

Reconciliations of the non-GAAP financial measures presented in the remarks by Howard A. Willard III, Altria Group, Inc.'s (Altria) Chairman and Chief Executive Officer, at Altria's 2019 Annual Meeting of Shareholders and the 2018 Investor Highlights factsheet.

Non-GAAP Financial Measures

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 and diluted earnings per share (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, restructuring charges, asset impairment charges, acquisition-related costs, gain/loss on Anheuser-Busch InBev SA/NV (AB InBev)/SABMiller plc (SABMiller) business combination, AB InBev special items, gain/loss on Cronos-related financial instruments, certain tax items, 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 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'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 Altria's reported diluted EPS because these items, which could be significant, may be 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, in addition to the 2019 first quarter special items shown in the table on page 4, Altria expects to record \$0.03 per share of tax expense in 2019 resulting from the Tax Cuts and Jobs Act related to a tax basis adjustment to Altria's investment in AB InBev and \$0.02 per share of expense associated with the cost reduction program announced in December 2018. These special items are excluded from Altria's full-year adjusted diluted EPS guidance for 2019.

Altria and Consolidated Subsidiaries, Selected Financial Data for Smokeable Products

(\$ in millions)

	Full Year Ended December 31,	
	2018	
Reported OCI	\$	8,408
NPM Adjustment Items		(145)
Asset impairment, exit and implementation costs		83
Tobacco and health litigation items		103
Adjusted OCI	\$	8,449

Altria and Consolidated Subsidiaries, Selected Financial Data for Smokeless Products

(\$ in millions)

	Full Year Ended December 31,			
	2018		2017	
Reported OCI	\$	1,431	\$	1,306
Asset impairment, exit and implementation costs		23		56
Tobacco and health litigation items		10		—
Adjusted OCI	\$	1,464	\$	1,362

Adjusted OCI change 2018 vs. 2017	7.5%
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Altria and Consolidated Subsidiaries, Adjusted EPS Results

(\$ in millions, except per share data)

	Earnings before Income Taxes	Provision (Benefit) for Income Taxes	Net Earnings	Net Earnings Attributable to Altria	Diluted EPS
For the year ended December 31, 2018					
2018 Reported	\$ 9,341	\$ 2,374	\$ 6,967	\$ 6,963	\$ 3.68
NPM Adjustment Items	(145)	(36)	(109)	(109)	(0.06)
Tobacco and health litigation items	131	33	98	98	0.05
AB InBev special items	(85)	(17)	(68)	(68)	(0.03)
Asset impairment, exit, implementation and acquisition-related costs	538	106	432	432	0.23
Loss on AB InBev/SABMiller business combination	33	7	26	26	0.01
Tax items	—	(197)	197	197	0.11
2018 Adjusted for Special Items	\$ 9,813	\$ 2,270	\$ 7,543	\$ 7,539	\$ 3.99
For the year ended December 31, 2017					
2017 Reported	\$ 9,828	\$ (399)	\$ 10,227	\$ 10,222	\$ 5.31
NPM Adjustment Items	4	2	2	2	—
Tobacco and health litigation items	80	30	50	50	0.03
AB InBev special items	160	55	105	105	0.05
Asset impairment, exit, implementation and acquisition-related costs	89	34	55	55	0.03
Settlement charge for lump sum pension payments	81	32	49	49	0.03
Gain on AB InBev/SABMiller business combination	(445)	(156)	(289)	(289)	(0.15)
Tax items	—	3,674	(3,674)	(3,674)	(1.91)
2017 Adjusted for Special Items	\$ 9,797	\$ 3,272	\$ 6,525	\$ 6,520	\$ 3.39

Adjusted diluted EPS Growth 2018 vs. 2017

17.7%

Altria and Consolidated Subsidiaries, Adjusted EPS Results

(\$ in millions, except per share data)

	Earnings before Income Taxes	Provision for Income Taxes	Net Earnings	Net Earnings Attributable to Altria	Diluted EPS
For the quarter ended March 31, 2019					
2019 Reported	\$ 1,516	\$ 395	\$ 1,121	\$ 1,120	\$ 0.60
AB InBev special items	114	24	90	90	0.05
Asset impairment, exit, implementation and acquisition-related costs	159	34	125	125	0.06
Tobacco and health litigation items	17	4	13	13	0.01
Loss on Cronos-related financial instruments	425	97	328	328	0.17
Tax Items	—	(19)	19	19	0.01
2019 Adjusted for Special Items	\$ 2,231	\$ 535	\$ 1,696	\$ 1,695	\$ 0.90

For the quarter ended March 31, 2018

2018 Reported	\$ 2,466	\$ 571	\$ 1,895	\$ 1,894	\$ 1.00
NPM Adjustment Items	(68)	(17)	(51)	(51)	(0.03)
AB InBev special items	(117)	(25)	(92)	(92)	(0.04)
Asset impairment exit and implementation costs	3	1	2	2	—
Tobacco and health litigation items	28	8	20	20	0.01
Loss on AB InBev/SABMiller business combination	33	7	26	26	0.01
Tax items	—	(1)	1	1	—
2018 Adjusted for Special Items	\$ 2,345	\$ 544	\$ 1,801	\$ 1,800	\$ 0.95

Adjusted diluted EPS percent change Q1 2019 vs. Q1 2018

(5.3)%