

## **Remarks by Michael E. Szymanczyk, Altria's Chairman and Chief Executive Officer at the 2012 Annual Meeting of Shareholders of Altria Group, Inc.**

NOTE: The text of Mr. Szymanczyk's remarks delivered to shareholders at Altria's 2012 Annual Meeting of Shareholders is set forth below. Mr. Szymanczyk's actual remarks have been modified in this reproduction to delete the portions of his remarks relating to the conduct of business at the meeting. Following Mr. Szymanczyk's reproduced remarks below is a reference to Altria's Forward-Looking and Cautionary Statements and a section including reconciliations of non-GAAP finance measures to corresponding GAAP measures. A replay of the audio webcast of Altria's 2011 Annual Meeting of Shareholders is available at [altria.com](http://altria.com) until Friday, June 15, 2012.

### **Richmond, Virginia**

**May 17, 2012**

Good morning and welcome to Altria Group, Inc.'s (Altria) 2012 Annual Meeting of Shareholders. I now call the meeting to order. I am Mike Szymanczyk, Chairman of the Board and Chief Executive Officer (CEO) of Altria. We welcome all shareholders, employees and retirees here today, as well as those who are joining us by audio webcast.

Altria delivered strong returns for shareholders in 2011 while taking steps to continue creating shareholder value into the future. Our business results continued to be driven by our operating companies' strong premium brands, **Marlboro**, **Copenhagen**, **Skoal** and **Black & Mild**. These brands hold leading positions in the largest and most profitable tobacco categories in the United States. Our tobacco businesses were complemented by growing alcohol assets and a strong balance sheet that supported significant cash returns to shareholders. Altria also successfully managed external challenges like regulation and litigation, notwithstanding the payment of some tobacco and health judgments.

Altria grew its adjusted diluted earnings per share (EPS) by 7.9% in 2011, which is consistent with adjusted EPS results over the last few years. Altria delivered total shareholder return of 26.9% in 2011, significantly outperforming the return of the S&P 500 Index. Altria is one of only three companies whose total shareholder return has exceeded the S&P 500 Index's return in each of the last 12 years.

Altria's business results continued to be driven by our employees' commitment to our Mission

and Values. Our Mission is to own and develop financially disciplined businesses that are leaders in responsibly providing adult tobacco and wine consumers with superior branded products. We pursue our Mission by focusing on four strategies:

- Invest in Leadership;
- Align with Society;
- Satisfy Adult Consumers; and
- Create Substantial Value for Shareholders.

Five core Values guide how we do our work:

- Integrity, Trust and Respect;
- Passion to Succeed;
- Executing with Quality;
- Driving Creativity Into Everything We Do; and
- Sharing with Others

Our companies and their employees have made significant progress on our four strategies in recent years while upholding our Values.

Our first strategy is to Invest in Leadership by focusing on developing leaders and investing in leading brands, our business partners and our communities.

Business results are dependent upon talented people. Even as the total number of people we employ has declined in recent years, we remain focused on attracting, developing and retaining talented and diverse employees at all levels.

Over the years, Altria has built a strong people development system that develops leaders at every level of the organization. That system includes a process for ongoing performance management and talent development. In 2011, we revised this process to raise our performance

standards, reward our employees for achieving operating efficiencies, and recognize our employees for promoting our culture of compliance.

Through our employees, we maintain strong relationships with our business partners, working with them to promote actions consistent with our Mission and Values. It is important to us that our partners understand that we care about both the business results and how they are achieved. Our Supplier Code of Conduct outlines what we expect from them and what they can expect from us.

Altria and its companies use a diverse base of suppliers, including minority- and women-owned businesses. In January, *DiversityBusiness.com* ranked Altria sixth on its list of “America’s Top Organizations for Multicultural Business Opportunities,” up from ninth place in 2011.

Our tobacco companies work with tobacco merchants and growers, non-governmental organizations, university extension programs and government to promote good agricultural practices (GAP) that are environmentally, socially and economically sustainable. In 2011, our tobacco companies published GAP assessment data on Altria’s website and expanded the resources and tools distributed to growers.

Our companies and employees make significant contributions to the communities where we live and work.

Altria’s corporate contributions focus on four areas: Culture, Education, the Environment and Positive Youth Development. In 2011, the Company made nearly \$50 million in cash and in-kind contributions to non-profit organizations. For example, with our support, the non-profit organization Higher Achievement opened two after-school learning centers in Richmond to help students improve academic performance. We also announced a \$1 million grant to the Thurgood Marshall College Fund to support certification of math and science teachers in our priority communities. Altria has given \$1 million to the National Fish and Wildlife Foundation, which

allowed the foundation and its grantees to obtain an additional \$14.5 million in matching funds and grants to benefit the Chesapeake Bay watershed.

In addition to company contributions, we support our employees who give back to their communities. The Altria Companies Employee Community Fund, which is managed and funded by employees, expanded from its base in Central Virginia to operating communities in Illinois, Kentucky, Pennsylvania and Tennessee, contributing \$2.6 million to 113 grantees. In addition to monetary support, Altria's companies' employees, their friends and families volunteered over 27,000 hours of community service in company sponsored events in 2011. In addition, 50 executives served on nearly 60 non-profit boards.

Our second strategy is to Align with Society by actively participating in resolving societal concerns that are relevant to our businesses.

Our tobacco companies have actively worked for many years to help reduce underage tobacco use and continue to support solutions to address this issue.

