



PHILIP MORRIS ČR

KUTNÁ HORA, 28th April 2023

ANNUAL GENERAL MEETING OF SHAREHOLDERS

Philip Morris ČR a.s.

ANDREA GONTKOVIČOVÁ
Chairperson of the Board of Directors



PHILIP MORRIS ČR

1/ BUSINESS PERFORMANCE

2/ SOCIAL RESPONSIBILITY & SUSTAINABILITY

3/ CONSOLIDATED FINANCIAL RESULTS

Positive results in a challenging year



- Consolidated revenues up by **11%** (12.4% excl. currency) to **CZK 20.9 billion**
- Profit from operations down by **2.8%** (1.4% excl. currency) to **CZK 4.2 billion**
- Consolidated net income up by **3.4%** to CZK **3.6 billion**
- Total *IQOS* adult users¹ up by 90 thousand to **860 thousand** (CZ & SK combined), **590 thousand** adult users have stopped smoking and switched to *IQOS*²
- Production volume in Kutná Hora plant reached all-time-high **36.7 billion units** (cigarettes and other tobacco products)

¹ Estimated number of *IQOS* adult users that used PMI heated tobacco products (*HEETS*, *Fiit* and *TEREA*) over the past seven days

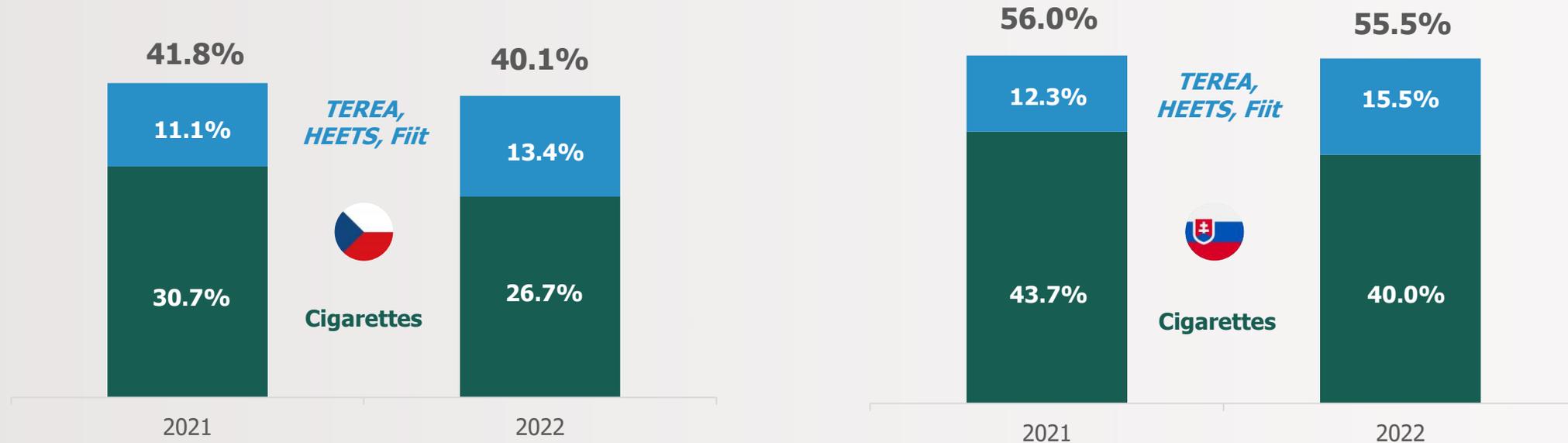
² Estimated number of *IQOS* adult users, whose daily individual consumption of heated tobacco products represents the totality of their daily tobacco consumption over the past seven days, of which at least 70% are PMI heated tobacco products (*HEETS*, *Fiit* and *TEREA*)



