



I. INTRODUCTION

This report is the last 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 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. (the ultimate parent of Philip Morris); Commonwealth Brands, Inc.; Lorillard, Inc. (the ultimate parent of Lorillard Tobacco Co.); Reynolds American, Inc. (the ultimate parent of R.J. Reynolds Tobacco Co. and Santa Fe Natural Tobacco Company, Inc.); and Vector Group Ltd. (the ultimate parent of Liggett Group). 18.3600aa87.

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 over a \$10.86 billion was spent on cigarette advertising and promotion in 2007, a decline from the \$12.49 billion the major cigarette manufacturers reported in 2006. Total expenditures declined further, to \$9.94 billion, in 2008.

The companies reported spending \$169,000 on advertising in newspapers in 2008.⁵ They also reported spending \$47.2 million in 2007 on magazine advertising (down from \$50.3 million in 2006) and \$25.5 million in 2008.

Spending on "outdoor" advertising increased from \$935,000 in 2006 to \$3.0 million in 2007, before declining to \$2.0 million in 2008. 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

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 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 2007 expenditures for newspaper advertising or for promotional allowances paid to persons other than retailers and wholesalers. Nor is it reporting 2007 or 2008 data for: sponsorships; general audience public entertainment; internet advertising (other than the company's own website); or telephone advertising.

⁵ As explained in footnote 4, above, the Commission is not reporting the amount spent in 2007 on newspaper advertising.

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 2007 or 2008.

Spending on point-of-sale promotional materials (as posted at the retail location but excluding outdoor ads on retailer property) fell from \$242.6 million in 2006 to \$198.9 million in 2007, and then to \$163.7 million in 2008.

Since 2002, the “promotional allowance” category has been broken into four new categories: price discounts, promotional allowances paid to retailers, promotional allowances paid to wholesalers, and other promotional allowances. For both 2007 and 2008, the largest “promotional allowance” category was price discounts paid to cigarette retailers or wholesalers in order to reduce the price of cigarettes to consumers (e.g., off-invoice discounts, buydowns, and voluntary price reductions), which accounted for expenditures of \$7.70 billion in 2007 (down from \$9.21 billion in 2006) and \$7.17 billion in 2008. In addition, the industry spent \$454.1 million in 2007 (up from \$434.2 million in 2006) and \$481.5 million in 2008 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), and \$479.0 million (2007) and \$448.5 million (2008) on promotional allowances paid to cigarette wholesalers (e.g., payments for volume rebates, incentive payments, value-added services, and promotional executions). When these three promotional allowance categories are combined, they total \$8.63 billion, and account for 79.5 percent of all 2007 spending; for 2008, they total \$8.10 billion, 81.5 percent of all spending). In addition, the companies reported 2008 expenditures of \$1.2 million on promotional allowances paid

to persons other than retailers and wholesalers.⁶

Money spent giving cigarette samples to the public (“sampling distribution”) increased from \$29.43 million in 2006 to \$48.7 million in 2007, and then to \$54.3 million in 2008. “Sampling” includes, among other things, when coupons are distributed for free cigarettes and no purchase is required. Cigarette sampling expenditures have accounted for less than one percent of total spending every year since 1992.

In 2007, \$8.1 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; \$160.0 million was spent distributing non-branded, non-cigarette items in connection with the marketing of cigarettes.

⁶ As explained in footnote 4, above, the Commission is not reporting the amount spent in 2007 on promotional allowances paid to persons other than retailers and wholesalers.

⁷ Branded specialty item distribution includes the price of selling or giving to consumers non-cigarette items such as T-shirts, sunglasses, keychains, calendars, lighters, and sporting goods bearing a cigarette brand's name or logo.

Non-branded specialty item distribution includes the price of giving consumers non-cigarette items such as compact discs, lighters, and sporting goods in connection with the marketing of cigarettes.

facility and that display the name or logo of a company's cigarettes or otherwise refer to cigarettes.

⁸ As explained in footnote 4, above, the Commission is not reporting the amount spent on general audience public entertainment or on sponsorships.

⁹ This category does not include direct mail containing coupons, which are reported separately.

¹⁰ In 2002, the Commission clarified that when coupons are distributed for free cigarettes and no purchase is required to redeem them, such activities should be reported only as "sampling," not as "coupons."

¹¹ The cigarettes and the bonus items are often packaged together as a single unit.

that figure had been \$6.5 million in 2006.¹² In 2008, they reported spending \$13.2 million.

The Commission requires the cigarette manufacturers to report the amounts they spent advertising and promoting sports and sporting events.¹³ 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 a expenditure on "sports and sporting events." Similarly expenditures on sponsorship of sports teams and individual athletes reported under the category "sponsorship" ad are also reported as "sports and sporting events." The companies reported spending \$33.2 million in 2007 and \$37.3 million in 2008 on sports and sporting events.

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 \$20.7 million on such advertising in 2007, and \$11.5 million in 2008. In 2006, the companies had reported spending \$57.7 million on such advertising. These figures do not include contributions to third parties that

¹² As explained in footnote 4, above, the Commission is not reporting the amount spent on other Internet advertising.

