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The Maxwell Consumer Report

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Wheat First
Butcher Singer

FIRST-QUARTER 1995 SALES ESTIMATES FOR THE CIGARETTE INDUSTRY

May 9, 1995

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INDUSTRY COMMENTARY

We estimate that the domestic industry shipped 109.95 billion units in 1995, down 4.6% from 115.27 billion units in the first quarter of 1994 as trade inventory reductions in the quarter negatively influenced performance comparisons. Premium share continued to increase as a percentage share of the product mix. During the first quarter, overall premium brands accounted for 69.4% of the volume, up from 66.3% in the prior-year period. All numbers for Brown & Williamson reflect the acquisition of American Brands (AMB-NYSE-\$40 5/8) products.

The leading products for the quarter included Marlboro in the number one spot with a 9.0% increase in volume to 32.58 billion units and a share increase of 3.7 points to 29.6% of the market. GPC rose to second place with volume up 8.3% for the quarter to 6.41 billion units, and share increased 0.7 point to 5.8% of the market. Winston dropped to third place as volume decreased 10.4% to 6.21 billion units, and share was down 0.4 point to 5.6% of the market. Doral's volume for the quarter increased 8.1% to 6.14 billion units with share up 0.7 point to 5.6% of the market; Newport lost 0.3% volume to 5.90 billion units with share up 0.3 point to 5.4% of the market; and Basic declined 7.1% in volume to 5.12 billion units with share down 0.1 points to 4.7% of the market.

Among the leading brands for the 12 months, Marlboro was up 21.4% in volume to 140.45 billion units with share up 4.4 points to 29.0% of the market. Winston's volume declined 11.2% to 27.87 billion units with share down 0.9 point to 5.8% of the market. GPC stayed in the third position with volume up 10.5% to 27.25 billion units and share up 0.4 point to 5.6% share of the market. Doral moved into the fourth position from the sixth position with volume up 15.5% to 25.58 billion units, and it enhanced share growth 0.6 point to 5.3% of the market. Newport's volume increased 5.6% to 25.01 billion units, and share was up 0.2 point to 5.2% of the market. Basic declined to number six from number four with volume down 6.8% to 22.67 billion units and down 0.5 point to 4.7% of the market.

Following is a look at the discount segment totals since 1984 and for the first quarters of 1994 and 1995. Volume for the discount category in the industry was down 13.2% to 33.69 billion units in the quarter versus 38.83 billion units for the prior-year period. Share of the discount segment fell 3.1 points to 30.6% of the market.

Domestic shipments declined 4.6%

Marlboro remains #1

Discount segment reported 30.6% of the market

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Rating Legend

- 1—Buy
- 2—Outperform
- 3—Hold
- 4—Underperform
- 5—Sell

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| DISCOUNT SEGMENT SHARE OF TOTAL U.S. MARKET | | | | | | | | | | | | | | | | |
|---|------|------|------|------|------|------|------|------|------|------|------|-------------------|------|-------|-------|------|
| | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | Q1-94 | Q1-95 | |
| Deep Discounts, | | | | | | | | | | | | | | | | |
| B&W/Private Label | 0.9 | 2.9 | 4.4 | 4.7 | 4.4 | 4.1 | 3.3 | 2.8 | 3.6 | 6.5 | 15.0 | B&W/Private Label | 8.5 | 6.7 | 7.3 | 6.1 |
| Branded Generics | - | - | 0.4 | 1.2 | 2.7 | 4.1 | 6.0 | 9.6 | 10.4 | 10.7 | 14.4 | Deep Discount/ | | | | |
| Sub-Generics | - | - | - | - | - | - | - | 0.9 | 3.5 | 6.8 | > | Branded Discounts | 27.7 | 25.2 | 25.8 | 24.0 |
| Price Off | - | - | - | - | - | 0.2 | 0.6 | 0.7 | 1.0 | 0.5 | 0.5 | Sub-Generics | | | | |
| Value 25's | - | 0.4 | 0.7 | 1.3 | 1.9 | 1.7 | 1.2 | 0.9 | 0.7 | 0.4 | 0.3 | Price Off | 0.4 | 0.4 | 0.4 | 0.4 |
| Total | 0.9 | 3.3 | 5.5 | 7.2 | 9.0 | 10.1 | 11.1 | 14.9 | 19.2 | 24.9 | 30.2 | Value 25's | 0.2 | 0.2 | 0.2 | 0.1 |
| | | | | | | | | | | | | Total | 36.8 | 32.5 | 33.7 | 30.6 |

* Branded generics and sub-generics are now placed together in the category of branded discount due to current price points.

Company volumes and market shares for the first quarter and the 12 months are shown below.

COMPANY VOLUME AND MARKET SHARE

| | 1st Quarter Units | | | 1st Quarter Market Share | | |
|---------------------|-------------------|--------|----------|--------------------------|-------|--------------|
| | 1994 | 1995 | % Change | 1994 | 1995 | Share Change |
| Philip Morris | 49.69 | 50.53 | 1.7 | 43.1 | 46.0 | 2.9 |
| RJ Reynolds | 32.73 | 28.23 | (13.7) | 28.4 | 25.7 | (2.7) |
| Brown & Williamson* | 21.42 | 20.33 | (5.1) | 18.6 | 18.5 | (0.1) |
| Lorillard | 8.67 | 8.61 | (0.7) | 7.5 | 7.8 | 0.3 |
| Liggett | 2.76 | 2.25 | (18.5) | 2.4 | 2.0 | (0.4) |
| Total | 115.27 | 109.95 | (4.6) | 100.0 | 100.0 | - |

