

Remarks by Billy Gifford, Altria Group, Inc.'s (Altria) Chief Executive Officer and Sal Mancuso, Altria's Executive Vice President and Chief Financial Officer

2021 Consumer Analyst Group of New York (CAGNY) Conference

Virtual Presentation

February 17, 2021

Remarks by Billy Gifford

Good afternoon everyone and thank you for joining us. We're glad to be part of CAGNY once again this year although we miss seeing you in person. Today, we'll discuss how we're *Moving Beyond Smoking*™ and advancing our 10-Year Vision (Vision) to responsibly transition adult smokers to a non-combustible future.

Before we begin, we ask that you carefully review the Safe Harbor statement in today's presentation and the forward-looking and cautionary statements section in today's press release. These documents are available on altria.com along with reconciliations and further explanations of the non-GAAP financial measures we discuss today.

All references in today's remarks to tobacco consumers or consumers within a specific tobacco category or segment refer to existing adult tobacco consumers, 21 years of age or older.

2020 was a challenging year as we, like many others, navigated through the pandemic, political and social unrest and an uncertain economic outlook. In that context, our employees and tobacco businesses demonstrated resilience, and we laid the groundwork for our non-combustible product portfolio to make significant progress toward our 10-Year Vision.

The pursuit of our Vision is about sustainability and businesses that are aligned with the responsibility expectations of our stakeholders.

To better understand these expectations, we perform materiality assessments periodically to gather stakeholder perspectives on the most important environmental, social and governance (ESG), issues that we must continue to address. Our latest assessment identified the following focus areas:

- protecting the environment;
- driving responsibility through our value chain;
- reducing harm of tobacco products;
- preventing underage use;
- supporting our people and our communities; and
- engaging and leading responsibly.

Leading in these areas isn't new for Altria and we continue to make significant progress across all six focus areas. Over the course of the year, we will update you on our ESG progress. And starting this month, our report on Engaging and Leading Responsibly will include 2025 goals established in these areas. We will now briefly highlight a few of the ESG areas where we raised the bar.

We have a responsibility to minimize our environmental footprint and work to prevent the most damaging effects of climate change. Stakeholders' expectations have increased over the last few years, including the expectation for companies to set 2050 net-zero greenhouse gas emissions targets.

Later this year, we will assess our ability to establish this goal when the Science Based Targets initiative releases its methodology for companies to set credible net-zero targets. Currently, we have set ambitious targets to significantly reduce our greenhouse gas emissions by 2030. These targets were approved by the Science Based Targets initiative and represent a key step in our net-zero transition. We expect to continue our leadership by further aligning our reporting with recommendations from the Taskforce on Climate-Related Financial Disclosures.

Supporting our people and communities is another key focus area and we're working to create a more inclusive and diverse organization. Inside Altria, we're breaking down implicit biases, creating more opportunities for all employees and holding our leaders accountable for advancing inclusion and diversity. We continue to make progress against our Inclusion and Diversity (I&D) aiming points for our senior leadership. Beginning this year, we will publish our annual consolidated EE0-1 report to be transparent about our progress. We have embedded I&D considerations within our performance review process to hold our leaders accountable. For example, only those leaders who actively enhance the culture of inclusion and diversity in their organizations can earn our highest performance rating. In our communities, we have established a multi-year investment plan behind our commitment to addressing racial and economic inequities. For example, we are working with leading organizations that are advancing black-owned business development and criminal justice reform.

The materiality assessment overwhelmingly affirmed that the most important social issues for our company to address are harm reduction and preventing underage use.

For years, we've taken a comprehensive approach to underage tobacco use prevention and we continue to enhance our efforts. One of our newest initiatives includes monetary incentives to retailers for age validation technology. We expect this technology to be installed in over 120,000 stores by the end of 2021, which covers approximately 70% of PM USA cigarette volume. We are also investing in marketplace monitoring tools to gather more real-time data on underage usage trends to enable a faster response to potential issues. And we are committed to continue our work with multiple stakeholders to drive down underage use and preserve the harm reduction opportunity that non-combustible tobacco products hold for smokers.

