



# PHILIP MORRIS ČR

The Board of Directors of  
**Philip Morris ČR a.s.**,  
whose registered office is in Kutná Hora, Vítězná 1, postcode: 284 03,  
identification number: 14803534,  
registered in the Commercial Register maintained by the Municipal Court in Prague,  
Section B, File 627  
(the "**Company**")

**hereby convenes**  
**AN ORDINARY GENERAL MEETING**  
(the "**General Meeting**")

of its shareholders, which will take place on 25 April 2014 at 10:00 a.m., at the Company's above-stated registered office, with the following agenda:

1. Opening of the General Meeting;
2. Election of the Chairman of the General Meeting, Minutes Clerk, Minutes Verifiers and Scrutineers, and approval of the Rules of Procedure and Voting Rules;
3. The Report of the Board of Directors on the Business Activities of the Company, the Report on Relations Between Related Parties, the Summary Explanatory Report concerning certain matters mentioned in the 2013 Annual Report, the proposal for the approval of the 2013 ordinary financial statements, the 2013 ordinary consolidated financial statements and for the distribution of profit for the year 2013 and retained earnings from prior years, including an indication of the amount and method of payment of dividends;
4. The Supervisory Board Report;
5. Approval of the Report of the Board of Directors on the Business Activities of the Company, the 2013 ordinary financial statements, the 2013 ordinary consolidated financial statements and the proposal for the distribution of profit for the year 2013 and retained earnings from prior years, including an indication of the amount and method of payment of dividends;
6. Amendment of the Articles of Association of the Company, including the subjection (in Czech *podřízení se*) to Act No. 90/2012 Coll., on Business Corporations and Cooperatives (the "**Business Corporations Act**") as a whole;
7. Election of members of the Board of Directors and members of the Supervisory Board;
8. Election of members of the Audit Committee;
9. Appointment of the Company's auditor;
10. Cancellation of the Company's reserve fund and its distribution;
11. Closing of the General Meeting.

**Draft resolutions to the matters on the agenda of the General Meeting including names of persons nominated to hold the office of a member of the Company bodies (i.e. the nominees to the Board of Directors, Supervisory Board and Audit Committee) and reasoning of the draft resolutions are set out below.**

In the case of the Company's book-entered shares, any shareholder listed in an extract from the Issue Register of the Company, i.e. in the records of the Company's book-entered securities maintained in accordance with a special legal regulation, as at the date decisive for the attendance of the General Meeting, i.e. 18 April 2014 (the "**Decisive Date**"), is entitled to attend the General Meeting and exercise its shareholder rights, i.e. also to vote at the General Meeting, whether directly or through a representative. In the case of the Company's certificated shares (securities), any shareholder listed in the list of the Company's shareholders as at the Decisive Date, i.e. 18 April 2014, is entitled to attend the General Meeting and exercise its shareholder rights, i.e. also to vote at the General Meeting, whether directly or through a representative (unless it is proven that the relevant entry in the list of the Company's shareholders as at that date fails to reflect the actual state of affairs).

The significance of the Decisive Date is that it determines who is entitled to attend the General Meeting and exercise shareholder rights, i.e. also to vote at the General Meeting.

Shareholders' representatives must be authorised to attend the General Meeting and to exercise their rights at the General Meeting by persons who are the Company's shareholders as at the Decisive Date. This authorisation must be granted by means of a written power of attorney bearing an officially verified signature and stating whether the power of attorney is granted for the General Meeting only or for several general meetings. In that respect the Board of Directors notes that in accordance with the up-to-date Articles of Association approved at the Annual General Meeting held on 30 April 2010, the power of attorney for representation at more than one general meeting shall be granted for a limited period.

Any person registered as at the Decisive Date in the register of investment instruments or in the Issue Register of the Company, i.e. in the register of book-entered securities maintained in accordance with a special legal regulation, as an administrator or as a person authorised to exercise the rights attached to the shares, is deemed entitled to represent the relevant shareholder and exercise any and all rights attached to the shares kept on the relevant account, which includes voting at the General Meeting. Instead of a power of attorney, this person shall submit an extract from the register of investment instruments; this is not necessary if the Company itself requests the provision of an extract from the respective register for such purposes. A person's authorisation to represent the shareholder and exercise its rights must be indicated in the relevant extract from the register of investment instruments or the records of book-entered securities.

The registration of the shareholders at the General Meeting will commence at 8:30 am at the venue of the General Meeting. At the registration, the shareholders or their representatives must present valid proof of identity. A person authorised to act on behalf of a shareholder who is a legal entity must also present an up-to-date extract from the Commercial Register or any other relevant register concerning this legal entity or a certified copy thereof. Shareholders' representatives authorised by a power of attorney must also present the written power of attorney bearing an officially verified signature and stating whether it is granted for the General Meeting only or for several general meetings.

The Company would like to point out to shareholders that a template of the power of attorney granting the right to represent a shareholder at the General Meeting is available as a printed document at the Company's registered office. At their expense and risk, the shareholders are entitled to request that the template be sent to them in the form of a printed document or in electronic form. The template of the power of attorney is also published in a manner allowing remote access on the following website: <http://www.philipmorris.cz>. The Company will accept electronic notices stating that a power of attorney was granted to represent a shareholder at the General Meeting or revoked at the following email address: [philipmorris.cz@pmi.com](mailto:philipmorris.cz@pmi.com).

In accordance with the Business Corporations Act and the Company's Articles of Association, a shareholder shall be entitled to attend a General Meeting and to vote at the General Meeting. A shareholder is entitled to require and obtain from the Company explanations at the General Meeting in respect of matters relating to the Company and the parties controlled by the Company, should such an explanation be necessary for assessing matters on the agenda of the General Meeting or for exercising their shareholder's rights at the General Meeting. The shareholder may file the request for explanation pursuant to the preceding sentence in writing. The request must be filed after the publication of the invitation to the General Meeting and before the date on which the General Meeting is to be held. A shareholder may file proposals and counterproposals in relation to the matters on the agenda of the General Meeting.