*All numbers reflect the acquisition of American Brands products

| | 12-Month Moving | | | 12-Month Moving | | |
|---------------------|------------------|------------------|-----------------|------------------|------------------|--------------|
| | Ending Mar. 1994 | Ending Mar. 1995 | Ending % Change | Ending Mar. 1994 | Ending Mar. 1995 | Share Change |
| Philip Morris | 200.22 | 220.23 | 10.0 | 42.6 | 45.5 | 2.9 |
| RJ Reynolds | 137.97 | 126.07 | (8.6) | 29.4 | 26.0 | (3.4) |
| Brown & Williamson* | 86.15 | 90.61 | 5.2 | 18.3 | 18.7 | 0.4 |
| Lorillard | 34.47 | 36.53 | 6.0 | 7.3 | 7.6 | 0.3 |
| Liggett | 11.32 | 10.82 | (4.4) | 2.4 | 2.2 | (0.2) |
| Total | 470.13 | 484.26 | 3.0 | 100.0 | 100.0 | - |

DISCUSSION ON COMPANY VOLUME AND SHARE

Philip Morris and Lorillard gained share

Looking at the table for the first quarter, only Philip Morris and Lorillard gained share, while Philip Morris was the only company to report increased volume. The other companies lost share and volume. Philip Morris (MO-NYSE-\$71 1/4) reported that volume was up 1.7% to 50.53 billion units with share up 2.9 points to 46.0% of the market. RJR Nabisco (RN-NYSE-\$28 1/2) was down 13.7% in volume to 28.23 billion units with share down 2.7 points to 25.7% of the market. Brown & Williamson reported volume declined 5.1% to 20.33 billion units, and share declined 0.1 point to 18.5% of the market. (All numbers for Brown & Williamson reflect the acquisition of American Brands

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products.) Lorillard reported volume down 0.7% to 8.61 billion units, while share rose 0.3 point to 7.8% of the market. Liggett's volume declined 18.5% to 2.25 billion units, and share declined 0.4 point to 2.0% of the market.

For the 12 months ended March 1995, RJ Reynolds and Liggett were the only companies to report volume down. The 12 months' numbers show Philip Morris' volume increasing 10.0% with a share gain of 2.9 points to 45.5% of the market. RJ Reynolds lost 8.6% in volume for the period to 126.07 billion units with share down 3.4 points to 26.0% of the market. Brown & Williamson reported volume increased 5.2% and share increased 0.4 point to 18.7%. (All numbers for Brown & Williamson reflect the acquisition of American Brands products.) Lorillard reported volume increased 6.0%, and share rose 0.3 point to 7.6% of the market. Liggett reported a 4.4% decline in volume for the 12 months and lost 0.2 point to a 2.2% share of the market.

PHILIP MORRIS

Philip Morris reported that first-quarter shipments increased 1.7% to 50.53 billion units versus 49.69 billion units in the prior-year period. Share was up 2.9 points to 46.0% of the market. In the premium brands segment, Philip Morris reported first-quarter volume rose 5.6% to 41.54 billion units with share up 3.7 points to 37.8% of the market. Marlboro increased volume 9.0% to 32.58 billion units, and share rose 3.7 points to 29.6% of the market. Merit reported volume declined 2.6% for the quarter, while share remained flat at 2.4% of the market. Virginia Slims reported volume declined 1.8% for the quarter, while share increased by 0.1 point to 2.5% of the market. During the quarter, the company had 82.2% of its business in premium brands versus 79.2% in the year-ago period.

Share rose 2.9 points to 46.0%

In its discount segment for the first quarter, Philip Morris' shipment volume was down 13.2% to 8.99 billion units versus 10.36 billion units in the prior-year period. Discount share declined 0.8 point to 8.2% of the market. Philip Morris' Famous Value Brand business was a factor in the volume decline for its discount segment with its volume down 27.5% to 1.50 billion units versus the prior-year period. Basic reported volume down 7.1% for the first quarter to 5.12 billion units with share down 0.1 point to 4.7% of the market.

Discount volume and share declined

For the 12 months, Philip Morris reported volume increased 10% to 220.23 billion units versus 200.22 billion units in the prior-year period. Share for the 12 months rose 2.9 points to 45.5% of the market. The premium brand segment increased volume 17.5% to 179.33 billion units, and share moved up 4.6 points to 37.0% of the market. Marlboro reported a significant volume increase of 21.4% to 140.45 billion units, and share was up 4.4 points to 29.0% of the market. In the discount segment for the 12 months, Philip Morris reported volume down 14.1% to 40.90 billion units. Share fell 1.7 points to 8.4% of the market. Private labels were 36.5% lower in volume to 7.34 billion units versus the prior-year period. Basic was down 6.8% in volume to 22.67 billion units, and share dropped 0.5 point to 4.7% of the market.

RJ REYNOLDS

RJ Reynolds reported that first-quarter volume declined 13.7% to 28.23 billion units from 32.73 billion units in the prior-year period. Share for the quarter declined 2.7 points to 25.7% of the market. Winston declined 10.4% in volume for the quarter to 6.21 billion units with share down 0.4 point to 5.6% of the market. RJR's premium segment as a whole declined 8.8% to 17.40 billion units with share down 0.7 point to 15.8% of the market. During the quarter, RJ Reynolds had 61.6% of its business in premium brands versus 58.3% for the prior-year period.

Q1 volume down nearly 14%

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*Forsyth group of brands
declined 26.8% in volume*

In the discount segment, the Forsyth group of brands (private label) declined 26.8% in volume to 2.49 billion units with a loss in share of 0.7 point to 2.3% of the market for the quarter. Doral increased 8.1% in volume to 6.14 billion units, and share increased 0.7 point to 5.6% of the market. The discount segment for the company reported volume declined 20.7% to 10.83 billion units. The discount segment share of the market declined 2.0 points to 9.9% of the market.

For the 12 months, Reynolds reported volume was down 8.6% to 126.07 billion units. Share was down 3.4 points to 26.0% of the market. In the premium brand segment, volume declined 3.4% to 76.11 billion units with share down 1.1 points to 15.7% of the market. In the discount segment, volume fell 15.6% to 49.95 billion units with share down 2.3 points to 10.3% of the market.

