Risk Factors Comparison 2024-02-27 to 2023-02-27 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Our business is subject to various risks and uncertainties that are difficult to predict, may materially affect actual results and are often outside of our control. We identify a number of these risks and uncertainties below. You should read the following risk factors carefully in connection with evaluating our business and the forward- looking statements contained in this Form 10- K. This Form 10- K contains statements concerning our expectations, plans, objectives, future financial performance and other statements that are not historical facts. You can identify these forward- looking statements by use of words such as " strategy, " " expects, " " continues, " " plans, " " anticipates, " " believes, " " will, " " estimates, " " forecasts, " " intends, " " projects, " " goals, " " objectives, " " guidance, " " targets " and other words of similar meaning. You can also identify them by the fact that they do not relate strictly to historical or current facts. We cannot guarantee that any forward- looking statement will be realized, although we believe we have been prudent in our plans, estimates and assumptions. Achievement of future results is subject to risks, uncertainties and assumptions that may prove to be inaccurate. If risks or uncertainties materialize, or if underlying estimates or assumptions prove inaccurate, actual results could differ materially from those anticipated. You should bear this in mind as you consider forward- looking statements and whether to invest in or remain invested in our securities. Under the " safe harbor " provisions of the Private Securities Litigation Reform Act of 1995, we identify important factors that, individually or in the aggregate, could cause actual results and outcomes, including with respect to our ability to achieve our Vision, to differ materially from those contained in, or implied by, any forward- looking statements we make. We elaborate on these important factors and the risks we face throughout this Form 10- K, particularly in the " Executive Summary " and " Business Environment " sections preceding our discussion of the operating results of our segments in Item 7. You should understand that it is not possible to predict or identify all factors and risks. Consequently, you should not consider the foregoing list to be complete. We do not undertake to update any forward- looking statement that we may make from time to time except as required by applicable law. Risks Relating to Our Business Business Operations Risks We may be unsuccessful in anticipating and responding to changes in adult tobacco consumer preferences and purchase behavior, including as a result of difficult economic conditions, which could have a material adverse effect on our business, results of operations, cash flows or financial position. Our operating companies' portfolios of tobacco products are largely comprised of premium brands, such as Marlboro, Copenhagen and Skoal. As adult tobacco consumer preferences evolve, consumers are increasingly moving across tobacco categories. The willingness of adult tobacco consumers to purchase premium brands is affected by macroeconomic conditions, including inflation and overall economic stability. In periods of economic uncertainty and high inflation, among other conditions, we have observed adult tobacco consumers reduce consumption, purchase more discount brands and consider lower- priced tobacco products, including different categories of tobacco products than those they traditionally purchase. Our ability to effectively respond to new and evolving adult tobacco consumer purchase behavior catalyzed by challenging macroeconomic conditions and changes in adult tobacco consumer preferences depends on our ability to promote brand equity successfully among our premium and discount brands and broaden our product portfolios across price- points and categories, including by bringing to market new and innovative tobacco products that appeal to adult tobacco consumers. Our failure to do so or our failure to anticipate changing adult tobacco consumer preferences, improve productivity ~~and~~ **or** protect or enhance margins through cost savings and price increases, could have a material adverse effect on our business, results of operations, cash flows or financial position. We face significant competition, and our failure to compete effectively could have a material adverse effect on our business, results of operations, cash flows or financial position and our ability to achieve our Vision. Our operating companies operate in highly competitive environments. Significant competition exists with respect to product quality, taste, price, product innovation, marketing, packaging, distribution and promotional activities **. Because many of our operating companies' products are market leaders, we are subject to antitrust risk** . In addition, as adult tobacco consumer preferences evolve, consumers are increasingly moving across tobacco categories. Our operating companies' failure to compete effectively in these environments could negatively impact profitability, market share (including as a result of down- trading to lower- priced competitive brands) and shipment volume, which could have a material adverse effect on our business, results of operations, cash flows or financial position and our ability to achieve our Vision. The growth of innovative tobacco products, including e- vapor products and oral nicotine pouches, has contributed to reductions in the consumption levels and industry sales ~~volume~~ **volumes** of cigarettes and other tobacco products, including MST. Furthermore, the sale of ~~synthetic nicotine~~ **illegal flavored disposable e- vapor** products **has** ~~without authorization from the FDA could~~ negatively ~~impact~~ **impacted** the growth of other ~~innovative tobacco~~ **e- vapor** products. If we are unable to compete effectively in innovative tobacco product categories, including through internal product development, on! oral nicotine pouch products, **NJOY** ~~our investment in JUUL, potential future investments in the~~ e- vapor ~~category~~ **products** , our participation in Horizon ~~and~~ **,** other potential future partnerships with Japan Tobacco **and potential future relationships and investments** , such inability could have a material adverse impact on our business, results of operations, cash flows or financial ~~positions~~ - **position** and our ability to achieve our Vision. PM USA also faces competition from lower- priced brands sold by certain United States and foreign manufacturers that have cost advantages because they are not parties to settlements of certain ~~tobacco~~ **healthcare cost recovery** litigation in the United States and, as such, are not required to make annual settlement payments as required by the parties to the settlements. These settlement payments, which are inflation- adjusted, are significant for PM USA and have contributed to substantial cigarette price increases to help cover their cost. Manufacturers not party to the settlements are subject to state escrow legislation requiring escrow deposits. Such manufacturers may avoid these escrow obligations by concentrating on certain states where escrow deposits are not required or are required on fewer than all such manufacturers' cigarettes sold in such states. Additional competition has resulted from diversion into the United States market of cigarettes intended for sale outside the United States, **diversion of tobacco products intended for sale in one taxing jurisdiction within the United States into another taxing jurisdiction,** the sale of counterfeit cigarettes by third parties, the sale of cigarettes by