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 First-Quarter Earnings Call.

Non-GAAP Financial Measures[1]

While Altria reports its financial results in accordance with generally accepted accounting principles (GAAP), its management reviews certain financial results, including the financial results discussed below, on an adjusted basis.

Altria's management reviews revenues net of excises taxes per 1000 units, which Altria uses 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 also reviews adjusted net earnings attributable to Altria, 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, equity investment-related special items (including any changes in fair value for the equity investment and any related warrants and preemptive rights), certain tax items, charges associated with tobacco and health litigation items, and resolutions of certain nonparticipating 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 adjusted discretionary cash flow, which is defined as the change in cash and cash equivalents with certain adjustments as shown in the reconciliation below. Adjusted discretionary cash flow is a measure of our performance and is not a liquidity measure.

Altria's management also reviews cash conversion, which is defined as adjusted discretionary cash flow divided by adjusted net earnings attributable to Altria. Cash conversion is a measure of Altria's performance that shows the strength of cash available to meet Altria's capital allocation objectives and is not a liquidity measure.

Altria's management believes that these 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 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)

	First Quarter		
	2020	2019	Change
Net revenues	**$ 5,606**	**$ 4,935**	
Excise taxes	(1,278)	(1,203)	
Revenues net of excise taxes	**$ 4,328**	**$ 3,732**	
Shipment volume (units in millions)[2]	**25,456**	**23,976**	
Revenues net of excise taxes per 1000 units[3]	**$ 170.02**	**$ 155.66**	**9.2%**

Altria Group, Inc. and Consolidated Subsidiaries, Full-Year Adjusted Net Earnings (Losses) Attributable to Altria

($ in millions, except per share data)

	Earnings (losses) before Income Taxes	Provision (Benefit) for Income Taxes	Net Earnings (Losses)	Net Earnings (Losses) Attributable to Altria
For the year ended December 31, 2019				
Reported	**$ 766**	**$ 2,064**	**$ (1,298)**	**$ (1,293)**
ABI-related special items [4]	(383)	(80)	(303)	(303)
Tobacco and health litigation items	77	19	58	58
Asset impairment, exit, implementation and acquisition-related costs	331	62	269	269
Impairment of JUUL equity securities	8,600	—	8,600	8,600
Cronos-related special items	928	288	640	640
Tax items	—	99	(99)	(99)
2019 Adjusted for Special Items	**$ 10,319**	**$ 2,452**	**$ 7,867**	**$ 7,872**
For the year ended December 31, 2018				
Reported	**$ 9,341**	**$ 2,374**	**$ 6,967**	**$ 6,963**
NPM Adjustment Items	(145)	(36)	(109)	(109)
Tobacco and health litigation items	131	33	98	98
ABI-related special items [4]	(16)	(3)	(13)	(13)
Asset impairment, exit, implementation and acquisition-related costs	538	106	432	432
Loss on ABI/SABMiller business combination	33	7	26	26
Tax items	—	(197)	197	197
2018 Adjusted for Special Items	**$ 9,882**	**$ 2,284**	**$ 7,598**	**$ 7,594**
For the year ended December 31, 2017				
Reported	**$ 9,828**	**$ (399)**	**$ 10,227**	**$ 10,222**
NPM Adjustment Items	4	2	2	2
Tobacco and health litigation items	80	30	50	50
ABI-related special items [4]	191	66	125	125
Asset impairment, exit, implementation and acquisition-related costs	89	34	55	55
Settlement charge for lump sum pension payments	81	32	49	49
Gain on ABI/SABMiller business combination	(445)	(156)	(289)	(289)
Tax items	—	3,674	(3,674)	(3,674)
2017 Adjusted for Special Items	**$ 9,828**	**$ 3,283**	**$ 6,545**	**$ 6,540**

Altria Group, Inc. and Consolidated Subsidiaries, Cash Conversion

($ in millions)

	Full Year ended December 31,		
	2019	**2018**	**2017**
Increase (decrease) in cash, cash equivalents and restricted cash	**$ 727**	**$ 119**	**$ (3,337)**
Short-term borrowing re-paid	12,800	—	—
Dividends paid on common stock	6,069	5,415	4,807
Acquisition-related costs	2,325	—	—
Repurchases of common stock	845	1,673	2,917
Long-term debt repaid	1,144	864	—
Long-term debt issued	(16,265)		
Other	48 [5]	370 [6]	1,793 [7]
Adjusted Discretionary Cash Flow	**$ 7,693**	**$ 8,441**	**$ 6,180**
Adjusted Net Earnings Attributable to Altria[4]	**$ 7,872**	**$ 7,594**	**$ 6,540**
Cash Conversion [8]	**97.7%**	**111.2%**	**94.5%**

[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.

[4] Prior period amounts have been recast to conform with current period presentation for certain ABI mark-to-market adjustments that were not previously identified as special items and that are now excluded from Altria's adjusted financial measures.

[5] Primarily due to tobacco and health litigation payments, net of tax.

[6] Primarily due to acquisition-related costs, impact of ABI dividend rebase, and tobacco and health litigation payments, net of tax.

[7] Primarily due to higher payments of settlement charges in 2017, acquisitions and postretirement funding, net of tax.

[8] Cash conversion calculated as Adjusted Discretionary Cash Flow divided by Adjusted Net Earnings Attributable to Altria.