BROWN & WILLIAMSON

*B&W volume and
share declined*

Brown & Williamson's volume for the first quarter declined 5.1% to 20.33 billion units versus 21.42 billion units for the prior-year quarter. Share declined 0.1 point to 18.5% of the market from the prior-year period. All numbers for Brown & Williamson reflect the acquisition of American Brands products. Total premium volume for the company declined 6.1% to 8.54 billion units. Share for the first quarter in the premium segment declined 0.1 point to 7.8% of the market. Kool reported volume decreased 2.6% to 4.13 billion units with share up 0.1 point to 3.8% of the market. During the quarter, the company had 42.0% of its business in premium brands versus 42.4% for the year-ago period.

*GPC volume
increased 8.3%*

In the discount segment, first-quarter volume declined 4.4% to 11.79 billion units with share flat at 10.7% of the market. GPC reported volume increased 8.3% to 6.41 billion units in the quarter with share up 0.7 point to 5.8% of the market. Private label volume declined slightly in the quarter to 1.42 billion units with share up 0.1 point to 1.3% of the market. Montclair reported volume declined 16.9% to 1.38 billion units.

For the 12 months, Brown & Williamson reported volume increased 5.2% to 90.61 billion units from 86.15 billion units in the prior-year period. All numbers reflect the acquisition of American Brands products. Share increased 0.4 point to 18.7% of the market from 18.3% in the prior-year period. In the premium segment, volume rose 3.9% to 36.96 billion units, and share remained flat at 7.6% of the market. Kool realized volume gains of 10.2% to 17.49 billion units, and share rose 0.2 point to 3.6% of the market. The discount segment for the 12 months reported that volume was up 6.1% to 53.65 billion units with share up 0.4 point to 11.1% of the market. GPC increased volume 10.5% to 27.25 billion units, and share rose 0.4 point to 5.6% of the market.

LORILLARD

*Volume declined, but
share rose*

For the first quarter, Lorillard reported volume declined 0.7% to 8.61 billion units compared with 8.67 billion units in the prior-year period. Share rose 0.3 point to 7.8% of the market. Total premium brands for the company declined slightly to 8.22 billion units from 8.30 billion units in the prior-year period with share up 0.2 point to 7.4% of the market. In the premium segment, Newport's volume declined slightly to 5.90 billion units with a share increase of 0.3 point to 5.4% of the market. Harley Davidson (HDI-NYSE-\$23 3/4) reported volume increased due to expansion of the brand. During the quarter, the company had 95.5% of its business in premium brands versus 95.7% for the year-ago period.

During the first quarter, Lorillard's discount segment reported volume increased 5.4% to 0.39 billion units from 0.37 billion units in the prior year period.

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For the 12 months, Lorillard reported volume rose 6.0% to 36.53 billion units with share up 0.3 point to 7.6% of the market. Premium brands rose 6.2% in volume to 34.94 billion units with share up 0.2 point to 7.2% of the market. Discount brands increased 1.9% in volume to 1.59 billion units for the 12 months.

LIGGETT

Liggett's volume for the first quarter declined 18.5% to 2.25 billion units as compared with 2.76 billion units in the prior-year quarter. Share was down 0.4 point to 2.0% of the market. The premium segment reported volume declined 13.8% to 0.56 billion units. During the quarter, the company had 24.9% of its business in premium brands versus 23.6% in the prior-year period. In the discount segment, volume declined 19.9% to 1.69 billion units with share down 0.3 point to 1.5% of the market.

Liggett's declined slightly to 2.0%

For the 12 months, Liggett reported volume declined 4.4% to 10.82 billion units. Share declined 0.2 point to 2.2% share of the market.

THE DISCOUNT CATEGORY

The discount category for the industry in the first quarter represented approximately 30.6% of the market, down from 33.7% of the market in 1994. Within the discount area, Black & Whites/Private Label represented a 19.9% share of the category in the first quarter, down 1.9 points from the prior year's share of 21.8%. Branded discounts grew to 78.4% of the discount category from the prior-year period.

Discount segment declined to 30.6% of market

For the 12 months, we can see a decline of 3.8 points in the discount category. Share of the market for this period was 31.8% versus 35.6% for the prior 12-month period.

*Discount Category Shares by Type
(First Quarter)*

| | <u>Share of Market</u> | | | <u>Share of Discount Category</u> | | |
|-------------------|------------------------|------|--------------|-----------------------------------|-------|--------------|
| | 1994 | 1995 | Share Change | 1994 | 1995 | Share Change |
| Private-Label | 7.3 | 6.1 | (1.2) | 21.8 | 19.9 | (1.9) |
| Branded Discounts | 25.8 | 24.0 | (1.8) | 76.6 | 78.4 | 1.8 |
| Price-off | 0.4 | 0.4 | — | 1.1 | 1.2 | 0.1 |
| Value 25s | 0.2 | 0.1 | (0.1) | 0.5 | 0.5 | — |
| Total | 33.7 | 30.6 | (3.1) | 100.0 | 100.0 | — |

*Discount Category Shares by Type
(12 months)*

| | <u>Share of Market</u> | | | <u>Share of Discount Category</u> | | |
|-------------------|------------------------|------|--------------|-----------------------------------|-------|--------------|
| | 1994 | 1995 | Share Change | 1994 | 1995 | Share Change |
| Private Label | 8.0 | 6.5 | (1.5) | 22.3 | 20.5 | (1.8) |
| Branded Discounts | 27.1 | 24.8 | (2.3) | 76.1 | 77.9 | 1.8 |
| Price-off | 0.3 | 0.3 | — | 1.0 | 1.1 | 0.1 |
| Value 25s | 0.2 | 0.2 | — | 0.6 | 0.5 | (0.1) |
| Total | 35.6 | 31.8 | (3.8) | 100.0 | 100.0 | — |

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Philip Morris and Lorillard both gained share of premium-price segment

COMPANY SHARES OF PRICE SEGMENTS

In summarizing the company shares in the premium-price segment for the first quarter, share gains were realized only by Philip Morris and Lorillard. Philip Morris reported a 54.5% share of the segment, up 3.0 points from the prior-year period. Brown & Williamson reported a 11.2% share, down 0.7 point from the prior-year period; and Lorillard reported a 10.8% share, up 0.1 point from the prior-year period. RJ Reynolds reported share declined 2.2 points to 22.8% as compared with the prior-year period, and Liggett reported that its share was down 0.2 point to 0.7% of the segment as compared with the prior-year period.