Each of our tobacco companies develops and implements an annual plan to help reduce underage tobacco use. They support school- and community-based programs designed to prepare kids for success, including avoiding risky behaviors like underage tobacco use. Grants made by our companies in 2011 are expected to reach approximately 1.5 million middle-school kids and nearly 775,000 adult influencers in 2012 with programs and information to help reduce underage tobacco use. Each company supports responsible retailing of tobacco products and the *We Card* program and follows laws and guidelines to market tobacco products responsibly. They also educate and engage employees and external stakeholders to help reduce underage tobacco use.

Significant progress has been made in reducing overall underage tobacco use, which is at its lowest level in a generation. We are also encouraged by government data that show illegal retail tobacco sales to minors are at historic lows with more than 90% of retailers complying with minimum age laws in 2010.

In March, the U.S. Surgeon General issued a report focused on preventing tobacco use among youth and young adults. The report applauded the progress that has been made to reduce youth tobacco use, while reiterating public health policy recommendations to address this issue. The report called for a variety of approaches, including school-based policies and programs, accessible and affordable cessation options, price increases, including those that result from tax increases, and comprehensive smoking bans.

Our tobacco companies' positions and actions on several of these issues are outlined on our website. We agree with the overwhelming medical and scientific consensus that cigarette smoking is addictive and causes serious diseases in smokers. We share information about our companies' actions to address underage tobacco use, their position on legislative issues like tax increases and smoking bans, and their engagement with the Food and Drug Administration (FDA) on regulatory issues that include tobacco advertising restrictions. We also discuss our tobacco companies' marketing practices, including those that focus their marketing activities towards adult tobacco consumers, while limiting reach to unintended audiences. In addition, our tobacco companies provide cessation information through the QuitAssist<sup>®</sup> resource, which is designed to connect adult tobacco consumers who have decided to quit with expert quitting information from public health authorities.

Cigarette prices have risen significantly since 2000. The average price of a pack of cigarettes increased 80% from 2000 to 2011. In 2011, 55% of the average pack price went to government in the form of excise taxes, settlement payments and sales tax. Last year, adult tobacco consumers paid more than \$35 billion in federal, state and local excise taxes. Philip Morris USA Inc. (PM USA) alone has paid more than \$59 billion to the states under the tobacco settlement agreements entered into with the states in the late 1990s. For many years, PM USA has encouraged the states to use a portion of the settlement payments to fund youth smoking prevention and cessation programs at the levels recommended by the Centers for Disease Control and Prevention.

Underage tobacco use is just one of the areas now regulated by FDA. Altria's tobacco companies worked for years supporting passage of the law that granted FDA the authority to regulate tobacco products.

Federal law mandates that cigarettes and smokeless tobacco be sold behind the counter through age-verified transactions and makes it illegal to sell tobacco to minors. The FDA has partnered with the states to conduct more than 50,000 compliance checks at retail establishments and reports that 95% of those retailers were in compliance with FDA regulations.

PM USA and U.S. Smokeless Tobacco Company LLC (USSTC) remain focused on their own compliance obligations related to FDA regulation. Last year, we conducted FDA awareness training for employees of those companies and supporting service companies. The course emphasized the importance of complying with FDA regulations, described processes implemented to promote FDA compliance, and reinforced individual employee accountability in this area.

PM USA and USSTC continue to enhance their manufacturing processes and quality management systems in preparation for potential FDA regulation of our manufacturing practices. USSTC's facility in Franklin Park, Illinois received ISO certification in 2011.

Our companies work to reduce their impact on the environment. They focus on reducing energy use, greenhouse gas emissions and water use, and increasing recycling of waste from their facilities. For example, through 2011 our companies reduced both energy use and air emissions by 23% versus a 2008 baseline. In addition, they work with key stakeholders to reduce the environmental impact of their products. For example, PM USA has partnered with Keep America Beautiful® to support its cigarette litter prevention program. In 2011, Keep America Beautiful® reported an average reduction in cigarette litter of 54% in more than 250 communities implementing the program.

Our third strategy is to Satisfy Adult Consumers by converting our deep understanding of adult tobacco and wine consumers into better and more creative products that satisfy their preferences.

For nearly 60 years, **Marlboro** has been the cigarette that men smoke for flavor, and adult smokers have been invited to “Come to where the flavor is. Come to **Marlboro** Country.” The brand’s positioning and strong equity, coupled with successful new products, have supported a long history of retail share growth and its evolution into an iconic consumer products brand.

**Marlboro** has historically grown by expanding its reach and breadth among adult smokers and PM USA is evolving **Marlboro**’s brand architecture to help support future growth.

**Marlboro** has four different product families within the brand:

- The **Marlboro** Red family of products reflects the brand’s traditional values of independence, hard work and freedom.
- The **Marlboro** Gold family builds on these core values, but in a modern, sophisticated and innovative manner.
- The **Marlboro** Green family reflects the brand’s values in a social and extroverted way; and
- The **Marlboro** Black family builds on **Marlboro**’s rich heritage of adventure and ruggedness in a bold, modern way. PM USA launched **Marlboro** Black in non-menthol and menthol varieties in bold, modern packaging in 2011.

PM USA plans to support this new **Marlboro** architecture with brand-building initiatives and equity-enhancing products and programs throughout 2012 and 2013.

**Black & Mild** is the best any day cigar adults enjoy because of its unique taste and pleasant aroma. Since adult cigar smokers seek variety from their brand, **Black & Mild** has introduced a number of tipped and untipped cigarillo varieties over the past few years. **Black & Mild** has maintained its leadership position in the tipped cigarillo segment by complementing its original

offering with new products, including Wood Tip, Wine and Royale. The brand has also begun to build its position in untipped cigarillos with the launch of Classics, Sweets and Wine varieties.

