FOR IMMEDIATE RELEASE

Turning Point Brands, Inc. Announces Third Quarter 2018 Results

LOUISVILLE, KY. (November 7, 2018) -Turning Point Brands, Inc. (NYSE:TPB), a leading provider of Other Tobacco Products ("OTP"), today announced financial results for the third quarter ended September 30, 2018.

Third Quarter 2018 Results at a Glance
(Comparisons vs. same period year-ago)

- ✓ Net sales increased 13.6% to a record $83.3 million;
- ✓ Gross profit increased 10.0% to a record $36.2 million;
- ✓ Net income attributable to Turning Point Brands, Inc. increased 7.9% to $8.0 million;
- ✓ Adjusted EBITDA was $16.5 million (see Schedule A for a reconciliation to net income);
- ✓ Diluted EPS of $0.40 and Adjusted Diluted EPS of $0.47 as compared to $0.38 and $0.35 in the year-ago period, respectively (see Schedule D for a reconciliation to Diluted EPS); and
- ✓ Other highlights from the third quarter:
    - Stoker's MST retail distribution expansion continues, generating double-digit volume gains;
    - Zig-Zag delivers double-digit sales gains in Canadian rolling papers as the country adopts legalized recreational cannabis; and
    - NewGen net sales growth of 33.1% as TPB enhances the NewGen segment with the acquisition of International Vapor Group ("IVG") and its strong B2C marketing platform

Recent Events

The third quarter saw significant developments for the company surrounding strategic initiatives and working capital progression. We expect working capital to come down over the next few quarters. TPB had the following one-time events and cash outflows in the quarter:

- Completed the IVG acquisition for $23.4 million in consideration plus $4.5 million in contingent earnouts. $14.4 million paid in cash, $5.0 million equivalent in TPB common shares and a $4.0 million 18-month promissory note. $2.0 million of the contingent earnouts will be expensed over the first 6-months of the deal, including $375 thousand in the third quarter
- In the second quarter, TPB made a $6.5 million loan to a supplier. That loan was repaid in August 2018, including a $1.0 million prepayment penalty. In October 2018, the supplier was acquired and TPB received $1.5 million in payments

related to certain ownership stakes in the supplier acquired as a condition of the loan
- $8.2 million of tobacco purchases that were delayed from earlier in the year
- $6.9 million of inventory purchases related to pre-tariff buying
- $2.0 million amortization on the 2018 Credit Facility

On November 6, 2018, the TPB board of directors declared a quarterly dividend of $0.045 per common share, a 12.5% increase over the quarterly dividend declared in August 2018. The dividend will be paid on January 11, 2019, to shareholders of record on the close of business on December 21, 2018.

Management Observations on the Third Quarter 2018

"Our Smokeless, Smoking and NewGen segments each delivered net sales advances in the quarter, demonstrating the continuing success of our focus brands", said Larry Wexler, President and CEO. "Stoker's MST became available in over 77,000 stores and closed the quarter at another record share. Zig Zag Hemp products continue to ride the organic and legalization wave and VaporBeast accelerated its growth to its highest revenue quarter ever."

Smokeless Products Segment (26% of total net sales in the quarter)

For the third quarter, Smokeless products net sales increased 2.1% to $21.7 million on the continuing double-digit volume growth of Stoker's MST, partially offset by declines in chewing tobacco attributable to increased competition, our promotional timing and a continuing segment shift to lower price products. In the quarter, total Smokeless segment volume decreased 2.2% and price/mix increased 4.3%.

Year-over-year industry volumes for chewing tobacco declined by approximately 3% in the quarter, while industry MST[1] volumes softened by approximately 1% to year-ago, according to MSAi. Stoker's shipments to retail outpaced the smokeless industry in the quarter, growing its MSAi share in both chewing tobacco and MST. Stoker's MST cases shipped in the quarter rose by greater than 10%.

For the quarter, gross profit for the Smokeless segment decreased 4.3% to $11.0 million. Segment gross margin contracted 340 basis points to 50.7% due to LIFO charges of $0.2 million and ($0.6) million in 2018 and 2017, respectively. Absent the LIFO expense in both periods, gross profit increased 2.4% to $11.2 million with gross margin increasing 10 basis points from the year-ago quarter (see Schedule B for reconciliation).

