



# 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 28 April 2017 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 2016 Annual Report, the proposal for the approval of the 2016 ordinary financial statements, the 2016 ordinary consolidated financial statements and for the distribution of profit for the year 2016, 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 2016 ordinary financial statements, the 2016 ordinary consolidated financial statements and the proposal for the distribution of profit for the year 2016, including an indication of the amount and method of payment of a profit share (dividend);
6. Appointment of the Company’s auditor;
7. Closing of the General Meeting.

**Draft resolutions to the matters on the agenda of the General Meeting 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. 21 April 2017 (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. 21 April 2017, 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 2016 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 2016, 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 2016 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. 21 April 2017 (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 28 March 2017 to 28 April 2017, 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 2016 Annual Report of the Company, the proposal for the approval of the 2016 ordinary financial statements, the 2016 ordinary consolidated financial statements and for the distribution of profit for the year 2016, 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 (9) 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 2016 Annual Report of the Company.

The Board of Directors also arranged for the preparation of the ordinary financial statements of the Company for the 2016 calendar year accounting period and of the ordinary consolidated financial statements of the

Company for the 2016 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 2016 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 2016 calendar year accounting period is a profit of CZK 2,765,864,608.17.

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 2016 calendar year accounting period, the ordinary consolidated financial statements of the Company for the 2016 calendar year accounting period, and the proposal for the distribution of profit for the 2016 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 2016 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 2016 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. Within its supervisory activities, the Supervisory Board also closely cooperated with the audit committee of the Company in all matters falling within the scope of these two bodies, including the appointment of statutory auditor. Based on its findings, the Supervisory Board prepared a report on the results of its activities in the 2016 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 2016 in accordance with the legal regulations in force, the 2016 ordinary financial statements, the 2016 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 2016, 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 2016 ordinary financial statements, the 2016 ordinary consolidated financial statements and the proposal for the distribution of profit for the year 2016, 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 2016 calendar year accounting period are hereby approved.

The ordinary consolidated financial statements of the Company for the 2016 calendar year accounting period are hereby approved.

The Company's after-tax profit for the 2016 calendar year accounting period in the amount of CZK 2,765,864,608.17 will be paid in the amount of CZK 2,745,386,000.00 to the Company's shareholders as a profit share (dividend). The remaining profit in the amount of CZK 20,478,608.17 will be transferred to retained earnings from the prior years. The retained earnings from prior years in the amount of CZK 273,817,245.82 remained undistributed. A gross profit share (dividend) of CZK 1,000.00 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 21 April 2017, i.e. profit shares (dividends) will be paid to shareholders who held shares of the Company as at 21 April 2017.

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 21 April 2017 in the case of book-entered shares and to the shareholder’s address specified in the list of the Company’s shareholders as at 21 April 2017 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 29 May 2017 to 31 March 2018. 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

Hana Hendrychová

E-mail: hhendrychova@csas.cz

Telephone: 956 765 438

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 2016 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** (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 2017 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 2017.

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 2016 ordinary financial statements** (in CZK millions)

Non-current assets: .....	4,373	Registered capital and reserves: .....	5,124
Current assets: .....	10,849	Retained earnings from prior years: .....	274
.....		Earnings for the current period: .....	2,766
.....		Non-current liabilities: .....	173
.....		Current liabilities: .....	6,885
<b>Total assets: .....</b>	<b>15,222</b>	<b>Total equity and liabilities: .....</b>	<b>15,222</b>

**Main data from the 2016 ordinary consolidated financial statements** (in CZK millions)

Non-current assets: .....	4,394	Registered capital and reserves: .....	5,137
Current assets: .....	11,176	Retained earnings from prior years: .....	290
.....Earnings for the current period:		2,767	
.....		Non-current liabilities: .....	173
.....		Current liabilities: .....	7,203
<b>Total assets: .....</b>	<b>15,570</b>	<b>Total equity and liabilities: .....</b>	<b>15,570</b>

**Schedules:**

The following schedules form an integral part of this invitation:

1. Proposal for profit distribution for the year 2016
2. Draft Rules of Procedure and Voting Rules of the General Meeting of the Company

In Kutná Hora, on 28 March 2017

Philip Morris ČR a.s.



Árpád Könye  
Chairman of the Board of Directors

Philip Morris ČR a.s.



Stanislava Juríková  
Member of the Board of Directors

## SCHEDULE 1

### Proposal for profit distribution for the year 2016 (in CZK)

Profit after tax for the year 2016	2,765,864,608.17
Profit share (dividend)	2,745,386,000.00
Transfer to retained earnings from prior years	20,478,608.17
Retained earnings from prior years which remained undistributed	273,817,245.82

The profit share (dividend) will be paid to shareholders who held shares of the Company as at 21 April 2017.

The proposed gross profit share (dividend) is CZK 1,000.00 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 in the Issue Register of the Company maintained by the Central Securities Depository – Centrální depozitář cenných papírů, a.s. as at 21 April 2017 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 21 April 2017.

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 29 May 2017 to 31 March 2018.

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.:

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## **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 28 April 2017***

##### 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.