

Reconciliations of the non-GAAP financial measures presented in the remarks by Howard Willard, Altria Group, Inc.'s (Altria) Chairman and Chief Executive Officer, during Altria's 2018 Second Quarter Earnings Call.

Non-GAAP Financial Measures

Altria's management reviews certain financial results, including revenues net of excises taxes per 1000 units, which Altria uses as the measurement of net price realization, for planning, forecasting and evaluating business and financial performance. Revenues net of excise taxes are calculated as net revenues less excise taxes billed to customers. Altria's management believes that excluding the impact of excise taxes billed to customers from the measurement provides useful insight into the impact of the segment's pricing actions year-over-year.

Net price realization is not consistent with U.S. generally accepted accounting principles (GAAP) and may not be calculated the same as similarly titled measures used by other companies. Net price realization 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 net price realization to corresponding GAAP measures are provided below.

Altria and Consolidated Subsidiaries, Selected Financial Data for Smokeable Products						
(\$ in millions)						
	Second Quarter			Six Months Ended June 30,		
	2018	2017	Change	2018	2017	Change
Net revenues	\$ 5,546	\$ 5,922		\$ 10,960	\$ 11,380	
Excise taxes	(1,388)	(1,556)		(2,789)	(3,016)	
Revenues net of excise taxes	\$ 4,158	\$ 4,366		\$ 8,171	\$ 8,364	
Shipment volume (units in millions) ¹	27,683	30,975		55,583	60,069	
Revenues net of excises taxes per 1000 units ²	\$ 150.20	\$ 140.95	6.6%	\$ 147.01	\$ 139.24	5.6%

¹ 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.

² Revenues net of excise taxes per 1000 units are calculated as revenues net of excise taxes divided by shipment volume multiplied by 1000, which Altria uses as the measurement of net price realization.