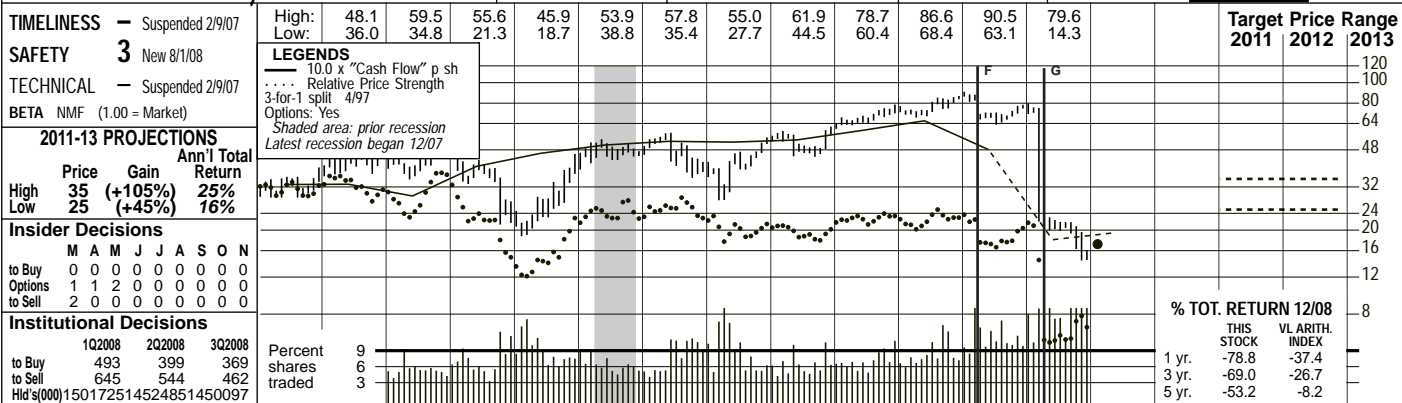


ALTRIA GROUP, INC. NYSE-MO

RECENT PRICE **17.16** P/E RATIO **10.3** (Trailing: 7.5 Median: 12.0) RELATIVE P/E RATIO **0.93** DIV'D YLD **7.5%** VALUE LINE



| Year | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | © VALUE LINE PUB., INC. | 11-13 |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|------|-------|-------------------------------------|-------|
| Price | 21.07 | 23.15 | 25.45 | 26.50 | 28.46 | 29.71 | 30.61 | 33.61 | 36.38 | 41.78 | 39.43 | 40.17 | 43.51 | 46.93 | 48.36 | 35.02 | 9.60 | 12.75 | Sales per sh | 16.05 |
| Gain | 2.31 | 1.97 | 2.52 | 2.87 | 3.29 | 3.30 | 2.91 | 4.01 | 4.63 | 5.06 | 5.26 | 5.35 | 5.35 | 5.92 | 6.59 | 4.81 | 1.80 | 1.95 | "Cash Flow" per sh | 2.70 |
| Return | 1.82 | 1.35 | 1.82 | 2.17 | 2.56 | 2.58 | 2.20 | 3.19 | 3.75 | 3.87 | 4.49 | 4.52 | 4.57 | 5.15 | 5.76 | 4.33 | 1.65 | 1.75 | Earnings per sh ^A | 2.50 |
| Options | .78 | .87 | 1.01 | 1.22 | 1.47 | 1.60 | 1.68 | 1.84 | 2.02 | 2.22 | 2.44 | 2.64 | 2.82 | 3.06 | 3.32 | 3.16 | 1.68 | 1.36 | Div's ds Decl'd per sh ^B | 1.80 |
| to Buy | .56 | .61 | .67 | .65 | .73 | .77 | .74 | .75 | .76 | .89 | .99 | .97 | .93 | 1.06 | 1.17 | 2.10 | .15 | .17 | Cap'l Spending per sh | .30 |
| to Sell | 4.48 | 4.42 | 5.00 | 5.61 | 5.85 | 6.15 | 6.66 | 6.54 | 6.79 | 9.12 | 9.55 | 12.31 | 14.91 | 17.13 | 18.89 | 8.80 | .30 | d.35 | Book Value per sh ^C | d2.45 |
| to Buy | 2806.0 | 2631.3 | 2558.6 | 2493.5 | 2431.3 | 2425.5 | 2430.5 | 2338.5 | 2208.9 | 2152.5 | 2039.3 | 2037.3 | 2059.5 | 2085.0 | 2097.1 | 2107.7 | 2000 | 1900 | Common Shs Outst'g ^D | 1650 |
| to Sell | 14.4 | 13.5 | 10.3 | 11.4 | 12.6 | 16.5 | 20.2 | 11.4 | 7.4 | 12.2 | 10.6 | 9.2 | 11.4 | 13.2 | 13.4 | 16.3 | 12.0 | | Avg Ann'l P/E Ratio | 12.0 |
| Hld's | 3.0% | 4.7% | 5.4% | 4.9% | 4.5% | 3.8% | 3.8% | 5.1% | 7.3% | 4.7% | 5.1% | 6.3% | 5.4% | 4.5% | 4.3% | 4.5% | 3.5% | | Relative P/E Ratio | .82 |
| 150172514524851450097 | | | | | | | | | | | | | | | | | | | Avg Ann'l Div'd Yield | 5.2% |

