

Altria Group Inc.

S&P Recommendation **STRONG BUY** ★★☆☆

Price
\$16.96 (as of Feb 6, 2009)

12-Mo. Target Price
\$21.00

Investment Style
Large-Cap Blend

UPDATE: PLEASE SEE THE ANALYST'S LATEST RESEARCH NOTE IN THE COMPANY NEWS SECTION

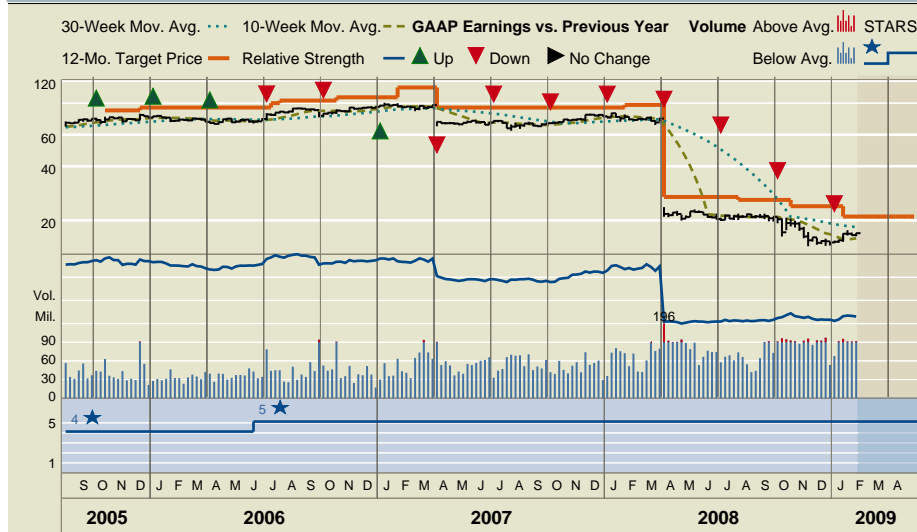
GICS Sector Consumer Staples
Sub-Industry Tobacco

Summary Altria Group (formerly Philip Morris Companies) is the largest U.S. cigarette producer. It spun off Kraft Foods in 2007 and its international cigarette operations in 2008.

Key Stock Statistics (Source S&P, Vickers, company reports)

52-Wk Range	\$75.80–14.34	S&P Oper. EPS 2009E	1.74	Market Capitalization(B)	\$34,944	Beta	0.45
Trailing 12-Month EPS	\$2.36	S&P Oper. EPS 2010E	NA	Yield (%)	7.55	S&P 3-Yr. Proj. EPS CAGR(%)	NA
Trailing 12-Month P/E	7.2	P/E on S&P Oper. EPS 2009E	9.7	Dividend Rate/Share	\$1.28	S&P Credit Rating	BBB
\$10K Invested 5 Yrs Ago	NA	Common Shares Outstg. (M)	2,060.4	Institutional Ownership (%)	71		

Price Performance



Qualitative Risk Assessment

LOW **MEDIUM** **HIGH**

MO is a large-cap company in an industry that is operationally very stable. However, the tobacco industry is beset by litigation. The company is subject to several ongoing legal actions, which could have a material impact on future cash flows.

Quantitative Evaluations

S&P Quality Ranking **A**

D C B- B B+ A- A A+

Relative Strength Rank **MODERATE**

69

LOWEST = 1 HIGHEST = 99

Revenue/Earnings Data

Revenue (Million \$)

	1Q	2Q	3Q	4Q	Year
2008	3,604	4,179	4,341	3,833	15,957
2007	17,556	18,809	19,207	18,229	38,051
2006	24,355	25,769	25,885	25,398	101,407
2005	23,618	24,784	24,962	24,490	97,854
2004	21,721	22,894	22,615	22,380	89,610
2003	19,371	20,831	20,939	20,691	81,832

Earnings Per Share (\$)

	1Q	2Q	3Q	4Q	Year
2008	0.29	0.43	0.42	0.33	1.48
2007	1.01	1.05	1.24	1.03	4.33
2006	1.65	1.29	1.36	1.40	5.71
2005	1.24	1.40	1.38	1.09	5.10
2004	1.06	1.26	1.28	0.96	4.57
2003	1.07	1.20	1.22	1.02	4.52

Fiscal year ended Dec. 31. Next earnings report expected: Late April. EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

Dividend Data (Dates: mm/dd Payment Date: mm/dd/yy)

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.750	02/27	03/17	03/19	04/10/08
0.290	05/28	06/11	06/13	07/10/08
0.320	08/28	09/11	09/15	10/10/08
0.320	12/10	12/22	12/24	01/09/09

Dividends have been paid since 1928. Source: Company reports.

