



PHILIP MORRIS ČR

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

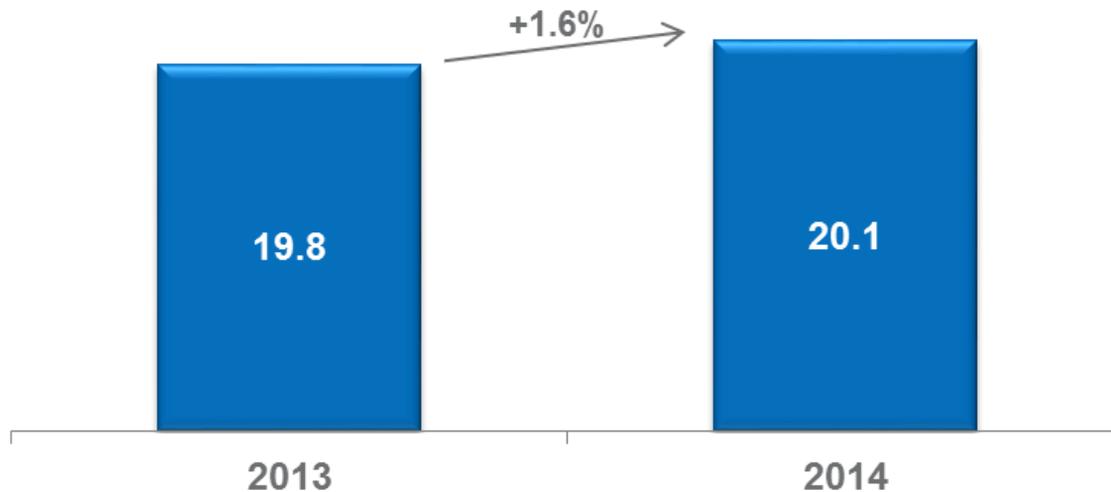
Kutná Hora
April 30, 2015

András Tövisi
Chairman of the Board of Directors



Cigarette Market Czech Republic

Total Cigarette Market
(billion units)



Total cigarette market up by 1.6% reflecting mainly

- stronger seasonality
- partially offset by
- excise tax and VAT increase in 2013
 - excise tax increase in 2014
 - the continued growth of the lower-taxed fine cut tobacco category

Price Increases 2012 – 2014 Czech Republic

		<u>Dec'12</u>	<u>Dec'13</u>	<u>Jun'14</u>	<u>Dec'14</u>
				Registered RSP's	Registered RSP's
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

***RGD* in the Czech Republic and Slovakia**



Cooperation agreement between PMI and the China National Tobacco Corporation

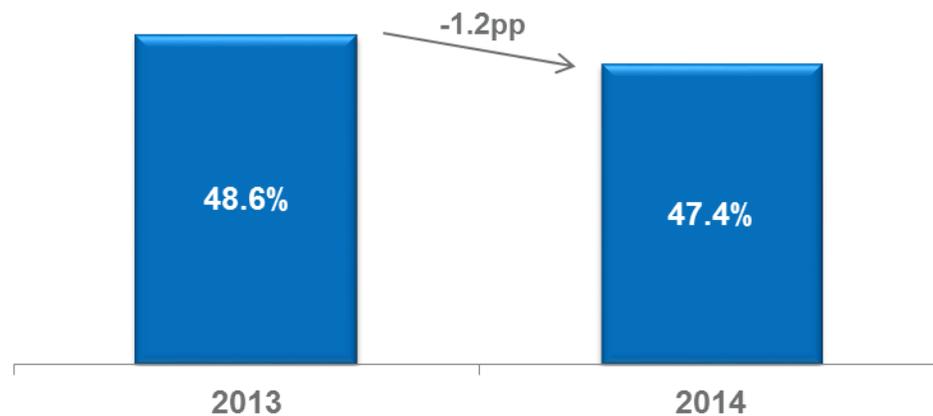
- as of 2008, Philip Morris ČR a.s. and Philip Morris Slovakia s.r.o. distribute and sell *RGD* in the Czech and Slovak markets

New sub-license agreement between CTPM International S.A. and Philip Morris ČR a.s.