The Company will provide an explanation of matters relating to the relevant General Meeting to the shareholder directly at the General Meeting. If this is not possible due to the complexity of the explanation, the Company will provide the explanation to all shareholders within 15 days after the date of the General Meeting, even if this is no longer necessary for the consideration of actions of the General Meeting or for the exercise of shareholders' rights at the General Meeting.

The information contained in the explanation must be clear and must provide a sufficient and accurate view of the enquiry concerned. The explanation may be provided in the form of a summary statement on several similar issues. It shall be deemed that shareholders have been provided with the

explanation even if the information is published on the Company's website no later than on the day preceding the date of the General Meeting and is available to the shareholders for viewing at the venue of the General Meeting. If the information is provided to a shareholder, any other shareholder is entitled to request this information even without adhering to the procedure for exercising the right to explanation as described above.

The Board of Directors may refuse to provide information in part or in full if its disclosure could harm the Company or parties controlled by the Company or if it represents inside or secret information governed by another legal regulation and/or the requested explanation is publicly available. The Board of Directors will consider whether the conditions for the refusal to provide an explanation have been fulfilled and will notify the shareholder of the reasons for it. The notification of the refusal to provide an explanation will be part of the minutes of the General Meeting.

The shareholders have the right to ask the Supervisory Board to determine that the conditions for refusing to provide an explanation did not occur and the Board of Directors is obliged to provide it to the respective shareholder. The Supervisory Board will decide on the shareholder's request directly at the General Meeting or if this is impossible, within five (5) business days of the date of the General Meeting. If the Supervisory Board disagrees with the provision of the explanation or if it does not inform of its statement within the aforementioned time limit of five (5) business days, the decision as to whether the Company is obliged to provide the information will be taken by a court upon a motion filed by the shareholder. The right to file a motion to instigate the proceedings can be exercised before a court within one (1) month of the date of the General Meeting at which the provision of explanation was refused, or of the refusal or failure to provide information within the time limit specified in Section 358 (1) of the Business Corporations Act (i.e. within 15 days of the date of the General Meeting); no consideration will be given to any rights exercised later. The provisions of special legal regulations regarding the protection of information are not affected by this.

If a shareholder intends to file a counterproposal to any matter on the agenda of the General Meeting, the shareholder will deliver it to the Company no later than 15 calendar days before the date of the General Meeting. This does not apply in the case of proposals for certain persons to become members of the Company bodies, which shareholders may submit not only before the date of the General Meeting, but also directly at the General Meeting. The Board of Directors is obliged to adopt an opinion with respect to each proposal or counterproposal of a shareholder. The Board of Directors shall inform the shareholders of the relevant shareholder's counterproposal and of its opinion in the manner stipulated by the Business Corporations Act and the Articles of Association regarding the convocation of the General Meeting. This shall not apply if the information is delivered less than two days before the date of the General Meeting, or if the costs related to the information would be in gross disproportion to the meaning and content of the counterproposal, or if the counterproposal contains more than 100 words. If the counterproposal contains more than 100 words, the Board of Directors shall inform the shareholders of the substance of the counterproposal and of its opinion, and shall publish the counterproposal on the website of the Company.

Upon request of a shareholder or shareholders holding shares with a total nominal value of at least 1% of the Company's registered share capital, the Board of Directors will include on the agenda of the General Meeting a matter proposed by this shareholder, provided that the request is delivered to the Board of Directors no later than 15 calendar days before the date of the General Meeting and that a resolution is proposed with respect to each matter or that reasoning for the inclusion of the matter on the agenda is provided. If a request is delivered after the publication and distribution of the invitation to the General Meeting, the Board of Directors will publish the amendment of the agenda of the General Meeting no later than five (5) days before the Decisive Date for attending the General Meeting in the manner stipulated in the Business Corporations Act and the Articles of Association regarding the convocation of the General Meeting.

Matters not included on the agenda of the General Meeting may be discussed or resolved at the General Meeting only if all shareholders express their consent to that.

The Company issued 1,913,698 ordinary book-entered registered shares (these shares are book-entered securities) and 831,688 ordinary certificated registered shares (these shares are securities), i.e. together 2,745,386 shares with a nominal value of CZK 1,000 per share as at the date of publication of this invitation. When voting at the Company's General Meeting, one vote is attached to

each share of the Company, i.e. the total number of votes is 2,745,386 as at the date of publication of the invitation. Votes are taken by a show of hands, unless the General Meeting decides that voting will be done by ballots, which the shareholders will receive upon registration in the attendance list. The General Meeting will first vote on proposals submitted by the Board of Directors or the Supervisory Board. If these proposals are not approved or submitted, votes will be taken on (counter)proposals submitted by shareholders. Shareholders are not obliged to exercise the voting rights attached to all of their shares in the same way; this also applies to their representatives.

The Board of Directors has prepared a Report on Relations Between Related Parties, which indicates that in the 2013 accounting period the Company as a controlled entity suffered no harm as a result of the influence exercised by Philip Morris Holland Holdings B.V., as the controlling entity.

A proposal on the distribution of the Company's profits generated in 2013 and retained earnings from prior years, including a schedule of payments of the shareholders' shares in the Company's profit (dividends), the term and manner of such payments and information concerning the financial institution which will make the payments of dividends, forms Schedule 1 to this invitation.

The share in the Company's profit (dividend) for the year 2013 and retained earnings from prior years will be paid to the Company's shareholders: in the case of book-entered shares to those listed in the extract from the Issue Register of the Company, i.e. in the register of book-entered securities maintained in accordance with a special legal regulation as at the date decisive for the attendance of the General Meeting, i.e. 18 April 2014 (the "**Decisive Date for Exercising Dividend Rights**") and in the case of certificated shares to those listed in the list of the Company shareholders as at the Decisive Date for Exercising Dividend Rights (unless it is proven that the relevant entry in the list of Company shareholders as at that date fails to reflect the actual state of affairs).

