MID-YEAR FINANCIAL REPORT 2024

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 30, 2024

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 2024

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 adult smokers who would otherwise continue to smoke or use nicotine with innovative smoke-free alternatives that reduce or have the potential to reduce risk compared to smoking tobacco.

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* with *TEREA*, *LEVIA* and *DELIA*[1] 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* 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 Klasik*, *Sparta*, *RGD* or *Start by Chesterfield*.

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 and efficient operations, which is as environmentally friendly as possible.

In the Czech Republic and Slovakia, PMI employs more than 1,100 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 her or his potential. Being awarded 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. Our sustainability initiatives in carbon footprint, water stewardship or equal career and development opportunities are regularly audited by external entities. At the same time, we have been contributing significantly to charitable projects across a wide range of organizations and specializations, including social programs aimed at improving living conditions in local communities.

[1] *DELIA tobacco consumables for IQOS ILUMA smoke-free devices are newly available in Slovakia.*

Consolidated Highlights

Key Financial Results (in CZK million)

Period ended June 30, 2024	2024	2023	Change in %
Revenues, net of excise tax and VAT	10,404	9,711	7.1
Profit from operations	2,167	1,826	18.7
Profit before income tax	2,342	2,017	16.1
Net income	1,850	1,653	11.9
Earnings per share (CZK)	674	602	

Shipments per Segment (in billion units equivalent)[2]

Period ended June 30, 2024	2024	2023	Change in %
Czech Republic	3.0	3.1	(4.2)
Slovakia	1.8	1.8	(1.6)
Total	**4.8**	**4.9**	**(3.2)**

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

Profit from Operations

CZK 2,167 mil. (+ 18.7%)

Net Income

CZK 1,850 mil. (+11.9%)

[2] *Shipments in the Czech Republic include cigarettes and high-volume tobacco for hand-made cigarettes (0.60 g is the equivalent of one cigarette), and smoke-free products such as HEETS and TEREA tobacco consumables, LEVIA tobacco-free nicotine consumables and Fiit sticks from KT&G as well as VEEV ONE e-cigarettes consumables and VEEV NOW (VEEBA) disposables (recalculated to cigarette equivalents). Shipments in Slovakia include cigarettes and smoke-free products such as heated HEETS, TEREA and DELIA tobacco consumables, and Fiit sticks from KT&G as well as VEEV ONE e-cigarettes consumables and VEEV NOW (VEEBA) disposables (recalculated to cigarette equivalents) .*

Overview of Selected Events in the First Half of 2024

January

- The corporate income tax rate was increased in the Czech Republic from 19% to 21% effective as of January 1, 2024.
- As part of streamlining our classic cigarette portfolio, *L&M Red* 100's were transformed into the highly successful *Marlboro Crafted Red 100's*.
- The premium electronic cigarette *VEEV One* was introduced on the Slovak market, in a wide range of ten flavours.

February

- In the category of heated tobacco, another novelty was included for sale in the Czech Republic and Slovakia – *IQOS ILUMA Refreshed* device. This option is part of our product sustainability programs. These are previously discarded devices that customers returned to one of the collection points within the sales network and which after refurbishing meet the quality criteria of a new device. The ones with a "Refreshed" sticker are then on sale at a discounted price.
- Already at the end of the previous year, we were one of the first countries in the world to launch *LEVIA* tobacco-free sticks for *IQOS ILUMA* devices in the Czech Republic. In February, we started their expansion within the retail network.

March

- Riding on the momentum of *Marlboro Crafted's* market share growth, we introduced two new variants in March: *Marlboro Crafted Compact Blue* slims & *Marlboro Crafted S-Line* superslims. Subsequent commercial support resulted in incremental share for the total brand family.

April

- Celebrating *L&M* brand's 70th anniversary since its foundation, we launched a limited edition as a homage to the heritage and brand values of openness and internationality the brand represents across the globe.
- Shareholders of Philip Morris ČR a.s. at the ordinary general meeting on April 30, 2024, accepted the report of the Board of Directors on the company's business activities, approved the regular separate and consolidated financial statements of the company for 2023 and the payment of a gross dividend for 2023 in the amount of CZK 1,220 per share.

May

- To celebrate 10 years since the first world introduction of *IQOS* in 2014, we launched the limited edition *IQOS ILUMA Neon Purple* in both of our markets. The award-winning design embodies our passion for progress, innovation, and the vibrant energy of neon purple hues.

June

- Fabio Costa, who previously served as Vice President for Strategy at Philip Morris International (PMI), has been appointed to the position of Managing Director of Philip Morris ČR a.s., effective June 1, 2024, replacing Andrea Gontkovičová.
  From August 1, 2024, Fabio Costa has been also appointed as the Chairman of the Board of Directors of Philip Morris ČR a.s.
- Underlining our product sustainability efforts, we have placed mini portable ashtrays into *Marlboro Red & Gold KS* package, which serves as an anti-littering tool for those situations when adult smokers cannot dispose their used cigarette sticks to a regular waste.
- In Czech market we introduced the most intense tobacco flavour *TEREA KONA* for our *IQOS ILUMA* device.
- In Slovak market a new line of *DELIA* tobacco sticks was introduced, paying tribute to tobacco classics, in four different flavours.
- *VEEV One* electronic cigarette reaps success. It is not only the market leader within the closed system with a share of 37.7% (as per Nielsen), but also ranked first in the respected Consumer Choice 2024 competition as the novelty of the year in the electronic cigarette category. In June, the new fresh fruit flavour Grape was also introduced, which very soon became one of the most popular flavours in the category. There are a total of thirteen flavours available on the market, which can help to the transition of adult smokers to smoke-free alternatives.

Business Results in the First Half of 2024

Consolidated Financial Results

Despite the impact of the ban on characterizing flavored heated tobacco products in the Czech Republic, our company demonstrated resilience, achieving double digit bottom-line growth.

