



PHILIP MORRIS ČR

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

**Kutná Hora**  
**April 25, 2014**

András Tövisi

*Chairman of the Board of Directors*

# Philip Morris ČR a.s.

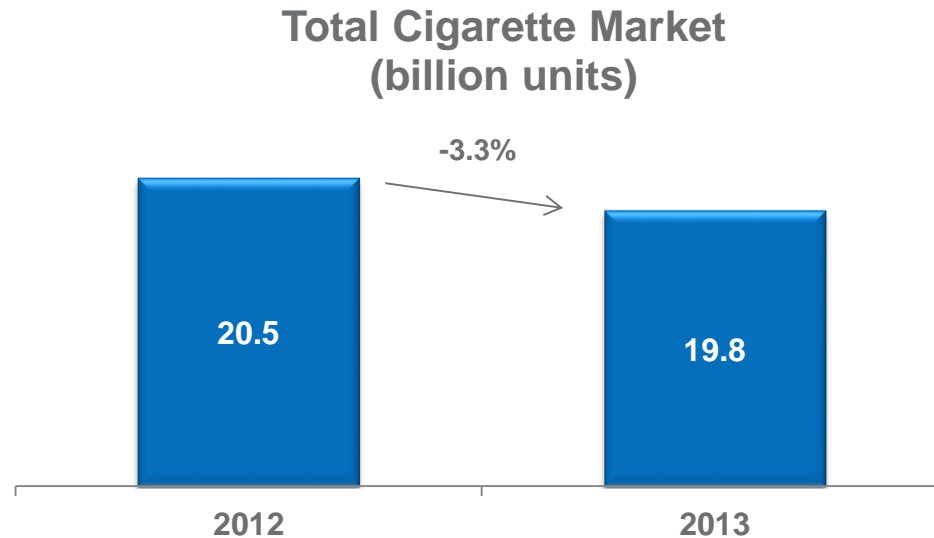
## Annual General Meeting of Shareholders 2014



Odpovědná společnost  
Responsible Company







# Cigarette Market Czech Republic



In 2013, the total cigarette market declined by 3.3% versus the prior year to 19.8 billion units, mainly reflecting:

- impact of excise tax driven price increases in 2012 and excise tax and VAT-driven price increases in 2013;
- unfavorable economic and employment environment;
- increased prevalence of illicit trade; and
- continued growth of the lower-taxed fine cut tobacco category.

# Price Increases Czech Republic

		<u>Dec'11</u>	<u>Dec'12</u>	<u>Dec'13</u>
Premium Segment		84	86	89
Medium Segment	 	72	74	77
Low Segment		65	68	72

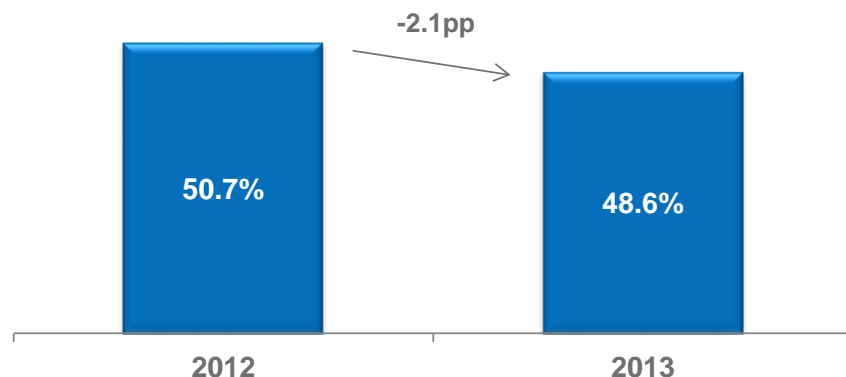
- Excise tax increase as of January 1, 2012
- Excise tax and VAT increase as of January 1, 2013