In the smokeless products segment, USSTC focuses on its premium brands, **Copenhagen** and **Skoal**. USSTC aims to maximize the combined performance of these premium brands while working to leverage the strengths and equity of each. **Copenhagen** and **Skoal** enjoy unique positions in the minds of adult dippers and have complementary product portfolio strategies designed to maximize USSTC's performance in the moist smokeless tobacco (MST) category. **Copenhagen** and **Skoal** give USSTC the number one position in every MST form segment and in the Natural, Mint, Straight and Blend taste segments.

**Copenhagen** is the most satisfying smokeless tobacco for men. The brand's strong equity is built around core values such as masculinity, adventure, heritage, authenticity and tradition. Over the last few years, **Copenhagen** has filled gaps in its product portfolio in segments where it had not historically competed. The introductions of Wintergreen Long Cut and Pouch, and the Straight and Extra Long Cut Natural varieties have helped the brand gain retail share in new segments, while maintaining its leadership position in the natural segment.

**Copenhagen** reinforces its core positioning through a number of direct communications to adult dippers. These efforts include equity and value communications via direct mail and e-mail, brand engagement events, including the Men of **Copenhagen** promotion, and events that build community through giving.

**Skoal** is perceived by adult dippers as a modern and innovative brand that delivers a unique, smooth MST experience. **Skoal**'s equity communications reinforce this proposition with the tagline: "It's Smooth. It's **Skoal**." **Skoal**'s products deliver great taste in forms that are easy to manage, a very relevant proposition in today's dynamic smokeless segment. In 2011, **Skoal** introduced several new products to appeal to adult dippers' evolving taste preferences, including Pouch and Long Cut varieties of **Skoal** X-TRA and two new Mint varieties of **Skoal** Snus, a spit-free tobacco pouch product.



PM USA and USSTC are particularly focused on developing new smokeless tobacco products to meet the interests of adult cigarette smokers. Our research tells us that about 30% of adult smokers are interested in spit-free smokeless alternatives to cigarettes. To address this adult smoker interest, our companies introduced a number of smokeless tobacco products into lead markets last year, including several innovative new products. These lead markets are providing important learnings about adult tobacco consumer reactions to these formats. We also have a rich product pipeline in development.

In addition to internal research and development, our companies are working with third parties to develop and commercialize innovative new products for adult tobacco consumers. Altria Client Services has entered into an agreement with Okono A/S, an affiliate of the Danish company Fertin Pharma A/S (Fertin), to develop innovative, non-combustible nicotine-containing products. The companies are forming a joint venture to market and sell these kinds of products outside of the United States. Fertin is a global leader in the development and manufacture of nicotine gum with additional capabilities in other products and technologies. This initiative combines the expertise of the Altria family of companies with Okono A/S and its affiliates' product development and manufacturing capabilities.

The introduction of new cigarettes and smokeless tobacco products is now regulated by FDA. These rules apply to all tobacco manufacturers, creating a level playing field. The success of future new product introductions will depend, in part, on a company's ability to navigate the available product pathways under the law. PM USA and USSTC have actively engaged with FDA and others on issues related to tobacco product innovation and will continue to do so.

FDA regulation provides an opportunity to benefit adult tobacco consumers by providing a framework to evaluate tobacco products that are potentially less harmful than conventional cigarettes and by creating clear principles for accurate and scientifically grounded communications to adult consumers.

PM USA and USSTC have encouraged FDA to develop scientifically rigorous and achievable evaluation criteria for modified risk tobacco products. They have also encouraged FDA to apply these criteria in a balanced way so that the potential public health benefit of modified risk tobacco products can be realized.

When we successfully execute these first three strategies, we make progress on our fourth strategy, which is to Create Substantial Value for Shareholders.

PM USA's objective in the cigarette category is to maximize income while maintaining modest share momentum on **Marlboro** over time. PM USA has delivered on both these goals in recent years despite a challenging economic environment. In 2010, **Marlboro** gained 0.8 share points behind the introduction of **Marlboro** Special Blend. In 2011, **Marlboro** retained some, but not all, of this share reflecting PM USA's decision not to build on price promoted share. Excluding charges for restructuring and tobacco and health judgments, adjusted cigarette segment operating companies income (OCI) grew 5.2 percent to \$5.9 billion dollars in 2011. Adjusted cigarette segment OCI margins also grew by 1.8 percentage points in 2011 versus the prior year.

John Middleton Co. (Middleton) continues to focus on building its position in machine-made large cigars with **Black & Mild**. An influx of low-priced, imported machine-made cigars following the federal excise tax increase in 2009 created a challenging competitive environment for Middleton, impacting its income and margins. Middleton responded by enhancing **Black & Mild**'s marketplace position with new products and brand-building initiatives and making changes to its manufacturing infrastructure. These efforts led to a strong 2011 retail share performance for **Black & Mild** and contributed to Middleton's improved income and margin performance in the second half of last year.

In smokeless tobacco, USSTC aims to increase income through volume growth, primarily by focusing on **Copenhagen** and **Skool**. Shipment volume for these brands increased 6.5% in 2011. This growth helped our smokeless products segment's adjusted OCI grow 7.7% versus the prior year to \$896 million.

Ste. Michelle Wine Estates' (Ste. Michelle) objective in the wine category is to grow income by expanding its portfolio of premium wine brands. Ste. Michelle grew its adjusted OCI 14.5% in 2011 as its volume increased 9.6%.

Cost management remains a focus as Altria completed its \$1.5 billion multi-year cost savings program ahead of schedule in the third quarter of 2011. Following the completion of this program, we announced a new program that we expect to deliver \$400 million in savings versus previously planned spending by the end of 2013.

Altria's strong balance sheet supports our ability to return a significant portion of cash to shareholders, primarily in the form of dividends, but also through opportunistic share repurchases.

