



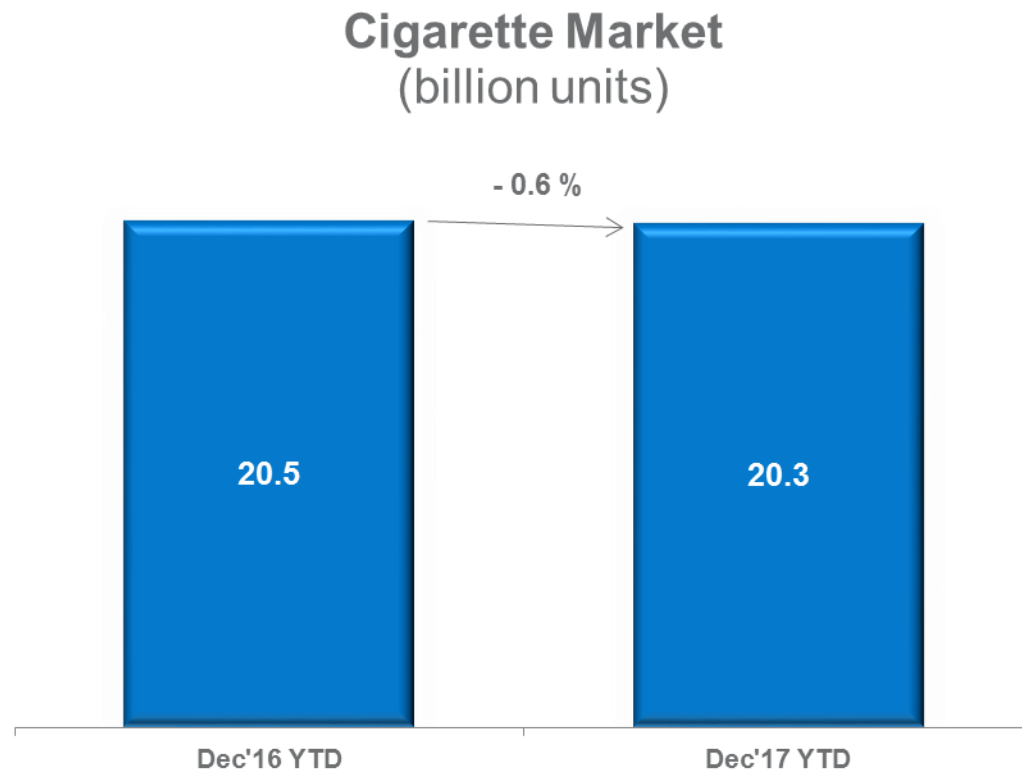
PHILIP MORRIS ČR

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

**Kutná Hora  
April 27, 2018**

Árpád Könye  
*Chairman of the Board of Directors*

# Total Cigarette Market Czech Republic







**Total cigarette market down by 0.6% predominantly due to:**

- **Decrease of cigarette consumption**

# Price Increases 2015 – 2017 (CZK/pack)

## Czech Republic

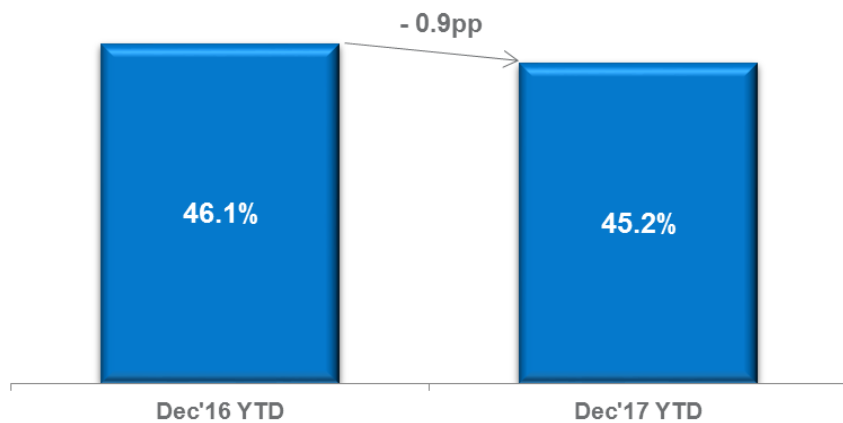
		<u>Dec'15</u>	<u>Dec'16</u>	<u>Dec'17</u>
Premium		96	100	102
Medium		84	89	91
Low		79	84	86
SuperLow		77	82	84

- Excise tax increase January 1, 2016
- Excise tax increase January 1, 2017

# PMCR Cigarette Market Share and Shipments

## Czech Republic

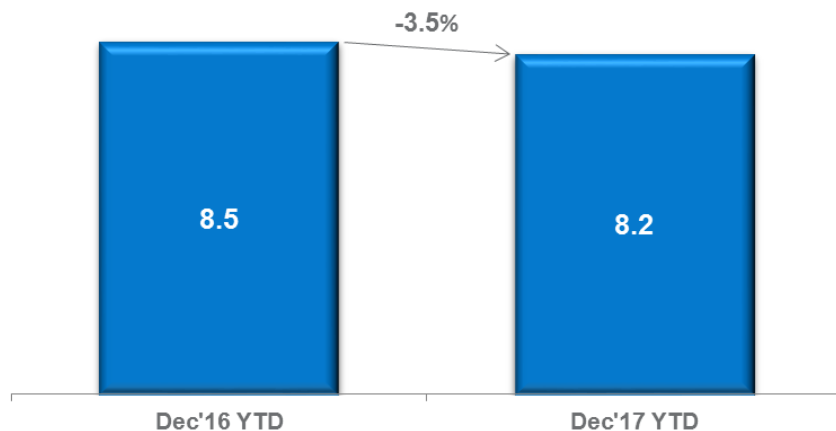
Market Share



Market share decline to 45.2% (-0.9pp)

- The good performance of *Chesterfield* was fully offset by the decline of local brands

