HTUs and Oral SFP is shown in the table below:

Shipment Volume

	For the Six Months Ended June 30,			For the Three Months Ended June 30,		
Cigarettes and Heated Tobacco Units (million units)	**2025**	**2024**	**Change**	**2025**	**2024**	**Change**
Cigarettes	300,001	300,809	(0.3)%	155,248	157,618	(1.5)%
Heated Tobacco Units	75,899	68,678	10.5 %	38,810	35,544	9.2 %
Total Cigarettes and Heated Tobacco Units	375,900	369,487	1.7 %	194,058	193,162	0.5 %
Oral SFP Volume (million cans) [1]						
Nicotine Pouches	438.1	295.6	48.2 %	214.7	149.9	43.3 %
Snus	119.8	120.2	(0.4)%	59.6	58.8	1.4 %
Moist Snuff	67.0	68.6	(2.2)%	33.4	34.2	(2.1)%
Other Oral SFP [2]	1.3	2.0	(34.2)%	0.7	1.0	(26.9)%
Total Oral Products	626.3	486.4	28.8 %	308.4	243.8	26.5 %

[1] Excluding snuff, snuff leaf and U.S. chewing tobacco

[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 *Next, TEREA* and *VEEV*. The volume and corresponding royalty revenues of these brands sold by RBH were not material to PMI for all periods presented.

Total shipment volume is defined as the combined total of cigarette, heated tobacco, oral smoke-free products (excluding snuff, snuff leaf and U.S. chew) and e-vapor shipment volume in equivalent units, unless otherwise stated.

Heated tobacco units ("HTUs") is the term we use to refer to heated tobacco consumables, which include our *BLENDS*, *DELIA*, *HEETS*, *HEETS Creations* (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.

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 GTR Region, and Japanese domestic market.

In-market sales ("IMS") is defined as sales to the trade channels, which serve the end legal age nicotine users. Depending on the market and distribution model, IMS may represent an estimate. Consequently, past reported periods may be updated to ensure comparability and to incorporate the most current information.

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 data from a number of internal and external sources and may, in defined instances, exclude China. Past reported periods may be updated to ensure comparability and to incorporate the most current information for industry and market share reporting.

From time to time, PMI's shipment volumes and IMS 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, IMS, certain estimated total industry/market volumes and estimated market shares 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's shipment volumes, IMS, and estimated total industry/market volumes and estimated market shares 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:

	For the Six Months Ended June 30,											
			PMI Shipments (billion units)						PMI Market Share [2] %			
Market	Cigarettes & HTU Market (billion units)		Cigarettes & HTU		Cigarette		HTU		Cigarettes & HTU		HTU	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Total [1] [2]	1,261.5	1,266.3	375.9	369.5	300.0	300.8	75.9	68.7	29.1	28.5	5.7	5.1
Europe												
France	11.9	13.0	5.1	5.9	5.1	5.8	0.1	0.1	40.3	40.9	0.5	0.6
Germany [3]	33.8	33.3	12.9	13.2	10.5	11.1	2.4	2.1	38.1	39.3	7.2	6.2
Italy [3]	35.9	35.6	18.8	18.5	12.9	13.7	5.8	4.8	53.2	53.1	18.0	17.2
Poland [3]	25.7	29.1	11.4	12.5	9.0	9.9	2.4	2.7	44.6	43.2	9.8	9.1
Spain	20.6	21.0	6.7	6.3	6.1	5.8	0.6	0.5	29.3	29.0	3.3	2.7
SSEA, CIS & MEA												
Egypt	42.5	38.7	12.7	12.0	12.1	11.3	0.5	0.6	29.3	30.5	1.8	1.9
Indonesia [4]	126.5	132.1	39.3	39.9	38.6	39.4	0.7	0.5	31.0	30.2	0.5	0.4
Philippines	23.9	22.9	11.1	10.6	10.9	10.4	0.2	0.1	46.4	46.0	0.9	0.6
Russia	103.9	102.0	34.7	32.9	25.4	24.4	9.3	8.5	32.5	31.9	9.5	8.8
Turkey	75.2	70.5	35.8	36.3	35.8	36.3	—	—	47.6	51.6	—	—
EA, AU & PMI GTR												
Australia	1.8	2.7	0.6	1.0	0.6	1.0	—	—	37.1	35.2	—	—
Japan [2] [3]	73.4	73.6	36.9	35.4	8.1	8.4	28.8	27.0	42.9	41.0	31.9	29.3
South Korea	33.2	34.7	6.8	6.9	3.7	4.2	3.1	2.8	20.6	20.0	9.5	7.9
Americas												
Argentina	13.4	13.0	8.5	8.0	8.5	8.0	—	—	63.4	61.6	—	—
Mexico	13.9	14.2	8.0	8.3	7.9	8.2	0.1	0.1	57.9	58.6	0.9	0.8

(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

(4) 2025 includes 4.1 billion units of cigarettes shipment volume under an arrangement where PMI acts as brand management and fulfilment services agent

Market	For the Three Months Ended June 30,											
	Cigarettes & HTU Market (billion units)		PMI Shipments (billion units)						PMI Market Share [2] %			
			Cigarettes & HTU		Cigarette		HTU		Cigarettes & HTU		HTU	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Total [1] [2]	654.5	654.0	194.1	193.2	155.2	157.6	38.8	35.5	29.2	28.8	5.7	5.1
Europe												
France	6.4	6.7	2.7	3.3	2.7	3.3	—	—	40.5	41.5	0.5	0.6
Germany [3]	18.4	17.3	6.9	6.8	5.6	5.8	1.2	1.1	37.9	39.0	6.8	6.0
Italy [3]	18.9	18.1	10.1	10.6	7.0	8.0	3.1	2.5	53.4	53.6	17.7	16.7
Poland [3]	13.8	15.0	6.2	6.5	4.8	5.1	1.3	1.4	45.2	43.5	9.9	9.2
Spain	11.2	11.2	3.5	3.5	3.1	3.2	0.4	0.3	29.7	29.1	3.4	2.6
SSEA, CIS & MEA												
Egypt	22.6	19.1	6.7	6.7	6.4	6.3	0.3	0.3	29.6	34.3	1.8	1.9
Indonesia [4]	60.4	65.0	18.9	19.6	18.5	19.4	0.4	0.3	31.3	30.2	0.7	0.4
Philippines	12.0	11.1	5.5	5.1	5.4	5.0	0.1	0.1	46.0	46.2	0.9	0.6
Russia	56.3	55.2	18.3	17.4	13.3	12.9	5.1	4.4	32.1	31.5	9.0	8.2
Turkey	41.0	39.3	18.7	20.3	18.7	20.3	—	—	45.8	51.7	—	—
EA, AU & PMI GTR												
Australia	0.7	1.4	0.1	0.4	0.1	0.4	—	—	24.8	32.8	—	—
Japan [2] [3]	37.9	37.9	18.0	17.5	4.2	4.1	13.9	13.4	42.8	41.0	31.7	29.4
South Korea	17.8	18.2	3.5	3.6	1.9	2.2	1.6	1.4	19.9	19.6	8.9	7.7
Americas												
Argentina	6.4	5.9	4.1	3.6	4.1	3.6	—	—	63.8	61.6	—	—
Mexico	8.2	7.9	4.7	4.6	4.6	4.6	0.1	0.1	57.8	58.6	1.0	0.8

(1) Market share estimates are calculated using IMS data, unless otherwise stated. Depending on the market and distribution model, IMS may represent an estimate. Consequently, past reported periods may be updated to ensure comparability and to incorporate the most current information.

(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

(4) 2025 includes 2.1 billion units of cigarettes shipment volume under an arrangement where PMI acts as brand management and fulfilment services agent

Consolidated Operating Results for the Six Months Ended June 30, 2025

The following discussion compares our consolidated operating results for the six months ended June 30, 2025, with the six months ended June 30, 2024.

Total Market

Estimated industry volume (excluding China and the U.S.) for cigarettes and HTUs was broadly stable.

For the full year 2025, we currently expect an estimated total international industry volume decline of around 1% for cigarettes and HTUs, excluding China and the U.S.

Total Shipment Volume

Six Months Ended June 30, 2025

	Total PMI	SFP	*HTU*	*Oral SFP*	*E-vapor*	Cigarettes
Total Shipment Volume (equivalent units in billions)	**387.9**	**87.9**	**75.9**	**10.5**	**1.5**	**300.0**
vs. June YTD 2024	2.5%	13.1%	10.5%	25.5%	+100%	(0.3)%

Oral smoke-free products conversion: (i) nicotine pouches: 15 pouches per can in the U.S. and approximately 20 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.

E-vapor products conversion: one milliliter of e-vapor liquid equivalent to 10 units.

Shipment Volume

Our shipment volume, including cigarettes and smoke-free products (in equivalent units), increased by 2.5% with smoke-free volumes up by 13.1%, with all SFP categories growing strongly, and cigarette volumes down by 0.3%.

For the full year 2025, we currently expect total cigarette and smoke-free product shipment volume growth for PMI of around 1%. We continue to expect smoke-free product volume growth of 12% to 14%, partly offset by cigarette volume declines which we now forecast to be around 2%. Given the cigarette dynamics, it is possible that in the second-half of 2025, we may see modest declines for total PMI volumes.

We continue to expect 10 to 12% HTU adjusted IMS growth for the year, with growth skewed to the fourth quarter given a strong comparison in the third quarter. For the third quarter specifically, we forecast HTU shipments of 38.5 to 39.5 billion units.

In the U.S., *ZYN* reaccelerated its consumer offtake growth, as measured by Nielsen, in the second quarter as in-store availability improved and legal-age consumers regain access to the full portfolio of *ZYN* offerings. Restocking was effectively completed in the first-half, with the estimated impact slightly lower than initially expected. In the third quarter, we expect a broadly similar level of *ZYN* shipments as in the second quarter. We continue to expect for the full year 2025 nicotine pouch shipment volume in the U.S. of 800 to 840 million cans, including a sequential step-up in the fourth quarter.

