

U.S. Tobacco Industry 2Q 2017 Preview

MO Balancing Profitability & Market Share Pressures

USD	Rai	ting	Price		FY	FY P/E			
Ticker	Curr.	Prior	07/14/17	201 Curr.	.7E Prior	201 Curr.	8E Prior	2017	2018
Tobacco,	Overw	eight/						***************************************	
Tobacco,	Overw 1	reight NC	73.93	3.28	3.30	3.57	3.59	22.5x	20.7x

Source: Company data and Wells Fargo Securities, LLC estimates

1= Outperform, 2 = Market Perform, 3 = Underperform, V = Volatile, N = Vol

- Thoughts on MO & RAI Heading Into Q2 & Our Outlook For FY17 - We're lowering our Q2 EPS est. for MO by \$0.02 to \$0.86 (+6.2% y/y) and our Q2 EPS est. for RAI by \$0.01 to \$0.64 (+10.9% y/y) as we believe both faced greater pressure from the CA excise tax increase and lower-priced brands. Although we expect strong pricing, given the early price increase, we're now anticipating slightly softer topline growth. Q2 expectations include: (1) topline growth of +1.7%/+2.8% for MO/RAI; (2) cig vol to decline -3.9% for MO and -3.4% for RAI (incl +0.9% Newport); (3) solid net price realization of +5.7%/+4.9% for MO/RAI; (4) smokeless volume of -2.8%/+2.3% MO/RAI; and (5) op margin expansion of +290bps/+255bps for MO/RAI. Due to n.t. pressure on Marlboro vol/share largely related to CA's \$2/pk excise tax increase & lower priced brands as well as lingering neg impacts from its USSTC recall, we expect MO to maintain its 7.5%-9.5% adj. diluted FY17 EPS growth guidance (and not raise the midpoint by 50bps as it has in every Q2 over the last 5 years). We expect MO to take a cautious approach to full year expectations while it continues to execute its l.t. strategy to maximize core tobacco profitability & modest share gains. For the industry, we expect cig vol to decline 3.8% in FY17 reflecting the full impact of CA's cig tax increase with strong price realization (+5-6%) to largely offset vol pressure, aided by favorable macro tailwinds supporting a strong adult tobacco consumer. Bottom line, we see a negative risk/reward on MO ahead of Q2 but encourage l.t. investors to build positions on any weakness in the stock.
- More Thoughts on MO We expect volume to be a major focus this quarter as MO battles pressure on two fronts: (1) CA cig tax hike, and (2) lingering effects of USSTC's January recall of smokeless products. On <u>ciq volume</u>, we expect Marlboro/total vol to decline 4.5/3.9% as a result of MO's sizeable exposure to CA. Retailers participating in our recent "Tobacco Talk" survey were also slightly more cautious on Marlboro's share this year with 37% expecting losses vs 25% in Q1 (see charts below) as trends are softening and the brand is facing greater pressure from lower-priced brands. Nielsen data further substantiates these trends (see charts below). In smokeless, most of our retailer contacts indicated lingering negative effects of the recall, including out-of-stocks and "problems with a few select SKUs," although for the most part, retailers confirm that inventories are "close" to being fully replenished. Bottom line - Despite well-telegraphed volume pressure, we expect MO to drive solid Q2 profitability supported by its early list price increase in March (usually a May event). As such, we anticipate strong net price realization of +5-6% in FY17, which should support strong OCI margin expansion (+260bp) and +8.3% EPS growth, the midpoint of MO's 7.5-9.5% FY17 EPS growth guidance.

Please see page 12 for rating definitions, important disclosures and required analyst certifications. All estimates/forecasts are as of 07/16/17 unless otherwise stated. 07/16/17 21:39:39 ET

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Tobacco

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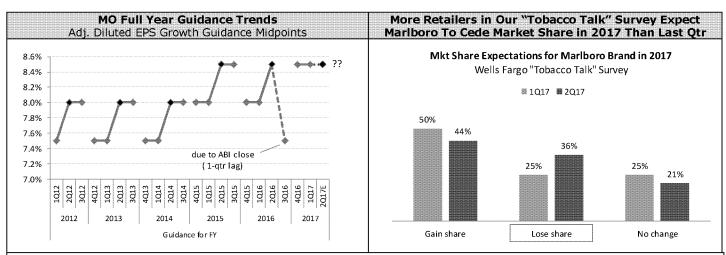
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Together we'll go far



• Our Thoughts on RAI – Given the imminent closure of BAT-RAI on or around July 25, we don't expect RAI to release results or hold a call. However, we maintain our bullish view on RAI's l.t. prospects under BAT as we see a long runway of growth ahead for RAI's Newport and Natural American Spirit (NAS) with limited risk from city-level menthol bans as we expect consumers to simply find other means to acquire the product (online, cross border, or black market) or revert back to non-menthol cigs (see our recent report, "Menthol Bans – The Domino Hasn't Fallen"). Over the l.t., we expect Newport & NAS to buoy RAI cig vol performance, and also see an opportunity for BAT to take RAI's VUSE platform to int'l markets.

Observations / Trends We Are Seeing Around MO & RAI



"We are seeing Marlboro share pressure within the southeast (however, not related to California tax hike). Share pressure is from lower tier brands (L&M and American Spirit) and also in menthol segment (Newport)."

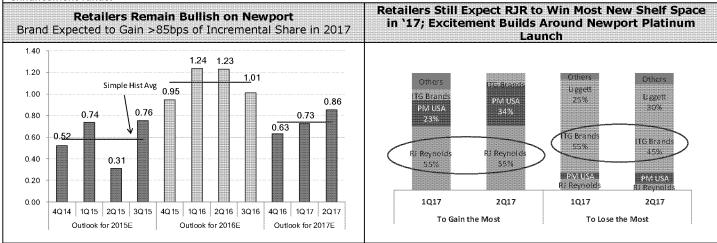
"Marlboro is staying about the same in my areas, no significant change either way."

"Yes, Marlboro is facing pressure. I believe the losses are due to growth of Newport, Kool and Winston.

"Marlboro is failing due to a confused consumer message, reduced promotions, and a lack of support for their higher priced brands."

"Marlboro Mainline has taken the biggest hit in our CA stores, all other states CO, OR and WA slightly up."

"Yes, they are increasing discounting in states with low-end pressure and also increasing the length of time to run their business enhancement funds."



Retailer Comments

"Yes, Newport Platinum is arriving in our stores this week. Very attractive packaging - especially for the 21-34 old smokers."

"Newport Platinum looks pretty nice."

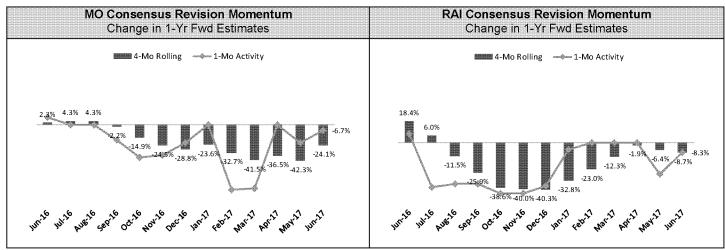
"Newport is buying share in our market with 50c off on pack promotions. Newport Box King and Box 100s are our #1 and #3 share SKUs and these promotions are building on those strong share numbers. Newport platinum will be an interesting brand and I expect it to gain some share at the expense of several of the Marlboro SKUs."

"Newport Platinum is the only new addition. Expectation is a .4 share on this packaging. Doubtful they will see growth from the new line extension."

"Newport is growing here, and RJR is bringing out another line, Platinum. ITG is trying, but I don't believe they can keep promoting as they have."

Source: Company reports, Wells Fargo Securities, LLC estimates

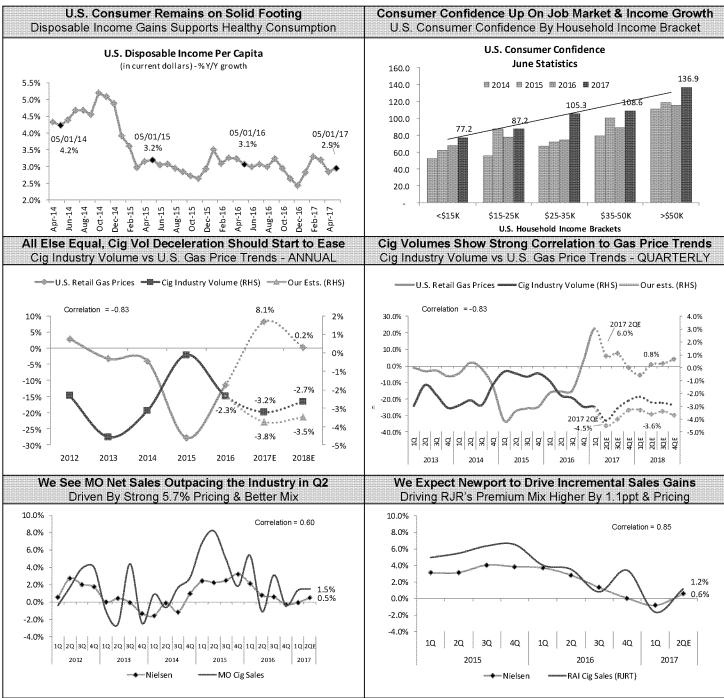
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Source: Company reports, Wells Fargo Securities, LLC estimates

Big Picture - Macro & Fundamentals

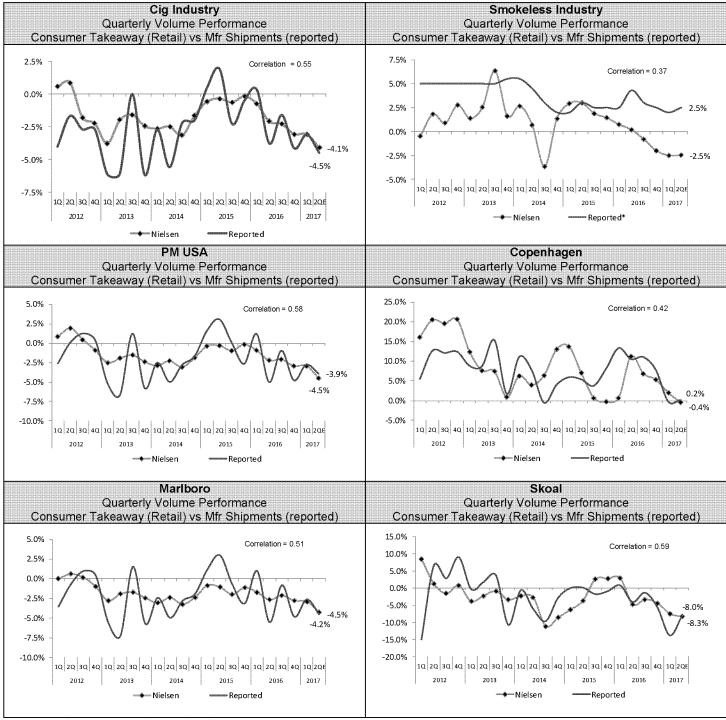
- **Macro trend Consumer**: U.S. Consumer In Good Shape Boosted By A Strengthening Economy, Improved Job Prospects, Wage Growth, & Confidence
- **Macro trend Gas Prices:** Strong Negative Correlation Between Cig Industry Vol & Changes in Gas Prices Suggest <u>Cig Vol Deceleration Could Start to Ease in 2018</u>, All Else Being Equal
- Fundamentals MO/RAI: We See Company Cig Sales Outpacing The Category On Healthy Pricing & Improved Premium Mix



Source: FactSet, Nielsen AOC+C Database, U.S. Energy Information Administration (EIA), and Wells Fargo Securities, LLC estimates

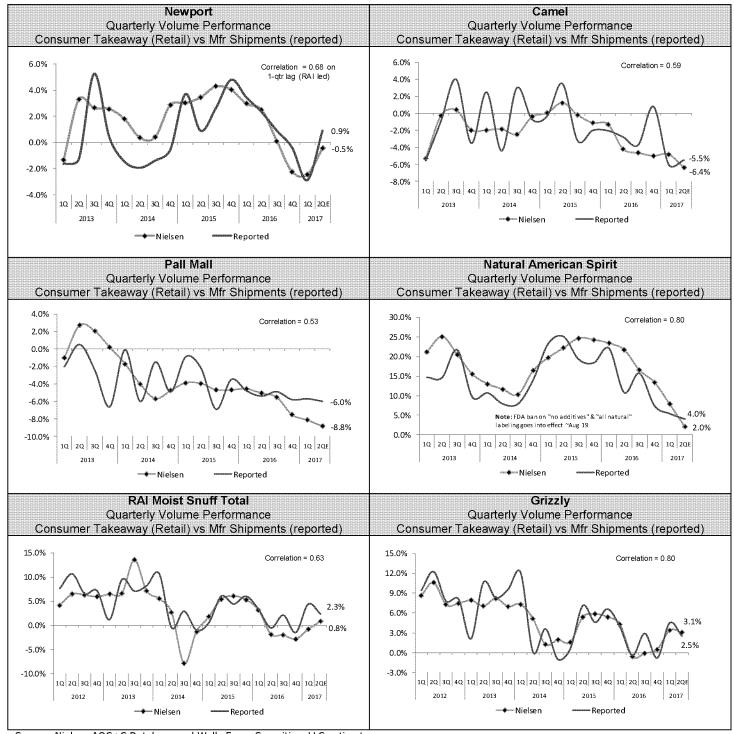
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<u>Consumption vs Shipment - MO Vol Trends at Retail (Consumer) Based on Nielsen Scanner Data vs Wholesale (Mfr) Reported</u>



Source: Nielsen AOC+C Database and Wells Fargo Securities, LLC estimates

<u>Consumption vs Shipment - RAI Vol Trends at Retail (Consumer) Based on Nielsen Scanner Data vs Wholesale (Mfr) Reported</u>



Source: Nielsen AOC+C Database and Wells Fargo Securities, LLC estimates

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MO Valuation

Our \$80 price target for Altria Group is based on the following methodologies: (1) forward EV-to-EBITDA and P/E analysis (absolute and relative); (2) a ten-year discounted cash flow (DCF) analysis; (3) ROIC and economic profit; and (4) dividend yield.

In terms of performance, MO's stock price has underperformed the S&P increasing 8.7% YTD and 8.7% in the last six months vs the S&P up 9.3% and 7.6% respectively.

Forward EV-to-EBITDA (absolute and relative). Our \$80 price target implies a 2018 forward EV-to-EBITDA multiple of 14.3x, which is a 9.2% premium to the company's current multiple of 13.1x and a 0.6% premium to the company's one-year average EV-to-EBITDA of 14.2x which we believe is justified given MO's strong, leading position in the overall industry and upside potential from iQOS.

Forward P/E (absolute and relative). Our forward 2018 P/E multiple of 22.4x is a 7.74% premium to the company's current multiple of 20.8x and a 11.3% premium to the company's one-year average historical forward P/E multiple of 20.1x. On a relative forward P/E basis, MO is currently trading at an 8.2% premium to the broader Staples sector versus its historical 3-year average discount of \sim 2% and its 5-year discount of \sim 6%. Further, MO's forward P/E multiple is almost 1 turn lower than PM's forward P/E multiple which we believe is unwarranted given the long-term growth prospects both companies have with iQOS and the potential that MO could be acquired by PM.

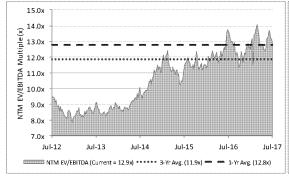
CY18 P/E Valuation			Current		
Multiples	Price 7/14/2017	Mult.	vs.Avg Staples	vs. S&P500	
PM	\$118.76	21.7x	113.3%	125.7%	
MO	\$73.80	20.7x	108.2%	120.0%	
RAI	\$65.40	24.0x	125.2%	139.0%	
BATS-GB	53	17.1x	89.3%	99.1%	
IMB-GB	35	12.8x	67.1%	74.5%	
2914-JP	3,837	15.5x	81.0%	89.9%	
Avg. Tobacco		18.6x	97.4%	108.0%	

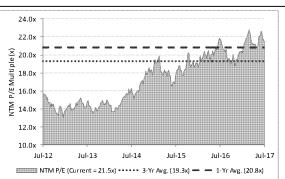
Pos	r-election	1 (avg)		SOTO (9AB		5-Tear Average		
Mult.	vs.Avg Staples	vs. S&P500	Mult.	vs.Avg Staples	vs. S&P500	Mult.	vs.Avg Staples	
20.3x	104.9%	120.2%	19.8x	101.8%	124.3%	18.7x	98.5%	
20.4x	105.5%	120.9%	19.3x	99.2%	121.1%	18.6x	98.2%	
22.9x	118.3%	135.6%	19.8x	101.6%	124.0%	19.5x	102.7%	
16.8x	87.1%	99.8%	16.9x	86.6%	105.7%	16.5x	87.2%	
13.3x	68.8%	78.9%	15.1x	77.8%	95.0%	14.5x	76.6%	
15.8x	81.5%	93.4%	17.2x	88.4%	107.9%	16.0x	84.5%	
18.2x	94.4%	108.2%	18.0x	92.6%	113.0%	17.3x	91.3%	

SPX	17.2x	
XLP	19.1x	93.0%

19.3x 147.9% 19.5x 146.3% 19.0x 16.9x 15.9x 15.9x

MO Historical Valuation Trends





Source: FactSet, Wells Fargo Securities, LLC

RAI Valuation

Our \$65 12-month price target for Reynolds American is based on the following methodologies: (1) forward EV-to-EBITDA and P/E analysis (absolute and relative – based on our post-deal pro forma estimates); (2) a ten-year discounted cash flow (DCF) analysis; (3) ROIC and economic profit; and (4) dividend yield.

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Forward EV-to-EBITDA (absolute and relative). Our \$65 price target implies a 2018 EV-to-EBITDA multiple of 14.8x, a slight discount to the company's current multiple of 14.9x and above the company's one-year average EV-to-EBITDA multiple of 13.9x which we believe is justified given the incremental growth and profitability due to RAI's strong #2 position in the U.S. & the pending BAT/RAI deal.