Documents and information relating to the General Meeting including the 2013 Annual Report, the 2013 ordinary financial statements, the 2013 ordinary consolidated financial statements and main data from such financial statements, which must be published pursuant to Section 120b (1) (a), (b), (d) to (f) of Act No. 256/2004 Coll., on Business Activities on the Capital Market, as amended, as well as a template of the power of attorney granting the right to represent the shareholder at the General Meeting will be available for review at the Company's registered office, i.e. in Kutná Hora, Vítězná 1, postcode: 284 03, on business days from 25 March 2014 until 25 April 2014, from 2:00 p.m. until 5:00 p.m. All the above information and documents are also published in a manner allowing remote access on the following website: <http://www.philipmorris.cz>, in the section "About Us", subsection "Philip Morris ČR Shareholder Information".

Information for shareholders, including printed source materials for the General Meeting, will be available from the information centre at the venue of the General Meeting.

### **Draft resolutions on the individual points of the agenda of the General Meeting and their reasoning**

**Re point 2 of the agenda** (Election of the Chairman of the General Meeting, Minutes Clerk, Minutes Verifiers and Scrutineers, and the approval of the Rules of Procedure and Voting Rules):

#### Draft resolution:

Mgr. Martin Hájek is elected as Chairman of the General Meeting.  
Zuzana Dušková is elected as Minutes Clerk of the General Meeting.

The following persons are elected as Minutes Verifiers of the General Meeting:

- (i) Milan Vácha; and
- (ii) Beata Pothe.

The following persons are elected as Scrutineers of the General Meeting:

- (i) Petr Brant; and
- (ii) Josef Nuhlíček.

Reasoning:

The proposal for appointing members of the General Meeting's bodies is based on the requirements set out in the Business Corporations Act and the Company's Articles of Association and follows upon the hitherto practice of the Company. In view of their qualifications and experience, the Board of Directors considers the proposed persons to be suitable candidates for holding the offices specified above.

Draft resolution:

The General Meeting approves the Rules of Procedure and Voting Rules of the Ordinary General Meeting of Philip Morris ČR a.s. in the wording submitted by the Board of Directors of the Company.

Reasoning:

The Rules of Procedure and Voting Rules are instruments foreseen by the Company's Articles of Association and, at the same time, are standard tools used at the Company's general meetings. The wording proposed by the Board of Directors is based on the hitherto practice of the Company and includes changes triggered by the new legislation.

The draft Rules of Procedure and Voting Rules are an integral part of this invitation and form Schedule 2 to this invitation.

**Re point 3 of the agenda** (The Report of the Board of Directors on the Business Activities of the Company, the Report on Relations Between Related Parties and the Summary Explanatory Report concerning certain matters mentioned in the 2013 Annual Report, the proposal for the approval of the 2013 ordinary financial statements, the 2013 ordinary consolidated financial statements and for the distribution of profit for the year 2013 and retained earnings from prior years, including an indication of the amount and method of payment of dividends)

Statement of the Company's Board of Directors:

Similarly as in previous years, the Board of Directors of the Company prepared the Report on the Business Activities of the Company, the Report on Relations Between Related Parties and the Summary Explanatory Report concerning certain matters mentioned in the 2013 Annual Report. The Board of Directors also arranged for the preparation of the ordinary financial statements of the Company for the 2013 calendar year accounting period and of the ordinary consolidated financial statements of the Company for the 2013 calendar year accounting period, and for the verification of these financial statements by an auditor in accordance with the relevant legal and accounting regulations. The Board of Directors submits all the above-mentioned documents to the General Meeting for discussion.

The Company's economic result for the 2013 calendar year accounting period is a profit of CZK 2,249,193,421.93.

The Board of Directors proposes that the General Meeting approves the Report of the Board of Directors on the Business Activities of the Company for the 2013 calendar year accounting period, the ordinary financial statements of the Company for the 2013 calendar year accounting period, the ordinary consolidated financial statements of the Company for the 2013 calendar year accounting period, and the proposal for the distribution of profit for the 2013 calendar year accounting period and retained earnings from prior years, including an indication of the amount and method of payment of dividends.

**Re point 4 of the agenda** (The Supervisory Board Report)

Statement of the Company's Board of Directors:

During the entire 2013 calendar year, the Supervisory Board monitored and evaluated the development and day-to-day management of the Company, in particular its financial position and activities in this area. Based on its findings, the Supervisory Board prepared a report on the results of

its activities in the 2013 calendar year accounting period in accordance with the legal regulations in force and the Company's Articles of Association, which it submits to the General Meeting for discussion and acknowledgement. In its report, the Supervisory Board states that it has not ascertained any failings and that it has no objections regarding the business activities, operation and activities of the Company or its bodies that are subject to supervision by the Supervisory Board.

The Supervisory Board also reviewed the Report on Relations Between Related Parties prepared by the Board of Directors of the Company for the year 2013 in accordance with the legal regulations in force, the 2013 ordinary financial statements, the 2013 ordinary consolidated financial statements, including the proposals of the Board of Directors for their approval, and the proposal for distribution of profit for the year 2013 and retained earnings from prior years, including the amount and method of payment of dividends. In the opinion of the Supervisory Board, the above-mentioned documents have been prepared in a due manner, in accordance with the applicable legal regulations and the Company's Articles of Association.

**Re point 5 of the agenda** (Approval of the Report of the Board of Directors on the Business Activities of the Company, the 2013 ordinary financial statements, the 2013 ordinary consolidated financial statements and the proposal for the distribution of profit for the year 2013 and retained earnings from prior years, including an indication of the amount and method of payment of dividends)

Draft resolution:

The Report of the Board of Directors on the Business Activities of the Company for the 2013 calendar year accounting period in the wording submitted by the Company's Board of Directors is hereby approved.

