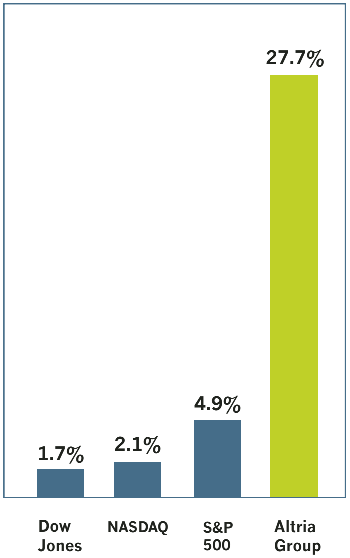
DEAR SHAREHOLDER

I am pleased to report that Altria had another successful year in 2005, and we enter 2006 confident in our ability to deliver the superior returns to our shareholders envisaged by our long-term plan.

Key accomplishments and developments last year included:

- Diluted earnings per share from continuing operations rose 11.6% to $5.10.
- Philip Morris USA (PM USA) and Philip Morris International (PMI) posted solid financial results, more than offsetting a weaker than expected performance at Kraft Foods (Kraft).
- Strategically, the highlights of 2005 were the acquisition by PMI of Sampoerna in Indonesia for $4.8 billion, followed by the announcement of a long-term alliance with the China National Tobacco Corporation (CNTC).
- In the *Engle* class action case, we are awaiting the Florida Supreme Court's decision regarding the Third District Court of Appeal's opinion, issued in May 2003, which reversed the trial court's judgment, overturned the nearly $145 billion punitive damages award and ordered decertification of the class. Oral argument before the Florida Supreme Court occurred in November 2004.
- In the *Price* case, PM USA was gratified when, in December 2005, the Illinois Supreme Court reversed the trial court's judgment of $10.1 billion for compensatory and punitive damages.
- In the *United States Government* case, the United States Court of Appeals for the District of Columbia ruled in February 2005 that disgorgement is not a remedy available in a civil RICO claim. In October 2005, the United States Supreme Court denied the government's request for a review at that time. The trial concluded in June 2005 and post-trial briefing concluded in September. We are awaiting a decision by the federal district court judge.
- Altria increased its regular quarterly dividend by 9.6% to $0.80 per common share in August 2005, representing an annualized rate of $3.20 per common share.
- Total shareholder return for our stock was 27.7% in 2005, exceeding that of the Standard & Poor's 500 Index and nearly all of Altria's peers in the consumer packaged goods industry.

2005 Total Return
Dividends and Price Appreciation



Potential Restructuring

Our solid financial performance, coupled with an improving litigation environment, has garnered the attention of the investment community and resulted in our strong stock price appreciation during 2005.

However, our stock price appreciation has trailed that of several other tobacco companies, and we continue to trade at a multiple discount to a number of them. While this has been a source of some frustration, it clearly demonstrates the significant upside potential that remains to reward our shareholders.

We have emphasized that any potential restructuring will proceed on our own timeline and that we will not act prematurely. We advanced our preparations during 2005 for a potential restructuring of the company into two, or possibly three, stand-alone entities. Continuing improvements in the entire litigation environment are a prerequisite to any restructuring. As I have previously said, the timing and chronology of events are uncertain.

2005 Results

Net revenues for the full year 2005 increased 9.2% to $97.9 billion, including favorable currency, the impact of acquisitions and the benefit of an extra shipping week at Kraft versus 2004.

Operating income increased 9.3% to $16.6 billion, reflecting favorable currency, the impact of acquisitions, the absence of the upfront expense related to the 2004 agreement PMI entered into with the European Community (E.C.), lower charges for asset impairment, implementation and exit costs, gains on sales of businesses, the reversal of a 2004 accrual related to tobacco quota buy-out legislation, higher results from operations for domestic and international tobacco, and the impact of the extra week at Kraft. These were partially offset by a larger provision in 2005 for airline industry exposure at Philip Morris Capital Corporation, a charge for PM USA's portion of the losses incurred by the federal government on the disposition of its pool tobacco stock and lower results at Kraft.

Earnings from continuing operations increased 13.2% to $10.7 billion, reflecting the items mentioned above and a lower tax rate, partially offset by higher minority interest and lower equity income from SABMiller.

Net earnings, including discontinued operations, increased 10.8% to $10.4 billion. Diluted earnings per share, including discontinued operations, increased 9.4% to $4.99.

Domestic Tobacco

In our domestic tobacco business, PM USA delivered another solid year in 2005 as it benefited from continued improvement in the U.S. cigarette industry's fundamental dynamics, principally characterized by a lack of vitality in the deep-discount segment and reductions in illegal imports.