On the macroeconomic environment, the stabilization observed in the latter part of 2023 continues solidifying, creating a more favorable landscape for pricing strategies. This, combined with the expansion of our smoke-free product portfolio[3] enables us to continue meeting the evolving needs of adult consumers. Our alternatives, particularly in the heat-not-burn[4] category, and the strong performance of *VEEV* in the vaping market are driving significant traction in both Czech and Slovak Republics.

This has led to an increase of our reported consolidated revenues, net of excise tax and VAT by 7.1 % or CZK 0.7 billion to CZK 10.4 billion (vs. the first half of 2023). Excluding currency, our consolidated revenues, net of excise tax and VAT, increased by 4.7% or CZK 0.5 billion. This was primarily driven by favorable net pricing on combustible and smoke-free portfolios (CZK 0.8 billion) and higher sales of smoke-free portfolio (CZK 0.1 billion) partially offset by lower combustible portfolio sales volumes (CZK 0.4 billion) reflecting total market contraction and share of market development.

Profit from operations of CZK 2.2 billion increased by 18.7% (vs. the first half of 2023) supported by favorable revenue development, on the back of pricing and smoke-free portfolio positive volume contribution. This includes a currency tailwind of 6.6pp, excluding the impact of currency profit from operations increased by 12.1%. Net income of CZK 1.9 billion increased by 11.9% (vs. the first half of 2023), reflecting the items noted above.

Business in the Czech Republic

Domestic revenues, net of excise tax and VAT, increased by 2.4% (vs. the first half of 2023) to CZK 6.0 billion, driven by favorable net pricing on combustible and smoke-free portfolios (CZK 0.2 billion) and positive pricing on *IQOS* devices (CZK 0.2 billion) partially offset by lower volumes essentially combustible (CZK 0.3 billion).

The total combined market of cigarettes and heat-not-burn units decreased by an estimated 7.1% (vs the first half of 2023) to 7.2 billion units mainly driven by cigarette market contraction primarily due to cross border sales deterioration coupled with underlying lower consumption as well the annualization of the ban on heated tobacco products with characterizing flavours introduced in October 2023.

The estimated combined market share of Philip Morris ČR a.s. increased by 0.1 share points (vs. the first half of 2023) to 39.7% due to the growth on heat-not-burn consumables reflecting the consumer driven market dynamics to look for smoke-free alternatives. This growth of 0.6 share points was partially offset by the elasticity driven decrease of 0.5 share points in cigarettes due to the portfolio underrepresentation in the growing more affordable segment.

Domestic combustible portfolio shipments (cigarettes and fine-cut tobacco, combined) of Philip Morris ČR a.s. decreased by 0.1 billion units (vs. the first half of 2023) to 1.9 billion units, reflecting the decline in total market and lower market share. The shipments of smoke-free products[5] remained essentially flat at 1.1 billion units in the same period, with the organic growth being offset by the annualization of the ban on heated tobacco products with characterizing flavours introduced in October 2023.

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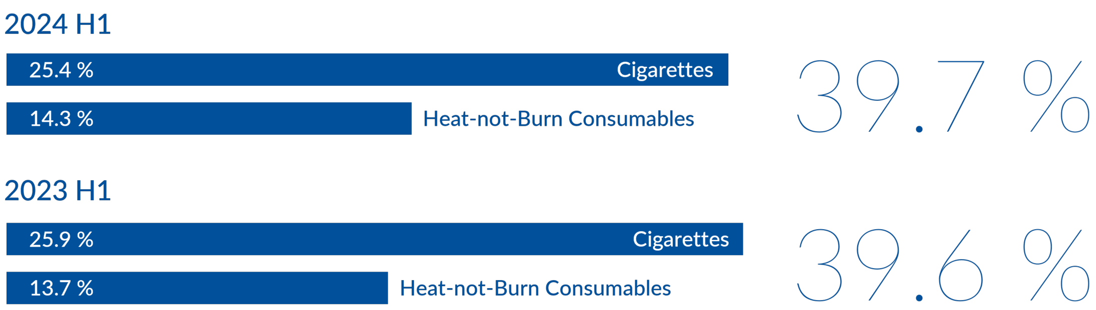
[3] Smoke-free portfolio includes heated tobacco products, which is the term we use to describe consumables for heated tobacco devices, which include *HEETS*, *TEREA*, *LEVIA, DELIA* and licensed *KT&G Fiit* brands, as well as electronic cigarettes *VEEV ONE* and *VEEV NOW (VEEBA).*

[4] Combustible portfolio includes cigarettes and volume tobacco for make-your-own cigarettes.

[5] Smoke-free products include heated tobacco units as the term we use to refer to heated tobacco consumables, which include *HEETS*, *TEREA*, and the *KT&G'* licensed brand *Fiit*, non-tobacco consumables *LEVIA*, as well as electronic cigarettes such as *VEEV ONE* and *VEEV NOW (VEEBA).*

Market share in the Czech Republic



Source: Philip Morris ČR a.s. internal estimates based on a monthly tabulation of cigarettes and heat-not-burn sales data by PwC

