



Federal Trade Commission

Cigarette Report

for 2009 and 2010

ISSUED: 2012

I. INTRODUCTION

This report is the latest in a series on cigarette sales, advertising, and promotion that the Federal Trade Commission (“Commission”) has prepared since 1967.

The statistical tables appended to this report provide information on domestic sales and advertising and promotional activity by the five largest U.S. cigarette manufacturers. The tables were compiled from data contained in special reports submitted to the Commission pursuant to compulsory process by: Altria Group, Inc.; Commonwealth Brands, Inc.; Lorillard, Inc.; Reynolds American, Inc.; and Vector Group Ltd.

II. TOTAL CIGARETTE SALES AND ADVERTISING AND PROMOTIONAL EXPENDITURES

The total number of cigarettes reported sold or given away by the major manufacturers decreased by 32.3 billion cigarettes (10.0 percent) from 2008 to 2009, and then by another 8.6 billion units (3.0 percent) from 2009 to 2010. Advertising and promotional expenditures also declined, falling from \$9.94 billion in 2008 to \$8.53 billion in 2009, and then to \$8.05 billion in 2010. The largest single category of these expenditures in both 2009 and 2010 was price discounts paid to cigarette retailers or wholesalers in order to reduce the price of cigarettes to consumers. This one category accounted for \$6.67 billion (78.2 percent of total advertising and promotional expenditures) in 2009, and \$6.49 billion (80.7 percent of total expenditures) in 2010.

III. CIGARETTES SOLD AND GIVEN AWAY

Tables 1 and 1A display annual cigarette sales by the manufacturers to wholesalers and retailers. Table 1A displays the total number of cigarettes sold and given away in the years 2001 through 2010.¹ In 2009, the five major domestic cigarette manufacturers sold or gave away 290.3

¹ Cigarettes given away include all cigarettes distributed for free, whether through sampling, coupons for free product, “buy 3 packs, get 1 free” type offers, or otherwise, as long as those cigarettes were not reported as sold. For years prior to 2001, the Commission required the

billion cigarettes domestically, down from 322.6 billion in 2008. Sales declined from 320.0 billion in 2008 to 290.2 billion in 2009, while cigarettes given away declined from 2.7 billion in 2008 to 0.1 billion in 2009. In 2010, the total number of cigarettes sold and given away declined again, to 281.6 billion units, with 282.05 billion sold and 0.05 billion given away.

Because the major manufacturers report sales data to the Commission based on factory shipments, which can reflect changes in inventory holdings by cigarette wholesalers and retailers, the Commission's reports for a number of years included data produced by the U.S. Department of Agriculture (USDA), which were based on an estimate of the number of cigarettes actually consumed.² USDA data are not available for years after 2006.

IV. ADVERTISING AND PROMOTIONAL EXPENDITURES BY CATEGORY

Tables 2 through 2D show the amounts spent on cigarette advertising and promotion for the years 1970, and 1975 through 2010.³ These tables list the amounts spent on the different types of media advertising (*e.g.*, magazines) and sales promotion activities (*e.g.*, distribution of cigarette samples), and also give the percentage of the total amount spent for the various types of advertising and promotion.

Table 2D shows that overall, \$8.53 billion was spent on cigarette advertising and promotion in 2009, a decline from the \$9.94 billion the major cigarette manufacturers reported in 2008.⁴ Total

manufacturers to report the number of cigarettes they sold but not the number they gave away. It is possible that in those earlier years, some manufacturers included in their sales figures some cigarettes that were actually given away.

² USDA's estimates also included sales by smaller manufacturers and importers.

³ The reported figures include all advertising, merchandising, and promotional expenditures related to cigarettes, regardless of whether such expenditures would constitute "commercial speech" or would be protected from law enforcement action under the First Amendment.

⁴ Definitions of the advertising and promotional expenditure categories currently used are reported in the Appendix to this report. If only one company reported spending money on a

expenditures declined further, to \$8.05 billion, in 2010.

The companies reported spending \$36.7 million in 2009 on magazine advertising (up from \$25.5 million in 2008) and \$46.5 million in 2010.

Spending on “outdoor” advertising decreased from \$2.0 million in 2008 to \$1.8 million in 2009, and then to \$1.7 million in 2010. Since 2002, “outdoor” advertising has been defined to mean billboards; signs and placards in arenas, stadiums, and shopping malls (whether they are open air or enclosed); and any other advertisements placed outdoors, regardless of their size, including those on cigarette retailer property. Before 2002, “outdoor” advertising was not precisely defined and it was not clear that signs in arenas, stadiums, shopping malls, or on retailer property would have been reported in this category.

As they have since 2001, the companies reported no expenditures on transit advertising (*i.e.*, advertising in or on private or public vehicles or any transportation facility) in 2009 or 2010.

Spending on point-of-sale promotional materials (ads posted at the retail location but excluding outdoor ads on retailer property) fell from \$163.7 million in 2008 to \$110.3 million in 2009, and then to \$106.6 million in 2010.

Since 2002, the “promotional allowance” category has been replaced by four separate categories: price discounts, promotional allowances paid to retailers, promotional allowances paid to wholesalers, and other promotional allowances. For both 2009 and 2010, the largest “promotional allowance” category was price discounts paid to cigarette retailers or wholesalers in order to reduce

particular type of advertising or promotion, that category is shown as “N/A” on Table 2D and its expenditures are included in the “All Others” category, to avoid potential disclosure of individual company data. For this reason, the Commission is not separately reporting the specific amounts spent in one or both of the years covered by this Report for the following expenditure categories: newspaper advertising; general audience public entertainment; sponsorships; retail value added (bonus cigarettes); retail value added (non-cigarette bonus); Internet advertising (other than the company’s own website); or telephone advertising.

the price of cigarettes to consumers (*e.g.*, off-invoice discounts, buy downs, and voluntary price reductions), which accounted for expenditures of \$6.67 billion in 2009 (down from \$7.17 billion in 2008) and \$6.49 billion in 2010.

In addition, the industry spent \$428.7 million in 2009 (down from \$481.5 million in 2008) and \$370.0 million in 2010 on promotional allowances paid to cigarette retailers in order to facilitate the sale or placement of cigarettes (*e.g.*, payments for stocking, shelving, displaying, and merchandising brands, volume rebates, and incentive payments); \$449.0 million (2009) and \$410.4 million (2010) on promotional allowances paid to cigarette wholesalers (*e.g.*, payments for volume rebates, incentive payments, value-added services, and promotional executions); and \$965,000 (2009) and \$210,000 (2010) on promotional allowances paid to persons other than retailers and wholesalers. When these four promotional allowance categories are combined, they total \$7.55 billion, and account for 88.5 percent of all 2009 spending; for 2010, they total \$7.27 billion, 90.4 percent of all spending).

Money spent giving cigarette samples to the public (“sampling distribution”) decreased from \$54.3 million in 2008 to \$23.8 million in 2009, and then to \$22.2 million in 2010. “Sampling” includes, among other things, when coupons are distributed for free cigarettes and no purchase is required.

In 2009, \$7.5 million was spent on branded specialty item distribution through the mail, at promotional events, or by any means other than at the point-of-sale with the purchase of cigarettes; \$75.0 million was spent distributing non-branded, non-cigarette items in connection with the marketing or promotion of cigarettes.⁵ In 2010, those figures were \$6.3 million and \$65.6 million, respectively. The total of \$82.4 million spent on specialty item distribution in 2009 accounted for 1.0

⁵ Specialty item distribution includes the practice of selling or giving to consumers non-cigarette items, such as T-shirts, caps, sunglasses, key chains, lighters, and sporting goods.

percent of total advertising and promotional expenditures, while the combined spending in 2010 (\$71.9 million) accounted for 0.9 percent of total expenditures. In 2008, the total had been \$101.0 million, representing 1.0 percent of total spending.

Expenditures for the adult-only public entertainment category declined from \$154.7 million in 2008 to \$134.3 million in 2009, before rising to \$138.9 million in 2010. This category includes public entertainment events (*e.g.*, sponsorship of bar nights or concerts) that take place in an adult-only facility and that display the name or logo of a company's cigarettes or otherwise refer to cigarettes.

All reporting companies indicated that no money had been spent on endorsements and testimonials, or on audio-visual advertising, in 2009 or in 2010. They also reported spending no money on sponsorships in 2010.

