

CONFIDENTIAL/BUSINESS SECRETS

**PHILIP MORRIS INTERNATIONAL INC.'s
FOURTH ANNUAL CERTIFICATION OF COMPLIANCE**

pursuant to

**THE ANTI-CONTRABAND AND ANTI-COUNTERFEIT
AGREEMENT AND GENERAL RELEASE**

among

**PHILIP MORRIS INTERNATIONAL INC.,
PHILIP MORRIS PRODUCTS INC.,
PHILIP MORRIS DUTY FREE INC., and
PHILIP MORRIS WORLD TRADE SARL**

**THE EUROPEAN COMMUNITY
REPRESENTED BY THE EUROPEAN COMMISSION**

and

**THE REPUBLIC OF AUSTRIA,
THE KINGDOM OF BELGIUM,
THE REPUBLIC OF BULGARIA,
THE REPUBLIC OF CYPRUS,
THE CZECH REPUBLIC,
THE KINGDOM OF DENMARK,
THE REPUBLIC OF ESTONIA,
THE REPUBLIC OF FINLAND,
THE FRENCH REPUBLIC,
THE FEDERAL REPUBLIC OF GERMANY,
THE REPUBLIC OF GREECE,
THE REPUBLIC OF HUNGARY,
IRELAND,
THE ITALIAN REPUBLIC,
THE REPUBLIC OF LATVIA,
THE REPUBLIC OF LITHUANIA,
THE GRAND-DUCHY OF LUXEMBOURG,
MALTA,
THE KINGDOM OF THE NETHERLANDS,
THE REPUBLIC OF POLAND,
THE PORTUGUESE REPUBLIC,
ROMANIA,
THE SLOVAK REPUBLIC,
THE REPUBLIC OF SLOVENIA,
THE KINGDOM OF SPAIN, and
THE KINGDOM OF SWEDEN**

July 9, 2008

CERTIFICATION OF COMPLIANCE

Pursuant to Section 2.02(a) of the Anti-Contraband and Anti-Counterfeit Agreement and General Release dated as of July 9, 2004 (the "Agreement"), Philip Morris International hereby provides the European Community and the Member States of the European Union that are signatories to the Agreement (the "Relevant Administrations")¹ with this report (the "Certification of Compliance") describing Philip Morris International's fulfillment of the requirements of (i) the EC Compliance Protocols, which are set forth in Appendix B of the Agreement, and (ii) the Tracking and Tracing Protocols, which are set forth in Article 5 and Appendix D of the Agreement (the "Certified Protocols").

Philip Morris International continues to be extremely pleased with the operation and functioning of the Agreement. We believe that the high level of cooperation that has characterized the conduct of the Parties pursuant to the Agreement has been greatly beneficial to the interests of all Parties by creating an effective framework for curbing the illegal sale and distribution of contraband and counterfeit Cigarettes in the European Union, which causes significant harm to all Parties.

In order to prepare this Certification of Compliance, Philip Morris International's Vice President Brand Integrity and Chief Compliance Officer reviewed Philip Morris International's obligations under the Certified Protocols and conducted an assessment of its compliance therewith, which included obtaining supporting certifications from those within Philip Morris International who are responsible for implementation of the actions required under the Certified Protocols, and has relied on those certifications in making this Certification of Compliance.

Based on such review, Philip Morris International hereby confirms that it is in substantial compliance with its obligations under the Certified Protocols. To the extent that any matters remain outstanding, they are being addressed and are not considered to be significant, OLAF has been informed of these issues, and/or they are more fully described in Section II of this Certification. Section I below, which describes Philip Morris International's compliance with specific obligations of the Agreement, should be read subject to that general qualification.²

¹ The definitions of the capitalized terms used in this Certification of Compliance can be found in Section 1.01 of the Agreement.

² As was previously communicated to OLAF by letter on August 3, 2007, Philip Morris International implemented a minor restructuring in which a new entity, PMPI LLC, became the successor to Philip Morris Products Inc. under Section 13.05 of the Agreement. Philip Morris International has also transferred its holdings in Philip Morris Duty Free Inc. to Philip Morris USA Inc. Neither change will affect the obligations or performance of the Parties to the Agreement.

