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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 March 31, 2026

OR

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

For the transition period from to

Commission File Number 001-33708

Philip Morris International Inc.

(Exact name of registrant as specified in its charter)

Virginia	13-3435103
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

677 Washington Blvd, Suite 1100	Stamford	Connecticut	06901
(Address of principal executive offices)			(Zip Code)

Registrant's telephone number, including area code (203) 905-2410

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	PM	New York Stock Exchange
0.125% 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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
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 April 17, 2026, there were 1,558,558,846 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 Three Months Ended March 31,	
	2026	2025
Net revenues [1] [2] (Note 13)	$ 10,146	$ 9,301
Cost of sales (Note 1)	3,241	3,031
Gross profit	6,905	6,270
Marketing, administration and research costs (Notes 1 & 15)	2,857	2,428
Corporate expenses and other (Note 1)	155	298
Operating income	3,893	3,544
Interest expense, net	237	241
Pension and other employee benefit (income) costs (Note 4)	(5)	12
Earnings before income taxes	3,661	3,291
Provision for income taxes	676	659
Equity investments and securities (income)/loss, net (Note 13)	403	(205)
Net earnings	2,582	2,837
Net earnings attributable to noncontrolling interests	144	147
Net earnings attributable to PMI	$ 2,438	$ 2,690
Per share data (Note 7):		
Basic earnings per share	$ 1.56	$ 1.72
Diluted earnings per share	$ 1.56	$ 1.72

(1) Includes net revenues from related parties of $1,185 million and $937 million for the three months ended March 31, 2026 and 2025, respectively.

(2) Net revenues are shown net of excise tax on products. For the three months ended March 31, 2026 and 2025, excise tax on products was $12,853 million and $12,002 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 Three Months Ended March 31,	
	2026	2025
Net earnings	$ 2,582	$ 2,837
Other comprehensive earnings (losses), net of income taxes:		
Change in currency translation adjustments:		
Unrealized gains (losses), net of income taxes of $(122) in 2026 and $94 in 2025	410	296
(Gains)/losses transferred to earnings, net of income taxes of $0 in 2026 and 2025	(22)	—
Change in net loss and prior service cost:		
Amortization of net losses, prior service costs and net transition costs, net of income taxes of $(7) in 2026 and $(14) in 2025	25	46
Change in fair value of derivatives accounted for as hedges:		
Gains (losses) recognized, net of income taxes of $(18) in 2026 and $24 in 2025	94	(122)
(Gains) losses transferred to earnings, net of income taxes of $7 in 2026 and $2 in 2025	(32)	(21)
Total other comprehensive earnings (losses)	475	199
Total comprehensive earnings	3,057	3,036
Less comprehensive earnings (losses) attributable to:		
Noncontrolling interests	111	149
Comprehensive earnings attributable to PMI	$ 2,946	$ 2,887

See notes to condensed consolidated financial statements.

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

	March 31, 2026	December 31, 2025
ASSETS		
Cash and cash equivalents	$ 5,450	$ 4,872
Trade receivables (less allowances of $40 in 2026 and $23 in 2025) [1]	5,120	4,572
Other receivables (less allowances of $24 in 2026 and $24 in 2025)	1,270	1,238
Inventories:		
Leaf tobacco	2,565	2,425
Other raw materials	2,473	2,223
Finished product	6,354	6,830
	11,392	11,478
Other current assets	2,370	2,203
Total current assets	25,602	24,363
Property, plant and equipment, at cost	19,452	19,616
Less: accumulated depreciation	11,193	11,219
	8,259	8,397
Goodwill (Note 5)	17,069	17,264
Other intangible assets, net (Note 5)	10,512	10,884
Equity investments (Note 13)	2,478	2,891
Deferred income taxes	1,197	1,247
Other assets (less allowances of $12 in 2026 and $12 in 2025)	3,796	4,139
TOTAL ASSETS	$ 68,913	$ 69,185

[1] Includes trade receivables from related parties of $996 million and $839 million as of March 31, 2026, and December 31, 2025, 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)

	March 31, 2026	December 31, 2025
LIABILITIES		
Short-term borrowings (Note 11)	$ 5,693	$ 168
Current portion of long-term debt (Note 11)	2,447	3,533
Accounts payable	3,927	4,407
Accrued liabilities:		
Marketing and selling	1,298	1,354
Taxes, except income taxes	5,105	7,555
Employment costs	1,227	1,545
Dividends payable	2,313	2,312
Other	3,121	3,298
Income taxes	1,091	1,255
Total current liabilities	26,222	25,427
Long-term debt (Note 11)	43,808	45,134
Deferred income taxes	2,013	2,065
Employment costs	2,340	2,406
Other liabilities	1,830	2,181
Total liabilities	76,213	77,213
Contingencies (Note 9)		
STOCKHOLDERS' (DEFICIT) EQUITY		
Common stock, no par value (2,109,316,331 shares issued in 2026 and 2025)	—	—
Additional paid-in capital	2,433	2,453
Earnings reinvested in the business	35,538	35,400
Accumulated other comprehensive losses (Note 12)	(11,788)	(12,296)
	26,183	25,557
Less: cost of repurchased stock (550,785,817 and 552,659,642 shares in 2026 and 2025, respectively)	35,462	35,551
Total PMI stockholders' deficit	(9,279)	(9,994)
Noncontrolling interests	1,979	1,966
Total stockholders' deficit	(7,300)	(8,028)
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY	$ 68,913	$ 69,185

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 Three Months Ended March 31,	
	2026	2025
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net earnings	$ 2,582	$ 2,837
Adjustments to reconcile net earnings to operating cash flows:		
Depreciation and amortization expense	510	480
Deferred income tax (benefit) provision	(67)	(67)
Restructuring charges, net of cash paid (Note 15)	(3)	(1)
Cash effects of changes, net of the effects from acquired and divested companies:		
Receivables, net	(640)	(882)
Inventories	(11)	(325)
Accounts payable	(317)	(127)
Accrued liabilities and other current assets	(2,734)	(2,437)
Income taxes	(171)	(20)
Pension plan contributions (Note 4)	(30)	(37)
Other	482	229
Net cash provided by (used in) operating activities	(399)	(350)
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Capital expenditures	(353)	(404)
Purchases of debt securities	(5)	(58)
Sales and maturities of debt securities	95	24
Equity investments	(35)	(10)
Collateral posted/settlements for derivatives, (paid)/returned (Note 6)	314	6
Other	(19)	8
Net cash provided by (used in) investing activities	(3)	(434)

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 Three Months Ended March 31,	
	2026	2025
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Short-term borrowing activity by original maturity:		
Net issuances (repayments) - maturities of 90 days or less	$ 4,530	$ 4,231
Issuances - maturities longer than 90 days	993	70
Repayments - maturities longer than 90 days	—	—
Long-term debt proceeds	—	—
Long-term debt repaid	(2,142)	(822)
Dividends paid	(2,307)	(2,116)
Collateral received/settlements for derivatives, received/(returned)	138	(606)
Noncontrolling interests activity and Other	(116)	(86)
Net cash provided by (used in) financing activities	1,096	671
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(116)	335
Cash, cash equivalents and restricted cash [1]:		
Increase (Decrease)	578	222
Balance at beginning of period	4,892	4,254
Balance at end of period	$ 5,470	$ 4,476

[1] The amounts for cash, cash equivalents and restricted cash shown above include restricted cash of $20 million and $33 million as of March 31, 2026 and 2025, respectively, and $20 million and $38 million as of December 31, 2025 and 2024, 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 Three Months Ended March 31, 2026 and 2025
(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, 2025	$ —	$ 2,335	$ 32,869	$ (11,314)	$ (35,640)	$ 1,880	$ (9,870)
Net earnings			2,690			147	2,837
Other comprehensive earnings (losses), net of income taxes				197		2	199
Issuance of stock awards		(9)			83		74
Dividends declared ($1.35 per share)			(2,112)				(2,112)
Dividends paid to noncontrolling interests						(54)	(54)
Balances, March 31, 2025	$ —	$ 2,326	$ 33,447	$ (11,117)	$ (35,557)	$ 1,975	$ (8,926)
Balances, January 1, 2026	$ —	$ 2,453	$ 35,400	$ (12,296)	$ (35,551)	$ 1,966	$ (8,028)
Net earnings			2,438			144	2,582
Other comprehensive earnings (losses), net of income taxes				508		(33)	475
Issuance of stock awards		(20)			89		69
Dividends declared ($1.47 per share)			(2,300)				(2,300)
Dividends paid to noncontrolling interests						(98)	(98)
Balances, March 31, 2026	$ —	$ 2,433	$ 35,538	$ (11,788)	$ (35,462)	$ 1,979	$ (7,300)

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 affiliates.

Smoke-Free Business ("SFB") is the term PMI uses to refer to all of its smoke-free products. SFB also includes wellness 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.

With PMI's smoke-free business now operating at scale across its regions, including growth from its U.S. business, PMI has implemented an evolved organizational model with two primary business units: International and U.S. This change was implemented effective January 1, 2026, and as a result, PMI realigned its reportable segments accordingly. The four geographic segments have been replaced with the following three new reportable segments:

- International Smoke-Free;
- International Combustibles; and
- U.S. (including the wellness business unit, Aspeya).

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. The consolidated statement of earnings includes a new caption for "Corporate expenses and other." "Other" includes foreign currency gains/losses and compensation expense related to restricted share units and performance share units awards, which were reclassified from "Cost of sales" and "Marketing, Administration and Research" costs. These reclassifications did not impact PMI's consolidated financial position, results of operations or cash flows in any of the periods presented. See Note 5. *Goodwill and Other Intangible Assets, net* and Note 8. *Segment Reporting* for further details.

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, 2025.

Note 2. Acquisitions and Divestitures:

Sale of certain other businesses

During the fourth quarter of 2025, PMI completed the sale of one business and classified as held-for-sale net assets of certain other businesses (disposal group), primarily related to its consumer accessories products acquired as part of the Swedish Match AB acquisition in 2022. $142 million of the disposal group assets and $59 million of the disposal group liabilities were classified as held-for-sale and were included within other current assets and other accrued liabilities, respectively, in PMI's consolidated balance sheet as of December 31, 2025. As a result, PMI recorded a pre-tax loss of $94 million, primarily related to the impairment charge to record the net assets held-for-sale at the lower of their carrying value or fair value less costs to sell

and the loss on the completed sale, of which $3 million related to the reclassification of currency translation losses from other comprehensive losses for the completed sale. The loss on sale has been recorded in marketing, administration and research costs in PMI's consolidated statement of earnings for the year ended December 31, 2025. The estimated fair value of the disposal group less costs to sell was determined using a market approach, based upon the expected net sales proceeds of the disposal group.

As of March 31, 2026, $149 million of the disposal group assets and $61 million of the disposal group liabilities were classified as held-for-sale and were included within other current assets and other accrued liabilities, respectively, in PMI's consolidated balance sheet.

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 March 31, 2026, shares available for grant under the 2022 Plan were 15,080,666.

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 March 31, 2026, shares available for grant under the plan were 845,900.

Restricted share unit (RSU) awards

PMI may grant RSU awards to eligible employees; recipients may not sell, assign, pledge or otherwise encumber such awards. Such awards are subject to forfeiture if certain employment conditions are not met. RSU awards do not carry voting rights, although they do earn dividend equivalents. RSU awards generally vest on the third anniversary of the grant date.

The fair value of the RSU awards at the date of grant is determined by using the closing market price of PMI's stock on the date of the grant and is amortized to expense over the restriction period, typically three years after the date of the award, or upon death, disability or reaching the age of 58.

During the three months ended March 31, 2026 and 2025, the recorded compensation expense related to RSU awards and the respective tax benefit (charge) were as follows:

(in millions)	For the Three Months Ended March 31,	
	Compensation Expense Related to RSU Awards	Tax Benefit/(Charge) Related to RSU Awards
2026	$ 72	$ 32
2025	$ 63	$ 20

The compensation expense was recorded in corporate expenses and other costs.

During the three months ended March 31, 2026 and 2025, shares granted to eligible employees and the weighted-average grant date fair value per share were as follows:

	Number of Shares Granted	Weighted-Average Grant Date Fair Value Per RSU Award Granted
2026	1,274,800	$ 182.61
2025	1,502,150	$ 145.16

During the three months ended March 31, 2026, 1,327,466 RSU awards vested. The grant date fair value of all the vested awards was approximately $136 million. The total fair value of RSU awards that vested during the three months ended March 31, 2026, was approximately $242 million.

As of March 31, 2026, PMI had $338 million of total unrecognized compensation cost related to non-vested RSU awards, which is expected to be recognized over the performance cycle of the awards of approximately three years.

Performance share unit (PSU) awards

PMI may grant PSU awards to certain executives; recipients may not sell, assign, pledge or otherwise encumber such awards. Such awards are subject to forfeiture if certain employment conditions are not met. 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 three months ended March 31, 2026, 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 VALUE Index, which consists of two drivers:

- Product impact (20% weight): aggregates key performance indicators pertaining to social and environmental impacts generated by PMI's products, focused on two strategic priorities: consumers and circularity; and

- Operational impact (10% weight): aggregates key performance indicators pertaining to social and environmental impacts generated by PMI's business activities, focused on four strategic priorities: PMI's workforce, workers in the value chain, climate, and nature.

The performance metrics, targets and relative weights for the PSU's granted during the three months ended March 31, 2026, were the same as the PSU's granted during the three months ended March 31, 2025, with the exception of changes made to certain components of the Sustainability Index, which was replaced with the VALUE Index. The VALUE Index, built on the foundation of the Sustainability Index, continues to follow the same guiding principles, structure and governance while reflecting a more focused approach to incentivizing progress on key transformation matters. The division and relative weight of product and operational KPIs remain the same.