The companies reported spending \$68.9 million for direct mail advertising in 2009, down from \$89.9 million in 2008.⁶ Direct mail spending then fell in 2010 to \$56.5 million.

The industry reported spending \$371.0 million on coupons in 2009 (an increase from the \$359.8 million reported in 2008). Coupon spending then declined to \$235.8 million in 2010.⁷

Retail-value-added expenditures are the costs associated with offers such as "buy one, get one free" and "buy three, get a free T-shirt," where the bonus item is distributed at retail when the cigarettes are purchased. The companies spent \$11.7 million in 2009 on retail-value-added involving free cigarettes, down from the \$721.8 million they spent in 2008; the Commission is not reporting separately the amount spent in 2010. The companies reported spending no money in 2010 on retail-value-added involving free non-cigarette items; the Commission is not separately reporting 2009 expenditures.

⁶ This category does not include direct mail containing coupons, which is reported separately.

⁷ When coupons are distributed for free cigarettes and no purchase is required to redeem them, such activities are reported as "sampling," not as "coupons."

In 2008, the companies reported spending \$13.2 million on advertising on company websites; that figure rose to \$18.3 million in 2009 and then to \$20.8 million in 2010.

The compulsory process orders issued by the Commission in 2011 for 2009 and 2010 data specifically asked for the first time for spending on “social media marketing on Web sites or other online services or communities, including but not limited to social networking sites, microblogging sites, content-sharing sites, and blogs.” The companies reported no spending in either year.

The Commission requires the cigarette manufacturers to report the amounts they spent advertising and promoting sports and sporting events.⁸ This question is separate from, and duplicative of, the reporting of the individual various advertising and promotion categories. For example, money spent on a magazine advertisement promoting a cigarette-branded sports tournament open to those of all ages is reported under the category “general-audience public entertainment” and is also reported as an expenditure on “sports and sporting events.” Similarly, expenditures on sponsorship of sports teams and individual athletes are reported under the category “sponsorship” and are also reported as “sports and sporting events.” The companies reported that they did not spend any money on sports and sporting events in 2010; the Commission is not reporting the amount spent in 2009.

In 2001, the Commission began requiring the manufacturers to report expenditures on advertisements directed to youth or their parents that are intended to reduce youth smoking. The companies reported spending \$8.1 million on such advertising in 2009, and \$4.4 million in 2010.⁹

⁸ This includes expenditures for: (1) the sponsoring, advertising, or promotion of sports or sporting events; support of an individual, group, or sports team; and purchase of or support for equipment, uniforms, sports facilities, and/or training facilities; (2) all expenditures for advertising in the name of the cigarette company or any of its brands in a sports facility, on a scoreboard, or in conjunction with the reporting of sports results; and (3) all expenditures for functional promotional items (clothing, hats, etc.) connected with a sporting event.

⁹ These expenditures are not included in the \$8.53 billion (2009) and \$8.05 billion (2010) reported in Table 2D.

The companies had previously reported spending \$20.7 million and \$11.5 million on such advertising in 2007 and 2008, respectively. These figures do not include contributions to third parties that engage in such programs.

Cigarette manufacturers reported that neither they nor anyone working for them or on their behalf paid money or any other form of compensation in connection with the production or filming of any motion picture or television show in 2009 or 2010, or paid money or any other form of compensation to anyone engaged in product placement in motion pictures or television shows. The companies also reported that neither they nor anyone working for them or on their behalf: sought, solicited, granted approval, or otherwise gave permission for the appearance of any cigarette product or cigarette brand imagery in any motion picture, television show, or video appearing on the Internet, although one company reported having videos on company websites that were restricted to its employees, contractors, and retailers.

The data on cigarette “advertising and promotional” expenditures reported in Tables 2 through 2D were not collected in their present form until 1975. Therefore, Table 3 reports cigarette advertising expenditures from 1963 through 1974.

V. TAR RATINGS, FILTERS, LENGTH, AND FLAVOR

Tables 4 and 4A give the domestic market share of cigarettes with tar ratings of 15 milligrams (mg.) or less for the years 1967 through 2010. The data for the years since 1982 are further broken down into sub-categories according to tar ratings, *e.g.*, 3 mg. or less, 6 mg. or less, etc. (categories are presented cumulatively). In 2009, cigarettes with tar ratings of 15 mg. or less constituted 82.3 percent of the domestic cigarette market, while cigarettes with tar ratings of 3 mg. or less – the lowest rated portion of the market – made up 0.4 percent of the market. In 2010, these figures were 91.3 percent and 0.4 percent, respectively.

As shown in Tables 5 and 5A, filtered cigarettes have dominated the market since the Commission began collecting this information in 1963. Filtered cigarettes account for 99.5 percent of the market in both 2009 and 2010.

Table 6 provides the domestic market share of the various cigarette length categories. The King-size (79-88 mm.) category continues to be the biggest seller, with 64 percent of the market in 2009 and 62 percent in 2010. This category is followed by the Long (94-101 mm.) group, which held 32 percent of the market in 2009 and 33 percent in 2010. The shortest category (68-72 mm) rose to 4 percent of the total market in 2010; the last time these cigarettes held more than 2 percent of the market was 1985.

Table 7 gives the market share of menthol and non-menthol cigarettes. In 2008, menthol cigarettes were 27 percent of the market, while non-menthols held 73 percent of the market. In 2009, those percentages were 21 percent and 79 percent, respectively; in 2010, menthol cigarettes were 22 percent of the market.

Tables 8 and 8A relate to whether “tar” ratings are displayed on cigarette packaging.¹⁰ Table 8A shows that overall, 0.0 percent of all cigarettes sold in 2009 and 2010, and 0.0 percent of those sold in 2010, printed tar ratings on their packs.¹¹

¹⁰ Prior to 2002, the Commission asked whether “tar and nicotine ratings” were displayed on cigarette packaging.

¹¹ In 2008, the Commission rescinded guidance issued in 1966 that generally permitted statements concerning tar and nicotine yields if they were based on the Cambridge Filter Method. The Commission took this action because the scientific consensus was that machine-based measurements of tar and nicotine yields based on this testing methodology did not provide meaningful information on the amounts of tar and nicotine smokers receive from cigarettes, and that the test method was sufficiently flawed to make statements of tar and nicotine yields as measured by the method unlikely to help consumers make informed decisions. The Commission also believed that statements of tar and nicotine yields as measured by this test method were likely to mislead consumers who believe they will get proportionately less tar and nicotine from lower-rated cigarettes than from higher-rated brands.

TABLE 1
TOTAL DOMESTIC CIGARETTE UNIT SALES
(IN BILLIONS OF INDIVIDUAL CIGARETTES)