Note: Retail prices in CZK/pack of 20 cigarettes

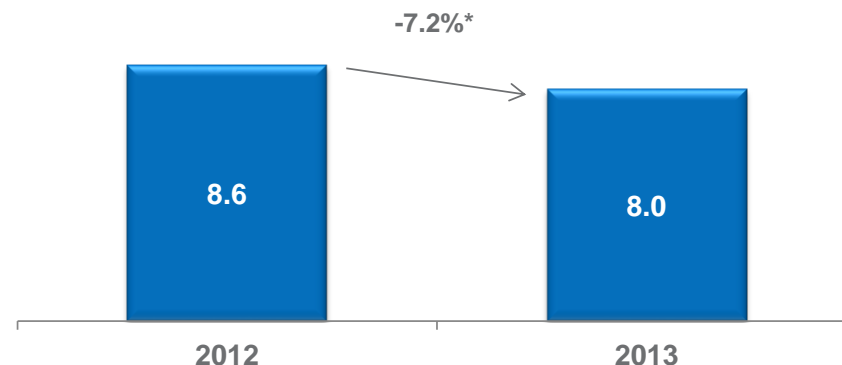
Source: Price Gazette of the Ministry of Finance

# Cigarette Market Share and Shipments Czech Republic

Market share



Shipments  
(billion units)



## Market share decline -2.1pp:

- losses from local brands and *Red & White*;
- partially offset by *Chesterfield*, *L&M* and *Philip Morris*.

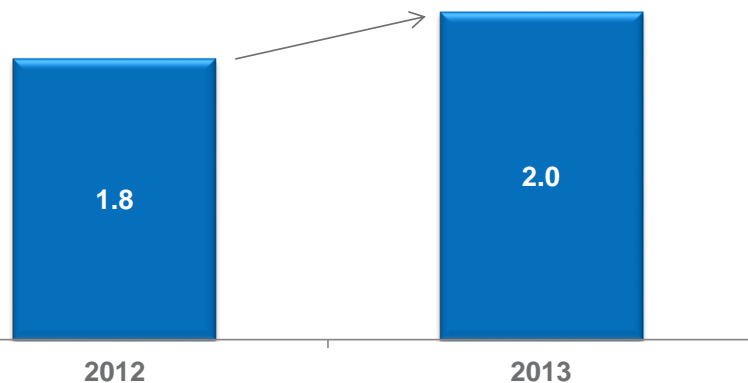
Domestic shipments down -7.2% reflecting lower total market and lower market share.

\* Variance in % is based on unrounded data in million cigarettes' units.

# Fine Cut Tobacco Segment Czech Republic

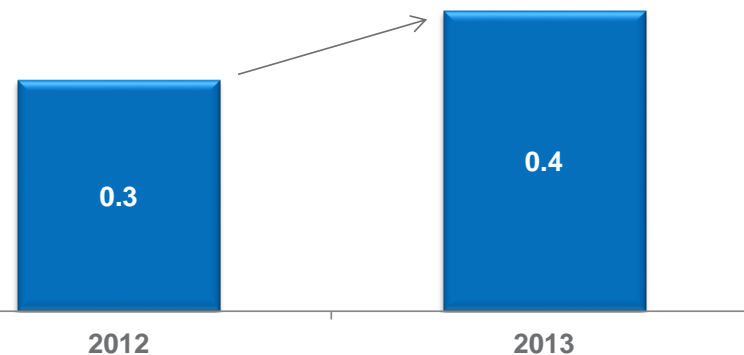
**Total Market**  
(billion cigarette equivalent units)

+10.3%



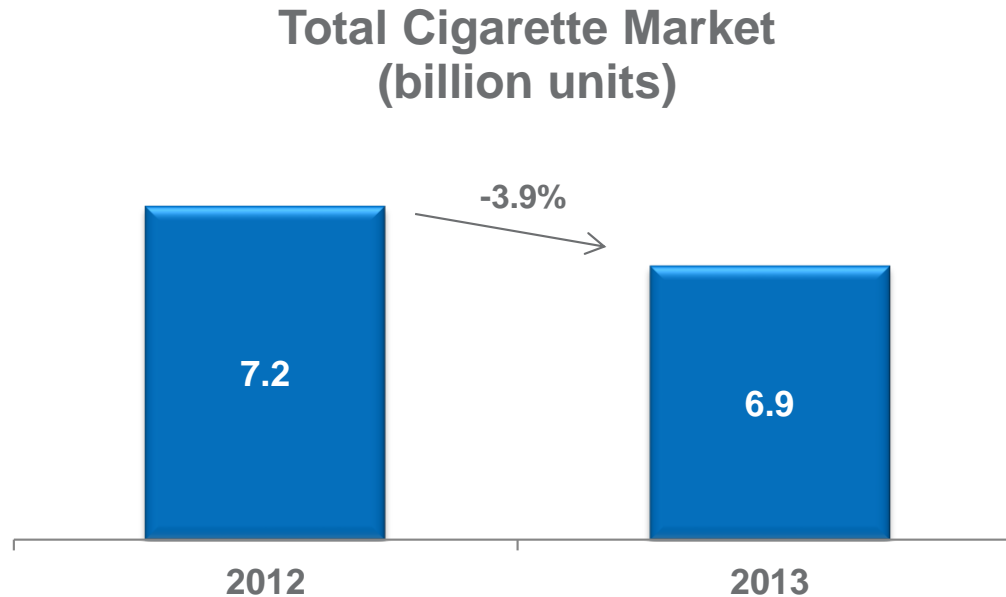
**Shipments**  
(billion cigarette equivalent units)

