

DATED MARCH 18, 2013

PHILIP MORRIS ČR A.S.

AND

MARTIN HLAVÁČEK

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

CONTENTS

CLAUSE	PAGES
1. SUBJECT MATTER OF THE AGREEMENT	2
2. SCOPE OF THE AUTHORITY OF THE MEMBER.....	2
3. CONFIDENTIALITY	3
4. REMUNERATION OF THE MEMBER	4
5. PROHIBITION OF COMPETITIVE CONDUCT	4
6. LIABILITY	5
7. TERM AND TERMINATION	5
8. FINAL PROVISIONS	5

THIS AGREEMENT (the "**Agreement**") is entered into pursuant to Section 66 (2) and (3) of Act no. 513/1991 Coll., the Commercial Code, as amended (the "**Commercial Code**")

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, Postal Code 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) **Martin Hlaváček**, born on 14 January 1980, whose permanent place of residence is at Počernická 354/69, 108 00 Prague 10, the Czech Republic (the "**Member**").

(the Company and the Member together the "**Parties**" and individually the "**Party**").

INTRODUCTION

- (A) The Member was nominated to the position of the member of the Board of Directors of the Company (in Czech: *člen představenstva*).
- (B) The Member agrees to his election as a member of the Board of Directors of the Company.
- (C) The Member hereby represents that he meets all the requirements set down by Section 194 (7) of the Commercial Code for the performance of the office of the member of the Board of Directors of the Company, in particular that [he/she] (i) is fully competent to perform legal acts, (ii) has an unimpeachable character pursuant to Act no. 455/1991 Coll., Trade Licensing Act, as amended (the "**Trade Licensing Act**"), (iii) is not aware of any legal obstacles that would prevent her from performing the function of a Member pursuant to the Trade Licensing Act, and (iv) is not aware of any circumstances that would prevent her from performing the function of a Member pursuant to Section 381 of the Commercial Code.
- (D) The Parties wish the relationship between the Member and the Company to be governed by this Agreement after the Member is appointed to the position of member of the Board of Directors.
- (E) This Agreement is subject to an approval of the general meeting of the Company (the "**General Meeting**").

THE PARTIES AGREE as follows:

1. SUBJECT MATTER OF THE AGREEMENT

- 1.1 The Member shall perform the duties of the statutory body of the Company. The Member has the rights and duties vested in a member of the Board of Directors of a company under the laws of the Czech Republic, subject to 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 on behalf of the Company at any time.
- 1.3 The place of the Member's performance of his duties under this Agreement shall be at the registered office of the Company and in any locations required by the business interests of the Company.
- 1.4 The Member hereby represents and warrants to the Company that he has sufficient professional experience to perform his duties as member of the Board of Directors of the Company under this Agreement and covenants to carry out his duties to the best of his ability.

2. SCOPE OF THE AUTHORITY OF THE MEMBER

- 2.1 The Member is obliged to act for and on behalf of the Company, sign on behalf of the Company and to represent the Company in respect of third parties in accordance with the Articles of Association (as amended from time to time), the applicable law and this Agreement.
- 2.2 The Member shall perform his duties with the care of a diligent business person (in Czech: *s péčí řádného hospodáře*), faithfully, to the best of his abilities, and in accordance with Czech law, the Company's Articles of Association, the best interests of the Company, and the instructions approved by the General Meeting, if applicable. The Member shall, in particular:
 - 2.2.1 be responsible for the business management of the Company, as well as any other services related to the management of the Company specifically requested by the General Meeting;
 - 2.2.2 ensure that the Company complies with the requirements of the laws of the Czech Republic and the Articles of Association;
 - 2.2.3 ensure that the accounting records of the Company fulfil the statutory requirements, and are accurate and up to date;

- 2.2.4 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 registered in the Commercial Register.
- 2.3 In relation to the Company, the Member shall observe the provisions of the Articles of Association, as amended from time to time, and this Agreement.
- 2.4 The Member must carry out his duties and responsibilities personally and he may not sub-contract or assign them.
- 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 To the extent permitted by Czech law, the General Meeting is entitled to issue, at any time, guidelines, instructions and decisions relating to any part of the management of the Company, which will be binding on the Member.