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

	Six Months Year-to-Date		
	2025	**2024**	**Change (pp)**
Total International Market Share [1]	**29.1 %**	**28.5 %**	**0.6**
Cigarettes	23.4 %	23.4 %	—
HTU	5.7 %	5.1 %	0.6
Cigarette over Cigarette Market Share [2]	25.3 %	25.1 %	0.2

(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

Six Months Ended June 30, (in millions)	2025	2024	Change Fav./(Unfav.) Total	Change Fav./(Unfav.) Excl. Curr. & Acquis. / Divest.	Variance Fav./(Unfav.) Total	Currency	Acquisitions / Divestitures	Price	Vol/ Mix	Cost/ Other
Net Revenues	$ 19,441	$ 18,261	6.5 %	8.4 %	$ 1,180	$ (269)	$ (88)	$ 946	$ 602	$ (11)
Cost of Sales	(6,319)	(6,540)	3.4 %	0.7 %	221	80	92	—	149	(100)
Marketing, Administration and Research Costs [1]	(5,825)	(5,232)	(11.3)%	(14.6)%	(593)	107	62	—	—	(762)
Impairment of Goodwill	(41)	—	— %	— %	(41)	—	—	—	—	(41)
Operating Income	$ 7,256	$ 6,489	11.8 %	12.1 %	$ 767	$ (82)	$ 66	$ 946	$ 751	$ (914)

[1] Cost/Other variance includes charges in 2025 of $243 million related to restructuring charges and higher amortization of intangibles in 2025, partly offset by charges in 2024 of $168 million related to restructuring charges and the 2024 impairment of other intangibles of $27 million. For more details, see Note 5. *Goodwill and Other Intangible Assets, net* and Note 16. *Restructuring Activities*.

For the six months ended June 30, 2025, net revenues increased by 6.5%. Net revenues, excluding currency and acquisitions/divestitures, increased by 8.4%, mainly reflecting: a favorable pricing variance, predominantly due to higher combustible tobacco pricing; and favorable volume/mix, driven by higher smoke-free volume, notwithstanding unfavorable mix and lower volumes for cigarettes.

The unfavorable currency impact in net revenues was due primarily to the Euro, Indonesian rupiah, Japanese yen and Mexican peso, partly offset by the Russian ruble.

Net revenues include $8.1 billion in 2025 and $7.0 billion in 2024 related to smoke-free.

Operating income increased by 11.8%. Operating income, excluding currency and acquisitions/divestitures, increased by 12.1%, mainly reflecting: the same factors as for net revenues, partly offset by higher marketing, administration and research costs, higher manufacturing costs, higher restructuring charges in 2025, the impairment of goodwill charge in 2025 and higher amortization of intangibles in 2025.

Interest expense, net, of $518 million decreased by $110 million or 17.5%, primarily due to a lower weighted average cost of debt, including the favorable impact of derivative financial instruments.

Our effective tax rate decreased by 4.7 percentage points to 19.5%. We estimate that our 2025 effective tax rate will be approximately 22% to 23%, excluding discrete tax events. For further details, see Note 10. *Income Taxes*.

Income from equity investments and securities, net, increased by $229 million or 65.1%, primarily driven by a favorable fair value adjustment for our equity security investments in India and Sri Lanka. For further details, Note 13. *Related Parties - Equity Investments and Other*.

Net earnings attributable to PMI of $5.7 billion increased by $1.2 billion or 25.8%. This increase was due primarily to higher operating income, a lower effective tax rate and higher income from equity investments and securities, net. Basic and diluted EPS of $3.67 increased by 25.7%. Excluding an unfavorable currency impact of $0.05, diluted EPS increased by 27.4%.

Consolidated Operating Results for the Three Months Ended June 30, 2025

The following discussion compares our consolidated operating results for the three months ended June 30, 2025, with the three months ended June 30, 2024.

Total Market

During the quarter, estimated industry volume (excluding China and the U.S.) for cigarettes and HTUs was broadly stable.

Total Shipment Volume

Quarters Ended June 30, 2025

	Total PMI	SFP	*HTU*	*Oral SFP*	*E-vapor*	Cigarettes
Total Shipment Volume (equivalent units in billions)	**200.1**	**44.8**	**38.8**	**5.2**	**0.9**	**155.2**
vs. Q2 2024	1.2%	11.8%	9.2%	23.8%	+100%	(1.5)%

Oral smoke-free products conversion: (i) nicotine pouches: 15 pouches per can in the U.S. and approximately 20 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.

E-vapor products conversion: one milliliter of e-vapor liquid equivalent to 10 units.

Our shipment volume, including cigarettes and smoke-free products (in equivalent units), increased by 1.2% with smoke-free volumes up by 11.8%, with all SFP categories growing strongly, and cigarette volumes down by 1.5% largely driven by Turkey and Indonesia.

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

	Second-Quarter		
	2025	**2024**	**Change (pp)**
Total International Market Share [1]	**29.2 %**	**28.8 %**	**0.4**
Cigarettes	23.4 %	23.7 %	(0.3)
HTU	5.7 %	5.1 %	0.6
Cigarette over Cigarette Market Share [2]	25.4 %	25.5 %	(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

			Change Fav./(Unfav.)		Variance Fav./(Unfav.)					
Quarters Ended June 30, (in millions)	**2025**	**2024**	**Total**	**Excl. Curr. & Acquis. / Divest.**	**Total**	**Cur-rency**	**Acqui-sitions / Dives-titures**	**Price**	**Vol/ Mix**	**Cost/ Other**
Net Revenues	$ 10,140	$ 9,468	7.1 %	6.8 %	$ 672	$ 71	$ (39)	$ 420	$ 225	$ (5)
Cost of Sales	(3,279)	(3,345)	2.0 %	1.5 %	66	(26)	43	—	76	(27)
Marketing, Administration and Research Costs [1]	(3,108)	(2,679)	(16.0)%	(16.2)%	(429)	(14)	19	—	—	(434)
Impairment of Goodwill	(41)	—	— %	— %	(41)	—	—	—	—	(41)
Operating Income	$ 3,712	$ 3,444	7.8 %	6.2 %	$ 268	$ 31	$ 23	$ 420	$ 301	$ (507)

[1] Cost/Other variance includes charges in 2025 of $243 million related to restructuring charges and higher amortization of intangibles in 2025. For more details, see Note 5. *Goodwill and Other Intangible Assets, net* and Note 16. *Restructuring Activities*.

During the quarter, net revenues increased by 7.1%. Net revenues, excluding currency and acquisitions/divestitures, increased by 6.8%, mainly reflecting: a favorable pricing variance due to higher combustible tobacco pricing; and favorable volume/mix driven by higher smoke-free products volume, notwithstanding lower volumes and unfavorable mix for cigarettes.

The favorable currency impact in net revenues was due primarily to the Euro, Japanese yen and Russian ruble, partly offset by Indonesian rupiah and Mexican peso.

Net revenues include $4.2 billion in 2025 and $3.6 billion in 2024 related to smoke-free.

Operating income increased by 7.8%. Operating income, excluding currency and acquisitions/divestitures, increased by 6.2%, mainly reflecting: the same factors as for net revenues; partly offset by higher marketing, administration and research costs, restructuring charge in 2025 of $243 million, impairment of goodwill in 2025 of $41 million and higher amortization of intangibles in 2025.

Interest expense, net, of $277 million decreased by $52 million or 15.8%, primarily due to a lower weighted average cost of debt, including the favorable impact of derivative financial instruments.

Our effective tax rate decreased by 4.7 percentage points to 19.0%.

Income from equity investments and securities, net, increased by $215 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, Note 13. *Related Parties - Equity Investments and Other*.

Net earnings attributable to PMI of $3.0 billion increased by $0.6 billion or 26.3%. This increase was due primarily to higher operating income, a lower effective tax rate and higher income from equity investments and securities, net. Basic and diluted EPS of $1.95 increased by 26.6%. Excluding a favorable currency impact of $0.02, diluted EPS increased by 25.3%.

Operating Results by Business Segment

Segment Operating Results – Three Months and Six Months Ended June 30, 2025

The following discussion compares operating results within each of our segments for the three months and six months ended June 30, 2025, with the three months and six months ended June 30, 2024.

Europe:

Financial Summary

			Change Fav./(Unfav.)		Variance Fav./(Unfav.)					
Quarters Ended June 30, (in millions)	**2025**	**2024**	**Total**	**Excl. Curr. & Acquis. / Divest.**	**Total**	**Cur-rency**	**Acqui-sitions / Dives-titures**	**Price**	**Vol/ Mix**	**Cost/ Other**
Net Revenues	$ 4,234	$ 3,895	8.7 %	7.3 %	$ 339	$ 92	$ (39)	$ 211	$ 75	$ —
Operating Income	$ 1,668	$ 1,617	3.2 %	(3.5)%	$ 51	$ 96	$ 11	$ 211	$ 41	$ (308)

During the quarter, net revenues increased by 8.7%. Net revenues, excluding currency and acquisitions/divestitures, increased by 7.3%, reflecting a favorable pricing variance driven by higher combustible tobacco pricing; and favorable volume/mix driven by higher smoke-free products volume, notwithstanding lower volumes and unfavorable mix for cigarettes.

Operating income increased by 3.2%. Operating income, excluding currency and acquisitions/divestitures, decreased by 3.5%, primarily reflecting a restructuring charge in 2025 of $243 million and an impairment of goodwill charge in 2025 of $41 million, partly offset by a favorable pricing variance and favorable volume/mix.

Financial Summary

Six Months Ended June 30, (in millions)	2025	2024	Change Fav./(Unfav.) Total	Change Fav./(Unfav.) Excl. Curr. & Acquis. / Divest.	Variance Fav./(Unfav.) Total	Currency	Acquisitions / Divestitures	Price	Vol/ Mix	Cost/ Other
Net Revenues	$ 7,794	$ 7,350	6.0 %	7.9 %	$ 444	$ (50)	$ (88)	$ 427	$ 155	$ —
Operating Income	$ 3,105	$ 3,028	2.5 %	0.6 %	$ 77	$ 25	$ 35	$ 427	$ 87	$ (497)

For the six months ended June 30, 2025, net revenues increased by 6.0%. Net revenues, excluding currency and acquisitions/divestitures, increased by 7.9%, reflecting a favorable pricing variance predominantly due to higher combustible tobacco pricing; and favorable volume/mix driven by higher smoke-free volume, notwithstanding unfavorable mix and lower volumes for cigarettes.

