

From Anne Edwards, Director External Communications, Philip Morris International:

Q: Could you quantify your company's lobbying expenditures in these emerging markets and developing nations?

A: You can find a list of our political contributions on our website at the following links:http://www.pmi.com/eng/about_us/how_we_operate/pages/political_contributions.aspx. The files are in the related download section to the right of the page.

Q: What is the company's strategy for preserving international markets and for generating new revenue in emerging markets?

A: Regardless of the market we aim to develop our business by taking market share from our competitors among adult smokers. However, such competition should take place within a regulated framework given the harmful nature of tobacco products. This is why we consistently advocate for effective tobacco regulation to reduce the harm caused by tobacco use everywhere we do business, including strict regulation to prevent minors from smoking.

Q: How would you characterize PM's \$200 million investment in Colombia, signed in 2009 and set to contribute \$10 million a year for 20 years to economic projects? Anti-tobacco activists claim this investment came as a response to coming tobacco reforms in Colombia and the company's handling of past cigarette smuggling controversies.

A: The \$200 million Investment and Cooperation Agreement has advanced, and will continue to advance, the fight against the trade in illegal cigarettes in very concrete ways. Specifically, the funding -- provided over a 20 year period -- is earmarked for the purchase of state of the art anti-counterfeit and anti-contraband equipment, including x-ray scanning machines, computers and vehicles to be used by Colombian government personnel; the hiring, equipping and training of government personnel dedicated to combating the illegal cigarette trade; the storage and destruction of counterfeit cigarettes and the equipment used to make these illegal products, and a Colombian government reward program for information leading to the detection and seizure of significant volumes of illicit cigarettes. Other funding under the agreement is allocated to other uses, including programs to generate higher quality Colombian tobacco.

Q: What can you say about recent reports that the Uruguayan government has contracted legal support from a Washington, DC firm and may yet adopt some new controls?

A: We are aware that the Uruguayan government has appointed a U.S. law firm to represent them. The Philip Morris claimants are represented by a legal team from Sidley Austin LLP and Lalive, both experienced international arbitration law firms. We are not aware of an intention on the part of the Uruguayan government to adopt new regulatory measures.

Q: What can you say about company plans to use legal action to push back against tobacco controls in various other countries?

A: (The) Bilateral Investment Treaty claim is specific to three regulatory measures in Uruguay as described in the attachment. Legal action is always a last resort; in Uruguay, as elsewhere, it is undertaken only after all attempts at dialogue have been exhausted. In Uruguay the government has implemented numerous regulations, including smoking restrictions in public places, advertising restrictions, mandatory 50% health warnings, and a ban on the use of descriptive terms such as "light", "mild", "ultra light". The companies have not challenged any of these regulations. The three Uruguayan measures that we have challenged, however, are different. They are extreme -- and, in some cases, confiscatory -- regulations that have seriously harmed the companies' investments and deprived the companies of their ability to use their legally registered brands.

Q: In the WHO convention on tobacco control, this article instructs individual governments to make policy without participation of the industry. Yet in Russia and Mexico at least, the industry has worked closely with regulators in the implementation of tobacco controls and excise taxes. What is the company policy on Article 5.3? How would you characterize the work in Russia and Mexico with regulators on tobacco control?

A: Guidelines for implementation of FCTC Article 5.3 recommend that Parties to the FCTC establish measures to limit interactions with the tobacco industry and ensure the transparency of those interactions that occur. The guidelines do not prohibit governments from involving tobacco companies in the legislative process. We believe that it is appropriate for us to make our views known on topics that affect our company and we do so transparently through the normal participatory process.

Q: How would you characterize Project Cerberus, PM's participation, and its effect on global company strategies on the issue of tobacco control?

A: This initiative was focused on establishing a set of voluntary tobacco marketing standards and on preventing youth smoking. We have not been part of this initiative for years and generally speaking our view is that regulation is more effective than voluntary measures. For many years, including the time period you refer to, we have been actively supporting regulation that is effective at reducing the harm caused by tobacco use, including strict provisions to prevent minors from smoking.

Q: In Mexico, how did the federal law and the law of Mexico City impact tobacco consumption in Mexico?