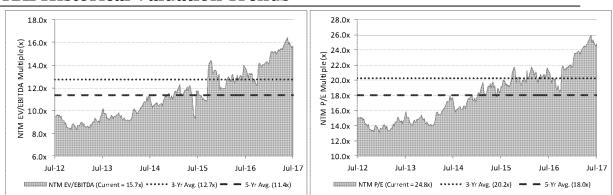
Forward P/E (absolute and relative). Our forward 2018 P/E multiple of 23.5x is a slight discount to the company's current multiple of 23.6x which reflects BAT/RAI deal parity, and a 9.9% premium to the company's one-year average historical forward P/E multiple of 21.4x. On a relative forward P/E basis, RAI is currently trading at a 25% premium to the broader Staples sector versus a 2.7% premium to its historical 3-year average and a 2.3% discount to its 5-year average.

CY18 P/E Valuation		Current			Post-Election (avg)		2016 (avg)			3-Year Average			5-Year Average			
Multiples	Price 7/14/2017	Mult.	vs.Avg Staples	vs. S&P500	Mult.	vs.Avg Staples	vs. 5&P500	Mult.	vs.Avg Staples	vs. S&P500	Mult.	vs.Avg Staples	vs. S&P500	Mult.	vs.Avg Staples	vs. S&P50
PM	\$119.00	21.7x	113.5%	126.0%	20.3x	104.9%	120.3%	19.8x	101.8%	124.3%	18.7x	98.5%	117.6%	17.2x	96.5%	113.9%
МО	\$73.80	20.7x	108.1%	120.0%	20.4x	105.5%	120.9%	19.3x	99.2%	121.1%	18.6x	98.2%	117.3%	16.8x	94.2%	111.2%
RAI	\$65.39	24.0x	125.0%	138.9%	22.9x	118.3%	135.6%	19.8x	101.6%	124.0%	19.5x	102.7%	122.6%	17.4x	97.7%	115.4%
BATS-GB	53	17.1x	89.3%	99.1%	16.8x	87.1%	99.8%	16.9x	86.6%	105.7%	16.5x	87.2%	104.1%	15.6x	87.8%	103.6%
IMB-GB	35	12.8x	67.1%	74.5%	13.3x	68.8%	78.9%	15.1x	77.8%	95.0%	14.5x	76.6%	91.4%	13.2x	74.0%	87.3%
2914-JP	3,837	15.5x	81.0%	89.9%	15.8x	81.5%	93.4%	17.2x	88.4%	107.9%	16.0x	84.5%	101.0%	14.5x	81.3%	96.0%
Avg. Tobacco		18.6x	97.3%	108.1%	18.2x	94.4%	108.2%	18.0x	92.6%	113.0%	17.3x	91.3%	109.0%	15.8x	88.6%	104.6%
XLP		19.2x		#DIV/0!	19.3x		#DIV/0!	19.5x		#DIV/0!	19.0x		#DIV/0!	17.8x		#DIV/0!

Source: FactSet, Wells Fargo Securities, LLC

RAI Historical Valuation Trends

17.3x



Source: FactSet, Wells Fargo Securities, LLC

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Altria Group (MO) - Quarterly Earnings Model Wells Fargo Securities, LLC Bonnie Herzog (212) 214-5051 bonnie.herzog@wellsfargo.com (\$MM, except per-share data) Source for all tables: Wells Fargo Securities, LLC estimates and company reports

