



PHILIP MORRIS ČR

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

**Kutná Hora**  
**April 26, 2013**

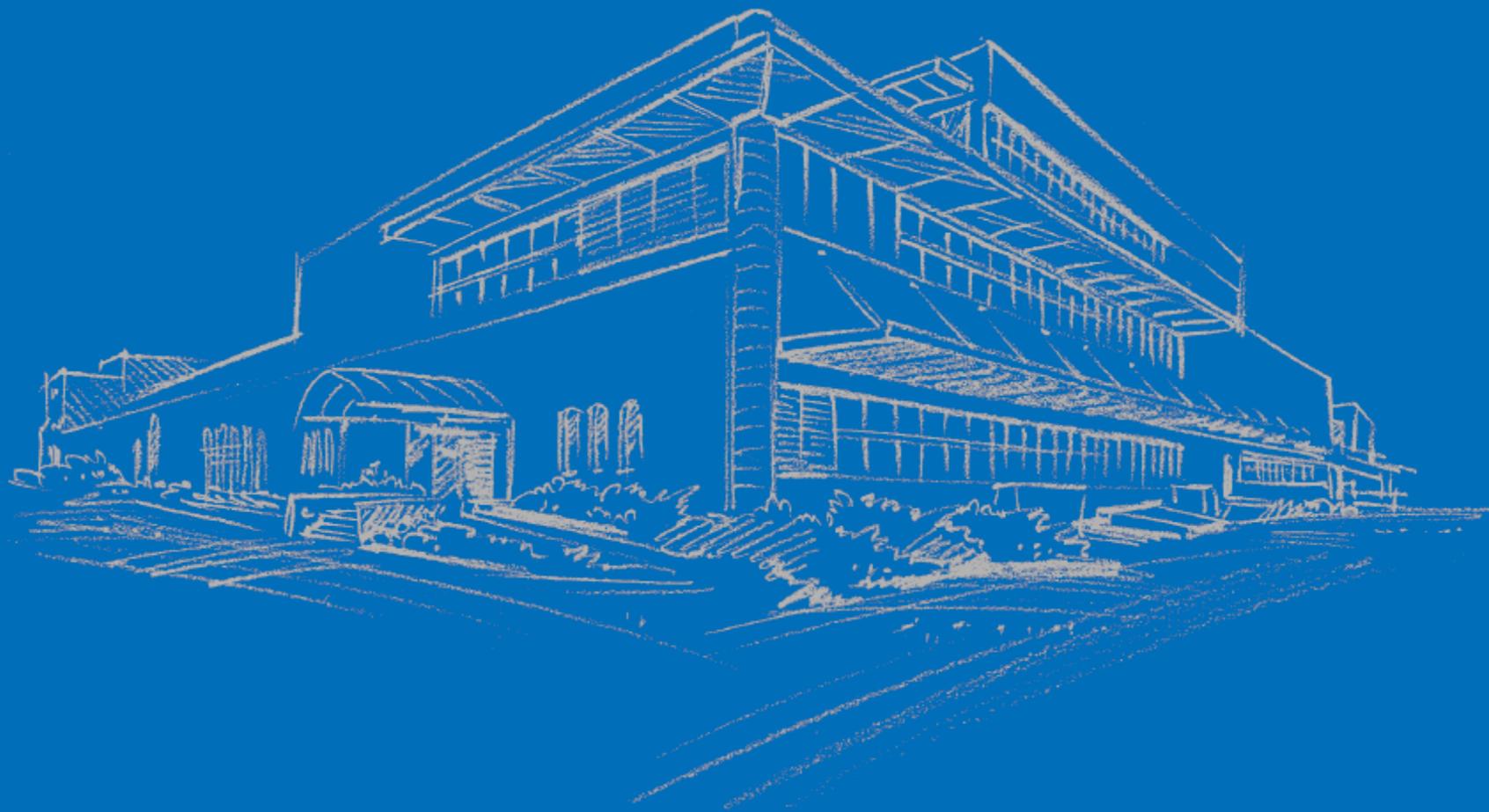
András Tövisi

*Chairman of the Board of Directors*

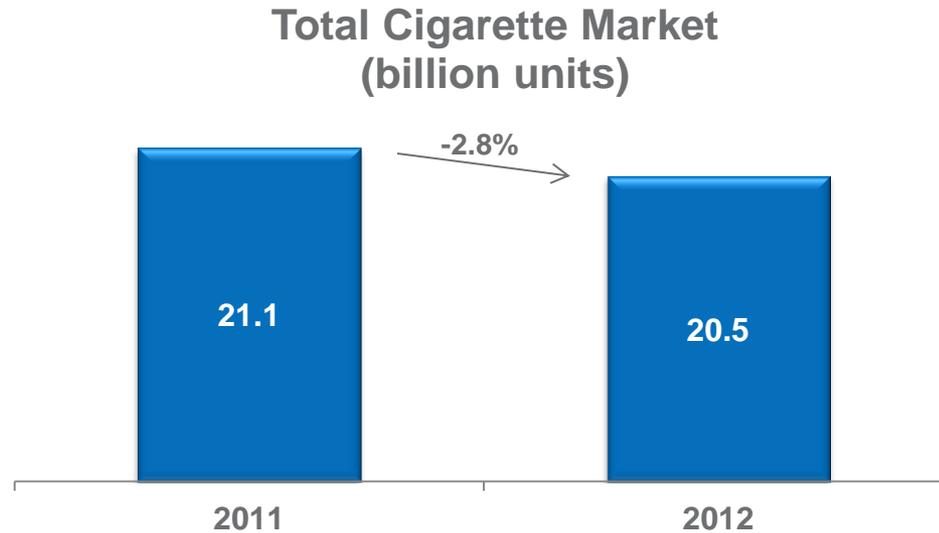
# 21st Century Manufacturing Plant in the Historic Town of Kutná Hora



PHILIP MORRIS ČR



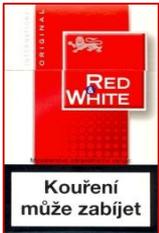
# Cigarette Market Czech Republic



In 2012, the total cigarette market declined by an estimated 2.8% versus the prior year to 20.5 billion units, mainly reflecting:

- the impact of price increases in 2011;
- excise tax driven price increases in the first half of 2012; and
- the continued growth of the lower-taxed fine cut category.

# Price Increases Czech Republic

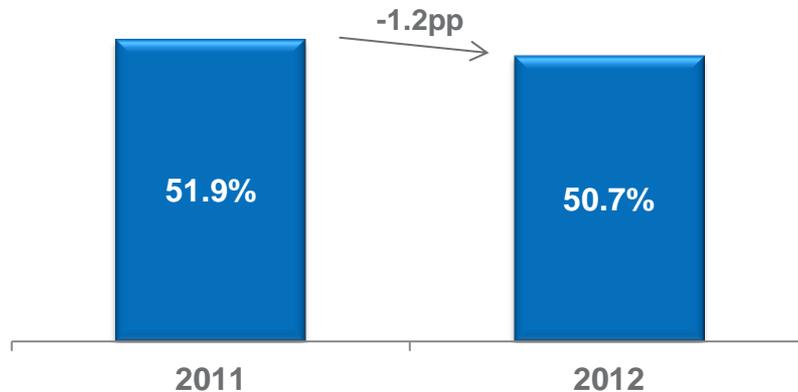
		Dec'10	Dec'11	Dec'12
Premium Segment		82	84	86
Medium Segment	 	69	72	74
Low Segment		63	65	68

- Excise tax increase as of January 1, 2012

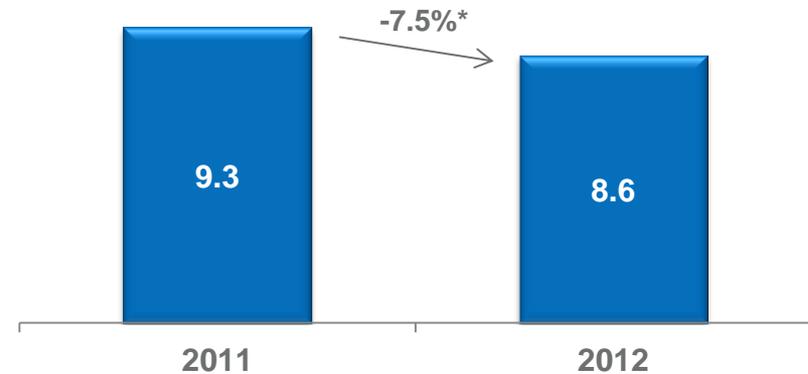
# Market Share and Shipments

## Czech Republic

Market share



Shipments  
(billion cigarette equivalent units)



