

14 DECEMBER 2007

**JT International S.A.
JT International Holding BV**

and

the European Community

and

the Member States participating in the Cooperation Agreement

AGREEMENT REGARDING GALLAHER

THIS AGREEMENT is made on 14 December 2007,

BETWEEN

JT International S.A. (**JTI**) and JT International Holding BV (**JTH**), on their own behalf and for and on behalf of all Affiliates of JTH existing at the date of this Agreement

and

The European Community (the **EC**) represented by the European Commission (the **Commission**)

and

the Member States of the European Union participating in the Cooperation Agreement of the same date (the **Participating Member States**).

RECITALS

WHEREAS

- (A) the Parties have entered into the Cooperation Agreement;
- (B) shortly prior to the finalisation of the Cooperation Agreement, JTI UK Management Limited acquired 100% of the issued share capital of Gallaher; and JTI Holding GmbH acquired 100% of the issued share capital of Austria-Tabak AG & Co KG;
- (C) the Cooperation Agreement does not currently impose any legal obligations on Japan Tobacco Companies in respect of Gallaher;
- (D) Japan Tobacco Companies will be reviewing the operations of Gallaher and bringing them into conformity with its own operating standards including those agreed to with the EC and Participating Member States;
- (E) the EC and Participating Member States recognise that it is in the interests of the effective control and elimination of contraband and other related illegal activity in Europe that, having entered into the Cooperation Agreement, Japan Tobacco Companies should be given an appropriate opportunity, within the collaborative structure created by the Cooperation Agreement, to undertake such a review, and implement any actions they consider appropriate arising therefrom, without Gallaher being subject to certain claims by the EC and/or Participating Member States, lest such claims disrupt, if not undermine, those processes;
- (F) it is in the interest of the Parties that the principles of the Cooperation Agreement should progressively be applied to Gallaher and to Gallaher Brands in a way and on a time scale that reflect the specific constraints of Gallaher's business and

to establish a comprehensive plan to bring Gallaher within the scope of that Agreement upon effective completion of that plan;

(G) the Parties want to record, therefore, certain arrangements between them addressing Gallaher;

THEREFORE

the Parties have agreed to enter into this Agreement as part of the arrangements entered into in connection with the Cooperation Agreement and in consideration of the mutual covenants and other valuable consideration contained herein.

1. DEFINITIONS AND INTERPRETATION

1.1 In this Agreement, terms defined in the Cooperation Agreement will have the same meaning, unless otherwise specified.

1.2 In this Agreement, the following terms have the following meanings.

Gallaher means Gallaher Group plc and for the avoidance of doubt, Austria-Tabak AG & Co KG.

Gallaher Affiliates means all affiliates of Gallaher immediately before 18 April 2007

Gallaher Brands means the tobacco products sold under the trademarks set out in Schedule 1;

Japan Tobacco Companies means all subsidiaries of JTH as at the date of this agreement but, for the avoidance of any doubt, excluding Gallaher and all companies that were Gallaher Affiliates, insofar as they might be alleged to be subsidiaries of JTH;

Moratorium means the arrangement provided for in Clause 3.1.

Moratorium Period shall be deemed for the purposes of this Agreement to have begun on 18 April 2007 and shall end on 18 April 2009.

1.3 Save where the context requires otherwise:

- (a) references to any clause, sub-clause or annex without further designation shall be construed as a reference to the clause, sub-clause or annex to or of this Agreement so numbered;
- (b) clause and annex headings are for convenience only and shall not be taken into account in the interpretation of this Agreement; and
- (c) reference to any gender shall include all genders and reference to the singular shall include the plural and vice versa.

