

Philip Morris International Inc.  
Form 10-Q  
July 26, 2018  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q  
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the quarterly period ended June 30, 2018  
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 001-33708  
Philip Morris  
International  
Inc.

(Exact name of registrant as specified in its charter)

Virginia 13-3435103  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

120 Park Avenue 10017  
New York, New York  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (917) 663-2000

Former name, former address and former fiscal year, if changed since last report

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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

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Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

At July 23, 2018, there were 1,554,506,845 shares outstanding of the registrant's common stock, no par value per share.

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In this report, "PMI," "we," "us" and "our" refer to Philip Morris International Inc. and its subsidiaries.	

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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements.

## Philip Morris International Inc. and Subsidiaries

## Condensed Consolidated Balance Sheets

(in millions of dollars)

(Unaudited)

	June 30, 2018	December 31, 2017
<b>ASSETS</b>		
Cash and cash equivalents	\$6,587	\$ 8,447
Trade receivables (less allowances of \$23 in 2018 and \$25 in 2017)	2,936	3,194
Other receivables	836	544
Inventories:		
Leaf tobacco	2,459	2,606
Other raw materials	1,463	1,563
Finished product	5,003	4,637
	8,925	8,806
Other current assets	744	603
Total current assets	20,028	21,594
Property, plant and equipment, at cost	14,382	14,566
Less: accumulated depreciation	7,269	7,295
	7,113	7,271
Goodwill (Note 4)	7,312	7,666
Other intangible assets, net (Note 4)	2,336	2,432
Investments in unconsolidated subsidiaries and equity securities (Notes 11&14)	1,352	1,074
Deferred income taxes	909	1,007
Other assets	1,671	1,924
<b>TOTAL ASSETS</b>	<b>\$40,721</b>	<b>\$ 42,968</b>

See notes to condensed consolidated financial statements.

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Philip Morris International Inc. and Subsidiaries  
 Condensed Consolidated Balance Sheets (Continued)  
 (in millions of dollars, except share data)  
 (Unaudited)

	June 30, 2018	December 31, 2017
<b>LIABILITIES</b>		
Short-term borrowings (Note 10)	\$592	\$ 499
Current portion of long-term debt (Note 10)	3,025	2,506
Accounts payable	1,953	2,242
Accrued liabilities:		
Marketing and selling	634	708
Taxes, except income taxes	6,854	5,324
Employment costs	736	856
Dividends payable	1,785	1,669
Other	1,319	1,346
Income taxes (Note 9)	543	812
Total current liabilities	17,441	15,962
Long-term debt (Note 10)	28,048	31,334
Deferred income taxes	793	799
Employment costs	2,136	2,271
Income taxes and other liabilities (Note 9)	2,471	2,832
Total liabilities	50,889	53,198
Contingencies (Note 8)		
<b>STOCKHOLDERS' (DEFICIT) EQUITY</b>		
Common stock, no par value (2,109,316,331 shares issued in 2018 and 2017)	—	—
Additional paid-in capital	1,893	1,972
Earnings reinvested in the business	30,406	29,859
Accumulated other comprehensive losses	(8,908 )	(8,535 )
	23,391	23,296
Less: cost of repurchased stock (554,822,236 and 556,098,569 shares in 2018 and 2017, respectively)	35,306	35,382
Total PMI stockholders' deficit	(11,915 )	(12,086 )
Noncontrolling interests	1,747	1,856
Total stockholders' deficit	(10,168 )	(10,230 )
<b>TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY</b>	<b>\$40,721</b>	<b>\$ 42,968</b>

See notes to condensed consolidated financial statements.

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Philip Morris International Inc. and Subsidiaries  
Condensed Consolidated Statements of Earnings  
(in millions of dollars, except per share data)  
(Unaudited)

	For the Six Months Ended June 30,	
	2018	2017
Revenues including excise taxes	\$39,526	\$35,875
Excise taxes on products	24,904	22,894
Net revenues (Note 18)	14,622	12,981
Cost of sales	5,359	4,696
Gross profit	9,263	8,285
Marketing, administration and research costs	3,701	3,088
Amortization of intangibles	43	44
Operating income	5,519	5,153
Interest expense, net	395	432
Pension and other employee benefit costs (Note 3)	12	36
Earnings before income taxes	5,112	4,685
Provision for income taxes	1,203	1,230
Equity investments and securities (income)/loss, net	(33 )	(45 )
Net earnings	\$3,942	\$3,500
Net earnings attributable to noncontrolling interests	188	129
Net earnings attributable to PMI	\$3,754	\$3,371
Per share data (Note 6):		
Basic earnings per share	\$2.41	\$2.17
Diluted earnings per share	\$2.41	\$2.17
Dividends declared	\$2.21	\$2.08

See notes to condensed consolidated financial statements.

