



## 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 29 April 2016 at 10:00 a.m., at the Company's registered office stated above, 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 Controlling Entity and Controlled Entity, and between Controlled Entity and Entities Controlled by the same Controlling Entity and the Summary Explanatory Report concerning certain matters mentioned in the 2015 Annual Report, the proposal for the approval of the 2015 ordinary financial statements, the 2015 ordinary consolidated financial statements and for the distribution of profit for the year 2015, including an indication of the amount and method of payment of a profit share (dividend);
4. The Supervisory Board Report;
5. Approval of the Report of the Board of Directors on the Business Activities of the Company, the 2015 ordinary financial statements, the 2015 ordinary consolidated financial statements and the proposal for the distribution of profit for the year 2015, including an indication of the amount and method of payment of a profit share (dividend);
6. Resignation of Mr András Tővisi from the office of a member of the Board of Directors;
7. Election of Mr Árpád Könye and Mr István Borus to the office of members of the Board of Directors and the approval of the agreements for the performance of the office of members of the Board of Directors;
8. Appointment of the Company's auditor;
9. Closing of the General Meeting.

**Draft resolutions to the matters on the agenda of the General Meeting, including the names of persons nominated to hold the office of a member of the Board of Directors (i.e. the nominees to the Board of Directors), and reasonings 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 at the General Meeting, i.e. 22 April 2016 (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. 22 April 2016, 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.

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 attending and 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 a.m. at the venue of the General Meeting. At the registration, the shareholders or their representatives must present valid proofs 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 Act No. 90/2012 Coll. on Business Corporations and Cooperatives (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 rights at the General Meeting. A shareholder may file a request for explanation pursuant to the preceding sentence in writing. The request must be filed after the publication of this 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 shareholder rights at the General Meeting, by publishing it on the website of the Company.

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 such 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's 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 a 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. Voting is done by ballot, in which case shareholders will receive the ballots when registering 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 the Report on Relations between Controlling Entity and Controlled Entity, and between Controlled Entity and Entities Controlled by the same Controlling Entity (the "**Report on Relations**"), which indicates that in the 2015 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 profit generated in 2015, including a schedule of payments of the shareholders' share in the Company's profit (dividend), the term and manner of such payments and information concerning the financial institution which will make the payment of a profit share (dividend), forms Schedule 1 to this invitation.

The share in the Company's profit (dividend) for the year 2015 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 at the General Meeting, i.e. 22 April 2016 (the "**Decisive Date for Exercising Profit (Dividend) Rights**") and in the case of certificated shares to those listed in the list of the Company's shareholders as at the Decisive Date for Exercising Profit (Dividend) Rights (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).

Documents and information relating to the General Meeting including the Annual Report, the ordinary financial statements, the 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 (the "**Act on Business Activities on the Capital Market**"), 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 inspection at the Company's registered office, i.e. in Kutná Hora, Vítězná 1, postcode: 284 03, on business days from 29 March 2016 to 29 April 2016, from 2:00 p.m. to 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) Romana Jiroutová.

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 the requirements set out in the Business Corporations Act and the Company's Articles of Association.

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 the Controlling Entity and the Controlled Entity and between the Controlled Entity and Entities Controlled by the Same Controlling Entity and the Summary Explanatory Report concerning certain matters mentioned in the 2015 Annual Report of the Company, the proposal for the approval of the 2015 ordinary financial statements, the 2015 ordinary consolidated financial statements and for the distribution of profit for the year 2015, including an indication of the amount and method of payment of a profit share (dividend))

Statement of the Company's Board of Directors:

Similarly as in previous years, the Board of Directors of the Company prepared and submits to the shareholders the Report on the Business Activities of the Company in accordance with Section 436 (2) of the Business Corporations Act. Furthermore, in accordance with the requirement set out in Section 118 (8) of the Act on Business Activities on the Capital Market, the Board of Directors of the Company submits to the shareholders the Summary Explanatory Report concerning certain matters pursuant to Section 118 (5) (a) to (k) of the Act on Business Activities on the Capital Market. This Summary Explanatory Report, the Report on the Business Activities of the Company as well as the Report on Relations between the Controlling Entity and the Controlled Entity and between the Controlled Entity and Entities Controlled by the Same Controlling Entity (the "**Report on Relations**") prepared in line with Section 82 *et seq.* of the Business Corporations Act are all contained in the 2015 Annual Report of the Company.

The Board of Directors also arranged for the preparation of the ordinary financial statements of the Company for the 2015 calendar year accounting period and of the ordinary consolidated financial statements of the Company for the 2015 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, which are also part of the 2015 Annual Report of the Company, to the General Meeting for discussion. No voting is presumed under this point of the agenda.

The Company's economic result for the 2015 calendar year accounting period is a profit of CZK 2,539,561,716.50.

The Board of Directors proposes that the General Meeting approves the Report of the Board of Directors on the Business Activities of the Company, the ordinary financial statements of the Company for the 2015 calendar year accounting period, the ordinary consolidated financial statements of the Company for the 2015 calendar year accounting period, and the proposal for the distribution of profit

for the 2015 calendar year accounting period, including an indication of the amount and method of payment of a profit share (dividend).

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

Statement of the Company's Board of Directors:

The purpose of this point of the agenda is to inform of the results of the Supervisory Board control activity and to report on the results of its review of the Report on Relations for 2015 which will be announced by a designated member of the Supervisory Board in accordance with Sections 83 (1), 447 (3) and 449 (1) of the Business Corporations Act.

During the entire 2015 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 2015 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 prepared by the Board of Directors of the Company for the year 2015 in accordance with the legal regulations in force, the 2015 ordinary financial statements, the 2015 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 2015, including the amount and method of payment of a profit share (dividend). The Board of Directors declares that the Supervisory Board did not raise any objections to the above-mentioned documents. 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. No voting is presumed under this point of the agenda.