third parties over the Internet and by other means designed to avoid collection of applicable taxes, and imports of foreign lower- priced brands **. Competition may also result from tax advantages available to companies with significant imports and exports of finished goods. The market shares of our operating companies' products also have been negatively impacted by increases in competitive discount product share for cigarettes and MST products, as price sensitive adult tobacco consumers react to their economic conditions** . Our failure to compete with lower- priced cigarette brands and counter the impacts of illicit trade in tobacco products **could have a material adverse effect on our business, results of operations, cash flows or financial position. In the e- vapor category, illegal flavored disposable product usage has increased, and such products comprise a significant portion of the e- vapor category, which has increased the rate of cross- category movement among adult cigarette smokers and contributed to higher than expected domestic cigarette industry volume decline. We have increased engagement with the FDA and other government agencies and taken legal action to protect our lawful e- vapor business, which expose us to additional costs and expenses. Our failure to counter the impacts of illegal flavored disposable e- vapor products and the FDA' s failure to take enforcement actions against manufacturers and products that violate the law** could have a material adverse effect on our business, results of operations, cash flows or financial position. We may be unsuccessful in commercializing innovative products, including tobacco products with reduced health risks relative to certain other tobacco products and that appeal to adult tobacco consumers, which may have a material adverse effect on our business, results of operations, cash flows or financial position and our ability to achieve our Vision. We have growth strategies involving innovative products that may have reduced health risks relative to certain other tobacco products, while continuing to offer adult tobacco consumers (within and outside the United States) products that meet their taste expectations and evolving preferences. **These strategies include products in the e- vapor, heated tobacco and oral nicotine pouch spaces. For example, we have plans to increase the distribution of NJOY products, enhance NJOY ACE' s brand equity, increase the brand' s awareness and appeal and receive FDA authorizations on certain NJOY products.** If we are not successful in executing these strategies, there could be a material negative impact on our business and our ability to achieve our Vision. ~~In October 2022~~ **The success of Horizon** , **our** ~~we entered into a~~ joint venture with JTIUH ~~to form Horizon~~ for the marketing and commercialization of HTS products in the **United States,** ~~U. S. Horizon' s success~~ in generating new revenue streams by commercializing current and future HTS products owned by us or Japan Tobacco is dependent upon a number of factors. ~~Also~~ **These factors include (i) receipt of regulatory authorizations, (ii) prevailing economic, market, regulatory or business conditions, or changes in such conditions, negatively affecting the parties or their plans for future collaboration and partnerships, (iii) changes in market or other conditions resulting in unanticipated delays in the design and development of future products or the commencement of test launches, (iv) the outcome of any legal proceedings or investigations that may be instituted against the parties or others related to the joint venture, (v) changes in the preferences of U. S. adult tobacco consumers, (vi) the failure to meet commercialization milestones and (vii) the ability of the parties to enter into future partnerships on terms acceptable to both parties and in the expected manner or timeframe** , if **at all.** ~~the parties are unsuccessful in collaborating on the development and global commercialization of additional innovative smoke- free tobacco products, such~~ **Such factors** ~~an outcome~~ could have a negative effect on our ability to generate new revenue streams and enter new geographic markets ~~. In September 2022, we exercised our option to be released from our JUUL non- competition obligations. As a result, we now have less voting power and influence over JUUL' s financial and operating policies, and JUUL has greater flexibility to pursue strategic options with respect to its business. If we are unable to identify and execute on new opportunities to acquire, develop or commercialize innovative products within the e- vapor space, we could be at a competitive disadvantage in the e- vapor category, which could have a negative effect on our ability to generate new revenue streams. We cannot predict whether regulators, including the FDA, will permit the marketing or sale of any particular innovative products (including products with claims of reduced risk to adult tobacco consumers), the speed with which they may make such determinations or whether they will impose a burdensome regulatory framework on such products. In addition, the FDA could, for a variety of reasons, determine that innovative products on the market but pending FDA review of the associated PMTA (such as on! oral nicotine pouches), or those that have previously received authorization, including with a claim of reduced exposure, are not appropriate for the public health, and the FDA could require such products be taken off the market. We also cannot guarantee that any innovative products we commercialize will appeal to adult tobacco consumers or whether adult tobacco consumers' purchasing decisions would be affected by reduced- risk claims on such products if permitted~~ . If we do not succeed in commercializing innovative tobacco products that appeal to adult tobacco consumers or we fail to obtain or maintain regulatory ~~approval~~ **authorization** for the marketing or sale of these products, including with claims of reduced health risks, we could be at a competitive disadvantage, which could have a material adverse effect on our business, results of operations, cash flows or financial position and our ability to achieve our Vision. Failure to complete or manage strategic transactions, including acquisitions, dispositions, joint ventures and investments in third parties, **or realize the anticipated benefits of such transactions,** could have a material adverse effect on our business **, financial position** and our ability to achieve our Vision. We regularly evaluate potential strategic transactions, including acquisitions, dispositions, joint ventures and investments in third parties. Opportunities for strategic transactions may be limited, and the success of any such transaction is dependent upon our ability to **complete and** realize the expected benefits of the transaction in the expected time frame or at all. ~~Furthermore, following~~ **Following** the completion of a transaction there may be certain financial, managerial, staffing and talent ~~,~~ and operational risks, including diversion of management' s attention from existing core businesses, difficulties integrating other businesses into existing operations and other challenges presented by a transaction that does not achieve anticipated sales levels and profitability. We **may** ~~can provide no~~ **not** ~~assurance that we will~~ be able to enter into attractive business relationships or execute **and complete** strategic transactions on favorable terms or at all ~~or that~~ **, and** any such relationships or transactions ~~will~~ **may not** improve our competitive position or have the intended financial outcomes. For example, **our former investment in JUUL did not result in and,** to date, our ~~investments~~ - **investment** in ~~JUUL and~~ Cronos ~~have~~ **has** not **,** resulted in the economic and competitive advantages expected at the time the investments were made. **We may not be able to realize the expected benefits of the NJOY Transaction in the expected manner or timeframe, if at all, including due to failure to receive or maintain regulatory authorizations, changes in adult tobacco consumer preferences, failure to comply with regulatory requirements, prevailing economic, market, regulatory or business conditions, or changes in such conditions, negatively affecting our business and our plans with respect to the e- vapor category, the outcome of any legal proceeding or investigation that may be instituted against the parties or others related to the NJOY Transaction or NJOY or its products and the occurrence of any event requiring us to write down the value of NJOY' s intangible assets, including trademarks and goodwill, due to impairment.