

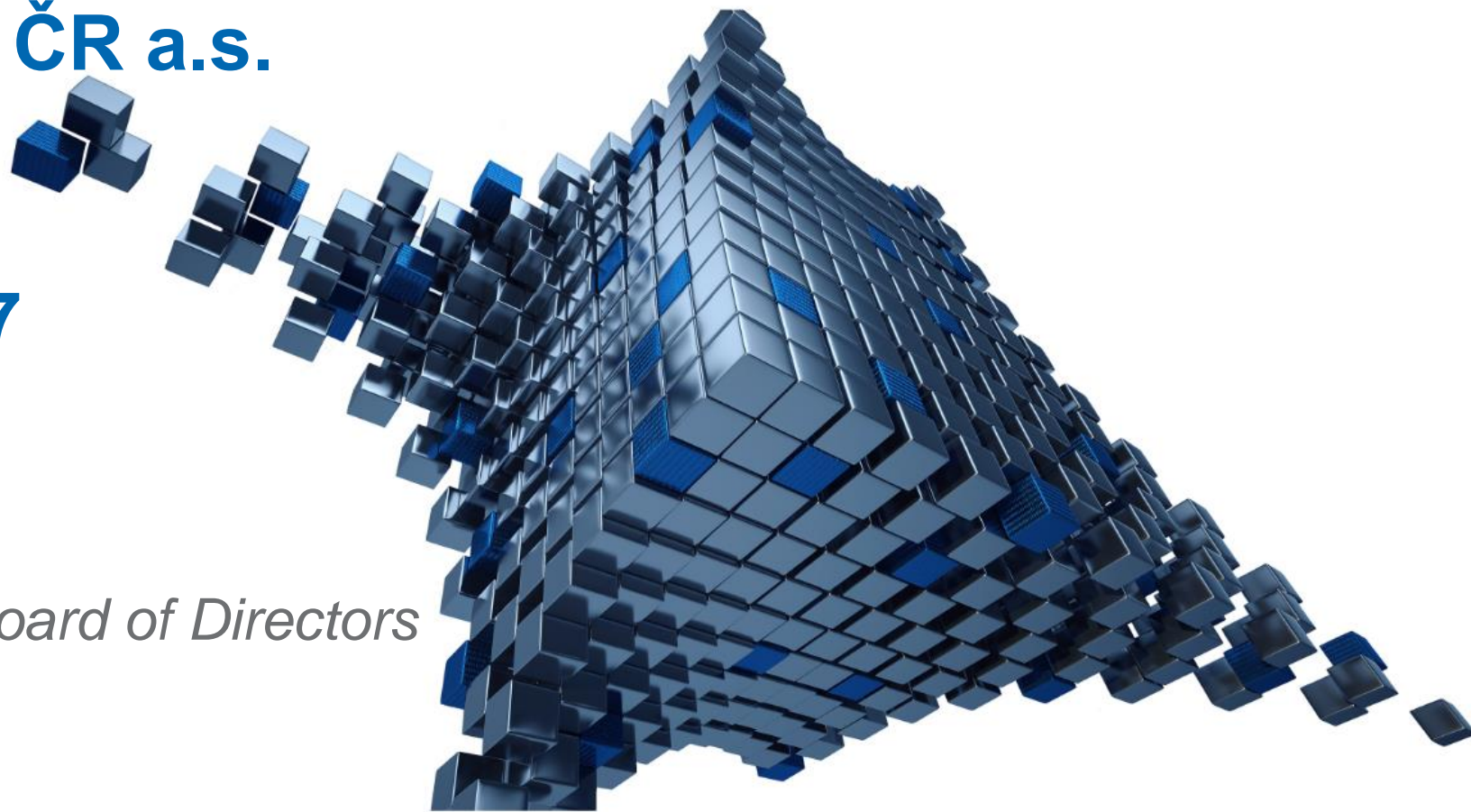


PHILIP MORRIS ČR

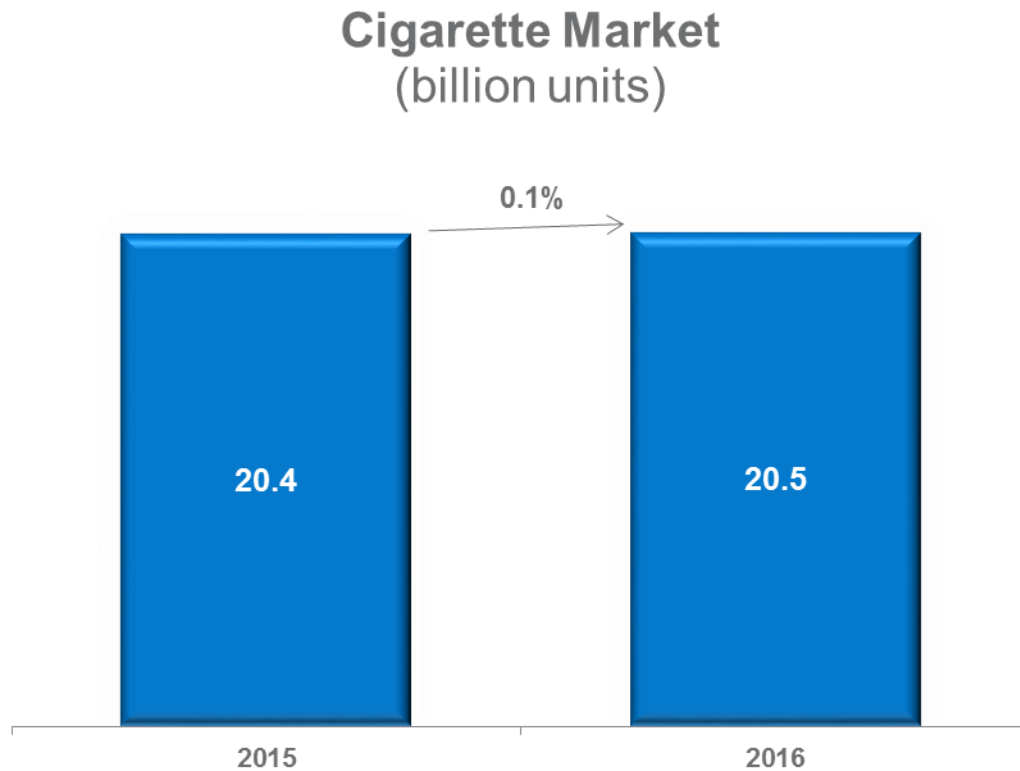
Annual General Meeting of Shareholders of Philip Morris ČR a.s.