+29.9%\*



\* Variance in % is based on unrounded data in million cigarette equivalent units






Note: Fine cut refers to tobacco products such as make-your-own cigarettes (0.73 g is equivalent to 1 cigarette) and make-your-own volume cigarettes (0.60 g is equivalent to 1 cigarette).



In 2013, the total cigarette market declined by 3.9% versus the prior year to 6.9 billion units, mainly reflecting:

- excise tax driven price increases in 2012 following the excise tax increases effective as of February 1, and October 1, 2012;
- price increases implemented during 2013;
- unfavorable economic environment; and
- increased prevalence of illicit trade.

# Price Increases Slovakia

		Dec '11	Feb '12	Dec '12	Dec '13
Premium Segment		3.20	3.30	3.40	3.40
Medium Segment		2.60	2.70	2.80	2.90
Super Low Segment		2.50	2.60	2.70	2.80
		2.40	2.50	2.60	2.70
		2.30	2.50	2.60	2.70

- Excise tax increase February 1, 2012 and October 1, 2012
- Price increases March - June, 2013

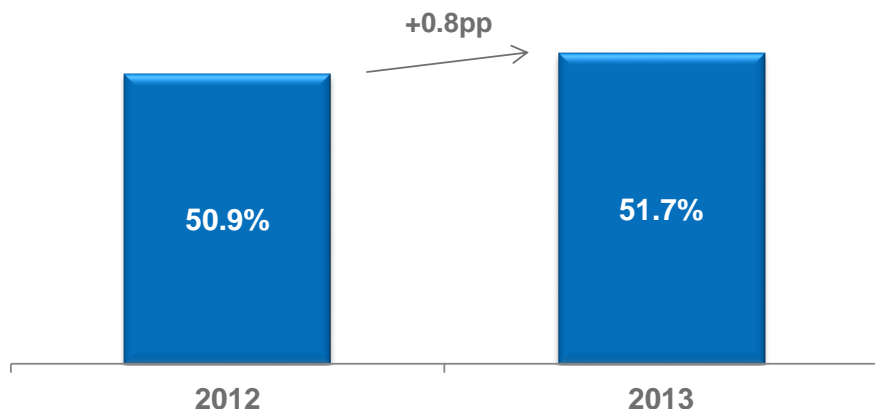
Note: Retail prices in EUR/pack of 19 cigarettes

Source: Philip Morris Slovakia s.r.o. price lists

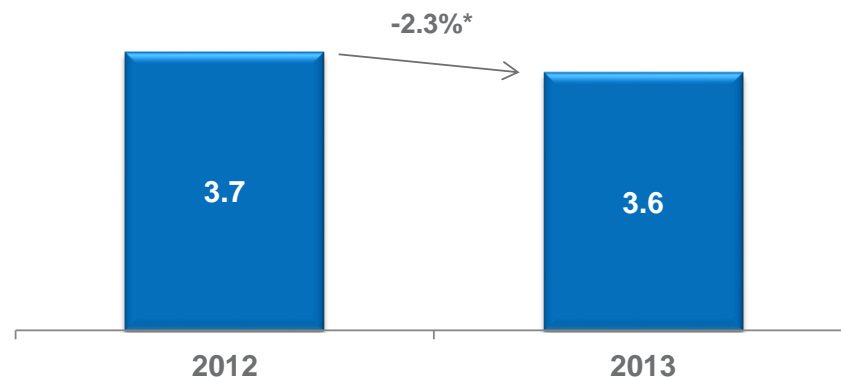


# Cigarette Market Share and Shipments Slovakia

Market share



Shipments  
(billion units)