**Re point 5 of the agenda** (Approval of the Report of the Board of Directors on the Business Activities of the Company, the 2015 ordinary financial statements, the 2015 ordinary consolidated financial statements and the proposal for the distribution of profit for the year 2015, including an indication of the amount and method of payment of a profit share (dividend))

Draft resolution:

The Report of the Board of Directors on the Business Activities of the Company in the wording submitted by the Company's Board of Directors is hereby approved.

The ordinary financial statements of the Company for the 2015 calendar year accounting period are hereby approved.

The ordinary consolidated financial statements of the Company for the 2015 calendar year accounting period are hereby approved.

The Company's after-tax profit for the 2015 calendar year accounting period in the amount of CZK 2,539,561,716.50 will be paid in the amount of CZK 2,525,755,120.00 to the Company's shareholders as a profit share (dividend). The remaining profit in the amount of CZK 13,806,596.50 will be transferred to retained earnings from the prior years. The retained earnings from prior years in the amount of CZK 257,279,208.32 remained undistributed. A gross profit share (dividend) of CZK 920.00 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 Profit (Dividend) Rights is 22 April 2016, i.e. profit shares (dividends) will be paid to shareholders who held shares of the Company as at 22 April 2016.

Shareholders will be paid profit shares (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 22 April 2016 in the case of book-entered shares and to the shareholder's address specified in the list of the Company's shareholders as at 22 April 2016 in the case of certificated shares.

Profit 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. Profit share (dividend) will be paid to the shareholders who are individuals owning book-entered shares listed in the records of book-entered securities maintained pursuant to a special legal regulation by bank money transfer after the shareholder submits all the necessary documents, including a certificate of tax domicile and a declaration by the actual owner of the shares 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. In the case of shareholders who are individuals with a permanent residence in the territory of the Czech Republic, the profit share (dividend) 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 submit, along with presentation of their valid ID card, a certificate of their tax domicile and a declaration of the actual owner.

The payment period will be from 30 May 2016 to 31 March 2017. All information regarding the payment of a profit share (dividend) to shareholders will be provided at the branches of Česká spořitelna, a.s.

Shareholders who are **legal entities** will also be paid profit shares (dividends) through Česká spořitelna, a.s. in accordance with the rules defined above.

Profit shares (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. Profit share (dividend) will be paid to 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 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: Back Office of Investment Products  
Naděžda Šmídová  
E-mail: [nsmidova@csas.cz](mailto:nsmidova@csas.cz)

Hana Hendrychová  
E-mail: [hhendrychova@csas.cz](mailto:hhendrychova@csas.cz)  
Telephone: 956 765 433

Contact address for delivery of documents for payments:  
Department 8430  
Budějovická 1518/13a,b,  
140 00 Prague 4

#### 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. The Company has an obligation to annually prepare the above-mentioned documents and the Board of Directors submits the documents for approval to the General Meeting of the Company in accordance with the Business Corporations Act. The ordinary financial statements and ordinary

consolidated financial statements give a true and fair picture of the affairs and asset transfers and other assets, liabilities and other liability items, expenses and earnings and economic results of the Company and the consolidated unit of the Company. The ordinary financial statements and ordinary consolidated financial statements have been approved by the auditor of the Company without any objections and reviewed by the Supervisory Board, which did not find any deficiencies, therefore, these are recommended by the Supervisory Board for the approval (see the Supervisory Board's Report under point 4 of the agenda of the General Meeting).

The authority to adopt resolutions on distribution of the Company's profit lies with the Company's General Meeting according to the Business Corporations Act and the Company's Articles of Association. A share in profit (dividend) is determined on the basis of the ordinary financial statements approved by the Company's General Meeting. The Board of Directors proposes to distribute the profit for 2015 in the amount which corresponds to the requirements of the Business Corporations Act and the Company's Articles of Association. The amount of the profit to be distributed is stated in the proposed resolution. This resolution specifies the amount of the profit share (dividend) per each share as well as other information for payment of the profit share (dividend), i.e. the Decisive Date for Exercising Profit (Dividend) Rights and manner of payment of the profit share (dividend). In the view of the Board of Directors, the proposed amount of the profit shares (dividends) to be paid-out reflects the achieved economic results, financial possibilities and needs of the Company, in particular the exercise of the shareholder rights to payment of the profit shares shall not hinder the current or future activity of the Company. The Supervisory Board reviewed the Board of Directors' proposal and recommends it to be approved by General Meeting (see the Supervisory Board's Report under point 4 of the agenda of the General Meeting).

**Re point 6 of the agenda** (Resignation of Mr András Tövisi from the office of a member of the Board of Directors)

Draft resolution:

Mr András Tövisi, born on 14 April 1967, residing at Gulyás 4, 1112 Budapest, Hungary, resigns from the office of a member of the Board of Directors. Performance of Mr András Tövisi's office shall, in accordance with article 14 (7) of the Company's Articles of Association, terminate upon notification of his resignation at the General Meeting.

Reasoning:

Mr András Tövisi notifies the General Meeting of his resignation from the office of a member of the Board of Directors of the Company in accordance with article 14 (7) of the Company's Articles of Association. His resignation from the office of a member of the Board of Directors of the Company is due to the fact that he was entrusted with other tasks within the group Philip Morris International Inc. Performance of Mr András Tövisi's office shall, in accordance with article 14 (7) of the Company's Articles of Association, terminate upon notification of his resignation at the General Meeting.

