

MID-YEAR  
FINANCIAL  
REPORT  
2025

## Statutory Declaration of Persons Responsible for the Philip Morris ČR a.s. Mid-Year Financial Report

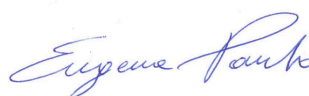
We confirm that to the best of our knowledge, the condensed set of interim consolidated financial statements prepared in accordance with the applicable accounting standards, gives a true and fair view of the assets, liabilities, financial position, and financial results of the issuer, Philip Morris ČR a.s., and its consolidated group and the description pursuant to Section 119 (2) (b) of Act No. 256/2004 Coll., on business activities on the capital market, as amended, contains a faithful summary of the information required under this provision.

**In Kutná Hora on September 29, 2025**



**Fabio Costa**

Chairman of the Board of Directors  
Philip Morris ČR a.s.



**Eugenia Panato**

Member of the Board of Directors  
Philip Morris ČR a.s.

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# Company Profile and Important Events in the First Half of 2025

## About us

We are Philip Morris ČR a.s., an affiliate of Philip Morris International Inc. (PMI). We spearhead the transformation of the nicotine industry by providing adults who would otherwise continue to smoke or use other nicotine products with innovative smoke-free alternatives that reduce or have the potential to reduce risk compared to traditional cigarette consumption.

Since 2017, we have been offering our adult consumers a wide portfolio of innovative smoke-free products, which we are constantly expanding. In the Czech Republic and Slovakia, we distribute the heated-tobacco solutions, *IQOS ILUMA i* with *TEREA*, *LEVIA* and *DELIA* consumables, *KT&G*-licensed *lil SOLID* with *Fiit* consumables, as well as *HEETS* consumables for original *IQOS* devices. At the same time, we distribute electronic cigarettes *VEEV ONE* and *VEEV NOW ULTRA*, nicotine pouches *ZYN* and provide a variety of related accessories and services to adult nicotine users. We are also providing adult smokers with popular international and local brands such *Marlboro*, *L&M*, *Chesterfield*, *Petra*, *Sparta* and *RGD*.

Philip Morris ČR a.s. is listed on the Prague Stock Exchange (Burza cenných papírů Praha) and holds a 99% interest in Philip Morris Slovakia s.r.o., registered in the Slovak Republic.

Philip Morris ČR a.s. runs the production plant in Kutná Hora, which has a tradition of more than two hundred years of tobacco processing. Today, the plant is one of the most modern, efficient and environmentally friendly PMI operations in the world, preparing to step into a smoke-free future.

In the Czech Republic and Slovakia, PMI employs more than 1,300 employees, who make a significant contribution to the company's development and transformation. For this reason, we continuously strive to further improve our inclusive and high-standard work environment. We aim to offer the best possible conditions, so that every employee can fully meet their potential. The EQUAL SALARY certification in both countries validates our high performance in this area.

Being part of a global leading tobacco company, we keep focus on sustainability in any part of our business. We are mindful of and committed to our responsibility towards communities and environments in which we operate. We work hard to address sustainability issues that are material to us. At the same time, we have been contributing significantly to charitable projects across a wide range of organizations and specializations, including programs aimed at improving living conditions in communities.

# Overview of Selected Events in the First Half of 2025

## January

- We launched the sale of *ZYN* nicotine pouches in the Czech Republic. Distribution was subsequently expanded beyond our own channels nationwide, offering two formats in 10 different variants.
- To mark the launch of *ZYN*, we also announced a major news: the modernization and expansion of the Kutná Hora factory's production portfolio to include this new product category.
- A new disposable e-cigarette, *VEEV NOW ULTRA*, was introduced in the Czech Republic in nine different flavors. Compared to its predecessor (*VEEV NOW*), it offers more than double usage time and a redesigned look.
- As of January, a ban on characterizing flavors in heated tobacco sticks came into effect in Slovakia.
- In Slovakia, *TEREA Fuse Line* sticks were launched as a key part of our portfolio of less harmful smoke-free alternatives.
- A new and improved design of all *L&M* cigarette variants was introduced in the Czech market. In line with a new global campaign, the goal was to strengthen the emotional perception of *L&M* as a friendly brand offering great value at an affordable price, communicated in a positive and sociable tone. As part of broader brand support, the prices of two "superslim" variants were adjusted to align with most competitors.
- The beginning of the year also saw a portfolio optimization of traditional cigarettes. In the Czech Republic, we delisted variants with long-term declining demand – *Start bez filtru* and two *RGD* variants.

## February

- In Slovakia, we redesigned the portfolio of *Fiit* smoke-free sticks for *lil SOLID* devices.
- We also introduced *LEVIA*, a new brand of tobacco-free smoke-free sticks, with the *Glacial Beat* variant. The following month, the range was expanded with *Zing Beat*.

## March

- To celebrate the 40th anniversary of the *PETRA* cigarette brand, we launched a limited edition in Slovakia featuring one extra cigarette and a special anniversary logo symbolizing loyalty.
- In the nicotine pouch segment, we introduced *ZYN Black Cherry Mini* with less nicotine strength (1.5 mg) to the Czech market.
- In Slovakia, we expanded our traditional product portfolio with two new "super-low" segment variants under *L&M Loft S-Line SSL*, featuring a unique innovation – fully colored blue and pink filters.

## April

- We launched *IQOS ILUMA i* and *IQOS ILUMA i ONE* devices, along with new accessories, in both the Czech and Slovak markets. The updated version offers greater flexibility through features like Pause Mode and FlexPuff, new color options, and a personalized experience. *IQOS ILUMA i ONE* also includes the Autostart function, which automatically begins heating upon correct insertion of the stick, eliminating the need to press a button.
- We introduced a special limited edition of the *VEEV ONE* e-cigarette called Perspectives, available in two colors with a unique design featuring precision laser engraving and a theme of shifting perspectives.
- Another consumer-focused innovation was the launch of the *VEEV ONE* Starter Kit – a value pack combining the device and flavor pods in *Velvet Black & Sea Mint* or *Silky Grey & Mango* variants, following its successful debut in the Czech Republic in January.
- Philip Morris ČR a.s. published its 2024 Annual Financial Report, which for the first time included a Sustainability Statement in accordance with the CSRD EU Directive. The report provides a comprehensive overview of the company's financial and economic performance, as well as progress in environmental impact, social responsibility, and corporate governance.
- A new partnership between the National Museum and Philip Morris ČR a.s. was launched through a joint memorandum and donation agreement. This partnership will fund a new grant program supporting research, cultural heritage preservation, and science popularization. Over the next four years, Philip Morris ČR a.s. will contribute CZK 10 million to the initiative.

## May

- The *TEREA Silver* flavor was launched in Slovakia, targeting adult users who prefer a milder tobacco profile. This followed its introduction in the Czech Republic a month earlier.
- Changes were also made to the flagship *Marlboro* brand. The *Crafted* variant underwent a redesign aligned with the brand's new global campaign. The red standard-length variant also received a filter redesign to offer adult smokers more tobacco and a longer-lasting taste experience.
- On May 30, the Annual General Meeting of Philip Morris ČR a.s. shareholders was held. Among other resolutions, a gross dividend of CZK 1,220 per share was approved.

## June

- We introduced a new line of *DELIA* tobacco sticks in the Czech Republic, paying tribute to tobacco classics with four different flavor profiles.
- A full redesign of the *TEREA* portfolio was rolled out in both the Czech and Slovak markets. The goal was to reinforce the brand's premium positioning, simplify flavor navigation, and make the world's best-selling heated tobacco brand even more iconic.

# Transformation of Kutná Hora Manufacturing Plant

The manufacturing facility in Kutná Hora, which has been associated with tobacco processing since 1812, is ranked among the most efficient cigarette and tobacco product factories operated by Philip Morris International (PMI) in the long-term worldwide. Last year, the plant produced 37.7 billion cigarettes<sup>1</sup>, marking the second-highest output in the factory's history.

Considering Philip Morris International's widely communicated transformation from the production and sale of traditional cigarettes to better smoke-free alternatives, questions have arisen regarding the future of the Kutná Hora facility. The first response came in June 2023, when PMI's management announced in Prague a planned investment of CZK 1 billion (USD 40 million) to transform the factory towards the production of smoke-free products.

