

General Terms and Conditions of Purchase of Reemtsma Cigarettenfabriken GmbH

- 1. Terms and Conditions.** The following terms and conditions are an integral part of our contracts for the purchase of goods and are legally binding in all their particulars, unless otherwise agreed in writing or otherwise stated in the contract text. Any terms and conditions of our supplier do not apply even if we do not object to them or accept the delivery without raising any objections. They will be binding on us only if expressly acknowledged and accepted by us in writing.

Orders placed orally or by telephone will be legally binding on us only if we have confirmed them in writing. The same applies to oral subsidiary agreements and amendments of the contract. In all correspondence (letters, dispatch notes, invoices, etc.) each order is to be treated separately.

- 2. Order Confirmation.** Our order must be confirmed in writing without undue delay by repeating the material contract terms, in particular the specification and delivery time. It suffices to refer to our order.

The detailed written confirmation can be replaced by returning the signed and stamped copy of our order.

By confirming the order the supplier acknowledges our terms and conditions to be binding.

- 3. Shipping.** Unless otherwise expressly agreed, goods are to be delivered DDP (INCOTERMS 2010) to the respective goods receiving point.

If different delivery terms are agreed in a particular case and the goods are then shipped at our risk, the supplier must load the goods in a manner ensuring safe transportation. No insurance of goods in transit for our benefit needs to be obtained.

Each delivery must be accompanied by a delivery note detailing the content and full order reference.

The goods may be delivered only to the specified goods receiving points on weekdays (from Monday to Friday) within our normal business hours, unless otherwise agreed. The particular shipping address is specified in our orders.

Each delivery must be accompanied by a delivery note. On Saturdays and outside our normal business hours we will take delivery of goods only if specifically agreed in advance.

- 4. Packaging.** The supplier's obligation to take back packaging will be determined by the statutory provisions. Packaging material is to be used only to the extent necessary to achieve this purpose. Only environment-friendly packaging material may be used.

Production materials must be packaged in accordance with our shipping instructions made available to you.

- 5. Delivery Time.** In case of delayed delivery we are entitled to the statutory claims. We are particularly entitled to withdraw from the contract and claim damages instead of performance after the lapse of a reasonable extension granted to the supplier. If we claim damages, the supplier will be entitled to prove that it is not responsible for the breach of duty. Receipt of the goods at the place of performance is decisive for the purpose of ascertaining compliance with the delivery period.

Notwithstanding our delay claims the supplier must inform us without undue delay if it will not meet the agreed delivery deadlines.

Early deliveries require our consent.

- 6. Prices.** The price specified in the order is binding and includes statutory VAT and all costs and other charges.
- 7. Invoices,** which should be sent as **single** invoices, must be received by us no later than four days after dispatch of the goods. Each delivery must be invoiced separately. The supplier is responsible for all consequences resulting from non-compliance with these obligations unless it proves that it is not responsible for these.

8. **Payment, Due Date, Assignment.** Unless otherwise agreed between the parties, Reemtsma will make payments within 30 days of receipt of the goods and invoice.

Claims against us may be assigned only with our consent. This does not apply to claims which are subject to an extended reservation of title.

9. **Notice of Defects.** We pay only for the weights determined at our site. We will give written notice of obvious defects of the delivery without undue delay as soon as they are discovered in the course of normal business operations, but no later than 5 calendar days after receipt of the delivery by us. We will give written notice of hidden defects no later than 8 calendar days after their discovery.

10. **Warranty.** The supplier warrants that the delivery will be free from defects, that the goods will be of the contractually intended quality and that the delivery will meet the intended purpose, will use state-of-the-art technology and will comply with the relevant provisions of the authorities and professional associations, the applicable labelling requirements and regulations for the prevention of accidents. The supplier fully warrants that delivered production material, which owing to its use by us is subject to the provisions of the German Preliminary Tobacco Act (*Vorläufiges Tabakgesetz*) and/or the Tobacco Regulation (*Tabakverordnung*), complies with the applicable regulations and is absolutely free of taste and odour.