Analysis prepared by **Esther Y. Kwon, CFA** on January 15, 2009, when the stock traded at **\$16.22**.

Highlights

- On March 28, 2008, Altria completed the spinoff of Philip Morris International to shareholders with a share distribution ratio of one for one. The board of directors set Altria's initial dividend policy at a payout ratio of 75% for an initial annual rate of \$1.16 per common share and announced a share repurchase program of \$7.5 billion over two years.
- We believe sales volume declined 4% to 5% in 2008, with brand investments, acquisitions, line extensions and new product introductions somewhat offsetting declining consumption trends. We see revenues rising about 5% on higher pricing. Over the next several years, we expect MO's margins to widen on restructuring actions, including the closure of its Cabarrus facility, consolidation of all manufacturing in Richmond, VA, and \$300 million of new SG&A expense reductions. In 2008, we believe income growth accelerated in the second half, as savings from restructuring actions began to be realized.
- On fewer shares outstanding and an effective tax rate of 37.5%, up from a pro forma 33% before the spinoff, we estimate operating EPS of \$1.67 in 2008 and \$1.76 in 2009.

Investment Rationale/Risk

- Despite the Supreme Court's December 2008 surprise ruling that cigarette companies can be sued in state lawsuits for deceptive advertising in the marketing of "light" cigarettes, we still see a relatively benign litigation environment for the industry. We believe the financial implications are limited as damages are sought for "overpayment" rather than physical harm. We think Altria is likely to benefit from several factors over the next several years, including the integration of its recent acquisition of smokeless tobacco company UST; potential FDA regulation, which we see hampering competitors; and benefits from recent restructuring actions.
- Risks to our recommendation and target price include possible pressures on trading multiples as investors remain cautious about court trials, and potential increases in excise taxes and smoking bans at the state and local level.
- Our 12-month target price of \$21 is based on historical and peer forward P/Es. We apply a slightly below historical forward P/E of about 12X to our 2009 EPS estimate to calculate our target price. Reflecting strong cash generation and the stock's indicated dividend yield of over 7.0%, we continue to find MO attractive.

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Altria Group Inc.**Business Summary** January 15, 2009

CORPORATE OVERVIEW. Altria Group (formerly Philip Morris Cos., Inc.) is a holding company for wholly owned and majority owned subsidiaries that make and market various consumer products, now primarily including cigarettes. Prior to the March 30, 2007, spinoff of Kraft Foods, Altria Group's reportable segments were domestic tobacco, international tobacco, North American food, international food and financial services. The spinoff of Philip Morris International was completed on March 28, 2008, at a one-for-one exchange rate.

Philip Morris U.S.A. (PM USA) is the largest U.S. tobacco company, with total U.S. cigarette shipments amounting to 175.1 billion units in 2007 (down 4.5% from 2006), accounting for 50.6% of total U.S. cigarette market shipments (up from 50.3% in 2006). Focus brands include Marlboro (the largest selling brand in the U.S.), Virginia Slims and Parliament in the premium category, and Basic in the discount category.

In January 2009, Altria completed the acquisition of UST Inc., the largest U.S. manufacturer and marketer of smokeless tobacco products, for \$11.7 billion, which includes the assumption of about \$1.3 billion of debt.

Kraft Foods, the largest packaged food company in North America and second largest in the world, was spun off on March 30, 2007, to MO shareholders as a tax-free stock dividend. MO shareholders received approximately 0.68 of a KFT share per MO share owned as a stock dividend at the end of March 2007, and cash in lieu of fractional shares.

In July 2002, MO sold its Miller Brewing Co. subsidiary to South African Brewers, plc., receiving \$3.38 billion worth of shares in the newly formed company, SABMiller. As of December 31, 2007, this stake represented a 28.6% economic interest and voting interest.

