

Experience Altria

November 2, 2017





Altria



Safe Harbor Statement

Statements, including earnings guidance, in this presentation that are not reported financial results or other historical information are "forward-looking statements" within the meaning of Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on current plans, estimates and expectations, and are not guarantees of future performance. They are based on management's expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. Altria undertakes no obligation to publicly update or revise any forward-looking statement other than as required by applicable law. The risks and uncertainties relating to the forward-looking statements in this presentation include those described under "Risk Factors" in its Annual Report on Form 10-K for the year ended December 31, 2016 and those described under "Cautionary Factors That May Affect Future Results" in Altria's Quarterly Report on Form 10-Q for the period ended September 30, 2017.

Reconciliations of non-GAAP financial measures included in this presentation to the most comparable GAAP financial measures are available on Altria's website at altria.com.





Combustibles









BOLD FLAVOR







Non-Combustibles

















AGDC's Competitive Advantage

- Broad distribution
- Speed to market
- Cost-effectiveness
- Quality of execution





The Most Profitable U.S. Tobacco Business



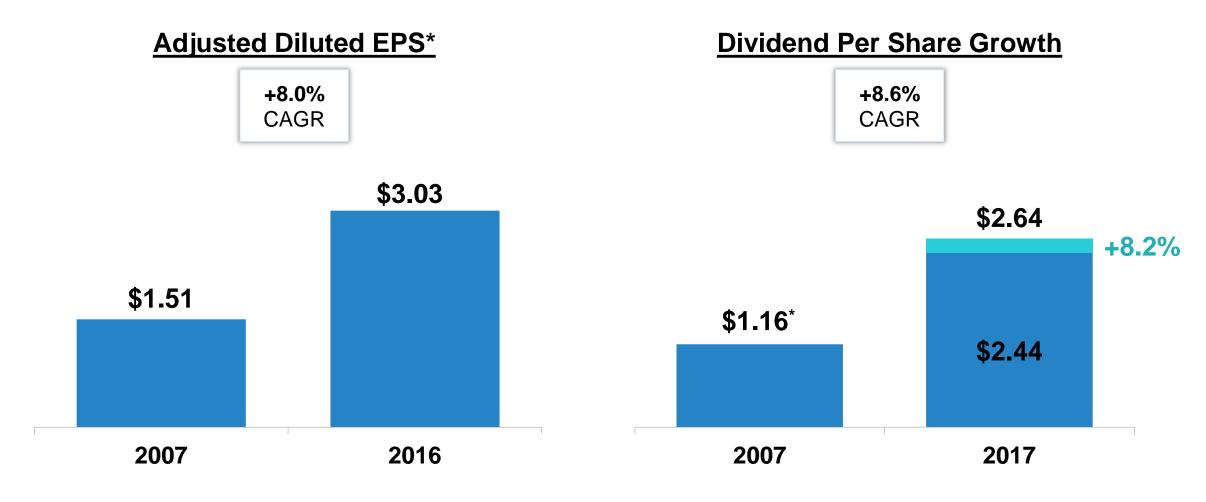


Source: Altria company reports

^{*} For reconciliations of non-GAAP to GAAP measures visit altria.com.



Consistent Financial Performance





Source: Altria company reports

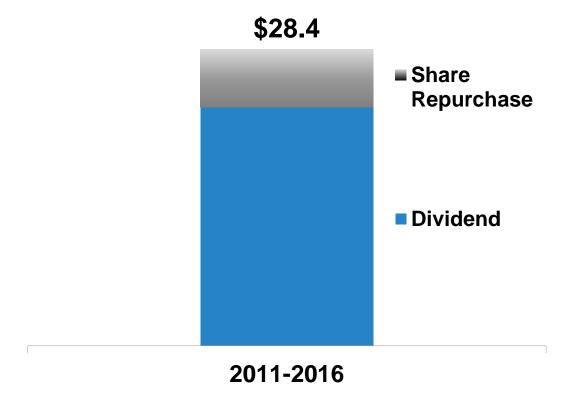
Note: Dividend is based on the current annualized dividend (Last increased August 2017);

* First declared dividend post-spin

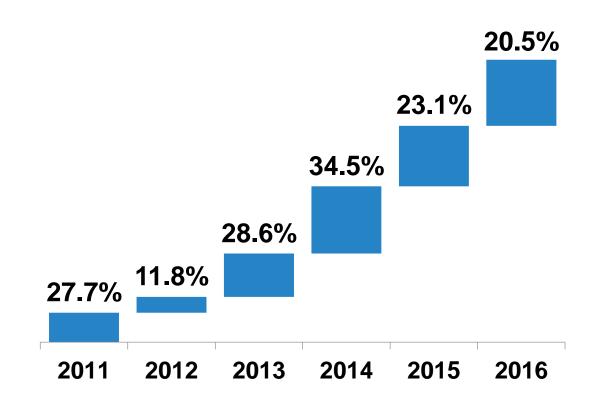
^{*} For reconciliations of non-GAAP to GAAP measures visit altria.com.

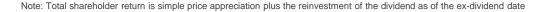
Shareholder Returns

Cash Returns (in Billions)



Total Shareholder Return





Source: Bloomberg, 12/31/2010-12/30/2016



Source: Altria company reports















Tobacco Control Act

Family Smoking Prevention And Tobacco Control Act

UNITED STATES PUBLIC LAWS

111th Congress — 1st Session

(c) 2009, LEXIS-NEXIS, A DIVISION OF REED ELSEVIER INC. AND REED ELSEVIER PROPERTIES INC.

PUBLIC LAW 111-31 [H.R. 1258] JUN. 22, 2009 ACT

111 P.L. 31;123 Stat. 1776; 2009 Enacted H.R. 1256; 111 Enacted H.R. 1256

BILL TRACKING REPORT: 111 Bill Tracking H.R. 1258

FULL TEXT VERSION(S) OF BILL: 111 H.R. 1258

An Act

To protect the public health by providing the Food and Drug Administration with certain authority to regulate tobacco products, to amend title 5, United States Code, to make certain modifications in the Thrift Savings Plan, the Civil Service Retirement System, and the Federal Employees' Retirement System, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled.



DIVISION A-FAMILY SMOKING PREVENTION AND TOBACCO CONTROL ACT [*1] SECTION 1. SHORT TITLE; TABLE OF CONTENTS.











We aspire to be the U.S. leader in authorized, non-combustible, reduced-risk products.



Effective Advocacy

"...we must acknowledge that there's a continuum of risk for nicotine delivery.

That continuum ranges from combustible cigarettes at one end, to medicinal nicotine products at the other."

"...nicotine in cigarettes is not directly responsible for cancer, the lung disease, the heart disease... But it's the other chemical compounds in tobacco and in the smoke created by setting tobacco on fire that directly and primarily cause the illness and death, not the nicotine."

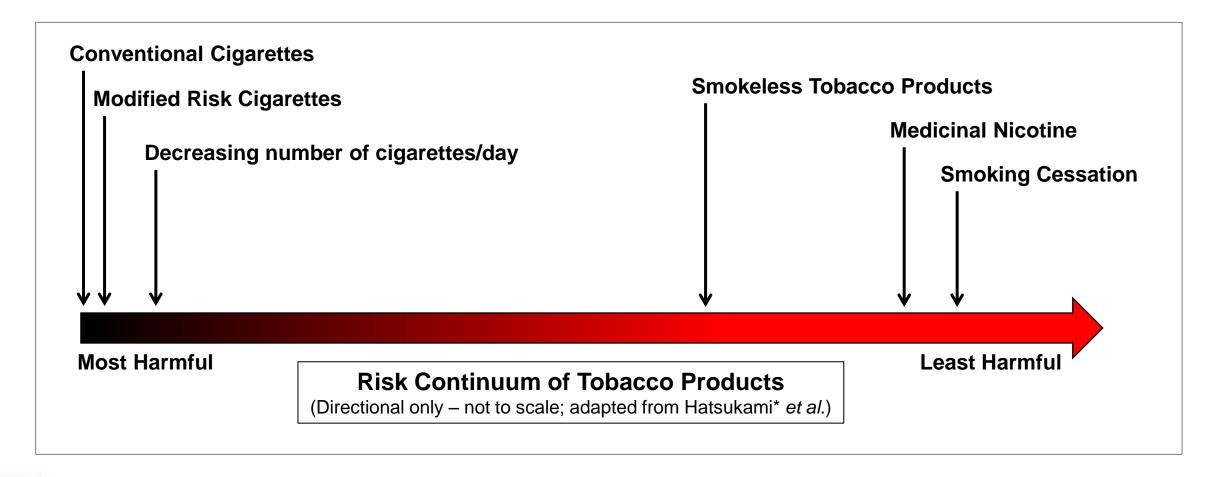
— Scott Gottlieb, July 28, 2017





Continuum of Risk

(submitted to FDA in 2009)





*Developing the science base for reducing tobacco harm. Hatsukami DK, Joseph AM, Lesage M, Jensen J, Murphy SE, Pentel PR, Kotlyar M, Borgida E, Le C, Hecht SS. Nicotine Tob Res. 2007 Nov; 9 Suppl 4:S537-53.

Engagement







October 27, 2017

Where are the Large Domestic and International Tobacco Companies Headed?