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.

The fair value of the PSU awards at the date of grant, adjusted by performance metrics, is amortized to expense over the restriction period, typically three years after the date of the award, or upon death, disability or reaching the age of 58.

During the three months ended March 31, 2026 and 2025, the recorded compensation expense related to PSU awards, and the respective tax benefit (charge) were as follows:

(in millions)	For the Three Months Ended March 31,	
	Compensation Expense related to PSU Awards	Tax Benefit/(Charge) Related to PSU Awards
2026	$ 46	$ 22
2025	$ 51	$ 16

The compensation expense was recorded in corporate expenses and other costs.

During the three months ended March 31, 2026 and 2025, shares granted to eligible employees and the weighted-average 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)
2026	327,880	$ 182.81	$ 236.97
2025	395,810	$ 145.32	$ 213.72

The grant date fair value of the PSU awards subject to the other performance factors was determined by using the closing 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:

	2026	2025
Average risk-free interest rate [(a)]	3.5 %	4.1 %
Average expected volatility [(b)]	21.7 %	21.0 %

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

During the three months ended March 31, 2026, 816,829 PSU awards vested. The grant date fair value of all the vested awards was approximately $94 million. The total fair value of PSU awards that vested during the three months ended March 31, 2026, was approximately $149 million.

As of March 31, 2026, PMI had $77 million of total unrecognized compensation cost related to non-vested PSU awards, which is expected to be recognized over the performance cycle of the awards of approximately three years.

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 (income) costs per the condensed consolidated statements of earnings consisted of the

following:

(in millions)	For the Three Months Ended March 31, 2026	2025
Net pension costs (income)	$ (41)	$ (20)
Net postemployment costs	32	29
Net postretirement costs	4	3
Total pension and other employee benefit (income) costs	$ (5)	$ 12

Pension Plans

Components of Net Periodic Benefit Cost

Net periodic pension cost consisted of the following:

(in millions)	Pension [1] For the Three Months Ended March 31, 2026	2025
Service cost	$ 56	$ 57
Interest cost	59	50
Expected return on plan assets	(122)	(102)
Amortization:		
Net loss	23	33
Prior service cost (credit)	(1)	(1)
Net periodic pension cost	$ 15	$ 37

[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 $30 million were made to the pension plans during the three months ended March 31, 2026. Currently, PMI anticipates making additional contributions during the remainder of 2026 of approximately $115 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:

Goodwill

The movements in goodwill were as follows:

(in millions)	International Smoke-Free	International Combustibles	U.S. [a]	Total
Balances, December 31, 2025	$ 3,913	$ 4,862	$ 8,489	$ 17,264
Changes due to:				
Currency	(97)	(90)	(8)	(195)
Balances, March 31, 2026	$ 3,816	$ 4,772	$ 8,481	$ 17,069

[a] U.S. goodwill balance is net of accumulated impairment losses of $556 million at March 31, 2026, and December 31, 2025. These accumulated losses, which relate to PMI's wellness unit Aspeya, exclude amounts related to businesses which were subsequently sold or reclassified as held-for-sale.

As discussed in Note 1. *Background and Basis of Presentation*, PMI has implemented an evolved organizational model effective January 1, 2026, and realigned its reportable segments accordingly. This reorganization resulted in changes to the composition of certain reporting units. Consequently, PMI reassigned assets and liabilities to the applicable reporting units and reallocated goodwill using the relative fair value approach. PMI performed a review of goodwill for potential impairment of the impacted reporting units immediately before and after the reorganization. As a result of this review, no impairment charges were required. The table above reflects the reclassification as a result of the realignment.

At March 31, 2026, goodwill primarily reflects PMI's acquisitions of Swedish Match AB, as well as acquisitions in Indonesia, the Philippines, Egypt, Greece, Mexico, and Serbia.

Other Intangible Assets

Details of other intangible assets were as follows:

		March 31, 2026			December 31, 2025		
(in millions)	Weighted-Average Remaining Useful Life	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Non-amortizable intangible assets		$ 4,711		$ 4,711	$ 4,776		$ 4,776
Amortizable intangible assets:							
Trademarks	14 years	2,197	$ 1,005	1,192	2,227	$ 984	1,243
Reacquired commercialization rights for *IQOS* in the U.S.	3 years	2,777	1,065	1,712	2,777	926	1,851
Developed technology, including patents	6 years	351	165	186	358	160	198
Customer relationships and other	10 years	3,834	1,123	2,711	3,873	1,057	2,816
Total other intangible assets		$ 13,870	$ 3,358	$ 10,512	$ 14,011	$ 3,127	$ 10,884

Changes in the net carrying amount of intangible assets were as follows:

	December 31, 2025	Changes Due To: Amortization & Impairment	Acquisitions & Divestitures	Currency & Other	March 31, 2026
Non-amortizable intangible assets	$ 4,776	**$ —**	**$ —**	**$ (65)**	$ 4,711
Amortizable intangible assets:	6,108	**(251)**	**—**	**(56)**	5,801
Gross book value	9,235		**—**	**(76)**	9,159
Accumulated amortization	(3,127)	**(251)**	**—**	**20**	(3,358)
Total Intangibles, net	$ 10,884	**$ (251)**	**$ —**	**$ (121)**	$ 10,512

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 PMI's acquisition in Egypt.

Amortization expense for each of the next five years is estimated to be approximately $1,006 million or less, assuming no additional transactions occur that require the amortization of intangible assets.

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, Indian rupee, Indonesian rupiah, Japanese yen, 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 March 31, 2026	At December 31, 2025
Derivative contracts designated as hedging instruments:		
Foreign exchange contracts	$ 29,543	$ 29,062
Interest rate contracts	5,300	4,700
Commodity contracts	5	3
Derivative contracts not designated as hedging instruments:		
Foreign exchange contracts	19,328	16,278
Total	$ 54,176	$ 50,043

The fair value of PMI's derivative contracts included in the condensed consolidated balance sheets as of March 31, 2026 and December 31, 2025, were as follows:

	Derivative Assets			Derivative Liabilities		
		Fair Value			Fair Value	
(in millions)	Balance Sheet Classification	At March 31, 2026	At December 31, 2025	Balance Sheet Classification	At March 31, 2026	At December 31, 2025
Derivative contracts designated as hedging instruments:						
Foreign exchange contracts	Other current assets	$ 580	$ 378	Other accrued liabilities	$ 193	$ 499
	Other assets	138	107	Other liabilities	560	853
Interest rate contracts	Other current assets	13	—	Other accrued liabilities	23	27
	Other assets	40	77	Other liabilities	4	—
Commodity contracts	Other current assets	—	—	Other accrued liabilities	—	1
	Other assets	—	—	Other liabilities	—	—
Derivative contracts not designated as hedging instruments:						
Foreign exchange contracts	Other current assets	285	91	Other accrued liabilities	183	319
	Other assets	—	—	Other liabilities	219	276
Total gross amount derivatives contracts presented in the condensed consolidated balance sheets		$ 1,056	$ 653		$ 1,182	$ 1,975
Gross amounts not offset in the condensed consolidated balance sheets						
Financial instruments		(595)	(444)		(595)	(444)
Cash collateral received/pledged		(311)	(183)		(586)	(1,374)
Net amount		$ 150	$ 26		$ 1	$ 157

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 derivatives is determined using prevailing spot and forward foreign exchange rates, spot and forward interest rates, and the instruments' respective maturity dates. The fair value of currency options is estimated using a Black-Scholes valuation model that incorporates foreign exchange spot rates, interest rate differentials, currency volatilities, strike rates and maturity dates. The fair value of PMI's commodity contracts is determined using prevailing market spot and futures prices and the corresponding maturity dates. PMI's derivative contracts have been classified within Level 2 at March 31, 2026 and December 31, 2025.

For the three months ended March 31, 2026 and 2025, 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 March 31,							
	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	
	2026	2025		2026	2025	2026	2025
Derivative contracts designated as hedging instruments:							
Cash flow hedges:							
Foreign exchange contracts	$ 98	$ (146)	Net revenues	$ 22	$ 52		
			Cost of sales	—	—		
			Marketing, administration and research costs	5	(41)		
			Interest expense, net	—	—		
Interest rate contracts	13	(1)	Interest expense, net	12	14		
Commodity contracts	1	1	Cost of sales	—	(2)		
Fair value hedges:							
Interest rate contracts			Interest expense, net [a]			$ (37)	$ 47
Net investment hedges [b]:							
Foreign exchange contracts	555	(437)	Interest expense, net [c]			88	70
Derivative contracts not designated as hedging instruments:							
Foreign exchange contracts			Interest expense, net			66	93
			Marketing, administration and research costs [d]			260	(242)
Total	$ 667	$ (583)		$ 39	$ 23	$ 377	$ (32)

[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 March 31, 2026, PMI has hedged forecasted transactions with derivative contracts expiring at various dates through December 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 March 31, 2026 was $5,096 million, including $401 million related to discontinued hedges, of which $649 million was recorded in current portion of long-term debt and $4,447 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 $(21) million as of March 31, 2026.

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 three months ended March 31, 2026 and 2025, 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 $13 million and nil, respectively. Settlements of the derivative contracts designated as net investment hedges are included in cash flows from investing activities on PMI's condensed consolidated statements of cash flows.

Other Derivatives

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

Qualifying Hedging Activities Reported in Accumulated Other Comprehensive Losses

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

(in millions)	For the Three Months Ended March 31,	
	2026	2025
Gain/(loss) as of beginning of period,	$ 284	$ 467
Derivative (gains)/losses transferred to earnings	(32)	(21)
Change in fair value	94	(122)
Gain/(loss) as of March 31,	$ 346	$ 324

At March 31, 2026, PMI expects $159 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

At March 31, 2026, the fair values of PMI's certain other investments were as follows:

(in millions)	March 31, 2026
Level 1, U.S. dollar denominated bonds in Argentina	$ 103
Level 2, Indonesian rupiah denominated bonds in Indonesia	26

For the three months ended March 31, 2026, the gross unrealized pre-tax 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 Three Months Ended March 31,	
	2026	2025
Net earnings attributable to PMI	$ 2,438	$ 2,690
Less distributed and undistributed earnings attributable to share-based payment awards [1]	7	8
Net earnings for basic and diluted EPS	$ 2,431	$ 2,682
Weighted-average shares for basic EPS	1,558	1,556
Plus contingently issuable performance stock units (PSUs)[1]	1	1
Weighted-average shares for diluted EPS	1,559	1,557

[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 2026 and 2025 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.

Effective January 1, 2026, PMI reorganized its segments to reflect the manner in which the Chief Executive Officer, who is the chief operating decision maker ("CODM"), manages the business and reviews the results of its operations. Based on changes to PMI's organizational structure, including restructuring of roles and responsibilities of the executive management layer reporting directly to the CODM as of January 2026, PMI's reportable segments are organized by product groupings and geographical region as follows: International Smoke-Free, International Combustibles and the U.S. The results of PMI's Wellness unit, Aspeya, are included within the U.S. reportable segment.

In conjunction with the organizational changes discussed above, the primary profitability measure based on which the CODM evaluates performance of and allocates resources to the reportable segments has changed from regional operating income to segment gross profit. Segment net revenues and segment gross profit are the primary financial measures used by the CODM to review short-term and long-term trends, forecasts, and budget-to-actual variances in order to assess the performance of PMI's reportable segments and to allocate resources in response to changing market conditions and organizational priorities.

Marketing, administration and research costs, including restructuring charges, are not allocated to segments to determine the primary measure of segment profitability. Additionally, interest expense, net, corporate expenses and other, and provision for income taxes are centrally managed and, accordingly, such items are not presented by segment since they are excluded from the measures of segment profitability reviewed by management. Information about total assets and capital expenditures 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, 2025.

Net revenues, cost of sales and gross profit by segment were as follows:

(in millions)	International Smoke-Free	International Combustibles	U.S.	Total
For the Three Months Ended March 31, 2026				
Net revenues	$ 3,836	$ 5,688	$ 622	$ 10,146
Cost of sales	1,152	1,847	242	3,241
Gross profit	2,684	3,842	380	6,905
For the Three Months Ended March 31, 2025				
Net revenues	$ 3,076	$ 5,326	$ 899	$ 9,301
Cost of sales	990	1,827	215	3,031
Gross profit	2,087	3,499	685	6,270

Note: Amounts may not foot due to rounding

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

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

(in millions)	For the Three Months Ended March 31,	
	2026	2025
Smoke-free:		
International Smoke-Free	$ 3,836	$ 3,076
U.S.	543	818
of which, Wellness	*62*	*51*
Total Smoke-free	4,379	3,895
Combustible tobacco:		
International Combustibles	5,688	5,326
U.S.	79	81
Total Combustible tobacco	5,767	5,407
Total PMI net revenues	$ 10,146	$ 9,301

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

Net revenues related to smoke-free, excluding wellness, 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 refer to the operating revenues generated from the sale of product, primarily associated with oral and intra-oral delivery systems.

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.

Other segment data were as follows:

(in millions)	For the Three Months Ended March 31,	
	2026	2025
Depreciation and amortization expense:		
International Smoke-Free	$ 90	$ 78
International Combustibles	67	71
U.S.	27	23
Total depreciation and amortization expense by segment	184	172
Other[(1)]	326	308
Total depreciation and amortization expense	$ 510	$ 480

[(1)] Included in marketing, administration and research costs, and corporate expenses and other in PMI's condensed consolidated statements of earnings

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 cases mentioned in this Note 9. *Contingencies*; (ii) management is unable to estimate the possible loss or range of loss for any of these cases; and (iii) accordingly, no estimated loss has been accrued in the consolidated financial statements for unfavorable outcomes in these cases, if any.

