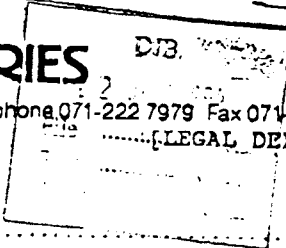




BAT INDUSTRIES

Windsor House 50 Victoria Street London SW1H 0NL Telephone 071-222 7979 Fax 071- 233 1438
Registered Office



AKS

TO: D. Bishop / C. Dufty
 ATTN: BATCo
 FAX NO: 00 44 784 448391
 CC: _____
 FAX NO: Sent 20.50 hrs 21 June 1994

FROM: James King
 DATE: 21/6/94 PAGES SENT: 4
 (Including cover sheet)

Message:

Project Umpire

I enclose a copy of the English translation of the decree passed on 20/6. Whilst the wording is not what was agreed last week, the commitment to issue a side letter appears to still be present (although we will need to keep on the pressure). I have not yet had a chance to look at the decree in detail, but I would hope that we can speak tomorrow.

Regards
 James King

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Signed 20/6/94.

UNOFFICIAL TRANSLATION

Decree of the Cabinet of Ministers

On the establishment of the Uzbek-British Joint Venture
"UZBAT A.O."

In accordance with the Law of the Republic of Uzbekistan "On Foreign Investments and Guarantees of the Activities of Foreign Investors", and with the aim of implementing the Edict of the President of the Republic of Uzbekistan dated March 15, 1994 "On Priorities in the Further Development of the Privatization and Destatization Process in the Republic of Uzbekistan", of promoting foreign investments in the economy of the Republic, of saturating the national consumer market with high quality and competitive tobacco products, the Cabinet of Ministers of the Republic of Uzbekistan decrees:

1. To accept the proposal of the Goskominushestvo on the establishment of "UZ TOBACCO A.O." - joint stock closed type company formed on the basis of the Tashkent Tobacco Factory (hereinafter "TTF") and the Samarkand (hereinafter "SFP") and Urgut (hereinafter "UFP") Fermentation Plants.

2. That the State Concern "Uzpisheprom" and Goskominushestvo shall within two weeks' time complete the work on:

the termination of the leasing agreements with TTF and UFP, the taking of inventory of the assets of the three enterprises and the transfer of all of the relevant assets and liabilities of TTF, SFP and UFP to "UZ TOBACCO A.O."

3. The Ministry of Justice of the Republic of Uzbekistan after submission of the relevant documentation shall register "UZ TOBACCO A.O." as a closed joint stock company in accordance with the established procedure.

4. That Goskominushestvo in accordance with the established procedure shall provide for the sale of 51% of the shares of "UZ TOBACCO A.O." to BAT Investments, in accordance with the Agreement dated May 14, 1994, concluded between "BAT Investments", "BATCO Limited" and Goskominushestvo. To acknowledge that Goskominushestvo shall have the right to "veto" the most important issues relating to the activities of UZ TOBACCO A.O. for the period of the implementation of the investment program of "BAT Investments" which will be not less than five years.

5. The Ministry of Finance of the Republic of Uzbekistan after receiving the relevant documentation from Goskominushestvo shall re-register "UZ TOBACCO A.O." in accordance with the established procedure as an enterprise with foreign investment. Thereinafter "UZ TOBACCO A.O." shall be named "UZBAT A.O." in accordance with the Agreement dated May 14, 1994.

6. To acknowledge that as a result of the implementation of "BAT Investments" investment program which is contemplated for the period of 5 years and valued at USD 200,000,000, the share of this Company in the capital of "UZBAT A.O." shall be increased to the end of the fifth year. Goskominushestvo shall retain a right to increase its share in the capital

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of "UZBAT A.O." up to 24.9% in accordance with the Agreement dated May 14, 1994.

7. From the moment of registration of "UZBAT A.O.", Goskominushestvo shall delegate in accordance with the established procedure to the State Concern "Uzpisheprom" the right to manage the state's shares in "UZBAT A.O." joint venture.

8. That the Ministry of Finance together with the State Tax Committee of the Republic of Uzbekistan, Uzbekberlyashu and State Association "Uzbeksovdoo" within one month's time shall submit proposals to the Cabinet of Ministers on the establishment of equal taxation regime for the tobacco products of foreign and domestic make.

9. That the Khokimiats of the City of Tashkent and of Samarkand Region shall provide for concluding long term leaseholding contracts with "UZBAT A.O." for the land currently used by TTF, SFP and UFP, as well as for land for a new cigarette factory, bearing in mind that for the first 10 years it shall not be subject to rental, provided that it produces tobacco products.

10. The Khokimiats of the City of Tashkent and of the Samarkand Region, the Ministry of Communications, the Ministry of Energy and Electrification of the Republic of Uzbekistan and other concerned ministries and state agencies shall render assistance on a contractual basis to "UZBAT A.O." in the modernization of existing and the creation of new infrastructure necessary for the operation of TTF, SFP and UFP and for the new cigarette factory to be constructed in Samarkand.

11. That Prognozstat shall include the creation of "UZBAT A.O." in the Investment Program of the Republic of Uzbekistan.

12. To note that "UZBAT A.O." during five years is to supply to the State Concern "Uzpisheprom" fermented tobacco leaf at agreed terms and prices in the total amount of up to 65000 tonnes; in accordance with the Investment Program it shall make capital contributions in the development of the social sphere; during the first three years shall take measures to improve the ecological and safety conditions of enterprises up to internationally recognised standards (giving consideration to the possible termination of the production of tobacco products at the existing site of SFP in accordance with the Investment Program).

13. With the aim of creating a favourable environment for the implementation of the "UZBAT A.O." Investment Program, to provide "UZBAT A.O." with a right to:

- independently establish prices for the products of its own, without being included on the Register of Enterprises - Monopolists (provided that "UZBAT A.O." shall remain subject to restrictions on illegitimate agreements and unfair competition as defined in the Law on the Restriction of Monopoly Activities);
- independently and without restriction conclude contracts with tobacco leaf farmers under mutually agreeable terms;

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manufacture and package its tobacco products in accordance with the international practice of the BAT group of companies, subject to the requirements of the Ministry of Health and Uzgosstandart relating to health warnings;

- be released from the state order for the production of cigarettes and processed leaf and also the supply of green leaf for its own requirements;
- an exclusive right in the territory of the Republic of Uzbekistan for five years from the date of registration of "UZBAT A.O." for the construction and operation of facilities for the manufacture of tobacco products. The fermentation plants which are not state property may work with foreign companies only on the basis of tobacco leaf agreements;
- be exempt from payment of charges and other payments for amortization of capital;
- take out insurance policies with any organisation within the Republic of Uzbekistan or abroad;
- to receive privileges contemplated in the Agreement dated May 14, 1994.

14. Control for the implementation of this Decree shall lie with the First Deputy Prime Minister of the Republic of Uzbekistan, I. Jurabekov and Deputy Prime Minister of the Republic of Uzbekistan, V. Chzhen.

*Chairman of the Cabinet
of Ministers of the
Republic of Uzbekistan*

I. Karimov

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