¹³ 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) 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) expenditures for functional promotional items (clothing, hats, etc.) connected with a sporting event.

¹⁴ These expenditures are not included in the \$10.87 billion (2007) and \$9.94 billion (2008) reported in Table 2D

behalf paid money or any other form of compensation in connection with the production or filming of any motion pictures or television shows in 2007 or 2008, 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. However, one company reported having videos that appeared on company owned, adult only, smoker verified, age-restricted websites.

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 2007. The data for the years since 1982 are further broken down into sub-categories according to tar ratings, 3 mg. or less, 6 mg. or less, etc. (categories are presented cumulatively). In 2007, cigarettes with tar ratings of 15 mg. or less constituted 82.7 percent of the domestic cigarette market (down from 84.4 percent in 2006), 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 2008, these figures were 82.6 percent and 0.1 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 continued to account for 99 percent of the market in 2007 and 2008.



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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)	(4.5)	****

† 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)*

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%

TABLE 2B

DOMESTIC CIGARETTE ADVERTISING AND PROMOTIONAL EXPENDITURES
FOR YEARS 1996 2001 (DOLLARS IN THOUSAND\$)

	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

DOMESTIC CIGARETTE ADVERTISING AND PROMOTIONAL EXPENDITURES
FOR YEARS 2006 2008 (DOLLARS IN THOUSANDS)*

	2006	2007	2008
Newspapers	N/A	N/A	\$169 0.0%
Magazines	\$50,293 0.0%	\$47,203 0.4%	\$25,478 0.3%
Outdoor	\$935 0.0%	\$3,041 0.0%	\$2,045 0.0%
Transit	\$0 0.0%	\$0 0.0%	\$0 0.0%
Point of Sale	\$242,625 1.9%	\$198,861 1.8%	\$163,709 1.0%
Price Discounts	\$9,205,106 73.7%	\$7,699,362 70.9%	\$7,171,092 72.1%
Promotional Allowances Retailers	\$434,239 3.5%	\$454,139 4.2%	\$481,500 4.8%
Promotional Allowances Wholesalers	\$471,204 3.8%	\$479,032 4.4%	\$448,461 4.5%
Promotional Allowances Other	N/A	N/A	\$1,245 0.0%
Sampling Distribution	\$29,431 0.2%	\$48,719 0.4%	\$54,261 0.5%
Specialty Item Distribution Branded	\$5,546 0.0%	\$8,070 0.0%	\$7,188 0.1%
Specialty Item Distribution Non Branded	\$163,761 1.3%	\$160,047 1.5%	\$93,798 0.9%
Public Entertainment Adult Only	\$168,098 1.3%	\$160,104 1.5%	\$154,749 1.5%
Public Entertainment General Audience	N/A	N/A	N/A
Sponsorships	N/A	N/A	N/A
Endorsements & Testimonials	\$0 0.0%	\$0 0.0%	\$0 0.0%
Direct Mail	\$102,353 0.8%	\$81,929 0.8%	\$89,920 0.9%
Coupons	\$625,777 5.0%	\$366,779 3.4%	\$359,793 3.6%
Retail Value Added Bonus Cigarettes	\$817,792 6.5%	\$981,566 9.0%	\$721,818 7.3%
Retail Value Added Non Cigarette Bonus	\$14,642 0.1%	\$17,720 0.1%	\$10,983 0.1%
Company Website	\$6,497 0.1%	\$2,351 0.0%	\$13,172 0.1%
Internet Other	\$0 0.0%	N/A	N/A
Telephone	N/A	N/A	N/A
Audio Visual	\$0 0.0%	\$0 0.0%	\$0 0.0%
All Others**	\$151,392 1.2%	\$155,843 1.4%	\$143,688 1.4%
Total	\$12,489,692	\$10,864,767	\$9,943,068

* 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 5

DOMESTIC MARKET SHARE OF FILTER
AND NON-FILTER CIGARETTES

<u>YEAR</u>	<u>NON-FILTER</u>	<u>FILTER</u>	<u>CHARCOAL NON-ER</u>
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TABLE 5A

DOMESTIC MARKET SHARE OF FILTER
AND NON-FILTER CIGARETTES

<u>YEAR</u>	<u>NON-FILTER</u>	<u>FILTER</u>
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%

TABLE 6

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

<u>YEAR</u>	<u>68 72 mm.</u>	<u>79 88 mm.</u>	<u>94 101 mm.</u>	<u>110 121 mm.</u>
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%

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

** This figure was reported erroneously in a previous Commission report.

TABLE 7

DOMESTIC MARKET SHARE OF MENTHOL AND NON-MENTHOL CIGARETTES

<u>YEAR</u>	<u>MENTHOL</u>	<u>NON-MENTHOL</u>
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%

* This figure was reported erroneously in a previous Commission report.

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

TABLE 8A								

APPENDIX

2007 and 2008 Advertising and Promotional Expenditure Categories

Newspapers

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 (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, (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 cigarettes (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.

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.

All Other