



**PHILIP MORRIS  
(PAKISTAN) LIMITED**

**FORM – 17**

October 6, 2015

The General Manager  
**Karachi Stock Exchange Limited**  
Stock Exchange Building  
Stock Exchange Road  
Karachi.

**NOTICE OF EXTRA ORDINARY GENERAL MEETING**

Dear Sirs,

We are pleased to enclose a copy of the Notice of the Extra Ordinary General Meeting to be held on October 28, 2015 for distribution amongst your members.

Yours Sincerely,

**For PHILIP MORRIS (PAKISTAN) LIMITED.**

Mujtaba Hussain  
Company Secretary

Encl: As above

**Philip Morris (Pakistan) Limited**

19th floor, The Harbour Front, Dolmen City, HC-3, Block 4, Clifton, Karachi - 75600, Pakistan | Tel: +92 21- 3520 9600 - 01  
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**PHILIP MORRIS  
(PAKISTAN) LIMITED**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Philip Morris (Pakistan) Limited (the “Company”) will be held on Wednesday, October 28, 2015 at 11.00 a.m. at Avari Renaissance Towers Hotel , Fatima Jinnah Road, Karachi to transact the following business:

**1. Special Business  
TO DISCUSS AND APPROVE THE ISSUANCE OF PREFERENCE  
SHARES OF UP TO PKR 11,000,000,000/- AND ALL RELATED  
APPROVALS**

The Board of Directors of the Company has, subject to the approval of shareholder and the relevant regulators, approved an irredeemable, non-voting, non-cumulative and convertible preference share transaction worth up to PKR 11,000,000,000/-. This is due to increasing financing costs coupled with planned capital expenditures and year on year losses suffered by the Company.

To consider and, if thought fit to pass with or without modification, the following resolutions as special resolutions, under Section 90 of the Companies Ordinance, 1984 (“Companies Ordinance”) read with Rule 5 of the Companies’ Share Capital (Variation in Rights and Privileges) Rules, 2000, the first proviso of Section 86(1) of the Companies Ordinance and all other applicable provisions of the Companies Ordinance for the issuance of up to 1,100,000,000 irredeemable, non-voting, non-cumulative and convertible preference shares at the price of PKR 10/- per share to Philip Morris Investments BV (“PMI BV”) and Philip Morris Brands Sarl (“Brands Sarl”) on the terms and conditions specified in the Statement under Section 160(1)(b)

The resolutions proposed are as under:

**RESOLVED THAT:**

1. The Authorized Capital of the Company be and is hereby increased from PKR 1,000,000,000/- divided into 100,000,000 ordinary shares of PKR 10/- each to PKR 12,000,000,000/- divided into 1,200,000,000 shares of PKR 10/- each with powers to the Company to increase and reduce its capital from time to time. The share capital shall comprise of one or more kinds of shares and different classes of shares under each kind in accordance with the provisions of the Companies’ Share Capital (Variation in Rights and Privileges) Rules, 2000 for the time being in force, with such rights and privileges attached thereto as may be approved by the Members by a Special Resolution from time to time.

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2. Subject to compliance with the provisions of all applicable laws, the approval of SECP (including approval under the first proviso to Section 86(1) of the Companies Ordinance, Section 90 of the Companies Ordinance and Rule 5 of the Companies' Share Capital (Variation in Rights and Privileges) Rules, 2000, any and / or all regulatory approvals that may be required under applicable laws, the Company be and is hereby authorized to issue up to 1,100,000,000 irredeemable, non-voting, non-cumulative and convertible Class A Preference Shares at the price of PKR 10/- per share (cumulating to PKR 11,000,000,000) otherwise than by way of rights issue to PMI BV and Brands Sarl (and not to all the other shareholders of the Company) in the ratio of 79.52% and 20.48% respectively.
  - (i) The First Tranche of Class A Preference Shares of PKR 7.5 billion shall be issued before June 30<sup>th</sup> 2016; and
  - (ii) The remaining Class A Preference Shares up to PKR 3.5 Billion shall be issued before December 31<sup>st</sup> 2017.
3. Subject to the approval of SECP under the first proviso of Section 86(1) of the Companies Ordinance, 1984, and any and / or all regulatory approvals that may be required under applicable laws, the issuance of ordinary shares of the Company to PMI BV and Brands Sarl upon exercise of the conversion option or at the end of fifteenth anniversary of the issuance of Class A Preference Shares otherwise than by way of a rights issue under the proviso of Section 86(1) of the Companies Ordinance 1984, be and is hereby approved.
4. The following amendments proposed to the Memorandum and Articles of Association of the Company in order to specify the nature, rights and privileges of the Class A Preference Shares be and are hereby approved without any amendment or modification of any nature whatsoever, subject to the same being approved by SECP:

MEMORANDUM OF ASSOCIATION

**Article V of the Memorandum is deleted and replaced with the following:**

*“The Authorized Capital of the Company is PKR 12,000,000,000/- (Rupees twelve billion only) divided into 1,200,000,000 (one billion two hundred million) shares of PKR 10/- (Rupees ten) each with powers to the Company to increase and reduce its Capital from time to time. The share capital shall comprise of one or more kinds of shares and different classes of shares under each kind in accordance with the provisions of the Companies' Share Capital (Variation in Rights and Privileges) Rules, 2000 for the time being in force, with such rights and privileges attached thereto as may be approved by the Members by a Special Resolution from time to time.”*

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ARTICLES OF ASSOCIATION

The following definitions shall be added or replaced (as the case may be) in Article 2:

*“Average KIBOR Rate” means the average, over the preceding six Business Days from the Class A Preference Share Dividend Date, of the six month Karachi Inter Bank Offer Rate.*

*“Business Day” means a calendar day on which banks are open for general banking business in Pakistan.*

*“Class A Preference Shareholders” means in relation to the Company, every person to whom the Company has allotted, or who becomes the holder of, Class A Preference Shares and whose name is registered in the Register of Members.*

*“Class A Preference Shares” not being Ordinary Shares, means convertible preference shares with such rights, privileges and conditions attached thereto as prescribed in these Articles.*

*“Class A Preference Shares Dividend Date” means the date on which the Board declares a dividend for Class A Preference Shareholders.*

*“Class A Preference Shares Issue Date” means the date on which the Class A Preference Shares are issued to the Class A Preference Shareholders subject to the terms and conditions in these Articles.*

*“Conversion” means the conversion of Class A Preference Shares into Ordinary Shares in terms of these Articles, and the word “Converted” shall be construed accordingly.*

*“Conversion Date” is defined in Article 35-B.*

*“Conversion Notice” means a written notice by a Class A Preference Shareholder to the Company setting forth the number of Class A Preference Shares that the Class A Preference Shareholder desires to be Converted to which notice shall be enclosed original certificates representing Class A Preference Shares intended to be Converted along with the transfer deeds duly signed, verified and witnessed.*

*“Conversion Ratio” means A/B where A = PKR 10 (Face value of Class A Preference Shares) and B = An Amount representing the previous one months trading days’ average price of the Company’s ordinary shares at Karachi Stock Exchange immediately preceding the applicable date*

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**“Distributable Profits”** means the profit available for distribution as dividend subject to the provisions of Sections 248 and 249 of the Ordinance, whereby the profits are determined in accordance with accepted accounting principles and after allowing for retention of profits for continuing and expansion of operations of the Company.

**“Exercised”** means the date on which the Conversion Notice is issued by a Class A Preference Shareholder in accordance with these Articles.

**“Financial Year”** means the financial year of the Company.

**“Mandatory Conversion”** is defined in Article 35-C.

**“Mandatory Conversion Date”** means the Business Days falling immediately after the expiry of the fifteenth (15th) anniversary of Class A Preference Shares Issue Date.

**“Member”** means, unless specified otherwise in Article 35-E, a person whose name is for the time being entered in the Register of Members by virtue of his being a subscriber to the Memorandum of Association of the Company or of his holding by allotment or otherwise any share, scrip or other security which gives him a voting right in the Company.

**“Optional Conversion Period”** means the period commencing from the tenth (10th) anniversary of the Class A Preference Shares Issue Date and ending on the fifteenth (15th) anniversary of the Class A Preference Shares Issue Date.

