

**INTERIM MANAGEMENT STATEMENT
FOR THE THREE MONTHS ENDED MARCH 31, 2013**

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*, *Chesterfield*, *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. ("PMI"). Philip Morris ČR a.s. has a 99% interest in Philip Morris Slovakia s.r.o. registered in Slovakia.

Consolidated Highlights (in CZK million)

Quarter ended March 31	2013	2012	Change in %
Revenues, net of excise tax and VAT	2 788	2 884	(3.3)

Shipments per Segment (in million cigarette equivalent units)¹

Czech Republic	1 814	2 010	(9.8)
Slovakia	765	786	(2.7)
Exports	4 546	4 311	5.5
Total	7 125	7 107	0.3

Summary of Consolidated Performance

Consolidated revenues, net of excise tax and VAT, of CZK 2.8 billion decreased by 3.3% in the first quarter of 2013 versus the same period in 2012, mainly due to unfavourable volume/mix in the Czech Republic and Slovakia, partially offset by higher exports to other PMI affiliates.

Business in the Czech Republic

Domestic revenues, net of excise tax and VAT, decreased by 12.0% in the first quarter of 2013 to CZK 1.1 billion versus the same period in 2012, mainly due to unfavourable volume/mix, reflecting the lower total market predominantly impacted by the excise tax-driven price increases during 2012.

In the first quarter of 2013, the total cigarette market in the Czech Republic was down by an estimated 6.5% versus the same period in 2012 to 4.3 billion units, mainly reflecting the impact of the 2012 excise tax driven price increases noted above, the unfavourable economic environment and the continued growth of the lower-taxed fine cut tobacco category.

According to retail audit research conducted by ACNielsen Czech Republic s.r.o., the cigarette market share of Philip Morris ČR a.s. in the first quarter of 2013 declined by 0.9 share points versus the same period in 2012 to 50.1%, principally reflecting the continued share declines of local heritage brands and *Red & White*, partially offset by higher shares for *L&M*, which benefited from the May 2012 launch of *L&M Loft* and the January 2013 launch of *L&M Forward*, as well as for *Philip Morris* and *Chesterfield*, re-launched in the first and third quarters of 2012, respectively. Although the market share declined versus the same period in 2012 by 0.9 share points as described above, the rate of decline slowed down significantly to 0.3 share points compared to the market share of 50.4% for the fourth quarter of 2012.

¹ Shipments include other tobacco products such as cigarillos, make-your-own cigarettes (0.73 g is equivalent to 1 cigarette) and make-your-own volume cigarettes (0.60 g is equivalent to 1 cigarette).

The Czech domestic shipments of Philip Morris ČR a.s. decreased by 9.8% in the first quarter of 2013 to 1.8 billion units versus the same period in 2012, reflecting the decline of the total market and lower market share as described above.

Business in Slovakia

Philip Morris Slovakia s.r.o. revenues, net of excise tax and VAT, increased by 2.2% in the first quarter of 2013 to EUR 17.6 million versus the same period in 2012 in local currency terms, driven primarily by favourable pricing, partially offset by unfavourable volume/mix reflecting the impact of tax-driven price increases implemented by Philip Morris Slovakia s.r.o. in the first and third quarters of 2012.

In the first quarter of 2013, the total cigarette market in Slovakia was down by an estimated 5.0% to 1.5 billion units versus the same period in 2012, mainly due to the impact of excise tax increases effective as of February 1, 2012 and October 1, 2012, which were reflected in selling prices during 2012.

According to retail audit research conducted by ACNielsen Slovakia s.r.o., the cigarette market share of Philip Morris Slovakia s.r.o. in the first quarter of 2013 increased by 1.0 share point versus the same period in 2012 to 51.7%, primarily driven by the strong performance of *Marlboro* and *L&M*, as well as *Philip Morris*, launched in October 2012, partially offset by share declines of our local brands and *Red & White*.

The shipments of Philip Morris Slovakia s.r.o. decreased in the first quarter of 2013 by 2.7% to 0.8 billion units, reflecting the lower total market, partially offset by higher market share as described above.

Exports

Export revenues increased by 2.9% in the first quarter of 2013 to CZK 1.2 billion versus the same period in 2012, driven primarily by higher shipments to other PMI affiliates and by favourable currency. Excluding the impact of currency, export revenues increased by 1.0%.

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 March 31, 2013, and there have been no material changes in financial arrangements since the beginning of the financial year 2013.

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, 2013, up to and including May 16, 2013, 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 May 16, 2013



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.