"Stoker's MST continues to deliver robust volume advances, including a chain-wide expansion into Murphy Oil in the quarter and exceptionally encouraging share results from the second quarter roll-out to Dollar General," said Wexler.

[1] TPB measures industry MST volumes excluding pouch and snus products.

Smoking Products Segment (34% of total net sales in the quarter)

For the third quarter, net sales of Smoking products increased 4.5% to $28.1 million. Sales in the quarter of focus Zig-Zag papers and cigar wraps were up $2.0 million, offset by a $0.7 million decrease related to our strategic decision to deemphasize the low margin cigar products business. In the quarter, Smoking products volume increased 3.0% and price/mix increased 1.5%.

In the quarter, Zig-Zag retained its U.S. share leadership position in premium cigarette papers with the successful introduction of organic hemp products, and in MYO cigar wraps behind additional line extensions. Distribution expansion in Canada continues where the brand is well positioned for the legalization of recreational cannabis.

According to MSAi, third quarter industry volumes for U.S. cigarette papers decreased by mid-single-digits, while industry MYO cigar wraps were flat to the year-ago quarter.

Smoking products gross profit for the quarter increased $0.6 million, or 4.3%, to $14.8 million. Gross margin decreased 10 basis points to 52.8% compared with 52.9% for the year-ago quarter. Absent LIFO expense, gross margin increased 20 basis points to 52.8%.

The Canadian government is in the process of promulgating packaging regulations that would require artwork modifications to all Zig-Zag rolling paper products. The proposed regulations would also establish a sell-through period of approximately six months for wholesale inventories followed by another three months for retail sell-through. Given the pending changes and inventory limitations, we voluntarily canceled $2.2 million of orders for the fourth quarter 2018.

NewGen (New Generation) Products Segment (40% of total net sales in the quarter)

For the third quarter, NewGen segment net sales grew 33.1% to a record $33.5 million on continued VaporBeast momentum, Vapor Supply sales and one-month of IVG sales.

Gross profit for the NewGen segment increased $3.1 million over the year-ago quarter to a record $10.4 million. Gross margin for the quarter expanded by 220 basis points to 31.0%, compared to the year-ago quarter.

For the quarter, VaporBeast's key performance metrics indicate sustained progress against our goal to grow sales in the existing store base, as evidenced by increases in both order sizes and order frequency, which delivered record revenues in the quarter. Vapor integration continues with synergy realization expected to commence late in the fourth quarter 2018. Due to revenue recognition requirements, IVG net sales in September were approximately $300 thousand lower than expected. We anticipate COGS favorability at IVG to surface in mid-to-late fourth quarter 2018.

"As we move forward with our vapor integration strategy, we intend to leverage the IVG B2C and marketing capacities while combining certain logistics activities across the VaporBeast, Vapor Shark, Vapor Supply and IVG platforms", said Wexler. "We intend to reinvest a material portion of the synergies in marketing and infrastructure improvements to further accelerate momentum."

On October 2, 2018, VMR Products LLC ("VMR"), the supplier of V2 e-cigarettes to TPB under a long-term exclusive agreement for retail brick and mortar distribution and sales, was purchased by Juul Labs for a reported $75 million. Our contract anticipated such an event and affords an acquirer of VMR the right to terminate the contract, subject to certain terms and conditions including product buyback requirements and a termination payment based on the acquisition purchase price. On November 6, 2018, we received a letter from VMR, now owned by Juul Labs, stating that it would no longer accept orders and that we are permitted to continue to sell-through any V2 inventory. Our net sales of V2 products were $5.5 million for the nine months ended September 30, 2018. We have sufficient inventory on hand to satisfy sales through the first quarter of 2019. Thereafter, we intend to replace these volumes with new initiatives.

Other Events and Performance Measures in the Third Quarter

Third quarter 2018 consolidated selling, general and administrative ("SG&A") expenses were $23.3 million compared to $18.6 million in 2017, due primarily to the inclusion of the IVG and Vapor Supply SG&A and transaction expenses.