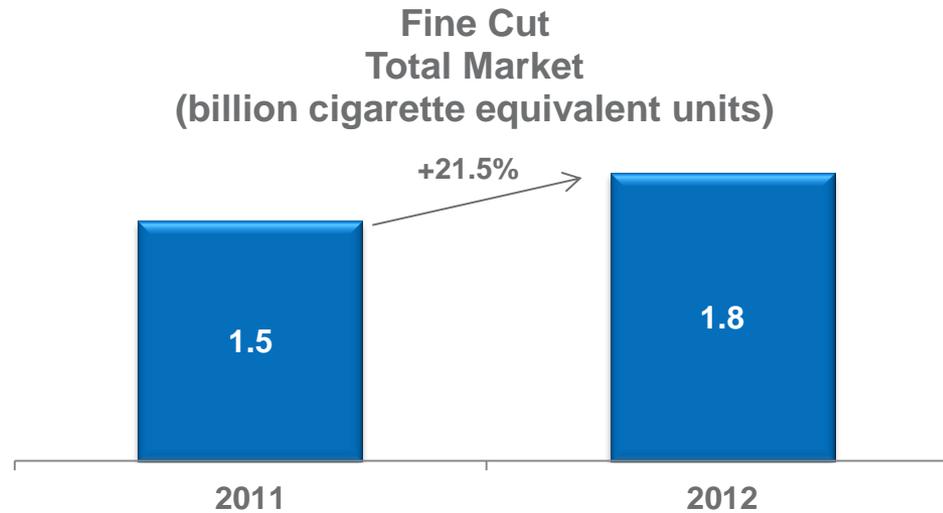
### Market share decline (-1.2pp)

- primarily from low-priced local brands;
- partially offset by *Marlboro*, *Philip Morris*, *Chesterfield*.
- Decline slowed significantly (-0.4pp) compared to 51.1% in Q4 2011.

Domestic shipments down (-7.5%) reflecting lower total market and lower market share.

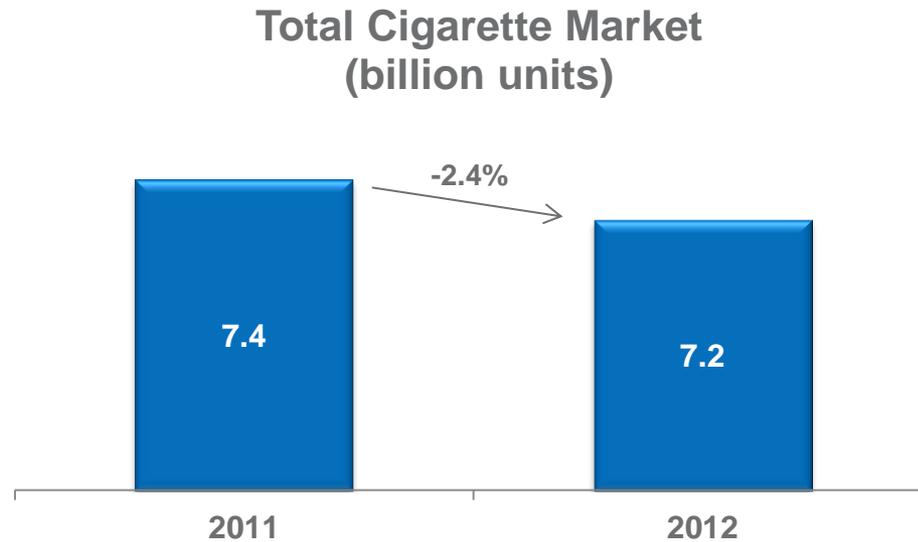
\* Variance in % is based on unrounded data (8,644 in 2012 vs. 9,347 million cigarette equivalent units in 2011)

# Other Tobacco Products Czech Republic



Note: Fine cut refers to tobacco products such as make-your-own cigarettes (0.73 g is equivalent to 1 cigarette) and make-your-own volume cigarettes (0.60 g is equivalent to 1 cigarette). These conversion rates were adopted as of 2012, therefore the total market for 2011 was restated (rates used in 2011: 0.75 g is equivalent to 1 cigarette).

# Cigarette Market Slovakia



In 2012, the total cigarette market in Slovakia was down by an estimated 2.4% to 7.2 billion units versus the prior year, mainly due to the impact of excise tax increases effective as of February 1, 2012 and October 1, 2012, which were reflected in selling prices during 2012.

