



PHILIP MORRIS ČR

PRESS RELEASE

## Philip Morris CR a.s. presents half-year financial results

PRAGUE, Czech Republic – September 29, 2023. Philip Morris ČR a.s. published its financial and economic results for the first half of this year. Excluding the impact of currency, consolidated revenues (net of excise tax and VAT) remained flat compared to the same period in previous year and reached CZK 9.7 billion. With a decrease in combined sales volumes of smoking products and heated tobacco products in the Czech Republic and Slovakia by 10.3% (vs. 1H2022), the company achieved a half-year consolidated net profit of CZK 1.7 billion. The base of smoke-free alternatives' adult users continues to grow. By the end of June, the number of adult smokers, who switched to IQOS, grew by 60 thousand in the Czech Republic, by another 20 thousand in Slovakia, and the total number of adult users in both countries combined reached already more than 940 thousand as of June 30, 2023.

*"As we expected, our financial results in 2023 are significantly affected by a multiple increase in energy costs and persisting global inflationary pressures. Considering macro-economic factors and the consumer price index, at the beginning of the second quarter we also appropriately adjusted salaries across our entire employee base,"* comments Andrea Gontkovičová, Chairwoman of the Board of Directors and Managing Director of Philip Morris ČR a.s., a subsidiary of Philip Morris International (PMI), which covers business on the market in the Czech Republic and Slovakia, and adds: *"We are also observing a continuing downward trend in cigarette sales driven as well by a significant drop in sales in border areas. But the change is also happening thanks to the gradual transition of adult smokers from traditional cigarettes to our smoke-free alternatives. Nearly 1 million adult smokers in the Czech Republic and Slovakia have already chosen this better option than continuing smoking cigarettes. We are happy that almost three quarters of them switched to IQOS and stopped smoking."*

Total sales of tobacco products in the Czech Republic and Slovakia in the first half of this year decreased by 10.3% (vs. the first half of 2022) but total consolidated revenues decreased only by 1.0% on reported basis and reached CZK 9.7 billion. Profit from operations of CZK 1.8 billion decreased by 13.8% (vs. the first half of 2022), mainly due to higher manufacturing costs impacted by inflation. Net income decreased by 9.7% to CZK 1.7 billion. Philip Morris is still number one in both markets with an estimated market share of 39.6% in the Czech Republic and 53.7% in Slovakia.

The total combined market of cigarettes and heated tobacco units decreased by an estimated 9.8% (vs. the first half of 2022) to 7.7 billion units in the Czech Republic, and by an estimated 5.5% to 3.4 billion units in Slovakia. The total number of adult IQOS users in both countries combined exceeded 940 thousand by the end of June, of which approximately 680 thousand adult users have switched to IQOS and stopped smoking<sup>1</sup>.

Regarding our business activities, among the most significant event of the first half of the year for Philip Morris ČR a.s. are the consolidation of the portfolio of cigarettes as well as the entry into a new segment – the market of disposable e-cigarettes. Also, in the last quarter of this year, the company is planning to introduce another major innovation to the market. *"We perceive a growing interest in smoke-free alternatives, which is why we are constantly trying to bring innovative products that will appeal to both, adult cigarette smokers who would otherwise continue smoking, as well as our existing adult users. Therefore, in addition to the classic tobacco flavours of TERE, HEETS and Fiit consumables, we will offer a new product in the form of completely new variants of nicotine consumables for the IQOS ILUMA device without the use of tobacco at the turn of October and November. Our adult consumers can thus look forward to a whole palette of new flavours in different variants, intensity, and taste according to their preferences,"* says Andrea Gontkovičová.

<sup>1</sup> Estimated number of IQOS adult users, whose daily individual consumption of heated tobacco products represents the totality of their daily tobacco consumption in the past seven days of which at least 70% are PMI heated tobacco products (HEETS, TERE and Fiit).



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Detailed information on the Philip Morris ČR a.s. financial results you can find in the 2023 Mid-Year Financial Report.

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**Philip Morris ČR a.s.**

Philip Morris ČR a.s. is a subsidiary of Philip Morris International (PMI), a leading international tobacco company working to deliver a smoke-free future. In addition to traditional tobacco products, on the Czech market Philip Morris ČR a.s. distributes the *IQOS ILUMA* heating tobacco device and compatible *TEREA* tobacco refills, the *lil SOLID* tobacco heating device with *Fiit* tobacco refills, the *VEEV ONE* e-cigarette *VEEV NOW* disposable-vapour device and other related accessories. Philip Morris ČR a.s., which has been operating in the Czech Republic since 1992 and employs more than 1,100 people, is listed on the Prague Stock Exchange (BCPP). At the same time, it owns a 99% business share in the subsidiary Philip Morris Slovakia s.r.o., registered in the Slovak Republic. For more than 30 years, the company has contributed to helping various charitable projects, including projects involving the support of social programs aimed at improving living conditions in local communities. You can find more information at [www.philipmorris.cz](http://www.philipmorris.cz), including the annual report for 2022.

**Philip Morris International: Delivering a Smoke-Free Future**

Philip Morris International (PMI) is a leading international tobacco company working to deliver a smoke-free future and evolving its portfolio for the long term to include products outside of the tobacco and nicotine sector. The company's current product portfolio primarily consists of cigarettes and smoke-free products. Since 2008, PMI has invested more than USD 10.5 billion to develop, scientifically substantiate and commercialize innovative smoke-free products for adults who would otherwise continue to smoke, with the goal of completely ending the sale of cigarettes. This includes the building of world-class scientific assessment capabilities, notably in the areas of pre-clinical systems toxicology, clinical and behavioral research, as well as post-market studies. In November 2022, PMI acquired Swedish Match – a leader in oral nicotine delivery – creating a global smoke-free champion led by the companies' *IQOS* and *ZYN* brands. The U.S. Food and Drug Administration (FDA) has authorized versions of PMI's *IQOS* Platform 1 devices and consumables and Swedish Match's General snus as Modified Risk Tobacco Products (MRTPs). As of June 30, 2023, PMI's smoke-free products were available for sale in 80 markets, and PMI estimates that approximately 19.4 million adults around the world had already switched to *IQOS* and stopped smoking. Smoke-free products accounted for approximately 35.4% of PMI's total second-quarter 2023 net revenues. With a strong foundation and significant expertise in life sciences, PMI announced in February 2021 its ambition to expand into wellness and healthcare areas and, through its Vectura Fertin Pharma business, aims to enhance life through the delivery of seamless health experiences. For more information, please visit [www.pmi.com](http://www.pmi.com) and [www.pmisience.com](http://www.pmisience.com).

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