Based on the regulatory framework in place and our deep understanding of U.S tobacco consumer preferences and behaviors, we believe we can accelerate the pace of harm reduction over the next 10 years. Consumer dynamics support this belief and our opportunity. First, we believe tobacco product purchases for consumers ages 21 through 39 look fundamentally different from older consumers and we don't anticipate their preferences evolving into traditional tobacco categories. 33% of tobacco consumers age 21 to 29 are exclusive non-combustible product users, the highest percentage of exclusive use across age cohorts. Second, we also believe that it's critically important to understand the consumer motivations behind their tobacco product selection. Based on our research, reduced social friction and reduced harm are important tobacco product features across many cohorts. Third, non-combustible products interest both male and female tobacco consumers, although the specific purchase drivers vary by gender, ethnicity, socio-economic status and age. Last and importantly, we also know that many consumers are open to using non-combustible products but have not found the right product to meet their needs.

To address these opportunities, we are placing our unparalleled understanding of the tobacco consumer as the foundation of our efforts. Tobacco consumer insights and science will drive our non-combustible product development and regulatory engagement. And we believe we are well positioned with our leading sales and distribution capabilities to win in the market with our non-combustible products. We expect tobacco consumer preferences will continue to evolve and we will use tobacco consumer insights to inform future market plans.

As we announced in our fourth quarter results, we're making investments to enhance our tobacco consumer information. And we have realigned internal resources to better support our Vision. We've established two new departments that blend behavioral science, data insights and consumer engagement to support smoker conversion to non-combustible products. These functions will work with our strategy and marketplace insights groups to:

- develop non-combustible product conversion strategies;
- enhance our consumer communications and engagement; and
- drive innovative product development planning and prioritization.

We believe our enhanced infrastructure will lead to better conversion outcomes and more agile product development.

Over the recent decades, we've built an adult tobacco consumer database and developed unique consumer connections through loyalty programs. We are enhancing these tools by working with our retail trade partners to increase the depth and breadth of point-of-sale purchase data. For example, today we can follow purchasing behaviors to understand how individual smokers and dippers interact with *on!*. In these examples, we see varying pace and degrees of adoption across consumers from different categories and brands. Each consumer's journey will be different, and with deep analysis of this data, we will alter marketing approaches to better resonate with individual consumers, tailor consumer support and evolve products.

We believe the tobacco consumer's understanding of the relative risks of non-combustible products compared to cigarettes is critical to achieving harm reduction. Peer-reviewed, published studies on the relative harm from nicotine-containing products, show a risk cliff, or profound risk differential, between combustible and non-combustible product categories as a whole.

We're advancing our leadership in the external environment through communications, engagement and science-based policy and regulatory solutions. We've recently established the position of Chief Scientific Officer to amplify our voice within the scientific and public health communities. Our Chief Scientific Officer will also lead our Regulatory Sciences team, which conducts the science necessary to support and expand our portfolio of non-combustible products.

Research and insights on tobacco consumers allow us to prioritize our greatest new product opportunities. Our regulatory affairs team then applies a rigorous framework to evaluate potentially reduced-harm tobacco products that considers several factors, including:

- a complete characterization of the product;
- reduced exposure and health risk for the individual; and
- an assessment of the risks and benefits to the population as a whole.

We continue to believe that no single product will satisfy all tobacco consumers. We're investing to build unique intellectual property and differentiated products across non-combustible categories.

Let's now turn to our commercialization efforts for the compelling products we have today in oral and heated tobacco.

In oral tobacco, we have an unmatched portfolio of moist smokeless tobacco (MST) and oral nicotine pouch products. *Copenhagen* remains the leading MST brand and *on!* is making excellent progress in the rapidly growing oral nicotine pouch category.

on! is now available in over 78,000 stores, which covers approximately two-thirds of total U.S. oral tobacco volume. By mid-year 2021, Helix expects unconstrained manufacturing capacity for the U.S. market and plans to have *on!* available in stores covering 90% of oral tobacco volume and 80% of cigarette volume.

