KRAFT FOODS INC
Form DEF 14A
March 05, 2004

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SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

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Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

Kraft Foods Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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KRAFT FOODS INC.

LOUIS C. CAMILLERI
CHAIRMAN OF THE BOARD

THREE LAKES DRIVE
NORTHFIELD, IL 60093

March 5, 2004

Dear Fellow Stockholder:

You are cordially invited to attend the 2004 Annual Meeting of Stockholders of Kraft Foods Inc. The meeting will be held at 9:00 a.m. on Tuesday, April 27, 2004, at the Kraft Foods Inc. Robert M. Schaeberle Technology Center, 188 River Road, East Hanover, New Jersey.

At the meeting, we will elect nine directors and vote on the ratification of the selection of independent auditors. There will also be a report on the Company's business, and stockholders will have an opportunity to ask questions.

Attendance at the annual meeting will be limited to stockholders of record as of March 3, 2004. Stockholders attending the meeting will be required to present a site pass to gain access to the grounds where the Kraft Foods Inc. Robert M. Schaeberle Technology Center is located. If you are a stockholder and plan to attend the meeting, you MUST request a site pass by April 20, 2004 by writing to the Corporate Secretary, Kraft Foods Inc., Three Lakes Drive, Northfield, Illinois 60093 or by faxing your request to the Corporate Secretary at 847-646-2950. If your shares are not registered in your name, evidence of your stock ownership as of March 3, 2004 must accompany your letter. You can obtain this evidence from your bank or brokerage firm, typically in the form of your most recent monthly statement. The site pass will be mailed to you in advance of the meeting. In addition, if you plan to attend the meeting, please bring government-issued photographic identification.

The meeting facilities will open at 7:30 a.m. We suggest you arrive early to facilitate your registration and security clearance. Those needing special assistance at the meeting are requested to write the Corporate Secretary at Three Lakes Drive, Northfield, Illinois 60093. **For your comfort and security, you will not be permitted to bring any packages, briefcases, large pocketbooks or bags into the meeting. Also, cellular and digital phones, audio tape recorders, laptops, video and still cameras, pagers and pets will not be permitted into the meeting.**

We are pleased to announce that this year, instead of distributing gift boxes containing product samples to stockholders who attend the Annual Meeting, the Company has made a donation to a Morris County, New Jersey- based not-for-profit organization that provides structured learning activities focusing on children's health, nutrition, physical education, and well-being.

The vote of each stockholder is important to us. You can vote by signing, dating and returning the enclosed proxy card. Also, most stockholders may vote by telephone or over the Internet. Instructions for using these convenient services are set forth on the enclosed proxy. I urge you to vote your proxy as soon as possible. In this way, you can be sure your shares will be voted at the meeting.

Sincerely,

For further information about the Annual Meeting,
please call 1-800-295-1255

KRAFT FOODS INC.
Three Lakes Drive
Northfield, Illinois 60093

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To be held Tuesday, April 27, 2004

To the Stockholders of
KRAFT FOODS INC.:

The Annual Meeting of Stockholders of Kraft Foods Inc. will be held on Tuesday, April 27, 2004, at the Kraft Foods Inc. Robert M. Schaeberle Technology Center, 188 River Road, East Hanover, New Jersey at 9:00 a.m. The purpose of the meeting is to:

(1) Elect nine directors;

(2) Ratify the selection of independent auditors for the fiscal year ending December 31, 2004; and

(3) Transact such other business as may properly come before the meeting.

Only holders of record of Common Stock at the close of business on March 3, 2004, will be entitled to vote at the meeting.

Marc S. Firestone
Executive Vice President,
General Counsel and Corporate Secretary

March 5, 2004

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PROXIES AND VOTING INFORMATION

Solicitation of Proxies

This proxy statement is furnished by the Board of Directors (the "Board") of Kraft Foods Inc. (the "Company"), Three Lakes Drive, Northfield, Illinois 60093, in connection with its solicitation of proxies for use at the Annual Meeting of Stockholders to be held on Tuesday, April 27, 2004, at 9:00 a.m., at the Kraft Foods Inc. Robert M. Schaeberle Technology Center, 188 River Road, East Hanover, New Jersey, and at any and all adjournments thereof. Mailing of the proxy statement will commence on or about March 11, 2004. Holders of record of the Company's Class A Common Stock and Class B Common Stock (collectively, the "Common Stock") at the close of business on March 3, 2004, will be entitled to vote on all matters to come before the meeting. Holders of Class A Common Stock will be entitled to one vote for each share held. As of March 3, 2004, there were outstanding 543,652,138 shares of Class A Common Stock, of which 276,589,020 were held by Altria Group, Inc. ("Altria Group"). Holders of Class B Common Stock will be entitled to ten votes for each share held. As of March 3, 2004, there were outstanding 1,180,000,000 shares of Class B Common Stock, all of which were held by Altria Group.

Stockholders are urged to sign and date the enclosed proxy and return it as promptly as possible in the envelope enclosed for that purpose. Registered stockholders can also deliver proxies by calling a toll-free telephone number or by using the Internet. The telephone and Internet voting procedures are designed to authenticate stockholders' identities, to allow stockholders to give their voting instructions and to confirm that stockholders' instructions have been recorded properly. Instructions for voting by telephone or over the Internet are set forth on the enclosed proxy card. Most stockholders whose shares are held by a broker or other nominee are also afforded the opportunity to vote by telephone or over the Internet. Instructions are set forth on the enclosed proxy.

A proxy may be revoked at any time before it has been voted at the meeting by submitting a later-dated proxy (including a proxy by telephone or over the Internet) or by giving written notice to the Corporate Secretary of the Company. Unless the proxy is revoked or there is a direction to abstain on one or more proposals, it will be voted on each proposal and, if a choice is made with respect to any matter to be acted upon, in accordance with such choice. If no choice is specified, the proxy will be voted as recommended by the Board. The proxy will also serve to instruct the trustee of each defined contribution plan sponsored by the Company how to vote the plan shares of a participating stockholder or employee. The trustee of each defined contribution plan will vote the plan shares for which proxies are not received in the same proportion as the shares for which proxies are received.

Voting at the Meeting

A majority of the votes entitled to be cast on matters to be considered at the meeting constitutes a quorum. If a share is represented for any purpose at the meeting, it is deemed to be present for all other matters. Abstentions and shares held of record by a broker or its nominee ("Broker Shares") that are voted on any matter are included in determining the number of votes present. Broker Shares that are not voted on any matter at the meeting will not be included in determining whether a quorum is present.

The election of each nominee for director requires a plurality of the votes cast. In order to be approved, the votes cast for the ratification of the selection of independent auditors must exceed the votes cast against such ratification. Abstentions and Broker Shares that are not voted on the matter will not be included in determining the number of votes cast. Altria Group has advised the Company that it intends to vote for each of the nine nominees for director and for the ratification of the selection of PricewaterhouseCoopers LLP ("PricewaterhouseCoopers") as independent auditors.