| Year | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | © VALUE LINE PUB., INC. | 11-13 |
|------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|-------------------------|-------|------|------|------|------|-------------------------|-------|
| Total Debt | 74391 | 78596 | 80356 | 89924 | 80408 | 81832 | 89610 | 97854 | 101407 | 73801 | 19200 | 24250 | Sales (\$mill) | 26500 | | | | | | |
| LT Debt | 21.0% | 20.1% | 21.1% | 21.2% | 23.0% | 21.6% | 20.0% | 19.4% | 19.5% | 19.9% | 28.5% | 23.0% | Operating Margin | 26.0% | | | | | | |
| Pension Assets | 1690.0 | 1702.0 | 1717.0 | 2337.0 | 1331.0 | 1440.0 | 1607.0 | 1675.0 | 1804.0 | 980.0 | 265 | 365 | Depreciation (\$mill) | 400 | | | | | | |
| Pfd Stock | 5372.0 | 7675.0 | 8510.0 | 8560.0 | 9402.0 | 9204.0 | 9420.0 | 10668 | 12022 | 9161.0 | 3300 | 3325 | Net Profit (\$mill) | 4100 | | | | | | |
| Common Stock | 40.9% | 39.5% | 39.0% | 37.9% | 35.2% | 34.9% | 32.4% | 29.9% | 26.3% | 31.5% | 33.5% | 33.5% | Income Tax Rate | 34.0% | | | | | | |
| MARKET CAP | 7.2% | 9.8% | 10.6% | 9.5% | 11.7% | 11.2% | 10.5% | 10.9% | 11.9% | 12.4% | 17.2% | 13.7% | Net Profit Margin | 15.5% | | | | | | |
| Operating Assets | 3851.0 | 2878.0 | d8711 | d2866 | d1641 | d11.0 | 2327.0 | d377.0 | 725.0 | 4108.0 | d1880 | d2100 | Working Cap'l (\$mill) | 375 | | | | | | |
| Operating Liab. | 11906 | 11280 | 18255 | 17159 | 19189 | 18953 | 16462 | 17868 | 14498 | 7463.0 | 7500 | 7500 | Long-Term Debt (\$mill) | 9500 | | | | | | |
| Operating Income | 16197 | 15305 | 15005 | 19620 | 19478 | 25077 | 30714 | 35707 | 39619 | 18554 | 575 | d675 | Shr. Equity (\$mill) | d4000 | | | | | | |
| Operating Profit | 20.9% | 30.8% | 27.2% | 25.4% | 26.0% | 22.4% | 21.5% | 20.9% | 22.9% | 35.6% | 41.0% | 48.0% | Return on Total Cap'l | 75.0% | | | | | | |
| Operating Margin | 33.2% | 50.1% | 56.7% | 43.6% | 48.3% | 36.7% | 30.7% | 29.9% | 30.3% | 49.4% | NMF | NMF | Return on Shr. Equity | NMF | | | | | | |
| Operating Assets | 8.6% | 21.8% | 26.7% | 19.3% | 22.3% | 15.6% | 12.2% | 12.5% | 13.1% | 13.5% | NMF | NMF | Retained to Com Eq | NMF | | | | | | |
| Operating Liab. | 74% | 57% | 53% | 56% | 54% | 57% | 60% | 58% | 57% | 73% | NMF | 77% | All Div'ds to Net Prof | 73% | | | | | | |

CAPITAL STRUCTURE as of 9/30/08^E
 Total Debt \$894 mill.
 LT Debt \$601 mill.