- as of April 1, 2014, Philip Morris ČR a.s. has been granted the full brand management control over the *RGD* brand in the Czech and Slovak markets
- *RGD* is fully integrated to the PMI brand portfolio and the related shipments are included in the reported PMI volumes and market shares

Cigarette Market Share and Shipments Czech Republic

Market share

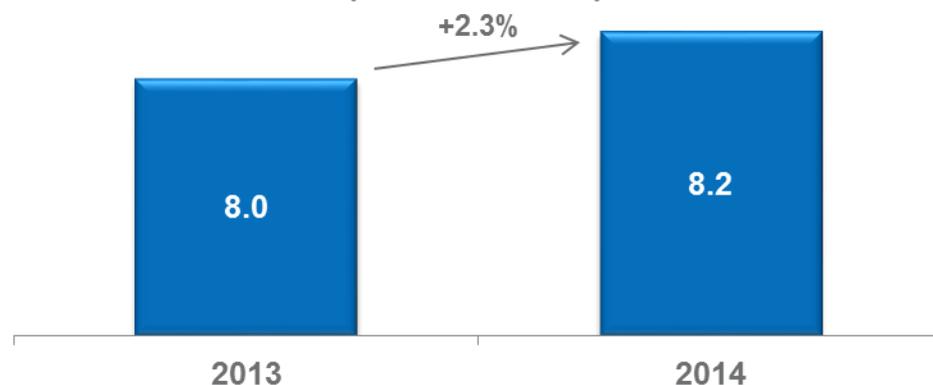


Market share decline by 1.2pp to 47.4%

Excluding *RGD*, decline by 2.2pp

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

Shipments
(billion units)



Domestic cigarette shipments up by 2.3%

Excluding *RGD*, shipments up by 0.2%

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

Consolidation of local brands portfolio Czech Republic



Petra → *L&M*

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



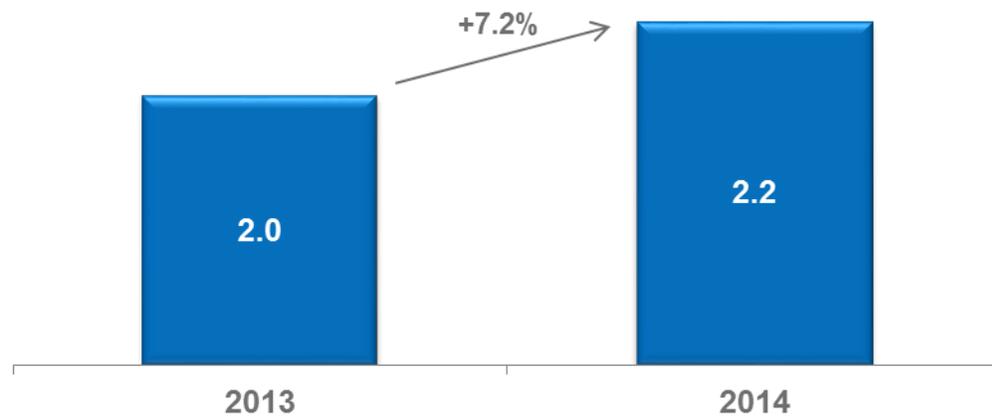
Start ⇌ *Chesterfield*

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

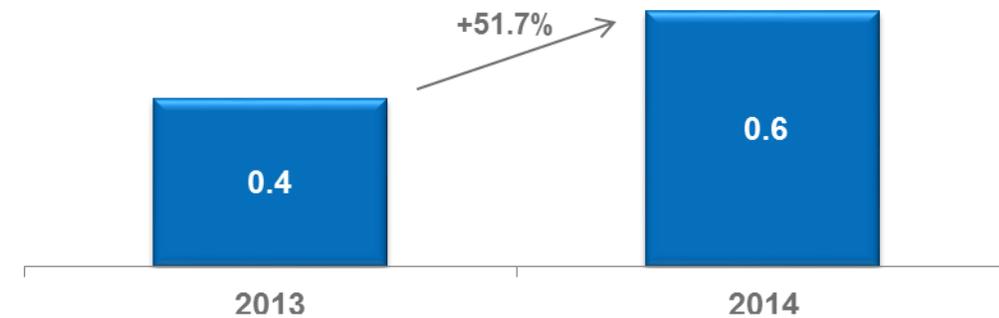


Fine Cut Tobacco Market and Shipments Czech Republic

Total Fine Cut Market
(billion cigarette equivalent units)



Shipments
(billion cigarette equivalent units)