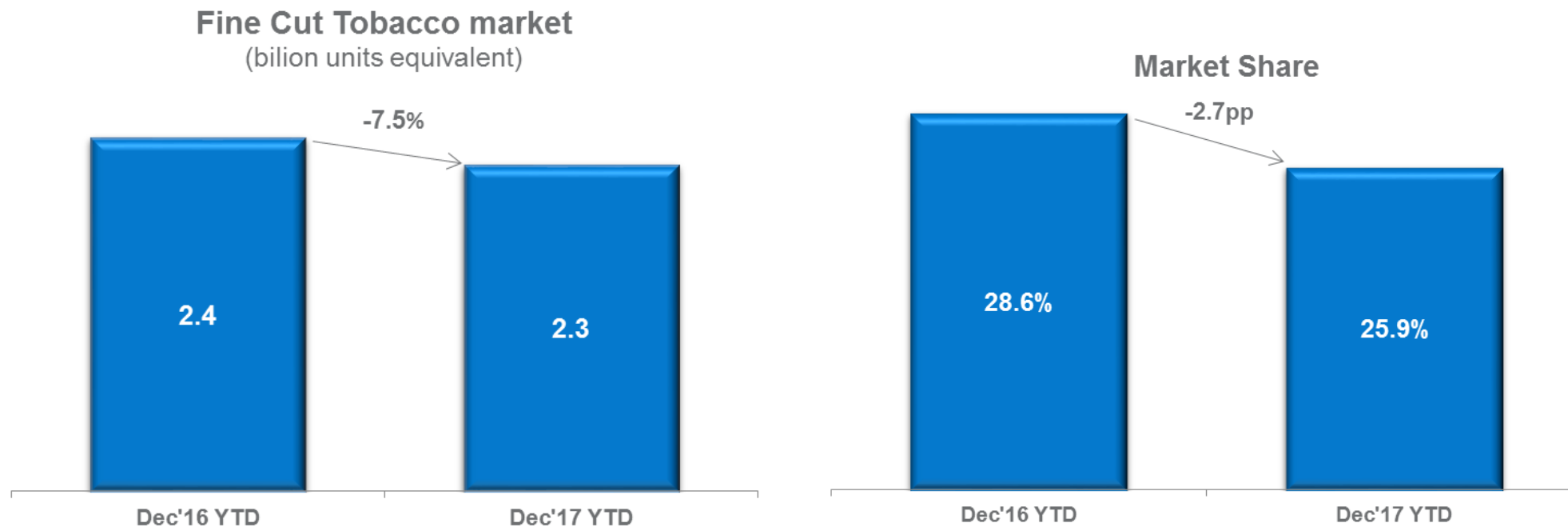
Shipments  
(billion units)



Domestic cigarette shipments down by 3.5%

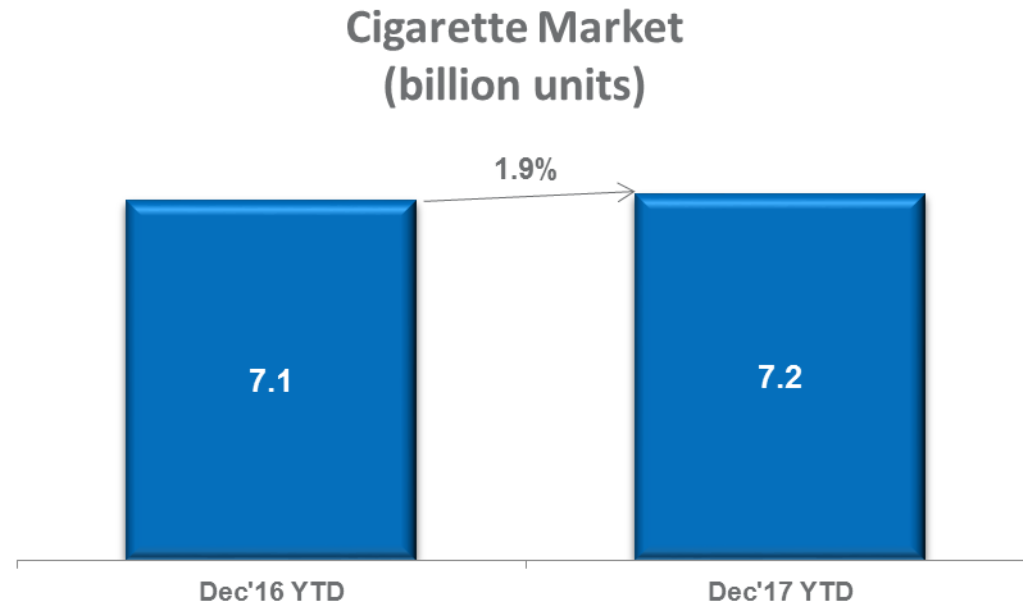
- Due to lower cigarette market share

# 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), roll-your-own cigarettes (0.60 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






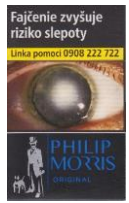


Total cigarette market up by 1.9%  
reflecting mainly

- Solid economic conditions

# Price Increases 2015 – 2017 (EUR/pack)

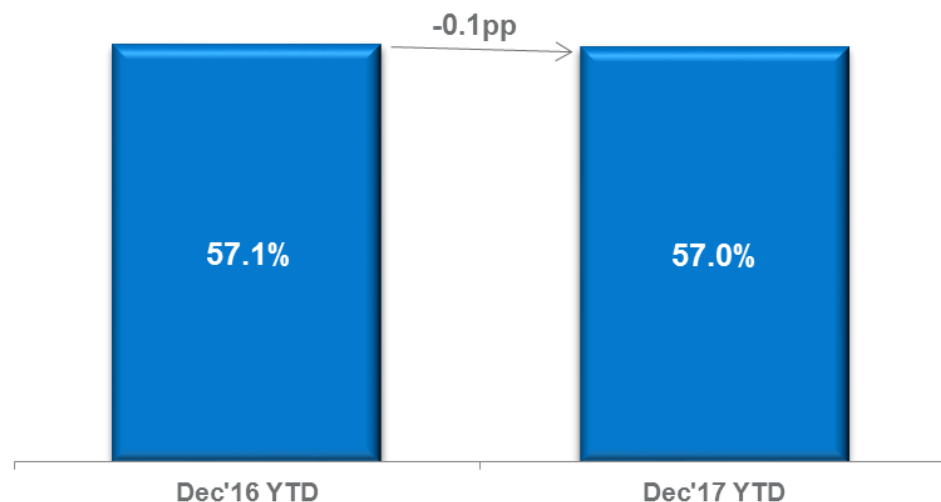
## Slovakia

		<u>Dec '15</u>	<u>Dec '16</u>	<u>Dec '17</u>
Premium		3.50	3.70	3.80
Medium		3.10	3.30	3.50
Super Low	 	2.90	3.10	3.20
	 	2.80	3.00	3.10

- Price increases in Q1 2016 in conjunction with the stick count change from 19s to 20s
- Price increases in Q1 2017 in conjunction with excise tax increase (Euro 0.08/20s)