2. JAPAN TOBACCO UNDERTAKINGS AS TO GALLAHER

2.1 Japan Tobacco Companies hereby undertake to do the following in regard to Gallaher, pursuant to Section 2.3 below:

- (a) apply know-your-customer standards to Gallaher that are equivalent to Japan Tobacco Companies' own know-your-customer standards, which are those agreed to with the EC and Participating Member States in the Cooperation Agreement.
- (b) review all First and Second Purchasers of the Gallaher Brands, together with all third-party manufacturers, distributors, contractors, partners, warehouses and transportation companies involved in the manufacture, sale, distribution, and/or storage of Gallaher products to determine whether they unlawfully, knowingly or recklessly contribute to or allow the entry of contraband Gallaher Brand Cigarettes into the EC or into the countries listed in Annex 6 of the Cooperation Agreement.
- (c) Japan Tobacco Companies shall make commercially reasonable efforts, up to and including termination, to prevent any such further conduct as described in (b), above.
- (d) renegotiate all contracts with all Gallaher First Purchasers and Contractors to include, inter alia, termination provisions to allow Japan Tobacco Companies to terminate Gallaher's relationships with any First Purchasers and/or Contractors who unlawfully, knowingly or recklessly allow Gallaher Brands to become Contraband Cigarettes or used for related illegal activity.
- (e) implement JTI's anti money-laundering protocols with respect to Gallaher Brands.
- (f) determine the legitimate consumption of Gallaher Brands in each Intended Market of Retail Sale and ensure that Gallaher's supply of its products into each Intended Market of Retail Sale is commensurate with such legitimate consumption.
- (g) apply Japan Tobacco Companies' own operating guidelines or code of conduct to Gallaher.
- (h) establish and implement an appropriate procedure to review all Gallaher personnel retained after acquisition and whose activities relate to the manufacture, sale, distribution and/or storage of Gallaher products, or the establishment of policies and business practices relating thereto, to ensure that they do not unlawfully, knowingly or recklessly cause or contribute to the introduction of Gallaher products into contraband channels. Japan Tobacco Companies will take effective and appropriate steps against the employee and/or vis-à-vis the authorities in the event that the employee fails to comply with Japan Tobacco's Programmes.

- (i) establish whistleblower programmes within Gallaher equivalent to Japan Tobacco Companies' own standards which are those agreed to with the EC and the Participating Member States in the Cooperation Agreement.
- (j) determine which of the other operational standards of the Cooperation Agreement it would be appropriate in the light of their understanding and integration of the Gallaher business to apply to the Gallaher business during the Moratorium Period and to apply them.

2.2 Japan Tobacco Companies hereby undertake to cooperate, to the fullest extent permitted by law, with OLAF and the Participating Member States in investigations into any allegations of past illicit activities of Gallaher, Gallaher personnel and/or Gallaher Customers and Contractors. In the event that, during the Moratorium Period, Japan Tobacco Companies learn of any credible identifiable illicit activities of Gallaher personnel or Gallaher Customers or Contractors prior to 18 April 2007, Japan Tobacco Companies will conduct a thorough and prompt inquiry concerning such activities. Japan Tobacco Companies will share the results any such inquiry on a timely basis with OLAF, and also inform OLAF of the appropriate course of action undertaken by Japan Tobacco Companies to address the situation.

2.3 As soon as reasonably practicable after 18 April 2007, Japan Tobacco Companies undertake to do the following in relation to Gallaher:

- (a) by 18 October 2007, Japan Tobacco Companies will apply their Operating Guidelines or Code of Conduct to the Gallaher Business;
- (b) by 18 April 2008, Japan Tobacco Companies will:
 - (i) review Gallaher's anti money-laundering policies; and
 - (ii) apply Japan Tobacco Companies' anti money-laundering policies to Gallaher;
- (c) by 18 October 2008, Japan Tobacco Companies will:
 - (i) review and renegotiate all contracts with Gallaher First Purchasers and Contractors to determine if they unlawfully, knowingly or recklessly contribute to or allow the entry of contraband Gallaher Brand Cigarettes into the EC or into the countries listed in Annex 6 of the Cooperation Agreement;
 - (ii) review and renegotiate all contracts with all Gallaher First Purchasers and Contractors to include, inter alia, termination provisions to allow Japan Tobacco Companies to terminate Gallaher's relationships with any First Purchasers and/or Contractors who unlawfully, knowingly or recklessly allow Gallaher Brands to become Contraband Cigarettes or used for related illegal activity;
 - (iii) establish and implement an appropriate procedure to review all Gallaher personnel retained after acquisition and whose activities relate