CORPORATE STRATEGY. MO has recently considered a number of restructuring alternatives, including the possibility of separating Altria Group, Inc. into two, or potentially three, independent entities. In June 2007, it announced that cigarette production for international markets would be shifted from U.S. facilities to European plants, and subsequently decided to spin off its international tobacco operations, with an effective date of March 28, 2008.

MO has grown in recent years through acquisitions and new product introductions. In December 2007, as part of its strategy to expand into adjacent product categories, Altria acquired John Middleton Inc., a leading manufacturer of machine-made large cigars for \$2.9 billion in cash. Middleton's principal brand, Black & Mild, is the second largest selling machine-made large cigar in the U.S.

Regarding new product introductions, recently introduced Marlboro Menthol continues to drive domestic market share gains, and in March 2007, PM USA introduced Marlboro Smooth. In 2006, MO entered the smokeless tobacco market with the introduction of Taboka Tobaccopaks, a dry, spitless tobacco product and began testing Marlboro Snus, a spit-free, smokeless tobacco pouch, in Dallas, TX in 2007. MO also began testing Marlboro Moist Smokeless Tobacco in Atlanta, Georgia.

LEGAL/REGULATORY ISSUES. In March 2003, the company lost a \$10.1 billion judgment in the Price (formerly known as Lights) case. In December 2005, PM USA won its appeal of the verdict, as the Illinois Supreme Court ruled that it did not defraud the public about the health risk of its cigarettes. In 2006, the court refused to rehear the case.

In May 2003, the Florida Third District Court of Appeals overturned a trial verdict against MO and other defendants in the Engle case. An award of \$143 billion in punitive damages for the plaintiffs was reversed. The court also decertified the class, due to a lack of commonality of class member issues.

In September 2004, a \$280 billion Department of Justice (DOJ) case against the industry commenced. In October 2005, the \$280 billion disgorgement claim was eliminated by the U.S. Supreme Court, effectively weakening the DOJ's case, in our view. As of December 31, 2007, PM USA had 137 cases pending against it.

FINANCIAL TRENDS. MO continues to increase its top line through acquisitions, funded primarily from significant operating cash flow. Its EPS rose at a 12% compound annual growth rate (CAGR) over the past four years.

Corporate Information**Office**

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917-878-2167.

Website<http://www.altria.com>**Officers****Chrmn & CEO**

M. Szymanczyk

**EVP & Chief Admin
Officer**

M.J. Barrington

Vice Chrmn

M.S. Kessler

EVP & CTO

J.R. Nelson

EVP & CFO

D.R. Beran

Board Members

E. E. Bailey

G. L. Baliles

D. S. Devitre

T. F. Farrell, II

M. M. Hart

R. E. Huntley

T. W. Jones

M. S. Kessler

G. Munoz

F. G. Reynolds

N. Y. Sakkab

M. Szymanczyk

Domicile

Virginia

Founded

1919

Employees

84,000

Stockholders

100,000

Altria Group Inc.

Quantitative Evaluations

S&P Fair Value Rank	2+	1	2	3	4	5
		LOWEST				HIGHEST

Based on S&P's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation	\$16.10	Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that MO is slightly overvalued by \$0.86 or 5.1%.
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Investability Quotient Percentile	97
	LOWEST = 1 HIGHEST = 100

MO scored higher than 97% of all companies for which an S&P Report is available.

Volatility	LOW	AVERAGE	HIGH
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Technical Evaluation	NEUTRAL	Since January, 2009, the technical indicators for MO have been NEUTRAL.
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Insider Activity	NA	UNFAVORABLE	NEUTRAL	FAVORABLE
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Expanded Ratio Analysis

	2008	2007	2006	2005
Price/Sales	NA	2.17	1.78	1.60
Price/EBITDA	NA	10.74	9.17	8.22
Price/Pretax Income	NA	12.06	10.92	10.12
P/E Ratio	NA	17.46	15.03	14.64
Avg. Diluted Shares Outstg (M)	NA	2,116.0	2,105.0	2,090.0

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	-78.38	-43.78	-22.05	-7.95
Net Income	-66.27	-32.89	-14.35	-3.61

Ratio Analysis (Annual Avg.)