June 14, 2017

Science and evidence to demonstrate potential harm reduction: electronic cigarettes



Note: Third party trademarks are the property of their respective owners and are included for informational purposes only.

Highest Potential Product Platforms

Smokeless/Oral Tobacco

E-Vapor

Heated Tobacco









Note: Third party trademarks are the property of their respective owners and are included for informational purposes only.





Oral Tobacco & Nicotine Products





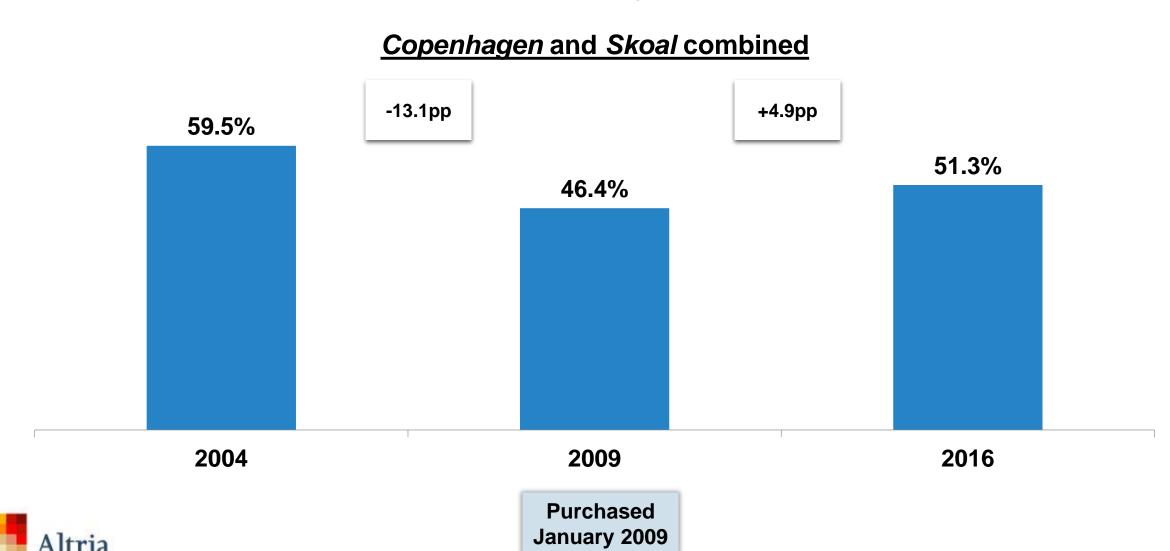


VERVE® Chews





Smokeless Retail Share History



Source: CMI



E-vapor and Harm Reduction

- Royal College of Physicians:
 - Encouraging UK smokers to migrate to e-vapor
 - Estimates that e-vapor is ~95% less harmful





Note: Third party trademarks are the property of their respective owners and are included for informational purposes only.

Plan to file PMTAs in 2018 with MRTPAs to follow







Unleash Our Potential





Our Financial Engine

- Average annual free cash flow of over \$4.5 billion*
- Strong balance sheet









Continued Leadership

 Building a portfolio of leading platforms of non-combustible, nicotine-containing products







Continued Leadership

- Building a portfolio of leading platforms of non-combustible, nicotine-containing products
- Highly capable organization





Continued Leadership

- Building a portfolio of leading platforms of non-combustible, nicotine-containing products
- Highly capable organization
- Extraordinary financial engine





We aspire to be the U.S. leader in authorized, non-combustible, reduced-risk products.





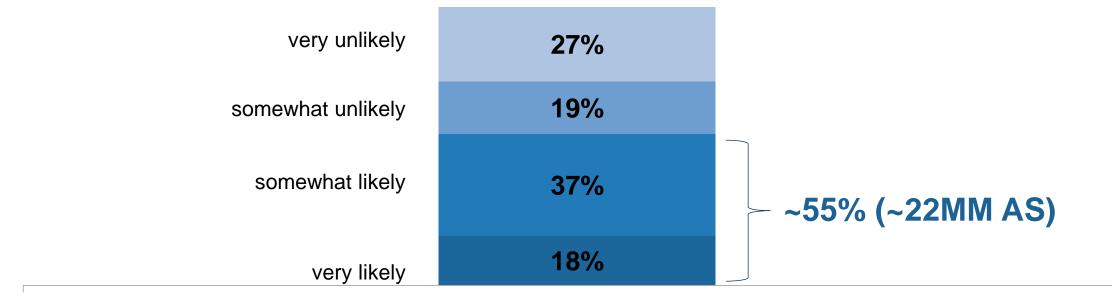
Leading in Harm Reduction



Interest in Reduced-Risk Tobacco Products

(among established smokers)

"If a tobacco product made a claim that it was less harmful to health than other tobacco products, how likely would you be to use that product?" 1



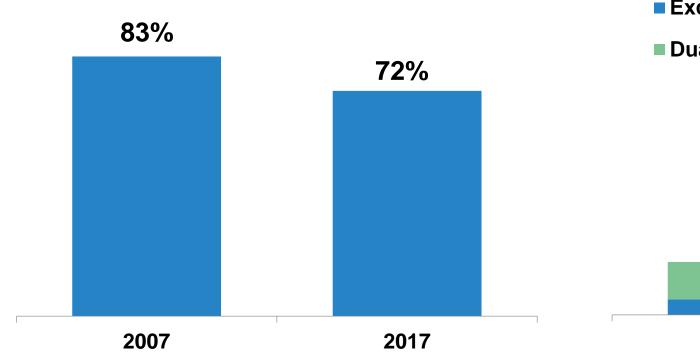


1 Data excerpted from Highlighted Findings From Wave 1 of the Population Assessment of Tobacco and Health (PATH) Study presented at the 2016 annual meeting of the Society for Research on Nicotine and Tobacco

Tobacco Product Usage by Category

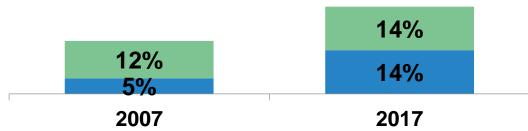
Exclusive Combustible

Exclusive Non-combustible / Dual Usage





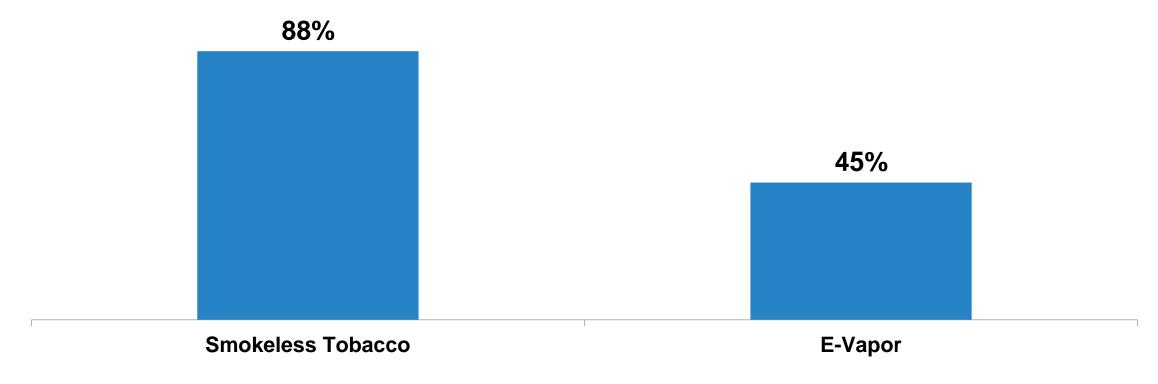
Dual Usage





Misperceptions of Risk

% of adult tobacco consumers* thinking each product is as harmful or more harmful than cigarettes





* Every Day or Some Days Adult Tobacco Users

Source: ALCS analysis of PATH Wave 1 (Sept '13 - Dec '14) Adult Public Use File. In PATH, "Don't Know" is not included in the valid response set.

"We must recognize the potential for innovation to lead to less harmful products, which, under FDA's oversight, could be part of a solution. While there's still much research to be done on these products and the risks that they may pose, they may also present benefits that we must consider."