Stockholders' proxies are received by the Company's independent proxy processing agent, and the vote is certified by independent inspectors of election. Proxies and ballots that identify the vote of individual stockholders will be kept confidential, except as necessary to meet legal requirements, in cases where stockholders write comments on their proxy cards or in a contested proxy solicitation. During the proxy solicitation period, the Company will receive vote tallies from time to time from the inspectors, but such tallies will provide aggregate figures rather than names of stockholders. The independent inspectors will notify the Company if a stockholder has failed to vote so that he or she may be reminded and requested to do so.

BOARD OF DIRECTORS

Board of Directors

The primary responsibility of the Board is to foster the long-term success of the Company, consistent with its fiduciary duty to the stockholders. The Board has responsibility for establishing broad corporate policies, setting strategic direction, and overseeing management, which is responsible for the day-to-day operations of the Company. In fulfilling this role, each director must exercise his or her good faith business judgment of the best interests of the Company.

The Board typically holds regular meetings in January, March, April, June, August, October and December, and special meetings are held when necessary. The organizational meeting follows immediately after the Annual Meeting of Stockholders. One of the meetings is held at an offsite location for several days each year to review the Company's strategic plan. The Board held nine meetings in 2003. Directors are expected to attend Board meetings, the Annual Meeting of Stockholders, and meetings of the Committees on which they serve, with the understanding that on occasion a director may be unable to attend a meeting. During 2003, all nominees for director attended the 2003 Annual Meeting of Stockholders and at least 75% of the aggregate number of meetings of the Board and all Committees of the Board on which they served.

The Board has adopted Corporate Governance Guidelines, which are attached as Exhibit A to this proxy statement and posted on the Company's website, www.kraft.com. The information on the Company's website is not, and shall not be deemed to be, a part of this proxy statement or incorporated into any other filings the Company makes with the Securities and Exchange Commission.

Executive Sessions of the Board

Non-management directors meet in executive session at each regularly scheduled Board meeting without any members of management being present. In lieu of a regularly presiding director, these sessions are presided over by the Chairman, the chair of the Audit Committee, or the chair of the Compensation and Governance Committee, depending upon the subject matter to be covered in the meeting. At least once each year, the Board will hold an executive session at which only those directors who meet the independence standards of the New York Stock Exchange ("NYSE") are present.

Communications with the Board

Stockholders who wish to communicate with the Board may do so by writing to Non-Management Directors, Board of Directors, Kraft Foods Inc., Three Lakes Drive, Northfield, IL 60093 or to Kraft-Board@kraft.com. The non-management directors have established procedures for the handling of communications from stockholders and directed the Corporate Secretary to act as their agent in processing any communications received. All communications that relate to matters that are within the scope of the responsibilities of the Board and its Committees are to be forwarded to the non-management directors. Communications that relate to matters that are within the responsibility of one of the Board Committees are also to be forwarded to the chair of the appropriate Committee. Communications that relate to ordinary business matters that are not within the scope of the Board's responsibilities, such as consumer complaints, are to be sent to the appropriate executive. Solicitations, junk mail and obviously frivolous or inappropriate communications are not to be forwarded, but will be made available to any non-management director who wishes to review them.

Committees of the Board

The Board has established two Committees of the Board to assist it with the performance of its responsibilities: the Audit Committee and the Compensation and Governance Committee. The Board designates the members of these Committees and the Committee chairs annually at its organizational meeting following the Annual Meeting of Stockholders, based on the recommendation of the Compensation and Governance Committee. The Board has

adopted written charters for these Committees. The chair of each Committee develops the agenda for that Committee and determines the frequency and length of Committee meetings.

The Audit Committee consists entirely of non-management directors, all of whom the Board has determined are independent within the meaning of the listing standards of the NYSE and Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Its responsibilities, which include the approval of material transactions with Altria Group, are set forth in the Audit Committee Charter, which is included as Exhibit B to this proxy statement and is also available on the Company's website at www.kraft.com. The Audit Committee's report appears on page 8 of this proxy statement. The Audit Committee met 13 times in 2003. The current members of the Audit Committee are: Mr. Pope (chair), Mr. Farrell, Ms. Schapiro and Ms. Wright.

The Board has determined that all members of the Audit Committee are financially literate and that Mr. Pope is an "audit committee financial expert" within the meaning of the regulations of the Securities and Exchange Commission. No member of the Audit Committee received any payments in 2003 from the Company or its subsidiaries other than compensation received as a director of the Company. In addition, because Mr. Pope serves on the audit committees of more than three public companies, pursuant to the listing standards of the NYSE, and after reviewing meeting attendance records and other matters it deemed relevant, the Board has determined that such simultaneous service on such audit committees would not impair Mr. Pope's ability to serve effectively on the Company's Audit Committee.

The Compensation and Governance Committee consists entirely of non-management directors, all of whom the Board has determined are independent within the meaning of the listing standards of the NYSE. Its responsibilities are set forth in the Compensation and Governance Committee Charter, which is included as Exhibit C to this proxy statement and is also available on the Company's website at www.kraft.com. The Compensation and Governance Committee's Report on Executive Compensation appears on pages 13 to 16 of this proxy statement. The Compensation and Governance Committee met five times in 2003. The current members of the Compensation and Governance Committee are: Mr. Farrell (chair), Mr. Pope, Ms. Schapiro and Ms. Wright.

ELECTION OF DIRECTORS

Process for Nominating Directors

The Compensation and Governance Committee is responsible for identifying and evaluating nominees for director, other than the nominees designated by Altria Group (see "Director Nominations Controlled by Altria Group"), and for recommending to the Board a slate of nominees for election at the Annual Meeting of Stockholders.

In evaluating the suitability of individuals for Board membership, the Compensation and Governance Committee takes into account many factors, including whether the individual meets requirements for independence; the individual's general understanding of the various disciplines relevant to the success of a large publicly traded company in today's global business environment; the individual's understanding of the Company's global businesses and markets; the individual's professional expertise and educational background; and other factors that promote diversity of views and experience. The Compensation and Governance Committee evaluates each individual in the context of the Board as a whole, with the objective of recommending a group of directors that can best perpetuate the success of the business and represent stockholder interests through the exercise of sound judgment, using its diversity of experience. In determining whether to recommend a director for re-election, the Compensation and Governance Committee also considers the director's past attendance at meetings and participation in and contributions to the activities of the Board. The Compensation and Governance Committee has not established any specific minimum qualification standards for nominees to the Board, although from time to time the Compensation and Governance Committee may identify certain skills or attributes (e.g. financial experience, global business experience) as being particularly desirable to help meet specific Board needs that have arisen.