# Cigarette Market Share and Shipments Slovakia

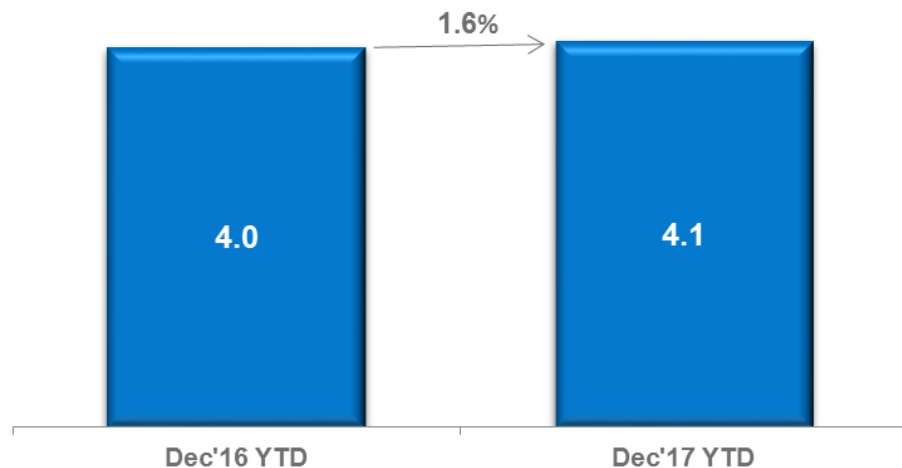
Market Share



Market share decline to 57.0% (-0.1pp)

- Share decline of local brands
- Almost fully offset by strong performance of *L&M* and *Marlboro*

Shipments  
(billion units)



Cigarette shipments up 1.6%

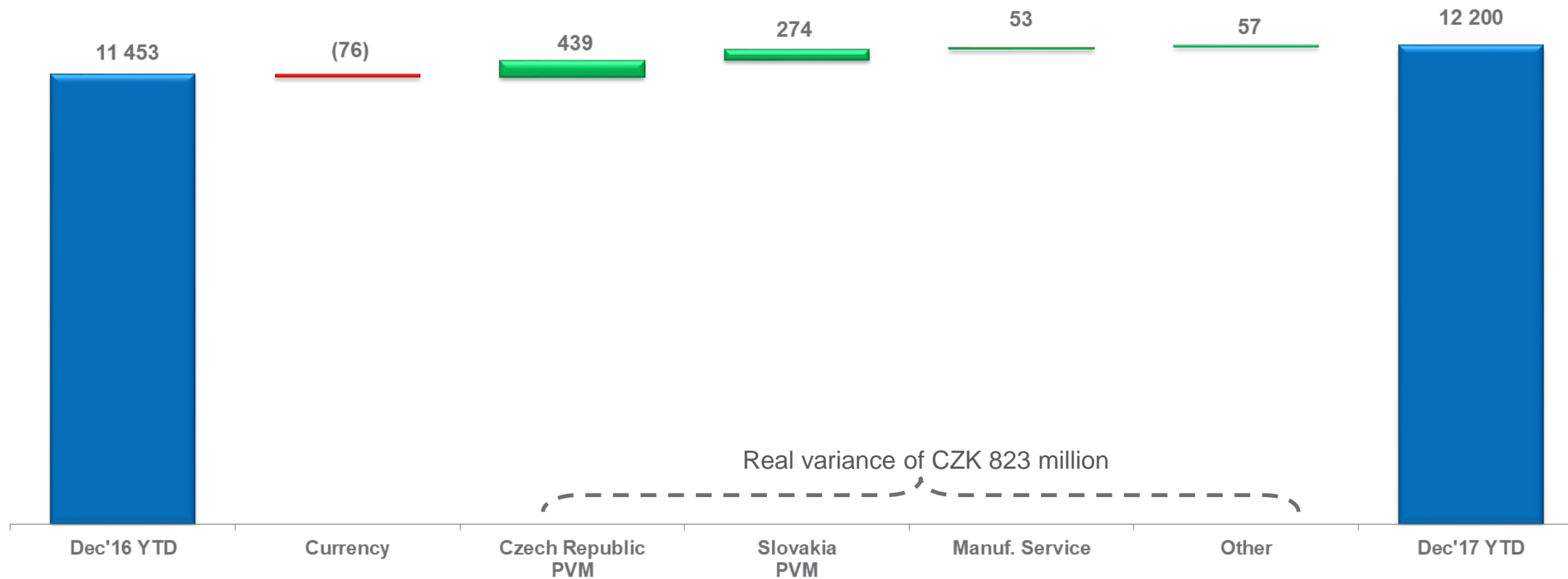
- Higher total cigarette market
- Partially offset by lower market share



# Net Revenues

## Consolidated Financial Results

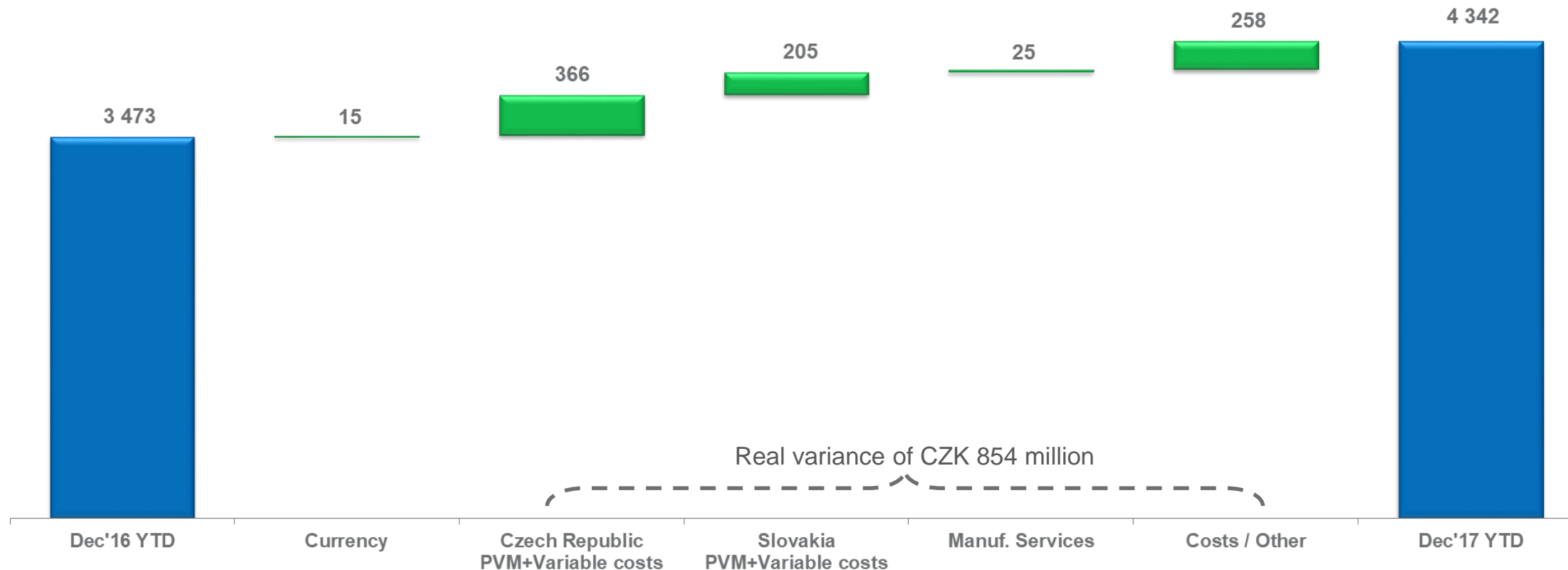
(CZK million)	YTD Dec 2017	YTD Dec 2016	Var. Fav./((Unfav.) Amt	% Change vs. YTD Dec 2016	
				Actual	Excl. Currency
Net Revenues	12 200	11 453	747	6.5 %	7.2 %