The ordinary financial statements of the Company for the 2013 calendar year accounting period are hereby approved.

The ordinary consolidated financial statements of the Company for the 2013 calendar year accounting period are hereby approved.

The Company's profit for the 2013 calendar year accounting period in the amount of CZK 2,249,193,421.93 and part of the retained earnings from prior years in the amount of CZK 2,023,098.07, i.e. in total CZK 2,251,216,520.00 will be paid to the Company's shareholders as a profit share (dividend). A gross dividend of CZK 820.00 will thus apply to each ordinary share of the Company with a nominal value of CZK 1,000, in view of the total number of these shares, i.e. 2,745,386. The Decisive Date for Exercising Dividend Rights is 18 April 2014, i.e. dividends will be paid to shareholders who held shares of the Company as at 18 April 2014.

Shareholders will be paid dividends through Česká spořitelna, a.s., a company whose registered office is in Prague 4, Olbrachtova 1929/62, postcode: 140 00, identification number: 452 44 782, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 1171.

Česká spořitelna, a.s. will send a "Notification of the Payment of Proceeds from Securities" to each shareholder in the Czech Republic and abroad, to the shareholder's address specified in the extract from the Issue Register of the Company maintained by Central Securities Depository – Centrální depozitář cenných papírů, a.s. as at 18 April 2014 in the case of book-entered shares and to the shareholder's address specified in the list of the Company's shareholders as at 18 April 2014 in the case of certificated shares.

Dividends will be paid to the shareholders who are **individuals** during the payment period by bank money transfer to the shareholder's account specified in the list of the Company's shareholders. The shareholders who are individuals owning book-entered shares listed in the records of book-entered securities maintained pursuant to a special legal regulation will be paid by bank money transfer after the shareholder submits all the necessary documents and to shareholders who are individuals with a permanent residence in the territory of the Czech Republic the profit share may also be paid at all branches of Česká spořitelna, a.s. in cash subject to the presentation of a valid ID card. If a shareholder who is also a tax resident of a country other than the Czech Republic requests the application of a special withholding tax rate, this shareholder will be obliged to present, along with their

valid ID card, a certificate of their tax domicile and a declaration of the actual owner. The payment period will be from 26 May 2014 until 31 March 2015. All information regarding payment of dividends to shareholders will be provided at the branches of Česká spořitelna, a.s.

Shareholders who are **legal entities** will also be paid dividends through Česká spořitelna, a.s. in accordance with the rules defined above. Dividends will be paid to the shareholders who are legal entities by bank money transfer to the bank account of the shareholder specified in the list of the Company's shareholders. The shareholders who are legal entities owning book-entered shares listed in the records of book-entered securities maintained pursuant to a special legal regulation will be paid the profit share by bank money transfer after the shareholder submits all the necessary documents, including a certificate of tax domicile and a declaration of the actual owner if a shareholder who is a tax resident of a country other than the Czech Republic requests the application of a special withholding tax rate.

Contact persons at Česká spořitelna, a.s:

Department: Support of Products Distribution  
Naděžda Šmídová  
e-mail: [nsmidova@csas.cz](mailto:nsmidova@csas.cz)

Hana Hendrychová  
e-mail: [hhendrychova@csas.cz](mailto:hhendrychova@csas.cz)  
telephone: 224 995 433

Contact address for delivery of documents for payments:  
Department 8430  
Evropská 2690/17  
160 00 Prague 6

Reasoning:

Discussion and approval of the Report of the Board of Directors on the Business Activities of the Company, ordinary financial statements and ordinary consolidated financial statements is based on the requirements set out in the Business Corporations Act and the Company's Articles of Association. Under the Business Corporations Act, a share in profit, which is determined on the basis of the ordinary financial statements approved by the Company's General Meeting, is distributed among the company's shareholders. In accordance with the law and the Articles of Association, the resolution on the distribution of the share in the Company's profit among the shareholders based on the economic results is adopted by the General Meeting.

**Re point 6 of the agenda** (Amendment of the Articles of Association of the Company, including the subjection to the Business Corporations Act as a whole)

Draft resolution:

The General Meeting decides on the amendment of the Company's Articles of Association as follows: The existing text of the Company's Articles of Association (containing Articles 1 to 40) shall be fully replaced with the amended complete text (containing Articles 1 to 39) as submitted to the General Meeting by the Board of Directors of the Company. By approving this amendment of the Articles of Association, the Company also subjects itself to Act No. 90/2012 Coll. on Business Corporations and Cooperative Companies (Business Corporations Act) as a whole.

Reasoning:

The main reason for adopting an amended complete text of the Company's Articles of Association is the subjection of the Company to the regulation contained in the Business Corporations Act as a whole and the related adaptation of the Articles of Association to the new legislation effective from 1 January 2014. As part of this subjection to the new legal regulation, certain provisions of the Articles of Association have been amended in accordance with the new possibilities offered by the Business



Corporations Act and with the Company's interest in modifying, for example, the number of members of certain of its bodies to make their activities more efficient.

The proposed amended complete text of the Articles of Association forms an integral part of this invitation and is attached thereto as Schedule 3. The purpose of the proposed draft of the Company's Articles of Association is to inform the shareholders of the changes to be made to the Articles of Association (the underlined text is proposed to be inserted, the struck through text is proposed to be deleted); the marked changes are for ease of reference only and do not change anything on that the amendments of the Company's Articles of Association are to be approved as a whole in accordance with the draft resolution. For transparency and ease of reference the basis characteristic of the key proposed amendments of the Articles of Association is also set out below.

The draft of the amended complete text of the Company's Articles of Association is also included in the Draft Resolutions of the Ordinary General Meeting of the Company, published in a manner allowing remote access on the following website: <http://www.philipmorris.cz>, in the section "About Us", subsection "Philip Morris ČR Shareholder Information". The draft of the amended complete text of the Company's Articles of Association is also available for review free of charge to each shareholder at the Company's registered office, i.e. in Kutná Hora, Vítězná 1, postcode: 284 03, on business days from 25 March 2014 until 25 April 2014, from 2:00 p.m. until 5:00 p.m. A shareholder may request that a copy of the draft Articles of Association be sent to it at its own expense and risk.