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 cases resolved by final and non-appealable liability judgment have been terminated in our favor and only a small number of cases remain pending. The pending cases include seven health care cost recovery cases, one public civil action, and individual cases. These do not include nine proposed class actions and ten health care cost recovery cases that have been released pursuant to the CCAA Plan of PMI's wholly owned subsidiary in Canada, Rothmans, Benson & Hedges Inc., that will be formally dismissed in due course, and are no longer reported here. 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, one individual case was initially decided in favor of plaintiffs, and remains on appeal. Final resolution in the amount of the verdict in such case 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:

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 March 31, 2026, excluding the cases that will be dismissed pursuant to the CCAA Plan described above, there were 7 health care cost recovery cases pending against us, our subsidiaries or indemnitees in Brazil (1), Korea (1) and Nigeria (5), compared with 17 such cases on March 31, 2025.

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. On March 13, 2026, the trial court issued a procedural order directing the parties to submit closing arguments.

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 over the past several decades, payment of anticipated costs of treating alleged smoking-related diseases in the future, 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 over the past several decades, payment of anticipated costs of treating alleged smoking-related diseases in the future, 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 over the past several decades, payment of anticipated costs of treating alleged smoking-related diseases in the future, 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 over the past several decades, payment of anticipated costs of treating alleged smoking-related diseases in the future, 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 over the past several decades, payment of anticipated costs of treating alleged smoking-related diseases in the future, 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 plaintiff a *de novo* appeal in 2021 and, on January 15, 2026, dismissed plaintiff's claims and appeal. On February 4, 2026, plaintiff filed an appeal to the Supreme Court of Korea.

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 March 31, 2026, there was one public civil action pending against our subsidiary in Venezuela (1), compared with one such case on March 31, 2025.

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 moved to the discovery phase and was 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. On September 15, 2025, Plaintiff filed a motion to amend his complaint to add two additional named plaintiffs, Darryl Maultsby and Griffin Dykes, as well as a new claim under the Florida Deceptive and Unfair Practices Trade Act ("FDUPTA"). On October 14, 2025, the Court granted plaintiff's motion to amend the complaint. On October 22, 2025, defendants filed a motion to dismiss the FDUTPA claim. On December 12, 2025, the Court denied defendants' motion to dismiss the FDUTPA claim. On December 23, 2025, defendants filed their answers to plaintiff's second amended complaint. Plaintiffs Griffin Dykes and Zachary Kelly decided not to proceed with their claims and the Court approved stipulations dismissing their claims with prejudice on February 24 and March 24, 2026, respectively. The case remains open as to plaintiff Darryl Maultsby. On April 6, 2026,plaintiff Darryl Maultsby filed a motionseeking tocertify one class and one subclass.The class is defined as "[a]ll persons who purchased, in Florida, *ZYN* products." For this class, plaintiff seeks certification as to the FDUTPA claim and "liability only" issues as to the strict liability design defect and failure to warn claims, excluding causation and damages.The subclass is defined as "[a]llpersons who procured and used, in Florida, *ZYN* products while under the age of 21." The subclass is sought for the FDUTPA claim only.

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 the motion recently filed by plaintiff Maultsby 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 alleged, 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 alleged, 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 asserted strict liability design defect and failure to warn claims, as well as negligence and fraud claims, and sought 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 moved to the discovery phase and was 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. On September 15, 2025, Plaintiff filed a motion to amend his complaint to add a new claim under the Florida Deceptive and Unfair Practices Trade Act ("FDUPTA"). On October 14, 2025, the Court granted plaintiff's motion to amend the complaint. On October 23, 2025, defendants filed a motion to dismiss the FDUTPA claim. On December 12, 2025, the Court denied defendants' motion to dismiss the FDUTPA claim. On December 23, 2025, defendants filed their answers to plaintiff's second amended complaint. Plaintiff has decided not to proceed with his claims, and the Court approved a stipulation dismissing his claims with prejudice on February 24, 2026.

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 alleged, 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 alleged, 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 asserted strict liability design defect and failure to warn claims, as well as negligence and fraud claims, and sought 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 moved to the discovery phase and was consolidated with the other Florida cases (*Kelly, Palmer,* and *Friedman*) for purposes of pre-trial discovery. The Court 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. On September 15, 2025, Plaintiff filed a motion to amend his complaint to add a new claim under the Florida Deceptive and Unfair Practices Trade Act ("FDUPTA"). On October 14, 2025, the Court granted plaintiff's motion to amend the complaint. On October 23, 2025, defendants filed a motion to dismiss the FDUTPA claim. On December 12, 2025, the Court denied defendants' motion to dismiss the FDUTPA claim. On December 23, 2025, defendants filed their answers to plaintiff's second amended complaint. Plaintiff has decided not to proceed with his claims, and the Court approved a stipulation dismissing his claims with prejudice on March 23, 2026.

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, 2024, 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 the motion recently filed by plaintiff Maultsby to certify a class. 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 alleged, 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 alleged, 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 asserted strict liability design defect and failure to warn claims, as well as a negligence claim, and sought 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 moved to the discovery phase and was consolidated with the other Florida cases (*Kelly, Palmer, Lendinara, and Friedman*) for purposes of pre-trial discovery. The Court 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. On September 15, 2025, Plaintiff filed a motion to amend her complaint to add a new claim under the Florida Deceptive and Unfair Practices Trade Act ("FDUPTA"). On October 14, 2025, the Court granted Plaintiff's motion to amend the complaint. On October 23, 2025, defendants filed a motion to dismiss the FDUTPA claim. On December 12, 2025, the Court denied defendants' motion to dismiss the FDUTPA claim. On December 23, 2025, defendants filed their answers to plaintiff's second amended complaint. Plaintiff has decided not to proceed with her claims, and the Court approved a stipulation dismissing her claims with prejudice on March 23, 2026.

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. On August 6, 2025, Plaintiff filed a motion to remand the case back to state court. That motion is now fully briefed but resolution of the motion has been stayed pending an appellate court's disposition of a similar remand issue in an unrelated case. 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.

In the eighth case, *Austin Siegert v. Philip Morris International Inc. et al*, filed September 26, 2025, before the 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 purchased *ZYN* in the United States and (ii) a subclass of persons who purchased *ZYN* in New York. Plaintiff alleges, among other things, that defendants misrepresented that *ZYN* is tobacco-free; misled consumers regarding *ZYN*'s nicotine strength and addictive potential; and deployed misleading advertisements geared towards those under the legal age. Plaintiff asserts claims for violations of New York General Business Law § 349 (deceptive and unfair trade practices); violations of New York General Business Law § 350 (misleading advertising); violations of state consumer protection statutes; and breaches of the implied warranty of merchantability. Plaintiff seeks compensatory, statutory and punitive damages, attorney's fees and expenses, prejudgment interest, and declaratory and injunctive relief. On October 30, 2025, defendants filed a motion to stay the proceedings until the court in the *Kelly* case, described above, issues a ruling on the motion recently filed by plaintiff Maultsby to certify a class. On November 3, 2025, the Court granted the motion to stay until the court in the *Kelly* case issues a ruling on class certification. 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

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 $59 million) in damages. After various postponements, the trial before the court of first instance started on September 25, 2023. The judge has scheduled a final hearing for April 29, 2026, with a decision expected thereafter. 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 (approximately $28 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 (approximately $43 million). On March 4, 2026, the Brazilian Tax Authority served our affiliate with notice of a similar assessment alleging underpayments of indirect taxes during the 2022 and 2023 fiscal years, for approximately BRL 369 million (approximately $76 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 December 21, 2023, we were informed that Future Technology K.K. ("FTKK") filed an application with Tokyo Customs against Sojitz Corporation ("Sojitz"), Philip Morris Japan Limited's ("PMJL") importer and distributor, due to alleged infringement of a patent. FTKK sought an order to stop the importation of *TEREA* consumables. FTKK withdrew its Customs application following the issuance of an opinion from expert advisors to Customs that the patent at issue was not infringed. The proceeding is now concluded.

In July and August 2024, respectively, FTKK filed two patent infringement actions against Sojitz, for alleged infringement of two patents by *TEREA* consumables. After receiving an indicative view from the Tokyo District Court that FTKK's patents were not infringed, FTKK withdrew its claims and the matters were terminated in September 2025.

Between November 2024 and December 2025, FTKK filed twelve additional patent infringement actions against Sojitz for alleged infringement of twelve new FTKK patents by *TEREA* and *SENTIA* consumables. FTKK asserts a claim for damages in these actions. Between February 2025 and July 2025, FTKK also filed eight patent infringement actions against Sojitz seeking a preliminary injunction. The patents FTKK asserted in each of these preliminary injunction actions were previously asserted by FTKK in the earlier filed actions seeking monetary damages. PMJL is obligated to indemnify Sojitz for damages and has intervened in all of these matters.

On December 18, 2025, FTKK filed a notice indicating that it was withdrawing its claim in one of the damages actions following an indicative opinion by the Court that FTKK was not entitled to a preliminary injunction in the related preliminary injunction action. On January 21, 2026, the Court then issued a written decision rejecting FTKK's preliminary injunction petition in the preliminary injunction matter on the basis that the accused products do not infringe FTKK's patent.

On February 19, 2026, FTKK filed a notice indicating that it was withdrawing its claim in another preliminary injunction action following an indicative opinion in PMJ's and Sojitz's favor in that matter and the related damages action on the basis that FTKK's patent was invalid. FTKK did not withdraw its claim in the damages action, and a final written decision in this damages action is expected in the coming months.

On March 26, 2026, FTKK filed a notice indicating that it was withdrawing its claim in another preliminary injunction action following an indicative opinion in PMJ's and Sojitz's favor in that matter and the related damages action on the basis that accused products do not infringe FTKK's patent. FTKK did not withdraw its claim in the damages action, and a final written decision in this damages action is expected in the coming months.

Merits proceedings in the remaining matters are at various stages.

On November 27, 2024, we were informed that FTKK filed another application with Tokyo Customs against Sojitz, on the basis of alleged infringement of another FTKK patent. FTKK sought an order to stop the importation of *TEREA* and *SENTIA* consumables. In April 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, on the basis of alleged infringement of another FTKK patent. FTKK sought an order to stop the importation of *TEREA* and *SENTIA* consumables. On November 4, 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. We were informed on January 22, 2026, that FTKK has filed a request for re-investigation of the matter with Tokyo Customs. PMJ submitted a response on February 19, 2026. On December 16, 2025, we were informed that FTKK filed a new application with Tokyo Customs against Sojitz, 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 entered an appearance in the proceeding as an interested party and filed an opposition to FTKK's application on January 27, 2026. A hearing was held on March 31, 2026.

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. The provisions and modifications included in the Act did not have a material impact on PMI's 2025 consolidated financial statements.

PMI's effective tax rates for the three months ended March 31, 2026 and 2025 were 18.5% and 20.0%, respectively.

The effective tax rate for the three months ended March 31, 2026 was favorably impacted by a decrease in deferred tax liabilities related to the fair value adjustment of equity securities held by PMI ($95 million), partly offset by deferred tax expense for unrealized foreign currency losses on intercompany loans related to the Swedish Match acquisition financing reflected in the condensed consolidated statements of earnings ($75 million), while the underlying pre-tax foreign currency movements fully offset in the condensed consolidated statements of earnings and were reflected as currency translation adjustments in its condensed consolidated statements of stockholders' (deficit) equity.

The effective tax rate for the three months ended March 31, 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 ($93 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 ($40 million).

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 2025 consolidated financial statements and should not be expected to have a material impact on its 2026 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, have recorded income tax receivables in the amount of 3.6 trillion Indonesian rupiah (approximately $214 million) relating to corporate income tax assessments paid to avoid potential penalties, primarily for domestic and other intercompany transactions for the years 2017 to 2023. 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 March 31, 2026 and December 31, 2025.

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 March 31, 2026 and December 31, 2025, PMI's short-term borrowings and related average interest rates consisted of the following:

	March 31, 2026		December 31, 2025	
(in millions)	Amount Outstanding	Average Rate	Amount Outstanding	Average Rate
Commercial paper	$ 5,477	3.8 %	$ —	— %
Bank loans	216	12.8	168	10.3
	$ 5,693		$ 168	

PMI continues 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.

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 at March 31, 2026 and December 31, 2025, based on current market interest rates, approximate carrying value.

Long-term Debt:

At March 31, 2026 and December 31, 2025, PMI's long-term debt consisted of the following:

(in millions)	March 31, 2026	December 31, 2025
U.S. dollar notes, 0.875% to 6.375% (average interest rate 4.653%), due through 2044	$ 36,660	$ 37,430
Foreign currency obligations:		
Euro notes, 0.125% to 3.750% (average interest rate 2.039%), due through 2039	6,606	7,942
Euro credit facility borrowing related to Swedish Match AB acquisition, (interest rate 2.597%), due 2027	2,873	2,944
Swedish krona note, (interest rate 2.190%), due 2029	28	267
Finance leases (average interest rate 4.223%), due through 2037	88	84
Carrying value of long-term debt	46,255	48,667
Less current portion of long-term debt	2,447	3,533
	$ 43,808	$ 45,134

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 March 31, 2026, the fair value of PMI's outstanding long-term debt, excluding the aforementioned finance leases, was as follows:

(in millions)	March 31, 2026
Level 1	$ 42,513
Level 2	2,903

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, 2025.