| <u>YEAR</u> | <u>TOTAL SALES REPORTED BY CIGARETTE MANUFACTURERS*</u> | <u>UNIT CHANGE FROM PRIOR YEAR</u> | <u>% CHANGE FROM PRIOR YEAR</u> | <u>USDA CIGARETTE CONSUMPTION ESTIMATES</u> |
|-------------|---|--|-------------------------------------|---|
| 1963 | 516.5 | --- | --- | 523.9 |
| 1964 | 505.0 | (11.5) | (2.2) | 511.2 |
| 1965 | 521.1 | 16.1 | 3.2 | 528.7 |
| 1966 | 529.9 | 8.8 | 1.7 | 541.2 |
| 1967 | 525.8 | 5.9 | 1.1 | 549.2 |
| 1968 | 540.3 | 4.5 | .8 | 545.7 |
| 1969 | 527.9 | (12.4) | (2.3) | 528.9 |
| 1970 | 534.2 | 6.3 | 1.1 | 536.4 |
| 1971 | 547.2 | 13.0 | 2.4 | 555.1 |
| 1972 | 561.7 | 14.5 | 2.7 | 566.8 |
| 1973 | 584.7 | 23.0 | 4.1 | 589.7 |
| 1974 | 594.5 | 9.8 | 1.7 | 599.0 |
| 1975 | 603.2 | 8.7 | 1.5 | 607.2 |
| 1976 | 609.9 | 6.7 | 1.1 | 613.5 |
| 1977 | 612.6 | 2.7 | .4 | 617.0 |
| 1978 | 615.3 | 2.7 | .4 | 616.0 |
| 1979 | 621.8 | 6.5 | 1.1 | 621.5 |
| 1980 | 628.2 | 6.4 | 1.0 | 631.5 |
| 1981 | 636.5 | 8.3 | 1.3 | 640.0 |
| 1982 | 632.5 | (4.0) | (.6) | 634.0 |
| 1983 | 603.6 | (28.9) | (4.6) | 600.0 |
| 1984 | 608.4 | 4.8 | .8 | 600.4 |
| 1985 | 599.3 | (9.1) | (1.5) | 594.0 |
| 1986 | 586.4 | (12.9) | (2.2) | 583.8 |
| 1987 | 575.4 | (11.0) | (1.9) | 575.0 |
| 1988 | 560.7 | (14.7) | (2.6) | 562.5 |
| 1989 | 525.6 | (35.1) | (6.3) | 540.0 |
| 1990 | 523.7 | (1.9) | (.4) | 525.0 |
| 1991 | 510.9 | (12.8) | (2.4) | 510.0 |
| 1992 | 506.4 | (4.5) | (.9) | 500.0 |
| 1993 | 461.4 | (45.0) | (8.9) | 485.0 |
| 1994 | 490.2 | 28.8 | 6.2 | 486.0 |
| 1995 | 482.3 | (7.9) | (1.6) | 487.0 |
| 1996 | 484.1 | 1.8 | 0.4 | 487.0 |
| 1997 | 478.6 | (5.5) | (1.1) | 480.0 |
| 1998 | 458.6 | (20.1) | (4.2) | 465.0 |
| 1999 | 411.3 | (47.2) | (10.3) | 435.0 |
| 2000 | 413.9 | 2.6 | .6 | 430.0 |

* Cigarettes sold by manufacturers to wholesalers and retailers within the U.S. and to armed forces personnel stationed outside the U.S.

TABLE 1A

TOTAL DOMESTIC CIGARETTE UNITS SOLD AND GIVEN AWAY
(IN BILLIONS OF INDIVIDUAL CIGARETTES)

| <u>YEAR</u> | <u>UNITS SOLD*</u> | <u>UNITS GIVEN AWAY**</u> | <u>TOTAL NUMBER SOLD AND GIVEN AWAY AS REPORTED BY MANUFACTURERS</u> | <u>UNIT CHANGE IN SOLD AND GIVEN AWAY FROM PRIOR YEAR</u> | <u>PERCENT CHANGE IN SOLD AND GIVEN AWAY FROM PRIOR YEAR</u> | <u>USDA CIGARETTE CONSUMPTION ESTIMATES</u> |
|-------------|--------------------|---------------------------|--|---|--|---|
| 2001 | 398.3 | 3.9 | 402.2 | *** | *** | 425.0 |
| 2002 | 376.4 | 11.1 | 387.4 | (14.8) | (3.7) | 415.0 |
| 2003 | 360.5 | 7.1 | 367.6 | (19.8) | (5.1) | 400.0 |
| 2004 | 361.3 | 2.1 | 363.4 | (4.2) | (1.1) | 388.0 |
| 2005 | 351.6 | 3.0 | 354.6 | (8.8) | (2.4) | 376.0 |
| 2006 | 343.3 | 7.2 | 350.5 | (4.1) | (1.2) | 371.0 |
| 2007 | 337.7 | 5.0 | 342.8 | (7.7) | (2.2) | **** |
| 2008 | 320.0 | 2.7 | 322.6 | (20.2) | (5.9)† | **** |
| 2009 | 290.2 | 0.1 | 290.3 | (32.3) | (10.0) | **** |
| 2010 | 281.6 | 0.05 | 281.7 | (8.6) | (3.0) | **** |

† This figure was reported erroneously in the previous Commission report.

* Cigarettes sold by manufacturers to wholesalers and retailers within the U.S. and to armed forces personnel stationed outside the U.S.

** Cigarettes given away within the U.S. and to armed forces personnel stationed outside the U.S.

*** Prior to 2001, the Commission did not ask about cigarettes given away, although some cigarettes given away may have been reported as sold.

**** USDA no longer reports these data.

TABLE 2

DOMESTIC CIGARETTE ADVERTISING AND PROMOTIONAL EXPENDITURES FOR YEARS 1970, 1975-1985 (DOLLARS IN THOUSANDS)*

| | 1970 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Newspapers | \$14,026 3.9% | \$104,460 21.3% | \$155,808 24.4% | \$190,677 24.5% | \$186,947 21.4% | \$240,978 22.2% | \$304,380 24.5% | \$358,096 23.1% | \$282,897 15.8% | \$200,563 10.6% | \$193,519 9.2% | \$203,527 8.2% |
| Magazines | \$50,018 13.9% | \$131,199 26.6% | \$148,032 23.2% | \$173,296 22.2% | \$184,236 21.1% | \$257,715 23.8% | \$266,208 21.4% | \$291,227 18.8% | \$349,229 19.5% | \$388,365 20.4% | \$425,912 20.3% | \$395,129 16.0% |
| Outdoor | \$7,338 2.0% | \$84,329 17.2% | \$102,689 16.1% | \$120,338 15.4% | \$149,010 17.0% | \$162,966 15.0% | \$193,333 15.6% | \$228,081 14.7% | \$266,925 14.9% | \$295,226 15.5% | \$284,927 13.6% | \$300,233 12.1% |
| Transit | \$5,354 1.5% | \$10,852 2.2% | \$19,341 3.0% | \$21,530 2.8% | \$22,899 2.6% | \$21,151 2.1% | \$26,160 2.0% | \$21,931 1.4% | \$24,135 1.3% | \$26,652 1.4% | \$25,817 1.2% | \$33,136 1.3% |
| Point-of-Sale | \$11,663 3.2% | \$35,317 7.2% | \$44,176 6.9% | \$46,220 5.9% | \$57,384 6.6% | \$66,096 6.1% | \$79,799 6.4% | \$98,968 6.4% | \$116,954 6.5% | \$170,059 8.9% | \$167,279 8.0% | \$142,921 5.8% |
| Promotional Allowances | \$33,789 9.4% | \$72,018 14.7% | \$82,523 12.9% | \$108,227 13.9% | \$125,148 14.3% | \$137,111 12.7% | \$179,094 14.4% | \$229,077 14.8% | \$272,269 15.2% | \$366,153 19.3% | \$363,247 17.3% | \$548,877 22.2% |
| Sampling Distribution | \$11,775 3.3% | \$24,196 4.9% | \$40,390 6.3% | \$47,683 6.1% | \$47,376 5.4% | \$64,286 5.9% | \$50,459 4.1% | \$81,522 5.3% | \$141,178 7.9% | \$125,968 6.6% | \$148,031 7.1% | \$140,565 5.7% |
| Specialty Item Distribution | \$5,652 2.6% | \$10,088 2.1% | \$20,030 3.1% | \$35,797 4.6% | \$48,281 5.5% | \$62,029 5.7% | \$69,248 5.6% | \$115,107 7.5% | \$95,246 5.3% | \$127,186 6.6% | \$140,431 6.7% | \$211,429 8.5% |
| Public Entertainment | \$544 0.2% | \$8,484 1.7% | \$7,946 1.3% | \$9,538 1.2% | \$11,590 1.3% | \$10,783 1.0% | \$16,914 1.4% | \$37,423 2.4% | \$63,168 3.5% | \$76,648 4.0% | \$59,988 2.9% | \$57,581 2.3% |
| Other** | \$220,841 61.1% | \$10,311 2.0% | \$18,182 2.8% | \$26,157 3.4% | \$42,100 4.8% | \$60,310 5.6% | \$56,694 4.6% | \$86,226 5.6% | \$181,813 10.1% | \$123,951 6.5% | \$286,035 13.7% | \$443,043 17.9% |
| Total | \$361,000 100% | \$491,254 100% | \$639,117 100% | \$779,463 100% | \$874,971 100% | \$1,083,425 100% | \$1,242,289 100% | \$1,547,658 100% | \$1,793,814 100% | \$1,900,771 100% | \$2,095,231 100% | \$2,476,441 100% |

* Because of rounding, sums of percentages may not equal 100 percent.

** Includes TV and Radio advertising expenditures of \$207,324,000 and \$12,492,000, respectively, for 1970. Broadcast advertising was banned after January 1, 1971. Expenditures for direct mail, endorsements, testimonials, and audio-visual are included in the "All Others" category to avoid potential disclosure of individual company data.

