

ALTRIA GROUP, INC.  
Form 10-Q  
November 06, 2007  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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**FORM 10-Q**

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(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2007

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-8940

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**Altria Group, Inc.**

(Exact name of registrant as specified in its charter)

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Virginia  
(State or other jurisdiction of

incorporation or organization)

120 Park Avenue, New York, New York  
(Address of principal executive offices)

Registrant's telephone number, including area code (917) 663-4000

13-3260245  
(I.R.S. Employer

Identification No.)

10017  
(Zip Code)

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**Former name, former address and former fiscal year, if changed since last report**

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant is required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

At October 31, 2007, there were 2,106,319,958 shares outstanding of the registrant's common stock, par value \$0.33 1/3 per share.

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## PART I FINANCIAL INFORMATION

## Item 1. Financial Statements.

Altria Group, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(in millions of dollars)

(Unaudited)

	September 30, 2007	December 31, 2006
<b>ASSETS</b>		
<b>Consumer products</b>		
Cash and cash equivalents	\$ 7,309	\$ 4,781
Receivables (less allowances of \$17 in 2007 and 2006)	2,523	2,808
Inventories:		
Leaf tobacco	4,241	4,383
Other raw materials	1,228	1,109
Finished product	3,463	3,188
	8,932	8,680
Current assets of discontinued operations		7,647
Other current assets	1,983	2,236
Total current assets	20,747	26,152
Property, plant and equipment, at cost	16,171	14,882
Less accumulated depreciation	8,097	7,301
	8,074	7,581
Goodwill	6,700	6,197
Other intangible assets, net	1,874	1,908
Prepaid pension assets	1,287	761
Investment in SABMiller	3,911	3,674
Long-term assets of discontinued operations		48,805
Other assets	2,693	2,402
Total consumer products assets	45,286	97,480
<b>Financial services</b>		
Finance assets, net	6,376	6,740
Other assets	66	50
Total financial services assets	6,442	6,790
<b>TOTAL ASSETS</b>	<b>\$ 51,728</b>	<b>\$ 104,270</b>

See notes to condensed consolidated financial statements.

Continued

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## Altria Group, Inc. and Subsidiaries

## Condensed Consolidated Balance Sheets (Continued)

(in millions of dollars, except share and per share data)

(Unaudited)

	September 30, 2007	December 31, 2006
<b>LIABILITIES</b>		
<b>Consumer products</b>		
Short-term borrowings	\$ 512	\$ 420
Current portion of long-term debt	3,973	648
Accounts payable	1,166	1,414
Accrued liabilities:		
Marketing	863	824
Taxes, except income taxes	3,869	3,620
Employment costs	639	849
Settlement charges	3,681	3,552
Other	1,651	1,641
Income taxes	1,242	782
Dividends payable	1,588	1,811
Current liabilities of discontinued operations		9,866
<b>Total current liabilities</b>	<b>19,184</b>	<b>25,427</b>
Long-term debt	3,040	6,298
Deferred income taxes	1,649	1,391
Accrued pension costs	554	541
Accrued postretirement health care costs	1,937	2,009
Long-term liabilities of discontinued operations		19,629
Other liabilities	2,185	2,658
<b>Total consumer products liabilities</b>	<b>28,549</b>	<b>57,953</b>
<b>Financial services</b>		
Long-term debt	500	1,119
Deferred income taxes	5,185	5,530
Other liabilities	255	49
<b>Total financial services liabilities</b>	<b>5,940</b>	<b>6,698</b>
<b>Total liabilities</b>	<b>34,489</b>	<b>64,651</b>
Contingencies (Note 11)		
<b>STOCKHOLDERS EQUITY</b>		
Common stock, par value \$0.33 1/3 per share (2,805,961,317 shares issued)	935	935
Additional paid-in capital	6,839	6,356
Earnings reinvested in the business	33,822	59,879
Accumulated other comprehensive losses	(836)	(3,808)
	40,760	63,362
Less cost of repurchased stock (700,278,240 shares in 2007 and 708,880,389 shares in 2006)	(23,521)	(23,743)

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Total stockholders' equity	17,239	39,619
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 51,728	\$ 104,270

See notes to condensed consolidated financial statements.

