

APPENDIX C

Philip Morris International (PMI) agrees to make payments to the Relevant Administrations in accordance with the provisions below:

1. An amount equal to One Hundred Million Dollars (\$100,000,000) shall be deemed to be the “Base Payment.”

2. Within sixty (60) days of the Execution Date, PMI shall make a lump-sum payment in the amount of 250% of the Base Payment.

3. On the first anniversary of the Execution Date, PMI shall make a payment equal to 150% of (x) the Base Payment multiplied by (y) the 2004 Adjusted Index Percentage.

4. On the second anniversary of the Execution Date, PMI shall make a payment equal to 100% of (x) the Base Payment multiplied by (y) the 2005 Adjusted Index Percentage.

5. On each of the third through twelfth anniversaries of the Execution Date, PMI shall make a payment equal to 75% of (x) the Base Payment multiplied by (y) the Adjusted Index Percentage for the previous year.

6. The Adjusted Index Percentage in respect of any given year shall be calculated using the formula set forth in paragraphs 7 through 10 below.

7. In respect of any year in which a payment is to be made, the “Numerator” shall be the percentage share of the volume of total cigarette sales in the preceding year in the domestic markets of the states that were Member States of the European Union on January 1st, 2004, represented by entity(ies), including PMI and its Affiliates, that are, at

the time of payment, party to this Agreement or an anti-contraband / anti-counterfeit agreement substantially similar to this Agreement, provided, however, that if there are other entities that have entered into such similar agreements, the volumes taken into account for determining the percentage share of the volume of total cigarette sales in the preceding year in the domestic markets of the states that were Member States of the European Union on January 1st, 2004, shall be limited to only those of PMI and its Affiliates, and not of any other entities that have entered into such similar agreements, if the Adjusted Index Percentage calculated on PMI volume alone would be less than the 2004 Adjusted Index Percentage. The “Denominator” shall be the percentage share of the volume of total cigarette sales in the year 2004 by PMI and its Affiliates in the domestic markets of the states that were Member States of the European Union on January 1st, 2004. An anti-contraband / anti-counterfeit agreement shall not be deemed substantially similar to the Agreement unless it has at least three of the following four elements, (i) annual anti-contraband and anti-counterfeit payments of the type specified in this Appendix C; (ii) Supplemental Payments of the type specified in Section 4.01 of this Agreement; (iii) EC Compliance Protocols of the type specified in Appendix B to this Agreement; and (iv) Tracking and Tracing Protocols of the type specified in Appendix D to this Agreement.

8. The Index Percentage for any given year is the Numerator divided by the Denominator, expressed as a percentage.

9. The Adjusted Index Percentage for any given year is derived from the Index Percentage for that year using the following formula:

Index Percentage	Adjusted Index Percentage
0- up to but not including 5%	0%.
5- up to but not including 15%	12%
15- up to but not including 25%	24%
25- up to but not including 35%	36%
35- up to but not including 45%	68%
45- up to but not including 55%	84%
55- up to but not including 65%	92%
65- up to but not including 75%	96%
75- up to but not including 85%	98%
85- up to but not including 95%	99%
95- up to but not including 115%	100%
115- up to but not including 140%	101%
140- up to but not including 170%	102%
170- up to but not including 200%	103%
200%+	104%

In any year in which a payment is to be made and the Adjusted Index Percentage as calculated above is equal to or more than 100%, then for the purposes of determining the relevant payment, the Adjusted Index Percentage shall be deemed to be equal (a) to 99% if PMI's latest full calendar year volume of total cigarette sales in the domestic markets of the states that were Member States of the European Union on January 1st, 2004 is less than 90% of the same figure for 2004 yet equal to or greater than 80% of the same figure for 2004; or (b) to 98% if PMI's latest full calendar year

volume of total cigarette sales in the domestic markets of the states that were Member States of the European Union on January 1st, 2004 is less than 80% of the same figure for 2004.

10. In the event of an acquisition or divestiture by PMI or any of its Affiliates subsequent to the Execution Date, the Denominator shall be adjusted in each year following the year of acquisition or divestiture to reflect what the Denominator would have been had either (i) the acquired company(s) been owned by PMI in 2004; or (ii) the divested company(s) had not been owned by PMI in 2004.

11. The payments in paragraphs (2)-(5) will each be made by a single electronic wire transfer into an account in the name of the European Community and maintained for such purpose at Commerzbank Belgium S.A., a bank duly incorporated under the laws of one of the Member States.

12. If, within thirty days of the date on which a payment is due pursuant to this Appendix, a claim is asserted which PMI believes in good faith may entitle it to setoff or escrow pursuant to Article 10 of this Agreement, PMI may delay payment of the amount claimed, without any penalty, for up to 30 days so as to comply with the provisions of Section 10.01(c).

13. In the event that, at any time following the fifth anniversary of the Execution Date, PMI's financial condition shall have substantially deteriorated, as to give the Relevant Administrations reasonable and substantial doubt as to PMI's ability to make the payments due on the sixth through twelfth anniversaries of the Execution Date, the Relevant Administrations shall so notify PMI, and PMI thereafter shall obtain a bank guarantee or other equivalent security in favor of the Relevant Administrations for said

payments. However, PMI shall not be obligated to obtain a bank guarantee or the equivalent security if it is commercially impracticable to obtain such bank guarantee or security.