Kutná Hora
April 28, 2017

Árpád Könye
Chairman of the Board of Directors



Total Cigarette Market Czech Republic



Total reported cigarette market up by 0.1% reflecting mainly





- favorable economic environment
- favorable net estimated inventory movements on the market

partially offset by

- decline in smoking incidence

Price Increases 2014 – 2016 (CZK/pack)

Czech Republic

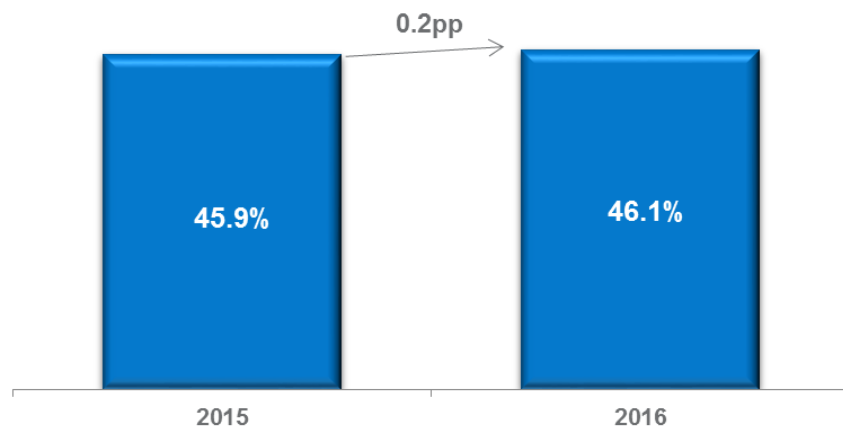
		<u>Dec'14</u>	<u>Dec'15</u>	<u>Dec'16</u>
Premium		91	96	100
Medium		79	84	89
Low		74	79	84
SuperLow		72	77	82

Note: Retail prices in CZK/pack of 20 cigarettes

- Excise tax increase December 1, 2014
- Excise tax increase January 1, 2016

PMCR Cigarette Market Share and Shipments Czech Republic

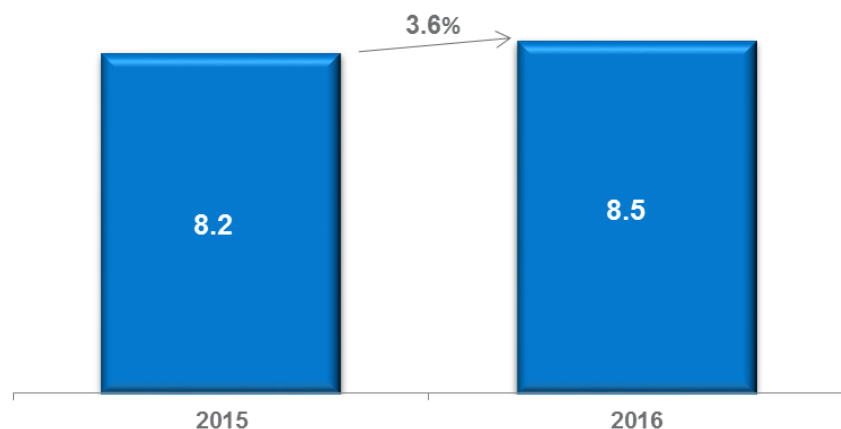
Market Share



Market share increase 46.1% (0.2pp)

- mainly reflecting the strong performance of *Marlboro*, *L&M* and *Philip Morris*

