



California's Flavor Ban Leads to Large Illicit Market

RICHMOND, Va. – October 11, 2023 - Altria Group, Inc. (NYSE: MO) today released a new study that found overwhelming evidence of a large, illicit marketplace of flavored e-vapor and menthol cigarette products in California following enactment of a 2022 ban on flavors in the state. The study affirms that prohibition-based policies do not work and lead to significant unintended consequences.

Conducted by an independent research firm WPSM Group, the study collected 15,000 empty discarded cigarette packs and 4,529 e-vapor product packages from May 1st through June 28th in 10 California cities. The study shows that the flavor ban has had limited effect on the access or demand for flavored e-vapor products or menthol cigarettes throughout the entire state:

- Of the e-vapor packs found, almost all (97.9%) were flavored.
- Menthol (14%) and “menthol work-around” (7.1%) cigarettes combined made up 21.1% of the packs found, compared to 24.5% of the California marketplace prior to the ban implementation.
- More than one-quarter (27.6%) of products found were non-domestic products, which are not intended for the U.S. market. These products were primarily from U.S. Duty Free, Worldwide Duty Free, China, and Mexico.
- One cigarette brand, Sheriff, the 5th most prevalent brand found, is only intended for use outside the U.S.
- The study indicated significant loss of state cigarette tax revenue. Among packs where it was possible to determine what tax stamp was applied, only 45% bore the California tax stamp.
- This data suggests illicit cigarette markets are costing California as much as \$1.27 billion annually in cigarette excise tax revenues – a funding source that supports important government programs.

“This study provides further evidence that keeping products legal and regulated is the best path forward for tobacco policy,” said David Fernandez, Vice President Government Affairs & Public Policy. “This data shows these products shifting in real time to illicit markets which we know lack proper government oversight and other benefits of a well-regulated system.”

The ban, which was implemented in December 2022, includes menthol cigarettes, flavored cigars, flavored smokeless tobacco and flavored e-vapor products. The findings of the study, which are detailed on the [Altria](#) website should provide policymakers with further evidence to support harm reduction as the proper framework for tobacco regulation.

Altria's Profile

We have a leading portfolio of tobacco products for U.S. tobacco consumers age 21+. Our Vision is to responsibly lead the transition of adult smokers to a smoke-free future (Vision). We are *Moving Beyond Smoking™*, leading the way in moving adult smokers away from cigarettes by taking action to transition millions to potentially less harmful choices - believing it is a substantial opportunity for adult tobacco consumers, our businesses and society.

Our wholly owned subsidiaries include leading manufacturers of both combustible and smoke-free products. In combustibles, we own Philip Morris USA Inc. (PM USA), the most profitable U.S. cigarette manufacturer, and John Middleton Co. (Middleton), a leading U.S. cigar manufacturer. Our smoke-free portfolio includes ownership of U.S. Smokeless Tobacco Company LLC (USSTC), the leading global moist smokeless tobacco (MST) manufacturer, Helix Innovations LLC (Helix), a leading manufacturer of oral nicotine pouches, and NJOY, LLC (NJOY), currently the only e-vapor manufacturer to receive market authorizations from the U.S. Food and Drug Administration (FDA) for a pod-based e-vapor product.

Additionally, we have a majority-owned joint venture, Horizon Innovations LLC (Horizon), for the U.S. marketing and commercialization of heated tobacco stick products and, through a separate agreement, we have the exclusive U.S. commercialization rights to the *IQOS Tobacco Heating System®* and *Marlboro HeatSticks®* through April 2024.

Our equity investments include Anheuser-Busch InBev SA/NV (ABI), the world's largest brewer, and Cronos Group Inc. (Cronos), a leading Canadian cannabinoid company.

The brand portfolios of our tobacco operating companies include *Marlboro®*, *Black & Mild®*, *Copenhagen®*, *Skoal®*, *on!®* and *NJOY®*. Trademarks and service marks related to Altria referenced in this release are the property of Altria or our subsidiaries or are used with permission.

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Investor Relations

Altria Client Services

(804) 484-8222

Media Relations

Altria Client Services

(804) 484-8897