Revolving Credit Facilities:

At March 31, 2026, 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 January 29, 2031	$ 2.0
Multi-year $2.5 billion revolving credit, expiring September 29, 2026 [1][2]	2.5
Multi-year €1.5 billion revolving credit, expiring January 29, 2029	1.7
Total facilities	$ 6.2

[1] 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.

[2] 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 March 31, 2026, 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 $3.7 billion at March 31, 2026, and approximately $3.9 billion at December 31, 2025. Borrowings under these arrangements and other bank loans amounted to $216 million at March 31, 2026, and $168 million at December 31, 2025.

Note 12. Accumulated Other Comprehensive Losses:

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

(Losses) Earnings (in millions)	At March 31, 2026	At December 31, 2025	At March 31, 2025
Currency translation adjustments	$ (10,754)	$ (11,175)	$ (9,026)
Pension and other benefits	(1,380)	(1,405)	(2,415)
Derivatives accounted for as hedges	346	284	324
Total accumulated other comprehensive losses	$ (11,788)	$ (12,296)	$ (11,117)

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 three months ended March 31, 2026 and 2025. For additional information, see 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 March 31, 2026 and December 31, 2025, PMI had total equity method investments of $1,001 million and $1,019 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 March 31, 2026 and December 31, 2025, exceeded our share of the investees' book value by $1,026 million and $1,033 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 March 31, 2026 and December 31, 2025 of $160 million and $161 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 March 31, 2026 and December 31, 2025, PMI received year-to-date dividends from equity method investees of $2 million and $203 million, respectively.

PMI holds a 23% equity interest in JSC TK Megapolis ("TKM"), PMI's distributor in Russia, which as of March 31, 2026 had a carrying value of $307 million. Additionally, there was approximately $531 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 March 31, 2026. 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.

PMI holds 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 accounts 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 its investment in Eastern, PMI also guarantees 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 business strategy, PMI holds non-controlling equity interests in certain companies.
The initial investments in TKM, EITA, Eastern and Wellness business related investments 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 deconsolidated its wholly owned subsidiary in Canada, Rothmans, Benson & Hedges Inc. ("RBH") following 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.

On March 6, 2025, the CCAA court issued a decision approving the plan of compromise and arrangement (the "Plan") setting forth certain terms of a proposed comprehensive resolution of Canadian tobacco claims and related litigation, including the global settlement amount. The Plan became effective on August 29, 2025. PMI evaluated the terms of the Plan and concluded that powers provided under the Plan to RBH's CCAA Plan Administrator and to the Claimants (as these terms are defined in the Plan) continue to remove certain elements of control of the business from PMI and RBH. As a result, PMI has determined that RBH will remain deconsolidated as it does not have a controlling financial interest over RBH as defined in ASC 810 (Consolidation). PMI will continue to account for its investment in RBH in accordance with ASC 321 (Investments-Equity Securities) as an equity security, without readily determinable fair value, until the global settlement amount has been paid and the operating covenants that govern RBH's business are lifted. As of March 31, 2026 and December 31, 2025, the carrying

value of PMI's investment in RBH was $555 million and $569 million, respectively, including the cumulative amount of impairments and downward adjustments of $2,549 million in both periods. Transactions between PMI and RBH are considered to be related-party transactions from the date of deconsolidation and are included in the tables below.

The fair value of PMI's other equity securities, which have been classified within Level 1, was $859 million and $1,291 million at March 31, 2026 and December 31, 2025, respectively. Unrealized pre-tax gain (loss) of $(433) million ($(338) 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 three months ended March 31, 2026.

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. 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 Philip Morris India Trading Private Ltd ("PM India") (formerly IPM India), which is a 56.3% owned PMI consolidated subsidiary. GPI also acts as contract manufacturer and distributor for PM India.

Financial activity with the above related parties:

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

	For the Three Months Ended March 31,	
(in millions)	2026	2025
Net revenues:		
Megapolis Group	$ 704	$ 549
Other	481	388
Net revenues [(a)]	$ 1,185	$ 937
Expenses:		
Other	$ 96	$ 37
Expenses	$ 96	$ 37

[(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 March 31, 2026	At December 31, 2025
Receivables:		
Megapolis Group	$ 636	$ 568
Other	360	271
Receivables	$ 996	$ 839
Other assets:		
Other	$ 82	$ —
Other assets	$ 82	$ —
Payables:		
Other	$ 43	$ 37
Payables	$ 43	$ 37

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 March 31, 2026 and 2025. 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 three months ended March 31, 2026 and 2025, were $2.5 billion and $2.4 billion, respectively. PMI's operating cash flows were positively impacted by the amount of the trade receivables sold and derecognized from the condensed consolidated balance sheets, which remained outstanding with the unaffiliated financial institutions. The trade receivables sold that remained outstanding under these arrangements as of March 31, 2026 and 2025, were $0.6 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. For the three months ended March 31, 2026 and 2025, the loss on sale of trade receivables was $7 million and $8 million, respectively.

Note 15. Restructuring Activities:

For the three months ended March 31, 2026, PMI recorded total pre-tax restructuring charges of $24 million. For the three months ended March 31, 2025, PMI did not record any charges related to restructuring activities. The 2026 pre-tax charges were included in marketing, administration and research costs in the condensed consolidated statements of earnings. As discussed in Note 8. *Segment Reporting*, marketing, administration and research costs, including restructuring charges, are not allocated to segments to determine the primary measure of segment profitability.

U.S. Reorganization

In the first quarter of 2026, the PMI U.S. organization announced a series of footprint optimization initiatives under the Further Integration Program ("FIP"). These initiatives include the planned closure of the Richmond office and the transition of certain roles and capabilities to strategic U.S. locations, primarily the newly established Business Solutions Center ("BSC") in Tampa, Florida, and the PMI U.S. headquarters in Stamford, Connecticut. The program also includes the closure of the cigar manufacturing facility in Dothan, Alabama and the consolidation of its cigar production operations into PMI's manufacturing footprint in the Dominican Republic.

As a result of these actions, PMI recorded pre-tax restructuring charges of $24 million during the first quarter of 2026. These charges primarily consist of employee separation and other employee related costs of $19 million, and asset impairment charges of $5 million.

For the full year 2026, PMI expects total pre-tax restructuring charges associated with the FIP program to be approximately $55 million.

Movement in Restructuring Related Liabilities

The movement in restructuring related liabilities for the three months ended March 31, 2026 was as follows:

(in millions)		
Liability balance, January 1, 2026	$	115
Charges, net		19
Cash spent		(27)
Currency/other		(5)
Liability balance, March 31, 2026	$	102

Future cash payments for restructuring activities incurred to date are anticipated to be substantially paid by the end of 2027.

Note 16. Leases:

The components of PMI's lease cost were as follows for the three months ended March 31, 2026 and 2025:

	For the Three Months Ended March 31,	
(in millions)	2026	2025
Operating lease cost	$ 85	$ 72
Finance lease cost:		
Amortization of right-of-use assets	14	15
Interest on lease liabilities	1	—
Short-term lease cost	17	14
Variable lease cost	9	7
Total lease cost	$ 126	$ 108

Note 17. Supply Chain Financing:

PMI has engaged with unaffiliated global financial institutions that offer a voluntary supply chain financing ("SCF") program to some of our suppliers. Under the SCF program, the suppliers may elect, at their sole discretion, to sell PMI's payment obligations to these financial institutions. The suppliers independently negotiate the sale arrangements directly with these financial institutions. PMI does not participate in these negotiations, nor does it have any economic interest in these agreements, or in the designated suppliers' voluntary decision to sell PMI's payment obligations to these financial institutions. No guarantees or securities are provided by PMI or any of its subsidiaries under the SCF programs. PMI's obligations to its suppliers, including amounts due and scheduled payment terms are not impacted by the suppliers' decision to sell amounts under the SCF program. The payment terms of PMI's suppliers generally do not exceed 120 days. All outstanding payable amounts related to suppliers that are participating in the SCF program are recorded in accounts payable in PMI's condensed consolidated balance sheets. The associated payments are included in cash flows from operating activities within PMI's condensed consolidated statement of cash flows. As of March 31, 2026 and December 31, 2025, the total amount due to suppliers participating in the SCF program was $1.0 billion and $1.1 billion, respectively.

Note 18. New Accounting Standards:

On November 4, 2024, the FASB issued Accounting Standards Update ASU 2024-03, "Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses" ("ASU 2024-03"). ASU 2024-03 requires disclosure of more detailed information about certain costs and expenses in the notes to the financial statements at interim and annual reporting periods. ASU 2024-03 is effective for annual reporting periods beginning after December 15, 2026, and for interim periods within annual reporting periods beginning after December 15, 2027, with early adoption permitted. PMI is currently evaluating the impact of ASU 2024-03 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 $16 billion to develop, scientifically substantiate and commercialize innovative smoke-free products for adults who would otherwise continue to smoke, with the goal of completely ending the sale of cigarettes. This investment includes the building of world-class scientific assessment capabilities, notably in the areas of pre-clinical systems toxicology, clinical and behavioral research, as well as post-market studies. In November 2022, we acquired Swedish Match AB ("Swedish Match") – a leader in oral nicotine delivery – creating a global smoke-free combination led by the companies' *IQOS* and *ZYN* brands. As of April 30, 2024, we hold the full rights to commercialize *IQOS* in the U.S. after reaching an agreement to end our U.S. commercial relationship covering *IQOS* with Altria Group, Inc. in 2022. 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").

With our smoke-free business now operating at scale across our regions, including growth from our U.S. business, PMI has implemented an evolved organizational model with two primary business units: International and U.S. This change was implemented effective January 1, 2026, and as a result PMI realigned its reportable segments accordingly. The four geographic segments have been replaced with the following three new reportable segments:

- International Smoke-Free;
- International Combustibles; and
- U.S. (including our wellness business unit, Aspeya).

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 is comprised of 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 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 March 31, 2026, our smoke-free products were available for sale in 108 markets.

With a strong foundation and significant expertise in life sciences, PMI has a long-term ambition to expand into wellness areas. The business strategy of our wellness unit, Aspeya, currently focuses on developing and commercializing primarily oral consumer wellness offerings. This includes medical 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.

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 and mix of products we sell, the price of our products and changes in currency exchange rates. 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). "Other" also includes the currency-neutral net revenue variance attributable to the restructuring of distribution terms in certain markets.

Our cost of sales consists primarily 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 (excluding corporate expenses and other), 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.

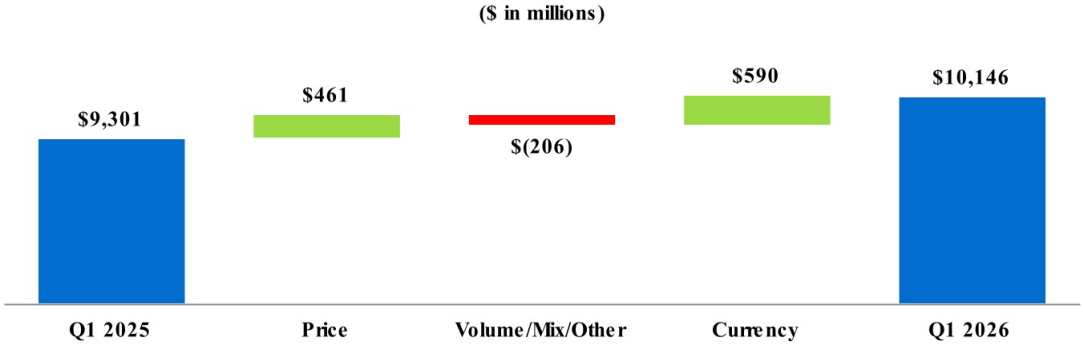
Corporate expenses and other include certain other expenses related to foreign currency gains/losses and compensation expense related to restricted share units and performance share units awards, which were reclassified from cost of sales and marketing, administration and research costs.

Executive Summary

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

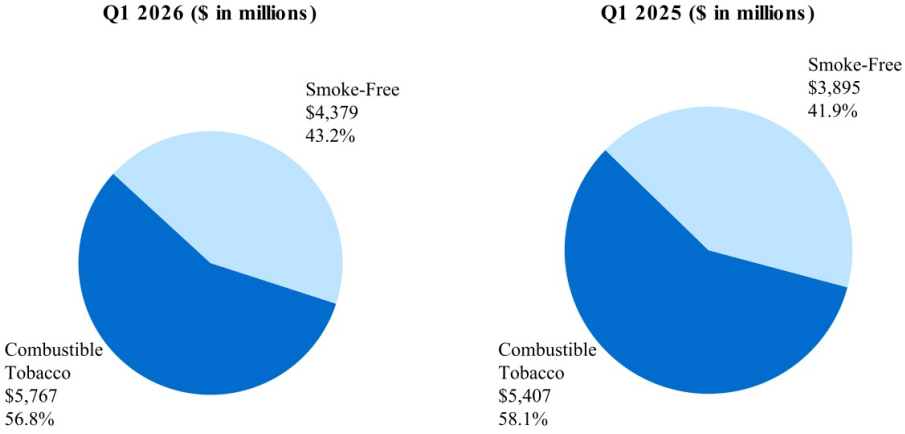
Consolidated Operating Results for the Three Months Ended March 31, 2026

- **Net Revenues** - Net revenues of $10.1 billion for the three months ended March 31, 2026, increased by $0.8 billion, or 9.1%, from the comparable 2025 amount. The change in our net revenues from the comparable 2025 amount was driven by the following (variances not to scale with quarterly results):



During the quarter, net revenues increased by 9.1%. Net revenues, excluding currency, increased by 2.7%, mainly reflecting: a favorable pricing variance mainly driven by International Combustibles; partly offset by an unfavorable volume/mix/other, mainly driven by lower International Combustibles and U.S. volumes, notwithstanding higher International Smoke-Free volumes.

