

TOBACCO GROUP SUMMARY (\$ MILLIONS)

June trading profit was \$2.3 (63.5%) above plan. Excluding favorable timing variances of \$5.2, trading profit was \$17.8 above plan.

<u>Operating Variances</u>	<u>Effect on Budgeted Trading Profit</u>	
	<u>June</u>	<u>YTD</u>
<u>Domestic</u>		
Volume/Mix	\$+20.4	\$+20.6
Cigarette Selling Prices	+ 1.3	+ .6
Marketing Expenses	+ 2.4	+ 8.6
General & Administrative	- 1.4	- 1.8
International Profit Contribution	+ .1	- .9
Common Operating Costs - Mfg.	- 2.9	- 6.8
Common Operating Costs - Other	- 2.3	- 7.2
All Other	+ .2	- .8
Total Operating Variances	\$+17.8	\$+12.3
<u>Timing Variances</u>	<u>+ 5.2</u>	<u>+7.6</u>
Total	\$+23.0	\$+19.9

Major operating variances for the month were due to the following:

- Favorable Domestic volume/mix was due mainly to higher than planned sales of established brands (+1.2 billion units) as a result of anticipatory buying and special terms offered in conjunction with the June cigarette selling price increase. Increases in established brands were partially offset by declines in Richland (-95 million units) and Generics (-151 million units).
- Favorable cigarette selling prices represented, effectively, price increase benefits on one week's sales in June. The June price increase as well as other recent price increases were as follows:

Cigarette Price Increases Per M

	<u>Month of Increase</u>	<u>KINGS</u>		<u>LONGS</u>	
		<u>Amount of Increase</u>	<u>Selling Price</u>	<u>Amount of Increase</u>	<u>Selling Price</u>
<u>FULL REVENUE PRODUCTS</u>	6/86	\$1.25	\$34.40	\$1.25	\$35.90
	12/85	1.00	33.15	1.25	34.65
	6/85	1.00	32.15	1.00	33.40
	12/84	1.00	31.15	1.25	32.40
	6/84	1.00	30.15	1.00	31.15
<u>RICHLAND</u>	6/86	1.00	27.52	1.00	28.72
	12/85	.80	26.52	-	27.72
	6/85	.80	25.72		
	2/85	.80	24.92		
		-	24.12		
<u>GENERICs</u>	6/86	1.25	21.00	1.25	22.25
	11/85	1.00	19.75	1.25	21.00
		-	18.75	-	19.75