**“Ordinary Shares”** means the voting ordinary shares of the Company other than the Class A Preference Shares.”

**Articles 35-A to 35-E are inserted as follows:**

**“TERMS AND CONDITIONS OF CLASS A PREFERENCE SHARES”**

35-A.

- (a) Subject to provisions of Articles 33, 35-B, 35-C, 35-D and 145-A, the Company may issue Class A Preference Shares to Class A Preference Shareholders in terms of these Articles.
- (b) Subject to the proviso to Section 86 (1) of the Ordinance, Class A Preference Shares may be issued by the Company without a rights offering to such persons as it shall think fit from time to time.

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- (c) *Class A Preference Shareholders shall not have any preemptive right in respect of any further issue of capital (whether in the form of Class A Preference Shares, Ordinary Shares or otherwise) by the Company, and any preemptive rights of Class A Preference Shareholders shall stand waived and surrendered.*
- (d) *Class A Preference Shareholders shall have no right to vote at or attend or receive notice of any general or other meeting of the Company, and neither shall they be entitled to any representation on the Board by virtue of their shareholding, other than the right to receive notice for, attend and/or vote at any general meeting of Class A Preference Shareholders held pursuant to Article 5(3) above.*
- (e) *In the event of any inconsistency between the provisions of Articles 33, 35-A, 35-B, 35-C, 35-D and 145-A and any other Articles contained herein, provisions of Articles 33, 35-A, 35-B, 35-C, 35-D and 145-A shall prevail.*

**35-B** *The Class A Preference Shares issued to the Class A Preference Shareholders pursuant to Articles 33, 35-A and 35-D shall be convertible into Ordinary Shares of the Company, subject to the following terms and conditions:*

- (a) *Class A Preference Shareholder shall at his complete discretion have the option for Conversion of any or all of the Class A Preference Shares into Ordinary Shares based on the Conversion Ratio, during the Optional Conversion Period ("Conversion Option"). The Conversion Option shall be subject to the following terms and conditions:*
- (i) *Conversion Notice may only be issued by Class A Preference Shareholder for exercising the Conversion Option during the Optional Conversion Period.*
- (ii) *Fourteen (14) days after the issuance of Conversion Notice by Class A Preference Shareholder informing the Company of the Exercise of the Conversion Option, the Company shall issue Ordinary Shares in respect of the Conversion ("Conversion Date").*
- (iii) *The number of Ordinary Shares to be allotted and issued by the Company as a result of Conversion shall be determined by multiplying the number of Class A Preference Shares to be converted by the Conversion Ratio. The Ordinary Shares to be issued on the basis of the Conversion Ratio shall be issued and allotted on the applicable Conversion Date.*
- (iv) *Upon issuance of Ordinary Shares as a result of Conversion, such Ordinary Shares shall in all respect stand pari passu with Ordinary Shares already existing, issued and allotted.*

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- (v) *No fractional Ordinary Shares shall be issued upon Conversion, instead of fractional Ordinary Shares, which would otherwise be issued upon Conversion, the Company shall pay cash to the holders of Class A Preference Shares in respect of their fractional interest.*
- (vi) *Class A Preference shares Converted pursuant to this Article shall not be resold and shall stand cancelled forthwith.*

35-C *If prior to the Mandatory Conversion Date, a Class A Preference Shareholder has not Exercised the Conversion Option, then to the extent not Exercised, the remaining Class A Preference Shares held by a Class A Preference Shareholder shall be mandatorily converted into Ordinary Shares ("Mandatory Conversion") on the Mandatory Conversion Date. The Mandatory Conversion will be on the following terms and conditions:*