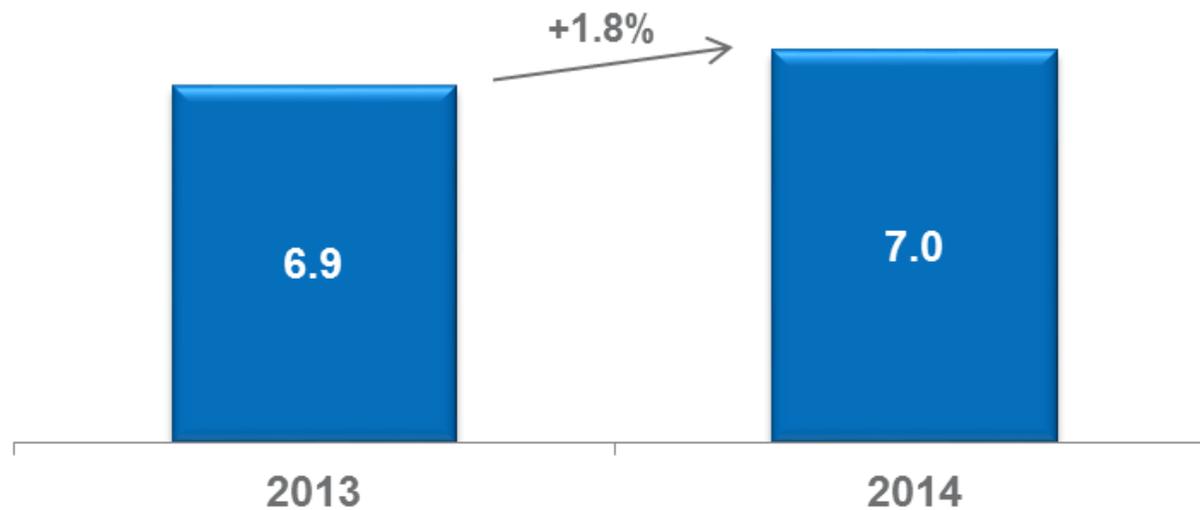


Note: Fine Cut Tobacco refers to tobacco products such as make-your-own cigarettes (0.73 g is equivalent to 1 cigarette), roll-your-own cigarettes (0.60 g is equivalent to 1 cigarette) and make-your-own volume cigarettes (0.60 g is equivalent to 1 cigarette).

Note: RGD is included in Shipments as of January 1, 2013.

Cigarette Market Slovakia

Total Cigarette Market (billion units)



Total cigarette market up by 1.8%
reflecting mainly

- stronger seasonality
- improved macro-economic conditions

Price Increases 2012 – 2014 Slovakia

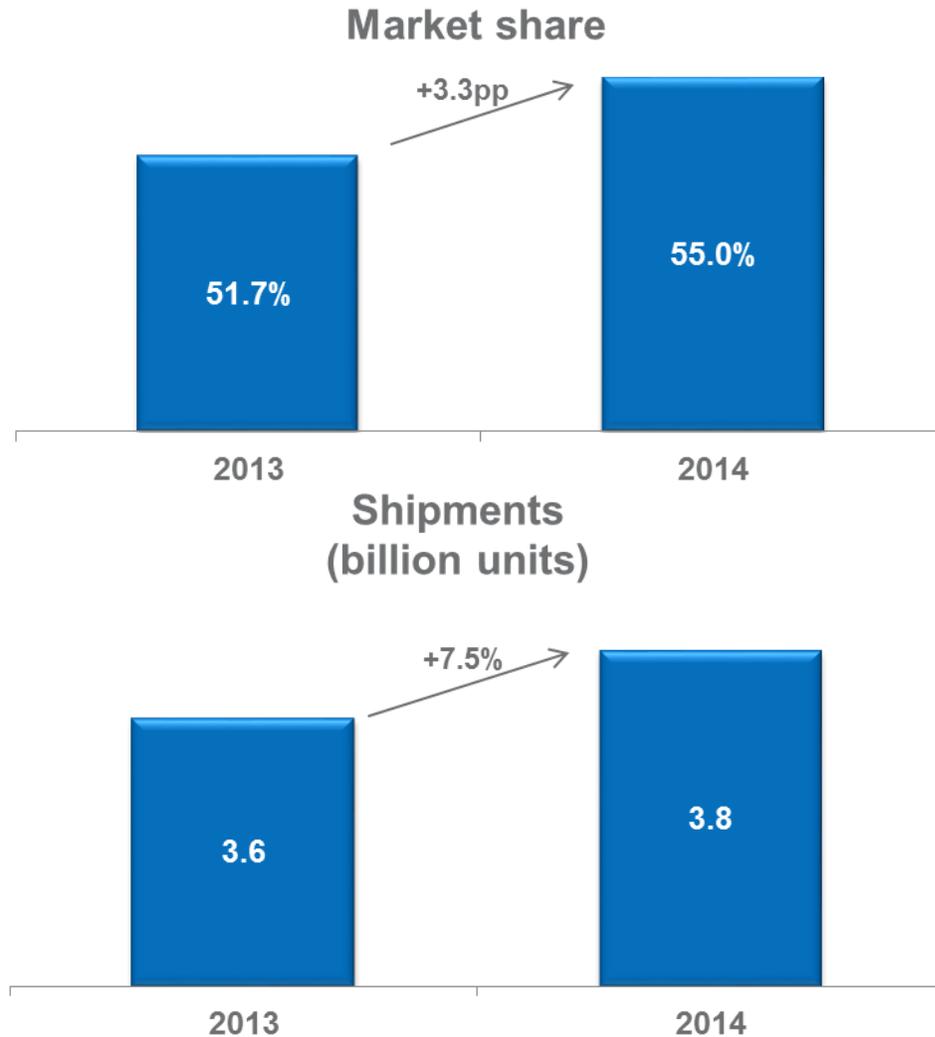
		<u>Dec '12</u>	<u>Dec '13</u>	<u>Dec '14</u>
Premium		3.40	3.40	3.50
Medium*		2.80	2.90	2.90
Super Low		2.70	2.80	2.90
	  	2.60	2.70	2.80

