

Annual Meeting of Shareholders

Altria Group, Inc.
April 26, 2007
East Hanover, NJ

Introduction

The events of the last 12 months have been remarkable in many respects, and I am delighted to be able to report significant progress in a number of key areas since our last meeting.

The highlight of the past year was undoubtedly the spin-off of Kraft Foods Inc. (Kraft), which we completed on March 30. This was an important step in the strategy we first voiced several years ago to enhance shareholder value and I firmly believe this transaction will benefit our shareholders for years to come.

In fact, yesterday's closing price of \$70.47 for Altria, plus the value of the Kraft shares you received in the distribution, represent an all-time closing high on a pre-Kraft spin basis of \$93.63 per share.

Quite naturally, our shareholders, and the broader investment community, are now focusing on the actions we may take going forward to further enhance shareholder value given the significantly improved litigation environment, our solid business momentum and our stellar balance sheet. I do not intend to address this topic today, other than to repeat what we said last week on our earnings conference call:

- We remain as committed as ever to meaningfully enhance long-term shareholder value.
- Over the next several months, we will continue to carefully and diligently examine the benefits of a spin-off of Philip Morris International (PMI) and other possible value-enhancing options to decide the optimal long-term strategic course to follow.
- Once a decision has been made, we will promptly communicate it.

Achievements on the litigation front over the past year were particularly noteworthy, and confirmed our successful record in the appellate courts. At our annual meeting last year, I said that we believed the litigation climate was evolving favorably and that greater clarity was slowly, but surely, emerging. That view was borne out with a number of key decisions, which are fully discussed in our 2006 Annual Report.

Overall, solid financial performances by Philip Morris USA (PM USA) and PMI in 2006 more than offset mixed results at Kraft, with diluted earnings per share from continuing operations rising 12.0% to \$5.71.

Our total shareholder return was 19.9% in 2006, assuming dividend reinvestment, outperforming the Standard & Poor's (S&P) 500 Index for the fifth consecutive year.

Over the past five years, our total shareholder return has been an outstanding 142.6%, significantly ahead of the five-year total return for the S&P 500 Index at 35%.

Over the same five-year period, our market capitalization increased by more than \$80 billion, reaching a level of nearly \$180 billion at year-end 2006. Even after the Kraft spin-off, Altria still ranks in the top 20 among S&P 500 companies, with a market capitalization of \$148 billion at the market's close yesterday.

We raised the dividend 7.5% in August 2006, to an annual rate of \$3.44 per common share, and have announced our intention to adjust Altria's dividend following the Kraft spin-off so that Altria shareholders who retained their Kraft shares from the distribution will receive the same cash dividend amount that existed before the spin-off.

In addition, our tobacco operating companies continue to make advances on their societal alignment initiatives, and to sustain their focus on compliance and integrity.

Last week, we announced our first-quarter results, which treat Kraft as a discontinued operation. Diluted earnings per share from continuing operations were \$1.01, including the items listed on Schedule 3 of our earnings news release, versus \$1.24 in the year-ago quarter, which included a \$0.30 per share tax benefit. Adjusted for this and other items, diluted earnings per share from continuing operations were up 5.1% to \$1.03, versus \$0.98 in 2006.

For the full year 2007, we recently raised our forecast for reported diluted earnings per share from continuing operations to a range of \$4.20 to \$4.25, up from a previously disclosed range of \$4.15 to \$4.20 per share.

Philip Morris USA (PM USA)

I would like to briefly review first-quarter results for our tobacco operating companies and discuss some of the key growth strategies they are pursuing, beginning with PM USA.

Operating companies income increased 1.3% to \$1.1 billion, driven by lower wholesale promotional allowance rates, decreased promotional spending and lower general and administrative costs, largely offset by lower volume, increased resolution expenses and higher spending on new products.

Shipment volume decreased 6.2% to 40.6 billion units versus the same period a year ago. The decline primarily reflects a weaker industry, driven by a number of price-related factors, as well as higher wholesaler inventory depletions of PM USA brands versus the prior year, timing of promotions and consumer pantry purchases in advance of the January 1, 2007 excise tax increase in Texas. Adjusting for these factors, PM USA estimates that its volume decline would have been approximately 5%.

First-quarter total retail share was unchanged versus the prior year at 50.4%. However, share trends improved in March, following weaker share trends in January and February, due to lower promotional spending than the previous year. **Marlboro** achieved a 40.8% retail share, up 0.4 share points versus the year-ago period.

Marlboro Smooth was introduced nationally in March and is meeting PM USA's expectations. **Marlboro** Smooth is a new, full-flavor menthol product that reinforces **Marlboro**'s flavor heritage and its position as the leader in the premium category.

Parliament increased its share by 0.1 share point to 1.9%. Retail share for PM USA's other focus brands, **Virginia Slims** and **Basic**, each declined 0.1 share point in a highly competitive environment during the first quarter.

