

UST INC  
Form 11-K  
May 05, 2005

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549-1004**

**FORM 11-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2004

OR

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

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

Commission File Number 0-17506

A: Full title of the plan:

UST INC.  
EMPLOYEES SAVINGS PLAN

B: Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

UST INC.  
100 West Putnam Avenue  
Greenwich, Connecticut 06830

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UST Inc.  
Employees Savings Plan  
Audited Financial Statements  
and  
Supplemental Schedules

*Years ended December 31, 2004 and 2003*  
*with Report of Independent Registered Public Accounting Firm*

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UST Inc.  
Employees Savings Plan

Audited Financial Statements and Supplemental Schedules

Years ended December 31, 2004 and 2003

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Report of Independent Registered Public Accounting Firm

To the UST Inc.  
Employee Benefits Administration Committee,

We have audited the accompanying statements of net assets available for benefits of the UST Inc. Employees' Savings Plan as of December 31, 2004 and 2003, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2004 and 2003, and the changes in its net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules of assets (held at end of year) as of December 31, 2004, and reportable transactions for the year then ended, are presented for purposes of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to auditing procedures applied in our audits of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

Stamford, CT

May 5, 2005

UST Inc.  
Employees Savings Plan  
Statements of Net Assets Available for Benefits

|                                   | <b>December 31</b>    |                |
|-----------------------------------|-----------------------|----------------|
|                                   | <b>2004</b>           | <b>2003</b>    |
| <b>Assets:</b>                    |                       |                |
| Investments                       | <b>\$ 247,146,622</b> | \$ 201,239,668 |
| Receivables:                      |                       |                |
| Participant contributions         | <b>381,682</b>        | 364,815        |
| Employer contributions            | <b>218,511</b>        | 218,617        |
| Total assets                      | <b>247,746,815</b>    | 201,823,100    |
| <b>Liabilities:</b>               |                       |                |
| Due to trustee                    | <b>14,120</b>         | 14,312         |
| Total liabilities                 | <b>14,120</b>         | 14,312         |
| Net assets available for benefits | <b>\$ 247,732,695</b> | \$ 201,808,788 |

*See accompanying notes.*

UST Inc.  
 Employees Savings Plan  
 Statements of Changes in Net Assets Available for Benefits

|   | <b>Year ended December 31</b> |                |
|---|-------------------------------|----------------|
|   | <b>2004</b>                   | <b>2003</b>    |
| <b>Additions:</b>                                 |                               |                |
| Investment income:                                |                               |                |
| Net appreciation in fair value of investments:    |                               |                |
| Common stock of UST Inc.                          | \$ 28,857,482                 | \$ 6,755,963   |
| Group trust funds                                 | 8,008,789                     | 12,129,499     |
| Interest and dividends                            | 8,058,988                     | 6,890,261      |
| Investment income, net                            | <b>44,925,259</b>             | 25,775,723     |
| Contributions:                                    |                               |                |
| Participants                                      | 10,734,721                    | 10,443,354     |
| Employer  | 5,857,042                     | 5,749,695      |
|   | <b>16,591,763</b>             | 16,193,049     |
| Total additions, net                              | <b>61,517,022</b>             | 41,968,772     |
| <b>Deductions:</b>                                |                               |                |
| Benefits paid to participants                     | 15,480,181                    | 11,958,182     |
| Administrative expenses                           | 112,934                       | 167,665        |
| Total deductions                                  | <b>15,593,115</b>             | 12,125,847     |
| Net increase in net assets available for benefits | <b>45,923,907</b>             | 29,842,925     |
| Net assets available for benefits:                |                               |                |
| Beginning of year                                 | <b>201,808,788</b>            | 171,965,863    |
| End of year                                       | <b>\$ 247,732,695</b>         | \$ 201,808,788 |

*See accompanying notes.*

UST Inc.  
Employees Savings Plan  
Notes to Financial Statements

Years Ended December 31, 2004 and 2003

**1. Significant Accounting Policies**

The financial statements of the UST Inc. Employees Savings Plan (the Plan) have been prepared in accordance with accounting principles generally accepted in the United States and, as such, include amounts based on judgments and estimates made by management. Management believes that the judgments and estimates used in the preparation of the financial statements of the Plan are appropriate; however, actual results may differ from these estimates.

