ALTRIA GROUP INC
Form 424B5
October 28, 2003

Filed pursuant to Rule 424(b)(5)
Registration No. 333-35143

The information contained in this prospectus supplement is not complete and may be changed. This prospectus supplement and the attached prospectus are not an offer to sell nor do they seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, Dated October 28, 2003

Prospectus Supplement dated October , 2003

(to Prospectus dated October , 2003)

Altria Group, Inc.

$ % Notes due 20

$ % Notes due 20

Interest on the notes is payable semiannually on and of each year, beginning , 2004. The notes will be denominated in U.S. dollars and issued only in denominations of $1,000 and integral multiples of $1,000.

The % notes will mature on , 20 and the % notes will mature on , 20 . We may not redeem any of the notes prior to maturity.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the attached prospectus is truthful or complete. Any

representation to the contrary is a criminal offense.

	Public Offering Price		Underwriting Discount		Proceeds to Altria (before expenses)	
	Per Note	Total	Per Note	Total	Per Note	Total
% Notes due 20	%	$	%	$	%	$
% Notes due 20	%	$	%	$	%	$
Combined Total		$		$		$

The public offering prices set forth above do not include accrued interest. Interest will accrue from , 2003.

The underwriters expect to deliver the notes to purchasers in book-entry form only through The Depository Trust Company, on or about , 2003.

Joint Book-Runners

Citigroup **JPMorgan** **Lehman Brothers**

Senior Co-Managers

Co-Managers

Table of Contents

TABLE OF CONTENTS

PROSPECTUS SUPPLEMENT

PROSPECTUS

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the attached prospectus. No one has been authorized to provide you with different information. If this prospectus supplement is inconsistent with the attached prospectus, you should rely on this prospectus supplement. If anyone provides you with different or inconsistent information you should not rely on it. We are not making an offer of these securities in any jurisdiction where the offer is not permitted. Neither the delivery of this prospectus supplement or the attached prospectus, nor any sale made hereunder and thereunder, shall under any circumstances create any implication that there has been no change in the affairs of Altria Group, Inc. since the date of this prospectus supplement or the attached prospectus, or that the information contained or incorporated by reference herein or therein is correct as of any time subsequent to the date of such information.

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement contains the terms of this offering of notes. This prospectus supplement, or the information incorporated by reference, may add, update or change information in the attached prospectus. If information in this prospectus supplement, or the information incorporated by reference, is inconsistent with the attached prospectus, this prospectus supplement, or the information incorporated by reference, will apply and will supersede that information in the attached prospectus.

It is important for you to read and consider all information contained in this prospectus supplement and the attached prospectus in making your investment decision. You should also read and consider the information in the documents we have referred you to in Incorporation of Certain Documents by Reference in the attached prospectus, including our annual report on Form 10-K for the year ended December 31, 2002, our quarterly reports on Form 10-Q for the quarters ended March 31, 2003 and June 30, 2003, and our Current Reports on Form 8-K dated January 29, 2003, April 15, 2003 and October 16, 2003, which have been filed with the SEC.

Trademarks and servicemarks in this prospectus supplement and the attached prospectus appear in bold italic type and are the property of or licensed by our subsidiaries.

Altria Group, Inc. is a holding company incorporated in Virginia in 1985. Prior to January 27, 2003, the name of Altria Group, Inc. was Philip Morris Companies Inc. Its principal subsidiaries are Philip Morris USA Inc., Philip Morris International Inc., Philip Morris Capital Corporation and Kraft Foods Inc. In this prospectus supplement, we use the terms Altria, we, our and us when we do not need to distinguish among these entities or when any distinction is clear from the context. Otherwise, we use the terms Philip Morris USA, Philip Morris International, PMCC and Kraft. The term Nabisco refers to Nabisco Holdings Corp. and its subsidiaries which we acquired through Kraft in December 2000. On July 29, 2001, Nabisco Holdings Corp. and its wholly-owned subsidiary, Nabisco, Inc., were merged with and into a subsidiary of Kraft.