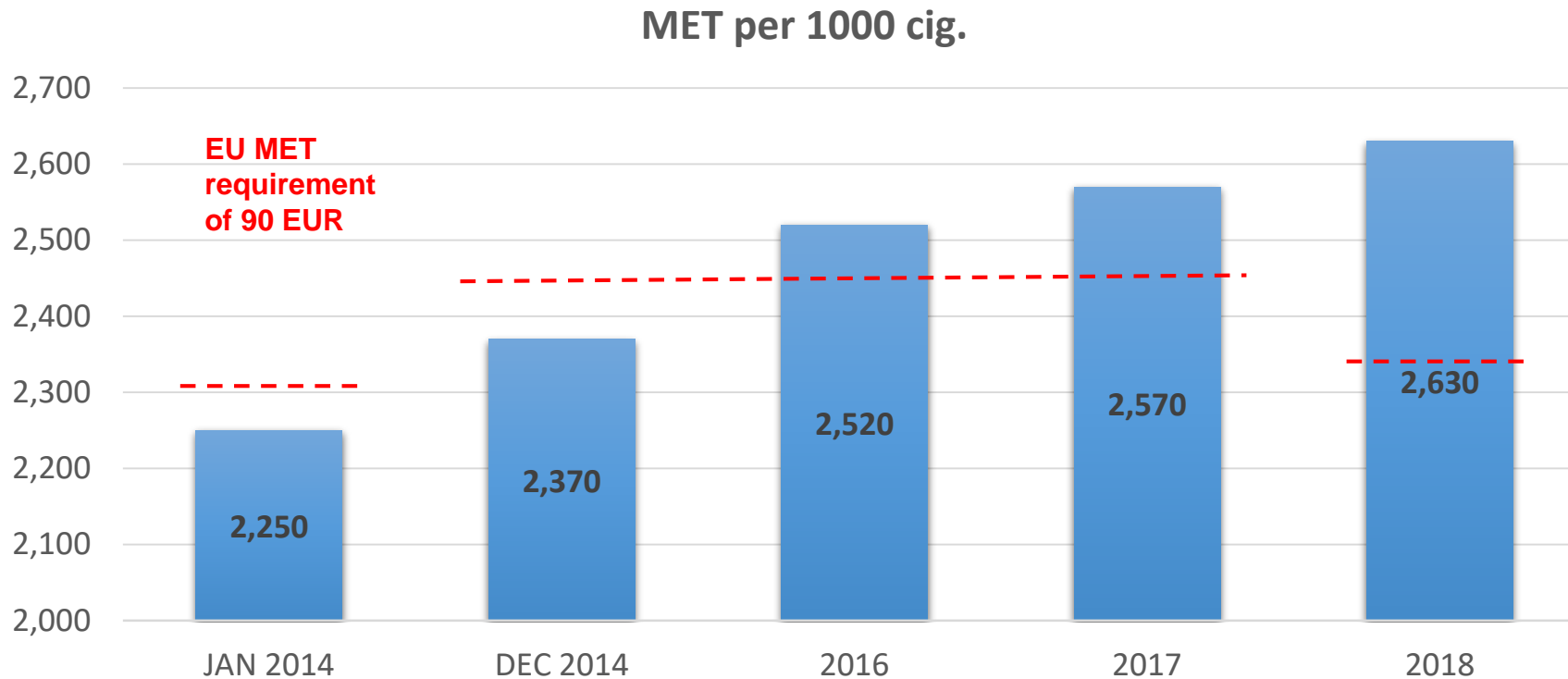


# Operating Income

## Consolidated Financial Results

(CZK million)	YTD Dec 2017	YTD Dec 2016	Var. Fav./ (Unfav.)	% Change vs. YTD Dec 2016	
			Amt	Actual	Excl. Curr.
Net Revenues	12 200	11 453	747	6.5 %	7.2 %
Operating Income	4 342	3 473	869	25.0 %	24.6 %