Investment in common stock of UST Inc. (the Company) is stated at a fair value of \$48.11 and \$35.69 per share at December 31, 2004 and 2003, respectively. Group trust funds are also stated at fair value. The fair values of UST Inc. common stock and group trust funds are determined based on published market data. Participant loans are valued at their outstanding principal balances, which approximate fair value.

The fair value of the participation units owned by the Plan in group trust funds is based on quoted redemption value on the last business day of the Plan year.

**2. Description of Plan**

The Plan is a defined contribution employee benefit plan established to encourage and assist employees to adopt a regular savings program and to help provide additional security for retirement. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The Plan is a trusteed plan administered by the UST Inc. Employee Benefits Administration Committee (EBAC). Effective July 15, 2003, The Vanguard Fiduciary Trust Company (Vanguard) replaced American Express Trust Company (American Express) as the Plan's trustee.

Employees are eligible to participate in the Plan as of the first day of the month following their date of hire, provided they are scheduled to work at least 1,000 hours in their first year of service, as defined by the Plan. Employees are not eligible to receive an allocation of Company matching contributions until the later of the first anniversary of their date of employment or the first date on which the employee becomes eligible to participate in the Plan.

The majority of Plan Participants are able to make an aggregate contribution to the Plan of 1 percent to 15 percent (in 1 percent increments) of base pay on a before-tax or after-tax basis, of which the first 6 percent is subject to a 100 percent matching contribution by the Company. The Company's matching contribution for employees of Ste. Michelle Wine Estates (previously Stimson Lane), a wholly-owned subsidiary of UST Inc., is 50 percent of the first 6 percent of amounts contributed. Employees of the Company's other participating subsidiaries are subject to other matching criteria, as defined in the Plan.



UST Inc.  
Employees Savings Plan  
Notes to Financial Statements (continued)

Years Ended December 31, 2004 and 2003

**2. Description of Plan (continued)**

If a Participant leaves the Company before becoming fully vested in the Company's matching contributions to the Plan, the Participant will forfeit the unvested portion of the Company's matching contributions. Forfeitures, which totaled \$59,911 and \$66,325 in 2004 and 2003, respectively, are directed to the Vanguard Retirement Savings Trust Fund (which in 2003 was known as the Stable Value Fund) and are applied to reduce the Company's matching contributions. At the discretion of the UST Inc. Board of Directors (the Board), additional matching contributions may be made by the Company. For the years ended December 31, 2004 and 2003, no additional discretionary contributions were made. Effective July 1, 2003, the Plan was amended to allow Participants who have completed three or more years of service an election to diversify the Company's previously allocated and/or future matching contributions to any of the Plan's investment options. Prior to the amendment, only Participants who were at least 50 years old and 100 percent vested could choose to direct the investment of the Company's matching contributions to any of the Plan's investment options. Company matching contributions for Participants who do not meet these requirements are invested in common stock of UST Inc. (the UST Common Stock Fund). Participant contributions are always 100 percent vested, while vesting of the Company's contributions generally occurs over a period of five years at a rate of 20 percent for each year of service. Upon attainment of five years of service, all Company contributions are immediately vested. Participants also become 100 percent vested upon death or attainment of age 55.

The Plan includes a loan feature for Participants who are currently employed by the Company enabling them to borrow from their vested plan balance. Participants may not obtain a loan if they (i) already have two outstanding loans under the Plan or (ii) have obtained a loan from the Plan within the six-month period immediately preceding the application for a new loan. The term of the loan can range from one to five years as elected by the Participant. Loan repayments are made in equal installments of principal and interest by automatic payroll deductions. The maximum amount the Participant can borrow is the lesser of 50 percent of their vested interest in the Plan or \$50,000, less the highest outstanding loan balance over the previous twelve months. The minimum loan amount is \$1,000. The loan interest rate is determined on a monthly basis and is equal to the prime rate received by Vanguard from Reuters on the first business day of the calendar month. The interest rate is fixed for the term of the loan. In the event a Participant defaults on a Plan loan, the entire unpaid balance of the loan shall become due and payable immediately. Loans may be prepaid in full at any time.