# Price Increases Slovakia

		Dec'10	Dec'11	Feb'12	Dec'12
Premium Segment		3.00	3.20	3.30	3.40
Medium Segment		2.60	2.60	2.70	2.80
Low Segment		2.30	2.50	2.60	2.70
		2.25	2.40	2.50	2.60
		2.20	2.30	2.50	2.60

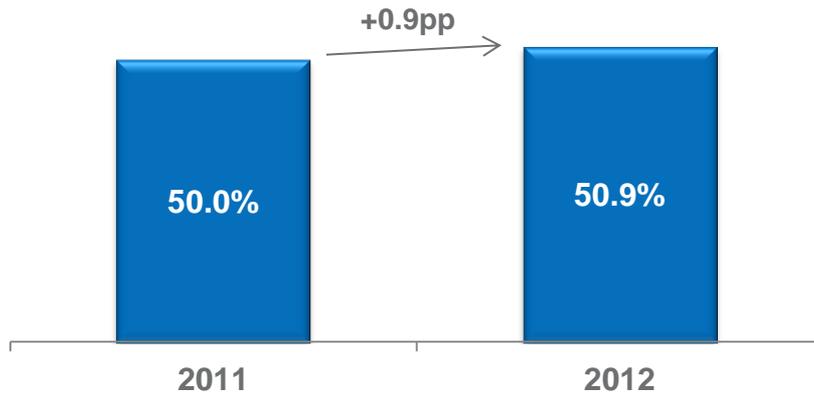
- VAT increase January 1, 2011 / excise tax increase February 1, 2011
- Excise tax increase February 1, 2012 and October 1, 2012

Note: Retail prices in EUR/pack of 19 cigarettes

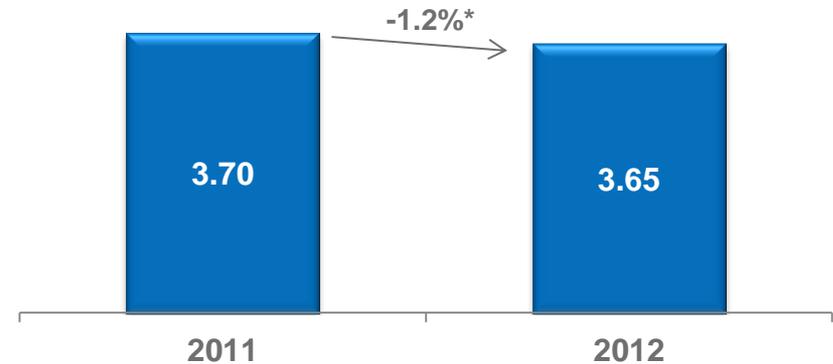
Source: Philip Morris Slovakia s.r.o. price lists

# Market Share and Shipments Slovakia

Market share



Shipments  
(billion cigarette equivalent units)



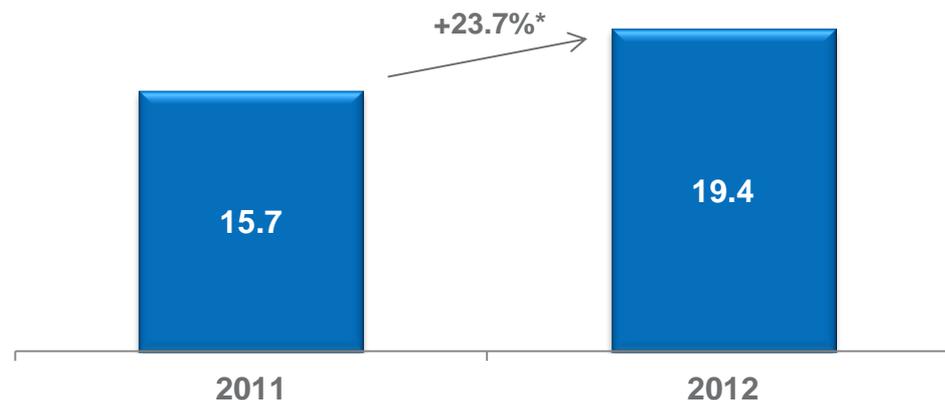
## Market share increase (+0.9pp)

- strong performance of *L&M* and *Petra*;
- partially offset by losses of other local heritage brands as well as *Red & White*.
- *L&M* maintained its position as the market's best-selling cigarette brand throughout 2012.