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

Note: Retail prices in EUR/pack of 19 cigarettes

* Petra (other than SSL variant) repositioned from Medium to Super Low in Dec'14

Cigarette Market Share and Shipments Slovakia



Market share increase by 3.3pp to 55.0%
Excluding *RGD*, increase by 1.4pp

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

Domestic cigarette shipments up by 7.5%
Excluding *RGD*, shipments up by 4.4%

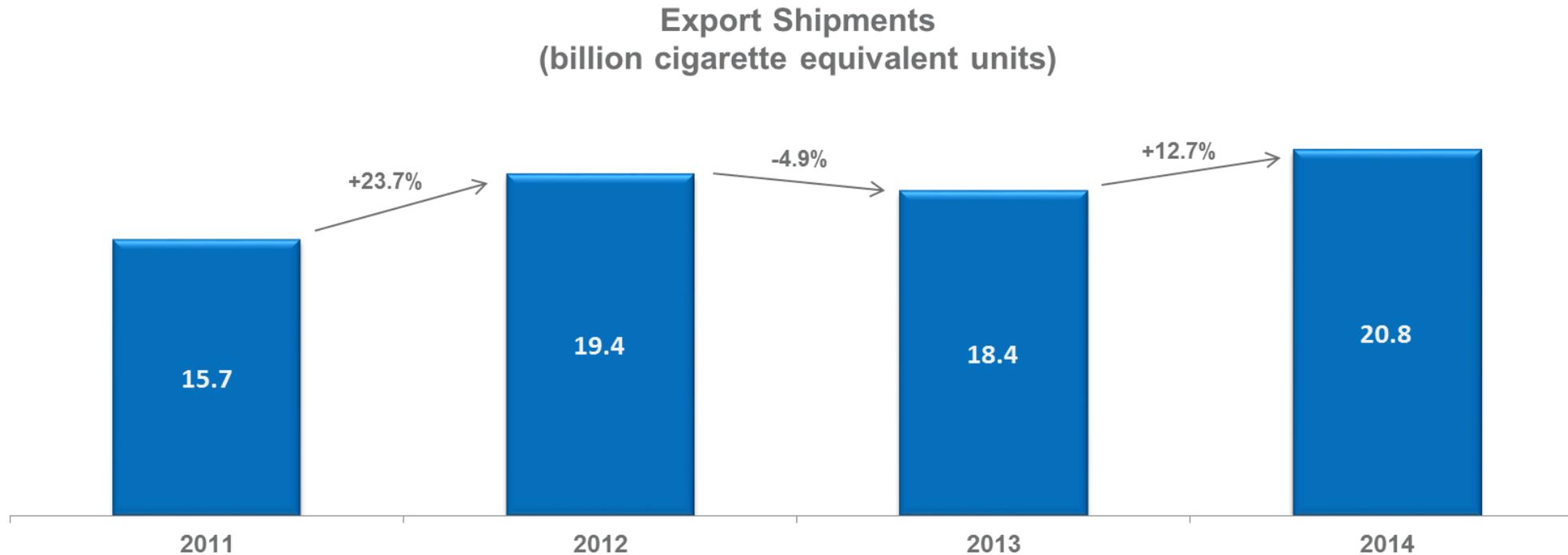
- higher total market
- higher market share

Consolidation of brand portfolio – *Red & White* Slovakia

Morph of *Red & White* into *Philip Morris*
in Jan'14
Supported by Price promotion on pack
in Apr'14



Export Shipments



Export shipments increased by 12.7% to 20.8 billion units

- Cigarettes up by 1.7 billion units (+11.6%)
- Fine cut tobacco up by 0.6 billion units equivalent (+17.3%)

Continuous focus on maintaining high standards in Kutna Hora factory and increasing its competitiveness within Europe through:

- constantly improving factory performance;
- investing to modern/flexible manufacturing equipment;
- focusing on environmental sustainability;
- continuously reviewing our processes and operating models to maximize efficiency and flexibility.