— Scott Gottlieb, July 28, 2017





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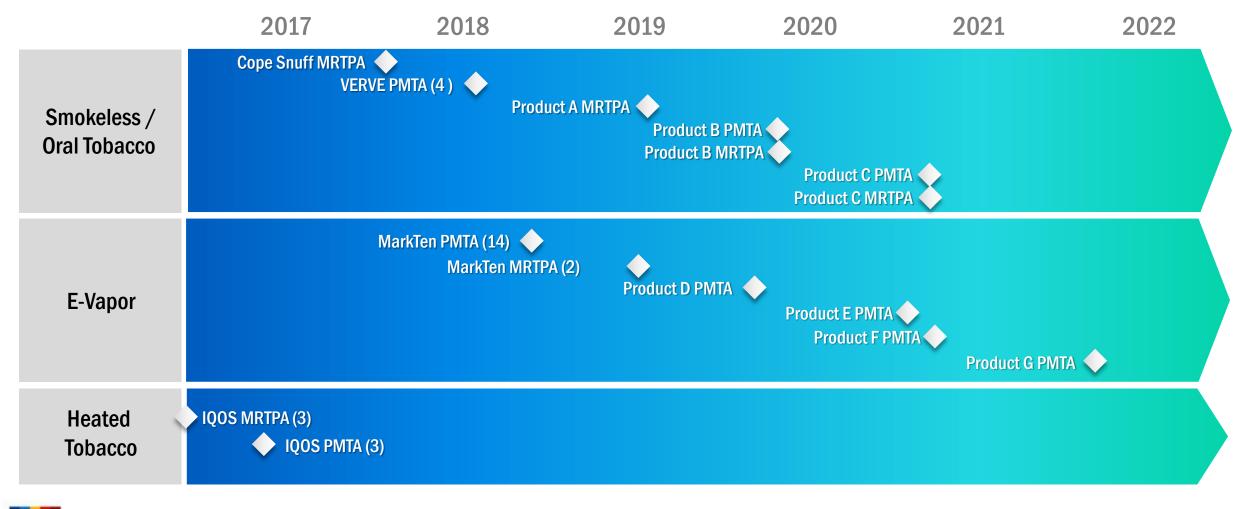


Adult Tobacco Consumer Expectations

- Superior sensory experiences and nicotine satisfaction
- Reduced health risks and accurate risk information
- Ability to avoid social frictions



Planned PMTA/MRTPA Submissions





^{*} FDA applications for IQOS were submitted by Philip Morris International

Harm Reduction Framework

Harm Reduction Population Constituent Reduction Risk Reduction Individual Risks & Perception & Chemical & Studies in **Toxicology Product Design** Benefits to & Risk **Adult Human** Behavior **Physical** & Control Health of the Characterization **Subjects** Assessment Assessment **Population Exposure & Health Risk** Impact on the Population The Product Consumer Perception & Behavior Surveys **Clinical Trials Analytical Tests** ~200k ~1 dozen 14 YTD 2017:







- > 400+ employees
- > 195 PhDs and 75 engineers
- ▶ 16 countries, 32 languages

CRT Research

600+ Patents



200+ Publications



200+ Presentations



















Smokeless Tobacco & Oral Nicotine-Containing Products













USSTC Acquisition Rationale

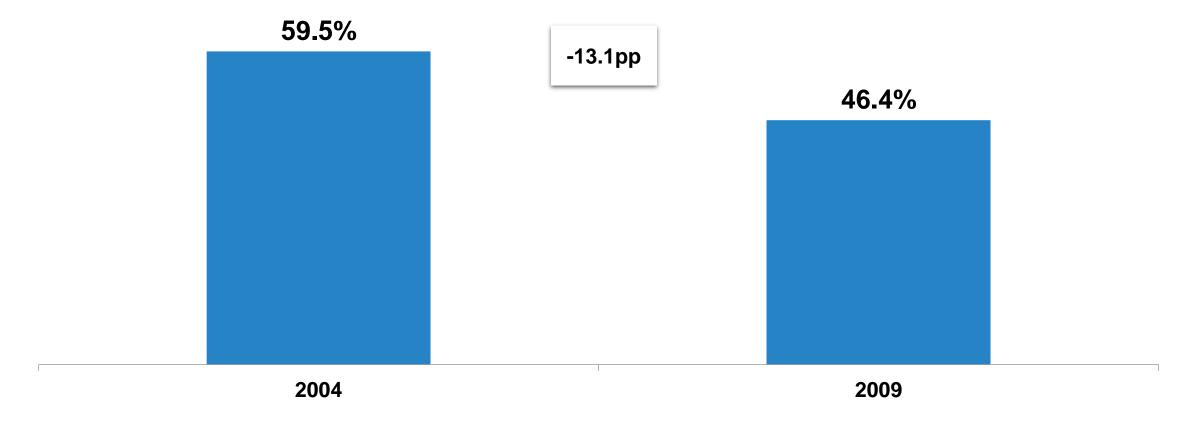
- Growing and highly profitable business
- Adult smokers migrating to smokeless tobacco
- Harm reduction opportunity





Pre-Acquisition Share Decline

Copenhagen and Skoal combined

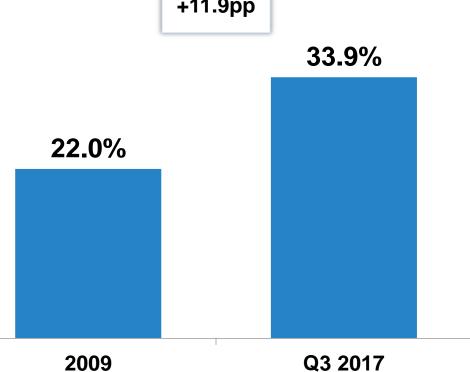




Copenhagen Growth

Retail Share

+11.9pp

















Growth Since USSTC Acquisition





Adjusted OCI* (in Billions) ~95% \$1.2 \$0.6

2016

2009

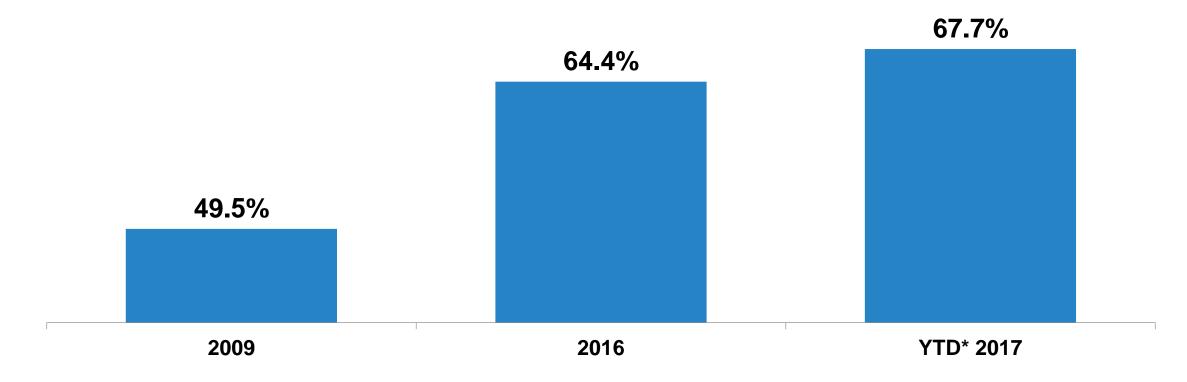


*For reconciliation of non-GAAP to GAAP measures visit altria.com

Source: Altria company reports

Smokeless Segment Margin Growth

Adjusted OCI Margins**





Source: Altria company reports

^{*} YTD through Q3 2017

^{**} For reconciliation of non-GAAP to GAAP measures visit altria.com





USSTC's Goal

Be the leading oral tobacco and oral nicotine products company with products that appeal to a diverse set of adult tobacco consumers and have the potential to reduce harm.







MRTPA Data Sources



National Health Interview Survey (NHIS)

1987 - 2005*



National Longitudinal Mortality Study (NLMS)

1993 - 2005*



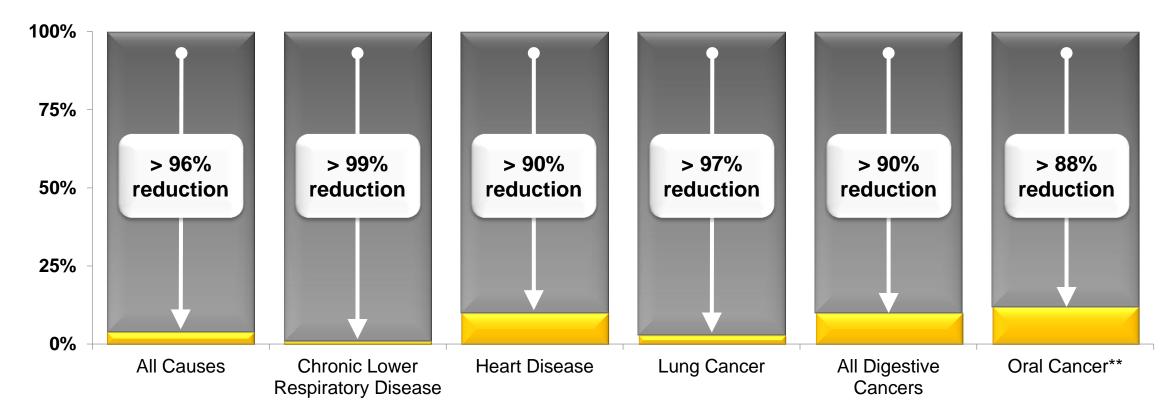
* Intermittent survey years

Note: Third party trademarks are the property of their respective owners and are included for informational purposes only.