		2012	2013	2014	2015	1Q16	2Q16	3 Q 16	4Q16	2016	1Q17	2Q17E	3Q17E	4Q17E	2017E	2018E
Revenue		24,618	24,466	24,522	25,434	6,066	6,521	6,905	6,252	25,744	6,083	6,523	6,885	6,309	25,800	26,178
Excise Ta	axes on Products	7,118	6,803	6,577	6,580	1,536	1,640	1,712	1,519	6,407	1,494	1,558	1,612	1,446	6,110	5,947
	renue (net of excise taxes)	17,500	17,663	17,945	18,854	4,530	4,881	5,193	4,733	19,337	4,589	4,965	5,273	4,863	19,690	20,231
% Gro	rowth	2.3%	0.9%	1.6%	5.1%	6.0%	0.1%	4.3%	0.1%	2.6%	1.3%	1.7%	1.5%	2.7%	1.8%	2.7%
Cost of S	Sales	7,937	7,870	7,828	7,837	1,862	1,924	2,043	1,905	7,734	1,810	1,794	1,970	1,958	7,531	7,691
% of 1	Net Revenue	45.4%	44.6%	43.6%	41.6%	41.1%	39.4%	39.3%	40.2%	40.0%	39.4%	36.1%	37.4%	40.3%	38.2%	38.0%
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Gross Pr	rofit	9,563	9,793	10,117	11,017	2,668	2,957	3,150	2,828	11,603	2,779	3,172	3,303	2,905	12,159	12,540
gross	s margin	54.6%	55.4%	56.4%	58.4%	58.9%	60.6%	60.7%	59.8%	60.0%	60.6%	63.9%	62.6%	59.7%	61.8%	62.0%
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	g, Admin & Research Costs	2,046	2,071	2,229	2,316	475	494	655	646	2,270	461	521	606	559	2,148	2,067
% of I	Net Revenue	11.7%	11.7%	12.4%	12.3%	10.5%	10.1%	12.6%	13.6%	11.7%	10.0%	10.5%	11.5%	11.5%	10.9%	10.2%
	5. (5.5)		7.700	7.000	0.701	0.100					-					10.170
	ng profit (OCI)	7,517 43.0%	7,722	7,888	8,701 46.1%	2,193 48.4%	2,463 50.5%	2,495 48.0%	2,182	9,333	2,318 50.5%	2,650	2,697	2,346	10,011 50.8%	10,473 51.8%
00,1	margin	40.0%	43.7%	<i>44.0</i> % 0.2%	2.2%	40.476	30.5%	40.0%	46.1%	48.3%	30.5%	53.4%	51.1%	48.2%	30.0%	31.0%
Amortiza	ation	20	20	20	2.2%	5	5	5	6	21	5	5	5	5	20	20
	corporate expenses	228	235	241	237	39	46	57	72	214	35	40	53	53	181	181
	Net Revenue	1.3%	1.3%	1.3%	1.3%	0.9%	0.9%	1.3%	1.5%	1.1%	0.9%	0.8%	1.0%	1.1%	0.9%	0.9%
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EBIT (ex	x. SABMiller stake)	7,269	7,467	7,627	8,443	2,149	2,412	2,433	2,104	9,098	2,278	2,606	2,639	2,287	9,810	10,272
	Margin	41.5%	42.3%	42.5%	44.8%	47.4%	49.4%	46.9%	44.5%	47.1%	49.6%	52.5%	50.0%	47.0%	49.8%	50.8%
				0.2%	2.3%				ļ							
Interest e	expense, net	1,126	1,049	808	791	194	192	179	176	741	179	174	163	163	679	610
	v equity income	(960)	(988)	(1,057)	(883)	(232)	(220)	(259)	5	(706)	(95)	(165)	(218)	(221)	(699)	(978)
Pretax Ir	ncome	7,103	7,406	7,876	8,535	2,187	2,440	2,513	1,923	9,063	2, 194	2,598	2,694	2,345	9,830	10,640
I																
Income t		2,628	2,651	2,757	3,029	773	856	903	604	3,136	783	930	962	837	3,512	3,790
Net Inco	arnings and minority interest, net	(1) 4,474	4,755	5,119	(2) 5,504	(1) 1,413	(1) 1,583	1,609	(2) 1,317	(5) 5,922	(1) 1,410	1,668	1,732	0 1,508	(1) 6,317	6,850
Net Inco	ome	4,474	4,755	28.5%	29.2%	1,413	1,565	1,009	1,317	30.6%	1,410	1,000	1,732	1,506	32.1%	33.9%
Diluted s	shares outstanding	2,025	1,999	1,979	1,961	1,956	1,954	1,952	1,946	1,952	1,939	1,930	1,923	1,916	1,927	1,921
	and oo outstarraing	2,020	.,000	1,010	1,001	1,000	.,	.,002	.,0.0	1,002	1,000	1,000	1,020	.,0.0	.,,,,,	1,021
Recurrin	ng Diluted EPS	\$2.21	\$2.38	\$2.60	\$2.80	\$0.72	\$0.81	\$0.82	\$0.68	\$3.03	\$0.73	\$0.86	\$0.90	\$0.79	\$3.28	\$3.57
	-															
Dividend	ls per share	\$1.70	\$1.84	\$2.00	\$2.17	\$0.57	\$0.57	\$0.61	\$0.61	\$2.35	\$0.61	\$0.61	\$0.66	\$0.66	\$2.55	\$2.78
Dividend	d Growth	7.6%	8.2%	8.7%	8.5%	0.0%	0.0%	8.0%	0.0%	8.3%	0.0%	0.0%	9.0%	0.0%	8.5%	9.0%
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EBITDA		7,494	7,679	7,835	8,668	2,198	2,461	2,484	2,159	9,302	2,330	2,660	2,697	2,341	10,028	10,500
	DA margin				8,668 46.0%	2,198 48.5%	2,461 50.4%	2,484 47.8%	2,159 45.6%	9,302 48.1%	2,330 50.8%	2,660 53.6%	2,697 51.1%	2,341 48.1%	10,028 50.9%	10,500 51.9%
EBITE	DA margin	7,494 42.8%	7,679 43.5%	7,835 43.7%	46.0%	48.5%	50.4%	47.8%	45.6%	48.1%	50.8%	53.6%	51.1%	48.1%	50.9%	51.9%
EBITE		7,494	7,679	7,835												
EBITE Effect	DA margin tive tax rate	7,494 42.8% 37.0%	7,679 43.5% 36.1%	7,835 43.7% 35.0%	46.0% 35.5%	48.5% 35.3%	50.4% 35.1%	47.8% 35.9%	45.6% 31.4%	48.1% <i>34</i> .6%	50.8% 35.7%	53.6% 35.8%	51.1% 35.7%	48.1% 35.7%	50.9% 35.7%	51.9% 35.6%
EBITE Effect	DA margin tive tax rate	7,494 42.8%	7,679 43.5%	7,835 43.7%	46.0%	48.5%	50.4%	47.8%	45.6%	48.1%	50.8%	53.6%	51.1%	48.1%	50.9%	51.9%
EBITE Effect YOY Gro	DA margin tive tax rate owth	7,494 42.8% 37.0%	7,679 43.5% 36.1%	7,835 43.7% 35.0%	46.0% 35.5% 2015	48.5% 35.3%	50.4% 35.1% 2Q16	47.8% 35.9% 3Q16	45.6% 31.4% 4Q16	48.1% 34.6% 2016	50.8% 35.7%	53.6% 35.8% 2017E	51.1% 35.7% 3Q17E	48.1% 35.7% 4Q17E	50.9% 35.7% 2017E	51.9% 35.6% 2018E
EBITE Effect YOY STO	DA margin tive tax rate owth ble Volume ss Volume	7,494 42.8% 37.0% 2012 -0.2%	7,679 43.5% 36.1% 2013 -4.1%	7,835 43.7% 35.0% 2014 -3.0%	46.0% 35.5% 2015 0.6%	48.5% 35.3% 1Q16 1.2%	50.4% 35.1% 2Q16 -4.9%	47.8% 35.9% 39.16 -0.9%	45.6% 31.4% 4Q16 -4.7%	48.1% 34.6% 2016 -2.4%	50.8% 35.7% 1917 -2.7%	53.6% 35.8% 2Q17E -3.8%	51.1% 35.7% 3Q17E -4.7%	48.1% 35.7% 4Q.17E -4.2% 3.5% 2.7%	50.9% 35.7% 2017E -3.9%	51.9% 35.6% 2018E -3.4%
EBITE Effect Yoy Sro Smokeab Smokele:	DA margin tive tax rate owth ble Volume ss Volume s	7,494 42.8% 37.0% 2012 -0.2% 3.9%	7,679 43.5% 36.1% 2013 -4.1% 3.2%	7,835 43.7% 35.0% 2014 -3.0% 0.7%	46.0% 35.5% 2015 0.6% 2.5%	48.5% 35.3% 10.16 1.2% 7.8%	50.4% 35.1% 20.16 -4.9% 4.3%	47.8% 35.9% 30.16 -0.9% 5.6%	45.6% 31.4% 4016 -4.7% 2.2%	48.1% 34.6% 2016 -2.4% 4.9%	50.8% 35.7% 10.17 -2.7% -5.0%	53.6% 35.8% 2017E -3.8% -2.8%	51.1% 35.7% 3017E -4.7% 1.0%	48.1% 35.7% 40.17E -4.2% 3.5%	50.9% 35.7% 2017E -3.9% -0.8%	51.9% 35.6% 2018E -3.4% 3.7%
EBITLE Effect YOY/Gre Smokeat Smokele Net Sales Gross Pr EBITDA	DA margin tive tax rate owth ble Volume ss Volume s rofit	7,494 42.8% 37.0% 2012 -0.2% 3.9% 2.3% 1.0% 5.5%	7,679 43.5% 36.1% 2013 -4.1% 3.2% 0.9% 2.4% 2.5%	7,835 43.7% 35.0% 2014 -3.0% 0.7% 1.6% 3.3% 2.0%	46.0% 35.5% 2015 0.6% 2.5% 5.1% 8.9% 10.6%	48.5% 35.3% 1Q16 1.2% 7.8% 6.0% 7.8% 12.3%	50.4% 35.1% 2Q16 -4.9% 4.3% 0.1% 3.0% 7.6%	47.8% 35.9% 3Q16 -0.9% 5.6% 4.3% 7.9% 6.7%	45.6% 31.4% 4Q16 -4.7% 2.2% 0.1% 2.8% 3.0%	48.1% 34.6% 2016 -2.4% 4.9% 2.6% 5.3% 7.3%	50.8% 35.7% 1Q17 -2.7% -5.0% 1.3% 4.2% 6.0%	53.6% 35.8% 2Q17E -3.8% -2.8% 1.7% 7.3% 8.1%	51.1% 35.7% 3Q17E -4.7% 1.0% 1.5% 4.9% 8.6%	48.1% 35.7% 4Q17E -4.2% 3.5% 2.7% 2.7% 8.4%	50.9% 35.7% 2017E -3.9% -0.8% 1.8% 4.8% 7.8%	51.9% 35.6% 2018E -3.4% 3.7% 2.7% 3.1% 4.7%
EBITU Effect YOY Gro Smokele: Smokele: Gross Pr EBITDA Operating	DA margin tive tax rate owth ble Volume ss Volume s rofit	7,494 42.8% 37.0% 2012 -0.2% 3.9% 2.3% 1.0% 5.5% 5.1%	7,679 43.5% 36.1% 2013 -4.1% 3.2% 0.9% 2.4% 2.5% 2.7%	7,835 43.7% 35.0% 2014 -3.0% 0.7% 1.6% 3.3% 2.0% 2.1%	46.0% 35.5% 2015 0.6% 2.5% 5.1% 8.9% 10.6% 10.3%	48.5% 35.3% 1Q15 1.2% 7.8% 6.0% 7.8% 12.3% 11.5%	50.4% 35.1% 2Q16 -4.9% 4.3% 0.1% 3.0% 7.6% 7.0%	47.8% 35.9% 3Q16 -0.9% 5.6% 4.3% 7.9% 6.7% 6.8%	45.6% 31.4% 4Q16 -4.7% 2.2% 0.1% 2.8% 3.0% 4.0%	48.1% 34.6% 2016 -2.4% 4.9% 2.6% 5.3% 7.3% 7.3%	50.8% 35.7% 1Q17 -2.7% -5.0% 1.3% 4.2% 6.0% 5.7%	53.6% 35.8% 2Q17E -3.8% -2.8% 1.7% 7.3% 8.1% 7.6%	51.1% 35.7% 3Q17E -4.7% 1.0% 1.5% 4.9% 8.6% 8.1%	48.1% 35.7% 4Q17E -4.2% 3.5% 2.7% 2.7% 8.4% 7.5%	50.9% 35.7% 2017E -3.9% -0.8% 1.8% 4.8% 7.8% 7.3%	51.9% 35.6% 2018E -3.4% 3.7% 2.7% 3.1% 4.7% 4.6%
EBITLE Yever Gross Programmer Bit DA Operating Net Incorr	DA margin tive tax rate owth ble Volume ss Volume s rofit	7,494 42.8% 37.0% 2012 -0.2% 3.9% 2.3% 1.0% 5.5% 5.1% 5.9%	7,679 43.5% 36.1% 2013 -4.1% 3.2% 0.9% 2.4% 2.5% 2.7% 6.3%	7,835 43.7% 35.0% 2014 -3.0% 0.7% 1.6% 3.3% 2.0% 2.1% 7.7%	46.0% 35.5% 2015 0.6% 2.5% 5.1% 8.9% 10.6% 10.3% 7.5%	48.5% 35.3% 10.16 1.2% 7.8% 6.0% 7.8% 12.3% 11.5% 13.4%	50.4% 35.1% 20.16 -4.9% 4.3% 0.1% 3.0% 7.6% 7.0% 8.5%	47.8% 35.9% 3016 -0.9% 5.6% 4.3% 7.9% 6.7% 6.8% 9.4%	45.6% 31.4% 4Q16 -4.7% 2.2% 0.1% 2.8% 3.0% 4.0% -0.5%	48.1% 34.6% 2016 -2.4% 4.9% 2.6% 5.3% 7.3% 7.3% 7.6%	50.8% 35.7% 1Q17 -2.7% -5.0% 1.3% 4.2% 6.0% 5.7% -0.2%	53.6% 35.8% 2Q17E -3.8% -2.8% -1.7% 7.3% 8.1% 7.6% 5.3%	51.1% 35.7% 3Q17E -4.7% 1.0% 1.5% 4.9% 8.6% 8.1% 7.6%	48.1% 35.7% 4Q17E -4.2% 3.5% 2.7% 2.7% 8.4% 7.5% 14.5%	50.9% 35.7% 2017E -3.9% -0.8% 1.8% 4.8% 7.8% 7.3% 6.7%	51.9% 35.6% 2018E -3.4% 3.7% 2.7% 3.1% 4.7% 4.6% 8.4%
EBITU Effect YOY Gro Smokele: Smokele: Gross Pr EBITDA Operating	DA margin tive tax rate owth ble Volume ss Volume s rofit	7,494 42.8% 37.0% 2012 -0.2% 3.9% 2.3% 1.0% 5.5% 5.1%	7,679 43.5% 36.1% 2013 -4.1% 3.2% 0.9% 2.4% 2.5% 2.7%	7,835 43.7% 35.0% 2014 -3.0% 0.7% 1.6% 3.3% 2.0% 2.1%	46.0% 35.5% 2015 0.6% 2.5% 5.1% 8.9% 10.6% 10.3%	48.5% 35.3% 1Q15 1.2% 7.8% 6.0% 7.8% 12.3% 11.5%	50.4% 35.1% 2Q16 -4.9% 4.3% 0.1% 3.0% 7.6% 7.0%	47.8% 35.9% 3Q16 -0.9% 5.6% 4.3% 7.9% 6.7% 6.8%	45.6% 31.4% 4Q16 -4.7% 2.2% 0.1% 2.8% 3.0% 4.0%	48.1% 34.6% 2016 -2.4% 4.9% 2.6% 5.3% 7.3% 7.3%	50.8% 35.7% 1Q17 -2.7% -5.0% 1.3% 4.2% 6.0% 5.7%	53.6% 35.8% 2Q17E -3.8% -2.8% 1.7% 7.3% 8.1% 7.6%	51.1% 35.7% 3Q17E -4.7% 1.0% 1.5% 4.9% 8.6% 8.1%	48.1% 35.7% 4Q17E -4.2% 3.5% 2.7% 2.7% 8.4% 7.5%	50.9% 35.7% 2017E -3.9% -0.8% 1.8% 4.8% 7.8% 7.3%	51.9% 35.6% 2018E -3.4% 3.7% 2.7% 3.1% 4.7% 4.6%
EBITC Effect YOM GITC Smokealt Smokelet Net Salet Gross Pr EBITDA Operating Net Incor EPS	DA margin tive tax rate owth ble Volume ss Volume s rofit g Income me	7,494 42.8% 37.0% 2012 -0.2% 3.9% 2.3% 1.0% 5.5% 5.1% 5.9%	7,679 43.5% 36.1% 2013 -4.1% 3.2% 0.9% 2.4% 2.5% 2.7% 6.3%	7,835 43.7% 35.0% 2014 -3.0% 0.7% 1.6% 3.3% 2.0% 2.1% 7.7%	46.0% 35.5% 2015 0.6% 2.5% 5.1% 8.9% 10.6% 10.3% 7.5%	48.5% 35.3% 10.16 1.2% 7.8% 6.0% 7.8% 12.3% 11.5% 13.4%	50.4% 35.1% 20.16 -4.9% 4.3% 0.1% 3.0% 7.6% 7.0% 8.5%	47.8% 35.9% 3016 -0.9% 5.6% 4.3% 7.9% 6.7% 6.8% 9.4%	45.6% 31.4% 4Q16 -4.7% 2.2% 0.1% 2.8% 3.0% 4.0% -0.5%	48.1% 34.6% 2016 -2.4% 4.9% 2.6% 5.3% 7.3% 7.3% 7.6%	50.8% 35.7% 1Q17 -2.7% -5.0% 1.3% 4.2% 6.0% 5.7% -0.2%	53.6% 35.8% 2Q17E -3.8% -2.8% -1.7% 7.3% 8.1% 7.6% 5.3%	51.1% 35.7% 3Q17E -4.7% 1.0% 1.5% 4.9% 8.6% 8.1% 7.6%	48.1% 35.7% 4Q17E -4.2% 3.5% 2.7% 2.7% 8.4% 7.5% 14.5%	50.9% 35.7% 2017E -3.9% -0.8% 1.8% 4.8% 7.8% 7.3% 6.7%	51.9% 35.6% 2018E -3.4% 3.7% 2.7% 3.1% 4.7% 4.6% 8.4%
EBITE Effect Yey Gro Smokeat Smokele: Net Sales Gross Pr EBITDA Operating Net Incor EPS Smokeat	DA margin tive tax rate ble Volume ss Volume s rofit tig Income me	7,494 42.8% 37.0% 2012 -0.2% 3.9% 2.3% 1.0% 5.5% 5.1% 5.9% 8.0%	7,679 43.5% 36.1% 2013 -4.1% 3.2% 0.9% 2.4% 2.5% 2.7% 6.3%	7,835 43.7% 35.0% 2014 -3.0% 0.7% 1.6% 3.3% 2.0% 2.1% 7.7%	46.0% 35.5% 2015 0.6% 2.5% 5.1% 8.9% 10.6% 10.3% 7.5% 8.2%	48.5% 35.3% 1Q.16 1.2% 7.8% 6.0% 7.8% 12.3% 11.5% 13.4% 14.3%	50.4% 35.1% 2016 -4.9% 4.3% 0.1% 3.0% 7.6% 7.0% 8.5%	47.8% 35.9% 3016 -0.9% 5.6% 4.3% 7.9% 6.7% 6.8% 9.4%	45.6% 31.4% 4Q16 -4.7% 2.2% 0.1% 2.8% 3.0% 4.0% -0.5%	48.1% 34.6% 2016 -2.4% 4.9% 2.6% 5.3% 7.3% 7.3% 7.6% 8.2%	50.8% 35.7% 1Q17 -2.7% -5.0% 1.3% 4.2% 6.0% 5.7% -0.2% 1.4%	53.6% 35.8% 2Q17E -3.8% -2.8% 1.7% 7.3% 8.1% 7.6% 5.3% 6.2%	51.1% 35.7% 3Q1/E -4.7% 1.0% 1.5% 4.9% 8.6% 8.1% 7.6% 9.8%	48.1% 35.7% 4Q17E -4.2% 3.5% 2.7% 8.4% 7.5% 14.5%	50,9% 35.7% 2017E -3.9% -0.8% 1.8% 4.8% 7.8% 6.7% 8.3%	51.9% 35.6% 2018E -3.4% 3.7% 2.7% 4.7% 4.6% 8.4% 8.8%
EBITE YOY.Gre Smokeal: Smokele: Smoss Pr EBITDA Operating Net Incor EPS Smokeal: Smokeal:	DA margin tive tax rate owth ble Volume us Volume us Volume us Income me ble Unit Analysis (per thousands) ble Volume (in billions)	7,494 42.8% 37.0% 2012 -0.2% 3.9% 2.3% 1.0% 5.5% 5.1% 5.9% 8.0%	7,679 43.5% 36.1% 2013 -4.1% 3.2% 0.9% 2.4% 2.5% 2.7% 6.3% 7.6%	7,835 43.7% 35.0% 2014 -3.0% 0.7% 1.6% 3.3% 2.0% 2.1% 7.7% 9.2%	46.0% 35.5% 2015 0.6% 2.5% 5.1% 8.9% 10.3% 7.5% 8.2%	48.5% 35.3% 10.16 1.2% 7.8% 6.0% 7.8% 12.3% 11.5% 13.4% 14.3%	50.4% 35.1% 20.16 -4.9% 4.3% 0.1% 3.0% 7.6% 7.0% 8.5% 9.5%	47.8% 35.9% 30.16 -0.9% 5.6% 4.3% 7.9% 6.8% 9.4% 9.3%	45.6% 31.4% 4Q16 -4.7% 2.2% 0.1% 2.8% 4.0% -0.5% 1.5%	48.1% 34.6% 2016 -2.4% 4.9% 2.6% 5.3% 7.3% 7.6% 8.2%	50.8% 35.7% 1Q17 -2.7% -5.0% 1.3% 4.2% 6.0% 5.7% -0.2% 1.4%	53.6% 35.8% 2017E -3.8% -2.8% 1.7% 7.3% 8.1% 7.6% 5.3% 6.2%	51.1% 35.7% 30.17E -4.7% 1.0% 1.5% 4.9% 8.6% 8.1% 7.6% 9.8%	48.1% 35.7% 4Q1/E -4.2% 3.5% 2.7% 2.7% 8.4% 7.5% 14.5% 16.2%	50.9% 35.7% 2017E -3.9% -0.8% 1.8% 4.8% 7.3% 6.7% 8.3%	51.9% 35.6% 2018E -3.4% 3.7% 2.7% 3.1% 4.6% 8.4% 8.8%