This investment was further specified in January of this year, along with concrete plans for its implementation. PMI's management decided to build infrastructure for ZYN nicotine pouches production, including new laboratories focused on ensuring the highest quality standards. The first phase of the project is being implemented this year, utilizing the announced USD 40 million primarily for the initial installation of production lines and the necessary infrastructure. Commercial production of nicotine pouches in Kutná Hora is expected to begin in early 2026.

PMI has decided to expand the investment next year, and as a result, after the successful start of initial production, the manufacturing capacity for ZYN nicotine pouches will be more than doubled. The total investment will thus increase from the originally announced USD 40 million to up to USD 80 million, invested over 2025 and 2026. Philip Morris ČR a.s. anticipates that in 2026, the production of nicotine pouches will continue in parallel with the production of tobacco products, and approximately 150 new jobs will be created in connection with this expansion.

According to previous statements by representatives of PMI and Philip Morris ČR a.s., it can be expected that, depending on future demand for the nicotine pouch category, the Kutná Hora facility could become a European manufacturing hub for this category of less harmful smoke-free products.

The transformation of the facility is being carried out with the aim of ensuring the sustainability of production and employment in the region. The company's management does not anticipate any negative impact on profitability resulting from the manufacturing process.

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*"I am extremely proud of the substantial increase of the investment for ZYN nicotine pouches production in Kutná Hora; it is further proof of PMI's top management confidence in our team and reflects the growing demand for this category of smoke-free products."*

**Fabio Costa**, Chairman of the Board of Directors and Managing Director of Philip Morris ČR a.s.

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<sup>1</sup> The total production volume includes cigarettes and other tobacco products, such as roll-your-own tobacco (with 0.73 g equivalent to one cigarette) and volume roll-your-own tobacco (with 0.60 g equivalent to one cigarette).

# Business Results in the First Half of 2025

## Consolidated Financial Results

### Key Financial Results (in CZK million)

Period ended June 30	2025	2024	Change in %
Revenues, net of excise tax and VAT	10,701	10,404	2.9
Profit from operations	1,895	2,167	(12.6)
Profit before income tax	2,012	2,342	(14.1)
Net income	1,604	1,850	(13.3)
Earnings per share (CZK)	584	674	

### Shipments per Segment (in billion units equivalent)<sup>2,3</sup>

Period ended June 30	2025	2024	Change in %
Czech Republic	2.9	3.0	(3.6)
Slovakia	1.7	1.8	(6.1)
<b>Total</b>	<b>4.6</b>	<b>4.8</b>	<b>(4.6)</b>

Note: Values presented in the report might not foot to totals due to rounding.

The first half of the year was marked by intensified challenges in the combustible category, where the market continues to downtrade toward more affordable segments. Given our limited presence in these lower-priced tiers, we have been disproportionately impacted. We are actively addressing this imbalance through a set of commercial and portfolio initiatives, though the full effect of these efforts will take time to be realized.

At the same time, our smoke-free portfolio continues to expand, reflecting the increasingly multi-category nature of the market and evolving consumer preferences. We are making solid progress in the vaping segment, which is helping to diversify our offering and strengthen our strategic positioning. While the heated tobacco category has been impacted by regulatory changes—including the annualized effects of the Czech Republic's flavor ban in 2024 and the full implementation of the ban on characterizing flavored heated tobacco products in the Slovak Republic in 2025—our commitment to offering better alternatives to adult consumers remains unchanged.

We have also ramped up targeted investments to reinforce our long-term competitiveness. These investments are designed to enhance brand appeal, anticipate market trends, and ensure we remain ahead of consumer expectations. Although these efforts have temporarily weighed on our results, they are essential to sustaining recovery and creating long-term value for our shareholders.

<sup>2</sup> Shipments in the Czech Republic include combustible portfolio, such as cigarettes and volume tobacco for make-your-own cigarettes (0.60 g is the equivalent of one cigarette), and smoke-free products such as HEETS, TEREА and DELIA heated tobacco consumables, LEVIA tobacco-free nicotine consumables and Fiit sticks from KT&G as well as VEEV ONE e-cigarettes consumables, VEEV NOW disposables and ZYN nicotine pouches (all recalculated to cigarette equivalents).

<sup>3</sup> Shipments in Slovakia include combustible portfolio, meaning cigarettes, and smoke-free products such as HEETS, TEREА and DELIA heated tobacco consumables, LEVIA tobacco-free nicotine consumable and Fiit sticks from KT&G as well as VEEV ONE e-cigarettes consumables, VEEV NOW disposables and ZYN nicotine pouches (all recalculated to cigarette equivalents).

Our consolidated revenues, net of excise tax and VAT, increased by 2.9% or CZK 0.3 billion (compared to first half of 2024), reaching CZK 10.7 billion. This growth was primarily driven by favorable net pricing across both combustible and smoke-free portfolios (CZK 0.5 billion), along with increased sales of smoke-free products (CZK 0.2 billion). These gains were partially offset by lower volumes in the combustible segment (CZK 0.4 billion), reflecting both market contraction and share erosion across the two markets.

Profit from operations declined by 12.6% (compared to first half of 2024) to CZK 1.9 billion, including a positive 0.1pp currency impact and reflecting the impact of lower volumes and the investments we are making to strengthen our long-term capabilities. Finance income decreased by CZK 0.1 billion, driven by lower interest rates compared to the first half of 2024. Taking all these factors into account, net income for the period declined by 13.3% to CZK 1.6 billion (including a positive 0.2pp currency impact).

## Business in the Czech Republic

Philip Morris ČR a.s. domestic revenues, net of excise tax and VAT, rose by 7.6% (compared to the first half of previous year), reaching CZK 6.4 billion. This increase was primarily driven by favorable net pricing across both combustible and smoke-free product categories (CZK 0.4 billion), along with a rise in the volume of smoke-free products (CZK 0.2 billion). These gains were partially offset by a decline in volumes within the combustible segment (CZK 0.2 billion).

The total combined market of cigarettes and heat-not-burn units contracted by an estimated 3.9% (vs. the same period last last year), totaling 6.7 billion units. This decline was mainly attributed to a drop in cross-border sales and a general reduction in consumption.

The estimated combined market share of Philip Morris ČR a.s. decreased by 0.9 share points (vs. the first half of 2024) to 39.8%. This erosion was largely due to pricing dynamics in the cigarette market, which accelerated consumer migration toward more affordable segments, where the company's portfolio is currently underrepresented. However, part of this decline was mitigated by gains in the heat-not-burn category, where the company continues to transition consumers to its smoke-free platform.

Domestic combustible portfolio shipments (cigarettes and fine-cut tobacco, combined) of Philip Morris ČR a.s. decreased by 0.2 billion units (vs. the first half of 2024) reaching a total of 1.7 billion units. This reflects both the decline in the total market and the underlying share erosion. In contrast, the shipments of smoke-free products increased by 0.1 billion units to 1.2 billion units in the same period, supported by the continued expansion of the company's multi-category portfolio.

### Market share in the Czech Republic



Note: As part of our ongoing commitment to data accuracy and transparency, we have conducted a refinement of our internal market estimation methodology. While this technical adjustment has no financial implications, it does affect the reported share metrics for the year 2024. Specifically, the estimated combined market share for Philip Morris ČR a.s. in H1 2024 has been revised from 39.7% to 40.7%. This refinement reflects a more precise view of the total market and will be consistently applied in our full-year 2025 reporting to ensure continuity and comparability.

# Business in Slovakia

Philip Morris Slovakia s.r.o. recorded a 3.6% decline in revenues, net of excise tax and VAT (compared to the first half of previous year), to EUR 119 million. This performance was significantly impacted by the ban on heated tobacco products with characterizing flavors introduced in January 2025, which resulted in no material volume contribution from our smoke-free portfolio. Consequently, the decline in combustible product volumes (EUR 6.2 million) was only partially offset by favorable net pricing across both combustible and smoke-free categories (EUR 1.8 million).

The total combined market of cigarettes and heat-not-burn units contracted by an estimated 3.6% (vs. the same period last last year), reaching 3.3 billion units. This was primarily driven by a decline in cigarette consumption.