Table of Contents

SUMMARY OF THE OFFERING

Issuer	Altria Group, Inc.
Principal Executive Offices	120 Park Avenue, New York, New York 10017; telephone number (917) 663-4000.
Securities Offered	$ total principal amount of % notes due 20 , maturing , 20 .
	$ total principal amount of % notes due 20 , maturing , 20 .
Interest Rates	The notes due 20 will bear interest from , 2003 at the rate of % per annum.
	The notes due 20 will bear interest from , 2003 at the rate of % per annum.
Interest Payment Dates	and of each year, beginning on , 2004.
Ranking	The notes will be our senior unsecured obligations and will rank equally in right of payment with all of our existing and future senior unsecured indebtedness.
Covenants	We will issue the notes under an indenture containing covenants that restrict our ability, with significant exceptions, to:

- incur debt secured by liens; and
- engage in sale/leaseback transactions.

Redemption	The notes are not redeemable prior to maturity.
Use of Proceeds	We intend to use the net proceeds (before expenses) of approximately $ to refinance a portion of existing bank borrowings under our revolving credit facility.
Clearance and Settlement	The notes will be cleared through The Depository Trust Company.
Governing Law	State of New York.

Table of Contents

FORWARD-LOOKING AND CAUTIONARY STATEMENTS

Some of the information included in this prospectus supplement, the attached prospectus and the documents we have incorporated by reference contain forward-looking statements. You can identify these forward-looking statements by the use of words such as strategy, expects, continues, plans, anticipates, believes, will, estimates, intends, projects, goals, targets anc meaning. You can also identify them by the fact that they do not relate strictly to historical or current facts.

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements and whether to invest in the notes. In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, we are identifying important factors that, individually or in the aggregate, could cause actual results and outcomes to differ materially from those contained in any forward-looking statements made by us; any such statement is qualified by reference to the following cautionary statements. We elaborate on these and other risks we face throughout the documents we have incorporated herein by reference. You should understand that it is not possible to predict or identify all risk factors. Consequently, you should not consider the following to be a complete discussion of all potential risks or uncertainties. We do not undertake to update any forward-looking statement that we may make from time to time.

Tobacco-Related Litigation

There is substantial litigation pending in the United States and in foreign jurisdictions arising out of the tobacco businesses of Philip Morris USA and Philip Morris International. We anticipate that new cases will continue to be filed. In some cases, plaintiffs claim damages, including punitive damages, ranging into the billions of dollars. Although, to date, our tobacco subsidiaries have never had to pay a judgment in a tobacco-related case, there are presently 12 cases on appeal in which verdicts were returned against Philip Morris USA, including a compensatory and punitive damages verdict totaling approximately $10.1 billion in the *Price* case in Illinois. In order to prevent a plaintiff from seeking to collect a judgment while the verdict is being appealed, the defendant must post an appeal bond, frequently in the amount of the judgment or more, or negotiate an alternative arrangement with plaintiffs. In the event of future losses at trial, we may not always be able to obtain the required bond or to negotiate an acceptable alternative arrangement.

The present litigation environment is substantially uncertain, and it is possible that our business, volume, results of operations, cash flows or financial position could be materially affected by an unfavorable outcome of pending litigation, including certain of the verdicts against us that are on appeal. We intend to continue vigorously defending all tobacco-related litigation, although we may settle particular cases if we believe it is in the best interest of our shareholders to do so. Please see Recent Developments and our quarterly report on Form 10-Q for the quarter ended June 30, 2003, which is incorporated herein by reference for a description of tobacco-related litigation.

Anti-Tobacco Action in the Public and Private Sectors

Our tobacco subsidiaries face significant governmental action aimed at reducing the incidence of smoking and seeking to hold us responsible for the adverse health effects associated with both smoking and exposure to environmental tobacco smoke.

Governmental actions, combined with the diminishing social acceptance of smoking and private actions to restrict smoking, have resulted in reduced industry volume, and we expect this decline to continue.

Excise Taxes

Substantial excise tax increases have been and continue to be imposed on cigarettes in the United States at the federal, state and local levels, as well as in foreign jurisdictions. The resulting price

Table of Contents

increases have caused, and may continue to cause, consumers to cease or reduce smoking, to shift from premium to discount brands and to purchase cigarettes outside of legitimate channels.

