



PHILIP MORRIS ČR

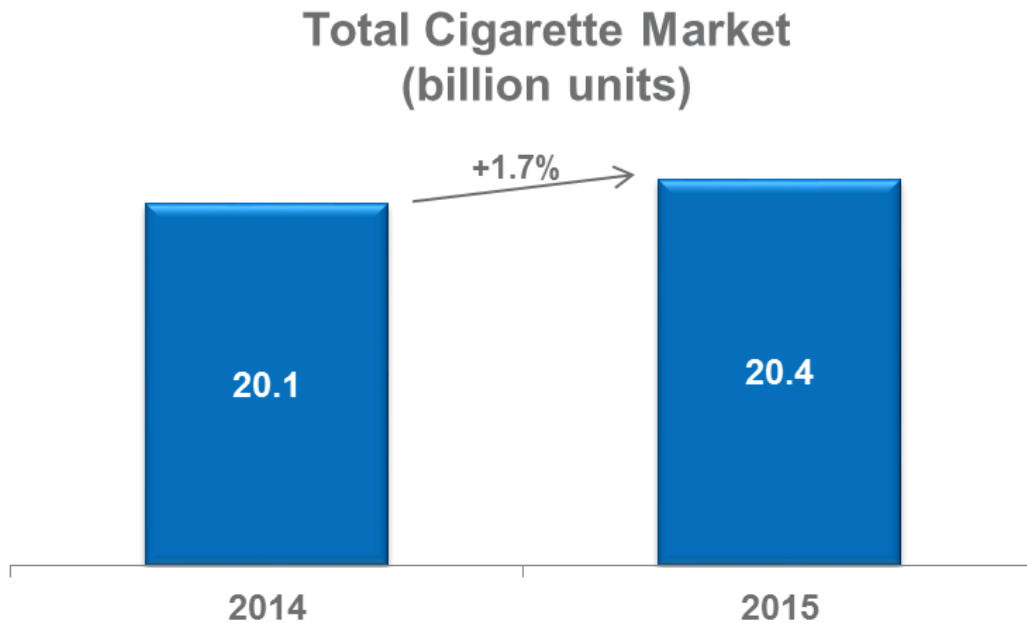
# Annual General Meeting of Shareholders of Philip Morris ČR a.s.

**Kutná Hora**  
**April 29, 2016**

András Tövisi

*Chairman of the Board of Directors*

# Total Cigarette Market Czech Republic



Total cigarette market up by 1.7% reflecting mainly





- stronger seasonality
- improving economic environment

partially offset by

- excise tax driven price increases in 2014-15
- growth of lower-taxed fine-cut category

# Price Increases 2012 – 2015 (CZK/pack)

## Czech Republic

		Dec'12	Dec'13	Dec'14	Dec'15
Premium		86	89	91	96
Medium		74	77	79	84
Low		68	72	74	79
		66	70	72	77

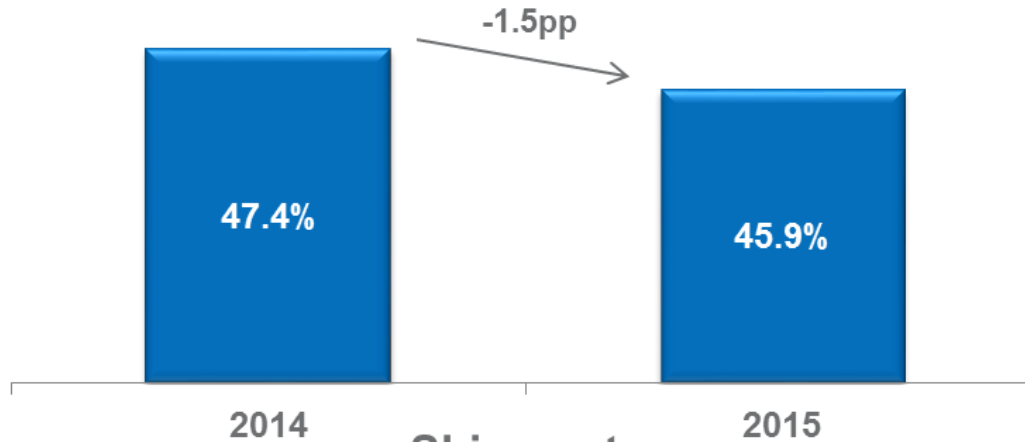
- Excise tax and VAT increase January 1, 2013
- Excise tax increase January 1, 2014
- Excise tax increase December 1, 2014