In the discount segment, Philip Morris reported share increased 0.1 point to a 26.7% from the prior-year period, and RJ Reynolds reported share was down 3.0 points to 32.1% from the prior-year period. Brown & Williamson's share was 35.0%, up 3.4 points from the prior-year period; Lorillard had a 1.2% share, down 0.1 point from the prior-year period; and Liggett had share at 5.0%, down 0.4 point.

*Company Shares of Price Segments
(Q1'94 versus Q1'95)*

| | Premium | | | Discount | | |
|--------------------|---------|-------|--------------|----------|-------|--------------|
| | 1994 | 1995 | Share Change | 1994 | 1995 | Share Change |
| Philip Morris | 51.5 | 54.5 | 3.0 | 26.6 | 26.7 | 0.1 |
| RJ Reynolds | 25.0 | 22.8 | (2.2) | 35.1 | 32.1 | (3.0) |
| Brown & Williamson | 11.9 | 11.2 | (0.7) | 31.6 | 35.0 | 3.4 |
| Lorillard | 10.7 | 10.8 | 0.1 | 1.3 | 1.2 | (0.1) |
| Liggett | 0.9 | 0.7 | (0.2) | 5.4 | 5.0 | (0.4) |
| Total | 100.0 | 100.0 | — | 100.0 | 100.0 | — |

Based on a 12-month moving average, Philip Morris gained 3.9 share points of premium-price segment

In summarizing the company shares in the premium-price segment for the 12-month period, Philip Morris had a 54.3% share, up 3.9 points from the prior-year period, and Lorillard had a 10.6% share, down 0.2 point from the prior-year period. RJ Reynolds had a 23.1% share, down 2.9 points from the prior-year period; Brown & Williamson had a 11.2% share, down 0.6 point from the prior-year period; and Liggett had an 0.8% share, down 0.2 point from the prior-year period.

In the discount segment for the 12 months, Philip Morris lost 1.9 points to a 26.5% share as compared with the prior-year period, and RJ Reynolds lost 3.0 points to a 32.4% share as compared with the prior-year period. Brown & Williamson gained 4.6 points to 34.8% share from the prior-year period; Lorillard increased to 1.1% share, up 0.1 point from the prior-year period; and Liggett had a 5.2% share, up 0.2 point from the prior-year period.

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Company Shares of Price Segments
(12 months)

| | Premium | | | Discount | | |
|--------------------|---------|-------|--------------|----------|-------|--------------|
| | 1994 | 1995 | Share Change | 1994 | 1995 | Share Change |
| Philip Morris | 50.4 | 54.3 | 3.9 | 28.4 | 26.5 | (1.9) |
| RJ Reynolds | 26.0 | 23.1 | (2.9) | 35.4 | 32.4 | (3.0) |
| Brown & Williamson | 11.8 | 11.2 | (0.6) | 30.2 | 34.8 | 4.6 |
| Lorillard | 10.8 | 10.6 | (0.2) | 1.0 | 1.1 | 0.1 |
| Liggett | 1.0 | 0.8 | (0.2) | 5.0 | 5.2 | 0.2 |
| Total | 100.0 | 100.0 | — | — | 100.0 | 100.0 |

Additional information is available upon request.

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MO: QR: 1; S&P Ranking: A+
AMB: QR: 1; S&P Ranking: A
RN: QR: 2; S&P Ranking: NR
HDI: QR: 1; S&P Ranking: B+

BREAKOUT BY PACK TYPE FOR THE FIRST QUARTER

| Company | Soft Pack (Billions) | % Contr. | Hard Pack (Billions) | % Contr. | Total (Billions) | % Total Market |
|--------------------|-------------------------|-------------|-------------------------|-------------|---------------------|-------------------|
| Philip Morris | 25.49 | 50.4% | 25.04 | 49.6% | 50.53 | 46.0% |
| RJR Nabisco | 24.41 | 86.5% | 3.82 | 13.5% | 28.23 | 25.7% |
| Brown & Williamson | 15.97 | 78.6% | 4.36 | 21.4% | 20.33 | 18.5% |
| Lorillard | 5.31 | 61.7% | 3.30 | 38.3% | 8.61 | 7.8% |
| Liggett | 2.00 | 88.9% | 0.25 | 11.1% | 2.25 | 2.0% |
| Total | 73.18 | 66.6% | 36.77 | 33.4% | 109.95 | 100.0% |

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| TABLE 1 PERCENTAGES OF BUSINESS IN SEGMENTS | | | | | | | | |
|--|--------------|-------|---------------|-------|-----------------------------|-------|--|-------|
| FIRST QUARTER | % of Premium | | % of Discount | | % of Private Label to Total | | % of Private Label to Discount Segment | |
| | 1994 | 1995 | 1994 | 1995 | 1994 | 1995 | 1994 | 1995 |
| PHILIP MORRIS | 79.2% | 82.2% | 20.8% | 17.8% | 4.2% | 3.0% | 20.0% | 16.7% |
| RJR | 58.3% | 61.6% | 41.7% | 38.4% | 10.4% | 8.8% | 24.9% | 23.0% |
| BROWN & WILLIAMSON | 42.4% | 42.0% | 57.6% | 58.0% | 6.3% | 7.0% | 10.9% | 12.0% |
| LORILLARD | 95.7% | 95.5% | 4.3% | 4.5% | - | - | - | - |
| LIGGETT | 23.6% | 24.9% | 76.4% | 75.1% | 59.4% | 57.3% | 77.7% | 76.3% |