Shipment volume for *on!* has steadily grown to keep pace with increased consumer demand and store expansion. *on!* achieved significant growth in the second half of the year and a retail share of 2.4% of the oral tobacco category for full-year 2020 based on stores selling and providing point-of-sale data.

There are now approximately one million oral nicotine pouch consumers. Our data shows that *on!* continues to primarily source from smokers and dippers. And with enhanced distribution and in-store visibility, competitive oral nicotine pouch consumers are showing increasing interest in *on!*. We believe its unique packaging further differentiates *on!* from MST and competitive oral nicotine pouch products and has broader tobacco consumer appeal. Female smokers have been more engaged with oral nicotine pouches than with MST, making up approximately 25% of oral nicotine pouch consumers as opposed to 5%, respectively.

We remain excited about the opportunity to continue to grow *on!* and its compelling product proposition. Let's turn now to heated tobacco, where PM USA made significant progress in 2020. Working with our sales force, PM USA:

- launched *IQOS* and *Marlboro HeatSticks* in Charlotte;
- introduced devices in select Charlotte convenience stores;
- developed creative digital tools to enhance consumer engagement; and
- communicated with smokers using the U.S. Food and Drug Administration (FDA) authorized reduced exposure claim about the benefits of switching completely from cigarettes.

HeatSticks grew across all markets in 2020. Following pandemic related closures, growth trends resumed mid-year as boutiques re-opened and *IQOS* was launched in Charlotte. In stores with distribution, *HeatSticks* achieved a nine-tenths share of the cigarette category in both the Atlanta and Charlotte markets in December. This share performance is encouraging given strong cigarette volumes in these areas through 2020. We've seen consistent appeal of the *IQOS* proposition from competitive smokers. In fact, our experience to date indicates that nearly 40% of *IQOS* purchases are sourcing from competitive smokers. PM USA is evolving its plans based on learnings from the lead markets. Thus far, we have learned:

- Many smokers aren't aware of the full range of benefits of switching to the product from cigarettes;
- Smokers appreciate flexible engagement options; and
- Some smokers are hesitant to purchase the product based on the initial purchase cost.

Let's walk through these in turn and the actions PM USA is taking to address them.

First, while many smokers are aware of the social benefits of *IQOS* and *HeatSticks*, such as no ash and less odor, consumers have low awareness of reduced exposure to harmful or potentially harmful chemicals when smokers completely switch from cigarettes. Last July, FDA authorized the communication of a reduced exposure claim with the *IQOS* 2.4 system and PM USA quickly began to communicate the claim through its digital engagement platforms, direct mail, at boutiques and mobile retail. We believe smokers' understanding of the harm-reduction benefits of non-combustible products relative to cigarettes will be an important factor in their decision to switch. Based on our research, approximately 40% of smokers would be interested in switching to a product based on an authorized reduced exposure claim. And PM USA plans to continue to strongly and responsibly reinforce this important message with smokers.

Second, providing flexible options for smokers to engage with the product has been especially critical during the pandemic. Prior to boutiques closing in March 2020, more than half of device purchases were made from a boutique. As stores reopened in June, device purchases shifted primarily to mobile retail, accounting for nearly two-thirds of device purchases through the end of the year. These options allow smokers to engage with our team in convenient and socially distant settings. Further, PM USA developed online guided tutorials and mobile video chat capabilities to support age-verified smokers in their *IQOS* journeys.

And last, to address the initial purchase price concerns and encourage product trial, PM USA introduced more device purchasing bundles. In Charlotte, a five-pack option and new deluxe bundle provided choices for smokers to customize the package that best met their needs. PM USA also established a lending program for consumers to try the *IQOS* device for two weeks at a low introductory cost. Purchases from these new bundle options and the lending program accounted for over 60% of Charlotte device sales in 2020 and the lending program has an impressive trial to purchase rate of 88%. Compared to the first several months of the Atlanta launch, the different marketing approaches in Charlotte resulted in nearly 3 times the number of devices sold as a percentage of the smoker population.