Net revenues by product category for the three months ended March 31, 2026 and 2025, are shown below:



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

- **Diluted Earnings Per Share** - The changes in our diluted earnings per share ("diluted EPS") for the three months ended March 31, 2026, from the comparable 2025 amounts, were as follows:

		Diluted EPS	% Change
For the three months ended March 31, 2025	$	1.72	
2025 Amortization of intangibles		0.12	
2025 Fair value adjustment for equity security investments		(0.09)	
2025 Income tax impact associated with Swedish Match AB financing		(0.06)	
Subtotal of 2025 items		(0.03)	
2026 Amortization of intangibles		(0.12)	
2026 Fair value adjustment for equity security investments		(0.22)	
2026 Restructuring charges		(0.01)	
2026 Income tax impact associated with Swedish Match AB financing		(0.05)	
Subtotal of 2026 items		(0.40)	
Currency		0.18	
Interest		—	
Change in tax rate		0.06	
Operations		0.03	
For the three months ended March 31, 2026	$	1.56	(9.3) %

Amortization of intangibles – During the first quarter of 2025 and 2026, we recorded amortization of intangible expense of $246 million (representing $191 million net of income tax or $0.12 per share decrease in diluted EPS) and $251 million (representing $196 million net of income tax or $0.12 per share decrease in diluted EPS), respectively.

Fair value adjustment for equity security investments – During the first quarter of 2025 and 2026, we recorded fair value adjustments for our equity security investments in India and Sri Lanka of $143 million gain after tax (or $0.09 per share increase in diluted EPS) and $338 million loss after tax (or $0.22 per share decrease in diluted EPS), respectively. For further details, see Note 13. *Related Parties - Equity Investments and Other*.

Restructuring charges – During the first quarter of 2026, we recorded pre-tax restructuring charges of $24 million (representing $19 million net of income tax and a diluted EPS charge of $0.01 per share), related to a series of footprint optimization initiatives in the U.S. For further details, see Note 15. *Restructuring Activities*.

Income taxes – The income tax impact associated with the Swedish Match acquisition financing that increased our 2025 diluted EPS by $0.06 and decreased our 2026 diluted EPS by $0.05 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 change in the tax rate that increased our diluted EPS by $0.06 per share in the table above was primarily driven by a reduction in tax costs associated with global intangible low-taxed income and discrete tax benefits recognized during the period.

Currency – The favorable impact of $0.18 per share from currency over the comparable 2025 period primarily results from the fluctuations of the U.S. dollar, especially against the Euro and Russian ruble, partly offset by the Japanese yen and Swiss franc. This favorable currency movement has impacted our profitability across our primary revenue markets and local currency cost bases.

Operations – The increase in diluted EPS of $0.03 from our operations in the table above was due primarily to the following:

- International Smoke-Free segment: Favorable volume/mix/other and favorable pricing;
- International Combustibles segment: Favorable pricing, partly offset by unfavorable volume/mix/other, including the favorable impact related to the restructuring of distribution terms in certain markets this quarter;

- U.S. segment: Unfavorable volume/mix/other, unfavorable pricing (mainly driven by increased consumer promotions) and higher manufacturing costs; and
- Higher marketing, administration and research costs.

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, 2025.

Consolidated Operating Results

See pages 70 - 82 for a discussion of our "*Cautionary Factors That May Affect Future Results*." Net revenues, cost of sales and gross profit by segment, as well as total significant expenses and operating income were as follows:

(in millions)	International Smoke-Free	International Combustibles	U.S.	Total
For the Three Months Ended March 31, 2026				
Net revenues	$ 3,836	$ 5,688	$ 622	$ 10,146
Cost of sales	1,152	1,847	242	3,241
Gross profit	2,684	3,842	380	6,905
Marketing, administration and research costs				2,857
Corporate expenses and other				155
Operating income				$ 3,893
For the Three Months Ended March 31, 2025				
Net revenues	$ 3,076	$ 5,326	$ 899	$ 9,301
Cost of sales	990	1,827	215	3,031
Gross profit	2,087	3,499	685	6,270
Marketing, administration and research costs				2,428
Corporate expenses and other				298
Operating income				$ 3,544

Note: Amounts may not foot due to rounding

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

- **Restructuring charges** – See Note 15. *Restructuring Activities* for details of the $24 million pre-tax charges included in marketing, administration and research costs for the three months ended March 31, 2026.

Marketing, administration and research costs, including restructuring charges, as well as corporate expenses and other are not allocated to segments to determine the primary measure of segment profitability.

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

(in millions)	For the Three Months Ended March 31,		
	2026	2025	Change
Smoke-free:			
International Smoke-Free	$ 3,836	$ 3,076	24.7 %
U.S.	543	818	(33.6)%
of which, Wellness	*62*	*51*	*20.4 %*
Total Smoke-free	4,379	3,895	12.4 %
Combustible tobacco:			
International Combustibles	5,688	5,326	6.8 %
U.S.	79	81	(2.5)%
Total Combustible tobacco	5,767	5,407	6.7 %
Total PMI net revenues	$ 10,146	$ 9,301	9.1 %

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

Net revenues related to smoke-free, excluding wellness, 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 refer to the operating revenues generated from the sale of product, primarily associated with oral and intra-oral delivery systems.

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

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.

References to "Cost" in the Consolidated Financial Summary table of total PMI and the three reportable segments throughout this *"Discussion and Analysis"* reflects the currency-neutral variances of: cost of sales (excluding the volume/mix cost component); and where applicable, marketing, administration and research costs (including restructuring charges); corporate expenses and other, and amortization and impairment of intangibles.

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* and *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.

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.

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

References to total industry and our market share performance reflect cigarettes and heated tobacco units, unless otherwise stated.

Consumer offtake or offtake is the term PMI uses to refer to an approximation of purchases by consumers based on various market specific sources.

Total industry volume, PMI in-market sales volume and PMI market share for the the total international market, and Japanese domestic market include the cigarillo category in Japan.

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 and Global Travel Retail 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.

Consolidated Operating Results for the Three Months Ended March 31, 2026

The following discussion compares our consolidated operating results for the three months ended March 31, 2026, with the three months ended March 31, 2025.

Total Market

During the quarter, estimated industry volume (excluding China and the U.S.) for cigarettes and HTUs declined by 1.0%.

For the full year 2026, we currently expect an estimated industry volume decline of around 2% for cigarettes and HTUs, excluding China and the U.S.

Total Shipment Volume

Our shipment volume for cigarettes and smoke-free products is shown in the table below:

Shipment Volume (equivalent units in billions)

	For the Three Months Ended March 31,		
	2026	**2025**	**Change**
Total	184.3	187.8	(1.9)%
Cigarettes	137.3	144.8	(5.1)%
Smoke-Free Products [1]	47.0	43.0	9.1 %
HTU	*41.3*	*37.1*	*11.3 %*
Oral SFP	*4.5*	*5.3*	*(16.1)%*
E-vapor	*1.2*	*0.6*	*94.8 %*

[1] Includes HTUs, e-vapor unit equivalents and oral SFP in pouch or pouch equivalents, excluding snuff, snuff leaf and U.S. chewing tobacco

Note: Amounts may not foot due to rounding

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), decreased by 1.9% with cigarette volumes down by 5.1%, partly offset by smoke-free volumes, up by 9.1%, driven by HTU and E-vapor categories.

For the full year 2026, we currently expect a broadly stable total PMI cigarette and SFP shipment volume, with high-single digit SFP shipment volume growth, and a cigarette shipment volume decline of around 3%.

Financial Summary

			Change Fav./(Unfav.)		Variance Fav./(Unfav.)				
Quarters Ended March 31, (in millions)	**2026**	**2025**	**Total**	**Excl. Curr.**	**Total**	**Cur-rency**	**Price**	**Vol/ Mix/Other**	**Cost**
Net Revenues	$ 10,146	$ 9,301	9.1 %	2.7 %	$ 845	$ 590	$ 461	$ (206)	$ —
Cost of Sales	(3,241)	(3,031)	(6.9)%	(0.6)%	(210)	(193)	—	11	(28)
Gross Profit	6,905	6,270	10.1 %	3.8 %	635	397	461	(195)	(28)
Marketing, Administration and Research Costs [1]	(2,857)	(2,428)	(17.7)%	(9.5)%	(429)	(199)	—	—	(230)
Corporate Expenses and Other	(155)	(298)	48.0 %	(0.3)%	143	144	—	—	(1)
Operating Income	$ 3,893	$ 3,544	9.8 %	0.2 %	$ 349	$ 342	$ 461	$ (195)	$ (259)

[1] Cost variance includes charges in 2026 of $24 million related to restructuring charges. For more details, see Note 15. *Restructuring Activities*.

During the quarter, net revenues increased by 9.1%. Net revenues, excluding currency, increased by 2.7%, mainly reflecting: a favorable pricing variance mainly driven by International Combustibles; partly offset by an unfavorable volume/mix/other, mainly driven by lower International Combustibles and U.S. volumes, notwithstanding higher International Smoke-Free

volumes.

The favorable currency impact in net revenues was due primarily to the Euro and Russian ruble.

Gross profit increased by 10.1%. Gross profit, excluding currency, increased by 3.8%, mainly reflecting the same factors as for net revenues.

Operating income increased by 9.8%. Operating income, excluding currency, increased by 0.2%, mainly reflecting: the same factors as for net revenues, and higher marketing, administration and research costs.

Our effective tax rate decreased by 1.5 percentage points to 18.5%. We estimate that our 2026 effective tax rate will be around 21.5%, excluding discrete tax events. For further details, see Note 10. *Income Taxes*.

Equity investments and securities (income)/loss net was a loss of $403 million in 2026 compared to income of $(205) million in 2025. The variance was primarily due to the unfavorable fair value adjustments for our equity security investments in India and Sri Lanka. For further details, see Note 13. *Related Parties - Equity Investments and Other*.

Net earnings attributable to PMI of $2.4 billion decreased by $0.3 billion or 9.4%. This decrease was due primarily to unfavorable fair value adjustments for our equity security investments mentioned above, partly offset by a higher operating income. Basic and diluted EPS of $1.56 both decreased by 9.3%. Excluding a favorable currency impact of $0.18, diluted EPS decreased by 19.8%.

Operating Results by Reportable Segment

Segment Operating Results – Three Months Ended March 31, 2026

The following discussion compares operating results within each of our segments for the three months ended March 31, 2026, with the three months ended March 31, 2025.

International Smoke-Free Segment:

Financial Summary

			Change Fav./(Unfav.)		Variance Fav./(Unfav.)				
Quarters Ended March 31, (in millions)	**2026**	**2025**	**Total**	**Excl. Curr.**	**Total**	**Cur-rency**	**Price**	**Vol/ Mix/Other**	**Cost**
Net Revenues	$ 3,836	$ 3,076	24.7 %	15.8 %	$ 759	$ 273	$ 88	$ 399	$ —
Gross Profit	$ 2,684	$ 2,087	28.6 %	19.4 %	$ 597	$ 192	$ 88	$ 290	$ 27

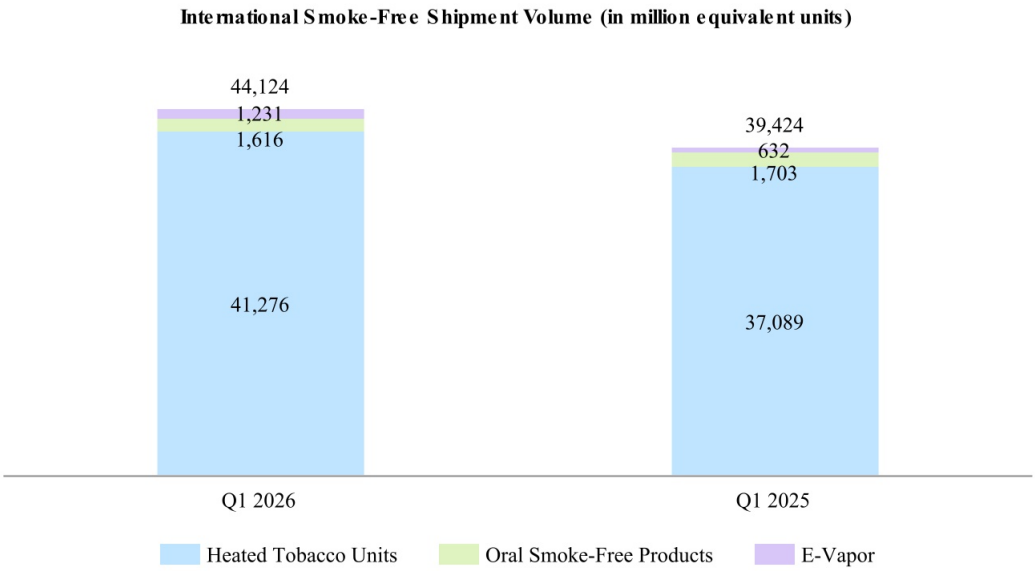
During the quarter, net revenues increased by 24.7%. Net revenues, excluding currency, increased by 15.8%, reflecting: favorable volume/mix/other driven by higher HTU and e-vapor volumes and a favorable pricing variance due to higher HTU pricing.

The net revenues for 2024, 2025 and 2026 were 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. The amounts withdrawn before May 15, 2024, were 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.

Gross profit increased by 28.6%. Gross profit, excluding currency, increased by 19.4%, mainly due to the same factors as for net revenues.