The estimated combined market share of Philip Morris Slovakia s.r.o. declined by 2.5 share points (vs. the first half of 2024) to 50.3%. This was mainly due to a 2.3 share point drop in the cigarette portfolio's share, reflecting our limited presence in the growing, more affordable segment—an effect further intensified by prevailing market pricing. Unlike the recovery trend observed in previous cycles for heat-not-burn consumables, the first half of the year saw an additional 0.2 share point erosion in this category. This was attributed to the flavor ban, which disproportionately affected us as the clear market leader.

Domestic shipments of combustible products declined by 0.1 billion units (vs. the first half of 2024) to 1.1 billion units, reflecting both overall market contraction and share loss. Shipments of smoke-free products remained essentially flat at 0.6 billion units, as organic growth and competitive strengths were offset by the regulatory headwinds previously outlined.

## Market share in Slovakia

### 2025 H1



### 2024 H1



Source: Philip Morris Slovakia s.r.o. internal estimates based on a monthly tabulation of cigarettes sales data by PwC

# Manufacturing Services

Revenues from manufacturing services remained stable (compared to the same period last last year) at CZK 1.3 billion, supported by sustained high production volumes at the Kutná Hora factory, which totaled 19.3 billion units in the period.

As previously reported, the investments in new novelty product lines are progressing as planned. Installation and implementation activities are ongoing, laying the groundwork for the start of production in 2026.

# Risk Factors Related to Our Business and Industry

The following risk factors should be read carefully in connection with evaluating our business and the forward-looking statements contained in this 2025 Mid-year Financial Report of Philip Morris ČR a.s.

Any of the following risks could materially adversely affect our business, our operating results, our financial condition, and the actual outcome of matters as to which forward-looking statements are made in this report.

We are aware of the risks impacting our business and taking appropriate actions to mitigate them.

## Overall Business Risks

Our ability to grow profitability may be limited by our inability to successfully introduce new products, improve our margins through higher pricing and improvements in our brand mix, promote brand equity or develop strategic business relationships.

This can be influenced by several factors described below.

### Competitive environment

We face intense competition, and our failure to compete effectively could have a material adverse effect on our profitability and results of operations. We compete primarily based on product quality, brand recognition, brand loyalty, taste, innovation, packaging, service, marketing, advertising and retail price. We are subject to highly competitive conditions in all aspects of our business. The competitive environment and our competitive position can be significantly influenced by weak economic conditions, erosion of consumer confidence, competitors' introduction of lower-price products or innovative products, higher nicotine product taxes, higher absolute prices and larger gaps between retail price categories, and product regulation that diminishes the ability to differentiate nicotine products according to the level of their risk.

### Consumer preferences

We may be unable to anticipate changes in adult consumer preferences or to respond to consumer behaviors, limiting our ability to further scale up our smoke-free products (SFP) and encourage current adult smokers who would otherwise continue to smoke to switch to smoke-free products. Our business is subject to changes in consumer preferences, which may be influenced by local economic conditions.

To be successful, we must:

- promote brand equity successfully;
- anticipate and respond to new consumer trends;
- ensure that our products meet our quality standards;
- develop new products or acquire distribution rights to these in order to broaden brand portfolios;
- improve productivity;
- educate and convince adult smokers to convert to our smoke-free nicotine products;
- ensure effective adult consumer engagement, including communication about product characteristics and usage of smoke-free nicotine products;
- provide excellent customer care;
- ensure adequate production capacity to meet demand for our products; and
- be able to protect or enhance margins through price increases.

In periods of economic uncertainty, adult consumers may tend to purchase lower-priced brands, and the volume of our premium-price and mid-price brands and our profitability could be materially adversely impacted as a result.

## Business model

Our profitability, and consequently, the amount of our dividend pay-out reflects our dual role of being a full risk entrepreneur of combustible portfolio products and a limited risk distributor for smoke-free products.

Our remuneration for commercialization of smoke-free products is based on a set margin on revenues from sales. As a limited risk distributor, we do not own intellectual property rights for smoke-free 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 smoke-free products, the impact of the sales volume variances of such products on our profitability is limited. Consequently, if the current consumer preference trend towards smoke-free 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 smoke-free products will offset the decreasing profits generated from the sales of combustible portfolio products.

Consumption of combustible tobacco products continues to decline. This decline is due to multiple factors, including increased taxes and tax-driven pricing, governmental actions, the diminishing social acceptance of smoking, and the continuing prevalence of illicit products.

## Illicit trade

We lose revenues as a result of insufficient law enforcement to protect legal market from counterfeiting, contraband and cross-border purchases. Large quantities of counterfeit cigarettes are sold in the international market. We believe that Marlboro is the most heavily counterfeited international cigarette brand, although we cannot quantify the revenues we lose as a result of this activity. In addition, our revenues are reduced by contraband and legal cross-border purchases.

The volume of the illicit cigarette market in the Czech Republic has been growing in recent years, reaching one of the highest levels in 2024<sup>4</sup> and, according to the empty pack survey, the share of counterfeit products remains elevated in 2025.

## Talent attraction and retention

Our ability to implement our strategy of attracting and retaining the best talent may be impaired by the decreasing social acceptance of cigarette smoking. To be successful, we must continue transforming our culture and ways of working, align our talent and organizational design with our increasingly complex business needs, and innovate and transform to a consumer-centric business.

# Risks Related to Strong Regulations within our Industry

The tobacco and nicotine industry is heavily regulated and subject to significant governmental measures to reduce and/or prevent smoking and the use of tobacco products. Their abrupt changes can have a significant impact on consumer preferences and their late communication can disrupt the production and availability of our products in the market. There is also a risk that regulation of tobacco and nicotine products will not be differentiated according to the risk profile of individual products and law enforcement will not adequately protect those under 18 years of age. This chapter describes risks we face in relation to current or anticipated developments in each regulatory area.

## Excise tax

Tobacco products are subject to excise taxes with tax rates expressed in currency units per physical quantity which requires their periodic adjustments for inflation. There are risks that the excise tax rates in neighbouring countries will be raised less than in the domestic country which could encourage domestic consumers to buy tobacco and nicotine products in other countries and discourage consumers in other countries from buying tobacco and nicotine products in the domestic country, as well as that the excise tax increases will lead to price increases higher than inflation, which might reduce demand for our products. Another aspect of reduced predictability of the fiscal environment in both countries that will be determined by recently launched revision of the EU Tobacco Excise Directive (2011/64/EU) is aiming to harmonize definitions and transport regime for smoking and smoke-free nicotine products. Among other measures, the European Commission proposal includes new excise minima that should be applicable as of 2030. However, the legislative process is in an early stage and a subject of additional Council unanimous adoption in the upcoming months which will offer us more visibility on the impact on our business post 2030.

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<sup>4</sup> Source: [KPMG report - Illicit Cigarette Consumption in Europe - 2024 Results](#).

In the Czech Republic, Act no. 349/2023 Coll. amending certain laws in connection with the consolidation of public budgets. amended also Act no. 353/2003 Coll. on excise taxes. This amendment came into force on January 1, 2024 and introduced the following changes:

- a four-year calendar of tobacco excise tax increases for years 2024 to 2027. As of February 1, 2024, the specific component of the cigarette excise tax rate increased by 10% and the minimum tax rate increased by 20%. The excise tax rate on tobacco for smoking increased by 10%. In 2025-2027, these tax rates will increase by 5% each year. The ad valorem component of the cigarette excise tax remains unchanged (at 30%). The excise tax rate on heated tobacco products increased by 15% in 2024 and will increase by 15% annually in 2025-2027. These excise tax increases are accompanied by sell-by-date anti-forestalling regulation applicable to cigarettes with a three-month period and heated tobacco products with a six-month period.
- the introduction of an excise tax on e-liquids for e-cigarettes with a tax rate of CZK 2.5 per ml in 2024 with further increases up to CZK 10 per ml in 2027 and on nicotine pouches with a tax rate of CZK 400 per kg with further increases up to CZK 1700 per kg in 2027.