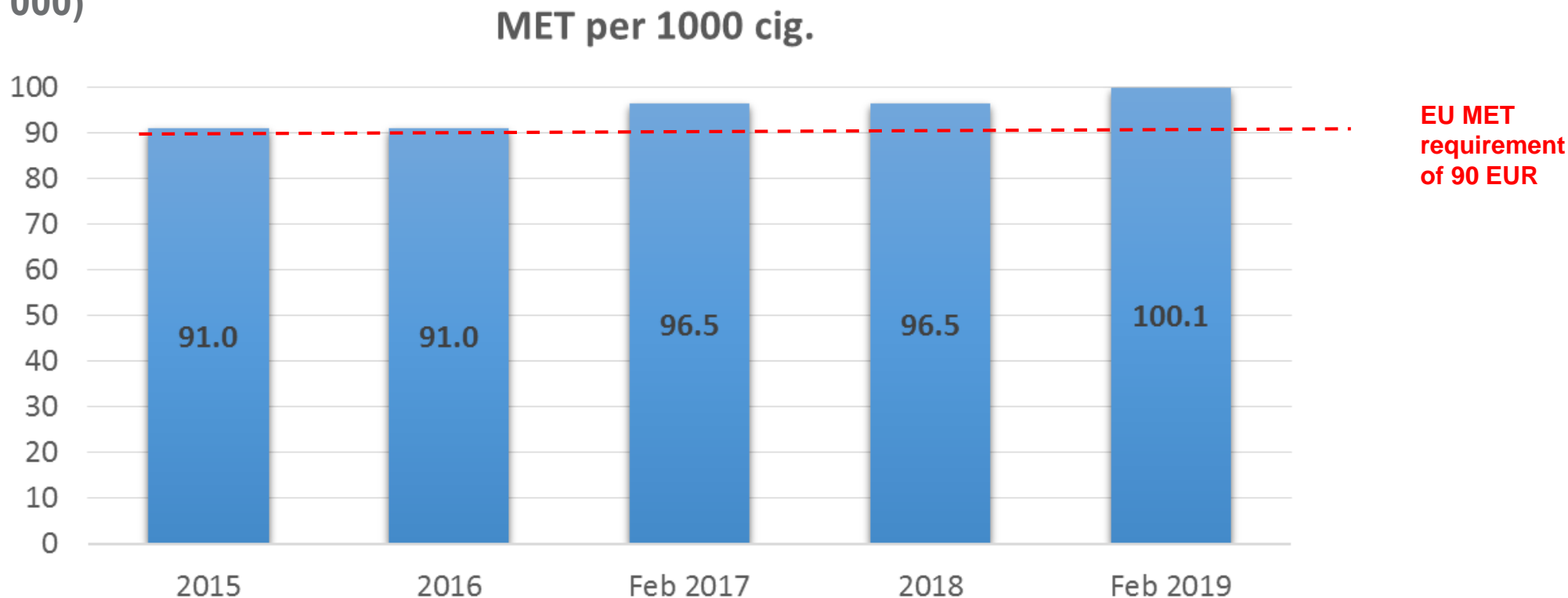




- Adopted three-year excise tax roadmap for 2016 - 2018 meeting minimum EU requirements
- Excise tax increase as of Jan'16, '17 & '18, ad valorem remains 27%, specific & MET increase
- Anti-forestalling regulation introduced for cigarettes in Dec'14 remains in 2016 – 2018

\* Note: PMCR internal estimate 2016 - 2018

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



- 3 year fiscal plan adopted in fall 2016 – Euro 0.08/20s increases in February 1, '17 & '19
- new excise category for smoke-less tobacco products as of May 1, 2017
- anti-forestalling measures for cigarettes (1m) extended to OTP (8m)

# Anti-smoking Act Czech Republic

Entered into effect

May 31,  
2017

**New Act no. 65/2017 Coll. includes:**

- Full HORECA (restaurants + bars) smoking ban (outside terraces exempted)
- E-cigs vaping and IQOS use allowed in HORECA
- Vending machines allowed

# RRP - Distribution agreement

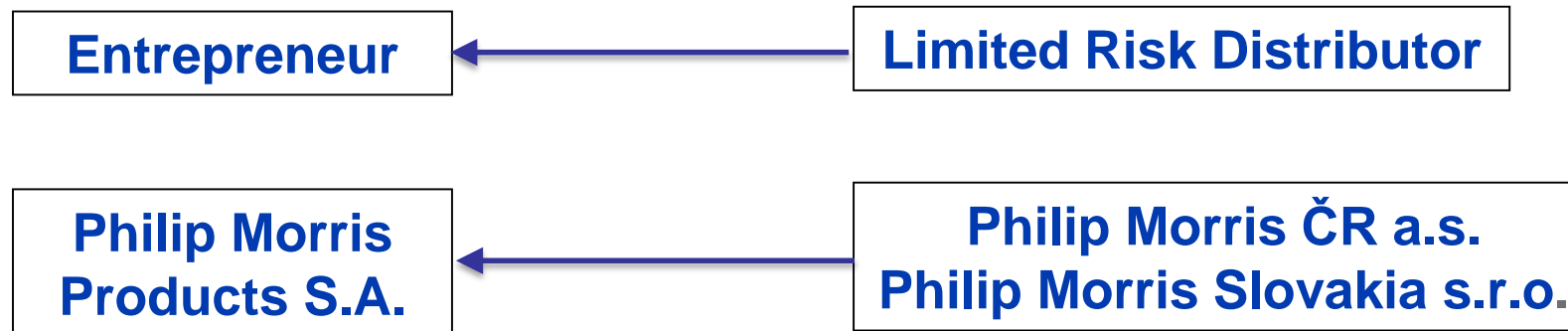
## Czech Republic and Slovakia



Effective as of July 1, 2017 for PMČR and as of July 20, 2017 for PMSK

Signed between: Philip Morris Products S.A. (Seller)  
Philip Morris ČR a.s. (Distributor)  
Philip Morris Slovakia s.r.o. (Distributor)