TABLE 2A
DOMESTIC CIGARETTE ADVERTISING AND PROMOTIONAL EXPENDITURES FOR YEARS 1986-1995 (DOLLARS IN THOUSANDS)*

| | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 |
|------------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Newspapers | \$119,629 5.0% | \$95,810 3.7% | \$105,783 3.2% | \$76,993 2.1% | \$71,174 1.8% | \$48,212 1.0% | \$35,467 0.7% | \$36,220 0.6% | \$24,143 0.5% | \$19,122 0.4% |
| Magazines | \$340,160 14.3% | \$317,748 12.3% | \$355,055 10.8% | \$380,393 10.5% | \$328,143 8.2% | \$278,110 6.0% | \$237,061 4.5% | \$235,253 3.9% | \$251,644 5.2% | \$248,848 5.1% |
| Outdoor | \$301,822 12.7% | \$269,778 10.5% | \$319,293 9.7% | \$358,583 9.9% | \$375,627 9.4% | \$386,165 8.3% | \$295,657 5.7% | \$231,481 3.8% | \$240,024 5.0% | \$273,664 5.6% |
| Transit | \$34,725 1.5% | \$35,822 1.4% | \$44,379 1.4% | \$52,294 1.4% | \$60,249 1.5% | \$60,163 1.3% | \$53,293 1.0% | \$39,117 0.6% | \$29,323 0.6% | \$22,543 0.5% |
| Point-of-Sale | \$135,541 5.7% | \$153,494 5.9% | \$222,289 6.8% | \$241,809 6.7% | \$303,855 7.6% | \$344,580 7.4% | \$366,036 7.0% | \$400,943 6.6% | \$342,650 7.1% | \$259,035 5.3% |
| Promotional Allowances | \$630,036 26.4% | \$702,430 27.2% | \$879,703 26.9% | \$999,843 27.6% | \$1,021,427 25.6% | \$1,156,280 24.9% | \$1,514,026 28.9% | \$1,557,635 25.8% | \$1,678,917 34.7% | \$1,865,657 38.1% |
| Sampling Distribution | \$98,866 4.1% | \$55,020 2.1% | \$74,511 2.3% | \$57,771 1.6% | \$100,893 2.5% | \$56,970 1.2% | \$49,315 0.9% | \$40,202 0.7% | \$6,974 0.1% | \$13,836 0.3% |
| Specialty Item Distribution | \$210,128 8.8% | \$391,351 15.2% | \$190,003 5.8% | \$262,432 7.3% | \$307,037 7.7% | \$184,348 4.0% | \$339,997 6.5% | \$755,780 12.5% | \$850,810 17.6% | \$665,173 13.6% |
| Public Entertainment | \$71,439 3.0% | \$71,389 2.8% | \$88,072 2.7% | \$92,120 2.5% | \$125,094 3.1% | \$118,622 2.6% | \$89,739 1.7% | \$84,276 1.4% | \$81,292 1.7% | \$110,669 2.3% |
| Direct Mail | \$187,057 7.9% | \$187,931 7.3% | \$42,545 1.3% | \$45,498 1.3% | \$51,875 1.3% | \$65,002 1.4% | \$34,345 0.7% | \$31,463 0.5% | \$31,187 0.7% | \$34,618 0.7% |
| Endorsements & Testimonials | \$384 0.0% | \$376 0.0% | \$781 0.0% | \$0 0.0% | \$0 0.0% | \$0 0.0% | \$0 0.0% | \$0 0.0% | \$0 0.0% | \$0 0.0% |
| Coupons & Retail-Value-Added | ** | ** | \$874,127 26.7% | \$959,965 26.5% | \$1,183,798 29.6% | \$1,882,905 40.4% | \$2,175,373 41.6% | \$2,559,387 42.4% | \$1,248,896 25.8% | \$1,348,378 27.5% |
| Other*** | \$252,570 10.0% | \$299,355 11.6% | \$78,366 2.4% | \$89,290 2.5% | \$62,917 1.6% | \$68,758 1.5% | \$41,608 0.8% | \$63,680 1.2% | \$47,672 1.0% | \$33,680 0.7% |
| Total | \$2,382,357 100% | \$2,580,504 100% | \$3,274,853 100% | \$3,616,993 100% | \$3,992,008 100% | \$4,650,114 100% | \$5,231,917 100% | \$6,035,437 100% | \$4,833,532 100% | \$4,895,223 100% |

* Because of rounding, sums of percentages may not equal 100 percent.

** Prior to 1987, the Commission did not specifically collect information on Coupons & Retail-Value-Added.

*** Expenditures for audio-visual are included in the "All Others" category to avoid potential disclosure of individual company data.

TABLE 2B

DOMESTIC CIGARETTE ADVERTISING AND PROMOTIONAL EXPENDITURES
FOR YEARS 1996-2001 (DOLLARS IN THOUSANDS)*

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|-----------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Newspapers | \$14,067 0.3% | \$16,980 0.3% | \$29,444 0.4% | \$50,952 0.6% | \$51,652 0.5% | \$31,676 0.3% |
| Magazines | \$243,046 4.8% | \$236,950 4.2% | \$281,296 4.2% | \$377,364 4.6% | \$294,916 3.1% | \$172,853 1.5% |
| Outdoor | \$292,261 5.7% | \$295,334 5.2% | \$294,721 4.4% | \$53,787 0.7% | \$9,262 0.1% | \$8,241 0.1% |
| Transit | \$28,865 0.6% | \$26,407 0.5% | \$40,158 0.6% | \$5,573 0.1% | \$4 0.0% | \$0 0.0% |
| Point-of-Sale | \$252,619 4.9% | \$305,360 5.4% | \$290,739 4.3% | \$329,429 4.0% | \$347,038 3.6% | \$284,319 2.5% |
| Promotional Allowances | \$2,150,838 42.1% | \$2,438,468 43.1% | \$2,878,919 42.8% | \$3,542,950 43.0% | \$3,913,997 40.8% | \$4,452,709 39.7% |
| Sampling Distribution | \$15,945 0.3% | \$22,065 0.4% | \$14,436 0.2% | \$33,711 0.4% | \$22,330 0.2% | \$17,175 0.2% |
| Specialty Item Distribution | \$544,345 10.7% | \$512,602 9.6% | \$355,835 5.3% | \$335,680 4.1% | \$327,826 3.4% | \$333,394 3.0% |
| Public Entertainment | \$171,177 3.4% | \$195,203 3.4% | \$248,536 3.7% | \$267,379 3.3% | \$309,610 3.2% | \$312,366 2.8% |
| Direct Mail | \$38,703 0.8% | \$37,310 0.7% | \$57,772 0.9% | \$94,610 1.2% | \$92,902 1.0% | \$133,947 1.2% |
| Endorsements & Testimonials | \$0 0.0% | \$0 0.0% | \$0 0.0% | \$0 0.0% | \$0 0.0% | \$0 0.0% |
| Coupons | | \$552,550 9.8% | \$624,199 9.3% | \$531,004 6.5% | \$705,299 7.4% | \$602,110 5.4% |
| Retail-Value-Added | \$1,308,708** 25.6% | \$970,363 17.1% | \$1,555,391 23.1% | \$2,559,883 31.1% | \$3,453,446 36.0% | \$4,761,792 42.5% |
| Internet | \$432 0.0% | \$215 0.0% | \$125 0.0% | \$651 0.0% | \$949 0.0% | \$841 0.0% |
| Other*** | \$46,696 0.9% | \$50,207 1.0% | \$61,584 0.9% | \$54,658 0.7% | \$63,395 0.7% | \$104,797 0.9% |
| Total | \$5,107,700 100% | \$5,660,014 100% | \$6,733,157 100% | \$8,237,631 100% | \$9,592,627 100% | \$11,216,220 100% |

* Because of rounding, sums of percentages may not equal 100 percent.

** Prior to 1997, Coupons and Retail-Value-Added were reported as a single category.

*** Expenditures for audio-visual are included in the "All Others" category to avoid potential disclosure of individual company data.

