ANHEUSER BUSCH COMPANIES INC
Form 10-Q
November 08, 2002

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarter Ended September 30, 2002

Commission file number 1-7823

ANHEUSER-BUSCH COMPANIES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	43-1162835
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Busch Place, St. Louis, Missouri	63118
(Address of principal executive offices)	(Zip Code)

314-577-2000
(Registrant's telephone number, including area code)

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 was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

$1 Par Value Common Stock - 855,904,591 shares as of September 30, 2002

CONSOLIDATED BALANCE SHEET
Anheuser-Busch Companies, Inc., and Subsidiaries (Unaudited)

(In millions)	Sept. 30, 2002	Dec. 31, 2001
Assets		
Current Assets:		
Cash	$ 105.6	$ 162.6
Accounts and notes receivable	835.4	620.9
Inventories:		
Raw materials and supplies	247.7	352.4
Work in progress	80.0	79.8
Finished goods	191.7	159.6
Total inventories	519.4	591.8
Other current assets	194.9	175.1
Total current assets	1,655.9	1,550.4
Investments in affiliated companies	2,830.3	2,855.0
Other assets	1,164.9	1,149.5
Plant and equipment, net	8,352.1	8,390.0
Total Assets	$14,002.6	$13,944.9
Liabilities and Shareholders Equity		
Current Liabilities:		
Accounts payable	$ 968.6	$ 945.0
Accrued salaries, wages and benefits	258.5	255.8
Accrued taxes	310.9	161.1
Other current liabilities	409.3	374.6
Total current liabilities	1,947.3	1,736.5
Postretirement benefits	479.5	482.9
Debt	6,040.5	5,983.9
Deferred income taxes	1,437.1	1,367.2
Other long-term liabilities	317.5	312.9
Shareholder Equity:		
Common stock, $1.00 par value, 1.6 billion shares authorized	1,451.9	1,445.2
Capital in excess of par value	989.6	810.2
Retained earnings	12,439.9	11,258.2
Treasury stock, at cost	(10,468.8)	(8,981.6)
Accumulated other comprehensive loss	(541.6)	(338.3)
ESOP debt guarantee	(90.3)	(132.2)
Total Shareholders Equity	3,780.7	4,061.5
Commitments and contingencies	--	--
Total Liabilities and Shareholders Equity	$14,002.6	$13,944.9

See accompanying Notes to Consolidated Financial Statements on pages 5 through 15.

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

Anheuser-Busch Companies, Inc., and Subsidiaries (Unaudited)

(In millions, except per share data)	Third Quarter Ended September 30, 2002	Third Quarter Ended September 30, 2001	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001
Gross Sales	$ 4,272.6	$ 4,075.9	$12,092.4	$11,607.0
Excise Taxes	(566.4)	(553.7)	(1,623.5)	(1,588.6)
Net Sales	3,706.2	3,522.2	10,468.9	10,018.4
Cost of Sales	(2,105.2)	(2,060.2)	(6,139.6)	(6,067.7)
Marketing, Distribution and Administrative Expenses	(630.7)	(586.1)	(1,757.3)	(1,629.7)
Gain on Sale of Business	---	---	---	17.8
Operating Income	970.3	875.9	2,572.0	2,338.8
Interest Expense	(92.7)	(87.0)	(273.6)	(270.3)
Interest Capitalized	3.9	6.2	12.9	20.8
Interest Income	0.3	0.5	0.9	1.0
Other Expense, Net	(0.2)	(1.6)	(0.5)	(5.8)
Income Before Income Taxes	881.6	794.0	2,311.7	2,084.5
Provision for Income Taxes	(341.5)	(307.8)	(924.2)	(808.1)
Equity Income	81.9	72.4	277.1	200.3
Net Income	622.0	558.6	1,664.6	1,476.7
Retained Earnings, Beginning of Period	11,985.3	10,787.1	11,258.2	10,164.4
Common Stock Dividends (Per Share: 3rd Quarter, 2002 - $.195, 2001 - $.18; Nine Months, 2002 - $.555; 2001 - $.51).	(167.4)	(159.9)	(482.9)	(455.3)
Retained Earnings, End of Period	$12,439.9	$11,185.8	$12,439.9	$11,185.8
Basic Earnings Per Share	$ .72	$ .63	$ 1.91	$ 1.65
Diluted Earnings Per Share	$ .71	$ .62	$ 1.88	$ 1.63

See accompanying Notes to Consolidated Financial Statements on pages 5 through 15.

