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Gallaher Group PLC  
Att: Mr Mark Rolfe  
Financial Director

From: Mr P. Tlais

20.05.2003

Fax No: 00441932 832508

Dear Mark,

Thank you for your letter of 19<sup>th</sup> May 2003, covering a number of issues critical to the business, that are currently under discussion between us.

The business has been under significant pressure recently, due to the problems we have experienced in Iran, and more recently the effect of the war, within the region as a whole. I appreciate your thanks concerning the recent payment of the US\$1 million, as I have been stretched to the limit to achieve this commitment during these difficult times, and your appreciation has made the efforts more worthwhile.

I understand from Norman that it is possible, you maybe in a position to visit the Lebanese market during the month of June, to view the progress that has been made, in addition to covering some of the outstanding business between us. It is important to stress that we are at a stage within this business where significant discussions have taken place and clear decisions now need to be made, on a number of issues.

I look forward to receiving confirmation of the proposed dates for your visit in the near future.

Moving to the situation effecting the Iranian business, which has been on hold for five months, awaiting a decision to deal with the out of condition goods held in the market. I must point out, that during this period the only movement funds in the business has been outward to fund warehousing cost in Dubai, where the backup stock is being held.

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I can confirm that Norman has received the figures for both duty paid and duty free goods, which will be subject to a final count at the holding location in Tehran. The duty paid documentation will be available for audit during the inspection, which will confirm the figures.

It is vital that this issue is finalised as a matter of extreme urgency, as financially I am not in position to continue to fund all the parties involved in this problem.

You will be aware that Hazem is becoming extremely nervous over the delays in resolving this matter, therefore it is important that we finalise the marketing plan and the stock issue immediately, as any further delays will start to effect the brands reputation in the market, due to out of stocks.

Moving to Lebanon, I can confirm that we are progressing well and we are in need of the second container, as we are now out of stock of both Dorchester Lights and Sovereign Lights. I have delayed the new order awaiting the outcome in Iran, as today I am not in a position to pay for this shipment as well as the duty, because of the financial pressures that I am under.

It is important to stress again that everything within this business is linked, and I do not foresee a problem in cashing the standby letter of credit at the end of June, providing we have the Iranian problem solved and the business moving again.

I have discussed at length the documentation issue with Norman, and have undertaken to complete a full audit of what is needed to bring our paper work up to the level agreed with customs of 80% of all shipments made by Tlais. This exercise is currently underway and should be completed during the course of next week. I have pointed out to Norman that some paper work is outstanding from Hazem who is not inclined to co-operate until his problem is resolved.

The question concerning direct deliveries to Iran can be dealt with, once the issues effecting Dorchester have been finalised.

Finally, I would ask for your support in concluding the Iranian issue as we are fast running out of time, as I already have with money.

Yours sincerely

P. Tlais



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