**Re point 7 of the agenda** (Election of Mr Árpád Könye and Mr István Borus as members of the Board of Directors and approval of the agreements for the performance of the office of members of the Board of Directors)

Draft resolution:

Mr Árpád Könye, born on 10 May 1961, residing at Ave da Republica 1910, Lote 50, Alcabideche 2645-143, Portuguese Republic, is elected as a member of the Board of Directors of the Company.

Mr István Borus, born on 20 December 1975, residing at 2162 Örbottyán, Vak Bottyán utca 9719, Hungary, 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 concerning the performance of an office of a member of the Board of Directors. 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.

The nomination of Mr Árpád Könye to the office of a member of the Board of Directors of the Company is proposed in relation to Mr András Tövisi's notification of his resignation from the office of a member of the Board of Directors of the Company.

The nomination of Mr István Borus to the office of a member of the Board of Directors of the Company is proposed with regard to the fact that on 18 January 2016 he was, in accordance with article 14 (4) of the Company's Articles of Association, appointed as a substitute member of the Board of Directors until the next General Meeting of the Company. In the event of his confirmation in (election to) the office of a member of the Board of Directors of the Company, Mr István Borus' term of office shall, in accordance with article 14 (4) of the Company's Articles of Association and relevant legal regulations, commence as of the day of his election by the General Meeting.

Draft resolution:

The Agreement on Performance of the Office of a Member of the Board of Directors concluded between the member of the Board of Directors of Philip Morris ČR a.s. Mr. Árpád Könye and Philip Morris ČR a.s. on 21 March 2016 is hereby approved.

The Agreement on Performance of the Office of a Member of the Board of Directors concluded between the member of the Board of Directors of Philip Morris ČR a.s. Mr. István Borus and Philip Morris ČR a.s. on 21 March 2016 is hereby approved.

Reasoning:

The Agreement on Performance of the Office represents a standard instrument defining mutual rights and obligations of the Company and a member of the Board of Directors and represents one of the motivating factors for the performance of the office of a member of the Board of Directors. The approval of the Agreement on Performance of the Office entered into with members of the Board of Directors falls within the authority of the Company's General Meeting. The Agreements on Performance of the Office of Members of the Board of Directors submitted to the General Meeting for its approval are based on the standard template of an agreement on performance of the office used so far by the Company, including the amount of the remuneration and other benefits, and respect the existing practise within the Company while taking into consideration the requirements set out in the Business Corporations Act. The Agreements on Performance of the Office of Members of the Board of Directors were (after the relevant identification data had been filled in) entered into based on the template which forms an integral part of this invitation as its Schedule 3. The Agreements on Performance of the Office entered into with individual members of the Board of Directors are available at the Company's registered office and at <http://www.philipmorris.cz>, in the section "About Us", subsection "Philip Morris ČR Shareholder Information".

**Re point 8 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 2016 calendar year accounting period.

Reasoning:

The authority to appoint the Company's auditor lies with the General Meeting of the Company in accordance with the Auditors Act and the Company's Articles of Association. The proposed auditor is a recognized company with sufficient capacity and expertise, it meets the requirements arising from law; it was the Company's auditor in the past and it was recommended by the Audit Committee to the Supervisory Board and the Supervisory Board proposed this auditor to the General Meeting. The proposed auditor has therefore sufficient and detailed knowledge of the Company's needs and

operation and, in view of its experience and qualifications, it is a suitable candidate to be appointed as auditor of the Company for 2016.

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 2015 ordinary financial statements (in CZK millions)**

Non-current assets: .....	3,878	Registered capital and reserves: .....	5,127
Current assets: .....	10,688	Retained earnings from prior years: .....	257
.....		Earnings for the current period: .....	2,540
.....		Non-current liabilities: .....	182
.....		Current liabilities: .....	6,460
<b>Total assets: .....</b>	<b>14,566</b>	<b>Total equity and liabilities: .....</b>	<b>14,566</b>

**Main data from the 2015 ordinary consolidated financial statements (in CZK millions)**

Non-current assets: .....	3,915	Registered capital and reserves: .....	5,142
Current assets: .....	11,139	Retained earnings from prior years: .....	244
.....		Earnings for the current period: .....	2,570
.....		Non-current liabilities: .....	182
.....		Current liabilities: .....	6,916
<b>Total assets: .....</b>	<b>15,054</b>	<b>Total equity and liabilities: .....</b>	<b>15,054</b>

**Schedules:**

The following schedules form an integral part of this invitation:

1. Proposal for profit distribution for the year 2015
2. Draft Rules of Procedure and Voting Rules of the General Meeting of the Company
3. Template of the agreement on performance of the office of a member of the Board of Directors

In Kutná Hora, on 29 March 2016

Board of Directors of **Philip Morris ČR a.s.**

## **SCHEDULE 1**

### **Proposal for profit distribution for the year 2015**

(in CZK)

Profit after tax for the year 2015	2,539,561,716.50
Profit share (dividend)	2,525,755,120.00
Transfer to retained earnings from prior years	13,806,596.50
Retained earnings from prior years which remained undistributed	257,279,208.32

The profit share (dividend) will be paid to shareholders who held shares of the Company as at 22 April 2016.

The proposed gross profit share (dividend) is CZK 920.00 per share on a total of 2,745,386 shares.

Distribution of profit shares (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, to the address stated in the extract from the Issue Register of the Company maintained by the Central Securities Depository – Centrální depozitář cenných papírů, a.s. as at 22 April 2016 in case of book-entered shares, and to the address stated in the list of Company shareholders in the case of the Company's certificated shares as at 22 April 2016.