EBITL Effect YOY GTC Smokeat Smokele: Net Sales Gross Pr EBITDA Operatin; Net Incor EPS Smokeat Smokeat Net Sales	DA margin tive tax rate owth ble Volume ss Volume s rofit ig Income me ble Unit Analysis (per thousands) ble Volume (in billions) s	7,494 42.8% 37.0% 2012 -0.2% 3.9% 2.3% 1.0% 5.5% 5.1% 5.9% 8.0%	7,679 43.5% 36.1% 2013 -4.1% 3.2% 0.9% 2.4% 2.5% 2.7% 6.3% 7.6%	7,835 43.7% 35.0% 2014 -3.0% 0.7% 1.6% 3.3% 2.0% 2.1% 7.7%	46.0% 35.5% 2015 0.6% 2.5% 5.1% 8.9% 10.6% 10.3% 7.5% 8.2%	48.5% 35.3% 1Q16 1.2% 7.8% 6.0% 7.8% 12.3% 11.5% 13.4% 14.3% 29.5 131.35	50.4% 35.1% 2016 -4.9% 4.3% 0.1% 3.0% 7.6% 7.0% 8.5%	47.8% 35.9% 3016 -0.9% 5.6% 4.3% 7.9% 6.7% 6.8% 9.4% 9.3%	45.6% 31.4% 4Q16 -4.7% 2.2% 0.1% 2.8% 3.0% 4.0% -0.5% 1.5%	48.1% 34.6% 2016 -2.4% 4.9% 2.6% 5.3% 7.3% 7.6% 8.2%	50.8% 35.7% 1Q17 -2.7% -5.0% 1.3% 4.2% 6.0% 5.7% -0.2% 1.4%	53.6% 35.8% 2Q17E -3.8% -2.8% 7.3% 8.1% 7.5% 6.2% 30.2 140.69	51.1% 35.7% 3017E -4.7% 1.0% 4.9% 8.6% 8.1% 9.8% 31.3 142.43	48.1% 35.7% 49.17E -4.2% 3.5% 2.7% 2.7% 8.4% 7.5% 14.5% 16.2%	50.9% 35.7% 2017E -3.9% -0.8% 1.8% 4.8% 7.3% 6.7% 8.3%	51.9% 35.6% 2018E -3.4% 3.7% 2.7% 3.1% 4.6% 8.8% 113.9 147.65
EBITL Effect YOY GTC Smokeat Smokele: Net Sales Gross Pr EBITDA Operatin; Net Incor EPS Smokeat Smokeat Net Sales	DA margin tive tax rate ble Volume ss Volume s rofit g Income me ble Unit Analysis (per thousands) ble Volume (in billions) s g income	7,494 42.8% 37.0% 2012 -0.2% 3.9% 2.3% 1.0% 5.5% 5.1% 5.9% 8.0%	7,679 43.5% 36.1% 2013 -4.1% 3.2% 0.9% 2.4% 2.5% 2.7% 6.3% 7.6%	7,835 43.7% 35.0% 2014 -3.0% 0.7% 1.6% 3.3% 2.0% 2.1% 7.7% 9.2%	46.0% 35.5% 2015 0.6% 2.5% 5.1% 8.9% 10.3% 7.5% 8.2%	48.5% 35.3% 10.16 1.2% 7.8% 6.0% 7.8% 12.3% 11.5% 13.4% 14.3%	50.4% 35.1% 2016 -4.9% 4.3% 0.1% 3.0% 7.6% 7.0% 8.5% 9.5%	47.8% 35.9% 30.16 -0.9% 5.6% 4.3% 7.9% 6.8% 9.4% 9.3%	45.6% 31.4% 4Q16 -4.7% 2.2% 0.1% 2.8% 4.0% -0.5% 1.5%	48.1% 34.6% 2016 -2.4% 4.9% 2.6% 5.3% 7.3% 7.6% 8.2%	50.8% 35.7% 1Q17 -2.7% -5.0% 1.3% 4.2% 6.0% 5.7% -0.2% 1.4%	53.6% 35.8% 2017E -3.8% -2.8% 1.7% 7.3% 8.1% 7.6% 5.3% 6.2%	51.1% 35.7% 30.17E -4.7% 1.0% 1.5% 4.9% 8.6% 8.1% 7.6% 9.8%	48.1% 35.7% 4Q1/E -4.2% 3.5% 2.7% 2.7% 8.4% 7.5% 14.5% 16.2%	50.9% 35.7% 2017E -3.9% -0.8% 1.8% 4.8% 7.3% 6.7% 8.3%	51.9% 35.6% 2018E -3.4% 3.7% 2.7% 3.1% 4.6% 8.4% 8.8%
YOY Gro Smokeals Smokele: Net Sales Gross Pr EBITDA Operatin; Net Incor EPS. Smokeal Net Sales Operatin;	DA margin tive tax rate owth ble Volume us Volume us Volume us Income me ble Unit Analysis (per thousands) ble Volume (in billions) s g ig income	7,494 42.8% 37.0% 2012 -0.2% 3.9% 1.0% 5.5% 5.1% 5.9% 8.0%	7,679 43.5% 36.1% 2018 -4.1% 3.2% 0.9% 2.7% 6.3% 7,6% 129.3 116.60 49.20	7,835 43,7% 35,0% 2014 -3,0% 0,7% 3,3% 2,0% 2,1% 7,7% 9,2% 125,4 122,58 54,10	2015 0.6% 2.5% 5.15% 6.10% 5.15% 6.10% 10.3% 7.55% 8.2% 126.0 128.54 59.67	48.5% 35.3% 1916 1.2% 6.0% 7.8% 6.0% 7.8% 11.5% 13.4% 14.3% 29.5 131.35 63.22	50.4% 35.1% 2Q.16 -4.9% 4.3% 0.1% 3.0% 7.6% 7.0% 8.5% 9.5%	47.8% 35.9% 3Q16 -0.9% 5.6% 4.3% 6.7% 6.8% 9.4% 9.3% 32.9 134.72 64.26	45.6% 31.4% 4Q16 -4.7% 2.2% 0.1% 2.8% 3.0% 4.0% -0.5% 1.5% 29.1 135.14 62.18	48.1% 34.6% 2016 -2.4% 4.9% 2.6% 5.3% 7.3% 7.3% 8.2%	50.8% 35.7% 1Q17 -2.7% -5.0% 1.3% 6.0% 5.7% -0.2% 1.4% 28.7 137.42 70.12	53.6% 35.8% 2017E -3.8% 1.7% 7.3% 8.1% 7.6% 5.3% 6.2% 30.2 140.69 75.19	51.1% 35.7% 30.17E -4.7% 1.0% 1.5% 4.9% 8.6% 8.1% 7.6% 9.8%	48.1% 35.7% 4Q17E -4.2% 3.5% 2.7% 8.4% 7.5% 14.5% 14.5% 14.292 68.74	50.9% 35.7% 2017E -3.9% -0.8% 1.8% 7.8% 7.3% 6.7% 8.3% 118.0 140.88 71.65	51.9% 35.6% 2018E -3.4% 3.7% 2.7% 4.7% 4.6% 8.8% 113.9 147.65 76.54
EBITL Effect MOY Grc Smokeal Smokelei Net Salet Gross Pr EBITDA Operatin, Net Incor EPS Smokeal Smokeat Net Salet Operatin, Excise ta	DA margin tive tax rate owth ble Volume us Volume us Volume us Income me ble Unit Analysis (per thousands) ble Volume (in billions) s g ig income	7,494 42.8% 37.0% 2012 -0.2% 2.9% 2.3% 1.0% 5.5% 5.1% 5.9% 8.0% 134.9 111.91 46.07 51.31	7,679 43.5% 36.1% 2013 -4.1% 3.2% 0.9% 2.4% 2.5% 2.7% 6.3% 7.6% 129.3 116.60 49.20 50.96	7,835 43,7% 35,0% 2014 -3,0% 0,7% 1,6% 2,1% 2,1% 9,2% 125,4 125,4 122,58 54,10 50,67	46.0% 35.5% 2015 0.6% 2.5% 2.5% 5.1% 8.9% 10.6% 10.3% 7.5% 8.2% 126.0 128.54 59.67 50.44	48.5% 35.3% 10.18 1.2% 7.8% 6.0% 7.8% 11.5% 13.4% 14.3% 29.5 131.35 131.35 29.5 131.35	50.4% 35.1% 2Q16 -4.9% 4.3% 0.1% 3.0% 7.6% 8.5% 9.5% 31.5 132.90 66.64 50.24	47.8% 35.9% 3016 -0.9% 5.6% 4.3% 7.9% 6.7% 6.8% 9.4% 9.4% 32.9 134.72 64.26 50.29	45.6% 31.4% 4Q16 -4.7% 2.2% 0.1% 4.0% -0.5% 1.5% 29.1 135.14 62.18 50.25	48.1% 34.6% 2016 -2.4% 4.9% 2.6% 5.3% 7.3% 7.3% 8.2%	50.8% 35.7% 1017 -2.7% -5.0% -5.0% 4.2% 6.0% -0.2% 1.4% 28.7 137.42 70.12 50.18	53.6% 35.8% 2017E -3.8% -2.8% -2.8% 7.3% 8.11% 7.6% 5.3% 6.2% 30.2 140.69 75.19 49.64	51.1% 35.7% 3017E -4.7% 1.0% 1.5% 4.9% 8.6% 7.6% 9.8% 31.3 142.43 72.20 49.69	48.1% 35.7% 4Q1/E -4.2% 3.5% 2.7% 2.7% 8.4% 7.5% 14.5% 142.92 68.74 49.81	50.9% 35.7% 2017E -3.9% -0.8% 1.8% 4.8% 7.8% 6.7% 118.0 140.88 71.65 49.83	51.9% 35.6% 2018E -3.4% 3.7% 2.7% 4.6% 4.6% 8.8% 113.9 147.65 76.54 4.983
EBITIL Effect YOYACIC Smokeals Smokele: Net Salet Gross P EBITDA Operatin, Net Incor EPS Smokeal Smokeat Operatin, Excise ta Total cos	DA margin tive tax rate owth ble Volume us Volume us Volume us Income me ble Unit Analysis (per thousands) ble Volume (in billions) s g ig income	7,494 42.8% 37.0% 2012 -0.2% 3.9% 2.3% 1.0% 5.5% 5.1% 5.9% 8.0% 134.9 111.91 46.07 51.31 28.28	7,679 43,5% 36.1% 2013 -4,1% 3,2% 0,9% 2,4% 2,5% 2,7% 6,3% 7,6% 129.3 116.60 49.20 50.96 28.96	7,835 43,7% 35,0% 2014 -3,0% 0,7% 1,6% 3,3% 2,0% 2,1% 7,7% 9,2% 125,4 122,58 54,10 50,67 29,91	46.0% 35.5% 2015 0.6% 2.5% 5.1% 8.9% 10.6% 10.3% 7.5% 8.2%	48.5% 35.3% 1Q16 1.2% 7.8% 6.0% 7.8% 12.3% 11.5% 13.4% 14.3% 29.5 131.35 29.5 131.35 29.5 131.35 29.5	50.4% 35.1% 20.16 -4.9% 4.3% 0.1% 3.0% 7.0% 8.5% 9.5% 31.5 132.90 66.64 50.24 27.18	47.8% 35.9% 30.16 -0.9% 5.6% 4.3% 7.9% 6.8% 9.4% 9.4% 32.9 134.72 64.26 50.29 31.06	45.6% 31.4% 4Q16 -4.7% 2.2% 0.1% 2.8% 3.0% -0.5% 1.5% 29.1 135.14 62.18 50.25 34.64	48.1% 34.6% 2016 -2.4% 4.9% 2.6% 5.3% 7.3% 7.3% 8.2%	50.8% 35.7% 1Q17 -2.7% -5.0% 1.3% 4.2% 6.0% 5.7% -0.2% 1.4% 28.7 137.42 70.12 50.18 27.84	53.6% 35.8% 2017E -3.8% -2.8% 1.7% 7.3% 8.1% 7.6% 5.3% 6.2% 30.2 140.69 75.19 49.64 26.81	51.1% 35.7% 3Q17E -4.7% 1.0% 1.5% 4.9% 8.6% 8.1% 7.2% 31.3 142.43 72.20 49.69 31.24	48.1% 35.7% 4Q17E -4.2% 3.5% 2.7% 2.7% 8.4% 7.5% 145.2% 27.8 142.92 68.74 49.81 35.48	50.9% 35.7% 2017E -3.9% -0.8% 1.8% 4.8% 7.8% 6.7% 8.3% 118.0 140.88 71.65 49.83 30.28	51.9% 35.6% 2018E -3.4% 3.7% 4.7% 4.6% 8.8% 113.9 147.65 76.54 4.983 30.98
EBITIL Effect YOYLCIC Smokeat Smokelei Net Sales Gross Pr EBITDA Operatini, Net Incor EPS Smokeat Smokeat Operatini Excise ta Total cos Smokele Smokele	DA margin tive tax rate owth ble Volume ses Volume ses forfit ig Income me ble Unit Analysis (per thousands) se g income axes ses Unit Analysis (per can) ses Volume (in millions)	7,494 42.8% 37.0% 2012 -0.2% 3.9% 2.3% 1.0% 5.5% 5.1% 6.9% 134.9 111.91 46.07 51.31 28.28	7,679 43,5% 36,7% 2013 -4,1% 3,2% 0,9% 2,5% 2,7% 6,3% 7,6% 129,3 116,60 49,20 50,96 28,96	7,835 43,7% 35,0% 2014 -3,0% 0,7% 1,6% 2,1% 7,7% 9,2% 125,4 122,58 54,10 50,67 29,91	46.0% 35.5% 2015 0.6% 2.5% 5.15% 8.9% 10.3% 7.5% 8.2% 126.0 128.54 59.67 50.44 30.66	48.5% 35.3% 1016 1.2% 7.8% 6.0% 12.3% 11.5% 13.4% 14.3% 29.5 131.35 63.22 50.19 27.19	50.4% 35.1% 20.16 -4.9% 4.3% 0.1% 3.0% 7.6% 7.0% 8.5% 31.5 132.90 66.64 50.24 27.18	47.8% 35.9% 30.16 -0.9% 5.6% 4.3% 7.9% 6.8% 9.4% 91.3% 32.9 134.72 64.26 50.29 31.06	45.6% 31.4% 4Q16 -4.7% 2.2% 0.1% 2.8% 4.0% -0.5% 1.5% 29.1 135.14 62.18 50.25 34.64	48.1% 34.6% 2016 -2.4% 4.9% 2.6% 5.3% 7.3% 7.6% 8.2% 122.9 133.54 64.13 50.24 29.98	50.8% 35.7% 1Q17 -2.7% -5.0% 1.3% 6.0% 5.7% -0.2% 1.4% 28.7 137.42 70.12 50.18 27.84 195.8	53.6% 35.8% 2017E -3.8% -2.8% 1.7% 6.1% 5.3% 6.2% 30.2 140.69 75.19 49.64 26.81	51.1% 35.7% 3017E -4.7% 1.0% 1.5% 4.9% 8.6% 8.1% 7.6% 9.8% 31.3 142.43 72.20 49.69 31.24	48.1% 35.7% 40.17E -4.2% 3.5% 2.7% 2.7% 8.4% 7.5% 14.5% 27.8 142.92 68.74 49.81 35.48	50.9% 35.7% 2017E -3.9% -0.8% 4.8% 7.8% 6.7% 8.3% 118.0 140.88 71.65 49.83 30.28	51.9% 35.6% 2018E -3.4% 3.7% 2.7% 4.7% 4.6% 8.4% 113.9 147.65 76.54 49.83 30.98
EBITIL Effect YOYACTO Smokeat Smokele: Net Salet Gross Pr EBITDA Operatin: Net Incor EPS Smokeat Net Salet Operatin: Excise ta Total cos Smokele: Net Salet Net Salet	DA margin tive tax rate bookth ble Volume ss Volume ss rofit gg Income mme ble Unit Analysis (per thousands) ble Volume (in billions) s gg income axes sts sess Unit Analysis (per can) sss Volume (in millions) s	7,494 42.8% 37.0% 2012 -0.2% 3.9% 2.3% 1.0% 5.5% 5.1% 5.9% 8.0% 134.9 111.91 46.07 51.31 28.28	7,679 43.5% 36.1% 2013 -4.1% 3.2% 0.9% 2.4% 2.5% 2.7% 6.3% 7.6% 129.3 116.60 129.3 7.6% 7.6%	7,835 43,7% 35,0% 2014 -3,0% 0,7% 1,6% 2,0% 2,19% 7,7% 9,2% 125,4 122,58 54,10 50,67 29,91	46.0% 35.5% 2015 0.6% 2.5% 5.1% 8.9% 10.6% 10.3% 7.5% 8.2% 126.0 128.54 30.66 813.5 2.15	48.5% 35.3% 10.16 1.2% 7.8% 6.00% 12.3% 11.5% 13.4% 29.5 131.35 63.22 50.19 27.19 206.1 2.17	50.4% 35.1% 20.16 -4.9% 4.3% 0.1% 3.0% 7.6% 7.6% 5.5% 31.5 132.90 66.64 50.24 27.18	47.8% 35.9% 30:16 -0.9% 5.6% 4.3% 6.7% 6.8% 9.4% 9.3% 32.9 134.72 64.26 50.29 31.06	45.6% 31.4% 4Q16 -4.7% 2.2% 0.1% 2.8% 3.0% 4.0% 1.5% 29.1 135.14 62.18 50.25 34.64 213.1 2.29	48.1% 34.6% 2010 -2.4% 4.9% 2.6% 5.3% 7.3% 7.3% 8.2% 122.9 133.54 64.13 50.24 29.98 853.5 2.24	50.8% 35.7% 10.17 -2.7% -5.0% 1.3% 4.2% 6.0% 5.7% -0.2% 1.4% 28.7 137.42 70.12 50.18 27.84	53.6% 35.8% 2017E -3.8% -2.8% 1.7% 8.1% 7.3% 6.2% 30.2 140.69 75.19 49.64 26.81 211.9 2.29	51.1% 35.7% 30.17E -4.7% 1.0% 1.5% 8.6% 8.1% 9.8% 31.3 142.43 72.20 49.69 31.24 218.6 2.33	48.1% 35.7% 4Q.17E -4.2% 3.5% 2.7% 8.4% 7.5% 14.5% 14.5% 27.8 142.92 68.74 49.81 35.48	50.9% 35.7% 2017E -3.9% -0.8% 1.8% 7.8% 7.8% 8.3% 118.0 140.88 71.65 49.83 30.28	51.9% 35.6% 2018E -3.4% 3.7% 4.7% 4.7% 8.8% 113.9 147.65 76.54 49.83 30.98
EBITIL Effect YOYACTO Smokeat Smokele: Net Salet Gross Pr EBITDA Operatin: Net Incor EPS Smokeat Net Salet Operatin: Excise ta Total cos Smokele: Net Salet Net Salet	DA margin tive tax rate owth ble Volume ss Volume ss Volume s g Income me ble Unit Analysis (per thousands) ble Volume (in billions) s g income axes sts ess Unit Analysis (per can) ss Volume (in millions) s g income	7,494 42.8% 37.0% 2012 -0.2% 3.9% 2.3% 1.0% 5.5% 5.1% 6.9% 134.9 111.91 46.07 51.31 28.28	7,679 43,5% 36,7% 2013 -4,1% 3,2% 0,9% 2,5% 2,7% 6,3% 7,6% 129,3 116,60 49,20 50,96 28,96	7,835 43,7% 35,0% 2014 -3,0% 0,7% 1,6% 2,1% 7,7% 9,2% 125,4 122,58 54,10 50,67 29,91	46.0% 35.5% 2015 0.6% 2.5% 5.15% 8.9% 10.3% 7.5% 8.2% 126.0 128.54 59.67 50.44 30.66	48.5% 35.3% 1016 1.2% 7.8% 6.0% 12.3% 11.5% 13.4% 14.3% 29.5 131.35 63.22 50.19 27.19	50.4% 35.1% 20.16 -4.9% 4.3% 0.1% 3.0% 7.6% 7.0% 8.5% 31.5 132.90 66.64 50.24 27.18	47.8% 35.9% 30.16 -0.9% 5.6% 4.3% 7.9% 6.8% 9.4% 91.3% 32.9 134.72 64.26 50.29 31.06	45.6% 31.4% 4Q16 -4.7% 2.2% 0.1% 2.8% 4.0% -0.5% 1.5% 29.1 135.14 62.18 50.25 34.64	48.1% 34.6% 2016 -2.4% 4.9% 2.6% 5.3% 7.3% 7.6% 8.2% 122.9 133.54 64.13 50.24 29.98	50.8% 35.7% 1Q17 -2.7% -5.0% 1.3% 6.0% 5.7% -0.2% 1.4% 28.7 137.42 70.12 50.18 27.84 195.8	53.6% 35.8% 2017E -3.8% -2.8% 1.7% 6.1% 5.3% 6.2% 30.2 140.69 75.19 49.64 26.81	51.1% 35.7% 3017E -4.7% 1.0% 1.5% 4.9% 8.6% 8.1% 7.6% 9.8% 31.3 142.43 72.20 49.69 31.24	48.1% 35.7% 40.17E -4.2% 3.5% 2.7% 2.7% 8.4% 7.5% 14.5% 27.8 142.92 68.74 49.81 35.48	50.9% 35.7% 2017E -3.9% -0.8% 4.8% 7.8% 6.7% 8.3% 118.0 140.88 71.65 49.83 30.28	51.9% 35.6% 2018E -3.4% 3.7% 2.7% 4.7% 4.6% 8.4% 113.9 147.65 76.54 49.83 30.98