| TABLE 2 VOLUME & SHARE FIRST QUARTER COMPARISONS IN PRICE SEGMENTS 1995 VS 1994 | | | | | | | |
|---|-----------------|-----------------|----------------|--------------------|--------------------|---------------------|--|
| | VOLUME Q1-95 | VOLUME Q1-94 | PCT. CHANGE | MKT SHARE Q1-95 | MKT SHARE Q1-94 | POINT SHR CHANGE | |
| PREMIUM BRANDS: | 76.26 | 76.44 | (0.2%) | 69.4% | 66.3% | 3.1 | |
| B&W/PRIVATE LABEL: | 6.70 | 8.46 | (20.8%) | 6.1% | 7.3% | (1.2) | |
| BRANDED DISCOUNT: | 26.42 | 29.75 | (11.2%) | 24.0% | 25.8% | (1.8) | |
| PRICE OFF: | 0.41 | 0.41 | - | 0.4% | 0.4% | - | |
| VALUE 25S: | 0.16 | 0.21 | (23.8%) | 0.1% | 0.2% | (0.1) | |
| TOTAL DISCOUNT BRANDS: | 33.69 | 38.83 | (13.2%) | 30.6% | 33.7% | (3.1) | |
| TOTAL CONSUMPTION: | 109.95 | 115.27 | (4.6%) | 100.0% | 100.0% | - | |

Note: Totals may not add due to rounding
 @ In Q3, 1993, Deep Discounts were repositioned as Branded Discount due to current price point.

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| TABLE 3 ESTIMATED FIRST QUARTER UNIT COMPARISONS THE LEADING PRODUCTS | | | | | | | |
|---|--------------|-------------|---------|--------------|-------------|--------------------------|---------|
| | 1994 | | | 1995 | | % Change in Volume | Ranking |
| | Bil. | Share | Ranking | Bil. | Share | | |
| Phillip Morris | | | | | | | |
| Marlboro | 29.88 | 25.9 % | 1 | 32.58 | 29.6 % | 9.0 | 1 |
| Basic | 5.51 | 4.8 | 6 | 5.12 | 4.7 | (7.1) | 6 |
| Virginia Slims | 2.75 | 2.4 | 11 | 2.70 | 2.5 | (1.8) | 10 |
| Benson & Hedges | 3.01 | 2.6 | 10 | 2.67 | 2.4 | (11.3) | 11 |
| Merit | 2.73 | 2.4 | 12 | 2.66 | 2.4 | (2.6) | 12 |
| RJR Nabisco | | | | | | | |
| Winston | 6.93 | 6.0 | 2 | 6.21 | 5.6 | (10.4) | 3 |
| Doral | 5.68 | 4.9 | 5 | 6.14 | 5.6 | 8.1 | 4 |
| Camel* | 4.74 | 4.1 | 7 | 4.68 | 4.3 | (1.3) | 7 |
| Salem | 4.54 | 3.9 | 8 | 4.08 | 3.7 | (10.1) | 9 |
| Brown & Williamson | | | | | | | |
| GPC | 5.92 | 5.1 | 3 | 6.41 | 5.8 | 8.3 | 2 |
| Kool* | 4.24 | 3.7 | 9 | 4.13 | 3.8 | (2.6) | 8 |
| Lorillard | | | | | | | |
| Newport | 5.92 | 5.1 | 4 | 5.90 | 5.4 | (0.3) | 5 |
| Total Leading Product | 81.85 | 70.9 | | 83.28 | 75.8 | 1.7 | |

*Includes filter and non-filter.

| TABLE 4 12-MONTH MOVING UNIT VOLUME COMPARISONS FOR SELECTED LEADING BRANDS MARCH, 1995 | | | | | | | |
|--|---------------|-------------|---------|---------------|-------------|--------------------------|---------|
| | 1994 | | | 1995 | | % Change in Volume | Ranking |
| | Bil. | Share | Ranking | Bil. | Share | | |
| Phillip Morris | | | | | | | |
| Marlboro | 115.72 | 24.6 % | 1 | 140.45 | 29.0 % | 21.4 | 1 |
| Basic | 24.32 | 5.2 | 4 | 22.67 | 4.7 | (6.8) | 6 |
| Benson & Hedges | 11.71 | 2.5 | 10 | 11.62 | 2.4 | (0.8) | 11 |
| Merit | 10.70 | 2.3 | 11 | 11.61 | 2.4 | 8.5 | 12 |
| Virginia Slims | 10.57 | 2.2 | 12 | 11.69 | 2.4 | 10.6 | 10 |
| RJR Nabisco | | | | | | | |
| Winston | 31.38 | 6.7 | 2 | 27.87 | 5.8 | (11.2) | 2 |
| Doral | 22.14 | 4.7 | 6 | 25.58 | 5.3 | 15.5 | 4 |
| Salem | 17.84 | 3.8 | 8 | 18.06 | 3.7 | 1.2 | 8 |
| Camel* | 17.88 | 3.8 | 7 | 19.28 | 4.0 | 7.8 | 7 |
| Brown & Williamson | | | | | | | |
| GPC | 24.66 | 5.2 | 3 | 27.25 | 5.6 | 10.5 | 3 |
| Kool* | 15.87 | 3.4 | 9 | 17.49 | 3.6 | 10.2 | 9 |
| Lorillard | | | | | | | |
| Newport | 23.69 | 5.0 | 5 | 25.01 | 5.2 | 5.6 | 5 |
| Total Leading Brands | 326.48 | 69.4 | | 358.58 | 74.1 | 9.8 | |

*Includes filter and non-filter.