I. COMPLIANCE WITH SPECIFIC OBLIGATIONS

A. Appendix B Obligations – EC Compliance Protocols

Protocol 2 – Know Your Customer Obligations and Due Diligence

In accordance with the terms of Protocol 2 of Appendix B of the Agreement, Philip Morris International:

- conducts business only with Approved Contractors;
- sells Cigarettes in amounts commensurate with the Retail Demand in the Intended Market of Retail Sale and refuses to sell Cigarettes in volumes exceeding that amount;
- has conducted Due Diligence on all of its Contractors;
- conducts business only with Contractors that have demonstrated that they are able and committed to meeting the objectives of the EC Compliance Protocols; and
- maintains a list of all Approved Contractors, which is updated every six months, and maintains files containing its records of Approved Contractors.

Protocol 2 – Follow-Up Due Diligence

Pursuant to Protocol 2.03(g), (h) and (i), Philip Morris International has conducted annual Follow-up Due Diligence for each Approved Contractor.

Protocol 3 – Approved Contractor Relations and Sales Terms

Philip Morris International has made commercially reasonable efforts to enter into contractual arrangements with all Approved Contractors regarding delivery terms, packaging, legal compliance, and cooperation with Governments as set forth in Protocol 3.01(a)-(d), and in almost all cases, such terms and conditions have been agreed. Where they have not, Philip Morris International will continue its commercially reasonable efforts to have such terms and conditions implemented.

Philip Morris International strongly encourages its First Purchasers to cooperate with the Relevant Administrations for the purposes of investigating Cigarette smuggling and/or money laundering of proceeds arising out of the illegal trade in Cigarettes, in accordance with Protocol 3.02, although to date it has not received any formal request under the Agreement that it encourage such cooperation from the Relevant Administrations.

Protocol 4 – Termination of First Purchasers

Philip Morris International has not had occasion to terminate business relations with Approved Contractors in accordance with Protocol 4.01 or Protocol 4.02.

Protocol 5 – Accountability for Payments for Cigarettes

For transactions with Approved Contractors relating to the sale, storage, or distribution of Philip Morris Cigarettes, Philip Morris International limits acceptable forms of payment to those listed in Protocol 5.01(a)(i)-(v), and all exceptions to these acceptable forms of payments have been approved by the Chief Financial Officer of Philip Morris International or his delegates in accordance with Protocol 5.01(b).

Protocol 6 – Disclosure of Information

Philip Morris International has not had occasion to respond to formal requests by OLAF for information covered by Protocols 6.01, 6.02, and 6.03.

Protocol 7 – International Compliance Officer

Philip Morris International has created the position of Vice President for Brand Integrity and Chief Compliance Officer, which reports directly to senior management of Philip Morris International, in accordance with Protocol 7.01.

██████████ became ██████████ for Compliance Systems on December 1, 2004. His responsibilities include oversight of compliance and integrity programs, compliance training programs, investigating allegations of violations of compliance policies, Philip Morris International's obligations and responsibilities under the Agreement, and periodic reporting to the Chairman & CEO of Philip Morris International and his senior management team. On December 1, 2006, the Company added Brand Integrity to ██████████ responsibilities, and thereafter, his title became ██████████ for Compliance and Brand Integrity. On March 31, 2008, ██████████ was appointed ██████████ Brand Integrity and Chief Compliance Officer.

Protocol 8 – Shipments to Warehouses and Early Warning Notification

Philip Morris International has not had occasion to respond to requests by OLAF for information covered by Protocol 8.01 of Appendix B of the Agreement. Philip Morris International complies with the early warning system notification requirements of Protocol 8.02.

Protocol 9 – Delegation of Authority

Philip Morris International delegates substantial discretionary authority relating to the sale, distribution, storage, and shipment of Philip Morris Cigarettes only to Philip Morris International employees it believes are able and committed to act in full compliance with the EC Compliance Protocols, in accordance with Protocol 9.01.

