

Kutna Hora, April 30<sup>th</sup>, 2024

# Annual General Meeting of Shareholders

Philip Morris ČR a.s.

**Andrea Gontkovičová**

Chairman of the Board of Directors



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Business Performance

02

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Sustainability & Social Responsibility

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Consolidated Financial Results



## Inflationary and Other Macroeconomic Factors Push Results Down

- Consolidated revenues reached **CZK 20.6 billion**, i.e. by **1.8%** less year-on-year (or by 1.2% excluding currency)
- Profit from operations reached **CZK 3.9 billion**, i.e. by **8.8%** less than previous year (or by 7.6% excluding currency)
- Consolidated net income amounted to **CZK 3.3 billion**, i.e. increase by **8.0%** (or by 6.6% excluding currency)
- Total IQOS adult users at **820 thousand**<sup>1</sup> (CZ & SK combined), **580 thousand** adult users have stopped smoking and switched to IQOS<sup>2</sup>
- Production volume in Kutná Hora plant continue to be all-time-high **38.8 billion units** (cigarettes and other tobacco products)

<sup>1</sup> As of December 31, 2023, Estimated number of IQOS adult users that used PMI heated tobacco products (HEETS, Fiit and TEREА) over the past seven days

<sup>2</sup> As of December 31, 2023, Estimated number of IQOS adult users, whose daily individual consumption of heated tobacco products represents the totality of their daily tobacco consumption over the past seven days, of which at least 70% are PMI heated tobacco products (HEETS, Fiit and TEREА)



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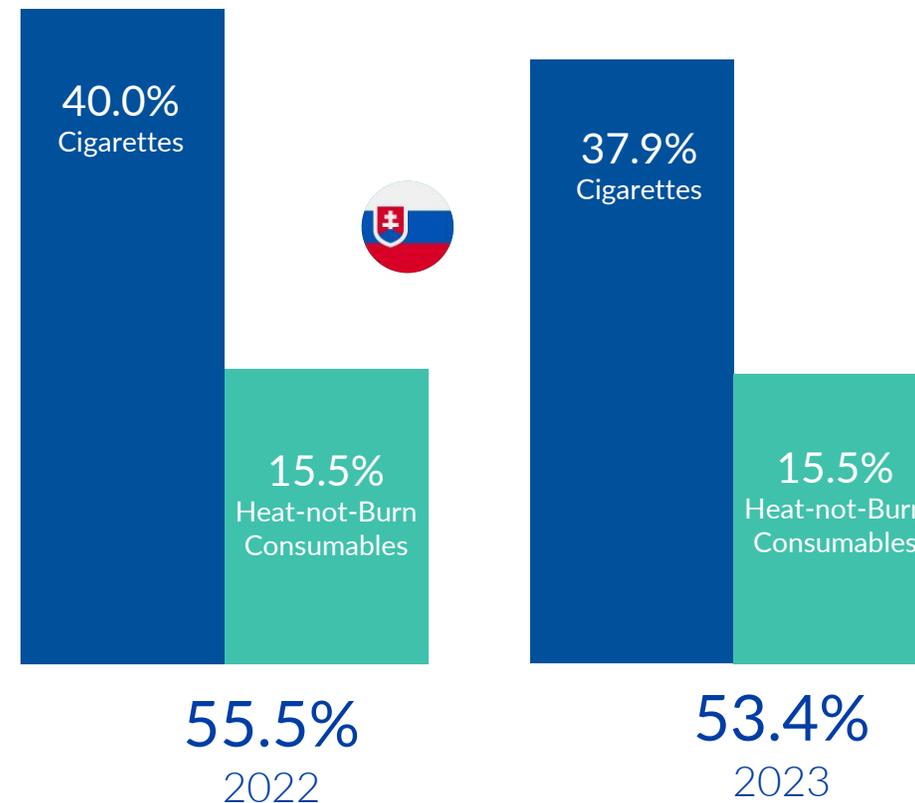
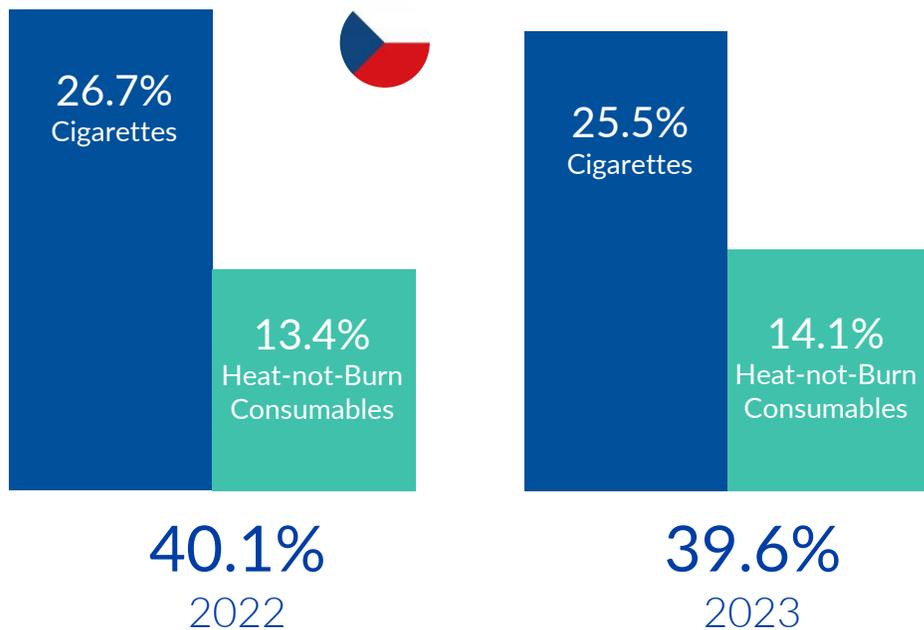
Sustainability & Social Responsibility