Reynolds American (RAI) - Quarterly Earnings Model

Wells Fargo Securities, LLC Bonnie Herzog (212) 214-5051

bonnie.herzog@wellsfargo.com

(\$MM, except per-share data) Source for all tables: Company

Source for all tables: Company reports, Wells Fargo 5	Securities, LLC	estimates													
			2014	2015	10:16	2Q16	3Q16	4Q16	2016	1017	2Q17E	3Q17E	4Q17E	2017E	2018E
Gross Sales	12.227	44.000	40.000	14.884	3.947	4 245	4 220	4.054	16.846	2.024	4.076	4.484	4 200	47 470	47.004
Gross Sales Excise Taxes	12,227	11,966 3,730	12,096 3.625		3,947 1,030	4,315	4,330	4,254 1,068		3,931 982	4,376 1.091	4,484 1,118	4,388 1.057	17,179	17,664
% of Gross Sales	32.1%	31.2%	30.0%	4,209	26.1%	1,120 26.0%	1,125 26.0%	25.1%	4,343 25.8%	25.0%	24.9%	24.9%	24.1%	4,248	4,196
Net Sales	8,304	8,236	8,471	28.3% 10,675	2,917	3,195	3,205	3,186	12,503	2,949	3,285	3,366	3,331	24.7% 12,930	23.8% 13,469
	-,	-,	-,	,	2,011	-,	-,	5,151	,	_,010	-,	0,000	-,	12,000	,
MSA, Grower Buyout Exp & FDA Fees	2,710	2,155	2,249	2,685	680	768	757	716	2,921	774	828	844	794	3,240	3,253
Cost of Goods Sold, net	1,435	1,486	1,556	1,796	466	481	452	471	1,870	415	404	401	439	1,659	1,728
Total Cost of Goods Sold	4,145	3,860	3,805	4,443	1,146	1,249	1,209	1,187	4,791	1,189	1,232	1,245	1,232	4,898	4,981
Gross Profit	4,159	4,376	4,666	6,232	1,771	1,946	1,996	1,999	7,712	1,760	2,053	2,120	2,098	8,032	8,487
Gross Margin	50.1%	53.1%	55.1%	58.4%	60.7%	60.9%	62.3%	62.7%	61.7%	59.7%	62.5%	63.0%	63.0%	62.1%	63.0%
S,G&A Expense	1,275	1,354	1,550	1,776	446	474	436	459	1,815	408	456	426	465	1,755	1,687
% of Net Sales	15.4%	16.4%	18.3%	16.6%	15.3%	14.8%	13.6%	14.4%	14.5%	13.8%	13.9%	12.6%	14.0%	13.6%	12.5%
70 07 70 C CU1CO	70.470	70.470	70.070	70.070	70.070	74.070	70.070	77.770	74.070	70.070	70.070	72.070	74.070	70.070	72.070
Amortization	21	23	23	18	6	6	6	5	23	6	6	6	4	22	22
Operating Income	2,863	3,021	3,105	4,438	1,319	1,466	1,554	1,535	5,874	1,346	1,591	1,689	1,629	6,255	6,778
Operating margin	34.5%	36.7%	36.7%	41.6%	45.2%	45.9%	48.5%	48.2%	47.0%	45.6%	48.4%	50.2%	48.9%	48.4%	50.3%
_															
Interest Expense, net	227	254	283	564	171	150	148	149	618	147	140	138	132	557	519
Other France and		7	(58)	-55	6	-1	10		4.4	4	1	2	1	8	8
Other Expense, net	14	′	(36)	-55	0	-1	10	-1	14	4	'	2	'	l °l	
Pretax Income	2,622	2,760	2,880	3,929	1,142	1,317	1,396	1,387	5,242	1,195	1,450	1,549	1,496	5,690	6,251
	2,022	2,	2,000	0,020	.,	.,	.,	.,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	.,	.,	1,010	.,	,,,,,,	0,20.
Taxes	934	1,015	1,049	1,420	421	489	521	508	1,939	400	532	573	548	2,053	2,301
Effective tax rate	35.6%	36.8%	36.6%	36.6%	36.9%	37.1%	37.3%	36.6%	37.0%	33.5%	36.7%	37.0%	36.6%	36.1%	36.8%
Income from discontinued operations															
Net Income	1,686	1,745	1,831	2,509	721	828	875	879	3,303	795	918	976	949	3,637	3,951
		4 00 4	4 070	4 000	4 404	4 400	4 400			4 400	4 400	4 400	4 400		4 400
Diluted Shares Outstanding	1,136	1,094	1,070	1,268	1,431	1,430	1,430	1,429	1,430	1,430	1,430	1,430	1,430	1,430	1,430
EPS	1.48	1.60	1.71	1.98	0.50	0.58	0.61	0.62	2.31	0.56	0.64	0.68	0.66	2.54	2.76
		303.5						970 to	ALC:	3.55	9444				1000
EBITDA															
	2,994	3,124	3,348	4,560	1,349	1,497	1,619	1,600	6,066	1,378	1,623	1,728	1,663	6,393	6,921
EBITDA Margin	36.1%	3,124 37.9%	3,348	4,560 42.7%	1,349 46.2%	1,497 46.9%	1,619 50.5%	1,600 50.2%	6,066 48.5%	1,378 46.7%	1,623 49.4%	1,728 51.4%	1,663 <i>4</i> 9.9%	6,393 49.4%	6,921 <i>51.4</i> %
EBITDA Margin	36.1%	37.9%	39.5%	42.7%	46.2%	46.9%	50.5%	50.2%	48.5%	46.7%	49.4%	51.4%	49.9%	49.4%	51.4%
EBITDA Margin Dividend per Share	36.1% \$ 1.15	37.9% \$1.22	39.5% \$1.34	42.7% \$1.39	46.2% \$0.42	46.9% \$0.42	50.5% \$0.46	50.2% \$0.46	48.5% \$1.76	46.7% \$0.51	49.4% \$0.51	51.4% \$0.51	49.9% \$0.51	49.4% \$2.04	51.4% \$2.27
EBITDA Margin	36.1%	37.9%	39.5%	42.7%	46.2%	46.9%	50.5%	50.2%	48.5%	46.7%	49.4%	51.4%	49.9%	49.4%	51.4%
EBITDA Margin Dividend per Share Dividend Growth	36.1% \$ 1.15 5.4%	37.9% \$1.22 6.8%	39.5% \$1.34 9.8%	42.7% \$1.39 3.7%	46.2% \$0.42 16.7%	46.9% \$0.42 0.0%	\$0.5% \$0.46 9.5%	50.2% \$0.46 0.0%	48.5% \$1.76 26.6%	46.7% \$0.51 -71.0%	49.4% \$0.51 0.0%	51.4% \$0.51 0.0%	49.9% \$0.51 0.0%	49.4% \$2.04 15.9%	51.4% \$2.27 11.0%
EBITDA Margin Dividend per Share Dividend Growth YOY Growth	36.1% \$ 1.15 5.4%	37.9% \$1.22 6.8%	39.5% \$1.34 9.8%	42.7% \$1.39 3.7% 2015	46.2% \$0.42 16.7%	46.9% \$0.42 0.0%	\$0.46 9.5%	50.2% \$0.46 0.0%	48.5% \$1.76 26.6% 2016	46.7% \$0.51 -71.0%	49.4% \$0.51 0.0%	\$0.51 0.0%	49.9% \$0.51 0.0%	49.4% \$2.04 15.9%	51.4% \$2.27 11.0% 2018E
EBITDA Margin Dividend per Share Dividend Growth YOY Growth Cigarette Volume	36.1% \$ 1.15 5.4% 2012 -5.6%	37.9% \$1.22 6.8% 2013 -6.7%	39.5% \$1.34 9.8% 2014 24.8%	42.7% \$1.39 3.7% 2015 0.3%	46.2% \$0.42 16.7% 19.16 0.6%	46.9% \$0.42 0.0% 2016 25.7%	\$0.46 9.5% 3016 -2.5%	\$0.2% \$0.46 0.0% 4946 -2.3%	48.5% \$1.76 26.6% 2016 -1.5%	46.7% \$0.51 -71.0% 1Q17 -4.8%	49.4% \$0.51 0.0% 2917E -3.4%	51.4% \$0.51 0.0% 3017E -1.3%	49.9% \$0.51 0.0% 4917E -1.9%	49.4% \$2.04 15.9%	51.4% \$2.27 11.0% 2018E -2.3%
EBITDA Margin Dividend per Share Dividend Growth YOY Growth Cigarette Volume American Snuff Volume	36.1% \$ 1.15 5.4% 2012 -5.6% 8.0%	37.9% \$1.22 6.8% 2013 -6.7% 6.5%	39.5% \$1.34 9.8% 2014 24.8% 2.8%	42.7% \$1.39 3.7% 2015 0.3% 2.8%	46.2% \$0.42 16.7% 1Q16 0.6% 3.3%	46.9% \$0.42 0.0% 2016 25.7% -0.5%	50.5% \$0.46 9.5% 3016 -2.5% 2.1%	\$0.2% \$0.46 0.0% 4Q16 -2.3% -1.5%	48.5% \$1.76 26.6% 2016 -1.5% 0.8%	46.7% \$0.51 -71.0% 1917 -4.8% 4.4%	49.4% \$0.51 0.0% 2017E -3.4% 2.3%	\$0.51 0.0% \$0.75 -1.3% 1.4%	49.9% \$0.51 0.0% 4017E -1.9% 1.5%	49.4% \$2.04 15.9% 2017E -2.8% 2.4%	51.4% \$2.27 11.0% 2018E -2.3% 2.2%
EBITDA Margin Dividend per Share Dividend Growth YOY Growth Cigarette Volume	36.1% \$ 1.15 5.4% 2012 -5.6%	37.9% \$1.22 6.8% 2013 -6.7%	39.5% \$1.34 9.8% 2014 24.8%	42.7% \$1.39 3.7% 2015 0.3%	46.2% \$0.42 16.7% 19.16 0.6%	46.9% \$0.42 0.0% 2016 25.7%	\$0.46 9.5% 3016 -2.5%	\$0.2% \$0.46 0.0% 4946 -2.3%	48.5% \$1.76 26.6% 2016 -1.5%	46.7% \$0.51 -71.0% 1Q17 -4.8%	49.4% \$0.51 0.0% 2917E -3.4%	51.4% \$0.51 0.0% 3017E -1.3%	49.9% \$0.51 0.0% 4917E -1.9%	49.4% \$2.04 15.9% 2017E	51.4% \$2.27 11.0% 2018E -2.3%
EBITDA Margin Dividend per Share Dividend Growth YOY Growth Cigarette Volume American Snuff Volume Net Sales	36.1% \$ 1.15 5.4% 2012 -5.6% 8.0% -2.8%	37.9% \$1.22 6.8% 2018 -6.7% 6.5% -0.8%	39.5% \$1.34 9.8% 2014 24.8% 2.8% 2.9%	42.7% \$1.39 3.7% 2015 0.3% 2.8% 26.0%	46.2% \$0.42 16.7% 1Q16 0.6% 3.3% 41.8%	\$0.42 0.0% \$2016 25.7% -0.5% 33.0%	\$0.5% \$0.46 9.5% 3.016 -2.5% 2.1% 1.4%	\$0.2% \$0.46 0.0% 4916 -2.3% -1.5% 4.3%	48.5% \$1.76 26.6% 2016 -1.5% 0.8% 17.1%	46.7% \$0.51 -71.0% 1917 -4.8% 4.4% 1.1%	49.4% \$0.51 0.0% 2917E -3.4% 2.3% 2.8%	\$0.51 0.0% \$0.17E -1.3% 1.4% 5.0%	49.9% \$0.51 0.0% 4.217E -1.9% 1.5% 4.5%	49.4% \$2.04 15.9% 2017E -2.8% 2.4% 3.4%	51.4% \$2.27 11.0% 2018E -2.3% 2.2% 4.2%
EBITDA Margin Dividend per Share Dividend Growth YOY Growth Cigarette Volume American Snuff Volume Net Sales Gross Profit	36.1% \$ 1.15 5.4% 2012 -5.6% 8.0% -2.8% -1.5%	37.9% \$1.22 6.8% 2013 -6.7% 6.5% -0.8% 5.2%	39.5% \$1.34 9.8% 2014 24.8% 2.8% 2.9% 6.6%	42.7% \$1.39 3.7% 2015 0.3% 2.8% 26.0% 33.6%	46.2% \$0.42 16.7% 1Q16 0.6% 3.3% 41.8% 47.5%	46.9% \$0.42 0.0% 2016 25.7% -0.5% 33.0% 39.6%	\$0.5% \$0.46 9.5% 3016 -2.5% 2.1% 1.4% 9.8%	\$0.2% \$0.46 0.0% 4Q16 -2.3% -1.5% 4.3% 9.9% 24.3% 22.1%	48.5% \$1.76 26.6% 2016 -1.5% 0.8% 17.1% 23.7%	46.7% \$0.51 -71.0% 1Q17 -4.8% 4.4% 1.1% -0.6%	49.4% \$0.51 0.0% 2Q1/E -3.4% 2.3% 2.8% 5.5%	\$0.51 0.0% \$0.51 0.0% \$0.17E -1.3% 1.4% 5.0% 6.2%	49.9% \$0.51 0.0% 4917E -1.9% 1.5% 4.5% 5.0%	49.4% \$2.04 15.9% 2017E -2.8% 2.4% 3.4% 4.2%	51.4% \$2.27 11.0% 2018E -2.3% 2.2% 4.2% 5.7%
EBITDA Margin Dividend per Share Dividend Growth YOY Growth Cigarette Volume American Snuff Volume Net Sales Gross Profit EBITDA Operating Income Net Income	36.1% \$ 1.15 5.4% 2012 -5.6% 8.0% -2.8% -1.5% 1.3% 1.6% 2.4%	37.9% \$1.22 6.8% 2018 -6.7% 6.5% -0.8% 5.2% 4.3% 5.5% 3.5%	39.5% \$1.34 9.8% 2014 24.8% 2.8% 2.9% 6.6% 7.2% 2.8% 4.9%	42.7% \$1.39 3.7% 2015 0.3% 2.8% 26.0% 33.6% 42.9% 37.0%	46.2% \$0.42 16.7% 1916 0.6% 3.3% 41.8% 47.5% 70.1% 72.4% 57.8%	46.9% \$0.42 0.0% 25.7% -0.5% 33.0% 39.6% 44.1% 45.0% 43.0%	\$0.5% \$0.46 9.5% 3.516 -2.5% 2.1% 1.4% 9.8% 12.5% 10.6% 12.0%	\$0.2% \$0.46 0.0% 4Q16 -2.3% -1.5% 4.3% 9.9% 24.3% 22.1% 27.0%	48.5% \$1.76 26.6% 2016 -1.5% 0.8% 17.1% 23.7% 33.0% 32.4% 31.6%	46.7% \$0.51 -71.0% 1Q17 -4.8% 4.4% 1.1% -0.6% 2.1% 2.0% 10.3%	49.4% \$0.51 0.0% 2017E -3.4% 2.3% 2.8% 5.5% 8.4% 8.5% 10.8%	\$0.51 0.0% \$0.51 0.0% \$1.4% 5.0% 6.2% 6.7% 8.7% 11.5%	49.9% \$0.51 0.0% 4.17E -1.9% 1.5% 4.5% 5.0% 5.0% 6.1% 7.9%	49.4% \$2.04 15.9% 2017E -2.8% 2.4% 3.4% 4.2% 5.4% 6.5% 10.1%	51.4% \$2.27 11.0% 2018E -2.3% 2.2% 4.2% 5.7% 8.3% 8.4% 8.6%
EBITDA Margin Dividend per Share Dividend Growth YOY Growth Cigarette Volume American Snuff Volume Net Sales Gross Profit EBITDA Operating Income	36.1% \$ 1.15 5.4% 2012 -5.6% 8.0% -2.8% -1.5% 1.3% 1.6%	37.9% \$1.22 6.8% 2018 -6.7% 6.5% -0.8% 5.2% 4.3% 5.5%	39.5% \$1.34 9.8% 2014 24.8% 2.8% 2.9% 6.6% 7.2% 2.8%	42.7% \$1.39 3.7% 2015 0.3% 26.0% 33.6% 36.2% 42.9%	46.2% \$0.42 16.7% 1916 0.6% 3.3% 41.8% 47.5% 70.1% 72.4% 57.8%	46.9% \$0.42 0.0% 2016 25.7% -0.5% 33.0% 39.6% 44.1% 45.0%	\$0.5% \$0.46 9.5% \$3.216 -2.5% 2.1% 1.4% 9.8% 12.5% 10.6%	\$0.2% \$0.46 0.0% 4Q16 -2.3% -1.5% 4.3% 9.9% 24.3% 22.1%	48.5% \$1.76 26.6% 2016 -1.5% 0.8% 17.1% 23.7% 33.0% 32.4%	46.7% \$0.51 -71.0% 1Q17 -4.8% 4.4% 1.1% -0.6% 2.1% 2.0%	49.4% \$0.51 0.0% 29175 -3.4% 2.3% 2.8% 5.5% 8.4% 8.5%	\$0.51 0.0% \$0.51 -1.3% 1.4% 5.0% 6.2% 6.7% 8.7%	49.9% \$0.51 0.0% 4917E -1.9% 1.5% 4.5% 5.0% 3.9% 6.1%	49.4% \$2.04 15.9% 2017E -2.8% 2.4% 3.4% 4.2% 5.4% 6.5%	51.4% \$2.27 11.0% 2018E -2.3% 2.2% 4.2% 5.7% 8.3% 8.4%
EBITDA Margin Dividend per Share Dividend Growth YOY Growth Cigarette Volume American Snuff Volume Net Sales Gross Profit EBITDA Operating Income Net Income EPS	36.1% \$ 1.15 5.4% 2012 -5.6% 8.0% -2.8% -1.5% 1.3% 1.6% 2.4% 5.5%	37.9% \$1.22 6.8% 2018 -6.7% 6.5% -0.8% 5.2% 4.3% 5.5% 3.5%	39.5% \$1.34 9.8% 2014 24.8% 2.8% 2.9% 6.6% 7.2% 2.8% 4.9%	42.7% \$1.39 3.7% 2015 0.3% 2.8% 26.0% 33.6% 42.9% 37.0%	46.2% \$0.42 16.7% 1916 0.6% 3.3% 41.8% 47.5% 70.1% 72.4% 57.8%	46.9% \$0.42 0.0% 25.7% -0.5% 33.0% 39.6% 44.1% 45.0% 43.0%	\$0.5% \$0.46 9.5% 3.516 -2.5% 2.1% 1.4% 9.8% 12.5% 10.6% 12.0%	\$0.2% \$0.46 0.0% 4Q16 -2.3% -1.5% 4.3% 9.9% 24.3% 22.1% 27.0%	48.5% \$1.76 26.6% 2016 -1.5% 0.8% 17.1% 23.7% 33.0% 32.4% 31.6%	46.7% \$0.51 -71.0% 1Q17 -4.8% 4.4% 1.1% -0.6% 2.1% 2.0% 10.3%	49.4% \$0.51 0.0% 2017E -3.4% 2.3% 2.8% 5.5% 8.4% 8.5% 10.8%	\$0.51 0.0% \$0.51 0.0% \$1.4% 5.0% 6.2% 6.7% 8.7% 11.5%	49.9% \$0.51 0.0% 4.17E -1.9% 1.5% 4.5% 5.0% 5.0% 6.1% 7.9%	49.4% \$2.04 15.9% 2017E -2.8% 2.4% 3.4% 4.2% 5.4% 6.5% 10.1%	51.4% \$2.27 11.0% 2018E -2.3% 2.2% 4.2% 5.7% 8.3% 8.4% 8.6%
EBITDA Margin Dividend per Share Dividend Growth YOY Growth Cigarette Volume American Snuff Volume Net Sales Gross Profit EBITDA Operating Income Net Income EPS Cigarette Unit Analysis (per thousands)	36.1% \$ 1.15 5.4% 2012 -5.6% 8.0% -2.8% -1.5% 1.3% 1.6% 2.4%	37.9% \$1.22 6.8% 2013 -6.7% 6.5% -0.8% 5.2% 4.3% 5.5% 3.5% 7.5%	39.5% \$1.34 9.8% 2014 24.8% 2.8% 2.9% 6.6% 7.2% 2.8% 4.9% 7.3%	42.7% \$1.39 3.7% 2015 0.3% 2.6% 26.0% 33.6% 36.2% 42.9% 37.0% 15.8%	46.2% \$0.42 16.7% 1016 0.6% 3.3% 41.8% 47.5% 70.1% 72.4% 57.8% 16.3%	\$0.42 0.0% 2016 25.7% -0.5% 33.0% 44.1% 45.0% 43.0%	\$0.5% \$0.46 9.5% 39.16 -2.5% 2.1% 1.4% 9.8% 12.5% 10.6% 12.0% 12.7%	\$0.2% \$0.46 0.0% 4Q16 -2.3% -1.5% 4.3% 9.9% 24.3% 22.1% 27.0%	48.5% \$1.76 26.6% 2016 -1.5% 0.8% 17.1% 23.7% 33.0% 32.4% 31.6%	46.7% \$0.51 -71.0% 1017 -4.8% 4.4% 1.1% -0.6% 2.1% 2.0% 10.3%	49.4% \$0.51 0.0% 2917E -3.4% 2.3% 5.5% 8.4% 8.5% 10.8%	\$0.51 0.0% 30.17E -1.3% 1.4% 5.0% 6.2% 6.7% 8.7% 11.5%	49.9% \$0.51 0.0% 4Q1/E -1.9% 1.5% 4.5% 5.0% 3.9% 6.1% 7.9%	49.4% \$2.04 15.9% 2017E -2.8% 2.4% 3.4% 4.2% 5.4% 6.5% 10.1%	51.4% \$2.27 11.0% 2018E -2.3% 2.2% 4.2% 5.7% 8.3% 8.6%
EBITDA Margin Dividend per Share Dividend Growth YOY Growth Cigarette Volume Net Sales Gross Profit EBITDA Operating Income Net Income EPS Cigarette Unit Analysis (per thousands) Cigarette Volume (in billions)	36.1% \$ 1.15 5.4% 2012 -5.6% 8.0% -2.8% -1.5% 1.3% 2.4% 5.5%	37.9% \$1.22 6.8% 2013 -6.7% 6.5% -0.8% 5.2% 4.3% 5.5% 7.5% 64.30	39.5% \$1.34 9.8% 2014 24.8% 2.9% 6.6% 7.2% 2.8% 4.9% 7.3%	42.7% \$1.39 3.7% 2015 0.3% 26.0% 33.6% 36.2% 42.9% 37.0% 15.8%	46.2% \$0.42 16.7% 1016 0.6% 3.3% 41.8% 70.1% 72.4% 57.8% 16.3%	46.9% \$0.42 0.0% 2016 25.7% -0.5% 33.0% 39.6% 44.1% 45.0% 43.0% 13.7%	\$0.5% \$0.46 9.5% 3016 -2.5% 2.1% 1.4% 9.8% 10.6% 12.0% 12.7%	\$0.2% \$0.46 0.0% 4C16 -2.3% -1.5% 4.3% 9.9% 22.1% 27.0% 19.50	48.5% \$1.76 26.6% 2016 -1.5% 0.8% 17.1% 23.7% 33.0% 31.6% 16.7%	46.7% \$0.51 -71.0% 1Q17 -4.8% 4.4% 1.1% 2.1% 2.0% 10.3% 10.4%	49.4% \$0.51 0.0% 2017E -3.4% 2.3% 2.8% 5.5% 8.4% 8.5% 10.8% 10.9%	51.4% \$0.51 0.0% 3017E -1.3% 1.4% 5.0% 6.2% 6.7% 11.5%	49.9% \$0.51 0.0% 4Q17E -1.9% 1.5% 4.5% 5.0% 6.1% 7.9% 19.14	49.4% \$2.04 15.9% 2017E -2.8% 2.4% 3.4% 4.2% 5.4% 6.5% 10.1%	51.4% \$2.27 11.0% 2018E -2.3% 2.2% 4.2% 5.7% 8.3% 8.4% 8.6% 8.6%