In identifying potential candidates for Board membership, the Compensation and Governance Committee relies on suggestions and recommendations from the Board, stockholders, management and others. From time to time, the Compensation and Governance Committee also retains search firms to assist it in identifying potential candidates

for director and currently has retained a search firm. Stockholders wishing to suggest candidates to the Compensation and Governance Committee for consideration as directors must submit a written notice to the Corporate Secretary, who will provide it to the Compensation and Governance Committee. The Compensation and Governance Committee does not distinguish between nominees recommended by stockholders and other nominees. The Company's By-Laws set forth the procedures a stockholder must follow to nominate directors. These procedures are summarized in this proxy statement under the caption "2005 Annual Meeting."

Director Nominations Controlled by Altria Group

Under the terms of a corporate agreement entered into between the Company and Altria Group, so long as Altria Group owns shares representing 50% or more of the voting power of the Company's outstanding Common Stock, Altria Group has the right to designate for nomination by the Board three members of the Board, including the Chairman of the Board. Altria Group also has the right to fill any vacancy resulting from an Altria Group designee ceasing to serve on the Board. Altria Group's designees on the Board are currently Mr. Camilleri, Mr. Devitre and Mr. Wall.

Due to the possession by Altria Group of more than 97% of the voting power of the Company's outstanding Common Stock, the Board has determined that the Company is a "controlled company" within the meaning of Section 303A of the listing standards of the NYSE. Therefore, the Company relies upon the exemptions provided to controlled companies from compliance with Section 303A.01 of the listing standards of the NYSE, requiring that a majority of directors be independent. Additionally, as a controlled company, the Company is not required to have a nomination/corporate governance committee or a compensation committee composed entirely of independent directors. Even though not required, the Company has a Compensation and Governance Committee, consisting entirely of independent directors, which also performs functions similar to those of a nominating committee.

The Nominees

It is proposed that nine directors be elected to hold office until the next Annual Meeting of Stockholders and until their successors have been elected. The Compensation and Governance Committee has recommended to the Board, and the Board has approved, the persons named, and, unless otherwise marked, a proxy will be voted for such persons. Each of the nominees currently serves as a director and was elected by the stockholders at the 2003 Annual Meeting.

The Board has determined that each of the following nominees for director is independent in that such nominee has no material relationship with the Company: W. James Farrell, John C. Pope, Mary L. Schapiro and Deborah C. Wright. To assist it in making these determinations, the Board has adopted categorical standards of director independence that are set forth in Annex A to the Corporate Governance Guidelines included as Exhibit A to this proxy statement. Each of the above-named nominees qualifies as independent under these standards.

Although it is not anticipated that any of the persons named below will be unable or unwilling to stand for election, a proxy, in the event of such an occurrence, may be voted for a substitute designated by the Board. However, in lieu of designating a substitute, the Board may amend the Company's By-Laws to reduce the number of directors.

Louis C. Camilleri Chairman and Chief Executive Officer, Altria Group, Inc., New York, New York Director since March 2001 Age: 49	Mr. Camilleri has been Chairman of the Board of Directors of Altria Group since September 2002 and Chief Executive Officer of Altria Group since April 2002, having previously served as Senior Vice President and Chief Financial Officer of Altria Group since November 1996. Mr. Camilleri has been employed continuously by Altria Group and its subsidiaries since 1978. Mr. Camilleri has served as Chairman of the Company's Board since August 2002. He is a member of the Board of Directors of SABMiller plc and the New York Stock Exchange Board of Executives.
Roger K. Deromedi Chief Executive Officer Director since March 2001 Age: 50	Mr. Deromedi was elected Chief Executive Officer of the Company in December 2003. Prior to that time, he had been co-Chief Executive Officer of the Company since 2001 and President and Chief Executive Officer of Kraft Foods International, Inc. since 1999. Mr. Deromedi has been employed continuously by the Company and its subsidiaries and predecessor, General Foods Corporation, in various capacities since 1977, including service as Executive Vice President and General Manager of the Company's Cheese Division, Executive Vice President and General Manager of its Specialty Products Division, Group Vice President, Kraft Foods International, Inc. and President of its Asia Pacific and Western Europe regions. Mr. Deromedi is a member of the Board of Directors of The Gillette Company and serves on the Stanford Graduate School of Business Advisory Board.
Dinyar S. Devitre Senior Vice President and Chief Financial Officer, Altria Group, Inc., New York, New York Director since August 2002 Age: 56	Mr. Devitre has been Senior Vice President and Chief Financial Officer of Altria Group since April 2002. From April 2001 to March 2002, he acted as a private business consultant. From January 1998 to March 2001, Mr. Devitre was Executive Vice President at Citigroup Inc. in Europe. Before his assignment at Citigroup, Mr. Devitre's career with the Altria Group family of companies spanned a 27-year period in which he served in a variety of positions. Mr. Devitre is a Director of Lincoln Center Inc. and a trustee of the Asia Society Inc.
W. James Farrell Chairman and Chief Executive Officer, Illinois Tool Works Inc., Glenview, Illinois Director since August 2001 Age: 62	Mr. Farrell assumed his current position with Illinois Tool Works Inc., an international manufacturer of highly engineered fasteners, components, assemblies and systems, in May 1996. Mr. Farrell serves on the boards of Allstate Insurance Company, The Federal Reserve Bank of Chicago, Sears, Roebuck and Company, and UAL Corporation. In addition, he is a member of the Business Council, Illinois Roundtable and Mid-America Committee. He is President of the Chicago Club and Chairman of the Economic Club of Chicago. Mr. Farrell is also a trustee of Northwestern University and Rush Presbyterian-St. Luke's Medical Center and chair of the Board of Trustees for the Museum of Science and Industry, Junior Achievement of Chicago, and the Advisory Board of the Kellogg Graduate School of Management at Northwestern University. He is a director of the Lyric Opera of Chicago, the United Way/Crusade of Mercy, the Big Shoulders Fund, and the Chicago Public Library Foundation. Mr. Farrell is chair of the Compensation and Governance Committee and a

member of the Audit Committee.