Third quarter SG&A included $1.5 million of non-recurring charges including:

- $1.1 million of Strategic expenses as compared to $0.2 million a year-ago. The Strategic Initiatives include costs for the IVG transaction and other exploratory efforts;
- $0.1 million of reorganization expenses, an increase of $0.1 million from a year-ago; and
- $0.3 million of New Product Launch costs in 2018 versus $0.4 million in 2017

Absent these charges, SG&A as a percent of net sales was 26.2%.

Third quarter 2018 cost of goods sold included:

- $0.3 million of Line Rationalization expenses in each of 2018 and 2017; and
- $0.3 million of New Product Launch costs compared to $0.1 million a year earlier

Interest expense for the quarter dropped to $3.8 million, which is $0.2 million, or 4.7%, lower than the year-ago period. The reduction is principally attributable to lower interest rates as a result of the first quarter 2018 refinancing.

For the quarter, fully diluted weighted average shares outstanding were 19.9 million.

Capital expenditures in the third quarter 2018 totaled $0.5 million.

Total debt at September 30, 2018 was $226.5 million. Net debt at September 30, 2018 was $224.9 million, compared to $199.4 million as of December 31, 2017, an increase of $25.5 million, primarily due to the Vapor Supply and IVG acquisitions in the second and third quarters, respectively. Net debt at September 30, 2018 to rolling twelve months Adjusted EBITDA was 3.6x (see Schedule C for a reconciliation).

2018 Outlook Update

As previously announced, the company has identified products for 2018 rationalization and estimates that SKU discontinuations will unfavorably impact year-over-year net sales by approximately $3.5 million. Sales impact from SKU discontinuations were $0.8 million in each of the first two quarters and $0.9 million in the third quarter.

The company projects 2018 net sales to be $327 to $333 million, which is net of the $2.2 million of Canada sales described in the Smoking segment results above.

Excluding any acquisition related expenses, SG&A as a percent of net sales for the full year is expected to be in the 25% to 27% range.

Interest expense is currently expected to be $15 million, which includes $1 million non-cash deferred financing charges.

The company expects 2018 effective income tax rate to be 20%.

Capital expenditures for 2018 are expected to be approximately $2.0 million.

The company will have approximately a $1.0 million gain in the fourth quarter related to a certain ownership stake in the supplier that was loaned $6.5 million in the second quarter.

Earnings Conference Call

As previously disclosed, a conference call with the investment community to review TPB's financial results has been scheduled for 10 a.m. Wednesday, November 7, 2018. Investment community participants should dial in ten minutes ahead of time using the toll free number 844-889-4324 (International participants should call 412-317-9262). A live listen-only webcast of the call is available from the Events and Presentations section of the investor relations portion of the company website (www.turningpointbrands.com). A replay of the webcast will be available on the site one hour following the call.

Non-GAAP Financial Measures

In addition to financial measures prepared in accordance with generally accepted accounting principles in the United States (GAAP), this press release includes certain non-GAAP financial measures including Adjusted EBITDA, Adjusted diluted EPS, Net Debt and Gross Profit excluding LIFO. A reconciliation of these non-GAAP financial measures accompanies this release.

About Turning Point Brands, Inc.

Louisville, Kentucky-based Turning Point Brands, Inc. (NYSE: TPB) is a leading U.S. provider of Other Tobacco Products. TPB, through its three focus brands, Stoker's® in Smokeless products, Zig-Zag® in Smoking products and the VaporBeast® distribution engine in NewGen products, generates solid cash flow which it uses to finance acquisitions, increase brand support and strengthen its capital structure. TPB does not sell cigarettes. More information about the company is available at its corporate website, www.turningpointbrands.com.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the federal securities laws. Forward-looking statements may generally be identified by the use of words such as "anticipate," "believe," "expect," "intend," "plan" and "will" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. As a result, actual events may differ materially from those expressed in or suggested by the forward-looking statements. Any forward-looking statement made by TPB in this press release speaks only as of the date hereof. New risks and uncertainties come up from time to time, and it is impossible for TPB to predict these events or how they may affect it. TPB has no obligation, and does not intend, to update any forward-looking statements after the date hereof, except as required by federal securities laws. Factors that could cause these differences include, but are not limited to:

- declining sales of tobacco products, and expected continuing decline of sales, in the tobacco industry overall;
- our dependence on a small number of third-party suppliers and producers;
- the possibility that we will be unable to identify or contract with new suppliers or producers in the event of a supply or product disruption;
- the possibility that our licenses to use certain brands or trademarks will be terminated, challenged or restricted;
- failure to maintain consumer brand recognition and loyalty of our customers;
- substantial and increasing U.S. regulation;
- regulation of our products by the FDA, which has broad regulatory powers;
- uncertainty related to the regulation and taxation of our NewGen products;
- possible significant increases in federal, state and local municipal tobacco-related taxes;

- possible increasing international control and regulation;
- our reliance on relationships with several large retailers and national chains for distribution of our products;
- our amount of indebtedness;
- the terms of our credit facilities, which may restrict our current and future operations;
- intense competition and our ability to compete effectively;
- uncertainty and continued evolution of markets containing our NewGen products;
- significant product liability litigation;
- the scientific community's lack of information regarding the long-term health effects of electronic cigarettes, vaporizer and e-liquid use;
- requirement to maintain compliance with master settlement agreement escrow account;
- competition from illicit sources;
- our reliance on information technology;
- security and privacy breaches;
- contamination of our tobacco supply or products;
- infringement on our intellectual property;
- third-party claims that we infringe on their intellectual property;
- failure to manage our growth;
- failure to successfully integrate our acquisitions or otherwise be unable to benefit from pursuing acquisitions;
- fluctuations in our results;
- exchange rate fluctuations;
- adverse U.S. and global economic conditions;
- sensitivity of end-customers to increased sales taxes and economic conditions;
- failure to comply with certain regulations;
- departure of key management personnel or our inability to attract and retain talent;
- imposition of significant tariffs on imports into the U.S.;
- reduced disclosure requirements applicable to emerging growth companies may make our common stock less attractive to investors, potentially decreasing our stock price;
- failure to maintain our status as an emerging growth company before the five-year maximum time period a company may retain such status;
- our principal stockholders will be able to exert significant influence over matters submitted to our stockholders and may take certain actions to prevent takeovers;
- our certificate of incorporation and bylaws, as well as Delaware law and certain regulations, could discourage or prohibit acquisition bids or merger proposals, which may adversely affect the market price of our common stock;
- our certificate of incorporation limits the ownership of our common stock by individuals and entities that are Restricted Investors. These restrictions may affect the liquidity of our common stock and may result in Restricted Investors being required to sell or redeem their shares at a loss or relinquish their voting, dividend and distribution rights;

- future sales of our common stock in the public market could reduce our stock price, and any additional capital raised by us through the sale of equity or convertible securities may dilute your ownership in us;
- we may issue preferred stock whose terms could adversely affect the voting power or value of our common stock; and
- our status as a "controlled company" could make our common stock less attractive to some investors or otherwise harm our stock price.

Contact:

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Financial Statements Follow:

Turning Point Brands, Inc.
Consolidated Statement of Income
(dollars in thousands except share data)

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017
Net sales	$ 83,349	$ 73,340
Cost of sales	47,138	40,372
Gross profit	36,211	32,968
Selling, general, and administrative expenses	23,253	18,534
Operating income	12,958	14,434
Interest expense	3,836	4,027
Interest income	(134)	(4)
Investment income	(89)	(131)
Net periodic benefit (income) expense, excluding service cost	(45)	58
Income before income taxes	9,390	10,484
Income tax expense	1,436	3,110
Consolidated net income	$ 7,954	$ 7,374
Basic income per common share:		
Consolidated net income	$ 0.41	$ 0.39
Diluted income per common share:		
Consolidated net income	$ 0.40	$ 0.38
Weighted average common shares outstanding:		
Basic	19,378,054	19,085,329
Diluted	19,882,994	19,589,424
Supplemental disclosures of statement of income information:		
Excise tax expense	$ 4,694	$ 5,028
FDA fees	$ 135	$ 150