The pricing variance for 2024 and 2025 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, with amounts withdrawn before May 15, 2024, currently under a payment suspension. Despite this payment suspension and, in order to avoid the future addition of interest, PMI elected, on January 14, 2025, to pay the amount outstanding of EUR 721 million (approximately $751 million), excluding accrued interest. An unfavorable outcome to the appeal would negatively impact PMI's future cash provided by operating activities for the amounts of unpaid interest. A favorable outcome to the appeal would positively impact future PMI's operating results and future cash provided by operating activities for the amounts paid in January 2025.

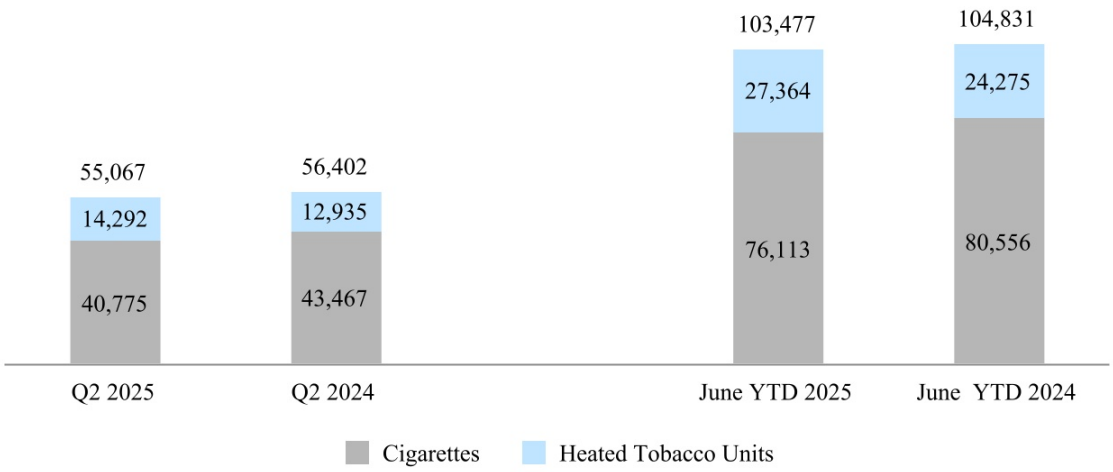
Operating income increased by 2.5%. Operating income, excluding currency and acquisitions/divestitures, increased by 0.6%, primarily reflecting the same factors as for net revenues; largely offset by a restructuring charge in 2025 of $243 million and higher marketing, administration and research costs, as well as an impairment of goodwill charge in 2025 of $41 million.

Europe - Total Market and PMI Shipment Volume

In the second quarter, the estimated market for cigarettes and HTUs decreased by 1.2% to 136.7 billion units, with a 2.8% decrease for cigarettes and continued HTU growth. Notable decreases in Poland (down by 7.8%), Ukraine (down by 7.6%), and the Netherlands (down by 23.5%) were partly offset by Germany (up by 6.5%) and Italy (up by 4.0%).

For the six months year-to-date, the estimated market for cigarettes and HTUs decreased by 2.9% to 255.3 billion units, with a 4.5% decrease for cigarettes and continued HTU growth.

Europe Cigarette and HTU Shipment Volume (million units)



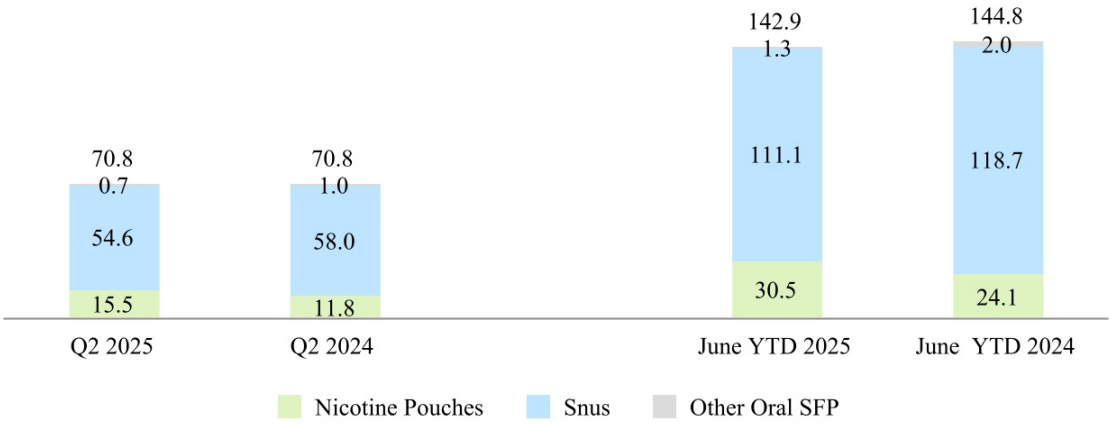
In the second quarter, our cigarette and HTU shipment volume decreased by 2.4% to 55.1 billion units, predominantly due to decreases in France (down by 17.5%), Italy (down by 4.1%), and Poland (down by 4.6%) driven by cigarette shipments.

In the second quarter, our HTU share of the total cigarette and HTU market increased by 1.2 points on an adjusted basis.

For the six months year-to-date, our cigarette and HTU shipment volume decreased by 1.3% to 103.5 billion, with decreases in Poland (down by 9.3%), France (down by 12.9%) and the Netherlands (down by 26.8%) driven by cigarette shipments.

For the six months year-to-date, our HTU share of the total cigarette and HTU market increased by 1.2 points 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 second quarter, oral SFP shipment volume was stable at 70.8 million cans.

For the six months year-to-date, oral SFP shipments decreased by 1.3% to 142.9 million cans mainly due to snus, partly offset by nicotine pouches.

SSEA, CIS & MEA:

Financial Summary

Quarters Ended June 30, (in millions)	2025	2024	Change Fav./(Unfav.) Total	Change Fav./(Unfav.) Excl. Curr. & Acquis. / Divest.	Variance Fav./(Unfav.) Total	Currency	Acquisitions / Divestitures	Price	Vol/ Mix	Cost/ Other
Net Revenues	$ 2,926	$ 2,771	5.6 %	4.9 %	$ 155	$ 19	$ —	$ 174	$ (34)	$ (4)
Operating Income	$ 1,000	$ 891	12.2 %	17.4 %	$ 109	$ (58)	$ 12	$ 174	$ 57	$ (76)

During the quarter, net revenues increased by 5.6%. Net revenues, excluding currency and acquisitions/divestitures, increased by 4.9%, primarily reflecting: a favorable pricing variance, predominantly driven by higher combustible tobacco pricing; while higher cigarette and HTU volume was offset by unfavorable cigarette mix due to the below mentioned commercial model change in Indonesia.

A change in our commercial model for the below tier-one cigarette segment in Indonesia in the fourth quarter of 2024 resulted in lower net revenue and cost of sales, with no meaningful impact on operating income.

Operating income increased by 12.2%. Operating income, excluding currency and acquisitions/divestitures, increased by 17.4%, primarily reflecting: a favorable pricing variance, predominantly driven by higher combustible tobacco pricing, as well as higher cigarette and HTU volume, partly offset by higher marketing, administration and research costs as well as manufacturing costs (notably tobacco leaf).

Financial Summary

Six Months Ended June 30, (in millions)	2025	2024	Change Fav./(Unfav.) Total	Change Fav./(Unfav.) Excl. Curr. & Acquis. / Divest.	Variance Fav./(Unfav.) Total	Currency	Acquisitions / Divestitures	Price	Vol/ Mix	Cost/ Other
Net Revenues	$ 5,669	$ 5,429	4.4 %	5.7 %	$ 240	$ (69)	$ —	$ 342	$ (30)	$ (3)
Operating Income	$ 1,920	$ 1,663	15.5 %	15.9 %	$ 257	$ (38)	$ 31	$ 342	$ 134	$ (212)

For the six months ended June 30, 2025, net revenues increased by 4.4%. Net revenues, excluding currency and acquisitions/divestitures, increased by 5.7%, mainly reflecting: a favorable pricing variance, predominantly driven by higher combustible tobacco pricing; while higher cigarette and SFP volume was offset by unfavorable cigarette mix due to the below mentioned commercial model change in Indonesia.

A change in our commercial model for the below tier-one cigarette segment in Indonesia in the fourth quarter of 2024 resulted in lower net revenue and cost of sales, with no meaningful impact on operating income.

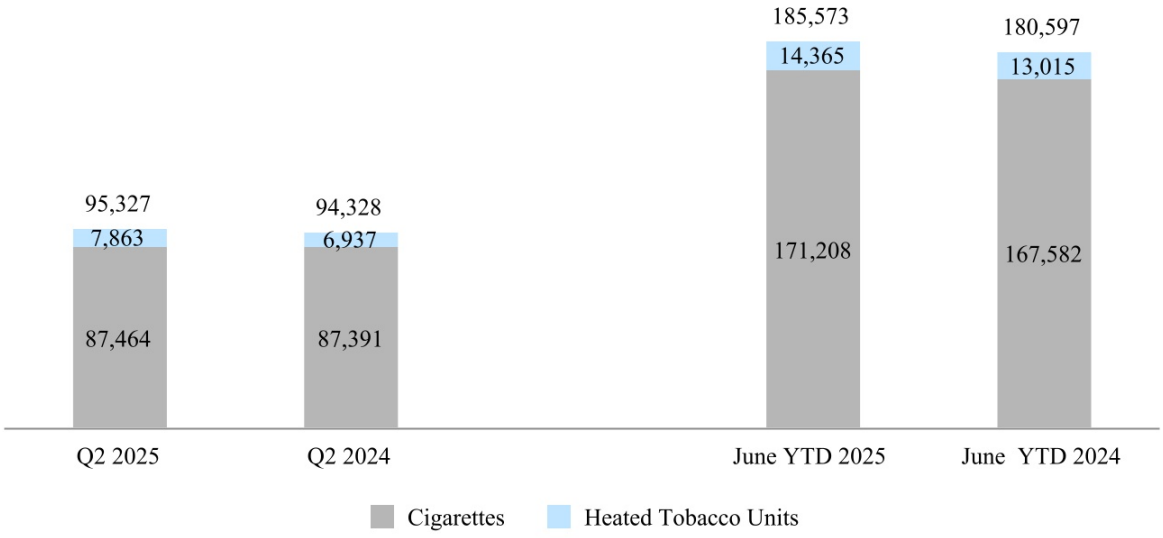
Operating income increased by 15.5%. Operating income, excluding currency and acquisitions/divestitures, increased by 15.9%, primarily reflecting: a favorable pricing variance, and higher cigarette and SFP volume, partly offset by higher marketing, administration and research costs as well as manufacturing costs (notably tobacco leaf).