** If **the NJOY Transaction or** any **other** acquisition, disposition, joint venture, investment in a third party or other strategic relationship is not successful, there could be a material negative impact on our business, financial position **and results of operations** and our ability to achieve our Vision. Significant changes in price, availability or quality of tobacco, other raw materials or component parts could have a material adverse effect on our profitability and business. Shifts in crops (such as those driven by macroeconomic conditions and adverse weather patterns), government restrictions and mandated prices, production control programs, economic trade sanctions, import duties and tariffs, international trade disruptions, inflation, geopolitical instability, climate and environmental changes and disruptions due to man-made or natural disasters may increase the cost or reduce the supply or quality of tobacco, other raw materials, ingredients or component parts used to manufacture our products. Any significant change in such factors could restrict our ability to continue manufacturing and marketing existing products or impact adult **tobacco** consumer product acceptability and have a material adverse effect on our business and profitability. For varieties of tobacco only available in limited geographies, government-mandated prices and production control programs, political instability or government prohibitions on the import or export of tobacco in certain countries pose additional risks to price, availability and quality. In addition, as consumer demand increases for **innovative** smoke- free products and decreases for combustible **and MST** products, the volume of tobacco leaf required for production ~~may~~ **of these products has** ~~decrease~~ **decreased** , resulting in reduced ~~demand. The reduced demand for~~ tobacco leaf **demand. Reduced demand** may result in the reduced supply and availability of domestic tobacco as growers divert resources to other crops or cease farming. The unavailability or unacceptability of any one or more particular varieties of tobacco leaf **or the unavailability of nicotine extract** necessary to manufacture our operating companies' products could restrict our ability to continue marketing existing products or impact adult tobacco consumer product acceptability, which could have a material adverse effect on our business and profitability. **In addition, the nicotine used in our operating companies' innovative smoke- free products is extracted from tobacco produced in one country. If we are unable to identify alternate sources of nicotine for our operating companies' innovative products, we could be exposed to the risks discussed above.** Current macroeconomic conditions and geopolitical instability (including **inflation,** high ~~inflation, high gas prices, rising~~ interest rates, labor shortages, supply and demand imbalances **, geopolitical instability** and **international armed conflicts** ~~the Russian invasion of Ukraine~~) are causing worldwide disruptions and delays to supply chains and commercial markets, which limit access to, and increase the cost of, raw materials, ingredients and component parts (for example, tobacco leaf and resins and aluminum used in our packaging). Furthermore, challenging economic conditions can create the risk that our suppliers, distributors, logistics providers or other third- party partners suffer financial or operational difficulties, which may impact their ability to provide us with or distribute finished product, raw materials and component parts and services in a timely manner or at all. In addition, government taxes, restrictions and prohibitions on the sale and use of certain products may limit access to, and increase the costs of, raw materials and component parts and, potentially, impede our ability to sell certain of our products. For example, **certain states have passed extended producer responsibility legislation concerning packaging. Because certain of our products' packaging consists of single- use plastics, single- use plastic bans and extended producer responsibility mandates could result in bans on some of our product packaging or our products and adversely impact our costs and revenues.** ~~additional~~ **Additional** taxes **and limitations** on the use of certain single- use plastics have been proposed by the U. S. Congress ~~, which, if passed,~~ **and various state and local governments. These existing and potential future laws and regulations** could increase the costs of, and impair our ability to, source certain materials used in the packaging for our products. If we are unable to compensate for supply shortages or elevated commodity and other costs through sustained price increases, cost efficiencies, such as in manufacturing and distribution, or otherwise manage the exposure through sourcing strategies, the limited use of commodity hedging contracts or through other initiatives, our business, results of operations, cash flows and financial condition could be materially adversely impacted. Our operating companies rely on a few significant facilities and a small number of key suppliers, distributors and distribution chain service providers, and an extended disruption at a facility or in service by a supplier, distributor or distribution chain service provider could have a material adverse effect on our business, results of operations, cash flows or financial position. Our operating companies face risks inherent in reliance on a few significant manufacturing facilities and a small number of key suppliers, distributors and distribution chain service providers. A natural or man- made disaster, **cybersecurity** ~~cyber-~~ incident, global pandemic or other disruption that affects the manufacturing operations of any of our **operating** companies, the operations of any key supplier, distributor or distribution chain service provider of any of our operating companies or any other disruption in the supply or distribution of goods or services (including a key supplier' s inability to comply with government regulations, lack of available workers or unwillingness to supply goods or services to a tobacco company) could adversely impact operations. Operations of our operating companies, suppliers, distributors and distribution chain service providers could be suspended temporarily once or multiple times, or halted permanently, depending on various factors. An extended disruption in operations experienced by one or more of our operating companies or in the supply or distribution of goods or services by one or more key suppliers, distributors or distribution chain service providers, could have a material adverse effect on our business, results of operations, cash flows or financial position. We may be required to write down intangible assets, including trademarks and goodwill, due to impairment, which could have a material adverse effect on our results of operations or financial position. We periodically calculate the fair value of our reporting units and intangible assets to test for impairment. This calculation may be affected by several factors, including general macroeconomic ~~and geopolitical~~ conditions, **government actions, including FDA** regulatory ~~developments~~ **actions and inaction** , changes in category growth **(decline)** rates as a result of changing adult tobacco consumer preferences, success of planned new product expansions, competitive activity **, unfavorable outcomes with respect to litigation proceedings, including actions brought against us alleging patent infringement,** and income and excise taxes. Certain events also can trigger an immediate review of intangible assets. 