	2008	2007	2006	2005
Net Margin (%)	19.36	14.54	13.01	12.25
% LT Debt to Capitalization	NA	NA	26.61	32.41
Return on Equity (%)	28.90	30.77	31.64	40.22

Company Financials Fiscal Year Ended Dec. 31

Per Share Data (\$)	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Tangible Book Value	NA	3.97	NM	NM	NM	NM	NM	NM	NM	NM
Cash Flow	NA	4.79	6.57	5.92	5.35	5.22	6.10	4.93	4.50	3.90
Earnings	1.48	4.33	5.71	5.10	4.57	4.52	5.21	3.88	3.75	3.19
S&P Core Earnings	NA	4.33	5.62	5.14	4.54	4.49	4.03	3.62	NA	NA
Dividends	NA	3.05	3.32	3.06	2.82	2.64	2.44	2.22	2.02	1.80
Payout Ratio	NA	70%	58%	60%	62%	58%	47%	57%	54%	56%
Prices:High	NA	90.50	86.56	78.68	61.88	55.03	57.79	53.88	45.94	55.56
Prices:Low	NA	63.13	68.36	60.40	44.50	27.70	35.40	38.75	18.69	21.25
P/E Ratio:High	NA	21	15	15	14	12	11	14	12	17
P/E Ratio:Low	NA	15	12	12	10	6	7	10	5	7

Income Statement Analysis (Million \$)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Revenue	15,957	73,801	101,407	97,854	89,610	81,832	80,408	89,924	80,356	78,596
Operating Income	NA	14,892	19,705	19,004	17,929	17,663	18,476	18,039	16,396	15,192
Depreciation	215	980	1,804	1,675	1,607	1,440	1,331	2,337	1,717	1,702
Interest Expense	NA	653	877	1,556	1,417	1,367	1,327	1,659	1,078	1,100
Pretax Income	4,789	13,257	16,536	15,435	14,004	14,760	18,098	14,284	13,960	12,695
Effective Tax Rate	35.5%	30.9%	26.3%	29.9%	32.4%	34.9%	35.5%	37.9%	39.0%	39.5%
Net Income	3,090	9,161	12,022	10,668	9,420	9,204	11,102	8,566	8,510	7,675
S&P Core Earnings	NA	9,163	11,818	10,766	9,348	9,145	8,593	7,959	NA	NA

Balance Sheet & Other Financial Data (Million \$)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Cash	7,916	6,498	5,020	6,258	5,744	3,777	565	453	937	5,100
Current Assets	NA	NA	26,152	25,781	25,901	21,382	17,441	17,275	17,238	20,895
Total Assets	27,215	57,211	104,270	107,949	101,648	96,175	87,540	84,968	79,067	61,381
Current Liabilities	NA	NA	25,427	26,158	23,574	21,393	19,082	20,141	25,949	18,017
Long Term Debt	NA	11,046	14,498	17,868	18,683	21,163	21,355	18,651	19,154	12,226
Common Equity	2,828	18,554	39,619	35,707	30,714	25,077	19,478	19,620	15,005	15,305
Total Capital	NA	33,610	68,496	71,945	67,714	64,110	56,832	52,768	40,824	33,211
Capital Expenditures	241	1,458	2,454	2,206	1,913	1,974	2,009	1,922	1,682	1,749
Cash Flow	NA	10,141	13,826	12,343	11,027	10,644	12,433	10,903	10,227	9,377
Current Ratio	2.2	1.5	1.0	1.0	1.1	1.0	0.9	0.9	0.7	1.2
% Long Term Debt of Capitalization	69.8	30.0	21.2	24.8	27.6	33.0	37.6	35.3	46.9	36.8
% Net Income of Revenue	19.4	12.4	11.9	10.9	10.5	11.2	13.8	9.5	10.6	9.8
% Return on Assets	7.3	11.4	11.3	10.2	9.5	10.0	12.9	10.4	12.1	12.7
% Return on Equity	28.9	31.5	31.9	32.1	33.8	41.3	56.8	49.5	56.2	48.7

Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Altria Group Inc.

Sub-Industry Outlook

Our fundamental outlook for the tobacco sub-industry for the next 12 months is positive, reflecting improvement in the litigation environment and positive pricing trends.

