

National Impact

Our operating companies have American roots that stretch back, in some instances, more than 180 years. Today, those companies demonstrate what it is to be an American company.

Demonstrating Business Success

Altria Group has beaten the S&P 500 every year since 2000 and has increased its dividend 42 times in the last 40 years. Its scale, market position, balance sheet strength and improved operational focus make the company a compelling consumer products investment opportunity, and enable the company to have large-scale economic impact.

In 2009, *Fortune* magazine named Altria Group #1 in the tobacco category on its "Most Admired Companies" list. Altria also achieved a top 10 ranking among all companies in key areas which include people management (4th), financial soundness (5th), long-term investment (5th), quality of products (6th) and quality of management (10th). The list is based on a survey of executives, directors and securities analysts from 689 companies in 28 countries.

Providing High-Quality Jobs

In 2008*, Altria and its companies provided more than 10,400 high-quality jobs across the U.S. Consider that:

In 2008, *BusinessWeek* named PM USA, Altria's largest operating company, one of the "Best Places to Launch a Career." Among the notable benefits highlighted by the magazine are:

- Annual educational reimbursement with no maximum limit
- A 25% reduction on health care premiums for employees with an annual base salary of less than \$60k
- Annual company contributions equal to 10 to 15% of annual base salary to each employee's personal Deferred Profit Sharing plan, after 12 months of service

- A matching gift program that matches individual charitable contributions of up to \$30,000 per year per employee

The operating companies that are now part of the Altria family of companies create good paying manufacturing/production jobs for employees across the country. In 2008, PM USA employed 3,560 hourly workers in VA and NC; John Middleton Co. employed about 475 hourly employees in PA; U.S. Smokeless Tobacco Manufacturing Co. employed 450 hourly workers in TN and IL; and Ste. Michelle Wine Estates Employed 539 hourly workers in CA, OR and WA.

Altria and its companies provide superior benefits to more than 11,000 retirees across the U.S. Among the benefits offered to retirees of some of our subsidiary companies are participation in group health care plans at the same premium as active employees for medical, dental, and vision coverage.

Working with American Farmers and Businesses

Our companies' products depend on U.S. farmers and the vast majority of their products are processed and manufactured in U.S. facilities.

- American-grown tobacco is the backbone of our cigarettes and moist smokeless tobacco products. Our companies purchase tobacco from several thousand farmers spread across 12 U.S. states. Building on a 180 year relationship with the American farmer, U.S. Smokeless Tobacco Company purchases 100-percent American-grown tobacco.

- One of Washington state's first wine-makers, Ste. Michelle Wine Estates has become the anchor of the Washington wine industry, which has grown from just 20 wineries to more than 500 since the mid-1980s. Today, Ste. Michelle Wine Estates ranks among the top 10 producers of premium wines in the United States; owns 3,400 acres of prime vineyards in Washington; contracts for grapes on another 12,000 acres; and exports its products to more than 45 countries.

- Cigarette sales provide an important source of revenue for more than 335,477 U.S. retail businesses.¹ According to the National Association of Convenience Stores, cigarettes account for 36.25% of all in-store sales and other tobacco products.²

Paying Our Fair Share

Our companies and their products provide a vital source of revenues for federal, state and local governments which provide important citizen services.

- In 2007*, Altria and its companies paid and/or generated \$11.78 billion in total state and local taxes (includes income, excise, sales, use, payroll, property and franchise taxes).
- Since 1997, PM USA has paid more than \$47 billion to the states in conjunction with the tobacco settlement agreements.
- Federal, state, and municipal excise taxes on cigarettes for the fiscal year (FY) ending June 30, 2008, amounted to nearly \$23.1 billion. All excise tax, sales tax, and tobacco settlement payments added up to nearly \$35.2 billion in FY 2008.³
- The Congressional Budget Office projects FY2010 federal revenues, the first full year of the federal cigarette excise tax increase, will be \$7.2 billion — or a 93.2% increase above FY2008 federal tax revenues.⁴



Taking Actions to Address Societal Concerns

Altria and its tobacco companies understand that our business success depends on managing our businesses responsibly. From supporting tough but reasonable regulation of tobacco products to providing resources to help smokers who have decided to quit be more successful, our companies take a range of actions with nationwide impact.