TABLE 2C

DOMESTIC CIGARETTE ADVERTISING AND PROMOTIONAL EXPENDITURES
FOR YEARS 2002-2006 (DOLLARS IN THOUSANDS)*

| | 2002 | 2003 | 2004 | 2005 |
|---|------------------------|------------------------|------------------------|------------------------|
| Newspapers | \$25,538 0.2% | \$8,251 0.1% | \$4,913 0.0% | \$1,589 0.0% |
| Magazines | \$106,852 0.9% | \$156,394 1.0% | \$95,700 0.7% | \$44,777 0.3% |
| Outdoor | \$24,192 0.2% | \$32,599 0.2% | \$17,135 0.1% | \$9,821 0.0% |
| Transit | \$0 0.0% | \$0 0.0% | \$0 0.0% | \$0 0.0% |
| Point-of-Sale | \$260,902 2.1% | \$165,573 1.1% | \$163,621 1.2% | \$182,193 1.4% |
| Price Discounts | \$7,873,835 63.2% | \$10,808,239 71.4% | \$10,932,199 77.3% | \$9,776,069 74.6% |
| Promotional Allowances – Retailers | \$1,333,097 10.7% | \$1,229,327 8.1% | \$542,213 3.8% | \$435,830 3.3% |
| Promotional Allowances – Wholesalers | \$446,327 3.6% | \$683,067 4.5% | \$387,758 2.7% | \$410,363 3.1% |
| Promotional Allowances – Other | \$2,767 0.0% | \$2,786 0.0% | \$1,323 0.0% | \$1,493 0.0% |
| Sampling Distribution | \$28,777 0.2% | \$17,853 0.1% | \$11,649 0.0% | \$17,211 0.1% |
| Specialty Item Distribution – Branded | \$49,423 0.4% | \$9,195 0.1% | \$8,011 0.0% | \$5,255 0.0% |
| Specialty Item Distribution - Non-Branded | \$174,201 1.4% | \$254,956 1.7% | \$216,577 1.5% | \$225,279 1.7% |
| Public Entertainment – Adult-Only | \$219,016 1.8% | \$150,889 1.0% | \$140,137 1.0% | \$214,075 1.6% |
| Public Entertainment – General-Audience | \$34,089 0.3% | \$32,849 0.2% | \$115 0.0% | \$152 0.0% |
| Sponsorships | \$54,247 0.4% | \$31,371 0.2% | \$28,231 0.2% | \$30,575 0.2% |
| Endorsements & Testimonials | \$0 0.0% | \$0 0.0% | \$0 0.0% | \$0 0.0% |
| Direct Mail | \$111,319 0.9% | \$92,978 0.6% | \$93,836 0.7% | \$51,844 0.0% |
| Coupons | \$522,246 4.2% | \$650,653 4.3% | \$751,761 5.3% | \$870,137 6.6% |
| Retail-Value-Added – Bonus Cigarettes | \$1,060,304 8.5% | \$677,308 4.5% | \$636,221 4.5% | \$725,010 5.5% |
| Retail-Value-Added – Non-Cigarette Bonus | \$24,727 0.2% | \$20,535 0.1% | \$14,343 0.1% | \$7,526 0.0% |
| Company Website | \$940 0.0% | \$2,851 0.0% | \$1,401 0.0% | \$2,675 0.0% |
| Internet – Other | \$0 0.0% | \$0 0.0% | \$0 0.0% | \$0 0.0% |
| Telephone | \$679 0.0% | \$760 0.0% | \$346 0.0% | \$59 0.0% |
| Other** | \$112,879 0.9% | \$117,563 0.8% | \$102,369 0.7% | \$99,025 0.8% |
| Total | \$12,466,358 100.0% | \$15,145,998 100.0% | \$14,149,859 100.0% | \$13,110,958 100.0% |

* Because of rounding, sums of percentages may not equal 100 percent.

** Expenditures for audio-visual are included in the “All Others” category to avoid potential disclosure of individual company data.

TABLE 2D

CIGARETTE ADVERTISING AND PROMOTIONAL EXPENDITURES FOR 2006-2010 (DOLLARS IN THOUSANDS)*

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Newspapers | N/A -- | N/A -- | \$169 0.0% | N/A -- | N/A -- |
| Magazines | \$50,293 0.0% | \$47,203 0.4% | \$25,478 0.3% | \$36,680 0.4% | \$46,463 0.6% |
| Outdoor | \$935 0.0% | \$3,041 0.0% | \$2,045 0.0% | \$1,812 0.0% | \$1,744 0.0% |
| Transit | \$0 0.0% | \$0 0.0% | \$0 0.0% | \$0 0.0% | \$0 0.0% |
| Point-of-Sale | \$242,625 1.9% | \$198,861 1.8% | \$163,709 1.0% | \$110,311 1.3% | \$106,634 1.3% |
| Price Discounts | \$9,205,106 73.7% | \$7,699,362 70.9% | \$7,171,092 72.1% | \$6,672,428 78.2% | \$6,490,832 80.7% |
| Promotional Allowances – Retailers | \$434,239 3.5% | \$454,139 4.2% | \$481,500 4.8% | \$428,675 5.0% | \$369,992 4.6% |
| Promotional Allowances – Wholesalers | \$471,204 3.8% | \$479,032 4.4% | \$448,461 4.5% | \$449,006 5.3% | \$410,370 5.1% |
| Promotional Allowances – Other | N/A -- | N/A -- | \$1,245 0.0% | \$965 0.0% | \$210 0.0% |
| Sampling Distribution | \$29,431 0.2% | \$48,719 0.4% | \$54,261 0.5% | \$23,784 0.3% | \$22,166 0.3% |
| Specialty Item Distribution – Branded | \$5,546 0.0% | \$8,070 0.0% | \$7,188 0.1% | \$7,472 0.1% | \$6,322 0.1% |
| Specialty Item Distribution - Non-Branded | \$163,761 1.3% | \$160,047 1.5% | \$93,798 0.9% | \$74,956 0.9% | \$65,574 0.8% |
| Public Entertainment – Adult-Only | \$168,098 1.3% | \$160,104 1.5% | \$154,749 1.5% | \$134,328 1.6% | \$138,889 1.7% |
| Public Entertainment – General-Audience | N/A -- | N/A -- | N/A -- | N/A -- | N/A -- |
| Sponsorships | N/A -- | N/A -- | N/A -- | N/A -- | \$0 0.0% |
| Endorsements & Testimonials | \$0 0.0% | \$0 0.0% | \$0 0.0% | \$0 0.0% | \$0 0.0% |
| Direct Mail | \$102,353 0.8% | \$81,929 0.8% | \$89,920 0.9% | \$68,891 0.8% | \$56,482 0.7% |
| Coupons | \$625,777 5.0% | \$366,779 3.4% | \$359,793 3.6% | \$371,028 4.3% | \$235,802 2.9% |
| Retail-Value-Added – Bonus Cigarettes | \$817,792 6.5% | \$981,566 9.0% | \$721,818 7.3% | \$11,736 0.1% | N/A -- |
| Retail-Value-Added – Non-Cigarette Bonus | \$14,642 0.1% | \$17,720 0.1% | \$10,983 0.1% | N/A -- | \$0 0.0% |
| Company Website | \$6,497 0.1% | \$2,351 0.0% | \$13,172 0.1% | \$18,300 0.2% | \$20,829 0.3% |
| Internet – Other | \$0 0.0% | N/A -- | N/A -- | N/A -- | N/A -- |
| Telephone | N/A -- | N/A -- | N/A -- | N/A -- | N/A -- |
| Audio-Visual | \$0 0.0% | \$0 0.0% | \$0 0.0% | \$0 0.0% | \$0 0.0% |
| Social Media | -- | -- | -- | \$0 0.0% | \$0 0.0% |
| All Others** | \$151,392 1.2% | \$155,843 1.4% | \$143,688 1.4% | \$122,002 1.4% | \$73,291 0.9% |
| Total | \$12,489,692 | \$10,864,767 | \$9,943,068 | \$8,531,375 | \$8,045,602 |

* Because of rounding, sums of percentages may not equal 100 percent.

** Expenditures denoted "N/A" are included in the "All Others" category to avoid potential disclosure of individual company data.