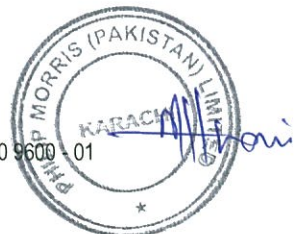
- (a) *the Company shall within thirty (30) days of the Mandatory Conversion Date issue Ordinary Shares in respect of the Mandatory Conversion.*
- (b) *the number of Ordinary Shares to be allotted and issued by the Company as a result of Mandatory Conversion shall be determined by multiplying the number of Class A Preference Shares to be converted by the Conversion Ratio.*
- (c) *upon issuance of Ordinary Shares as a result of Mandatory Conversion, such Ordinary Shares shall in all respect rank pari passu with Ordinary Shares already existing, issued and allotted.*
- (d) *No fractional Ordinary Shares shall be issued upon Mandatory Conversion instead of fractional Ordinary Shares, which would otherwise be issued upon Mandatory Conversion, the Company shall pay cash to the holders of Class A Preference Shares in respect of their fractional interest.*
- (e) *Class A Preference Shares Converted pursuant to this Article shall not be resold and shall stand cancelled forthwith.*

35-D *Subject to the provisions of the Ordinance, Class A Preference Shareholders shall have the following rights:*

- (a) *A Class A Preference Shareholder shall be entitled to maximum dividends at the rate of the Average KIBOR Rate + 1%. Dividends to Class A Preference Shareholders shall be in priority to any dividends declared on Ordinary Shares.*

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(b) *If on any Class A Preference Shares Dividend Date, the Distributable Profits are not sufficient for issuance of dividend to Class A Preference Shareholders, then so much of the profits as are available for distribution shall be distributed to the Class A Preference Shareholders pro-rata to the proportion of their holdings of Class A Preference Shares and unpaid dividends shall not be accumulated. No Class A Preference Shareholder shall have a claim in respect of any dividends that have not been paid as a result of the provision of this Article 35-D(b).*

(c) *Subject to the ability of Class A Preference Shareholders to waive their right to receive dividends in terms of this Article 35-D(c), if the Company has distributable profits available at the end of any Financial Year, such distributable profits will be mandatorily utilized for the purposes of distributing the dividend to Class A Preference Shareholders. No dividend on Ordinary Shares shall be declared or paid in any Financial Year to Members out of revenue reserves, till either (i) such time as all dividends payable to a Class A Preference Shareholder have been paid for that particular Financial Year or (ii) any of the Class A Preference Shareholders waive their right to receive dividends for that Financial Year and all dividends payable to Class A Preference Shareholders other than any Class A Preference Shareholders that have waived their right to dividends for that Financial Year have been paid for that particular Financial Year.*

35-E *Reference to the defined term "Members" in Articles 76(16), 76(25), 80, 81, 127, 130 and 147 shall be deemed to include a reference to both Class A Preference Shareholders and Members"*

**In Article 113, the words "Subject to Article 35-D," are inserted at the beginning of the Article.**

**In Article 116, the words "Subject to Article 35-D," are inserted at the beginning of the Article.**

**Article 145-A is inserted as follows:**

*"145-A Notwithstanding Article 145 above, Class A Preference Shareholders on winding up shall have the first right, before the Members over the assets of the Company limited to the nominal value of the shares held by Class A Preference Shareholders."*

5. The Company be and is hereby authorized and empowered to take all such actions including but not limited to filing the requisite applications (through any of the Authorised Persons (as defined below) for seeking permission from SECP, any and / or all regulatory approvals that may be required under applicable laws, for issuance of the Class A Preference Shares and all matters relating hereto.

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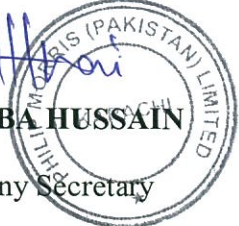


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6. Mr. Alejandro Paschalides, Mr. Joseph Ziomek and Mr. Mujtaba Hussain of the Company, be and are hereby singly authorized (“**Authorized Persons**”) to enter into and execute such documents as may be required in relation to the Class A Preference Shares.
7. The Authorised Persons, be and are hereby singly authorized, to take all steps necessary, ancillary and incidental for the issuance of the Class A Preference Shares, the issuance of the ordinary shares upon conversion of the Class A Preference Shares including but not limited to obtaining all requisite regulatory approvals, preparation and circulation of the notice of the General Meeting, preparing the resolution to be passed at the General Meeting; filing and preparation of all the requisite statutory forms and all other documents as may be required to be filed with the SECP any and / or all regulatory approvals that may be required under applicable laws, executing all such certificates, applications, notices, reports, letters and any other document or instrument including any amendments or substitutions to any of the foregoing as may be required in respect of the Class A Preference Shares issue and all other matters incidental or ancillary thereto.
8. All acts, deeds, and actions taken by any of the Authorized Persons pursuant to the above resolutions for and on behalf of and in the name of the Company shall be binding acts, deeds and things done by the Company and be and are hereby ratified and confirmed by the Company.
9. That the aforesaid resolutions shall be subject to any amendment, modification, addition or deletion as may be suggested, directed and advised by the SECP and / or any other regulatory body which suggestion, direction and advice shall be deemed to be part of these Special Resolutions without the need of the shareholders to pass fresh Special Resolution(s).