To enhance its growth profile, PM USA has embarked on an adjacency strategy. It took the first step toward this goal in 2006 with the test market launch of **Taboka**, a smoke-free, spit-free tobacco product that provides a new way for adult smokers to enjoy tobacco in a pouch. PM USA has learned much from this test. While I cannot share our findings for obvious competitive reasons, I can state with confidence that these learnings will be translated into further action, and that a number of initiatives will be announced as the year unfolds.

PM USA is making significant investments in product development, consumer research and other areas, including the construction of a \$350 million Center for Research and Technology in Richmond, Virginia, which is scheduled for completion later this year. The Center will be dedicated to enhancing scientific research, developing new technologies and new products that might help address the harm caused by smoking.

PM USA recognizes that its long-term success is dependent upon its ability to respond to society's evolving expectations of a responsible tobacco company. Its responsibility initiatives are described in detail on its website, which I urge you to visit. You will find there information on PM USA's Youth Smoking Prevention initiatives, and on QuitAssist™, a free resource that helps connect smokers to a wealth of expert and independent smoking cessation information.

PM USA continues to be the only major cigarette manufacturer supporting regulation of the tobacco industry by the U.S. Food and Drug Administration (FDA). This February, legislation was introduced in the U.S. Congress that would grant the FDA comprehensive regulatory authority over all tobacco products sold in the United States. We believe that this proposed legislation offers the prospect of effectively reducing harm and providing real solutions to the many complex issues involving tobacco.

Looking forward, I am confident that PM USA's strategies and initiatives will deliver solid business performance while it continues to make significant progress on its societal alignment initiatives.

Philip Morris International (PMI)

Turning to our international tobacco business, in the first quarter, PMI generated operating companies income of \$2.2 billion, up 9.5% versus the same period last year, due primarily to higher pricing and favorable currency of \$96 million.

PMI's cigarette shipments of 213.3 billion units rose 1.5% in the first quarter. The increase was driven by the inclusion of all Lakson Tobacco volume in Pakistan beginning in March, and gains in Argentina, Egypt, Indonesia, Italy, Korea, North Africa, Poland and Ukraine, partially offset by declines in certain markets, mainly Japan and Russia.

Turning to a brief review of PMI's business by geographic region, in the European Union (EU), cigarette volume was up 3.4%, or 2.2 billion units, driven by gains in the Czech Republic, Hungary, Italy and Poland. This represents the second consecutive quarter of growth in the EU region, following three years of declines. Importantly, PMI's overall share in the EU region, at 39.5%, was up 0.2 points versus the same period last year.

In Germany, total tobacco volume declined 6.8%, due mainly to lower volume for other tobacco products, primarily tobacco portions. PMI's tobacco in-market sales were down in line with the total market, while its share of the tobacco market, at 29.1%, was unchanged versus the first quarter last year.

The total cigarette market in Germany increased 0.5%, due to the growth of the low-price segment. However, PMI's cigarette market share was down 0.9 points to 36.2%, largely attributable to the contraction of industry sales through the vending machine channel, in which PMI's share is over-indexed.

In Italy, the total cigarette market was down 0.5%, and PMI's market share grew 0.9 points to 54.2%, fueled by **Marlboro**, as well as increases for **Chesterfield** and **Diana**. Quarter-over-quarter market share gains have been achieved in Italy for nine consecutive periods.

In France, PMI's business continued to perform strongly, with first-quarter share advancing 0.7 points to a record 43.3%, due to the continued success of **Marlboro** and the **Philip Morris** brand.

In Spain, the total cigarette market was flat versus the same quarter last year. Market share of 31.7% was down, due mainly to **Marlboro**, which suffered from a difficult comparison to the prior-year period. However, PMI experienced solid improvement in its profitability in this important market.

Moving on to Eastern Europe, the Middle East and Africa, cigarette volume was down 0.5%, driven mainly by declines in Russia and Turkey, partially offset by gains in Algeria, Egypt and Ukraine.

In Russia, PMI's market share of approximately 26.6% reflects the strength of its higher-margin international brands including **Marlboro**, **Parliament** and **Chesterfield**. Combined, these brands were up 0.6 share points. Shipments in Russia were down 6.6%, due largely to **L&M** and local low-price brands.

In Ukraine, shipments grew 6.4% and share advanced 0.5 points to 33.2%, as consumers continued to trade up to higher-priced **Marlboro** and **Chesterfield**.

In Asia, cigarette volume increased 0.4% including all Lakson Tobacco volume in Pakistan as of March, and the strong performance of PMI's business in both Indonesia and Korea, largely offset by lower shipments in Japan.

Shipments in Japan declined versus the prior-year quarter. However, PMI's market share remained unchanged at 24.7%. The shipment decline reflected a lower total market as a result of the July 2006 retail price increase and significant unfavorable inventory movements versus the prior-year quarter. As the year unfolds, PMI's shipment performance in Japan is expected to improve.

