



PHILIP MORRIS ČR

In Kutná Hora on August 19, 2015

PRESS RELEASE

## **Philip Morris ČR a.s. reports mid-2015 financial results**

**Philip Morris ČR a.s. today reported net income of CZK 1.3 billion and consolidated revenues of CZK 5.1 billion for the first half of 2015, representing an increase of 27.9% and a decrease of 20.2% respectively versus the same period in 2014.**

### **Highlights for the half year ended June 30, 2015 include:**

- Consolidated net income up by 27.9% to CZK 1.3 billion;
- Consolidated revenues, net of excise tax and VAT, decreased by 20.2% to CZK 5.1 billion, primarily due to the change of operating model in production from January 1, 2015;
- Total cigarette market increase of 0.5% in the Czech Republic and decline of 0.7% in Slovakia;
- Cigarette share decline of 0.6 share points in the Czech Republic and increase of 2.4 share points in Slovakia;
- Shipment volume increase of 1.7% in the Czech Republic and increase of 3.4% in Slovakia

*“Our mid-year net income was helped by favorable pricing in both the Czech Republic and Slovakia, as well as by lower operating costs. Our consolidated revenues were primarily impacted by the change of our operating model in production from January 1, 2015, in line with our efforts to increase the competitiveness of our Kutná Hora factory. Our factory now operates as a manufacturing service provider, compared to a contract manufacturer in the past,”* said András Tövisi, Chairman of the Board of Directors and Managing Director of Philip Morris ČR a.s., the affiliate of Philip Morris International Inc. responsible for the company’s business in the Czech Republic and Slovakia.

*“As a result of this change, Philip Morris ČR a.s. does not own materials for the production and is being remunerated for the service of transformation of materials into finished goods, in a form of manufacturing service fee and at the same time does not record export shipments. The revenues generated from manufacturing services are principally lower than revenues from export shipments reported last year. This is in line with lower manufacturing costs associated with the service provided from January 1, 2015, compared to higher costs associated with export shipments prior to the operating model change,”* Tövisi added.

*“The total cigarette market grew slightly in the Czech Republic, however, our cigarette market share was unfavorably impacted primarily by the continued decline of our local brands and Red & White, partly offset by higher shares for L&M, Philip Morris as well as for Chesterfield. Our market share in Slovakia continued to grow steadily, primarily driven by the strong performance of Marlboro and Philip Morris, partially offset by shares declines of Red & White,”* said András Tövisi.

*“Future market trends largely depend on developments in the operating environment, with key components being the economic performance of both, our domestic and other markets, coupled with a predictable fiscal and regulatory environment that does not include excessive measures. This would also support both state budget revenues and public health objectives, while helping to prevent unintended consequences such as the growth of the illicit market for tobacco,”* said Tövisi.

The full 2015 Mid-Year Report is available at:

[http://www.pmi.com/en\\_cz/about\\_us/philip\\_morris\\_cr\\_shareholder\\_information/pages/2015\\_mid-year\\_report.pdf](http://www.pmi.com/en_cz/about_us/philip_morris_cr_shareholder_information/pages/2015_mid-year_report.pdf)

The Board of Directors  
Philip Morris ČR a.s.

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**Philip Morris ČR a.s.**

Philip Morris ČR a.s., an affiliate of Philip Morris International Inc., is the largest manufacturer and distributor of tobacco products in the Czech Republic and is listed on the Prague Stock Exchange (Burza cenných papírů Praha). The company, which has been present in the country since 1992, employs approximately 1 100 people across the Czech Republic and its portfolio comprised eight brands in 2014. Philip Morris ČR a.s. has a 99% interest in Philip Morris Slovakia s.r.o. registered in the Slovak Republic. Over the past 24 years, Philip Morris ČR a.s. has supported numerous charitable projects, including the development of social programs aimed at improving living conditions in local communities. For more information, see [www.philipmorris.cz](http://www.philipmorris.cz).

**Philip Morris International Inc. (PMI)**

PMI is the leading international tobacco company, with six of the world's top 15 international brands, including *Marlboro*, the number one cigarette brand worldwide. PMI's products are sold in more than 180 markets. In 2014, the company held an estimated 15.6% share of the total international cigarette market outside of the U.S., or 28.6% excluding the People's Republic of China and the U.S. For more information, see [www.pmi.com](http://www.pmi.com).