Operating Model Change in Production

Transformation of Kutna Hora factory from “Contract Manufacturer” to “Manufacturing Service Provider” with

- full responsibility for manufacturing facility, machinery equipment, production scheduling and manning, service quality
- no impact on legal entity structure
- unchanged entrepreneurial role for Czech and Slovak markets

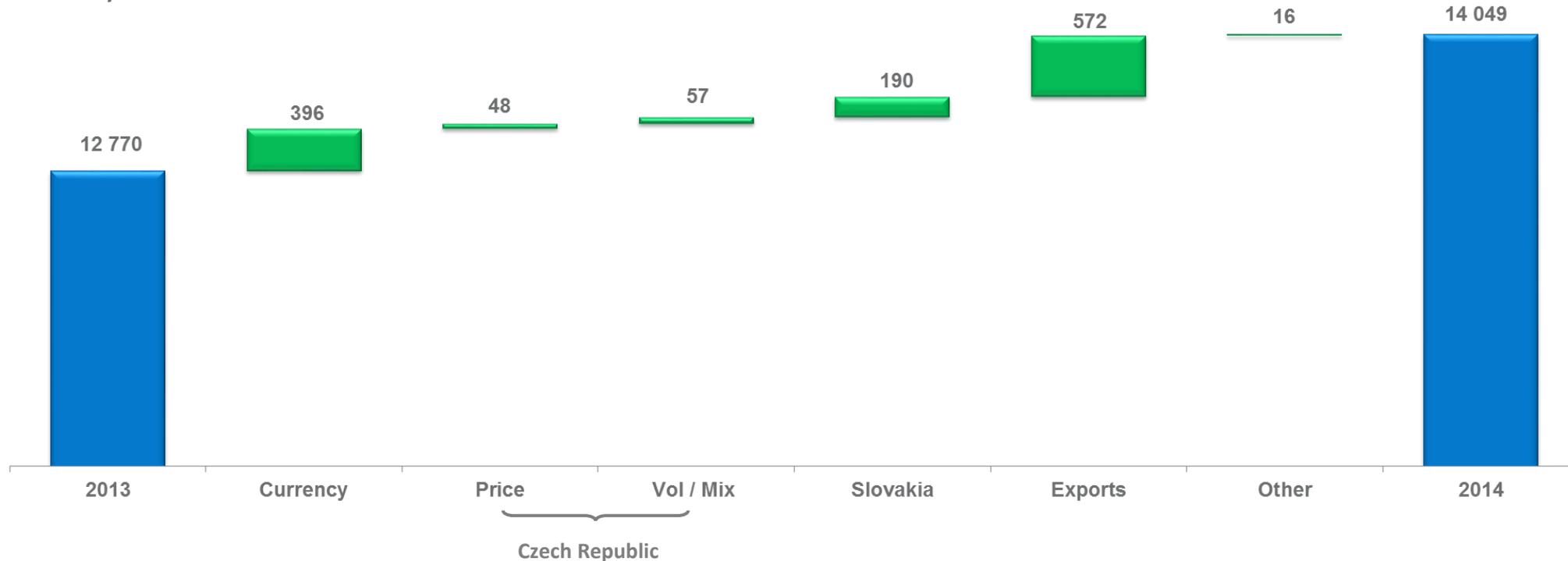
PMIM took over full responsibility for inventory ownership and all related activities:

- procurement of materials including all related logistics
- ownership of materials and produced finished goods inventories
- new product development and relationship with markets
- capacity planning and sourcing decisions

Revenues, net of Excise Tax and VAT

Consolidated Financial Results

(CZK million)

