

Reconciliations of the non-GAAP financial measures presented in the remarks by Howard Willard, Altria Group, Inc.'s (Altria) Chairman and Chief Executive Officer, during Altria's 2019 Second Quarter Earnings Call.

Non-GAAP Financial Measures¹

Altria reports its financial results in accordance with U.S. generally accepted accounting principles (GAAP). Altria's management reviews operating companies income (OCI), which is defined as operating income before general corporate expenses and amortization of intangibles, to evaluate the performance of, and allocate resources to, the segments. Altria's management also reviews certain financial results, including OCI, on an adjusted basis, which excludes certain income and expense items that management believes are not part of underlying operations. These items may include, for example, restructuring charges, asset impairment charges, acquisition-related costs, charges associated with tobacco and health litigation items, and resolutions of certain non-participating manufacturer (NPM) adjustment disputes under the Master Settlement Agreement (such dispute resolutions are referred to as NPM Adjustment Items). Altria's management does not view any of these special items to be part of Altria's underlying results as they may be highly variable, may be infrequent, are difficult to predict and can distort underlying business trends and results. Altria's management also reviews revenues net of excises taxes per 1000 units as the measurement of net price realization. Revenues net of excise taxes is calculated as net revenues less excise taxes billed to customers.

Altria's management believes that adjusted financial measures provide useful additional insight into underlying business trends and results and provide a more meaningful comparison of year-over-year results. Altria's management uses adjusted financial measures for planning, forecasting and evaluating business and financial performance, including allocating resources and evaluating results relative to employee compensation targets. These adjusted financial measures are not consistent with GAAP and may not be calculated the same as similarly titled measures used by other companies. These adjusted financial measures should thus be considered as supplemental in nature and not considered in isolation or as a substitute for the related financial information prepared in accordance with GAAP. Reconciliations of historical adjusted financial measures to corresponding GAAP measures are provided below.

Altria and Consolidated Subsidiaries, Selected Financial Data for Smokeable Products			
(\$ in millions)			
	Twelve Months Ended December 31,		
	2018	2014	Compounded Annual Growth Rate
Net revenues	\$ 22,297	\$ 21,939	
Excise taxes	(5,585)	(6,416)	
Revenues net of excise taxes	\$ 16,712	\$ 15,523	
Reported OCI	\$ 8,408	\$ 6,933	
NPM Adjustment items	(145)	(43)	
Asset impairment, exit, implementation and acquisition-related costs	83	(6)	
Tobacco and health litigation items	103	27	
Adjusted OCI	\$ 8,449	\$ 6,911	5.2%

Note: 2014 reflects the January 1, 2018 adoption of Accounting Standards Update No: 2017-07, *Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*.

Altria and Consolidated Subsidiaries, Selected Financial Data for Smokeable Products						
(\$ in millions)						
	Second Quarter			Six Months Ended June 30,		
	2019	2018	Change	2019	2018	Change
Net revenues	\$ 5,853	\$ 5,546		\$ 10,788	\$ 10,960	
Excise taxes	(1,389)	(1,388)		(2,592)	(2,789)	
Revenues net of excise taxes	\$ 4,464	\$ 4,158		\$ 8,196	\$ 8,171	
Shipment volume (units in millions)²	27,785	27,683		51,761	55,583	
Revenues net of excise taxes per 1000 units³	\$ 160.66	\$ 150.20	7.0%	\$ 158.34	\$ 147.01	7.7%

¹ Reconciliations of other non-GAAP financial measures can be found in today's earnings release.

² Cigarettes volume includes units sold as well as promotional units, but excludes units sold for distribution to Puerto Rico, and units sold in U.S. Territories, to overseas military and by Philip Morris Duty Free Inc., none of which, individually or in the aggregate, is material to the smokeable products segment.

³ Revenues net of excise taxes per 1000 units are calculated as revenues net of excise taxes divided by shipment volume multiplied by 1000.