PHILIP MORRIS ČR

BUSINESS PERFORMANCE 2022

Market share

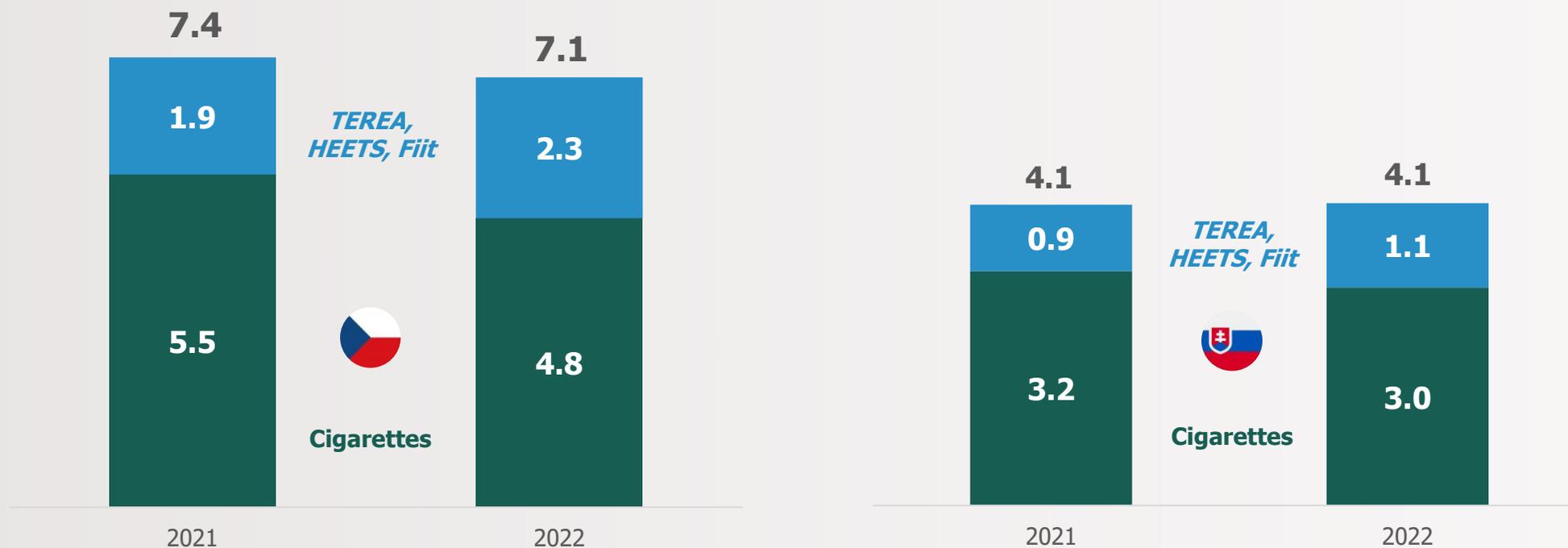


Combined market share slightly decreased, primarily due to:

- Production constraints arising from the invasion in Ukraine
- Discontinuation of the *Philip Morris* brand and its merger into *Chesterfield* and *Marlboro Crafted*
- Prices increase and underlying market share erosion due to downtrading



Shipments (billion units)



Combined shipment remained flat in Slovakia, while it slightly decreased in Czechia:

- Domestic cigarette shipments decreased in both countries primarily due to war in Ukraine (materials shortage and logistics constrains) and shift to smoke-free alternatives
- Offset by domestic *HEETS*, *Fiit* and *TEREA* shipments reflecting the category growth

Fiscal outlook



Fiscal calendar 2021 - 2023

- Subject to consumption tax - cigarettes and other tobacco products & smokeless alternatives
- Predictable rates increase
- The rates meet the minimum requirements of the EU regulation for cigarettes (EUR 90/'000)

Fiscal calendar 2024 +

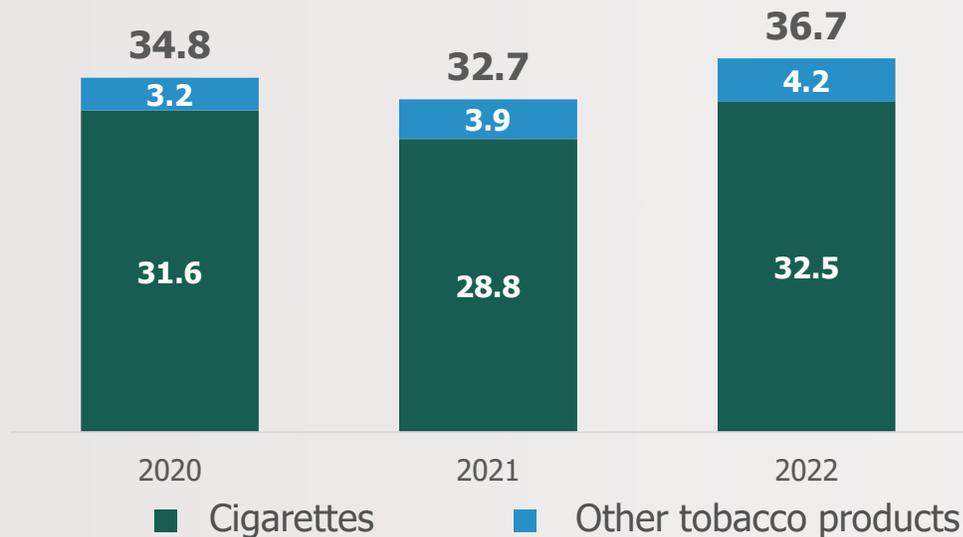
- A new framework is now in preparation
- It will probably cover several years
- Expanding taxes on emerging products (e-cigarettes, vaping, oral nicotine products and others)



