

Inter-Office Correspondence

Date: 20 June 2008
To: Francois Dugast, Pierre Binetter
Cc: George Bletsas, Simon Graddon, Elias Assimakopoulos, George Peppas
From: Catherine Minga
Subject: Update on unexpected tax audit

DAWN RAID PROCESS DURING UNEXPECTED TAX AUDIT

Dear all,

I would like to update you on the sudden audit by the Special Audit Department that took place in our premises on the 11th of June.

The Special Audit Department is supervised by the Greek Minister of Finance and is competent to (i) carry out precautionary inspections for the proper application of tax and customs legislations and the combat of tax evasion and smuggling, (ii) carry out temporary tax inspections related to one or more specific items of tax legislation, (iii) investigate, reveal and combat financial crime, fraud, or other infringements falling under the competence of the Ministry of Finance that are committed either in Greece or abroad, (iv) prevent, combat and minimize other infringements related with drugs, weapons, explosives etc.

The Special Audit Department officials are mainly tax officials that have also wide ranging powers to investigate financial crime.

Briefly, both JTI Hellas and Gallaher Hellas were investigated. Note that in Greece we typically still have 2 different legal entities. The merger process is expected to be officially concluded on the 30th June 2008. The auditors requested to see all the Books and Records of both entities, as well as all official tax declarations for 2006 and 2007.

During the audit, we followed the process of the Dawn Raid Guidelines. Below you will find a report on the actions taken.

- The three tax auditors showed up unexpectedly at the reception of JTI Hellas on June 11th, around 10:00a.m.

- The receptionist recorded their names, kept them at the reception and immediately informed the Chief Accountant & Tax Manager (George Peppas) and myself on their arrival.

- We requested confirmation of the auditors identity and investigation order. The auditors presented two orders issued by the Ministry of Finance; one for JTI Hellas entity and one for GLH Hellas entity. We confirmed that the officials were acting within the frame of authorisation granted to them by applicable local Law. No Interpol request was presented.
 - *Attached you may find translations of both orders, under the file names: "Order-JTI-Eng-2008" and "Order-GLH-Eng-2008".*

- The Chief Accountant & Tax Manager accompanied the tax auditors to a meeting room with no documents available. The auditors requested a list of documents, books, records and tax declarations.
 - *Attached you may find a detailed list of all the documents that were presented to the auditors, under the file name "Audit list-2008".*

- The accounting department gathered all the requested documentation and the Chief Accountant & Tax Manager gradually presented them to the auditors.

- The audit took place mainly in the meeting room. The auditors also visited the Accounting and Logistics department in our premises. During their visit, the officials were always accompanied by the Chief Accountant & Tax Manager.

- We informed all relevant persons of the inspection, i.e. the General Manager, the CFO and the ExCom members. At the same time we informed orally all our colleagues about the presence of the auditors in the specific meeting room, advising them to keep low profile during their stay.

- During the meeting with the auditors, we asked them what the purpose of their visit was. They answered that it was a just a routine audit. However, during the audit we had a phone contact with our distributor ATHANASSIOU SA and we were informed that they were also under a similar investigation, simultaneously. The ATHANASSIOU investigation took place based on an invoice issued by JT International Marketing & Sales DOO to ATHANASSIOU SA. The invoice concerned a shipment of Ronson and Memphis duty free cigarettes that were seized in Serbia. Note that the number of cases

seized is not known and that cigarettes have been confirmed as genuine by Austria Tabak.

- Understanding that JTI and GLH Hellas were considered rather as witnesses than accused, we kindly offered to answer any questions and to present any documents that they request. In general, the audit took place in an atmosphere of cooperation and professional courtesy.

- We presented to the auditors, various documents such as:
 - Books and records of both entities
 - Entity income tax declarations of the past 3 years
 - Entity P&L for the past 3 years
 - Balance Sheets of the past 3 years
 - VAT declarations
 - Declarations of the move of offices due to GLH acquisition
 - Declarations of bonded warehouse
 - Book of inventory
 - Delivery notes
 - Invoices

- The audit was concluded around 16:30 of the same day. After thorough inspection, the auditors validated all official Books and Records. No issues resulted from this audit for either of the two companies. The auditors did not seize any documents.

- No further steps are expected from the Greek Authorities regarding JTI Hellas, according to their verbal confirmation. Note that, the Special Audit Department is not obliged to submit any report to the audited company if there are no issues raised during the audit.

- After the conclusion of the audit, we informed Geneva functions (Legal, Brand Integrity, and Tax) as well as JTI Hellas employees, by sending them an informative email in which we briefly explained what had happened and the positive outcome of the inspection.

Greece



- *Attached you may find the relevant communication under the file names: "Information for unexpected Tax Audit", "Unexpected Tax Audit" and "May LE-FIN 48/FAS 5 Reporting".*

At your disposal for any further clarification.

Kind Regards,

Catherine Minga
CA,C & Legal Director Greece, Cyprus, Malta