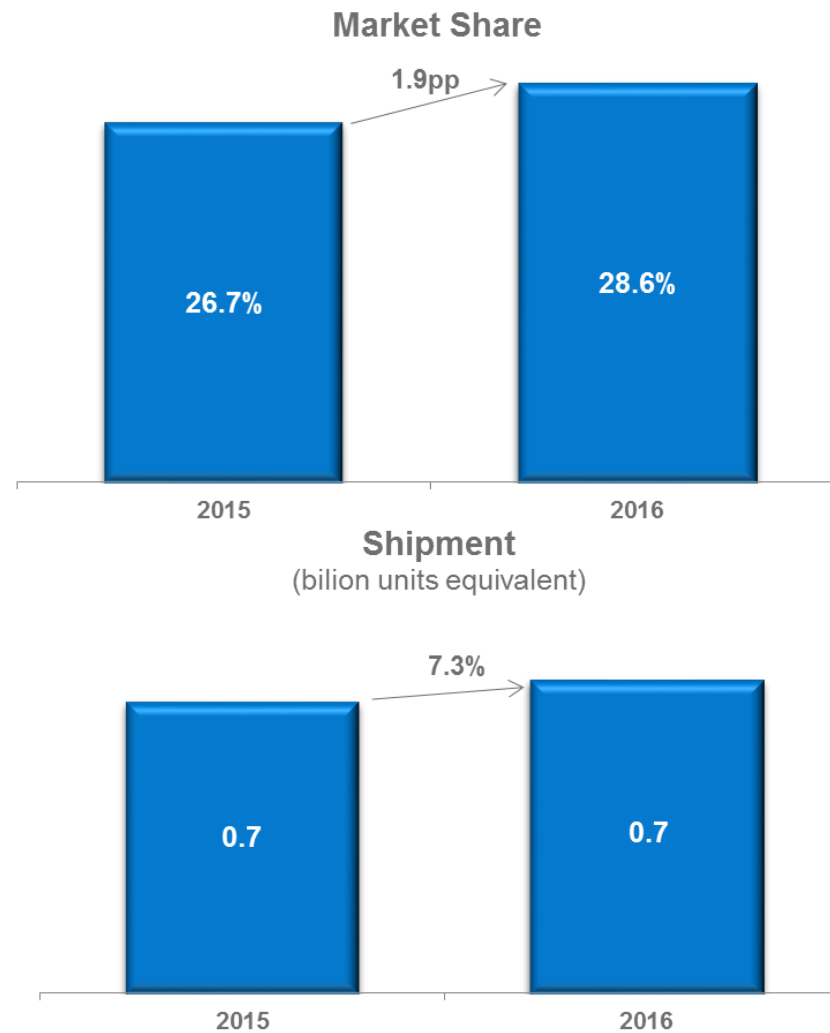
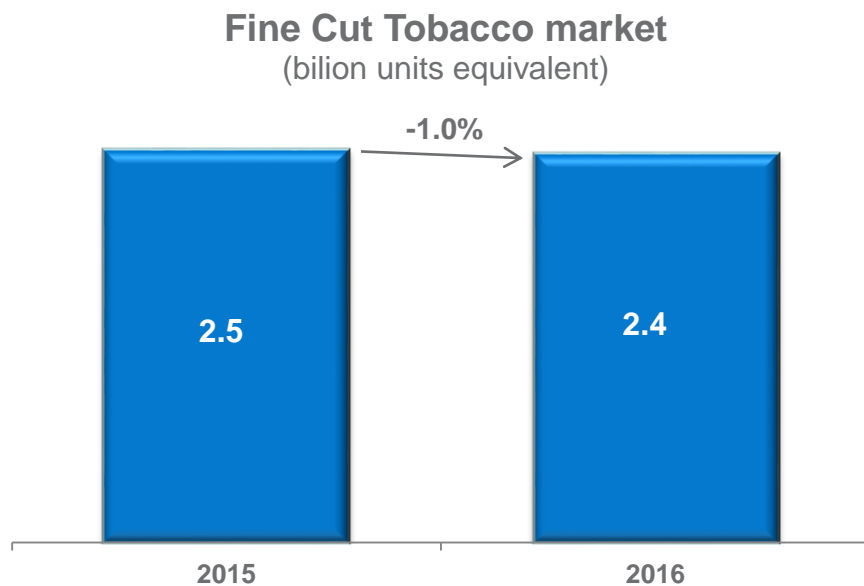
Shipments
(billion units)



Domestic cigarette shipments up 3.6%

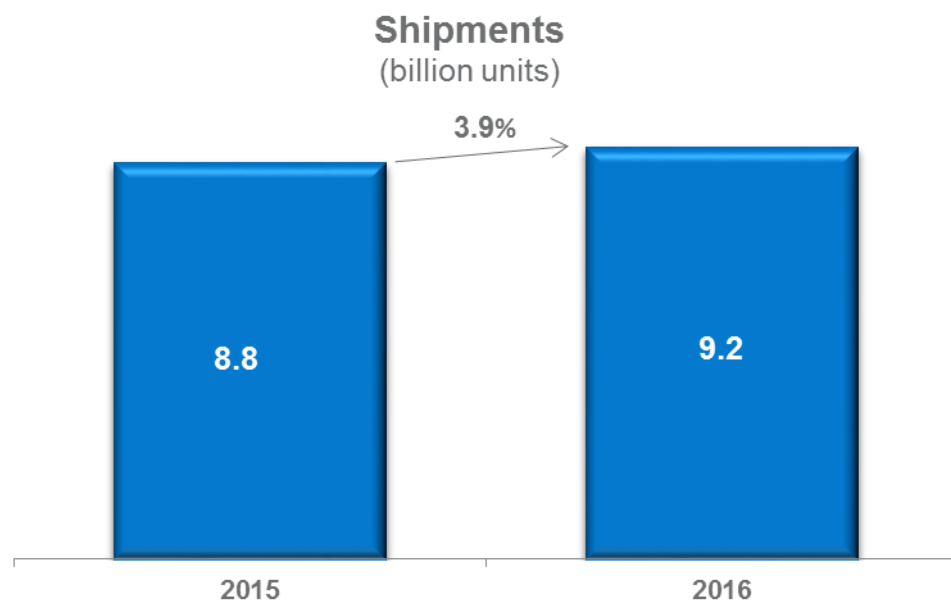
- higher cigarette market share

Fine Cut Tobacco Czech Republic



Note: Fine Cut Tobacco refers to tobacco products such as tobacco for make-your-own cigarettes (0.73 g is equivalent to 1 cigarette) and volume tobacco for make-your-own cigarettes (0.60 g is equivalent to 1 cigarette).

