PHILIP MORRIS ČR

INTERIM MANAGEMENT STATEMENT
FOR THE THIRD QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2011

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 packaging variants across different taste and price segments.

Philip Morris ČR a.s. is an affiliate of Philip Morris International Inc. ("PMI"). 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		
	2011	2010	Change in %	2011	2010	Change in %
Revenues, net of excise tax and VAT	3 179	3 016	5.4	8 801	8 553	2.9

Shipments per segment (million units equivalent) [1]

	Third Quarter			Nine Months Year-to-Date		
	2011	2010	Change in %	2011	2010	Change in %
Czech Republic	2 429	2 673	(9.1)	7 094	7 629	(7.0)
Slovak Republic	1 027	1 059	(3.0)	2 800	2 896	(3.3)
Exports	4 119	3 426	20.2	11 182	10 353	8.0
Total	**7 575**	**7 158**	**5.8**	**21 076**	**20 878**	**0.9**

Summary of Performance

Consolidated revenues, net of excise tax and VAT, of CZK 3.2 billion increased by 5.4% in the third quarter of 2011 versus the same period in 2010, driven by favorable pricing in the Czech Republic and Slovakia and by higher exports to other PMI affiliates, partially offset by unfavorable volume/mix in the Czech Republic and Slovakia and unfavorable currency. For the first nine months of 2011, consolidated revenues of CZK 8.8 billion increased by 2.9%, driven by favorable pricing in the Czech Republic and Slovakia and by higher exports, partially offset by unfavorable volume/mix in the Czech Republic and Slovakia and unfavorable currency.

Business in the Czech Republic

Domestic revenues, net of excise tax and VAT, declined by 0.8% in the third quarter of 2011 versus the same period in 2010, mainly due to unfavorable volume/mix of CZK 144 million reflecting the impact of price increases implemented by Philip Morris ČR a.s. in the first half of 2011, partially offset by favorable pricing of CZK 132 million. For the first nine months of 2011, revenues increased by 2.2%, driven by favorable pricing of CZK 381 million reflecting the impact of price increases implemented by Philip Morris ČR a.s. in 2010 and in the first half of 2011, partially offset by unfavorable volume/mix of CZK 289 million.

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

According to Philip Morris ČR a.s. estimates, the total cigarette market in the Czech Republic was down by 2.3% to 5.4 billion units in the third quarter of 2011, reflecting the impact of price increases implemented in the first half of 2011 by Philip Morris ČR a.s. and competitors. In the first nine months of 2011 the total cigarette market was down by 0.3% to 15.7 billion units.

According to retail audit research conducted by ACNielsen[2], the market share of Philip Morris ČR a.s. in the Czech Republic in the third quarter of 2011 declined by 2.9 share points to 51.3%, mainly reflecting continued share declines for lower-priced local brands, partially offset by higher shares for *Red & White* and *Marlboro*, assisted by the April 2011 launch of *Marlboro Core Flavor* and *Marlboro Gold Touch*. In the first nine months of 2011, market share declined by 2.6 share points to 51.9%, reflecting the same trends.

The Czech domestic shipments of Philip Morris ČR a.s. decreased by 9.1% in the third quarter of 2011 versus the same period in 2010, reflecting the decline of the total market and lower market share as described above. In the first nine months of 2011, domestic shipments decreased by 7.0%.

Business in Slovak Republic

Philip Morris Slovakia s.r.o. revenues, net of excise tax and VAT, decreased by 0.7% in the third quarter of 2011 versus the same period in 2010 in local currency terms, mainly due to unfavorable volume/mix of EUR 1.6 million, reflecting the impact of the tax-driven price increases implemented by Philip Morris Slovakia s.r.o. in the first quarter of 2011, partially offset by favorable pricing of EUR 1.5 million. In the first nine months of 2011, revenues decreased by 2.1%, mainly due to unfavorable volume/mix of EUR 4.0 million, reflecting the impact of the above-mentioned price increases, partially offset by favorable pricing of EUR 2.7 million.

According to Philip Morris Slovakia s.r.o. estimates, the total cigarette market in Slovakia was down by 3.6% to 2.0 billion units in the third quarter of 2011, mainly due to the excise tax increase effective as of February 1, 2011, which was reflected in selling prices during the first half of 2011. In the first nine months of 2011, the total cigarette market was down slightly by 0.1% to 5.6 billion units, mainly reflecting the impact of the price increases noted above, partially offset by favorable trade inventory movements following the April 1, 2011, sell-by-date for retailers to sell products at 2010 tax rates.

According to retail audit research conducted by ACNielsen, the market share of Philip Morris Slovakia s.r.o. in Slovakia increased by 1.7 share points in the third quarter of 2011 to 51.0%, driven by the strong performance of *L&M* and *Red & White* in the low-price segment, partially offset by consumer down-trading to competitive low-price brands, as well as share declines of the local brands of Philip Morris Slovakia s.r.o. In the first nine months of 2011 market share was down 1.6 share points to 49.7% primarily reflecting share declines of local brands as well as consumer down-trading to competitive low-price brands in the first half of 2011.

The shipments of Philip Morris Slovakia s.r.o. decreased in the third quarter of 2011 by 3.0%, reflecting the lower total market and higher market share as described above. In the first nine months of 2011 shipments decreased by 3.3%.

Exports

Export revenues increased by 21.3% in the third quarter of 2011 versus the same period in 2010 driven primarily by higher shipments of cigarettes and other tobacco products to other PMI affiliates, partially offset by unfavorable currency of CZK 79 million. For the same reasons, export revenues increased by 10.9% in the first nine months of 2011. Excluding the unfavorable impact of currency, export revenues increased by 28.2% in the third quarter and by 17.2% in the first nine months of 2011, respectively.

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, 2011, and there have been no changes in financial arrangements since the beginning of the financial year 2011.

[2] First nine months of 2010 market share in the Czech Republic was restated due to changes in ACNielsen’s retail audit panel.

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, 2011, up to and including November 11, 2011, being the date of the publication of this Statement.

Cautionary Statements

Past performance is no 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 11, 2011.

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

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