

Reconciliations of the non-GAAP financial measures presented in the remarks by Billy Gifford, Altria Group, Inc.’s (Altria) Chief Executive Officer, during Altria’s 2020 Second-Quarter Earnings Call.

Non-GAAP Financial Measures¹

While Altria reports its financial results in accordance with U.S. generally accepted accounting principles (GAAP), Altria’s management also 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 OCI and OCI margins on an adjusted basis, which exclude 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, COVID-19 special 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 unusual or 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, including the impact of pricing actions, 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 required by, or calculated in accordance 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)		
	Six Months Ended June 30,	
	2020	2019
Net revenues	\$ 11,209	\$ 10,788
Excise taxes	(2,543)	(2,592)
Revenues net of excise taxes	\$ 8,666	\$ 8,196
Reported OCI	\$ 4,820	\$ 4,303
Asset impairment, exit and implementation costs	—	75
Tobacco and health litigation items	39	40
COVID-19 special items	41	—
Adjusted OCI	\$ 4,900	\$ 4,418

Altria and Consolidated Subsidiaries, Selected Financial Data for Oral Tobacco Products		
(\$ in millions)		
	Six Months Ended June 30,	
	2020	2019
Net revenues	\$ 1,261	\$ 1,142
Excise taxes	(65)	(63)
Revenues net of excise taxes	\$ 1,196	\$ 1,079
Reported OCI	\$ 861	\$ 778
Asset impairment, exit, implementation and acquisition-related costs	2	11
COVID-19 special items	9	—
Adjusted OCI	\$ 872	\$ 789

Altria and Consolidated Subsidiaries, Selected Financial Data for Smokeable & Oral Tobacco Products		
(\$ in millions)		
	Six Months Ended June 30,	
	2020	2019
Revenues net of excise taxes - Smokeable	\$ 8,666	\$ 8,196
Revenues net of excise taxes - Oral Tobacco	1,196	1,079
Revenues net of excise taxes - Combined	\$ 9,862	\$ 9,275
Adjusted OCI - Smokeable	\$ 4,900	\$ 4,418
Adjusted OCI - Oral Tobacco	872	789
Adjusted OCI - Combined	\$ 5,772	\$ 5,207
<i>Growth Rate</i>	10.9%	
Adjusted OCI Margins² - Combined	58.5%	56.1%
<i>Change</i>	2.4pp	

Altria and Consolidated Subsidiaries, Selected Financial Data for Smokeable Products						
(\$ in millions)						
	Second Quarter			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Net revenues	\$ 5,603	\$ 5,853		\$ 11,209	\$ 10,788	
Excise taxes	(1,265)	(1,389)		(2,543)	(2,592)	
Revenues net of excise taxes	\$ 4,338	\$ 4,464		\$ 8,666	\$ 8,196	
Shipment volume (units in millions)³	25,370	27,785		50,826	51,761	
Revenues net of excise taxes per 1000 units⁴	\$ 170.99	\$ 160.66	6.4%	\$ 170.50	\$ 158.34	7.7%

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

² Adjusted OCI margins are calculated as adjusted OCI divided by revenues net of excise taxes.

³ 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.

⁴ Revenues net of excise taxes per 1000 units are calculated as revenues net of excise taxes divided by shipment volume multiplied by 1000.