Pricing method: ROS – Return on Sales

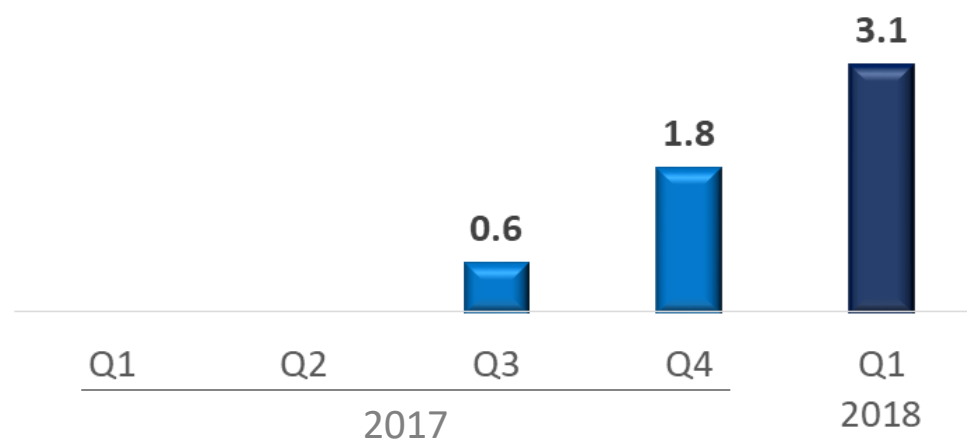


# IQOS Growing Focus Area Offtake Shares (%)

## Czech Republic and Slovakia



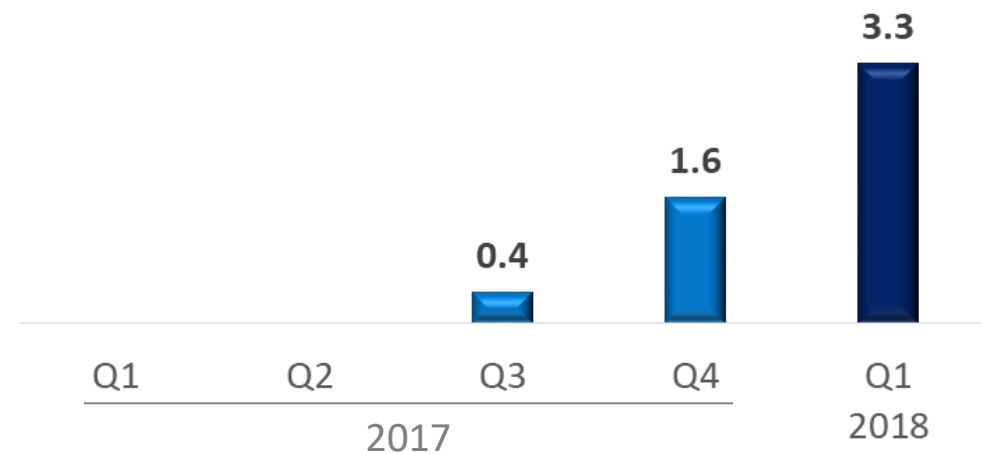
Czech Republic



9 cities:

Praha, Ceske Budejovice,  
Usti nad Labem, Plzen,  
Hradec Kralove, Jihlava, Brno,  
Olomouc a Ostrava

Slovakia



9 cities:

Bratislava, Trnava, Trencin, Nitra,  
Banska Bystrica, Zilina,  
Poprad, Presov, Kosice



### **Czech Republic**

- **Recommended retail selling price** **CZK 2 690**
- **Recommended registration discounts** **(CZK 1 800)**

### **Slovakia**

- **Recommended retail selling price** **EUR 99**
- **Recommended registration discounts** **(EUR 68)**



# ***IQOS* Heated Tobacco Units Economics**

## **Czech Republic and Slovakia**



### **Czech Republic**

- **Recommended retail selling price**

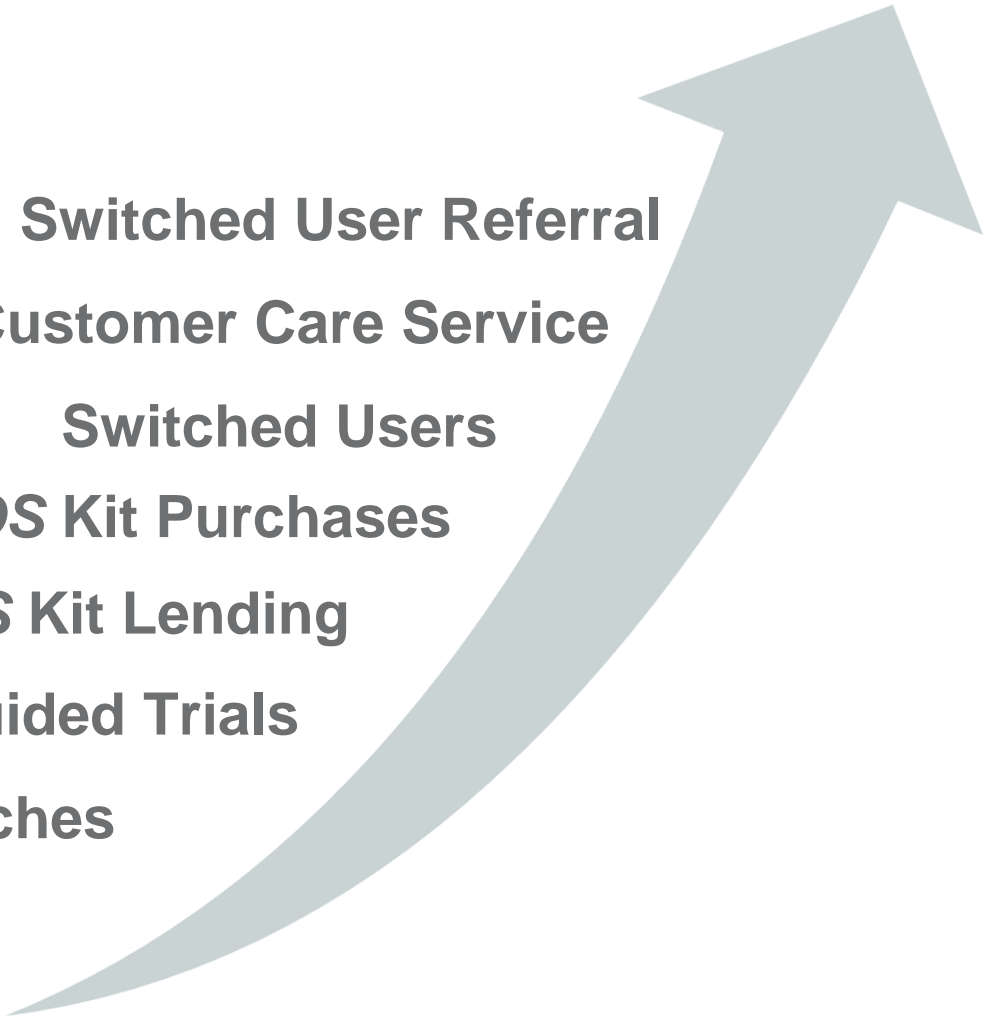
<b>bundle</b>	<b>CZK 900</b>
<b>pack</b>	<b>CZK 100</b>

### **Slovakia**

- **Recommended retail selling price**

<b>bundle</b>	<b>EUR 35</b>
<b>pack</b>	<b>EUR 3.50</b>

## **Heated Tobacco Share**



**Switched User Referral**  
**Customer Care Service**  
**Switched Users**  
***IQOS* Kit Purchases**  
***IQOS* Kit Lending**  
**Quality Guided Trials**  
***IQOS* Coaches**  
**Adult Smokers**

# ***IQOS* Boutique Kutná Hora**

## **Czech Republic**

# ***IQOS***



**First *IQOS* store opened June 26<sup>th</sup>, 2017**

**Objective to make Kutna Hora 1<sup>st</sup> Smoke-Free City in Czech Republic**

# IQOS Store Praha

## Czech Republic

# IQOS



opened March, 2018

located in Slovanský dům,  
Na Příkopě street 22, Prague



# IQOS Mobile Unit

## Czech Republic and Slovakia

Arkády Praha,  
October – November 2017



Bratislava,  
August 2017



Festival Pohoda



# IQOS POP-UP stands

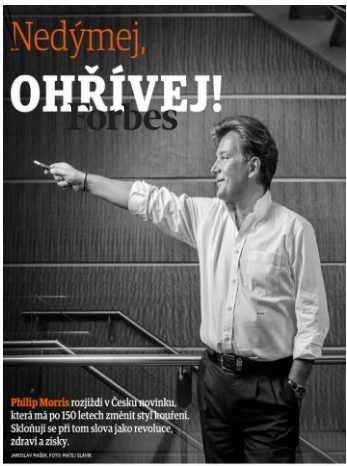
## Czech Republic and Slovakia

*IQOS* devices, *HEETS* or full accessories portfolio can be purchased at several commercial centers.