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

In the second quarter, the estimated market for cigarettes and HTUs increased by 0.8% to 392.6 billion units, mainly due to Egypt (up by 17.9%), India (up by 10.5%), and Turkey (up by 4.3%), partly offset by Indonesia (down by 7.0%) and Bangladesh (down by 8.9%).

For the six months year-to-date, the estimated market for cigarettes and HTUs increased by 0.6% to 761.0 billion units.

SSEA, CIS & MEA Cigarette and HTU Shipment Volume (million units)



In the second quarter, our cigarette and HTU shipment volume increased by 1.1% to 95.3 billion units, with increases in India (up by 41.9%) and the Philippines (up 8.0%), partly offset by Turkey (down by 8.0% due to supply chain issues following a change in regulatory requirements) and Indonesia (down by 3.7%).

In the second quarter, our HTU adjusted in-market sales volume, fueled by broad growth across the region, increased by an estimated 19.8%.

For the six months year-to-date, our cigarette and HTU shipment volume in the Region increased by 2.8% to 185.6 billion units, mainly driven by India (up by 44.6%) and Egypt (up by 5.7%), partly offset by Saudi Arabia (down by 16.9%) and Indonesia (down by 1.5%).

For the six months year-to-date, our HTU adjusted in-market sales volume increased by an estimated 15.5%.

EA, AU & PMI GTR:

Financial Summary

Quarters Ended June 30, (in millions)	2025	2024	Change Fav./(Unfav.) Total	Change Fav./(Unfav.) Excl. Curr. & Acquis. / Divest.	Variance Fav./(Unfav.) Total	Currency	Acquisitions / Divestitures	Price	Vol/ Mix	Cost/ Other
Net Revenues	$ 1,708	$ 1,673	2.1 %	1.6 %	$ 35	$ 9	$ —	$ 11	$ 15	$ —
Operating Income	$ 853	$ 753	13.3 %	9.4 %	$ 100	$ 29	$ —	$ 11	$ 49	$ 11

During the quarter, net revenues increased by 2.1%. Net revenues, excluding currency and acquisitions/divestitures, increased by 1.6%, predominantly reflecting a favorable volume/mix, driven by higher smoke-free products volume.

Operating income increased by 13.3%. Operating income, excluding currency and acquisitions/divestitures, increased by 9.4%, driven by the same factor as for net revenues.

Financial Summary

Six Months Ended June 30, (in millions)	2025	2024	Change Fav./(Unfav.) Total	Change Fav./(Unfav.) Excl. Curr. & Acquis. / Divest.	Variance Fav./(Unfav.) Total	Currency	Acquisitions / Divestitures	Price	Vol/ Mix	Cost/ Other
Net Revenues	$ 3,439	$ 3,357	2.4 %	4.0 %	$ 82	$ (53)	$ —	$ 33	$ 102	$ —
Operating Income	$ 1,766	$ 1,516	16.5 %	16.2 %	$ 250	$ 5	$ —	$ 33	$ 184	$ 28

For the six months ended June 30, 2025, net revenues increased by 2.4%. Net revenues, excluding currency and acquisitions/divestitures, increased by 4.0%, primarily due to favorable volume/mix, driven by higher SFP volume.

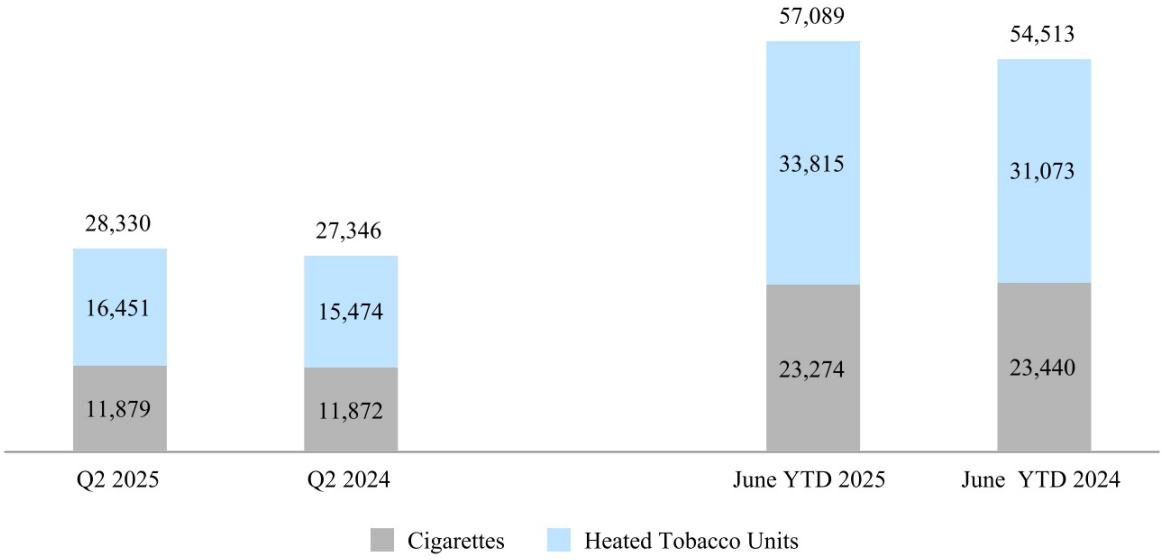
Operating income increased by 16.5%. Operating income, excluding currency and acquisitions/divestitures, increased by 16.2%, driven by the same factors as for net revenues.

EA, AU & PMI GTR - Total Market and PMI Shipment Volume

In the second quarter, the estimated market for cigarettes and HTUs, excluding China, decreased by 0.7% to 79.8 billion units, with a decrease in cigarettes largely offset by HTU growth. The decrease in the estimated market was mainly driven by Australia (down by 50.2%) and South Korea (down by 2.4%), partly offset by Global Travel Retail (up by 7.8%).

For the six months year-to-date, the estimated market for cigarettes and HTUs in the Region, excluding China, decreased by 1.1%, with a decrease in cigarettes, largely offset by HTU growth.

EA, AU & PMI GTR Cigarette and HTU Shipment Volume (million units)



In the second quarter, our cigarette and HTU shipment volume increased by 3.6% to 28.3 billion units with growth in Global Travel Retail (up by 23.0%) and Japan (up by 2.9%), partly offset by Australia (down by 83.4% predominantly due to shipment phasing).

In the second quarter, our HTU adjusted in-market sales volume increased by an estimated 9.6%.

For the six months year-to-date, our cigarette and HTU shipment volume increased by 4.7% to 57.1 billion units, driven by Japan (up by 4.1%), partly offset by Australia (down by 39.1%).

For the six months year-to-date, our HTU adjusted in-market sales volume in the Region increased by 10.2%.

Americas:

Financial Summary

Quarters Ended June 30, (in millions)	2025	2024	Change Fav./(Unfav.) Total	Change Fav./(Unfav.) Excl. Curr. & Acquis. / Divest.	Variance Fav./(Unfav.) Total	Currency	Acquisitions / Divestitures	Price	Vol/ Mix	Cost/ Other
Net Revenues	$ 1,272	$ 1,129	12.7 %	17.0 %	$ 143	$ (49)	$ —	$ 24	$ 169	$ (1)
Operating Income	$ 191	$ 183	4.4 %	24.0 %	$ 8	$ (36)	$ —	$ 24	$ 154	$ (134)

During the quarter, net revenues increased by 12.7%. Net revenues, excluding currency and acquisitions/divestitures, increased by 17.0%, primarily reflecting: favorable volume/mix, predominantly driven by nicotine pouches in the U.S.

Operating income increased by 4.4%. Operating income, excluding currency and acquisitions/divestitures, increased by 24.0%, primarily reflecting: the same factors as for net revenues; partly offset by higher marketing, administration and research costs, including incremental U.S. investments, as well as higher amortization of intangibles.

Financial Summary

Six Months Ended June 30, (in millions)	2025	2024	Change Fav./(Unfav.) Total	Change Fav./(Unfav.) Excl. Curr. & Acquis. / Divest.	Variance Fav./(Unfav.) Total	Currency	Acquisitions / Divestitures	Price	Vol/ Mix	Cost/ Other
Net Revenues	$ 2,539	$ 2,125	19.5 %	24.0 %	$ 414	$ (97)	$ —	$ 144	$ 375	$ (8)
Operating Income	$ 465	$ 282	64.9 %	91.1 %	$ 183	$ (74)	$ —	$ 144	$ 346	$ (233)

For the six months ended June 30, 2025, net revenues increased by 19.5%. Net revenues, excluding currency and acquisitions/divestitures, increased by 24.0%, primarily reflecting: favorable volume/mix, predominantly driven by SFP volume, as well as a favorable pricing variance, due to U.S. smoke-free products and cigarettes outside of the U.S.

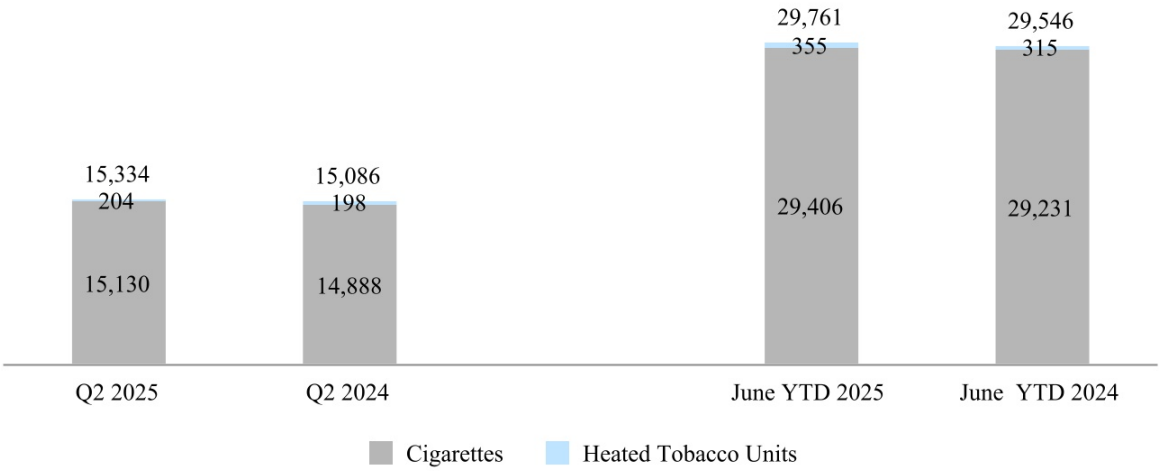
Operating income increased by 64.9%. Operating income, excluding currency and acquisitions/divestitures, increased by 91.1%, mainly reflecting: the same factors as for net revenues, and a favorable comparison to 2024 reflecting the restructuring charges of $168 million in 2024; partly offset by higher manufacturing costs, higher marketing, administration and research costs, as well as higher amortization of intangibles.