PM USA is expanding the availability of *IQOS* and *Marlboro HeatSticks*. And continues to maximize the product's organic growth potential by focusing first on densely populated metro areas, and then expanding outwards as the user base grows. Beginning in April, PM USA plans to expand *HeatSticks* and devices statewide within Georgia, Virginia, North Carolina and South Carolina. PM USA also plans to expand to the next metro market in Northern Virginia in the second quarter and open a boutique in Tysons Corner. This new market represents one of the highest populated-metro areas in the U.S. Finally, PM USA plans to expand to three additional metro markets in the second half of 2021 and expects *HeatSticks* to be available in geographies covering approximately 25% of U.S. cigarette volume by year end. PM USA intends to maximize its first mover advantage while responsibly positioning the U.S. heated tobacco category for long-term growth and profitability.

We're taking wide-ranging steps to lay the groundwork for Altria to move beyond smoking and make significant progress toward our Vision. We're re-aligning our organization, expanding the availability and awareness of our portfolio of non-combustible products and investing in non-combustible product research and development.

I'll now turn it over to Sal Mancuso, our Executive Vice President and Chief Financial Officer to provide an update on our financial performance and capital allocation.

Remarks by Sal Mancuso

Thanks Billy. While many investors have focused on cigarette volume trends, we believe it's important to step back and look at how the total tobacco space has evolved. When we equalize volumes across categories, total domestic tobacco industry volumes declined 1% over the past five years on a compounded annual basis. With cigarette volume declining over time, non-combustible categories such as oral tobacco and e-vapor have become a larger portion of tobacco volumes, standing at approximately 22% in 2020.

Last year marked a pause from historical trends as factors such as fiscal stimulus and stay at home practices significantly altered tobacco consumer behaviors.

The smokeable products segment continues to be the engine that powers our Vision, generating significant cash that can be invested in non-combustible products and returned to shareholders. Our smokeable products strategy is to maximize the profitability of our combustible products while appropriately balancing investments in *Marlboro* with funding growth of our non-combustible portfolio.

The segment has delivered strong performance over a period of various cigarette industry volume decline rates, excise tax increases and smoker movement to other tobacco categories. In fact, over the last five years, our smokeable segment grew adjusted operating companies income (OCI) from \$7.7 billion to \$10.1 billion, representing a growth of 5.5% on a compounded annual basis.

Marlboro continues to be the leading cigarette brand and its relevance with smokers is supported by its leading consumer engagement platform across traditional and digital channels.

In non-combustibles, the strategy of the oral tobacco products segment is to maximize profitability over time in traditional MST through the strength of *Copenhagen* and to responsibly and rapidly grow *on!* oral nicotine pouches. Since 2015, the segment grew adjusted OCI 9.0% on a compounded annual basis, expanded adjusted OCI margins by 7.6 percentage points to over 71% and maintained *Copenhagen* as the leading oral tobacco brand.

In alcohol, our assets have served us well over-time and provide us with diverse income streams. In beer, the company's original investment of \$230 million in SABMiller plc in 1970 has now grown to an investment in ABI, the largest global beer company, with a carrying value of \$16.7 billion. As you may know, most of our ABI shares are currently restricted with the lock-up expiring in October of this year. We recognize the importance of any future decisions related to our ABI stake and we are conducting a thorough analysis to determine the best path forward for this investment.

Turning to cannabis, we believe a federally legalized U.S. market presents a significant opportunity for adjacent, long-term growth. The trend behind state legalization of cannabis continues to grow with medical use currently legalized in 36 states and recreational adult-use legalized in 15 states. Further, cannabis legalization has strong support among the American public with 68% of Americans supporting full federal legalization.

