



PHILIP MORRIS ČR

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

Quarter ended March 31	2011	2010	Change in %
Revenues, net of excise taxes and VAT	2 487	2 507	(0.8)

Shipments per segment (billion units equivalent)¹

Czech Republic	2.14	2.36	(9.3)
Slovakia	0.75	0.86	(12.8)
Exports	3.20	3.07	4.2
Total	6.09	6.29	(3.2)

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

Summary of Consolidated Performance

Revenues, net of excise taxes and VAT, of CZK 2.5 billion decreased by 0.8% in the first quarter of 2011 versus the same period in 2010, primarily due to lower volume in the Czech Republic and Slovakia, which was partially offset by favorable pricing in the Czech Republic as well as higher exports of other tobacco products to other PMI affiliates within the European Union.

Business in the Czech Republic

Revenues, net of excise taxes and VAT, increased by 1.4% in the first quarter of 2011 versus the same period in 2010, driven by favorable pricing, partially offset by unfavorable volume reflecting the impact of price increases implemented by Philip Morris ČR a.s. in the second quarter of 2010 and the first quarter of 2011.

According to Philip Morris ČR a.s. estimates, the total cigarette market in the Czech Republic was down by 2.0% in the first quarter of 2011 to 4.7 billion units, reflecting the impact of the price increases noted above.

According to retail audit research conducted by ACNielsen, the market share of Philip Morris ČR a.s. in the Czech Republic in the first quarter of 2011 declined by 1.6 share points to 53.1%, mainly reflecting continued share declines for lower-margin local brands, partially offset by a higher share for *Marlboro* and for *Red & White*.

The Czech Republic domestic shipments of Philip Morris ČR a.s. decreased by 9.3%, 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 taxes and VAT, decreased by 17.8% in the first quarter of 2011 versus the same period in 2010 in local currency terms, mainly due to unfavorable volume/mix of EUR 2.5 million, driven primarily by excise tax and VAT driven price increases of Philip Morris Slovakia s.r.o. products in the first quarter of 2011 and by unfavorable trade inventory movements prior to the April 1, 2011, sell-by-date for retailers to sell products at 2010 tax rates, partially offset by favorable pricing of EUR 0.2 million.

According to Philip Morris Slovakia s.r.o. estimates, the total cigarette market in Slovakia was down by 6.4% to 1.5 billion units in the first quarter of 2011, reflecting the impact of the tax-driven price increases and unfavorable trade inventory movements noted above.

According to retail audit research conducted by ACNielsen, the market share of Philip Morris Slovakia s.r.o. in Slovakia decreased by 3.8 share points to 48.6%, primarily reflecting share declines of local brands of Philip Morris Slovakia s.r.o. as well as down-trading to competitive low-price brands.

The shipments of Philip Morris Slovakia s.r.o. decreased by 12.8%, reflecting the lower total market and lower market share as described above.

Exports

Export revenues increased by 7.4% in the first quarter of 2011 versus the same period in 2010, primarily driven by higher shipments of other tobacco products to other PMI affiliates within the European Union. Excluding the unfavorable impact of currency, export revenues increased by 13.9 %.

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

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 May 19, 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 in or remain invested in the shares of Philip Morris ČR a.s.

In Kutná Hora on May 19, 2011



Alvis 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.