



Philip Morris International
2017 Annual Report

CHANGE 

Item 8. Financial Statements and Supplementary Data.

Consolidated Balance Sheets

(in millions of dollars, except share data)

at December 31,	2017	2016
Assets		
Cash and cash equivalents	\$ 8,447	\$ 4,239
Receivables (less allowances of \$30 in 2017 and \$42 in 2016)	3,738	3,499
Inventories:		
Leaf tobacco	2,606	2,498
Other raw materials	1,563	1,569
Finished product	4,637	4,950
	<u>8,806</u>	<u>9,017</u>
Other current assets	603	853
Total current assets	<u>21,594</u>	<u>17,608</u>
Property, plant and equipment, at cost:		
Land and land improvements	639	590
Buildings and building equipment	3,989	3,474
Machinery and equipment	8,976	7,366
Construction in progress	962	930
	<u>14,566</u>	<u>12,360</u>
Less: accumulated depreciation	7,295	6,296
	<u>7,271</u>	<u>6,064</u>
Goodwill (Note 3)	7,666	7,324
Other intangible assets, net (Note 3)	2,432	2,470
Investments in unconsolidated subsidiaries (Note 4)	1,074	1,011
Deferred income taxes	1,007	859
Other assets	1,924	1,515
Total Assets	<u><u>\$ 42,968</u></u>	<u><u>\$ 36,851</u></u>

See notes to consolidated financial statements.

at December 31,	2017	2016
Liabilities		
Short-term borrowings (Note 7)	\$ 499	\$ 643
Current portion of long-term debt (Note 7)	2,506	2,573
Accounts payable	2,242	1,666
Accrued liabilities:		
Marketing and selling	708	575
Taxes, except income taxes	5,324	6,204
Employment costs	856	800
Dividends payable	1,669	1,621
Other	1,346	1,553
Income taxes (Note 11)	812	832
Total current liabilities	15,962	16,467
Long-term debt (Note 7)	31,334	25,851
Deferred income taxes	799	1,897
Employment costs	2,271	2,800
Income taxes and other liabilities (Note 11)	2,832	736
Total liabilities	53,198	47,751

Contingencies (Note 18)

Stockholders' (Deficit) Equity		
Common stock, no par value (2,109,316,331 shares issued in 2017 and 2016)	—	—
Additional paid-in capital	1,972	1,964
Earnings reinvested in the business	29,859	30,397
Accumulated other comprehensive losses	(8,535)	(9,559)
	23,296	22,802
Less: cost of repurchased stock (556,098,569 and 557,930,784 shares in 2017 and 2016, respectively)	35,382	35,490
Total PMI stockholders' deficit	(12,086)	(12,688)
Noncontrolling interests	1,856	1,788
Total stockholders' deficit	(10,230)	(10,900)
Total Liabilities and Stockholders' (Deficit) Equity	\$ 42,968	\$ 36,851

See notes to consolidated financial statements.

Consolidated Statements of Earnings
(in millions of dollars, except per share data)

for the years ended December 31,	2017	2016	2015
Net revenues	\$ 78,098	\$ 74,953	\$ 73,908
Cost of sales	10,432	9,391	9,365
Excise taxes on products	49,350	48,268	47,114
Gross profit	18,316	17,294	17,429
Marketing, administration and research costs	6,725	6,405	6,656
Asset impairment and exit costs	—	—	68
Amortization of intangibles	88	74	82
Operating income	11,503	10,815	10,623
Interest expense, net (Note 14)	914	891	1,008
Earnings before income taxes	10,589	9,924	9,615
Provision for income taxes (Note 11)	4,307	2,768	2,688
Equity (income)/loss in unconsolidated subsidiaries, net	(59)	(94)	(105)
Net earnings	6,341	7,250	7,032
Net earnings attributable to noncontrolling interests	306	283	159
Net earnings attributable to PMI	\$ 6,035	\$ 6,967	\$ 6,873
Per share data (Note 10):			
Basic earnings per share	\$ 3.88	\$ 4.48	\$ 4.42
Diluted earnings per share	\$ 3.88	\$ 4.48	\$ 4.42

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(in millions of dollars)

for the years ended December 31,	2017	2016	2015
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Net earnings	\$ 6,341	\$ 7,250	\$ 7,032
Adjustments to reconcile net earnings to operating cash flows:			
Depreciation and amortization	875	743	754
Deferred income tax (benefit) provision	(501)	182	(18)
Asset impairment and exit costs, net of cash paid	(10)	(31)	(164)
Cash effects of changes in:			
Receivables, net	(92)	(1,009)	647
Inventories	730	(695)	(841)
Accounts payable	425	373	310
Accrued liabilities and other current assets	(554)	1,477	(8)
Income taxes	1,370	(209)	(42)
Pension plan contributions	(66)	(191)	(154)
Other	394	187	349
Net cash provided by operating activities	8,912	8,077	7,865
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES			
Capital expenditures	(1,548)	(1,172)	(960)
Investments in unconsolidated subsidiaries	(111)	(41)	(55)
Net investment hedges	(1,527)	295	239
Other	172	(50)	68
Net cash used in investing activities	(3,014)	(968)	(708)

See notes to consolidated financial statements.

for the years ended December 31,

2017

2016

2015

CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES

Short-term borrowing activity by original maturity:

Net repayments - maturities of 90 days or less	\$ (127)	\$ (12)	\$ (266)
Issuances - maturities longer than 90 days	1,634	—	—
Repayments - maturities longer than 90 days	(1,634)	—	—
Long-term debt proceeds	6,850	3,536	1,539
Long-term debt repaid	(2,551)	(2,393)	(1,229)
Repurchases of common stock	—	—	(48)
Dividends paid	(6,520)	(6,378)	(6,250)
Sale (purchase) of subsidiary shares to/(from) noncontrolling interests (Note 6)	5	7	1,622
Other	(426)	(173)	(104)
Net cash used in financing activities	(2,769)	(5,413)	(4,736)
Effect of exchange rate changes on cash and cash equivalents	1,079	(874)	(686)

Cash and cash equivalents:

Increase	4,208	822	1,735
Balance at beginning of year	4,239	3,417	1,682
Balance at end of year	<u>\$ 8,447</u>	<u>\$ 4,239</u>	<u>\$ 3,417</u>

Cash Paid:

Interest	\$ 1,050	\$ 1,052	\$ 1,045
Income taxes	\$ 3,403	\$ 2,829	\$ 2,771

See notes to consolidated financial statements.