Profit 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. Profit share (dividend) will be paid to the shareholders who are individuals owning book-entered shares listed in the records of book-entered securities maintained pursuant to a special legal regulation by bank money transfer after the shareholder submits all the necessary documents, including a certificate of tax domicile and a declaration by the actual owner of the shares 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. In the case of shareholders who are individuals with a permanent residence in the territory of the Czech Republic, the profit share (dividend) 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 submit, along with presentation of their valid ID card, a certificate of their tax domicile and a declaration of the actual owner.

The payment period will be from 30 May 2016 to 31 March 2017.

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

Shareholders who are **legal entities** will also be paid profit shares (dividends) through Česká spořitelna, a.s. in accordance with the rules defined above.

Profit shares (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. Profit shares (dividends) will be paid to 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 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: Back Office of Investment Products  
Naděžda Šmídová  
E-mail: nsmidova@csas.cz

Hana Hendrychová  
E-mail: hhendrychova@csas.cz

Telephone: 956 765 433

Contact address for delivery of documents for payments:  
Department 8430  
Budějovická 1518/13a,b,  
140 00 Prague 4

## 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 29 April 2016***

##### 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 shall be opened by the person convening the General Meeting or a person appointed by it and shall be presided over by this person until the election of the Chairman. If the General Meeting is convened by a body, this body must authorise one of its members (or resolve to authorise another person) to preside over the General Meeting until the Chairman is elected or, as the case may be, if no Chairman of the General Meeting is elected. The task of the person convening the General Meeting or the person appointed by it is to ensure that the General Meeting elects the Chairman of the General Meeting, a minutes clerk, one or more verifiers of the minutes and a person or persons charged with counting the

- votes. 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 will be 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's 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 Company's 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 a 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. 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**

#### **Template of the Agreement on Performance of the Office of a Member of the Board of Directors**

### **TEMPLATE**

[...] 2016

PHILIP MORRIS ČR A.S.

AND

[...]

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AGREEMENT ON THE PERFORMANCE OF THE  
OFFICE OF MEMBER OF THE BOARD OF DIRECTORS

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## CONTENT

CLAUSE	PAGE
1. SUBJECT-MATTER OF THE AGREEMENT.....	2
2. SCOPE OF AUTHORITY OF THE MEMBER.....	2
3. CONFIDENTIALITY .....	4
4. REMUNERATION OF THE MEMBER.....	6
5. OTHER BENEFITS.....	6
6. COSTS.....	8
7. [ANNUAL BONUS].....	8
8. PROHIBITION OF COMPETITIVE CONDUCT.....	9
9. CONFLICT OF INTEREST RULES.....	10
10. LIABILITY.....	10
11. DATA AND PERSONAL DATA PROTECTION.....	11
12. TERM AND TERMINATION.....	12
13. FINAL PROVISIONS.....	12

**THIS AGREEMENT** (the "**Agreement**") is entered into pursuant to Section 59 *et seq.* of Act No. 90/2012 Coll., on Business Companies and Cooperatives (the Business Corporations Act) (the "**BCA**") and pursuant to Act No. 89/2012 Coll., the Civil Code (the "**NCC**"),

**BETWEEN:**

- (1) **Philip Morris ČR a.s.**, a joint stock company incorporated and existing under the laws of the Czech Republic, whose registered office is in Kutná Hora, Vítězná 1, postcode 284 03, identification number 148 03 534, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 627 (the "**Company**"),

and

- (2) [●], born on [●], permanently residing at [●] (the "**Member**"),  
(the Company and the Member are collectively referred to as "**Parties**" and individually as a "**Party**")

**WHEREAS:**

- (A) The Member has been nominated to the office of a member of the Board of Directors of the Company.
- (B) The Member agrees to his election as a member of the Board of Directors of the Company. In relation to the capacity of the Member to perform his office, he declares that he meets all the requirements set out by the relevant legal regulations; in particular the Member (i) is fully competent to perform legal acts; (ii) has no criminal records within the meaning of the Trade Licensing Act No. 455/1991 Coll., (the Trade Licensing Act), as amended (the "**Trade Licensing Act**"), and no event has occurred in relation to him that would constitute an obstacle to the operation of a trade; (iii) has not been excluded from the performance of the office of a member of the governing body of a business corporation pursuant to Sections 63 to 65 of the BCA; (iv) has neither had any insolvency proceedings pursuant to the relevant legal regulation nor any proceedings pursuant to Sections 63 to 65 of the BCA initiated in relation to his assets or the assets of the business corporation in which he is or has been active during the past three (3) years as a member of a body, and that no other obstacle to his performance of the office, of which he has not informed the Company before he started to hold office, exists; and (v) acknowledges that if, at the time of his election as a member of the Board of Directors, he was not capable of performing the office as set out by law, he shall be deemed not have been elected to the office. If, after his election as a member of the Board of Directors the

Member loses the statutory capacity to be a member of the Board of Directors, his office ceases to exist. The Member shall notify the Company of the cessation of his office without undue delay.

- (C) The Parties wish to have the relationship between the Member and the Company governed by this Agreement after the Member is elected as a member of the Board of Directors of the Company.
- (D) This Agreement is subject to approval by the General Meeting of the Company (the "**General Meeting**").

**THE PARTIES HAVE AGREED** as follows:

**1. SUBJECT-MATTER OF THE AGREEMENT**

- 1.1 The Member shall perform the duties of a member of the Board of Directors of the Company. The Member has the rights and duties of a member of the Board of Directors of the Company under the laws of the Czech Republic, subject to the limits set out in the Company's Articles of Association (the "**Articles of Association**") or in this Agreement.
- 1.2 The General Meeting may restrict the authority of the Member to act for and on behalf of the Company.
- 1.3 The place of the Member's performance of his duties under this Agreement shall be the registered office of the Company and any location required by the character or nature of the duties and tasks that relate to the performance of the office and to the interests of the Company. The Company undertakes to create, at its own cost, conditions suitable for the performance of the Member's duties, in particular with regard to technical, professional and personal requirements, at any location where the Member will perform his office. If necessary for the performance of the office and according to the needs of the Company, the Member is obliged to travel both within the Czech Republic and abroad.
- 1.4 The Member hereby represents and warrants to the Company that he has sufficient professional experience to perform his duties as a member of the Board of Directors of the Company under this Agreement and that he covenants to carry out his duties to the best of his ability.