For Investor Purposes Only

Smokeless Tobacco Harm Reduction Potential

Mortality Risk vs Cigarette Smoking*





^{*}Values are estimated reduction in mortality hazard risks from exclusive use of smokeless tobacco compared to cigarette smoking obtained from our analysis of the NHIS and NLMS datasets

^{**}Values reported based on literature estimates since the hazard ratios could not be calculated due to few number of deaths from oral cancer reported in the NHIS and NLMS datasets

Copenhagen Snuff MRTPA Rationale

- Extensive epidemiological evidence
- Addresses current misperceptions of risk
- Claim supported by science and understood by adult tobacco consumers
- MRTPA will demonstrate net population benefit

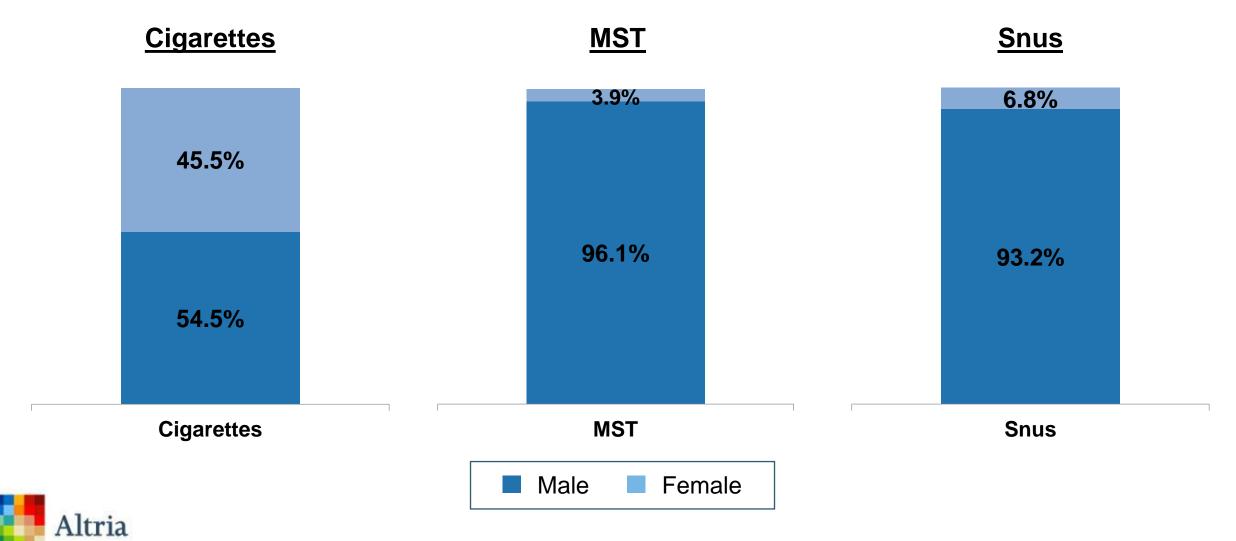








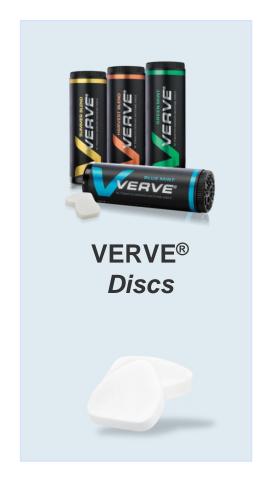
Adult Tobacco Consumer Demographics

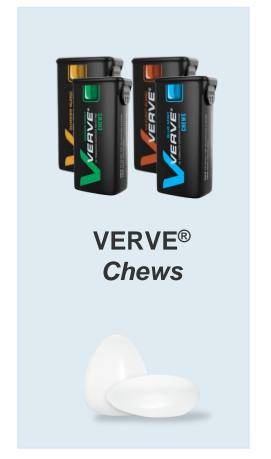


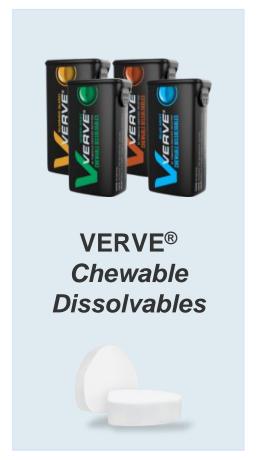
Source: ATCT 12MM as of 5/17 among ATCs21+

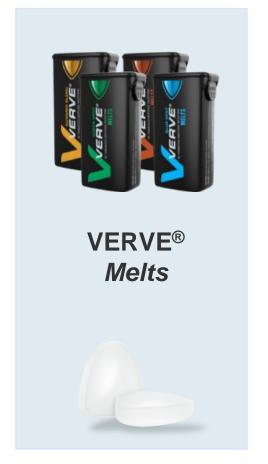


VERVE Portfolio











* Not all products are currently sold.

2018 VERVE Plans



- Expand Distribution of VERVE Discs
 - Retail
 - e-commerce



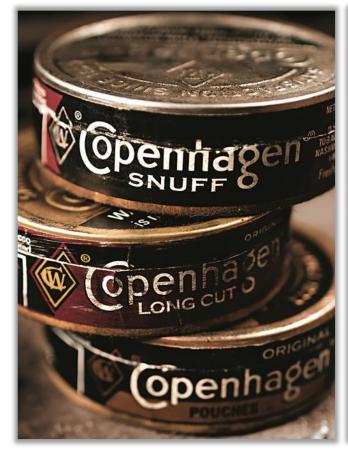
File PMTA



 Product Development: Oral Tobacco & Oral Nicotine Product Portfolio



Note: Third party trademarks are the property of their respective owners and are included for informational purposes only.













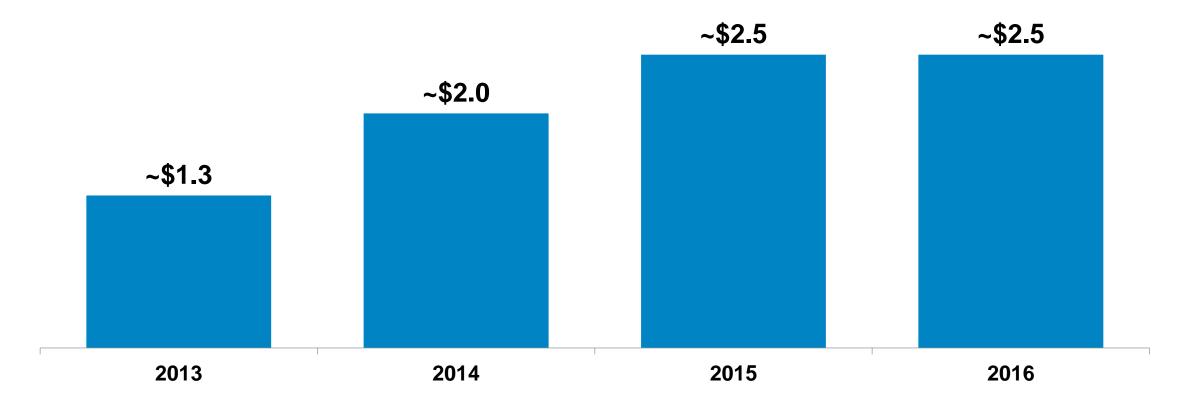
E-Vapor NuMark An Altria Innovation Company





E-Vapor Category Growth

(Estimated U.S. Consumer Sales, \$ in Billions)

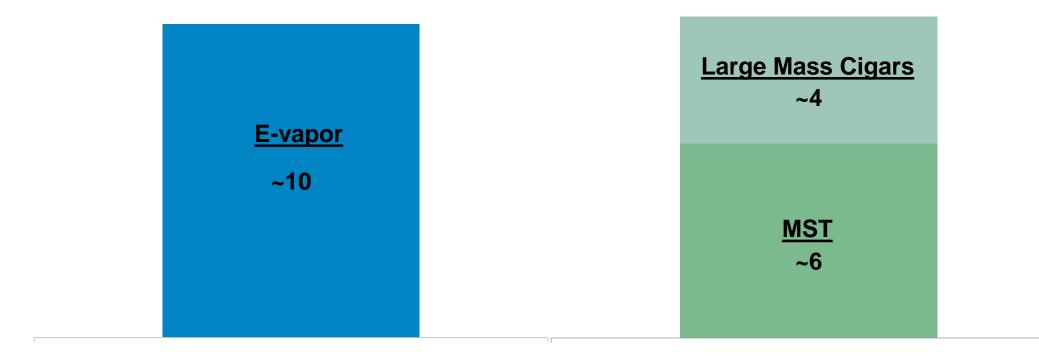




Source: ALCS estimates

Significant Long-Term Opportunity

Adult Past 30-Day Users (in Millions)





Source: ALCS estimates

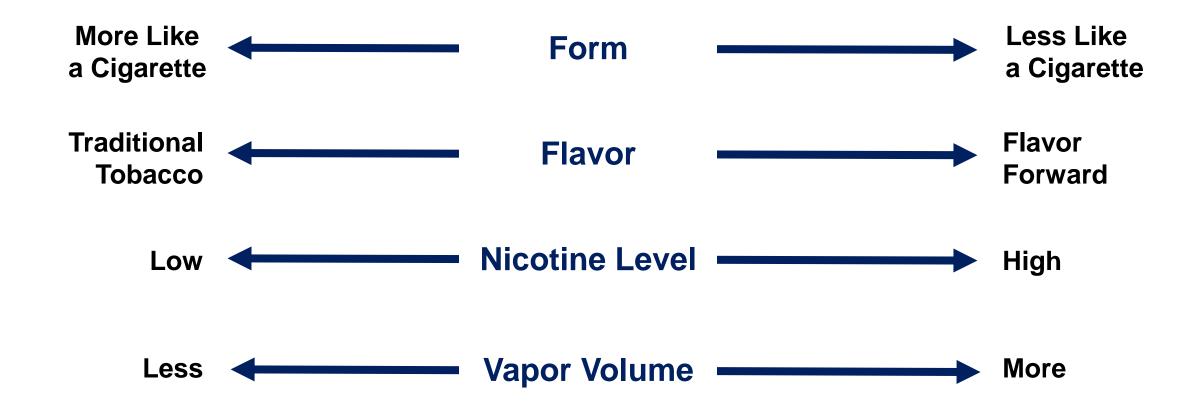
Nu Mark's Goal

Lead the U.S. e-vapor category through a portfolio of superior reduced-risk products that adult smokers and vapers choose over cigarettes.