Combined shipments Cigarettes & Other Tobacco Products Czech Republic

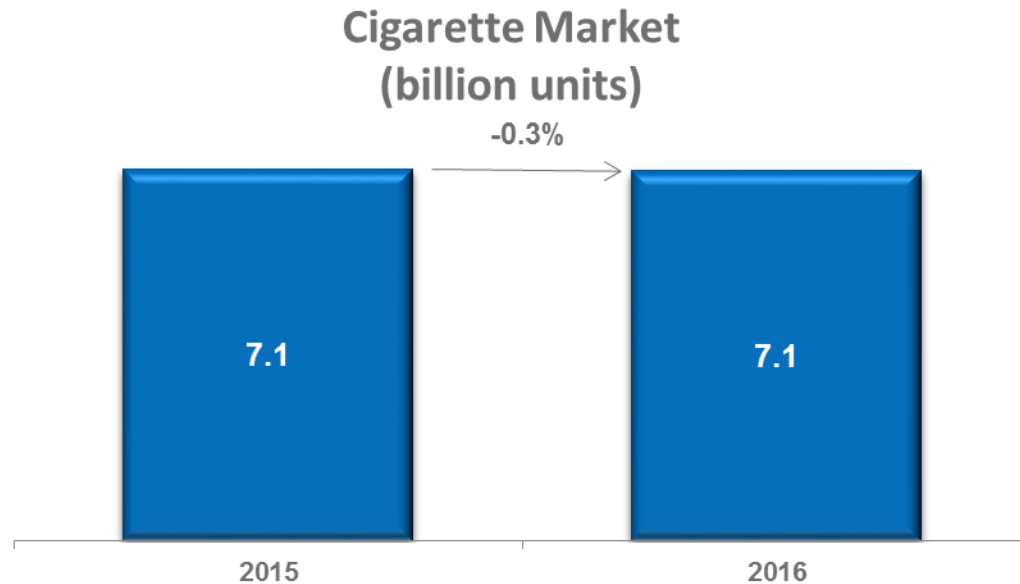


**Domestic shipments up by 3.9%
mainly driven by:**

- higher total cigarette market share
- higher fine cut market share

Note: Fine Cut Tobacco refers to tobacco products such as tobacco for make-your-own cigarettes (0.73 g is equivalent to 1 cigarette) and volume tobacco for make-your-own cigarettes (0.60 g is equivalent to 1 cigarette).

Total Cigarette Market Slovakia









**Total cigarette market down by 0.3%
reflecting mainly**

- **unfavorable net estimated
inventory movements on the
market**

Price Increases 2014 – 2016 (EUR/pack)

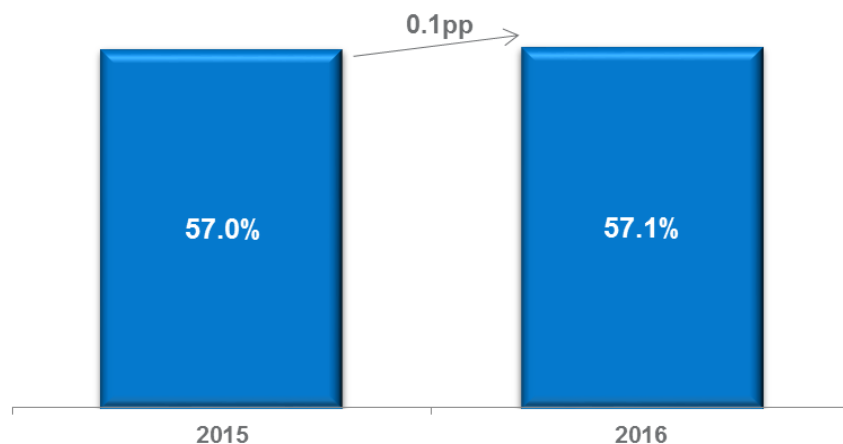
Slovakia

		<u>Dec '14</u>	<u>Dec '15</u>	<u>Dec '16</u>
	Premium	3.50	3.50	3.70
	Medium	3.10	3.10	3.30
 	Super Low	2.90	2.90	3.10
 		2.80	2.80	3.00

- Price increases in Q3 2014
- Price increases implemented by Philip Morris Slovakia s.r.o in Q1 2016 in conjunction with the unit count change from 19s to 20s

Cigarette Market Share and Shipments Slovakia

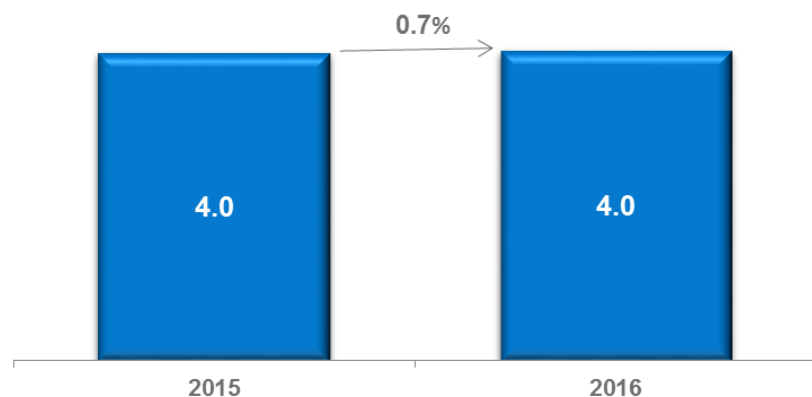
Market Share



Market share increase to 57.1% (+0.1pp)

- strong performance of *L&M* and *Philip Morris*
- partially offset by share declines of local brands