Turning Point Brands, Inc.
Consolidated Statement of Income
(dollars in thousands except share data)

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Net sales	$ 238,392	$ 212,214
Cost of sales	134,577	119,508
Gross profit	103,815	92,706
Selling, general, and administrative expenses	66,314	53,764
Operating income	37,501	38,942
Interest expense	11,073	13,010
Interest income	(262)	(8)
Investment income	(328)	(334)
Loss on extinguishment of debt	2,384	6,116
Net periodic benefit expense, excluding service cost	176	174
Income before income taxes	24,458	19,984
Income tax expense	4,153	3,850
Consolidated net income	20,305	16,134
Net loss attributable to non-controlling interest	-	(556)
Net income attributable to Turning Point Brands, Inc.	$ 20,305	$ 16,690
Basic income per common share:		
Net income attributable to Turning Point Brands, Inc.	$ 1.05	$ 0.88
Diluted income per common share:		
Net income attributable to Turning Point Brands, Inc.	$ 1.03	$ 0.86
Weighted average common shares outstanding:		
Basic	19,290,096	18,915,606
Diluted	19,767,667	19,503,130
Supplemental disclosures of statement of income information:		
Excise tax expense	$ 15,045	$ 10,107
FDA fees	$ 429	$ 299

Turning Point Brands, Inc.
Consolidated Balance Sheet
(dollars in thousands except share data)

ASSETS	(unaudited) September 30, 2018	December 31, 2017
Current assets:		
Cash	$ 1,631	$ 2,607
Accounts receivable, net of allowances of $44 in 2018 and $17 in 2017	6,603	3,248
Inventories	89,433	63,296
Other current assets	14,556	10,342
Total current assets	112,223	79,493
Property, plant, and equipment, net	10,585	8,859
Deferred income taxes	-	450
Deferred financing costs, net	922	630
Goodwill	146,328	134,620
Other intangible assets, net	35,140	26,436
Master Settlement Agreement (MSA) escrow deposits	29,926	30,826
Other assets	1,207	963
Total assets	$ 336,331	$ 282,277
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 8,760	$ 3,686
Accrued liabilities	17,401	18,694
Current portion of long-term debt	8,000	7,850
Revolving credit facility	30,000	8,000
Total current liabilities	64,161	38,230
Notes payable and long-term debt	188,529	186,190
Deferred income taxes	2,178	-
Postretirement benefits	3,916	3,962
Other long-term liabilities	558	571
Total liabilities	259,342	228,953
Commitments and contingencies		
Stockholders' equity:		
Preferred stock; $0.01 par value; authorized shares 40,000,000; issued and outstanding shares -0-	-	-
Common stock, voting, $0.01 par value; authorized shares, 190,000,000; issued and outstanding shares - 19,540,593 at September 30, 2018, and 19,210,633 at December 31, 2017	195	192
Common stock, nonvoting, $0.01 par value; authorized shares, 10,000,000; issued and outstanding shares -0-	-	-
Additional paid-in capital	110,074	103,640
Accumulated other comprehensive loss	(3,681)	(2,973)
Accumulated deficit	(29,599)	(47,535)
Total stockholders' equity	76,989	53,324
Total liabilities and stockholders' equity	$ 336,331	$ 282,277

Turning Point Brands, Inc.
Consolidated Statement of Cash Flows
(dollars in thousands)

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Cash flows from operating activities:		
Consolidated net income	$ 20,305	$ 16,134
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on extinguishment of debt	2,384	6,116
Loss on sale of property, plant, and equipment	-	17
Depreciation expense	1,596	1,192
Amortization of other intangible assets	557	527
Amortization of deferred financing costs	712	768
Amortization of original issue discount	-	66
Deferred income taxes	2,806	1,847
Stock compensation expense	1,056	498
Changes in operating assets and liabilities:		
Accounts receivable	(3,192)	(779)
Inventories	(18,840)	(970)
Other current assets	(5,971)	2,383
Other assets	144	(105)
Accounts payable	4,442	(2,292)
Accrued postretirement liabilities	(107)	(18)
Accrued liabilities and other	(4,918)	(4,993)
Net cash provided by operating activities	$ 974	$ 20,391
Cash flows from investing activities:		
Capital expenditures	$ (1,528)	$ (1,052)
Restricted cash, MSA escrow deposits	(2,234)	320
Acquisitions, net of cash acquired	(19,161)	268
Issuance of note receivable	(6,500)	-
Receipt of note receivable repayment including prepayment penalty	7,475	-
Net cash used in investing activities	$ (21,948)	$ (464)