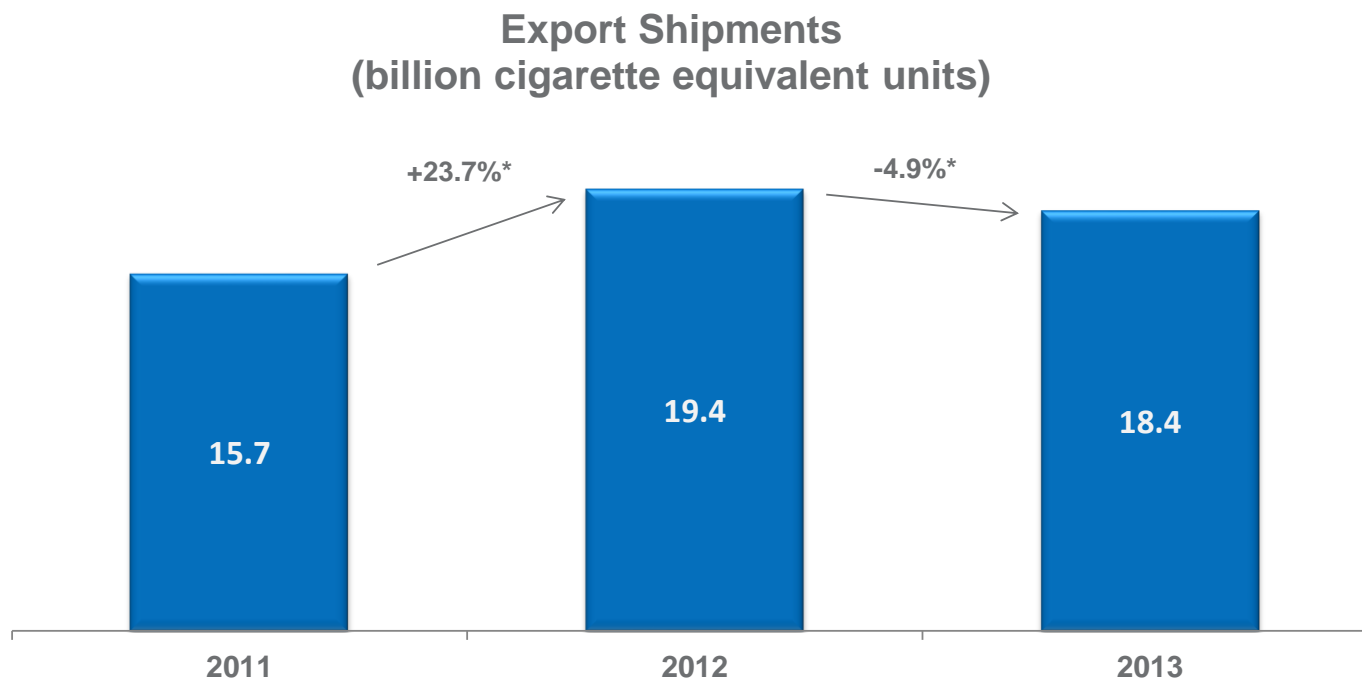
**Market share increase +0.8pp:**

- strong performance of *L&M*, *Philip Morris* and *Marlboro*;
- partially offset by local brands and *Red & White*.

**Domestic shipments down -2.3% reflecting lower total market, partially offset by higher market share.**

\* Variance in % is based on unrounded data in million cigarettes' units.

# Export Shipments



Export shipments decreased by 4.9% to 18.4 billion cigarette equivalent units:

- cigarettes down by 1.9 billion units (-11.2%);
- other tobacco products up by 0.9 billion cigarette equivalent units (+36.1%).

\* Variance in % is based on unrounded data in million cigarette equivalent units.

Note: Shipments include other tobacco products such as cigarillos, make-your-own cigarettes (0.73 g is equivalent to 1 cigarette) and make-your-own volume cigarettes (0.60 g is equivalent to 1 cigarette).