Expenses incurred to administer the Plan are paid from Plan assets to the extent permissible under applicable law. All costs and expenses with regard to the purchase or sale of investments are also paid by the Plan.

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, Participants' account balances become 100 percent vested and they are entitled to the fair value of their accounts.

The foregoing description of the Plan provides only general information. Participants should refer to the Summary Plan Description (SPD) for a more complete description of the Plan's provisions. Copies of the SPD are available from the Company's Employee Benefits Department.

UST Inc.  
Employees Savings Plan  
Notes to Financial Statements (continued)

Years Ended December 31, 2004 and 2003

### 3. Participants Interests

A Participant's interest in the Plan is based on Units of Participation, the value of which is calculated daily for each fund based on the aggregate fair value of the fund's investments. A Participant obtaining a distribution from the Plan receives the fair value of his or her account. If a Participant leaves the Company before becoming fully vested in the Company's matching contributions to the Plan, the Participant will forfeit the nonvested portion of the Company's matching contributions. Under the provisions of the Plan, a Participant may, at the discretion of the EBAC, be permitted to (i) contribute to the Plan certain distributions received from another qualified employee benefit plan or (ii) direct the trustee of such other plan to make a trust-to-trust transfer to the Plan of the Participant's account in such other plan.

### 4. Investments

Individual investments that represented 5 percent or more of the Plan's net assets available for benefits at the respective financial statement dates were as follows:

|  | <b>December 31</b>     |                |
|--|------------------------|----------------|
|  | <b>2004</b>            | 2003           |
| UST Common Stock Fund, at fair value;<br>2004 8,111,927 units; 2003 9,483,479 units                    | <b>\$ 109,673,255*</b> | \$ 95,783,142* |
| Stable Value Fund; Collective Fund, at fair value;<br>2003 35,714,328 shares                           |                        | 35,714,328     |
| Vanguard Retirement Savings Trust; Collective Fund,<br>at fair value; 2004 39,126,563 units            | <b>39,126,563</b>      |                |
| Vanguard 500 Index Fund; Equity Mutual Fund, at fair value;<br>2004 252,656 units; 2003 245,035 shares | <b>28,206,531</b>      | 25,157,792     |
| Vanguard Explorer Fund; Equity Mutual Fund, at fair value;<br>2004 213,357 units; 2003 197,841 shares  | <b>15,910,058</b>      | 12,982,316     |
| Vanguard LifeStrategy Moderate Growth Fund; Growth Fund,<br>at fair value; 2004 711,805 units          | <b>12,748,428</b>      |                |

\* See Nonparticipant-Directed Investments footnote

UST Inc.  
Employees Savings Plan  
Notes to Financial Statements (continued)

Years Ended December 31, 2004 and 2003

**4. Investments (continued)**

In accordance with the Plan, Participants can direct their contributions to invest in one or more of the following: the UST Common Stock Fund, the Morgan Stanley Institutional Fund, the Vanguard 500 Index Fund, the Vanguard Capital Opportunity Fund, the Vanguard Explorer Fund, the Vanguard LifeStrategy Conservative Growth Fund, the Vanguard LifeStrategy Growth Fund, the Vanguard LifeStrategy Income Fund, the Vanguard LifeStrategy Moderate Growth Fund, the Vanguard PRIMECAP Fund, the Vanguard Total Bond Market Index Fund, the Vanguard Windsor II Fund and the Vanguard Retirement Savings Trust Fund (which in 2003 was known as the Stable Value Fund).