Range of Adult Smoker & Vaper Preferences





Adult Cig-alike Consumer Expectations

- Experience resembles cigarette smoking
- Flavor and nicotine satisfaction
- No secondhand smoke, smoke odor or ash
- Flavor variety



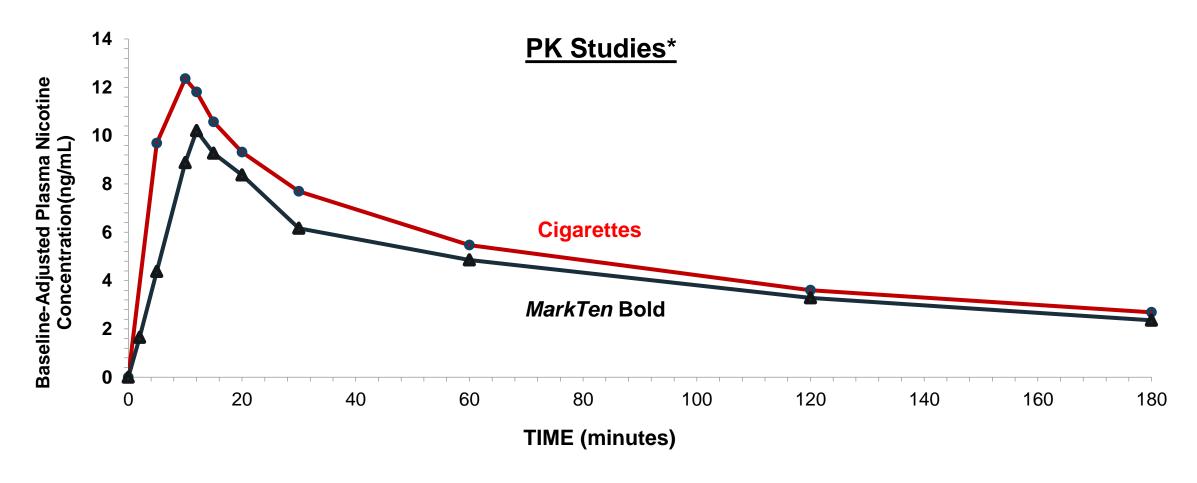








Nicotine Delivery

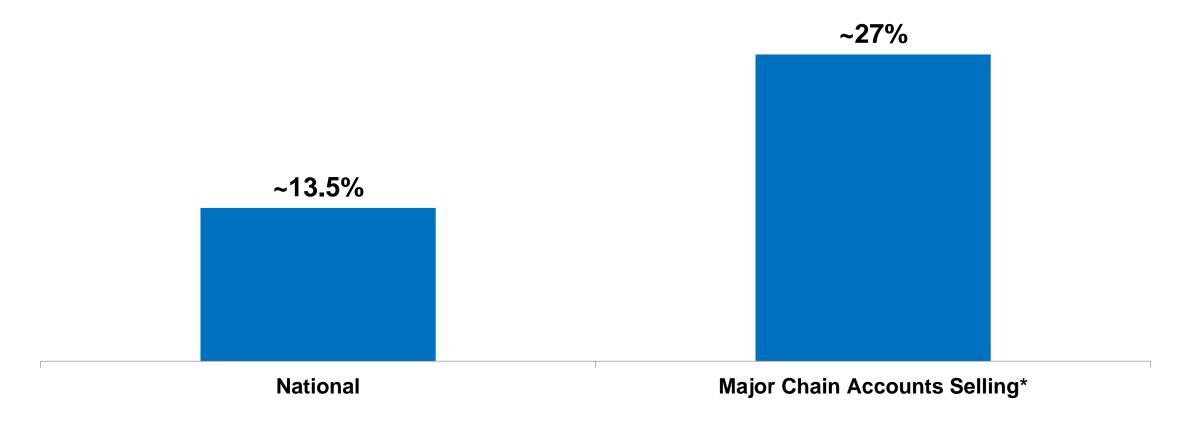




* Ad libitum use

Source: ALCS

MarkTen Retail Share Q3 2017



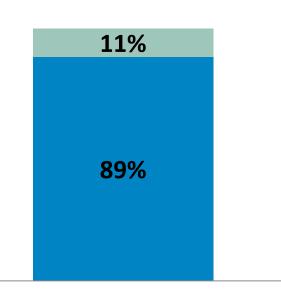


* Readable chains selling MarkTen for the full third quarter of 2017

Source: Altria company reports; IRI/MSAi

Device and Cartridge Sales Q3 2017









Source: ALCS

e-vapor



DISCOVER MARKTEN®

FIND YOUR FLAVOR BLEND

SHOP MARKTEN®

Why MarkTen®

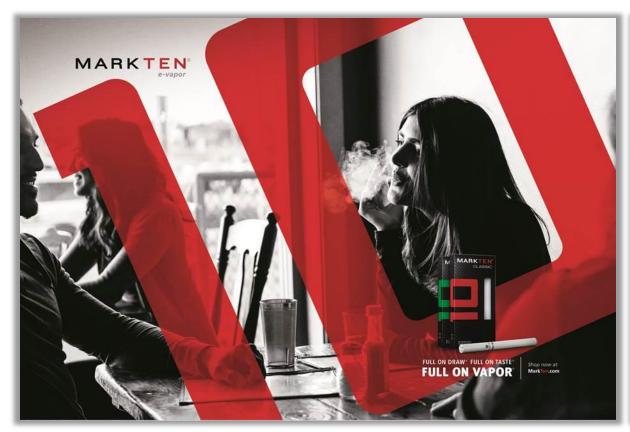
Find A Store

Contact Us

ABOUT MARKTEN®



MarkTen 2017 Campaign





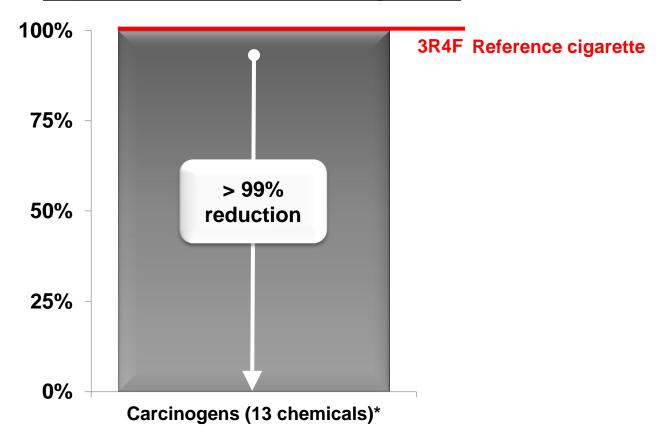


Plan to file PMTAs in 2018 with MRTPAs to follow



MarkTen Harm Reduction Potential

Exposure vs Reference Cigarette





*ALCS Internal Report LIQUID 16241 – MarkTen XL Classic 3.5% nicotine, Official Stability Study –PMT1,3,6 and 9 months. Average of 140 intense puffs (55 mL, 5 second duration, 30 second inter-puff interval).

Note: 3R4F is a research cigarette distributed by the University of Kentucky, Center for Tobacco Reference Products.



Adult Closed Tank Consumer Expectations

- Slightly different product experience
- Flavor and nicotine satisfaction
- No visual cues or social frictions of cigarettes
- Simplicity