By Order of the Board

  
**MUJTABA HUSSAIN**  
Company Secretary



Karachi: October 6, 2015

**NOTES:**

1. The share transfer books of the Company will remain closed from October 20, 2015 to October 28, 2015 (both days inclusive). Transfer received in order at the Office of the Company’s share Registrar, THK Associates (Pvt.) Ltd., 2<sup>nd</sup> Floor, State Life Building – 3, Dr. Ziauddin Ahmed Road, Karachi up to October 19, 2015 will be considered in time to be eligible to attend the meeting.

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2. Any individual beneficial owner of the Central Depository Company of Pakistan Limited, entitled to vote at this meeting, must bring his/her computerized national identity card ("CNIC") with him/her to prove his/her identity, and in case of proxy must enclose an attested copy of his/her CNIC. The representatives of corporate bodies should bring attested copy of board of directors' resolution/power of attorney and/or all such documents required under Circular No.1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan for the purpose.
3. A member entitled to attend and vote at the Extraordinary General Meeting may appoint another member as his / her proxy to attend, speak and vote instead of him / her. In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signatures shall be submitted with the proxy form to the Company.
4. Forms of proxy to be valid must be received at the Share Registrar's office not later than 48 hours before the time of the meeting.
5. Member are requested to notify the Share Registrar of the Company promptly of any change in their addresses.
6. Members who have not yet submitted photocopy of their CNIC and information relating to Dividend Mandate to the Company's Registrar are requested to send the same at the earliest.
7. A form of proxy is enclosed herewith.

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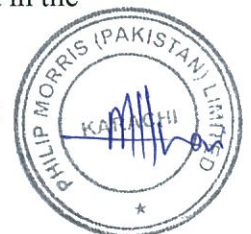
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**STATEMENT ACCOMPANYING NOTICE TO THE SHAREHOLDERS UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984**

1. The Company was incorporated on February 10, 1969 and is listed on the Karachi and Lahore Stock Exchanges. The Company has an authorised share capital of PKR 1,000,000,000 divided into 100,000,000 ordinary shares having a face value of PKR 10/- each out of which an amount of PKR 615,803,410 divided into 61,580,341 ordinary shares of PKR 10/- are fully issued and paid up. Philip Morris International, through its subsidiaries Philip Morris Investments BV (“**PMI BV**”) and Philip Morris Brands SARL (“**Brands SARL**”, and together with PMI BV, the “**Class A Preference Shareholders**”), currently owns 77.65% and 20% of the ordinary shares of the Company respectively.
2. In 2008, the Company embarked on a capital expenditure (“**CAPEX**”) investment plan over a period of 10 years to modernize its facilities to support future business growth, funded through internally generated funds. From 2008 to 2014, however, Company volume declined to 18.7 billion sticks. Coupled with CAPEX investment amounting to approximately PKR 9.0 billion for the 7 years, PMPK generated negative cash flows from operating activities totalling PKR 2.1 billion during the same period.
3. To finance its cash flow requirements, Company utilizes a combination of short term external borrowings including fully hedged short term intercompany loans from Philip Morris Finance SA. In 2014, Company recorded a net loss of PKR 1.5 billion and year-end borrowings of PKR 11.1 billion (vs. PKR 8.8 billion in 2013), with an average interest rate of 7.4% per annum and interest expenses totalling PKR 0.6 billion.
4. With the planned CAPEX expenditure investment, the projected borrowings of the Company are expected to reach much higher by December 2017, predominantly driven by increasingly high financing costs on short term borrowings. To meet its projected funding requirements, the Company is also facing financing risk regarding its access to external financing due to international banks in Pakistan such as Barclays and HSBC exited the market while remaining relationship banks may consider the same.
5. For the purpose of ensuring that the Company has sufficient working capital after sustained losses for four years and to retire its liabilities of various lenders and creditors, the Company has been in the process evaluating options for raising financing, up to a total amount of PKR 11,000,000,000, including but not limited to issuance of new shares. The Company is now proposing that the entire amount be raised by way of equity investment.
6. The Board of Directors, in light of the Company’s financial performance where it has suffered losses for the last four years and has not paid any dividend for the same period, believes that there will be low investor confidence and the shares, if offered locally, will not be fully subscribed and as a result an issue of shares with rights is not feasible. It also assures the availability of a mark-up free funds for Company’s investment in the