Business in Slovakia

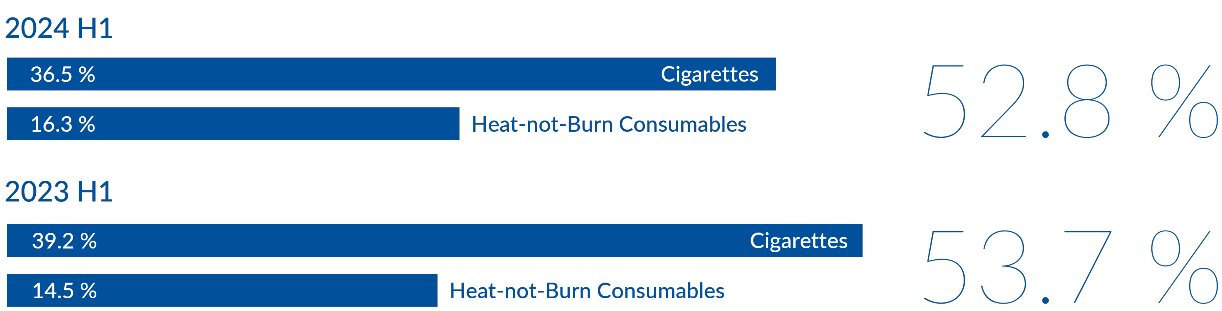
Philip Morris Slovakia s.r.o. revenues, net of excise tax and VAT, increased by 17.1% (vs. the first half of 2023) to EUR 124 million, driven by higher sales of smoke-free portfolio (EUR 7.9 million) and favorable net pricing on combustible and smoke-free portfolios (EUR 17.6 million) offset by lower combustible product sales (EUR 5.7 million) and negative pricing of *IQOS* devices (EUR 1.7 million).

The total combined market of cigarettes and heat-not-burn units decreased by an estimated 1.6% (vs. the first half of 2023) to 3.4 billion units driven by cigarette market contraction due to underlying decline in consumption.

The estimated combined market share of Philip Morris Slovakia s.r.o. decreased by 0.9 share points (vs. the first half of 2023) to 52.8% due to cigarettes portfolio underrepresentation in the growing more affordable segment exacerbated by relevant market pricing. This decrease of 2.7 share points was partially offset by growth of 1.8 share points on heat-not-burn consumables reflecting the consumer driven market dynamics to look for smoke-free alternatives.

Domestic combustible portfolio shipments of Philip Morris Slovakia s.r.o. decreased by 0.1 billion units (vs. the first half of 2023) to 1.2 billion units, reflecting the decline in total market and lower market share. The shipments of smoke-free products[6] increased by 0.1 billion units (vs. the first half of 2023) to 0.6 billion units in the same period driven by organic category growth.

Market share in Slovakia



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 increased by 1.6% (vs. the first half of 2023) to CZK 1.3 billion by maintaining the production volume at high level.

[6] *Smoke-free products include heated tobacco units as the term we use to refer to heated tobacco consumables, which include HEETS, TEREA, DELIA and the KT&G' licensed brand Fiit, as well as electronic cigarettes such as VEEV ONE and VEEV NOW (VEEBA).*

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 2024 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 tobacco product taxes, higher absolute prices and larger gaps between retail price categories, and product regulation that diminishes the ability to differentiate tobacco products.

Consumer Preferences

We may be unable to anticipate changes in adult consumer preferences or to respond to consumer behaviours, 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 tobacco 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 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 2023 and, according to the empty pack survey[7], the share of counterfeit products continues to grow in 2024.

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 and other nicotine 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 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.

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, 2023 and introduced the following changes:

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[7] *Source: KPMG report - Illicit Cigarette Consumption in Europe - 2023 Results (pmi.com)*

- 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.

The table shows tax rates in 2023 - 2027:

	2023	2024	2025	2026	2027
Cigarettes					
– 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

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%.

On September 27, 2024, a new Act no. 233/2024 Coll. further amending certain laws of Act no. 106/2004 Coll. on tobacco excise taxes, came into force, introducing the following changes:

- A four-year calendar of tobacco excise tax increases for years 2025 to 2028. As of February 1, 2026, the specific component of the cigarette excise tax rate will increase by 12% and the minimum tax rate will increase by 12%. The excise tax rate on tobacco for smoking will increase by 27%. As of February 1, 2028, the specific component of the cigarette excise tax rate will increase by 11% and the minimum tax rate will increase by 11%. The excise tax rate on tobacco for smoking will increase by 18%. The ad valorem component of the cigarette excise tax remains unchanged (at 25%). The excise tax rate on heated tobacco products will increase by 13% in 2026 and by 11% in 2028. These excise tax increases are accompanied by sell-by-date anti-forestalling regulation applicable to cigarettes with a two-month period and heated tobacco products with a three-month period.
- The introduction of an excise tax on e-liquids for e-cigarettes with a tax rate of EUR 0.20 per ml in 2025 with further increases to EUR 0.30 per ml in 2027.
- The introduction of an excise tax on nicotine pouches with a tax rate of EUR 0.10 per gram in 2025 with further increases to EUR 0.20 per gram in 2027.

The table shows tax rates in 2023 - 2028:

	2023	2024	2025	2026	2027	2028
Cigarettes						
– 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	184.0
Tobacco for smoking (€ per kg)	101.3	139.0	139.0	177.0	177.0	209.5
Heated tobacco products (€ per kg of tobacco)	187.8	211.3	211.3	238.1	238.1	264.8
E-liquids for e-cigarettes (€ per ml)			0.2	0.2	0.3	0.3
Nicotine pouches (€ per g)			0.1	0.1	0.2	0.2

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 flavourings 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 “flavour 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
- enhanced reporting obligations to other related products
- new set of requirements related to the tracking and tracing of tobacco products in order to enhance the effectiveness of illicit trade prevention, as of May 2024 extended also to other tobacco products

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

The extension of the “flavour ban” to heated tobacco products, which had already existed for cigarettes and roll-your-own tobacco, became effective on November 23, 2022, when Commission Delegated Directive 2022/2100 ("Directive 2022/2100") of June 29, 2022, amending Directive 2014/40/EU of the European Parliament and of the Council as regards the withdrawal of certain exemptions in respect of heated tobacco products, entered into force. On May 30, 2023, the Czech Parliament approved the Amendment to Act No. 110/1997 Coll., on food and tobacco products, where the new provisions were transposed and entered into force on October 23, 2023.