APEX by MarkTen





VIM by MarkTen & MarkTen Elite









CYNC Acquisition







Adult Open System Consumer Expectations

- Flavor variety
- Vapor fullness
- Stylish and customizable products





Avail Vapor Investment









NuMark An Altria Innovation Company















Heated Tobacco Products









IQOS Proposition

Alternative to Conventional Cigarettes



Great Sensory
Experience &
Nicotine Satisfaction



Reduced Social Friction

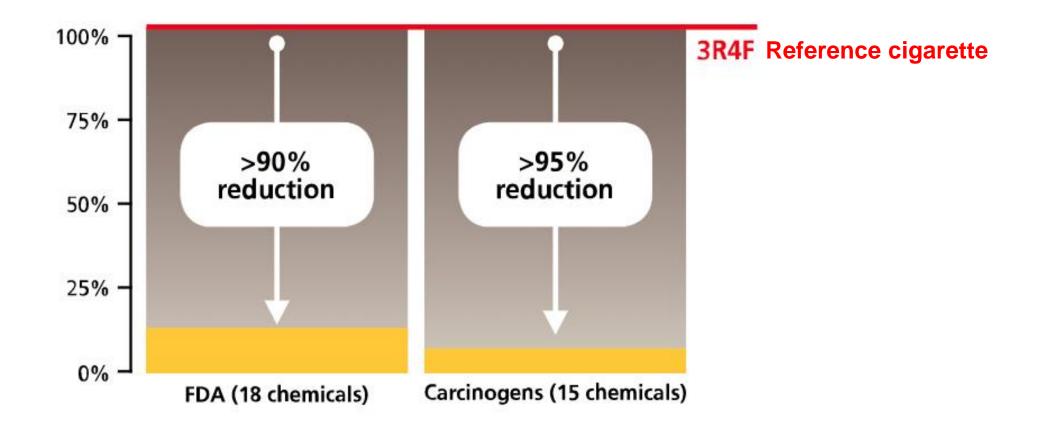


Harm Reduction Potential



IQOS Harm Reduction Potential



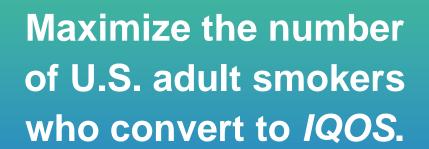




Represents average yield reductions of an investigational variant of IQOS compared to the 3R4F reference cigarette, calculated as an average of the reductions of individual HPHCs, which could be reliably quantified in the study. Aerosol was collected with Intense Health Canada's Smoking Regime. All yields were taken on a mass-per-stick basis. Reduction calculations exclude nicotine. 3R4F is a research cigarette distributed by the University of Kentucky, Center for Tobacco Reference Products. Note: Third party trademarks are the property of their respective owners and are included for informational purposes only.

Source: Philip Morris International. https://pmiscienceusa.com/what-is-heat-not-burn/the-science-behind-heat-not-burn/

IQOS Goal









IQOS U.S. Product Portfolio



IQOS Tobacco Heating System

Original



Smooth Menthol



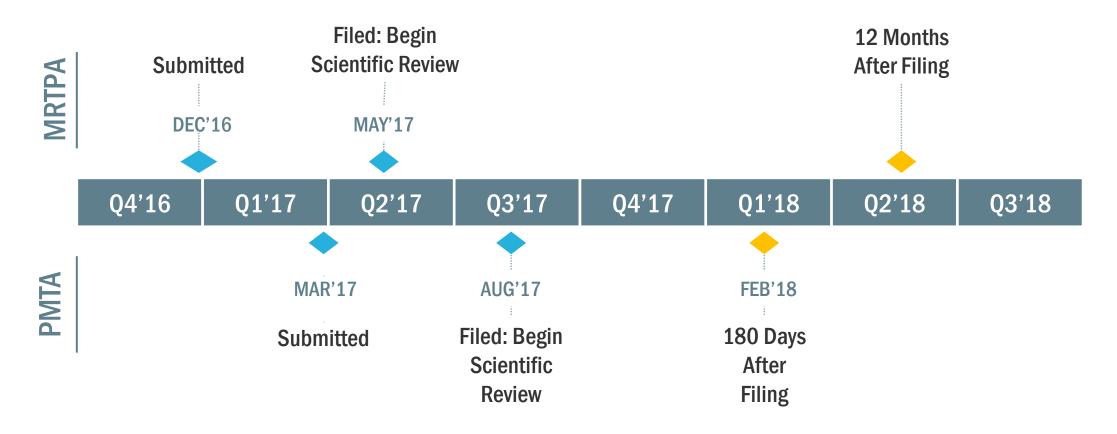
Fresh Menthol



Marlboro HeatSticks



IQOS Regulatory Review Timeline







Lead Market Criteria

- Size of adult smoker population
- E-vapor rejecters and competitive adult smokers
- Constructive legislative and regulatory environment
- Strong retail partnerships









getIQOS.com

For Investor Purposes Only





IQOS Sales Teams



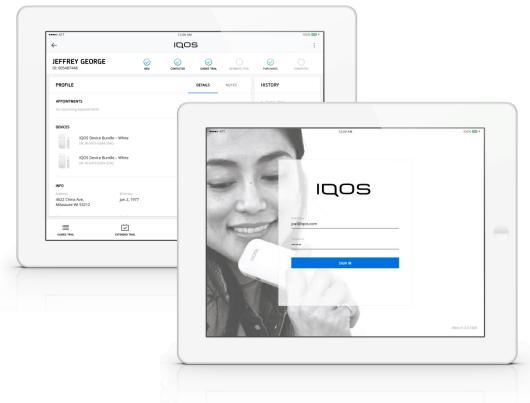


Consumer Engagement & Customer Care





Digital Engagement



Consumer Engagement App



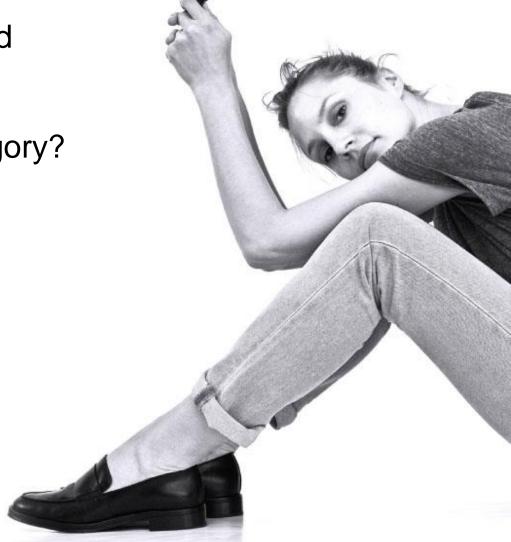


Lead Market Key Questions

• How do U.S. adult smokers approach IQOS and switch to it?

• How does IQOS interact with the tobacco category?

• What is the impact of *Marlboro* branding?





IQOS Financial Drivers

- Pricing dynamics
- Volume
- Competitive sourcing









Smokeable Products Segment







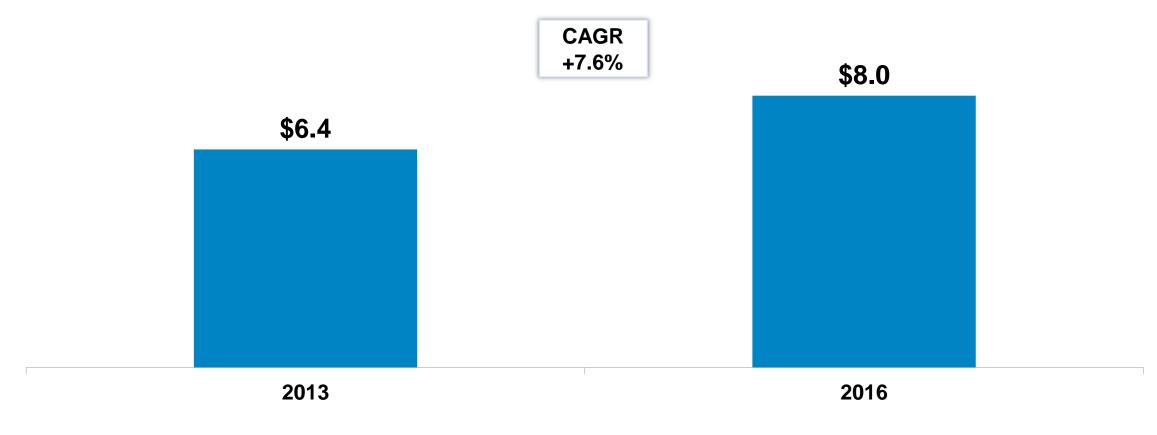
PhilipMorrisUSA an Altria Company

NAT SHERMAN
an Altria Company

John Middleton an Altria Company

Three-Year Smokeable Products Segment Performance







*For reconciliation of non-GAAP to GAAP measures visit altria.com; CAGR calculated on actual figures

Source: Altria company reports









Marlboro's Brand Metrics

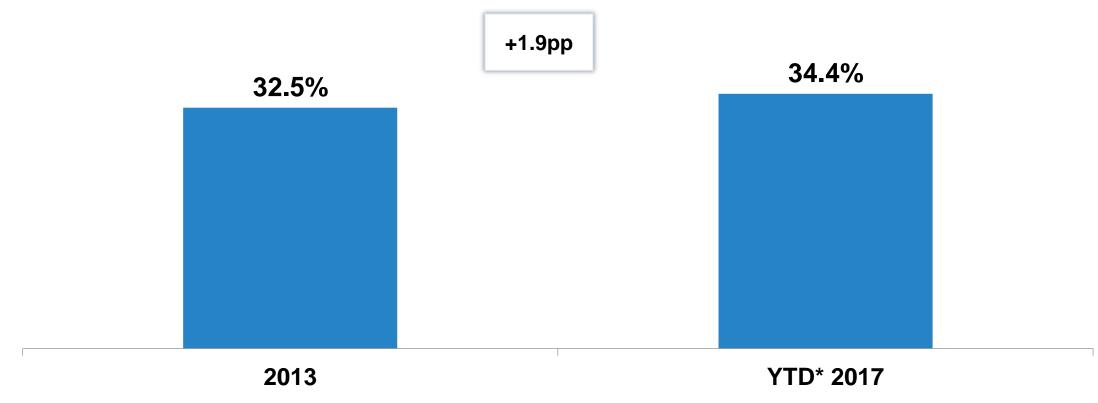
- Brand equity
- Demographics
- Retail share
- Profitability





