

**INTERIM MANAGEMENT STATEMENT
FOR THE THREE MONTHS ENDED MARCH 31, 2016**

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*, *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	2016	2015	Change in %
Revenues, net of excise tax and VAT	2 533	2 318	9.3

Shipments per Segment(in million units' equivalent)¹

Quarter ended March 31	2016	2015	Change in %
Czech Republic	2 038	1 899	7.3
Slovakia	899	835	7.7
Total	2 937	2 734	7.4

Consolidated Financial Results

Consolidated revenues, net of excise tax and VAT, of CZK 2.5 billion increased by 9.3% in the first quarter of 2016 versus the same period in 2015, mainly driven by favorable volume in the Czech Republic and Slovakia, as well as higher manufacturing services. Excluding the impact of currency, consolidated revenues, net of excise tax and VAT, increased by 9.8% versus the prior year.

Business in the Czech Republic

Domestic revenues, net of excise tax and VAT, increased by 7.5% in the first quarter of 2016 to CZK 1.3 billion versus the same period in 2015, mainly driven by favorable volume.

Total cigarette market in the Czech Republic increased by an estimated 7.2% in the first quarter of 2016 to 4.5 billion units versus the same period in 2015, mainly reflecting favorable net estimated inventory movements coupled with the favorable estimated impact of the leap year.

According to the retail audit research conducted by the Nielsen Company (Europe) Sàrl, the cigarette market share of Philip Morris ČR a.s. declined by 1.3 share points in the first quarter of 2016 versus the same period

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

in 2015 from 46.8% to 45.5%, mainly reflecting the continued share declines of local brands, partially offset by higher shares for *L&M* and *Philip Morris*.

The Czech domestic shipments of Philip Morris ČR a.s. increased by 7.3% in the first quarter of 2016 compared to the same period in 2015 to 2.0 billion units mainly due to higher total market of cigarettes and fine cut as well as higher fine cut market share, partially offset by a lower cigarette market share.

Business in Slovakia

Philip Morris Slovakia s.r.o. revenues, net of excise tax and VAT, increased by 8.8% in the first quarter of 2016 to EUR 22.8 million versus the same period in 2015 in local currency terms, mainly driven by favorable volume/mix.

Total cigarette market in Slovakia increased by 1.9% in the first quarter of 2016 to 1.5 billion units versus the same period in 2015 mainly reflecting the favorable estimated impact of the leap year.

According to the retail audit research conducted by the Nielsen Company (Europe) Sàrl, the cigarette market share of Philip Morris Slovakia s.r.o. increased by 2.4 share points in the first quarter of 2016 versus the same period in 2015 from 56.1% to 58.5%, primarily driven by the strong performance of *Marlboro*, *L&M* and *Philip Morris*, partially offset by share declines of *Petra*.

Shipments of Philip Morris Slovakia s.r.o. increased by 7.7% in the first quarter of 2016 compared to the same period in 2015 to 0.9 billion units, reflecting a higher total market and higher market share as described above.

Manufacturing Services

In the first quarter of 2016 the revenues from manufacturing services reached CZK 0.6 billion.

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, 2016, and there have been no material changes in financial arrangements since the beginning of the financial year 2016.

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, 2016, up to and including May 17, 2016, 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 Kutna Hora on May 17, 2016



Arpad Konye
Chairman of the Board of Directors
Philip Morris ČR a.s.



Stanislava Juriková
Member of the Board of Directors
Philip Morris ČR a.s.