Note: Retail prices in CZK/pack of 20 cigarettes

# PMCR Cigarette Market Share and Shipments

## Czech Republic

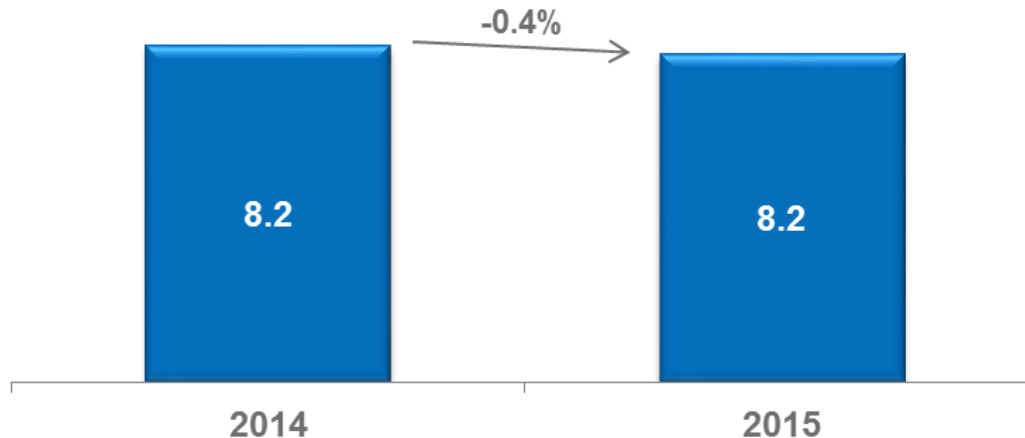
Market share



Market share decline by -1.5pp to 45.9%  
(Excluding *RGD*, decline by -1.6pp to 44.8%)

- losses on local brands and *Red & White*
- partially offset by increase of *L&M*, *Philip Morris* and *Chesterfield*

Shipments  
(billion units)



Domestic cigarette shipments decline by -0.4%  
(Excluding *RGD*, decline by -0.5%)

- lower cigarette market share
- partially offset by higher total cigarette market

*Note: RGD included in SoM and volume reported under PMI brands as of April 1, 2014*



# Consolidation of brand portfolio

## Czech Republic

2013



### *Petra morph to L&M*

- *Petra Klasik* launched in low-price segment in January '13
- other *Petra* variants migrated to *L&M* in November '13

2013



### *Start morph to Chesterfield*

- *Start RS* endorsed by *Chesterfield*
- *Start KS* morphed to *Chesterfield KS* in December '13