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Philip Morris International Inc. and Subsidiaries  
 Condensed Consolidated Statements of Earnings  
 (in millions of dollars, except per share data)  
 (Unaudited)

	For the Three Months Ended June 30,	
	2018	2017
Revenues including excise taxes	\$21,100	\$19,319
Excise taxes on products	13,374	12,402
Net revenues (Note 18)	7,726	6,917
Cost of sales	2,744	2,519
Gross profit	4,982	4,398
Marketing, administration and research costs	1,868	1,639
Amortization of intangibles	21	22
Operating income	3,093	2,737
Interest expense, net	168	213
Pension and other employee benefit costs (Note 3)	6	16
Earnings before income taxes	2,919	2,508
Provision for income taxes	644	689
Equity investments and securities (income)/loss, net	(20 )	(23 )
Net earnings	2,295	1,842
Net earnings attributable to noncontrolling interests	97	61
Net earnings attributable to PMI	\$2,198	\$1,781
Per share data (Note 6):		
Basic earnings per share	\$1.41	\$1.14
Diluted earnings per share	\$1.41	\$1.14
Dividends declared	\$1.14	\$1.04

See notes to condensed consolidated financial statements.

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Philip Morris International Inc. and Subsidiaries  
 Condensed Consolidated Statements of Comprehensive Earnings  
 (in millions of dollars)  
 (Unaudited)

	For the Six Months Ended June 30,	
	2018	2017
Net earnings	\$3,942	\$3,500
Other comprehensive earnings (losses), net of income taxes:		
Change in currency translation adjustments:		
Unrealized gains (losses), net of income taxes of (\$27) in 2018 and \$546 in 2017	(545	) 430
Change in net loss and prior service cost:		
Amortization of net losses, prior service costs and net transition costs, net of income taxes of (\$21) in 2018 and (\$19) in 2017	100	111
Change in fair value of derivatives accounted for as hedges:		
Gains (losses) recognized, net of income taxes of \$1 in 2018 and \$8 in 2017	(11	) (53
(Gains) losses transferred to earnings, net of income taxes of \$- in 2018 and \$1 in 2017	6	(2
Total other comprehensive earnings (losses)	(450	) 486
Total comprehensive earnings	3,492	3,986
Less comprehensive earnings attributable to:		
Noncontrolling interests	111	126
Comprehensive earnings attributable to PMI	\$3,381	\$3,860



See notes to condensed consolidated financial statements.

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Philip Morris International Inc. and Subsidiaries  
 Condensed Consolidated Statements of Comprehensive Earnings  
 (in millions of dollars)  
 (Unaudited)

	For the Three Months Ended June 30,	
	2018	2017
Net earnings	\$2,295	\$1,842
Other comprehensive earnings (losses), net of income taxes:		
Change in currency translation adjustments:		
Unrealized gains (losses), net of income taxes of (\$219) in 2018 and \$390 in 2017	(174	) 127
Change in net loss and prior service cost:		
Amortization of net losses, prior service costs and net transition costs, net of income taxes of (\$10) in 2018 and (\$10) in 2017	50	55
Change in fair value of derivatives accounted for as hedges:		
Gains (losses) recognized, net of income taxes of (\$9) in 2018 and (\$3) in 2017	53	22
(Gains) losses transferred to earnings, net of income taxes of \$1 in 2018 and (\$1) in 2017	4	(7 )
Total other comprehensive earnings (losses)	(67	) 197
Total comprehensive earnings	2,228	2,039
Less comprehensive earnings attributable to:		
Noncontrolling interests	55	63
Comprehensive earnings attributable to PMI	\$2,173	\$1,976

See notes to condensed consolidated financial statements.



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Philip Morris International Inc. and Subsidiaries  
Condensed Consolidated Statements of Stockholders' (Deficit) Equity  
For the Six Months Ended June 30, 2018 and 2017  
(in millions of dollars, except per share amounts)  
(Unaudited)

PMI Stockholders' (Deficit) Equity			
Common Stock	Additional Paid-in Capital	Earnings Reinvested in the Business	Accumulated Other Comprehensive Losses