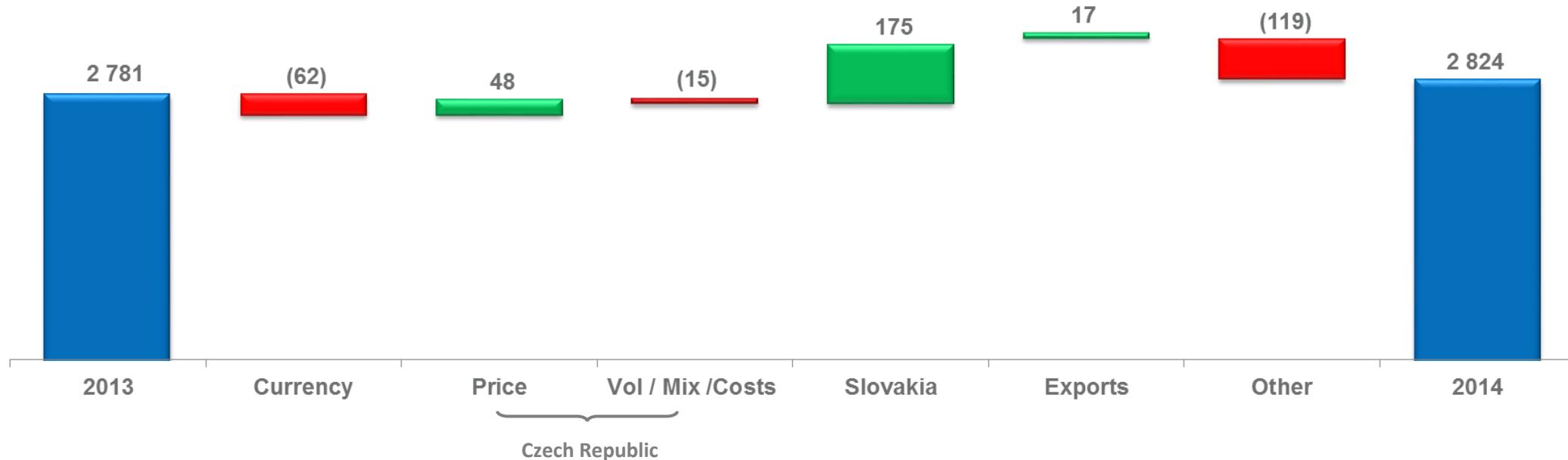


Consolidated net revenues up by 10.0% or by 6.9% excluding currency, mainly driven by:

- favorable pricing and volume/mix in the Czech Republic and Slovakia;
- higher exports to other PMI affiliates.

Profit from Operations Consolidated Financial Results

(CZK million)



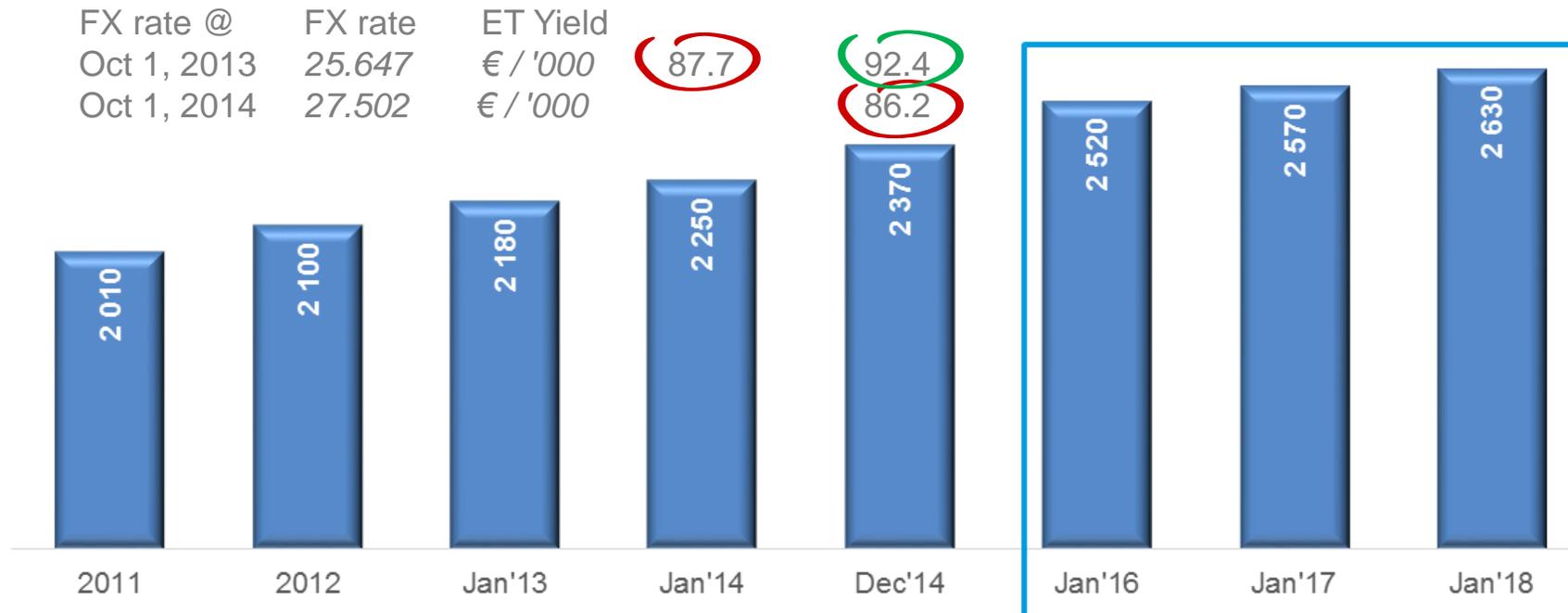
Consolidated profit from operations increased by 1.5% or by 3.8% excluding currency, primarily reflecting:

- favorable pricing and volume/mix in the Czech Republic and Slovakia;
- higher exports to other PMI affiliates;
- partially offset by higher royalty and fixed manufacturing costs.