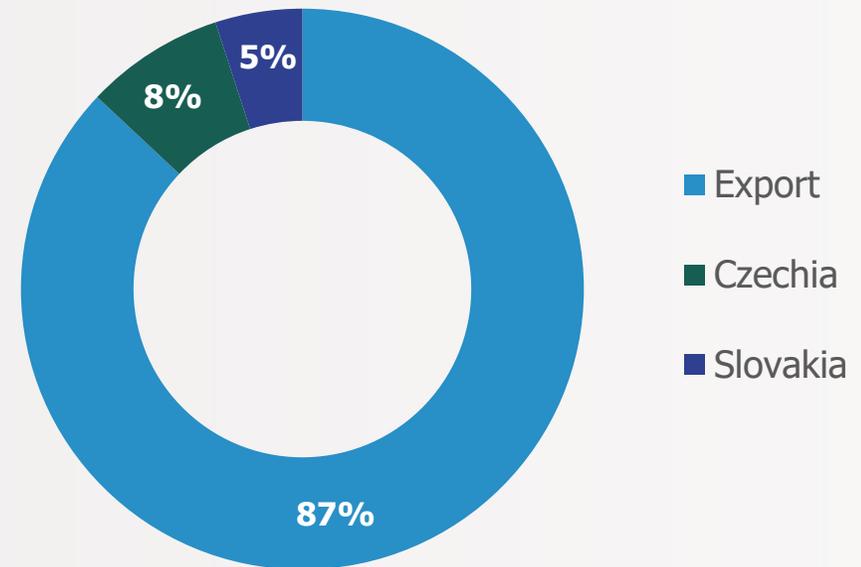
Kutná Hora factory all time high production (billion units)



Production



Production split



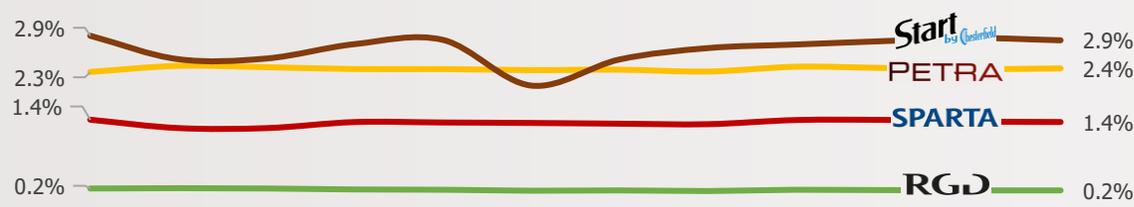
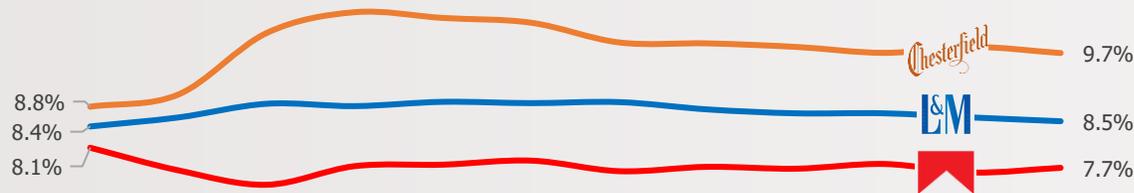
- **The total volume of production in Kutná Hora in 2022 reached a historical maximum**
- **The majority of production is destined for export, led by Germany (26%) and Italy (19%)**

Other tobacco products include products such as cigarillos and rolling tobacco (0.73 g is the equivalent of one cigarette) as well as multi-volume rolling tobacco (0.60 g is the equivalent of one cigarette)
Source: Philip Morris ČR a.s. internal data

