PHILIP MORRIS ČR

INTERIM MANAGEMENT STATEMENT
FOR THE THIRD QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2012

Philip Morris ČR a.s. is the largest manufacturer and marketer of tobacco products in the Czech Republic, providing adult smokers with popular international and local brands such as *Marlboro*, *L&M*, *Red & White*, *Philip Morris*, *Petra* and *Sparta* in more than 50 variants across different price segments.

Philip Morris ČR a.s. is an affiliate of Philip Morris International Inc. Philip Morris ČR a.s. has a 99% interest in Philip Morris Slovakia s.r.o. registered in Slovakia.

Consolidated Highlights (CZK million)

	Third Quarter			Nine Months Year-to-Date		
	2012	**2011**	**Change in %**	**2012**	**2011**	**Change in %**
Revenues, net of excise tax and VAT	3 302	3 179	3.9	9 586	8 801	8.9

Shipments per segment (million units' equivalent) [1]

	Third Quarter			Nine Months Year-to-Date		
	2012	**2011**	**Change in %**	**2012**	**2011**	**Change in %**
Czech Republic	2 236	2 429	(7.9)	6 523	7 094	(8.0)
Slovakia	876	1 027	(14.7)	2 617	2 800	(6.5)
Exports	4 905	4 119	19.1	14 366	11 182	28.5
Total	**8 017**	**7 575**	**5.8**	**23 506**	**21 076**	**11.5**

Summary of Performance

Consolidated revenues, net of excise tax and VAT, of CZK 3.3 billion increased by 3.9% in the third quarter of 2012 versus the same period in 2011, driven by higher exports to other PMI affiliates, as well as favourable pricing in the Czech Republic and Slovakia and favourable currency, partially offset by unfavourable volume/mix in the Czech Republic and Slovakia. For the first nine months of 2012, consolidated net revenues increased by 8.9% to CZK 9.6 billion, driven by higher exports, favourable pricing in the Czech Republic and Slovakia as well as favourable currency, partially offset by unfavourable volume/mix in the Czech Republic and Slovakia.

Business in the Czech Republic

Domestic revenues, net of excise tax and VAT, declined by 4.9% in the third quarter of 2012 versus the same period in 2011, mainly due to unfavourable volume/mix of CZK 95 million, partially offset by favourable pricing of CZK 22 million, both reflecting the impact of excise tax-driven price increases implemented by Philip Morris ČR a.s. during 2012. For the first nine months of 2012, net revenues declined by 3.6%, due to unfavourable volume/mix of CZK 306 million, partially offset by favourable pricing of CZK 153 million, mainly reflecting the impact of price increases implemented in 2011 and excise tax-driven price increases implemented in 2012.

[1] Shipments include other tobacco products such as cigarillos and make-your-own cigarettes (0.75 g is equivalent to 1 cigarette).

According to Philip Morris ČR a.s. estimates, the total cigarette market in the Czech Republic was down by 3.5% to 5.3 billion units in the third quarter of 2012, mainly reflecting the impact of price increases noted above and the continued growth of the lower-taxed fine cut tobacco segment. In the first nine months of 2012 the total cigarette market was down by 3.6% to 15.2 billion units.

According to retail audit research conducted by ACNielsen Czech Republic s.r.o., the market share of Philip Morris ČR a.s. declined by 0.9 share points to 50.6% in the third quarter of 2012[2], principally reflecting the continued share declines of lower-priced local brands, partially offset by a higher share for *Marlboro*, as well as *Philip Morris* and *Chesterfield*, both re-launched in new packaging in the first and third quarters of 2012, respectively. While in the first nine months of 2012 market share declined by 1.4 share points to 50.8%, reflecting similar trends, the rate of decline slowed significantly compared to share of 51.1% for the fourth quarter of 2011.

The Czech domestic shipments of Philip Morris ČR a.s. decreased by 7.9% in the third quarter of 2012 versus the same period in 2011, reflecting a lower total market and lower market share as described above. In the first nine months of 2012, domestic shipments decreased by 8.0%.

Business in Slovakia

Philip Morris Slovakia s.r.o. revenues, net of excise tax and VAT, decreased by 9.9% in the third quarter of 2012 versus the same period in 2011 in local currency terms, mainly due to unfavourable volume/mix of EUR 3.3 million, impacted by the depletion of trade inventories, due to the excise tax increase effective October 1, 2012 and the sell-by date allowing retailers to sell products with prior excise tax rates until October 31, 2012. The net revenues decline was also impacted by the tax-driven price increases implemented by Philip Morris Slovakia s.r.o. in the first half of 2012, partially offset by favourable pricing of EUR 1.2 million. In the first nine months of 2012, net revenues decreased by 1.0%, driven primarily by unfavourable volume/mix of EUR 4.3 million, mainly due to the lower total market, partially offset by favourable pricing of EUR 3.7 million.

According to Philip Morris Slovakia s.r.o. estimates, the total cigarette market in Slovakia was down by 15.0% to 1.7 billion units in the third quarter of 2012, mainly due to unfavourable trade inventory movements and the impact of the price increases noted above. In the first nine months of 2012 the total cigarette market was down by 7.9% to 5.2 billion units.

According to retail audit research conducted by ACNielsen Slovakia s.r.o., in the third quarter of 2012 the market share of Philip Morris Slovakia s.r.o. increased by 0.1 share point to 51.1%, driven by the strong performance of *L&M* and *Petra*, partially offset by share declines of *Sparta* and *Red & White*. In the first nine months of 2012 market share was up by 1.1 share points to 50.8%.

The shipments of Philip Morris Slovakia s.r.o. decreased by 14.7% in the third quarter of 2012, reflecting mainly the lower total market, partially offset by higher market share as described above. In the first nine months of 2012 shipments decreased by 6.5%.

Exports

Export revenues increased by 20.2% in the third quarter of 2012 versus the same period in 2011, driven primarily by higher shipments of cigarettes and other tobacco products to other PMI affiliates and by favourable currency of CZK 38 million. For the same reasons, export revenues increased by 29.0% in the first nine months of 2012. Excluding the favourable impact of currency, export revenues increased by 16.9% and 25.0% in the third quarter and first nine months of 2012, respectively.

[2] First nine months of 2011 market share in the Czech Republic was restated due to changes in ACNielsen Czech Republic s.r.o.'s retail audit panel.

Financial Position

Philip Morris ČR a.s. and Philip Morris Slovakia s.r.o. ("the Group") have sufficient financing and facilities available for the foreseeable future as at September 30, 2012, and there have been no material changes in financial arrangements since the beginning of the financial year 2012.

There have been no material events, transactions or changes regarding the financial position of the Group other than those outlined in this Interim Management Statement. Furthermore, the Board of Directors is not aware of any material events, transactions or changes regarding the financial position of the Group which have occurred since January 1, 2012, up to and including November 8, 2012, being the date of the publication of this Statement.

Cautionary Statements

Past performance is no guarantee to future performance. Achievement of future results is subject to risks and uncertainties. Investors should bear this in mind as they consider whether to invest, or remain invested, in the shares of Philip Morris ČR a.s.

In Kutná Hora on November 8, 2012

András Tövisi
Chairman of the Board of Directors
Philip Morris ČR a.s.

Stanislava Juríková
Member of the Board of Directors
Philip Morris ČR a.s.