A: Over the past 5 years, tobacco consumption in Mexico has been decreasing slightly every year. Various provisions of the laws you refer to have taken effect at different points over the past year and a half. We have not seen a specific impact on consumption of the various regulations although it is often difficult to link recent regulations to consumption trends. Generally speaking, our experience from other countries that have introduced similar measures, such as public smoking restrictions, is that while there can be an impact on consumption trends, this impact tends to diminish over time until gradually the market returns to its previous underlying trend.

Q: How does this impact the business? How do sales behave? And how does this compare, what is being seen in Mexico, vs the impact of similar regulations in other countries?

A: Similarly to what we have seen in other countries with such regulations we do not expect to see a material impact on our business.

Q: How much did you invest in publicity in electronic media in Mexico, before the country's recent restrictions?

A: As a matter of policy, we do not disclose our advertising expenditures as this information is considered confidential for competitive reasons.

Q: After this prohibition against advertisements in Electronic media in Mexico, there was an increase in expenditures in PR and Lobbying. What's the amount, how did this investment behave?

A: As a matter of practice we do not disclose such expenditures.

Q: Does Philip Morris hire outside lobbyists or does it only work with in-house negotiators?

A: PM Mexico engages directly with politicians on matters affecting the company and does not hire or retain lobbyists to advocate on the company's behalf.

Q: How many new brands and new versions of those brands did Philip Morris launch after Mexico's new laws were enacted? Normally, how many brand-launches do you have in a year?

A: The average amount of launches in a year have remained largely unchanged. Since the federal law was enacted, PM Mexico has launched on average 8 brands or brand variants per year. Before the law came into effect, during the period 2005-2008, the average was 7 per year.

Q: What results did you see with the launches in Mexico, amid the marketing challenges of launching new products without the support of publicity in mass media?

A: The launches that have taken place after the new laws were enacted have performed in much the same way as our launches did before the legislation took effect, i.e. some succeed and some do not. This is also our experience from other countries with similar advertising restrictions where we have been able to continue to perform well.

Q: To include new pictographic health warnings on Philip Morris products in Mexico, did the company make new investments? What was the amount of the investment?

A: The implementation of graphic health warnings involved investments such as the purchase of new machinery and the printing of new packs. As matter of practice we do not disclose the amount of such investments.

Q: What impact do you think this measure will have on sales in Mexico?

A: Based on experience from other countries that have introduced similar pictorial warnings we do not expect to see a material impact on our business.

Q: There is some dispute over who came up with Mexico's now-expired initiative "one peso per cigarette pack" which had the tobacco industry in Mexico contribute money from sales to pay for government health programs. There are those who say that the proposal came from Philip Morris and the team then lead by Francisco Espinosa de los Reyes. Is this the case? How did this plan come about? Why was it important to the industry?

A: In 2004, Philip Morris Mexico and British American Tobacco Mexico signed a Memorandum of Understanding with the Ministry of Health. This Memorandum had the objective to expand tobacco regulation in the country and included a clause according to which manufacturers and producers agreed to establish a temporary contribution from the sales of cigarettes in Mexico for the "Fund for the Protection against Catastrophic Expenses." This clause planned for a contribution per cigarette sold every year specifically earmarked for health care, while foreseeing legal certainty in the tax structure necessary for long-term business planning.

Q: Former Mexican congressman Miguel Angel Toscano accused Philip Morris and British American Tobacco of inappropriate actions by inviting more than 30 legislators to a trip abroad and to a Formula One auto race. How does Philip Morris respond to that accusation?

A: PM Mexico did not offer and did not host such an event.

Q: Mexican congressman Tonatiuh Bravo said he received in 2007 an offer from Philip Morris to donate, on his behalf, computer equipment to the school of his choosing. This occurred days before a general law on tobacco was voted on in Mexico's congress. The contribution was later made to the Escuela Club de Leones de Guadalajara. That year, Philip Morris gave computers to 10 other Mexican schools. Other legislators said these were were attempts to gain certain closeness and allies in Mexico's congress. How do you respond?

A: PM Mexico has a long standing charitable contributions program. All donations are made in line with all applicable laws and regulations. We focus on providing support to the communities where our employees live and work, as was the case with the NGO "Únete" which we have supported for several years with computer equipment donations for schools located in the states of DF, Hidalgo, Veracruz, Nayarit, Puebla, Guanajuato, Chihuahua, Sonora, Jalisco y Zacatecas.