International Smoke-Free Segment Shipment Volume



Note: Amounts may not foot due to rounding

In the first quarter, our International Smoke-Free shipment volume increased by 11.9% to 44.1 billion in equivalent units, notably due to Italy, Global Travel Retail, Taiwan and Russia.

In the heat-not-burn category, HTU adjusted in-market sales (IMS) volume, which excludes the net impact of estimated distributor and wholesaler inventory movements, grew by 10.9%, broadly in line with shipment volume growth of 11.3%. The growth in *IQOS* was broad-based across geographies with all key consumables product lines (*TEREA, DELIA/SENTIA and LEVIA*) contributing. Excluding the impact of consumer pantry-loading in Japan ahead of the excise-driven price increase on April 1, adjusted IMS grew by an estimated 9.4%.

In the Oral Smoke-Free category, modern oral volume growth of 0.5 billion pouches was more than offset by snus declines in the Nordics, resulting in a total oral SFP shipment volume decrease of 5.1%.

In the E-vapor category, *VEEV* quarterly shipments exceeded one billion equivalent units for the first time. *VEEV* now shares the #1 closed pod position in Europe, estimated based on Nielsen offtake data, with growth in Germany, France, Romania, Italy, Greece and Bulgaria.

International Combustibles Segment:

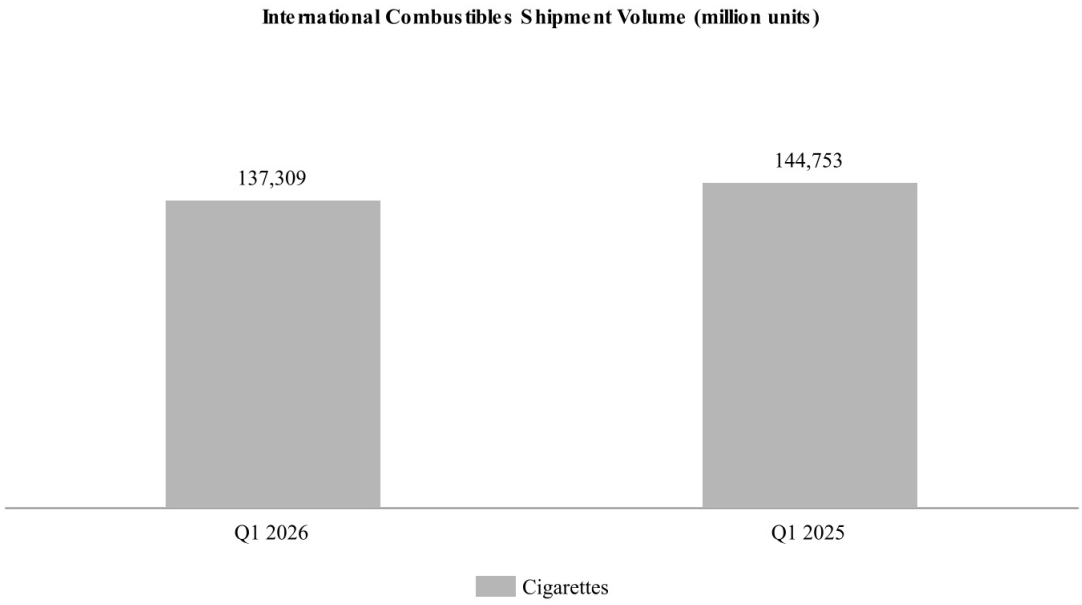
Financial Summary

Quarters Ended March 31, (in millions)	2026	2025	Change Fav./(Unfav.) Total	Change Fav./(Unfav.) Excl. Curr.	Variance Fav./(Unfav.) Total	Cur-rency	Price	Vol/ Mix/Other	Cost
Net Revenues	$ 5,688	$ 5,326	6.8 %	1.0 %	$ 363	$ 310	$ 454	$ (402)	$ —
Gross Profit	$ 3,842	$ 3,499	9.8 %	3.9 %	$ 343	$ 205	$ 454	$ (304)	$ (12)

During the quarter, net revenues increased by 6.8%. Net revenues, excluding currency, increased by 1.0%, reflecting: a favorable pricing variance, partly offset by unfavorable volume/mix/other, including the favorable impact related to the restructuring of distribution terms in certain markets this quarter.

Gross profit increased by 9.8%. Gross profit, excluding currency, increased by 3.9%, due to the same factors as for net revenues.

International Combustibles Segment Shipment Volume



In the first quarter, our cigarette shipment volume in the International Combustibles segment decreased by 5.1% to 137.3 billion units, with notable decreases in Indonesia, Russia, Germany and Mexico. Our overall cigarette category volume share was 24.8% (down by 0.6pp) due to unfavorable market mix as well as lower share in Indonesia, Russia and Turkey, partly offset by gains in Egypt. *Marlboro* continued to gain category share (up by 0.4pp) to 10.7%.

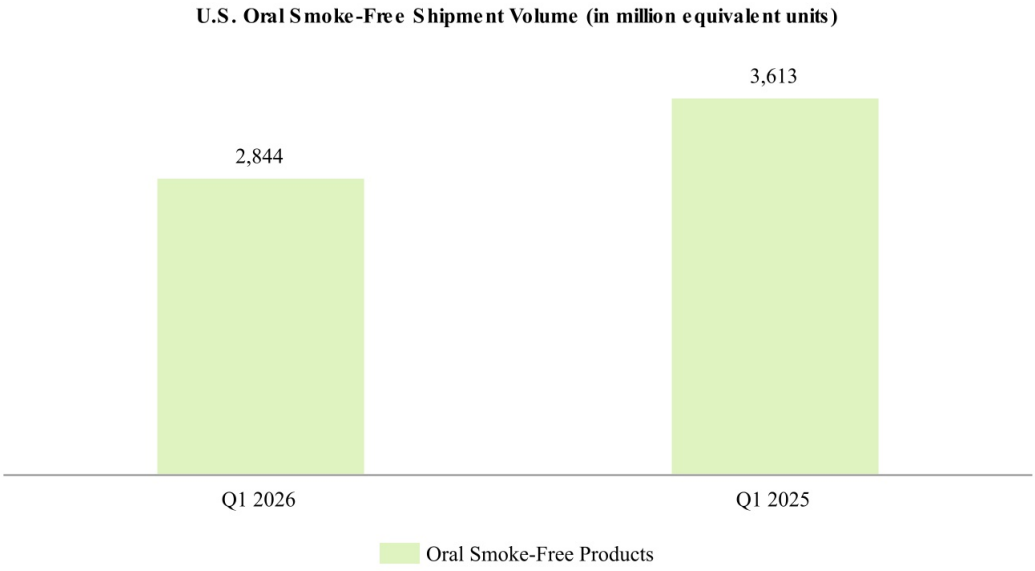
U.S. Segment:

Financial Summary									
			Change Fav./(Unfav.)		Variance Fav./(Unfav.)				
Quarters Ended March 31, (in millions)	2026	2025	Total	Excl. Curr.	Total	Cur-rency	Price	Vol/ Mix/Other	Cost
Net Revenues	$ 622	$ 899	(30.8)%	(31.6)%	$ (277)	$ 7	$ (80)	$ (203)	$ —
Gross Profit	$ 380	$ 685	(44.5)%	(44.5)%	$ (305)	$ —	$ (80)	$ (181)	$ (43)

During the quarter, net revenues decreased by 30.8%. Net revenues, excluding currency, decreased by 31.6%, reflecting: lower *ZYN* volumes due to distributor and trade inventory movements in both the current and prior year periods and an unfavorable price comparison due to low levels of *ZYN* promotional activity in the prior year.

Gross profit decreased by 44.5%, reflecting the same factors as for net revenues and higher manufacturing costs.

U.S. Smoke-Free Shipment Volume



In the first quarter, our U.S. smoke-free product shipment volume decreased by 21.2%. Our U.S. oral smoke-free products shipment volume decreased by 21.3% to 2.8 billion in equivalent units, including a 23.5% decline in *ZYN* shipments to 2.3 billion pouches or 155 million cans. Distributor and trade inventory movements in both the current and prior year periods, and a challenging promotional comparison, led to a decline in volumes. *ZYN* offtake volumes, as estimated by Nielsen, grew by 10%, notwithstanding an uneven competitive landscape where we do not yet have access to all of the most dynamic strength and flavor segments.

Business Environment

The industries we operate in and our company face a number of challenges that may adversely affect our business, product sales volume, results of operations, cash flows, and financial position. These challenges, which are discussed below and in "*Cautionary Factors That May Affect Future Results*" include:

- regulatory restrictions on our products, including restrictions on the product formulation, 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 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 World Health Organization ("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 take significant measures to restrict access to our products from underage persons.

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 patented technologies, 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 markets.

- Oral tobacco and nicotine products, which include snus and modern oral 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 containground tobacco, water, salt and flavors. Modern oral pouches mainly refer to pre-portioned pouches containing nicotine, flavors, and cellulose substrate. In some markets, modern oral pouches may also contain small amounts of tobacco. 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 nicotine in modern oral pouches is 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 smoke-free product 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. Our tobacco flavored e-liquids use patented technology to extract flavors and nicotine directly from tobacco leaves, which are 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, where applicable, 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 invested, 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 March 31, 2026, PMI's smoke-free products were available for sale in 108 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 Part I, Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations—Cautionary Factors That May Affect Future Results* in this report.
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 approximately 25 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, building on three years of collaboration, we announced a long-term collaboration with KT&G to continue to commercialize KT&G's innovative smoke-free devices and consumables on such an exclusive basis. In November 2025, the parties reached an agreement that will facilitate the continuation of the collaboration with a new and revised volume commitment for the 2026-2028 period. 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, and they are now available in 5 markets.
- Since August 2020, we have launched and expanded our portfolio of vaping products (branded *VEEV*) in 49 markets.
- Following our acquisition of Swedish Match, we have access to a strong portfolio of Swedish Match brands, and more specifically to *ZYN*. Modern oral pouches are currently available in 59 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 heated tobacco products ("HTPs") does not contravene EU law. The Fiscal Court in Dusseldorf (the "FCD") had previously referred that question to the CJEU. On May 21, 2024, the FCD delivered its judgment and dismissed the claim of our local affiliate, f6 Cigarettenfabrik GmbH & Co.KG, ("PM Germany"). 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 by the third quarter of 2026.

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 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.

In July 2025, the EU Commission published a legislative proposal for the revision of the EU Tobacco Excise Directive ("TED"). The proposal addresses 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.

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 compared to the regulatory environment for cigarettes.

Much of the regulation that shapes the business environment in which we operate is driven by 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 and tenth reports on the scientific basis of tobacco product regulation in August 2023 and November 2025, respectively. The reports are 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 Eleventh Session of the CoP ("CoP11") took place in November 2025. No specific new decisions or policy recommendations on novel and emerging tobacco or nicotine products were adopted, though the parties were invited to "consider comprehensive regulatory options regarding tobacco and nicotine product components, and related external components that increase environmental harms, taking into consideration public health impacts." The WHO's reports and other FCTC guidelines or recommendations are not binding on the WHO Member States or on Parties to the FCTC. CoP12 will take place in 2027.

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 they can be made available, 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 absence of combustion, as well as the reduction in HPHCs.

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 underage persons 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, or 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, France, 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 can foreclose or unreasonably restrict adult consumer access to products that might be a better consumer choice than continuing to smoke cigarettes. These regulations could also constitute, in effect, non-tariff barriers to trade. 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"). On December 16, 2025, the European Commission published the "EU Cardiovascular Health Plan — Safe Hearts Plan," where it announced its intention to propose a revision of the legislative framework on tobacco control (including TPD) in 2026.

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.

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, including the key markets of Australia, France, Saudi Arabia and Turkey. Some countries, such as 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 products 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, while exempting other tobacco products 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 EU Member States have transposed this directive into national law, withdrawing the heated tobacco product exemption from the characterizing flavor ban. 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. 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. Broader ingredient bans have been adopted by, among others, Brazil (pending a court decision), Thailand, Hong Kong (pending implementation date), and Canada. Specific bans were introduced in countries such as Turkey, which has banned menthol. 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 and 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 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, including, for example, Algeria, Angola, Armenia, Bahrain, Colombia, Costa Rica, Dominican Republic, Egypt, Indonesia, Jordan, Kazakhstan, Kyrgyzstan, Lebanon, Morocco, the Philippines, Russia, Saudi Arabia, Tajikistan, Tunisia, the United Arab Emirates ("UAE"), the United Kingdom ("UK"), Ukraine, Uzbekistan and Vietnam. These standards may be mandatory or voluntary, depending on the market.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, including, for example, Armenia, Australia, Bahrain, China, Costa Rica, Egypt, France, Indonesia, Jordan, Morocco, New Zealand, the Philippines, Russia, Saudi Arabia, Tajikistan, the UAE, the UK, and Ukraine. These standards may be mandatory or voluntary, depending on the market.

Currently, national standards setting minimum quality and safety requirements for modern oral pouches have been adopted by the East African Community, as well as in several countries, including, for example, Angola, Armenia, Bahrain, Costa Rica, France, Malawi, Mexico, Moldova, Morocco, Pakistan, the Philippines, Sweden, UAE, the UK, Ukraine and Zimbabwe. These standards may be mandatory or voluntary, depending on the market.

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 tobacco products and inhalable smoke-free 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 jurisdictions are considering generation sales bans, which prohibit the sale of certain tobacco or nicotine products to people born after a particular year. In December 2022, New Zealand adopted regulatory measures 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, as well as enabling the government to ban cigarette filters. The bill formally completed the parliamentary stages on April 21, 2026, and is now awaiting royal assent, after which it will become law.