Characteristics of the essence of the key amendments of the Company's Articles of Association proposed by the Board of Directors for approval within point 6 of the agenda of the General Meeting (Amendment of the Company's Articles of Association, including the subjection to the Business Corporations Act as a whole):

- (a) It is proposed within the amendment of the Articles of Association that (i) institutes required and/or recommended by the new legislation effective from 1 January 2014 are included in the Articles of Association, (ii) the text as well as the individual provisions of the Articles of Association are adapted to the terminology used by Act No. 89/2012 Coll., Civil Code (the "**Civil Code**") and the Business Corporations Act, and (iii) certain articles of the Articles of Association are renumbered in connection with this.
- (b) It is proposed that the following institutes no longer envisaged by the new legislation after 1 January 2014 be deleted from the Articles of Association, in particular:
  - (i) election of members of the Supervisory Board by employees;
  - (ii) mandatory reserve fund created from the Company's profit. It is also proposed that the balance carried on the account of the reserve fund is used as described in point 10 of the agenda of the General Meeting below; and
  - (iii) combined reduction in the registered share capital.
- (c) The draft Articles of Association contain legal-technical and terminological changes of different scopes resulting from the new legislation, in particular the provisions of the Civil Code and the Business Corporations Act, and strive to preserve as far as possible the meaning of the original provisions regarding both the Company and the rights and duties of the shareholders.
- (d) It is proposed that Article 6 (6) of the Articles of Association newly provides that dividends approved to be distributed by the General Meeting and not collected by the shareholders within three years of their due date shall be transferred to the fund of uncollected dividends created by the Company.
- (e) According to the draft wording of Article 7 of the Articles of Association, the Company has selected a dualistic system of internal structure (as opposed to the monistic system) and its bodies will continue to consist in both the Board of Directors and the Supervisory Board.



- (f) As regards the position and authority of the General Meeting, it is proposed that Article 8 of the Articles of Association is amended in such a way as to correspond to the new legislation both in terms of its content and the terminology used.
- (g) It follows from Articles 6 (6) and 10 (1) of the Articles of Association that the decisive date for attending a general meeting will always be the seventh day prior to the date of the general meeting. The decisive date for exercising dividend rights is identical to the decisive date for attending a general meeting on which the resolution on the payment of dividends is adopted.
- (h) It is proposed in Article 9 (4) of the Articles of Association that a shareholder may choose to have invitations to the general meetings delivered in electronic form to an e-mail address that it notifies to the Company no later than on 31 December of the relevant year before the respective General Meeting is to be held by means of (i) a written notice sent to the registered office of the Company or (ii) an e-mail sent by the shareholder to the Company's e-mail address philipmorris.cz@pmi.com or (iii) from 1 January 2015 through a web application accessible to the shareholders on the website of the Company <http://www.philipmorris.cz>. In such a case, the Company will only send the invitations to the following General Meetings to the shareholder electronically to the notified e-mail address. If the shareholder no longer wishes to receive the invitations to the following General Meetings only electronically to the notified e-mail address, the shareholder notifies it to the Company in writing or electronically (in a same manner specified above in this paragraph) no later than on 31 December of the relevant year before the respective General Meeting.
- (i) It is further proposed that the number of the members of the Board of Directors is reduced from six to five members and the number of members of the Supervisory Board is reduced from six to four member and that the majority necessary for adopting resolutions by both of the Company's bodies is amended accordingly. In this respect it is also proposed the duration of office term of the Board of Directors, Supervisory Board and Audit Committee members who will be elected to these bodies by the General Meeting in year 2015 and the following years is changed from one year to three years. For members of these bodies elected to office by the General Meeting in year 2014 the term of office will be one year.
- (j) It is proposed that a new paragraph 8 is inserted in Article 22 regulating, among other things, the economic management of the Company, based on which the Board of Directors of the Company can create non-mandatory funds of the Company in accordance with the legal regulations, decide on allotments into and use of such funds, except for cases where resolutions on the allotments into or use of funds created in this way are made by the General Meeting.
- (k) The draft of the text of the Articles of Association further envisages that the Company will subject itself to the Business Corporations Act as a whole, as it now follows from Article 39 of the Articles of Association. The registration of such fact will be published in the Commercial Register in a manner allowing remote access pursuant to the Act on Public Registers of Legal Entities and Individuals.

**Re point 7 of the agenda** (Election of members of the Board of Directors and members of the Supervisory Board)

Draft resolution:

András Tövisi, born on 14 April 1967, residing at Gulyás 4, 1112 Budapest, Hungary, is elected as a member of the Board of Directors of the Company.

Andreas Gronemann, born on 18 October 1969, residing at Kniephofstr. 53, Berlin, Federal Republic of Germany, is elected as a member of the Board of Directors of the Company.

Stanislava Juríková, born on 12 December 1973, residing at Jelačičova 24, 821 08 Bratislava 2, Slovak Republic, is elected as a member of the Board of Directors of the Company.

Igor Potočár, born on 31 May 1967, residing at Rovníková 3250/12, 827 05 Bratislava, Ružinov, Slovak Republic, is elected as a member of the Board of Directors of the Company.

Martin Hlaváček, born on 14 January 1980, residing at Počernická 354/69, Malešice, 108 00 Prague 10, Czech Republic, is elected as a member of the Board of Directors of the Company.

Reasoning:

The proposed members of the Board of Directors meet the requirements arising from the Business Corporations Act and concerning the performance of an office of a member of the board of directors, they held these offices in the Company in the past and have proven to perform them well. In view of the experience and qualifications, the proposed members of the Board of Directors are suitable candidates for holding the above-mentioned office in the Board of Directors.