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TABLE 5
FILTER COMPARISON Q1-1995 VS Q1-1994

| | Billion Units | | | Market Share | | |
|--------------------|---------------|---------------|---------------|--------------|--------------|--------------|
| | 1994 | 1995 | % Change | 1994 | 1995 | Share Change |
| Plain Filter | 81.54 | 78.50 | (3.7%) | 70.7% | 71.4% | 0.7 |
| Mentholated Filter | 29.42 | 27.96 | (5.0%) | 25.5 | 25.4 | (0.1) |
| Charcoal Filter | 0.89 | 0.39 | (56.2%) | 0.8 | 0.4 | (0.4) |
| Total | 111.85 | 106.85 | (4.5%) | 97.0 | 97.2 | 0.2 |
| Regular Non-filter | 1.22 | 1.11 | (9.0%) | 1.1 | 1.0 | (0.1) |
| King Non-filter | 2.20 | 1.99 | (9.5%) | 1.9 | 1.8 | (0.1) |
| Total | 115.27 | 109.95 | (4.6%) | 100.0 | 100.0 | |

TABLE 6
ESTIMATED LOW-TAR CIGARETTE SHIPMENTS AND FIRST QUARTER MARKET SHARE BY COMPANY

| | Billion Units | | | | | Percent of Market | | | | |
|--------------------------------|---------------|--------------|--------------|--------------|--------------|-------------------|-------------|-------------|-------------|-------------|
| | 1995 | 1994 | 1993 | 1992 | 1991 | 1995 | 1994 | 1993 | 1992 | 1991 |
| Philip Morris | 26.47 | 25.43 | 22.54 | 22.24 | 21.94 | 24.1% | 22.1% | 21.2% | 20.7% | 20.9% |
| 7-15 mg | 4.83 | 4.97 | 4.96 | 5.53 | 4.36 | 4.4 | 4.3 | 4.7 | 5.2 | 4.2 |
| 0-6 mg | 31.30 | 30.40 | 27.50 | 27.77 | 26.30 | 28.5 | 26.4 | 25.9 | 25.9 | 25.1 |
| RJR Nabisco | 12.27 | 14.2 | 15.23 | 13.91 | 13.78 | 11.2 | 12.3 | 14.3 | 13.0 | 13.1 |
| 7-15 mg | 3.92 | 4.62 | 5.04 | 4.55 | 5.04 | 3.6 | 4.0 | 4.7 | 4.2 | 4.8 |
| 0-6 mg | 16.19 | 18.82 | 20.27 | 18.46 | 18.82 | 14.8 | 16.3 | 19.0 | 17.2 | 17.9 |
| Brown & Williamson* | 9.11 | 8.31 | 6.83 | 7.51 | 6.50 | 8.3 | 7.2 | 6.5 | 7.0 | 6.2 |
| 7-15 mg | 3.43 | 3.66 | 3.05 | 2.73 | 2.55 | 3.1 | 3.2 | 2.8 | 2.6 | 2.4 |
| 0-6 mg | 12.54 | 11.97 | 9.88 | 10.24 | 9.05 | 11.4 | 10.4 | 9.3 | 4.6 | 4.0 |
| Lorillard | 2.48 | 3.95 | 3.16 | 3.76 | 2.05 | 2.3 | 3.4 | 3.0 | 3.5 | 2.0 |
| 7-15 mg | 0.85 | 1.25 | 0.95 | 1.22 | 1.34 | 0.8 | 1.1 | 0.9 | 1.1 | 1.3 |
| 0-6 mg | 3.33 | 5.20 | 4.11 | 4.98 | 3.39 | 3.1 | 4.5 | 3.9 | 4.6 | 3.3 |
| Liggett Group | 1.33 | 1.39 | 1.40 | 1.19 | 2.58 | 1.2 | 1.2 | 1.3 | 1.1 | 2.5 |
| 7-15 mg | 0.27 | 0.48 | 0.43 | 0.41 | 0.56 | 0.2 | 0.4 | 0.4 | 0.4 | 0.5 |
| 0-6 mg | 1.60 | 1.87 | 1.83 | 1.60 | 3.14 | 1.4 | 1.6 | 1.7 | 1.5 | 3.0 |
| Total | 51.66 | 53.28 | 49.16 | 48.61 | 46.85 | 47.0 | 46.2 | 46.3 | 45.3 | 44.7 |
| 7-15 mg | 13.30 | 14.98 | 14.43 | 14.44 | 13.85 | 12.1 | 13.0 | 13.5 | 13.5 | 13.2 |
| 0-6 mg | 64.96 | 68.26 | 63.59 | 63.05 | 60.70 | 59.1 | 59.2 | 59.8 | 58.8 | 57.9 |

*Brown & Williamson numbers include American Brands products.

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PHILIP MORRIS, INC.
FIRST QUARTER BRAND SALES AND MARKET SHARE

| | Sales (Bil. Units) | | | Market Share % | |
|------------------------------------|--------------------|--------------|---------------|----------------|--------------|
| | 1994 | 1995 | Change | 1995 | 1994* |
| PREMIUM BRANDS | | | | | |
| MARLBORO | | | | | |
| Total | 29.88 | 32.58 | 9.0 | 29.6 | 25.9 |
| VIRGINIA SLIMS | | | | | |
| Total | 2.75 | 2.70 | (1.8) | 2.5 | 2.4 |
| BENSON & HEDGES | | | | | |
| Total | 3.01 | 2.67 | (11.3) | 2.4 | 2.6 |
| MERIT | | | | | |
| Total | 2.73 | 2.66 | (2.6) | 2.4 | 2.4 |
| PARLIAMENT | | | | | |
| Total | 0.74 | 0.75 | - | 0.7 | 0.6 |
| SARATOGA | | | | | |
| Total | 0.13 | 0.12 | - | 0.1 | 0.1 |
| COMMANDER** | | | | | |
| Total | 0.03 | 0.02 | - | - | - |
| PLAYERS | | | | | |
| Total | 0.03 | 0.02 | - | - | - |
| All Others | 0.03 | 0.02 | - | - | - |
| TOTAL PREMIUM BRANDS | 39.33 | 41.54 | 5.6 | 37.8* | 34.1* |
| DISCOUNT BRANDS | | | | | |
| BASIC(Branded Discount)@ | | | | | |
| Total | 5.51 | 5.12 | (7.1) | 4.7 | 4.8 |
| CAMBRIDGE(Branded Discount) | | | | | |
| Total | 2.06 | 1.76 | (14.6) | 1.6 | 1.8 |
| FAMOUS VALUE BRAND | | | | | |
| Total | 2.07 | 1.50 | (27.5) | 1.4 | 1.8 |
| ALPINE(Branded Discount) | | | | | |
| Total | 0.40 | 0.36 | - | 0.3 | 0.3 |
| BRISTOL(Branded Discount) | | | | | |
| Total | 0.24 | 0.16 | - | 0.1 | 0.2 |
| OTHER | | | | | |
| Total | 0.08 | 0.09 | - | 0.1 | 0.1 |
| TOTAL DISCOUNT BRANDS | 10.36 | 8.99 | (13.2) | 8.2 | 9.0 |
| TOTAL DOMESTIC | 49.69 | 50.53 | 1.7 | 46.0 | 43.1 |
| Filter % of MO Total | 99.5% | 99.5% | | 99.5% | 99.5% |