TABLE 3

DOMESTIC CIGARETTE ADVERTISING EXPENDITURES
BY MEDIA FOR YEARS 1963 - 1974*
(MILLIONS OF DOLLARS)

| <u>YEAR</u> | <u>TV</u> | <u>RADIO</u> | <u>NEWSPAPER</u> | <u>MAGAZINES</u> | <u>DIRECT</u> | <u>BILLBOARD/ POSTER/ OUTDOOR/ TRANSIT</u> | <u>OTHER</u> | <u>TOTAL</u> |
|-------------|-----------|--------------|------------------|------------------|---------------|--|--------------|--------------|
| 1963 | \$151.7 | 31.6 | 45.6 | | 13.2 | NA | 7.4 | 249.5 |
| 1964 | 170.2 | 25.5 | 45.2 | | 14.6 | NA | 5.8 | 261.3 |
| 1965 | 175.6 | 24.8 | 41.9 | | 14.7 | NA | 6.0 | 263.0 |
| 1966 | 198.0 | 31.3 | 43.4 | | 17.9 | NA | 6.9 | 297.5 |
| 1967 | 226.9 | 17.5 | 41.2 | | 20.3 | NA | 6.0 | 311.5 |
| 1968 | 217.2 | 21.3 | 44.6 | | 21.6 | NA | 6.0 | 310.7 |
| 1969 | 221.3 | 13.6 | 48.7 | | 13.4 | NA | 8.9 | 305.9 |
| 1970 | 205.0 | 12.4 | 14.7 | 49.5 | 16.9 | 11.7 | 4.5 | 314.7 |
| 1971 | 2.2 | 0 | 59.3 | 98.3 | 27.0 | 60.6 | 4.2 | 251.6 |
| 1972 | 0 | 0 | 63.1 | 96.1 | 22.9 | 67.5 | 8.0 | 257.6 |
| 1973 | 0 | 0 | 65.3 | 92.4 | 15.2 | 63.2 | 11.4 | 247.5 |
| 1974 | 0 | 0 | 80.5 | 114.6 | 31.1 | 71.4 | 9.2 | 306.8 |

* The data reported in Tables 2 through 2D were not collected in their present form until 1975. Thus, Table 3, which reports cigarette advertising expenditures from 1963 through 1974, has been retained in this report for comparative purposes.

TABLE 4
DOMESTIC MARKET SHARE OF CIGARETTES BY TAR YIELD

| Year | Market share of cigarettes having tar yields of: | | | | |
|------|--|----------------|---------------|---------------|---------------|
| | 15 mg. or less | 12 mg. or less | 9 mg. or less | 6 mg. or less | 3 mg. or less |
| 1967 | 2.0% | NA | NA | NA | NA |
| 1968 | 2.5% | NA | NA | NA | NA |
| 1969 | 3.0% | NA | NA | NA | NA |
| 1970 | 3.6% | NA | NA | NA | NA |
| 1971 | 3.8% | NA | NA | NA | NA |
| 1972 | 6.6% | NA | NA | NA | NA |
| 1973 | 8.9% | NA | NA | NA | NA |
| 1974 | 8.9% | NA | NA | NA | NA |
| 1975 | 13.5% | NA | NA | NA | NA |
| 1976 | 15.9% | NA | NA | NA | NA |
| 1977 | 22.7% | NA | NA | NA | NA |
| 1978 | 27.5% | NA | NA | NA | NA |
| 1979 | 40.9% | NA | NA | NA | NA |
| 1980 | 44.8% | NA | NA | NA | NA |
| 1981 | 56.0% | NA | NA | NA | NA |
| 1982 | 52.2% | 43.8% | 27.8% | 8.9% | 2.9% |
| 1983 | 53.1% | 44.9% | 27.9% | 9.4% | 3.1% |
| 1984 | 51.0% | 43.4% | 26.3% | 9.4% | 2.9% |
| 1985 | 51.9% | 43.1% | 25.3% | 8.4% | 2.3% |
| 1986 | 52.6% | 44.5% | 22.3% | 9.9% | 2.6% |
| 1987 | 55.4% | 47.8% | 20.2% | 10.0% | 2.5% |
| 1988 | 54.2% | 48.7% | 20.1% | 10.7% | 3.1% |
| 1989 | 55.1% | 48.4% | 21.5% | 11.4% | 2.4% |
| 1990 | 60.6% | 51.5% | 25.5% | 12.2% | 2.8% |

TABLE 4A
DOMESTIC MARKET SHARE OF CIGARETTES BY TAR YIELD

| Year | Market share of cigarettes having tar yields of: | | | | |
|------|--|----------------|---------------|---------------|---------------|
| | 15 mg. or less | 12 mg. or less | 9 mg. or less | 6 mg. or less | 3 mg. or less |
| 1991 | 60.5% | 52.6% | 22.0% | 12.7% | 2.6% |
| 1992 | 68.7% | 52.9% | 24.9% | 12.7% | 2.5% |
| 1993 | 66.5% | 53.3% | 23.4% | 12.6% | 1.9% |
| 1994 | 71.2% | 53.7% | 23.1% | 12.3% | 2.1% |
| 1995 | 72.7% | 53.6% | 27.1% | 12.2% | 2.2% |
| 1996 | 67.4% | 55.5% | 22.3% | 11.9% | 1.9% |
| 1997 | 70.2% | 55.6% | 21.9% | 11.5% | 1.7% |
| 1998 | 81.9% | 56.8% | 22.9% | 13.2% | 1.6% |
| 1999 | 86.6% | 57.4% | 25.3% | 13.6% | 1.6% |
| 2000 | 87.1% | 50.4% | 23.7% | 13.6% | 1.3% |
| 2001 | 85.2% | 58.1% | 22.6% | 13.2% | 1.0% |
| 2002 | 84.9% | 58.2% | 22.5% | 12.9% | 0.9% |
| 2003 | 84.9% | 59.5% | 22.5% | 12.6% | 0.8% |
| 2004 | 84.8% | 57.7% | 19.2% | 11.5% | 0.8% |
| 2005 | 83.5% | 58.4% | 18.7% | 11.5% | 0.6% |
| 2006 | 84.4% | 57.7% | 19.5% | 11.1% | 0.5% |
| 2007 | 82.7% | 57.3% | 19.6% | 10.7% | 0.4% |
| 2008 | 82.6% | 57.5% | 17.8% | 9.4% | 0.1% |
| 2009 | 82.3% | 61.6% | 17.6% | 11.0% | 0.4% |
| 2010 | 91.3% | 62.7% | 14.3% | 9.7% | 0.4% |

TABLE 5

DOMESTIC MARKET SHARE OF FILTER
AND NON-FILTER CIGARETTES

| YEAR | NON-FILTER | FILTER | CHARCOAL | NON-CHARCOAL |
|------|------------|--------|----------|--------------|
| 1963 | 42% | 58% | * | * |
| 1964 | 39% | 61% | * | * |
| 1965 | 36% | 64% | * | * |
| 1966 | 32% | 68% | * | * |
| 1967 | 28% | 72% | * | * |
| 1968 | 26% | 74% | 6% | 68% |
| 1969 | 23% | 77% | 6% | 71% |
| 1970 | 20% | 80% | 6% | 74% |
| 1971 | 18% | 82% | 6% | 76% |
| 1972 | 16% | 84% | 6% | 77% |
| 1973 | 15% | 85% | 5% | 80% |
| 1974 | 14% | 86% | 5% | 81% |
| 1975 | 13% | 87% | 5% | 82% |
| 1976 | 12% | 88% | 4% | 84% |
| 1977 | 10% | 90% | 4% | 86% |
| 1978 | 10% | 90% | 3% | 87% |
| 1979 | 9% | 91% | 3% | 88% |
| 1980 | 8% | 92% | 3% | 89% |
| 1981 | 8% | 92% | 2% | 90% |
| 1982 | 7% | 93% | 2% | 91% |
| 1983 | 7% | 93% | 2% | 91% |
| 1984 | 7% | 93% | 2% | 91% |
| 1985 | 6% | 94% | 1% | 93% |
| 1986 | 6% | 94% | 1% | 93% |
| 1987 | 4% | 96% | ** | ** |

* Figures for charcoal filter cigarettes for the years 1963 through 1967 were not obtained.