Draft resolution:

Daniel Fahrny, born on 23 April 1957, residing at Chemin de la Plantaz 17, 1225 Ecublens, Swiss Confederation, is elected as a member of the Supervisory Board of the Company.

Vasileios Nomikos, born on 6 March 1969, residing at Chiou 17, Glyfada, Athens, Greece, is elected as a member of the Supervisory Board of the Company.

Prof. Ing. Alena Zemplerová, born on 9 October 1952, residing at Újezd 426/26, 118 00 Prague 1 Malá Strana, Czech Republic, is elected as a member of the Supervisory Board of the Company.

Petr Bubeníček, born on 30 October 1961, residing at Havířská stezka 141, 284 01 Kutná Hora, Czech Republic, is elected as a member of the Supervisory Board of the Company.

Reasoning:

The proposed members of the Supervisory Board meet the requirements arising from the Business Corporations Act and concerning the performance of an office of a member of the supervisory board, they held these offices in the Company in the past and have proven to perform them well. In view of the experience and qualifications, the proposed members of the Supervisory Board are suitable candidates for holding the above-mentioned office in the Supervisory Board. One of the candidates for a member of the Supervisory Board was nominated by the Company's employees. The candidate nominated in this manner was subsequently proposed by the Board of Directors of the Company to the General Meeting to be elected as a member of the Supervisory Board. The employees' representatives nominated Petr Bubeníček, born on 30 October 1961, residing at Havířská stezka 141, 284 01 Kutná Hora, Czech Republic, as a candidate for a member of the Supervisory Board of the Company.

**Re point 8 of the agenda** (Election of members of the Audit Committee)

Draft resolution:

Johannis van Capelleveen, born on 10 December 1965, residing at Plzeňská 388, 252 63 Roztoky u Prahy, Czech Republic, is elected as a member of the Audit Committee of the Company.

Daniel Fahrny, born on 23 April 1957, residing at Chemin de la Plantaz 17, 1225 Ecublens, Swiss Confederation, is elected as a member of the Audit Committee of the Company.

Vasileios Nomikos, born on 6 March 1969, residing at Chiou 17, Glyfada, Athens, Greece, is elected as a member of the Audit Committee of the Company.

Reasoning:

The proposed members of the Audit Committee meet the requirements arising from Act No. 93/2009 Coll. on Auditors, as amended, and the Company's Articles of Association; they held these offices in the Company in the past and have proven to perform them well. In view of their experience and qualifications, the proposed members of the Audit Committee are suitable candidates for holding the above-mentioned office in the Audit Committee.

**Re point 9 of the agenda** (Appointment of the Company's auditor)

Draft resolution:

PricewaterhouseCoopers Audit, s.r.o., whose registered office is at Hvězdova 1734/2c, Nusle, Prague 4, postcode: 140 00, Czech Republic, identification number: 407 65 521, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, File 3637, is appointed auditor of the Company for the 2014 calendar year accounting period.

Reasoning:

The proposed auditor meets the requirements arising from law; it was the Company's auditor in the past and therefore has sufficient and detailed knowledge of the Company's needs and operation. In view of its experience and qualifications, the proposed auditor is a suitable candidate.

**Re point 10 of the agenda** (Cancellation of the Company's reserve fund and its distribution)

Draft resolution:

The Company's reserve fund is cancelled on the effective date of the amendment of the Company's Articles of Association in connection with the subjection to the new legal regulation. The balance of the Company's reserve fund, totalling CZK 549,077,200.00 is distributed as follows:

1. The amount of CZK 164,723,160.00 is distributed and will be paid to the Company's shareholders who are the Company's shareholders as at 18 April 2014 pro rata to their shares in the Company. The amount of CZK 60.00 will thus apply to each ordinary share of the Company with a nominal value of CZK 1,000, in view of the total number of these shares, i.e. 2,745,386.
2. The amount of CZK 384,354,040.00 is transferred to account of the retained earnings from prior years.

The procedure applicable to the payment of the profit share (dividend) approved by the General Meeting for the payment of dividends for 2013 shall be applied to the payment of funds from the reserve fund to the shareholders.

Reasoning:

In connection with the new legislation effective from 1 January 2014, the Business Corporations Act and the Articles of Association (following their amendment) no longer impose a duty on the Company to create a reserve fund from the Company's profit. Since the Company fulfils the conditions for the cancellation of the reserve fund, including the condition that such cancellation will not result in the Company's insolvency (in Czech *úpadek*) under Act No. 182/2006 Coll., the Insolvency Act, as amended, as well as the conditions defined in Section 350 of the Business Corporations Act, it is proposed that the Company's reserve fund is cancelled and the balance carried on the account is distributed in part among the shareholders and in part to account of the retained earnings from prior years.

Please note that the only authoritative version of this document is the version in the Czech language. The English version of this document has been prepared for information purposes only.

**Main data from the 2013 ordinary financial statements (in CZK millions)**

Non-current assets: .....	3 156	Registered capital and reserves: .....	5 680
Current assets: .....	18 414	Retained earnings from prior years: .....	24
.....		Earnings for the current period: .....	2 249
.....		Non-current liabilities: .....	152
.....		Current liabilities: .....	13 465
<b>Total assets: .....</b>	<b>21 570</b>	<b>Total equity and liabilities: .....</b>	<b>21 570</b>

**Main data from the 2013 ordinary consolidated financial statements (in CZK millions)**

Non-current assets: .....	3 178	Registered capital and reserves: .....	5 699
Current assets: .....	18 790	Retained earnings from prior years: .....	44
.....		Earnings for the current period: .....	2 227
.....		Non-current liabilities: .....	141
.....		Current liabilities: .....	13 857
<b>Total assets: .....</b>	<b>21 968</b>	<b>Total equity and liabilities: .....</b>	<b>21 968</b>

**Schedules:**

The following schedules form an integral part of this invitation:

1. Proposal for profit distribution for the year 2013 and retained earnings from prior years
2. Draft Rules of Procedure and Voting Rules of the General Meeting of the Company
3. Draft of the amended complete text of the Company's Articles of Association with marked changes (the underlined text is proposed to be inserted, the struck through text is proposed to be deleted)

In Kutná Hora, on 24 March 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.**

## SCHEDULE 1

### Proposal for profit distribution for the year 2013 and retained earnings from prior years

(in CZK)

Profit after tax for the year 2013	2,249,193,421.93
Retained earnings from prior years	2,023,098.07
Dividend	2,251,216,520.00
Transfer to retained earnings from prior years	0

The dividend will be paid to shareholders who held shares of the Company as at 18 April 2014.