**Non-filter Cigarette

*Numbers may not add due to rounding

88862873

| RJR NABISCO, INC. | | | | | |
|--|--------------------|--------------|---------------|-------------------|-------------|
| FIRST QUARTER BRAND SALES AND MARKET SHARES | | | | | |
| | Sales (Bil. Units) | | | Market Shares (%) | |
| | 1994 | 1995 | Change | 1995 | 1994 |
| PREMIUM BRANDS | | | | | |
| WINSTON | | | | | |
| Total | 6.93 | 6.21 | (10.4) | 5.6 | 6.0 |
| CAMEL | | | | | |
| Total | 4.74 | 4.68 | (1.3) | 4.3 | 4.1 |
| SALEM | | | | | |
| Total | 4.54 | 4.08 | (10.1) | 3.7 | 3.9 |
| VANTAGE | | | | | |
| Total | 1.46 | 1.25 | (14.4) | 1.1 | 1.3 |
| MORE | | | | | |
| Total | 0.73 | 0.63 | - | 0.6 | 0.6 |
| NOW | | | | | |
| Total | 0.64 | 0.54 | - | 0.5 | 0.6 |
| All Others | 0.03 | 0.01 | - | - | - |
| TOTAL PREMIUM BRANDS | 19.07 | 17.40 | (8.8) | 15.8 | 16.5 |
| DISCOUNT BRANDS | | | | | |
| DORAL(Branded Discount) | | | | | |
| Total | 5.68 | 6.14 | 8.1 | 5.6 | 4.9 |
| FORSYTH Private Label | | | | | |
| Total | 3.40 | 2.49 | (26.8) | 2.3 | 3.0 |
| MONARCH(Branded Discount)@ | | | | | |
| Total | 2.51 | 1.21 | (51.8) | 1.1 | 2.2 |
| BEST VALUE(Branded Discount)@ | | | | | |
| Total | 1.43 | 0.66 | (53.8) | 0.6 | 1.2 |
| CENTURY(Value 25s) | | | | | |
| Total | 0.17 | 0.13 | - | 0.1 | 0.1 |
| STERLING (Branded Discount) | | | | | |
| Total | 0.28 | 0.12 | - | 0.1 | 0.3 |
| MAGNA(Branded Discount) | | | | | |
| Total | 0.19 | 0.08 | - | 0.1 | 0.2 |
| TOTAL DISCOUNT BRANDS | 13.66 | 10.83 | (20.7) | 9.9 | 11.9 |
| TOTAL DOMESTIC | 32.73 | 28.23 | (13.7) | 25.7 | 28.4 |
| Filter % of RJR Total | 96.6% | 99.4% | | 99.4% | 96.6% |

@ In Q3, 1993, Monarch and Best Value were repositioned as a Branded Discount due to current price point. Prior to 1993, Forsyth, Monarch and Best Value brands were totaled together and listed as Black&Whites/Private Label.

88862874

**BROWN & WILLIAMSON
FIRST QUARTER BRAND SALES AND MARKET SHARES @**

| | Sales (Bil units) | | | Market Shares (%) | |
|---------------------------------|-------------------|--------------|--------------|-------------------|-------------|
| | 1994 | 1995 | Change | 1995 | 1994 |
| PREMIUM BRANDS | | | | | |
| KOOL | | | | | |
| Total | 4.24 | 4.13 | (2.6) | 3.8 | 3.7 |
| CARLTON | | | | | |
| Total | 1.55 | 1.37 | (11.6) | 1.2 | 1.4 |
| PALL MALL | | | | | |
| Total | 1.43 | 1.28 | (10.5) | 1.2 | 1.2 |
| CAPRI | | | | | |
| Total | 0.65 | 0.68 | - | 0.6 | 0.6 |
| TAREYTON | | | | | |
| Total | 0.47 | 0.42 | | 0.4 | 0.4 |
| LUCKY STRIKE ** | | | | | |
| Total | 0.31 | 0.28 | | 0.3 | 0.3 |
| BELAIR* | | | | | |
| Total | 0.15 | 0.13 | - | 0.1 | 0.1 |
| RALEIGH* | | | | | |
| Total | 0.14 | 0.12 | - | 0.1 | 0.1 |
| BARCLAY | | | | | |
| Total | 0.12 | 0.10 | - | 0.1 | 0.1 |
| OTHER | 0.03 | 0.03 | - | - | - |
| TOTAL PREMIUM BRANDS | 9.09 | 8.54 | (6.1) | 7.8 | 7.9 |
| DISCOUNT BRANDS | | | | | |
| GPC(Branded Discount) | 5.92 | 6.41 | 8.3 | 5.8 | 5.1 |
| PRIVATE LABEL Total | 1.43 | 1.42 | (0.7) | 1.3 | 1.2 |
| MONTCLAIR(Branded Discount) | | | | | |
| Total | 1.66 | 1.38 | (16.9) | 1.3 | 1.4 |
| MISTY(Branded Discount) | | | | | |
| Total | 1.22 | 1.30 | 6.6 | 1.2 | 1.1 |
| VICEROY(Branded Discount) | | | | | |
| Total | 1.24 | 0.93 | - | 0.8 | 1.1 |
| RALEIGH EXTRA(Branded Discount) | | | | | |
| Total | 0.60 | 0.22 | - | 0.2 | 0.5 |
| RICHLAND (Branded Discount) | | | | | |
| Total | 0.07 | 0.03 | - | - | 0.1 |
| LUCKY STRIKE FILTERS(Price-off) | | | | | |
| Total | 0.04 | 0.02 | | - | - |
| OTHER | 0.15 | 0.08 | - | 0.1 | 0.2 |
| TOTAL DISCOUNT BRANDS | 12.33 | 11.79 | (4.4) | 10.7 | 10.7 |
| TOTAL DOMESTIC | 21.42 | 20.33 | (5.1) | 18.5 | 18.6 |
| Filter % of B&W Total | 97.8% | 91.7% | | 91.7% | 97.8% |