EBITDA Margin Dividend per Share Dividend Growth YOY Growth Cigarette Volume American Snuff Volume Net Sales Gross Profit EBITDA Operating Income Net Income EPS Cigarette Unit Analysis (per thousands) Cigarette Volume (in billions) Net Sales	36.1% \$ 1.15 5.4% 2012 -5.6% 8.0% -2.8% -1.5% 1.3% 5.5%	37.9% \$1.22 6.8% 2013 -6.7% 6.5% 5.2% 4.3% 5.5% 3.5% 7.5%	39.5% \$1.34 9.8% 2014 24.8% 2.9% 6.6% 7.2% 2.8% 4.9% 7.3%	20.15 0.3% 2.8% 26.0% 33.6% 42.9% 37.0% 15.8%	46.2% \$0.42 16.7% 1916 0.6% 3.3% 41.8% 47.5% 70.1% 57.8% 16.3%	46.9% \$0.42 0.0% 2016 25.7% -0.5% 33.0% 39.6% 44.1% 45.0% 43.0% 13.7%	50.5% \$0.46 9.5% 3016 -2.5% 2.1% 1.4% 9.8% 12.5% 10.6% 12.7% 20.50 129.37	50.2% \$0.46 0.0% 4918 -2.3% -1.5% 4.3% 9.9% 24.3% 22.1% 27.0% 19.50 133.59	48.5% \$1.76 26.6% 2016 -1.5% 0.8% 17.1% 23.7% 33.0% 32.4% 31.6% 16.7%	46.7% \$0.51 -71.0% 1Q17 -4.8% 4.4% 1.1% -0.6% 2.1% 2.0% 10.3% 10.4%	49.4% \$0.51 0.0% 2917E -3.4% 2.3% 2.8% 5.5% 8.5% 10.8% 10.9%	51.4% \$0.51 0.0% 3017E -1.3% 1.4% 5.0% 6.2% 8.7% 11.5%	49.9% \$0.51 0.0% 401/E -1.9% 1.5% 5.0% 3.9% 6.1% 7.9% 19.14	49.4% \$2.04 15.9% 2017E -2.8% 2.4% 3.4% 4.2% 5.4% 10.1% 77.08	51.4% \$2.27 11.0% 2018E -2.3% 2.2% 4.2% 5.7% 8.3% 8.6% 3.6%
EBITDA Margin Dividend per Share Dividend Growth YOY Growth Cigarette Volume Net Sales Gross Profit EBITDA Operating Income Net Income EPS Cigarette Unit Analysis (per thousands) Cigarette Volume (in billions) Net Sales	36.1% \$ 1.15 5.4% 2012 -5.6% 8.0% -2.8% -1.5% 1.6% 2.4% 5.5% 68.90 101.02 67.68	37.9% \$1.22 6.8% 2013 -6.7% -0.8% 5.2% 4.3% 5.5% 3.5% 7.5% 64.30 104.63 66.25	39.5% \$1.34 9.8% 2014 24.8% 2.8% 2.9% 6.6% 7.2% 2.8% 4.9% 7.3% 80.25 110.93 67.05	42.7% \$1.39 3.7% 2015 0.3% 2.8% 26.0% 33.6% 36.2% 42.9% 37.0% 15.8% 80.48 107.28 59.68	46.2% \$0.42 16.7% 1016 0.6% 41.8% 47.5% 70.1% 72.4% 57.8% 16.3%	46.9% \$0.42 0.0% 2016 25.7% -0.5% 33.0% 39.6% 44.1% 45.0% 43.0% 13.7% 20.50 129.07 67.32	50.5% \$0.46 9.5% 3016 -2.5% 2.1% 1.4% 9.8% 12.5% 10.6% 12.0% 12.7% 20.50 129.37 64.15	\$0.2% \$0.46 0.0% 4016 -2.3% 4.3% 9.9% 24.3% 22.1% 27.0% 19.50 133.59 65.59	48.5% \$1.76 26.6% 2016 -1.5% 0.8% 17.1% 23.7% 33.0% 32.4% 31.6% 16.7% 79.30	46.7% \$0.51 -71.0% 1Q17 -4.8% 4.4% 1.1% -0.6% 2.1% 2.0% 10.3% 10.4%	49.4% \$0.51 0.0% 201/E -3.4% 2.3% 2.8% 5.5% 10.8% 10.9% 19.80 135.18 66.99	51.4% \$0.51 0.0% 3017E -1.3% 1.4% 5.0% 6.2% 6.7% 11.5% 11.6% 20.24 135.84 66.25	49.9% \$0.51 0.0% 4017E -1.9% 1.5% 4.5% 5.0% 3.9% 7.9% 19.14 140.47 69.42	49.4% \$2.04 15.9% 2017E -2.8% 2.4% 3.4% 4.2% 5.4% 6.5% 6.5% 6.10.1% 77.08 136.03 68.97	\$1.4% \$2.27 11.0% 2018E -2.3% 2.2% 4.2% 5.7% 8.3% 8.6% 8.6% 75.28
EBITDA Margin Dividend per Share Dividend Growth YOY Growth Cigarette Volume Net Sales Gross Profit EBITDA Operating Income Net Income EPS Cigarette Unit Analysis (per thousands) Cigarette Volume (in billions) Net Sales Total Costs Operating income	36.1% \$ 1.15 5.4% 2012 -5.6% 8.0% -2.8% -1.5% 1.3% 1.6% 5.5% 1.3% 68.90 101.02 67.68 33.34	37.9% \$1.22 6.8% 2013 -6.7% 6.5% -0.8% 5.2% 4.3% 5.5% 7.5% 64.30 104.63 66.25 38.38	39.5% \$1.34 9.8% 2014 24.8% 2.8% 2.9% 6.6% 7.2% 2.8% 4.9% 7.3%	42.7% \$1.39 3.7% 2015 0.3% 2.8% 26.0% 33.6% 36.2% 42.9% 37.0% 15.8%	46.2% \$0.42 16.7% 10:16 0.6% 3.3% 47.5% 70.1% 57.8% 16.3%	46.9% \$0.42 0.0% 20.16 25.7% -0.5% 33.0% 44.1% 45.0% 43.0% 13.7% 20.50 129.07 67.32 61.76	50.5% \$0.46 9.5% 3016 -2.5% 1.4% 9.8% 12.5% 10.6% 12.0% 12.7% 20.50 129.37 64.15 65.22	50.2% \$0.46 0.0% 4Q16 -2.3% -1.5% 4.3% 9.9% 22.1% 27.0% 19.50 133.59 65.59 66.00	48.5% \$1.76 26.6% -1.5% 0.8% 17.1% 33.0% 32.4% 31.6% 16.7% 79.30 130.06 66.38 63.68	46.7% \$0.51 -71.0% 1917 -4.8% 4.4% -0.6% 2.1% -2.0% 10.3% -10.4%	49.4% \$0.51 0.0% 2Q1/FE -3.4% 2.3% 2.8% 8.4% 8.5% 10.9% 19.80 135.18 68.99 66.20	51.4% \$0.51 0.0% 301/E -1.3% 1.4% 5.0% 6.2% 6.7% 8.7% 11.6% 20.24 135.84 66.25 69.58	49.9% \$0.51 0.0% 4C17E -1.9% 4.5% 5.0% 3.9% 7.9% 7.9% 19.14 140.47 69.42 71.06	49.4% \$2.04 15.9% 2017E -2.8% 2.4% 4.2% 6.5% 10.1% 77.08 136.03 68.97 67.06	\$1.4% \$2.27 11.0% 2018E -2.3% 2.2% 5.7% 8.3% 8.4% 8.6% 8.6% 75.28 142.72 69.98 72.74
EBITDA Margin Dividend per Share Dividend Growth YOY Growth Cigarette Volume American Snuff Volume Net Sales Gross Profit EBITDA Operating Income Net Income EPS Cigarette Unit Analysis (per thousands) Cigarette Volume (in billions) Net Sales Total Costs Operating income	36.1% \$ 1.15 5.4% 2012 -5.6% 8.0% -2.8% -1.5% 1.3% 1.6% 2.4% 5.5%	37.9% \$1.22 6.8% 2013 -6.7% 6.5% -0.8% 5.2% 4.3% 5.5% 3.5% 7.59% 64.30 104.63 66.25 38.38 50.25	39.5% \$1.34 9.8% 2014 24.8% 2.8% 2.9% 6.6% 7.2% 2.8% 4.9% 7.3% 80.25 110.93 67.05 43.89 52.97	42.7% \$1.39 3.7% 2015 0.3% 2.8% 26.0% 33.6% 36.2% 42.9% 37.0% 15.8% 80.48 107.28 59.68 47.60 44.61	46.2% \$0.42 16.7% 10;16 0.6% 3.3% 41.8% 47.5% 70.1% 72.4% 57.8% 16.3%	46.9% \$0.42 0.0% 2016 25.7% -0.5% 33.0% 39.6% 44.1% 45.0% 43.0% 13.7% 20.50 129.07 67.32 61.76 50.29	\$0.5% \$0.46 9.5% 3016 -2.5% 2.1% 1.4% 9.8% 612.5% 10.6% 12.7% 20.50 129.37 64.15 65.22 50.44	50.2% \$0.46 0.0% 4Q16 -2.3% -1.5% 4.3% 9.9% 24.3% 22.1% 27.0% 19.50 133.59 66.59 68.09 50.46	48.5% \$1.76 26.6% 2016 -1.5% 0.8% 17.1% 23.7% 33.0% 32.4% 31.6% 16.7% 79.30 130.06 66.38 63.68 63.68	46.7% \$0.51 -71.0% 1037 -4.8% 4.4% 1.1% -0.6% 10.3% 10.4%	49.4% \$0.51 0.0% 2017E -3.4% 2.3% 5.5% 8.4% 5.5% 10.8% 10.8% 10.9%	51.4% \$0.51 0.0% 3017E -1.3% 1.4% 6.7% 6.7% 11.5% 11.6% 20.24 135.84 66.25 69.58 50.33	49.9% \$0.51 0.0% 4017E -1.9% 1.5% 4.5% 5.0% 6.1% 7.9% 7.99% 19.14 140.47 69.42 71.06 50.33	49.4% \$2.04 15.9% 2017E -2.8% 3.4% 4.2% 5.4% 10.1% 77.08 136.03 68.97 67.06 50.33	51.4% \$2.27 11.0% 2018E -2.3% 4.2% 4.2% 5.7% 8.3% 8.4% 8.6% 75.28 142.72 69.98 72.74 50.33
EBITDA Margin Dividend per Share Dividend Growth YOY Growth Cigarette Volume Net Sales Gross Profit EBITDA Operating Income Net Income EPS Cigarette Unit Analysis (per thousands) Cigarette Volume (in billions) Net Sales Total Costs Operating income Exps Exps Exps Cigarette Unit Analysis (per thousands) Cigarette Volume (in billions) Net Sales Total Costs Operating income Excise taxes Master Settlement Agreement and other s	36.1% \$ 1.15 5.4% 2012 -5.6% 8.0% -2.8% 1.5% 1.6% 2.4% 5.5% 101.02 66.90 101.02 67.68 33.34 50.32 34.40	37.9% \$1.22 6.8% 2013 -6.7% 6.5% -0.8% 5.2% 4.3% 5.5% 7.5% 64.30 104.63 66.25 38.38 50.25 31.66	39.5% \$1.34 9.8% 2014 24.8% 2.8% 2.9% 6.6% 7.2% 2.88% 4.9% 7.3% 80.25 110.93 67.05 43.89 52.97 31.99	42.7% \$1.39 3.7% 2015 0.3% 2.8% 26.0% 33.6% 36.2% 42.9% 37.0% 15.8%	46.2% \$0.42 16.7% 10:16 0.6% 3.3% 47.5% 70.1% 57.8% 16.3%	46.9% \$0.42 0.0% 20.16 25.7% -0.5% 33.0% 44.1% 45.0% 43.0% 13.7% 20.50 129.07 67.32 61.76	50.5% \$0.46 9.5% 3016 -2.5% 1.4% 9.8% 12.5% 10.6% 12.0% 12.7% 20.50 129.37 64.15 65.22	50.2% \$0.46 0.0% 4Q16 -2.3% -1.5% 4.3% 9.9% 22.1% 27.0% 19.50 133.59 65.59 66.00	48.5% \$1.76 26.6% -1.5% 0.8% 17.1% 33.0% 32.4% 31.6% 16.7% 79.30 130.06 66.38 63.68	46.7% \$0.51 -71.0% 1917 -4.8% 4.4% -0.6% 2.1% -2.0% 10.3% -10.4%	49.4% \$0.51 0.0% 2Q1/FE -3.4% 2.3% 2.8% 8.4% 8.5% 10.9% 19.80 135.18 68.99 66.20	51.4% \$0.51 0.0% 301/E -1.3% 1.4% 5.0% 6.2% 6.7% 8.7% 11.6% 20.24 135.84 66.25 69.58	49.9% \$0.51 0.0% 4C17E -1.9% 4.5% 5.0% 3.9% 7.9% 7.9% 19.14 140.47 69.42 71.06	49.4% \$2.04 15.9% 2017E -2.8% 2.4% 4.2% 6.5% 10.1% 77.08 136.03 68.97 67.06	\$1.4% \$2.27 11.0% 2018E -2.3% 2.2% 5.7% 8.3% 8.4% 8.6% 8.6% 75.28 142.72 69.98 72.74
EBITDA Margin Dividend per Share Dividend Growth YOY Growth Cigarette Volume American Snuff Volume Net Sales Gross Profit EBITDA Operating Income Net Income EPS Cigarette Unit Analysis (per thousands) Cigarette Volume (in billions) Net Sales Total Costs Operating income	36.1% \$ 1.15 5.4% 2012 -5.6% 8.0% -2.8% -1.5% 1.3% 1.6% 2.4% 5.5%	37.9% \$1.22 6.8% 2013 -6.7% 6.5% -0.8% 5.2% 4.3% 5.5% 3.5% 7.59% 64.30 104.63 66.25 38.38 50.25	39.5% \$1.34 9.8% 2014 24.8% 2.8% 2.9% 6.6% 7.2% 2.8% 4.9% 7.3% 80.25 110.93 67.05 43.89 52.97	42.7% \$1.39 3.7% 2015 0.3% 2.8% 26.0% 33.6% 36.2% 42.9% 37.0% 15.8% 80.48 107.28 59.68 47.60 44.61	46.2% \$0.42 16.7% 10;16 0.6% 3.3% 41.8% 47.5% 70.1% 72.4% 57.8% 16.3%	46.9% \$0.42 0.0% 2016 25.7% -0.5% 33.0% 39.6% 44.1% 45.0% 43.0% 13.7% 20.50 129.07 67.32 61.76 50.29	\$0.5% \$0.46 9.5% 3016 -2.5% 2.1% 1.4% 9.8% 612.5% 10.6% 12.7% 20.50 129.37 64.15 65.22 50.44	50.2% \$0.46 0.0% 4Q16 -2.3% -1.5% 4.3% 9.9% 24.3% 22.1% 27.0% 19.50 133.59 66.59 68.09 50.46	48.5% \$1.76 26.6% 2016 -1.5% 0.8% 17.1% 23.7% 33.0% 32.4% 31.6% 16.7% 79.30 130.06 66.38 63.68 63.68	46.7% \$0.51 -71.0% 1037 -4.8% 4.4% 1.1% -0.6% 10.3% 10.4%	49.4% \$0.51 0.0% 2017E -3.4% 2.3% 5.5% 8.4% 5.5% 10.8% 10.8% 10.9%	51.4% \$0.51 0.0% 3017E -1.3% 1.4% 6.7% 6.7% 11.5% 11.6% 20.24 135.84 66.25 69.58 50.33	49.9% \$0.51 0.0% 4017E -1.9% 1.5% 4.5% 5.0% 6.1% 7.9% 7.99% 19.14 140.47 69.42 71.06 50.33	49.4% \$2.04 15.9% 2017E -2.8% 3.4% 4.2% 5.4% 10.1% 77.08 136.03 68.97 67.06 50.33	51.4% \$2.27 11.0% 2018E -2.3% 4.2% 4.2% 5.7% 8.3% 8.4% 8.6% 75.28 142.72 69.98 72.74 50.33
EBITDA Margin Dividend per Share Dividend Growth Cigarette Volume American Shuff Volume Net Sales Gross Profit EBITDA Operating income Net Income EPS Cigarette Unit Analysis (per thousands) Cigarette Volume (in billions) Net Sales Total Costs Operating income Excise taxes Master Settlement Agreement and other s Federal tobacco buyout expense FDA fees	36.1% \$ 1.15 5.4% 2012 -5.6% 8.0% -1.5% -1.5% -1.5% 2.4% 5.5% 68.90 101.02 67.68 33.34 50.32 34.40 3.16	37.9% \$1.22 6.8% 2013 -6.7% 6.5% 5.2% 4.3% 5.5% 3.5% 7.5% 64.30 104.63 66.25 38.38 50.25 31.86 3.25	39.5% \$1.34 9.8% 2014 24.8% 2.9% 6.6% 7.2% 4.99% 7.3% 80.25 110.93 67.05 43.89 52.97 31.98 52.97	42.7% \$1.39 3.7% 2015 0.3% 2.8% 26.0% 33.6% 36.2% 42.9% 37.0% 15.8% 80.48 107.28 59.68 47.60 44.61 32.66	46.2% \$0.42 16.7% 10.16 0.6% 3.3% 41.8% 47.5% 70.1% 72.4% 57.8% 16.3% 18.80 128.24 68.62 59.63 50.43 33.51	46.9% \$0.42 0.0% 2C16 25.7% -0.5% 33.0% 39.6% 44.1% 43.0% 13.7% 20.50 129.07 67.32 61.76 50.29 35.07	50.5% \$0.46 9.5% 3016 -2.5% 2.1% 1.4% 12.5% 10.6% 12.7% 20.50 129.37 64.15 65.22 50.44 34.59	50.2% \$0.46 0.0% 4Q18 -2.3% -1.5% 4.3% 22.1% 27.0% 29.2% 19.50 133.59 65.59 68.00 50.48 34.31	48.5% \$1.76 26.6% 2016 -1.5% 0.8% 17.1% 23.7% 33.0% 16.7% 79.30 130.06 66.38 63.68 50.40 34.39	46.7% \$0.51 -71.0% 1017 -4.8% 4.4% 1.1% -0.6% 2.1% 2.0% 10.3% 10.3% 17.90 132.46 71.56 60.89 50.34 40.61	49.4% \$0.51 0.0% 2017E -3.4% 2.8% 5.5% 8.4% 8.5% 10.8% 10.8% 19.80 135.18 68.99 66.20 50.33 39.28	51.4% \$0.51 0.0% 3017E -1.3% 1.4% 5.0% 6.2% 6.7% 11.5% 11.6% 20.24 135.84 66.25 69.58 50.33 39.25	49.9% \$0.51 0.0% 4017E -1.9% 1.5% 4.5% 5.0% 3.9% 6.1% 7.9% 7.9% 19.14 140.47 69.42 71.06 50.33 38.94	49.4% \$2.04 15.9% -2.8% 2.4% 3.4% 4.2% 5.5.4% 6.5% 10.1% -77.08 136.03 68.97 67.06 50.33 39.50	\$1.4% \$2.27 11.0% 2018E -2.3% 4.2% 4.2% 4.2% 4.86% 8.6% 8.6% 8.6% 57.24 50.33 40.61
EBITDA Margin Dividend per Share Dividend Growth YOY Growth Cigarette Volume Net Sales Gross Profit EBITDA Operating Income Net Income EPS Cigarette Unit Analysis (per thousands, Cigarete Volume (in billions) Net Sales Total Costs Operating income Excise taxes Master Settlement Agreement and other s Federal tobacco buyout expense FDA fees YOY Growth in per 000s	36.1% \$ 1.15 5.4% 2012 -5.6% 8.0% -1.5% -1.5% -1.5% 2.4% 5.5% 68.90 101.02 67.68 33.34 50.32 34.40 3.16	37.9% \$1.22 6.8% 2013 -6.7% 6.5% -0.8% 5.2% 4.3% 5.5% 3.5% 7.5% 64.30 104.63 66.25 38.38 50.25 31.66 3.255 1.98	39.5% \$1.34 9.8% 2014 24.8% 2.8% 2.8% 6.6% 7.2% 2.8% 4.99 7.3% 80.25 110.93 67.05 43.89 52.97 31.98 2.67 2.21	42.7% \$1.39 3.7% 2015 0.3% 2.8% 26.0% 33.6% 42.9% 42.9% 47.0% 45.8% 80.48 47.60 44.61 47.61 47.61 47.61	46.2% \$0.42 16.7% 10:16 0.6% 3.3% 41.8% 47.5% 70.1% 72.4% 57.8% 16.3%	46.9% \$0.42 0.0% 2016 25.7% -0.5% 33.0% 39.6% 44.1% 45.0% 43.0% 13.7% 20.50 129.07 67.32 61.76 50.29 35.07 -2.39	50.5% \$0.46 9.5% 3016 -2.5% 2.1% 9.8% 12.5% 12.0% 12.0% 12.7% 20.50 129.37 64.15 65.22 50.44 34.59 -2.34	50.2% \$0.46 0.0% 4Q16 -2.3% -1.5% 9.9% 22.1% 22.1% 27.0% 29.2% 19.50 133.59 65.59 68.00 50.46 34.31	48.5% \$1.76 26.6% 2016 -1.5% 0.8% 17.1% 23.7% 33.0% 32.4% 31.6% 16.7% 79.30 130.06 66.38 63.68 63.68 63.64 34.39 -2.45	46.7% \$0.51 -71.0% 1037 -4.8% 4.4% 1.1% -0.6% 2.1% 2.0% 10.3% 10.4% 17.90 132.46 71.56 60.89 50.34 40.61 -2.63	49.4% \$0.51 0.0% 201/E -3.4% 2.8% 2.8% 5.5% 8.4% 8.5% 10.8% 10.9% 19.80 135.18 68.99 66.20 50.33 39.28 -2.51	51.4% \$0.51 0.0% 301/E -1.3% 1.4% 5.0% 6.2% 6.7% 8.7% 11.6% 20.24 135.84 66.25 69.58 50.33 39.25	49.9% \$0.51 0.0% 4Q17E -1.9% 1.5% 4.5% 5.0% 3.9% 7.9% 7.9% 19.14 140.47 69.42 71.06 50.33 38.94 -2.53	49.4% \$2.04 15.9% 201/E -2.8% 2.4% 3.4% 4.2% 5.4% 6.5% 10.1% 77.08 136.03 68.97 67.06 50.33 39.50 -2.53	51.4% \$2.27 11.0% 2018E -2.3% 2.2% 4.2% 5.7% 8.3% 8.4% 8.6% 8.6% 75.28 142.72 69.98 72.74 50.33 40.61 -2.61
EBITDA Margin Dividend per Share Dividend Growth YOY Growth Cigarette Volume Net Sales Gross Profit EBITDA Operating Income Net Income EPS Cigarette Unit Analysis (per thousands) Cigarette Volume (in billions) Net Sales Total Costs Operating income Excise taxes Master Settlement Agreement and other s Federal tobacco buyout expense FEDA fees YOY Growth in per 000s Net Sales	36.1% \$ 1.15 5.4% 2012 -5.6% 8.0% -1.5% -1.5% -1.5% 2.4% 5.5% 68.90 101.02 67.68 33.34 50.32 34.40 3.16	37.9% \$1.22 6.8% 2013 -6.7% 6.5% -0.8% 5.2% 4.3% 5.5% 3.5% 64.30 104.63 66.25 38.38 50.25 31.66 3.25 1.98	39.5% \$1.34 9.8% 2014 24.8% 2.8% 6.6% 7.2% 2.8% 4.9% 7.33% 80.25 110.93 67.05 43.89 52.97 31.98 2.67 2.21	42.7% \$1.39 3.7% 2015 0.3% 26.0% 33.6% 36.2% 42.9% 37.0% 42.9% 47.00 44.61 32.66 - 2.32	46.2% \$0.42 16.7% 10:16 0.6% 3.3% 41.8% 47.5% 70.1% 72.4% 57.8% 16.3% 18.80 128.82 18.80 128.65 12.66	46.9% \$0.42 0.0% 29.16 25.7% -0.5% 33.0% 39.6% 44.1% 45.0% 43.0% 13.7% 20.50 129.07 67.32 61.76 50.29 35.07 -2.39	50.5% \$0.46 9.5% SQ10 -2.5% 2.1% 1.4% 9.8% 10.6% 12.7% 20.50 129.37 64.15 65.22 50.44 34.59 -2.34	50.2% \$0.46 0.0% 4C16 -2.3% -1.5% 4.3% 9.9% 22.1% 27.0% 29.2% 19.50 133.59 68.00 50.46 34.31 -2.41	48.5% \$1.76 26.6% 2016 -1.5% 0.8% 17.1% 23.7% 33.0% 31.6% 31.6.7% 79.30 130.06 66.38 63.68 50.40 34.39 - 2.45	46.7% \$0.51 -71.0% 1C37 -4.8% 4.4% 4.4% 5.1% 2.0% 10.3% 10.34 10.43% 17.90 132.46 71.56 60.89 50.34 40.61 -2.63	49.4% \$0.51 0.0% 29.17E -3.4% 2.8% 5.5% 8.4% 8.5% 10.8% 10.9% 19.80 135.18 88.99 66.20 50.33 39.28 -2.51	51.4% \$0.51 0.0% 3017E -1.3% 1.4% 6.2% 6.7% 8.7% 11.5% 20.24 135.84 66.25 69.58 50.33 39.25 -2.46	49.9% \$0.51 0.0% 40.17E -1.9% 1.5% 4.5% 5.0% 3.9% 6.1% 7.9% 19.14 140.47 140.47 69.42 71.06 50.33 38.94 -2.53	49.4% \$2.04 15.9% 201/E -2.8% 2.4% 4.2% 5.5% 10.1% 77.08 136.03 68.97 67.06 50.33 39.50 - 2.53	51.4% \$2.27 11.0% 2018E -2.3% 2.2% 4.2% 5.7% 8.4% 8.6% 75.28 142.72 69.98 72.74 50.33 40.61 -2.61
