

Edgar Filing: Philip Morris International Inc. - Form 10-Q

Philip Morris International Inc.  
Form 10-Q  
November 07, 2008  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q

(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, 2008

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 001-33708

Philip Morris International Inc.

(Exact name of registrant as specified in its charter)

Virginia  
(State or other jurisdiction of  
incorporation or organization)

13-3435103  
(I.R.S. Employer  
Identification No.)

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

10017  
(Zip Code)

Registrant's telephone number, including area code

(917) 663-2000

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

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

\*The registrant became subject to the Securities Exchange Act of 1934 on March 7, 2008.

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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, 2008, there were 2,023,033,875 shares outstanding of the registrant's common stock, no par value per share.

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PHILIP MORRIS INTERNATIONAL INC.

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In this report, PMI, we, us and our refers to Philip Morris International Inc. and subsidiaries.	

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## PART I FINANCIAL INFORMATION

## Item 1. Financial Statements.

## Philip Morris International Inc. and Subsidiaries

## Condensed Consolidated Balance Sheets

(in millions of dollars)

(Unaudited)

	September 30, 2008	December 31, 2007
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,803	\$ 1,656
Receivables (less allowances of \$15 in 2008 and 2007)	2,975	3,240
Inventories:		
Leaf tobacco	4,053	4,018
Other raw materials	1,224	1,205
Finished product	3,578	4,109
	8,855	9,332
Deferred income taxes	257	311
Due from Altria Group, Inc. and affiliates		257
Other current assets	416	256
Total current assets	15,306	15,052
Property, plant and equipment, at cost	12,200	11,685
Less accumulated depreciation	5,504	5,250
	6,696	6,435
Goodwill	9,318	7,925
Other intangible assets, net	3,090	1,906
Other assets	895	725
<b>TOTAL ASSETS</b>	<b>\$ 35,305</b>	<b>\$ 32,043</b>

See notes to condensed consolidated financial statements.

Continued



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## Philip Morris International Inc. and Subsidiaries

## Condensed Consolidated Balance Sheets (Continued)

(in millions of dollars, except share data)

(Unaudited)

	September 30, 2008	December 31, 2007
<b>LIABILITIES</b>		
Short-term borrowings	\$ 1,842	\$ 638
Current portion of long-term debt	107	91
Accounts payable	1,237	852
Accrued liabilities:		
Marketing	494	475
Taxes, except income taxes	4,410	4,523
Employment costs	636	591
Dividends payable to public shareholders	1,105	
Other	876	729
Income taxes	525	478
Deferred income taxes	164	174
<b>Total current liabilities</b>	<b>11,396</b>	<b>8,551</b>
Long-term debt	9,198	5,578
Deferred income taxes	1,422	1,240
Employment costs	678	566
Other liabilities	979	707
<b>Total liabilities</b>	<b>23,673</b>	<b>16,642</b>
Contingencies (Note 11)		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, no par value (2,109,316,331 and 2,108,901,789 shares issued in 2008 and 2007, respectively)		
Additional paid-in capital	1,595	1,265
Earnings reinvested in the business	13,007	12,448
Accumulated other comprehensive earnings	1,356	1,688
	<b>15,958</b>	<b>15,401</b>

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Less treasury stock, at cost (82,586,976 shares in 2008)	4,326	
<b>Total stockholders' equity</b>	<b>11,632</b>	<b>15,401</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 35,305</b>	<b>\$ 32,043</b>

See notes to condensed consolidated financial statements.

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Philip Morris International Inc. and Subsidiaries

Condensed Consolidated Statements of Earnings

(in millions of dollars, except per share data)

(Unaudited)

	For the Nine Months Ended September 30,	
	2008	2007
Net revenues	\$ 49,667	\$ 41,448
Cost of sales	7,242	6,594
Excise taxes on products	29,675	24,148
Gross profit	12,750	10,706
Marketing, administration and research costs	4,324	3,692
Asset impairment and exit costs	84	153
Amortization of intangibles	29	18
Operating income	8,313	6,843
Interest expense (income), net	205	(3)
Earnings before income taxes and minority interest	8,108	6,846
Provision for income taxes	2,268	1,996
Earnings before minority interest	5,840	4,850
Minority interest in earnings, net of income taxes	201	197
Net earnings	\$ 5,639	\$ 4,653
Per share data (Note 9):		
Basic earnings per share	\$ 2.71	\$ 2.21



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Diluted earnings per share	\$	2.69	\$	2.21
Dividends declared to public shareholders	\$	1.00		

See notes to condensed consolidated financial statements.

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Philip Morris International Inc. and Subsidiaries

Condensed Consolidated Statements of Earnings

(in millions of dollars, except per share data)

(Unaudited)

	For the Three Months Ended September 30,	
	2008	2007
Net revenues	\$ 17,365	\$ 14,232
Cost of sales	2,481	2,229
Excise taxes on products	10,412	8,316
Gross profit	4,472	3,687
Marketing, administration and research costs	1,556	1,171
Asset impairment and exit costs	13	15
Amortization of intangibles	13	6
Operating income	2,890	2,495
Interest expense (income), net	69	(16)
Earnings before income taxes and minority interest	2,821	2,511
Provision for income taxes	667	710
Earnings before minority interest	2,154	1,801
Minority interest in earnings, net of income taxes	74	76
Net earnings	\$ 2,080	\$ 1,725
Per share data (Note 9):		
Basic earnings per share	\$ 1.01	\$ 0.82

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Diluted earnings per share	\$	1.01	\$	0.82
Dividends declared to public shareholders	\$	0.54		

See notes to condensed consolidated financial statements.

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Philip Morris International Inc. and Subsidiaries

Condensed Consolidated Statements of Stockholders' Equity

for the Year Ended December 31, 2007 and

the Nine Months Ended September 30, 2008

(in millions of dollars, except per share amounts)

(Unaudited)

	Common Stock	Addi- tional Paid-in Capital	Earnings Reinvested in the Business	Accumulated Other Comprehensive Earnings (Losses)			Treasury Stock	Total Stock- holders Equity
				Currency Translation Adjustments	Other	Total		
Balances, January 1, 2007	\$ -	\$ 1,265	\$ 12,526	\$ 989	\$ (513)	\$ 476	\$ -	\$ 14,267
Comprehensive earnings:								
Net earnings			6,026					6,026
Other comprehensive earnings (losses), net of income taxes:								
Currency translation adjustments				809		809		809
Change in net loss and prior service cost, net of income taxes of \$75					413	413		413
Change in fair value of derivatives accounted for as hedges, net of income taxes of \$1					(10)	(10)		(10)
Total other comprehensive earnings								1,212
Total comprehensive earnings								7,238
Adoption of FIN 48								
Dividends declared to Altria Group, Inc. (\$3.12 per share)			471					471
			(6,575)					(6,575)
Balances, December 31, 2007	-	1,265	12,448	1,798	(110)	1,688	-	15,401
Comprehensive earnings:								