*Couponed cigarettes

**Non-filtered cigarette.

@ As of December 1994, Brown & Williamson and American Tobacco have been combined.

88862875

**LORILLARD
FIRST QUARTER BRAND SALES AND MARKET SHARES**

| | Sales (Bil. Units) | | | Market Shares (%) | |
|------------------------------|--------------------|-------------|--------------|-------------------|------------|
| | 1994 | 1995 | Change | 1995 | 1994 |
| PREMIUM BRANDS | | | | | |
| NEWPORT | | | | | |
| Total | 5.92 | 5.90 | (0.3) | 5.4 | 5.1 |
| KENT | | | | | |
| Total | 1.17 | 1.01 | (13.7) | 0.9 | 1.0 |
| TRUE | | | | | |
| Total | 0.61 | 0.54 | - | 0.5 | 0.6 |
| STYLE* | | | | | |
| Total | 0.41 | 0.36 | - | 0.3 | 0.4 |
| HARLEY DAVIDSON | | | | | |
| Total | 0.12 | 0.35 | - | 0.3 | 0.1 |
| MAX | | | | | |
| Total | 0.05 | 0.04 | - | - | - |
| SATIN | | | | | |
| Total | 0.01 | 0.01 | - | - | - |
| TRIUMPH | | | | | |
| Total | 0.01 | 0.01 | - | - | - |
| TOTAL PREMIUM BRANDS | 8.30 | 8.22 | (1.0) | 7.4 | 7.2 |
| DISCOUNT BRANDS | | | | | |
| OLD GOLD FILTER | | | | | |
| Total | 0.37 | 0.39 | - | 0.4 | 0.3 |
| TOTAL DISCOUNT BRANDS | 0.37 | 0.39 | 5.4 | 0.4 | 0.3 |
| TOTAL DOMESTIC | 8.67 | 8.61 | (0.7) | 7.8 | 7.5 |
| Filter % of Lor. Total | 99.9% | 99.9% | | 99.9% | 99.9% |

*In Q3 1993, Style was repositioned as a premium price brand.
 **Others for Q1 1993 in Premium includes 0.10 Old Gold

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LIGGETT GROUP, INC.
FIRST QUARTER BRAND SALES AND MARKET SHARES

| | Sales Bil Units | | | Market Share | |
|-----------------------------|-----------------|-------------|----------------|--------------|------------|
| | 1994 | 1995 | Change | 1995 | 1994 |
| PREMIUM BRANDS | | | | | |
| EVE | | | | | |
| Total | 0.30 | 0.25 | - | 0.2 | 0.3 |
| L&M | | | | | |
| Total | 0.14 | 0.13 | - | 0.1 | 0.1 |
| CHESTERFIELD | | | | | |
| Total | 0.10 | 0.09 | - | 0.1 | 0.1 |
| LARK | | | | | |
| Total | 0.10 | 0.09 | - | 0.1 | 0.1 |
| CHESTERFIELD FILTER | | | | | |
| Total | 0.01 | - | - | - | - |
| TOTAL PREMIUM BRANDS | 0.65 | 0.56 | (13.8%) | 0.5 | 0.6 |

| | | | | | |
|---------------------------------------|-------------|-------------|----------------|------------|------------|
| DISCOUNT BRANDS | | | | | |
| BLACK&WHITES/PRIVATE LABEL | | | | | |
| Total | 1.64 | 1.29 | (21.3%) | 1.2 | 1.4 |
| PYRAMID(Branded Discount) | | | | | |
| Total | 0.47 | 0.37 | - | 0.3 | 0.4 |
| COVINGTON/JASMINE | - | 0.03 | - | - | - |
| TOTAL DISCOUNT BRANDS | 2.11 | 1.69 | (19.9%) | 1.5 | 1.8 |

| | | | | | |
|-----------------------|-------------|-------------|----------------|------------|------------|
| TOTAL DOMESTIC | 2.76 | 2.25 | (18.5%) | 2.0 | 2.4 |
|-----------------------|-------------|-------------|----------------|------------|------------|

| | | | | | |
|------------------------|-------|-------|--|-------|-------|
| Filter % of Lig. Total | 92.4% | 91.6% | | 91.6% | 92.4% |
|------------------------|-------|-------|--|-------|-------|

| | | | |
|---------------------|--------|--------|-------|
| Total Consumption | 115.27 | 109.95 | (4.6) |
| Total Production | 116.80 | 120.30 | 3.0 |
| Change in Inventory | 1.53 | 10.35 | 576.5 |

Includes unsalable & promotional goods.
 Excludes international military sales.

Source: Wheat First Butcher Singer Research and USDA estimates for Total Production.

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