to the manufacture, sale, distribution and/or storage of Gallaher products, or the establishment of policies and business practices relating thereto, to ensure that they do not unlawfully, knowingly or recklessly cause or contribute to the introduction of Gallaher products into contraband channels. Japan Tobacco Companies will take effective and appropriate steps against the employee and/or vis-à-vis the authorities in the event that the employee fails to comply with Japan Tobacco's Programmes.

- (d) by 18 April 2009, Japan Tobacco Companies will:
- (i) establish whistleblower programmes within Gallaher equivalent to Japan Tobacco Companies' own standards which are those agreed to with the EC and the Participating Member States in the Cooperation Agreement;
 - (ii) apply know-your-customer standards to Gallaher that are equivalent to Japan Tobacco Companies' own know-your-customer standards, which are those agreed to with the EC and Participating Member States in the Cooperation Agreement.
 - (iii) determine the legitimate consumption of Gallaher Brands in each Intended Market of Retail Sale and ensure that Gallaher's supply of its products into each Intended Market of Retail Sale is commensurate with such legitimate consumption;
 - (iv) to the extent permitted by law, terminate any arrangements with any non-Certified Customers or non-Certified Contractors.

2.4 Japan Tobacco Companies and OLAF shall meet at least once every six months to: (i) review and confirm that the undertakings identified in Section 2.1 are being effectively implemented on the timetable agreed by the Parties, (ii) review and confirm that Japan Tobacco Companies are complying with the undertakings in Section 2.1 as agreed by the Parties, and (iii) discuss issues of mutual concern. In this respect, Japan Tobacco Companies and OLAF will take into account Japan Tobacco Companies' understanding and integration of the Gallaher business and the constraints imposed by existing legal obligations on Gallaher.

2.5 The Parties agree that the sole sanction for any breach of any of the foregoing provisions in Clause 2 is that the requirements of the following sub-clause 2.6 cannot become effective (and Gallaher and Gallaher Brands cannot become subject to the Cooperation Agreement) until any such breach has been rectified such that all these provisions are satisfied.

2.6 As soon as is reasonably practicable after 18 April 2009 and subject to the effective completion of all necessary steps by Japan Tobacco Companies to prepare to bring Gallaher into operational compliance with all aspects of the Cooperation Agreement, Gallaher shall be brought within the Cooperation Agreement and all related agreements, and all Gallaher Brands shall be added to the list of International Japan Tobacco Brands, provided that OLAF has certified that Japan Tobacco

Companies have effectively complied with the undertakings set forth in this Agreement so that Gallaher is able to comply fully with the terms of the Cooperation Agreement, such certification not unreasonably to be withheld.

2.7 The benefits to Japan Tobacco Companies as to Gallaher and/or Gallaher Brands in regard to the release and waivers in the Mutual Cessation Agreement, and Termination and Set Off in the Cooperation Agreement, shall apply to Japan Tobacco Companies with respect to Gallaher, any remaining Gallaher entities and Gallaher Brands on the bringing of Gallaher and/or Gallaher Brands into the Cooperation Agreement except to the extent that the EC has, prior to the Cooperation Agreement being extended to Gallaher and/or Gallaher brands, notified Japan Tobacco Companies of any claim or claims which it and/or one or more Participating Member States intends to bring in respect of Gallaher and/or any Gallaher Brand, in which case the release and waivers in the Mutual Cessation Agreement and Termination and Set Off in the Cooperation Agreement shall extend to that claim or to those claims only if the claim is not or the claims are not brought within one year of the Cooperation Agreement being so extended.