Dividends remain an important component of Altria's shareholder return as the Company targets paying out approximately 80% of its adjusted diluted EPS in the form of dividends. All dividend payments remain subject to the discretion of Altria's Board of Directors (Board). Since the spin-off of Philip Morris International Inc. (PMI) in 2008, Altria has increased its dividend five times for an increase of 41%, including a 7.9% increase approved by the Board last August. In 2011, Altria paid \$3.2 billion in dividends to shareholders.

Altria also returned cash to shareholders through share repurchases, buying back \$1.3 billion of its shares in 2011 at an average price of \$26.91 per share.

Altria is off to an excellent start in 2012. In the first quarter, our smokeable and smokeless products segments grew their adjusted OCI and margins behind the strong performances of our tobacco companies' premium brands and effective cost management. Our tobacco companies grew retail share of the categories in which they compete.

**Marlboro**'s cigarette retail share benefited from investment in its new brand architecture. **Marlboro** delivered strong 2012 first-quarter sequential retail share growth of 0.7 share points versus the fourth quarter of 2011, and grew its year-over-year share by 0.1 share point to 42.3%.

**Black & Mild** delivered strong retail share gains for the first quarter, increasing 1.4 percentage points to 30.7%.

Adjusted OCI for the smokeable products segment increased by 3.9% to \$1.4 billion, while adjusted OCI margins increased 1.5 percentage points to 41%, driven by **Marlboro**.

In the smokeless products segment, **Copenhagen** and **Skoal** grew their combined retail share by 2.3 share points to 50.3% as **Copenhagen** continued to show strong momentum.

The strong performance of these brands contributed to an 8.8% increase in adjusted OCI for the smokeless products segment.

In the wine segment, Ste. Michelle's continued focus on expanding the distribution of its premium wines delivered volume growth of 6.6% for the first quarter of 2012. Adjusted OCI was flat for the first quarter, as Ste. Michelle had higher costs for certain wine vintages and investments to build its sales force.

The performances of our tobacco and wine businesses along with gains on asset sales by Philip Morris Capital Corporation (PMCC) and earnings from our equity investment in SABMiller plc. (SABMiller) contributed to strong adjusted diluted EPS growth for the first quarter. Altria grew its adjusted diluted EPS by 11.4% behind the strength of our diverse business platform.

We are pleased with these financial results for the first quarter, which were consistent with our expectations. Altria reaffirms that it expects its 2012 adjusted diluted EPS will increase by 6% to 9% to a range of \$2.17 to \$2.23 from an adjusted base of \$2.05 per share in 2011.

Altria's pursuit of its Mission has delivered strong returns for shareholders over time. From 2009 to 2011, Altria delivered a total return to shareholders of 134%. During this time, the Company returned \$10.2 billion to shareholders through dividends and share repurchases.

Our results have also been recognized by a number of outside organizations. Earlier this year, *Fortune* magazine ranked Altria fourth among all companies for corporate social responsibility and tenth for Financial Soundness in its annual survey of the World's Most Admired Companies. *Corporate Responsibility Magazine* ranked Altria 15th on its "100 Best Corporate Citizens List," an increase of 20 positions versus 2011. The "100 Best Corporate Citizens List" evaluates the largest U.S. publicly-traded companies in the Russell 1000 on their performance in environmental management, climate change, employee relations, human rights, governance, finance and philanthropy. Corporate Knights, an organization that promotes "clean capitalism," ranked Altria fourteenth among S&P 500 companies on its Clean Capitalism rankings.

Altria has also been recognized for its disclosure of political activities, including contributions by its companies and its political compliance program. The Center for Political Accountability-Zicklin Index for Corporate Political Disclosure and Accountability and the Baruch Index of Corporate Political Disclosure recognized Altria in 2011 as a leader in publicly disclosing its political activities.

We are pleased with our business performance and the results we have achieved. We believe that our executive compensation programs are an important contributor to strong shareholder returns. These programs are designed to align the interests of executives and shareholders, to promote the Company's Mission and business strategies, and reward the achievement of corporate and individual performance goals. At the Annual Meeting of Shareholders in 2011, more than 93% of the shares cast approved, on an advisory basis, the compensation of the Company's named executive officers, demonstrating strong support of our alignment of shareholder interests with our executive compensation programs and philosophy.

Altria has many strengths that make it particularly well-positioned for future growth. Our tobacco companies will remain focused on growing their share of the revenues and profits generated by adult tobacco consumers. Their premium brands have strong equity, command higher margins and have opportunities to grow. Their deep understanding of adult tobacco consumers and access to intellectual property developed internally and in partnership with others will support their ability to pursue new revenue and profit streams. Cost management continues to be a priority across our businesses, supporting strategic investment and margin expansion. Our cash flows are robust and our balance sheet is strong, which supports superior cash returns to you, our shareholders.

Earlier this year, I informed the Board of my intention to retire as Chairman and CEO effective immediately following today's meeting. I am very pleased that our Board has elected Marty Barrington to succeed me as Chairman and CEO. And I'm equally pleased that they have elected Dave Beran to work with Marty as President and Chief Operating Officer. Marty and Dave have made significant contributions in a variety of roles over the years. Their talent and experience give the Board, and me personally, great confidence in their ability to lead Altria through its next phase of growth.

It has been an honor to lead the reshaping of Altria, following the completion of the Kraft Foods Inc. and PMI spin-offs. I want to thank you, our shareholders, for your support and confidence in our Company and for allowing me to serve in this role during this exciting time.

Altria benefits greatly from the diverse experiences of our exceptional Board of Directors. I thank them for the valuable insight and counsel they have provided to the Company and to me personally over the years.