Performance of individual cigarette brands



Development of market shares of individual brands during 2022



Stable performance with growth potential

Positive trend from the end of 2021

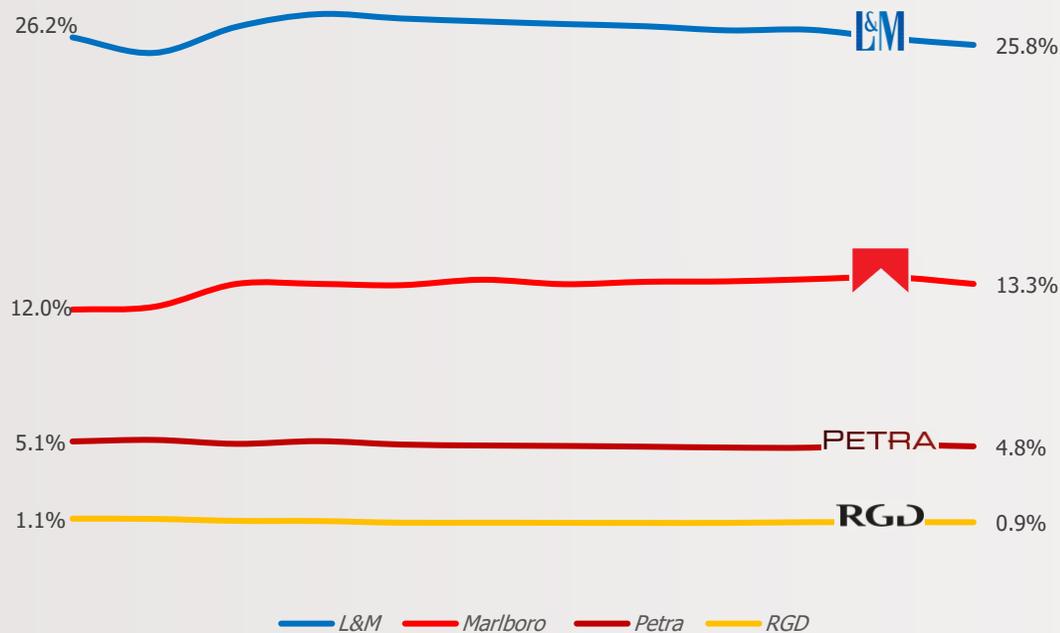
Temporary loss of market share due to inventory shortages in early 2022 - recovering

Local brands showing long-term durability

Performance of individual cigarette brands



Development of market shares of individual brands during 2022



Market leader for more than 10 years

Stable growth thanks to traditional brand value

Petra scores on the market with its own resistance

News in our *Marlboro* brand



Marlboro CRAFTED

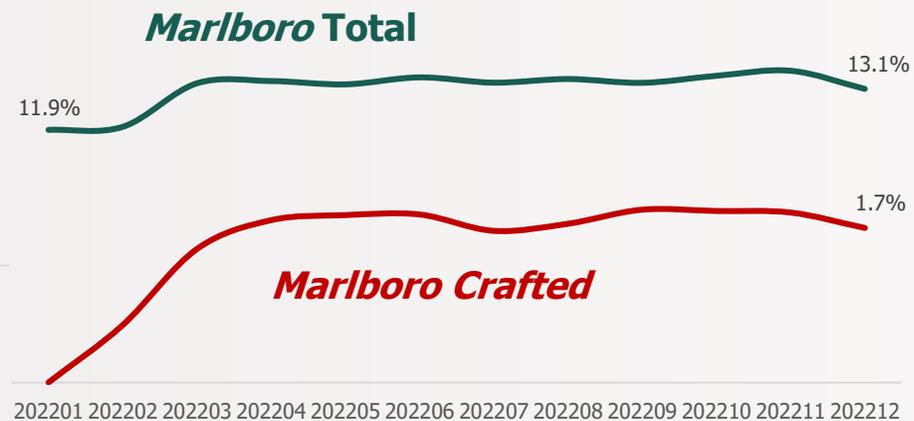
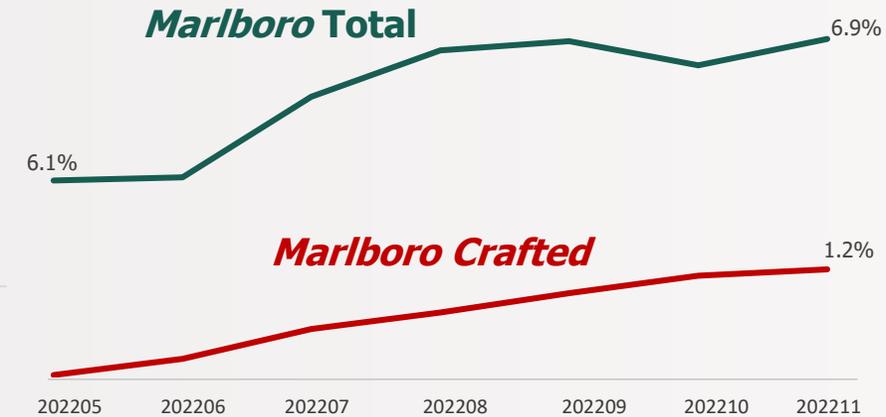
- Real *Marlboro* quality at an affordable price
- Nationwide availability and support
- An instant success with price-sensitive smokers