In support of our investment in Cronos and as part of our investment governance, Altria is committed to working with policymakers and stakeholders to create a responsible and regulated legalized market in the U.S. We support a comprehensive, federal regulatory framework that advances science, creates quality

and safety standards, prevents underage use and importantly, takes significant steps to address the historical impact of cannabis criminalization on communities of color. We believe that by working with policymakers and stakeholders who share this view, Altria can contribute in a meaningful way to advance efforts toward a legalized federal marketplace, and we're excited about the U.S. opportunity for our investment in Cronos.

Turning to capital allocation, we remain focused on returning cash to shareholders and maintaining a strong balance sheet. Over the past five years, we've returned more than \$33 billion in cash to shareholders through dividends and share repurchases. And we continue to maintain a long-term target dividend payout ratio of approximately 80% of adjusted diluted earnings per share. Last month, our Board of Directors authorized a new \$2 billion share repurchase program that we expect to complete by June 30, 2022.

Our balance sheet is strong, and we're committed to maintaining an investment grade credit rating and improving our credit metrics over time. As previously shared, we are executing a debt management transaction to take advantage of favorable market conditions to adjust our debt maturity profile and extend the weighted average maturity of our debt.

Finally, on guidance, we reaffirm our 2021 adjusted diluted earnings per share (EPS) guidance of \$4.49 to \$4.62. This range represents a growth rate of 3% to 6% from a 2020 adjusted diluted EPS base of \$4.36.

I will now turn it back to Billy for closing remarks.

Remarks by Billy Gifford

Thanks Sal. Our journey as a responsible industry leader continues. We're building a best-in-class tobacco consumer insights system with deeper and more actionable insights. We have an unmatched

portfolio of non-combustible products in the U.S. market today that we're rapidly expanding. And we're investing in the science and technology to support the next generation of non-combustible products to meet consumer needs.

Our tobacco businesses have delivered strong performance over time and generate a significant amount of cash to invest in support of our Vision and return to shareholders. And we believe we can continue to deliver significant value for our shareholders while moving beyond smoking.

Thank you for your interest in Altria.

Altria's Profile

Altria has a leading portfolio of tobacco products for U.S. tobacco consumers 21+. Altria's Vision through 2030 is to responsibly lead the transition of adult smokers to a non-combustible future. Altria is *Moving Beyond Smoking*™, leading the way in moving adult smokers away from cigarettes by taking action to transition millions to potentially less harmful choices - believing it is a substantial opportunity for adult tobacco consumers, Altria's businesses and society.

Altria's wholly owned subsidiaries include the most profitable tobacco companies in their categories: Philip Morris USA Inc. (PM USA), U.S. Smokeless Tobacco Company LLC (USSTC) and John Middleton Co. (Middleton). Altria's non-combustible portfolio includes majority ownership of Helix Innovations LLC (Helix), the maker of *on!* oral nicotine pouches, exclusive U.S. commercialization rights to the *IQOS Tobacco Heating System*® and *Marlboro HeatSticks*®, and an equity investment in JUUL Labs, Inc. (JUUL).

Altria complements its tobacco portfolio with ownership of Ste. Michelle Wine Estates (Ste. Michelle) and equity investments in Anheuser-Busch InBev SA/NV (ABI), the world's largest brewer, and Cronos Group Inc. (Cronos), a leading Canadian cannabinoid company.

The brand portfolios of Altria's tobacco operating companies include *Marlboro*®, *Black & Mild*®, *Copenhagen*®, *Skool*® and *on!*®. Ste. Michelle produces and markets premium wines sold under various labels, including *Chateau Ste. Michelle*®, *14 Hands*® and *Stag's Leap Wine Cellars*™, and it imports and markets *Antinori*® and *Champagne Nicolas Feuillatte*™ products in the United States. Trademarks and service marks related to Altria referenced in this release are the property of Altria or its subsidiaries or are used with permission.

Learn more about Altria at www.altria.com and follow us on Twitter, Facebook and LinkedIn.

