

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,	2019	2018	2017
Revenues including excise taxes	\$ 77,921	\$ 79,823	\$ 78,098
Excise taxes on products	48,116	50,198	49,350
Net revenues	29,805	29,625	28,748
Cost of sales	10,513	10,758	10,432
Gross profit	19,292	18,867	18,316
Marketing, administration and research costs (Notes 18, 21 & 22)	8,695	7,408	6,647
Amortization of intangibles	66	82	88
Operating income	10,531	11,377	11,581
Interest expense, net (Note 14)	570	665	914
Pension and other employee benefit costs (Note 13)	89	41	78
Earnings before income taxes	9,872	10,671	10,589
Provision for income taxes (Note 11)	2,293	2,445	4,307
Equity investments and securities (income)/loss, net	(149)	(60)	(59)
Net earnings	7,728	8,286	6,341
Net earnings attributable to noncontrolling interests	543	375	306
Net earnings attributable to PMI	\$ 7,185	\$ 7,911	\$ 6,035
Per share data (Note 10):			
Basic earnings per share	\$ 4.61	\$ 5.08	\$ 3.88
Diluted earnings per share	\$ 4.61	\$ 5.08	\$ 3.88

See notes to consolidated financial statements.

Consolidated Balance Sheets

(in millions of dollars, except share data)

at December 31,	2019	2018
Assets		
Cash and cash equivalents	\$ 6,861	\$ 6,593
Trade receivables (less allowances of \$20 in 2019 and \$25 in 2018)	3,080	2,950
Other receivables	637	614
Inventories:		
Leaf tobacco	2,052	2,318
Other raw materials	1,596	1,405
Finished product	5,587	5,081
	<u>9,235</u>	<u>8,804</u>
Other current assets	701	481
Total current assets	<u>20,514</u>	<u>19,442</u>
Property, plant and equipment, at cost:		
Land and land improvements	566	600
Buildings and building equipment	4,132	3,975
Machinery and equipment	9,354	9,096
Construction in progress	394	886
	<u>14,446</u>	<u>14,557</u>
Less: accumulated depreciation	7,815	7,356
	<u>6,631</u>	<u>7,201</u>
Goodwill (Note 3)	5,858	7,189
Other intangible assets, net (Note 3)	2,113	2,278
Investments in unconsolidated subsidiaries and equity securities (Notes 4 & 16)	4,635	1,269
Deferred income taxes	1,153	977
Other assets	1,971	1,445
Total Assets	<u>\$ 42,875</u>	<u>\$ 39,801</u>

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(in millions of dollars)

for the years ended December 31,	2019	2018	2017
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Net earnings	\$ 7,728	\$ 8,286	\$ 6,341
Adjustments to reconcile net earnings to operating cash flows:			
Depreciation and amortization	964	989	875
Deferred income tax (benefit) provision	(141)	(100)	(501)
Asset impairment and exit costs, net of cash paid (Note 21)	371	(3)	(10)
Cash effects of changes in:			
Receivables, net	(331)	53	(92)
Inventories	(548)	(613)	730
Accounts payable	451	(51)	425
Accrued liabilities and other current assets	1,108	910	(554)
Income taxes	75	(135)	1,370
Pension plan contributions	(200)	(110)	(66)
Other	613 ⁽¹⁾	252	394
Net cash provided by operating activities	<u>10,090</u>	<u>9,478</u>	<u>8,912</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES			
Capital expenditures	(852)	(1,436)	(1,548)
Investments in unconsolidated subsidiaries and equity securities	(31)	(63)	(111)
Deconsolidation of RBH (Note 22)	(1,346) ⁽²⁾	—	—
Net investment hedges	386	416	(1,527)
Other	32	85	103
Net cash used in investing activities	<u>(1,811)</u>	<u>(998)</u>	<u>(3,083)</u>

See notes to consolidated financial statements.