** Beginning with 1987, figures for charcoal filter cigarettes have no longer been reported.

TABLE 5A

DOMESTIC MARKET SHARE OF FILTER
AND NON-FILTER CIGARETTES

| YEAR | NON-FILTER | FILTER |
|------|------------|--------|
| 1988 | 5% | 95% |
| 1989 | 5% | 95% |
| 1990 | 5% | 95% |
| 1991 | 4% | 96% |
| 1992 | 3% | 97% |
| 1993 | 3% | 97% |
| 1994 | 3% | 97% |
| 1995 | 3% | 97% |
| 1996 | 3% | 97% |
| 1997 | 2% | 98% |
| 1998 | 2% | 98% |
| 1999 | 2% | 98% |
| 2000 | 2% | 98% |
| 2001 | 2% | 98% |
| 2002 | 2% | 98% |
| 2003 | 1% | 99% |
| 2004 | 1% | 99% |
| 2005 | 1% | 99% |
| 2006 | 1% | 99% |
| 2007 | 1% | 99% |
| 2008 | 1% | 99% |
| 2009 | 0.5% | 99.5% |
| 2010 | 0.5% | 99.5% |

TABLE 6

DOMESTIC MARKET SHARE OF CIGARETTES
BY LENGTH IN MILLIMETERS (mm.)

| YEAR | 68-72 mm. | 79-88 mm. | 94-101 mm. | 110-121 mm. |
|------|-----------|-----------|------------|-------------|
| 1967 | 14% | 77% | 9% | --- |
| 1968 | 12% | 74% | 13% | --- |
| 1969 | 11% | 74% | 16% | --- |
| 1970 | 9% | 73% | 18% | --- |
| 1971 | 8% | 72% | 20% | --- |
| 1972 | 8% | 71% | 21% | --- |
| 1973 | 7% | 71% | 22% | --- |
| 1974 | 6% | 71% | 23% | --- * |
| 1975 | 6% | 69% | 24% | 1% |
| 1976 | 5% | 69% | 24% | 2% |
| 1977 | 5% | 67% | 26% | 2% |
| 1978 | 5% | 65% | 27% | 2% |
| 1979 | 4% | 65% | 30% | 2% |
| 1980 | 3% | 63% | 32% | 2% |
| 1981 | 3% | 62% | 33% | 2% |
| 1982 | 3% | 61% | 34% | 2% |
| 1983 | 3% | 60% | 34% | 2% |
| 1984 | 3% | 59% | 36% | 2% |
| 1985 | 3% | 58% | 37% | 2% |
| 1986 | 2% | 58% | 37% | 3% |
| 1987 | 2% | 57% | 38% | 3% |
| 1988 | 2% | 57% | 38% | 2% |
| 1989 | 2% | 57% | 39% | 2% |
| 1990 | 2% | 57% | 39% | 2% |
| 1991 | 2% | 56% | 40% | 2% |
| 1992 | 2% | 56% | 41% | 2% |
| 1993 | 1% | 55% | 42% | 2% |
| 1994 | 1% | 56% | 41% | 2% |
| 1995 | 1% | 57% | 40% | 2% |
| 1996 | 1% | 57% | 40% | 2% |
| 1997 | 1% | 58% | 39% | 2% |
| 1998 | 1% | 59% | 38% | 2% |
| 1999 | 1% | 59% | 38% | 2% |
| 2000 | 1% | 60% | 37% | 2% |
| 2001 | 1% | 60% | 38% | 1% |
| 2002 | 1% | 61% | 37% | 2% |
| 2003 | 1% | 61% | 36% | 2% |
| 2004 | 1% | 62% | 35% | 2% |
| 2005 | 1% | 62% | 35% | 2% |
| 2006 | 1% | 62% | 35% | 2% |
| 2007 | 1% | 65% | 32% | 2% |
| 2008 | 2% | 66% | 30% | 2% |
| 2009 | 3% | 64% | 32% | 2% |
| 2010 | 4% | 62% | 33% | 2% |

* The 110-121 mm. length was combined with 94-101 mm. length.

TABLE 7

DOMESTIC MARKET SHARE OF MENTHOL AND NON-MENTHOL CIGARETTES

| YEAR | MENTHOL | NON-MENTHOL |
|------|---------|-------------|
| 1963 | 16% | 84% |
| 1964 | 16% | 84% |
| 1965 | 18% | 82% |
| 1966 | 19% | 81% |
| 1967 | 20% | 80% |
| 1968 | 21% | 79% |
| 1969 | 22% | 78% |
| 1970 | 23% | 77% |
| 1971 | 24% | 76% |
| 1972 | 24% | 76% |
| 1973 | 25% | 75% |
| 1974 | 27% | 73% |
| 1975 | 27% | 73% |
| 1976 | 28% | 72% |
| 1977 | 28% | 72% |
| 1978 | 28% | 72% |
| 1979 | 29% | 71% |
| 1980 | 28% | 72% |
| 1981 | 28% | 72% |
| 1982 | 29% | 71% |
| 1983 | 28% | 72% |
| 1984 | 28% | 72% |
| 1985 | 28% | 72% |
| 1986 | 28% | 72% |
| 1987 | 28% | 72% |
| 1988 | 28% | 72% |
| 1989 | 27% | 73% |
| 1990 | 26% | 74% |
| 1991 | 27% | 73% |
| 1992 | 26% | 74% |
| 1993 | 26% | 74% |
| 1994 | 25% | 75% |
| 1995 | 25% | 75% |
| 1996 | 25% | 75% |
| 1997 | 25% | 75% |
| 1998 | 26% | 74% |
| 1999 | 26% | 74% |
| 2000 | 26% | 74% |
| 2001 | 26% | 74% |
| 2002 | 27% | 73% |
| 2003 | 27% | 73% |
| 2004 | 27% | 73% |
| 2005 | 27% | 73% |
| 2006 | 28% | 72% |
| 2007 | 29% | 71% |
| 2008 | 27% | 73% |
| 2009 | 21% | 79% |
| 2010 | 22% | 78% |

TABLE 8

DISCLOSURE OF TAR AND NICOTINE RATINGS
ON CIGARETTE PACKS (1994 - 2001)

| | | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|--|--|-------|-------|-------|-------|-------|-------|-------|-------|
| % of overall market that discloses ratings on the pack | | 6.3% | 6.3% | 6.1% | 5.8% | 5.3% | 4.1% | 3.6% | 1.8% |
| more than 15 mg. tar | market share of varieties in tar group | 28.8% | 27.3% | 32.7% | 29.8% | 18.0% | 13.4% | 12.9% | 14.8% |
| | % that discloses ratings on pack | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 12-15 mg. tar | market share of varieties in tar group | 19.3% | 21.0% | 15.3% | 16.7% | 29.1% | 32.5% | 39.0% | 29.7% |
| | % that discloses ratings on pack | 0.0% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.0% |
| 8-11 mg. tar | market share of varieties in tar group | 38.6% | 38.7% | 39.2% | 41.0% | 39.4% | 40.3% | 33.9% | 42.1% |
| | % that discloses ratings on pack | 2.4% | 2.8% | 2.6% | 2.3% | 3.2% | 1.6% | 0.7% | 1.0% |
| 4-7 mg. tar | market share of varieties in tar group | 11.2% | 10.8% | 10.9% | 10.8% | 11.9% | 12.2% | 12.9% | 12.5% |
| | % that discloses ratings on pack | 30.7% | 30.1% | 29.3% | 28.6% | 20.7% | 16.2% | 16.5% | 3.7% |
| 3 mg. tar or less | market share of varieties in tar group | 2.1% | 2.2% | 1.9% | 1.7% | 1.6% | 1.6% | 1.3% | 1.0% |
| | % that discloses ratings on pack | 91.8% | 89.1% | 97.2% | 97.3% | 97.4% | 92.3% | 92.0% | 87.9% |