**The table shows tax rates in 2023 – 2027:**

	2023	2024	2025	2026	2027
<b>Cigarettes</b>					
– specific component (CZK per 1000 sticks)	1,970	2,170	2,280	2,390	2,510
– ad valorem component (%)	30%	30%	30%	30%	30%
– minimum excise tax (CZK per 1000 sticks)	3,520	4,220	4,440	4,660	4,890
Tobacco for smoking (CZK per kg)	3,000	3,300	3,470	3,650	3,830
Heated tobacco products (CZK per kg of tobacco)	3,000	3,450	3,970	4,570	5,260
E-liquids for e-cigarettes (CZK per ml)	n/a	2.5	5.0	7.5	10.0
Nicotine Pouches (CZK per kg)	n/a	400	800	1,200	1,700

In Slovakia, Act no. 530/2023 Coll. amending certain laws in connection with the consolidation of public budgets amended also Act no. 106/2004 Coll. on tobacco excise taxes. As of February 1, 2024, the specific tax rate on cigarettes increased by 8%, the ad valorem component increased by 2 percentage points, the minimum excise tax on cigarettes increased by 12%, the excise tax rate on fine-cut tobacco increased by 37% and the excise tax rate on heated tobacco products increased by 13%.

Later in 2024, Act no. 106/2004 Coll. on tobacco excise taxes was further amended by

- Act no. 233/2024 Coll. amending the Act on tobacco excise tax;
- Act no. 354/2024 Coll. amending the Act on value added tax and some other acts;
- Act no. 278/2024 Coll. amending certain acts in connection with the consolidation of public budgets.

These amendments came into force throughout the second half of 2024 and introduced the following changes:

- a four-year calendar of tobacco excise tax increases for years 2025 to 2028;
- the introduction of excise taxes as of February 1, 2025, to all heated products without tobacco or only partially with tobacco, chewing tobacco, sniffing tobacco, electronic cigarettes and nicotine pouches;
- a further increase of excise taxes on electronic cigarettes, nicotine pouches, chewing tobacco and sniffing tobacco in 2027;
- excise tax increases on cigarettes, tobacco for smoking, cigars, cigarillos and heated tobacco products in 2026 and 2028. The ad valorem component of the cigarette excise tax remains unchanged (at 25%).

**The table shows tax rates for 2023 – 2028:**

	2023	2024	2025	2026	2027	2028
<b>Cigarettes</b>						
– specific component (€ per 1000 sticks)	84.6	91.3	91.3	102.5	102.5	113.5
– ad valorem component (%)	23%	25%	25%	25%	25%	25%
– minimum excise tax (€ per 1000 sticks)	132.1	148.0	148.0	166.2	166.2	182.0
Tobacco for smoking (€ per kg)	101.3	139.0	139.0	177.0	177.0	209.5
Heated tobacco products containing only tobacco (€ per kg of tobacco)	187.8	211.3	211.3	238.1	238.1	264.8
Heated products without tobacco (€ per kg of filling)	n/a	n/a	211.3	238.1	238.1	264.8
E-liquids for e-cigarettes (€ per ml)	n/a	n/a	0.2	0.2	0.3	0.3
Nicotine pouches (€ per kg)	n/a	n/a	100.0	100.0	200.0	200.0

## Tobacco and nicotine products regulation

There is a risk that regulation of tobacco and nicotine products will not be differentiated according to the health risks which would hinder our ability to inform adult users about the relative risks of individual products.

In the EU, tobacco and nicotine products are regulated by the Tobacco Products Directive (2014/40/EU), which entered into force on May 19, 2014, and became applicable in the EU Member States as of May 20, 2016.

The legislation lays down rules on – among others – the manufacturing, presentation and sale of tobacco and related products, including certain rules for the commercialization of e-cigarettes and novel tobacco products, such as:

- the prohibition on placing on the market of tobacco products containing flavorings in any of their components, such as filters, papers, packages, capsules, or any technical features allowing modification of the smell or taste of the tobacco products concerned or their smoke intensity, covering cigarettes, roll-your-own tobacco, and heated tobacco products (the so-called “flavor ban”);
- a pre-launch notification requirement;
- enlarged, combined health warnings covering 65% of the main surfaces of cigarette packs and roll-your-own tobacco, as well as dedicated health warnings for other types of tobacco and related products;
- enhanced reporting obligations;
- the extension of the “flavour ban” to heated tobacco products, which became effective on November 23, 2022;
- tracking and tracing requirements for cigarettes and roll-your-own tobacco aiming to increase efficiency of illicit trade prevention, extended to other tobacco products such as heated tobacco products as of May 20, 2024.

In the Czech Republic, the Directive is transposed by Act no. 110/1997 Coll. on foodstuffs and tobacco products and other related laws together with:

- Decree no. 261/2016 Coll. on tobacco products
- Decree no. 37/2017 Coll. on electronic cigarettes and herbal products for smoking

In Slovakia, the Directive is transposed by Act no. 89/2016 Coll. on the manufacture, labelling and sale of tobacco products and related products and on the amendment and supplement to selected laws. On February 13, 2024, the Slovak Parliament approved the amendment to Act no. 89/2016 Coll. on the manufacture, labelling and sale of tobacco products and related products, which transposed new provisions, including the extension of the “flavour ban” to heated tobacco products. The amendment entered into force on January 1, 2025.

Not all neighboring countries have yet transposed the new rules into their national legislation. There is therefore a risk that domestic adult users will be encouraged to buy flavored heated tobacco products in other countries.

## Single-use plastics regulation

The objectives of the EU Directive 2019/904 (“Single-Use Plastics Directive” or “the Directive”) are to prevent and reduce the impact of certain plastic products on the environment, in particular the aquatic environment, and on human health, as well as to promote the transition to a circular economy, with innovative and sustainable business models, products, and materials, thus also contributing to the efficient functioning of the internal market<sup>5</sup>.

In order to achieve its objectives, the Directive introduces various measures for various types of goods. In the area of our business, the Directive concerns tobacco products with filters and filters marketed for use in combination with tobacco products. Specifically, under the Directive, Member States were required to introduce marking requirements on product packaging and implement Extended Producer Responsibility Schemes (“EPR”), which requires producers to contribute to costs associated with the cleaning and collection of littered tobacco post consumption waste in public, as well as to cost for awareness-raising measures designed to inform consumers to correctly dispose of cigarette butts and thereby reduce litter. Measures were implemented gradually in several stages with EPR fully in place in the EU Member States by January 5, 2023. In the Czech Republic the effective date for EPR for producers of tobacco products with filters was January 1, 2023, while in Slovakia it was December 1, 2024.

To ensure the collective fulfilment of the obligations of manufacturers of tobacco products with filters and filters placed on the market for use in combination with tobacco products in the territory of the Czech Republic, Philip Morris ČR a.s., in accordance with the requirements

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<sup>5</sup> Article 1 of the Directive 2019/904 of June 5, 2019 on the reduction of the impact of certain plastic products on the environment.

of Act No. 243/2022 Coll.<sup>6</sup>, became one of the founders of joint-stock company NEVAJGLUJ a.s. (hereinafter referred to as "NEVAJGLUJ") with a stake of 24%. NEVAJGLUJ was registered in the Commercial Register in March 2023, in July 2023 it submitted an application for authorization to operate a collective system (EPR system), and the authorization was granted by the Ministry of Environment of the Czech Republic on October 10, 2023. Philip Morris ČR a.s. is being represented in statutory bodies of the NEVAJGLUJ, namely holds a position of the Chairman of the Board of Directors, and also one member of the Supervisory Board. More information on EPR system NEVAJGLUJ in the Czech Republic is available at [www.nevajgluj.cz](http://www.nevajgluj.cz).

In Slovakia, Philip Morris Slovakia s.r.o. became one of the founders of joint-stock company SPAK-EKO a.s. with a stake of 25%. SPAK-EKO a.s. was registered in the Commercial register in September 2023. Philip Morris Slovakia s.r.o. is being represented in statutory bodies of SPAK-EKO a.s., namely holds a position of the Chairperson of the Board of Directors, and one member of the Supervisory Board. In order to ensure collective compliance with the obligations of manufacturers of tobacco products with filters and filters placed on the market for use in combination with tobacco products in the territory of the Slovak Republic, in January 2025 SPAK-EKO a.s. proposed the Ministry of the Environment of the Slovak Republic to conclude a voluntary agreement that would recognize the SPAK-EKO a.s. system as the representative of the sector to which the obligations apply.

## Risks Related to Other External Factors

We also face risk factors arising from adverse developments in the economic situation and external environment which could affect our financials, disrupt our supply chain, manufacturing capabilities, and distribution channels or undermine our data protection efforts. Some risks can be anticipated, and appropriate business-continuation plans can be adopted in advance but some risks, for example the global events such as covid-19 pandemic or war in Ukraine, cannot.