**2. SCOPE OF AUTHORITY OF THE MEMBER**

- 2.1 In accordance with the Articles of Association, the applicable law and this Agreement, the Member is obliged to act and sign for and on behalf of the Company and to represent the Company in dealings with third parties.
- 2.2 The Member is obliged to perform his duties with the care of a diligent business person (in Czech: *s péčí řádného hospodáře*) in accordance with the provisions of



the NCC, the BCA and other legal regulations, the Articles of Association of the Company, the decisions and instructions of the General Meeting (provided that the General Meeting is authorised to issue them), and potentially the instructions of the managing person (in Czech: *řídící osoba*) pursuant to Section 81 (1) of the BCA, provided that such performance of office is not in conflict with the legal regulations. In particular, the Member is obliged to:

- 2.2.1 manage the Company's business, together with the other members of the Board of Directors;
  - 2.2.2 actively, diligently and with necessary loyalty fulfil his duties that follow from the legal regulations, the Articles of Association of the Company, the decisions and instructions of the General Meeting (provided that the General Meeting is authorised to issue them), and potentially the instructions of the managing person pursuant to Section 81 (1) of the BCA, provided that the fulfilment of such decisions and instructions is not in conflict with the legal regulations. When fulfilling his duties, the Member is obliged to use his best efforts and all of his professional knowledge and experience, which he undertakes to apply according to his best knowledge and skills;
  - 2.2.3 defend, in every circumstance, the good name, prosperity and the legitimate interests of the Company that are known to him; act in accordance with the strategic aims of the Company that are known to him; and use the acquired knowledge, experience and professional know-how in favour of the Company;
  - 2.2.4 attend the General Meetings, or the working meetings that precede or follow the General Meetings, necessary for the activities of the Board of Directors of the Company;
  - 2.2.5 ensure that the Company complies with the requirements of the laws of the Czech Republic and the Articles of Association;
  - 2.2.6 ensure that the accounting records of the Company fulfil the statutory requirements, and are accurate and up to date; and
  - 2.2.7 carry out all legal acts and negotiations which are usual for the management of the business affairs of a company having the same or similar size and scope of business as registered in the Commercial Register.
- 2.3 In relation to the Company, the Member shall observe the provisions of the Articles of Association, the relevant legal regulations of the Czech Republic, and this Agreement. In relation to the performance of his office, the Member declares and acknowledges that:

- 2.3.1 a person acts diligently and with due knowledge when he could, in good faith, reasonably expect when deciding about business matters that he acted based on the relevant information and within the justifiable interests of the Company; this does not apply if any such decision was not made with the necessary loyalty;
- 2.3.2 any person who accepts the office of a member of the Board of Directors undertakes to perform the office with the necessary loyalty, knowledge and diligence. A person shall be deemed to have acted negligently if he is not capable of performing with the care of a diligent business person, and despite being aware of this when accepting the office or becoming aware during the performance of the office, he does not act to bring any consequences on himself from this.
- 2.4 The obligation to perform the office of a Member is a personal obligation, and the Member is not entitled to have himself represented by any other person when performing the office, unless the relevant legal regulations stipulate otherwise. Neither of the Parties is entitled to transfer its rights or duties under this Agreement (or any part thereof) to a third party without the consent of the other Party.
- 2.5 Notwithstanding the above, the Member shall not do or cause to be done anything which he reasonably considers to be in conflict with the lawful interests of the Company and/or the relevant laws and regulations of the Czech Republic and/or any other relevant jurisdiction.
- 2.6 The General Meeting is entitled to issue any instructions regarding the business management to the Member, except where the Member asks the General Meeting for any such instruction. This shall not affect his duty to act with the care of a diligent business person.

### 3. **CONFIDENTIALITY**

- 3.1 The Member shall, in acting with the care of a diligent business person, maintain confidentiality in respect of any information and facts which become known to him in or in relation to the performance of his office and which constitute business secret or which are otherwise designated as confidential and are subject to any form of confidential treatment and protection, or whose disclosure to third parties or whose publication may cause harm to the Company's property or reputation or any other damage to the Company's interests. The Member is especially obliged not to disclose such facts and information to any third parties. Furthermore, the Member shall maintain confidentiality in respect of any information and facts, in relation to which the Company agreed to maintain confidentiality based on a contractual arrangement with a third party.