Americas - Total Market and PMI Shipment Volume

In the second quarter, the estimated market for cigarettes and HTUs, excluding the U.S., decreased by 0.7% to 45.3 billion units, predominantly reflecting a decrease in the cigarette market. The decrease was mainly due to Canada (down by 11.3%) and Brazil (down by 1.6%), partly offset by Argentina (up by 8.3%) and Mexico (up by 3.6%).

For the six months year-to-date, the estimated market for cigarettes and HTUs, excluding the U.S., was broadly stable.

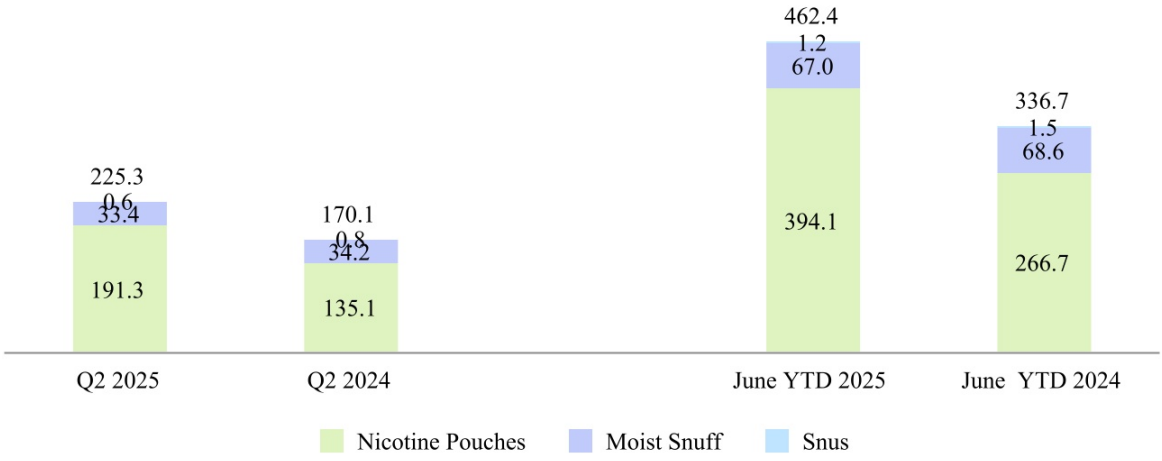
Americas Cigarette and HTU Shipment Volume (million units)



In the second quarter, our cigarette and HTU shipment volume increased by 1.6% to 15.3 billion units, with increases in Argentina (up by 12.3%) and Mexico (up by 2.3%), partly offset by decreases in Brazil (down by 2.7%) and Colombia (down by 7.9%).

For the six months year-to-date, our cigarette and HTU shipment volume increased by 0.7% to 29.8 billion units, mainly due to Argentina (up by 6.5%), partly offset by Mexico (down by 3.6%).

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



(1) Excluding U.S. chew
Note: U.S. travel retail volumes of approximately 2.5 million and 2.9 million nicotine pouch cans are recorded in the Americas segment for the second quarter and six months year-to-date 2025, respectively, while financial impacts are recorded in the EA, AU & PMI GTR segment. There were no meaningful U.S. travel retail volumes in prior year.

In the second quarter, oral SFP shipments increased by 32.5% to 225 million cans, predominantly driven by *ZYN* nicotine pouches in the U.S.

For the six months year-to-date, oral SFP shipments increased by 37.3% to 462 million cans, predominantly driven by *ZYN* nicotine pouches in the U.S.

Business Environment

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 "*Cautionary Factors That May Affect Future Results*" include:

- regulatory restrictions on our products, including restrictions on the packaging, marketing, registration 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 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-tax paid volume by certain manufacturers; and
- legal challenges, including the pending and threatened litigation discussed in Part I, Item 1. *Financial Statements* — Note 9. *Contingencies* in this report.

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, according to WHO estimates, there are approximately one billion smokers globally. This number has not meaningfully changed in decades and, based on current trends, is not expected to significantly change in the near future.

Cigarettes burn tobacco, which produces smoke. As a result of the combustion process, the smoker inhales high levels of various toxic substances. In contrast, while SFPs contain nicotine, which is addictive and not risk-free, 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 adult users of nicotine-containing products. We put in significant effort to restrict access to our products from non-nicotine users 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 SFPs 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 as satisfying alternatives to smoking for adult smokers who would otherwise continue to smoke cigarettes;
- for those adult smokers, our goal is to develop and 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 SFPs

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 and commercializing a portfolio of products intended to appeal to a variety of distinct adult consumer preferences and achieve population harm reduction, including:

- Heat-not-burn products, which use 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 *IQOS*, which relies on a heating technology using a blade, a newer version of *IQOS* uses induction heating. Most of the studies referenced above were conducted with the blade version of *IQOS* 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 *IQOS* remain valid and applicable to the newer and adjacent versions of *IQOS*. We also produce a heat-not-burn product that utilizes external resistive heating technology, which is commercialized under the *BONDS by IQOS* brand, and has been launched in certain initial markets.

- Oral tobacco and nicotine products, which include 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. Like snus, 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 2022, we significantly expanded our oral smokeless products portfolio with the acquisition of Swedish Match. Swedish Match's *ZYN* is the leading nicotine pouch brand in the U.S. market.

- e-Vapor products, which are battery-powered devices that produce an aerosol by vaporizing a tobacco-free liquid solution. We have developed e-liquids for our e-Vapor products with different flavor profiles, including e-liquids designed 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.

Data show that, in a stable regulatory environment, only a very small percentage of adult smokers who convert to *IQOS* switch back to cigarettes.

We aim to continue to develop and expand our SFP brand portfolio and market positions. 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 SFPs, 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 *IQOS* in pilot city launches in Nagoya, Japan, and in Milan, Italy. Since then, we have continuously expanded our commercialization activities.

As of June 30, 2025, PMI's smoke-free products were available for sale in 97 markets.

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 SFPs, 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 "*Cautionary Factors That May Affect Future Results*" in this report.

We discuss product warranties in more detail in Note 15. *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 *IQOS* in the U.S. (the "Altria Agreement"). Under the Altria Agreement, PMI now holds the full rights to commercialize *IQOS* in the United States - the world's largest smoke-free market. The Altria Agreement provides a clear path to expanding *IQOS*'s international success in a market where over 30 million adults continue to smoke cigarettes. On March 27, 2025, we began selling *IQOS* 3.0, the blade version of *IQOS*, in Austin, Texas. We are pursuing a limited U.S. roll-out of the *IQOS* device while waiting for authorization to market *IQOS ILUMA*, the induction version, in the United States.

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.

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

- Since 2022, we began commercializing *BONDS* devices and *BLENDS* consumables in 5 markets.
- 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. They are currently available in 44 markets.

Legislation, Regulation, Taxation and Other Matters Regarding the Manufacture, Marketing, Sale and Use of Tobacco and Other Nicotine-Containing Products

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 products such as fine cut tobacco, illicit cigarettes or illicit SFPs. In addition, in certain jurisdictions, some of our 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 or negatively impact the transition of adult smokers to SFPs, 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.

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, f6 Cigarettenfabrik GmbH & Co.KG, ("PM Germany") claim. PM Germany filed a notice of appeal to the Federal Fiscal Court on June 19, 2024. To avoid further accumulation of interest, in January 2025, PM Germany provisionally paid the additional HTP excise tax relating to 2022, 2023 and 2024 (pending the outcome of the FCD decision). An oral hearing is expected in or after September 2025.

In March 2025, Japan adopted a multi-year tax plan that included changes to its excise tax structure and rates for tobacco products. Under the plan, the excise tax for heated tobacco products ("HTPs") will be harmonized with cigarettes in two steps; one on April 1, 2026 and the second on October 1, 2026. The first increase in the harmonized HTP and cigarette excise tax will occur in April 2027, and the plan provides predictability on future excise rate increases for all tobacco product categories until April 2029.

Legislative and Regulatory Environment

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. The regulatory landscape for novel nicotine-containing products is inconsistent and evolving but is, in some instances, even more restrictive.

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 HTPs. Similar to its previous policy recommendations on e-cigarettes, the CoP invited countries to regulate, restrict or prohibit HTPs, as appropriate under their national laws.

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 access to accurate information about them.

The Tenth Session of the CoP ("CoP10") took place in February 2024. No new decisions or policy recommendations on novel and emerging tobacco products were adopted. 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 by adult smokers 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. And we 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.

Product regulation should include measures that encourage and accelerate switching to non-combustible products, for example, by allowing adult consumers who would otherwise continue 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 HPHCs, 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-nicotine users. We support mandated accurate and factual health warnings on packaging, 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.

Regulatory Restrictions

SFP Sales Prohibitions: 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. Significant markets that have prohibited or severely restricted the sale of one or more category of SFP include Argentina, Brazil, Canada, India, Mexico, Turkey, Australia, Thailand, and Vietnam. In the U.S., some states and municipalities have introduced stringent restrictions on the sale of certain SFPs, including those authorized by the FDA.

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.

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;
- security features and tracking and tracing measures; 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 February 2024, the European Commission published an updated implementation roadmap to Europe's Beating Cancer Plan (the "Plan"). Further developments concerning a revision of the TPD are expected during the mandate of the European Commission that took office in December 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 and roll-your-own tobacco products. As such, all tobacco products are covered by the traceability system.