Nicotine Content: Certain jurisdictions have implemented, or are considering to implement, a cap on the nicotine content of certain nicotine-containing products. In addition, some jurisdictions have also indicated that they are exploring reducing nicotine levels further, in some cases to levels that they describe as minimally or non-addictive.

Other Regulatory Issues: Some jurisdictions are considering, or in some cases have adopted, 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 requires 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, and subsequently all 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 tobacco products including "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 orderwould 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 the *IQOS* 2.4 device and three related consumables as well as the *IQOS* 3.0 device in the United States. On April 17, 2026, the FDA renewed the exposure modification orders with a stated expiration date in April 2031.

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 Oral Tobacco and Nicotine Products: PMTAs 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 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."

On January 16, 2026, we submitted the first Annual Report for *ZYN* products to the FDA. The report included a systematic review of the literature covering publications related to *ZYN* products between January 16, 2025, and October 31, 2025. The report included publications in various scientific fields including observational studies on trends related to the potential health impact of the products, and behavioral studies analyzing the impact on former and never smokers, impact on cessation, product acceptance and the impact of marketing approaches. Our review of publications revealed no significant new findings. Overall, the review continues to support the FDA's conclusion that marketing of these *ZYN* products is "appropriate for the protection of public health."

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. The FDA referred our MRTPAs to TPSAC, which met on January 22, 2026.

We have made a number of *ZYN* submissions to the FDA that are at various stages of the regulatory process and we are preparing to bring innovations to market in the coming months. We are aware that certain of our competitors have recently marketed, or stated their intention to market, products that were not previously marketed in the United States and did not have a marketing granted order. We continue to evaluate the practices of the FDA and other regulators regarding products with respect to which regulatory submissions have been made. We may decide to commercialize products for which we have not received a marketing granted order where we believe that FDA enforcement would be inconsistent with its present practices and the Family Smoking Prevention and Tobacco Control Act.

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. In July 2023, we filed an authorization request to commercialize *IQOS* in Taiwan pursuant to this Act. We have since received this authorization, which took effect on October 11, 2025.

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 SFPs are not cigarettes due to the absence of combustion, and as such, they are frequently 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, some jurisdictions have considered or adopted taxation regimes with SFP taxation rates approaching or equal to cigarettes and there is no guarantee regulators will maintain current levels of differentiation. 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 UK Department of Health and Public Health England, the UK 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 UK 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 UK Committee on Advertising Practice announced the removal of a prohibition of health claims in the advertising of e-cigarettes in the UK, 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.

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 16% 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. 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, 72 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. The fourth Meeting of the Parties ("MOP4") concluded in November 2025, with no restrictions decided as regards duty-free tobacco sales, or as to whether the Protocol's provisions cover electronic nicotine and non-nicotine delivery systems. MOP5 will take place in 2027. 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 UK, 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.

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 UK, 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 UK also prohibited technical assistance and other services related to restricted goods. The EU, Switzerland and the UK 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.

PMI holds a 23% equity interest in JSC TK Megapolis ("TKM"), PMI's distributor in Russia (SSEA, CIS & MEA segment), which as of December 31, 2025 had a carrying value of $303 million. Previously, TKM was a subsidiary of Megapolis Distribution B.V. ("MDBV"), a Dutch holding company in which PMI held a 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. MDBV was dissolved in December of 2025. Previously, Mr. Igor Kesaev was a non-majority shareholder of MDBV. The EU, the U.S., the UK, Switzerland, Canada, Australia, New Zealand and Ukraine imposed sanctions on Mr. Igor Kesaev.

The U.S., the UK, 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. Although some of these tariffs were ruled unconstitutional by the U.S. Supreme Court in February 2026, new U.S. trade investigations, ongoing international investigations, and the likelihood of additional developments, have created a volatile environment for global trade. We expect the global tariff environment to remain volatile throughout 2026. 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.

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, certain inflationary elements such as direct materials and utilities stabilized, with a moderate overall increase in inflationary pressures driven by tobacco leaf costs. The impact of inflation on cost of sales during 2025 was not material to our consolidated financial statements. The impact of inflation on cost of sales during the first three months of 2026 was not material to our condensed consolidated financial statements.

The current conflict in the Middle East, as discussed below, may result in increased inflationary pressures globally.

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 three months of 2026, 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 2026.

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.

Conflict in the Middle East

The Middle East conflict had an immaterial impact on our business in the first quarter, which affected shipments to Global Travel Retail and certain markets in the region for both combustibles and HTUs. While we have observed increased energy prices and some disruption in energy supply in a number of markets, this has not at this stage translated into a discernible shift in consumer behavior. The situation remains uncertain in both duration and potential impact, and it is difficult to assess the broader implications for the consumer or the global cost environment. This situation could lead to increased inflationary pressures, which could further impact consumer behavior as well as our transportation, energy, and other input costs. We will continue to closely monitor developments to assess the mid-to-long term consequences across the main variables.

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. Production at our factory in Kharkiv remains suspended. We have invested over $30 million in a new production facility in the Lviv region, in Western Ukraine, where local production commenced in April 2024. As of March 31, 2026, 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 March 31, 2026, our Russian operations had approximately $5.0 billion in total assets, excluding intercompany balances, of which approximately $2.3 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, which as of March 31, 2026 had a carrying value of $307 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.

Restructuring Activities

We discuss restructuring activities in Note 15. *Restructuring Activities* to our condensed consolidated financial statements.

U.S. GAAP Treatment of Highly Inflationary Economies

We apply highly inflationary accounting to the results of operations of our subsidiaries in Argentina, 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 three months ended March 31, 2026 and 2025, exchange gains (losses) recognized resulting from remeasurement adjustments related to highly inflationary accounting were not material.

Environmental and Social Laws and Regulations

While, to date, the effect of environmental and social laws and regulations on PMI has not been material to our business, results of operations or financial condition, consideration of these laws and regulations is an integral aspect of PMI's risk management process. To this end, we actively monitor the existing and potential impact on PMI of significant pending or existing legislation, regulations, international accords, reporting frameworks, standards, principles, and other forms of guidance related to environmental and social matters.

Acquisitions, Divestitures and Other Business Arrangements

We discuss our acquisitions and divestitures in Note 2. *Acquisitions and Divestitures* to our condensed consolidated financial statements.

Indonesia

On March 31, 2026, the Indonesia Stock Exchange ("IDX") issued new free float regulations. Any listed company with a market capitalization of at least IDR 5 trillion and a public free float of less than 12.5% as of March 31, 2026 must increase its free float to at least 12.5% by March 31, 2027 and to at least 15% by March 31, 2028. One of PMI's Indonesian subsidiaries, PT Hanjaya Mandala Sampoerna Tbk ("HMS"), is listed on the IDX. As of March 31, 2026, 7.5% of HMS' equity, with a listed value of IDR 6.5 trillion (approximately $381 million), qualified as public free float under the new regulations. HMS is assessing the implications of these new requirements.

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.

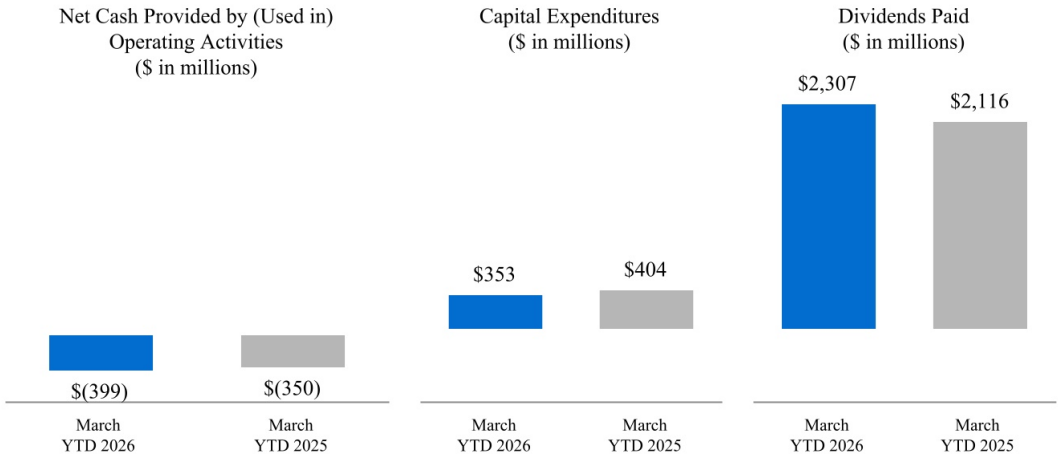
On July 30, 2024, PMI announced a memorandum of understanding with KT&G. This non-binding memorandum establishes the parties' intent to collaborate on regulatory submissions for those new KT&G heat-not-burn products that PMI selects to commercialize in the U.S. KT&G's new platform products are expected 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.

Financial Review

Cash Flow Highlights



	For the Three Months Ended March 31,	
(in millions)	2026	2025
Net cash provided by (used in) operating activities	$ (399)	$ (350)
Net cash provided by (used in) investing activities	(3)	(434)
Net cash provided by (used in) financing activities	1,096	671

Net Cash Provided by (Used in) Operating Activities

During the first three months of 2026, net cash used in operating activities was $399 million as compared to net cash used in operating activities of $350 million in the first three months of 2025. The unfavorable variance was due primarily to lower currency-neutral net earnings, excluding non-cash losses recognized in the period related to the changes in the fair value of our investments in equity securities (for further details, see Note 13. *Related Parties – Equity Investments and Other*), other non-cash movements reflected in Other and fluctuations in the working capital requirements.

Cash used in the working capital in 2026 of $3.9 billion fluctuated by approximately 2% from the comparable 2025 period. The working capital requirements in both years were primarily driven by cash used in inventories and cash used in accrued liabilities and other current assets, reflecting the timing of excise tax-paid tactical inventory movements primarily related to excise tax increases and the timing of the corresponding excise tax payments. Additionally, excise tax payments in 2025 included the disputed supplemental tax surcharge on heated tobacco products in Germany of approximately $0.8 billion which PMI elected to pay in January 2025 to avoid the future addition of interest (for further details refer to the International Smoke-Free segment section of this MD&A where we describe the case). Working capital used in accounts receivable in both years mainly reflected lower usage of our factoring arrangements to sell trade receivables, as well as the timing of sales and cash collections (for further details, see Note 14. *Sale of Accounts Receivable)*.

For the full year 2026, we currently expect net cash provided by operating activities of around $13.5 billion at prevailing exchange rates, subject to year-end working capital requirements.

Net Cash Provided by (Used in) Investing Activities

During the first three months of 2026, net cash used in investing activities decreased by $0.4 billion as compared to the first three months of 2025. This decrease in net cash used was primarily due to changes in the cash collateral posted for derivative instruments, reflecting the depreciation of the Euro and Swiss franc versus the U.S. dollar, favorable movements in investments in debt securities, and lower capital expenditures.

Capital expenditures of $353 million during the first three months of 2026 decreased by $51 million as compared with the first three months of 2025. The 2026 capital expenditures were primarily related to our ongoing investments in smoke-free product manufacturing capacity. We expect total capital expenditures in 2026 to be $1.4 billion to $1.6 billion, predominantly supporting the smoke-free business.

Net Cash Provided by (Used in) Financing Activities

During the first three months of 2026, net cash provided by financing activities was $1.1 billion as compared to net cash provided by financing activities of $0.7 billion in the first three months of 2025. The increase in net cash provided was primarily due to higher short-term borrowings in 2026 (primarily higher commercial paper outstanding in 2026) and changes in the cash collateral received for derivative instruments, reflecting the depreciation of the Euro and Swiss franc versus the U.S. dollar. This increase was partially offset by higher long-term debt repayments in 2026 and higher dividend payments.

Liquidity and Capital Resources

As a holding company, we depend on dividends and debt repayments from our subsidiaries as our primary sources of funds to pay dividends to our stockholders, make payments on our debt securities and meet other obligations. 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.

In certain jurisdictions, 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 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. As of March 31, 2026 and December 31, 2025, we had cash and cash equivalent of $5.5 billion and $4.9 billion, respectively, the majority of which was held by our foreign subsidiaries, including $2.3 billion held in Russia in both periods.

To meet our ongoing liquidity requirements, our principal source of liquidity is cash generated from operations. Additionally, 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 cash generated from operations, will be adequate to meet our liquidity requirements.

Debt and Borrowing Arrangements

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 March 31, 2026, our credit ratings and outlook by major credit rating agencies were as follows:

	Short-term	Long-term	Outlook
Moody's [1]	P-1	A2	Stable
Standard & Poor's	A-2	A-	Positive
Fitch	F1	A	Stable

[1] On April 14, 2026, Moody's revised PMI's outlook from "Stable" to "Positive".

Debt – Our total debt was $51.9 billion at March 31, 2026, and $48.8 billion at December 31, 2025. Foreign currency denominated debt and the majority of our $54.2 billion gross notional amount of derivative financial instruments are subject to foreign currency exchange rates fluctuation, primarily between the Euro and U.S. Dollar, which could impact our debt levels

and the pace of anticipated deleveraging. For further details, including the fair value and currency denomination of our debt, see Note 6. *Financial Instruments* and Note 11. *Indebtedness*. The amount of debt that we can issue is subject to approval by our Board of Directors.

On February 6, 2026, 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.

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 March 31, 2026, we had $5.5 billion of commercial paper outstanding. At December 31, 2025, we had no commercial paper outstanding. The average commercial paper balance outstanding during the first three months of 2026 was $4.8 billion. The average commercial paper balance outstanding during 2025 was $3.0 billion. For further details, see Note 11. *Indebtedness*.