TABLE 8A

DISCLOSURE OF TAR RATINGS ON CIGARETTE PACKS (2002-2010)

| | | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|--|------------------------------------|-------|-------|-------|-------|-------|--------|-------|-------|-------|
| % of overall market that discloses ratings on the pack | | 1.4% | 1.2% | 1.2% | 0.9% | 0.8% | 0.8% | 0.0% | 0.0% | 0.0% |
| more than 15 mg. tar | market share of varieties in group | 15.1% | 15.1% | 15.2% | 16.5% | 15.5% | 17.3% | 17.4% | 17.7% | 8.7% |
| | % that discloses ratings on pack | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 12-15 mg. tar | market share of varieties in group | 28.8% | 28.9% | 30.3% | 28.3% | 28.4% | 27.4% | 26.9% | 23.9% | 29.4% |
| | % that discloses ratings on pack | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 8-11 mg. tar | market share of varieties in group | 43.0% | 43.2% | 42.5% | 43.3% | 44.5% | 44.3% | 45.9% | 47.0% | 52.1% |
| | % that discloses ratings on pack | 0.9% | 0.8% | 0.7% | 0.6% | 0.5% | 0.5% | 0.0% | 0.0% | 0.0% |
| 4-7 mg. tar | market share of varieties in group | 12.2% | 12.0% | 11.2% | 11.3% | 10.9% | 10.5% | 9.7% | 11.0% | 9.4% |
| | % that discloses ratings on pack | 1.8% | 1.5% | 1.5% | 1.2% | 1.0% | 0.8% | 0.0% | 0.0% | 0.0% |
| 3 mg. tar or less | market share of varieties in group | 0.9% | 0.8% | 0.8% | 0.6% | 0.5% | 0.4% | 0.1% | 0.4% | 0.4% |
| | % that discloses ratings on pack | 88.7% | 89.9% | 91.6% | 90.7% | 94.9% | 100.0% | 0.0% | 0.0% | 0.0% |

APPENDIX

2009 and 2010 Advertising and Promotional Expenditure Categories

Newspapers: Newspaper advertising; but excluding expenditures in connection with sampling, specialty item distribution, public entertainment, endorsements, sponsorships, coupons, and retail-value-added.

Magazines: Magazine advertising; but excluding expenditures in connection with sampling, specialty item distribution, public entertainment, endorsements, sponsorships, coupons, and retail-value-added.

Outdoor: Billboards; signs and placards in arenas, stadiums, and shopping malls, whether they are open air or enclosed; and any other advertisements placed outdoors, regardless of their size, including those on cigarette retailer property; but excluding expenditures in connection with sampling, specialty item distribution, public entertainment, endorsements, sponsorships, coupons, and retail-value-added.

Audio-visual: Audio-visual or video advertising on any medium of electronic communication not subject to the Federal Communications Commission's jurisdiction, including screens at motion picture theaters, video cassettes or DVDs, and television screens or monitors in stores; but excluding expenditures in connection with Internet advertising.

Transit: Advertising on or within private or public vehicles and all advertisements placed at, on or within any bus stop, taxi stand, transportation waiting area, train station, airport, or any other transportation facility; but excluding expenditures in connection with sampling, specialty item distribution, public entertainment, endorsements, sponsorships, coupons, and retail-value-added.

Point-of-Sale: Point-of-sale advertisements; but excluding expenditures in connection with outdoor advertising, sampling, specialty item distribution, public entertainment, endorsements, sponsorships, coupons, and retail-value-added.

Price discounts: Price discounts paid to cigarette retailers or wholesalers in order to reduce the price of cigarettes to consumers, including off-invoice discounts, buy downs, voluntary price reductions, and trade programs; but excluding retail-value-added expenditures for promotions involving free cigarettes and expenditures involving coupons.

Promotional Allowances – Retail: Promotional allowances paid to cigarette retailers in order to facilitate the sale or placement of any cigarette, including payments for stocking, shelving, displaying and merchandising brands, volume rebates, incentive payments, and the cost of cigarettes given to retailers for free for subsequent sale to consumers; but excluding expenditures in connection with newspapers, magazines, outdoor, audio-visual, transit, direct mail, point-of-sale, and price discounts.

Promotional Allowances – Wholesale: Promotional allowances paid to cigarette wholesalers in order to facilitate the sale or placement of any cigarette, including payments for volume rebates, incentive payments, value added services, promotional execution and satisfaction of reporting requirements; but excluding expenditures in connection with newspapers, magazines, outdoor, audio-visual, transit, direct mail, point-of-sale, price discounts, and retail promotional allowances.

Promotional Allowances – Other: Promotional allowances paid to any persons other than retailers, wholesalers, and full-time company employees who are involved in the cigarette distribution and sales process in order to facilitate the sale or placement of any cigarette; but excluding expenditures in connection with newspapers, magazines, outdoor, audio-visual, transit, direct mail, point-of-sale, price discounts, and retail and wholesale promotional allowances.

Sampling: Sampling of cigarettes, including the cost of the cigarettes, all associated excise taxes and increased costs under the Master Settlement Agreement, and the cost of organizing, promoting, and conducting sampling. Sampling includes the distribution of cigarettes for consumer testing or evaluation when consumers are able to smoke the cigarettes outside of a facility operated by the Company, but not the cost of actual clinical testing or market research associated with such cigarette distributions. Sampling also includes the distribution of coupons for free cigarettes, when no purchase or payment is required to obtain the coupons or cigarettes.

Specialty Item Distribution – Branded: All costs of distributing any item (other than cigarettes, items the sole function of which is to advertise or promote cigarettes, or written or electronic publications), whether distributed by sale, redemption of coupons, or otherwise, that bears the name, logo, or an image of any portion of the package of any brand or variety of

cigarettes, including the cost of the items distributed but subtracting any payments received for the item. The costs associated with distributing non-cigarette items in connection with sampling or retail-value-added programs are reported in those categories, not as specialty item distribution.

Specialty Item Distribution – Non-Branded: All costs of distributing any item (other than cigarettes, items the sole function of which is to advertise or promote cigarettes, or written or electronic publications), whether distributed by sale, redemption of coupons, or otherwise, that does not bear the name, logo, or an image of any portion of the package of any brand or variety of cigarette, including the cost of the items distributed but subtracting any payments received for the item. The costs associated with distributing non-cigarette items in connection with sampling or retail-value-added programs are reported in those categories, not as specialty item distribution.

Direct Mail: Direct mail advertising; but excluding expenditures in connection with sampling, specialty item distribution, public entertainment, endorsements, sponsorships, coupons, retail-value-added, and Internet advertising.

Public Entertainment – Adult-Only: Public entertainment events bearing or otherwise displaying the name or logo or an image of any portion of the package of any of a company's cigarettes or otherwise referring or relating to cigarettes, which take place in an adult-only facility, including all expenditures made by the company in promoting and/or sponsoring such events.

Public Entertainment – General-Audience: Public entertainment events bearing or otherwise displaying the name or logo or an image of any portion of the package of any of a company's cigarettes or otherwise referring or relating to cigarettes, which do not take place in an adult-only facility, including all expenditures made by the company in promoting and/or sponsoring such events.

Retail-Value-Added – Bonus Cigarettes: Retail-value-added expenditures for promotions involving free cigarettes (*e.g.*, buy two packs, get one free), whether or not the free cigarettes are physically bundled together with the purchased cigarettes, including all expenditures and costs associated with the value added to the purchase of cigarettes (*e.g.*, excise taxes paid for the free cigarettes and increased costs under the Master Settlement Agreement).

Retail-Value-Added – Non-Cigarette Bonus: Retail-value-added expenditures for promotions involving free non-cigarette items (*e.g.*, buy two packs, get a cigarette lighter), including all expenditures and costs associated with the value added to the purchase of cigarettes.

Coupons: All costs associated with coupons for the reduction of the retail cost of cigarettes, whether redeemed at the point-of-sale or by mail, including all costs associated with advertising or promotion, design, printing, distribution, and redemption. However, when coupons are distributed for free cigarettes and no purchase or payment is required to obtain the coupons or the cigarettes, these activities are considered to be sampling and not couponing.

Sponsorships: Sponsorships of sports teams or individual athletes, but excluding endorsements.

Endorsements & Testimonials: Endorsements, testimonials, and product placement.

Company Website: All expenditures associated with advertising on any company Internet website.

Internet – Other: Internet advertising other than on the Company's own Internet website, including on the World Wide Web, on commercial on-line services, and through electronic mail messages; but excluding costs associated with social media marketing.

Telephone: Telephone advertising, including costs associated with the placement of telemarketing calls or the operation of incoming telephone lines that allow consumers to participate in any promotion or hear pre-recorded product messages; but excluding costs associated with having customer service representatives available for responding to consumer complaints or questions.

Social Media Marketing: All expenditures for social media marketing on Web sites or other online services or communities, including but not limited to social networking sites, microblogging sites, content-sharing sites, and blogs.

All Other: Advertising and promotional expenditures not covered by another category.