EU Tobacco Excise Directive ("TED"): In July 2025, the EU Commission published a legislative proposal for the revision of the 2011 EU Tobacco Excise Directive. The proposal intends to review minimum excise tax rates for combustible tobacco products and expands the scope of the directive to include smoke-free products, such as heated tobacco, e-cigarettes, and nicotine pouches, providing differentiated tax treatment for novel tobacco and nicotine containing products. This proposal marks the beginning of the formal legislative process which requires unanimous approval by all EU Member States and subsequent transposition of TED into national legislation in the EU 27 Member States. The proposal contemplates an implementation date for this directive of January 1, 2028, and provides for an additional transitional period of four years for several categories, including heated tobacco and nicotine pouches.

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 both combustible and SFPs, including menthol. Broad restrictions and ingredient bans would require us to reformulate our American blend tobacco products, which could reduce our ability to differentiate these products in the market in the long term. In many countries, menthol or flavor bans would eliminate entire product categories.

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 eliminated 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, all but four EU Member States have transposed this directive, 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 generally consistent with this expectation. There has been some short-term disruption in countries that have implemented the ban, most notably in Italy, 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, including Poland, could be more significant in duration or magnitude. But our fundamental view remains that we do not expect a meaningful long-term 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 (pending a court decision) and Canada. In the U.S., certain states and localities have adopted, or are considering adopting, flavor bans that apply to SFPs.

Bans on Display of Tobacco Products at Retail: In a number of our markets, including, but not limited to, Australia, Canada 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 FCTC 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 FCTC's non-binding guidelines recommend that governments prohibit all forms of communication with adult smokers. In CoP10, Specific Guidelines were adopted to address cross-border Tobacco Advertising, Promotion, and Sponsorship ("TAPS") and the depiction of tobacco in entertainment media. These Specific Guidelines are non-binding on WHO Member States nor FCTC Parties.

Product Standards and Restrictions on Product Design: 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.

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 the Netherlands, an anti-smoking organization has brought a lawsuit to force the government to require a different test method for measuring cigarette emissions than what is currently required under EU law, which, if allowed, could lead to a de facto ban on manufactured cigarettes in the Netherlands and, potentially, in other EU countries. 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.

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 United Arab Emirates ("UAE") and Uzbekistan, and voluntary in Algeria, Azerbaijan, Colombia, Costa Rica, Dominican Republic, Indonesia, Kazakhstan, Kyrgyzstan, Morocco, Russia, South Africa, Vietnam, the U.K. and Ukraine. In Japan, a voluntary standard sets minimum safety requirements for tobacco heating devices.

For e-Vapor products, national standards setting minimum quality and safety requirements have been adopted in several markets. These standards are mandatory in Armenia, Australia, Bahrain, China, Egypt, Jordan, New Zealand, the Philippines, Russia, the UAE, 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, national standards setting minimum quality and safety requirements for modern oral nicotine pouches have been adopted in Angola, Armenia, Bahrain, Costa Rica, Malawi, Mexico, Pakistan, Sweden, the UAE, the U.K., and Ukraine. These standards are voluntary, except for the UAE, where they are mandatory.

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

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 certain nicotine-containing products in public and/or

workplaces, 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. On December 3, 2024, the EU Council adopted its legally non-binding recommendation on smoke- and aerosol-free environments. While the recommendations recognize scientifically proven differences between smoke-free and combustible products, they nevertheless encourage EU member states to restrict usage of both conventional and novel tobacco products in indoor public spaces and some outdoor areas. Each member state is to decide whether or not to implement these recommendations.

Generation Bans: Certain regulators are considering generation sales bans, which prohibit the sale of certain tobacco or nicotine products to people born after a certain year. In December 2022, New Zealand adopted regulatory measures restricting the sale and supply of smoked tobacco products, including prohibiting the sale of smoked tobacco products to anyone born on or after January 1, 2009. These measures were limited to smoked tobacco products and did not apply to heated tobacco products and e-cigarettes. The New Zealand parliament repealed the measures in February 2024, before they were implemented. On November 5, 2024, the UK government introduced a bill to its Parliament, which if adopted, would ban the sale of tobacco products, including HTPs, herbal smoking products and cigarette papers to those born on or after January 1, 2009.

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. 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. As of December 31, 2024, the majority of EU Member States transposed the directive into national legislation and brought into force 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.

SFP Commercialization and Risk Statement Authorizations

Certain markets have instituted regulatory authorization processes that govern the commercialization of SFPs or the use of statements addressing SFP harm-reduction.

FDA Authorization Process and Status of PMI SFPs: In the United States, an established regulatory framework for assessing “New Tobacco Products” and “Modified Risk Tobacco Products” ("MRTP") exists under the jurisdiction of the FDA. FDA actions may influence the regulatory approach of other governments and international regulatory agencies.

FDA Review of IQOS: We submitted to the FDA a Modified Risk Tobacco Product Application (“MRTPA”) for the *IQOS* Tobacco Heating System, which includes both the corresponding device and consumables, ("THS") in December 2016, and a Premarket Tobacco Product Application (“PMTA”) for *IQOS* in March 2017.

On April 30, 2019, following its comprehensive assessment of our PMTA, the FDA determined that marketing a version of *IQOS*, namely, *IQOS* 2.4 and three related consumables, is appropriate for the protection of public health and authorized those products for sale in the United States. On December 7, 2020, the FDA reached the same determination for *IQOS* 3.0, authorizing that version of the device 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 *IQOS*, namely *IQOS* 2.4 and three related consumables, as MRTP products with reduced exposure claims. On March 11, 2022, the FDA reached the same determination for the *IQOS* 3.0 device. The FDA authorized the marketing of these products in the U.S. with the following claims:

"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* 3.0 in March 2022.

The FDA's PMTA and MRTP orders do not mean that the agency has "approved" *IQOS* products. 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 monitors the marketing of the products.

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 three consumables for which the FDA had previously issued a marketing granted order. In its assessment, the FDA determined that these three variants of *HeatSticks* were comparable to the previously authorized tobacco-flavored consumables.

On July 5, 2023, we submitted applications to the FDA requesting renewal of the MRTP authorizations previously granted to *IQOS* products 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, we have responded to FDA requests for additional information. The FDA may make further information requests or conduct subsequent inspections to verify the information we submitted. The FDA referred our MRTP renewal to the Tobacco Product Scientific Advisory Committee ("TPSAC"). TPSAC will hold a meeting on our renewal application on October 7, 2025. The recommendations and votes of TPSAC are not binding on the FDA. By regulation, the FDA's decision on our renewal application will take into account, in addition to the views of TPSAC, scientific evidence as well as comments, data and information submitted by interested persons. 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 are 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 modified exposure order previously granted for *IQOS* blade versions. We submitted these applications at the same time 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 April 30, 2025, we submitted the Annual Report for the *IQOS* THS to the FDA. The report included a systematic review of the literature covering publications related to the *IQOS* THS between March 1, 2024, and February 28, 2025. 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."

FDA Review of Swedish Match Products: Premarket tobacco applications for 20 varieties of *ZYN* nicotine pouches were submitted in March 2020. On January 16, 2025, the FDA determined that all 20 *ZYN* nicotine pouch varieties currently marketed in the U.S. met the applicable public health standard and were appropriate for the protection of public health and,

therefore, authorized them for sale in the United States. In its assessment, the FDA concluded that "among several key considerations, the agency's evaluation showed that, due to substantially lower amounts of harmful constituents than cigarettes and most smokeless tobacco products, such as moist snuff and snus, the authorized products pose lower risk of cancer and other serious health conditions than such products." Prior to the authorization, these 20 varieties of *ZYN* pouches were marketed in the United States consistent with the FDA's practice not to take enforcement action to prevent products with respect to which applications were filed prior to a September 9, 2020 deadline from being marketed. After the September 9, 2020 deadline, we also submitted additional applications for authorization to market other *ZYN* products. The FDA has not issued a decision on these applications, and these *ZYN* products are not marketed in the United States.

In April 2024, we submitted MRTPAs for *ZYN* products currently marketed in the United States and requested authorization of a modified risk claim. In February 2025, the FDA formally accepted our MRTPAs and in June 2025, issued a filing letter for 20 *ZYN* nicotine pouch products. This action initiated a scientific review of our MRTPAs which requested the following modified risk claim: "Using *ZYN* instead of cigarettes puts you at a lower risk of mouth cancer, heart disease, lung cancer, stroke, emphysema, and chronic bronchitis." During the review, the FDA will determine whether our applications provide the necessary evidence for *ZYN* products to be marketed with the requested claim.

On July 17, 2023, Swedish Match USA, Inc. submitted an 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." On November 7, 2024, the FDA renewed the *General* snus modified risk orders, with a stated expiration date in November 2032.

Other Commercialization and Risk Statement Authorization Frameworks: 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 request is currently still pending authorization by the Ministry of Health of Taiwan.

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. In February of 2025, the Greek Ministry of Health authorized a substantially similar claim and disclaimer for *IQOS ILUMA* devices with seven *TEREA* variants (Amber, Bronze, Russet, Sienna, Silver, Teak and Yellow).

SFP Scientific Findings

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, there is no guarantee regulators will continue this approach. Further, 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.

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 *IQOS*. 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 *IQOS* 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 *IQOS*. RIVM analyzed the aerosol generated by our *IQOS* 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 *IQOS*. 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 *IQOS*. 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 *IQOS* 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 *IQOS* 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.

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.

As part of a previously announced 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 previously 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.

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 15% 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 9% of total cigarette consumption in 2024. 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, 70 Parties, including the EU, have ratified the Protocol. 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.

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 9. *Contingencies*.

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 Belarus, Iran, North Korea, Cuba and Syria. We are exploring opportunities to sell our products in Cuba, as permitted by law.

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.

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, static converters and electronic cigarettes and similar personal electric vaporizing devices, including *IQOS* devices, to Russia. 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).

The U.S. has adopted new and increased tariffs on countries and specific goods, subject to evolving exemptions, with additional tariff increases proposed. Those changes, along with retaliatory actions by some trading partners, non-tariff restrictions or requirements being considered in connection with trade dispute negotiations, and the likelihood of additional developments, have created a volatile environment for global trade. We expect the global tariff environment to remain volatile throughout 2025. PMI is actively monitoring developments, evaluating all changes, and adapting operations and compliance practices accordingly. For further details, see the "*Impact of Tariffs on Our Business*" section of this MD&A.

PMI continues to monitor the development of new sanctions and other trade laws in order to ensure full compliance.

Acquisitions, Divestitures and Other Business Arrangements

We discuss our acquisitions and divestitures in Note 2. *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-burn 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 13. *Related Parties - Equity Investments and Other* to our condensed consolidated financial statements.