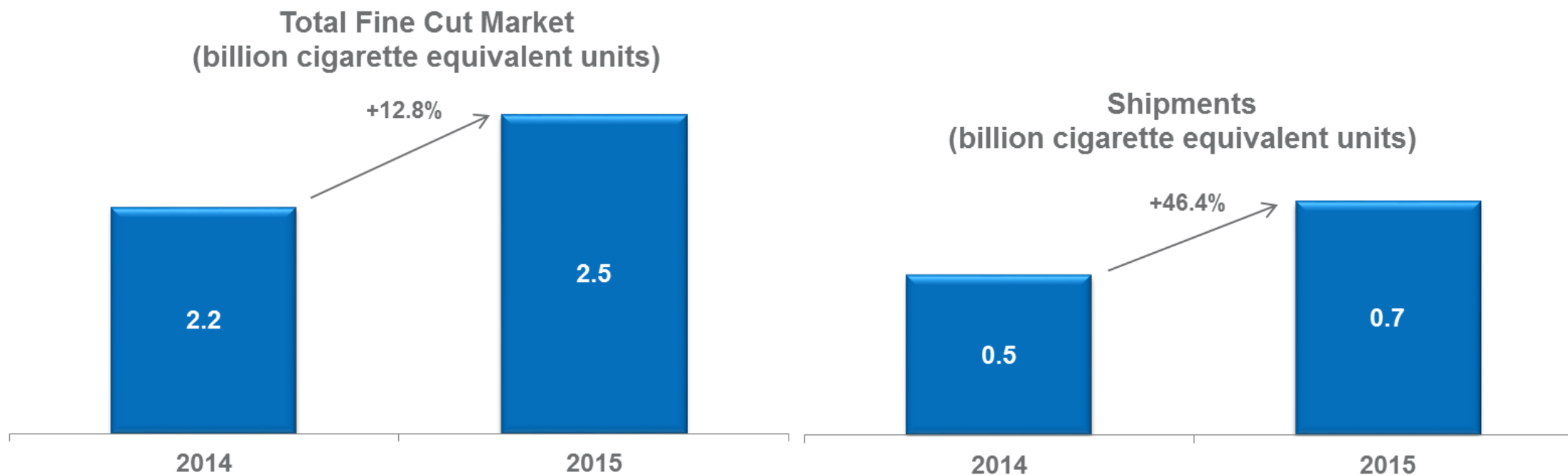
2015



### *Red & White morph to Chesterfield*

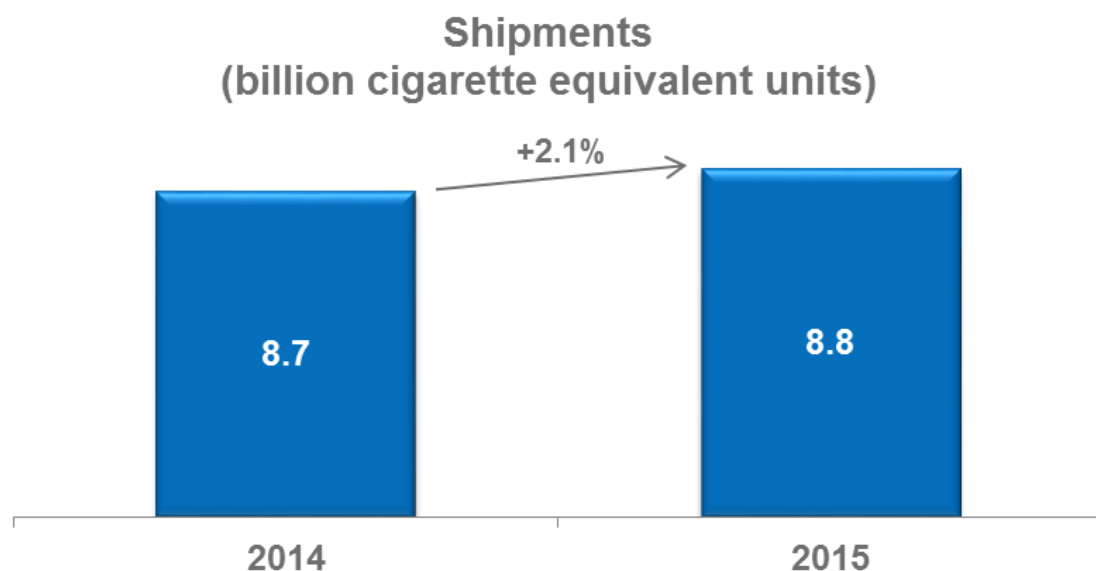
- *Red & White* main variants morphed to *Chesterfield* in September '15

# 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 2.1%  
(Excluding *RGD*, shipments up by 0.5%)  
mainly driven by:

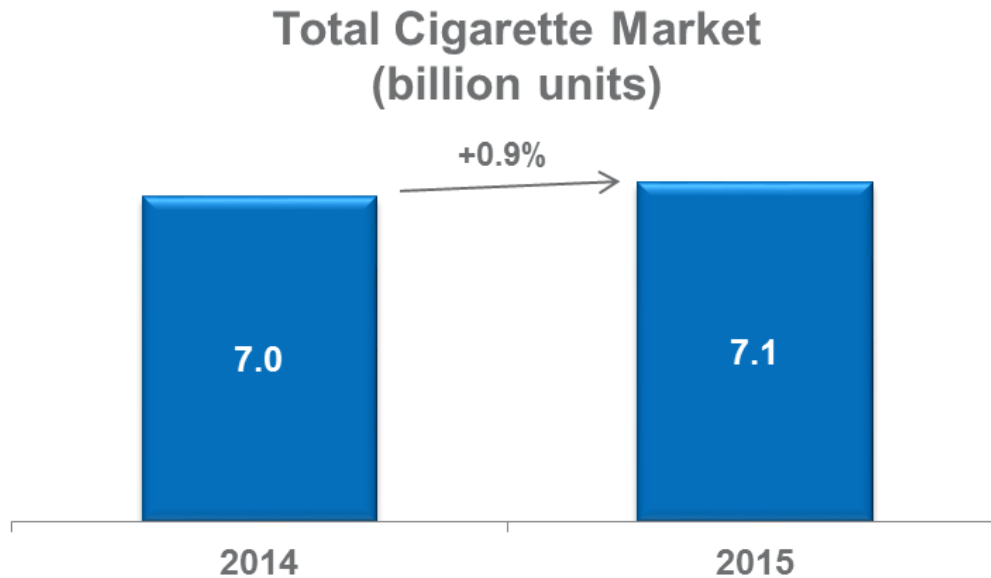
- higher total market of cigarettes
- higher fine cut total market
- higher fine cut market share

partially offset by

- lower cigarette market share

Note: Shipments include other tobacco products such as cigarillos, 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 up by 0.9%  
reflecting mainly