**Continuous focus on maintaining high standards in Kutna Hora factory and increasing its competitiveness within Europe through:**

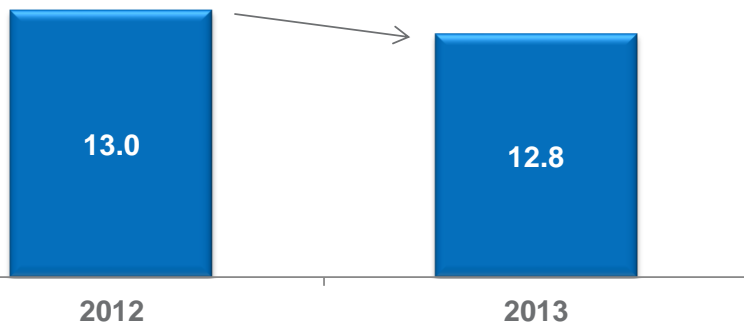
- **investing to modern/flexible manufacturing equipment;**
- **constantly improving factory performance;**
- **focusing on environmental sustainability;**
- **continuously reviewing our processes and operating models to maximize efficiency and flexibility.**

# Business Overview

## Consolidated Financial Results

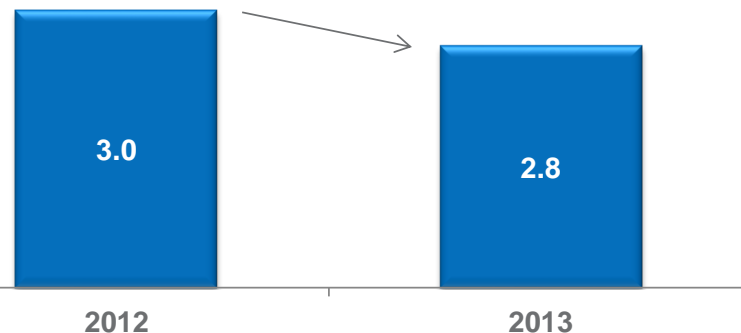
Revenues  
Net of Excise Tax & VAT  
(CZK billion)

-1.5%



Profit from Operations  
(CZK billion)

-8.5%



- Revenues, net of excise tax and VAT, decreased by 1.5% to CZK 12.8 billion versus the prior year;
- Profit from operations decreased by 8.5% to CZK 2.8 billion versus the prior year.