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, the Transition Planning Task Force disclosure framework, 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.

U.S. GAAP Treatment of Highly Inflationary Economies

We apply highly inflationary accounting to the results of operations of our subsidiaries in Argentina, Egypt, 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 six months ended June 30, 2025 and 2024, exchange gains (losses) recognized resulting from remeasurement adjustments related to highly inflationary accounting were not material.

Restructuring Activities

We discuss restructuring activities in Note 16. *Restructuring Activities* to our condensed consolidated financial statements.

Impact of Inflation on Our Business

Like many other global companies, we have experienced inflationary pressures in 2022, 2023, 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. In 2025, we expect certain inflationary elements such as direct materials and utilities to stabilize, with a moderate overall increase in inflationary pressures driven by tobacco leaf costs. The impact of inflation on cost of sales during the first six months of 2025 was not material to our condensed consolidated financial statements.

Impact of Tariffs on Our Business

The current U.S. and international political environment, including existing and potential changes to U.S. policies related to global trade and tariffs, have resulted in uncertainty surrounding the future state of the global economy.

While the global tariff environment is volatile, as a global company with a broadly diversified production, a worldwide supplier network, including an established U.S. manufacturing base for nicotine pouches, and existing supply chains that are largely self-contained within their respective trade regions, we currently believe we are well-positioned to mitigate potential supply chain challenges and that the changing tariff environment will not have a material impact on our business. During the first six months of 2025, the impact of new tariffs on our business was not material to our condensed consolidated financial statements. We expect the global tariff environment to remain volatile throughout 2025.

We are actively monitoring developments in the global tariff environment and will continue to evaluate the potential impact of the announced tariffs and related developments on our business and financial condition, as well as on our suppliers, and the actions we may take to mitigate any impact. For our risk factors related to the impact of tariffs, see our "*Cautionary Factors That May Affect Future Results*" section of this Form 10-Q.

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 June 30, 2025, our Ukrainian operations had approximately $0.7 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 June 30, 2025, our Russian operations had approximately $4.3 billion in total assets, excluding intercompany balances, of which approximately $1.8 billion consisted of cash and cash equivalents held mostly in local currency (Russian rubles).

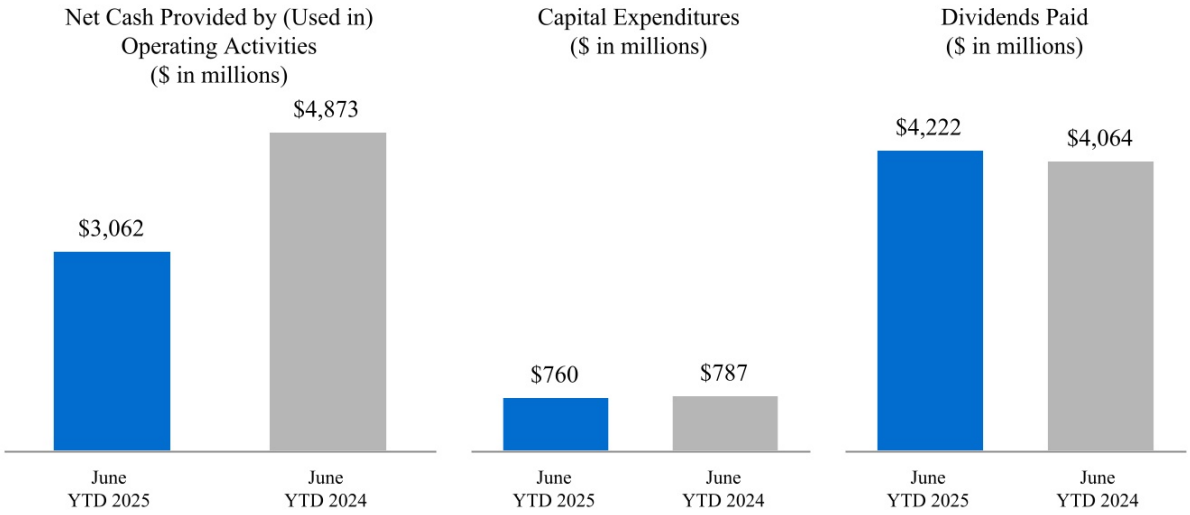
Additionally, PMI holds a 23% equity interest in JSC TK Megapolis, PMI's distributor in Russia (SSEA, CIS & MEA segment), which as of June 30, 2025 had a carrying value of $319 million. For further details, see Note 13. *Related Parties – Equity Investments and Other.*

These developments above have or may 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.

Financial Review

Cash Flow Highlights



	For the Six Months Ended June 30,	
(in millions)	2025	2024
Net cash provided by (used in) operating activities	$ 3,062	$ 4,873
Net cash provided by (used in) investing activities	(2,750)	(530)
Net cash provided by (used in) financing activities	(890)	(2,397)

Net Cash Provided by (Used in) Operating Activities

During the first six months of 2025, net cash provided by operating activities was $3.1 billion as compared to $4.9 billion in the first six months of 2024. Excluding favorable currency movements, the unfavorable variance of $1.9 billion was due primarily to higher working capital requirements of $3.0 billion, partly offset by higher currency-neutral net earnings, excluding non-cash depreciation and amortization expense.

The higher working capital requirements in 2025 as compared with 2024 were primarily due to more cash used in inventories, coupled with more 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. Excise tax payments included the disputed supplemental tax surcharge on heated tobacco products in Germany of approximately $0.8 billion as PMI elected to pay the supplemental tax surcharge in January 2025 to avoid the future addition of interest (for further details refer to the MD&A Europe segment section where we describe the case). Additionally, more cash used in income taxes primarily reflects the higher final 2017 U.S. Tax Cuts and Jobs Act transition tax installment payment.

For the full year 2025, we currently expect net cash provided by operating activities of approximately $11.5 billion at prevailing exchange rates, subject to year-end working capital requirements.

Net Cash Provided by (Used in) Investing Activities

During the first six months of 2025, net cash used in investing activities was $2.8 billion as compared to $530 million in the first six months of 2024. This increase in net cash used was primarily due to changes in the cash collateral posted for derivative instruments, reflecting the appreciation of the Euro and Swiss franc versus U.S. dollar.

Capital expenditures of $760 million during the first six months of 2025 decreased by $27 million as compared with the first six months of 2024. The 2025 capital expenditures were primarily related to our ongoing investments in smoke-free product manufacturing capacity. We expect total capital expenditures in 2025 to be around $1.6 billion, almost entirely due to investments supporting the smoke-free business.

Net Cash Provided by (Used in) Financing Activities

During the first six months of 2025, net cash used in financing activities was $890 million as compared to $2.4 billion in the first six months of 2024. The decrease in net cash used was primarily due to higher net borrowings in 2025 (primarily higher commercial paper outstanding in 2025, partly offset by lower long-term debt proceeds in 2025), partially offset by changes in the cash collateral received for derivative instruments, reflecting the appreciation of the Euro and Swiss franc versus U.S. dollar.

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 mostly 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.

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 June 30, 2025, 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-	Positive
Fitch	F1	A	Stable

Revolving Credit Facilities

At June 30, 2025, our committed revolving credit facilities were as follows:

Type (in billions)		Committed Revolving Credit Facilities
Multi-year $2.0 billion revolving credit, expiring February 10, 2026 [1]	$	2.0
Multi-year $2.5 billion revolving credit, expiring September 29, 2026 [2] [3]		2.5
Multi-year €1.5 billion revolving credit, expiring January 29, 2028		1.8
Total facilities	$	6.3

[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, PMI entered into an agreement, effective September 29, 2023, to amend and further extend the term to September 29, 2028.

At June 30, 2025, 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 $3.8 billion at June 30, 2025, and approximately $2.1 billion at December 31, 2024. Borrowings under these arrangements and other bank loans amounted to $230 million at June 30, 2025, and $137 million at December 31, 2024.

Term Loan Facility related to the Financing of the Swedish Match Acquisition

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.

On November 7, 2022, PMI delivered notices of borrowing for advances totaling €5.5 billion under the term loan facility, of which €3.0 billion would become due on November 9, 2025, and €2.5 billion would become due on June 23, 2027, unless prepaid pursuant to the terms of the credit agreement.

On November 21, 2024, PMI prepaid approximately €3 billion (approximately $3.2 billion), including outstanding principal and accrued interest, representing all borrowings outstanding under the 3-year tranche of the senior unsecured term loan facility. As of June 30, 2025, borrowings in the amount of €2.5 billion (approximately $2.9 billion) under the 5-year tranche of the term loan facility remained outstanding.

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 June 30, 2025, we had $2.3 billion of commercial paper outstanding. At December 31, 2024, we had no commercial paper outstanding. The average commercial

paper balance outstanding during the first six months of 2025 was $3.5 billion. The average commercial paper balance outstanding during 2024 was $1.3 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 14. *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 18. *Supply Chain Financing* to our condensed consolidated financial statements.

Debt – Our total debt was $51.5 billion at June 30, 2025 and $45.7 billion at December 31, 2024.

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 six months of 2025 were as follows:

(in millions)

Type		Face Value	Interest Rate	Issuance	Maturity
U.S. dollar notes	(a)	$400	Floating	April 2025	April 2028
U.S. dollar notes	(b)	$750	4.125%	April 2025	April 2028
U.S. dollar notes	(b)	$750	4.375%	April 2025	April 2030
U.S. dollar notes	(b)	$600	4.875%	April 2025	April 2035
Euro notes	(c) (d)	€500 (approximately $569)	2.750%	June 2025	June 2029
Euro notes	(c) (d)	€500 (approximately $569)	3.250%	June 2025	June 2032

(a) Interest is payable quarterly, commencing in July 2025

(b) Interest is payable semi-annually, commencing in October 2025

(c) Interest is payable annually, commencing in June 2026

(d) 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 2025.

Guarantees – At June 30, 2025, 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 13. *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 June 30, 2025 in Note 3. *Stock Plans* to our condensed consolidated financial statements.

Dividends paid in the first six months of 2025 were $4.2 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 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 6. *Financial Instruments* to our condensed consolidated financial statements for further details on our derivative financial instruments and the related collateral arrangements.