- stronger seasonality
- improved macro-economic conditions



# Price Increases 2012 – 2015 (EUR/pack)

## Slovakia

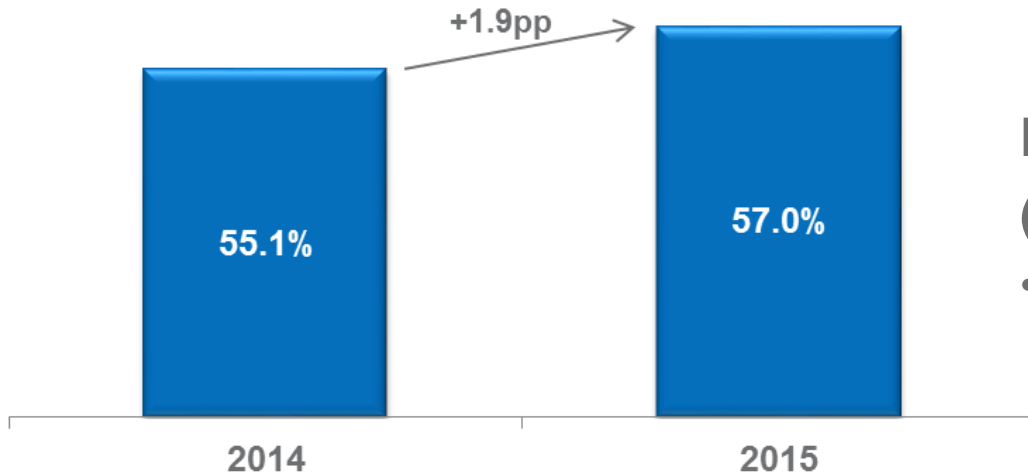
		<u>Dec '12</u>	<u>Dec '13</u>	<u>Dec '14</u>	<u>Dec '15</u>
Premium		3.40	3.40	3.50	3.50
Super Low		2.80	2.90	2.90	2.90
		2.60	2.80	2.90	2.90
	 	2.60	2.70	2.80	2.80

- Last excise tax increase from October 1, 2012
- Price increases in Q2 2013 and Q3 2014

Note: Retail prices in EUR/pack of 19 cigarettes and KS variants

# Cigarette Market Share and Shipments Slovakia

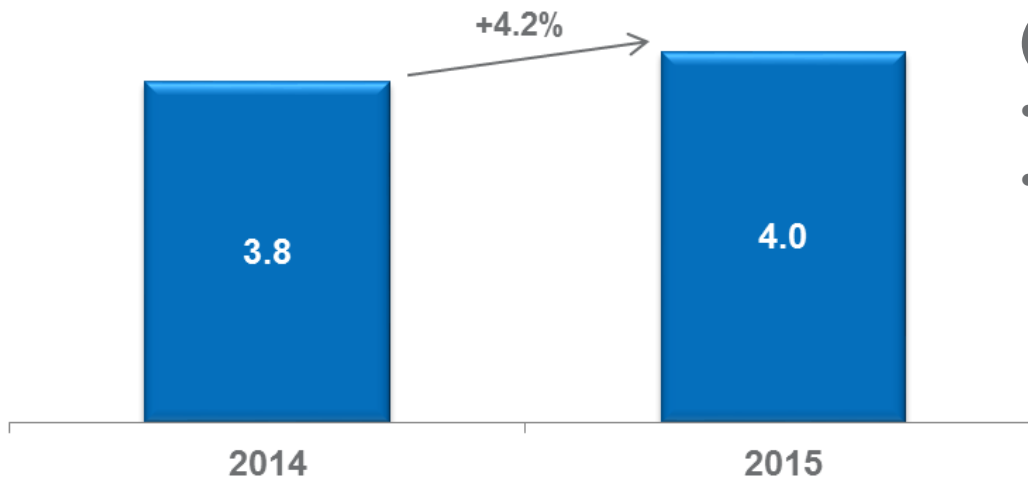
Market share



Market share increase by +1.9pp to 57.0%  
(Excluding *RGD*, increase by +1.4pp to 54.5%)

- strong performance of *Marlboro* and *L&M*

Shipments  
(billion units)



Domestic cigarette shipments up by +4.2%  
(Excluding *RGD*, shipments up by +3.4%)