The warranty claim may, at our discretion, consist of the options to request that the defect be remedied (repair) or that an item free from defects be delivered (replacement), including all the expenses necessary for the repair or replacement, or to cancel the contract or to reduce the price or to claim damages instead of performance or reimbursement of futile expenses. If an initially chosen repair or replacement is not possible, is unsuccessful or cannot be reasonably expected of us, the statutory warranty claims will remain unaffected.

If a repair or replacement is chosen and the supplier does not perform its obligation despite being requested and being set a reasonable deadline, we may – without prejudice to the supplier's warranty obligation – take the necessary measures ourselves or arrange for these to be taken by a third party at the supplier's expense and risk. If due to exceptional urgency it is no longer possible to inform the supplier of the defect and of the pending damage and to set the supplier even a short deadline to take remedial action, we may rectify the defect ourselves or arrange for third parties to rectify the defect.

Unless the mandatory provisions of Sections 478 and 479 of the German Civil Code (*BGB*) apply, the warranty period is 36 months if the law does not stipulate a longer period for our benefit.

11. **Product Liability.** If the supplier is responsible for product damage, it must indemnify us against claims of third parties to the extent that the cause lies within its sphere of control and organization and the supplier itself is liable vis-à-vis third parties.

To the extent that the cause of a product defect lies within the supplier's sphere of control and organization, the supplier must reimburse expenses arising out of or in connection with claims made by third parties including recalls carried out by us within the scope of its indemnity obligation. We will – as far as possible and can reasonably be expected – inform the supplier of the content and scope of recall campaigns and give the supplier an opportunity to comment. More extensive statutory claims remain unaffected.

12. **Designs, Industrial Property Rights.** We are exclusively entitled to all rights to designs, proposals, drawings or information of all kinds regardless of whether they were created by the supplier alone or were jointly created. By accepting the order the supplier assigns all rights created in its person or by its assistants to us and acknowledges that the remuneration which it receives from us is the appropriate consideration for its services and assignments of rights.

Repro material, printing and finishing tools and all documents which have been used to process or execute our orders are exclusively at our disposal for the duration of the order. It is not permitted to use or disclose them to third parties, be it, e.g. only as a reference or printing pattern, without our consent. It is permitted to destroy them only with our express consent. The supplier is liable for all damages caused to us by a culpable breach of these obligations.

13. **Industrial Property Rights of Third Parties.** The supplier warrants that at the time of acceptance of our order it is not aware of any infringement of rights of third parties by the goods to be delivered. The supplier further warrants that no warning and/or authorization request has been issued against it and no legal proceedings have been instituted against it on account of the goods to be delivered.

The supplier is liable for any claims asserted against us, executive bodies of our company and our customers when using its delivery owing to use of third-party industrial property rights or violations of competition.

14. **Privacy Policy.** Any collection, processing and use of personal information as part of our contractual relationships with suppliers are done in compliance with provisions of data protection law, in particular the Federal Data Protection Act (*BDSG*). For the aforesaid purposes it may also be necessary to disclose the information to third parties, particular members of the Imperial Tobacco Group.
15. **Governing Law.** Our legal relationships are governed by the laws of the Federal Republic of Germany, excluding conflict of law provisions and the UN Convention on Contracts for the International Sale of Goods (*CISG*).
16. **Place of Performance and Jurisdiction.** The place of performance for deliveries and services is the place of the delivery address specified by us. The courts of Hamburg have jurisdiction over legal disputes arising from this business relationship and the contractual agreements with merchants, unless a different jurisdiction is prescribed by mandatory provisions of the law.
17. **Severability.** If any provision of this contract is or becomes invalid in whole or in part, the validity of the other provisions will not be affected thereby. Statutory law takes the place of General Terms and Conditions which have not been incorporated or are invalid (Section 306 paragraph 2 of the German Civil Code [*BGB*]). Otherwise, the parties shall replace the invalid provision by a valid provision that most closely approximates the invalid provision from an economic point of view, unless a supplementary contractual interpretation has priority or is possible.

Effective as of January 2013