Prior to Vanguard replacing American Express as Plan trustee on July 15, 2003, Participants could direct their contributions to invest in one or more of the following: the Stable Value Fund, the American Express Trust Equity Index Fund II, the UST Common Stock Fund (which was comprised of investments in the American Express Trust Money Market Fund II and UST Inc. common stock), the American Express Trust Core Balanced Fund II, the MSIF Trust Small Capital Value Portfolio, the Pyramid International Equity Fund, the Massachusetts Investors Trust Fund, the INVESCO Growth Fund and the American Express Trust Bond Index Fund II. The Plan allows Participants who invest in more than one fund option to allocate their contributions in 1 percent increments per fund. In addition, the Plan permits Participants to change their existing account balances by transferring amounts from any one Participant-directed fund to any other such fund.

UST Inc.  
Employees Savings Plan  
Notes to Financial Statements (continued)

Years Ended December 31, 2004 and 2003

### 5. Nonparticipant-Directed Investments

As indicated in the Description of Plan note to the Financial Statements, the UST Common Stock Fund includes nonparticipant-directed investments, which relate only to the Company's matching contributions for those participants that have not yet completed three years of service and have not reached age 55. As such, amounts presented below include both the participant-directed and the nonparticipant-directed components of the fund's investments and the effects of changes associated with both components of these investments. Information about the net assets and the significant components of the changes in net assets relating to the Plan's nonparticipant-directed investments is as follows:

|   | <b>December 31</b>            |                |
|---|-------------------------------|----------------|
|   | <b>2004</b>                   | <b>2003</b>    |
| <b>Net Assets, at Fair Value</b>              |                               |                |
| UST Common Stock Fund                         | <b>\$ 109,673,255</b>         | \$ 95,783,142  |
|   |                               |                |
|   | <b>Year ended December 31</b> |                |
|   | <b>2004</b>                   | <b>2003</b>    |
| <b>Changes in Net Assets</b>                  |                               |                |
| Employee and employer contributions           | <b>\$ 5,784,588</b>           | \$ 7,115,942   |
| Interest and dividends                        | <b>4,745,687</b>              | 5,307,374      |
| Net appreciation in fair value                | <b>28,857,482</b>             | 6,755,963      |
| Benefits paid directly to Participants        | <b>(5,514,409)</b>            | (4,504,387)    |
| Administrative expenses                       | <b>(49,695)</b>               | (102,413)      |
| Transfers to Participant-directed investments | <b>(19,933,540)</b>           | (15,874,608)   |
|   | <b>\$ 13,890,113</b>          | \$ (1,302,129) |

At December 31, 2004 and 2003, the UST Common Stock Fund included 2.3 million and 2.7 million shares of UST Inc. common stock, respectively.

### 6. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service dated April 1, 2003, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. The Plan has been amended and restated since the effective date of the determination letter. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The necessary steps, if any, will be taken to maintain the Plan's qualified status.

**Supplemental Schedules**

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**UST Inc.**  
**Employees Savings Plan**  
**EIN 06-1193986, Plan number 002**  
**Schedule H, Line 4(i) - Schedule of Assets (Held at End of Year)**  
**December 31, 2004**

| Identity of Issue, Borrower,<br>Lessor or Similar Party          | Description of Investment<br>Including Maturity Date,<br>Rate of Interest, Par or<br>Maturity Value | Current Value  |
|--|---|----------------|
| Group Trust Funds:   |   |                |
| UST Common Stock Fund <sup>(1)</sup>                             | 8,111,927 units<br>Common Stock Fund <sup>(2)</sup>   | \$ 109,673,255 |
| Morgan Stanley Institutional Fund<br>International Equity        | 186,149 shares<br>International Equity Fund   | 3,881,199      |
| Vanguard 500 Index Fund <sup>(1)</sup><br>Investor Shares        | 252,656 shares<br>Equity Mutual Fund  | 28,206,531     |
| Vanguard Capital<br>Opportunity Fund <sup>(1)</sup>              | 238,287 shares<br>Equity Mutual Fund  | 7,332,093      |
| Vanguard Explorer Fund <sup>(1)</sup>                            | 213,357 shares<br>Equity Mutual Fund  | 15,910,058     |
| Vanguard LifeStrategy<br>Conservative Growth Fund <sup>(1)</sup> | 159,850 shares<br>Growth Fund   | 2,439,307      |
| Vanguard LifeStrategy<br>Growth Fund <sup>(1)</sup>              | 187,172 shares<br>Growth Fund   | 3,750,920      |
| Vanguard LifeStrategy<br>Income Fund <sup>(1)</sup>              | 170,324 shares<br>Income Fund   | 2,304,478      |
| Vanguard LifeStrategy<br>Moderate Growth Fund <sup>(1)</sup>     | 711,805 shares<br>Growth Fund   | 12,748,428     |
| Vanguard PRIMECAP Fund <sup>(1)</sup>                            | 97,356 shares<br>Equity Mutual Fund   | 6,065,281      |
| Vanguard Total Bond Market<br>Index Fund <sup>(1)</sup>          | 468,351 shares<br>Fixed Income Fund   | 4,809,966      |

