

1. REPORT OF THE AUDIT COMMITTEE OF PHILIP MORRIS ČR A.S. FOR 2017

A. General part

The Audit Committee performed its activities regarding the process of preparing the 2017 financial statements and the 2017 consolidated financial statements in accordance with Article 19 of the Articles of Association and internal regulations of Philip Morris ČR a.s., a joint stock company, with its registered office at Vítězná 1, 284 03 Kutná Hora, identification number 148 03 534, registered in the Commercial Register maintained by the Municipal Court in Prague, file no. B 627 (the “Company”), and in accordance with the relevant legal regulations.

The Audit Committee is an independent elected body of the Company that is directly and exclusively subordinated to the supreme body of the Company, i.e. to the General Meeting. The Audit Committee was established by Articles of Association adopted at the General Meeting of the Company on 30 April 2010.

B. Special part

The Audit Committee has three members. These members are:

- (i) Johannes Franciscus Gerardus Vroemen, Chairperson of the Audit Committee, who was elected into his office on 30 April 2015 (term of the office – 3 years);
- (ii) Imarus Johannes Adalarius van Lieshout, member of the Audit Committee, who was elected into his office on 30 April 2015 (term of the office – 3 years); and
- (iii) Johannis van Capelleveen, member of the Audit Committee, who was elected into his office on April 30, 2010 and re-elected on 30 April 2015 (term of the office – 3 years).

Information about the establishment and composition of the Audit Committee is available at: <http://www.philipmorris.cz>.

Throughout the year 2017 until the date of this report, the Audit Committee, in particular:

- (i) monitored the process of preparing the 2017 financial statements and the 2017 consolidated financial statements and presented to the relevant Company’s bodies recommendations to ensure the integrity of the accounting and financial reporting systems;
- (ii) monitored the effectiveness of the internal controls in the Company and of the risk management system;
- (iii) monitored the effectiveness of the internal audit and ensured its functional independence;
- (iv) monitored the process of the statutory audit of the 2017 financial statements and the 2017 consolidated financial statements;
- (v) assessed the independence of the statutory auditor and the audit firm and, in particular, the provision of non-audit services to the Company by the statutory auditor and the audit firm;
- (vi) approved the provision of non-audit services;
- (vii) informed the Supervisory Board of the Company about the results of the statutory audit, about its findings obtained during the process of monitoring the statutory audit

- and about the manner in which the statutory audit contributed to ensuring the integrity of the accounting and financial reporting systems;
- (viii) discussed the activities conducted in the field of internal audit and the results of the internal audits performed (main findings and recommendations); and
- (ix) accepted information, declarations and communications under the applicable legal regulations from the auditor.

The following persons were invited to participate in the Audit Committee's sessions: the key members of the auditor's team, the financial director of the Company, the Head of the Internal Control Department and other employees of the Company responsible for or involved in the activities addressed by the Audit Committee.

Since its establishment, the Audit Committee has been allowed to access and view the documents and records relating to the Company to the extent necessary for the performance of its activities.

All members of the Audit Committee have monthly remuneration as set out in individual agreements on performance of an office approved by the General Meeting.

2. STATEMENT OF THE AUDIT COMMITTEE FOR THE 2017 CALENDAR YEAR ACCOUNTING PERIOD

In terms of the main activities entrusted to the competence of the Audit Committee under the applicable legal regulations, the Company's Articles of Association and internal regulations, i.e.:

- (i) monitoring the process of preparing the financial statements and the consolidated financial statements;
- (ii) monitoring the effectiveness of the internal controls in the Company and of the risk management system;
- (iii) monitoring the effectiveness of the internal audit and ensuring its functional independence;
- (iv) monitoring the process of the statutory audits of the financial statements and the consolidated financial statements;
- (v) assessing the independence of the statutory auditor and the audit firm and, in particular, the provision of non-audit services to the Company;

in respect of the year 2017, the Audit Committee did not ascertain any serious deficiencies or issues about which the Supervisory Board or the General Meeting of the Company should be informed..

The Audit Committee informed the Company's Supervisory Board (as well as other relevant Company's bodies) of its activities and conclusions and gave them recommendations regarding matters that were the subject of the discussions at the sessions of the Audit Committee.

In accordance with its responsibilities under Section 44a of the Act on Auditors No. 93/2009 Coll., as amended, the Audit Committee discussed and recommended (with due reasoning) to the Supervisory Board to propose to the General Meeting that PricewaterhouseCoopers Audit, s.r.o., with its registered office at Hvězdova 1734/2c, Nusle, 140 00 Prague 4, Czech Republic, identification number 407 65 521, registered in the Commercial Register maintained by the

Municipal Court in Prague, Section C, Insert 3637, which is a member of the international group of advisory companies offering audit services, be appointed as auditor for the statutory audit in respect of the 2018 accounting period. PricewaterhouseCoopers Audit, s.r.o. conducted the statutory audits of the Company in the past and has always exercised all of the statutory auditor's functions properly, fulfilled all the requirements on the independence of the statutory auditor, and has sufficient knowledge and experience in the area of auditing issuers of listed securities. Therefore, the appointment of PricewaterhouseCoopers Audit, s.r.o. as the auditor of the Company for 2018 will continue to ensure that the statutory audit of the Company will be performed properly.

The Audit Committee states that, in the areas that are entrusted to the competence of the Audit Committee by the Act on Auditors and the Company's Articles of Association and other internal regulations, the Audit Committee did not ascertain any serious facts about which the Public Audit Oversight Board should be informed, either during the monitored period or as at the date of the preparation of this report.

In Prague, on March 26, 2018

Audit Committee
Philip Morris ČR a.s.