### Expected economic and financial situation

The overall macroeconomic situation, GDP development, inflation, fluctuating energy prices are impacting our cost base as well as influencing our revenues.

In the first half of 2025, in the Czech Republic we experienced a notable economic upswing. GDP grew by 2.2% year-on-year in Q1 and 2.4% in Q2<sup>7</sup>, marking the strongest growth since mid-2022. This was driven primarily by household consumption, supported by real wage growth and improving labor market conditions. Inflation remained moderate, with Consumer Price Index (CPI) at 2.6% in July, aligning closely with the CNB's long-term target. The CNB forecasts GDP growth of 2.6%<sup>8</sup> for the full year and expects inflation to stay slightly above target in second half of the year, stabilizing around 2.6%<sup>9</sup>.

Natural gas and electricity are the main source of energy in our production plant in Kutná Hora. The decrease on utilities costs around CZK 20 million in the first half of 2025 compared to the same period last year is driven mainly by positive price development. Energy prices are projected to remain stable, contributing to subdued inflationary pressures.

Slovakia posted 0.9% year-on-year GDP growth in Q1, with full-year growth projected at 1.5%, down from 2.1% in 2024. Inflation rose to 4.4% in July, driven by food and housing costs, but is expected to moderate slightly in second half of the year. Consumer sentiment remains fragile, though modest real wage growth continues to support spending. The government deficit is forecast to narrow to 4.9% of GDP<sup>10</sup>, with further fiscal tightening likely in 2026.<sup>11</sup>

Looking ahead to the second half of 2025, we expect the Czech Republic to maintain a neutral to optimistic outlook, with continued support from domestic demand and stable inflation. Slovakia's economy is expected to grow modestly, with GDP growth forecasted at around 0.5% by year-end<sup>12</sup>, while inflation is projected to ease slightly to 3.6% by the end of Q3<sup>13</sup>, continuing a gradual downward trend into 2026.

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<sup>6</sup> Act No. 243/2022 Coll. on the reduction of the impact of certain plastic products on the environment.

<sup>7</sup> Source: [GDP Preliminary Estimate - 2. quarter of 2025](#)

<sup>8</sup> Source: [CNB forecast – Summer 2025 - Czech National Bank](#)

<sup>9</sup> Source: All other key macroeconomic indicators in this paragraph are sourced from the Czech Statistical Office

<sup>10</sup> Source: [European Commission – Slovakia Economic Forecast](#)

<sup>11</sup> Source: All other key macroeconomic indicators in this paragraph are sourced from the Statistical Office of the Slovak Republic

<sup>12</sup> Source: [Annual Progress Report of the Slovak Republic 2025](#)

<sup>13</sup> Source: [Trading Economics – Slovakia Inflation Forecast](#)

Our business remains exposed to consumer down-trading to cheaper nicotine products and cross-border transactions. We continue to implement productivity initiatives to manage our cost base and maximize investment returns.

## Adverse events

Natural disasters, pandemics, armed conflict, threats of war, or other adverse political and/or economic developments could disrupt our supply chain, materials availability, manufacturing and/or distribution capabilities. The impact of these risks also depends on factors beyond our knowledge or control, including their duration and severity or their recurrence.

Despite our business continuity plans and other safeguards in place, our business, operations and financial results will depend on numerous continuously evolving factors that we may not be able to accurately predict.

## Cyber-security threats

We, as well as our business partners, use information systems to help manage business processes, collect, and interpret data and communicate internally and externally with employees, suppliers, consumers, customers and others. Some of these information systems are managed by third-party service providers. We are continuously evolving our approach to business continuity planning and backups to provide appropriate business resilience, particularly considering the increasing cyber threat landscape. Nevertheless, failure of these systems to function as intended, or penetration of these systems and systems owned and operated by our business partners by parties intent on extracting or corrupting information or otherwise disrupting business processes, could place us at a competitive disadvantage, result in a loss of revenue, assets, including our intellectual property, personal or other sensitive data, result in litigation and regulatory action, cause damage to our reputation and that of our brands and result in significant remediation and other costs.

Failure to protect personal data, respect the rights of data subjects, and adhere to strict data governance and cybersecurity protocols could subject us to substantial fines and other legal challenges under regulations such as the EU General Data Protection Regulation. As we are increasingly relying on digital platforms in our business, and as privacy laws in the jurisdictions in which we do business are introduced or become more stringent, the magnitude of these risks is likely to increase.

# Forward-Looking and Cautionary Statements

This report and related communications contain, and Philip Morris ČR a.s. may from time to time make, written or oral forward-looking statements, including statements contained in filings with the Czech National Bank or other authorities, in reports to shareholders and in press releases and investor webcasts. You can identify these forward-looking statements by use of words such as “strategy,” “expects,” “continues,” “plans,” “anticipates,” “believes,” “will,” “estimates,” “intends,” “projects,” “goals,” “targets” and other words of similar meaning. You can also identify them by the fact that they do not relate strictly to historical or current facts.

Philip Morris ČR a.s. cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties, and inaccurate assumptions. Should any known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements and whether to invest in or remain invested in Philip Morris ČR a.s. securities.

This 2025 Mid-year Financial Report of Philip Morris ČR a.s. is based on the condensed interim consolidated financial statements of Philip Morris ČR a.s. and Philip Morris Slovakia s.r.o., prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Financial information included in this Mid-year Financial Report of Philip Morris ČR a.s. and its consolidated group for the half-year ended June 30, 2025, are not reviewed by the auditor.

**In Kutná Hora on September 29, 2025**

**Fabio Costa**

Chairman of the Board of Directors  
Philip Morris ČR a.s.

**Eugenia Panato**

Member of the Board of Directors  
Philip Morris ČR a.s.

# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

# Condensed Interim Consolidated Statement of Financial Position

at June 30, 2025 (in CZK million)

ASSETS	Note	30/06/2025	31/12/2024
Property, plant and equipment ("PP&E")	7	2,255	2,463
Right-of-use assets	8	378	322
Deferred tax assets		50	69
Investments in associates		2	2
Other financial assets	10	115	116
<b>Non-current assets</b>		<b>2,800</b>	<b>2,972</b>
Inventories	9	1,727	1,583
Trade and other financial receivables	10	1,253	963
Other non-financial assets	10	3,011	2,562
Current income tax receivable		19	—
Cash and cash equivalents	11	9,687	9,227
<b>Current assets</b>		<b>15,697</b>	<b>14,335</b>
<b>Total assets</b>		<b>18,497</b>	<b>17,307</b>

EQUITY & LIABILITIES	Note	30/06/2025	31/12/2024
Registered capital		2,745	2,745
Share premium and other shareholders' contributions		2,373	2,389
Retained earnings		1,640	3,389
Other reserves		2	2
<b>Equity attributable to the shareholders of the Company</b>		<b>6,760</b>	<b>8,525</b>
<b>Non-controlling interest</b>		<b>—</b>	<b>1</b>
<b>Total equity</b>		<b>6,760</b>	<b>8,526</b>
Deferred tax liability		119	139
Lease liabilities	8	251	195
<b>Non-current liabilities</b>		<b>370</b>	<b>334</b>
Trade and other financial liabilities	12	6,527	3,284
Other non-financial liabilities	12	345	367
Current income tax liabilities		—	96
Other tax liabilities	13	3,962	4,199
Provisions		15	22
Lease liabilities	8	132	131
Borrowings		386	348
<b>Current liabilities</b>		<b>11,367</b>	<b>8,447</b>
<b>Total liabilities</b>		<b>11,737</b>	<b>8,781</b>
<b>Total equity &amp; liabilities</b>		<b>18,497</b>	<b>17,307</b>

The accompanying notes form an integral part of the condensed interim consolidated financial statements.