Domestic shipments down (-1.2%\*) reflecting lower total market, partially offset by higher market share.

\* Variance in % is based on unrounded data (3,652 in 2012 vs. 3,698 million cigarette equivalent units in 2011)

## Export Shipments (billion cigarette equivalent units)



Export shipments increased by 23.7% to 19.4 billion cigarette equivalent units:

- cigarettes up by 2.1 billion units (+14.3%); and
- other tobacco products (fine cut, cigarillos) up by 1.6 billion cigarette equivalent units (+165.9%).

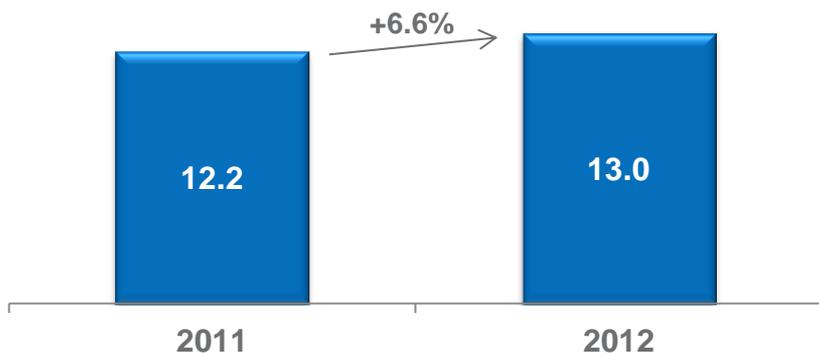
Note: Shipments include other tobacco products such as cigarillos and fine cut [make-your-own cigarettes (0.73 g is equivalent to 1 cigarette) and make-your-own volume cigarettes (0.60 g is equivalent to 1 cigarette)]. These conversion rates were adopted as of 2012, therefore the export shipments for 2011 were restated (rates used in 2011: 0.75 g is equivalent to 1 cigarette).

\* Variance in % is based on unrounded data (19,385 in 2012 vs. 15,672 million cigarette equivalent units in 2011)