Not all neighbouring countries have yet transposed the new rules into their national legislation. In the case of the Czech Republic, there is therefore a risk that domestic adult users will be encouraged to buy flavoured heated tobacco products in other countries. A possible extension of the flavour ban to other products in our portfolio, such as electronic cigarettes and nicotine pouches, would pose an additional risk, especially if the ban is not based on EU legislation and is not implemented in neighbouring countries.

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. The extension of the “flavour ban” to heated tobacco products will be effective as of January 1st 2025 with clean shelf.

Single Use Plastics Directive

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[8].

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

[8] *Article 1 of the Directive 2019/904 of June 5,2019 on the reduction of the impact of certain plastic products on the environment.*

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 are being 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 is December 1, 2024.

In order 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 of Act No. 243/2022 Coll.[9], 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, and in July 2023 it submitted an application to the Ministry of the Environment of the Czech Republic for authorization to operate a collective system (EPR system), which included a proposal for the method of calculating the reimbursement of the costs of municipalities for ensuring activities associated with the cleaning and collection of littered tobacco products with a filter after their consumption in public spaces. The authorization was granted 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.

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 Chairman of the Board of Directors, and also one member of the Supervisory Board. In order for SPAK-EKO a.s. to have authorization to operate a collective system (EPR system) from December 2024 a change in legislation is needed. The Ministry of Environment is planning to change the respective Act. No. 79/2015 on waste and on amendments to certain laws in 2024.

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

After the COVID-19 induced economic shocks in 2020 and 2021, and initial shock triggered by Russian invasion of Ukraine in 2022, both the Czech Republic and Slovakia, were adversely hit by stagnating GDP and increasing inflationary pressures impacting the consumption patterns of households in both countries. The 2023 economic situation and consumer mood started to cautiously recover, and the situation continues to improve, large portion of economic data is displaying positive trends.

According to the data from the Czech Statistical Office, the gross domestic product in Q2 2024 increased by 0.6% versus prior year[10]. Inflation decreased in June 2024 to 2.0%[11], improving 4.9pp vs December 2023, reaching the long-term CNB goal of 2%. Compared to last year, real wages of households increased by 3.9%[12], for the first time since Q4 2021, due to inflation moderating. Consumer confidence is sharply improving, almost at summer 2021 levels. Retail sales grew throughout year to date 2024 reaching 3.7% in June[13] compared to prior year. The economic data suggests improvements across the board, and we remain cautiously optimistic about the remainder of the year.

Natural gas and electricity are the main source of energy in our production plant in Kutná Hora. The decrease in utilities costs around CZK 50 million in the first half of 2024 compared to the same period last year is driven mainly by positive price development and partially resulted from reduced consumption.

[9] *Act No. 243/2022 Coll. on the reduction of the impact of certain plastic products on the environment.*

[10] *Source: Quarterly GDP estimates | Statistics (gov.cz)*

[11] *Source: Inflation, Consumer Prices | Statistics (gov.cz)*

[12] *Source: Employees and wages | Statistics (gov.cz)*

[13] *Source: Czech Republic Retail Sales YoY (tradingeconomics.com)*

We expect 2024 outlook to remain optimistic. According to the latest projections of CNB, it is expected that inflation will further decline towards the long-term goal of 2%, GDP to recover from mild declines to 1.4% growth, and energy prices to remain stable. All of this should improve consumer sentiment and consumer spending.

Our business will remain exposed to consumer down-trading to cheaper cigarettes and other nicotine-delivery alternatives, as well as to an increase in cross-border transactions. We also remain committed to continuing to implement our planned productivity initiatives to manage our cost base and maximize the return on our investments.

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, their recurrence, for pandemic specifically also the actions taken to contain its spread and to mitigate its public health effects, and the ultimate economic consequences thereof.

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.

Impact of Russia's Invasion of Ukraine

The ongoing military conflict in Ukraine and subsequent sanctions applied to Russia and Belarus do not have additional significant impact on our operation. We do not perform any business activity directly in those countries, the initial issues in supply chain were resolved and we have not observed any new threat in 2024.

Cyber Security Threads

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.

Sustainability and Social Responsibility

Sustainability is core to the transformation of the PMI Group, including Philip Morris ČR a.s. and Philip Morris Slovakia s.r.o. (the Company). For us, sustainability means creating long-term value while minimizing the negative impacts associated with our products, operations and value chain and maximizing the positive impact we have on the world around us. We maintain a focus on sustainability in all parts of our business.

PMI Group's approach to sustainability is focused on developing strategies that can successfully address environmental, social and governance issues. As part of the global assessment of the importance of topics related to sustainability (Sustainability Materiality Assessment), certain topics were identified as a priority. PMI's strategy embodies the notion of two distinct views of social and environmental impact from two different angles – the impact generated by our products (what we produce) and the impact generated by our business operations (how we produce it). Our ambition is to be a true leader in sustainable business practices. It also represents an opportunity for growth and our strongest competitive advantage.

In the Czech Republic and Slovakia, we are aligned with the global approach. In 2022 we went through local the validation of the global Sustainability Materiality Assessment to tailor the global strategy to local needs. More information on the local assessment can be found in the document "Udržitelnost a odpovědné podnikání 2022" (available in Czech language only)[14] . Currently we are undertaking a new double materiality assessment, in line with Corporate Sustainability Reporting Directive (CSRD) requirements, to identify which sustainability matters are most material to our Company and our stakeholders.

An overall picture of each sustainability-related topic is available in the 2023 Annual Financial Report. In this 2024 Mid-Year Financial Report, we focus mainly on significant changes or events that have occurred during the first half of 2024.

Governance

We conduct business ethically and with integrity. We clearly define the ethical and compliance expectations to which we hold ourselves and the third parties with whom we work, and we back up these expectations with governance and management systems to ensure we deliver on them.