Marlboro RED & Marlboro GOLD

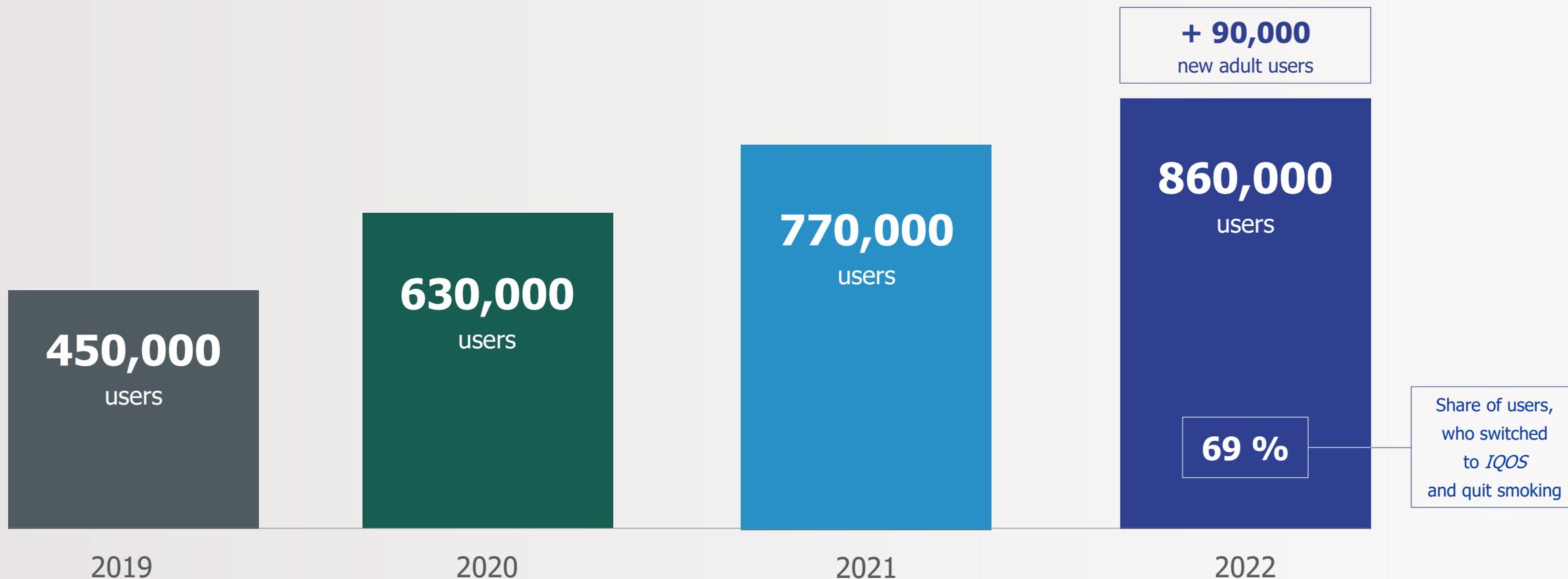
- A new, sophisticated and modern design to celebrate 50 years of the *Marlboro* brand as the number one brand on the market

Limited edition 50 years *Marlboro*

- To celebrate 50 years of the *Marlboro* brand on the market, we launched a special limited edition



Continued robust *IQOS* adult users' growth (cumulative)



