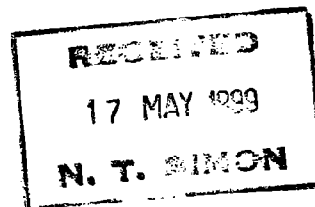


Y Tardif
S Jones
G Morland Green
*N Jack
A Williams
N Nehama
A Boser
P Biehler

Please note & adhere to trading policy below
Nigel



GALLAHER GROUP Plc



6

MEMO

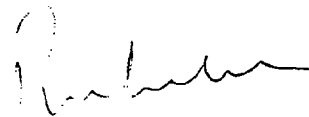
FROM	S Cochrane Peter Wilson	
TO	Nigel Simon	
YOUR REF	OUR REF	DATE
	PMW/ae	14th May 1999
SUBJECT	TRADING BUSINESS – GALLAHER POLICY	

As a consequence of the disruption to our business in Russia, you and I both believe that we should be seeking alternative sources of business in the short term in order to provide some compensation, and to maintain throughput in our factories. We agreed that Norman Jack would, therefore, explore opportunities for additional trading volume working within the following guidelines.

1. We will seek trading volume outside the domestic European markets although it is acknowledged that we may need to use trading houses based in Europe.
2. The brands that we should concentrate on are Sovereign Classic (Gold Box), Oregon and Stateline. Pricing should be such that we make a small margin.
3. The essence of trading business is that we are not seeking to build brands. To some extent, this position is forced upon us by the fact that we do not own our premium brands outside Europe. However, we do own Sovereign, Mayfair, Dickens & Grant and Dorchester in most markets, and it is acceptable to use those brands (i.e. Sovereign Black) for trading opportunities on the clear understanding, to be confirmed by any customers, that they will not sell on for re-shipment back into the U.K. The established reputation of these brands in the U.K. could be exploited in trading markets such that they could sell for a higher price than Sovereign Classic, etc.
4. Finally, we are willing to seek opportunities for contract manufacture for a third party provided the returns on any capital investment are available. We are also prepared to consider contracts for the supply of rag.

2.

Please discuss if you do not agree with anything in the above suggested policy.



Peter Wilson

cc Philip Burchell
Nigel Bulpitt
Bill Curry
Chris Fielden
Nigel Northridge