Protocol 10 – Performance Reviews

The process for performance reviews, compensation, and promotions of Philip Morris International employees whose activities relate to the sale, distribution, storage, and shipment of Philip Morris Cigarettes takes into account such employees' performance in connection with the EC Compliance Protocols, in accordance with Protocol 10.01.

Protocol 11 – Training Programs

Philip Morris International has designed training programs for its employees whose activities involve the sale, distribution, storage, and shipment of Philip Morris Cigarettes, and such employees have either conducted or participated in these training programs. Philip Morris International has notified OLAF of the curriculum for training programs, including annual refresher programs. In 2007, Philip Morris International implemented its multi-lingual, web-based training course on Fiscal Compliance and the EC Agreement, which has become the primary means for providing training on these issues to relevant employees. This training platform allows Philip Morris International to provide uniform, coordinated, high-quality training across the globe, with the ability to easily monitor training compliance and effectively modify the program as appropriate.

For the present certification period, training will consist of both live and online training. Philip Morris International anticipates that all of its employees pursuant to Protocol 11 will have completed the training program by the date of this Certification or soon thereafter. Should OLAF wish to view the program on-line, Philip Morris International is happy to provide a link to the program upon request.

Protocol 12 – Monitoring and Auditing Systems

Philip Morris International has developed Anti-Contraband and Anti-Counterfeit Monitoring and Auditing Systems and designated Fiscal Compliance Coordinators to be responsible for implementing these systems in their business units, in accordance with Protocol 12.01.

Protocol 13 – Reporting of Suspicious Activity

Philip Morris International requires that employees report suspected violations of the EC Compliance Protocols and has created a Reporting System that permits anonymous reporting of suspected violations of the EC Compliance Protocols, in accordance with Protocol 13.

With respect to Protocol 13.04, Philip Morris International has not received any request from OLAF to interview employees or agents of Philip Morris International for purposes of giving sworn statements relating to matters covered by the Agreement.

Protocol 14 – Distribution of Protocols

Philip Morris International has made the EC Compliance Protocols available to all Philip Morris International employees on Philip Morris International's internal website, and has revised and consolidated its policies on the sale, distribution, storage, and shipment of Philip Morris Cigarettes and has also made such policies available on its internal website.

B. Appendix D Obligations – Tracking and Tracing Protocols

Protocol 2 – Pack and Carton Marking and Coding

In accordance with the terms of Protocol 2 of Appendix D of the Agreement and the Exhibits thereto, Philip Morris International:

- marks Packs and/or Cartons of Philip Morris Cigarettes with markings that permit a determination of the Intended Market of Retail Sale for Packs or Cartons that have those markets identified in Exhibit A-1 as the Intended Market of Retail Sale;
- has notified OLAF of those changes that will have to be made to Exhibits A-1, A-2 and A-4 to reflect labeling changes with respect to: markets where Philip Morris International had started selling, or is about to launch, its products; markets where Philip Morris International had recently ceased selling its products; markets for which unique market-specific labeling had previously not been in place but is now being applied; and certain other labeling clarifications and modifications;
- has provided OLAF on July 1, 2008, with updated copies of the manual designed to allow for the determination of the Intended Market of Retail Sale for Philip Morris Packs and Cartons;
- except as indicated in Exhibit A-3 and Protocol 2.05, marks all Packs or Cartons with markings that allow for the identification of the product's manufacture date, manufacturing facility, machine of manufacture, and production shift of manufacture;
- has notified OLAF of those changes that will have to be made to Exhibit A-3 to reflect the termination of certain business relationships and the implementation of pack and carton coding at recently acquired manufacturing facilities;
- has implemented or will implement the Pack and Carton Marking requirements of Protocol 2.03 for new manufacturing facilities it has acquired since July 9, 2004 within 12 months of the acquisition; and
- marks Pack and/or Cartons of World Wide Duty Free Philip Morris Cigarettes with markings, codes or other information which permit a determination of the country or region in which Philip Morris International intends such Cigarettes to be sold duty-free, in accordance with Exhibit A-5(I)(A)-(D). For the reasons set forth in our April 25, 2007 letter to [REDACTED] of OLAF, Philip Morris International is using the EU duty-free labeling for Cigarettes sold duty free on military bases.