And, most importantly, I want to thank the passionate, talented and dedicated employees of the Altria family. It is your commitment and your hard work that drive our strong business results and progress on our Mission. You are the reason that Altria is such a great place to work. I am truly thankful for the opportunity I have had to work alongside you for twenty-three years.

Altria and its companies have experienced significant change since I first joined the Company. Change is not new for our companies. They have been successful for more than a century because they have demonstrated the ability to adapt in dynamic industries and to the world around them. I believe that Altria has the right strategies and the right people to successfully navigate an evolving environment to create strong returns for our shareholders into the future.

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### **Altria's Profile**

Altria directly or indirectly owns 100% of each of PM USA, U.S. Smokeless Tobacco Company LLC (USSTC), John Middleton Co. (Middleton), Ste. Michelle Wine Estates Ltd. (Ste. Michelle) and Philip Morris Capital Corporation. Altria holds a continuing economic and voting interest in SABMiller.

The brand portfolios of Altria's tobacco operating companies include such well-known names as **Marlboro, Copenhagen, Skoal** and **Black & Mild**. Ste. Michelle produces and markets premium wines sold under various labels, including **Chateau Ste. Michelle, Columbia Crest** and **Stag's Leap Wine Cellars**, and it exclusively distributes and markets **Antinori, Champagne Nicolas Feuillatte** and **Villa Maria Estate** products in the United States. Trademarks and service marks related to Altria referenced in this release are the property of, or licensed by, Altria or its subsidiaries. More information about Altria is available at [altria.com](http://altria.com).

### **Forward-Looking and Cautionary Statements**

This press release and today's remarks contain projections of future results and other forward-looking statements that involve a number of risks and uncertainties and are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995.

Important factors that may cause actual results and outcomes to differ materially from those contained in the projections and forward-looking statements included in this press release are described in Altria's publicly filed reports, including its Annual Report on Form 10-K for the

year ended December 31, 2011 and its Quarterly Report on Form 10-Q for the period ended March 31, 2012.

These factors include the following: Altria's tobacco businesses (PM USA, USSTC and Middleton) are subject to significant competition; changes in adult consumer preferences and demand for their products; fluctuations in raw material availability, quality and cost; reliance on key facilities and suppliers; reliance on critical information systems, many of which are managed by third party services providers; fluctuations in levels of customer inventories; the effects of global, national and local economic and market conditions; changes to income tax laws; legislation, including actual and potential federal and state excise tax increases; increasing marketing and regulatory restrictions; the effects of price increases related to excise tax increases and concluded tobacco litigation settlements on trade inventories, consumption rates and consumer preferences within price segments; health concerns relating to the use of tobacco products and exposure to environmental tobacco smoke; privately imposed smoking restrictions; and, from time to time, governmental investigations.

Furthermore, the results of Altria's tobacco businesses are dependent upon their continued ability to promote brand equity successfully; to anticipate and respond to evolving adult consumer preferences; to develop new products and markets within and potentially outside the United States; to broaden brand portfolios in order to compete effectively; and to improve productivity.

Altria and its tobacco businesses are also subject to federal, state and local government regulation, including broad-based regulation of PM USA and USSTC by the U.S. Food and Drug Administration. Altria and its subsidiaries continue to be subject to litigation, including risks associated with adverse jury and judicial determinations, courts reaching conclusions at variance with the companies' understanding of applicable law, bonding requirements in the limited number of jurisdictions that do not limit the dollar amount of appeal bonds and certain challenges to bond cap statutes.



Altria cautions that the foregoing list of important factors is not complete and does not undertake to update any forward-looking statements that it may make except as required by applicable law. All subsequent written and oral forward-looking statements attributable to Altria or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements referenced above.

### **Non-GAAP Financial Measures**

Altria reports its financial results, including diluted EPS, in accordance with U.S. generally accepted accounting principles (GAAP). Altria's management reviews OCI, which is defined as operating income before corporate expenses and amortization of intangibles, to evaluate segment performance and allocate resources. Altria's management also reviews OCI, operating margins and EPS on an adjusted basis, which excludes certain income and expense items that management believes are not part of underlying operations. These items include restructuring charges, SABMiller special items, certain PMCC leveraged lease charges, certain tax items, and tobacco and health judgments. Altria's management does not view any of these special items to be part of Altria's sustainable results as they may be highly variable and difficult to predict and can distort underlying business trends and results. Altria's management also reviews income tax rates on an adjusted basis. Altria's effective tax rate on operations may exclude certain tax items from its reported effective tax rate. Altria's management believes that adjusted measures for OCI, operating margins and EPS, as well as the effective tax rate on operations, provide useful insight into underlying business trends and results and provide a more meaningful comparison of year-over-year results. Altria's management uses adjusted measures internally for planning, forecasting and evaluating the performances of Altria's businesses, including allocating resources and evaluating results relative to employee compensation targets. These adjusted financial measures are not consistent with GAAP, and should thus be considered as supplemental in nature and not considered in isolation or as a substitute for the related financial information prepared in accordance with GAAP. Reconciliations of adjusted measures to most directly comparable GAAP measures are provided below.

<b>Altria's Full-Year Earnings Per Share Guidance Excluding Special Items</b>			
	<b>Full Year</b>		
	<b>2012 Guidance</b>	<b>2011</b>	<b>Change</b>
<b>Reported diluted EPS</b>	<b>\$2.25 to \$2.31</b>	<b>\$ 1.64</b>	<b>37% to 41%</b>
Asset impairment, exit, integration and implementation costs	0.02	0.07	
SABMiller special items	(0.10)	0.03	
Tobacco and health judgments	-	0.05	
PMCC leveraged lease charge	-	0.30	
Tax items*	-	(0.04)	
<b>Adjusted diluted EPS</b>	<b>\$2.17 to \$2.23</b>	<b>\$ 2.05</b>	<b>6% to 9%</b>

\* Excludes the tax impact included in the 2011 PMCC leveraged lease charge.