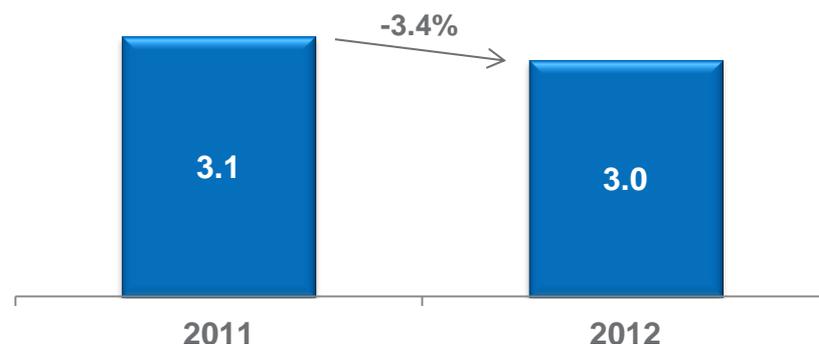
# Business Overview

## Consolidated Financial Results

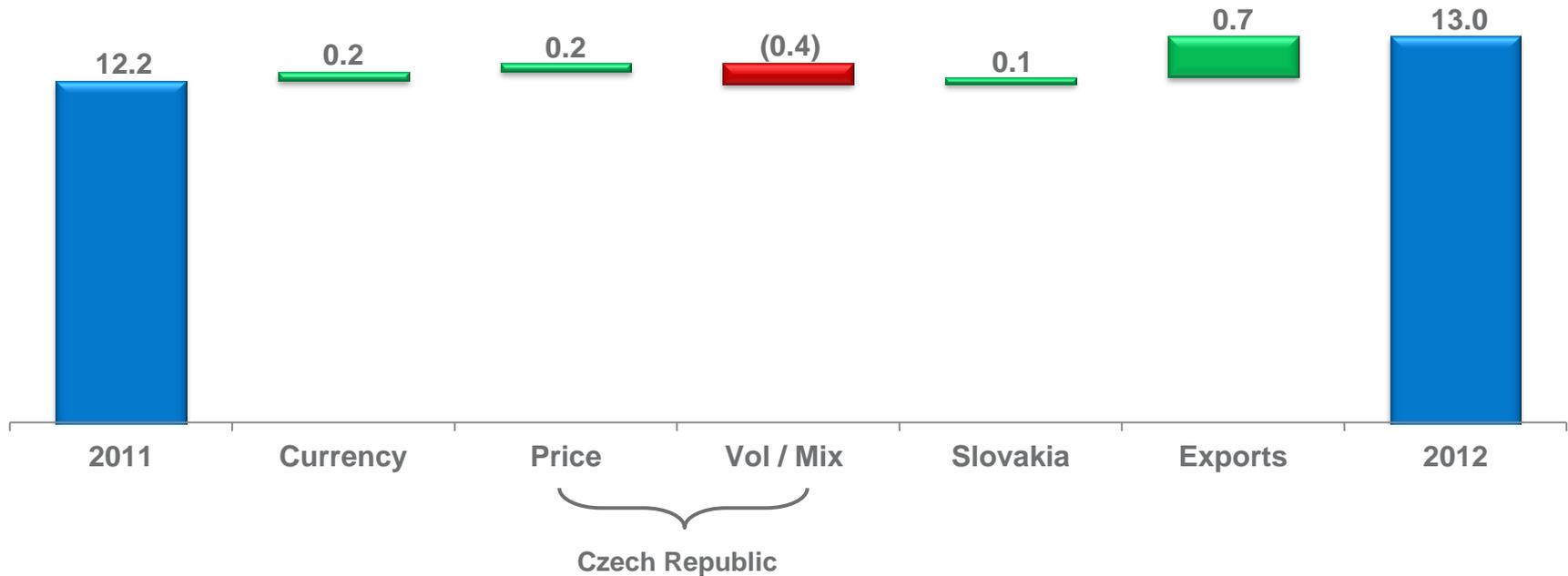
Revenues  
Net of Excise Tax & VAT  
(CZK billion)



Profit from Operations  
(CZK billion)



# Revenues, Net of Excise Tax and VAT Consolidated Financial Results (CZK billion)

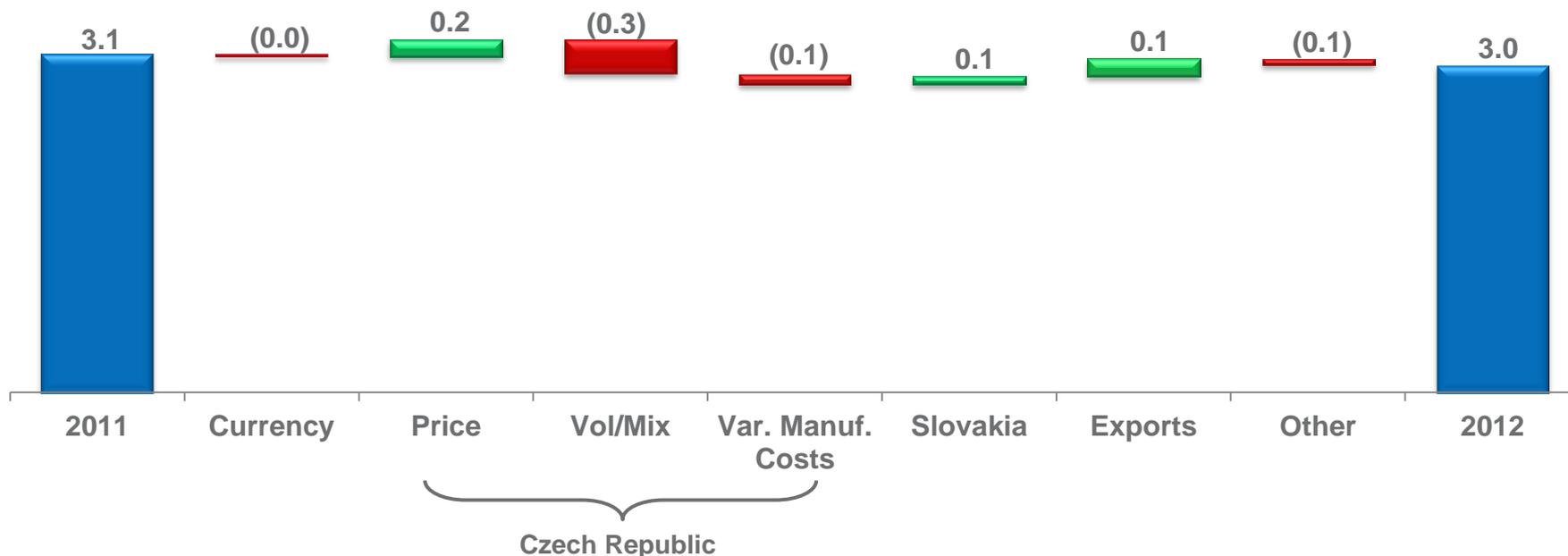


Excluding the impact of currency, increase of CZK 0.6 billion (+5.3%) driven primarily by:

- higher exports to other PMI affiliates; and
- favourable pricing in the Czech Republic and Slovakia;
- partially offset by unfavourable volume/mix.

# Profit from Operations

## Consolidated Financial Results (CZK billion)



Excluding the impact of currency, decrease of CZK 0.1 billion (-2.5%) due to:

- unfavourable volume/mix in the Czech Republic and Slovakia and higher costs;
- partially offset by favourable pricing in the Czech Republic and Slovakia and by higher exports to other PMI affiliates.

# Cash and Cash Equivalents

## Consolidated Financial Results (CZK billion)



Cash decrease of CZK 0.7 billion mainly due to:

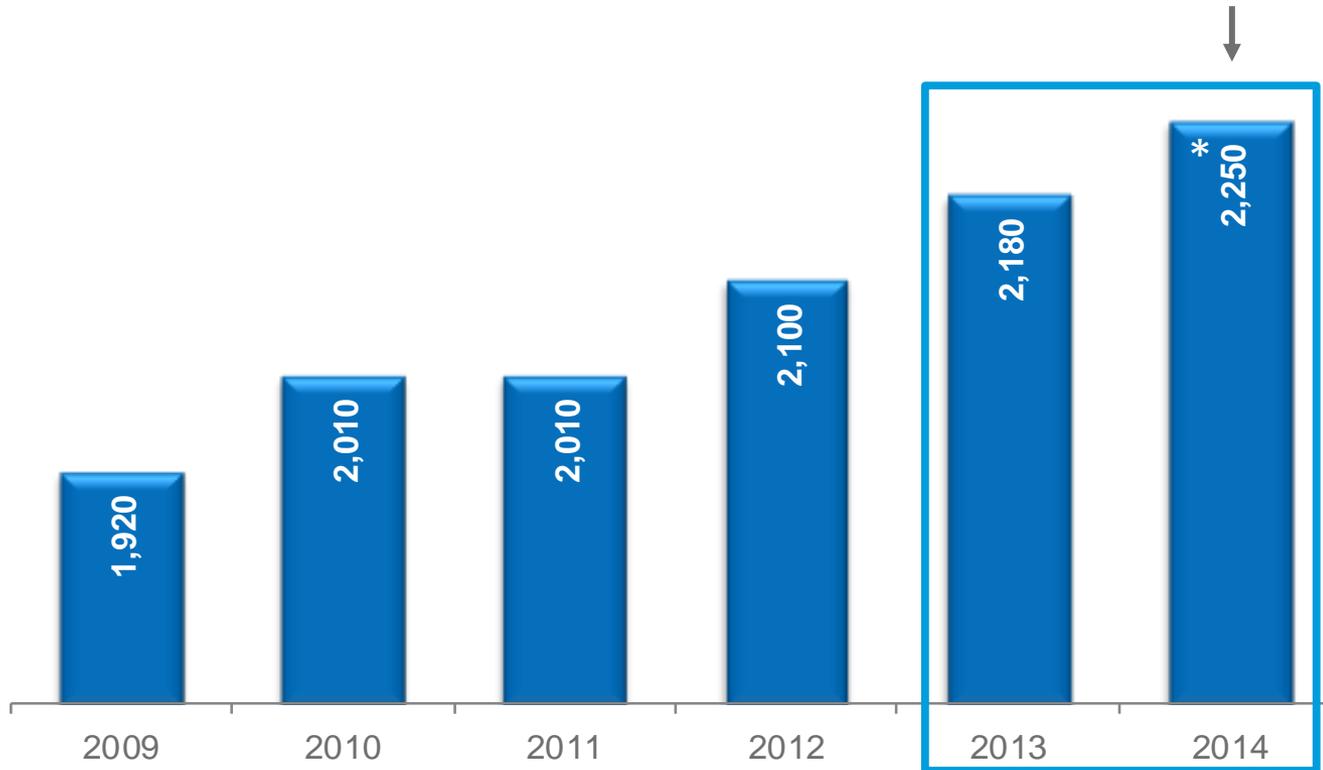
- higher finished goods and raw material inventories;
- higher raw materials prices; and
- higher capital expenditure.