Increased Competition in the Domestic Tobacco Market

Settlements of certain tobacco litigation in the United States, combined with excise tax increases, have resulted in substantial cigarette price increases. Philip Morris USA faces increased competition from lowest priced brands sold by certain domestic and foreign manufacturers that enjoy cost advantages because they are not making payments under the settlements or related state escrow legislation. Additional competition has resulted from diversion into the domestic market of cigarettes intended for sale outside the United States, the sale of counterfeit cigarettes by third parties, the sale of cigarettes by third parties over the Internet and by other means designed to avoid the collection of applicable taxes and increased imports of foreign lowest priced brands. The competitive environment has been characterized by weak economic conditions, erosion of consumer confidence, a continued influx of cheap products, and higher prices due to higher state excise taxes and list price increases. As a result, the lowest priced products of manufacturers of numerous small share brands have increased their market share, putting pressure on the industry s premium segment.

Governmental Investigations

From time to time, Altria and its tobacco subsidiaries are subject to governmental investigations on a range of matters. Ongoing investigations include allegations of contraband shipments of cigarettes, allegations of unlawful pricing activities within certain international markets and allegations of false and misleading usage of the terms Lights and Ultra Lights in brand descriptors. We cannot predict the outcome of those investigations or whether additional investigations may be commenced, and it is possible that our business could be materially affected by an unfavorable outcome of pending or future investigations.

New Tobacco Product Technologies

Our tobacco subsidiaries continue to seek ways to develop and to commercialize new product technologies that may reduce the risk of smoking. Their goal is to reduce harmful constituents in tobacco smoke while continuing to offer adult smokers products that meet their taste expectations. We cannot guarantee that our tobacco subsidiaries will succeed in these efforts. If they do not succeed, but one or more of their competitors do, our tobacco subsidiaries may be at a competitive disadvantage.

Foreign Currency

Our international food and tobacco subsidiaries conduct their businesses in local currency and, for purposes of financial reporting, their results are translated into U.S. dollars based on average exchange rates prevailing during a reporting period. During times of a strengthening U.S. dollar, our reported net revenues, operating income and net earnings will be reduced because the local currency will translate into fewer U.S. dollars.

Competition and Economic Downturns

Each of our consumer products subsidiaries is subject to intense competition, changes in consumer preferences and local economic conditions. To be successful, they must continue:

- to promote brand equity successfully;
- to anticipate and respond to new consumer trends;
- to develop new products and markets and to broaden brand portfolios in order to compete effectively with lower priced products in a consolidating environment at the retail and manufacturing levels;
- to improve productivity; and
- to respond effectively to changing prices for their raw materials.

Table of Contents

The willingness of consumers to purchase premium cigarette brands and premium food and beverage brands depends in part on local economic conditions. In periods of economic uncertainty, consumers tend to purchase more private label and other economy brands and the volume of our consumer products subsidiaries could suffer accordingly.

Our finance subsidiary, PMCC, holds investments in finance leases, principally in transportation, power generation and manufacturing equipment and facilities. Its lessees are also subject to intense competition and economic conditions. If counterparties to PMCC s leases fail to manage through difficult economic and competitive conditions, PMCC may have to increase its allowance for losses, which would adversely affect our profitability.

Grocery Trade Consolidation

As the retail grocery trade continues to consolidate and retailers grow larger and become more sophisticated, they demand lower pricing and increased promotional programs. Further, these customers are reducing their inventories and increasing their emphasis on private label products. If Kraft fails to use its scale, marketing expertise, branded products and category leadership positions to respond to these trends, its volume growth could slow or it may need to lower prices or increase promotional support of its products, any of which would adversely affect profitability.

Continued Need to Add Food and Beverage Products in Faster Growing and More Profitable Categories

The food and beverage industry s growth potential is constrained by population growth. Kraft s success depends in part on its ability to grow its business faster than populations are growing in the markets that it serves. One way to achieve that growth is to enhance its portfolio by adding products that are in faster growing and more profitable categories. If Kraft does not succeed in making these enhancements, its volume growth may slow, which would adversely affect our profitability.

Strengthening Brand Portfolios Through Acquisitions and Divestitures

One element of the growth strategy of Kraft and Philip Morris International is to strengthen their brand portfolios through active programs of selective acquisitions and divestitures. These subsidiaries are constantly investigating potential acquisition candidates and from time to time sell businesses that are outside their core categories or that do not meet their growth or profitability targets. Acquisition opportunities are limited and acquisitions present risks of failing to achieve efficient and effective integration, strategic objectives and anticipated revenue improvements and cost savings. There can be no assurance that we will be able to continue to acquire attractive businesses on favorable terms or that all future acquisitions will be quickly accretive to earnings.