<b>Altria's Full-Year Adjusted Earnings Per Share Results Excluding Special Items</b>		
	<b>Full Year</b>	
	<b>2011</b>	<b>2010</b>
<b>Reported diluted EPS</b>	<b>\$ 1.64</b>	<b>\$ 1.87</b>
Asset impairment, exit, integration and implementation costs	0.07	0.04
UST acquisition-related costs*	-	0.01
SABMiller special items	0.03	0.03
PMCC leveraged lease charge	0.30	-
Tobacco and health judgments	0.05	-
Tax items**	(0.04)	(0.05)
<b>Adjusted diluted EPS</b>	<b>\$ 2.05</b>	<b>\$ 1.90</b>
	<b>7.9%</b>	

\* Excludes exit and integration costs.

\*\* Excludes the tax impact included in the 2011 PMCC leveraged lease charge.

Altria's First-Quarter Adjusted Earnings Per Share Results Excluding Special Items		
	First Quarter	
	2012	2011
<b>Reported diluted EPS</b>	<b>\$ 0.59</b>	<b>\$ 0.45</b>
SABMiller special items	(0.10)	(0.01)
<b>Adjusted diluted EPS</b>	<b>\$ 0.49</b>	<b>\$ 0.44</b>
<b>Adjusted Diluted EPS % change</b>	<b>11.4%</b>	

Altria has determined that it is appropriate to revise its first quarter 2012 financial statements to reflect its share of the non-cash gains resulting from SABMiller's strategic alliance transactions with Anadolu Efes and Castel that were completed in the first quarter of 2012. This revision will result in a \$0.11 increase to Altria's previously disclosed reported diluted earnings per share for the first quarter of 2012. Accordingly, Altria will reflect this revision in its financial statements for the six months ended June 30, 2012. SABMiller special items in the first quarter of 2012 reflect the \$0.11 per share gain from SABMiller's strategic alliance transactions, partially offset by net costs of \$0.01 related to other SABMiller special items.

Altria Group, Inc. and Consolidated Subsidiaries, Selected Financial Data by Reporting Segment for the Full-Years ended December 31, (\$ in millions)								
	Full-Year Results							
	Cigarettes*		Smokeless		Cigars*		Wine	
	2011	2010	2011	2010	2011	2010	2011	2010
<b>Reported OCI</b>	\$ 5,574	\$ 5,451	\$ 859	\$ 803	\$ 163	\$ 167	\$ 91	\$ 61
Asset impairment, exit, implementation, integration and UST acquisition-related costs	179	99	37	24	4	2	4	22
Tobacco and health judgments	98	11	-	5	-	-	-	-
<b>Adjusted OCI</b>	<b>\$ 5,851</b>	<b>\$ 5,561</b>	<b>\$ 896</b>	<b>\$ 832</b>	<b>\$ 167</b>	<b>\$ 169</b>	<b>\$ 95</b>	<b>\$ 83</b>
<b>Net Revenues</b>	<b>\$ 21,403</b>	<b>\$ 21,631</b>						
Excise taxes	(6,846)	(7,136)						
<b>Revenues net of excise taxes</b>	<b>\$ 14,557</b>	<b>\$ 14,495</b>						
<b>Adjusted OCI % change 2011 vs. 2010</b>	<b>5.2%</b>		<b>7.7%</b>		<b>(1.2)%</b>		<b>14.5%</b>	
<b>Adjusted OCI Margins<sup>1</sup></b>	<b>40.2%</b>	<b>38.4%</b>						
<b>Adjusted OCI Margins<sup>1</sup> Percentage Point change 2011 vs. 2010</b>	<b>1.8 pp</b>							

<sup>1</sup> Adjusted OCI margins are calculated as adjusted OCI divided by revenues net of excise taxes.

\* Prior to 2012, Altria reported Cigarettes and Cigars segment results. Effective January 1, 2012, Altria combined the former Cigarettes and Cigars segments into a single Smokeable Products segment.

Altria Group, Inc. and Consolidated Subsidiaries, Selected Financial Data by Reporting Segment for the First-Quarter ended March 31, (\$ in millions)						
	First Quarter Results					
	Smokeable		Smokeless		Wine	
	2012	2011	2012	2011	2012	2011
<b>Reported OCI</b>	\$ 1,439	\$ 1,369	\$ 192	\$ 193	\$ 15	\$ 12
Asset impairment, exit, implementation (gain) costs and UST acquisition-related costs	(14)	2	19	1	-	3
<b>Adjusted OCI</b>	\$ 1,425	\$ 1,371	\$ 211	\$ 194	\$ 15	\$ 15
<b>Net Revenues</b>	\$ 5,100	\$ 5,143				
Excise taxes	(1,622)	(1,670)				
<b>Revenues net of excise taxes</b>	\$ 3,478	\$ 3,473				
<b>Adjusted OCI % change 2011 vs. 2010</b>	3.9%		8.8%		- %	
<b>Adjusted OCI Margins<sup>1</sup></b>	41.0%		39.5%			
<b>Adjusted OCI Margins<sup>1</sup> Percentage Point change 2011 vs. 2010</b>	1.5 pp					

<sup>1</sup> Adjusted OCI margins are calculated as adjusted OCI divided by revenues net of excise taxes.

