



PHILIP MORRIS ČR

In Kutná Hora on September 26, 2017

PRESS RELEASE

## **Philip Morris ČR a.s. Reports Mid-2017 Financial Results**

**Philip Morris ČR a.s. today reported consolidated revenues of CZK 5.8 billion and net income of CZK 1.6 billion for the first half of 2017, representing an increase of 7%, and of 24.7% respectively, versus the same period in 2016.**

**Highlights for the half-year ended June 30, 2017 include:**

- Consolidated revenues, net of excise tax and VAT, increased by 7 % (or 7.2%, when excluding the exchange rate impact) to CZK 5.8 billion, primarily due to favorable pricing in the Czech Republic and Slovakia, reflecting the impact of price increases implemented in 2016 and 2017;
- Consolidated net income increased by 24.7% to CZK 1.6 billion;
- Total cigarette market increased by 1.3% and 4.2% in the Czech Republic and Slovakia, respectively;
- Cigarette market share remained flat (at 45.8%) in the Czech Republic, and decreased by 0.7 share points (to 56.7%) in Slovakia;
- Cigarette shipment volume decreased by 2.0% in the Czech Republic and increased by 2.5% in Slovakia.

*„Our consolidated revenues were helped by favourable pricing in the Czech Republic and Slovakia, reflecting the impact of price increases, and also by a total cigarette market increase in both countries, driven by solid economic environment,“* said Árpád Könye, Chairman of the Board of Directors and Managing Director of Philip Morris ČR a.s., the affiliate responsible for the Philip Morris International Inc.'s business in the Czech Republic and Slovakia.

*„While the total cigarette market grew slightly in the Czech Republic, our cigarette market share remained flat. Continued market share growth of Marlboro, L&M and Chesterfield brands was fully offset by the decline of local brands. Concerning the total cigarette market in Slovakia, an increase was recorded, but our cigarette market share slightly decreased. This happened due to the decline of local brands market share, but was partially offset by the strong performance of L&M brand,“* Mr. Árpád Könye commented.

The full 2017 Mid-Year Report is available at:

[http://www.pmi.com/en\\_cz/about\\_us/philip\\_morris\\_cr\\_shareholder\\_information/pages/2017\\_mid-year\\_report.pdf](http://www.pmi.com/en_cz/about_us/philip_morris_cr_shareholder_information/pages/2017_mid-year_report.pdf)

### **The launch of IQOS and HEETS FROM MARLBORO on the Czech market**

Philip Morris ČR a.s. has launched smoke-free products *HEETS FROM MARLBORO* and *IQOS* in the Czech Republic. Tobacco sticks - *HEETS FROM MARLBORO* - are on sale at selected retail outlets in the main cities and the company plans a wider expansion by the end of the year, whereas the electronic device - *IQOS* - can be purchased in a newly-opened *IQOS Boutique* in Kutná Hora and at selected specialist tobacconists in key cities. *HEETS FROM MARLBORO* and *IQOS* can also be purchased on-line ([www.myiqos.com](http://www.myiqos.com)).

*IQOS* is an electronic device that heats specially designed tobacco sticks (called *HEETS FROM MARLBORO*) at temperatures well below combustion levels. It produces a tobacco based aerosol that provides real tobacco taste and satisfaction while reducing the levels of harmful and potentially harmful

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chemicals generated on average by 90 - 95% compared to the smoke of a standard reference cigarette, designed for scientific research purposes.<sup>1</sup>

Philip Morris International (PMI), the company of which Philip Morris ČR a.s. is an affiliate, is conducting extensive studies to prove the risk reduction potential of IQOS.

*“The launch of IQOS in the Czech market is another important milestone on our way to, one day, replace cigarettes with less harmful smoke-free alternatives. We believe it will be to the benefit of adult smokers as well as society a whole,”* said Árpád Könye, Chairman of the Board of Directors of Philip Morris ČR a.s.

IQOS was first launched in Japan and Italy in 2014 and is now available in 25 countries. Over three million adult cigarette smokers worldwide have already switched to IQOS.

In the Czech Republic, the recommended retail price of an IQOS device is CZK 2,690. For registered consumers there will be a limited „Registration kit“, consisting of an IQOS device and one bundle of HEETS FROM MARLBORO for recommended retail price CZK 1,790. The recommended retail price of the HEETS FROM MARLBORO tobacco sticks is CZK 100 per pack containing 20 tobacco sticks and CZK 900 for a carton containing 10 packs. HEETS FROM MARLBORO come in three different flavor variants.

PMI investment to research and development of reduced - risk products has exceeded USD 3 billion over a decade. R&D is conducted by more than 430 scientists and experts in PMI's facilities in Switzerland. PMI has also invested over USD 1,5 billion in manufacturing facilities to produce the tobacco sticks of our smoke-free products. This includes the construction of new heated tobacco factories in Italy and Germany, as well as the conversion of existing factories in Greece, Russia, Romania and Switzerland. The company was granted 2,350 patents and at present there are more than 3,750 pending patent applications for smoke-free related products.