Pension Assets-12/07 \$5.8 bill. **Oblig.** \$7.6 bill.
 Pfd Stock None

Common Stock 2,060,397,687 shs. as of 10/27/2008
MARKET CAP: \$35.4 billion (Large Cap)

CURRENT POSITION (\$MILL.)

| | 2006 | 2007 | 9/30/08 ^E |
|------------------|-------|-------|----------------------|
| Cash Assets | 5020 | 6498 | 915 |
| Receivables | 6070 | 3323 | 52 |
| Inventory (LIFO) | 12186 | 10571 | 1060 |
| Other | 2876 | 2498 | 1818 |
| Current Assets | 26152 | 22890 | 3845 |
| Accts Payable | 4016 | 1463 | 284 |
| Debt Due | 4201 | 3083 | 293 |
| Other | 17210 | 14236 | 5896 |
| Current Liab. | 25427 | 18782 | 6473 |

BUSINESS: Altria Group, Inc. is the parent company of Philip Morris USA, John Middleton and Philip Morris Capital Corp. In 2007, the company operated 3 segments: domestic tobacco (25% of revs., 33% of op. prof.) incl. *Marlboro*, *Benson & Hedges*, *Merit*, *Virginia Slims*; international tobacco (75%, 67%) and financial svcs./real est. (1%, less than 1%). Sold *Miller*, 6/02. Has a 50% share of U.S. industry shipments of cigarettes. Acq'd Nabisco, 12/00; Kraft, 12/88; Jacobs Suchard AG, 8/90, Spun-off Kraft, 4/07, Spun-off, Philip Morris International, 3/08. Has 84,000 empl. Off./dir., less than 1.0% (4/08 proxy). Chrmn. & CEO: Michael E. Szymanczyk, Inc.: VA. Address: 6601 W. Broad St., Richmond, VA 23230. Telephone: 804-274-2200. Web: www.altria.com.

Altria Group closed its acquisition of UST. The deal was for \$10.4 billion (\$69.50 a share) plus the assumption of \$1.3 billion of UST's debt. Altria gains a foothold into the growing smokeless tobacco market with the purchase. Furthermore, the company's strong distribution network and marketing capabilities should further boost UST's leading brands in the smokeless tobacco market. Indeed, this move makes sense for Altria since cigarette consumption is declining.

The company is restructuring its business. Management has executed quite a transformation over the past few years. Altria spun off *Kraft Foods* and *Philip Morris International* and added John Middleton and UST over the past two years. Management suggested these moves provided the best opportunity to enhance shareholder value, while pressure from regulators subsided. Altria's business is now focused in the domestic market, and is better positioned to adjust to the changing landscape in the tobacco industry. All told, the majority of the company's plan is complete.

We have revised our estimates. Indeed, we lowered our bottom-line call for 2008 by a nickel, to \$1.65 a share, and our 2009 target by a dime, to \$1.75 a share, in light of the challenging macroeconomic conditions. Additionally, we raised our top-line number for 2009 to about \$24 billion to reflect the UST acquisition. Management did not update its guidance after the completion of the deal.

This equity offers an above-average dividend yield. Altria's stable operation and strong cash flow should support this payout for the foreseeable future. The yield is particularly appealing considering the weakness in the global economy. Therefore, income-oriented accounts may find these shares of interest.

We like this stock. The restructuring effort is taking shape. Moreover, Altria is a fine defensive play, given the recession. What's more, the company should post solid growth over the coming years. As such, we recommend investors consider MO at its current quotation. Still, investors should note the federal excise tax will likely increase in the year ahead, which may adversely affect product volume.

Richard Gallagher
 January 30, 2009

| Cal-endar | Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|-----------|--------|--------|--------|--------|-----------|
| 2005 | 23618 | 24784 | 24962 | 24490 | 97854 |
| 2006 | 24355 | 25769 | 25885 | 25398 | 101407 |
| 2007 | 17556 | 18809 | 19207 | 18229 | 73801 |
| 2008 | 4410 | 5054 | 5238 | 4498 | 19200 |
| 2009 | 5000 | 6500 | 6750 | 6000 | 24250 |

| Cal-endar | Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|-----------|--------|--------|--------|--------|-----------|
| 2005 | 1.25 | 1.41 | 1.39 | 1.10 | 5.15 |
| 2006 | 1.67 | 1.30 | 1.38 | 1.41 | 5.76 |
| 2007 | 1.01 | 1.05 | 1.24 | 1.03 | 4.33 |
| 2008 | .37 | .46 | .42 | .40 | 1.65 |
| 2009 | .40 | .45 | .45 | .45 | 1.75 |

| Cal-endar | Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|-----------|--------|------------------|--------|--------|-----------|
| 2005 | .73 | .73 | .80 | .80 | 3.06 |
| 2006 | .80 | .80 | .86 | .86 | 3.32 |
| 2007 | .86 | .69 | .75 | .75 | 3.05 |
| 2008 | .75 | .29 ^H | .32 | .32 | 1.68 |
| 2009 | | | | | |