\* Prior to 2012, Altria reported Cigarettes and Cigars segment results. Effective January 1, 2012, Altria combined the former Cigarettes and Cigars segments into a single Smokeable Products segment.

Altria Group, Inc. and Consolidated Subsidiaries, Selected Financial Data by Reporting Segment for the First-Half ended June 30, and the Second-Half ended December 31, (\$ in millions)							
	First-Half			Second-Half			1H vs. 2H % Change
	Cigars*						
	Q1 2011	Q2 2011	1H 2011	Q3 2011	Q4 2011	2H 2011	
<b>Reported OCI</b>	\$ 22	\$ 47	\$ 69	\$ 55	\$ 39	\$ 94	
Asset impairment, exit, integration and implementation costs	-	-	-	-	4	4	
<b>Adjusted OCI</b>	\$ 22	\$ 47	\$ 69	\$ 55	\$ 43	\$ 98	42.0%
<b>Net Revenues</b>	\$ 117	\$ 149	\$ 266	\$ 169	\$ 132	\$ 301	
Excise taxes	(51)	(54)	(105)	(60)	(42)	(102)	
<b>Revenues net of excise taxes</b>	\$ 66	\$ 95	\$ 161	\$ 109	\$ 90	\$ 199	
<b>Adjusted OCI Margins<sup>1</sup></b>	33.3%	49.5%	42.9%	50.5%	47.8%	49.2%	6.3pp

<sup>1</sup> Adjusted OCI margins are calculated as adjusted OCI divided by revenues net of excise taxes.

\* Prior to 2012, Altria reported Cigars segment results. Effective January 1, 2012, Altria combined the former Cigarettes and Cigars segments into a single Smokeable Products segment.

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# **Reconciliations of Non-GAAP Financial Measures**

**Altria Group, Inc. Annual Meeting of Shareholders**

**Richmond, VA**

**May 17, 2012**

## **Altria's Profile**

Altria directly or indirectly owns 100% of each of Philip Morris USA Inc. (PM USA), U.S. Smokeless Tobacco Company LLC (USSTC), John Middleton Co. (Middleton), Ste. Michelle Wine Estates Ltd. (Ste. Michelle) and Philip Morris Capital Corporation. Altria holds a continuing economic and voting interest in SABMiller plc (SABMiller).

The brand portfolios of Altria's tobacco operating companies include such well-known names as **Marlboro, Copenhagen, Skoal and Black & Mild**. Ste. Michelle produces and markets premium wines sold under various labels, including **Chateau Ste. Michelle, Columbia Crest and Stag's Leap Wine Cellars**, and it exclusively distributes and markets **Antinori, Champagne Nicolas Feuillatte and Villa Maria Estate** products in the United States. Trademarks and service marks related to Altria referenced in this release are the property of, or licensed by, Altria or its subsidiaries. More information about Altria is available at [altria.com](http://altria.com).

## **Forward-Looking and Cautionary Statements**

This press release and today's remarks contain projections of future results and other forward-looking statements that involve a number of risks and uncertainties and are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995.

Important factors that may cause actual results and outcomes to differ materially from those contained in the projections and forward-looking statements included in this press release are described in Altria's publicly filed reports, including its Annual Report on Form 10-K for the year ended December 31, 2011 and its Quarterly Report on Form 10-Q for the period ended March 31, 2012.

These factors include the following: Altria's tobacco businesses (PM USA, USSTC and Middleton) are subject to significant competition; changes in adult consumer preferences and demand for their products; fluctuations in raw material availability, quality and cost; reliance on key facilities and suppliers; reliance on critical information systems, many of which are managed by third party services providers; fluctuations in levels of customer inventories; the effects of global, national and local economic and market conditions; changes to income tax laws;

legislation, including actual and potential federal and state excise tax increases; increasing marketing and regulatory restrictions; the effects of price increases related to excise tax increases and concluded tobacco litigation settlements on trade inventories, consumption rates and consumer preferences within price segments; health concerns relating to the use of tobacco products and exposure to environmental tobacco smoke; privately imposed smoking restrictions; and, from time to time, governmental investigations.

Furthermore, the results of Altria's tobacco businesses are dependent upon their continued ability to promote brand equity successfully; to anticipate and respond to evolving adult consumer preferences; to develop new products and markets within and potentially outside the United States; to broaden brand portfolios in order to compete effectively; and to improve productivity.

Altria and its tobacco businesses are also subject to federal, state and local government regulation, including broad-based regulation of PM USA and USSTC by the U.S. Food and Drug Administration. Altria and its subsidiaries continue to be subject to litigation, including risks associated with adverse jury and judicial determinations, courts reaching conclusions at variance with the companies' understanding of applicable law, bonding requirements in the limited number of jurisdictions that do not limit the dollar amount of appeal bonds and certain challenges to bond cap statutes.

Altria cautions that the foregoing list of important factors is not complete and does not undertake to update any forward-looking statements that it may make except as required by applicable law. All subsequent written and oral forward-looking statements attributable to Altria or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements referenced above.

### **Non-GAAP Financial Measures**

Altria reports its financial results, including diluted EPS, in accordance with U.S. generally accepted accounting principles (GAAP). Altria's management reviews OCI, which is defined as operating income before corporate expenses and amortization of intangibles, to evaluate segment performance and allocate resources. Altria's management also reviews OCI, operating margins

and EPS on an adjusted basis, which excludes certain income and expense items that management believes are not part of underlying operations. These items include restructuring charges, SABMiller special items, certain PMCC leveraged lease charges, certain tax items, and tobacco and health judgments. Altria's management does not view any of these special items to be part of Altria's sustainable results as they may be highly variable and difficult to predict and can distort underlying business trends and results. Altria's management also reviews income tax rates on an adjusted basis. Altria's effective tax rate on operations may exclude certain tax items from its reported effective tax rate. Altria's management believes that adjusted measures for OCI, operating margins and EPS, as well as the effective tax rate on operations, provide useful insight into underlying business trends and results and provide a more meaningful comparison of year-over-year results. Altria's management uses adjusted measures internally for planning, forecasting and evaluating the performances of Altria's businesses, including allocating resources and evaluating results relative to employee compensation targets. These adjusted financial measures are not consistent with GAAP, and should thus be considered as supplemental in nature and not considered in isolation or as a substitute for the related financial information prepared in accordance with GAAP. Reconciliations of adjusted measures to corresponding GAAP measures are provided below.