# Fiscal Environment

## Czech Republic

Minimum Excise Tax Development  
(CZK / '000)

Equivalent €90 / '000 cigarettes  
(EU minimum)



\* 2014 excise tax increase will depend on the effective EUR/CZK exchange rate prevailing on October 1, 2013

# 2013 Update Czech Republic

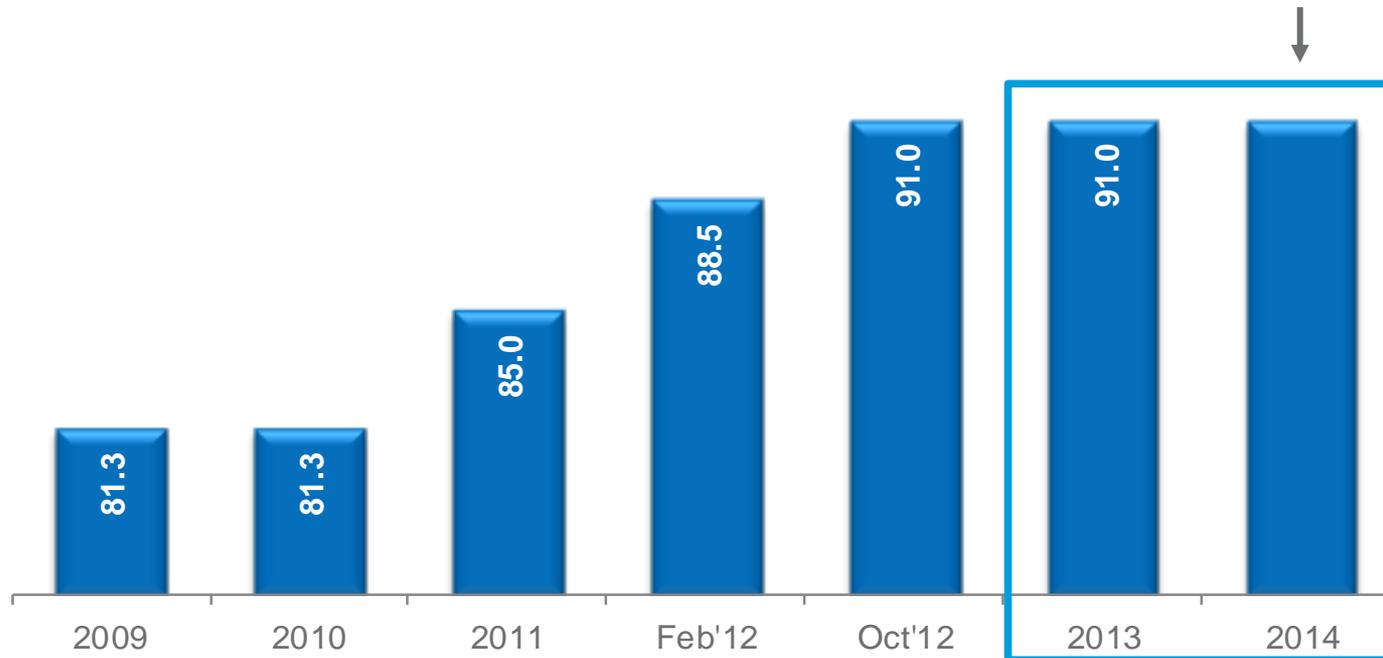
		Dec'12	Registered RSP's 2013
Premium Segment		86	89
Medium Segment	 	74	77
Low Segment		68	72

- Excise tax and VAT increase as of January 1, 2013

# Fiscal Environment Slovakia

## Minimum Excise Tax Development (EUR / '000)

€90 / '000 cigarettes  
(EU minimum)



# Dividend proposal

(CZK / share)	2009	2010	2011	2012
Accumulated Retained Earnings	0	376	0	15
<b>Net Income</b>	<b>780</b>	<b>884</b>	<b>920</b>	<b>885</b>
Dividend Paid / Proposed	780	1,260	920	900