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manufacturing base. Given the present shareholding structure of the Company a rights offering will be a time consuming exercise and will delay injection of funds required by the Company on an urgent basis. The proposed investment structure guarantees full subscription to newly issued class of shares and swift availability of capital funds which will lead to a significant reduction of financing cost in the short, mid and long term, hence improving the financial position of the Company and providing maximum benefit to all shareholders.

In addition, the new class of shares will have no voting rights, thereby preserving rights of the minority shareholders. Furthermore, as the conversion of preference shares is based on market value of the ordinary shares as at the time of conversion, dilution of ordinary shareholding will be minimal. Therefore the board of Directors propose to procure an equity investment from its holding and associated companies, namely, PMI BV and Brands SARL on the terms and conditions below.

7. It was a condition of the Class A Preference Shareholders that preference shares be issued instead of ordinary shares. Accordingly, the proposed equity issue are only being issued to the Class A Preference Shareholders otherwise than by way of a rights issue, up to 1,100,000,000 irredeemable, non-voting, non-cumulative, convertible Class A Preference Shares at the price of PKR 10/- per share ("Class A Preference Shares") subject to any and /or all regulatory approvals that may be required under applicable laws.
8. As a result of this investment, the authorised share capital of the Company will increase from PKR 1,000,000,000/- divided into 100,000,000 ordinary shares of PKR 10/- each to PKR 12,000,000,000/- divided into 1,200,000,000 shares of PKR 10/- each.
9. As per the terms of the proposed investment PMI BV and Brands SARL have agreed in writing to subscribe 79.52% and 20.48% to Class A Preference Shares respectively in two tranches as follows:
  - (i) The First Tranche of Class A Preference Shares of PKR 7.5 billion shall be issued before June 30<sup>th</sup> 2016; and
  - (ii) The remaining Class A Preference Shares up to PKR 3.5 billion shall be issued before December 31<sup>st</sup> 2017.
10. The issuance of the Class A Preference Shares by the Company will be treated as equity investments and will be a source of strength for the Company as it would entail availability of surplus funds with a flexible repayment plan subject to availability of profits. The utilization of the funds of the Class A Preference Shares will be for the following purposes:
  - Improvement of cash flows

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- Financing of capital expenditure
  - modernizing manufacturing facilities and equipment
  - achieving overall improvements in productivity and product quality
- Allowing accelerated business turnaround due to
  - Debt repayment
  - Interest cost savings

The Class A Preference Shares, by virtue of the optional and mandatory conversion option provides permanent investment to the Company with no obligation to redeem / repay the Class A Preference Shares. The feature of conversion into ordinary shares will not put a strain on the Company's cash flows for redemption of the Class A Preference Shares. The Company can use this flexibility to manage its cash flows internally with greater ease and efficiency for betterment of shareholders at large.