The proposed gross dividend is CZK 820.00 per share on a total of 2,745,386 shares.

**Distribution of dividends to individuals** will be done through Česká spořitelna, a.s., a company whose registered office is in Prague 4, Olbrachtova 1929/62, postcode: 140 00, identification number: 452 44 782, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 1171.

Česká spořitelna, a.s. will send by mail a Notification of the Payment of Proceeds from Securities to all shareholders in the Czech Republic and abroad, at the address stated in the extract from in the Issue Register of the Company maintained by the Central Securities Depository as at 18 April 2014 in case of book-entered shares and to the address listed in the list of Company shareholders in the case of the Company's certificated shares as at 18 April 2014.

Dividends will be paid to the shareholders who are **individuals** during the payment period by bank money transfer to the shareholder's account specified in the list of the Company's shareholders. The shareholders who are individuals owning book-entered shares listed in the records of book-entered securities maintained pursuant to a special legal regulation will be paid by bank money transfer after the shareholder submits all the necessary documents and to shareholders who are individuals with a permanent residence in the territory of the Czech Republic the profit share may also be paid at all branches of Česká spořitelna, a.s. in cash subject to the presentation of a valid ID card.

If a shareholder who is a tax resident of a country other than the Czech Republic requests the application of a special withholding tax rate, this shareholder will be obliged to present, along with their valid ID card, a certificate of their tax domicile and a declaration of the actual owner.

The payment period will be from 26 May 2014 until 31 March 2015.

All information regarding payment of dividends to shareholders will be provided at the branches of Česká spořitelna, a.s.

Shareholders who are **legal entities** will also be paid dividends through Česká spořitelna, a.s. in accordance with the rules defined above. Dividends will be paid to the shareholders who are legal entities by bank money transfer to the bank account of the shareholder specified in the list of the Company's shareholders. The shareholders who are legal entities owning book-entered shares listed in the records of book-entered securities maintained pursuant to a special legal regulation will be paid the profit share by bank money transfer after the shareholder submits all the necessary documents, including a certificate of tax domicile and a declaration of the actual owner if a shareholder who is a tax resident of a country other than the Czech Republic requests the application of a special withholding tax rate.

Contact persons at Česká spořitelna, a.s.:

Department: Support of Products Distribution  
Naděžda Šmídová  
e-mail: nsmidova@csas.cz

Hana Hendrychová

e-mail: [hhendrychova@csas.cz](mailto:hhendrychova@csas.cz)  
telephone: 224 995 433

Contact address for delivery of documents for payments:  
Department 8430  
Evropská 2690/17  
160 00 Prague 6

## SCHEDULE 2

### Draft Rules of Procedure and Voting Rules of the General Meeting of the Company

***RULES OF PROCEDURE AND VOTING RULES  
of the Ordinary General Meeting of  
Philip Morris ČR a.s.  
to be held on 25 April 2014***

#### Section 1

### **Basic Provisions**

1. In accordance with Act No. 90/2012 Coll. on Business Corporations and Cooperatives (the "**Business Corporations Act**"), these Rules of Procedure and Voting Rules of the Ordinary General Meeting of Philip Morris ČR a.s. (the "**Company**") govern the manner of registering the Company's shareholders, the procedure of the General Meeting, the method in which shareholders exercise their rights at the General Meeting and the method of voting at the General Meeting.
2. For the purposes of these Rules of Procedure and Voting Rules, a "**shareholder**" also means a shareholder's proxy, unless stipulated otherwise.
3. Should the interpretation of any provision of these Rules of Procedure and Voting Rules be unclear or should a situation occur that is not provided for by generally binding legislation, the Company's Articles of Association or these Rules of Procedure and Voting Rules, the further procedure of the General Meeting shall be decided on by the Chairman of the General Meeting in compliance with the principles of the legal regulation of joint-stock companies contained in applicable law.

#### Section 2

### **Registration of Shareholders**

1. Registration desks are set up for registering shareholders in an attendance list and for issuing identification cards and voting ballots. By signing the registration card, the shareholders confirm that they were given voting ballots and an identification card with an identification number corresponding to the number on the registration card. If any of the shareholders loses their identification card, the registration desk will re-issue the identification card at the shareholder's request at any time during the General Meeting.
2. Shareholders' attendance will be registered throughout the duration of the General Meeting. At registration, authorised persons at the registration desks will verify the identity of the shareholders and their right to attend the General Meeting. Shareholders who sign the attendance list and do not express their will to end their attendance at the General Meeting by a written statement made at a registration desk are considered present for the entire duration of the General Meeting. If a person refuses registration in the attendance list, the fact of such refusal and its reason will be recorded in the attendance list.