Fiscal Environment Czech Republic

Minimum Excise Tax for Cigarettes (CZK/'000)

€90 /'000
(EU minimum)

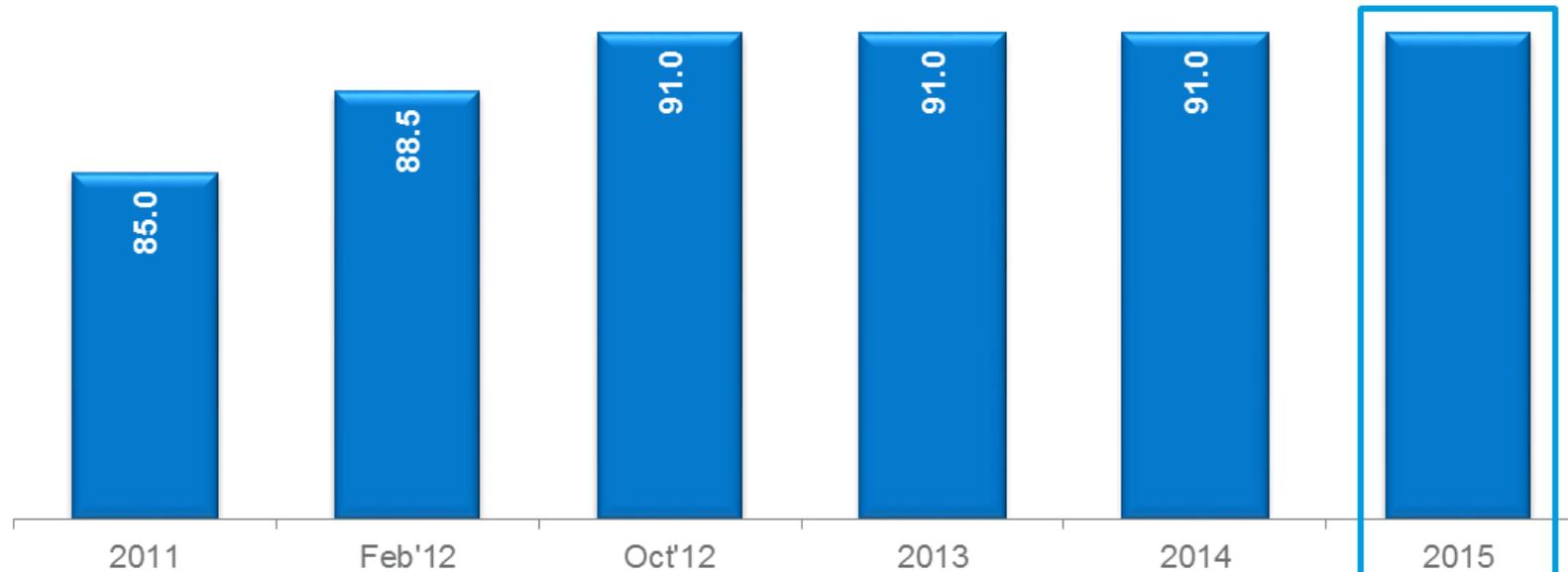


- Excise tax increase as of Jan'14 and Dec'14
- MOF proposal for three-years excise tax roadmap (2016-2018)
- Anti-forestalling regulation introduced for cigarettes in Dec'14 (Sell-by-date end of Feb'15)

Fiscal Environment Slovakia

Minimum Excise Tax for Cigarettes
(EUR/'000)

€90 /'000
(EU minimum)



- Last excise tax increase in October 2012
- Minimum excise tax reached EUR 91/'000
(Specific EUR 59.50/'000 cigarettes, Ad valorem unchanged at 23%)