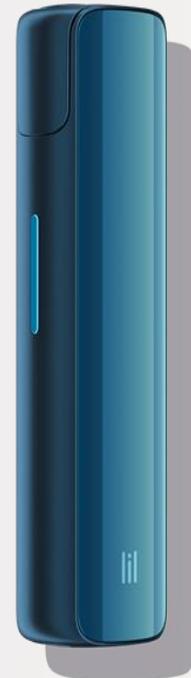
Smoke-free product portfolio



2017 *IQOS 2.4 Plus*
 2018 *IQOS 3 & MULTI*
 2019 *IQOS 3 DUO*
 2021 *lili SOLID by IQOS*



IQOS ILUMA PRIME
IQOS ILUMA
IQOS ILUMA ONE



lili SOLID 2.0



IQOS VEEV



VEEBA

Our key topics in the public domain



- Comprehensive media coverage and an extensive network of direct relations with media of all types throughout the Czech Republic (general / lifestyle / business)
- Ongoing media support for the launch of new products and all relevant company news
- Raising the visibility of PMČR's efforts and measures in the area of sustainability and I&D, including awards such as Top Employer 2022 and EQUAL-PAY Certification
- Support of the PMČR 30 gala-evening to celebrate the anniversary of 30 years of presence on the Czech market, which took place on November 3 in Prague and was attended by over 270 key partners



Growing public support

- Permanent discussion on public health and the vital role of smoke-free products
- Solid medical professionals and experts' consensus on tobacco harm reduction approach
- Risk-proportionate regulatory and tax policy covered by the Czech Government Manifesto; emerging support in Slovakia
- Czech National Action Plan on Addictions 2023-2025 incl. commitment to regulatory and fiscal support of smoke-free products
- Slovak Action Plan on Tobacco Control Policy 2023-2030 including reference to harm reduction approach



Policy Makers



**Senior Gov
Officials**



Medical Experts



**Editors &
Reporters**



**Main Industry
Associations**



NGOs and Academia



„In addressing the issue of addiction, we will apply a policy based on a scientifically proven and balanced concept of risk prevention and harm reduction, while ensuring sufficient funding for both prevention programmes and services and the regulation of addictive substances corresponding to their degree of harmfulness.“



Czech Government Manifesto



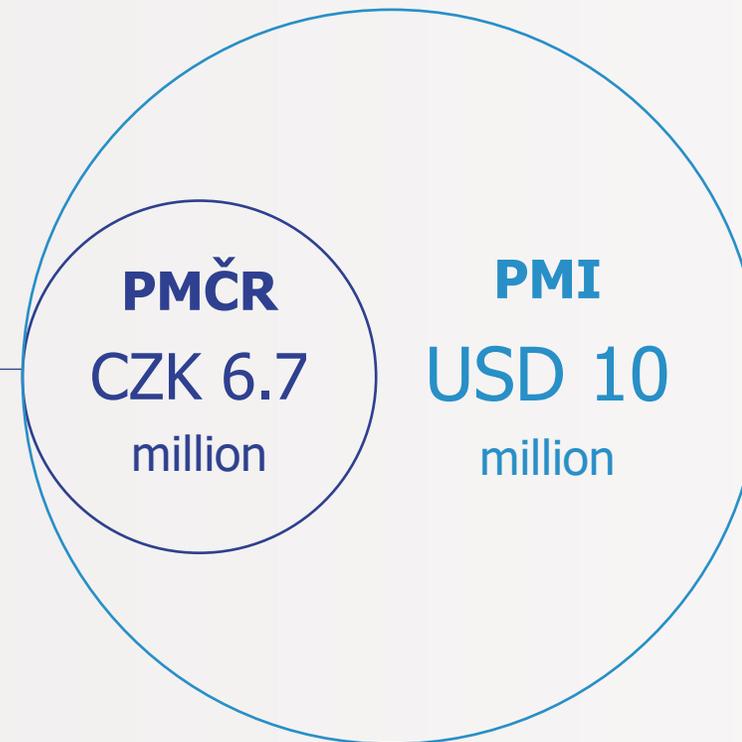
PHILIP MORRIS ČR

SOCIAL RESPONSIBILITY & SUSTAINABILITY

Social Responsibility

Support to Ukraine

- Focusing on helping refugees, relatives of our local colleagues and employees of PM Ukraine and their families, including ensuring evacuation, setting up a helpline, material assistance to the Regional Refugee Center in Kutná Hora, etc.
- Support of volunteer activities of employees
- Employee fundraising campaign to support the integration of Ukrainian families and Ukrainian children's access to education
- Purchase of specialized medical equipment for a hospital in Ukraine