3. MORATORIUM

3.1 During the Moratorium Period, the EC and the Participating Member States undertake that none of them will initiate, join, or bring any proceedings against Gallaher, or any Gallaher Affiliate, that would be released pursuant to the MCA if Gallaher were a part of the MCA in any court in any jurisdiction which is based on allegations of any direct or indirect involvement in contraband of tobacco products or other related illegal activity by Gallaher or any Gallaher Affiliate.

3.2 For the avoidance of doubt, and without prejudice to Section 2.7 above, the Moratorium will cease at the end of the Moratorium Period and will be of no further effect thereafter, such that the EC or the Participating Member States may, after the Moratorium Period, initiate, join or bring any claims, which had been subject to the Moratorium, which are then available to any of them.

3.3 The EC and the Participating Member States undertake that, should any of them breach the undertaking in sub-clause 3.1, none of them will oppose or raise any reasonable defence to any application to any tribunal connected with any proceedings which relate to that breach, or which is otherwise capable of giving relevant relief, by Gallaher or any Gallaher Affiliate or any Japan Tobacco Company, for an order from that tribunal to enforce the undertaking given in sub-clause 3.1, including, but not limited to, dismissing and staying indefinitely any proceedings relating to that breach.

4. SET OFF

4.1 Without prejudice to Clause 3, should Gallaher or any Gallaher Affiliate be obliged to pay any sum ordered or reasonably incurred as a result of any proceedings of the type described in clause 3.1 brought within the Moratorium Period, then Japan Tobacco Companies will be entitled to set off the said sum, together with all reasonable court costs and expenses of so doing, against any sum that they may owe pursuant to any agreement reached between the Parties in regard to Gallaher or to

Clauses 7 or 8 of the Cooperation Agreement and the provisions of Clause 13.2 et seq. of the Cooperation Agreement will apply to any such set off.

5. LIMITATION PERIODS

5.1 The running of any and all time periods for any purposes of limitation of action or any similar doctrine under any relevant jurisdiction as to any claims for which the statute of limitations would otherwise end at any time from the date of the start of the Moratorium to 18 October 2009 shall be suspended for the whole of the Moratorium Period and the running of the remainder of any such time period shall continue at the end of that Moratorium Period.

6. OTHER MATTERS

6.1 The following provisions of the Cooperation Agreement shall be incorporated into this Agreement.

- (a) Clause 14 (Dispute Resolution);
- (b) Clause 15 (Notices);
- (c) Clause 17 (Authority);
- (d) Clause 18 (Further Assurance);
- (e) Clause 19 (Costs);
- (f) Clause 20 (Invalidity/Severability and Legality);
- (g) Clause 21 (Counterparts);
- (h) Clause 22 (Succession);
- (i) Clause 23 (Modification);
- (j) Clause 24 (Entire Agreement);
- (k) Clause 25 (Additional Signatories);
- (l) Clause 26 (Consent to Jurisdiction and Enforcement);
- (m) Clause 27 (Governing Law).