CONSOLIDATED STATEMENT OF CASH FLOWS

Anheuser-Busch Companies, Inc., and Subsidiaries (Unaudited)

(In millions)	Nine Months Ended September 30, 2002	2001
Cash flow from operating activities:		
Net Income	$1,664.6	$1,476.7
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	629.9	616.2
Deferred income taxes	69.9	23.4
Gain on sale of business	--	(17.8)
Undistributed earnings of affiliated companies	(230.3)	(173.4)
Other, net	118.2	(0.9)
Operating cash flow before change in working capital	2,252.3	1,924.2
Decrease in working capital	63.0	143.6
Cash provided by operating activities	2,315.3	2,067.8
Cash flow from investing activities:		
Capital expenditures	(597.3)	(795.1)
New business acquisitions	(12.7)	(370.4)
Proceeds from sale of business	--	110.0
Cash used for investing activities	(610.0)	(1,055.5)
Cash flow from financing activities:		
Increase in long-term debt	554.9	758.9
Decrease in long-term debt	(467.9)	(475.7)
Dividends paid to shareholders	(482.9)	(455.3)
Acquisition of treasury stock	(1,487.2)	(899.3)
Shares issued under stock plans	120.8	41.0
Cash used for financing activities	(1,762.3)	(1,030.4)
Net decrease in cash during the period	(57.0)	(18.1)
Cash, beginning of period	162.6	159.9
Cash, end of period	$ 105.6	$ 141.8

See accompanying Notes to Consolidated Financial Statements on pages 5 through 15.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Unaudited Financial Statements

The unaudited financial statements have been prepared in accordance with generally accepted accounting principles and applicable SEC guidelines pertaining to quarterly financial information, and include all adjustments necessary for a fair presentation. These statements should be read in combination with the Consolidated Financial Statements and Notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

2. Earnings Per Share

Earnings per share are calculated by dividing net income by weighted-average common shares outstanding for the period. The difference between basic and diluted weighted-average common shares is due to the dilutive impact of unexercised in-the-money stock options. There were no adjustments to net income for any period shown for purposes of calculating earnings per share. Weighted-average common shares outstanding for the third quarter and nine months ended September 30, are shown below (millions of shares):

	Third Quarter		Nine Mo
	2002	2001	2002
Basic weighted average shares outstanding	860.4	888.0	870.4
Diluted weighted average shares outstanding	872.6	899.0	883.4

3. Comprehensive Income / (Loss)

Comprehensive income for the third quarter and nine months ended September 30, follows (in millions):

	Third Quarter		Nine Months	
	2002	2001	2002	
Net income	$622.0	$558.6	$1,664.6	
Foreign currency translation adjustment	(79.9)	(130.5)	(228.6)	
Deferred hedging gains / (losses)	(6.6)	(23.1)	25.3	
Comprehensive income	$535.5	$405.0	$1,461.3	

The components of accumulated other comprehensive loss as of September 30, 2002 and December 31, 2001 follow (in millions):

	Sept. 30, 2002	Dec.
Foreign currency translation adjustment	$(396.4)	
Minimum pension obligation	(131.6)	
Deferred hedging losses	(13.6)	
Total accumulated other comprehensive loss	$(541.6)	

4. Finished Product Delivery Costs

In the fourth quarter of 2001, the company changed its presentation of pass-through finished product delivery costs reimbursed by customers. These items were previously offset for zero impact within cost of products and services. The company now presents these items separately as sales and cost of products and services. This change has a minor impact on revenue and profit margin growth, and has no impact on gross profit, operating income, net income, earnings per share or cash flow. For comparability, prior period information has been recast to conform

to this presentation.

5. U.S. Income Taxes On Equity Investment Dividends

In the first quarter 2002, the company began presenting U.S. income taxes relating to foreign equity investment dividends in the consolidated income tax provision. The company previously presented these taxes in equity income. This change in presentation has no impact on net income, earnings per share or cash flow. For comparability, prior year information has been recast to conform to this presentation.

6. Adoption Of Goodwill Accounting Standard

Effective January 1, 2002, Anheuser-Busch adopted FAS 142, "Goodwill and Other Intangible Assets," and ceased goodwill amortization as of the adoption date, in accordance with the Standard.

In the first quarter of 2002 the company completed the FAS 142 required transitional impairment testing of goodwill and indefinite-lived product distribution rights and found no impairment. The company continues to amortize intangible assets with finite lives.

Following is a reconciliation of the change in goodwill by segment, between December 31, 2001 and September 30, 2002:

	Domestic Beer	Int'l Beer	Packaging	Entertainment
Goodwill Balance at December 31, 2001	$158.6	788.1	21.9	288.3
Recharacterization of items out of goodwill into separate asset categories (A)	$(139.6)	(19.3)	--	--
Miscellaneous items now being reported as goodwill (B)	--	$7.5	--	--
Foreign Currency Translation Adjustment	--	$(54.8)	--	--
Goodwill Balance at September 30, 2002	$19.0	721.5	21.9	288.3