Shipments
(billion units)



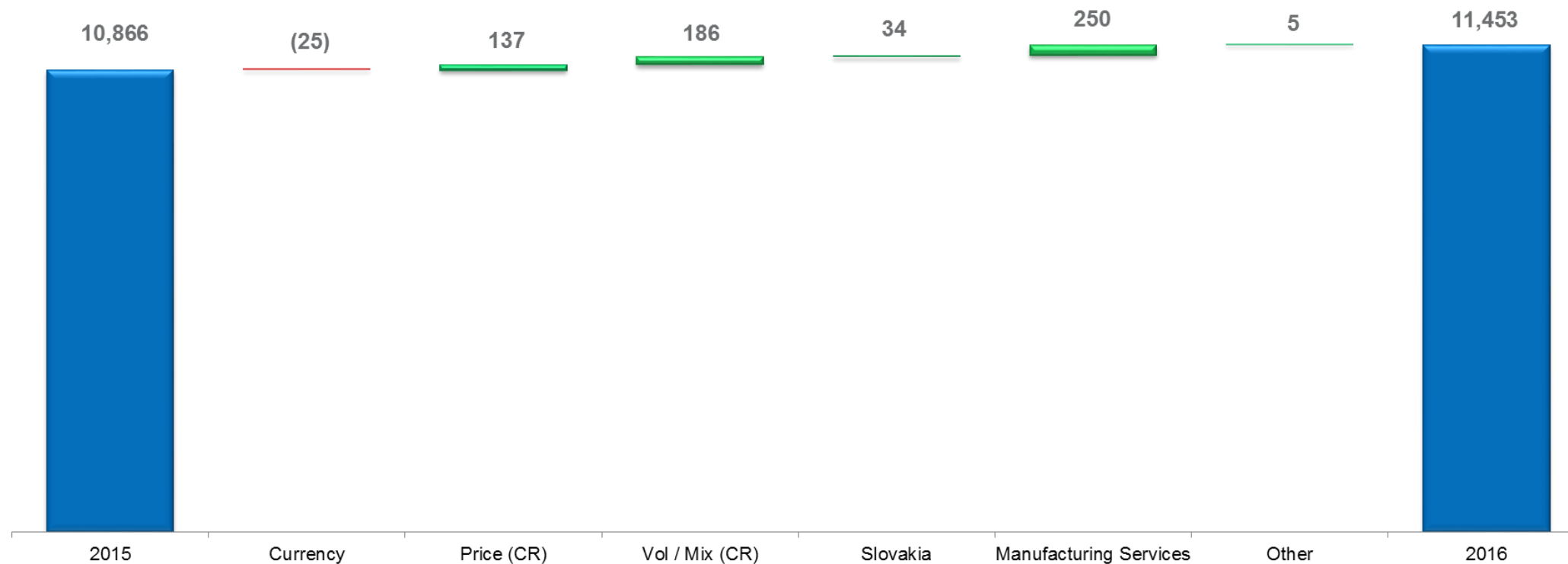
Domestic cigarette shipments up 0.7%

- higher cigarette market share

Net Revenues

Consolidated Financial Results

(CZK million)



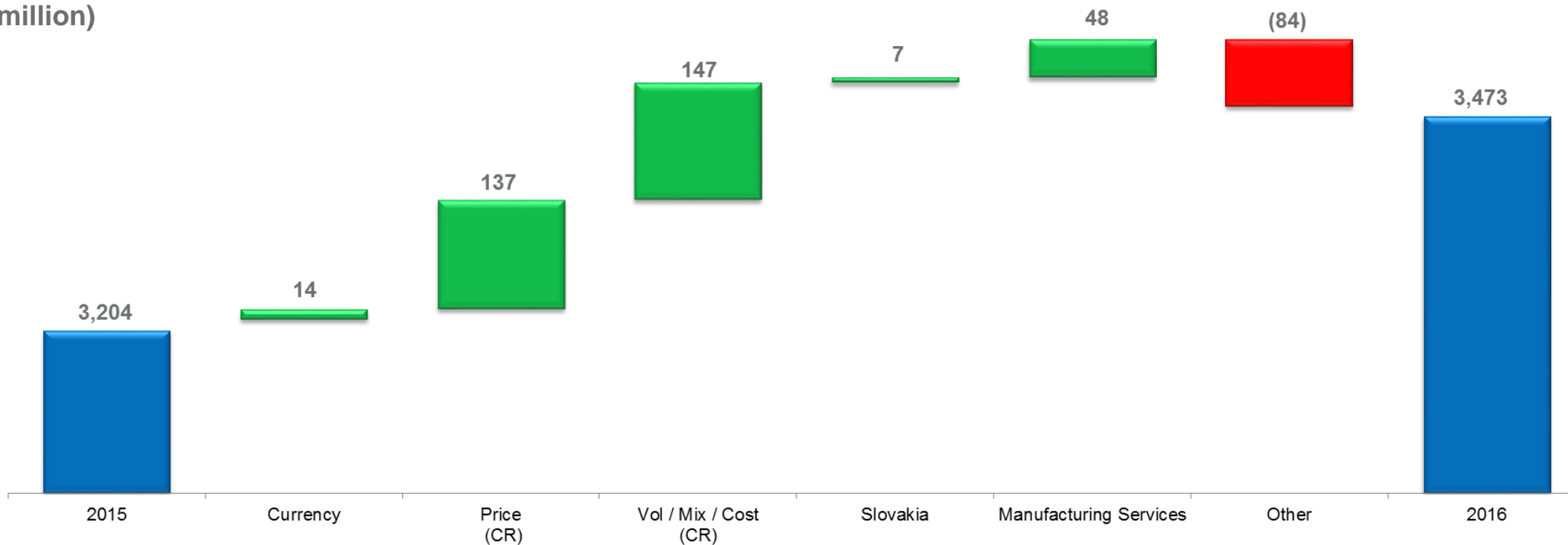
Consolidated net revenues up by 5.4% or by 5.6% excluding currency, mainly driven by:

- favorable volume / mix in the Czech Republic and Slovakia, as well as favorable pricing in the Czech Republic.

