



## PHILIP MORRIS ČR

### INTERIM MANAGEMENT STATEMENT FOR THE THREE MONTHS ENDED MARCH 31, 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 mio)

Quarter ended March 31	2010	2009	Change in %
Revenues, net of excise tax and VAT	2 507	2 364	6.1

#### Shipments per segment (bio units)

Czech Republic	2.355	2.350	0.2
Slovakia	0.861	0.773	11.4
Exports	3.069	2.591	18.4
<b>Total</b>	<b>6.285</b>	<b>5.714</b>	<b>10.0</b>

#### Summary of Performance

Consolidated revenues, net of excise tax and VAT, for the three months ended March 31, 2010 of CZK 2.5 billion increased 6.1% versus the prior period, driven primarily by favorable volume/mix and pricing in the Czech Republic and Slovakia as well as higher cigarette export volume to other PMI affiliates within the European Union.

#### Business in the Czech Republic

Domestic revenues, net of excise tax and VAT, increased 2.0% versus the prior period, mainly due to favorable volume/mix and favorable pricing driven primarily by price increases of Philip Morris ČR a.s. products in 2009.

According to internal estimates of Philip Morris ČR a.s., the total cigarette market in the Czech Republic was up by 8.5% to 4.8 billion units in the first quarter of 2010 versus the prior period, primarily driven 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 2.0 share points from 56.7% in the first quarter of 2009 to 54.7% in the first quarter of 2010, primarily reflecting the impact of lower prices of competitors' products in the second half of 2009 and the higher cross border sales with Germany. Share losses incurred by low/super-low and premium 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. increased slightly by 0.2% versus the prior period, reflecting the higher 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 10.4% versus the prior period in local currency terms, mainly due to favorable volume/mix and pricing driven primarily by price increases of Philip Morris Slovakia s.r.o. products in 2009.

According to internal estimates of Philip Morris Slovakia s.r.o., the total cigarette market in Slovakia was up 5.2% to 1.6 billion units in the first quarter of 2010 versus the prior period, partly due to a lower total market in the first quarter of 2009 reflecting higher consumption by Slovak consumers of cigarettes purchased in neighbouring countries, particularly Poland and Hungary, where currency depreciation made retail prices significantly more attractive.

According to Retail Audit research conducted by the ACNielsen agency, the market share of Philip Morris Slovakia s.r.o. in Slovakia increased 2.9 share points from 49.5% in the first quarter of 2009 to 52.4% in the first quarter of 2010 with share gains of *L&M* and *Marlboro*, partially offset by share losses incurred by local heritage brands.

The shipments of Philip Morris Slovakia s.r.o. increased 11.4% versus the prior period, reflecting the higher total market and higher market share as described above.

### **Exports**

Export revenues increased by 10.2% versus the prior period, driven by higher cigarette export volume 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 at March 31, 2010 and there have been no 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 and including May 21, 2010 being the date of the publication of this Interim Management 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 in or remain invested in the shares of Philip Morris ČR a.s..

In Kutná Hora on May 21, 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.