The key rules are formalized in PMI's Code of Conduct[15] setting clear standards and expectations addressing key risk areas. Its mandatory provisions apply to all employees, officers, and directors. The Code of Conduct is supplemented with Internal Policies, which provide more specific guidance on these and other topics.

More detailed information on Governance is available in the 2023 Annual Financial Report.

Social

Our long-term business success relies on our people: human capital in the form of our employees' dedication, talent, and passion. It is essential for us to provide a fair and inclusive workplace that upholds good working conditions and labour rights, protects the health and safety of employees, promotes their well-being, and offers opportunities to grow, increase their skills and capabilities, and improve their employability.

Investing in our people and providing them with meaningful opportunities helps us to recruit and retain talented individuals who can contribute to our company's purpose and achieve high productivity and efficient operations in a context of rapid change. Furthermore, we

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[14] *Source: https://www.pmi.com/..../Udržitelnost a odpovědné podnikání 2022*

[15] *Source: https://www.pmi.com/.../PMI Code of Conduct*

strongly believe that an inclusive culture embracing diversity better attracts talent and improves decision-making, innovation, customer orientation, and employee satisfaction.

In the first half of 2024, there were no changes in the following areas:

- Diversity, inclusion, and equality
- Fair working conditions
- Safety and health protection
- Product impact on society

We continue in our activities and efforts as described in the 2023 Annual Financial Report.

Employee remuneration

The Company's approach to employee remuneration didn't change. As part of the regular annual performance-based salary revision, we have decided to adjust salaries by an average of 7% across our entire employee population effective April 2024.

Corporate philanthropy / Social contributions

The Company's approach regarding social contributions didn't change. Both, Philip Morris ČR a.s. and Philip Morris Slovakia s.r.o. continue to financially contribute to charitable projects across a wide range of organizations and specializations which is described in detail in the 2023 Annual Financial Report.

On top of the social contributions, we are active also in volunteering and donation's type of activities, demonstrated by a couple of examples described below.

Within the Czech affiliate:

- Employee volunteers participated in the global initiative World Clean Up Day (locally the spring part of the "Let's Clean Up Czechia" event) and cleaned up the environment around our Kutná Hora production plant in April 2024.
- At the beginning of June, volunteer help was provided in the form of an escort for wheelchair users from the St. Joseph's Home in Žireč near Dvůr Králové nad Labem.
- As part of the June Corporate Volunteering Day, nearly 40 employees of the Czech affiliate were involved in helping non-profit organizations in five locations. They devoted themselves to activities for which the organizations have no time and especially no money, for example reclaiming the garden, preparing the premises for a children's camp, washing windows or painting rooms.
- In June, the factory employees had the opportunity to donate blood as part of a regular visit by a mobile blood donation team from the Military University Hospital in Prague.

Within the Slovak affiliate:

- Employees organized a winter clothes collections in February 2024. Collected clothes and other necessities were donated to the organization Domov pre kazdeho.
- In June 2024, 56 of our colleagues in Bratislava, Nitra, Žilina and Trnava took part in the annual volunteering activity Naše mesto (Our City).

We are very happy and proud that our support helps both at the national and local level, and thus we can contribute to better and more sustainable living conditions for many people.

Environmental

Climate-related matters, goals, activities, and progress

During the first half of 2024, there were no changes in our Climate related strategies and goals. We continue in our activities and efforts as described in the 2023 Annual Financial Report, extended by a couple of new initiatives implemented.

In the first half of 2024, the Company continued in its long-term and continuous efforts to reduce the environmental impact of its operations. The company continuously identifies opportunities for technical innovation with a focus on energy consumption reduction and emissions reduction at Kutná Hora manufacturing plant. The goal is to reduce the impact on the environment and keep a carbon neutrality certificate for the factory (since 2020, the plant has been repeatedly declared carbon neutral within Scope 1+2). In June 2024, an internal campaign for employees within the manufacturing site was conducted to save compressed air. The aim is to reduce the energy required to produce it.

Within the framework of Product Sustainability Strategy, we continued with activities focused on post-consumer waste reduction, namely Device Take Back and Consumables Take Back programs (Circular Programs), to ensure proper recycling of electronic devices within the framework of the PMI CIRCLE project and take care of used heated smoke-free sticks. In February 2024 we launched an *IQOS ILUMA* Refreshed initiative in the Czech Republic and Slovakia, offering our adult users a refurbished *IQOS* device for purchase. These are previously discarded devices that consumers returned to one of the collection points within the retail network, and which after refurbishing meet the quality criteria of a new device. The ones with a "Refreshed" sticker are then on sale at a discounted price, and covered by the same warranty as a brand-new devices. In other words, we are evolving from a collection-for-recycling-only model to a collection-for-reuse-and-recycling model. Even with this step, we want to further reduce the environmental impact of our products and their carbon footprint respectively.

More information on PMI's global approach and performance on environmental, social and governance issues, including GHG emissions Scope 3, can be found in the Integrated Report 2023 of Philip Morris International Inc., which has been published on 28 March 2024 and is accessible at www.pmi.com/sustainability.