Long-term support

- Charta 77 Foundation (Konto Bariéry)
- Foundation Fund Slunce pro všechny
- Livia and Václav Klaus Foundation Fund
- PONTIS Foundation
- Cvernovka Foundation

Manufacturing Sustainability Highlights



Water management



Alliance for Water Stewardship
Successful surveillance audit achieved

since
2021

Energy and **carbon emissions**



Carbon neutrality
2022 = re-certification reached

since
2021

PMI
goals
2025

Waste



0 % production waste ends up in a landfill
More than 90% of production waste is **recycled, reutilized**

since
2019

Safety



Four consecutive years without safety incidents

- The site has been also re-certified by external entities as per: **ISO 14001** (Environmental Management System) and **ISO 45001** (Occupational health and safety Management System)
- Zero Major Quality Incidents¹. Zero Significant Quality Incidents².

¹Quality events which have a negative impact on consumer safety and health, company reputation and/or product regulatory compliance.

²Quality events which are of critical severity or are consumer/customer sensitive with a high risk of causing significant complaints or bring a significant business loss for the company (\$50,000 USD)

Product Sustainability Highlights



Smoke-free portfolio

Device Take Back

- reducing e-waste of used devices
- expansion in 2022 due to enormous success
- very positive response from consumers

Consumables Take Back

- tobacco sticks – tobacco plug, paper, filter
- research with CZ universities (recycling potential)
- recycling with Slovak partner – EcoButt s.r.o.



Cigarettes

Anti-littering efforts

- On-pack messaging – EU SUP mandatory
- Voluntary activities:
 - „World No Ahstray” website
 - Nationwide unbranded industry campaign “Cigarette-tree”
 - Volunteering “Let’s clean up Czechia/Slovakia” events





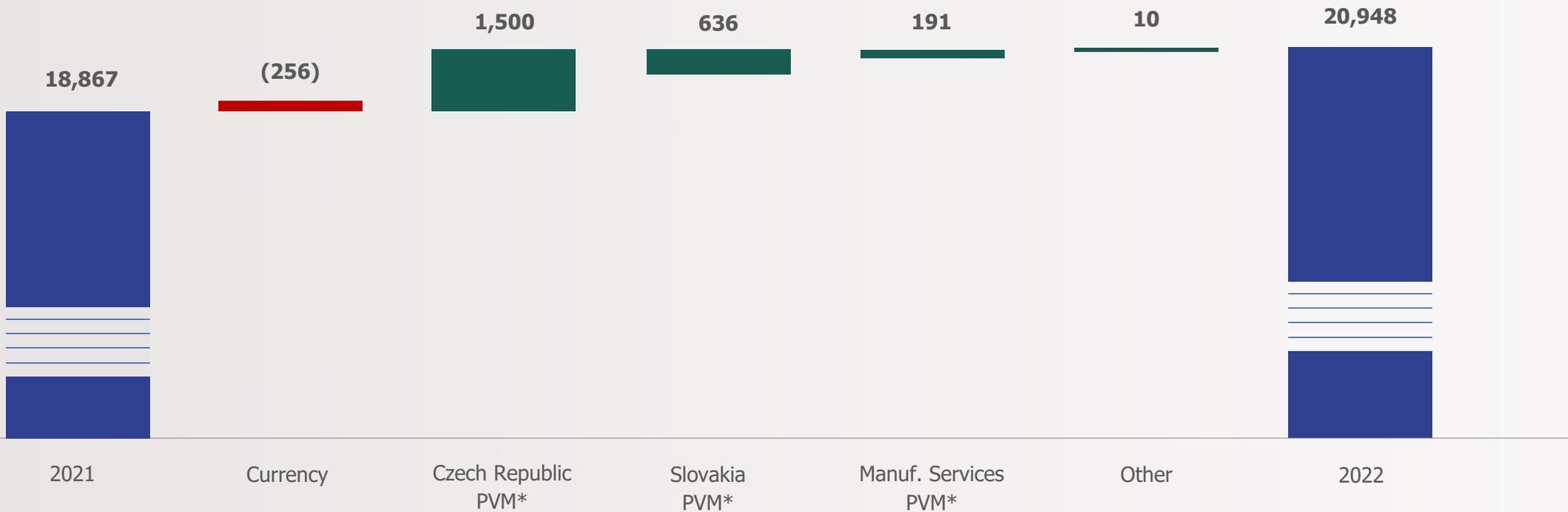
PHILIP MORRIS ČR

CONSOLIDATED FINANCIAL RESULTS 2022

Net Revenues



(CZK million)	2022	2021	Change	Change in %	
				Actual	Excluding currency
Net Revenues	20,948	18,867	2,081	11%	12.4%