11. In accordance with the provisions of Rule 5 of the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000 ("**Variation Rules**") read with Section 90 of the Companies Ordinance and the proviso of Section 86(1) of the Companies Ordinance, the issuance of the Class A Preference Shares, otherwise than by way of a rights issue, is subject to the approval of the shareholders of the Company in a special resolution and the approval of SECP. In order to proceed with the issuance of the Class A Preference Shares, the Memorandum and Articles of Association of the Company are proposed to be amended in such manner as is specified in the amendments contained in the Notice of EOGM above.
12. As specified in the terms and conditions of the Class A Preference Shares below, the Class A Preference Shareholders of the Company, shall be entitled to a dividend up to a maximum rate of KIBOR + 1% (Where KIBOR equals 6 months KIBOR, average of last six business days' from date of dividend notice). The dividends on the Class A Preference Shares shall be paid only out of the profits of the Company and shall be paid prior to any dividend paid to ordinary shareholders. In the event that retained earnings of the Company are not sufficient to make payment of dividends to the Class A Preference Shareholders, then such amount of dividend shall not be accumulated and shall not be paid at any future day.

Value and Tenor	<ul style="list-style-type: none"><li>• First tranche of PKR 7.5 billion shall be issued before June 30<sup>th</sup>, 2016.</li><li>• Second tranche of up to PKR 3.5 billion shall be issued before December 31<sup>st</sup> 2017.</li><li>• The Company's Board to decide actual timing of second tranche.</li></ul>
Issuance	<ul style="list-style-type: none"><li>• Privately placed to and fully subscribed by PMI BV and Brands Sarl in the ratio of 79.52% and 20.48%</li></ul>

**Philip Morris (Pakistan) Limited**

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	respectively. The Class A Preference Shares will be unlisted.
Voting Rights	<ul style="list-style-type: none"><li>• The Class A Preference Shares will not have any voting rights and will not be entitled to any notice for meeting of shareholders.</li></ul>
Dividend	<ul style="list-style-type: none"><li>• Non-cumulative.</li><li>• Subject to available distributable profits, as declared by the Board from time to time, Class A Preference Shareholders to receive dividend prior to the ordinary shareholders.</li><li>• Subject to available distributable profits, as declared by the Board from time to time, maximum preferential dividend rate is KIBOR rate + 1% spread on the face value of the Class A Preference Shares.</li></ul> <p>Note: KIBOR (Karachi Interbank Offer Rate) being; Six Months KIBOR average of last six business days from date of dividend notice.</p>
Shares Redemption	<ul style="list-style-type: none"><li>• The Class A Preference Shares will not have redemption option.</li></ul>
Shares Conversion	<ul style="list-style-type: none"><li>• After the 10th anniversary of the issue of Class A Preference Shares, the Class A Preference Shareholders have the right to convert the Class A Preference Shares, in full or in any proportion as it deems fit, into ordinary shares by giving fourteen days' notice, receipt whereof by the Company shall be the 'applicable date'.</li><li>• At the 15th anniversary all the unconverted Class A Preference Shares will mandatorily be converted into the ordinary shares.</li><li>• The conversion will be based on the conversion ratio A/B, where A = Rs. 10 (Face Value of Class A Preference Shares); and B = An amount representing the previous one months' trading days' average price of the Company's ordinary shares at Karachi Stock Exchange immediately preceding the applicable date.</li></ul>
Preferential right of redemption on liquidation/winding up	<ul style="list-style-type: none"><li>• The Class A Preference Shares will have preferential rights for redemption in case of liquidation / winding up in priority over the ordinary shares.</li></ul>
Rights Entitlement	<ul style="list-style-type: none"><li>• The Class A Preference Shares will not be entitled to any rights in respect of subscription of further issue of ordinary shares of the company.</li></ul>

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All of the Class A Preference Shares held by the Class A Preference Shareholders shall, at the option of the Shareholder, be convertible into ordinary shares at any time between the tenth (10th) anniversary of the date of issue of the Class A Preference Shares till the fifteenth (15) anniversary of the Preference Share issue date. In the event any Class A Preference Shares have not been converted by the fifteenth (15th) anniversary of the Preference Share issue date, then such Class A Preference Shares shall mandatorily be converted into ordinary shares of the Company.