# Revenues, Net of Excise Tax and VAT

## Consolidated Financial Results (CZK billion)

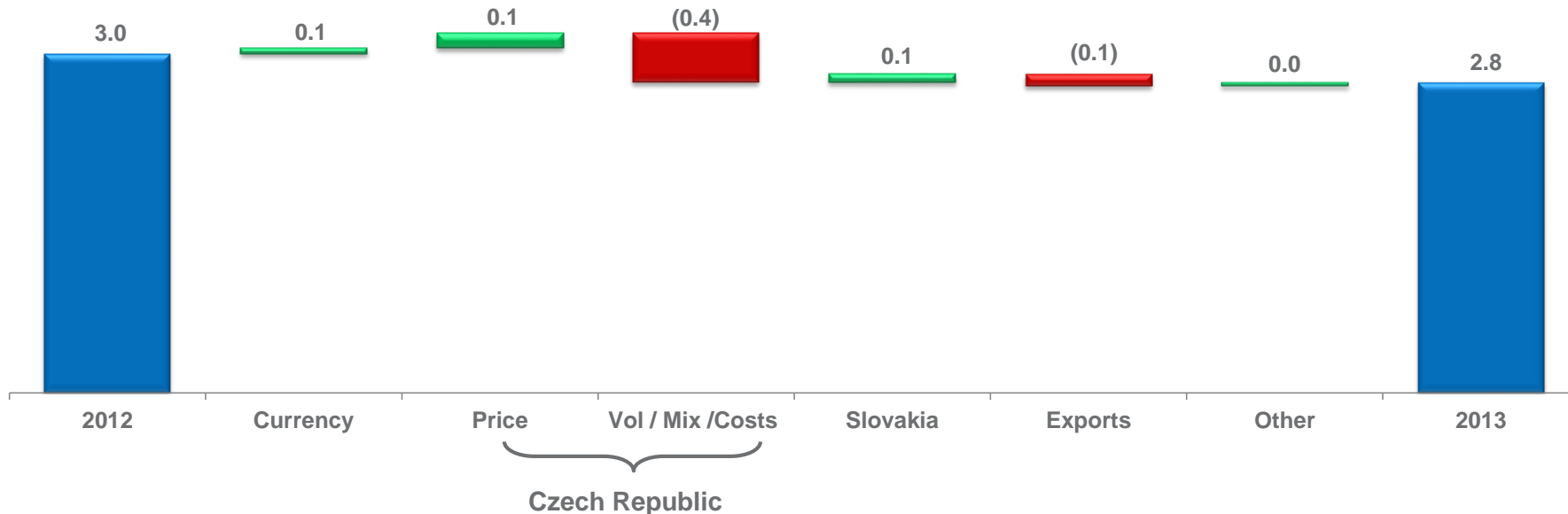


Excluding the impact of currency, decrease of CZK 0.4 billion (-3.4%) driven primarily by:

- unfavorable volume/mix in the Czech Republic and Slovakia;
- lower exports to other PMI affiliates;
- partially offset by favorable pricing in the Czech Republic and Slovakia.

# Profit from Operations

## Consolidated Financial Results (CZK billion)

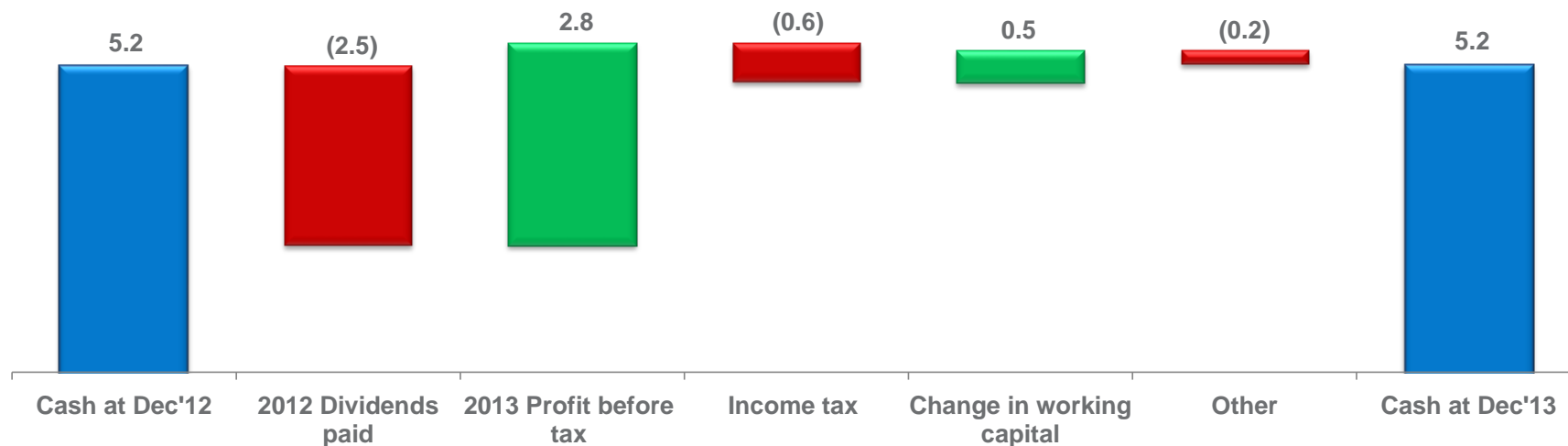


Excluding the impact of currency, decrease of CZK 0.3 billion (-10.2%) due to:

- unfavorable volume/mix in the Czech Republic and Slovakia;
- lower exports to other PMI affiliates, higher manufacturing costs;
- partially offset by favorable pricing in the Czech Republic and Slovakia and lower operating costs.

# Cash and Cash Equivalents

## Consolidated Financial Results (CZK billion)



Cash position maintained at the same level as previous year.

# Short-term Loan to PMI Inc.

Call Loan facility agreement signed in September 2013

Short-term loan provided to Philip Morris International, Inc.

- Amount CZK 4.0 billion
- Duration 5 days
- Interest rate 0.05% p.a.