Contingencies

See Note 9. *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 this Quarterly Report on Form 10-Q and other filings with the SEC, in reports to investors 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 develop and 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 Framework Convention on Tobacco Control (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 took place in February 2024, in which Specific Guidelines were adopted to address cross-border tobacco advertising, promotion and sponsorship and the depiction of tobacco in entertainment media. According to reports and decisions published, neither new decisions nor new policy recommendations on novel and emerging tobacco products were adopted. The Eleventh Session of the CoP is currently scheduled to take place in November 2025.

Reports issued by the WHO 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 adult users of nicotine-containing products. We put significant effort to restrict access of our products from non-nicotine users 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-nicotine users, 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.

In the U.S., any federal, state or local government action, including regulatory actions and inaction by the FDA, may have a material adverse impact on our commercialization of SFPs and business. The FDA's premarket tobacco product and modified risk tobacco product authorizations of two versions of our *IQOS* product as well as the premarket tobacco authorizations of 20 varieties of *ZYN* nicotine pouches are subject to strict marketing, reporting and other requirements. Although we have received these authorizations from the FDA, there is no guarantee that the products will remain authorized for sale in the United States, or that new versions of *IQOS* or other *ZYN* products will receive necessary authorizations, particularly if there is a significant uptake in youth or non-nicotine user initiation.

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, which could in turn 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 new regulations, or reinterpretations of existing regulations, will result in SFPs being taxed in line with other tobacco products such as conventional cigarettes, on a prospective or retroactive basis. 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 revenues, cash flows 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 flows 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 contemplated, 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 and nicotine-containing product ingredients or components, 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 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 (the "OECD"), 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. 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. Currently, many countries have enacted or taken actions to align with the OECD's framework on a global minimum tax (referred to as "Pillar Two"), effective for taxable years beginning after December 31, 2023. We will continue to evaluate and monitor as additional guidance and clarification becomes available. 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 flows 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 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 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. 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, 2024 for additional information concerning impairment determination and calculation.

Our management uses certain key business metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions and such metrics may not accurately reflect all of the aspects of our business needed to make such evaluations and decisions, in particular as our business continues to evolve.

In addition to our consolidated financial results, our management regularly reviews a number of operating and financial metrics, including various revenue, user and sales metrics (such as market shares, in-market sales, adjusted in-market sales, and SFP users) to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions. We believe that these metrics are representative of our current business; however, these metrics may not accurately reflect all aspects of our business and we anticipate that these metrics may change or may be substituted for additional or different metrics as our business evolves. Furthermore, in some instances the metrics are based upon a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant uncertainties and contingencies. If our management fails to account for other relevant information or to substitute the key business metrics they review as our business changes or if the assumptions or estimates underlying the metrics are inaccurate, their ability to accurately formulate financial projections and make strategic decisions may be compromised and our business, financial results and future growth prospects may be adversely impacted.

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 2024, 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 us or 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, or geopolitical shifts; and 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 or negatively impact our reputation. 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 enhancing our resilience to potential impacts on our business, 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 a continued and, in some cases, increased focus by certain regulatory and legislative bodies on environmental policies, including by the governmental authorities in certain international jurisdictions where we operate. 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. Additionally, government authorities, non-governmental organizations and external stakeholders are increasingly filing lawsuits or initiating regulatory actions, alleging that public statements regarding sustainability-related matters and practices are misleading or false.

Government mandated prices, production control programs, and shifts in crops driven by economic conditions may increase the cost or reduce the quality of 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 the facilities where our products are produced, 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, supply chain constraints, 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. Additionally, while we do not now expect that the recent and currently anticipated trade tariffs imposed by the U.S. and other countries will materially impact our business, the global tariff environment is volatile and further tariff or trade related developments could result in risks to PMI’s business, including increased production costs; limited market access; supplier financial condition degradation resulting in reduced or interrupted supplies; and price increases or other economic impacts that could reduce consumer demand. Any of these developments could cause significant volume declines in our Global Travel Retail 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, revenues, 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 a moderate inflationary increase in 2025. 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, range into the billions of U.S. dollars. The FCTC 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. 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. 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 9. *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, product safety or specification allegations, 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 9. *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 revenues 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 9. *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 is researching, developing, and exploring the commercialization of medical and pharmaceutical cannabinoids and non-recreational cannabinoid products (including CBD). Our Wellness and Healthcare business currently anticipates pursuing these activities in select non-U.S. markets. While we 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, and subjects us to various legal, reputational and regulatory risks, which could have a material, adverse effect on our business and results of operations. A failure by our Wellness and Healthcare business 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. 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; adult smoker willingness to convert to our SFPs; 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 Altria Group, Inc., 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, 2024 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, non-tax-paid volume produced by local manufacturers, and other non-compliant or illicit cigarettes or smoke-free products.

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, non-tax-paid volume produced by local manufacturers and other non-compliant or illicit cigarettes 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. Additionally, some information technology systems may be supported by artificial intelligence capabilities that may not function as intended, posing cybersecurity and data protection risks. 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 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 impacting PMI, 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.

Cyberattacks, security incidents and vulnerabilities have impacted, and we expect will continue to impact, PMI, our business partners, and our third-party providers. Cyberattacks continue to dynamically evolve in sophistication and volume, making it difficult for us to predict probability, frequency, and impact severity of security incidents on the Company. We also have, and continue to face, immaterial third-party information security breaches. While these types of incidents have occurred frequently within the last three years, none have been material to our business, financial condition, or results.

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, 2024 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, data, and information security laws across the jurisdictions in which PMI operates, such as the failure to protect personal or company data; implement appropriate technological and reasonable security measures; implement and maintain appropriate safeguards for personal or company data being transferred internationally; respect the privacy or other rights of data subjects; provide sufficient detailed notices of personal or other data processing; retrieve consent and provide opt-outs; meet stringent timeframe requirements for incident reporting to regulatory authorities; comply with artificial intelligence regulations, 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. Although we maintain a cyber liability insurance policy to address many of these risks, such policy may not be sufficient to prevent a cybersecurity incident or attack from resulting in a material adverse effect on our business, reputation, financial condition, or operating results.

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.

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 9. *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, 2024.

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 June 30, 2025, 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
April 1, 2025 – April 30, 2025	—	$ —	—	$ —
May 1, 2025 – May 31, 2025	—	$ —	—	$ —
June 1, 2025 – June 30, 2025	—	$ —	—	$ —
Pursuant to Publicly Announced Plans or Programs	—	$ —		
April 1, 2025 – April 30, 2025 (1)	5,115	$ 159.27		
May 1, 2025 – May 31, 2025 (1)	2,281	$ 171.36		
June 1, 2025 – June 30, 2025 (1)	4,509	$ 179.82		
For the Quarter Ended June 30, 2025	11,905	$ 169.37		

(1) 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 June 30, 2025, 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.

10.1	Supplemental Letter to the Employment Agreement with Stacey Kennedy, dated June 27, 2025.
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
July 25, 2025

PHILIP MORRIS SERVICES S.A.

PERSONAL AND CONFIDENTIAL

To: Ms. Stacey Kennedy Lausanne, June 27, 2025

Dear Stacey,

We are pleased to confirm that effective July 1, 2025, your grade will be increased to 25 and your comparatio will be 89%. Your base salary will remain unchanged and your total target compensation will increase by 4.2%.

Incentive Compensation Award Program

As a grade 25 employee, you will continue to be eligible to participate in the Incentive Compensation ("IC") Award Program, which is administered at the sole discretion of the Compensation and Leadership Development Committee of the Board of Directors pursuant and subject to the terms of the 2022 Performance Incentive Plan (or any similar plan adopted from time to time). Each eligible employee has an annual IC award target that assumes a PMI company performance rating of 100 and a target individual performance level.

As a grade 25 employee, your 2025 target will remain at 100% of your annual base salary. Targets are reviewed annually and are made available to employees under the PMI 23-G4 Guidelines Global Variable Compensation Programs Annex 1.

Stock Award Program

As a grade 25 employee, you will continue to be eligible to participate in the Stock Award Program, which is administered at the sole discretion of the Compensation and Leadership Development Committee of the Board of Directors pursuant and subject to the terms of the 2022 Performance Incentive Plan (or any similar plan adopted from time to time). Each eligible employee has an annual stock award target that assumes a target individual performance level.

As a grade 25 employee, your 2025 target will increase from 160% to 175% of your annual base salary. Targets are reviewed annually and are made available to employees under the PMI 23-G4 Guidelines Global Variable Compensation Programs Annex 2.

The Incentive Compensation and Stock Award Programs are discretionary and do not obligate the Company to make an award nor entitle employees to receive an award. Eligibility to participate in the Programs does not guarantee receipt of an award and receiving an annual award does not guarantee receipt of an award in the future. Any awards that are made may be higher or lower than the targets mentioned above. Targets may be amended at the discretion of the Company at any time without prior notice.

Philip Morris Services S.A., Avenue de Cour 107, 1001 Lausanne, Switzerland
T:+41 (58) 242 00 00, **F:** +41 (58) 242 01 01

All other conditions relating to your employment with Philip Morris Services S.A. remain as stated in your employment contract and in any subsequent amendments.

We would like to take this opportunity to wish you continued success and satisfaction.

Yours sincerely,

PHILIP MORRIS SERVICES S.A.

/s/ CONSTANTIN ROMANOV	/s/ ANNA NOWAK
Constantin Romanov	Anna Nowak
Vice President Total Rewards	Director Executive Compensation

Exhibit 31.1

Certifications

I, Jacek Olczak, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Philip Morris International Inc.;

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

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

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

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

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

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

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

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

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

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

Date: July 25, 2025

/s/ JACEK OLCZAK

Jacek Olczak

Chief Executive Officer

Exhibit 31.2

Certifications

I, Emmanuel Babeau, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Philip Morris International Inc.;

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

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

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

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

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

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

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

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

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

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

Date: July 25, 2025

/s/ EMMANUEL BABEAU
Emmanuel Babeau
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Philip Morris International Inc. (the "Company") on Form 10-Q for the period ended June 30, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jacek Olczak, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JACEK OLCZAK
Jacek Olczak
Chief Executive Officer
July 25, 2025

Exhibit 32.2

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

In connection with the Quarterly Report of Philip Morris International Inc. (the "Company") on Form 10-Q for the period ended June 30, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Emmanuel Babeau, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ EMMANUEL BABEAU
Emmanuel Babeau
Chief Financial Officer
July 25, 2025