- 3.2 The confidentiality obligation does not apply to the provision of information and to the performance of other duties by the Member that arise from the due performance of his office or in relation to it, particularly to information to be provided by the Member to the controlling and controlled entities.
- 3.3 The terms of this Agreement, as well as any information, circumstances or data which become known to the Member in connection with the entry into, and the performance of, this Agreement, including:
- 3.3.1 any information received by the Member from the Company or any of its controlling and controlled entities, or any of the Company's representatives, including but not limited to, lawyers, attorneys, advisers, managers, employees;
  - 3.3.2 any report, analysis, data, study or any other oral or written information supplied by the Company or any of its controlling and controlled entities regarding its business or any other matter of its activity;
  - 3.3.3 any information relating to the Company or any of its controlling and controlled entities, which a reasonable member of the Board of Directors would regard as confidential;
  - 3.3.4 facts and information specified above in Clause 3.1 and 3.2;
- (the "**Confidential Information**") are confidential. The Member may not disclose Confidential Information to any third party without the prior written consent of the Company, nor use Confidential Information for any purpose other than the performance of this Agreement or the purposes envisaged in this Agreement. The prohibition of the disclosure of Confidential Information shall not apply to disclosure:
- 3.3.5 within the scope of the good and proper management of the Company's business affairs;
  - 3.3.6 to legal, tax and accounting advisors if they are bound by confidentiality undertakings at least equivalent to those contained in this Clause;
  - 3.3.7 within the scope of court, administrative, or arbitration proceedings, to the extent necessary for the enforcement of claims under or in connection with this Agreement;
  - 3.3.8 required under applicable laws and regulations, and applicable to the relevant Party (Parties);

- 3.3.9 where that Confidential Information has become part of the public domain otherwise than as the result of a breach of this Agreement.
- 3.4 The duty of confidentiality shall survive the termination of this Agreement. The Member undertakes not to disclose, either directly or indirectly, any Confidential Information at any time after the termination of this Agreement.
- 3.5 If the Member becomes obliged to disclose the Confidential Information pursuant to Clause 3, the Member shall promptly inform the Company of this fact.

#### 4. REMUNERATION OF THE MEMBER

- 4.1 The Company is obliged to pay the gross annual remuneration of CZK 200,000 (in words: two hundred thousand Czech crowns) to the Member for the performance of his duties under this Agreement (the "**Annual Remuneration**") from which the Company shall deduct income tax, health and social insurance, and any other mandatory or agreed deductions.
- 4.2 The Company is obliged to pay the Annual Remuneration in one lump sum by wire-transfer to the bank account of the Member notified by the Member to the Company by the end of the year for which the Annual Remuneration is paid.

#### 5. OTHER BENEFITS

- 5.1 The Company shall provide the Member who simultaneously performs work for the Company on the basis of an employment agreement, where such employment does not fall within the activities performed by the Member for the Company as part of the performance of his office based on this Agreement (the "**Company Employee**"), with the following benefits:
- 5.1.1 an annual salary;
- 5.1.2 [a benefit in the form of shares of Philip Morris International Inc. ("**PMI**")];<sup>1</sup>
- 5.1.3 [a company car which may also be used by the Member for private purposes and where the costs of maintenance and operation shall be borne by the Company];<sup>2</sup>
- 5.1.4 a monthly meal allowance;
- 5.1.5 a monthly pension scheme, and life and injury insurance contributions;

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<sup>1</sup> Note: As this benefit is only provided to some Members, this Clause will be adjusted or, as the case may be, entirely deleted in individual agreements on performance of the office.

<sup>2</sup> See footnote no. 1.



- 5.1.6 a severance payment and other emoluments related to the termination of employment, which arise for employees from the collective agreement with the Company;
- 5.1.7 a company laptop for business as well as private purposes (the "**Computer**"). The costs relating to the use of the Computer shall be borne by the Company;<sup>3</sup>
- 5.1.8 a company telephone for business as well as private purposes (the "**Telephone**"). The costs relating to the use of the Telephone shall be borne by the Company.<sup>4</sup>
- 5.2 If the Member is not a Company Employee but is simultaneously an employee of another company from the PMI Group (the "**PMI Group Employee**"), the Member will be provided with the following benefits:
- 5.2.1 by the Company:
- (a) a company car which may also be used by the Member for private purposes and where the costs of maintenance and operation shall be borne by the Company;<sup>5</sup>
  - (b) a company laptop for business as well as private purposes (the "**Computer**"). The costs relating to the use of the Computer shall be borne by the Company;<sup>6</sup>
  - (c) a company telephone for business as well as private purposes (the "**Telephone**"). The costs relating to the use of the Telephone shall be borne by the Company;<sup>7</sup>
- 5.2.2 by his employer particularly:
- (a) an annual salary;
  - (b) a benefit in the form of shares of PMI;
  - (c) participation in the PMI Group's schemes relating to pension, and injury and/or life insurance;
  - (d) emoluments related to the termination of employment, if the criteria for their provision are met;

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<sup>3</sup> See footnote no. 1.

<sup>4</sup> See footnote no. 1.

<sup>5</sup> See footnote no. 1.

<sup>6</sup> See footnote no. 1.

<sup>7</sup> See footnote no. 1.

- (e) ~~[[a company car which may also be used by the Member for private purposes and where the costs of maintenance and operation shall be borne by the employer, if a company car is not provided to the Member by the Company pursuant to 5.2.1 (a) above;]]<sup>8</sup>~~
  - (f) ~~[[a company laptop for business as well as private purposes, where the costs relating to the use of the laptop shall be borne by the employer;]]<sup>9</sup>~~
  - (g) ~~[[a company telephone for business as well as private purposes, where the costs relating to the use of the telephone shall be borne by the employer;]]<sup>10</sup>~~
- 5.3 Information about the remuneration and other emoluments provided to the members of the Board of Directors and Supervisory Board of the Company, including the total amount received from the Company and/or companies controlled by the Company for the relevant accounting period, is also provided in the Company's annual report which is submitted to the General Meeting.
6. **COSTS**
- 6.1 The Company shall pay for all justified and reasonable costs which the Member directly incurs in relation to the performance of his office.
7. **[ANNUAL BONUS]<sup>11</sup>**
- 7.1 The Member, who is also a Company Employee or PMI Group Employee, is entitled to receive a one-off annual performance bonus (i.e. Bonus Incentive Compensation) paid within the bonus plan (the "**Bonus**"). The entitlement to this Bonus and the amount of the Bonus depends on the fulfilment of the relevant conditions, the performance criteria set for the relevant employee in the bonus plan, and on the overall results of the PMI Group.
- 7.2 Some of the basic criteria for the evaluation of the set targets are of a quantitative nature, such as the achievement of an operating profit, cash flow, sales volume, and market share, and some criteria are of a qualitative nature, such as portfolio management, an innovative approach, observance of internal rules and procedures, diversity and the development of managerial skills.