Shipments in Indonesia rose 5.8% and market share increased 0.5 points to 28.4%, on the continued strength of PMI's successful brand portfolio.

Turning to Latin America, cigarette shipment volume was up 0.3%, due mainly to gains in Argentina, partially offset by the timing of shipments in Mexico.

In Argentina, the total market grew 2.3%, while PMI's shipments increased 9.8%. Share rose 4.7 points to 68.5%, driven by the continued growth of the **Philip Morris** brand.

In Mexico, shipments declined 6.3%. However, market share was up 0.7 points to 62.3%, driven by the launch of **Delicados** Supremos in January and the continued growth of **Benson & Hedges**.

PMI continues to pursue several business development opportunities. In 2006, for example, PMI reorganized its investment in the Dominican Republic to focus exclusively on tobacco, and in early 2007, PMI acquired control and increased its shareholding in Lakson Tobacco in Pakistan to more than 97%.

PMI is making significant investments in product innovation to drive growth. Recent examples include **Marlboro** Wides, launched in Mexico and a number of EU markets, and **Marlboro** Filter Plus. This new machine-tested, one-milligram product, launched successfully in Korea late last year, is a real innovation in terms of cigarette and filter construction, as well as packaging.

PMI is vigorously pursuing numerous societal alignment initiatives. It continues to advocate for effective regulation of all tobacco products and to seek the adoption of excise tax policies that are fair to all tobacco industry participants and that meet government revenue and health objectives. These important topics are covered in depth on PMI's website. I encourage you to visit it to learn more about the company's commitment to responsibility.

PMI strongly supports meaningful tobacco regulation in every country where its products are sold, including measures that address health concerns and most provisions of the World Health Organization's Framework Convention on Tobacco Control.

PMI continues to dedicate significant resources to the important challenge of stamping out the trade in contraband and counterfeit cigarettes, and is working with numerous governments and other organizations to fight such trade.

In addition, PMI continues to forcefully advocate laws that establish a minimum age to purchase tobacco products in countries where none currently exist and it supports Youth Smoking Prevention programs. In some 60 countries, these programs focus on preventing youth access to tobacco. PMI does not want children to smoke, and it does not want retailers to sell its tobacco products to children.

PMI has significant opportunities for future growth with an estimated 15.4% share of the international cigarette market. With a superb brand portfolio, a pipeline of new products and numerous potential business development opportunities, combined with its commitment to responsibility, I believe that PMI will continue to flourish in the years ahead.

Conclusion

This is an exciting time for Altria. Our tobacco operating companies have some of the world's most valuable tobacco brands, led by **Marlboro**. Our financial resources provide us with a significant competitive advantage, and Altria enjoys a very strong balance sheet.

Our ability to generate cash flow remains undiminished. Over the four-year period from 2006 through 2009, we project that cash flow will reach a cumulative level of some \$41 billion. We plan to continue using our strong cash flow to reward you, our shareholders.

In closing, I would like to remind you of a study by Professor Jeremy Siegel of The Wharton School, comparing the total shareholder return of all original member companies of the S&P 500.

Since the S&P 500 Index was first created on March 1, 1957, some 50 years ago, through the end of 2006, it has delivered an average annual return of 10.83%. Over the same period, Altria provided an annual return of 19.88%, or nearly twice as much as the average, and was by far the best-performing company.

As I said at the outset, our overriding goal is to continue to deliver shareholder value over the long term and to live up to our illustrious historical record in that regard.

Employee Tribute

I am exceedingly proud to lead the Altria family of companies. Altria not only provides value for its shareholders, it adds value to the communities in which we operate. Ours is a philanthropic commitment that dates back over half a century. Last year alone, Altria companies donated some \$200 million to deserving organizations around the world.

We have helped provide nutritious meals, so that fewer people go hungry. We have helped make shelter and legal services available to survivors of domestic violence and their families. We have helped to exalt the human spirit with arts sponsorships that nurture innovation, creative excellence and diversity. And when natural disasters have struck, we have supported organizations that help victims pick up the shattered pieces of their lives.

Our corporate philanthropy mirrors the individual giving of our employees. In 2006, not-for-profit organizations received a total of almost \$7 million through matching gifts and employee funds.

From Richmond, Virginia, to Japan, they helped clean and beautify their communities. They mentored children in their native Chinese culture on Long Island. From Surabaya, Indonesia, to Brooklyn, New York, they provided emergency services that not only touched lives, but actually saved them. And this is only a sampling of their efforts.

I am extremely proud of the extraordinary difference our employees make in their communities, and I am equally proud of the difference they make to your company. A great company is publicly defined by many things, but at the heart of those things are the great people who work for the company.

Our employees stand as a model of excellence for any corporation. Their virtues are many, but above all they are caring, determined, ethical and good people. To lead them, indeed to work with them, is both an honor and a pleasure. My heartfelt thanks go out to them. Please join me as I salute the employees of the Altria family of companies.

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