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. 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 or regulations could require us, to recall products due to the failure to meet quality standards or specifications, suspected or confirmed and deliberate or unintentional product contamination, or other product adulteration, misbranding or tampering. A product recall or a product liability or other claim (even if unsuccessful or without merit) could **have negative economic consequences and also** generate negative publicity about us and our products. In addition, if another company recalls or experiences negative publicity related to a product in a category in which we compete, adult tobacco consumers might reduce their overall consumption of products in the category. Any of these events could have a material adverse effect on our business, reputation, results of operations, cash flows or financial position. We face various risks related to health epidemics and pandemics, ~~such as the COVID- 19 pandemic,~~ and such events, and the measures that international, federal, state and local governments, agencies, law enforcement and health authorities implement to address them, could have a material adverse effect on our business, results of operations, cash flows or financial position. An epidemic, pandemic or other significant public health emergency, and the measures taken by governmental authorities to address it, could significantly disrupt our ability to operate our businesses in the ordinary course. Furthermore, any associated economic consequences could have a material adverse effect on our business, results of operations, cash flows or financial position. If ~~COVID- 19 resurged or~~ any ~~similar~~ public health emergency **were to** ~~occurred~~ --- **occur** in the future, we could experience negative impacts. In addition, the specific characteristics of any future public health emergency and associated governmental responses could result in other negative impacts that we cannot foresee. Accordingly, any future emergence or resurgence of an epidemic, pandemic or other public health emergency could have a material adverse effect on our business, results of operations, cash flows or financial position. We may be unable to attract and retain a highly skilled and diverse workforce due to the decreasing social acceptance of tobacco usage, tobacco control actions and other factors, which could have a material adverse effect on our business and our ability to achieve our Vision. Our ability to implement our strategy of attracting and retaining a highly skilled and diverse workforce may be impaired by the decreasing social acceptance of tobacco usage, tobacco regulation and control actions and other factors. The tobacco industry competes for talent with the consumer products industry and other companies that may enjoy greater societal acceptance and fewer long- term challenges. As a result, we may be unable to attract and retain highly skilled and diverse talent. In addition, our ability to retain a highly skilled and diverse workforce may be adversely affected by ~~current labor market dynamics in which the number of U. S. workers leaving their jobs and the~~ competition for highly skilled and diverse workers ~~have increased significantly~~ . Failure to attract and retain highly skilled and diverse talent could have a material adverse effect on our business and our ability to achieve our Vision. Litigation, Legislative and Regulatory Risks Unfavorable outcomes with respect to litigation proceedings or any governmental investigations could materially adversely affect our results of operations, cash flows or financial position **and our ability to achieve our Vision** . Legal proceedings covering a wide range of matters are pending or threatened in various U. S. and foreign jurisdictions against us and our subsidiaries, including PM USA, as well as our and their respective indemnitees and indemnitors. Various types of claims may be raised in these proceedings, including product liability, unfair trade practices, antitrust, tax, contraband- related claims, patent infringement, employment matters, claims alleging violations of the Racketeer Influenced and Corrupt Organizations Act **(“ RICO ”)** , claims for contribution and claims of competitors, shareholders and distributors. Legislative action, such as changes to tort law, also may expand the types of claims and remedies available to plaintiffs. ~~Altria~~ **Competitors and other third parties have brought and may in the future bring action against us, our subsidiaries** and / or ~~one or~~ **our** ~~more of our subsidiaries~~ **suppliers alleging patent infringement. Such claims** , ~~including~~ **regardless of merit, expose us to significant litigation costs and damages, importation bans with respect to products and product components manufactured abroad, divert management’ s attention and compromise our operating companies’ abilities to commercialize and improve their products. This risk is especially pertinent to smoke- free products where technology continues advancing rapidly, resulting in a high volume of patents in relevant technology spaces. In a patent lawsuit adjudicated before the U. S. International Trade Commission (“ ITC ”), the ITC banned the importation of IQOS devices, Marlboro HeatSticks and component parts into the United States and the sale and marketing of any such products previously imported into the United States. As a result of the ITC’ s decision,** PM USA **removed the IQOS devices** , ~~are named as defendants in various~~ **Marlboro HeatSticks and any infringing components from the marketplace. In a separate patent lawsuit brought by JUUL currently pending before the ITC, the ITC could impose similar restrictions on NJOY ACE. Any ban on the importation or sale of NJOY ACE could have a negative impact on our business, our valuation of NJOY’ s assets and our plans with respect to the** e- vapor **category** ~~individual and class action lawsuits related to JUUL e- vapor products, including independent lawsuits initiated by certain state attorneys general. Litigation is subject to significant uncertainty, and there could be adverse developments in pending or future cases. An unfavorable outcome or settlement of pending tobacco- related or other litigation could encourage the commencement of additional litigation. Damages claimed in some tobacco-~~