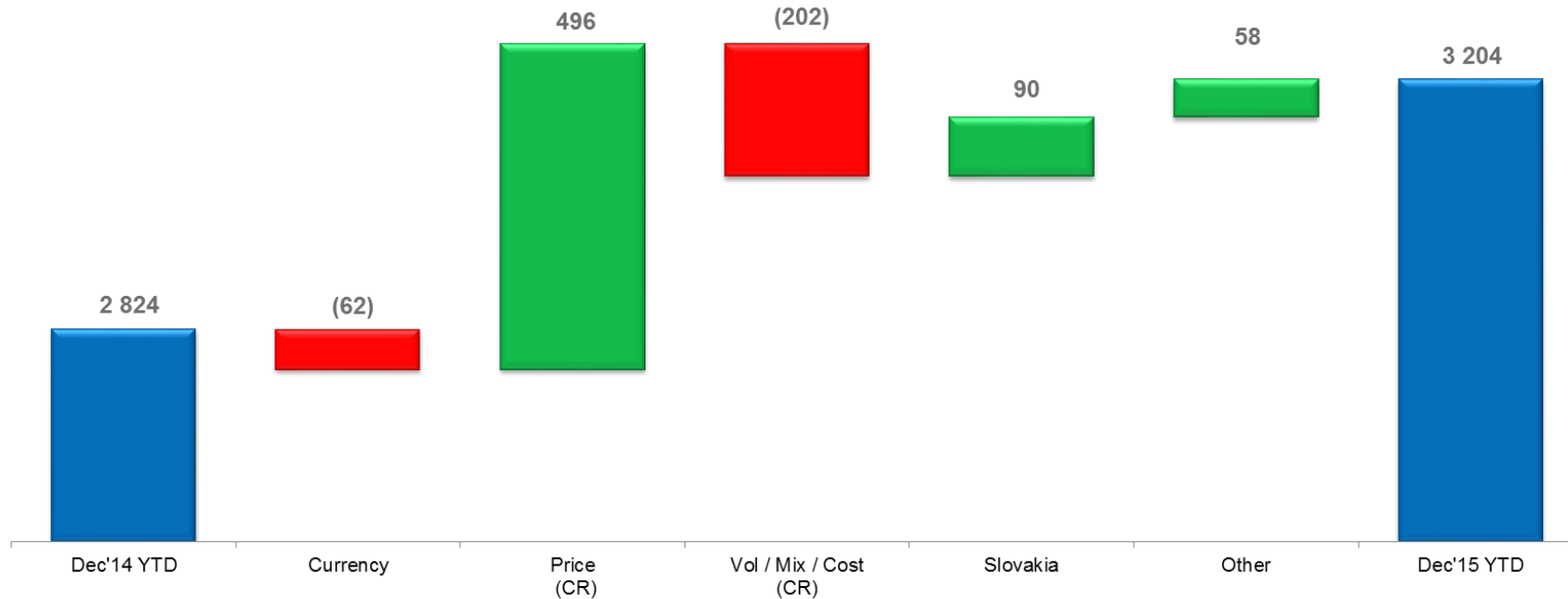
- higher total cigarette market
- higher cigarette market share

*Note: RGD included in SoM and volume reported under PMI brands as of April 1, 2014*

# Operating Income

## Consolidated Financial Results

(CZK million)



Consolidated profit from operations increased by 13.5% or by 15.7% excluding currency, primarily reflecting:

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

partially offset by:

- unfavorable volume / mix in the Czech Republic

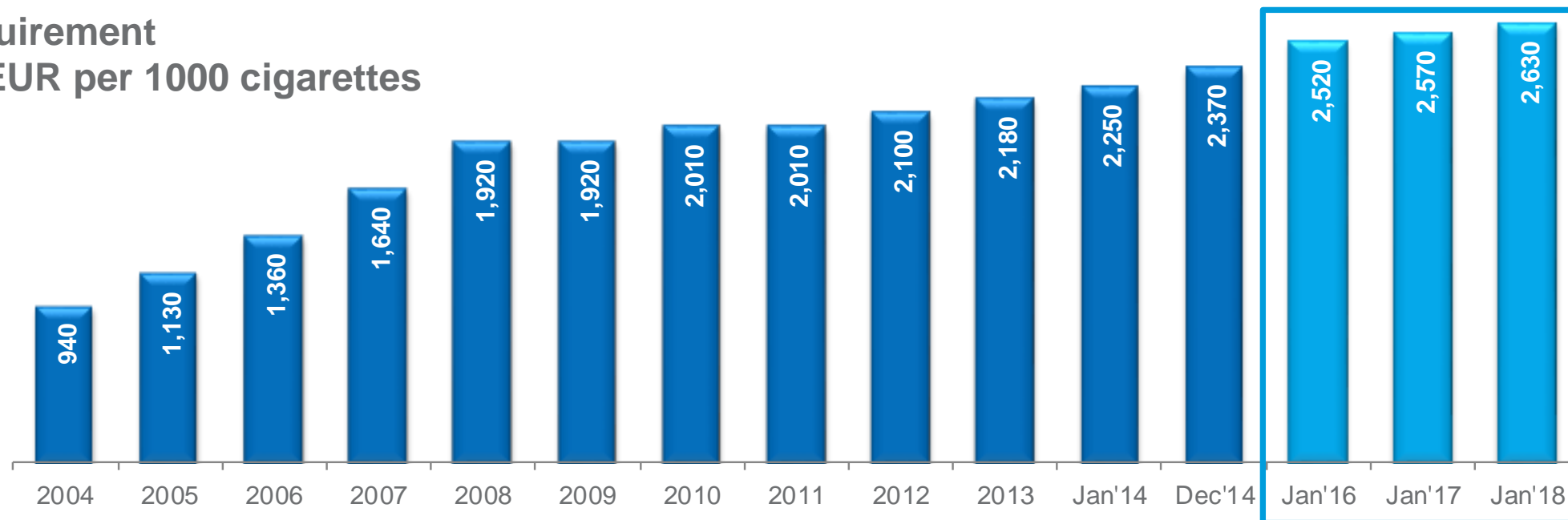
# Fiscal Outlook Czech Republic

## Minimum Excise Tax for Cigarettes (CZK/'000)

ET Yield	FX rate @	
€ / '000	Oct 1, 2014	27.502
€ / '000	Oct 1, 2015	27.173
		86.2
		92.7