On the litigation front, we think the elimination of the \$280 billion disgorgement claim and subsequent reduction in the monetary remedies in the Department of Justice (DOJ) case was very positive. However, the verdict, which awaits appeals, was against the industry, banning practices such as the use of "lights" brand names. Another significant win occurred in December 2005 when the appeal of the Price/"lights" class-action case was dismissed by the Illinois Supreme Court. A third major legal hurdle, the review of the \$145 billion Engle verdict, resulted in dismissal by the Florida Supreme Court in July 2006. More recently, the U.S. Supreme Court ruled on the Williams case. In this second review, the court gave further guidance limiting excessive punitive damage awards. This review could have a far-reaching impact, not only for the tobacco industry, but for other consumer industries facing product liability litigation.

Since late 1998, when cigarette manufacturers raised prices sharply as a result of the Master Settlement Agreement, deep-discount cigarette producers saw their market share rise from about 2% in 1998 to over 13% in 2003, on a 45% price discount to premium brands. We think market share growth for deep-discounts has been declining since 2004 due to narrowing price gaps (as increased regulation and litigation costs have led to higher prices for low-end products) and aggressive marketing by the majors.

We believe tobacco is likely to be a continued target for additional excise taxes, and we see attempts to raise rates as likely in the future. However, with the

litigation environment improving, major tobacco companies have begun to shift focus to battling excise tax hikes and other anti-smoking ballot initiatives. Several proposed tax increases were defeated in the last election, most notably in California.

Despite our expectation for a 4% to 5% decline in domestic consumption for the next two to three years, we believe industry operating profits will rise modestly, as cost-saving efforts and merger synergies should offset larger investment in focus brands. For the longer term, we see domestic cigarette consumption falling at a mid-single digit rate per year.

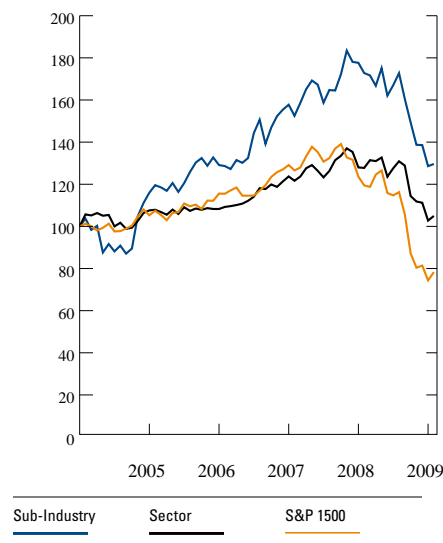
Year to date through January 23, the S&P Tobacco Index declined 0.3%, versus an 8.0% drop for the S&P 1500 Index.

--Esther Kwon, CFA

Stock Performance

GICS Sector: Consumer Staples
Sub-Industry: Tobacco

Based on S&P 1500 Indexes
Month-end Price Performance as of 01/30/09



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Sub-Industry : Tobacco Peer Group*: Tobacco/Cigarettes

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
Altria Group	MO	34,944	16.96	75.80/14.34	0.45	7.5	7	16.10	A	97	19.4	69.8
British Amer Tobacco ADS	BTI	55,142	54.30	80.65/45.49	0.79	4.8	52	48.10	NR	85	7.9	42.0
Imperial Tobacco Grp ADS	ITYBY	19,231	52.76	102.34/42.05	0.92	4.1	10	92.40	NR	28	7.3	80.0
Lorillard Inc	LO	10,464	62.26	79.20/52.50	0.65	5.9	13	NA	NR	52	27.4	38.2
Philip Morris Intl	PM	74,508	36.83	56.26/33.30	NA	5.9	11	NA	NR	93	26.4	26.0
Reynolds American	RAI	11,442	39.26	66.30/36.90	0.53	8.7	8	35.20	B+	80	14.5	34.3
Vector Group Ltd	VGR	966	14.64	19.45/10.82	0.54	10.9	16	NA	B-	76	19.5	53.3

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

Altria Group Inc.**S&P Analyst Research Notes and other Company News****January 29, 2009**