# Condensed Interim Consolidated Statement of Comprehensive Income

at June 30, 2025 (in CZK million)

	Note	01/01/2025 - 30/06/2025	01/01/2024 - 30/06/2024
Revenues	6	10,701	10,404
Cost of sales	14	(6,101)	(5,747)
<b>Gross profit</b>		<b>4,600</b>	<b>4,657</b>
Distribution expenses	14	(1,748)	(1,534)
Administrative expenses	14	(962)	(957)
Other operating income		16	48
Other operating expense		(11)	(47)
<b>Profit from operations</b>		<b>1,895</b>	<b>2,167</b>
Financial income	6	146	213
Financial expense	6	(29)	(38)
<b>Profit before income tax</b>		<b>2,012</b>	<b>2,342</b>
Income tax expense		(408)	(492)
<b>Net profit for the mid-year</b>		<b>1,604</b>	<b>1,850</b>
<b>Attributable to:</b>			
Owners of the parent		1,604	1,850
<b>Other comprehensive income</b>		<b>—</b>	<b>(3)</b>
Currency translation adjustments*		—	(3)
<b>Total comprehensive income for the mid-year</b>		<b>1,604</b>	<b>1,847</b>
<b>Attributable to:</b>			
Owners of the parent		1,604	1,847
<b>Earnings per share basic and diluted (CZK/share)</b>		<b>584</b>	<b>674</b>

\*The Currency translation adjustments will be reclassified subsequently to profit or loss when specific conditions are met.

The accompanying notes form an integral part of the condensed interim consolidated financial statement.

# Condensed Interim Consolidated Statement of Changes in Equity

at June 30, 2025 (in CZK million)

	Attributable to equity holders of the Company							
Note	Registered capital	Share premium and other shareholders' contributions	Statutory reserve fund	Cumulative translation adjustments	Retained earnings	Non-controlling interest	Total equity	
Balance as at 1/1/2024	2,745	2,384	2	3	3,382	1	8,517	
Net profit for the mid-year	—	—	—	—	1,850	—	1,850	
Currency translation adjustments	—	—	—	(3)	—	—	(3)	
Total comprehensive income for the mid-year	—	—	—	(3)	1,850	—	1,847	
Profit distribution 15	—	—	—	—	(3,349)	(1)	(3,350)	
Share based payments	—	(9)	—	—	—	—	(9)	
Forfeited dividends	—	—	—	—	10	—	10	
Other	—	—	—	—	3	—	3	
Balance as at 30/06/2024 (unaudited)	2,745	2,375	2	—	1,896	—	7,018	
Balance as at 01/01/2025	2,745	2,389	2	—	3,389	1	8,526	
Net profit for the mid-year	—	—	—	—	1,604	—	1,604	
Currency translation adjustments	—	—	—	—	—	—	—	
Total comprehensive income for the mid-year	—	—	—	—	1,604	—	1,604	
Profit distribution 15	—	—	—	—	(3,349)	(1)	(3,350)	
Share based payments	—	(16)	—	—	—	—	(16)	
Forfeited dividends	—	—	—	—	—	—	—	
Other	—	—	—	—	(4)	—	(4)	
Balance as at 30/06/2025 (unaudited)	2,745	2,373	2	—	1,640	—	6,760	

The accompanying notes form an integral part of the condensed interim consolidated financial statements

# Condensed Interim Consolidated Cash Flow Statement

at June 30, 2025 (in CZK million)

	Note	01/01/2025 - 30/06/2025	01/01/2024 - 30/06/2024
<b>Cash flow from operating activities</b>			
<b>Profit before tax</b>		<b>2,012</b>	<b>2,342</b>
Depreciation and amortization expense	14	360	355
Impairment loss and loss on disposal of PP&E	7	—	1
Net interest (income) / expense		(117)	(174)
Change in provisions		(7)	4
Other non-cash transactions, net		(6)	(21)
<b>Operating cash flows before working capital changes</b>		<b>2,242</b>	<b>2,507</b>
<b>Changes in:</b>			
Trade and other financial receivables and other non-financial assets		(738)	(368)
Trade and other financial liabilities and other non-financial liabilities		(353)	785
Inventories		(144)	(391)
<b>Cash generated from operations</b>		<b>1,007</b>	<b>2,533</b>
Interest paid	6	(29)	(38)
Income tax paid		(510)	(469)
<b>Net cash generated from operating activities</b>		<b>468</b>	<b>2,026</b>
<b>Cash flow from investing activities</b>			
Purchase of PP&E	7	(104)	(155)
Interest received	6	146	213
<b>Net cash used by investing activities</b>		<b>42</b>	<b>58</b>
<b>Cash flow from financing activities</b>			
Dividends paid to owners of the parent	15	—	(3,349)
Dividends paid to non-controlling interest		—	(1)
Repayments of principle portion of lease liability		(81)	(71)
Borrowings		37	—
<b>Net cash used by financing activities</b>		<b>(44)</b>	<b>(3,421)</b>
<b>Net increase in cash and cash equivalents</b>		<b>466</b>	<b>(1,337)</b>
<b>Cash and cash equivalents as at the beginning of the year</b>	<b>11</b>	<b>9,227</b>	<b>7,526</b>
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		(6)	16
<b>Cash and cash equivalents as at the end of the mid-year</b>	<b>11</b>	<b>9,687</b>	<b>6,205</b>

The accompanying notes form an integral part of the condensed interim consolidated financial statements.

# Notes to the Condensed Interim Consolidated Financial Statements

at June 30, 2025

## 1. General information

Philip Morris ČR a.s. (the “Company”) and its subsidiary Philip Morris Slovakia s.r.o. (the “Subsidiary”) (together the “Group”) produces, sells, distributes, and markets tobacco products. The Company has a 99% interest in Philip Morris Slovakia s.r.o.

Philip Morris ČR a.s. is a joint-stock company registered in the Czech Republic. The Company was incorporated on March 28, 1991, and its registered address is Kutná Hora, Vítězná 1, Czech Republic. Its headquarters is in Prague, and its manufacturing facility is in Kutná Hora.

Philip Morris ČR a.s. is an affiliate of Philip Morris International Inc. (“PMI”). As at June 30, 2025, Philip Morris International Inc. is the ultimate controlling party of the Group.

As at June 30, 2025, the only entity directly holding more than 20% of the registered capital of the Group was Philip Morris Holland Holdings B.V. (the “Parent company”), which held 77.6% of the registered capital.

The Company has its primary listing on the Prague Stock Exchange (Burza cenných papírů Praha, a.s.), trading from July 13, 1993.

This condensed interim consolidated financial statements were authorized for issue by the Board of Directors and Supervisory board on September 29, 2025.

## 2. Basis of preparation

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting”. They do not include all the information required for a complete set of IFRS financial statements. Accordingly, they should be read in conjunction with the Group’s most recent annual consolidated financial statements as at and for the year ended December 31, 2024, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”).

## 3. Accounting policies

Except as described below, the accounting policies applied in these condensed interim consolidated financial statements are consistent with those applied in the last annual consolidated financial statements for the year ended December 31, 2024.

Income taxes for interim periods are accrued using the tax rate that would be applicable to the expected total annual profit or loss.

New standards, amendments, and interpretations effective from January 1, 2025, do not have a material impact on the condensed interim consolidated financial statements.

## 4. Estimates

The preparation of condensed interim consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income, and expenses. Actual results may differ from these estimates.

In preparing these condensed interim consolidated financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty are consistent with those applied in the annual consolidated

financial statements for the year ended December 31, 2024, except for changes in estimates required in determining the provision for income taxes.

In preparing these condensed interim consolidated financial statements, we also considered the ongoing military conflict in Ukraine and the subsequent sanctions imposed on Russia and Belarus. These developments do not have any additional significant impact on our operation or on the condensed interim consolidated financial statements. We do not conduct any business activities directly in those countries, and we have not observed any new threat in 2025.

## 5. Financial risk management

### 5.1 Financial risk factors

The Group's activities are exposed to a variety of financial risks: market risk, including foreign exchange and interest rate risk, credit risk and liquidity risk. These condensed interim consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2024. There have been no changes in the risk management processes since year-end 2024, nor in any risk management policies.

### 5.2 Liquidity risk

Compared to Year-End 2024, there were no material changes in the contractual undiscounted cash outflows or financial liabilities.

## 6. Segment reporting

An operating segment is a component of an entity that earns revenues and incurs expenses, and whose financial results are regularly reviewed by the Group's chief operating decision maker to make decisions about resource allocation and performance assessment. The chief operating decision maker has been identified as the Group's management team.

The Group's management monitors the performance of the Group with reference to the geographical area covered by the Group's operations. The Group's management monitors performance with reference to the type of business activity in combination with the geographical area. The Group's reportable segments are the Manufacturing Service-related activities and the Distribution-related activities, further allocated by markets to the Czech Republic and Slovak Republic.