## EU requirement

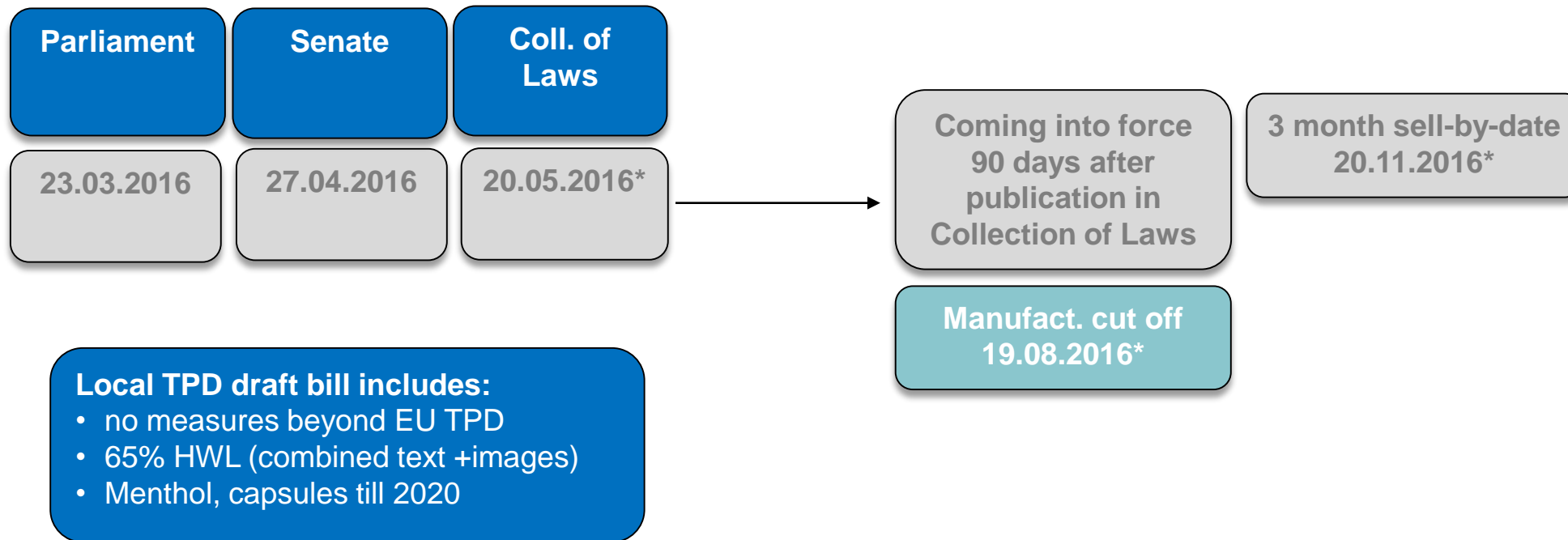
- 90 EUR per 1000 cigarettes



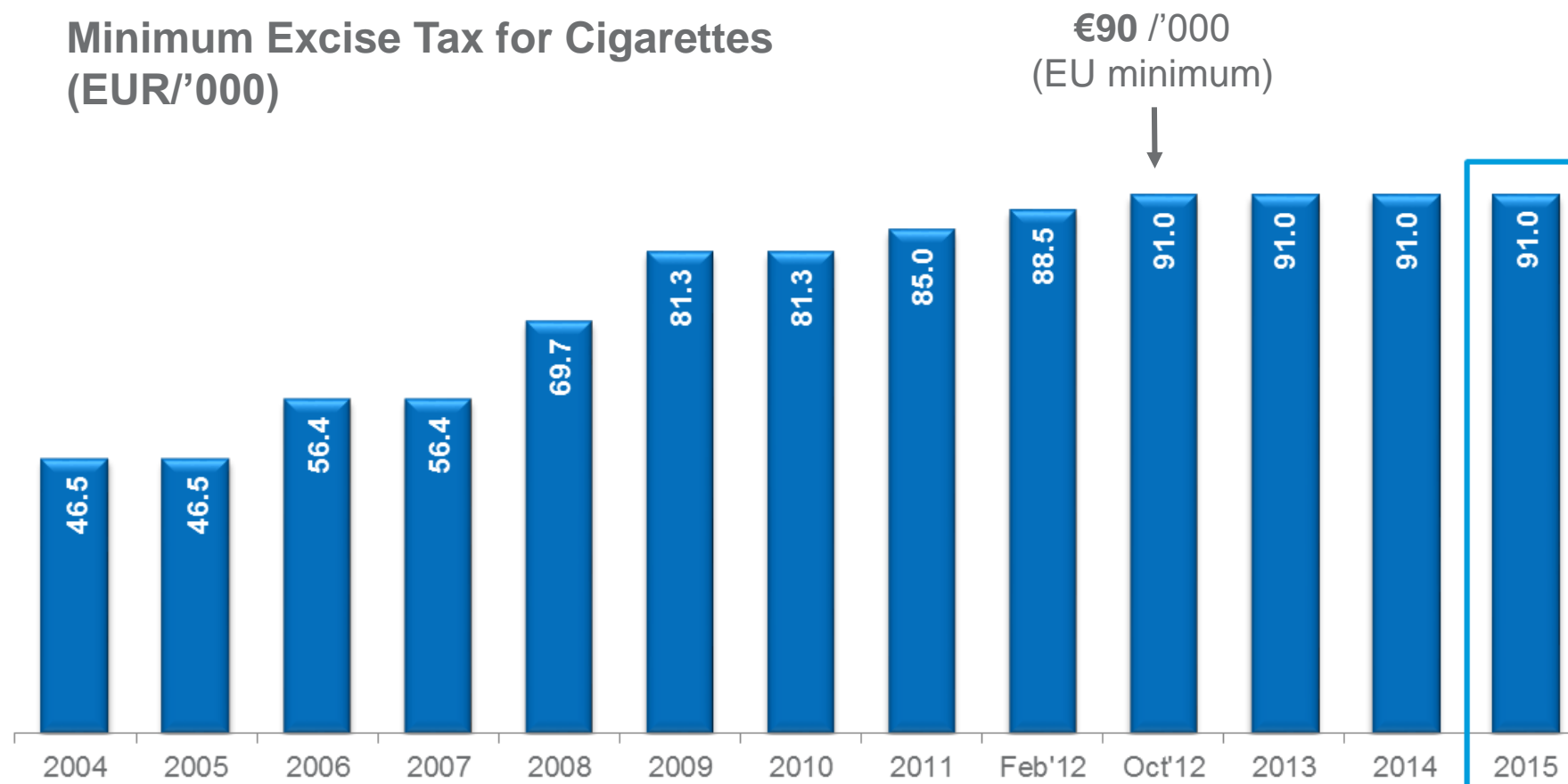
- Three-year excise tax roadmap for 2016 - 2018 meeting minimum EU requirements
- Excise tax increase as of Jan. '16, Jan. '17, Jan. '18
- Anti-forestalling regulation introduced for cigarettes in Dec. '14 remains in '16 – '18

# TPD draft bill – transposition timeline

## Czech Republic



\* Philip Morris ČR a.s. *estimate*



- Last excise tax increase in October 2012
- Minimum excise tax reached EUR 91/'000



# TPD bill – Tobacco product directive – timeline

## Slovakia

**Parliament**

25.11.2015

**Coll. of  
Laws**

19.02.2016

20.05.2016  
entry into effect

Manufact. cut off  
19.05.2016

31.08.2016  
sell-by-date cigarettes

20.05.2017  
sell-by-date  
other tobacco products

### Local TPD draft bill includes:

- Same requirements as in the Czech Republic

Plus:

- Fix stick count of 20's (no big-packs)

# New PMI EU operating model

Transform the way we work to master our long-term business challenges through:

## Strengthening effectiveness, while ...

- Leverage **global brands platform** addressing common challenges across markets
- Increase **speed to market** in addressing opportunities vs. competition
- Strengthen **execution capabilities** to outperform competition
- Build **strong new capabilities** required for multi-category future

## leveraging efficiencies where appropriate

- **Align and simplify** activities, key processes and organization
- **Remove duplication, clarify roles and responsibilities** across different layers
- **Refocus marketing spending** on activities that make a difference



**Clustering**  
Czech /Slovakia / Hungary

**Smart Centralization**

**LEAN initiatives**

# Assets & Liabilities

## Consolidated Financial Results

(CZK million)

