



PHILIP MORRIS ČR

INTERIM MANAGEMENT STATEMENT FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

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 fifty packaging variants across different taste and 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 the Slovak Republic.

Consolidated Highlights (CZK million)

	Third Quarter			Nine Months Year-to-Date		
	2010	2009	Change in %	2010	2009	Change in %
Revenues, net of excise tax and VAT	3 016	3 140	(3.9)	8 553	8 622	(0.8)

Shipments per segment (billion units)

	Third Quarter			Nine Months Year-to-Date		
	2010	2009	Change in %	2010	2009	Change in %
Czech Republic	2.66	2.96	(10.1)	7.60	8.23	(7.6)
Slovak Republic	1.06	1.12	(5.4)	2.90	2.96	(2.1)
Exports	3.24	3.59	(9.7)	10.08	10.04	0.4
Total	6.96	7.67	(9.3)	20.58	21.23	(3.0)

Summary of Performance

Consolidated revenues, net of excise tax and VAT, for the nine months ended September 30, 2010, of CZK 8.5 billion decreased by 0.8% versus the same period in 2009, primarily due to unfavorable volume in the Czech Republic, partially offset by favourable pricing in Slovakia and higher revenues from cigarette exports to other PMI affiliates within the European Union.

Business in the Czech Republic

Domestic revenues, net of excise tax and VAT, declined for the first nine months of 2010 by 5.1% versus the same period in 2009, mainly due to unfavorable volume of CZK 0.3 billion reflecting the impact of excise tax and VAT-driven price increases, partially offset by favourable pricing of CZK 0.1 billion.

According to internal estimates of Philip Morris ČR a.s., the total cigarette market in the Czech Republic was down by 1.6% to 15.8 billion units for the first nine months of 2010 versus the same period in 2009 due to the impact of the excise tax and VAT-driven price increases, which were partially offset by higher cross border sales with Germany.

According to retail audit research conducted by the ACNielsen agency, the market share of Philip Morris ČR a.s. in the Czech Republic declined by 1.7 share points from 55.9% for the first nine months of 2009 to 54.2% for the same period in 2010, primarily reflecting the impact of lower prices of competitors' products in the second half of 2009. Share losses incurred by low/super-low priced brands of Philip Morris ČR a.s. were partially offset by the strong performance of *L&M*.

The Czech domestic shipments of Philip Morris ČR a.s. for the first nine months of 2010 declined by 7.6% versus the same period in 2009, reflecting the decline of the total market and lower market share as described above.

Business in Slovak Republic

Philip Morris Slovakia s.r.o. revenues, net of excise tax and VAT, increased by 6.9% for the first nine months of 2010 versus the same period in 2009 in local currency terms, mainly due to favorable pricing of EUR 4.1 million driven primarily by price increases of Philip Morris Slovakia s.r.o. products in 2009, which were partially offset by unfavourable volume/mix.

According to internal estimates of Philip Morris Slovakia s.r.o., the total cigarette market in Slovakia for the first nine months of 2010 was down by 3.3% to 5.6 billion units versus the same period in 2009, mainly due to a contraction of the Slovak duty paid cigarette market following the 2009 excise tax increase, which was reflected in selling prices as of the fourth quarter of 2009.

According to retail audit research conducted by the ACNielsen agency, the market share of Philip Morris Slovakia s.r.o. in Slovakia increased by 0.3 share points from 51.0% for the first nine months of 2009 to 51.3% for the same period in 2010, mainly due to the strong performance of *L&M* and *Marlboro*, partially offset by share losses incurred by local heritage brands.

The shipments of Philip Morris Slovakia s.r.o. decreased for the first nine months of 2010 by 2.0% versus the same period in 2009, reflecting the lower total market and higher market share as described above.

Exports

Export revenues increased for the first nine months of 2010 by 3.9% versus the same period in 2009, due to higher export of cigarettes to other PMI affiliates within the European Union.

Financial Position

Philip Morris ČR a.s. and Philip Morris Slovakia s.r.o. (the Group) has sufficient financing and facilities available for the foreseeable future, and at September 30, 2010, there were no material changes in financial arrangements since the beginning of the financial year 2010.

There have been no material events, transactions or change in the financial position of the Group other than as outlined in this statement. Further, the Board of Directors is not aware of any material events, transactions or change in the financial position of the Group which have occurred since January 1, 2010, up to the date of the publication of this Interim Management Statement, November 19, 2010.

Cautionary Statements

Past performance is no certain guide 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 19, 2010



Alvise Giustiniani
Chairman of the Board of Directors
Philip Morris ČR a.s.



Daniel Gordon
Member of the Board of Directors
Philip Morris ČR a.s.