

**INTERIM MANAGEMENT STATEMENT
FOR THE THREE MONTHS ENDED MARCH 31, 2014**

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 Klasik* 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. holds a 99% interest in Philip Morris Slovakia s.r.o. registered in Slovakia.

Consolidated Highlights (in CZK million)

Quarter ended March 31	2014	2013	Change in %
Revenues, net of excise tax and VAT	2 798	2 788	0.4

Shipments per Segment (in million cigarette equivalent units)¹

Czech Republic	1 760	1 814	(3.0)
Slovakia	791	765	3.4
Exports	3 676	4 546	(19.1)
Total	6 227	7 125	(12.6)

Summary of Consolidated Performance

Consolidated revenues, net of excise tax and VAT, of CZK 2.8 billion increased by 0.4% in the first quarter of 2014 versus the same period in 2013, mainly driven by favorable pricing in the Czech Republic and Slovakia and favorable currency of CZK 114 million, partially offset by lower exports to other PMI affiliates. Excluding the impact of currency, consolidated revenues, net of excise tax and VAT, decreased by 3.8% versus the prior year.

Business in the Czech Republic

Domestic revenues, net of excise tax and VAT, increased by 3.8% in the first quarter of 2014 versus the same period in 2013 to CZK 1.1 billion, mainly driven by favourable pricing of CZK 66 million, partially offset by unfavorable volume/mix of CZK 24 million principally reflecting the impact of the excise tax and VAT driven price increases implemented in 2013.

In the first quarter of 2014, the total cigarette market in the Czech Republic increased by an estimated 0.1% versus the same period in 2013 to 4.3 billion units, mainly reflecting stronger seasonality and the favorable impact of estimated competitors' trade inventory movements, partially offset by the increased prevalence of illicit trade in tobacco products 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., in the first quarter of 2014 the cigarette market share of Philip Morris ČR a.s. declined by 3.8 share points versus the same period in 2013 to 46.3%, principally reflecting the continued share declines of local brands and *Red & White*, partially offset by higher shares for *L&M*, *Chesterfield*, *Marlboro* and *Philip Morris*. The growth of *L&M* and *Chesterfield* was supported by the successful launch of *L&M Forward* in January 2013 and *Chesterfield C-Press* in June

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).

2013. Both *L&M* and *Chesterfield* also benefited from the optimization of the portfolio of our local brands in the fourth quarter of 2013.

The Czech domestic shipments of Philip Morris ČR a.s. decreased by 3.0% in the first quarter of 2014 versus the same period in 2013 to 1.8 billion units, reflecting lower market share, partially offset by a higher total market as described above.

In addition to PMI brands, as part of the cooperation agreement between PMI and the China National Tobacco Corporation (“CNTC”), Philip Morris ČR a.s. continues to distribute and sell *RGD* in the Czech Republic. Shipments of *RGD* are neither recorded in Philip Morris ČR a.s. reported shipment volumes nor in reported market shares. The respective financials connected with this business activity are reported in the Philip Morris ČR a.s. financial statements.

Business in Slovakia

Philip Morris Slovakia s.r.o. revenues, net of excise tax and VAT, increased by 9.7% in the first quarter of 2014 versus the same period in 2013 to EUR 19.3 million in local currency terms, driven by favorable pricing of EUR 1.0 million, as well as favorable volume/mix of EUR 0.7 million reflecting the impact of price increases implemented in 2013.

In the first quarter of 2014, the total cigarette market in Slovakia increased by an estimated 2.7% versus the same period in 2013 to 1.5 billion units, mainly driven by stronger seasonality.

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 2014 increased by 0.7 share point versus the same period in 2013 to 52.4%, primarily driven by the strong performance of *L&M*, *Philip Morris* and *Marlboro*, partially offset by share declines of local brands and *Red & White*. *L&M*'s growth was helped by the successful launch of *L&M Forward* in the mid-price segment in August 2013. Following the successful launch of *Philip Morris* in the low-price segment in October, 2012, the brand continued to grow, also benefiting from the migration of *Red & White* to *Philip Morris* in the beginning of 2014.

The shipments of Philip Morris Slovakia s.r.o. increased by 3.4% in the first quarter of 2014 to 0.8 billion units, reflecting a higher total market and higher market share as described above.

In addition to PMI brands, as part of the cooperation agreement between PMI and the CNTC, Philip Morris Slovakia s.r.o. continues to distribute and sell *RGD* in Slovakia. Shipments of *RGD* are neither recorded in Philip Morris Slovakia s.r.o. reported shipment volumes nor in reported market shares. The respective financials connected with this business activity are reported in the Philip Morris Slovakia s.r.o. financial statements.

Exports

Export revenues decreased by 8.9% in the first quarter of 2014 to CZK 1.1 billion versus the same period in 2013, mainly due to lower shipments of cigarettes to other PMI affiliates, partially offset by higher shipments of other tobacco products and by favorable currency. Excluding the impact of currency, export revenues decreased by 15.2%.

Financial Position

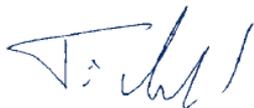
Philip Morris ČR a.s. and Philip Morris Slovakia s.r.o. (“the Group”) have sufficient financing and facilities available for the foreseeable future as at March 31, 2014, and there have been no material changes in financial arrangements since the beginning of the financial year 2014.

As of the date of the publication, 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, 2014, up to and including May 15, 2014, 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 15, 2014



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.