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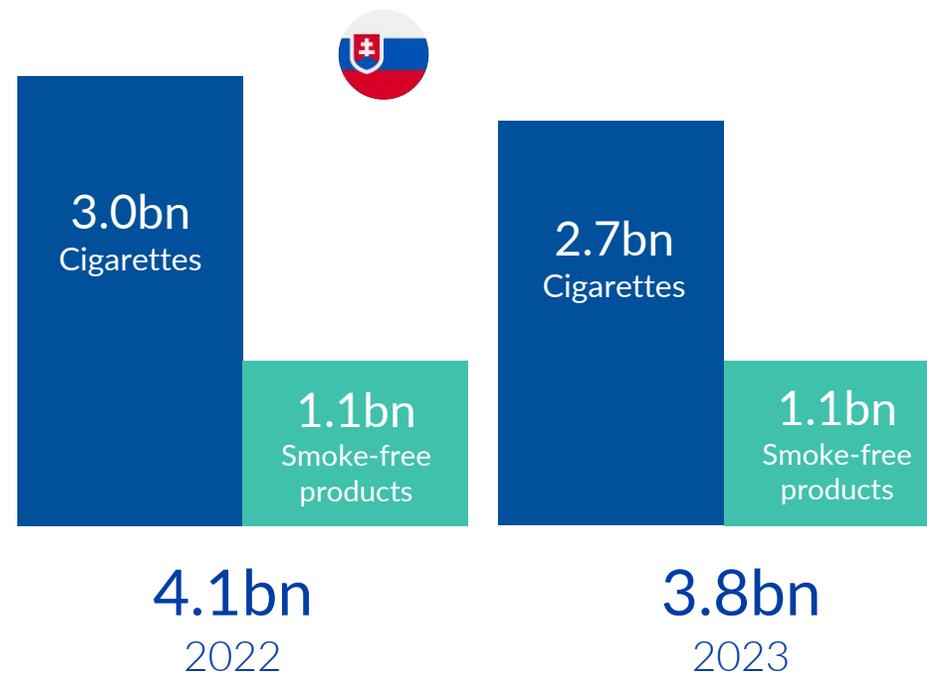
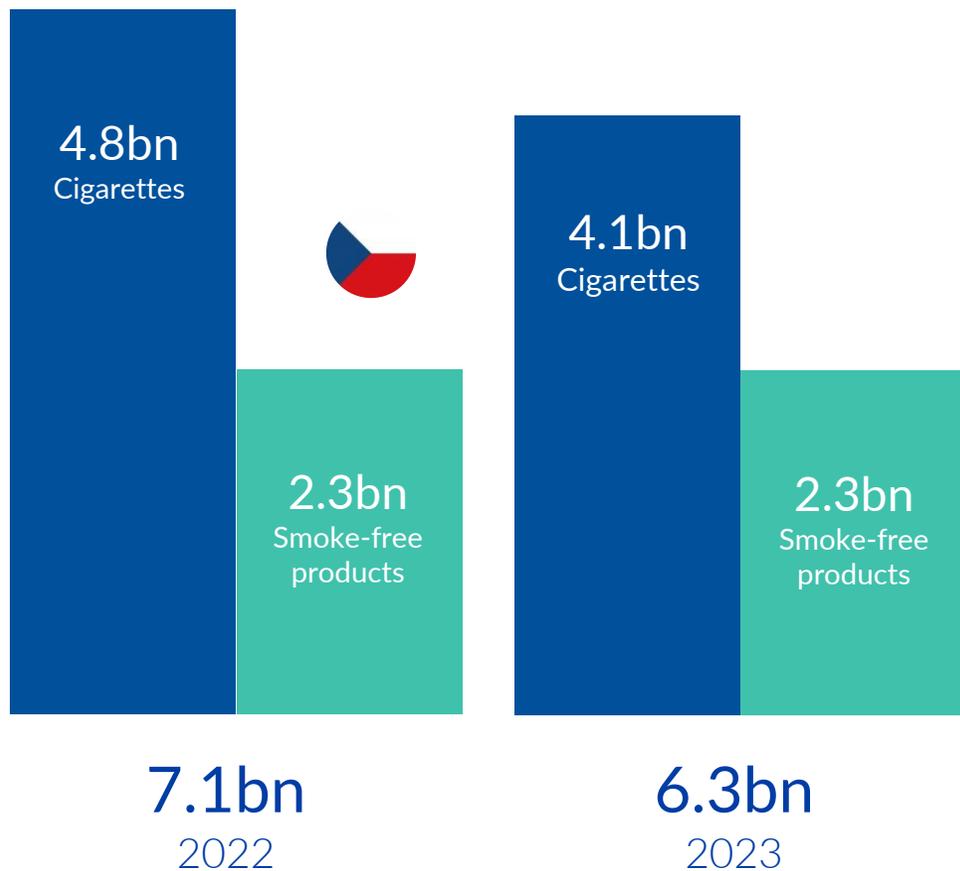
Consolidated Financial Results

# Market Share



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

# Shipments (billion units)



Shipments in the Czech Republic include cigarettes, volume tobacco for make-your-own cigarettes (0.60 g is equivalent to 1 cigarette) and HEETS / TEREА heated tobacco consumables, LEVIA tobacco-free nicotine heated consumables, Fiit heated consumables from KT&G, and VEEV / VEEV NOW e-cigarettes (converted to one cigarette equivalent).

