

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

The Audit Committee performed its activity regarding the process of preparing the 2016 financial statements and the 2016 consolidated financial statements in accordance with Article 19 of the Articles of Association of Philip Morris ČR a.s. (the “Company”) and according to legal regulations.

Since its establishment until the date of this report, the Audit Committee:

- (i) monitored the process of preparing the 2016 financial statements and the 2016 consolidated financial statements;
- (ii) monitored the effectiveness of the internal controls in the Company and system of risk management;
- (iii) monitored the effectiveness and functional independence of the internal audit;
- (iv) monitored the process of statutory audit of the financial statements and the consolidated financial statements for the year 2016;
- (v) assessed the independence of the statutory auditor and the audit firm and in particular any provision of non-audit services to the Company by the statutory auditor and the audit firm;
- (vi) approved the provision of non-audit services;
- (vii) discussed the activities conducted in the field of internal audit and the results of such internal audits (main findings and recommendations); and
- (viii) accepted information and communication according to legal regulations from the auditor.

The following persons were invited to participate in Committee’s sessions: key members of the auditor’s team, the financial director of the Company, the director of the department of internal controls and other employees of the Company in charge of or playing a relevant role in the activities addressed by the Audit Committee.

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

2. STATEMENT OF THE AUDIT COMMITTEE FOR THE 2016 CALENDAR YEAR ACCOUNTING PERIOD

From the point of view of the main activities entrusted to the Audit Committee according to legal regulations and under the Company’s Articles of Association, i.e.:

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

for the year 2016 the Audit Committee has not ascertained serious deficiencies or issues the Supervisory Board and the general meeting of shareholders of the Company should be informed about.

The Audit Committee informed the Company's Supervisory Board of its activities and conclusions and gave recommendations on the items that have been discussed at the sessions of the Audit Committee.

In accordance with its responsibilities under Section 44a of the Act on Auditors, as amended, the Audit Committee discussed and recommended to the Supervisory Board to propose PricewaterhouseCoopers Audit, s.r.o., with its registered seat at Hvězdova 1734/2c, Nusle, 140 00 Prague 4, Czech republic, identification number 407 65 521, registered in the Commercial Register maintained by the Municipal Court in Prague, section C, insertion 3637, which is part of the international group of advisory companies offering audit services, to be appointed as auditor for the statutory audit for the 2017 accounting period by the General Meeting. PricewaterhouseCoopers Audit, s.r.o. conducted the statutory audits of the Company in the past and has always exercised the statutory auditor's function properly, fulfilled all the requirements on the independence of the statutory auditor, has sufficient knowledge and experience in auditing issuers of listed securities. Therefore, the appointment of PricewaterhouseCoopers Audit, s.r.o. as auditor of the Company for 2017 will continue to ensure that the statutory audit of the Company will be performed properly.

In Prague on March 27, 2017

Audit Committee
Philip Morris ČR a.s.