Raw Material Prices

The raw materials used by our consumer products subsidiaries are largely commodities that experience price volatility caused by external conditions, commodity market fluctuations, currency fluctuations and changes in governmental agricultural programs.

Commodity price changes may result in unexpected increases in raw material and packaging costs, and our operating subsidiaries may be unable to increase their prices to offset these increased costs without suffering reduced volume, net revenues and operating companies income. We do not fully hedge against changes in commodity prices and our hedging procedures may not work as planned.

Food Safety, Quality and Health Concerns

We could be adversely affected if consumers in Kraft s principal markets lose confidence in the safety and quality of certain food products. Adverse publicity about these types of concerns, like the

S-5

Table of Contents

recent publicity about genetically modified organisms and mad cow disease in Europe, whether or not valid, may discourage consumers from buying Kraft s products or cause production and delivery disruptions. Recent publicity concerning the health implications of obesity and trans fatty acids could also reduce consumption of certain of Kraft s products. In addition, Kraft may need to recall some of its products if they become adulterated or misbranded. Kraft may also be liable if the consumption of any of its products causes injury. A widespread product recall or a significant product liability judgment could cause products to be unavailable for a period of time and a loss of consumer confidence in Kraft s food products and could have a material adverse effect on Kraft s business.

No Access to Commercial Paper Market

As a result of recent actions by credit rating agencies, Altria currently is unable to access the commercial paper market, and must rely on its revolving credit facilities instead.

Table of Contents

THE COMPANY

The Altria family of companies forms the largest consumer packaged goods business in the world.* We, through our wholly-owned subsidiaries, Philip Morris USA and Philip Morris International, and our majority-owned subsidiary, Kraft, are engaged in the manufacture and sale of various consumer products, including cigarettes, foods and beverages. Our consumer packaged goods companies have brand portfolios that include some of the most familiar tobacco and food names in the world, including ***Marlboro***, ***Parliament***, ***Virginia Slims***, ***L&M***, ***Kraft***, ***Philadelphia***, ***Nabisco***, ***Oreo***, ***Oscar Mayer***, ***Maxwell House***, ***Post*** and ***Jacobs***. In addition, we have a 36% economic interest in SABMiller plc (SABMiller), the world s second largest brewer. PMCC, another wholly-owned subsidiary, is primarily engaged in leasing activities.

Philip Morris USA, our domestic tobacco subsidiary, is the largest tobacco company in the United States. Philip Morris International, our international tobacco subsidiary, is the most profitable international tobacco company. ***Marlboro***, the principal cigarette brand of these companies, has been the world s largest-selling cigarette brand since 1972.

Kraft conducts its global business through its subsidiaries: Kraft Foods North America, Inc. and Kraft Foods International, Inc. Kraft is engaged in the manufacture and sale of branded foods and beverages in the United States, Canada, Europe, the Middle East and Africa, Latin America and Asia Pacific.

In May 2003, PMCC announced that it is shifting its strategic focus from an emphasis on the growth of its portfolio of finance leases through new lease investments to one of maximizing investment gains and generating cash flows from its existing portfolio of leased assets.

We benefit from the geographic diversity of revenues generated by our subsidiaries: Kraft has operations in 68 countries and sells its products in more than 150 countries. In 2002, Philip Morris International had a market share of at least 15%, and in a number of instances substantially more than 15%, in more than 60 markets, including Argentina, Austria, Belgium, Brazil, the Czech Republic, Finland, France, Germany, Greece, Hong Kong, Israel, Italy, Japan, Malaysia, Mexico, the Netherlands, the Philippines, Poland, Portugal, Romania, Russia, Saudi Arabia, Singapore, Spain, Switzerland, Turkey and Ukraine.

Recent Developments

For the nine months ended September 30, 2003 and the year ended December 31, 2002, we had net revenues of $61.1 billion and $80.4 billion, respectively, operating income of $12.3 billion and $16.6 billion, respectively, net earnings of $7.1 billion and $11.1 billion, respectively, and diluted earnings per share of $3.50 and $5.21, respectively.