Assets & Liabilities

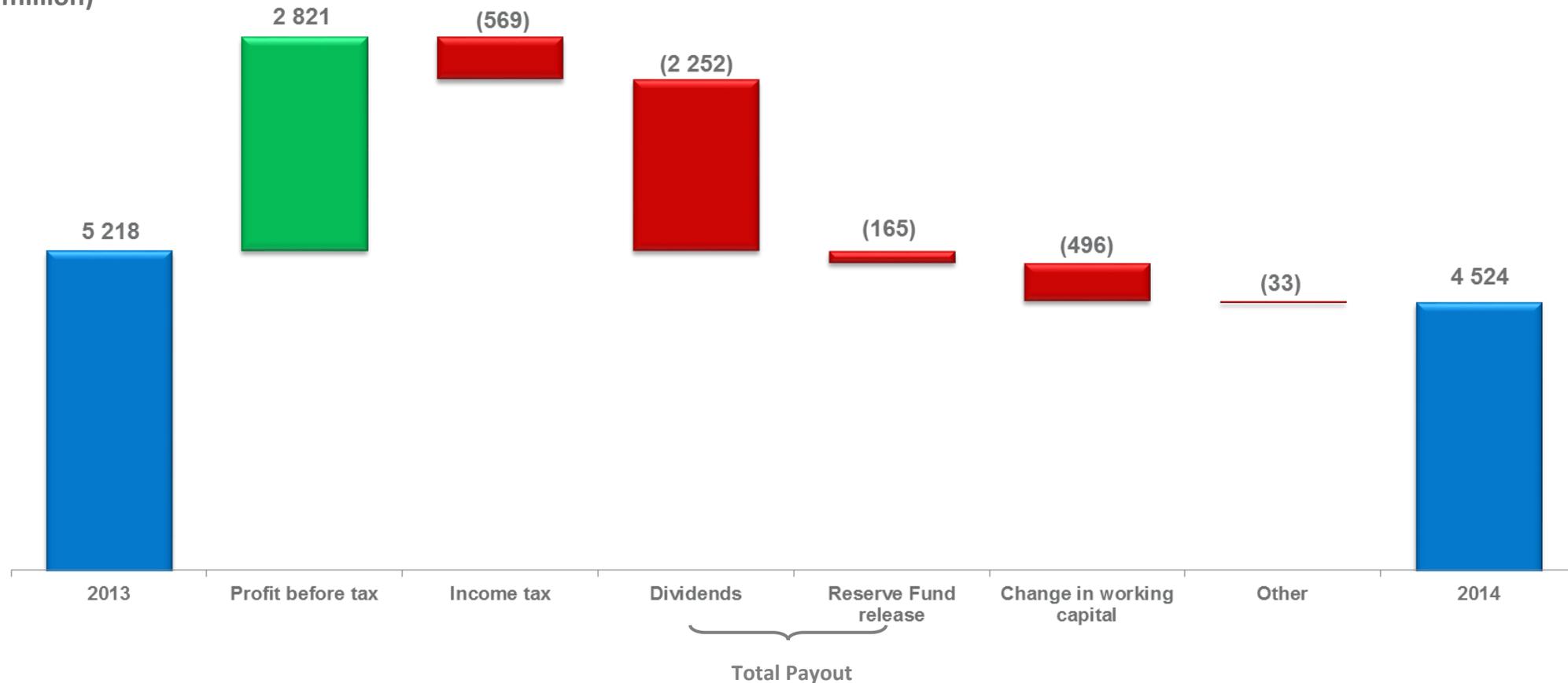
Consolidated Financial Results

(CZK million)

Assets	Dec 2014	Dec 2013	Incr./(Decr.)	
Cash & Equivalents	4 524	5 219	(695)	
Inventories	328	2 120	(1 792)	
Receivables	2 716	1 514	1 202	
Other Non-Financial Assets	1 638	9 935	(8 297)	<i>Excise tax on Inventories</i>
Prepaid Income Tax	10	2	8	
Non-Current Assets	3 234	3 178	56	
Total Assets	12 450	21 968	(9 518)	
Liabilities & Equity	Dec 2014	Dec 2013	Incr./(Decr.)	
Trade & Other Financial Liabilities	920	1 460	(540)	
Other	254	260	(6)	
Other Tax Liabilities	3 299	12 137	(8 838)	<i>Excise tax Payables</i>
Deferred Tax Liability	166	141	25	
Equity	7 811	7 970	(159)	
Total Liabilities & Equity	12 450	21 968	(9 518)	

Cash and Cash Equivalents Consolidated Financial Results

(CZK million)



- Available Cash at year-end was utilized for Loan to PMI Incorporation

Short-term Loan to PMI Inc.

Call Loan facility agreement signed in September 2013

Short-term loan provided to Philip Morris International, Inc.

- Amount CZK 3.75 billion
- Duration from Dec 31, 2014 to Jan 2, 2015
- Interest rate 0.05% p.a. (best offer compared to banks)

Credit ratings of Czech Banks	Moody's rating agency
Citibank Europe plc	A2
Komerční banka, a.s.	A2
Československá obchodní banka, a.s.	A2
Česká spořitelna, a.s.	A2

Credit rating of PMI	Moody's rating agency
Philip Morris International, Inc.	A2

Dividend proposal

(CZK / share)	2010	2011	2012	2013	2014
Earnings Current Year	884	920	885	819	825
Retained Earnings Prior Year	376		15	1	55
Dividend Paid / Proposed	1 260	920	900	820	880
Reserve Fund Cancellation				60	
Total Payout Proposed	1 260	920	900	880	880

Thank you