Shipments in Slovakia include cigarettes and heated consumables HEETS, TEREА and Fiit from KT&G, and VEEV / VEEV NOW e-cigarettes (converted to one cigarette equivalent).

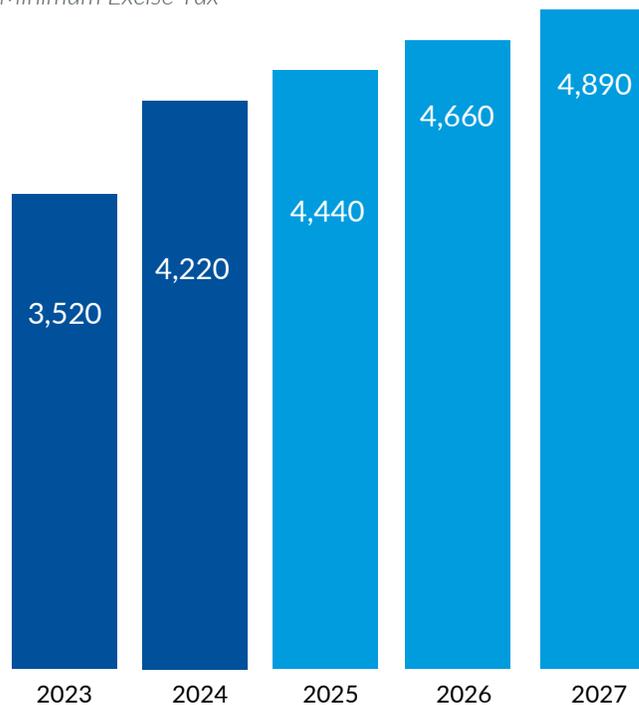
Source: Philip Morris ČR a.s. and Philip Morris Slovakia s.r.o. Financials