Betsy D. Holden President, Global Marketing & Category Development Director since March 2001 Age: 48	Ms. Holden assumed her current position in January 2004. Prior to that time, she had been co-Chief Executive Officer of the Company since 2001 and President and Chief Executive Officer of Kraft Foods North America, Inc. since 2000. Ms. Holden has been employed continuously by the Company and its subsidiaries and predecessor, General Foods Corporation, in various capacities since 1982. Ms. Holden served as Executive Vice President of Kraft Foods North America with responsibility for operations, technology, procurement and marketing services from 1999 until May 2000. She also served as President of the Kraft Cheese Division from 1997 until 1998. Ms. Holden is a director of the Tribune Company, Evanston Northwestern Healthcare and Ravinia Music Festival. She also serves on the Advisory Board of the Kellogg Graduate School of Management at Northwestern University, the Board of the Museum of Science and Industry and Duke University's Trinity College Board of Visitors and is President of the Board of Directors of the Off the Street Club.
John C. Pope Chairman, PFI Group, LLC, Lake Forest, Illinois Director since July 2001 Age: 54	Mr. Pope is Chairman of PFI Group, LLC, a financial management firm that invests primarily in venture capital opportunities. From December 1995 to November 1999, Mr. Pope was Chairman of the Board of MotivePower Industries, Inc., a NYSE-listed manufacturer and remanufacturer of locomotives and locomotive components. Prior to joining MotivePower Industries, Inc., Mr. Pope served in various capacities with United Airlines and its parent, UAL Corporation, including as a Director, Vice Chairman, President, Chief Operating Officer, Chief Financial Officer, and Executive Vice President, Marketing and Finance. Prior to that time, he served as Senior Vice President of Finance, Chief Financial Officer and Treasurer for American Airlines and its parent, AMR Corporation. He also serves on the boards of Air Canada, CNF, Inc., Dollar Thrifty Automotive Group Inc., Federal-Mogul Corporation, Per-Se Technologies, Inc., R.R. Donnelley & Sons Co. and Waste Management, Inc., and is a member of the Board of Trustees of the John G. Shedd Aquarium in Chicago and Chairman of its Finance and Investment Committees. Mr. Pope will resign as a director of Air Canada and Federal Mogul Corporation upon each such corporation's emerging from reorganization proceedings, which is anticipated to occur for each corporation in the latter half of 2004. Mr. Pope is chair of the Audit Committee and a member of the Compensation and Governance Committee.
Mary L. Schapiro Vice Chairman, NASD, Inc., and President, Regulation Policy and Oversight, Washington, D.C. Director since July 2001 Age: 48	Ms. Schapiro assumed her current position with NASD, Inc. in May 2002, having previously held the position of President of NASD Regulation, Inc. since 1996. Prior to joining NASD, she was chair of the Commodity Futures Trading Commission and a Commissioner of the Securities and Exchange Commission. Ms. Schapiro also serves on the Board of Directors of Cinergy Corp., where she is Chair of its Audit Committee. She is a member of the Board of Trustees and Chair of the Audit Committee of Franklin and Marshall College. Ms. Schapiro is a member of the Audit and Compensation and Governance Committees.

Charles R. Wall Senior Vice President and General Counsel, Altria Group, Inc., New York, New York Director since August 2002 Age: 58	Mr. Wall is Senior Vice President and General Counsel of Altria Group, a position that he assumed in February 2000. Mr. Wall has been employed continuously by Altria Group in various capacities since 1990. Mr. Wall is a member of the Board of Directors of the New York City Opera and serves on the Board of The Neurosciences Institute in La Jolla, California.

Deborah C. Wright President and Chief Executive Officer, Carver Bancorp, Inc., New York, New York Director since July 2001 Age: 46	Ms. Wright assumed her current position with Carver Bancorp, Inc., the holding company for Carver Federal Savings Bank, a federally chartered savings bank and the nation's largest publicly traded African- and Caribbean-American operated bank, in 1999. Previously, she served as President and Chief Executive Officer of the Upper Manhattan Empowerment Zone Development Corporation from 1996 to 1999. Ms. Wright is a member of the Board of Overseers of Harvard University and the Memorial Sloan-Kettering Cancer Center. She serves on the boards of Carver Bancorp, Inc., The Partnership for New York City and the Ministers and Missionaries Benefit Board of the American Baptist Churches. Ms. Wright also served as a founding member of the Lower Manhattan Development Corporation. Ms. Wright is a member of the Audit and Compensation and Governance Committees.

The Board recommends a vote FOR the election of each of the nominees, and proxies received by the Board will be so voted unless stockholders specify a contrary choice in their proxies.

Compensation of Directors

Directors who are full-time employees of the Company or Altria Group receive no additional compensation for services as a director. With respect to all other directors ("non-employee directors"), the Company's philosophy is to provide competitive compensation and benefits necessary to attract and retain high-quality non-employee directors and to encourage ownership of Company stock to further align their interests with those of stockholders.

Pursuant to the 2001 Compensation Plans for Non-Employee Directors (the "Directors Plans"), non-employee directors receive an annual retainer of $35,000. Effective April 1, 2003, meeting fees for attending Board and Committee meetings were increased from $1,000 to $2,000 for each meeting attended. For additional services rendered in connection with Committee chair responsibilities, the chairs of the Audit and Compensation and Governance Committees receive a $5,000 annual retainer. Non-employee directors are also reimbursed for actual expenses in connection with attendance at Board and Committee meetings.

On April 22, 2003, pursuant to the Directors Plans, each non-employee director received a restricted stock award equal to that number of shares of Class A Common Stock having an aggregate fair market value of $50,000 on the date of grant. Accordingly, Mr. Farrell, Mr. Pope, Ms. Schapiro and Ms. Wright each received 1,647 restricted shares of Class A Common Stock. The aggregate fair market value of the annual share award will be increased to $100,000 in April 2004.

A non-employee director may elect to defer the award of restricted shares of Class A Common Stock, meeting fees and all or part of the annual retainer. Deferred fee amounts are "credited" to an unfunded bookkeeping account and may be "invested" in nine phantom "investment choices", including a Class A Common Stock equivalent account. These "investment choices" parallel the investment options offered to employees under the Kraft Foods Thrift Plan and determine the amounts credited as "earnings" for bookkeeping purposes to a director's account. Subject to certain restrictions, a director is permitted to take cash distributions, in whole or in part, from his or her account either prior to or following termination of service.

AUDIT COMMITTEE MATTERS

Audit Committee Report for the Year Ended December 31, 2003

To Our Stockholders:

Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal accounting control. The Audit Committee monitors the Company's financial reporting processes and systems of internal accounting control, the independence and performance of the independent auditors, and the performance of the internal auditors.

Management has represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the independent auditors. The Audit Committee has discussed with the independent auditors their evaluation of the accounting principles, practices and judgments applied by management, and the Audit Committee has discussed any items required to be communicated to it by the independent auditors in accordance with regulations promulgated by the Securities and Exchange Commission and the Public Company Accounting Oversight Board and standards established by the American Institute of Certified Public Accountants and the Independence Standards Board.

The Audit Committee has received from the independent auditors a letter describing any relationships with the Company that may bear on their independence and has discussed with the independent auditors the auditors' independence from the Company and its management. The Audit Committee has reviewed and approved the audit fees of the independent auditors. It has also reviewed non-audit services and fees to assure compliance with regulations prohibiting the independent auditors from performing specified services that might impair their independence, as well as compliance with the Company's and the Audit Committee's policies.