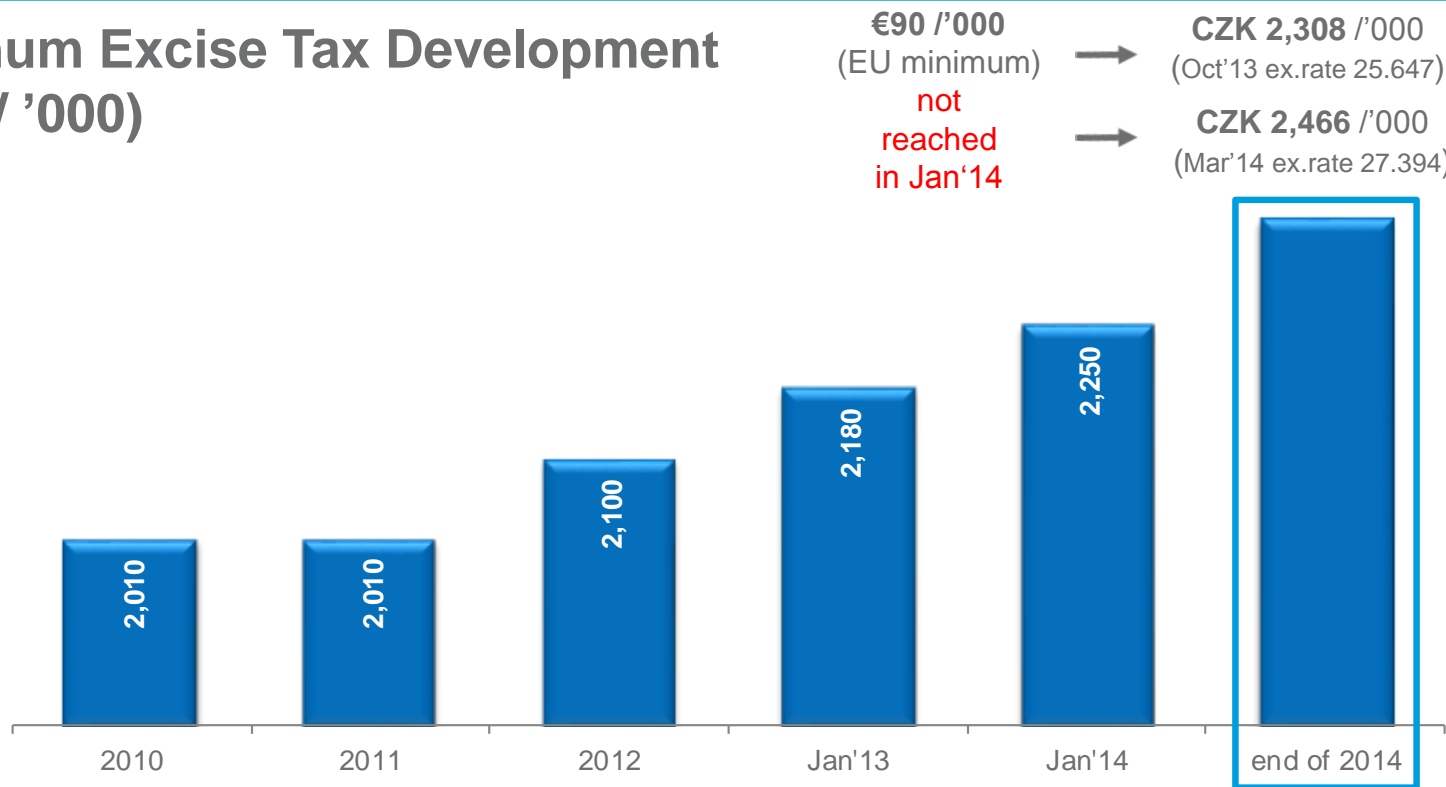
Credit ratings of Czech Banks	Moody's rating agency
Citibank Europe plc	A2
Komerční banka, a.s.	A2
Československá obchodní banka, a.s.	A2
Česká spořitelna, a.s.	A2