Revolving Credit Facilities – At March 31, 2026, our total committed revolving credit facilities were $6.2 billion, and there were no borrowings outstanding. 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.

For further details on our revolving credit facilities, including other short-term credit arrangements, see Note 11. *Indebtedness*.

Term Loan Facility related to the Financing of the Swedish Match Acquisition – As of March 31, 2026, borrowings in the amount of €2.5 billion (approximately $2.9 billion) under the 5-year tranche of the term loan facility remained outstanding. For further details, see Note 11. *Indebtedness.*

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*.

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

Guarantees – At March 31, 2026, 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 March 31, 2026 in Note 3. *Stock Plans* to our condensed consolidated financial statements.

Dividends paid in the first three months of 2026 were $2.3 billion. During the third quarter of 2025, our Board of Directors approved an 8.9% increase in the quarterly dividend to $1.47 per common share. As a result, the present annualized dividend rate is $5.88 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. 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. Additionally, the following disclosures reflect our beliefs and opinions as to future risks and uncertainties. References to past events are provided by way of example only and are not intended to be a complete listing or a representation as to whether or not such factors have occurred in the past or their likelihood of occurring in the future. 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 efforts 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 strategic priority is the continued introduction, commercialization, and growth of our SFPs and if these efforts are not successful, in key markets or systematically, our financial results and future growth prospects may be materially adversely impacted. If other market participants are more successful in these efforts or if SFP categories where we hold a competitive advantage are inequitably regulated compared to cigarettes or 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 SFPs, may unfavorably impact public opinion and/or mischaracterize the health consequences of our 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 and maintenance of science-based regulatory frameworks for the development and commercialization of SFPs. We cannot predict the extent to which regulators will permit — or continue to permit — the sale and/or marketing of SFPs and regulatory restrictions have, and could further limit, the commercialization of our SFPs.

Additionally, any claims, regardless of merit, challenging our research and clinical data available to date, may impact the development and maintenance 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 also put significant effort to restrict access of our products from underage persons. 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.

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. The 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.

Our business faces significant governmental actions 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 combustible products in many of our markets, and we expect that such factors will continue to reduce combustible consumption levels and will increase down-trading and the risk of counterfeiting, contraband, illicit trade and cross-border purchases.

Governmental actions to restrict or entirely prohibit the use of certain SFP categories have also been considered or adopted in various jurisdictions. A significant factor influencing these developments are reports issued by the World Health Organization (the "WHO") and Framework Convention on Tobacco Control (the "FCTC"), and related proposals, which make a number of policy recommendations on SFPs that, if implemented, could restrict both the availability of these products and the access to accurate information about them. These reports and proposals 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 of the reports or proposals are implemented into regulations by Member States. However, these proposed guidance documents could ultimately lead to restrictions on the availability of certain of our SFPs or access to accurate information about them in one or more of our current or future markets, which could have a material adverse effect on our financial results and growth prospects.

We anticipate that significant regulatory restrictions will continue to be considered and adopted in many markets. 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;

  Classification of the product as food such that any nicotine amounts beyond de minimis content de facto bans the nicotine product from the market
- 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, components or other product features, including bans on the flavors of certain tobacco and nicotine-containing products, and restrictions on certain device features;
- increased restrictions on smoking and use of tobacco and nicotine-containing products in public or private spaces, both indoors or 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 access and 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 and growth prospects.

The success of our business in the United States is dependent on an evolving legal and regulatory framework.
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 in our business in the United States. 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 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.

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. See Item 1, Business—Competition of the Annual Report on Form 10-K for the fiscal year ended December 31, 2025 for a description of the competitive environment in which we operate. 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; more effective adoption of artificial intelligence tools and processes by our competitors; and product regulation that diminishes the ability to differentiate 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.

Some of our 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 SFP competitors 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, all of which could have a material adverse effect on our profitability and results of operations.

We may be unable to anticipate changes in adult consumer preferences.
Our business is subject to changes in adult consumer preferences and if we do not accurately assess market trends, are unable to adapt our product offerings to evolving consumer demands, or face challenges in product development, we could experience missed opportunities, supply chain challenges, reduced competitiveness, inefficient expenditures, and potential impacts on our customer base and brand reputation. Furthermore, restrictions pertaining to packaging, labeling, or promotional and advertising activities may limit our ability to effectively communicate product innovations intended to address changing adult consumer preferences. Any of these factors could have a material adverse effect on our results of operations, revenues, cash flows, profitability, and prospects for growth.

The financial and business performance of our smoke-free products is less predictable than our cigarette business.
Our SFPs compete in relatively new categories, 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.

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.

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, performance, risk, 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.

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 evolving 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 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 Taxation and Finance

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.

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 frequently taxed either as a separate category or as other tobacco products, which typically yields more favorable tax rates than cigarettes. Nevertheless, some jurisdictions have considered or adopted taxation regimes with SFP taxation rates approaching or equal to cigarettes and 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 in additional jurisdictions, on a prospective or retroactive basis. If we are not successful in our efforts to maintain differentiation, 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.

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 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. 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.

Unstable geopolitical conditions or events in certain markets, including international conflicts, civil unrest, acts of war, terrorism, governmental changes, or changes in international relations could result in negative tax impacts. 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.

We are a U.S. holding company whose 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, our 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 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. We also 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 cost 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, 2025 for additional information concerning impairment determination and calculation.

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

Our business, results of operations, cash flows and financial position may be adversely impacted by the continuation and consequences of the war in Ukraine.
In 2025, 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.

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 action by the Russian government against PMI, 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, it is not possible 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. 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 Form 10-K, 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, Distribution and Quality 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, 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 efficiency 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.

Additionally, we expect that these third parties adhere to our applicable standards and to applicable laws related to product quality, responsible marketing, data protection, labor practices, and other areas. Our ability to monitor and enforce compliance is inherently limited and these parties may fail to comply with our standards or to operate in accordance with our expectations or legal requirements, which could expose us to operational disruptions, legal or regulatory liabilities, reputational damage, or financial losses.

Risks related to the natural environment and related legal or regulatory developments may have a negative impact on our business and results of operations.
While we seek to mitigate the physical risks to our business associated with the natural environment through a comprehensive strategy that includes the development and implementation of robust mitigation and adaptation measures, we recognize that there are residual risks that lie beyond our operational control. For example, increased frequency and intensity of extreme droughts, floods, and/or heatwaves could negatively affect our manufacturing operations, tobacco-growing areas, third-party operators and third-party manufacturers sites, and supply regions for products and raw materials, all of which may lead to disruption of our supply chain and of operations at factories, warehouses and other premises.

Furthermore, 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.These policies include, among others, carbon emissions and other environmentally focused taxation and fees as well as disclosure requirements, which could lead to additional taxation; energy price increases; disclosure and data assurance risks; new compliance costs; increased distribution and supply chain costs; and other expenses impacting our cost of operations. Moreover, given that the regulatory landscape in this regard is highly dynamic and fragmented across the many jurisdictions where we operate, additional uncertainties may be driven by regulatory changes with limited time for implementation and by contradictory requirements across jurisdictions, which could elevate the cost or complexity of our operations or create compliance risks. Additionally, government authorities, non-governmental organizations and other 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 products, 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.

Additionally, we source the vast majority of our tobacco from a global network of farmers across multiple countries, rather than through commodity markets, which helps ensure the consistency, quality, and traceability of our tobacco supply. However, this model also means that disruptions to farmer livelihoods, if not actively mitigated, could lead to supply chain disruption through farmer exit, reduced crop quality, unsustainable farming practices, increased regulatory scrutiny, and reputational risks.

A prolonged disruption of facilities used to produce our products 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 or product components are produced, or sourced from, 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, a cybersecurity incident, 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 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.

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.

Risks Related to our Global 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; adverse economic, political or regulatory events; acts of war or threats of war; formal or informal bans or boycotts or changes in consumer preferences resulting from geopolitical developments; geopolitical instability affecting international trade; 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.

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. Additionally, while the impact of the Middle East conflict on our business in the first quarter was immaterial, the duration and potential impact of the situation remain uncertain and it could lead to increased inflationary pressures, which could impact consumer behavior as well as our transportation, energy, and other input costs; broader geopolitical instability; security or cybersecurity incidents; or other consequences that, individually or in the aggregate, may materially adversely affect our business, results of operations, cash flows, or financial condition.

Any of the foregoing 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 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, liquidity, 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.
Inflationary pressures have and may continue to result in significant increases to our expenses, including direct materials, wages, energy, transportation, and logistics costs. Inflation can also increase financing costs due to related increases in benchmark interest rates. 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. Inflationary pressures may also negatively impact consumer purchasing power, which could result in reduced demand for our products. 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 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 condensed 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, among other matters, 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*.

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 business is researching and developing medical and pharmaceutical cannabinoids and non-recreational cannabinoid products (including CBD). Commercialization of these products is currently limited and exploratory. Successful development and commercialization of these products, however, are dependent on compliance with a constantly evolving legal and regulatory environment, and subject 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 business to comply with applicable laws could result in criminal, civil, or tax liability.

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, Data Governance and Artificial Intelligence

We are significantly dependent on our and third-party information technology networks and systems, and a cybersecurity incident or attack against those networks or systems may adversely impact our business and operations.
We and our business partners heavily rely on information technology networks and systems, including those connected to the Internet, to help manage business processes and operations, including the collection, storage, interpretation, and processing of confidential, sensitive, personal and other data; internal and external communications; marketing and e-commerce activities; the manufacture, sale, and distribution of our products; management of third-party business relationships; engagement with governmental authorities; innovation through research and development; and other activities necessary for business operations. Some of these information systems and networks are developed, supplied, or managed by third-party service providers that may make us vulnerable to "supply chain" style cyberattacks. The failure or disruption of our information technology networks and systems, or those managed by third-party service providers or owned by our business partners and used in furtherance of PMI's business, due to cybersecurity attacks; unauthorized attempts to corrupt or extract data; security vulnerabilities; failure to timely respond and mitigate cybersecurity risks; 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.

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 or our business partners' failure or inability to adhere to privacy, data, artificial intelligence and information security laws could result in reputational harm, legal liability, and adversely affect our operating results.

An actual or alleged failure to comply with complex and changing privacy, data, artificial intelligence and information security laws and regulations such as under the EU General Data Protection Regulation, various U.S. state and federal laws, and other similar privacy, data, and information security laws, regulations, or voluntary guidelines that could establish legal duties across the various jurisdictions in which PMI operates, such as the failure or inability to protect or safeguard personal or company data, or information systems and networks, including connected products; implement or execute appropriate technological and reasonable security and organizational measures; implement and maintain appropriate safeguards for personal or company data being transferred internationally or between third parties; respect the privacy, digital, or other rights of data subjects; provide sufficient detailed notices, information, or transparency obligations related to personal or other data processing; obtain appropriate consent and opt-outs; respond to data subject or other data requests in a timely fashion; meet stringent timeframe requirements for incident reporting to regulatory authorities or data subjects; notify all relevant regulatory authorities or data subjects; 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.

We increasingly use artificial intelligence-based solutions in our business, which could result in reputational harm, legal liability, and adversely affect our operating results.

We and our business partners are increasingly incorporating artificial intelligence ("AI")-based solutions in our ways of working and operations, but this process involves uncertainty and risks, which may or may not yield corresponding benefits. Artificial intelligence technologies are complex, and there are technical and organizational challenges associated with achieving optimal levels of accuracy, efficiency, safety, explicability, reliability, and use for their intended purposes. Flaws, biases, data sourcing issues, limitations, errors, misconfiguration, or malfunctions in these systems could result in operational disruptions, including data loss and corruption. There is a risk of artificial intelligence system failures, disruptions, or vulnerabilities that could compromise PMI's information technology networks and systems and the integrity, availability, security, or privacy of PMI data processed by or through such systems. The emergence of AI and other technologies may also exacerbate other risks, including those related to regulation, litigation, compliance issues, ethical concerns, confidentiality, intellectual property ownership and infringement, and data privacy or security. Separately, AI presents a new attack surface that cybercriminals will attempt to exploit as well as providing means to scale and automate targeted attacks. Ineffective or inadequate artificial intelligence development, adoption, or deployment practices, including any use, reliance, or dependence on AI generated outputs, could result in unintended, unexpected, or otherwise unforeseen adverse consequences. These risks could have 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.

Item 4. Controls and Procedures.

PMI carried out an evaluation, with the participation of PMI's management, including PMI's Group CEO PMI and Group 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 Group CEO PMI and Group 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, 2025.

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 March 31, 2026, 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
January 1, 2026 – January 31, 2026	—	$ —	—	$ —
February 1, 2026 – February 28, 2026	—	$ —	—	$ —
March 1, 2026 – March 31, 2026	—	$ —	—	$ —
Pursuant to Publicly Announced Plans or Programs	—	$ —		
January 1, 2026 – January 31, 2026 (1)	9,583	$ 160.37		
February 1, 2026 – February 28, 2026 (1)	257,783	$ 182.64		
March 1, 2026 – March 31, 2026 (1)	3,104	$ 185.36		
For the Quarter Ended March 31, 2026	270,470	$ 181.88		

(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 March 31, 2026, 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	Employment Agreement with Massimo Andolina, effective August 1, 2013.
10.2	Supplemental Letter to the Employment Agreement with Massimo Andolina, effective November 1, 2025.
10.3	Supplemental Letter to the Employment Agreement with Jacek Olczak, effective February 1, 2026.
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
Group Chief Financial Officer
April 24, 2026