The Audit Committee discussed with the Company's internal auditors and independent auditors the overall scope of and plans for their respective audits. The Audit Committee has met with the internal auditors and the independent auditors, separately and together, with and without management present, to discuss the Company's financial reporting processes and internal accounting controls. The Audit Committee has reviewed significant audit findings prepared by the independent auditors and those prepared by the internal auditors, together with management's responses.

In reliance on the reviews and discussions referred to above, and without other independent verification, the Audit Committee recommended to the Board the inclusion of the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

Audit Committee:

John C. Pope, Chair
W. James Farrell
Mary L. Schapiro
Deborah C. Wright

The information contained in the report above shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates it by reference in such filing.

Independent Auditors' Fees

Audit Fees

Aggregate fees, including out-of-pocket expenses, for professional services rendered by PricewaterhouseCoopers in connection with (i) the audit of the Company's consolidated financial statements as of and for the year ended December 31, 2003, including statutory audits of the financial statements of the Company's affiliates that are relied on in performance of the audit of the Company's consolidated financial statements, and (ii) the reviews of the Company's unaudited condensed consolidated interim financial statements as of September 30, 2003, June 30, 2003, and March 31, 2003 were $10.7 million.

Aggregate fees for these services for the year ended December 31, 2002 were $10.2 million.

Audit-Related Fees

Aggregate fees, including out-of-pocket expenses, for professional services rendered by PricewaterhouseCoopers for audit-related services for the year ended December 31, 2003 were $2.9 million. Audit-related services include due diligence related to acquisitions, review of the Company's procedures related to internal controls over financial reporting, employee benefit plan audits, and procedures relating to various other audit and special reports.

Aggregate fees for these services for the year ended December 31, 2002 were $3.4 million.

Tax Fees

Aggregate fees, including out-of-pocket expenses, for professional services rendered by PricewaterhouseCoopers in connection with tax compliance and advice and preparation of employee expatriate tax returns for the year ended December 31, 2003 were $6.9 million.

Aggregate fees for these services for the year ended December 31, 2002 were $4.7 million.

All Other Fees

No fees were paid to PricewaterhouseCoopers during the year ended December 31, 2003 for any other professional services.

Fees, including out-of-pocket expenses, for all other miscellaneous professional services performed by PricewaterhouseCoopers during the year ended December 31, 2002 were $0.1 million.

Pre-Approval Policies

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. Pre-approval is detailed as to the particular service or category of service and is subject to a specific engagement authorization. The Audit Committee requires the independent auditors and management to report on the actual fees charged for each category of service at Audit Committee meetings throughout the year.

During the year, circumstances may arise when it may become necessary to engage the independent auditors for additional services not contemplated in the original pre-approval. In those instances, the Audit Committee requires specific pre-approval before engaging the independent auditors. The Audit Committee has delegated pre-approval authority to the Chair of the Audit Committee for those instances when pre-approval is needed prior to a scheduled Audit Committee meeting. The Chair of the Audit Committee must report on such approvals at the next scheduled Audit Committee meeting.

All fiscal year 2003 audit and non-audit services provided by the independent auditors were pre-approved.

RATIFICATION OF THE SELECTION OF INDEPENDENT AUDITORS

The Audit Committee has selected PricewaterhouseCoopers as the Company's independent auditors for the fiscal year ending December 31, 2004 and has further directed that management submit the selection of independent auditors for ratification by the stockholders at the Annual Meeting. Representatives of PricewaterhouseCoopers are expected to be present at the meeting, will be given an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

The Board recommends a vote FOR the ratification of the selection of PricewaterhouseCoopers, and proxies received by the Board will be so voted unless stockholders specify a contrary choice in their proxies.

OWNERSHIP OF EQUITY SECURITIES

The following table shows the number of shares of Class A Common Stock and Altria Group common stock beneficially owned at February 27, 2004, by each director, nominee for director, executive officer named in the Summary Compensation Table, and the directors and executive officers of the Company as a group. None of these individuals owns Class B Common Stock. Unless otherwise indicated, each of the named individuals has sole voting and investment power with respect to the shares shown. The beneficial ownership of the directors and executive officers of the Company individually and as a group is less than 1% of the outstanding Class A Common Stock and less than 1% of Altria Group's outstanding common stock.

	Amount and Nature of Beneficial Ownership	
Name	**Class A Common Stock(1)**	**Altria Group Common Stock(2)**
Louis C. Camilleri	18,000	2,600,274
Roger K. Deromedi	559,910	566,699
Dinyar S. Devitre	1,204	177,818
W. James Farrell	7,140	-0-
Betsy D. Holden	461,559	362,431
David S. Johnson	181,556	114,152
John C. Pope	8,685	-0-
Hugh H. Roberts	173,236	303,409
Mary L. Schapiro	7,385	-0-
Franz-Josef Vogelsang	95,926	150,790
Charles R. Wall	31,620	1,381,867
Deborah C. Wright	7,453	-0-
Group (33 persons)	2,922,646	7,792,180

(1) Includes maximum number of shares as to which these individuals can acquire beneficial ownership upon the exercise of stock options that are currently vested or that will vest before April 27, 2004 as follows: Mr. Deromedi, 279,569; Mr. Farrell, 3,800; Ms. Holden, 279,569; Mr. Johnson, 67,756; Mr. Pope, 3,995; Mr. Roberts, 61,296; Ms. Schapiro, 3,995; Mr. Vogelsang, 51,536; Mr. Wall, 26,620; Ms. Wright, 3,995; and group, 1,513,713. Also includes 939,078 shares of restricted stock and 287,750 shares of deferred stock awarded under the 2001 Performance Incentive Plan as follows: Mr. Deromedi, 255,630; Ms. Holden, 158,390; Mr. Johnson, 106,000; Mr. Roberts, 95,240; Mr. Vogelsang, 44,390; and group, 1,226,828. Also includes shares of restricted and deferred stock pursuant to the Directors Plans as follows: Mr. Farrell, 1,647; Mr. Pope, 1,647; Ms. Schapiro, 1,647; Ms. Wright, 3,458; and group, 8,399. Includes 300 shares as to which Mr. Pope disclaims beneficial ownership (shares held by children). Does not include share equivalents held pursuant to the Directors Plans as follows: Mr. Pope, 3,011; and Ms. Schapiro, 1,933.

(2) Includes maximum number of shares as to which these individuals can acquire beneficial ownership upon the exercise of stock options that are currently vested or that will vest before April 27, 2004 as follows: Mr. Camilleri, 1,999,990; Mr. Deromedi, 484,917; Ms. Holden, 313,876; Mr. Johnson, 90,585; Mr. Roberts, 222,940; Mr. Vogelsang, 136,790; Mr. Wall, 1,176,708; and group, 6,245,621. Also includes shares of restricted common stock as follows: Mr. Camilleri, 575,000; Mr. Devitre, 77,110; Mr. Wall, 151,050; and group, 823,390.