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<sup>8</sup> See footnote no. 1.

<sup>9</sup> See footnote no. 1.

<sup>10</sup> See footnote no. 1.

<sup>11</sup> Note: As the annual bonus is only provided to some Members, this Clause will be adjusted or, as the case may be, entirely deleted in individual agreements on performance of the office.

- 7.3 The Bonus will be paid after the PMI's Remuneration Committee assesses the PMI Group's performance in the given year, and after the employer, or the relevant remuneration body, if established, evaluates the fulfilment of the relevant criteria under the bonus plan based on the financial results of the relevant employer and the PMI Group, and takes a decision on the Bonus award. The amount of the Bonus and the conditions for its payment will be discussed with the Company Employee or the PMI Group Employee in advance and these will be provided in writing by the relevant employer.

**8. PROHIBITION OF COMPETITIVE CONDUCT**

- 8.1 The Member shall observe the prohibition of competitive conduct within the scope as stipulated by the legal regulations in force or by the Company's Articles of Association.
- 8.2 In particular, the Member may not:
- 8.2.1 engage in any activities which are identical with the business activities of the Company, not even for the benefit of other persons, nor act as a broker for other parties in the commercial transactions of the Company;
  - 8.2.2 act as a member of the statutory body of another legal entity whose business activity is similar to that of the Company, nor as a person in a similar position, unless it is within the group; or
  - 8.2.3 participate in business activities of another business corporation as a shareholder with unlimited liability or as a controlling person of another person whose business activity or scope of business is identical or similar to that of the Company.
- 8.3 If the General Meeting was expressly notified of any of the circumstances specified in Clause 8.2 at the moment the Member was appointed to his office, or if such a circumstance originated later and the Member notified the General Meeting in writing, it shall be deemed that the Member is not prohibited from performing such activity. This shall not apply if the General Meeting disagreed with the Member's activity under Clause 8.2 within one month of the day on which it was notified of this circumstance by the Member.
- 8.4 The notification pursuant to Clause 8.3 shall be specified in the invitation to the General Meeting, and the General Meeting agenda must include a vote on possible disagreement.
- 8.5 The Articles of Association or the General Meeting's resolutions may specify other restrictions on the Member's activities.



## **9. CONFLICT OF INTEREST RULES**

- 9.1 If the Member becomes aware of the fact that there may be a conflict of his interests with the Company's interests during the performance of his office, he shall promptly inform the other members of the Board of Directors and the Company's Supervisory Board of this fact. This shall similarly apply to a potential conflict of interests of persons close (in Czech: *osoby blízké*) to the Member or persons influenced or controlled by the Member. This obligation shall also be deemed to be fulfilled by the Member if the Member informs the General Meeting, unless he exercises the powers of the General Meeting as a sole shareholder. This provision is without prejudice to the Member's obligation to act in the Company's interests. The Supervisory Board or the General Meeting may suspend, for a specified time period, the performance of the office of the Member who made notification of this conflict of interest.
- 9.2 If the Member intends to enter into an agreement with the Company, he must promptly inform the other members of the Board of Directors and the Company's Supervisory Board of this fact. In his notification, he must also specify the conditions under which such agreement is to be entered into. This applies similarly to any agreements between the Company and a person close to the Member or a person influenced or controlled by the Member. The Member of the Board of Directors may also fulfil this obligation by informing the General Meeting, unless he exercises the powers of the General Meeting as a sole shareholder. The specified rules shall also apply if the Company is to secure or confirm the debts of persons specified in this Clause or is to become their co-debtor. The Supervisory Board or the General Meeting may prohibit the entering into of an agreement which is not in the Company's interests. The provisions of this Clause shall not apply to the agreements made within the ordinary course of business.

## **10. LIABILITY**

- 10.1 The Member shall perform his office with the care of a diligent business person, and with necessary loyalty. If during the performance of the office of member of Board of Directors, the Member causes harm to the Company by breaching the statutory obligations or the obligations set by this Agreement, especially in Clause 2.1 and 2.2 above, he shall be liable to compensate the Company for such harm.
- 10.2 The Member who breaches the obligation to act with the care of a diligent business person must surrender to the Company the benefits obtained in connection with such conduct. If the benefits cannot be surrendered, the Member must provide compensation in cash. The legal actions of the Company restricting the liability of the Member shall not be taken into account.

- 10.3 If the Member fails to compensate the Company for any harm caused by the Member's breach of his duties during the performance of his office, despite being obliged to do so, the Member shall be liable to the Company's creditors for such compensation to the extent to which such harm was not compensated in the event that the creditors cannot enforce performance from the Company.

