

**Item 8. Financial Statements and Supplementary Data.**

**Consolidated Statements of Earnings**

(in millions of dollars, except per share data)

for the years ended December 31,	2018	2017	2016
Revenues including excise taxes	\$ 79,823	\$ 78,098	\$ 74,953
Excise taxes on products	50,198	49,350	48,268
Net revenues (Notes 2 & 21)	29,625	28,748	26,685
Cost of sales	10,758	10,432	9,391
Gross profit	18,867	18,316	17,294
Marketing, administration and research costs	7,408	6,647	6,317
Amortization of intangibles	82	88	74
Operating income	11,377	11,581	10,903
Interest expense, net (Note 14)	665	914	891
Pension and other employee benefit costs (Note 13)	41	78	88
Earnings before income taxes	10,671	10,589	9,924
Provision for income taxes (Note 11)	2,445	4,307	2,768
Equity investments and securities (income)/loss, net	(60)	(59)	(94)
Net earnings	8,286	6,341	7,250
Net earnings attributable to noncontrolling interests	375	306	283
Net earnings attributable to PMI	\$ 7,911	\$ 6,035	\$ 6,967
Per share data (Note 10):			
Basic earnings per share	\$ 5.08	\$ 3.88	\$ 4.48
Diluted earnings per share	\$ 5.08	\$ 3.88	\$ 4.48

See notes to consolidated financial statements.

## Consolidated Balance Sheets

(in millions of dollars, except share data)

at December 31,	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 6,593	\$ 8,447
Trade receivables (less allowances of \$25 in 2018 and \$25 in 2017)	2,950	3,194
Other receivables	614	544
Inventories:		
Leaf tobacco	2,318	2,606
Other raw materials	1,405	1,563
Finished product	5,081	4,637
	<u>8,804</u>	<u>8,806</u>
Other current assets	481	603
Total current assets	<u>19,442</u>	<u>21,594</u>
Property, plant and equipment, at cost:		
Land and land improvements	600	639
Buildings and building equipment	3,975	3,989
Machinery and equipment	9,096	8,976
Construction in progress	886	962
	<u>14,557</u>	<u>14,566</u>
Less: accumulated depreciation	7,356	7,295
	<u>7,201</u>	<u>7,271</u>
Goodwill (Note 3)	7,189	7,666
Other intangible assets, net (Note 3)	2,278	2,432
Investments in unconsolidated subsidiaries and equity securities (Notes 4 & 16 )	1,269	1,074
Deferred income taxes	977	1,007
Other assets	1,445	1,924
<b>Total Assets</b>	<u><u>\$ 39,801</u></u>	<u><u>\$ 42,968</u></u>

See notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

(in millions of dollars)

for the years ended December 31,	2018	2017	2016
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
Net earnings	\$ 8,286	\$ 6,341	\$ 7,250
Adjustments to reconcile net earnings to operating cash flows:			
Depreciation and amortization	989	875	743
Deferred income tax (benefit) provision	(100)	(501)	182
Cash effects of changes in:			
Receivables, net	53	(92)	(1,009)
Inventories	(613)	730	(695)
Accounts payable	(51)	425	373
Accrued liabilities and other current assets	910	(554)	1,477
Income taxes	(135)	1,370	(209)
Pension plan contributions	(110)	(66)	(191)
Other	249	384	156
Net cash provided by operating activities	9,478	8,912	8,077
<b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>			
Capital expenditures	(1,436)	(1,548)	(1,172)
Investments in unconsolidated subsidiaries and equity securities	(63)	(111)	(41)
Net investment hedges	416	(1,527)	295
Other	85	103	84
Net cash used in investing activities	(998)	(3,083)	(834)

See notes to consolidated financial statements.