■ In 1998, Philip Morris USA and other manufacturers signed the Master Settlement Agreement with the Attorneys General of 46 states, five U.S. territories and the District of Columbia, which created fundamental changes in how cigarettes are advertised, marketed and sold in the United States. As a part of this agreement, PM USA has made payments of more than \$47 billion to the states and more than \$830 million to the American Legacy Foundation. Also in 1998, U.S. Smokeless Tobacco Company became the only smokeless tobacco manufacturer to sign the Smokeless Tobacco Master Settlement Agreement. USSTC adopted an array of marketing and advertising restrictions. As part of this agreement, USSTC provided \$107 million over a 10-year period to the American Legacy Foundation to fund public programs dedicated to reducing youth usage of tobacco products and youth substance abuse.

■ Keeping tobacco products out of kids' hands is a critical part of helping to reduce underage tobacco use. As part of their commitment to responsible retailing, all of Altria's tobacco operating companies support the Coalition for Responsible Tobacco Retailing's *We Card* retail education and training program. Philip Morris USA has been the major sponsor of the program since 1995. As of December 2008*, our companies' support of *We Card* has enabled more than 2,100 live training seminars where more than

100,000 retailers were trained, and distributed more than one million *We Card* training and resource kits to retailers nationwide. In addition, Altria's tobacco operating companies favor the enactment and effective enforcement of youth access prevention laws including "non-self service" legislation that would require clerk assisted tobacco purchases and require a retail license to sell tobacco products.

■ Between 1998 and 2008, PM USA provided grants in excess of \$230 million to support positive youth development. For example, PM USA also supports *LifeSkills Training*, a three-year, in-school, classroom-based substance abuse prevention and competency enhancement program that has been shown to significantly reduce tobacco use through the 12th grade. During this period PM USA provided more than \$38 million to schools and school districts in 24 states for the implementation of *LifeSkills Training* delivered to more than one million middle-school students.

Embracing Diversity

Our companies are proud of their legacy in promoting diversity within their workforce, supplier base and the communities in which they operate.

■ As early as 1933, the then Philip Morris & Co. Ltd. integrated the labor force of its manufacturing center in Richmond three decades before civil rights became the law. In 2008, 30% of employees within Altria's family of companies were people of color, which mirrors U.S. Census Data for the working age population.⁵ Among our companies' management, 45% were women or people of color.

■ In 2008*, spending with minority and women-owned businesses accounted for 11% of total purchases by Altria and its companies – a figure that is well above the national average of consumer goods companies according to benchmarking done with the Consumer

Goods Industry Group. Altria receives regular third-party recognition for its supplier diversity development efforts, including the 2008 Corporation of the Year award from the Virginia Minority Supplier Development Council.

Providing Community and Civic Leadership

Altria believes in unleashing the tremendous resources of our people for the benefit of the communities in which we live and work. We strive to develop best-in-class corporate philanthropy, including programs that maximize our employees' valuable contributions of both time and resources.

■ In the last decade, the Altria family of companies has donated more than \$1.4 billion in cash and in-kind contributions. In addition to cash contributions, last year our employees contributed more than 26,000 hours of volunteer service in communities across the country. As of November 2008*, 23 senior executives served on nearly 50 non-profit boards of directors, offering their time and expertise.

■ The tragic events of September 11, 2001 initially inspired the USSTC national utility vehicle donation program. Named Operation Ranger, the program's purpose is to provide a practical, specialized vehicle that could improve emergency response time in hard-to-reach areas and to recognize the invaluable work of America's first-responder organizations. To date, more than 400 vehicles have been awarded across all 50 states. Operation Ranger donated vehicles have helped rescue and recovery efforts as a result of Hurricane Katrina, wildfires in Texas and tornadoes in Central Florida.

1,2 *State of the Industry: Convenience Store Totals, Trends & Averages*. National Association of Convenience Stores, 2008.

3 *The Tax Burden on Tobacco*, Volume 43, 2008, Orzechowski & Walker, funded in part by Philip Morris USA.

4 Joint Committee on Taxation, "Estimated Revenue Effects of the Internal Revenue Code Provisions of H.R. 2, the "Children's Program Reauthorization Act of 2009" [As passed by the House of Representatives]", January 14, 2009 JCX-4-09.

5 U.S. Census Bureau data shows working age population is 34 percent minority.

*Altria data excludes UST and its subsidiaries.