

2022

Altria Group, Inc.
Annual Report

From tobacco company

To tobacco harm reduction company.

Moving beyond smoking™



Altria

Dear Fellow Shareholders

March 20, 2023

Altria had an exciting year in 2022. We made meaningful progress toward our Vision, our tobacco businesses successfully executed their strategies in a dynamic operating environment and we delivered strong financial performance once again.

Progress Toward Our Vision | In 2022, we remained focused on *Moving Beyond Smoking™*. Our teams took several steps forward to (i) accelerate the growth of our current smoke-free offerings, (ii) create a compelling long-term smoke-free portfolio and (iii) enhance our capabilities to compete in an evolving marketplace.

Helix grew reported shipment volume for *on!* to 82.5 million cans during its first full year of unconstrained manufacturing capacity, an increase of more than 70% versus the prior year. Moreover, *on!* retail share momentum continued, as the brand reached 5.0% of the total U.S. oral tobacco category and 23.0% of the U.S. nicotine pouch category for full-year 2022. This impressive performance was driven by increased brand awareness and adoption by adult dippers and smokers.

We created a new long-term path forward in the heated tobacco category. In October, we announced the formation of Horizon, a majority-owned joint venture with JT Group, for the U.S. marketing and commercialization of heated tobacco stick (HTS) products. Horizon is working diligently to optimize HTS products for U.S. adult smokers.

We reached an agreement with Philip Morris International Inc. under which we will receive cash payments of \$2.7 billion in exchange for assigning the exclusive U.S. commercialization rights to the *IQOS Tobacco Heating System®* effective April 30, 2024. We received \$1.0 billion in October and expect to receive the remaining \$1.7 billion by July 2023.

Our teams also made significant progress with our product pipeline. At our Investor Day in March 2023, we unveiled two innovative tobacco products in development — a heated tobacco capsule product and a novel oral product. We are encouraged by the adult tobacco consumer (ATC) feedback we received during research, and our companies look forward to introducing these smoke-free alternatives to ATCs in the coming years, upon regulatory authorization.

In addition to enhancing our product portfolio, our teams remained focused on expanding our capabilities in the marketplace, particularly in digital consumer engagement. We launched our Digital Trade Program last spring, and the

program brings to life new ways in which ATCs can responsibly interact with our brands. Responsibility is the foundation of the program, and for those participating at the highest level, we introduced incentives for retailers to include age and identity verification solutions in their digital platforms. As we broaden our digital reach, we will use data to help us better understand each adult smoker's journey and assist them in successfully transitioning to smoke-free alternatives in our portfolio.

Resilient Traditional Tobacco Businesses | Our traditional tobacco businesses generated strong performance in 2022. The smokeable products segment grew its adjusted operating companies income (OCI) by 2.9% to \$10.7 billion and expanded adjusted OCI margins by 1.4 percentage points to 59%. *Marlboro* performance was resilient once again, and its share of the premium segment grew to 58.2% for full-year 2022.

We were encouraged by the full-year performance within the oral tobacco products segment, as we invested behind *on!*. *Copenhagen* celebrated its 200th anniversary and remained the leading oral tobacco brand.

Strong Financial Performance and Significant Cash Returns to Shareholders | Our full-year adjusted diluted earnings per share grew 5.0%, as our tobacco businesses successfully executed their strategies in a dynamic operating environment. In addition, our tobacco businesses generated substantial cash flows, and we returned more than \$8.4 billion to shareholders last year through dividends and share repurchases. We paid \$6.6 billion in dividends, and our Board of Directors raised the dividend for the 57th time in 53 years. We also repurchased \$1.8 billion of shares, completing a two-year, \$3.5 billion share repurchase program. Further, we maintained focus on the strength of our balance sheet, retiring \$1.1 billion of notes in August with available cash.

Looking Forward | We believe we are well-positioned to advance our Vision and create long-term value for our shareholders. We have an unprecedented opportunity in front of us to transition millions of U.S. adult smokers to smoke-free alternatives. Our talented employees have been, and will continue to be, a critical driver of our success. The passion of our employees is evident, and we are confident in our ability to execute our Vision because of them.

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



Kathryn B. McQuade

Kathryn B. McQuade, Chair of the Board



William F. Gifford, Jr.

William F. Gifford, Jr., Chief Executive Officer

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