



PHILIP MORRIS ČR

In Kutná Hora on August 28, 2012

PRESS RELEASE

Philip Morris ČR a.s. publishes financial results **for the first half-year of 2012**

Philip Morris ČR a.s. reports consolidated net income of CZK 1.1 billion for the first half-year of 2012, representing a slight decrease by 0.2% versus the same period in 2011.

“Our mid-year financial results were driven primarily by higher exports to other PMI affiliates as well as favourable pricing in both the Czech Republic and Slovakia. However, our shipment volume remains under pressure in both countries due to the lower total market volumes and lower market share in the Czech Republic, where consumer down-trading to lower taxed cigarettes and fine cut tobacco continued,” said András Tövisi, Chairman of the Board of Directors and Managing Director of Philip Morris ČR a.s., the affiliate of Philip Morris International Inc. responsible for the company’s business in the Czech Republic and Slovakia.

The market share of Philip Morris ČR a.s. in the Czech Republic in the first half-year of 2012 declined by 1.7 share points to 50.9% according to ACNielsen retail audit research, reflecting share declines primarily for local heritage brands, partly offset by higher shares for Marlboro and Philip Morris brands. Philip Morris was re-launched in new packaging during the first quarter of 2012. In the first half-year of 2012, the shipments of Philip Morris ČR a.s. in the Czech Republic decreased by 8.1%.

On this note András Tövisi said: *“Although our market share in the Czech Republic was unfavourably impacted primarily by the decline of our local heritage brands, the rate of decline slowed down significantly compared to the fourth quarter of 2011. This was driven by our encouraging performance in the highly competitive low-price segment, mainly with Philip Morris.”*

In Slovakia, the market share of Philip Morris Slovakia s.r.o. increased in the first half-year of 2012 by 1.7 share points to 50.6%, according to ACNielsen retail audit research, primarily reflecting share increases of *L&M* and *Petra*, partially offset by declines of other local heritage brands, mainly *Sparta*, as well as *Red & White*. In the first half-year of 2012, the shipments of Philip Morris Slovakia s.r.o. decreased by 1.8%.

Table: Financial results of Philip Morris ČR a.s. and its consolidated group¹ for the first half-year of 2012:

Half-year ended June 30	CZK million	Change vs. PY in %
Revenues, net of excise tax and VAT	6 283	11.8
Profit from operations	1 398	0.5
Pre-tax income	1 404	0.2
Net Income	1 129	(0.2)

¹ The consolidated financial statements of Philip Morris ČR a.s. and Philip Morris Slovakia s.r.o. are prepared in accordance with International Financial Reporting Standards as adopted by European Union (“IFRS”).

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Table: Shipments per segment (million units' equivalent)² of Philip Morris ČR a.s. and its consolidated group for the first half-year of 2012:

Half-year ended June 30	Million units	Change vs. PY in %
Czech Republic	4 288	(8.1)
Slovakia	1 741	(1.8)
Exports	9 460	33.9
Total	15 489	14.7

“The outlook for the remainder of the year largely depends on several factors such as the development of the economic environment, the underlying legal cigarette market decline and the extent of consumer down-trading to lower taxed cheaper cigarettes and other tobacco alternatives. On the other hand, the illicit cigarette trade has marked a decline, a positive development which can be ascribed to the improved law enforcement by Customs Authorities as well as the gradual excise tax increases approach followed by the Ministry of Finance,” said Andrea Gontkovičová, Member of Philip Morris ČR a.s. Board of Directors and Director of Corporate Affairs.

The full 2012 Mid-Year Report is available at:

http://www.pmi.com/en_cz/about_us/philip_morris_cr_shareholder_information/documents/2012%20pololetni%20zprava%20-%20mid-year%20report.pdf

The Board of Directors
Philip Morris ČR a.s.

Philip Morris ČR a.s. profile:

Philip Morris ČR a.s., an affiliate of Philip Morris International Inc., is the largest producer of tobacco products in the Czech Republic and is listed on the Prague Stock Exchange, Burza cenných papírů Praha, a.s. The company, which has been present in the country since 1992, employs approximately 1 100 people across the Czech Republic and produces eight cigarette brand families in 85 cigarette variants as well as three variants of fine cut tobacco. It operates the only tobacco and cigarette manufacturing facility in the Czech Republic. Philip Morris ČR a.s. has a 99% interest in Philip Morris Slovakia s.r.o. registered in the Slovak Republic. According to retail audit research conducted by ACNielsen, in the first six months of 2012 the company held a 50.9% market share in the Czech Republic and 50.6% in Slovakia. Over the past 20 years, Philip Morris ČR a.s. has contributed to several charitable activities, including the development of social programs aimed at improving living conditions in local communities. For more information, see www.philipmorris.cz.

Philip Morris International Inc. profile:

Philip Morris International Inc. (PMI) is the leading international tobacco company, with seven of the world's top 15 international brands, including Marlboro, the number one cigarette brand worldwide. PMI's products are sold in approximately 180 countries. In 2011, the company held an estimated 16.0% share of the total international cigarette market outside of the U.S., or 28.1% excluding the People's Republic of China and the U.S. For more information, see www.pmi.com.

² Shipments include other tobacco products such as cigarillos and fine cut tobacco used for rolling of cigarettes