Turning Point Brands, Inc.
Consolidated Statement of Cash Flows (Cont.)
(dollars in thousands)

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Cash flows from financing activities:		
Proceeds from (payments of) 2018 first lien term loan, net	$ 156,000	$ -
Proceeds from 2018 second lien term loan	40,000	-
Proceeds from 2018 revolving credit facility	30,000	-
Payment of dividends	(1,537)	-
Proceeds from (payments of) 2017 first lien term loans, net	(140,613)	142,075
Proceeds from (payments of) 2017 second lien term loan, net	(55,000)	55,000
Proceeds from (payments of) 2017 revolving credit facility, net	(8,000)	15,550
Payments of VaporBeast Note Payable	(2,000)	-
Proceeds from release of restricted funds	1,107	-
Payments of financing costs	(3,286)	(4,783)
Exercise of options	779	1,371
Payment to terminate acquired capital lease	(170)	-
Payments of first lien term loan	-	(147,362)
Payments of second lien term loan	-	(60,000)
Payments of revolving credit facility	-	(15,083)
Payments of Vapor Shark loans	-	(1,867)
Prepaid equity issuance costs	-	(394)
Surrender of options	-	(1,000)
Redemption of options	(623)	(1,740)
Distribution to non-controlling interest	-	(4)
Net cash provided by (used in) financing activities	$ 16,657	$ (18,237)
Net increase (decrease) in cash:	$ (4,317)	$ 1,690
Cash, beginning of period:		
Unrestricted	2,607	2,865
Restricted	4,709	3,889
Total cash at beginning of period	7,316	6,754
Cash, end of period:		
Unrestricted	1,631	4,235
Restricted	1,368	4,209
Total cash at end of period	$ 2,999	$ 8,444

Non-GAAP Financial Measures

To supplement our financial information presented in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, we use non-U.S. GAAP financial measures, including EBITDA, Adjusted EBITDA, Adjusted diluted EPS, Net Debt and Gross Profit excluding LIFO. We believe Adjusted EBITDA provides useful information to management and investors regarding certain financial and business trends relating to our financial condition and results of operations. Adjusted EBITDA, Adjusted diluted EPS, Net Debt and Gross Profit excluding LIFO are used by management to compare our performance to that of prior periods for trend analyses and planning purposes and are presented to our board of directors. We believe that EBITDA, Adjusted EBITDA, Adjusted diluted EPS and Gross Profit excluding LIFO are appropriate measures of operating performance because they eliminate the impact of expenses that do not relate to business performance.

We define "EBITDA" as net income before interest expense, loss on extinguishment of debt, provision for income taxes, depreciation and amortization. We define "Adjusted EBITDA" as net income before interest expense, loss on extinguishment of debt, provision for income taxes, depreciation, amortization, other non-cash items and other items that we do not consider ordinary course in our evaluation of ongoing operating performance. We define "Adjusted diluted EPS" as diluted earnings per share excluding items that we do not consider ordinary course in our evaluation of ongoing operating performance. We define "Net Debt" as total debt less cash. We define "Gross Profit excluding LIFO" as gross profit less LIFO charges.

Non-U.S. GAAP measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with U.S. GAAP. EBITDA, Adjusted EBITDA and Adjusted diluted EPS exclude significant expenses that are required by U.S. GAAP to be recorded in our financial statements and is subject to inherent limitations. In addition, other companies in our industry may calculate this non-U.S. GAAP measure differently than we do or may not calculate it at all, limiting its usefulness as a comparative measure.

In accordance with SEC rules, we have provided, in the supplemental information attached, a reconciliation of the non-GAAP measures to the next directly comparable GAAP measures.