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Altria Group, Inc. and Subsidiaries  
Condensed Consolidated Statements of Earnings  
(in millions of dollars, except per share data)  
(Unaudited)

	<b>For the Nine Months Ended September 30,</b>	
	<b>2007</b>	<b>2006</b>
Net revenues	\$ 55,572	\$ 51,024
Cost of sales	12,499	11,704
Excise taxes on products	26,774	23,670
Gross profit	16,299	15,650
Marketing, administration and research costs	5,751	5,703
Italian antitrust charge		61
Asset impairment and exit costs	545	123
(Recoveries) provision (from) for airline industry exposure	(214)	103
Amortization of intangibles	18	17
Operating income	10,199	9,643
Interest and other debt expense, net	187	325
Earnings from continuing operations before income taxes, and equity earnings and minority interest, net	10,012	9,318
Provision for income taxes	3,234	2,540
Earnings from continuing operations before equity earnings and minority interest, net	6,778	6,778
Equity earnings and minority interest, net	195	145
Earnings from continuing operations	6,973	6,923
Earnings from discontinued operations, net of income taxes and minority interest	625	2,140
Net earnings	\$ 7,598	\$ 9,063
Per share data:		
Basic earnings per share:		
Continuing operations	\$ 3.32	\$ 3.32
Discontinued operations	0.30	1.02
Net earnings	\$ 3.62	\$ 4.34
Diluted earnings per share:		
Continuing operations	\$ 3.30	\$ 3.29
Discontinued operations	0.29	1.02
Net earnings	\$ 3.59	\$ 4.31
Dividends declared	\$ 2.30	\$ 2.46

See notes to condensed consolidated financial statements.





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Altria Group, Inc. and Subsidiaries  
Condensed Consolidated Statements of Earnings  
(in millions of dollars, except per share data)  
(Unaudited)

	For the Three Months Ended September 30,	
	2007	2006
Net revenues	\$ 19,207	\$ 17,642
Cost of sales	4,325	4,022
Excise taxes on products	9,243	8,229
Gross profit	5,639	5,391
Marketing, administration and research costs	1,907	1,961
Asset impairment and exit costs	28	68
Recoveries from airline industry exposure	(7)	
Amortization of intangibles	6	6
Operating income	3,705	3,356
Interest and other debt expense, net	11	59
Earnings from continuing operations before income taxes, and equity earnings and minority interest, net	3,694	3,297
Provision for income taxes	1,117	1,125
Earnings from continuing operations before equity earnings and minority interest, net	2,577	2,172
Equity earnings and minority interest, net	56	42
Earnings from continuing operations	2,633	2,214
Earnings from discontinued operations, net of income taxes and minority interest		661
Net earnings	\$ 2,633	\$ 2,875
Per share data:		
Basic earnings per share:		
Continuing operations	\$ 1.25	\$ 1.06
Discontinued operations		0.32
Net earnings	\$ 1.25	\$ 1.38
Diluted earnings per share:		
Continuing operations	\$ 1.24	\$ 1.05
Discontinued operations		0.31
Net earnings	\$ 1.24	\$ 1.36
Dividends declared	\$ 0.75	\$ 0.86

See notes to condensed consolidated financial statements.



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Altria Group, Inc. and Subsidiaries

Condensed Consolidated Statements of Stockholders' Equity

for the Year Ended December 31, 2006 and

the Nine Months Ended September 30, 2007

(in millions of dollars, except per share data)

(Unaudited)

Common Stock	Addi- tional Paid-in Capital	Earnings Reinvested in the Business	Currency Translation Adjustment	Other	Total