## 11. DATA AND PERSONAL DATA PROTECTION

- 11.1 The Member hereby acknowledges and agrees that the Company collects personal data (including the birth date) relating to the Member and provided to the Company by the Member in relation to his office (the "**Personal Data**") for the necessary period, i.e. for the period of duration of the purpose of the processing, and that the Company processes, both automatically and manually, the Personal Data for the purpose of payroll, business trips, human resources in general, and for statistical purposes. Providing the Company with the Personal Data and any subsequent changes to the Personal Data is required by applicable legal regulations and in particular in relation to the provision of the remuneration. The Member has the right of access to the Personal Data, the right to correct the Personal Data, and the right to seek remedies in the event of any breach of duties regarding processing of the Personal Data relating to the Member by contacting the Human Resources Department of the Company.
- 11.2 The Member hereby acknowledges that the Company is a member of the PMI Group that operates joint administrative and operational systems involving, inter alia, the sharing of information concerning human resources for the purposes of the effective cooperation between the employees/governing bodies of individual companies within the PMI Group regarding the provision of services to business partners and customers. Given the foregoing, the Member hereby grants his explicit consent to the Company to provide the Member's Personal Data to any property related party or controlled or controlling entity of the Company in all states and jurisdictions where any such person is or may be located from time to time, including the states whose legislation does not provide an equivalent level of protection of personal data, within the scope of the purposes specified above for which the Personal Data was provided, for the necessary period of time, being the duration of the purpose of the processing. The list of these parties is available at PMI's website at [www.pmi.com](http://www.pmi.com).
- 11.3 The Member shall protect all personal data that the Member has access to during the performance of his office and maintain the confidentiality of security measures whose publication could endanger the security of personal data. These obligations survive termination of his office. Breach of the above obligations may give rise to a claim for the damages suffered by the Company as a result of the breach of the obligations by the Member. The Company will claim such damages from the Member in compliance with the applicable legal regulations.



## **12. TERM AND TERMINATION**

12.1 This Agreement, except for the provisions which are to remain valid after the termination of the Member's office, shall expire on the date of:

- 12.1.1 the expiry of the Member's term of office as a member of the Board of Directors, unless the Member is elected to the office by the General Meeting for a consecutive term of office, in which case the Agreement expires upon the lapse of the last of the consecutive terms of office for which the Member has been elected to the office of a member of the Board of Directors by the General Meeting;
- 12.1.2 the removal of the Member from the office of member of the Board of Directors of the Company by the General Meeting;
- 12.1.3 the resignation of the Member from his office of member of the Board of Directors of the Company, as set out by the Articles of Association or the applicable legal regulations;
- 12.1.4 the occurrence of the obstacles that prevent the Member from the performance of the office of member of the Board of Directors of the Company as specified by the applicable legal regulations, particularly by the BCA and the NCC; or
- 12.1.5 otherwise than specified above, on the date on which the office of the member of the Board of Directors terminates as set out by the Articles of Association or the applicable legal regulations.

12.2 This Agreement may not be terminated by notice.

12.3 Without undue delay after the termination of this Agreement, but by no later than one (1) week after the termination, the Member undertakes to return to the Company all documents that he holds and which relate to the Company and its affairs (in particular agreements, correspondence, accounting records, invoices and powers of attorney) as well as other items belonging to the Company. Furthermore, the Parties are obliged to settle all mutual claims which may arise based on this Agreement, within this same time limit.

## **13. FINAL PROVISIONS**

13.1 Any obligation set out in this Agreement that is not fully performed upon the termination of this Agreement shall remain binding.

13.2 If any provision of this Agreement is or becomes invalid or unenforceable, that shall not affect the validity and enforceability of any other provision of this Agreement. This shall also apply to cases where any provision of this Agreement is found putative (null) within the meaning of Section 553 (1) of the New Civil Code.

- 13.3 This Agreement is governed by Czech law, in particular by the provisions of the BCA and the NCC. The relationships between the Parties which are not expressly defined in this Agreement and which are related to the performance of the Member's office shall be governed by the relevant provisions of the Articles of Association, the NCC, the BCA and other legal regulations applicable to the performance of the office.
- 13.4 The courts of the Czech Republic have exclusive jurisdiction to settle any dispute arising from or in connection with this Agreement, including a dispute regarding the existence, validity or termination of this Agreement, any non-contractual obligation arising from this Agreement or in connection with it, or the consequences of its nullity.
- 13.5 This Agreement becomes effective upon the election of the Member to the office of member of the Board of Directors of the Company by the General Meeting, and upon the approval of the Agreement by the General Meeting.
- 13.6 If the General Meeting elects the Member to the office of a member of the Board of Directors for a consecutive term of office, this Agreement shall remain in force and effective also for the duration of the Member's term of office as a member of the Company's Board of Directors in this consecutive term of office.
- 13.7 For the avoidance of doubt, the Parties expressly state that in addition to the reasons for termination of the Agreement under Clause 12, this Agreement shall also expire if the General Meeting does not elect the Member to the office of member of the Board of Directors of the Company or does not approve the Agreement.
- 13.8 This Agreement represents the entire agreement between the Parties relating to the matters defined herein and shall fully supersede any previous negotiations, agreements or arrangements between the Parties, whether verbal or written, relating to the rights and obligations that arise in relation to the performance of the Member's office. Changes or amendments to this Agreement shall be agreed between the Member and the Company in writing and are subject to the prior approval of the General Meeting. The Member recognizes that he has no claims against the Company in relation to any previous negotiations, any agreements or arrangements between the Parties, or any agreements relating to the performance of the Member's office.
- 13.9 The Czech and English versions of this Agreement are each executed in two (2) counterparts. Each Party shall retain one (1) copy of this Agreement in each language version. If there is a conflict or inconsistency between the English language text and the Czech language text, the Czech prevails.

*IN WITNESS OF THE FACT that the Parties agree with the content of this Agreement, understand it and agree to perform this Agreement, the Parties affix their signatures*

*and declare that this Agreement has been entered into based on their free and serious will.*

On [...] 2016

For and on behalf of **Philip Morris ČR a.s.**, as the Company

SIGNATURE

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Name: [...]

Position: [...]

SIGNATURE

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Name: [...]

Position: [...]

On [...] 2016

**The Member**

SIGNATURE

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Name: [...]