

From tobacco company

To tobacco harm reduction company

Moving beyond smoking™

2020 | Altria Group, Inc.
Annual Report



Altria

Dear Fellow Shareholders

March 11, 2021

Altria delivered outstanding results in 2020 and made steady progress toward our 10-Year Vision (Vision) despite the many challenges we faced. Our tobacco businesses were resilient and our employees rose to the challenge together to navigate the COVID-19 pandemic, political and social unrest, and an uncertain economic outlook. Altria's full-year adjusted diluted earnings per share (EPS) grew 3.6% driven primarily by strong performance of our tobacco businesses, and we increased our dividend for the 55th time in 51 years.

Moving Beyond Smoking: Progress Toward Our 10-Year Vision

Building on our long history of industry leadership, our Vision is to responsibly lead the transition of adult smokers to a non-combustible future. Altria is *Moving Beyond Smoking* and leading the way by taking actions to transition millions to potentially less harmful choices — a substantial opportunity for adult tobacco consumers 21+, Altria's businesses, and society.

To achieve our Vision, we are building a deep understanding of evolving adult tobacco consumer preferences, expanding awareness and availability of our non-combustible portfolio, and, when authorized by FDA, educating adult smokers about the benefits of switching to alternative products.

We have seen rapid growth in the oral tobacco category, driven primarily by oral nicotine pouches. We believe *on!* is well positioned for success with its satisfying range of nicotine strengths and flavors. At year-end 2020, *on!* was available in more than 78,000 stores nationally, greater than five times the year-end 2019 store count.

The heated tobacco category showed encouraging signs of adult smoker interest, though it remains in early stages. PM USA is focused on expanding the availability and awareness of *IQOS* and *Marlboro HeatSticks*, communicating to adult smokers the FDA-authorized reduced exposure claim, and bringing the improved *IQOS 3* device to market. We believe PM USA has the right approach to maximize its first mover advantage while responsibly positioning the U.S. heated tobacco category for long-term growth and profitability.

Strong Traditional Tobacco Businesses

Altria's traditional tobacco businesses delivered strong business performance in 2020. The smokeable products segment grew adjusted operating companies income (OCI) by 10.2%, with continued strength of *Marlboro* and *Black & Mild*.

The oral tobacco products segment grew adjusted OCI by 7.3%. Segment volume growth was driven by *on!*, and *Copenhagen* remains the leading oral tobacco brand and once again delivered strong volume and profit performance.

Leading Responsibly

Responsibility is core to how we do business and the cornerstone of our Vision. The pursuit of our Vision is about creating a more sustainable enterprise that is aligned with stakeholder expectations for responsibly managing our businesses. In 2020, we performed a materiality assessment to identify the environmental, social and governance (ESG) issues that we believe are critical to Altria's long-term sustainability and success. These focus areas include: reducing the harm of tobacco products; preventing underage use; protecting the environment; driving responsibility through our value chain; supporting our people and communities; and engaging and leading responsibly. We established multi-year goals for each focus area and will share more this year through a series of issue-specific responsibility reports.

Our responsibility efforts are already being recognized. In 2020, Altria was among the top 1% of companies awarded a double 'A' rating by CDP for efforts to address climate change and protect water security. Altria also received numerous recognitions for community engagement and inclusion and diversity, including recognition as a Great Place to Work-Certified™ company. We have established a multi-year investment plan behind our commitment to addressing racial and economic inequities and we are working with leading organizations that are advancing black-owned business development and criminal justice reform.

Resiliency of Our People

Despite the challenges we all faced in 2020, our employees rallied as a team and continued to move Altria forward. Through hard work and dedication, they balanced multiple personal and business priorities while making meaningful contributions to our company and communities. They are leading the way in making Altria a more diverse, inclusive and equitable workplace and the credit for our success belongs to each of them.

Thank you, as always, for your continued support of Altria.



A handwritten signature in dark ink, appearing to read "Tom Farrell".

Thomas F. Farrell II, Chairman of the Board



A handwritten signature in dark ink, appearing to read "William F. Gifford, Jr.".

William F. Gifford, Jr., Chief Executive Officer

Philip Morris USA
an Altria Company

U.S. Smokeless
TOBACCO CO.
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John Middleton
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MICHELLE**
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