~~related or other litigation are significant and, in certain cases, have ranged in the billions of dollars. The variability in pleadings in multiple jurisdictions and the actual experience of management in litigating claims demonstrate that the monetary relief that may be specified in a lawsuit bears little relevance to the ultimate outcome. In certain cases, plaintiffs claim that defendants' liability is joint and several. In such cases, we may face the risk that one or more co- defendants decline or otherwise fail to participate in the bonding required for an appeal or to pay their proportionate or jury- allocated share of a judgment. As a result, we may have to pay more than our proportionate share of any bonding- or judgment- related amounts under certain circumstances. Furthermore, in cases where plaintiffs are successful, we also may be required to pay interest and attorneys' fees. Although we historically have been able to obtain required bonds or relief from bonding requirements in order to prevent plaintiffs from seeking to collect judgments while adverse verdicts have been appealed, there remains a risk that such relief may not be obtainable in all cases. This risk has been substantially reduced given that 47 states and Puerto Rico now limit the dollar amount of bonds or require no bond at all. However, tobacco litigation plaintiffs have challenged the constitutionality of Florida' s bond cap statute in several cases and plaintiffs may challenge state bond cap statutes in other jurisdictions as well. Such challenges may include the applicability of state bond caps in federal court. Although we cannot predict the outcome of such challenges, it is possible that our business, 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 of one or more such challenges~~ . In certain litigation, we and our subsidiaries may face potentially significant non- monetary remedies **in addition to importation bans** that could have a material adverse effect on our businesses. For example, in the Federal Government' s lawsuit **alleging that certain defendants, including Altria and PM USA, violated RICO and engaged in certain " sub- schemes " to defraud** , the district court did not impose monetary penalties but ordered significant non- monetary remedies, including the issuance of " corrective statements. " **Litigation is subject to significant uncertainty, and there could be adverse developments in pending or future cases. An unfavorable outcome or settlement of pending tobacco- related or other litigation could encourage the commencement of additional litigation. Damages claimed in some tobacco- related or other litigation are significant and, in certain cases, have ranged in the billions of dollars. The variability in pleadings in multiple jurisdictions and the actual experience of management in litigating claims demonstrate that the monetary relief that may be specified in a lawsuit bears little relevance to the ultimate outcome.** In **certain cases** ~~the patent lawsuit adjudicated before the ITC~~ , ~~the ITC banned the importation of IQOS devices~~ **plaintiffs claim that defendants' liability is joint and several. In such cases** , ~~Marlboro HeatSticks~~ **we may face the risk that one or more co- defendants decline or otherwise fail to participate in the bonding required for** ~~and~~ - **an** ~~component parts into~~ **appeal or to pay** ~~the~~ **their** ~~United States and the sale and marketing~~ **proportionate or jury- allocated share of a judgment. As a result, we may have to pay more than our proportionate share** of any **bonding- or judgment- related amounts under certain circumstances. Furthermore, in cases where plaintiffs are successful, we also may be required to pay interest and attorneys' fees. Although we historically have been able to obtain required bonds or relief from bonding requirements in order to prevent plaintiffs from seeking to collect judgments while adverse verdicts have been appealed, there remains a risk that** such ~~products previously imported into the United~~ **relief may not be obtainable in all cases. This risk has been substantially reduced given that 47** ~~States~~ **states** ~~. As a result of~~ **and Puerto Rico now limit** the ~~ITC~~ **dollar amount of bonds or require no bond at all. However, tobacco litigation plaintiffs have challenged the constitutionality of Florida** ' s ~~decision, PM USA removed~~ **bond cap statute in several cases and plaintiffs may challenge state bond cap statutes in** ~~the~~ **other jurisdictions as well** ~~IQOS devices, Marlboro HeatSticks and any infringing components from the marketplace~~ . ~~Additionally,~~ **Such challenges may include** the ~~U. S.~~ **applicability of state bond caps in** ~~Federal~~ **federal** ~~Trade Commission (" FTC ") has issued~~ **court. Although we cannot predict the outcome of such challenges, it is possible that our business, results of operations, cash flows or financial position could be materially adversely affected in a particular fiscal quarter or fiscal year by** an ~~administrative complaint against~~ **unfavorable outcome of one or more such challenges. Each of** Altria and ~~JUUL on antitrust grounds that, if successful, would allow the FTC to order a broad range of non- monetary remedies with respect to our investment in JUUL, including divestiture of our minority investment in JUUL, rescission of the transaction and all associated agreements, a requirement of FTC approval of future agreements related to the development, manufacture, distribution or~~ **our** ~~sale of e- vapor products and prohibition against any officer or director of either Altria or JUUL serving on the other party' s board of directors or attending meetings of the other party' s board of directors and notice to the FTC in advance of certain corporate actions, including acquisitions, mergers or certain corporate restructurings. Each of Altria and its~~ subsidiaries named as a defendant in pending litigation ~~believe~~ **believes** , and each has been so advised by counsel handling the respective cases, that it has valid defenses to the litigation pending against it, as well as valid bases for appeal of adverse verdicts. We have defended, and will continue to defend, vigorously against litigation challenges. However, we may enter into settlement discussions in particular cases if we believe it is in our best interests to do so. ~~From time to time, we are subject to federal and state governmental investigations on a range of matters. We currently are subject to a number of governmental investigations concerning various aspects of our investment in, and relationship with, JUUL.~~ We cannot predict the outcome of any litigation proceedings or governmental investigations, and unfavorable outcomes in any such proceedings or investigations could materially adversely affect our results of operations, cash flows or financial position. Significant federal, state and local governmental actions, including FDA regulatory actions **and inaction** , and various private sector actions may continue to have a material adverse impact on our operating companies' sales volumes and our business. We face significant governmental and private sector actions, including efforts aimed at reducing the incidence of tobacco use and ~~efforts~~ seeking to hold us responsible for the adverse health effects associated with both smoking and exposure to environmental tobacco smoke. These actions, combined with the diminishing social acceptance of smoking, have resulted in reduced cigarette industry volume, and we expect that these factors will continue to reduce cigarette consumption levels, which could have a material adverse effect on our business, results of operations, cash flows or financial position. **We cannot predict whether regulators, including the FDA,**