At March 3, 2004, Altria Group beneficially owned 276,589,020 shares of Class A Common Stock, representing 50.9% of the outstanding Class A Common Stock, and 1,180,000,000 shares of Class B Common Stock, representing 100% of the outstanding Class B Common Stock. Other than Altria Group, there are no persons or groups known to the Company to be beneficial owners of more than 5% of the outstanding Class A Common Stock.

EXECUTIVE COMPENSATION

Comparison of Cumulative Stockholder Return

The following graph compares the cumulative total stockholder return of the Company's Class A Common Stock from the Company's initial public offering, June 13, 2001, through December 31, 2003, with the cumulative total stockholder return for the same period of the S&P 500 Index and the peer group index. The graph assumes that $100 was invested in the Company's Class A Common Stock and each of the indices as of the market close on June 13, 2001, and that all dividends were reinvested.

The peer group index consists of companies considered market competitors of the Company, or that have been selected on the basis of industry, level of management complexity, global focus or industry leadership.

Date	Kraft Foods	S&P 500	Kraft Foods Peer Group(1)
June 13, 2001	$ 100.00	$ 100.00	$ 100.00
September 28, 2001	110.40	84.24	104.24
December 31, 2001	109.73	93.23	108.84
March 28, 2002	125.04	93.48	116.63
June 28, 2002	132.90	80.98	118.68
September 30, 2002	118.82	67.02	109.26
December 31, 2002	127.36	72.68	108.89
March 31, 2003	92.74	70.39	105.01
June 30, 2003	107.54	81.21	112.30
September 30, 2003	98.06	83.36	114.63
December 31, 2003	107.70	93.49	125.49

(1) The peer group consists of the following companies: Anheuser-Busch Companies, Inc., Cadbury Schweppes plc, Campbell Soup Company, The Clorox Company, The Coca-Cola Company, Colgate-Palmolive Company, ConAgra Foods, Inc., Diageo plc, General Mills, Inc., The Gillette Company, Groupe Danone, H.J. Heinz Company, Hershey Foods Corporation, Kellogg Company, Nestlé, S.A., PepsiCo, Inc., The Procter & Gamble Company, Sara Lee Corporation, and Unilever N.V.

Compensation and Governance Committee Report on Executive Compensation

To Our Stockholders:

This report discusses the Company's compensation programs for executive officers and details of the compensation paid to the Company's Chief Executive Officer for 2003.

The four primary goals of the Company's compensation programs are to:

- attract, retain, and motivate talented employees and develop world-class leaders;
- support the Company's mission of becoming the undisputed global food leader;
- emphasize the relationship between pay and performance by placing a significant portion of compensation at risk and subject to the achievement of short-term and long-term financial and strategic objectives; and
- align the interests of executives with those of stockholders through the use of long-term cash- and equity-based incentive awards, and through stock ownership guidelines.

To ensure that the Company's compensation programs are appropriately benchmarked relative to its competitors, the Committee compares the Company's compensation practices to the compensation practices of companies included in a compensation survey group. The compensation survey group is a broader and more diverse group of companies than those included in the peer group index used in the cumulative stockholder return graph on page 12 of this proxy statement, and consists of companies that compete with the Company for executive talent.

In 2003, the Committee considered the following in determining executive compensation levels under the Company's compensation programs:

- the Company's financial performance compared with its annual and long-term objectives and relative to the financial performance of companies in the performance peer group;
- individual contributions to the Company's performance;
- appropriate exercise of management and financial controls;
- achievement of results in an appropriate and ethical manner; and
- compensation levels set by companies within the compensation survey group.

The Company generally targets total compensation for executives within the top or fourth quartile of the compensation survey group, if business and individual performance targets are achieved. Based on the latest available data, aggregate total compensation for executives ranked within the third quartile of the compensation survey group. The total compensation ranking reflects below-target annual incentive awards due to lower than expected financial results in 2003.

There are three major elements to the Company's compensation program: base salary, short-term incentives, and long-term incentives, which include equity and cash. An overview of each of the major compensation program elements and the stock ownership guidelines follows.

Base Salary

Each year, the Committee determines the base salary for the Chief Executive Officer and reviews base salaries of those executives reporting to the Chief Executive Officer. In reviewing individual salaries, the Committee evaluates a number of factors, including the executive's individual performance, level of responsibility, tenure, prior experience, and a review of base salaries paid for comparable positions within the Company's compensation survey group.

Annual Incentives

The Company provides annual incentive opportunities to the Company's management and executive employees. Annual cash incentives reward participants for the achievement of annual financial, business and strategic results that positively impact total stockholder returns.

For 2003, annual incentive awards to executives were based on an assessment of individual, operating company and corporate performance. The Committee did not assign specific weights to the performance factors considered. The factors used to evaluate performance included financial measures such as operating company income, discretionary cash flow, earnings per share, and return on management investment. Each factor was measured against both actual 2002 results and the Company's 2003 business plan. The Committee also evaluated the Company's performance against other strategic measures such as market share, portfolio management, diversity, leadership development and response to the business environment. For those officers whose compensation is subject to the deductibility limitations of Section 162(m) of the Internal Revenue Code (the "covered officers"), annual incentive awards were also contingent upon the achievement of adjusted net income derived from a compensation formula set by the Committee.

In 2003, the Company delivered financial results that were lower than expected in a challenging environment. As a result, most annual incentive awards were paid below target for executives.

Long-Term Incentives

The 2001 Performance Incentive Plan, approved by stockholders at the 2002 Annual Meeting, enables the Company to grant stock options, stock appreciation rights, restricted stock and other awards based on the Company's Class A Common Stock, as well as performance-based long-term incentive cash awards to the Company's salaried employees. Long-term incentives focus executives on attaining performance goals over a number of years that are integral to the success of the Company's business, while increasing stockholder returns.

Restricted Stock. The Committee granted equity awards in the form of restricted stock (or deferred stock for executives located outside of the U.S.) rather than fixed-priced stock options. The value of the restricted stock is reflected as compensation expense in the Company's financial statements, making the cost of its executive compensation programs more transparent to stockholders. The grant of restricted stock versus granting stock options will result in lower share utilization. Restricted stock awards granted in 2003 will vest three years from the grant date.

Stock Ownership Guidelines. In 2002, the Committee approved new stock ownership guidelines for approximately 180 executives, which further aligns their interests with those of the Company's stockholders. Under these guidelines, executives will be expected to acquire and maintain Company stock in an amount equal to a multiple of their base salary as determined by their position. The guidelines range from two times base salary to 12 times base salary for the Chief Executive Officer. Executives are expected to attain their ownership guidelines within five years of becoming an executive officer or within three years of being promoted to a higher level within the executive population. Stock ownership under this program is defined as direct ownership of Company common stock, including sole ownership, dividend reinvestment plan shares, restricted shares and other accounts over which the executive has direct or indirect ownership or control. This definition does not include unexercised stock options held by the executive.