Schedule A

Turning Point Brands, Inc.
Reconciliation of GAAP Net Income to Adjusted EBITDA
(dollars in thousands)

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017
Consolidated net income	$ 7,954	$ 7,374
Add:		
Interest expense	3,836	4,027
Interest income	(134)	(4)
Income tax expense	1,436	3,110
Depreciation expense	479	421
Amortization expense	206	175
EBITDA	$ 13,777	$ 15,103
Components of Adjusted EBITDA		
LIFO adjustment (a)	201	(641)
Pension/postretirement expense (b)	(18)	84
Stock options, restricted stock, and incentives expense (c)	367	226
Foreign exchange hedging (d)	70	-
Strategic initiatives (e)	1,126	219
New product launch costs (f)	545	566
Product line rationalizations (g)	301	314
Organizational development (h)	98	-
Adjusted EBITDA	$ 16,467	$ 15,871

(a) Represents expense related to an inventory valuation allowance for last-in, first-out ("LIFO") reporting.

(b) Represents our non-cash Pension/postretirement expense.

(c) Represents non-cash stock options, restricted stock and incentives expense.

(d) Represents non-cash gain and loss stemming from our foreign exchange hedging activities.

(e) Represents the fees incurred for the study of strategic initiatives and acquisition expenses.

(f) Represents product launch costs of our new product lines.

(g) Represents costs associated with discontinued products related to product line rationalization.

(h) Represents costs associated with departmental restructuring.

Schedule A

Turning Point Brands, Inc.
Reconciliation of GAAP Net Income to Adjusted EBITDA
(dollars in thousands)

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Net income attributable to Turning Point Brands, Inc.	$ 20,305	$ 16,690
Add:		
Interest expense	11,073	13,010
Interest income	(262)	(8)
Loss on extinguishment of debt	2,384	6,116
Income tax expense	4,153	3,850
Depreciation expense	1,596	1,192
Amortization expense	557	526
EBITDA	$ 39,806	$ 41,376
Components of Adjusted EBITDA		
LIFO adjustment (a)	144	246
Pension/postretirement expense (b)	254	252
Stock options, restricted stock, and incentives expense (c)	1,056	446
Foreign exchange hedging (d)	70	(90)
Product line rationalizations (e)	1,309	314
Strategic initiatives (f)	2,755	990
New product launch costs (g)	1,227	1,727
Organizational development (h)	778	-
Adjusted EBITDA	$ 47,399	$ 45,261

(a) Represents expense related to an inventory valuation allowance for last-in, first-out ("LIFO") reporting.
(b) Represents our non-cash Pension/postretirement expense.
(c) Represents non-cash stock options, restricted stock and incentives expense.
(d) Represents non-cash gain and loss stemming from our foreign exchange hedging activities.
(e) Represents costs associated with discontinued products related to product line rationalization.
(f) Represents the fees incurred for the study of strategic initiatives and acquisition expenses.
(g) Represents product launch costs of our new product lines.
(h) Represents costs associated with departmental restructuring.

Schedule B

Turning Point Brands, Inc.
Reconciliation of GAAP Gross Profit to Gross Profit excluding LIFO
(dollars in thousands)

	Consolidated Three Months Ended		Consolidated Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Net sales	$ 83,349	$ 73,340	$ 238,392	$ 212,214
Cost of sales	47,138	40,372	134,577	119,508
Gross profit	36,211	32,968	103,815	92,706
Gross margin	43.4%	45.0%	43.5%	43.7%
LIFO adjustment (a)	201	(641)	144	246
Gross profit excluding LIFO	$ 36,412	$ 32,327	$ 103,959	$ 92,952
Gross margin excluding LIFO	43.7%	44.1%	43.6%	43.8%

	Smokeless Segment Three Months Ended		Smokeless Segment Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Net sales	$ 21,743	$ 21,294	$ 66,900	$ 63,563
Cost of sales	10,723	9,778	32,354	31,178
Gross profit	11,020	11,516	34,546	32,385
Gross margin	50.7%	54.1%	51.6%	50.9%
LIFO adjustment (a)	201	(559)	144	163
Gross profit excluding LIFO	$ 11,221	$ 10,957	$ 34,690	$ 32,548
Gross margin excluding LIFO	51.6%	51.5%	51.9%	51.2%