11:29 am ET ... S&P REITERATES STRONG BUY RECOMMENDATION ON SHARES OF ALTRIA GROUP (MO 17.0****): Adjusted Q4 EPS of \$0.37 vs. \$0.35 misses our estimate by a penny on lower volumes than our forecast. Cigarette volumes slipped 2.1% to 40.8 billion units but fell 3.5% when adjusted for trade inventories. Integration of UST remains on track, and MO expects an additional \$250M in cost savings, with \$50M from UST and another \$200M by 2011 on Q4 restructuring actions. We see steady volume declines in '09 on excise tax hikes, but forecast EPS growth on operating efficiencies. On suspended share buyback, we trim our '09 EPS forecast by \$0.02 to \$1.74 but keep our \$21 target price. /E.Kwon-CFA

January 20, 2009

12:08 pm ET ... S&P KEEPS HOLD RECOMMENDATION ON SHARES OF LORILLARD INC. (LO 60.17***): Ahead of Q4 results expected in February, we continue to forecast EPS of \$1.38. We look for positive volume growth in an overall declining cigarette market, with premium brand volumes rising 1% and discount brands climbing at a strong double-digit rate. We expect pricing to remain firm and think that results will benefit from Reynolds American's (RAI 40.77***) demotion of KOOL to a support brand and Altria's (MO 17.53****) reduced promotional stance. We are keeping our 12-month target price of \$65, reflecting a multiple in line with MO but at a premium to RAI. /E.Kwon-CFA

January 15, 2009

12:34 pm ET ... S&P REITERATES STRONG BUY RECOMMENDATION ON SHARES OF ALTRIA GROUP (MO 16.22****): As had been expected, the House passes a measure to expand healthcare coverage for children via a \$0.61 cigarette federal excise tax increase. We think the Senate is likely to pass the measure as well, and we forecast additional industry unit declines on price hikes. However, we think MO will benefit from restructuring moves, UST smokeless tobacco acquisition, and potential industry FDA regulation, which we see hampering competitors. We cut our '09 EPS estimate by \$0.08 to \$1.76 on interest costs from acquisition, and reduce our target price by \$3 to \$21 on lower peer multiples. /E.Kwon-CFA