*PVM – Price, Volume and Mix variance
 Source: Philip Morris ČR a.s. consolidated financial results

Net Income



(CZK million)	2022	2021	Change	Change in %	
				Actual	Excluding currency
Net Revenues	20,948	18,867	2,081	11%	12.4%
Operating Income	4,243	4,367	(124)	(2.8)%	(1.4)%
Net Income	3,636	3,517	119	3.4%	5.1%



*PVM – Price, Volume and Mix variance
Source: Philip Morris ČR a.s. consolidated financial results

Assets & Liabilities



(CZK million)				(CZK million)			
ASSETS	2022	2021	Change	LIABILITIES & EQUITY	2022	2021	Change
Current Assets				Current Liabilities			
Cash & Equivalents	7,631	9,290	(1,659)	Trade and other financial liabilities	2,871	3,603	(732)
Inventories	1,851	1,940	(89)	Finance lease liability – short term	121	126	(5)
Receivables	1,548	980	568	Other	346	297	49
Other non-financial assets	2,111	2,206	(95)	Other tax liabilities	3,985	4,652	(667)
Prepaid income tax	34	29	5	Fixed Liabilities			
Fixed Assets				Finance lease liability – long term	159	178	(19)
ROU assets	282	298	(16)	Deferred tax liability	153	171	(18)
PP&E and other non-current assets	2,944	3,001	(57)	Equity	8,766	8,717	49
Total Assets	16,401	17,744	(1,343)	Total Liabilities & Equity	16,401	17,744	(1,343)

Cash & Cash Equivalents



(CZK million)	2022	2021	Change	Change in %
Cash & Cash Equivalents	7,631	9,290	(1,659)	(18%)



Business Model



Combustible products

Philip Morris ČR a.s.
Entrepreneur



Philip Morris ČR a.s. has an entrepreneurial position for combustible products in **both countries**

Higher profit, but also higher risk

Smoke-free products

Philip Morris Product S.A.
Entrepreneur



Philip Morris ČR a.s.

Philip Morris Slovakia s.r.o.

Limited Risk Distributor

Both, Philip Morris ČR a.s. and Philip Morris Slovakia s.r.o. are limited risk distributors for commercialization of Smoke-free products in their markets under Distribution agreements with Philip Morris Products S.A. as an entrepreneur.

Significantly lower risk, but also lower profit

2022 Annual Financial Report Risk Factor



- Our profitability, and consequently, the amount of our dividend payout reflects our dual role of being a full risk entrepreneur of combustible portfolio products and a limited risk distributor for reduced-risk products.
- Our remuneration for commercialization of reduced-risk products is based on a set margin on revenues from sales. As a limited risk distributor, we do not own intellectual property rights for reduced-risk products and therefore do not absorb all the costs or bear the risks associated with such ownership. As our return is proportionate to our risk for commercializing reduced-risk products, the impact of the sales volume variances of such products on our profitability is limited.
- Consequently, if the current consumer preference trend towards reduced-risk products continues and volume declines of combustible portfolio products accelerate, we do not expect that over time the additional profit generated from increased sales of reduced-risk products will offset the decreasing profits generated from the sales of combustible portfolio products.

EPS & Dividend proposal



Consolidated earnings per share in CZK	2022	2021	2020	2019	2018	2017	2016	2015
Current year	1,324	1,281	1,285	1,464	1,397	1,269	1,008	936
Prior years retained	0	29	7	101	304	114	106	89
Total retained earnings per share	1,324	1,310	1,292	1,566	1,701	1,383	1,113	1,025
Dividend paid / proposed	1,310	1,310	1,260	1,560	1,600	1,080	1,000	920

We are submitting a proposal for the distribution of dividend for the year 2022 in the amount of CZK 1,310 per share to the Annual General Meeting of Shareholders for approval.



PHILIP MORRIS ČR

THANK YOU