EBITDA Margin Dividend per Share Dividend Growth YOY Growth Cigarette Volume American Snuff Volume Net Sales Gross Profit EBITDA Operating Income Net Income EPS Cigarette Unit Analysis (per thousands, Cigarete Volume (in billions) Net Sales Total Costs Operating income Excise taxes Master Settlement Agreement and other s Federal tobacco buyout expense FDA fees YOY Growth in per 000s	36.1% \$ 1.15 5.4% 2012 -5.6% 8.0% -1.5% -1.5% -1.5% 2.4% 5.5% 68.90 101.02 67.68 33.34 50.32 34.40 3.16	37.9% \$1.22 6.8% 2013 -6.7% 6.5% -0.8% 5.2% 4.3% 5.5% 3.5% 7.5% 64.30 104.63 66.25 38.38 50.25 31.66 3.255 1.98	39.5% \$1.34 9.8% 2014 24.8% 2.8% 2.8% 6.6% 7.2% 2.8% 4.99 7.3% 80.25 110.93 67.05 43.89 52.97 31.98 2.67 2.21	42.7% \$1.39 3.7% 2015 0.3% 2.8% 26.0% 33.6% 42.9% 42.9% 47.0% 45.8% 80.48 47.60 44.61 47.61 47.61 47.61	46.2% \$0.42 16.7% 10:16 0.6% 3.3% 41.8% 47.5% 70.1% 72.4% 57.8% 16.3%	46.9% \$0.42 0.0% 2016 25.7% -0.5% 33.0% 39.6% 44.1% 45.0% 43.0% 13.7% 20.50 129.07 67.32 61.76 50.29 35.07 -2.39	50.5% \$0.46 9.5% 3016 -2.5% 2.1% 9.8% 12.5% 12.0% 12.0% 12.7% 20.50 129.37 64.15 65.22 50.44 34.59 -2.34	50.2% \$0.46 0.0% 4Q16 -2.3% -1.5% 9.9% 22.1% 22.1% 27.0% 29.2% 19.50 133.59 65.59 68.00 50.46 34.31	48.5% \$1.76 26.6% 2016 -1.5% 0.8% 17.1% 23.7% 33.0% 32.4% 31.6% 16.7% 79.30 130.06 66.38 63.68 63.68 63.64 34.39 -2.45	46.7% \$0.51 -71.0% 1037 -4.8% 4.4% 1.1% -0.6% 2.1% 2.0% 10.3% 10.4% 17.90 132.46 71.56 60.89 50.34 40.61 -2.63	49.4% \$0.51 0.0% 201/E -3.4% 2.8% 2.8% 5.5% 8.4% 8.5% 10.8% 10.9% 19.80 135.18 68.99 66.20 50.33 39.28 -2.51	51.4% \$0.51 0.0% 301/E -1.3% 1.4% 5.0% 6.2% 6.7% 8.7% 11.6% 20.24 135.84 66.25 69.58 50.33 39.25	49.9% \$0.51 0.0% 4Q17E -1.9% 1.5% 4.5% 5.0% 3.9% 7.9% 7.9% 19.14 140.47 69.42 71.06 50.33 38.94 -2.53	49.4% \$2.04 15.9% 201/E -2.8% 2.4% 3.4% 4.2% 5.4% 6.5% 10.1% 77.08 136.03 68.97 67.06 50.33 39.50 -2.53	51.4% \$2.27 11.0% 2018E -2.3% 2.2% 4.2% 5.7% 8.3% 8.4% 8.6% 75.28 142.72 69.98 72.74 50.33 40.61 -2.61
EBITDA Margin Dividend per Share Dividend Growth YOY Growth Cigarette Volume American Snuff Volume Net Sales Gross Profit EBITDA Operating Income Net Income EPS Cigarette Unit Analysis (per thousands) Cigarette Volume (in billions) Net Sales Total Costs Operating income Excise taxes Master Settlement Agreement and other s Federal tobacco buyout expense FDA fees YOY Growth in per 000s Net Sales Operating income	36.1% \$ 1.15 5.4% 2012 -5.6% 8.0% -1.5% -1.5% -1.5% 2.4% 5.5% 68.90 101.02 67.68 33.34 50.32 34.40 3.16	37.9% \$1.22 6.8% 2013 -6.7% 6.5% -0.8% 5.2% 4.3% 5.5% 3.5% 64.30 104.63 66.25 38.38 50.25 31.66 3.25 1.98	39.5% \$1.34 9.8% 2014 24.8% 2.8% 6.6% 7.2% 2.8% 4.9% 7.33% 80.25 110.93 67.05 43.89 52.97 31.98 2.67 2.21	42.7% \$1.39 3.7% 2015 0.3% 26.0% 33.6% 36.2% 42.9% 37.0% 42.9% 47.00 44.61 32.66 - 2.32	46.2% \$0.42 16.7% 10:16 0.6% 3.3% 41.8% 47.5% 70.1% 72.4% 57.8% 16.3% 18.80 128.82 18.80 128.65 12.66	46.9% \$0.42 0.0% 29.16 25.7% -0.5% 33.0% 39.6% 44.1% 45.0% 43.0% 13.7% 20.50 129.07 67.32 61.76 50.29 35.07 -2.39	50.5% \$0.46 9.5% SQ10 -2.5% 2.1% 1.4% 9.8% 10.6% 12.7% 20.50 129.37 64.15 65.22 50.44 34.59 -2.34	50.2% \$0.46 0.0% 4C16 -2.3% -1.5% 4.3% 9.9% 22.1% 27.0% 29.2% 19.50 133.59 68.00 50.46 34.31 -2.41	48.5% \$1.76 26.6% 2016 -1.5% 0.8% 17.1% 23.7% 33.0% 31.6% 31.6.7% 79.30 130.06 66.38 63.68 50.40 34.39 - 2.45	46.7% \$0.51 -71.0% 1C37 -4.8% 4.4% 4.4% 5.1% 2.0% 10.3% 10.34 10.43% 17.90 132.46 71.56 60.89 50.34 40.61 -2.63	49.4% \$0.51 0.0% 29.17E -3.4% 2.8% 5.5% 8.4% 8.5% 10.8% 10.9% 19.80 135.18 88.99 66.20 50.33 39.28 -2.51	51.4% \$0.51 0.0% 3017E -1.3% 1.4% 6.2% 6.7% 8.7% 11.5% 20.24 135.84 66.25 69.58 50.33 39.25 -2.46	49.9% \$0.51 0.0% 40.17E -1.9% 1.5% 4.5% 5.0% 3.9% 6.1% 7.9% 19.14 140.47 140.47 69.42 71.06 50.33 38.94 -2.53	49.4% \$2.04 15.9% 201/E -2.8% 2.4% 4.2% 5.5% 10.1% 77.08 136.03 68.97 67.06 50.33 39.50 - 2.53	51.4% \$2.27 11.0% 2018E -2.3% 2.2% 4.2% 5.7% 8.4% 8.6% 75.28 142.72 69.98 72.74 50.33 40.61 -2.61
EBITDA Margin Dividend per Share Dividend Growth Cigarette Volume Net Sales Gross Profit EBITDA Cperating income Net Income EPS Cigarette Unit Analysis (per thousands) Cigarette Volume (in billions) Net Sales Total Costs Operating income Excise taxes Master Settlement Agreement and other s Federal tobacco buyout expense FDA fees YOY Growth in per 000s Net Sales Cperating income Snuff Unit Analysis (per can)	36.1% \$ 1.15 5.4% 2012 -5.6% 8.0% -2.8% -1.5% 1.3% 1.6% 5.5% 68.90 101.02 67.68 33.34 50.32 34.40 31.66 11.77	37.9% \$1.22 6.8% 20136.7% 6.5% -0.8% 5.2% 4.3% 5.5% 7.5% 7.5% 3.5% 64.30 104.63 66.25 31.66 3.25 1.98 3.6% 15.1%	39.5% \$1.34 9.6% 24.8% 2.9% 6.6% 7.2% 4.9% 7.3% 80.25 110.93 67.05 43.89 52.97 31.98 2.67 2.21	42.7% \$1.39 3.7% 2015 0.3% 26.0% 36.2% 42.9% 42.9% 41.0% 45.8% 80.48 107.28 59.68 47.60 44.61 32.66 -2.32 -3.3% 8.5%	46.2% \$0.42 16.7% 1016 0.6% 3.3% 41.8% 47.5% 70.1% 72.4% 16.3% 18.80 128.24 68.62 59.63 50.43 33.51 2.66	46.9% \$0.42 0.0% 20.16 25.7% -0.5% 33.0% 39.6% 44.1% 45.0% 13.7% 20.50 129.07 67.32 61.76 50.29 35.07 -2.39	50.5% \$0.46 9.5% S016 -2.5% 2.1% 1.4% 9.8% 12.5% 12.0% 12.7% 20.50 129.37 64.15 65.22 50.44 34.59 2.34	50.2% \$0.46 0.0% 40.18 -2.3% 4.3% 24.3% 22.1% 27.0% 29.2% 19.50 133.59 65.59 68.00 50.46 34.31 2.41 6.1% 20.9%	48.5% \$1.76 26.6% 20.15 -1.5% 0.8% 17.19% 33.0% 32.1% 31.6% 16.7% 79.30 130.06 66.38 63.68 50.40 34.39 -2.45 21.2% 33.8%	46.7% \$0.51 -71.0% 1017 -4.8% 4.4% 1.1% -0.6% 2.1% 2.1% 10.3% 10.4% -1.56 60.89 50.34 40.61 -2.63 3.3% 2.1%	49.4% \$0.51 0.0% 2017E -3.4% 2.3% 8.4% 8.4% 8.5% 8.15% 10.8% 119.80 135.18 68.99 69.90 2.51 4.7% 7.2%	51.4% \$0.51 0.0% S0.17E -1.3% 1.4% 5.0% 6.7% 8.7% 11.6% 20.24 135.84 66.25 69.58 50.33 39.25 -2.46 5.0% 6.7%	49.9% \$0.51 0.0% 401/E -1.9% 1.5% 4.5% 5.0% 3.9% 6.1% 7.9% 7.9% 19.14 140.47 69.42 71.06 50.33 38.94 -2.53	49.4% \$2.04 15.9% 2.18% 2.4% 3.4% 4.2% 5.4% 6.5% 6.5% 6.5% 6.5% 6.5% 77.08 138.03 68.97 67.06 50.33 39.50 2.53 4.6% 5.3%	\$1.4% \$2.27 11.0% 2018E -2.3% 4.2% 4.2% 4.2% 4.2% 4.6% 8.6% 8.6% 8.6% 2.2% 4.2% 4.2% 4.2% 4.2% 4.2% 4.2% 4.2
EBITDA Margin Dividend per Share Dividend Growth YOY Growth Cigarette Volume Net Sales Gross Profit EBITDA Operating Income Net Income EPS. Cigarette Unit Analysis (per thousands) Cigarete Volume (in billions) Net Sales Total Costs Operating income Excise taxes Master Settlement Agreement and other s Federal tobacco buyout expense FDA fees YOY Growth in per 000s Net Sales Operating income Sales Coperating income Source Sales Operating income Sales Source Sales Sour	36.1% \$ 1.15 5.4% 2012 -5.6% 8.0% -2.8% -1.5% 1.3% 1.6% 5.5% 68.90 101.02 67.68 33.34 50.32 34.40 3.16 1.77	37.9% \$1.22 6.8% 2013 -6.7% 6.5% -0.8% 5.2% 4.3% 5.5% 3.5% 7.5% 64.30 104.63 66.25 38.38 50.25 31.66 3.255 1.98 3.6% 15.1%	39.5% \$1.34 9.8% 2014 24.8% 2.8% 6.6% 7.2% 6.6% 7.3% 4.99% 6.7.3% 4.99% 6.6% 2.25 6.0% 4.389 6.25 6.0% 4.389 6.26 6.0% 6.26 6.0% 6.6% 6.6% 6.6% 6.6% 6.6% 6.6% 6.6	42.7% \$1.39 3.7% 2015 0.3% 26.0% 33.6% 42.9% 33.6% 41.58% 80.48 47.60 - 2.32 -3.3% 8.5%	46.2% \$0.42 16.7% 1016 0.6% 3.3% 41.8% 47.5% 70.1% 72.4% 16.3% 18.80 128.24 68.62 59.63 33.51 - 2.66 49.0% 72.7%	46.9% \$0.42 0.0% 20.16 25.7% -0.5% 33.0% 39.6% 44.1% 45.0% 43.0% 13.7% 20.50 129.07 67.32 61.76 50.29 35.07 -2.39 42.4% 53.6%	50.5% \$0.46 9.5% 30.16 -2.5% 2.1% 1.4% 9.8% 412.5% 10.6% 12.7% 20.50 129.37 64.15 65.22 50.44 34.59 -2.34 3.7% 12.0%	50.2% \$0.46 0.0% 4Q16 -2.3% -1.5% 4.3% 9.9% 24.3% 22.1% 27.0% 50.46 34.31 -2.41 6.1% 20.9%	48.5% \$1.76 26.6% 2016 -1.5% 0.8% 17.1% 23.7% 33.0% 32.4% 31.6% 16.7% 79.30 130.06 66.38 63.68 63.68 63.69 -2.45 21.2% 33.8%	46.7% \$0.51 -71.0% 1017 -4.8% 4.4% 1.1% -0.6% 2.1% 2.0% 10.3% 10.4% 17.90 132.46 71.56 60.89 50.34 40.61 - 2.63 3.3% 2.1%	49.4% \$0.51 0.0% 2017E -3.4% 2.3% 2.8% 5.5% 10.8% 40.9% 10.9% 14.80 135.18 68.99 66.20 50.33 39.28 -2.51 4.7% 7.2%	51.4% \$0.51 0.0% 3017E -1.3% 1.4% 5.0% 6.2% 6.7% 8.7% 11.5% 20.24 135.84 66.25 69.58 50.33 39.25 -2.46 5.0% 6.7%	49.9% \$0.51 0.0% 401/E -1.9% 1.5% 4.5% 5.0% 6.1% 7.9% 7.9% 2.53 38.94 -2.53 5.2% 4.5%	49.4% \$2.04 15.9% 201/E -2.8% 2.4% 3.4% 4.2% 5.10.1% 10.14% 77.08 136.03 68.97 67.06 50.33 39.50 -2.53 4.6% 5.3%	51.4% \$2.27 11.0% 2018E -2.3% 4.2% 5.7% 8.3% 8.4% 8.6% 8.6% -75.28 142.72 69.98 72.74 50.33 40.61 - 2.61 4.9% 8.5%
EBITDA Margin Dividend per Share Dividend Growth YOY Growth Cigarette Volume Net Sales Gross Profit EBITDA Operating Income Net Income EPS Cigarette Unit Analysis (per thousands) Cigarette Volume (in billions) Net Sales Operating income Exoise taxes Master Settlement Agreement and other s Federal tobacco buyout expense FDA fees YOY Growth in per 000s Net Sales Operating income Shuff Unit Analysis (per can) American Snuff Volume (in millions) Net Sales Operating income	36.1% \$ 1.15 5.4% 2012 -5.6% 8.0% -2.8% -1.5% 1.3% 68.90 101.02 67.68 33.34 50.32 34.40 3.16 1.77	37.9% \$1.22 6.8% 2013 -6.7% 6.5% -0.8% 5.2% 4.3% 5.5% 3.5% 7.5% 64.30 104.63 3.66.25 38.38 50.25 51.98 3.6% 15.1%	39.5% \$1.34 9.8% 2014 24.8% 2.8% 6.6% 7.2% 2.8% 4.9% 7.3% 80.25 110.93 367.05 43.89 52.97 31.98 2.67 2.21 6.0% 14.3%	42.7% \$1.39 3.7% 2015 0.3% 26.0% 33.6% 42.9% 36.2% 42.9% 35.6% 47.60 44.61 32.66 - 2.32 -3.3% 8.5%	46.2% \$0.42 16.7% 10:16 0.6% 3.3% 41.8% 47.5% 70.1% 72.4% 47.5% 16.3% 18.80 128.24 68.62 59.63 50.43 33.51 2.66 49.0% 72.7%	46.9% \$0.42 0.0% 2016 25.7% -0.5% 33.0% 39.6% 44.1% 45.0% 43.0% 13.7% 20.50 129.07 67.32 61.76 50.29 35.07 -2.39 42.4% 53.6%	50.5% \$0.46 9.5% 3016 -2.5% 1.4% 1.4% 12.5% 10.6% 12.7% 20.50 129.37 64.15 65.22 50.44 34.59 -2.34 3.7% 12.0%	50.2% \$0.46 0.0% 4C16 -2.3% -1.5% 4.3% 9.9% 22.1% 22.1% 27.0% 29.2% 19.50 133.59 68.00 50.46 34.31 -2.41 6.1% 20.9%	48.5% \$1.76 26.6% 2016 -1.5% 0.8% 17.1% 23.7% 33.0% 32.4% 31.6% 16.7% 79.30 130.06 66.38 63.68 50.40 34.39 -2.45 21.2% 33.8%	46.7% \$0.51 -71.0% 1G37 -4.8% 4.4% 4.1% -0.8% 2.1% 10.4% 10.4% 10.4% 10.4% 10.4% 11.50 3.3.46 71.56 60.89 50.34 40.61 -2.63 3.3% 2.1%	49.4% \$0.51 0.0% 201/E -3.4% 2.8% 5.5% 8.4% 6.5% 10.8% 10.9% -1.98 -2.51 4.7% 7.2%	51.4% \$0.51 0.0% 3017E -1.3% 1.4% 5.0% 6.2% 6.7% 8.7% 11.6% 20.24 135.84 66.25 69.58 50.33 39.25 -2.46 5.0% 6.7%	49.9% \$0.51 0.0% 4017E -1.9% 1.5% 4.5% 5.0% 3.9% 6.1% 7.9% 2.53 19.14 140.47 69.42 71.06 50.33 38.94 -2.53 5.2% 4.5%	49.4% \$2.04 15.9% 201/E -2.8% 2.4% 3.4% 4.2% 5.4% 6.5% 10.1% 77.08 136.03 39.50 - 2.53 4.6% 5.3%	51.4% \$2.27 11.0% 2018E -2.3% 2.2% 4.2% 5.7% 8.3% 8.4% 8.6% 8.6% 75.28 142.72 69.98 72.74 50.33 40.61 - 2.61 4.9% 8.5%
EBITDA Margin Dividend per Share Dividend Growth YOY Growth Clgarette Volume Net Sales Gross Profit EBITDA Operating Income Net Income EPS Cigarette Unit Analysis (per thousands) Cigarette Volume (in billions) Net Sales Total Costs Operating income Exise taxes Master Settlement Agreement and other s Federal tobacco buyout expense FDA fees YOY Growth in per 000s Net Sales Operating income Snuff Unit Analysis (per can) American Snuff Volume (in millions)	36.1% \$ 1.15 5.4% 2012 -5.6% 8.0% -2.8% -1.5% 1.3% 1.6% 5.5% 68.90 101.02 67.68 33.34 50.32 34.40 3.16 1.77	37.9% \$1.22 6.8% 2013 -6.7% 6.5% -0.8% 5.2% 4.3% 5.5% 3.5% 7.5% 64.30 104.63 66.25 38.38 50.25 51.96 3.255 1.98 3.6% 15.1%	39.5% \$1.34 9.8% 2014 24.8% 2.8% 6.6% 7.2% 6.6% 7.3% 4.99% 6.7.3% 4.99% 6.6% 2.297 6.05 43.89 2.27 6.0% 14.3%	42.7% \$1.39 3.7% 2015 0.3% 26.0% 33.6% 42.9% 33.6% 41.58% 80.48 47.60 - 2.32 -3.3% 8.5%	46.2% \$0.42 16.7% 1016 0.6% 3.3% 41.8% 47.5% 70.1% 72.4% 16.3% 18.80 128.24 68.62 59.63 33.51 - 2.66 49.0% 72.7%	46.9% \$0.42 0.0% 20.16 25.7% -0.5% 33.0% 39.6% 44.1% 45.0% 43.0% 13.7% 20.50 129.07 67.32 61.76 50.29 35.07 -2.39 42.4% 53.6%	50.5% \$0.46 9.5% 30.16 -2.5% 2.1% 1.4% 9.8% 412.5% 10.6% 12.7% 20.50 129.37 64.15 65.22 50.44 34.59 -2.34 3.7% 12.0%	50.2% \$0.46 0.0% 4Q16 -2.3% -1.5% 4.3% 9.9% 24.3% 22.1% 27.0% 50.46 34.31 -2.41 6.1% 20.9%	48.5% \$1.76 26.6% 2016 -1.5% 0.8% 17.1% 23.7% 33.0% 32.4% 31.6% 16.7% 79.30 130.06 66.38 63.68 63.68 63.69 -2.45 21.2% 33.8%	46.7% \$0.51 -71.0% 1017 -4.8% 4.4% 1.1% -0.6% 2.1% 2.0% 10.3% 10.4% 17.90 132.46 71.56 60.89 50.34 40.61 - 2.63 3.3% 2.1%	49.4% \$0.51 0.0% 2017E -3.4% 2.3% 2.8% 5.5% 10.8% 40.9% 10.9% 14.80 135.18 68.99 66.20 50.33 39.28 -2.51 4.7% 7.2%	51.4% \$0.51 0.0% 3017E -1.3% 1.4% 5.0% 6.2% 6.7% 8.7% 11.5% 20.24 135.84 66.25 69.58 50.33 39.25 -2.46 5.0% 6.7%	49.9% \$0.51 0.0% 401/E -1.9% 1.5% 4.5% 5.0% 6.1% 7.9% 7.9% 2.53 38.94 -2.53 5.2% 4.5%	49.4% \$2.04 15.9% 201/E -2.8% 2.4% 3.4% 4.2% 5.10.1% 10.14% 77.08 136.03 68.97 67.06 50.33 39.50 -2.53 4.6% 5.3%	51.4% \$2.27 11.0% 2018E -2.3% 4.2% 5.7% 8.3% 8.4% 8.6% 8.6% -75.28 142.72 69.98 72.74 50.33 40.61 - 2.61 4.9% 8.5%