For decision-making and resource allocation purposes, the Group's management team reviews management profit from operations. Management profit from operations in segment reporting excludes other non-allocated operating income/expense, interest income/expense and provision for income taxes, as these are centrally managed. Accordingly, such items are not presented by segment since they are not regularly provided by segment to the Group's management team.

Information about total assets by segment is not disclosed because such information is not reported to or used by the Group's management team.

**The segment results for the period ended June 30, 2025 are as follows:**

(in CZK million)	Czech Republic (Distribution)	Slovak Republic (Distribution)	Manufacturing Service	Total
Total gross segment revenues	7,439	2,979	—	10,418
Inter-segment revenues	(1,016)	(1)	—	(1,017)
Services provided	5	—	1,295	1,300
<b>External revenues</b>	<b>6,428</b>	<b>2,978</b>	<b>1,295</b>	<b>10,701</b>
Management gross profit	2,948	1,726	919	5,593
Management profit from operations	899	835	156	1,890

The segment results for the period ended June 30, 2024 are as follows:

(in CZK million)	Czech Republic (Distribution)	Slovak Republic (Distribution)	Manufacturing Service	Total
Total gross segment revenues	7,174	3,090	—	10,264
Inter-segment revenues	(1,206)	—	—	(1,206)
Services provided	37	—	1,309	1,346
<b>External revenues</b>	<b>6,005</b>	<b>3,090</b>	<b>1,309</b>	<b>10,404</b>
Management gross profit	2,903	1,747	960	5,610
Management profit from operations	1,156	841	169	2,166

A reconciliation of management gross profit to gross profit is provided as follows:

(in CZK million)	01/01/2025 - 30/06/2025	01/01/2024 - 30/06/2024
<b>Management gross profit</b>	<b>5,593</b>	<b>5,610</b>
Royalties	(344)	(306)
Fixed manufacturing expenses	(649)	(647)
<b>Gross profit</b>	<b>4,600</b>	<b>4,657</b>

Royalties and fixed manufacturing expenses are excluded from management gross profit for the purpose of Group's management team review. However, these amounts are included when determining profit from operation.

A reconciliation of management profit from operations to profit before income tax is provided as follows:

(in CZK million)	01/01/2025 - 30/06/2025	01/01/2024 - 30/06/2024
<b>Management profit from operation</b>	<b>1,890</b>	<b>2,166</b>
Other operating income /expense, net	5	1
Interest income	146	213
Interest expense	(29)	(38)
<b>Profit before tax</b>	<b>2,012</b>	<b>2,342</b>

Depreciation, amortization and impairment charge included in management profit from operations allocated to individual segments in 2025 and 2024 are as follows:

(in CZK million)	Czech Republic (Distribution)	Slovak Republic (Distribution)	Manufacturing Service	Total
2025	53	22	285	360
2024	40	21	295	356

Revenues are derived from sales of tobacco products and related services. Breakdown of the revenues is as follows:

(in CZK million)	01/01/2025 - 30/06/2025	01/01/2024 - 30/06/2024
Sales of merchandise	9,401	9,058
Sales of services	1,300	1,346
<b>Total</b>	<b>10,701</b>	<b>10,404</b>

## Revenue analysis by timing of revenue recognition:

(in CZK million)	01/01/2025 - 30/06/2025	01/01/2024 - 30/06/2024
Sales recognized at the time of shipment	9,401	9,058
Revenues recognized over time	1,300	1,346
<b>Total</b>	<b>10,701</b>	<b>10,404</b>

Revenues from customers or groups of customers under common control exceeding 10% of the Group's revenues: Revenue of CZK 2,919 million (2024: CZK 2,660 million) derived from one customer is included in the Czech Republic (Distribution) segment, and revenue of CZK 1,295 million (2024: CZK 1,309 million) derived from the PMI group of companies is included in the Manufacturing Services segment.

The total of the Group's non-current assets, other than deferred tax assets and other financial assets, located in the Czech Republic is CZK 2,540 million (at December 31, 2024: CZK 2,679 million) of which CZK 2,455 million is used to support Manufacturing service-related activities (at December 31, 2024: CZK 2,589 million) and CZK 85 million to support Distribution-related activities (at December 31, 2024: CZK 90 million). Non-current assets located in the Slovak Republic, supporting only Distribution activities, amount to CZK 93 million (at December 31, 2024: CZK 106 million).

## 7. Property, plant and equipment

(in CZK million)	Property, Buildings & Constructions	Vehicles & Machinery Equipment	Furniture & Fixtures	Constructions in progress & Advances paid	Total
<b>As at 1/1/2024</b>					
Cost	2,386	7,021	96	272	9,775
Accumulated depreciation	(2,002)	(4,886)	(67)	—	(6,955)
<b>Net carrying amount</b>	<b>384</b>	<b>2,135</b>	<b>29</b>	<b>272</b>	<b>2,820</b>
<b>Six months ended 30/06/2024</b>					
Opening net carrying amount	384	2,135	29	272	2,820
Additions cost	10	64	—	24	98
Disposal net carrying amount	—	(1)	—	—	(1)
Transfers*	3	136	—	(138)	1
Depreciation charge	(28)	(247)	(5)	—	(280)
<b>Closing net carrying amount</b>	<b>369</b>	<b>2,087</b>	<b>24</b>	<b>158</b>	<b>2,638</b>
<b>As at 30/06/2024</b>					
Cost	2,396	6,914	95	158	9,563
Accumulated depreciation	(2,027)	(4,827)	(71)	—	(6,925)
<b>Net carrying amount</b>	<b>369</b>	<b>2,087</b>	<b>24</b>	<b>158</b>	<b>2,638</b>
<b>As at 1/1/2025</b>					
Cost	2,410	6,952	105	176	9,643
Accumulated depreciation	(2,055)	(5,050)	(75)	—	(7,180)
<b>Net carrying amount</b>	<b>355</b>	<b>1,902</b>	<b>30</b>	<b>176</b>	<b>2,463</b>
<b>Six months ended 30/06/2025</b>					
Opening net carrying amount	355	1,902	30	176	2,463
Additions cost	—	—	1	68	69
Disposal net carrying amount	—	—	—	—	—
Transfers*	—	2	10	(12)	—
Depreciation charge	(26)	(243)	(8)	—	(277)
<b>Closing net carrying amount</b>	<b>329</b>	<b>1,661</b>	<b>33</b>	<b>232</b>	<b>2,255</b>
<b>As at 30/06/2025</b>					
Cost	2,409	6,954	110	232	9,705
Accumulated depreciation	(2,080)	(5,293)	(77)	—	(7,450)
<b>Net carrying amount</b>	<b>329</b>	<b>1,661</b>	<b>33</b>	<b>232</b>	<b>2,255</b>

\* Transfers represent capitalization of PP&E from construction in progress and advances paid.

During the reporting period, the Group retired certain machinery and equipment that had been identified as no longer needed and approved their retirement at a residual value of CZK 0 million (2024: CZK 1 million).

All investments in property, plant, and equipment were financed by the Group's own resources.

## 8. Leases

The recognized right-of-use assets relate to the following types of assets:

(in CZK million)	30/06/2025	31/12/2024
Office spaces and warehouses	183	120
Cars	63	61
Stores	120	123
Employee flats	12	18
<b>Total</b>	<b>378</b>	<b>322</b>

The recognized lease liabilities relate to the following types of liabilities:

(in CZK million)	30/06/2025	31/12/2024
Current liabilities	132	131
Non-current liabilities	251	195
<b>Total</b>	<b>383</b>	<b>326</b>

Interest expense on lease liabilities, included in finance costs, represented amount CZK 11 million (2024: CZK 7 million).

Depreciation expense of right-of-use assets represented amount CZK 83 million (2024: CZK 74 million).

Short-term leases and leases for which the underlying asset are of low value do not have a material effect on the condensed interim consolidated financial statements.

Maturity analysis 30/06/2025	<1 year	1-5 years	>5 years
Lease liabilities	132	251	0

Maturity analysis 31/12/2024	<1 year	1-5 years	>5 years
Lease liabilities	131	188	7

## 9. Inventories

(in CZK million)	30/06/2025	31/12/2024
Materials	92	91
Merchandise	1,635	1,492
<b>Total</b>	<b>1,727</b>	<b>1,583</b>

The costs of inventories recognized as an expense in condensed interim consolidated statement of comprehensive income in the first six months of 2025 and included in costs of sales amounted to CZK 5,108 million (2024: CZK 4,794 million).