will permit the marketing or sale of any particular innovative products (including products with claims of reduced risk to adult tobacco consumers) or whether they will impose a burdensome regulatory framework on such products. In addition, **the FDA could, for a variety of reasons, determine that innovative products on the market but pending FDA review of the associated PMTA (such as on! oral nicotine pouches), or those that have previously received authorization, including with a claim of reduced exposure, are not appropriate for the public health, and the FDA could require such products be taken off the market. We also cannot predict whether or to what extent the FDA will take enforcement** actions **against manufacturers and products that violate the law. The actions and inaction of regulators, including the FDA, can result in competitive challenges. For example, unpredictable regulatory review periods complicate efforts to strategize and plan with respect to commercialization of a new product once its PMTA is authorized, and we cannot predict or influence the speed with which the FDA reviews PMTAs. A protracted FDA review of a PMTA with respect to our product would allow competitive products already on the market to establish market share, brand recognition and adult tobacco consumer loyalty in the absence of competition from our product. Additionally, we cannot control the order in which the FDA reviews PMTAs. The FDA could review a PMTA for a competitor' s product before it reviews a PMTA submitted by one of our operating companies with respect to a competing product notwithstanding that our operating company submitted its PMTA first. Scenarios such as these would put us at a competitive disadvantage, which could have a material adverse impact on our business, profitability and our ability to achieve our Vision. In addition to the outcomes discussed above, actions and inaction** by the FDA and other federal, state or local governments or agencies ~~may~~ **can** (i) impact the adult tobacco consumer acceptability of or access to tobacco products (for example, through nicotine or constituent limits or menthol or other flavor bans), (ii ~~) delay or prevent the launch of new or modified tobacco products or products with claims of reduced risk, (iii~~) limit adult tobacco consumer choices, (**iii) restrict communications to adult tobacco consumers, (** iv) restrict ~~communications to adult tobacco consumers, (v) restrict~~ the ability to differentiate tobacco products, (**v** ~~vi) create a competitive advantage or disadvantage for certain tobacco companies, (vii~~) impose additional manufacturing, labeling or packing requirements, (~~viii~~ **vi**) interrupt manufacturing or otherwise significantly increase the cost of doing business, (~~ix~~ **vii**) result in increased illicit trade in tobacco products ~~or~~ **,** (~~x~~ **viii**) restrict or prevent the use of specified tobacco products in certain locations or the sale of tobacco products by certain retail establishments **, (ix)** ~~. Legislative and regulatory action could also~~ require the recall **of tobacco products due to a determination relating to product contamination** or **(x) otherwise require** ~~other~~ -- **the** removal of tobacco products from the marketplace (for example **, due to** ~~as a result of (i)~~ a determination ~~relating to product contamination, (ii) legislation and rulemaking banning menthol or other flavors, (iii) a determination by the FDA~~ that one or more tobacco products ~~do not~~ **fail to** satisfy the statutory requirements for substantial equivalence, **must** ~~(iv) an FDA requirement that a currently marketed tobacco product~~ proceed through the pre- market review process ~~, (v) the FDA' s failure to authorize a PMTA~~ or ~~(vi)~~ **must be removed from** the **marketplace** ~~FDA' s determination that removal is otherwise necessary~~ for the protection of public health). Any federal, state or local governmental action, including regulatory actions **and inaction** by the FDA, may have a material adverse impact on our business, results of operations, cash flows or financial position. Such action **and inaction** also could negatively impact adult smokers' transition to these products, which could materially adversely affect our ability to achieve our Vision. Tobacco products are subject to substantial taxation, and any increases in tobacco product- related taxes could have a material adverse impact on sales of our operating companies' products. Tobacco products are subject to substantial taxation, including excise taxes. Significant increases in taxes or fees on tobacco products (including traditional products as well as e- vapor and oral nicotine products) have been proposed or enacted and are likely to continue to be proposed or enacted within the United States at the federal, state and local levels. The frequency and magnitude of excise tax increases can be influenced by various factors, including federal and state budgets and the composition of executive and legislative bodies. Tax increases are expected to continue to have an adverse impact on sales of our operating companies' tobacco products through lower consumption levels and the potential shift in adult tobacco consumer purchases from the premium to the non- premium or discount segments, to other low- priced or low- taxed tobacco products or to counterfeit and contraband products. Such shifts may also have an adverse impact on the reported share performance of our tobacco products. Any increases in tobacco- related taxes or fees ~~may~~ **could** have a material adverse impact on our business, results of operations, cash flows or financial position. In addition, substantial excise tax increases on e- vapor and oral nicotine products ~~may~~ **could** negatively impact adult smokers' transition to these products, which could materially adversely affect our ability to achieve our Vision. International business operations subject us to various U. S. and foreign laws and regulations, and violations of such laws or regulations could result in reputational harm, legal challenges and significant penalties and other costs. While we are primarily engaged in business activities in the United States, we engage (directly or indirectly) in certain international business activities that are subject to various U. S. and foreign laws and regulations, such as foreign privacy laws, the U. S. Foreign Corrupt Practices Act and other laws prohibiting bribery and corruption. Although we have a Code of Conduct for Compliance and Integrity and a compliance system designed to prevent and detect violations of applicable law, no system can provide assurance that it will always protect against improper actions by employees, joint venture partners, investees or third parties. Violations of these laws, or allegations of such violations could result in reputational harm, legal challenges and significant penalties and other costs. A challenge to our tax positions, an increase in the income tax rate or other changes to federal or state tax laws could materially adversely affect our earnings or cash flows. Tax laws and regulations are complex and subject to varying interpretations. A successful challenge to one or more of our tax positions (which could give rise to additional liabilities, including interest and potential penalties), an increase in the corporate income tax rate or other changes to federal or state tax laws, including changes to how foreign investments are taxed, could materially adversely affect our earnings or cash flows. Legal and regulatory requirements related to climate change and other environmental sustainability matters could have a material adverse impact on our business and results of operations. The increased concern over climate change and other sustainability matters is likely to result in new or additional legal and regulatory requirements intended to reduce or mitigate environmental issues and may relate to, among other things, greenhouse gas emissions, alternative energy policy, single- use plastics and additional disclosure obligations **with respect to climate change and