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 2024 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 2024 Mid-year Financial Report of Philip Morris ČR a.s. for the half-year ended June 30, 2024, are not reviewed by the auditor.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Statement of Financial Position

at June 30, 2024 (in CZK million)

ASSETS	Note	30/06/2024	31/12/2023
Property, plant and equipment ("PP&E")	7	2,638	2,820
Right-of-use assets	8	306	338
Intangible assets		1	1
Deferred tax assets		54	54
Investments in associates		2	2
Other financial assets	10	115	113
Non-current assets		**3,116**	**3,328**
Inventories	9	1,500	1,109
Trade and other financial receivables	10	1,053	1,627
Other non-financial assets	10	3,235	2,263
Current income tax receivable		17	49
Cash and cash equivalents	11	6,205	7,526
Current assets		**12,010**	**12,574**
Total assets		**15,126**	**15,902**

EQUITY & LIABILITIES	Note	30/06/2024	31/12/2023
Registered capital		2,745	2,745
Share premium and other shareholders' contributions		2,375	2,384
Retained earnings		1,896	3,382
Other reserves		2	5
Equity attributable to the shareholders of the Company		**7,018**	**8,516**
Non-controlling interest		**—**	**1**
Total equity		**7,018**	**8,517**
Deferred tax liability		141	155
Lease liabilities	8	193	207
Non-current liabilities		**334**	**362**
Trade and other financial liabilities	12	3,104	2,498
Other non-financial liabilities	12	289	310
Current income tax liabilities		6	15
Other tax liabilities	13	4,234	4,050
Provisions		27	23
Lease liabilities	8	114	127
Current liabilities		**7,774**	**7,023**
Total liabilities		**8,108**	**7,385**
Total equity & liabilities		**15,126**	**15,902**

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

Condensed Interim Consolidated Statement of Comprehensive Income

at June 30, 2024 (in CZK million)

	Note	01/01/2024 - 30/06/2024	01/01/2023 - 30/06/2023
Revenues	6	10,404	9,711
Cost of sales	14	(5,747)	(5,493)
Gross profit		**4,657**	**4,218**
Distribution expenses	14	(1,534)	(1,435)
Administrative expenses	14	(957)	(943)
Other operating income		48	84
Other operating expense		(47)	(98)
Profit from operations		**2,167**	**1,826**
Financial income	6	213	230
Financial expense	6	(38)	(39)
Profit before income tax		**2,342**	**2,017**
Income tax expense		(492)	(364)
Net profit for the mid-year		**1,850**	**1,653**
Attributable to:			
Owners of the parent		1,850	1,653
Non-controlling interest		—	—
Other comprehensive income		**(3)**	**1**
Currency translation adjustments*		(3)	1
Total comprehensive income for the mid-year		**1,847**	**1,654**
Attributable to:			
Owners of the parent		1,847	1,654
Non-controlling interest		—	—
Earnings per share basic and diluted (CZK/share)		**674**	**602**

*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, 2024 (in CZK million)

	Note	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 1/1/2023		**2,745**	**2,383**	**2**	**—**	**3,635**	**1**	**8,766**
Net profit for the mid-year		—	—	—	—	1,653	—	**1,653**
Currency translation adjustments		—	—	—	1	—	—	**1**
Total comprehensive income for the mid-year		**—**	**—**	**—**	**1**	**1,653**	**—**	**1,654**
Transactions with owners								**—**
Profit distribution	15	—	—	—	—	(3,596)	(1)	**(3,597)**
Share based payments		—	(12)	—	—	—	—	**(12)**
Forfeited dividends		—	—	—	—	3	—	**3**
Other		—	—	—	—	(3)	—	**(3)**
Balance as at 30/06/2023 (unaudited)		**2,745**	**2,371**	**2**	**1**	**1,692**	**—**	**6,811**
Balance as at 01/01/2024		**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**
Transactions with owners								
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**

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

Condensed Interim Consolidated Cash Flow Statement

at June 30, 2024 (in CZK million)

	Note	01/01/2024 - 30/06/2024	01/01/2023 - 30/06/2023
Cash flow from operating activities			
Profit before tax		**2,342**	**2,017**
Depreciation and amortization expense	14	355	317
Impairment loss and loss on disposal of PP&E	7	1	30
Net interest (income) / expense		(174)	(192)
Gain on disposal of PP&E		—	(2)
Change in provisions		4	(2)
Other non-cash transactions, net		(21)	(7)
Operating cash flows before working capital changes		**2,507**	**2,161**
Changes in:			
Trade and other financial receivables and other non-financial assets		(368)	(925)
Trade and other financial liabilities and other non-financial liabilities		785	(668)
Inventories		(391)	(298)
Cash generated from operations		**2,533**	**270**
Interest paid	6	(38)	(39)
Income tax paid		(469)	(502)
Net cash generated from operating activities		**2,026**	**(271)**
Cash flow from investing activities			
Purchase of PP&E	7	(155)	(328)
Proceeds from sale of PP&E		—	31
Interest received	6	213	230
Net cash used by investing activities		**58**	**(67)**
Cash flow from financing activities			
Dividends paid to owners of the parent	15	(3,349)	(2,204)
Dividends paid to non-controlling interest		(1)	(1)
Repayments of principle portion of lease liability		(71)	(39)
Net cash used by financing activities		**(3,421)**	**(2,244)**
Net increase in cash and cash equivalents		**(1,337)**	**(2,582)**
Cash and cash equivalents as at the beginning of the year	**11**	**7,526**	**7,631**
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		16	(12)
Cash and cash equivalents as at the end of the mid-year	**11**	**6,205**	**5,037**

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, 2024

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, 2024, Philip Morris International Inc. is the ultimate controlling party of the Group.

As at June 30, 2024, 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.

The Group's condensed interim consolidated financial statements were authorized for issue by the Board of Directors on September 30, 2024.

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 last annual consolidated financial statements as at and for the year ended December 31, 2023, which have been 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 the same as those applied in the last annual consolidated financial statements for the year ended December 31, 2023.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

New standards, amendments and interpretations effective from January 1, 2024 do not have a material effect on the Company's 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 expense. 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 were the same as those that applied to the annual consolidated financial statements for the year ended December 31, 2023, with the exception of changes in estimates that are required in determining the provision for income taxes.

In preparing these condensed interim consolidated financial statements we also took in consideration the ongoing military conflict in Ukraine and subsequent sanctions applied to Russia and Belarus which do not have additional significant impact on our operation and condensed interim consolidated financial statements. We do not perform any business activity directly in those countries, the initial issues in supply chain were resolved and we have not observed any new threat in 2024.