## 10. Trade and other financial receivables and other non-financial assets

(in CZK million)	30/06/2025	31/12/2024
<b>Trade and other financial receivables</b>		
Third parties	1,250	957
Related parties	3	6
<b>Total</b>	<b>1,253</b>	<b>963</b>
<b>Other non-financial assets</b>		
Other assets - excise tax	2,895	2,523
Prepayments	114	39
Other assets	2	—
<b>Total</b>	<b>3,011</b>	<b>2,562</b>
<b>Other non-current financial assets</b>		
Other financial assets	115	116
<b>Total</b>	<b>115</b>	<b>116</b>

## 11. Cash and cash equivalents

(in CZK million)	30/06/2025	31/12/2024
Cash on hand	4	5
Cash at banks	190	134
On-demand deposits with related parties (see Note 16)	9,493	9,088
<b>Total</b>	<b>9,687</b>	<b>9,227</b>

On-demand deposits with related parties are interest bearing short-term loans - see Note 16 for the analysis of short-term receivables from related parties.

Cash and cash equivalents and bank overdrafts for the purposes of the consolidated cash flow statement include the following:

(in CZK million)	30/06/2025	31/12/2024
Cash and cash equivalents	9,687	9,227
Borrowings	(386)	(348)
<b>Total</b>	<b>9,301</b>	<b>8,879</b>

## 12. Trade and other financial liabilities and other non-financial liabilities

(in CZK million)

30/06/2025

31/12/2024

### Trade and other financial liabilities

Third parties	575	630
Other related parties	1,421	1,463
Accrued expenses	1,003	1,154
Dividends payable	3,380	18
Other financial liabilities	148	19
<b>Total</b>	<b>6,527</b>	<b>3,284</b>

### Other non-financial liabilities

Amounts due to employees	213	242
Social security and health insurance	103	104
Advances received	9	—
Deferred revenues	20	19
Other liabilities	—	2
<b>Total</b>	<b>345</b>	<b>367</b>

Trade payables to related parties are disclosed in Note 16.

## 13. Other tax liabilities

(in CZK million)

30/06/2025

31/12/2024

VAT	516	531
Excise tax	3,427	3,649
Other taxes	19	19
<b>Total</b>	<b>3,962</b>	<b>4,199</b>

## 14. Expenses by nature - additional information

(in CZK million)

01/01/2025 - 30/06/2025

01/01/2024 - 30/06/2024

Raw materials, consumables used and merchandise sold	5,021	4,732
Services	2,010	1,899
Royalties	344	306
Employee benefits expense	982	908
Depreciation and amortization	360	356
Other	89	37
<b>Cost of sales, distribution, and administrative expenses</b>	<b>8,806</b>	<b>8,238</b>

## 15. Profit distribution

Dividends approved in May 2025 by the Annual General Meeting amounted to CZK 3,349 million (CZK 1,220 per share), same as those approved in April 2024.

## 16. Related party transactions

The Group considers the Parent company and other companies of the PMI group of companies ("Other related parties"), associate companies ("Other related parties"), members of its Board of Directors, Supervisory Board and parties close to such members of management to be related parties.

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions and are made only if such terms can be substantiated.

The following transactions with related parties were recognized during the reporting period:

### a) Sales of goods, merchandise and services to affiliates within PMI

(in CZK million)	01/01/2025 - 30/06/2025	01/01/2024 - 30/06/2024
<b>Sales of merchandise</b>		
Other related parties	4	—
<b>Sales of materials</b>		
Other related parties	2	1
<b>Sales of services</b>		
Other related parties	1,300	1,346
<b>Recharges</b>		
Other related parties	4	4
<b>Interest Income</b>		
Other related parties	146	213
<b>Total</b>	<b>1,456</b>	<b>1,564</b>

### b) Purchases of merchandise and services from affiliates within PMI

(in CZK million)	01/01/2025 - 30/06/2025	01/01/2024 - 30/06/2024
<b>Purchases of merchandise and materials</b>		
Other related parties	4,832	4,782
<b>Purchases of PP&amp;E and intangible assets</b>		
Other related parties	1	—
<b>Purchases of services</b>		
Other related parties	652	670
<b>Royalties paid</b>		
Other related parties	344	306
<b>Interest expense</b>		
Other related parties	—	1
<b>Total</b>	<b>5,829</b>	<b>5,759</b>

### c) Dividends

As of June 30, 2025, the Company did not pay any dividends to Philip Morris Holland Holdings B.V. The dividends paid to Philip Morris Holland Holdings B.V. in 2024 amounted to CZK 2,599 million.

Except for dividends there were no other transactions with the Parent company during the last two years.

### d) Balances with affiliates within PMI

(in CZK million)	30/06/2025	31/12/2024
<b>Receivables from related parties</b>		
Other related parties	3	6
<b>Loans and deposits</b>		
Other related parties	9,493	9,088
<b>Total</b>	<b>9,496</b>	<b>9,094</b>
<b>Payables to related parties</b>		
Other related parties	1,421	1,463
<b>Total</b>	<b>1,421</b>	<b>1,463</b>

Loans and deposits with related parties include interest-bearing on-demand deposits (cash pool) of CZK 9,493 million with Philip Morris Finance S.A. (at December 31, 2024: CZK 9,088 million). All short-term loans and deposits are classified as cash and cash equivalents in the Group's consolidated statement of financial position as at June 30, 2025, and as at December 31, 2024.

The interest rate for on-demand deposits in Czech Republic is calculated based on CZBRREPO with variable margin. The interest rate for on-demand deposits in the Slovak Republic is calculated based on ESTR with variable margin.

The actual interest rates reflect the current money market and the nature of the loan. The average effective interest rate of short-term loan and on-demand deposits for the half-year ended June 30, 2025 was 3.4% p.a. (at June 30, 2024: 5.7% p.a.) in the Czech Republic and 2.4% p.a. (at June 30, 2024: 4.0% p.a.) in the Slovak Republic.

### e) Contractual and other commitments to related parties

Contractual and other commitments to related parties that are not recorded in the condensed interim consolidated financial statements are considered as obligations to exchange resources in the future under binding agreements.

As at June 30, 2025, the Group had no material commitments in respect of related parties except for the future obligation to purchase services with a total estimated value of CZK 497 million (commitment value as at December 31, 2024: CZK 557 million).

The Group entered in the past into a number of binding service agreements, under which some performance obligations are yet to be delivered. Those agreements mostly have two or six-month termination notice. The total estimated value of services to be purchased under these agreements during their respective termination terms is disclosed above.

According to the agreements with trademark owners, Philip Morris Global Brands Inc., Philip Morris Products S.A. and CTPM International S.A., the Group has to pay royalties in respect of tobacco products sold in the Czech and Slovak Republic. During the first half-year ended June 30, 2025, the Group incurred under these agreements royalties expense of CZK 344 million (2024: CZK 306 million). These agreements shall continue indefinitely until terminated by either party. The trademark owners conducted a review of their transfer pricing policy to amend the royalty rates. Based on the outcome of this review the rates were increased as of January 2025 to align with generally accepted arm's length principles.

## 17. Contingent liabilities

The Group does not have any pending legal, administrative or arbitration proceedings that had or might have a substantial effect on the financial situation of the Group.

## 18. Subsequent events

No subsequent events have occurred after June 30, 2025, that would have a material impact on these condensed interim consolidated financial statements at June 30, 2025.

### Authorization of the financial statements

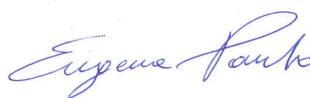
These condensed interim consolidated financial statements for the period ended June 30, 2025, were authorized for issue by the Board of Directors and have been signed below on its behalf.

**In Kutná Hora on September 29, 2025**



**Fabio Costa**

Chairman of the Board of Directors  
Philip Morris ČR a.s.



**Eugenia Panato**

Member of the Board of Directors  
Philip Morris ČR a.s.

REGISTERED ADDRESS

Philip Morris ČR a.s.

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The company is registered in the commercial register maintained at the Municipal Court in Prague under the mark B 627.