3. **CONFIDENTIALITY**

- 3.1 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, such as in particular:
 - 3.1.1 any information supplied by the Company, or by any of its related entities, or by any of its representatives, including but not limited to, lawyers, attorneys, advisers, directors, employees, to the Member;
 - 3.1.2 any report, analysis, data, study or any other oral or written information supplied by the Company or any of its related entities regarding its business or any other matter of its activity;
 - 3.1.3 any information relating to the Company or any of its related entities, which a reasonable member of the Board of Directors would regard as confidential;

(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 disclosure of Confidential Information shall not apply to disclosure:

- 3.1.4 within the scope of the good and proper management of the Company's business affairs;

- 3.1.5 to legal, tax and accounting advisors if they are bound by confidentiality undertakings at least equivalent to those contained in this clause;
 - 3.1.6 within the scope of the court, administrative, or arbitration proceedings, to the extent necessary for the enforcement of claims under or in connection with this Agreement;
 - 3.1.7 required under Czech laws and regulations, applicable to the relevant party (parties);
 - 3.1.8 of Confidential Information that has become part of the public domain otherwise than as the result of a breach of this Agreement.
- 3.2 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.

4. **REMUNERATION OF THE MEMBER**

- 4.1 The Company is obliged to pay 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 ("**Taxes**").
- 4.2 The Company is obliged to pay the annual remuneration in one lump sum by the end of the year for which the remuneration is paid by wire-transfer to the bank account of the Member notified by the Member to the Company.

5. **PROHIBITION OF COMPETITIVE CONDUCT**

- 5.1 The Member expressly agrees that during the term of this Agreement he may not engage in any activities pursuant to Section 196 of the Commercial Code, in particular he undertakes not to:
 - 5.1.1 conclude in his own name and on his own account, commercial transactions which are connected with the business activities of the Company or to enter into business relationships with the Company;
 - 5.1.2 act as a broker for other parties in the commercial transactions of the Company;
 - 5.1.3 be involved as a partner with unlimited liability in another legal entity or as a controlling person in another legal entity whose business activity has an object similar to that of the Company; and
 - 5.1.4 act as a statutory body, or be a member of a statutory or other body of another legal entity whose business activity has an object similar to that

of the Company unless such legal entity acts in concert with the Company.

6. **LIABILITY**

The Member is liable to the Company under the conditions and to the extent of the generally binding legal regulations of the Czech Republic for damage caused as a result of a breach of his statutory obligations or obligations stipulated in this Agreement, especially in clause 2.1 and 2.2 above.

7. **TERM AND TERMINATION**

7.1 This Agreement shall expire on the date of

7.1.1 expiry of the Member's term of office as a member of the Company's Board of Directors, unless the Member is appointed to the position of a member of the Board of Directors by the General Meeting for the consecutive term of office, in which case the Agreement expires upon the lapse of the last of consecutive terms of office for which the Member has been appointed by the General Meeting to the position of a member of the Company's Board of Directors;

7.1.2 the removal of the Member by the General Meeting from the position of member of the Board of Directors of the Company;

7.1.3 the resignation of the Member from his position of member of the Board of Directors of the Company; or

7.1.4 the occurrence of obstacles preventing the Member from the performance of the position of member of the Board of Directors of the Company as required by the Commercial Code.

7.2 Without undue delay after the termination of this Agreement (however 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.

8. **FINAL PROVISIONS**

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

8.2 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.

- 8.3 This Agreement is governed by Czech law, in particular by the provisions of the Commercial Code, with the exception of those non-mandatory provisions disappplied by this Agreement.
- 8.4 The courts of the Czech Republic have exclusive jurisdiction to settle any dispute arising from or connected with this Agreement, including a dispute regarding the existence, validity or termination of this Agreement or the consequences of its nullity.
- 8.5 This Agreement becomes effective upon appointment of the Member to the position of member of the Board of Directors of the Company by the General Meeting and upon approval of the Agreement by the General Meeting.
- 8.6 If the General Meeting appoints the Member to the position 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, however, no later than upon the expiry of the fifth consecutive term of office.
- 8.7 For the avoidance of doubt, the Parties expressly state that in addition to the expiration reasons under clause 7, this Agreement also expires if the General Meeting does not elect the Member to the position of member of the Board of Directors of the Company or does not approve the Agreement.
- 8.8 This Agreement shall supersede any previous mandate or service agreement that has been agreed upon between the parties to this Agreement. 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 related to any previous mandate, service agreement or performance of his office.
- 8.9 This Agreement is executed in two (2) counterparts in Czech and in English. 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.

/SIGNATURE PAGE FOLLOWS IMMEDIATELY/

EXECUTED BY THE PARTIES

On March 18, 2013

For **Philip Morris ČR a.s.** as the Company

SIGNATURE

Name: András Tövisi

Position: Chairman of the Board of Directors

SIGNATURE

Name: Stanislava Juríková

Position: Member of the Board of Directors

On March 18, 2013

Martin Hlaváček

SIGNATURE

Name: Martin Hlaváček