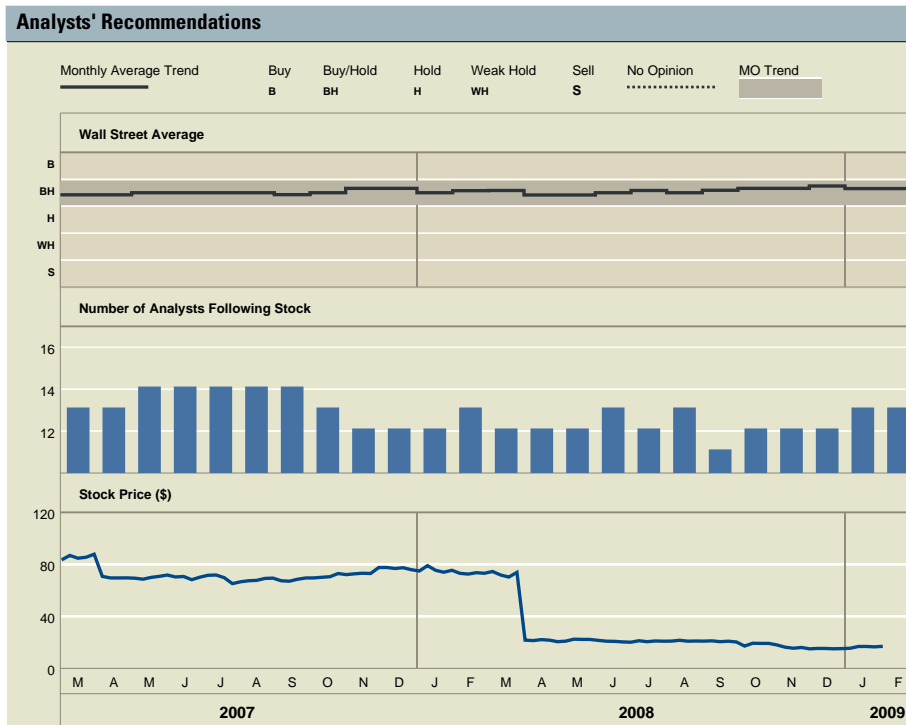
January 14, 2009

02:49 pm ET ... S&P KEEPS HOLD RECOMMENDATION ON SHARES OF REYNOLDS AMERICAN (RAI 39.44***): Ahead of Q4 results, we are trimming our EPS estimate by \$0.04 to \$1.17 on less SG&A expense improvement than in our prior forecast. We expect a high-single-digit percentage decline in volume as RAI reduces investment in non-priority brands, such as Kool. In 2009, we see continued tight expense control but think competition will intensify in smokeless tobacco as Altria (MO 16.18****) integrates UST into its operations. We cut our '09 EPS estimate to \$4.71 from \$4.93 on more conservative sales and expense forecasts and our target price by \$7 to \$42 on reduced peer multiples. /E.Kwon-CFA

December 16, 2008

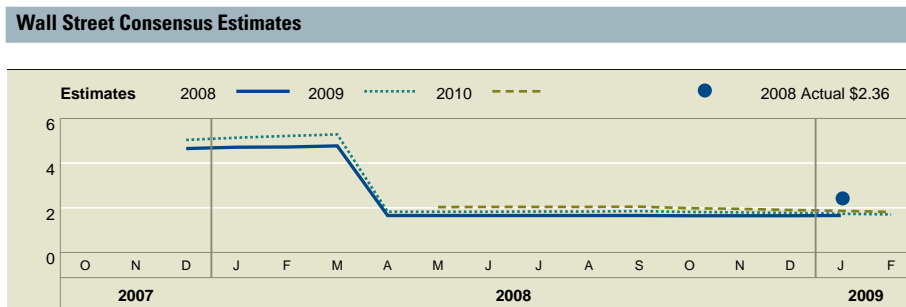
09:15 am ET ... S&P MAINTAINS STRONG BUY RECOMMENDATION ON SHARES OF ALTRIA GROUP (MO 15.21****): Yesterday, the Supreme Court ruled federal labeling laws do not protect companies marketing "light" cigarettes from being sued in state lawsuits for false advertising. We are surprised by the ruling, as a recent trend favored federal over state regulation. While we see this as a setback to the industry and we see several previously delayed state suits now proceeding, we believe the financial implications are limited, since money is not sought for physical harm but for "overpayment" by consumers. In addition, fraud claims are generally not well suited for class action status. /E.Kwon-CFA

Altria Group Inc.



Of the total 15 companies following MO, 13 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	5	38	5	5
Buy/Hold	5	38	5	4
Hold	3	23	3	3
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	1
Total	13	100	13	13



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2010	1.83	1.87	1.79	9	9.3
2009	1.72	1.88	1.67	12	9.9
2010 vs. 2009	▲6%	▼-0.5%	▲7%	▼-25%	▼-6%
Q1'10	0.39	0.39	0.39	2	43.5
Q1'09	0.39	0.42	0.36	7	43.5
Q1'10 vs. Q1'09	0%	▼-7%	▲8%	▼-71%	0%

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

Wall Street Consensus Opinion

BUY/HOLD

Companies Offering Coverage

- Argus Research Corp.
- Barclays Capital
- Cazenove & Co
- Credit Suisse First Boston
- Davenport & Co Of Virginia
- Deutsche Bank
- Goldman Sachs & Co.
- Griffin Securities, Inc.
- JP Morgan Securities
- Jyske Bank
- Merrill Lynch Research
- Morgan Stanley & Company
- Smith Barney
- Stifel Nicolaus & Co.
- UBS Warburg

Wall Street Consensus vs. Performance

For fiscal year 2009, analysts estimate that MO will earn \$1.72. For fiscal year 2010, analysts estimate that MO's earnings per share will grow by 6% to \$1.83.

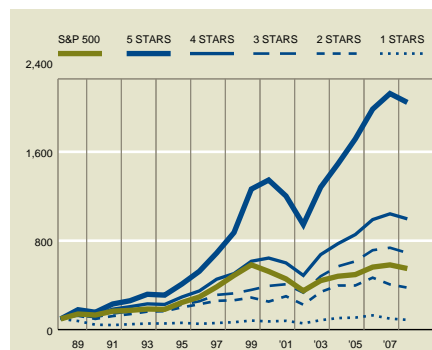
Altria Group Inc.