Operating Income

Consolidated Financial Results

(CZK million)

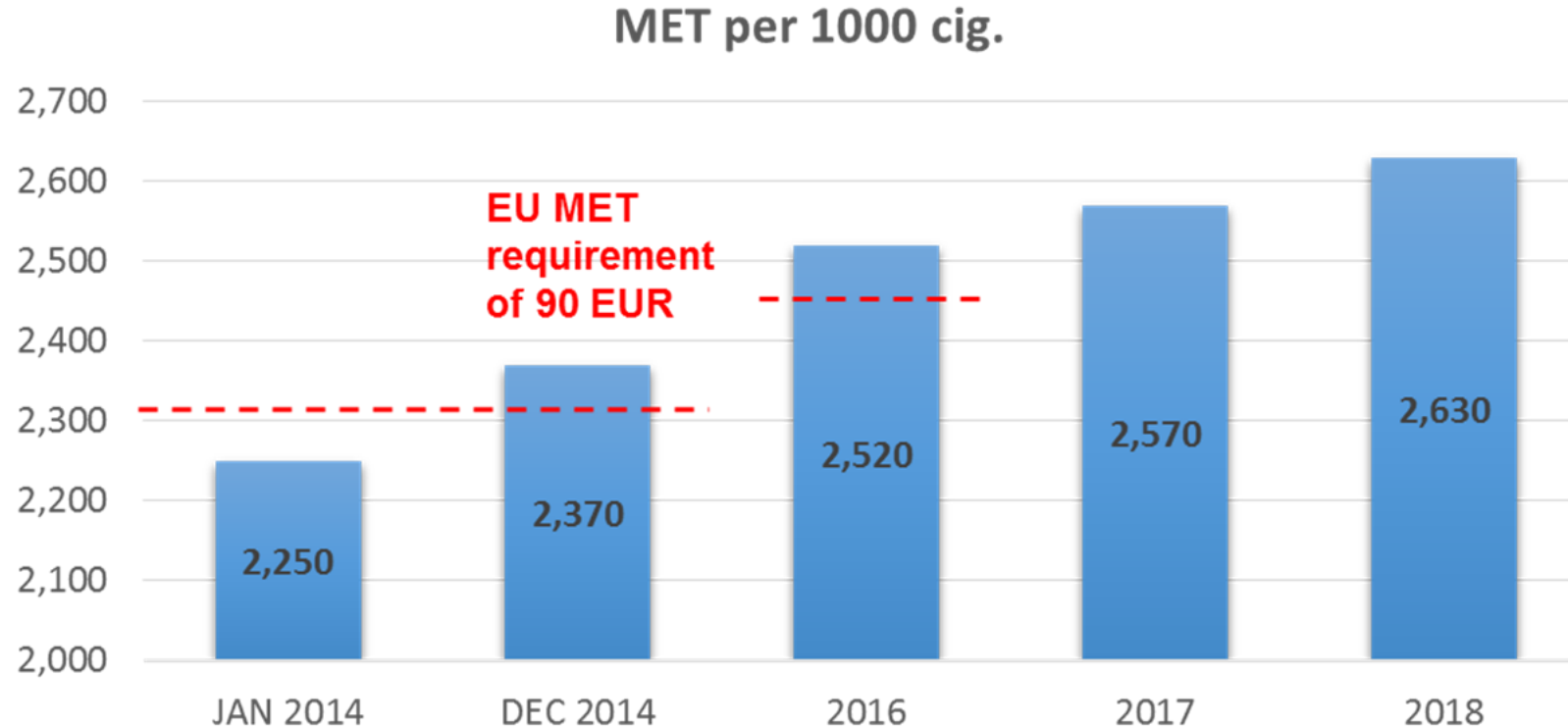


Consolidated profit from operations increased by 8.4% or by 8.0% excluding currency, primarily reflecting:

- favorable volume / mix in the Czech Republic and Slovakia
- favorable pricing in the Czech Republic

partially offset by:

- lower exchange rate gains

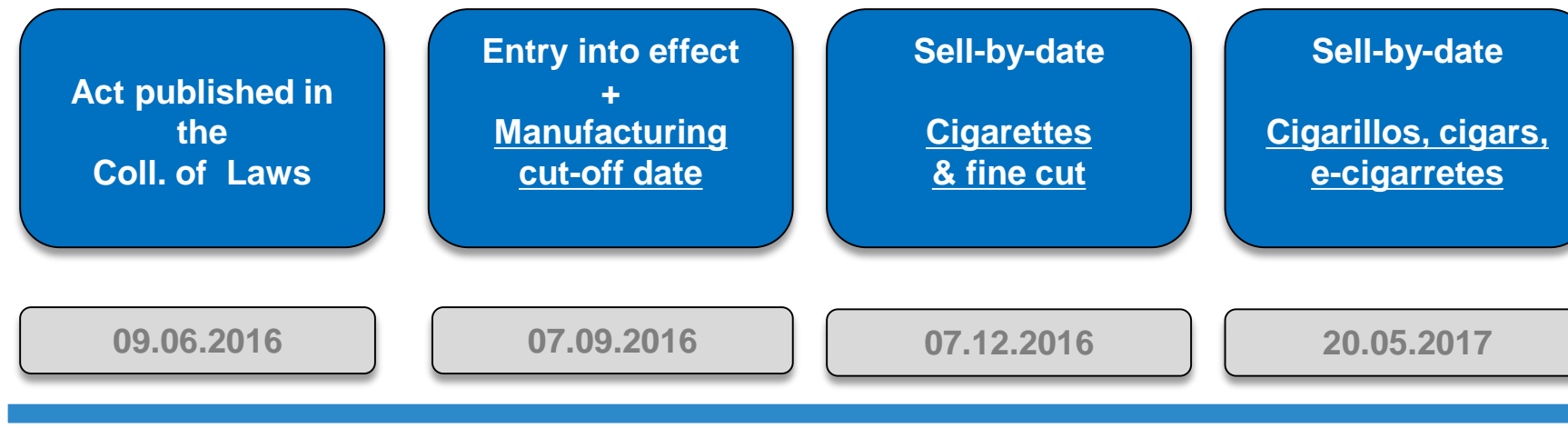


- Adopted three-year excise tax roadmap for 2016 - 2018 meeting minimum EU requirements
- Excise tax increase as of Jan'16, Jan'17, Jan'18, ad valorem remains at 27%, specific and MET increase
- Anti-forestalling regulation introduced for cigarettes in Dec'14 remains for 2016 – 2018

* Note: PMCR internal estimate 2016 - 2018

Transposition of Tobacco Products Directive into Czech law

Transposed by Act no. 180/2016 Coll. amending Act no. 110/1997 Coll. on Foodstuffs and Tobacco Products as amended



Act no. 180/2016 Coll. includes:

- no measures beyond EU TPD
- Rules for commercialization of Novel Tobacco Products
- 65% HWL (combined text + images) for cigarettes + fine-cut
- 30% HWL (text only) for smokeless products
- menthol, capsules until 20 May 2020

New Act on the Health Protection Against Harmful Effects of Additive Substances - Czech Republic

**Entry into
effect**

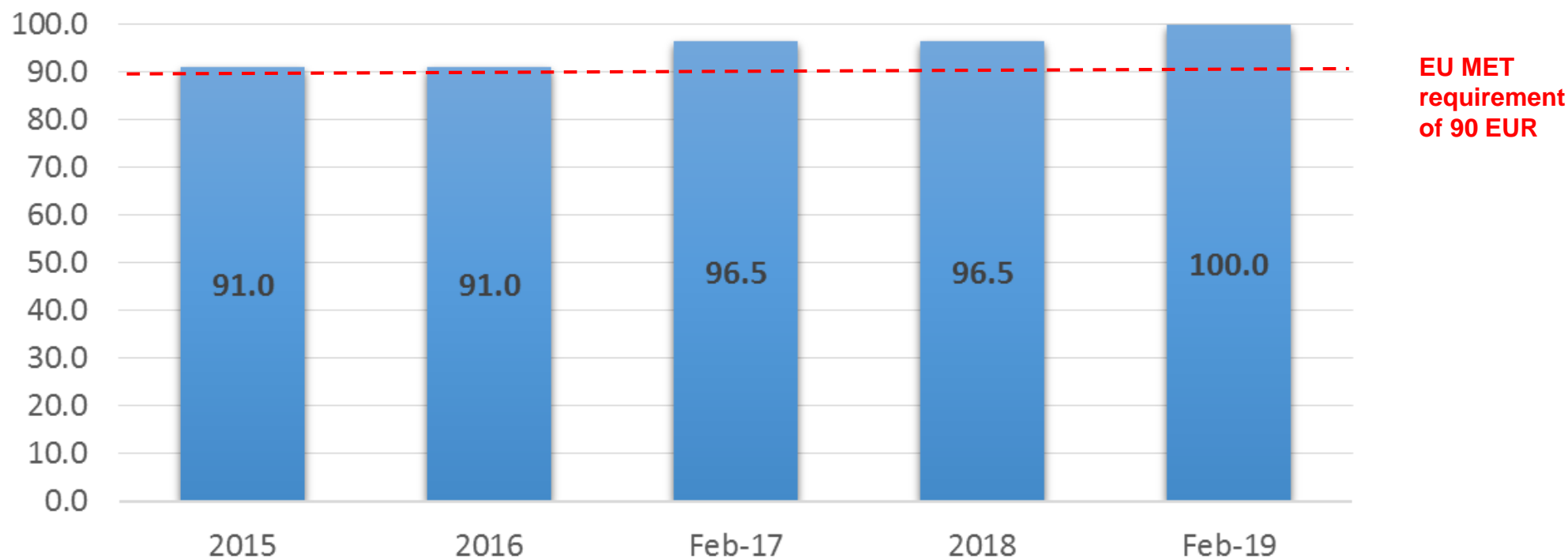
**31 May
2017**

New law includes:

- Full HORECA (restaurants + bars) smoking ban (outside terraces exempted)
- E-cigarettes vaping permitted in HORECA
- Sales of tobacco products through vending machines permitted

Minimum Excise Tax for Cigarettes (EUR/'000)

MET per 1000 cig.