Forward-Looking and Cautionary Statements

This presentation contains projections of future results and other forward-looking statements that involve a number of risks and uncertainties and are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995.

Important factors that may cause actual results and outcomes to differ materially from those contained in the projections and forward-looking statements included in this release are described in Altria's publicly filed reports, including its Annual Report on Form 10-K for the year ended December 31, 2019 and its Quarterly Reports on Form 10-Q for the periods ended March 31, 2020, June 30, 2020 and September 30, 2020. These factors include the following:

- unfavorable litigation outcomes, including risks associated with adverse jury and judicial determinations, courts and arbitrators reaching conclusions at variance with our, our subsidiaries' or our investees' understanding of applicable law, bonding requirements in the jurisdictions that do not limit the dollar amount of appeal bonds, and certain challenges to bond cap statutes;
- government (including FDA) and private sector actions that impact adult tobacco consumer acceptability of, or access to, tobacco products;
- tobacco product taxation, including lower tobacco product consumption levels and potential shifts in adult consumer purchases as a result of federal, state and local excise tax increases;
- unfavorable outcomes of any government investigations of Altria, our subsidiaries or investees;
- a successful challenge to our tax positions;
- the risks related to our and our investees' international business operations, including failure to prevent violations of various U.S. and foreign laws and regulations such as laws prohibiting bribery and corruption;
- the risks associated with health epidemics and pandemics, including the COVID-19 pandemic and similar outbreaks, such as their impact on our financial performance and financial condition and on our subsidiaries' and investees' ability to continue manufacturing and distributing products, and the impact of health epidemics and pandemics on general economic conditions (including any resulting recession or other economic crisis) and, in turn, adult consumer purchasing behavior, which may be further impacted by any changes in government stimulus or unemployment payments;
- the failure of our tobacco and wine subsidiaries and our investees to compete effectively in their respective markets;
- the growth of the e-vapor category and other innovative tobacco products contributing to reductions in cigarette and MST consumption levels and sales volume;

- our tobacco and wine subsidiaries' and our investees' continued ability to promote brand equity successfully; to anticipate and respond to evolving adult consumer preferences; to develop, manufacture, market and distribute products that appeal to adult consumers (including, where appropriate, through arrangements with, and investments in third parties); to improve productivity; and to protect or enhance margins through cost savings and price increases;
- changes, including in economic conditions (due to the COVID-19 pandemic or otherwise), that result in adult consumers choosing lower-priced brands, including discount brands;
- the unsuccessful commercialization of adjacent products or processes by our tobacco subsidiaries and investees, including innovative tobacco products that may reduce the health risks associated with cigarettes and other traditional tobacco products, and that appeal to adult tobacco consumers;
- significant changes in price, availability or quality of tobacco, other raw materials or component parts, including as a result of the COVID-19 pandemic;
- the risks related to the reliance by our tobacco and wine subsidiaries on a few significant facilities and a small number of key suppliers and distributors, and the risk of an extended disruption at a facility of, or of service by, a supplier or distributor of our tobacco or wine subsidiaries or investees, including as a result of the COVID-19 pandemic;
- required or voluntary product recalls as a result of various circumstances such as product contamination or FDA or other regulatory action;
- the failure of our information systems or service providers' information systems to function as intended, or cyber-attacks or security breaches;
- our inability to attract and retain the best talent due to the impact of decreasing social acceptance of tobacco usage and tobacco control actions;
- the adverse effect of acquisitions, investments, dispositions or other events on our credit rating;
- our inability to acquire attractive businesses or make attractive investments on favorable terms, or at all, or to realize the anticipated benefits from an acquisition or investment and our inability to dispose of businesses or investments on favorable terms or at all;
- the risks related to disruption and uncertainty in the credit and capital markets, including risk of access to these markets both generally and at current prevailing rates, which may adversely affect our earnings or dividend rate or both;
- impairment losses as a result of the write down of intangible assets, including goodwill;
- the risks related to Ste. Michelle's wine business, including competition, unfavorable changes in grape supply, and changes in adult consumer preferences that have resulted and may continue to result in increased inventory levels and inventory write offs, and governmental regulations;