Stock Options. The Company made no regularly scheduled stock option grants during 2003 to its executives or employees. However, certain senior executives who exercised their Altria Group stock options during 2003 and who retained the shares upon exercise did receive Altria Group Executive Ownership Stock Options ("EOSOs"), pursuant to a previously approved program. The EOSO feature promotes the early exercise of stock options and the retention of shares gained through the resulting exercise, thus encouraging executives to build their stock ownership levels. An EOSO is granted when an eligible executive exercises an option after the stock price has appreciated at least 20% above the option grant price. The executive must satisfy payment of the option price using shares of common stock that have been owned for at least six months. The EOSO is granted for the number

of shares used to pay the exercise price of the underlying option and related taxes, has an exercise price equal to the market price of the common stock tendered, has a term limited to the remaining term of the original option and vests six months from the date of grant. The executive is required to hold the net new shares received upon exercise for one year or the new EOSO grant is forfeited. Stock options granted by the Company in June 2001 that vested on January 31, 2003 also include an EOSO feature.

Long-Term Incentive Plan Awards. Long-Term Incentive Plan awards focus senior executives on the achievement of long-term financial and strategic goals that contribute to the long-term business success of the Company and have a positive impact on stockholder return. The three-year long-term performance cycle that began January 1, 2001 concluded on December 31, 2003. Awards for all eligible executives were based on a combination of factors including overall corporate results, total stockholder return performance, a qualitative assessment of business unit performance relative to the strategic plan and an assessment of individual performance. The performance factors included quantitative financial measures including operating company income, earnings per share, discretionary cash flow, and volume and strategic measures such as market share, portfolio management, diversity and management development. Awards payable to the covered officers were also contingent upon the achievement of cumulative adjusted net income derived from a compensation formula set by the Committee. Long-Term Incentive Plan awards payable to executives were generally paid below target. Beginning on January 1, 2004, a new three-year performance cycle commenced with awards scheduled to be paid after the cycle's completion on December 31, 2006.

Compensation of the Chief Executive Officer

Effective December 16, 2003, Mr. Deromedi was named Chief Executive Officer as a result of the reorganization of the Company under a single Chief Executive Officer structure.

The Committee established a base salary of $1,100,000 for Mr. Deromedi in his new position of Chief Executive Officer, effective January 1, 2004. Mr. Deromedi's salary ranks within the second quartile for base salaries paid to chief executive officers of companies comprising the compensation survey group.

In determining Mr. Deromedi's 2003 compensation, the Committee considered individual performance with respect to the achievement of key strategic, financial, and leadership development objectives, including income growth, volume growth, productivity savings, new product development, increasing market share and increasing free cash flow. The Committee assessed Mr. Deromedi's compensation relative to the compensation programs that apply to other Company executive officers, taking into account their contributions to the success of the Company.

Mr. Deromedi earned an annual incentive award of $900,000 under the 2001 Plan. This award was below target. The Company did not achieve its volume, revenue, market share or earnings per share targets but continued to deliver strong cash flow improvements. The Company also began to position itself in the second half of 2003 for future sustainable growth by significantly investing in the brand portfolio through more competitive pricing and increased marketing. Mr. Deromedi's award was subject to and within the limits of a formula tied to the achievement of an adjusted net income goal established at the beginning of the year for covered officers and was within the first quartile of annual incentives paid to chief executive officers in the Company's compensation survey group, based on latest available data.

Mr. Deromedi also received a Long-Term Incentive Plan award of $3,700,000 for the three-year period ended December 31, 2003 under the 2001 Plan. Among the factors considered by the Committee in granting this award were the financial and strategic results delivered during the performance period. Major notable accomplishments during the performance cycle included the successful integration of Nabisco Holdings, Inc. and the Company's initial public offering. Mr. Deromedi's Long-Term Incentive Plan award was also subject to and within the limits resulting from the achievement of adjusted net income goals, in accordance with a formula for covered officers established at the beginning of the performance period.

In January 2003, the Committee awarded Mr. Deromedi 55,630 shares of restricted stock. The award will vest after three years. Mr. Deromedi's award, made as part of the Company's annual equity program, was based upon an assessment of his performance against key strategic and financial objectives.

In January 2004, the Committee, in connection with Mr. Deromedi's December election as Chief Executive Officer and in recognition for his performance against financial and strategic objectives in 2003, awarded Mr. Deromedi 200,000 shares of restricted stock. One-half of the award (100,000 shares) will vest after three years and one-half (100,000 shares) will vest after eight years.

The Committee has determined that in light of these considerations, Mr. Deromedi's compensation is appropriate as compared to the compensation provided to chief executive officers of companies in the Company's compensation survey group. Mr. Deromedi's total 2003 compensation ranks within the first quartile of total compensation paid to chief executive officers in the Company's compensation survey group.

Policy With Respect To Qualifying Compensation for Deductibility and Other Matters

The Company's ability to deduct compensation it pays to covered officers is generally limited, under Section 162(m) of the Internal Revenue Code, to $1,000,000 annually. However, performance-based compensation is not subject to this limitation, provided certain conditions are satisfied. Annual and long-term incentive awards granted by the Committee for covered officers, including incentive awards for 2003 and the 2001-2003 performance cycle, were subject to, and made in accordance with, arrangements implemented by the Committee and intended to qualify for Section 162(m)'s performance-based compensation exemption, so that such payments would be fully tax-deductible.

Generally, the Company's policy is to preserve the federal income tax deductibility of compensation it pays. Accordingly, the Committee has taken appropriate actions, to the extent the Committee believes feasible, to preserve the deductibility of annual incentive, long-term incentive, and stock option awards. However, the Committee has authorized, and will continue to retain the authority to authorize, payments that may not be deductible if the Committee believes that they are in stockholders' and the Company's best interests. Income for the Company's covered officers may exceed the $1,000,000 deductibility limit because of certain elements of their annual compensation, such as perquisites, restricted stock awards and cash dividends thereon, payments related to reductions in unfunded retirement benefits, tax reimbursements and income resulting from payments made pursuant to plans that do not discriminate in favor of executive officers.

Compensation and Governance Committee:

W. James Farrell, Chair
John C. Pope
Mary L. Schapiro
Deborah C. Wright

The information contained in the report above shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates it by reference in such filing.