- 3 year fiscal plan for 2017-2019 adopted in fall 2016 – ET rates increases in February 1, 2017 and February 1, 2019
- new excise category for smoke-less tobacco products as of May 1, 2017
- anti-forestalling measures for cigarettes (1 month), OTP (8 months)

Transposition of Tobacco Products Directive into Slovak law

Transposed by Act no. 89/2016 Coll. on the manufacturing, labelling and sale of tobacco products and tobacco-related products and on the amendment of related acts

Act published in the
Coll. of Laws

19.02.2016

Entry into effect
+
Manufacturing
cut-off date

20.05.2016

Sell-by-date
Cigarettes

31.08.2016

Sell-by-date
Fine-cut, cigarillos,
cigars,
e-cigarettes

20.05.2017

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Assets & Liabilities

Consolidated Financial Results

(CZK million)

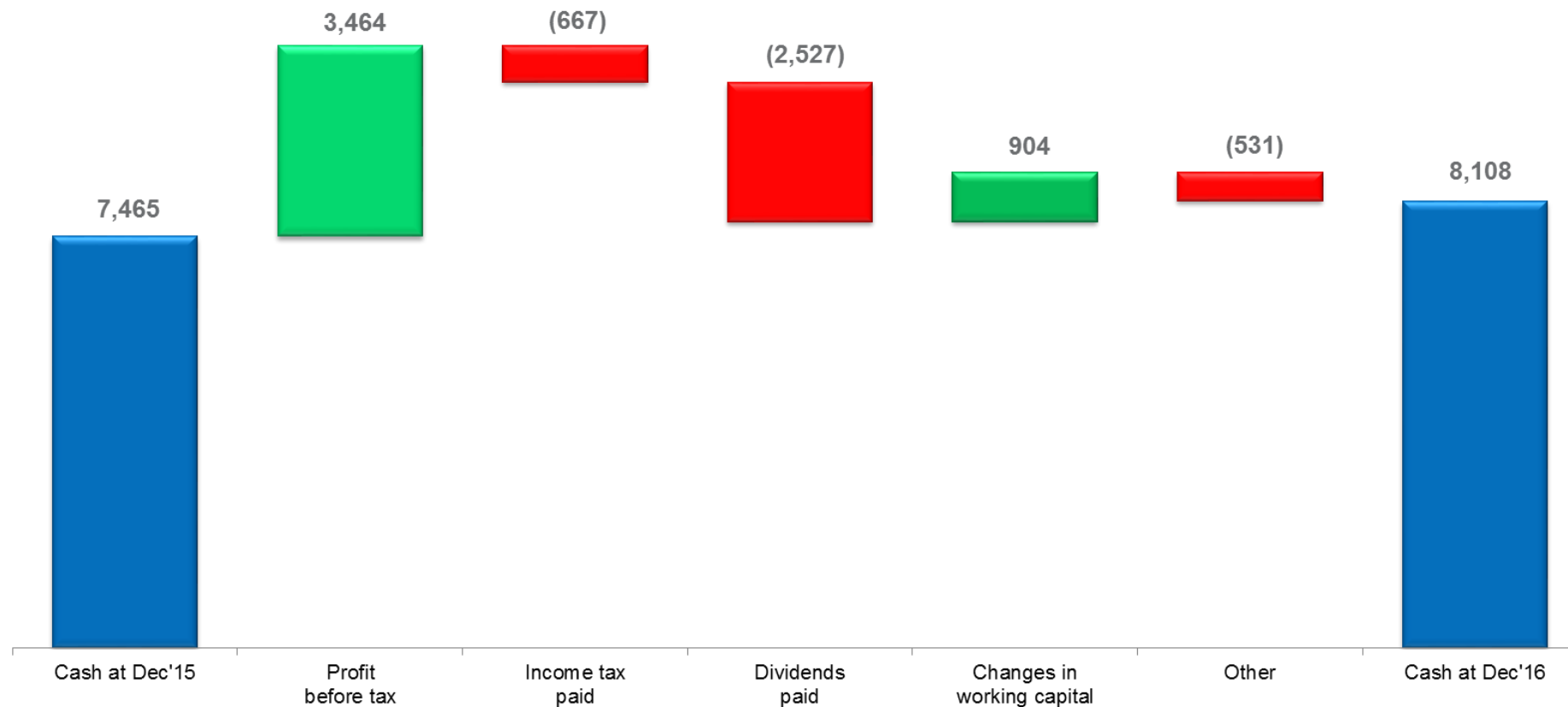
Assets	YTD Dec 2016	YTD Dec 2015	Incr./.(Decr.)	
Cash & Equivalents	8,164	7,470	694	
Inventories	343	423	(80)	
Receivables	435	399	36	
Other Non-Financial Assets	2,220	2,847	(627)	Excise tax on inventory
Prepaid Income Tax	14	-	14	
Non-Current Assets	4,394	3,915	479	Factory investments
Total Assets	15,570	15,054	516	

Liabilities & Equity	YTD Dec	YTD Dec	Incr./.(Decr.)	
Trade & Other Financial Liabilities	1,846	1,756	90	
Other	437	385	52	
Other Tax Liabilities	4,920	4,775	145	Excise tax payable
Deferred Tax Liability	173	182	(9)	
Equity	8,194	7,956	238	
Total Liabilities & Equity	15,570	15,054	516	

Cash and Cash Equivalents

Consolidated Financial Results

(CZK million)



Dividend proposal

Philip Morris ČR a.s. (CZK / share)	2012	2013	2014	2015	2016
Earnings Current Year	885	819	825	925	1,007
Retained Earnings Prior Year	15	1	55	- 5	- 7
Dividend Paid / Proposed	900	820	880	920	1,000
Reserve Fund Release		60			
Total Payout Proposed	900	880	880	920	1,000

Thank you