Reference is made to Note 10 to Altria s unaudited condensed consolidated financial statements for the quarter ended June 30, 2003 and Exhibits 99.1 and 99.2 to Altria s quarterly report on Form 10-Q for the quarter ended June 30, 2003, which is incorporated herein by reference, for a description of certain litigation pending against Altria, its subsidiaries and affiliates, and their respective indemnitees. The following summarizes certain developments with respect to such litigation since the date of such Form 10-Q:

Lights/Ultra Lights Class Actions

In September 2003, the Illinois Supreme Court upheld the reduced bond set by the trial court in *Price, et al. v. Philip Morris Incorporated* and announced it would hear Philip Morris USA s appeals on the merits without the need for intermediate court review.

---

* References to the competitive ranking of our subsidiaries in their various businesses are based on sales data or, in the case of cigarettes, shipments, unless otherwise indicated.

Table of Contents

Plaintiffs motions for class certification were granted in two cases pending against Altria and Philip Morris USA in state court in Ohio (*Marrone, et al. v. Philip Morris Companies Inc. and Philip Morris Incorporated* and *Philipps, et al. v. Philip Morris Incorporated, et al.*). Class certification was granted as to plaintiffs claims that defendants violated Ohio s Consumer Sales Practices Act pursuant to which plaintiffs allege that class members are entitled to reimbursement of the costs of cigarettes purchased during the class periods. Class membership is limited to the residents of six Ohio counties. Defendants have appealed the class certification orders.

In September 2003, the Single Justice sitting on behalf of the Massachusetts Court of Appeals reported its May 2003 decision that ordered the decertification of a class to an appellate panel for further consideration (*Aspinall, et al. v. Philip Morris Companies Inc. and Philip Morris Incorporated*). In October 2003, Massachusetts highest court granted plaintiffs application for direct appeal to that court.

Since August 13, 2003, one putative Lights/Ultra Lights class action has been filed in state court in Delaware against Philip Morris USA, Altria and Philip Morris International (*Holmes v. Philip Morris USA Inc., et al.*).

Smoking and Health Class Actions

Plaintiffs motion for reconsideration of the appellate court ruling that orders the class decertified was denied in the *Engle* case pending in Florida. Plaintiffs have petitioned the Florida Supreme Court for further review.

The second phase of trial in the *Scott* case pending in state court in Louisiana has been scheduled to begin in December 2003.

In October 2003, the United States District Court for the District of Nevada granted defendants motions to deny class certification in 20 cases. Defendants filed the motions following the court s July 2003 decision denying plaintiffs motion for class certification in five other cases that asserted class definitions identical to those in the 20 cases.

Individual Smoking and Health Cases

In October 2003, a Florida jury returned a verdict in favor of defendants, including Philip Morris USA, in an individual smoking and health case brought by a flight attendant seeking compensatory damages for personal injuries allegedly caused by environmental tobacco smoke (*Routh*).

In October 2003, the United States Supreme Court set aside an Oregon appellate court s opinion affirming a $79.5 million punitive damages award to a smoker s estate, and directed the Oregon court to reconsider the case in light of the recent *State Farm* decision by the United States Supreme Court, which limited punitive damages (*Estate of Jesse D. Williams, et al. v. Philip Morris Inc.*).

In September 2003, the California Court of Appeal, citing the *State Farm* decision, reduced the punitive damages award to $9 million from $25 million in *Henley v. Philip Morris Incorporated, et al.* Philip Morris USA intends to appeal. Plaintiff s motion for reconsideration was denied in October 2003.

Trials are currently underway in an individual smoking and health case in New Hampshire (*Longden*) and in an individual smoking and health case in Missouri (*Thompson*).

Since August 13, 2003, 11 individual smoking and health cases have been filed against Philip Morris USA.

Health Care Cost Recovery Actions

In connection with the health care cost recovery action filed by the United States government, in October 2003, the government filed a motion for summary judgment on an element of its underlying claim.

In connection with defendants appeal of the judgment entered by the trial court in *Blue Cross and Blue Shield of New Jersey, Inc., et al. v. Philip Morris Incorporated, et al.*, in September 2003, the

Table of Contents

United States Court of Appeals for the Second Circuit certified two questions relating to plaintiff s direct claims of deceptive business practices to the New York Court of Appeals. The Second Circuit reversed the portion of the judgment relating to the verdict returned against defendants under plaintiff s subrogation claim, and deferred its ruling on defendants appeal of the attorneys fees award until such time as the New York Court of Appeals rules on the certified questions.