Net revenues increased 3.6% to $18.1 billion and operating companies income increased 4.0% to $4.6 billion, primarily driven by lower wholesale promotional allowance rates and aided by reversal of a 2004 accrual related to tobacco quota buy-out legislation, partially offset by lower volume, charges for disposition of pool tobacco stock, higher R&D expenses and the accrual for the *Boeken* case.

Marlboro achieved a record retail market share of 40% in 2005, supported by numerous special events around its year-long 50th anniversary celebration and 72mm line extensions. The revamped Retail Leaders merchandising program was successfully launched, while PM USA continued at the same time to reduce costs with improved manufacturing systems and higher productivity.

PM USA took a number of actions to preserve and protect the legitimate cigarette market in the United States. These include specific actions, many in support of law enforcement and regulatory agency efforts, to address illegal sales of cigarettes over the Internet, as well as efforts to reduce the incidence of counterfeit and contraband cigarettes.

PM USA also continues to invest in developing reduced-exposure products, and to support the enactment of federal legislation to grant the Food and Drug Administration (FDA) regulatory authority over all tobacco products. Legislation was reintroduced in both the House of Representatives and the Senate in 2005, but regrettably has not been acted upon.

As it pursues its commitment to balance market share and income growth over the long term, I am confident that PM USA has the human, financial and brand wherewithal necessary to drive growth in a highly competitive industry, while exploring expansion into adjacent tobacco categories.

International Tobacco

2005 was a very good year for PMI in a challenging global environment. Its cigarette shipment volume increased by 5.7% to 804.5 billion units. Gains in many markets, particularly Egypt, France, Mexico, the Philippines, Russia, Thailand, Turkey and Ukraine, coupled with acquisitions in Indonesia and Colombia, were partially offset by lower shipments in the European Union. Excluding the impact of acquisitions, PMI's cigarette shipment volume increased 0.7% versus 2004. PMI's total

Corporate Officers

Front (left to right): **Louis C. Camilleri,** Chairman of the Board and Chief Executive Officer; **Dinyar S. Devitre,** Senior Vice President and Chief Financial Officer

Middle (left to right): **Nancy J. De Lisi,** Senior Vice President, Mergers and Acquisitions; **Steven C. Parrish,** Senior Vice President, Corporate Affairs; **G. Penn Holsenbeck,** Vice President, Associate General Counsel and Corporate Secretary; **David I. Greenberg,** Senior Vice President and Chief Compliance Officer; **Amy J. Engel,** Vice President and Treasurer

Back (left to right): **Walter V. Smith,** Vice President, Taxes; **Charles R. Wall,** Senior Vice President and General Counsel; **Joseph A. Tiesi,** Vice President and Controller tobacco volume, which included 7.1 billion cigarette equivalent units of other tobacco products (OTPs), grew 6.1% versus 2004, and 1.2% excluding acquisitions.

Operating companies income rose 19.2%, or $1.3 billion, to $7.8 billion, due primarily to higher pricing, as well as the impact of acquisitions, positive currency, higher income from the return of the *Marlboro* license in Japan, the impact of a one-time inventory sale in Italy and a favorable comparison with 2004 when PMI recorded a charge for the E.C. agreement. These were partially offset by unfavorable volume/mix, higher R&D, manufacturing, distribution, trade and selling expenses, and higher asset impairment and exit costs.

PMI continued to outperform its principal competitors in terms of both volume and income. Its share of the world market (excluding the U.S. and worldwide duty-free) reached an estimated 15%, up 0.5 share points versus 2004, driven by its superior brand portfolio and leadership in key growth segments such as premium and menthol.

Excise tax increases undoubtedly present PMI with a significant challenge. It is not just a question of tax incidence, but tax structure. Inappropriate structures distort markets by providing consumers with incentives to switch to substitute products or trade down to cheap and marginally profitable cigarette products.

PMI had considerable success in 2005 in advocating fair tax structures as several key countries adopted either absolute minimum reference price (MRP) or minimum excise tax (MET) levels. Most noteworthy was the adoption of an MRP in both Italy and Belgium, and the reform of taxes in Turkey. In Spain, an MET was introduced in February 2006, though it remains to be seen if its level is sufficient to achieve the government's health and fiscal objectives.

In fact, 20 of PMI's top 25 markets currently have in place either an MET, MRP or single-tier specific tax regime, up from 15 in 2004. In addition, some progress was achieved in securing equal tax treatment of all tobacco products, particularly in Germany, where tobacco portions will be taxed at the same rate as cigarettes for products manufactured as of April 1, 2006.