<b>Altria's Full-Year Earnings Per Share Guidance Excluding Special Items</b>			
	<b>Full Year</b>		
	<b>2012 Guidance</b>	<b>2011</b>	<b>Change</b>
<b>Reported diluted EPS</b>	<b>\$2.25 to \$2.31</b>	<b>\$ 1.64</b>	<b>37% to 41%</b>
Asset impairment, exit, integration and implementation costs	0.02	0.07	
SABMiller special items	(0.10)	0.03	
Tobacco and health judgments	-	0.05	
PMCC leveraged lease charge	-	0.30	
Tax items*	-	(0.04)	
<b>Adjusted diluted EPS</b>	<b>\$2.17 to \$2.23</b>	<b>\$ 2.05</b>	<b>6% to 9%</b>

\* Excludes the tax impact included in the 2011 PMCC leveraged lease charge.



**Altria's Full-Year Adjusted Earnings Per Share Results Excluding Special Items**

	Full Year	
	2011	2010
<b>Reported diluted EPS</b>	<b>\$ 1.64</b>	<b>\$ 1.87</b>
Asset impairment, exit, integration and implementation costs	0.07	0.04
UST acquisition-related costs*	-	0.01
SABMiller special items	0.03	0.03
PMCC leveraged lease charge	0.30	-
Tobacco and health judgments	0.05	-
Tax items**	(0.04)	(0.05)
<b>Adjusted diluted EPS</b>	<b>\$ 2.05</b>	<b>\$ 1.90</b>
	<b>7.9%</b>	

\* Excludes exit and integration costs.

\*\* Excludes the tax impact included in the 2011 PMCC leveraged lease charge.

**Altria's First-Quarter Adjusted Earnings Per Share Results Excluding Special Items**

	First Quarter	
	2012	2011
<b>Reported diluted EPS</b>	<b>\$ 0.59</b>	<b>\$ 0.45</b>
SABMiller special items	(0.10)	(0.01)
<b>Adjusted diluted EPS</b>	<b>\$ 0.49</b>	<b>\$ 0.44</b>
<b>Adjusted Diluted EPS % change</b>	<b>11.4%</b>	

Altria has determined that it is appropriate to revise its first quarter 2012 financial statements to reflect its share of the non-cash gains resulting from SABMiller's strategic alliance transactions with Anadolu Efes and Castel that were completed in the first quarter of 2012. This revision will result in a \$0.11 increase to Altria's previously disclosed reported diluted earnings per share for the first quarter of 2012. Accordingly, Altria will reflect this revision in its financial statements for the six months ended June 30, 2012. SABMiller special items in the first quarter of 2012 reflect the \$0.11 per share gain from SABMiller's strategic alliance transactions, partially offset by net costs of \$0.01 per share related to other SABMiller special items.

Altria Group, Inc. and Consolidated Subsidiaries, Selected Financial Data by Reporting Segment for the Full-Years ended December 31, (\$ in millions)								
	Full-Year Results							
	Cigarettes*		Smokeless		Cigars*		Wine	
	2011	2010	2011	2010	2011	2010	2011	2010
<b>Reported OCI</b>	\$ 5,574	\$ 5,451	\$ 859	\$ 803	\$ 163	\$ 167	\$ 91	\$ 61
Asset impairment, exit, implementation, integration and UST acquisition-related costs	179	99	37	24	4	2	4	22
Tobacco and health judgments	98	11	-	5	-	-	-	-
<b>Adjusted OCI</b>	<b>\$ 5,851</b>	<b>\$ 5,561</b>	<b>\$ 896</b>	<b>\$ 832</b>	<b>\$ 167</b>	<b>\$ 169</b>	<b>\$ 95</b>	<b>\$ 83</b>
<b>Net Revenues</b>	<b>\$ 21,403</b>	<b>\$ 21,631</b>						
Excise taxes	(6,846)	(7,136)						
<b>Revenues net of excise taxes</b>	<b>\$ 14,557</b>	<b>\$ 14,495</b>						
<b>Adjusted OCI % change 2011 vs. 2010</b>	<b>5.2%</b>		<b>7.7%</b>		<b>(1.2)%</b>		<b>14.5%</b>	
<b>Adjusted OCI Margins<sup>1</sup></b>	<b>40.2%</b>		<b>38.4%</b>					
<b>Adjusted OCI Margins<sup>1</sup> Percentage Point change 2011 vs. 2010</b>	<b>1.8 pp</b>							

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<b>Adjusted OCI % change 2011 vs. 2010</b>	<b>3.9%</b>		<b>8.8%</b>		<b>- %</b>	
<b>Adjusted OCI Margins<sup>1</sup></b>	<b>41.0%</b>		<b>39.5%</b>			
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**Altria Group, Inc. and Consolidated Subsidiaries, Selected Financial Data by Reporting Segment for the First-Half ended June 30, and the Second-Half ended December 31,**  
(\$ in millions)

	First-Half			Second-Half			1H vs. 2H % Change	
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