# IQOS Media overall coverage 2017



REFLEX

Zprávy Komentáře Kultura Fotogalerie Video Zajímavosti Prezidi

Reflex.cz > Cestování > Japonci jako první národ míří k alternativě ke kouření. Rychleji, než by koho napadlo

**Japonci jako první národ míří k alternativě ke kouření. Rychleji, než by koho napadlo**

Viliam Buchert 26. listopadu 2017 - 17:40



Echo24.cz

Online

11:32

10:45

09:47

09:45

**Kouření pro 21. století: tabák se nespaluje, ale zahřívá**

MICHAELA ČÁPOVÁ NOVÉ 19. ZÁŘÍ 2017



**IQOS**

**Nehoříci cigarety na startu**

PHILIP MORRIS V ČESKU ROZÍŽDÍ PRODEJ ALTERNATIVNÍCH CIGARET. STÁT NYNÍ ŘEŠÍ JAK TAKZVANÉ ZAHŘÍVANÉ TABÁKOVÉ PRODUKTY ZDANIT.

**Michal Bunc**  
nezačíná s nikotinem

Philip Morris v Česku rozíždí prodej alternativních cigaret. Stát nyní řeší, jak takzvané zahřívá tabákové produkty zdanit. V Česku se začíná prodávat nová generace tabákových výrobků, která se nespálí, ale pouze zahřejí. Philip Morris v Česku rozíždí prodej alternativních cigaret. Stát nyní řeší, jak takzvané zahřívá tabákové produkty zdanit. V Česku se začíná prodávat nová generace tabákových výrobků, která se nespálí, ale pouze zahřejí.

květy

VELKÁ CIGARETOVÁ REVOLUCE?

BYZNYS S NÁHRÁZKAMI CIGARET VZKVETÁ. NESKODÍ ALE ZDRAVÍ JEŠTĚ VÍC NEŽ KLASIKY?

CTE-JL

Kouříme elegantně... a zdravě?

LUI

## (Skoro) čistá neřest

Opakované seřívání v BOLIŠI CIGARETÁM? Do Česka dorazí nový způsob kouření, který by mohl způsobit zpoždění až deset let. Je spíše skutečně možná „čistá“ neřest?

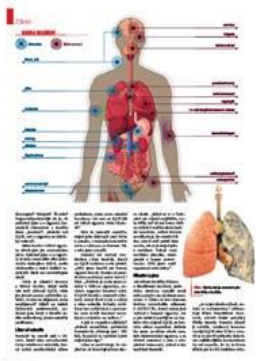
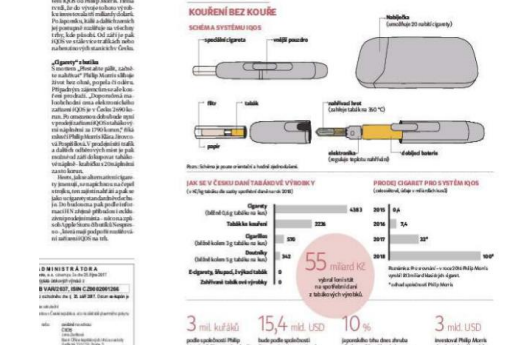


Diagram of the brain and lungs showing the effects of smoking.

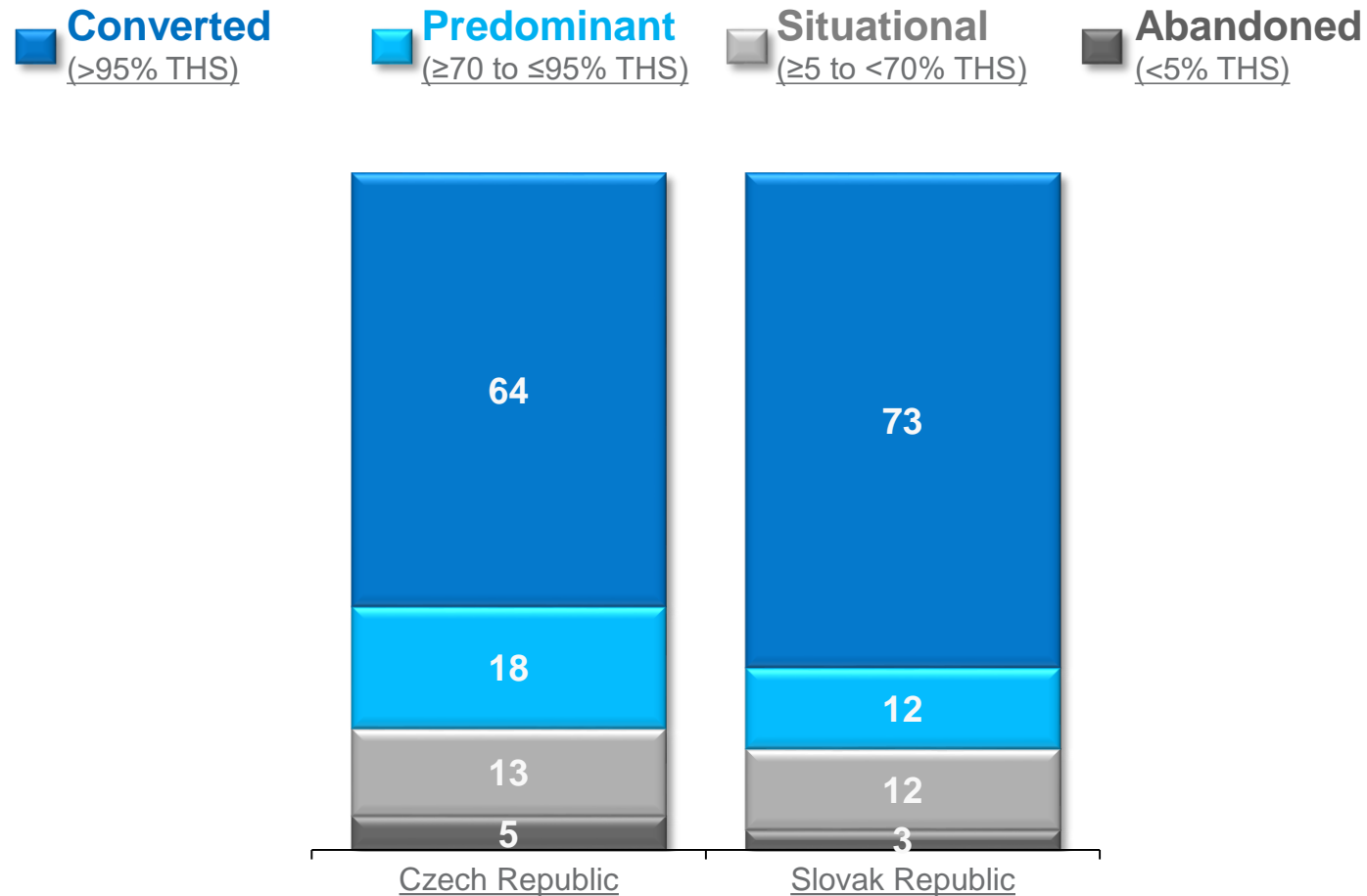
3 mil. kuřáků 15,4 mil. USD 10% 3 mil. USD