	Smoking Segment Three Months Ended		Smoking Segment Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Net sales	$ 28,079	$ 26,860	$ 84,403	$ 81,056
Cost of sales	13,265	12,659	41,245	39,038
Gross profit	14,814	14,201	43,158	42,018
Gross margin	52.8%	52.9%	51.1%	51.8%
LIFO adjustment (a)	-	(82)	-	83
Gross profit excluding LIFO	$ 14,814	$ 14,119	$ 43,158	$ 42,101
Gross margin excluding LIFO	52.8%	52.6%	51.1%	51.9%

(a) Represents expense related to an inventory valuation allowance for last-in, first-out ("LIFO") reporting.

Schedule C

Turning Point Brands, Inc.
Reconciliation of GAAP Total Debt to Net Debt
(dollars in thousands)

	September 30, 2018	December 31, 2017
Cash	$ 1,631	$ 2,607
Total Debt	$ 226,529	$ 202,040
Net Debt	$ 224,898	$ 199,433
Leverage Ratio (a)	3.6x	3.3x

(a) Leverage ratio is calculated by net debt / adjusted EBITDA.

Turning Point Brands, Inc.
Reconciliation of GAAP Net Income to Adjusted EBITDA
October 1, 2017 - September 30, 2018
(dollars in thousands)

	Rolling 12 Months	3rd Quarter 2018	2nd Quarter 2018	1st Quarter 2018	4th Quarter 2017
Net income attributable to Turning Point Brands, Inc.	$ 23,824	$ 7,954	$ 9,319	$ 3,032	$ 3,519
Add:					
Interest expense	14,967	3,836	3,579	3,658	3,894
Interest income	(269)	(134)	(124)	(4)	(7)
Loss on extinguishment of debt	2,384	-	-	2,384	-
Income tax expense	7,583	1,436	1,908	809	3,430
Depreciation expense	2,030	479	557	560	434
Amortization expense	733	206	176	175	176
EBITDA	$ 51,252	$ 13,777	$ 15,415	$ 10,614	$ 11,446
Components of Adjusted EBITDA					
LIFO adjustment	1,021	201	-	(57)	877
Pension/Postretirement expense	287	(18)	290	(17)	32
Stock option and incentives expense	1,278	367	492	197	222
Foreign exchange hedging (gain) loss	70	70	(46)	46	-
Strategic initiatives	3,898	1,126	1,030	599	1,143
New product launch costs	1,914	545	-	682	687
Product line rationalization	1,558	301	-	1,008	249
Bonus	107	-	-	-	107
Organizational development	778	98	44	636	-
Adjusted EBITDA	$ 62,163	$ 16,467	$ 17,225	$ 13,708	$ 14,763

Net Debt / 12 months ended September 30, 2018, rolling Adjusted EBITDA 3.6x

Schedule D

Turning Point Brands

Reconciliation of GAAP diluted EPS to Adjusted diluted EPS

(dollars in thousands except share data)

	Three Months Ended September 30,	
	2018	**2017**
GAAP EPS	**$ 0.40**	**$ 0.38**
LIFO adjustment (a)	0.01	(0.02)
Strategic initiatives (b)	0.05	0.01
New product launch costs (c)	0.02	0.02
Product line rationalizations (d)	0.01	0.01
Impact of quarterly tax items to effective tax rate	(0.03)	(0.05)
Adjusted diluted EPS	**$ 0.47**	**$ 0.35**

(a) Represents expense related to an inventory valuation allowance for last-in, first-out ("LIFO") reporting tax effected at the quarterly effective tax rate.
(b) Represents the fees incurred for the study of strategic initiatives and acquisition expenses tax effected at the quarterly effective tax rate.

(c) Represents product launch costs of our new product lines tax effected at the quarterly effective tax rate.
(d) Represents costs associated with discontinued products related to product line rationalization tax effected at the quarterly effective tax rate.

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