#### Section 3

### **Rules of Procedure**

1. The General Meeting is opened by the Chairman of the Board of Directors or by a member of the Company's Board of Directors who has been authorised to do so by the Board of Directors. This person shall preside over the General Meeting until the Chairman of the General Meeting is elected. Following the election of the Chairman of the General Meeting, the General Meeting shall be conducted by this Chairman.
2. At the General Meeting, the shareholders are entitled to require and obtain explanations in respect of matters relating to the Company and the parties controlled by the Company, should such an explanation be necessary for assessing matters on the agenda of the General Meeting and for the exercise of the shareholder rights at the General Meeting. Shareholders may request the



explanations mentioned in the previous sentence in writing. The request must be filed after the invitation to the General Meeting is published and before the General Meeting is held. Shareholders are entitled to file proposals and counterproposals in relation to the points on the agenda of the General Meeting. Proposals submitted by the Board of Directors or the Supervisory Board are voted on first. If these proposals are not adopted or made, shareholders' (counter)proposals are voted on. Shareholders, members of the Board of Directors and members of the Supervisory Board may raise a protest concerning a resolution of the General Meeting and request that the protest be recorded in the minutes of the General Meeting. If the recording of the content of the protest is not requested, the Minutes Clerk is not obliged to record the content of the protest in the minutes of the General Meeting.

3. The explanation may be provided in the form of a summary statement on several similar issues. It shall be deemed that shareholders have been provided with an explanation even if the relevant information (the supplementing explanation in respect of individual points on the agenda of the General Meeting) is published on the Company's website no later than on the day preceding the date of the General Meeting and is available to the shareholders for inspection at the venue of the General Meeting. If the information is provided to the relevant shareholder, every other shareholder may also request such information without having to follow the procedure applicable to the exercise of the right to an explanation described above.
4. Shareholders may also file their proposals in relation to the issues which are included on the agenda of the General Meeting before the invitation to the General Meeting is published. Proposals delivered to the Company no later than seven days before the publication of the invitation to the General Meeting shall be published by the Board of Directors, including an opinion of the Board of Directors, along with the invitation to the General Meeting. Section 362 of the Business Corporations Act shall apply analogously to the proposals delivered after this time limit.
5. At a General Meeting, a shareholder may file proposals and counterproposals in relation to matters on the agenda of the General Meeting. If a shareholder intends to file a counterproposal to any matter on the agenda of the General Meeting, the shareholder will deliver it to the Company no later than 15 calendar days before the date of the General Meeting; this shall not apply in the case of proposals for certain persons to become members of the Company bodies, which may be filed by the shareholders both before the date of the General Meeting and during the General Meeting. The Board of Directors must provide an opinion on each proposal or counterproposal of the shareholders. The Board of Directors shall inform the shareholders of the relevant shareholder's counterproposal, together with the opinion of the Board of Directors, in the manner stipulated by the Business Corporations Act and the Articles of Association regarding the convocation of the General Meeting. This shall not apply if the information is delivered less than two days before the date of the General Meeting or if the costs related to the information are in gross disproportion to the significance and content of the counterproposal or if the counterproposal contains more than 100 words. If the counterproposal contains more than 100 words, the Board of Directors shall inform the shareholders of the substance of the counterproposal and of its opinion, and shall publish the counterproposal on the Company's website.
6. Issues not included in the agenda of the General Meeting may only be discussed at the General Meeting or decided on if all shareholders of the Company agree.
7. Shareholders may file their requests for an explanation, proposals, counterproposals and, if applicable, protests either in writing on a comment slip or orally at the invitation of the Chairman of the General Meeting after proving their identity based on an identification card. Comment slips must contain the shareholder's identification number (as specified on the identification card) and the shareholder's signature. Shareholders must submit comment slips to the information centre. When submitting a comment slip, the shareholder must prove its identity by presenting its identification card.
8. The General Meeting's information centre will number the comment slips according to the order in which they are received and will hand them over to the Chairman of the General Meeting.
9. The Chairman of the General Meeting decides on who is entitled to take the floor. A member of the Board of Directors and a member of the Supervisory Board must be permitted to take the floor whenever they request this. If somebody disturbs the orderly conduct of the General Meeting, the Chairman of the General Meeting may reprimand this person and, if they fail to change their

behaviour even after being reprimanded, the Chairman of the General Meeting may adjourn the General Meeting until order is restored.

#### Section 4

### **Voting Rules**

1. Voting is performed by means of ballots, which the shareholders receive upon registration or, as the case may be, during the General Meeting based on the instructions of the Chairman of the General Meeting. Each time before votes are cast, the Chairman of the General Meeting will inform the shareholders of the resolution which is being voted on and which ballot should be used for this purpose. Each shareholder will indicate the relevant answer on the ballot by marking the chosen answer with a cross and by signing the ballot. If the shareholder shall use a substitute ballot or a ballot which the shareholder received during the course of the General Meeting based on an instruction of the Chairman of the General Meeting, the shareholder must also fill in a number of the ballot announced by the Chairman of the General Meeting. If using a ballot which the shareholder received during the course of the General Meeting based on the instruction of the Chairman of the General Meeting, the shareholder must also fill in its own identification number (as specified on the identification card).
2. Ballots which are not signed, ballots without a ballot number or with an incorrect ballot number and ballots containing no identification number or an incorrect identification number are invalid. Ballots which are torn, crossed-out, rewritten or otherwise invalidated (i.e. containing illegible or unclear information) will also be considered invalid. If a shareholder makes a mistake when filling in a ballot, the shareholder must ask a person charged with counting the votes (the "**Scrutineer**") for assistance. The shareholder may then correct the ballot in the presence of the Scrutineer and both of them must then confirm the correction by signing it, or the Scrutineer may give the shareholder a new ballot.
3. When votes are cast, the Scrutineers will collect the ballots from all the shareholders present. After collecting the ballots, the Scrutineers will immediately start counting the votes. As soon as they ascertain that the number of votes necessary for making the decision on the proposed resolution has been achieved, they will inform the Chairman of the General Meeting accordingly. The Scrutineers will then continue counting the remaining votes. The complete results are recorded in the minutes of the General Meeting and, possibly, announced during the General Meeting. A record of the General Meeting's quorum has to be made when votes are taken on each proposed resolution.

**SCHEDULE 3**

**Draft of the Amended Complete Text of the Company's Articles of Association with Marked Changes (the underlined text is proposed to be inserted, the struck through text is proposed to be deleted) - see the separate document in the section Annual General Meeting 2014**