environmental sustainability matters** . This additional regulation ~~may~~ **could** materially adversely affect our business, results of operations, cash flows and financial condition by increasing our compliance and manufacturing costs and negatively impacting our reputation if we are unable to, or are perceived not to, satisfy such requirements. Capital Markets and Financing Risks Disruption and uncertainty in the credit and capital markets could materially adversely affect our business. Access to the credit and capital markets is important for us to satisfy our liquidity and financing needs. We typically access the commercial paper market in the second quarter to help fund payments under the Master Settlement Agreement (the " MSA "), tax obligations and shareholder dividends. Disruption and uncertainty in the credit or capital markets or high interest rates could negatively impact the availability or cost of capital and adversely affect our liquidity, cash flow, earnings and dividend rate. In addition, tighter credit markets ~~may~~ **could** lead to business disruptions for our suppliers and service providers, which could, in turn, materially adversely impact our business, results of operations, cash flows and financial condition. A downgrade or potential downgrade of our credit ratings could adversely impact our borrowing costs and access to credit and capital markets, which could materially adversely affect our financial condition. Rating agencies routinely evaluate us, and their ratings are based on a number of factors, including our cash generating capability, levels of indebtedness, policies with respect to shareholder distributions, the impact of strategic transactions and our financial strength generally, as well as factors beyond our control, such as the state of the economy and our industry. Any downgrade or announcement that we are under review for a potential downgrade of our credit ratings, as occurred following our **former** investment in JUUL, especially any downgrade to below investment grade, could increase our future borrowing costs, impair our ability to access the credit and capital markets, including the commercial paper market, on terms commercially acceptable to us or at all or result in a reduction in our liquidity, requiring us to rely on more expensive types of ~~debt~~ financing. Any such outcome could have a material adverse impact **on** our financial condition. We may be unable to attract investors due to increasing investor expectations of our performance relating to **corporate responsibility** ~~environmental, social and governance~~ factors. There ~~is an increasing~~ **has been a heightened** focus from investors and other stakeholders on corporate responsibility, including with respect to environmental, social and governance ~~(" ESG ")~~ matters. **In response,** ~~There~~ **there** has been an increase in third- party providers of ~~ESG~~ assessments and ratings to satisfy investor demand for measurement of corporate responsibility performance, and the criteria by which these third parties measure such performance may vary or change over time. Investors may use these non- financial performance factors to guide investment strategies and, in some cases, may choose not to invest in us if their policies prevent them from investing in tobacco companies or if they believe our policies, actions or disclosures on corporate responsibility issues are inadequate. There is also increased focus, including by governmental and non- governmental organizations, investors, **trade** customers, consumers, our employees and other stakeholders, on sustainability matters. Despite our efforts, any failure to achieve our corporate responsibility goals, including those aimed at reducing the harm associated with our companies' products **and our underage tobacco prevention goals** , could result in adverse publicity, materially adversely affect our business and reputation and impair our ability to attract and retain investors, which could have a material negative impact on the market value of our stock. Information Technology and Data Privacy Risks The failure of our, or our service providers' ~~or~~ **,** key suppliers **' or trade customers** ', information systems to function as intended, or cyber- attacks or security breaches, could have a material adverse effect on our business, reputation, results of operations, cash flows or financial position. We rely extensively on information ~~systems~~ **technology** , ~~many~~ **much** of which ~~are~~ **is** managed by third- party service providers (such as cloud data service providers), to support a variety of business processes and activities, including: complying with regulatory, legal, financial reporting and tax requirements; engaging in marketing and e- commerce activities; managing and improving the effectiveness of our operations; **researching, developing,** manufacturing and distributing our products; collecting and storing sensitive data and confidential information; and communicating with employees, investors, suppliers, trade customers, adult tobacco consumers and others. Our suppliers ~~and~~ **,** supply chain service providers **and trade customers** also rely extensively on information systems. We continue to make appropriate investments in administrative, technical and physical safeguards to protect our information systems and data from cyber- threats, including human error and malicious acts. Our safeguards include employee training, testing and auditing protocols, backup systems and business continuity plans, maintenance of security policies and procedures, monitoring of networks and systems, and third- party risk management. From time- to- time, we and our **service providers,** suppliers **and trade customers** experience attempts to infiltrate and interrupt information systems. **To** ~~While infiltration attempts have increased, to~~ date, interruptions of these information systems as a result of infiltration attempts have not had a material impact on our operations. However, because technology is increasingly complex and cyber- attacks are increasingly sophisticated and more frequent, there can be no assurance that such incidents will not have a material adverse effect on us in the future. ~~Failure of our, or~~ **For example, the rapid evolution and increased adoption of artificial intelligence technologies may intensify our and** our service providers' ~~or~~ **,** key suppliers' **and trade customers' cybersecurity risks. Failure of our, or our service providers', key suppliers' or trade customers'** , information systems to function as intended, or cyber- attacks or security breaches, could result in loss of revenue, assets, personal data, intellectual property, trade secrets or other sensitive and confidential data, violation of applicable privacy and data security laws, reputational harm to the companies and their brands, operational disruptions, legal challenges and significant remediation and other costs **, all of which could have a material adverse effect on our business** . Our failure **, or the failure of our service providers, key suppliers or trade customers,** to comply with personal data protection ~~and~~ **,** privacy **, artificial intelligence and information security** laws could materially adversely affect our business. We **and our service providers, key suppliers and trade customers** are subject to a variety of continuously evolving and developing laws and regulations in numerous jurisdictions regarding personal data protection ~~and~~ **,** privacy ~~laws~~ **, artificial intelligence and information security** . These laws and regulations may be interpreted and applied differently from country to country or, within the United States, from state to state, and can