# Fiscal Outlook

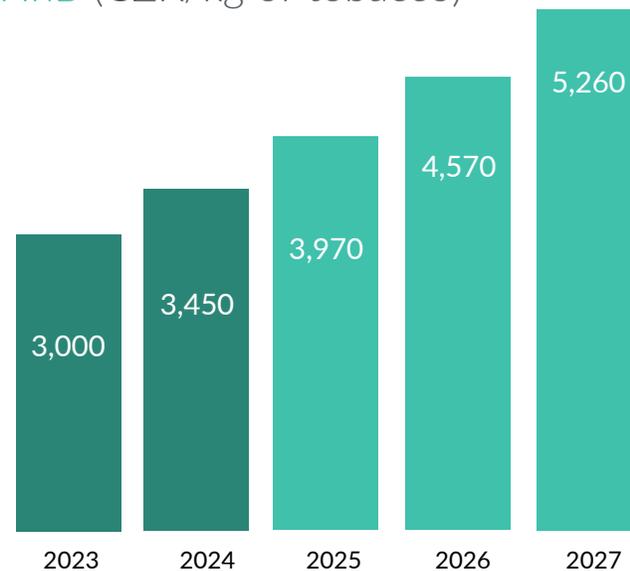


## Cigarettes (CZK/'000)

Minimum Excise Tax



## HnB (CZK/kg of tobacco)

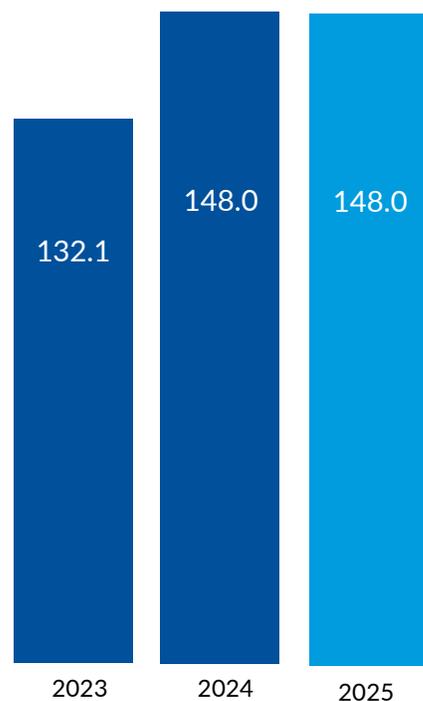


- Tobacco for smoking
- Refills to e-cigarettes
- Nicotine pouches

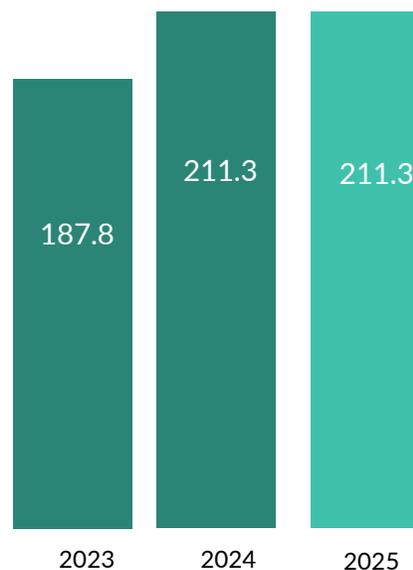
# Fiscal Outlook



Cigarettes (€/‘000)  
Minimum Excise Tax

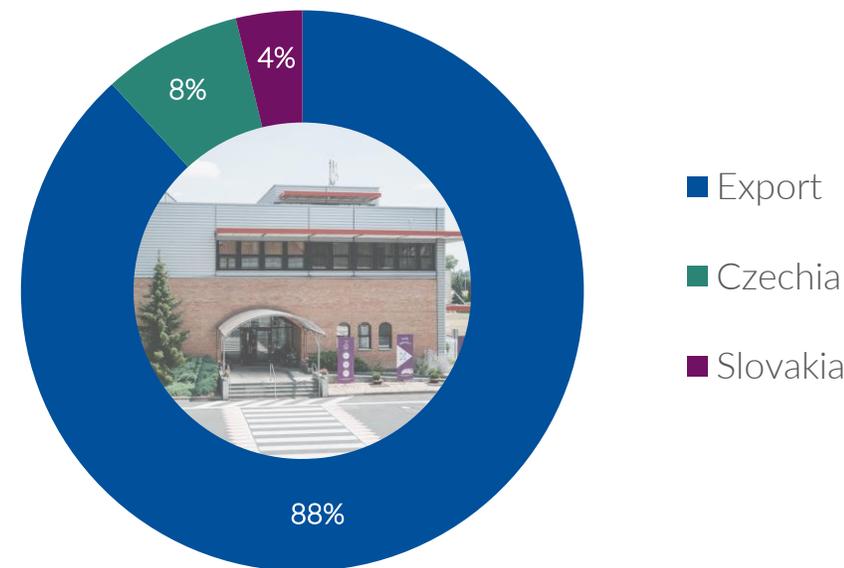
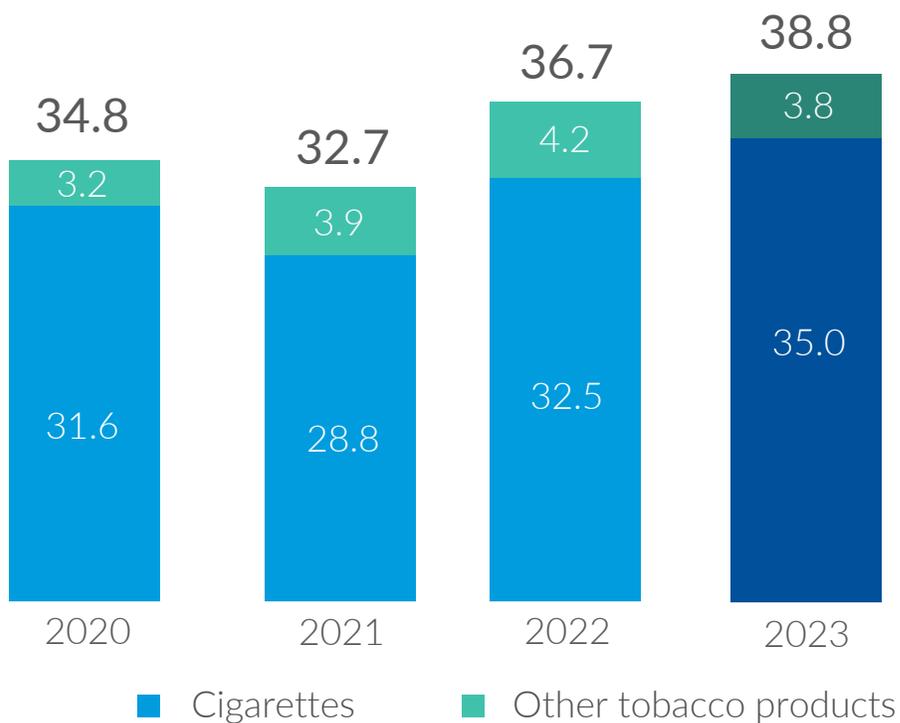


HnB (€/kg of tobacco)



- Tobacco for smoking
- Refills to e-cigarettes
- Nicotine pouches

# Kutná Hora 2023 Production (billion units)



Other tobacco products include products such as rolling tobacco (0.73 g is the equivalent of one cigarette) as well as multi-volume rolling tobacco (0.60 g is the equivalent of one cigarette).

Source: Philip Morris ČR a.s. internal data

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# Investment to Kutná Hora plant