Schedule 1
List of Gallaher Brands

Country	Brand
Albania	LD, Memphis, Ronson
Andorra	Coronas, Rex, Benson & Hedges, Mayfair, Silk Cut
Aruba	Not applicable
Belarus	Not applicable
Bosnia-Herzegovina	LD, Memphis, Ronson
Croatia	Not applicable
Kosovo	LD, Memphis, Ronson, Sovereign
Macedonia	LD, Memphis, Ronson
Moldova	Sobranie, Glamour, LD, Level, Sovereign, Saint George
Montenegro	LD, Memphis, Ronson
Morocco	Not applicable
Nigeria	Dorchester, LD, Ronson
Panama	Not applicable
Russia	Ducat, Glamour, Gold Bond, LD, Level, Memphis, Novost, Prima, Ronson, Sobranie, Sovereign, Saint George, Three Kings, Troika
Serbia	Meine Sorte, Memphis, Ronson, Sobranie
Switzerland	Benson & Hedges, Meine Sorte, Memphis, Silk Cut
Syria	Not applicable
Turkey	Ronson, Memphis, Glamour, LD, Smart, Berkeley, Mayfair, Sobranie
UAE	Sobranie, LD
Ukraine	City, Ducat, Glamour, Gold Bond, LD, Level, Prima, Ronson, Sobranie, Sovereign, Saint George, Three Kings, Troika
EU Member states	Brand
Austria	HB, A3, Arome Vanille, Benson & Hedges, Casablanca, Corso, Dames, Falk, Flirt, Glamour, Hobby, Johnny, LD, Maverick, Mayfair, Meine Sorte, Memphis, Men, Nil, Ronson, Silk Cut, Smart, Sobranie, Saint George, Trend
Belgium	Benson & Hedges, Dorchester, Level, Mayfair, Ronson, Silk Cut, Sovereign
Bulgaria	Sobranie, LD, Mayfair, Memphis, Ronson
Republic of Cyprus	Ronson, Benson & Hedges, Berkeley, La Femme, Mayfair, Silk Cut, Sterling
Czech Rep.	Arome Vanille, Benson & Hedges, LD, Mayfair, Meine Sorte, Memphis, Nil, Ronson, Silk Cut, Smart, Sobranie
Denmark	Benson & Hedges, LD, Level, Ronson, Silk Cut
Estonia	Memphis, Silk Cut, Glamour, LD, Leek, Mayfair, Rumba, Silk Cut, Sobranie, Saint George, Vermont
Finland	Benson & Hedges, LD
France	Benson & Hedges, Ronson, Silk Cut, Mayfair
Germany	Arome Vanille, Benson & Hedges, Lasso, Mayfair, Meine Sorte, Nil, Ronson, Silk Cut, Sobranie,
Greece	Benson & Hedges, Berkeley, La femme, Mayfair, Meine Sorte, Memphis, Ronson, Silk Cut, Sobranie, Sovereign, Sterling
Hungary	Benson & Hedges, Glamour, LD, Mayfair, Meine Sorte, Memphis, Ronson, Silk Cut
Ireland	Benson & Hedges, Gold Bond, Mayfair, Silk Cut, LD,

Schedule 1 (cont.)

List of Gallaher Brands

Italy	Arome Vanille, Benson & Hedges, Mayfair, Meine Sorte, Memphis, Silk Cut, Benson & Hedges
Latvia	Glamour, LD, Mayfair, Silk Cut, Ronson
Lithuania	Glamour, Mayfair, LD, Ronson, Silk Cut, Sobranie, Saint George
Luxembourg	Benson & Hedges, Mayfair, Ronson, Silk Cut
Malta	Benson & Hedges, Berkeley, Mayfair, Ronson, Silk Cut
Netherlands	Benson & Hedges, Silk Cut, Sovereign, Mayfair
Poland	Benson & Hedges, Brydzowe, LD, Level, Mayfair, Memphis, Ronson, Silk Cut, Sovereign, Sterling, Viva
Portugal	Coronas, Palace, Benson & Hedges, Berkeley, Mayfair, Ronson, Silk Cut, Sovereign
Romania	LD, Memphis, Ronson, Smart, Sobranie, Sovereign, Saint George, State Line
Slovakia	Benson & Hedges, Glamour, LD, Meine Sorte, Memphis, Ronson, Smart, Sobranie, Silk Cut
Slovenia	Benson & Hedges, Dames, Hit, LD, Meine Sorte, Memphis, Ronson, Smart, Sobranie, Silk Cut
Spain	Bisonte, Celtas, Piper, 46, American Jeans, Capavana, Condal, Coronas, El Kaiser, Goya, Jean, Palace, Reales, Record, Rex, V&L, XXX, Benson & Hedges, Berkeley, Mayfair, Ronson, Silk Cut, Sovereign, Sterling
Sweden	Benson & Hedges, Blend, Commerce, Glenn, Hobson, John Silver, LD, Level, Right, Ronson, Silk Cut
UK	Benson & Hedges, Berkeley, Club, Dickens & Grant, Dorchester, LD, Mayfair, Park Drive, Senior Service, Silk Cut, Sobranie, Sovereign, Sterling