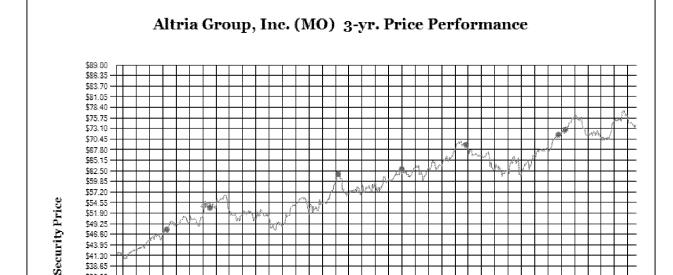
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Rating Basis Information:

MO Thesis: We believe Altria is achieving a better balance between stabilizing Marlboro market share and growing profitably. We see further upside from strong pricing trends and potential of vapor/iQOS that isn't currently reflected in the stock.

RAI Thesis: We believe RAI remains one of the most innovative consumer product companies and has been successful over the years in: (1) repositioning brands, (2) creating excitement, (3) driving trial for new products and categories, and (4) incorporating technology into its products as a way to increase the value proposition for consumers. Moreover, RAI has transformed itself into an innovative, comprehensive "total tobacco" company, with leading brands and a solid strategy for long-term growth. However, given its pending acquisition by BAT, we rate the stock a Market Perform given limited further upside potential.

Required Disclosures



Date

	Date	Published Price (\$)	Rating Code	Price Target	Val. Rng. Low	Val. Rng. High	Close Price (\$)
	7/15/2014		Herzog				
	7/15/2014	NA	2	NE	41.00	43.00	41.76
*	10/30/2014	47.55	2	NE	46.00	48.00	47.50
± €	1/20/2015	53.05	1	NE	56.00	58.00	53.83
*	1/30/2015	53.10	1	NE	59.00	61.00	53.10
*	10/26/2015	61.05	1	NE	64.00	66.00	61.40
*	3/9/2016	62.30	1	NE	69.00	71.00	62.81
-	7/22/2016	68.86	1	NE	73.00	75.00	68.86
*	2/1/2017	71.39	1	NE	76.00	78.00	71.39
*	2/16/2017	72.71	1	NE	79.00	81.00	72.71

9/23/2014 11/18/2014 11/18/2015 2/10/2015 3/10/2015 6/2/2015 6/2/2015 6/2/2015 6/2/2015 11/17/2015 11/17/2015 11/17/2015 11/17/2016 11/17/2016 11/17/2016 11/17/2016 11/17/2016 11/17/2016 11/17/2016 11/17/2016 11/17/2016 11/17/2016 11/17/2016 11/17/2016 11/17/2017 2/7/2017 3/7/2017

Source: Well's Fargo Securities, LLC estimates and Reuters data

Symbol Key

▼ Rating Downgrade Rating Upgrade

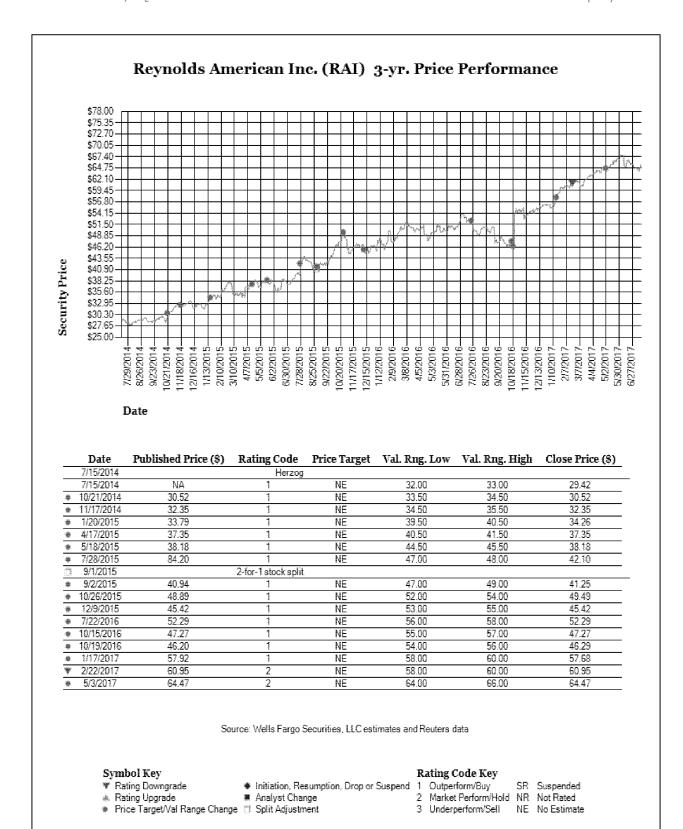
- Initiation, Resumption, Drop or Suspend 1 Outperform/Buy
- M Analyst Change
- Price Target/Val Range Change

 Split Adjustment

Rating Code Key

- SR Suspended
- 2 Market Perform/Hold NR Not Rated
- 3 Underperform/Sell NE No Estimate

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Additional Information Available Upon Request

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2=Market Perform: The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. HOLD

3=Underperform: The stock appears overvalued, and we believe the stock's total return will be below the market over the next 12 months. SELL

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O=Overweight: Industry expected to outperform the relevant broad market benchmark over the next 12 months.

M=Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

U=Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

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As of: July 16, 2017

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Wells Fargo Securities, LLC has provided investment banking services for 34% of its Equity Research Market Perform-rated companies.

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