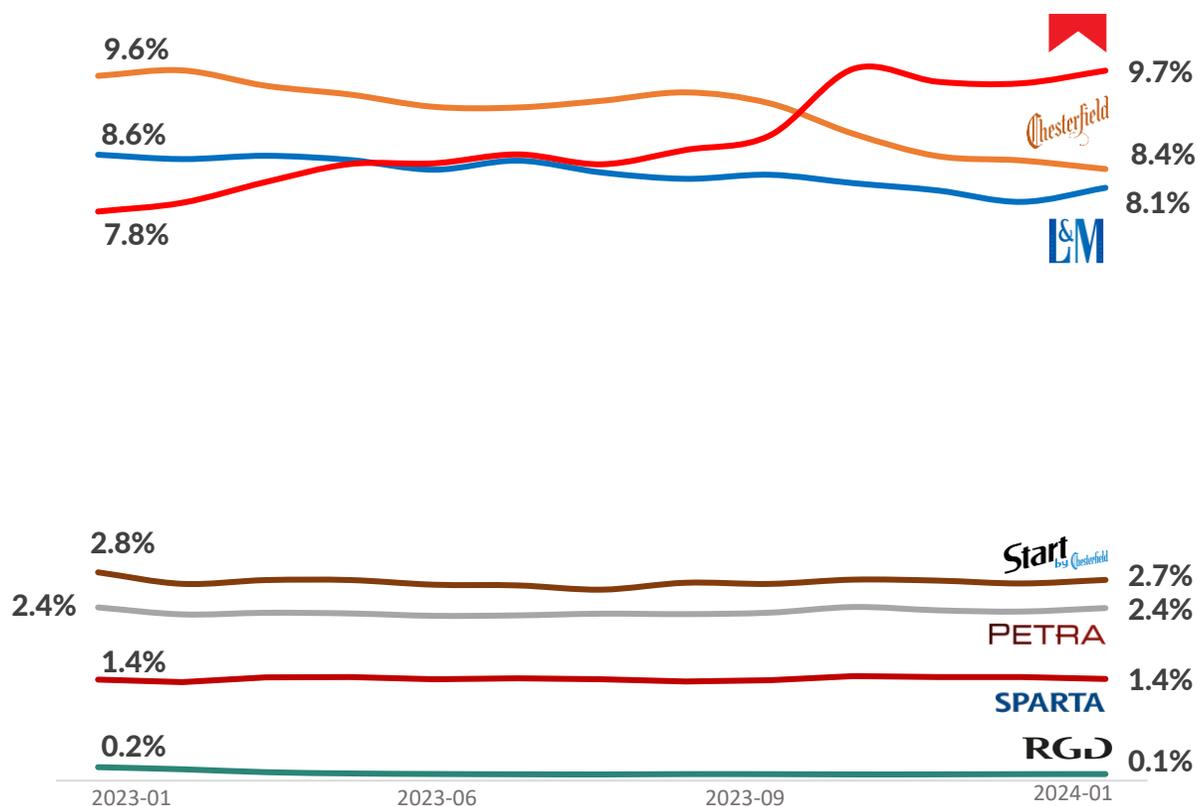
- PMI investment of CZK 1 billion into transformation of the existing manufacturing capacity into production of smoke-free products (SFP) announced in June 2023
- Preparatory phase underway
- Paramount emphasis on ensuring sustainable economic activity and protection of employment
- Further details expected mid 2024



# Performance of Individual Cigarette Brands



Market share development  
of individual brands during 2023



Strong growth due to *Marlboro Crafted* launch & resilient core

Stable long-term performance – part of *Chesterfield* was successfully morphed into *Marlboro Crafted* in H2 '23

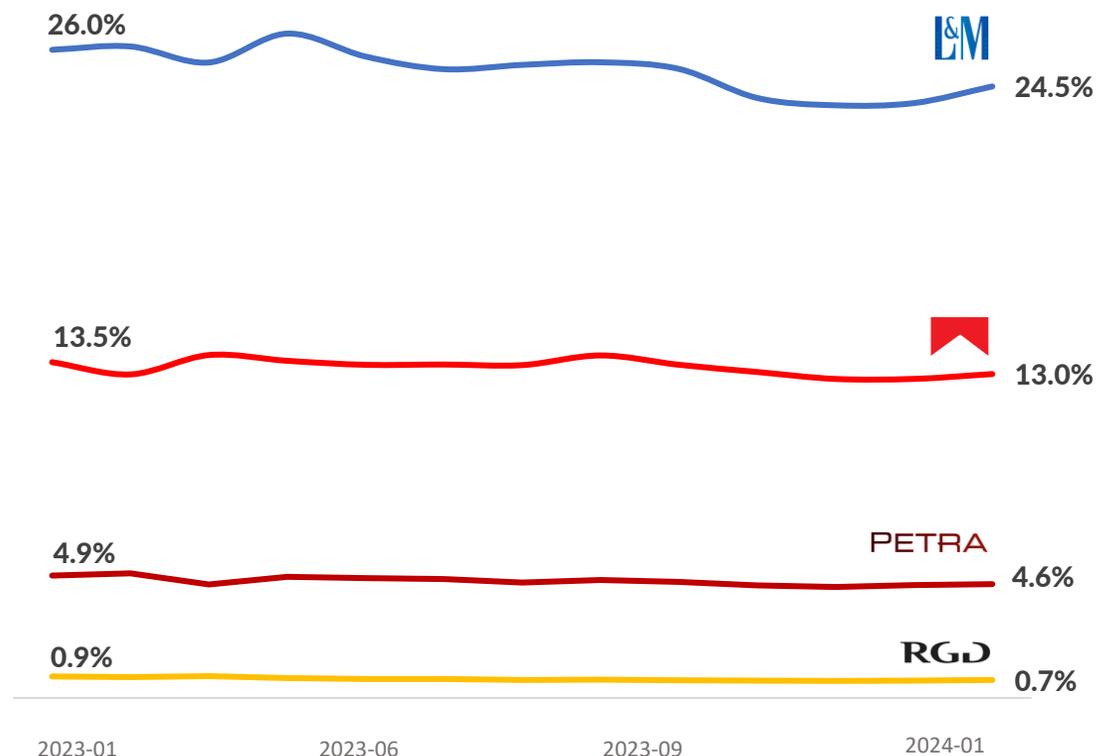
Slight erosion in H2 but strong comeback in January '24

