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Philip Morris ČR a.s. reports mid-2013 financial results

Philip Morris ČR a.s. today reported consolidated revenues of CZK 6.0 billion and net income of CZK 0.9 billion for the first half of 2013; a decrease of 4.1% and 24.6% respectively versus the same period in 2012.

Highlights for the half year ended June 30, 2013 include:

- Consolidated revenues, net of excise tax and VAT, down by 4.1% to CZK 6 billion, or by 5.2% excluding currency;
- Consolidated net income down by 24.6% to CZK 0.9 billion;
- Total cigarette market decline of 3.8% in both the Czech Republic and Slovakia;
- Share decline of 1.2 percentage points in the Czech Republic, share increase of 1.1 percentage points in Slovakia;
- Shipment volume decline of 8.9% in the Czech Republic and 1.6% in Slovakia.

"The first half of the year was relatively difficult, with our mid-year financial results impacted by a number of factors. These included lower shipment volumes due to the challenging economic environment and the increased prevalence of illicit trade in both the Czech Republic and Slovakia. In addition, the continued growth of the lower taxed fine cut tobacco category in the Czech Republic, as well as lower exports to other PMI affiliates impacted our results," 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.

András Tövisi added: *"Although our market share in the Czech Republic was unfavourably impacted primarily by the continued decline of our local brands, this was partly offset by higher shares for* L&M *as well as for* Philip Morris *and* Chesterfield*, both of which were successfully re-launched during 2012 in the highly competitive low-price segment. Our market share in Slovakia continued to grow steadily, mostly driven by share gains of* Marlboro, L&M *and the successful launch of* Philip Morris*."*

"The outlook for the rest of the year largely depends on several factors, including changes in the economic environment, the underlying legal cigarette market decline and the extent of consumer down-trading to lower taxed products. Due to the absence of anti-forestalling regulation in the Czech Republic, we expect the benefit from the 2013 excise tax and VAT driven price increases to be reflected in the second half of 2013. We also remain committed to implementing our planned productivity initiatives to manage our cost base and to drive brand portfolio innovation to compete effectively in both the Czech Republic and Slovakia." András Tövisi concluded.

The full 2013 Mid-Year Report is available at:
http://www.pmi.com/en_cz/about_us/philip_morris_cr_shareholder_information/documents/2013_Pololetni_zprava_Mid_year_Report.pdf

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Philip Morris ČR a.s.

Philip Morris ČR a.s., an affiliate of Philip Morris International Inc., is the largest manufacturer and distributor 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 its portfolio comprised eight brands in 2012. Philip Morris ČR a.s. has a 99% interest in Philip Morris Slovakia s.r.o. registered in the Slovak Republic. Over the past 21 years, Philip Morris ČR a.s. has operated the PMČR Charitable Fund that supports several charitable projects, 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.

Philip Morris International Inc. 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 more than 180 markets. In 2012, the company held an estimated 16.3% share of the international cigarette market outside of the U.S., or 28.8% excluding the People's Republic of China and the U.S. For more information, see www.pmi.com.