create inconsistent or conflicting requirements. Our efforts **, and the efforts of our service providers, key suppliers and trade customers,** to comply with these laws and regulations impose significant costs and challenges that are likely to continue to increase over time, particularly as additional jurisdictions adopt similar regulations. Failure to comply with these laws and regulations or to otherwise protect personal data from unauthorized access, use or other processing, could result in litigation, claims, legal or regulatory proceedings, inquiries or investigations, damage to our reputation, fines ~~or~~ **,** penalties **and business disruptions** , all of which ~~can~~ **could** have a material adverse effect on our business. Risks Relating to Our Investments in Equity Securities The expected benefits of our investment in ABI may not materialize in the expected manner or timeframe or at all, which could have a material adverse impact on our financial position or earnings. The expected benefits of our investment in ABI may not materialize in the expected manner or timeframe or at all, including due to foreign currency exchange rates; ABI' s business results; ABI' s share price; impairment losses on the value of our investment; our incurrence of additional tax liabilities related to our investment in ABI; and potential reductions in the number of directors that we can have appointed to the ABI board of directors. We account for our investment in ABI under the equity method of accounting. For purposes of financial reporting, the earnings from and carrying value of our ~~equity~~ investment in ABI are translated into U. S. dollars (" USD ") from various local currencies. In addition, ABI pays dividends in euros, which we convert into USD. During times of a strengthening USD against these currencies, our reported earnings from and carrying value of our ~~equity~~ investment in ABI will be reduced because these currencies will translate into fewer USD and the dividends that we receive from ABI will convert into fewer USD. Dividends and earnings from and carrying value of our ~~equity~~ investment in ABI are also subject to the risks encountered by ABI in its business, its business outlook, cash flow requirements and financial performance, the state of the market and the general economic climate. For example, in 2020, as a result of the uncertainty, volatility and impact of the COVID- 19 pandemic on ABI' s business, ABI reduced by 50 % its final 2019 dividend paid in the second quarter of 2020 and did not pay its interim 2020 dividend that would have been paid in the fourth quarter of 2020, which resulted in a reduction of cash dividends we received from ABI. We assess the value of our ~~equity~~ investment in ABI as required by **United States generally accepted** accounting principles **(" GAAP ")** ~~generally accepted in the United States~~ . If the carrying value of our investment in ABI exceeds its fair value and any loss in value is other than temporary, we record appropriate impairment losses. In **a** prior ~~periods~~ **period** , we ~~have~~ concluded that the fair value of our ~~equity~~ investment in ABI declined below the carrying value of our investment in ABI and that this decline in fair value was other than temporary. As a result, we recorded **a** non- cash, pre- tax impairment ~~charges~~ **charge** for ~~those~~ **that** ~~periods~~ **period** . It is possible that we may be required to record significant impairment charges in the future and, if we do so, our net income and carrying value of our ~~equity~~ investment in ABI could be materially adversely affected. In the event that our ownership percentage in ABI were to decrease below certain levels, (i) we may be subject to additional tax liabilities, (ii) the number of directors that we have the right to have appointed to the ABI board of directors could be reduced from two to one or zero and (iii) we may be unable to continue to account for our investment in ABI under the equity method of accounting ~~. A challenge to our investment in JUUL, if successful, could result in a broad range of resolutions, including divestiture of the investment or rescission of the transaction. A challenge to our investment in JUUL, if successful, could result in a broad range of resolutions such as divestiture of the investment or rescission of the transaction. In April 2020, the FTC issued an administrative complaint against Altria and JUUL alleging that our 35 % investment in JUUL and the associated agreements constitute an unreasonable restraint of trade in violation of Section 1 of the Sherman Act and Section 5 of the FTC Act, and substantially lessened competition in violation of Section 7 of the Clayton Act. The FTC seeks a broad range of remedies, including divestiture of our minority investment in JUUL, rescission of the transaction and all associated agreements, a requirement of FTC approval of future agreements related to the development, manufacture, distribution or sale of e- vapor products and prohibition against any officer or director of either Altria or JUUL serving on the other party' s board of directors or attending meetings of the other party' s board of directors and notice to the FTC in advance of certain corporate actions, including acquisitions, mergers or certain corporate restructurings. The administrative trial was held before an FTC administrative law judge in June 2021. In February 2022, the administrative law judge dismissed the FTC' s complaint. FTC complaint counsel appealed that decision to the FTC Commissioners. Any adverse ruling the FTC Commissioners issue following their review may be appealed to a federal appellate court. Also, various putative class action lawsuits have been filed against Altria (and in some cases, subsidiaries of Altria) and JUUL. The lawsuits cite the FTC administrative complaint referenced above and allege claims similar to those made by the FTC. Plaintiffs in these lawsuits are seeking various remedies, including treble damages, attorneys' fees, a declaration that the agreements between Altria and JUUL are invalid, divestiture of our investment in JUUL and rescission of the transaction. A successful challenge by the FTC or the plaintiffs in the lawsuits to the investment would adversely affect us, including by eliminating, or substantially limiting, our rights with respect to our investment in JUUL and our flexibility to pursue other investments in the e- vapor space~~ . Our investment in Cronos subjects us to certain risks associated with Cronos' s business, including legal, regulatory and reputational risks. Our ~~equity~~ investment in Cronos, a Canadian cannabinoid company, subjects us to various risks relating to Cronos' s business, such as legal, regulatory and reputational risks. Cronos is engaged in ~~the manufacture, marketing and distribution of U. S. hemp- derived cannabinoid supplements and cosmetic products in the United States and~~ the cultivation, manufacture and marketing of cannabis and cannabis- derived products for the medical and adult- use markets in various international jurisdictions. Accordingly, Cronos' s operations are subject to laws, regulations and guidelines promulgated by various ~~U. S. and international~~ governmental authorities. In the United States, these laws include the Controlled Substances Act, the Civil Assets Forfeiture Reform Act (as it relates to violation of the Controlled Substances Act), all related applicable anti- money laundering laws and FDA regulations. A failure by Cronos or Altria to comply with ~~these and other~~ applicable laws, including cannabis laws, could result in criminal, civil or tax liability, negative impacts on the availability and cost of capital and credit or reputational harm for Altria.