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. The 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, 2023. There have been no changes in the risk management processes since Year-End 2023 or in any risk management policies.

5.2. Liquidity risk

Compared to Year-End 2023 there was no material change in the contractual undiscounted cash out flows 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 the allocation of resources and assessment of performance. The chief operating decision-maker has been identified as the Group's management team.

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

For the 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 and 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, 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
External revenues	**6,005**	**3,090**	**1,309**	**10,404**
Management gross profit	2,903	1,747	960	5,610
Management profit from operations	1,156	841	169	2,166

The segment results for the period ended June 30, 2023 are as follows:

(in CZK million)	Czech Republic (Distribution)	Slovak Republic (Distribution)	Manufacturing Service	Total
Total gross segment revenues	6,765	2,557	—	9,322
Inter-segment revenues	(912)	—	—	(912)
Services provided	13	—	1,288	1,301
External revenues	**5,866**	**2,557**	**1,288**	**9,711**
Management gross profit	2,826	1,485	871	5,182
Management profit from operations	1,108	697	35	1,840

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

(in CZK million)	01/01/2024 - 30/06/2024	01/01/2023 - 30/06/2023
Management gross profit	**5,610**	**5,182**
Royalties	(306)	(256)
Fixed manufacturing expenses	(647)	(708)
Gross profit	**4,657**	**4,218**

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

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

(in CZK million)	01/01/2024 - 30/06/2024	01/01/2023 - 30/06/2023
Management profit from operation	**2,166**	**1,840**
Other operating income / (expense), net	1	(14)
Interest income	213	230
Interest expense	(38)	(39)
Profit before tax	**2,342**	**2,017**

Depreciation, amortization and impairment charge included in management profit from operations allocated to individual segments in 2024 and 2023 is as follows:

(in CZK million)	Czech Republic (Distribution)	Slovak Republic (Distribution)	Manufacturing Service	Total
2024	40	21	295	**356**
2023	36	20	291	**347**

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

(in CZK million)	01/01/2024 - 30/06/2024	01/01/2023 - 30/06/2023
Sales of merchandise	9,058	8,410
Sales of services	1,346	1,301
Total	**10,404**	**9,711**

Revenue analysis by timing of revenue recognition:

(in CZK million)	01/01/2024 - 30/06/2024	01/01/2023 - 30/06/2023
Sales recognized at time of shipment	9,058	8,410
Revenues recognized over time	1,346	1,301
Total	**10,404**	**9,711**

Revenues from customers or groups of customers under common control exceeding 10% of the Group's revenues: revenue of CZK 2,660 million (2023: CZK 2,630 million) derived from one customer is included in segment Czech Republic (distribution) and revenue of CZK 1,309 million (2023: CZK 1,288 million) derived from the PMI group of companies is included in segment Manufacturing Services.

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 2,834 million (at December 31, 2023: CZK 3,038 million) from which CZK 2,702 million is used to support Manufacturing service related activities (at December 31, 2023: CZK 2,896 million) and CZK 132 million to support Distribution related activities (at December 31, 2023: CZK 142 million) and those located in Slovak Republic supporting only Distribution activities is CZK 110 million (at December 31, 2023: CZK 121 million).

7. Property, plant and equipment

(in CZK million)	Property, Buildings & Constructions	Vehicles & Machinery Equipment	Furniture & Fixtures	Constructions in progress & Advances paid	Total
As at 1/1/2023					
Cost	2,301	7,008	77	284	9,670
Accumulated depreciation	(1,953)	(4,875)	(59)	—	(6,887)
Net carrying amount	**348**	**2,133**	**18**	**284**	**2,783**
Six months ended 30/06/2023					
Opening net carrying amount	348	2,133	18	284	2,783
Additions cost	6	171	7	186	370
Disposal net carrying amount	—	(30)	—	—	(30)
Transfers*	32	78	3	(113)	—
Depreciation charge	(27)	(247)	(4)	—	(278)
Closing net carrying amount	**359**	**2,105**	**24**	**357**	**2,845**
As at 30/06/2023					
Cost	2,339	7,103	87	357	9,886
Accumulated depreciation	(1,980)	(4,998)	(63)	—	(7,041)
Net carrying amount	**359**	**2,105**	**24**	**357**	**2,845**
As at 1/1/2024					
Cost	2,386	7,021	96	272	9,775
Accumulated depreciation	(2,002)	(4,886)	(67)	—	(6,955)
Net carrying amount	**384**	**2,135**	**29**	**272**	**2,820**
Six months ended 30/06/2024					
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)
Closing net carrying amount	**369**	**2,087**	**24**	**158**	**2,638**
As at 30/06/2024					
Cost	2,396	6,914	95	158	9,563
Accumulated depreciation	(2,027)	(4,827)	(71)	—	(6,925)
Net carrying amount	**369**	**2,087**	**24**	**158**	**2,638**

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

During the reporting period, the Group retired some machinery and equipment that it identified as no longer needed and approved their retirement at a residual value of CZK 1 million (2023: CZK 1 million).

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

8. Leases

The recognised right-of-use assets relate to following types of assets:

(in CZK million)	30/06/2024	31/12/2023
Office spaces and warehouses	130	165
Cars	27	57
Stores	108	99
Employee flats	41	17
Total	**306**	**338**

The recognised lease liabilities relate to following types of liabilities:

(in CZK million)	30/06/2024	31/12/2023
Current liabilities	114	127
Non-current liabilities	193	207
Total	**307**	**334**

Interest expense on lease liabilities included in finance costs represented amount CZK 7 million (2023: CZK 3 million).

Depreciation expense of right-of-use assets represented amount CZK 74 million (2023: CZK 70 million).