- the risk that any 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;
- the risks generally related to our investments in JUUL and Cronos, including our inability to realize the expected benefits of our investments in the expected time frames, or at all, due to the risks encountered by our investees in their businesses, such as operational, compliance and regulatory risks at the international, federal, state and local levels, including actions by the FDA, and adverse publicity; potential disruptions to our investees' management or current or future plans and operations; domestic or international litigation developments, government investigations, tax disputes or otherwise; and impairment of our investment in Cronos and changes in the fair value of our investment in JUUL;
- the risks related to our inability to acquire a controlling interest in JUUL as a result of standstill restrictions or to control the material decisions of JUUL, restrictions on our ability to sell or otherwise transfer our shares of JUUL until December 20, 2024, and non-competition restrictions for the same time period subject to certain exceptions;
- the adverse effects of risks encountered by ABI in its business, including effects of the COVID-19 pandemic, foreign currency exchange rates and the impact of movements in ABI's stock price on our equity investment in ABI, including on our reported earnings from and carrying value of our investment in ABI, which could result in impairment of our investment, and the dividends paid by ABI on the shares we own;
- the risks related to our inability to transfer our equity securities in ABI until October 10, 2021, and, if our ownership percentage decreases below certain levels, the adverse effects of additional tax liabilities, a reduction in the number of directors that we have the right to have appointed to the ABI board of directors, and our potential inability to use the equity method of accounting for our investment in ABI;
- the risk of challenges to the tax treatment of the consideration we received in the ABI/SABMiller business combination and the tax treatment of our equity investment; and
- the risks, including criminal, civil or tax liability for Altria, related to Altria's or Cronos's failure to comply with applicable laws, including cannabis laws.

Altria cautions that the foregoing list of important factors is not complete and does not undertake to update any forward-looking statements that it may make except as required by applicable law. All subsequent written and oral forward-looking statements attributable to Altria or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements referenced above.

Source: Altria Group, Inc.

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Non-GAAP Financial Measures

While Altria reports its financial results in accordance with U.S. generally accepted accounting principles (GAAP), Altria's management also reviews certain financial results, including operating companies income (OCI) (which is defined as operating income before general corporate expenses and amortization of intangibles), OCI margins and diluted EPS, 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, loss on early extinguishment of debt, restructuring charges, asset impairment charges, acquisition-related costs, charges associated with tobacco and health litigation items, COVID-19 special items, resolutions of certain non-participating manufacturer (NPM) adjustment disputes under the Master Settlement Agreement (such dispute resolutions are referred to as NPM Adjustment Items), equity investment-related special items (including changes in fair value of the equity investment and related warrants and preemptive rights) and certain tax 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 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 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's full-year adjusted diluted EPS guidance excludes the impact of certain income and expense items, including those items noted above. Altria's management cannot estimate on a forward-looking basis the impact of these items on its reported diluted EPS because these items, which could be significant, may be unusual or infrequent, are difficult to predict and may be highly variable. As a result, Altria does not provide a corresponding GAAP measure for, or reconciliation to, its adjusted diluted EPS guidance.

Notwithstanding the foregoing, Altria expects to record estimated per share charges in the first quarter of 2021 of \$0.27 for loss on early extinguishment of debt for the February 2021 tender offers and redemption

related to certain of its long-term senior unsecured notes. These charges are excluded from Altria's full-year adjusted diluted EPS guidance for 2021.