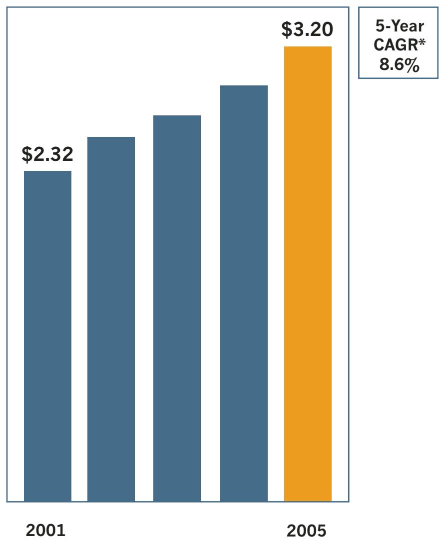
Less than 5% of PMI's income today is derived from markets that account for combined cigarette consumption of 3.1 trillion cigarettes, or about 60% of the total international market of more than five trillion cigarettes. PMI has strategies in place that focus on expanding in those markets, either organically or through acquisitions.

The Sampoerna and Coltabaco acquisitions in 2005 are the most recent examples, offering PMI market share leadership in both Indonesia and Colombia, with aggregate consumption of 240 billion units.

Another example is PMI's late-2005 announcement of a strategic alliance with the CNTC, which sets the stage for long-term growth in China through the licensed manufacture and sale of *Marlboro* in China and the formation of an international joint venture, equally owned by PMI and the CNTC. The joint venture will offer a portfolio of Chinese heritage brands globally and pursue other business development opportunities.

Looking ahead, I remain confident in PMI's ability to generate strong results while successfully confronting the inevitable surprises, both good and bad, based on its unparalleled global infrastructure, outstanding brand portfolio and talented workforce.

Altria Group, Inc.
Annualized Dividend Rate
Per Share



*Compound Annual Growth Rate

Food

Kraft's 2005 results were a source of disappointment. The principal culprit was the surge in commodity costs, which increased $800 million in 2005, on top of a $900 million increase in 2004, for a total of $1.7 billion over a two-year period.

For the full year 2005, Kraft's net revenues were up 6.0% to $34.1 billion, reflecting pricing, positive mix, favorable currency and the impact of an extra shipping week versus 2004.

Ongoing volume was up approximately 2%, but was essentially flat on a comparable 52-week basis. Operating income increased 3.0% to $4.8 billion, driven by positive mix, productivity and restructuring savings, lower restructuring and impairment costs, favorable currency, gains on sales of businesses and brands, and the extra week. These were partially offset by higher commodity costs, and increased benefit costs and marketing support.

New products such as the *South Beach Diet* line helped drive the top line at Kraft, with new products generating record revenues of approximately $1.5 billion in 2005. Importantly, new products are generating margin levels that are significantly higher than the Kraft average and have suffered from significantly less cannibalization than in the past. In addition, developing market revenues were very strong in 2005, with a particularly robust performance in Russia.

Kraft's restructuring program, originally announced in early 2004, remains on track and achieved cumulative cost savings of approximately $260 million through 2005. An expansion of the program was announced by Kraft early in 2006, which includes further organizational streamlining, facility closures and other simplification initiatives. The expanded plan anticipates total cumulative annualized cost savings of $1.15 billion and total estimated costs of $3.7 billion by 2009.

I believe that the flawless execution of Kraft's growth strategies, combined with its expanded restructuring program, will achieve the desired results.

Philip Morris Capital Corporation and SABMiller

The troubled airline industry cast a shadow once again on otherwise strong progress and good income performance at Philip Morris Capital Corporation. Operating companies income was $31 million for the full year 2005, versus $144 million for 2004. Results for 2005 include a $200 million increase to the provision for losses related to the airline industry in the third quarter and lower gains from asset sales, partially offset by lower interest expense.

SABMiller continues to perform strongly, despite ferocious competition in the U.S. domestic beer market. The global stock market has reacted favorably to SABMiller's acquisition of Bavaria, which holds the lion's share of the brewing industry in Colombia, Ecuador and Peru. As a result of this transaction, Altria's equity stake in the enlarged company was reduced to 28.7% from 33.9%, while our voting interest increased to 28.7% from 24.9%. Altria's economic interest in SABMiller is currently valued on a pre-tax basis at approximately $8.5 billion.

Improving Litigation Environment

Recent trends reinforce our belief that the litigation climate continues to evolve favorably and that greater clarity is slowly, but surely, emerging.

In addition to the favorable development in the *Price* case mentioned earlier, we were encouraged by developments during 2005 in other "Lights" cases.