Consumer Preferences – Flavor







* YTD though September 30

Source: IRI/MSAi Info Scan Cigarette 2015-Blended; IRI/MSAi Info Scan 2017 - Blended as of 6/11/17









Most's

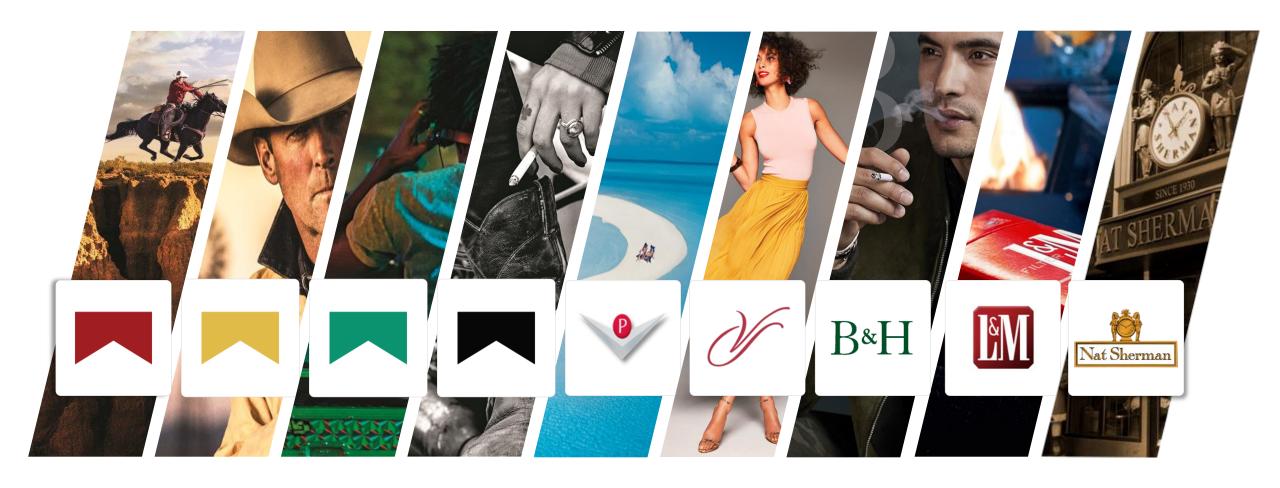


-MENTHOL-

RICH SMOOTH TASTE.

RICH TASTE.

TOBACCO. WATER. SIMPLY





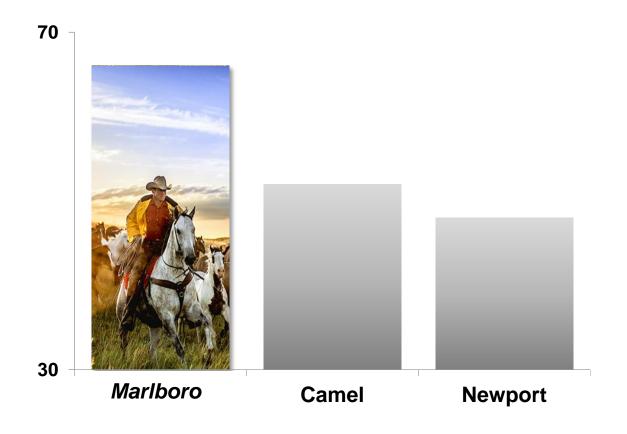








Unmatched Brand Equity

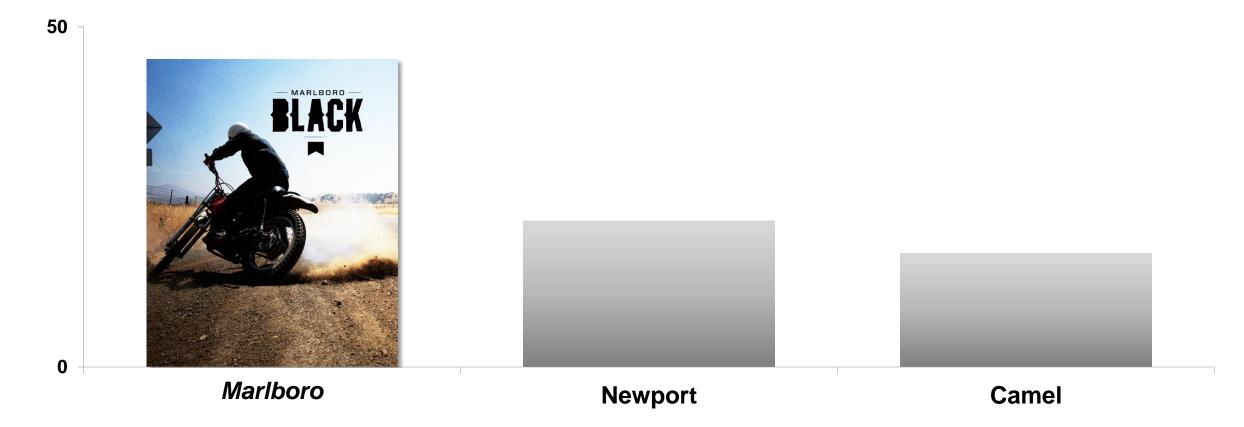


Marlboro's equity score is at least 14 points higher than the leading competitive brands.



Source: 2016 TNS Brand Equity Study (Age Group: 21 - 54), January 2017

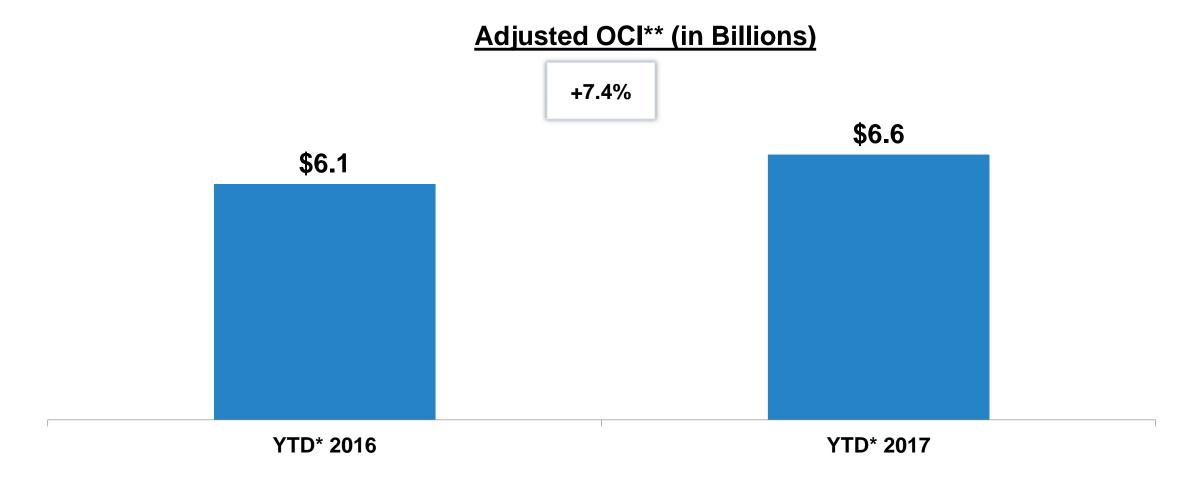
Marlboro Adult Smoker 21 – 29 Share





Source: ALCS CATTS - 6MM ending September 2017

Smokeable Products Segment Performance





^{*} YTD through September 30.

Source: Altria company reports

^{**} For reconciliations of non-GAAP to GAAP measures visit altria.com.

Marlboro Retail Share Performance



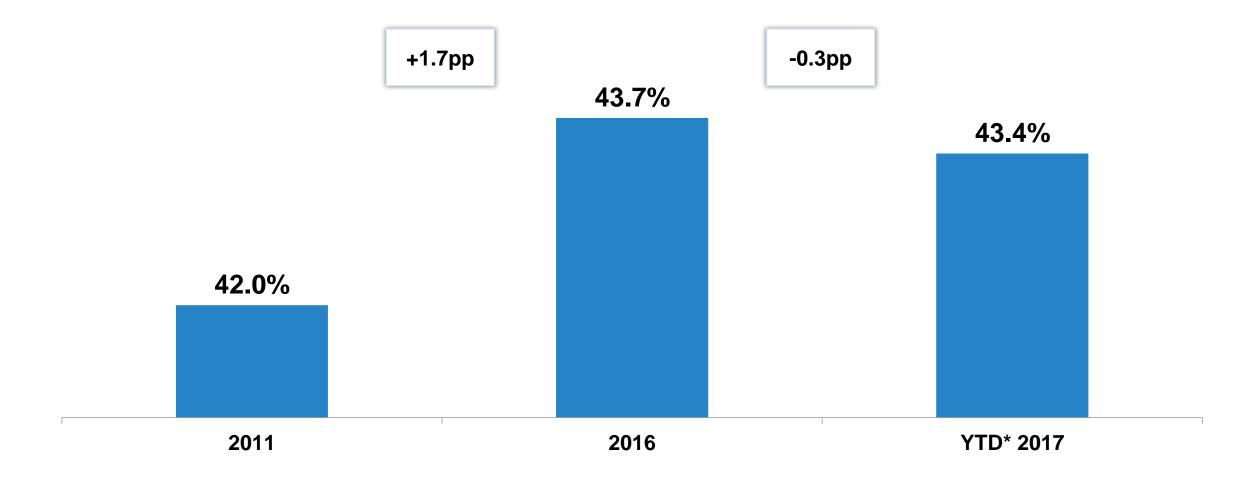
- California SET increase
- Elevated competitive activity
 - Promotional spend
 - Product launches



* YTD through September 30.