Local brands showing long-term durability

# Performance of Individual Cigarette Brands



Market share development  
of individual brands during 2023



Market leader for more than 10 years

Resilient performance thanks to superior brand value

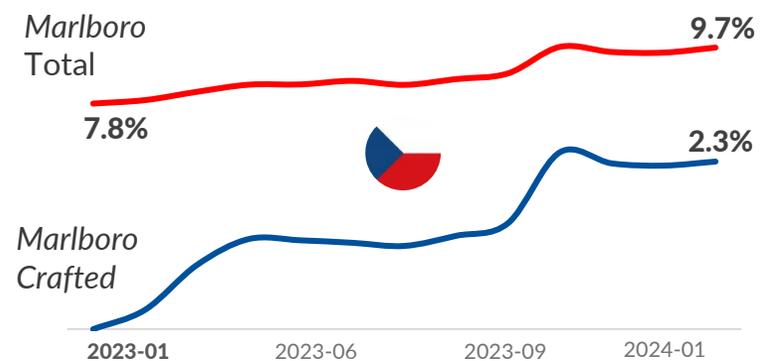
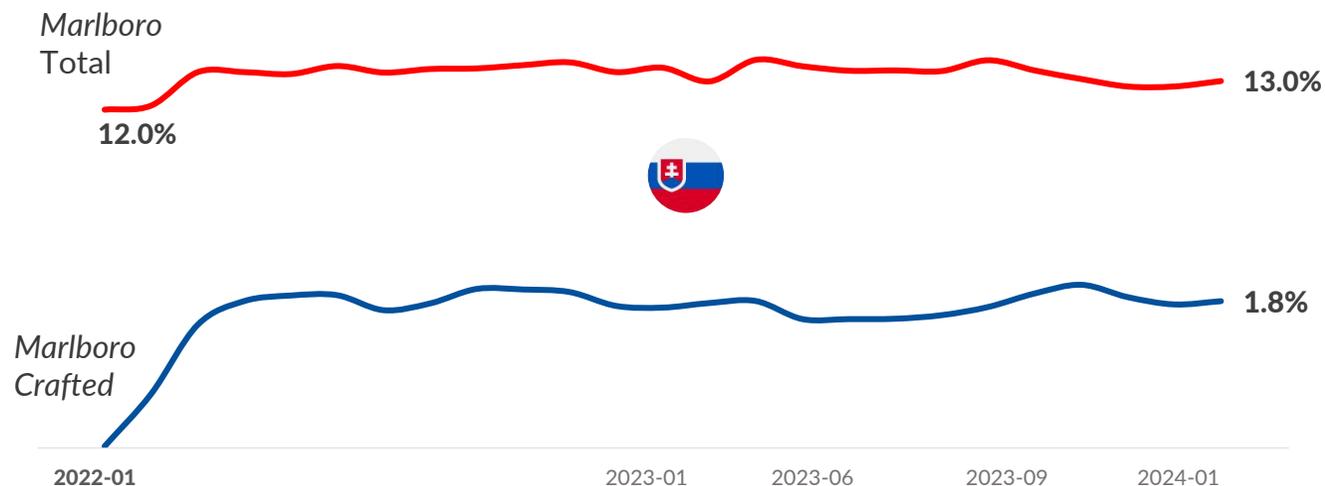
*Petra* scores on the market with its own resistance

# Marlboro Crafted



## Marlboro Crafted Compact

- a new, slimmer format variant
- at an affordable price segment
- refined and modern design



# Smoke-free Product Portfolio



**IQOS ILUMA PRIME**  
**IQOS ILUMA**  
**IQOS ILUMA ONE**



**VEEV**  
**ONE**



**VEEV NOW /**  
**VEEBA**



**lil SOLID EZ**  
**lil SOLID 2.0**

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# Flavour Ban on Heated Tobacco Products (October 23, 2023)



- Flavours as key elements for adult smokers to switch out from cigarettes to less risky alternatives





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Consolidated Financial Results

# Our Key Topics Resonating in the Public Domain



- Comprehensive media coverage and a robust network of direct relations with media of all types throughout the Czech Republic and Slovakia (general / lifestyle / business).
- Genuine strong media interest in our innovative products as well as all relevant company news.
- Raising the visibility of PMČR's efforts and measures in the area of sustainability, P&C and I&D topics.
- Ongoing extensive communication of the tobacco-harm reduction concept in both countries with a discussion of effective regulation, taxation and tobacco market control.



## Limitka tip Empressa

V létě byla představena limitovaná edice IQOS ILUMA WE, která zaujme svou barevností.

**T**a znázorňuje rozmanitost, ale i jednotu a soudržnost komunity milionů dospělých kuřáků na celém světě, kteří skončili s cigaretami a přešli na tuto bezdýmou alternativu. IQOS ILUMA je zařízení na nahřívání tabáku, využívající revoluční technologii indukčního ohřevu bez nahřívací čepice a nutnosti čištění. Při jeho používání vzniká aerosol, který obsahuje výrazně méně škodlivin než cigaretový kouř. Limitovaná edice IQOS ILUMA je od 10. 7. k dispozici ve 3 provedeních – IQOS ILUMA PRIME, IQOS ILUMA a kompaktní zařízení „vše



u jednom“ IQOS ILUMA ONE. Dospělí uživatelé tak mají možnost vybrat si to, které nejlépe vyhovuje jejich potřebám a preferencím. Limitovaná edice byla poprvé představena v IQOS LOUNGE během 57. MFF Karlovy Vary. U této příležitosti

představit zpěvák ADONXS, vlastním jménem Adam Pavlovčín, speciální jingle. Při jeho tvorbě měl potřebu odchytil se od melancholického a baladového přístupu k tvorbě a právě naopak přijít s něčím povzbudivým a rytmičtějším.