# Conversion Rates

## Czech Republic and Slovakia

December 2017 Adult Smoker Conversion Rates (%)





# Assets & Liabilities

## Consolidated Financial Results

(CZK million)

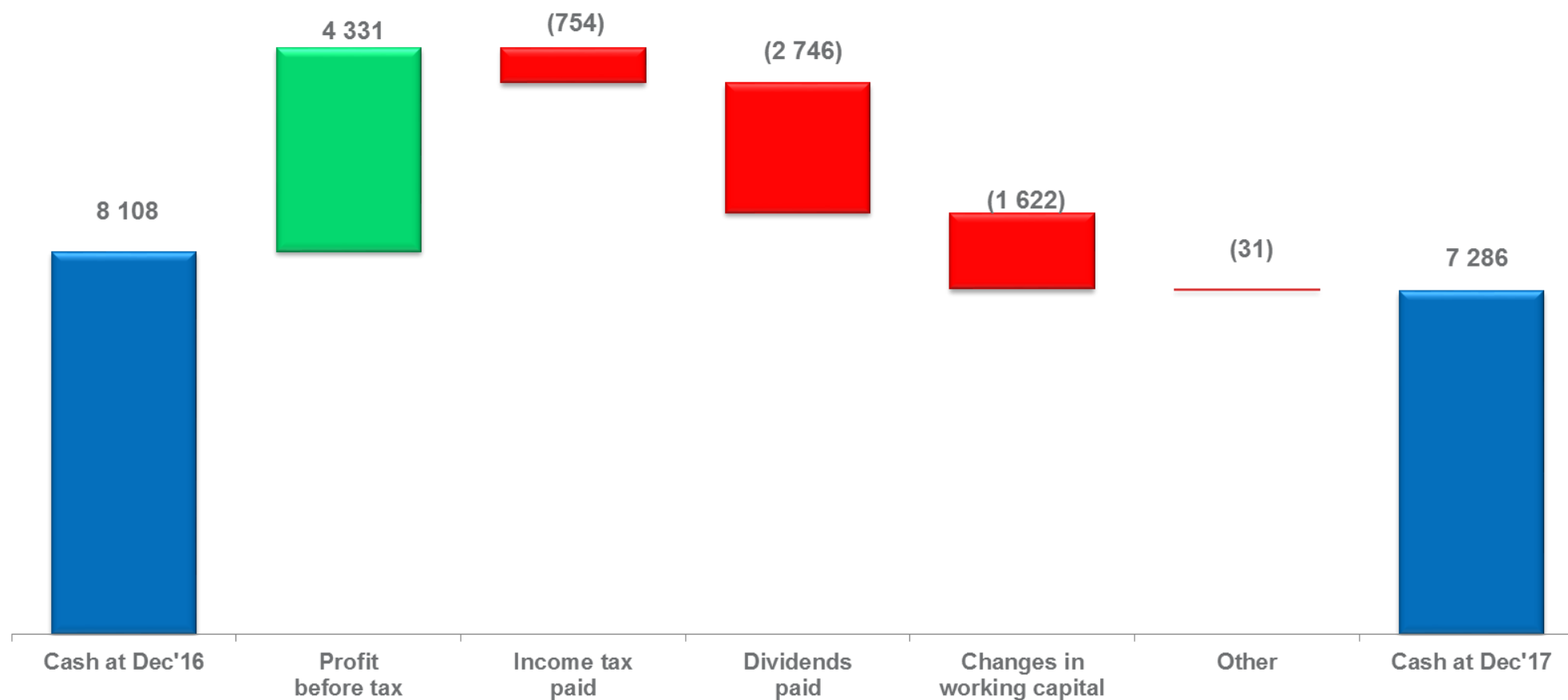
Assets	Dec 2017	Dec 2016	Incr./.(Decr.)
Cash & Equivalents	7 312	8 164	(852)
Inventories	630	343	287
Receivables	835	435	400
Prepaid Income Tax	-	14	(14)
Other Non-Financial Assets	2 365	2 220	145
Non-Current Assets	4 415	4 394	21
<b>Total Assets</b>	<b>15 557</b>	<b>15 570</b>	<b>(13)</b>

Liabilities & Equity	Dec 2017	Dec 2016	Incr./.(Decr.)
Trade & Other Financial Liabilities	1 434	1 846	(412)
Other	488	437	51
Other Tax Liabilities	4 509	4 920	(411)
Deferred Tax Liability	205	173	32
Equity	8 921	8 194	727
<b>Total Liabilities &amp; Equity</b>	<b>15 557</b>	<b>15 570</b>	<b>(13)</b>

# Cash and Cash Equivalents

## Consolidated Financial Results

(CZK million)	Dec 2017	Dec 2016	Dec'17 vs. Dec'16	
			Incr./ (Decr.)	%
Cash & Equivalents	7 286	8 108	(822)	(10.1) %



# Dividend proposal

Philip Morris ČR a.s. (CZK / share)	2017	2016	2015	2014	2013
Earnings per Share	1 286	1 007	925	825	819
Earnings Current Year	1 286	1 007	925	825	819
Retained Earnings Prior Year	- 206	- 7	- 5	+ 55	+ 1
<b>Dividend Paid / Proposed</b>	<b>1 080</b>	<b>1 000</b>	<b>920</b>	<b>880</b>	<b>820</b>
Reserve Fund Release					+ 60
<b>Total Payout Proposed</b>					<b>880</b>

Thank you