Source: IRI/MSAi

Marlboro's Share Performance





* YTD through September 30.

Source: Altria company reports

Reallocating Resources

Trade Programs





Promotions



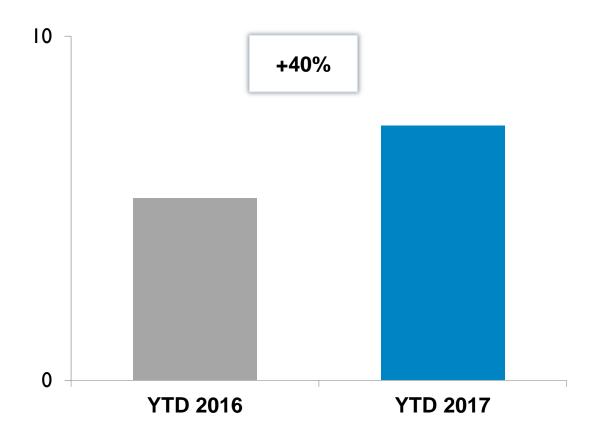






Marlboro Mobile Coupon Redemption

(in Millions)





Note: YTD through 10/02/17; Connections defined as the same of logins, email opens and SMS entries/opt-ins.

Source: ALCS



Marlboro.com Platform Enhancements













MARLBORO ICE



ME

Marlborn









NAT SHERMAN

an Altria Company





Super Premium Opportunity





Nat's Lead Market - Colorado







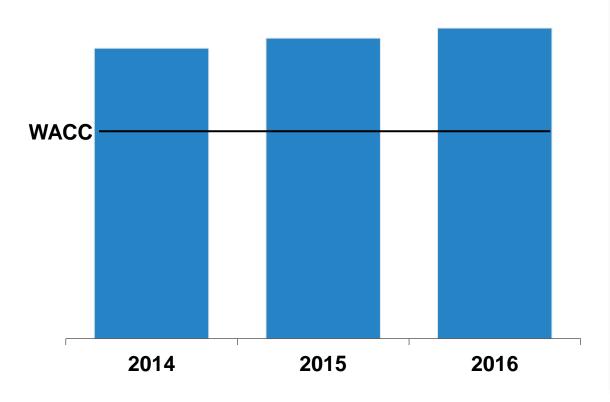






John Middleton

Return on Invested Capital







Source: ALCS



FDA Announcement



"We must recognize the potential for innovation to lead to less harmful products, which, under FDA's oversight, could be part of a solution. While there's still much research to be done on these products and the risks that they may pose, they may also present benefits that we must consider."

— Scott Gottlieb, July 28, 2017





Substantial Equivalence Process

- Information in SE reports
- Reconsider current process
- Current process continues to be onerous and expensive





Note: Third party trademarks are the property of their respective owners and are included for informational purposes only.

Potential Nicotine Standard

- Rulemaking process
- Requirements to satisfy





Note: Third party trademarks are the property of their respective owners and are included for informational purposes only.

Rulemaking Process





Nicotine Standard Requirements

- Perform as intended
- Technically achievable
- Cannot be reduced to zero
- Unintended consequences



Nicotine Standard Practical Considerations

- Measurement and implementation
 - Compensation
 - Phase-in period
- Existing marketplace of FDA-approved reduced risk products

"Our approach to nicotine must be accompanied by a firm foundation of rules and standards for newly-regulated products. To be successful all of these steps must be done in concert and not in isolation."

-Scott Gottlieb, July 28, 2017











Performance Track Record





Long-Term Financial Goals

- Grow adjusted diluted EPS at average annual rate of 7% to 9%
- Maintain a dividend payout ratio target of approximately 80% of adjusted diluted EPS



Altria's Strategies

Maximize income from core tobacco businesses over the long term

Grow new income streams with innovative tobacco products

Manage diverse income streams and strong balance sheet to deliver consistent financial performance



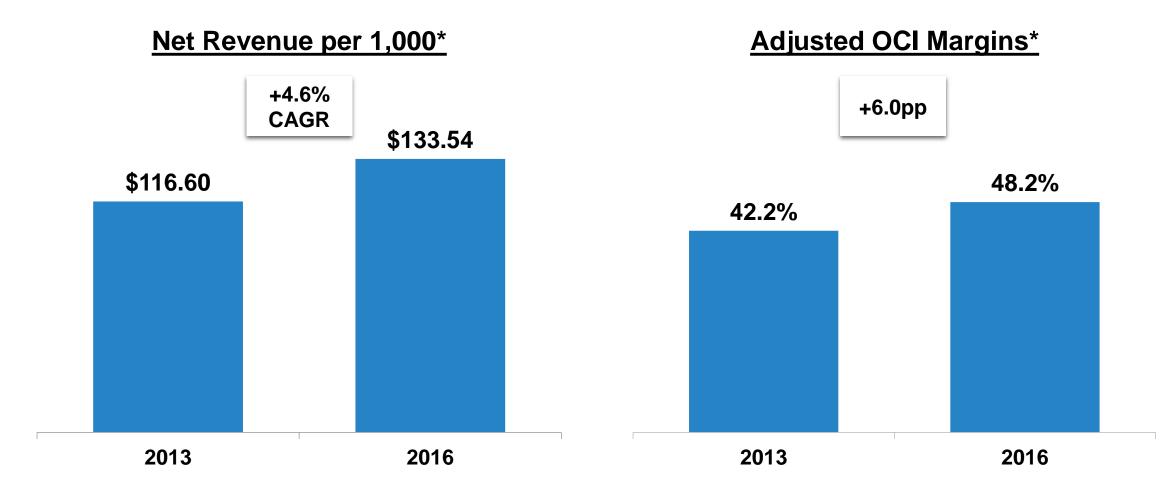
Altria's Competitive Advantages







Smokeable Products Segment Performance

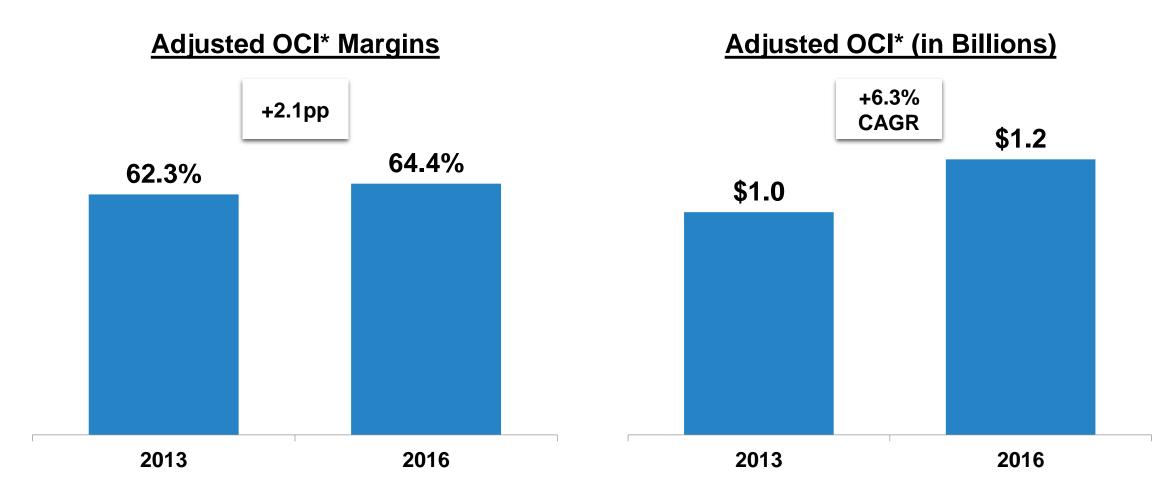




*For reconciliation of non-GAAP to GAAP measures visit altria.com

Source: ALCS Finance; Altria company reports

Smokeless Products Segment Performance





*For reconciliation of non-GAAP to GAAP measures visit altria.com

Source: ALCS Finance

Productivity and Reinvestment

~\$2.3 billion of cost savings (2007- Q3 2017)

- Reinvestments:
 - Marlboro architecture
 - Digital marketing platform
 - Harm reduction efforts
 - Regulatory capabilities



Source: ALCS Finance

Future Investments









Financial Firepower & Flexibility

For Investor Purposes On





2017 Guidance

• We reaffirm our guidance to deliver 2017 adjusted diluted EPS in a range of \$3.26 to \$3.32, representing a growth rate of 7.5% to 9.5% from our adjusted diluted EPS base of \$3.03* in 2016.



* For reconciliation of non-GAAP to GAAP measures visit altria.com

Source: Altria company reports





Regulation G Disclosure

For reconciliations and further explanations of non-GAAP financial measures, visit:

altria.com