In September 2003, the United States Court of Appeals for the Eighth Circuit affirmed the trial court ruling dismissing all damage claims sought in a health care cost recovery action brought by two health maintenance organizations (*Group Health Plan, et al. v. Philip Morris Incorporated, et al.*). In October 2003, plaintiffs voluntarily dismissed their remaining claims.

In September 2003, the trial court dismissed a health care cost recovery case pending in France (*The Caisse Primaire d Assurance Maladie of Saint Nazaire v. SEITA, et al.*).

In September 2003, the United States Court of Appeals for the Second Circuit affirmed the trial court s ruling that granted defendants motion to dismiss the case in an action brought on behalf of a class of private plaintiffs under the federal Medicare Secondary Payer Act (*Mason, et al. v. The American Tobacco Company, et al.*). Plaintiffs motion for reconsideration is pending.

In August 2003, following the refusal by the Florida Supreme Court to hear the appeal of the Republic of Venezuela in connection with the dismissal of its health care cost recovery action, the trial court hearing the health care cost recovery actions brought in Florida by the Republic of Tajikistan and the Brazilian State of Tocantins granted defendants motions to dismiss the cases. Subsequently, plaintiffs voluntarily dismissed 21 health care cost recovery cases brought in Florida by various foreign governmental entities.

Cigarette Contraband Cases

In August 2003, the United States Court of Appeals for the Eleventh Circuit affirmed the dismissals of the cases brought by Belize, Ecuador and Honduras.

Tobacco Price Cases

In September 2003, the Circuit Court of the State of Michigan granted defendants motion for summary judgment dismissing plaintiffs state antitrust claims. Plaintiffs have appealed the decision (*DelSeronne, et al. v. Philip Morris Companies Inc., et al.*).

In September 2003, the United States Court of Appeals for the Eleventh Circuit affirmed the trial court s ruling that granted defendants motion for summary judgment dismissing seven consolidated cases pending in Georgia (*In re: Cigarette Antitrust Litigation, MDL No. 1342*).

In August 2003, the Arizona Supreme Court affirmed the Court of Appeals ruling that held that the trial court improperly dismissed plaintiffs   state antitrust claims against the defendants (*Gray, M.D., et al. v. Philip Morris Companies Inc., et al.*).

Governmental Investigations

In September 2003, the competition authority in Greece initiated an investigation into recent pricing increases by participants in that market. Philip Morris International s affiliates are responding to the authority s requests for information.

Tobacco Growers   Case

In October 2003, the trial court approved the settlement agreement that Philip Morris USA, certain other defendants and plaintiffs had entered into during the second quarter of 2003, but the court has not yet ruled on plaintiffs   request for attorneys   fees.

Table of Contents

USE OF PROCEEDS

We plan to use the net proceeds of the offering (before expenses), estimated to be approximately $, to refinance a portion of existing borrowings under our revolving credit facility. Borrowings under our revolving credit facility currently bear interest at 1.995% and mature in July 2006.

As a result of actions by the three major credit rating agencies in March 2003, our access to the commercial paper market was eliminated. Subsequently, in April 2003, we began to borrow against our existing revolving credit facility to repay maturing commercial paper and to fund normal working capital needs.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our historical ratios of earnings available for fixed charges to fixed charges for the periods indicated:

	Nine months ended	Years ended December 31,				
	September 30, 2003	2002	2001	2000	1999	1998
Ratios of earnings available for fixed charges to fixed charges (1)	10.0	11.9	8.2	11.3	10.3	7.6

Earnings available for fixed charges represent earnings before income taxes, minority interest and cumulative effect of accounting change(s) and fixed charges excluding capitalized interest, net of amortization, reduced by undistributed earnings of our less than 50% owned affiliates. Fixed charges represent interest expense, amortization of debt discount and expenses and capitalized interest, plus that portion of rental expense deemed to be the equivalent of interest.

(1) Earnings before income taxes, minority interest and cumulative effect of accounting change(s) for the year ended December 31, 2002 include a non-recurring pre-tax gain of $2.6 billion related to the merger of Miller Brewing Company into South African Breweries plc described in our summary historical financial data in this prospectus supplement. Excluding this gain, the ratio of earnings available for fixed charges to fixed charges would have been 10.3 for the year ended December 31, 2002.