Credit rating	Moody's rating agency
Philip Morris International, Inc.	A2



# Fiscal Environment Czech Republic

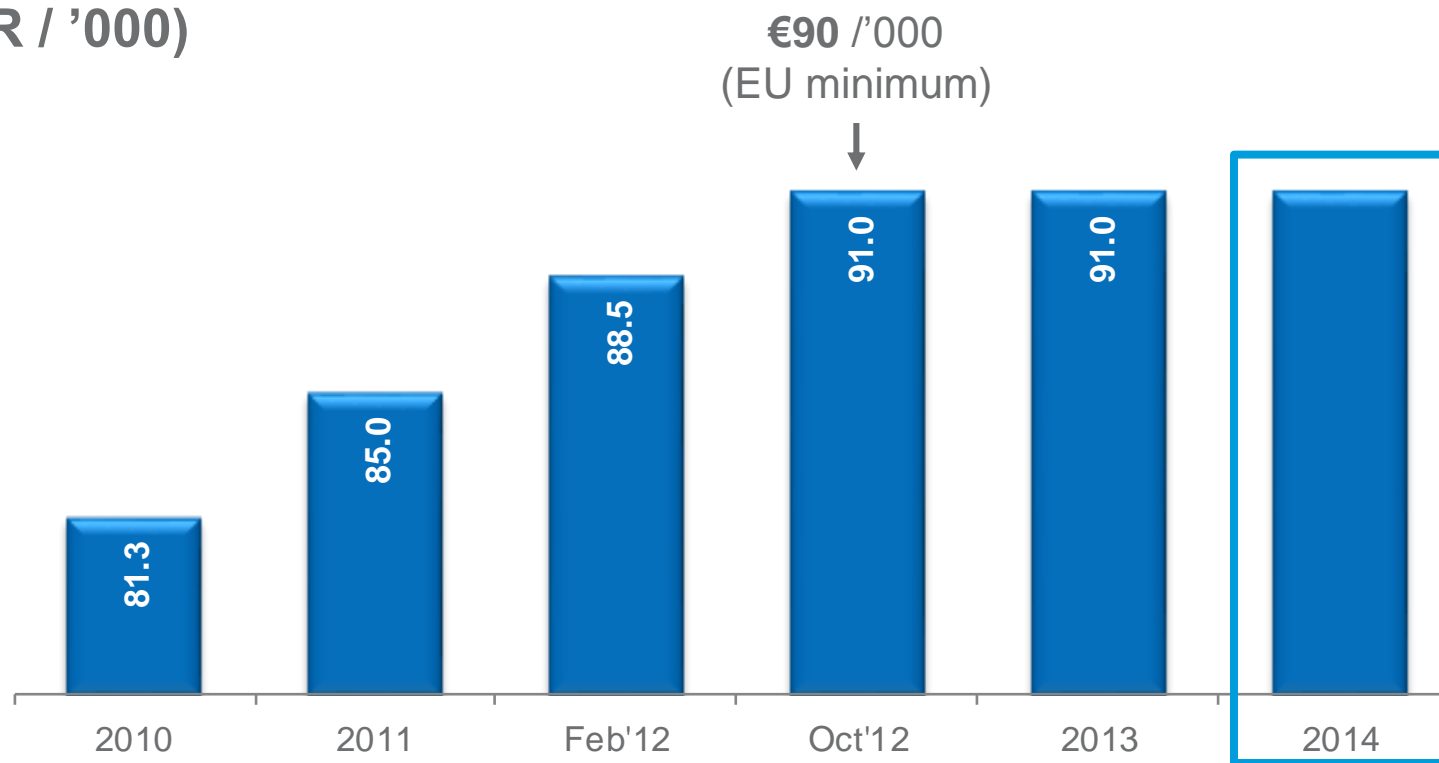
## Minimum Excise Tax Development (CZK / '000)



- Predictable fiscal environment due to tobacco fiscal roadmap prepared for 2013 and 2014 to reach the minimum excise tax yield of EUR 90 per 1 000 cigarettes:
  - Excise tax and VAT increase in January 2013;
  - Excise tax increase in January 2014.
- Due to EUR/CZK exch. rate at October 1, 2013 only EUR 87.7 reached
- Government proposal of another excise tax increase in 2014

# Fiscal Environment Slovakia

## Minimum Excise Tax Development (EUR / '000)



- Excise tax increase in February and October 2012
- Minimum excise tax reached in 2012
- No excise tax increase in 2013

# Dividend proposal

(CZK / share)	2010	2011	2012	2013
Earnings Current Year	884	920	885	819
Retained Earnings Prior Year	376		15	1
<b>Dividend Paid / Proposed</b>	<b>1,260</b>	<b>920</b>	<b>900</b>	<b>820</b>
Reserve Fund Cancellation				60
<b>Total Payout Proposed</b>	<b>1,260</b>	<b>920</b>	<b>900</b>	<b>880</b>

Thank you