Protocol 3 – Master Case Labeling and Scanning

In accordance with the terms of Protocol 3 of Appendix D of the Agreement and the Exhibits thereto, Philip Morris International:

- marks Master Cases containing Cigarettes produced for the markets and/or by the manufacturers listed in Exhibits B-I, B-II, B-III, and B-IV with a barcode label and a human readable translation;
- scans Master Cases containing Cigarettes produced by Philip Morris International for the Tier I, Tier II (including Cigarettes produced by

Third Party Manufacturers), and Tier III Markets listed in Exhibit C-II, C-III, and C-IV;

- as discussed in Philip Morris International's Third Annual Certification of Compliance (the "2007 Certification"), requested an extension to June 2008 of the deadline to implement Master Case scanning and recording with respect to non-Kretek cigarettes sold by Philip Morris International in the Indonesian market. Master Case scanning and recording of this product is now operational. Also, as discussed in the 2007 Certification, Master Case labeling and scanning of Kretek cigarettes in Indonesia continue to be subject to a temporary exception to the tracking and tracing requirements of the Agreement;
- as discussed in the 2007 Certification, has sought an exception from Master Case labeling requirements for 40 billion units manufactured for Philip Morris International by Philip Morris USA. All manufacturing of Cigarettes by Philip Morris USA for Philip Morris International has ended with the exception of product for the Japan domestic and duty-free markets, which is scheduled to terminate in September 2008;
- acquired in March 2007 a Third Party Manufacturer in Pakistan, Lakson Tobacco Company Limited. According to Protocol 2.05, Philip Morris International had twelve months to implement Pack and Carton marking at this new manufacturing facility under Protocol 2.03. Two of Lakson's four factories were damaged by vandalism in the unrest that followed the assassination of former Prime Minister Benazir Bhutto on December 27, 2007. As a result, the implementation of Pack and Carton marking in this market has been delayed, and barcode labeling of Master Cases has been disrupted. Philip Morris International anticipates that Pack and Carton marking and Master Case barcode labeling will be in place by the end of 2008;
- pursuant to Exhibit A-5 of Appendix D, the duty-free products in the following countries shared common Pack and Carton markings in 2007: United Arab Emirates, Kuwait, Bahrain, Qatar, Oman, Yemen, and Ethiopia. It is anticipated that duty-free sales in these markets will total more than one billion units in 2008, so Philip Morris International is implementing changes to its marking of Packs and Cartons to be sold duty-free in these markets. The United Arab Emirates, Kuwait, Bahrain, Qatar, and Oman are members of the GCC Customs Union, and it is believed that Yemen will become a member in the near future, so Philip Morris International will continue to apply uniform packaging in these markets. Duty-free Pack and Carton marking for Ethiopia will be transitioned to an alternative packaging;
- plans (as per our letter dated April 17, 2008 to [REDACTED] of OLAF), to sell in the Lebanon and Iraq duty-free markets approximately 276 million Cigarettes originally destined for the Syria duty-free market because of the suspension of sales to its distributor for the Syrian duty-free market. Sales of product from the Syria duty-free market are scheduled to end in Lebanon and Iraq in February 2009;
- terminated its relationship with [REDACTED], its prior Third Party Manufacturer in Ivory Coast, as of June 2008. With this change, Philip Morris International now sells to a single First Purchaser in this market,

making it exempt from Master Case scanning requirements pursuant to Protocol 3.02(b) and Exhibit C-I(B) of Appendix D;

