

Risk Free Rate - 30 Year T-Bill	4.70%
Historical Equity Risk Premium	5.50%
Beta	0.55
WACC	7.22%
Terminal Beta	0.79
Terminal WACC	9.05%
Tax Rate	33.00%

Domestic G-Rate	1.00%
International G-R	4.00%
exp rate	0.10%
Corporate Exp Growth Domestic	1.00%
Corporate Exp Growth Foreign	3.00%
Interest Expense Growth	2.00%



Altria

Current Price Per Share \$ 70.79  
Intrinsic Value Per Share \$ 94.74

Upside Potential w SABMiller factor 33.83%

	2004	2005	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	Terminal
<b>Total Revenues (ex Excise Tax)</b>	31,795	34,807	35,968	37,975	39,349	40,711	41,857	43,060	44,324	45,649	47,038	48,495	50,020	51,618
<i>Growth</i>		9.47%	3.34%	5.58%	3.62%	3.46%	2.81%	2.88%	2.93%	2.99%	3.04%	3.10%	3.15%	3.19%
<b>Revenues by Segment (ex Excise Tax)</b>														
Philip Morris USA	13,817	14,475	14,857	15,193	15,445	15,628	15,784	15,958	16,149	16,359	16,588	16,837	17,107	17,397
<i>Growth</i>		4.76%	2.64%	2.26%	1.66%	1.18%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%
<i>Share of Total</i>	43.46%	41.59%	41.31%	40.01%	39.25%	38.39%	37.71%	37.06%	36.44%	35.84%	35.27%	34.72%	34.20%	33.70%
Philip Morris International	17,583	20,013	20,794	22,613	23,744	24,931	25,928	26,965	28,044	29,166	30,332	31,546	32,807	34,120
<i>Growth</i>		13.82%	3.90%	8.75%	5.00%	5.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
<i>Share of Total</i>	55.30%	57.50%	57.81%	59.55%	60.34%	61.24%	61.94%	62.62%	63.27%	63.89%	64.48%	65.05%	65.59%	66.10%
Philip Morris Capital Corporation	395	319	317	169	160	152	144	137	130	124	118	112	106	101
<i>Growth</i>		-19.24%	-0.63%	-46.69%	-5.33%	-5.00%	-5.00%	-5.00%	-5.00%	-5.00%	-5.00%	-5.00%	-5.00%	-5.00%
<i>Share of Total</i>	1.24%	0.92%	0.88%	0.45%	0.41%	0.37%	0.34%	0.32%	0.29%	0.27%	0.25%	0.23%	0.21%	0.20%
<b>Total Operating Companies Income</b>	11,582	12,810	13,258	14,197	15,214	16,031	16,498	16,988	17,502	18,041	18,605	19,197	19,816	20,464
<i>Growth</i>		10.60%	3.50%	7.08%	7.16%	5.37%	2.91%	2.97%	3.03%	3.08%	3.13%	3.18%	3.23%	3.27%
<b>Operating Companies Income</b>														
Philip Morris USA	4,438	4,664	4,822	4,969	5,168	5,377	5,431	5,491	5,556	5,629	5,707	5,793	5,886	5,986
<i>Operating Margin</i>	32.12%	32.22%	32.46%	32.71%	33.46%	34.41%	34.41%	34.41%	34.41%	34.41%	34.41%	34.41%	34.41%	34.41%
Philip Morris International	6,860	7,915	8,157	9,067	9,893	10,509	10,929	11,367	11,821	12,294	12,786	13,297	13,829	14,382
<i>Operating Margin</i>	39.01%	39.55%	39.23%	40.10%	41.67%	42.15%	42.15%	42.15%	42.15%	42.15%	42.15%	42.15%	42.15%	42.15%
Philip Morris Capital Corporation	284	231	279	161	153	145	138	131	124	118	112	107	101	96
<i>Operating Margin</i>	71.90%	72.41%	88.01%	95.27%	95.63%	95.39%	95.39%	95.39%	95.39%	95.39%	95.39%	95.39%	95.39%	95.39%
<b>Less: Amortization of Intangibles</b>	17	28	30	24	24	24	24	24	24	24	24	24	24	24
<b>Less: General Corporate Expenses</b>	721	770	720	566	433	346	349	353	356	360	364	367	371	375
<b>EBIT</b>	10,844	12,012	12,508	13,607	14,757	15,661	16,124	16,611	17,121	17,657	18,218	18,806	19,421	20,066
Philip Morris USA	3,700	3,866	4,072	4,379	4,711	5,007	5,057	5,114	5,176	5,245	5,320	5,402	5,491	5,587
Philip Morris International	6,860	7,915	8,157	9,067	9,893	10,509	10,929	11,367	11,821	12,294	12,786	13,297	13,829	14,382
Philip Morris Capital Corporation	284	231	279	161	153	145	138	131	124	118	112	107	101	96
<b>Less: Interest Expense, Net</b>	510	521	367	142	644	437	445.536	454.44672	463.535654	472.80637	482.262495	491.90774	501.7459	511.78082
Philip Morris USA														
Philip Morris International														
<b>EBT</b>	10,334	11,491	12,141	13,465	14,113	15,224	15,679	16,157	16,658	17,184	17,736	18,314	18,919	19,554
<b>Less: Taxes</b>	3,947	4,034	4,012	4,485	4,569	4,524	5174.03172	5331.64634	5497.10367	5670.6934	5852.72163	6043.5118	6243.40523	6452.7622
<i>Effective Tax Rate</i>	38.19%	35.11%	33.05%	33.31%	32.37%	29.72%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%
<b>Net Income</b>	6,387	7,457	8,129	8,980	9,544	10,700	10,505	10,825	11,161	11,513	11,883	12,270	12,676	13,101
<b>Plus: Interest</b>	510	521	367	142	644	437	446	454	464	473	482	492	502	512
<b>Plus: D&amp;A</b>	673	745	867	761	784	808	833	859	886	914	944	974	1,005	1,038
Depreciation	656	717	837	737	760	784	809	835	862	890	920	950	981	1,014
Philip Morris USA	203	208	202	204	206	208	211	213	215	217	219	221	223	226
Philip Morris International	453	509	635	532	554	576	599	623	648	674	701	729	758	788
<b>Operating Cash Flow (OCF)</b>	7,570	8,723	9,363	9,883	10,972	11,945	11,784	12,139	12,511	12,901	13,309	13,736	14,183	14,651
<b>Less: Capital Expenditures</b>	907	1,035	1,285	1,076	1086.4233	1097.28757	1108.26044	1119.34305	1130.53648	1141.8418	1153.26026	1164.7929	1176.44079	1188.2052
Philip Morris USA	185	228	361	258	261	263	266	268	271	274	277	279	282	285
<i>Growth</i>		23.24%	58.33%	-28.53%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Philip Morris International	711	736	886	778	800.99667	825.026567	849.777364	875.270685	901.528805	928.57467	956.431909	985.12487	1014.67861	1045.119
<i>Growth</i>		3.52%	20.38%	-12.23%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Philip Morris Capital Corp	11	71	38	40	40	41	41	42	42	42	43	43	44	44
<i>Growth</i>		545.45%	-46.48%	5.26%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
<b>Less: Δ Net Working Capital</b>		(1,372)	1,115	128.50	-10.47	-10.38	-8.74	-9.18	-9.63	-10.10	-10.59	-11.10	-11.63	-12.18
Net Working Capital	(161)	(1,533)	(418)	-289.50	-299.97	-310.36	-319.09	-328.27	-337.90	-348.00	-358.59	-369.70	-381.33	-393.51
<i>% of Sales</i>														
<b>Free Cash Flow to Firm (FCFF)</b>	6,663	7,688	8,078	8,807	9,886	10,848	10,675	11,019	11,380	11,759	12,155	12,571	13,006	13,462
		15.38%	5.07%	9.02%	12.25%	9.73%	-1.59%	3.22%	3.27%	3.33%	3.37%	3.42%	3.46%	3.50%