Summary Compensation Table

					Long-Term Compensation				
	Annual Compensation				Awards			Payouts	
						Securities Underlying Options			
Name and Principal Position	**Year**	**Salary**	**Bonus**	**Other Annual Compensation**	**Restricted Stock Awards**(1)	**Kraft Foods**	**Altria Group**	**LTIP**(2)	**All Other Compensation**(3)

					Long-Term Compensation				
		$	$	$	$	Shs.	Shs.	$	$
Roger K. Deromedi	2003	924,848	900,000	14,229[4]	2,008,799	-0-	40,735[6]	3,700,000	86,783
Chief Executive Officer	2002	881,058	980,000	97,225[4][5]	-0-	-0-	9,319	-0-	65,918
	2001	738,154	950,000	98,269[4][5]	-0-	419,354	156,579	-0-	52,673
Betsy D. Holden	2003	937,933	800,000	24,681[4]	2,008,799	-0-	42,297[6]	3,500,000	95,471
President, Global	2002	881,058	1,160,000	12,790[4]	-0-	-0-	31,313	-0-	65,918
Marketing & Category Development	2001	738,154	950,000	4,892[4]	-0-	419,354	158,206	-0-	51,773
David S. Johnson	2003	521,808	460,000	7,303[4]	901,306	-0-	26,379[6]	1,300,000	46,146
President, North America	2002	449,058	480,000	5,239[4]	-0-	-0-	21,088	-0-	27,866
Commercial	2001	415,865	325,000	2,255[4]	-0-	106,470	33,810	-0-	25,771
Hugh H. Roberts	2003	455,085	340,000	658,488[4][5]	681,035	-0-	-0-	900,000	32,404
President, International	2002	437,423	265,000	10,730[4][5]	-0-	-0-	-0-	-0-	29,247
Commercial	2001	412,885	375,000	358,780[4][5]	-0-	100,010	29,300	-0-	25,304
Franz-Josef Vogelsang	2003	575,546[7]	422,603[7]	218,274[5][7]	706,312	-0-	-0-	1,195,363[7]	-0-
Executive Vice President,	2002	553,157[7]	479,873[7]	702,121[5][7]	-0-	-0-	-0-	-0-	-0-
Global Supply Chain	2001	530,317[7]	442,727[7]	537,344[5][7]	-0-	80,570	34,480	-0-	-0-

(1) The value shown is based on the closing price of the Company's Class A Common Stock on the January 28, 2003 grant date. On December 31, 2003, Mr. Deromedi, Ms. Holden, Mr. Johnson, Mr. Roberts and Mr. Vogelsang held shares of restricted stock or deferred stock where noted, with a value at such date as follows: Mr. Deromedi, 55,630 shares, $1,792,399; Ms. Holden, 55,630 shares, $1,792,399; Mr. Johnson, 24,960 shares, $804,211; Mr. Roberts, 18,860 deferred shares, $607,669; and Mr. Vogelsang, 19,560 deferred shares, $630,223. On January 27, 2004, each of the named executive officers received restricted stock or deferred stock of the Company where noted, with a value at such date as follows: Mr. Deromedi, 200,000 shares, $6,426,000; Ms. Holden, 102,760 shares, $3,301,679; Mr. Johnson, 81,040 shares, $2,603,815; Mr. Roberts, 76,380 deferred shares, $2,454,089; and Mr. Vogelsang, 24,830 deferred shares, $797,788. Cash dividends (or dividend equivalents) on shares of restricted stock (or deferred stock) are paid at the same times and in the same amounts as on other shares of Class A Common Stock.

(2) Values reflected in 2003 represent payment upon completion of the 2001-2003 performance cycle of the Long-Term Incentive Plan.

(3) The amounts in this column consist of matching contributions to defined contribution plans.

The Company has made available funding payments to certain executives with vested accrued benefits under non-qualified supplemental retirement plans. During 2003, the following amounts, less applicable tax withholding, were made available to the named executive officers to provide funding for matching contributions to the Company's non-qualified supplemental defined contribution plan through March 31, 2003, and for earnings through June 30, 2003 on such matching contributions for Mr. Johnson, and for matching contributions and earnings through May 31, 2003 for Mr. Deromedi, Ms. Holden and Mr. Roberts: Mr. Deromedi, $171,679; Ms. Holden, $228,100; Mr. Johnson, $87,967; and Mr. Roberts, $80,748. The funding of these amounts is not intended to increase total promised benefits.

(4) Includes reimbursement for taxes on a portion of the earnings on assets held in individual trusts for Mr. Deromedi, Ms. Holden and Mr. Johnson, and reimbursement for taxes on a portion of similar earnings assumed on payments made with respect to non-qualified retirement benefits for Mr. Roberts. These trust assets (and the payments for Mr. Roberts) and earnings thereon offset amounts otherwise payable by the Company for vested

benefits under non-qualified supplemental retirement plans and are not intended to increase total promised benefits.

(5) Includes tax equalization payments or reimbursements in connection with prior international assignments for Mr. Deromedi and Mr. Roberts, and a current international assignment for Mr. Vogelsang. These payments or reimbursements are made pursuant to a policy that is designed to facilitate the assignment of employees to positions in other countries by covering taxes over and above those that employees accepting

international assignments would have incurred had they remained in their home countries. Tax equalization payments made by the Company or its subsidiaries for Mr. Deromedi totaled $82,448 in 2002 and $85,265 in 2001. Tax equalization payments made by the Company or its subsidiaries for Mr. Roberts totaled $645,739 in 2003 and $348,230 in 2001. Differences in taxable periods used by taxing jurisdictions, time lags in tax determinations or in the availability of tax credits or refunds, or other factors in some instances create circumstances in which tax equalization payments are recovered by the Company in a different year. Thus, in 2002, amounts deducted or received from Mr. Roberts exceeded the Company's payments to taxing authorities on his behalf by $753,341. Tax equalization payments made by the Company or its subsidiaries for Mr. Vogelsang totaled $218,274 in 2003, $702,121 in 2002, and $537,344 in 2001 in connection with his current international assignment.

(6) Includes Altria Group EOSO grants for Mr. Deromedi of 40,735 shares, Ms. Holden of 42,297 shares, and Mr. Johnson of 26,379 shares. EOSOs do not become exercisable until six months following their grant and are subject to forfeiture if the executive does not hold the net shares received upon exercise for a period of one year following such exercise of the underlying option.

(7) These amounts have been converted from Swiss Francs to U.S. dollars based on a currency translation rate of 1.24230 as of December 31, 2003.

2003 Altria Group Stock Option Grants

Name	Grant Date	Number of Shares Underlying Options Granted	Percent of Total Options Granted to Employees in Fiscal Year	Exercise Price	Expiration Date	Grant Date Present Value[(1)]	Value at December 31, 2003[(2)]
Roger K. Deromedi	February 5, 2003	40,735[(3)]	3.09%	$ 38.070	January 26, 2010	$ 266,664	$ 666,017
Betsy D. Holden	October 23, 2003	7,720					
	October 23, 2003	18,718					
	October 23, 2003	15,859					