- acquired in May 2007, its prior Third Party Manufacturer in Aruba. Pursuant to Exhibit C-IV of Appendix D, Philip Morris International will implement Master Case scanning within two years of this change;
- has notified or will notify OLAF of changes that will have to be made to Exhibits C-I, C-II, C-III, and C-IV to reflect markets in which Phillip Morris International had changed its distribution system from selling to a single first purchaser to selling to multiple first purchasers or vice versa; certain changes resulting from Philip Morris International's entry into new markets and its exit from some existing markets; modifications to its pack and carton labeling in existing markets; and exemptions sought by Philip Morris International for certain Cigarettes in certain markets;
- maintains a First Purchaser Database that is searchable by customer order or Master Case barcode number for all Tier I, Tier II (including Third Party Manufacturers), and Tier III Markets listed in Exhibits C-II, C-III, and C-IV of the Tracking and Tracing Protocols which contains the product information specified in Protocol 3.03(a)(i)-(vi);
- maintains the electronic records created in the First Purchaser Database, as well as additional records necessary to identify the sales price and the Intended Market of Retail Sale; and
- has enabled the functionality that provides the Relevant Administrations with automated Query-Only Access to the data in the First Purchaser Database.

Protocol 4 – Second Layer Tracking

In accordance with the terms of Protocol 4 of Appendix D of the Agreement, Philip Morris International:

- has developed and continues to improve Second Layer Tracking Kits, makes such kits reasonably available to any First or Subsequent Purchasers in the circumstances identified in Protocol 4.02 of Appendix D of the Agreement, and provides training to recipients of Second Layer Tracking Kits (the kits are provided on a voluntary basis and are controlled by the customers); and
- requires that Second Layer Tracking information be maintained in the same manner as the First Purchaser Database and has enabled the functionality that provides the Relevant Administrations with access to the Second Layer Tracking information in the same manner as the First Purchaser Database.

Ongoing Research into Tracking and Tracing Technologies

In accordance with Protocols 3.01(c), 5.02, and 7.01 of Appendix D of the Agreement, Philip Morris International maintains an ongoing program of researching technologies for Master Case labeling and scanning, as well as for Carton and Pack coding and scanning technologies.

II. SPECIFIC ISSUES

Representatives of Philip Morris International have discussed several issues with representatives of OLAF that relate to the operation of the Agreement and the movement of Cigarettes in various markets. We believe that these discussions have been very constructive and have greatly contributed to the overall success of the Agreement to date. We look forward to continuing to address in a cooperative manner the matters that have already been raised and to working with the other Parties to the Agreement to tackle new issues as they arise. Five issues that have been the subject of previous discussions between Philip Morris International and OLAF are summarized below. Such summary is not intended to be exhaustive of the issues that have been discussed between Philip Morris International and OLAF or between Philip Morris International and the Relevant Administrations.

Diversion Issues in the Russian Market

Because diversion from the Russian domestic market continues, Philip Morris International has undertaken a variety of additional measures in order to better identify possible sources of diversion in the distribution chain. Its First Purchaser in the Russian market has implemented product quotas on shipments of certain variants to Subsequent Purchasers operating in Moscow, St. Petersburg, Kaliningrad, Volgograd, Ekaterinberg, Voronezh, and Pyatigorsk—areas that have been identified as potential sources of diversion. Enhanced Know-Your-Customer (“KYC”) requirements, which were set forth in the 2007 Certification, were expanded, and currently cover more than 90% of the Subsequent Purchasers who sell annually more than 10 million units of Philip Morris Russian domestic product; full implementation of these KYC guidelines is anticipated later in 2008.

Philip Morris International has also introduced the u-Track System at customers’ Regional Sales Depots, which has allowed for improvements in the tracking of the movement of product among First and Subsequent Purchasers in the Russian market. 85 u-Track kits have been installed as of June 2008, and an additional 40 kits are expected to be deployed by the second half of 2008 to complete the planned roll-out of the system in the Russian market.

In addition, as explained at the Annual Meeting on June 10, 2008, Philip Morris International is introducing Codentify®, the carton tracking and tracing for certain brands in the Russian market, to further enhance its ability to identify subsequent purchasers of diverted products.

As a result of its efforts in this area, and despite the structural and environmental issues which persist in Russia and which were discussed at the Annual Meeting on June 10, 2008, Philip Morris International is pleased to report that the total volume of seizures in the EU of genuine PMI Russian-sourced product subject to Supplemental Payments decreased in 2007, and as at June 30, 2008 was approximately 13% less than the volume of such seizures in 2006.