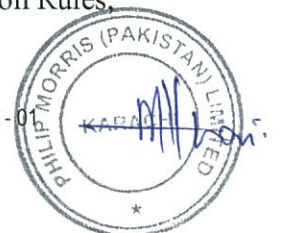
13. The ordinary shares to be issued by the Company at the time of conversion will only be issued to PMI BV and/or Brands Sarl as the case may be, and accordingly the same will be construed as issuance of shares otherwise than by way of a rights issue. In this regard, the Company provides the following information:

- (a) since PMI BV and Brands Sarl will be exercising the conversion options in respect of the Class A Preference Shares, the Company will be required to conduct an issue of shares otherwise than by way of a rights issue in order to issue ordinary shares;
- (b) the ordinary shares shall only be issued to PMI BV and Brands Sarl as the Class A Preference Shareholders;
- (c) there will be no additional amounts injected as equity investment at the time of conversion;
- (d) the ordinary shares to be issued to the Class A Preference Shareholders shall rank *pari passu* with all existing shareholders of the Company;
- (e) the conversion will help investors to obtain marketable securities in the form of ordinary shares which are openly traded in the stock market. As the Company is issuing shares rather than redeeming the Class A Preference Shares, this will result in improving the liquidity of the Company;
- (f) the Class A Preference Shares will be a source of strength for the Company as it would entail availability of surplus funds with dividend outflows subject to availability of profits; and
- (g) this will enable the Company to reduce short term borrowings which increase the overall financing cost to the Company and support Company's long term capital expenditures .

14. The Board of Directors of the Company have recommended that the special resolutions as set out in the notice are passed at an Extraordinary General Meeting. It is clarified that the Preference Share issue upon exercise of the conversion option (as explained above) remains subject to the approval of SECP under the provisions of Section 90 of the Companies Ordinance, 1984 read with Rule 5 of the Variation Rules.

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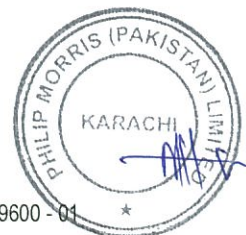
the proviso of Section 86(1) of the Companies Ordinance, any and/or all regulatory approvals that may be required under applicable laws.

15. The Directors of the Company have no interest in the Preference Share issue whether directly or indirectly except to the extent of shareholding held by them in the Company. The shares and percentage of personal shareholdings by the Directors of the Company in proportion to the paid up capital of the Company are as under:

Name of Director	Number of shares held	Shares held as a % of paid up Capital
Mr. Kamran Y. Mirza	50	0%
Mr. Athar Abbas	10	0%
Mr. Alejandro Paschalides	1	0%
Mr. Joseph Ziomek	1	0%
Mr. Daniel Fahmy	1	0%
Mr. Nicolas Floros	1	0%
Mr. Charles Bendotti	1	0%

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**Form of Proxy**

I / We \_\_\_\_\_  
of \_\_\_\_\_  
a member of **Philip Morris (Pakistan) Limited (the “Company”)**  
hereby appoint \_\_\_\_\_  
of \_\_\_\_\_  
or failing him \_\_\_\_\_  
of \_\_\_\_\_

who is / are also members of the Company to act as my / our proxy and to vote for me / us and on my / our behalf at the Extraordinary General Meeting of the shareholders of the Company to be held on October 28, 2015 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2015

<b>Folio No.</b>	<b>CDC Participant ID No.</b>	<b>CDC Account / Sub Account No.</b>	<b>No. of shares held</b>	
				<b>Signature over Revenue Stamp</b>

Witness 1  
Signature \_\_\_\_\_  
Name \_\_\_\_\_  
CNIC No. \_\_\_\_\_  
Address \_\_\_\_\_

Witness 2  
Signature \_\_\_\_\_  
Name \_\_\_\_\_  
CNIC No. \_\_\_\_\_  
Address \_\_\_\_\_

*Notes:*

1. The proxy must be a member of the Company.
2. The signature must tally with the specimen signature/s registered with the Company.
3. If a proxy is granted by a member who has deposited his / her shares in Central Depository Company of Pakistan, the proxy must be accompanied with participant’s ID number and CDC account / sub-account along with attested photocopies of Computerized National Identity Card (“CNIC”) or the Passport of the beneficial owner. Representative of corporate members should bring the usual documents required for such purpose.
4. The instrument of Proxy properly completed should be deposited at the Share Registrar’s Office of the Company not less than 48 hours before the time of the meeting.

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