Glossary

S&P STARS

Since January 1, 1987, Standard and Poor's Equity Research Services has ranked a universe of common stocks based on a given stock's potential for future performance. Under proprietary STARS (Stock Appreciation Ranking System), S&P equity analysts rank stocks according to their individual forecast of a stock's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350 Index or S&P 500 Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective.

STARS Average Annual Performance



S&P 12-Month Target Price

The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

Investment Style Classification

Characterizes the stock as Growth or Value, and indicates its capitalization level. Growth is evaluated along three dimensions (earnings, sales and internal growth), while Value is evaluated along four dimensions (book-to-price, cash flow-to-price, dividend yield and sale-to-price). Growth stocks score higher than the market average on growth dimensions and lower on value dimensions. The reverse is true for Value stocks. Certain stocks are classified as Blend, indicating a mixture of growth and value characteristics and cannot be classified as purely growth or value.

Qualitative Risk Assessment

The S&P equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices.

Quantitative Evaluations

In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

S&P Quality Ranking

Growth and stability of earnings and dividends are deemed key elements in establishing S&P's Quality Rankings for common stocks, which are designed to capsize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+ Highest	B Below Average
A High	B- Lower
A- Above Average	C Lowest
B+ Average	D In Reorganization
NR Not Ranked	

S&P Fair Value Rank

Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

S&P Fair Value Calculation

The price at which a stock should trade at, according to S&P's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

Insider Activity

Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

Funds From Operations FFO

FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

Investability Quotient (IQ)

The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

S&P's IQ Rationale:

Altria Group	Raw Score	Max Value
Proprietary S&P Measures	82	115
Technical Indicators	34	40
Liquidity/Volatility Measures	16	20
Quantitative Measures	31	75
IQ Total	163	250

Volatility

Rates the volatility of the stock's price over the past year.

Technical Evaluation

In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank

Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS)

An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 68 Industries, and 154 Sub-Industries.

S&P Issuer Credit Rating

A Standard & Poor's Issuer Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor. Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unaudited financial information. Issuer Credit Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

Exchange Type

ASE - American Stock Exchange; NNM - Nasdaq National Market; NSC - Nasdaq SmallCap; NYSE - New York Stock Exchange; BB - OTC Bulletin Board; OT - Over-the-Counter; TO - Toronto Stock Exchange.

S&P Equity Research Services

Standard & Poor's Equity Research Services U.S. includes Standard & Poor's Investment Advisory Services LLC; Standard & Poor's Equity Research Services Europe includes Standard & Poor's LLC-London and Standard & Poor's AB (Sweden); Standard & Poor's Equity Research Services Asia includes Standard & Poor's LLC's offices in Hong Kong, Singapore and Tokyo; Standard & Poor's Malaysia Sdn Bhd, and Standard & Poor's Information Services (Australia) Pty Ltd.

Abbreviations Used in S&P Equity Research Reports

CAGR- Compound Annual Growth Rate; **CAPEX**- Capital Expenditures; **CY**- Calendar Year; **DCF**- Discounted Cash Flow; **EBIT**- Earnings Before Interest and Taxes; **EBITDA**- Earnings Before Interest, Taxes, Depreciation and Amortization; **EPS**- Earnings Per Share; **EV**- Enterprise Value; **FCF**- Free Cash Flow; **FFO**- Funds From Operations; **FY**- Fiscal Year; **P/E**- Price/Earnings; **PEG Ratio**- P/E-to-Growth Ratio; **PV**- Present Value; **R&D**- Research & Development; **ROE**- Return on Equity; **ROI**- Return on Investment; **ROIC**- Return on Invested Capital; **ROA**- Return on Assets; **SG&A**- Selling, General & Administrative Expenses; **WACC**- Weighted Average Cost of Capital

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).

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★★★★★ **5-STARS (Strong Buy):** Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ **4-STARS (Buy):** Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★☆☆ **3-STARS (Hold):** Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★☆☆☆ **2-STARS (Sell):** Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

★☆☆☆☆ **1-STARS (Strong Sell):** Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks: In North America the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are generally the S&P Europe 350 Index and the S&P Asia 50 Index.

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