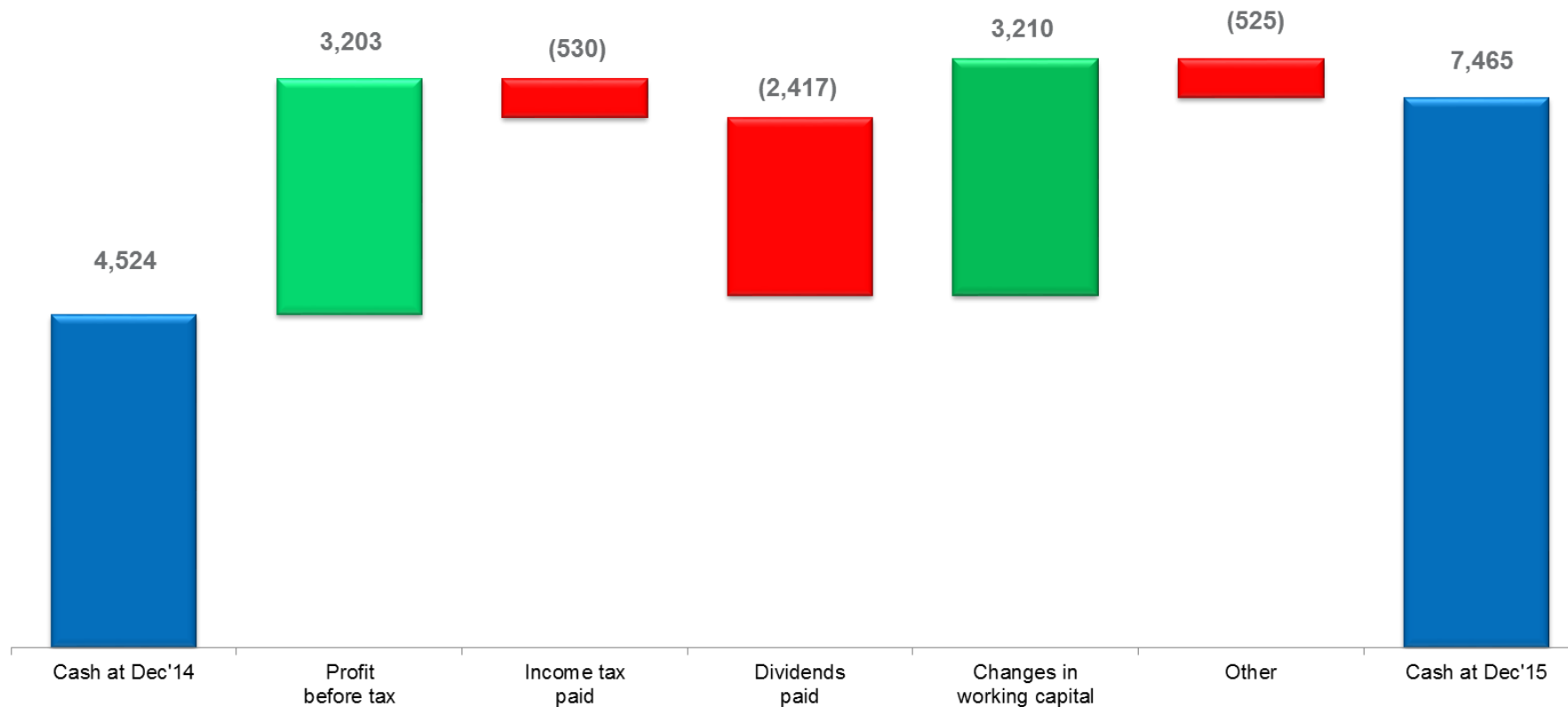
Assets	YTD Dec 2015	YTD Dec 2014	Incr./.(Decr.)	
Cash & Equivalents	7,470	4,524	2,946	Diff. stock build-up pattern
Inventories	423	328	95	
Receivables	399	2,716	(2,317)	Inventories sold to PMIM
Other Non-Financial Assets	2,847	1,638	1,209	Excise tax on Inventories
Prepaid Income Tax	-	10	(10)	
Non-Current Assets	3,915	3,234	681	
<b>Total Assets</b>	<b>15,054</b>	<b>12,450</b>	<b>2,604</b>	

Liabilities & Equity	YTD Dec	YTD Dec	Incr./.(Decr.)	
Trade & Other Financial Liabilities	1,756	920	836	Finished goods purchased
Other	385	254	131	
Other Tax Liabilities	4,775	3,299	1,476	Excise tax Payables
Deferred Tax Liability	182	166	16	
Equity	7,956	7,811	145	
<b>Total Liabilities &amp; Equity</b>	<b>15,054</b>	<b>12,450</b>	<b>2,604</b>	

# Cash and Cash Equivalents

## Consolidated Financial Results

(CZK million)



# Dividend proposal

(CZK / share)	2011	2012	2013	2014	2015
Earnings Current Year	926	885	819	825	925
Retained Earnings Prior Year	-6	15	1	55	-5
<b>Dividend Paid / Proposed</b>	<b>920</b>	<b>900</b>	<b>820</b>	<b>880</b>	<b>920</b>
Reserve Fund Cancellation			60		
<b>Total Payout Proposed</b>	<b>920</b>	<b>900</b>	<b>880</b>	<b>880</b>	<b>920</b>

Thank you