PV Factor				0.1561644	1.1561644	2.15616438	3.15616438	4.15616438	5.15616438	6.1561644	7.15616438	8.1561644	9.15616438	10.156164
PV of FCFF				0.99	0.92	0.86	0.80	0.75	0.70	0.65	0.61	0.57	0.53	0.49
				\$ 8,711.6	\$ 9,119.6	\$ 9,333.2	\$ 8,566.0	\$ 8,246.2	\$ 7,942.4	\$ 7,653.6	\$ 7,378.8	\$ 7,117.0	\$ 6,867.3	\$ 6,629.1

PV of Hyper/Transitional Growth	\$	87,564.79
PV of Terminal Growth	\$	113,305.17
PV of Firm	\$	200,869.95
plus: Cash and Equivalents	\$	5,020.00
less: Debt	\$	19,713.99
Total Value	\$	186,175.96
divided by: Diluted Shares Outstanding		2,105.21

Intrinsic Value per Share (ex SABMiller) \$ 88.44

SABMiller Stake Value (28.6% of Mkt Cap)	\$	13,273,832,000.00
SABMiller Market Cap (£)	£	22,640,000,000.00
Dollar / Pound Conversion rate		2.05
SABMiller Market Cap (\$)	\$	46,412,000,000.00
SABMiller value added, per share	\$	6.31

Intrinsic Value per Share (w/ SABMiller) \$ 94.74

MO Current Share Price \$ 70.79

Upside Potential w SABMiller factor 33.83%