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

Maturity analysis 30/06/2024	<1 year	1-5 years	>5 years
Lease liabilities	114	184	9

Maturity analysis 31/12/2023	<1 year	1-5 years	>5 years
Lease liabilities	127	201	6

9. Inventories

(in CZK million)	30/06/2024	31/12/2023
Materials	101	85
Merchandise	1,399	1,024
Total	**1,500**	**1,109**

The costs of inventories recognized as an expense in Condensed Interim Consolidated statement of comprehensive income in the first six months of 2024 and included in costs of sales amounted to CZK 4,794 million (2023: CZK 4,529 million).

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

(in CZK million)	30/06/2024	31/12/2023
Trade and other financial receivables		
Third parties	1,022	1,272
Related parties	28	355
Other receivables	3	—
Total	**1,053**	**1,627**
Other non-financial assets		
Other assets - excise tax	3,205	2,235
Prepayments	29	28
Other assets	1	—
Total	**3,235**	**2,263**
Other non-current financial assets		
Other financial assets	115	113
Total	**115**	**113**

11. Cash and cash equivalents

(in CZK million)	30/06/2024	31/12/2023
Cash on hand	5	1
Cash at banks	206	213
On-demand deposits with related parties (see Note 16)	5,994	7,312
Total	**6,205**	**7,526**

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)	30/06/2024	31/12/2023
Cash and cash equivalents	6,205	7,526
Total	**6,205**	**7,526**

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

(in CZK million)	30/06/2024	31/12/2023
Trade and other financial liabilities		
Third parties	842	977
Other related parties	1,303	331
Accrued expenses	850	1,002
Dividends payable	9	21
Other financial liabilities	100	167
Total	**3,104**	**2,498**
Other non-financial liabilities		
Amounts due to employees	188	212
Social security and health insurance	89	85
Deferred revenues	11	11
Other liabilities	1	2
Total	**289**	**310**

Trade payables to related parties are disclosed in Note 16.

13. Other tax liabilities

(in CZK million)	30/06/2024	31/12/2023
VAT	427	450
Excise tax	3,658	3,577
Other taxes	149	23
Total	**4,234**	**4,050**

14. Expenses by nature - additional information

(in CZK million)	01/01/2024 - 30/06/2024	01/01/2023 - 30/06/2023
Raw materials, consumables used and merchandise sold	4,732	4,522
Services	1,899	1,788
Royalties	306	256
Employee benefits expense	908	872
Depreciation and amortization	356	347
Other	37	86
Costs of sales, distribution and administrative expenses	**8,238**	**7,871**

15. Profit distribution

The dividends approved by the Annual General Meeting in April 2024 were CZK 3,349 million (CZK 1,220 per share), in April 2023 were CZK 3,597 million (CZK 1 310 per share).

Besides dividends paid by Philip Morris ČR a.s., Philip Morris Slovakia s.r.o. paid dividends to Non-controlling interest in the amount of CZK 1 million (2023: CZK 1 million).

16. Related party transactions

The Group considers Parent company and other companies of the PMI group of 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 are made only if such terms can be substantiated.

The following transactions were carried out with related parties:

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

(in CZK million)	01/01/2024 - 30/06/2024	01/01/2023 - 30/06/2023
Sales of merchandise		
Other related parties	—	57
Sales of materials		
Other related parties	1	3
Sales of PP&E		
Other related parties	—	32
Sales of services		
Other related parties	1,346	1,301
Recharges		
Other related parties	4	5
Interest Income		
Other related parties	213	223
Total	**1,564**	**1,621**

b) Purchases of merchandise and services from affiliates within PMI

(in CZK million)	01/01/2024 - 30/06/2024	01/01/2023 - 30/06/2023
Purchases of merchandise and materials		
Other related parties	4,782	4,617
Purchases of PP&E and intangible assets		
Other related parties	—	62
Purchases of services		
Other related parties	670	643
Royalties paid		
Other related parties	306	256
Interest expense		
Other related parties	1	6
Total	**5,759**	**5,584**

c) Dividends

In 2024 Company paid to Philip Morris Holland Holdings B.V. dividends CZK 2,599 million in total. The dividends paid to Philip Morris Holland Holdings B.V. in 2023 amounted to CZK 2,790 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)	30/06/2024	31/12/2023
Receivables from related parties		
Other related parties	28	355
Loans and deposits		
Other related parties	5,994	7,312
Total	**6,022**	**7,667**
Payables to related parties		
Other related parties	1,303	331
Total	**1,303**	**331**

Loans and deposits with related parties include interest-bearing on-demand deposits (cash pool) of CZK 5,994 million with Philip Morris Finance S.A. (At December 31, 2023: CZK 7,312 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, 2024 and as at December 31, 2023.

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, 2024 was 5.70% p.a. (at June 30,2023: 6.90% p.a.) in the Czech Republic and 4.00 % p.a. (at June 30, 2023: 3.03 % 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, 2024, the Group had no material commitments in respect of related parties except for the future obligation to services purchase in the total estimated value of CZK 531 million (commitment value as at December 31, 2023: CZK 474 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, 2024, the Group incurred under these agreements royalties expense of CZK 306 million (2023: CZK 256 million). These agreements shall continue indefinitely until terminated by either party. Management expects the royalty expense in 2024 to be at approximately similar level as in 2023.

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, 2024. that would have a material impact on these condensed interim consolidated financial statements at June 30, 2024.

Authorization of the financial statements

These condensed interim consolidated financial statements for the period ended June 30, 2023 were authorized for issue by the Board of Directors and have been signed below on its behalf.

In Kutná Hora on September 30, 2024

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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Společnost zapsaná v obchodním rejstříku vedeném u Městského soudu v Praze pod značkou B 627. / The company is registered in the commercial register maintained at the Municipal Court in Prague under the mark B 627.