(1) Indicates party-in-interest to the Plan.

(2) Cost \$63,989,268

**UST Inc.**  
**Employees Savings Plan**  
**EIN 06-1193986, Plan number 002**  
**Schedule H, Line 4(i) - Schedule of Assets (Held at End of Year) (continued)**  
**December 31, 2004**

| <b>Identity of Issue, Borrower,<br/>Lessor or Similar Party</b> | <b>Description of Investment<br/>Including Maturity Date,<br/>Rate of Interest, Par or<br/>Maturity Value</b> | <b>Current Value</b> |
|---|---|----------------------|
| Vanguard Windsor II Fund<br>Investor Shares <sup>(1)</sup>      | 188,631 shares<br>Equity Mutual Fund  | \$ 5,796,620         |
| Vanguard Retirement Savings<br>Trust Fund <sup>(1)</sup>        | 39,126,563 units<br>Collective Fund   | 39,126,563           |
| Total Group Trust Funds   |   | \$242,044,699        |
| Participant Loans <sup>(1)</sup>                                | Varying interest rates and maturity<br>dates  | 5,101,923            |
| Total Investments   |   | \$247,146,622        |

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(1) Indicates party-in-interest to the Plan.



UST Inc.  
 Employees Savings Plan  
 EIN 06-1193986, Plan number 002  
 Schedule H, Line 4(j) - Schedule of Reportable Transactions  
 Year Ended December 31, 2004

| Identity of<br>Party Involved | Description<br>of Assets | Purchase<br>Price (1) | Selling<br>Price (1) | Cost of Asset | Net<br>Gain |
|-------------------------------|--------------------------|-----------------------|----------------------|---------------|-------------|
|-------------------------------|--------------------------|-----------------------|----------------------|---------------|-------------|

**Category (iii) - A series of transactions in excess of 5 percent of Plan assets**

UST Common Stock Fund <sup>(2)</sup> Common Stock Fund:

|                 |               |               |               |              |
|-----------------|---------------|---------------|---------------|--------------|
| 1,230,177 units | \$ 13,532,192 | \$            | \$ 13,532,192 | \$           |
| 2,601,729 units | \$            | \$ 28,499,562 | \$ 19,319,569 | \$ 9,179,993 |

**There were no Category (i), (ii), or (iv) reportable transactions.**

**Lease Rental and Expenses Incurred with Transaction columns were not applicable.**

(1) Purchase and selling prices are equal to current value at dates of acquisition and disposition, respectively.

(2) Indicates party-in-interest to the Plan.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the UST Inc. Employee Benefits Administration Committee has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

UST INC. EMPLOYEES SAVINGS  
PLAN

/s/ Richard A. Kohlberger  
Richard A. Kohlberger  
Chairman, UST Inc. Employee Benefits  
Administration Committee

Dated: May 5, 2005

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Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Post-Effective Amendment No. 4 to the Registration Statement (Form S-8 No. 2-72410) pertaining to the Employees Savings Plan of UST Inc. of our report dated May 5, 2005 with respect to the financial statements and schedules of the UST Inc. Employees Savings Plan included in this Annual Report (Form 11-K) for the year ended December 31, 2004.

/s/ ERNST & YOUNG LLP

Stamford, Connecticut  
May 5, 2005