# Growing Public Support

- Permanent discussion on public health and the vital role of smoke-free products.
- Risk-proportionate regulatory and tax policy adopted by the Czech and Slovak Governments.
- Czech National Action Plan on Addictions 2023-2025 incl. commitment to regulatory and fiscal support of smoke-free products.
- Slovak Action Plan on Tobacco Control Policy 2023-2030 including reference to „harm-reduction“ approach.



Policy Makers



Senior Gov Officials



Medical Experts



Editors & Reporters



Main Industry Associations



NGOs and Academia

“ Concerning the tax rates for different categories of tobacco products, we have followed the principle of the government's manifesto. The principle says that the tax rate will correspond to the level of harmfulness. The less harmful product, the lower the tax. To avoid any misunderstanding, I need to say there is no nicotine product that is harmless. However, even health experts and addictologists recommend that if a product is less harmful it is a subject to a lower excise tax. With this economic tool, the government is trying to encourage users of tobacco products to use products that are less harmful. In the long term, it will translate into lower health care spending. Not that you will have this result in a year or two, but it's a step in the right direction. ”

Zbyněk Stanjura, Minister of Finance of the Czech Republic

# Manufacturing Sustainability Highlights



## Water management



### Alliance for Water Stewardship

Surveillance audit with zero non-conformities

since 2021

## Energy and carbon emissions



### Carbon neutrality

re-certification in 2022

since 2020

## Waste



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

since 2019

## Safety



Five consecutive years without safety incidents



- Produced the biggest annual volume ever – among top 5 of the conventional cigarette factories in PMI (out of 25)
- Zero Major Quality Incidents<sup>1</sup>.

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

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

# Product Sustainability Highlights



## Consumables Circular Program (Consumables Take-Back)



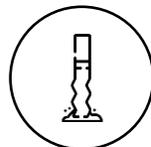
- Huge traction from consumers reflected in exponential growth of tobacco consumables collected throughout the last year
- In 2023, our adult consumers handed over a total of 26.5 tons of used consumables in total (15.4t in CZ & 11.1t in SK)

## Device Circular Program (Device Take-Back)



- Take-Back program for all electronic devices, incl. disposables
- PMI CIRCLE Project, FLEX Center (HU)
- Recycling: in place for several years
- Circularity: *IQOS ILUMA Refreshed* offered in Czechia since 2024

## Anti-littering Efforts



- On-pack messaging – EU SUP mandatory (continual)
- LPE *Marlboro* **Leave No Trace** campaign
- Single-use plastics regulation requirements fulfilled via NEVAJGLUJ a.s. (CZ) and SPAK-EKO a.s. (SK)



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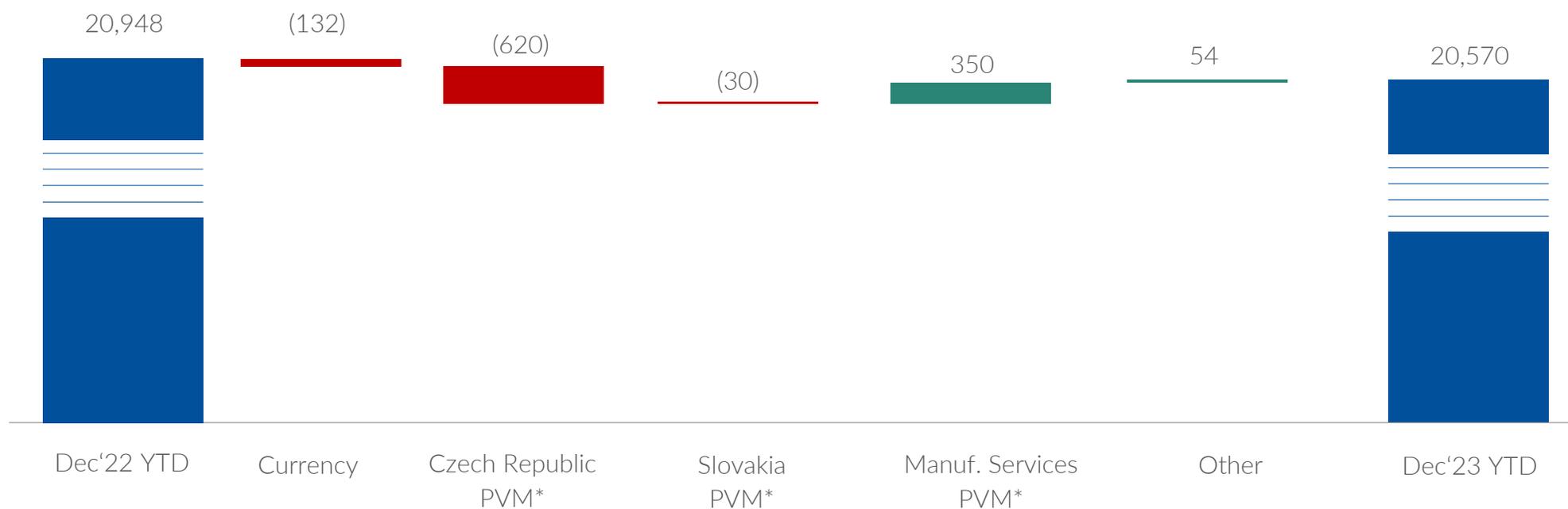
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Consolidated Financial Results