Table of Contents

CAPITALIZATION

The following table sets forth our capitalization on a consolidated basis at September 30, 2003. We have presented our capitalization:

- on an actual basis; and
- on an as adjusted basis to reflect the issuance of notes offered hereby and the use of the net proceeds therefrom (before expenses) to refinance a portion of existing bank borrowings. See Use of Proceeds.

You should read the following table along with our Current Report on Form 8-K dated October 16, 2003 and our consolidated financial statements and related notes, together with management s discussion and analysis of financial condition and results of operations, that we have incorporated herein by reference, and our summary historical financial data included in this prospectus supplement.

	At September 30, 2003	
	Actual	As Adjusted
	(in millions)	
Consumer products short-term borrowings, including current maturities(1)	$ 5,937	$
Consumer products long-term debt:		
$ % Notes Due 20		
$ % Notes Due 20		
Other indebtedness with various interest rates and maturities(1)	18,548	
Total consumer products long-term debt	18,548	
Financial services long-term debt	2,083	2,083
Total debt	26,568	
Total stockholders equity	22,829	22,829
Total capitalization	$ 49,397	$

(1) Certain consumer products short-term borrowings have been reclassified as long-term based on our ability and intention to refinance certain of these borrowings on a long-term basis. Long-term rates and maturities for such refinancings will vary depending on market conditions at the time of issuance.

Table of Contents

SUMMARY HISTORICAL FINANCIAL DATA

The following table presents our summary historical financial data and has been derived from and should be read along with our Current Report on Form 8-K dated October 16, 2003 containing our earnings release for the nine months ended September 30, 2003 and our consolidated financial statements and related notes and management s discussion and analysis of financial condition and results of operations, that we have incorporated herein by reference. The financial data for the nine months ended September 30, 2003 and 2002 include all adjustments, consisting of normal recurring accruals, which we consider necessary for a fair presentation of our results of operations for these periods.

On June 13, 2001, Kraft completed an initial public offering (IPO) of 280 million shares of its Class A common stock at a price of $31.00 per share. The IPO proceeds, net of underwriting discount and expenses, of $8.4 billion were used to retire a portion of the debt incurred to finance the acquisition in 2000 of Nabisco.

On May 30, 2002, we announced an agreement with South African Breweries plc (SAB) to merge Miller Brewing Company into SAB. The transaction closed on July 9, 2002, and SAB changed its name to SABMiller plc. The shares in SABMiller owned by us resulted in a 36% economic interest in SABMiller and a 24.9% voting interest. The transaction resulted in a pre-tax gain of $2.6 billion, or $1.7 billion after-tax. The gain was recorded in the third quarter of 2002. Beginning with the third quarter of 2002, we ceased reporting beer as a business segment, and began recording our share of SABMiller s net earnings, based on our economic ownership percentage, in minority interest in earnings and other, net, on our consolidated statement of earnings.

Recently Adopted Accounting Standards

On January 1, 2002, we adopted Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations and SFAS No. 142, Goodwill and Other Intangible Assets. As a result, we stopped recording the amortization of goodwill and indefinite life intangible assets as a charge to earnings as of January 1, 2002. We estimate that net earnings and diluted earnings per share would have been $9.5 billion and $4.30, respectively, for the year ended December 31, 2001, had the provisions of the new standards been applied as of January 1, 2001.

Table of Contents

	Nine Months Ended September 30,		Year Ended December 31,	
	2003	**2002**	**2002**	**2001**
	(in millions, except per share data)			
Statement of Earnings Data:				
Net revenues	$ 61,141	$ 61,634	$ 80,408	$ 80,879
Cost of sales	23,456	24,707	32,748	33,900
Excise taxes on products	15,868	13,916	18,226	17,209
Gross profit	21,817	23,011	29,434	29,770
Marketing, administration and research costs	9,331	9,311	12,282	12,461
Domestic tobacco legal settlement	182			
Domestic tobacco headquarters relocation charges	36			
Gains on sales of businesses	(23)	(3)	(80)	(8)
Asset impairment and exit costs	6	223	223	19
Integration costs and a loss on sale of a food factory		119	111	82
Provision for airline industry exposure			290	
Litigation related expense				500
Amortization of intangibles	7	5	7	1,014