Altria and Consolidated Subsidiaries, Selected Financial Data for Smokeable Products						
(\$ in millions)						
	Full-Year Ended,					
	2020	2019	2018	2017	2016	2015
Reported OCI	\$ 9,985	\$ 9,009	\$ 8,408	\$ 8,426	\$ 7,766	\$ 7,690
NPM Adjustment Items	4	—	(145)	(5)	12	(97)
COVID-19 special items	41	—	—	—	—	—
Asset impairment, exit, implementation and acquisition-related costs	2	92	83	28	110	—
Tobacco and health litigation items	79	72	103	72	88	127
Adjusted OCI	\$ 10,111	\$ 9,173	\$ 8,449	\$ 8,521	\$ 7,976	\$ 7,720
Adjusted OCI CAGR 2015 - 2020	5.5 %					

Altria and Consolidated Subsidiaries, Selected Financial Data for Oral Tobacco Products						
(\$ in millions)						
	Full-Year Ended,					
	2020	2019	2018	2017	2016	2015
Reported OCI	\$ 1,718	\$ 1,580	\$ 1,431	\$ 1,306	\$ 1,172	\$ 1,116
COVID-19 special items	9	—	—	—	—	—
Asset impairment, exit, implementation and acquisition-related costs	(3)	26	23	56	53	4
Tobacco and health litigation items	—	—	10	—	—	—
Adjusted OCI	\$ 1,724	\$ 1,606	\$ 1,464	\$ 1,362	\$ 1,225	\$ 1,120
Adjusted OCI CAGR 2015 - 2020	9.0 %					

Altria Group, Inc. and Consolidated Subsidiaries, Selected Financial Data for Smokeable Products
(\$ in millions)

	Full Year Ended December 31,		
	2020	2015	Change
Net revenues	\$ 23,089	\$ 22,792	
Excise taxes	(5,162)	(6,423)	
Revenues net of excise taxes	17,927	16,369	
Reported OCI	\$ 9,985	\$ 7,690	
NPM Adjustment Items	4	(97)	
COVID-19 special items	41	—	
Asset impairment, exit and implementation costs	2	—	
Tobacco and health litigation items	79	127	
Adjusted OCI	10,111	7,720	
Adjusted OCI margins ¹	56.4 %	47.2 %	9.2 %

¹ Adjusted OCI margins are calculated as adjusted OCI divided by revenues net of excise taxes.

Altria Group, Inc. and Consolidated Subsidiaries, Selected Financial Data for Oral Tobacco Products
(\$ in millions)

	Full Year Ended December 31,		
	2020	2015	Change
Net revenues	\$ 2,533	\$ 1,879	
Excise taxes	(130)	(133)	
Revenues net of excise taxes	\$ 2,403	\$ 1,746	
Reported OCI	\$ 1,718	\$ 1,116	
Asset impairment, exit, implementation and acquisition-related costs	(3)	4	
COVID-19 special items	9	—	
Adjusted OCI	\$ 1,724	\$ 1,120	
Adjusted OCI margins ¹	71.7 %	64.1 %	7.6 %

¹ Adjusted OCI margins are calculated as adjusted OCI divided by revenues net of excise taxes

Altria Group, Inc. and Consolidated Subsidiaries, Full-Year Adjusted Earnings Per Share Results
(\$ in millions, except per share data)

	Earnings (Losses) before Income Taxes	Provision for Income Taxes	Net Earnings (Losses)	Net Earnings (Losses) Attributable to Altria	Diluted EPS
2020 Reported	\$ 6,890	\$ 2,436	\$ 4,454	\$ 4,467	\$ 2.40
NPM Adjustment Items	4	1	3	3	—
ABI-related special items	763	160	603	603	0.32
Asset impairment, exit, implementation and acquisition-related costs	431	89	342	342	0.18
Tobacco and health litigation items	83	21	62	62	0.03
JUUL changes in fair value	(100)	—	(100)	(100)	(0.05)
Impairment of JUUL equity securities	2,600	—	2,600	2,600	1.40
Cronos-related special items	51	(2)	53	53	0.03
COVID-19 special items	50	13	37	37	0.02
Tax items	—	(50)	50	50	0.03
2020 Adjusted for Special Items	\$ 10,772	\$ 2,668	\$ 8,104	\$ 8,117	\$ 4.36

Source: Altria Group, Inc.