# Net Revenues



(CZK million)	2023	2022	Change	Change in %	
				Actual	Excluding currency
Net Revenues	20,570	20,948	(378)	(1.8%)	(1.2%)

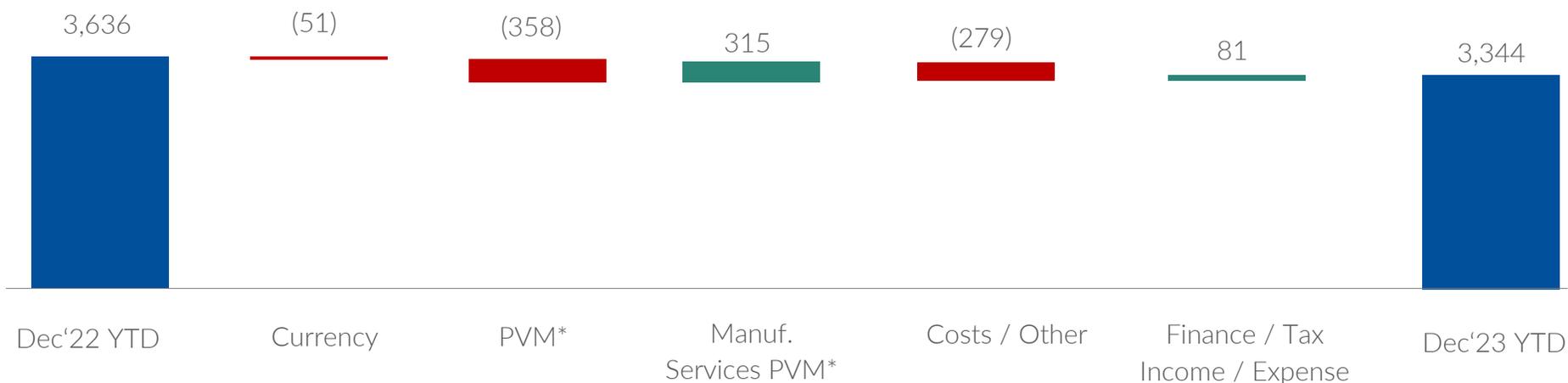


\*PVM – Price, Volume and Mix variance  
 Source: Philip Morris ČR a.s. consolidated financial results

# Net Income



(CZK million)	2023	2022	Change	Change in %	
				Actual	Excluding currency
Net Revenues	20,570	20,948	(378)	(1.8%)	(1.2%)
Operating income	3,870	4,243	(373)	(8.8%)	(7.6%)
Net income	3,344	3,636	(292)	(8.0%)	(6.6%)



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

# Assets & Liabilities



ASSETS (CZK million)				LIABILITIES & EQUITY (CZK million)			
	2023	2022	Change		2023	2022	Change
<b>Current Assets</b>				<b>Current Liabilities</b>			
Cash & Equivalents	7,526	7,631	(105)	Trade and other financial liabilities	2,498	2,871	(373)
Inventories	1,109	1,851	(742)	Finance lease liability – short term	127	121	6
Receivables	1,627	1,548	79	Other	348	346	2
Other non-financial assets	2,263	2,111	152	Other tax liabilities	4,050	3,985	65
Prepaid income tax	49	34	15	<b>Fixed Liabilities</b>			
<b>Fixed Assets</b>				Finance lease liability – long term	207	159	48
ROU assets	338	282	56	Deferred tax liability	155	153	2
PP&E and other non-current assets	2,990	2,944	46	Equity	8,517	8,766	(249)
<b>Total Assets</b>	<b>15,902</b>	<b>16,401</b>	<b>(499)</b>	<b>Total Liabilities &amp; Equity</b>	<b>15,902</b>	<b>16,401</b>	<b>(499)</b>

# Cash & Cash Equivalents



(CZK million)	2023	2022	Change	Change in %
Cash & Cash Equivalents	<b>7,526</b>	7,631	(105)	(1.0%)



# Business Model



## Combustible products

Philip Morris ČR a.s.

Entrepreneur



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

**Higher profit, but also higher risk**

## Smoke-free products

Philip Morris Product S.A.

Entrepreneur



Philip Morris ČR a.s.

Philip Morris Slovakia s.r.o.

## Limited Risk Distributor

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

**Significantly lower risk, but also lower profit**



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## Important Report Risk Factor

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



## Net earnings & EPS

Consolidated Earnings  
per Share  
(in CZK)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Current Year	1,218	1,324	1,281	1,285	1,464	1,397	1,269	1,008	936
Prior Years Retained	14	0	29	7	101	304	114	106	89
Total Retained Earning per Share as of December 31, 2023	1,232	1,324	1,310	1,292	1,566	1,701	1,383	1,113	1,025
<b>Dividend Paid / Proposed</b>	<b>1,220</b>	1,310	1,310	1,260	1,560	1,600	1,080	1,000	920



# Fabio Costa

## PMI Vice President Strategy

From June 1, 2024, Fabio Costa will replace Andrea Gontkovičová as Managing Director of Philip Morris ČR a.s. with responsibility for the Czech Republic and Slovakia.





Thank you