Diversion Issues in the Ukrainian Market

As previously explained, Philip Morris International has undertaken additional efforts to interdict the diversion of product from the Ukrainian market to higher tax markets in the EU. Among other steps, Philip Morris International deployed a new volume monitoring initiative for Subsequent Purchasers called CESAR (Customer Extended Sales Report) as well as sales quotas on certain brands in the Ukrainian market. In the prior year, Philip Morris International also expanded the introduction of its u-Track System to each of its 27 First Purchasers, which currently covers approximately 80% of Philip Morris Ukraine's volume in the Ukrainian market.

In addition, as explained at the Annual Meeting on June 10, 2008, Philip Morris International is introducing Codentify®, the carton tracking and tracing for certain brands in the Ukrainian market, to further enhance its ability to identify subsequent purchasers of diverted products.

As a result of its efforts in this area, and despite the structural and environmental issues which persist in Ukraine and which were discussed at the Annual Meeting on June 10, 2008, Philip Morris International is pleased to report that the total volume of seizures in the EU of genuine Ukrainian-sourced product subject to Supplemental Payments decreased significantly in 2007, and as at June 30, 2008, is approximately 62% less than the volume of such seizures in 2006.

Negotiations with [REDACTED]

As set forth in the 2007 Certification, Philip Morris International has engaged in negotiations to gain the agreement of [REDACTED] (" [REDACTED] "), which operate [REDACTED] that have resisted the adoption of specific aspects of Philip Morris International's fiscal compliance terms and conditions. These efforts were discussed at the Annual Meeting between representatives of Philip Morris International and the European Commission in 2007. At this year's Annual Meeting, we discussed the issues presented by the availability of Master Case quantities of cigarettes at [REDACTED] in [REDACTED].

Negotiations with Wholesalers in Greece

As set forth in the 2007 Certification, Philip Morris International has made commercially reasonable efforts to subject General Wholesalers in Greece to the EC Agreement's fiscal compliance terms and conditions, but has not received the agreement of approximately 50 out of 80 General Wholesalers, who have declined to enter into contracts with Philip Morris International reflecting its fiscal compliance terms and conditions pending the final adjudication of a complaint filed by their association with the Greek Competition Committee. Philip Morris International's efforts continue in this area, and it has repeatedly communicated to these wholesalers during annual site visits and by letter in 2006 and 2007 that Philip Morris International's Approved Contractors must operate subject to its fiscal compliance terms and conditions.

Payment Verification

Protocol 5.01(a)(v) of Appendix B requires that payments received for Philip Morris Cigarettes be made from a bank account designated by the Approved Contractor during the Due Diligence process. In some instances, due to limitations on bank clearing information, Philip Morris International is unable to verify that the payments it has received were in fact made from a specific bank account. As discussed in the 2007 Certification, Philip Morris International, where possible, has verified that such payments originated from the same bank as the designated account, and will reject payments that do not. In those markets where confirmation of the bank details from where the payment was made is not currently available (such as in Denmark and Sweden where Philip Morris International has changed the bank that handles certain payments, and as previously advised in Switzerland and Luxembourg), Philip Morris International is also requiring Approved Contractors to confirm annually in writing that their payments for the previous year were made from their designated accounts. Philip Morris International has also sought the consent of the Approved Contractors in these markets to obtain separate confirmation from the bank at which these Approved Contractors hold their designated accounts. Discussions are underway with representatives of the banks in question to implement this type of periodic confirmation practice.

III. CONCLUSION

Philip Morris International is pleased to confirm that, as described above, it is in substantial compliance with the obligations of the Certified Protocols and looks forward to continuing the excellent cooperation that has characterized the conduct of the Parties and the functioning of the Agreement in furtherance of the Parties' joint efforts to substantially curb the illegal trade in Cigarettes in the European Union and elsewhere.

PHILIP MORRIS INTERNATIONAL INC.

By:

A large black rectangular redaction box covers the signature and name of the representative. Below it, a smaller black rectangular redaction box covers the title of the representative.

Philip Morris International Inc.