#### **Philip Morris International (PMI) scientific studies on IQOS:**

PMI employs over 430 scientists, experts and staff whose responsibilities include conducting extensive studies to verify whether IQOS reduces risks of smoking-related diseases compared to cigarette smoking. Studies are designed according to well-recognized practices of the pharmaceutical industry and in line with US Food and Drug Administration Guidance for MRTPs (Modified Risk Tobacco Products). They include laboratory research, clinical studies with adult smokers, and research to understand the potential benefits of the product for public health, including how adult smokers perceive the product's risk and how they use the product in real-life conditions. Studies continue once the product is on the market. **Key findings to date include:**

- IQOS heats tobacco without burning it, producing no smoke.
- IQOS aerosol contains on average 90-95% lower levels of harmful and potentially harmful constituents – excluding nicotine – compared to cigarette smoke from a reference cigarette designed for scientific research purposes. As measured in laboratory models, the aerosol generated by IQOS is significantly less toxic than cigarette smoke.
- Adult smokers who switched completely to IQOS in two one-week and two three-month clinical studies reduced their biomarkers of exposure to 15 harmful constituents. Levels of biomarker of exposure approached those observed in people who stopped smoking for the duration of the studies.<sup>2</sup>

<sup>1</sup> Average of the reductions in the concentrations (weight per stick) of individual HPHCs measured in the IQOS aerosol compared to the smoke from a standard 9.4 mg 'tar' reference cigarette (3R4F). Aerosol and smoke collections performed under the Health Canada Intense machine-smoking regime (55 ml puff volume, 2 second puff duration, 30 second interval puff). Reduction calculations exclude nicotine.

<sup>2</sup> Sources:

a) Haziza C., de La Bourdonnaye G, Skiada D, Ancerewicz J, Baker G, Picavet P, Lüdicke F (2016) Evaluation of the Tobacco Heating System 2.2. Part 8: 5-day Randomized Reduced Exposure Clinical Trial in Poland. Regul. Toxicol. Pharmacol. 81 Suppl 2: S139-S150.

- *IQOS* use does not adversely affect indoor air quality and *IQOS* is not a source of second-hand smoke.<sup>3</sup>

PMI Studies are well advanced, and all findings to date indicate that *IQOS* is likely to present less risk of harm than cigarette smoking.

More information on *IQOS* and PMI's scientific research can be found at [www.pmi.com](http://www.pmi.com) and [www.pmiscience.com](http://www.pmiscience.com).

The Board of Directors  
Philip Morris ČR a.s.

### **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 more than 1 000 people across the Czech Republic and its portfolio comprised six brands in 2016. Philip Morris ČR a.s. has a 99% interest in Philip Morris Slovakia s.r.o. registered in the Slovak Republic. Over the past 25 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 a leading international tobacco company, with six of the world's top 15 international brands and products sold in more than 180 markets. In addition to the manufacture and sale of cigarettes, including Marlboro, the number one global cigarette brand, and other tobacco products, PMI is engaged in the development and commercialization of Reduced-Risk Products ("RRPs"). RRP is the term PMI uses to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking. Through multidisciplinary capabilities in product development, state-of-the-art facilities, and industry-leading scientific substantiation, PMI aims to provide an RRP portfolio that meets a broad spectrum of adult smoker preferences and rigorous regulatory requirements. For more information, see [www.pmi.com](http://www.pmi.com) and [www.pmiscience.com](http://www.pmiscience.com).

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b) Haziza C de La Bourdonnaye G, Merlet S, Benzimra M, Ancerewicz J, Donelli A, Baker G, Picavet P and Lüdicke F. (2016) Assessment of the reduction in levels of exposure to harmful and potentially harmful constituents in Japanese subjects using a novel tobacco heating system compared with conventional cigarettes and smoking abstinence: a randomized controlled study in confinement. *Regul. Toxicol. Pharmacol.* 81:489-499. (PMID: 27693654).

c) Lüdicke F, Picavet P, Baker G, Haziza C, Poux V, Lama N and Weitkunat R (2017a) Effects of switching to the Tobacco Heating system 2.2 menthol, smoking abstinence, or continued cigarette smoking on biomarkers of exposure: a randomized, controlled, open-label, multicenter study in sequential confinement and ambulatory settings (Part 1). *Nicotine Tob. Res.* *E-pub ahead of print.* (PMID: 28177489).

d) Lüdicke F, Picavet P, Baker G, Haziza C, Poux V, Lama N and Weitkunat R (2017b). Effects of switching to the menthol Tobacco Heating system 2.2, smoking abstinence, or continued cigarette smoking on clinically relevant risk markers: a randomized, controlled, open-label, multicenter study in sequential confinement and ambulatory settings (Part 2). *Nicotine Tob. Res.* *E-pub ahead of print.* (PMID: 28177498).

<sup>3</sup> Source: Mitova, M.I., Campelos, P.B., Goujon-Ginglinger, C.G., Maeder, S., Mottier, N., Rouget, E., Tharin, M., Tricker, A.R., 2016. Comparison of the impact of the Tobacco Heating System 2.2 and a cigarette on indoor air quality. *Regul. Toxicol. Pharmacol.* 80, 91-101.