In August 2005, the United States Court of Appeals for the Eighth Circuit, in the *Watson* case, affirmed removal of this "Lights" case from state to federal court, because the court found that PM USA was acting under the direction and control of the Federal Trade Commission (FTC) in relation to tar and nicotine testing, measurement and disclosures. While plaintiffs have indicated that they intend to seek United States Supreme Court review of this decision, we believe that this ruling has important ramifications going forward.

In October 2005, a state court in Oregon in the *Pearson* case, also involving PM USA, refused to certify this "Lights" case as a class action. As is true in the vast majority of smoking and health personal injury class actions, the court in *Pearson* found that individual issues predominate over common ones, upholding a view we believe is fundamental to all "Lights" class actions, and renders class certification inappropriate.

And, shortly before and after the favorable *Pearson* decision, federal district courts in Michigan and Louisiana, in "Lights" cases called *Flanagan* and *Sullivan*, dismissed the plaintiffs' major claims based on those states' Consumer Protection Statutes because those statutes exempt claims based upon conduct specifically authorized by or in compliance with FTC action. Both courts found that plaintiffs' claims were based on conduct governed by the FTC's decades-long regulatory activity involving low tar and "Lights" cigarettes, and thus fell within the statutory exemptions. This general type of statutory exemption exists in most states, including Illinois.

Of the 24 pending "Lights" cases, five are presently certified as class actions, three of which are on appeal, with the remaining two subject to pre-trial motions. Of the remaining 19, including *Schwab*, a purported nationwide class action pending before the Federal District Court for the Eastern District of New York, all are in various pre-trial stages in the trial courts, with decisions on class certification and other issues to come.

While we are pleased with the recent positive trend in these cases, they remain an important part of the evolving litigation environment, as well as a particular focus of our attention and resources.

Although the litigation record in 2005 was very positive, it was not totally unblemished. PM USA lost the *Rose* case in New York, one of five individual cases tried during the year, and this case is now on appeal. With regard to appeals in other individual cases, the United States Supreme Court denied PM USA's request for review in the *Henley* case in California and the judgment of $17 million (which includes $6.4 million in interest) was paid to the plaintiff. In the *Boeken* case, the California Supreme Court denied PM USA's appeal. A petition for review has been filed with the United States Supreme Court and an accrual was recorded by PM USA. In the *Williams-Branch* case, PM USA will seek review by the United States Supreme Court after the Oregon Supreme Court affirmed a $79.5 million punitive damages jury verdict.

As we await further developments this year, I urge you to have patience, remembering that the legal system in the United States moves at a deliberate pace. I believe that our litigation history teaches that patience and perseverance will ultimately be rewarded. For a more complete review of litigation, I refer you to Note 19 to the Consolidated Financial Statements in this report.

Corporate Governance and Board Developments

The 2006 proxy statement contains a comprehensive description of your Board of Directors and its committees, as well as the nominees for election to the Board at the 2006 Annual Meeting of Shareholders. I urge you to read the full statement and return your proxy card as soon as possible with your vote.

I want to express my heartfelt gratitude to Carlos Slim Helú, who will not be standing for re-election to the Board of Directors in April 2006. Since joining the Board in 1997, he has made many invaluable contributions to Altria, as we examined strategic opportunities and planned our future course. We will sorely miss his tremendous insight and acumen, particularly in the realm of international business, and thank him for his service as a Director.

Our operating companies and corporate departments are governed by a strong, comprehensive set of explicit, enterprise-wide standards that make it clear that nothing is more important than compliance and integrity. I suggest that you review the Responsibility section of this report, as well as our corporate website, for additional information on these topics.

Outlook

Looking ahead, we expect the considerable momentum evident in our 2005 results to continue. However, the current strength of the U.S. dollar and circumstances affecting some of PMI's key markets, most notably Spain, dictate a cautious earnings outlook at this point.
In addition, Kraft's restructuring costs and the inclusion of an extra week of results at Kraft in 2005 will make for difficult comparisons.

Despite these short-term challenges, I am confident that strategic actions by our individual businesses and continued improvement in the litigation and legislative environment will move us toward our long-term goals.

Overall, I believe that Altria Group is well positioned and equipped to seize the opportunities that will arise, and to overcome the inevitable challenges that we will confront. Most importantly, all our operating companies are investing in innovation, and each has an impressive pipeline of new products to drive future growth.

Of course, none of our achievements would have been possible without the personal commitment, passion, resilience and determination of our employees. I salute and thank them, along with our shareholders, for their continued support.

Louis C. Camilleri
Chairman of the Board and
Chief Executive Officer
March 10, 2006