

**Quote of the Week:** "It will allow them to become a pillar in Europe which other groups could join . . ." -  
*Paris-based analyst on the Seita/Tabacalera merger*

## EUROPE

### HIGHLIGHTS

1. Worldwide Tobacco Litigation . . . . .  
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2. BAT Australasia Profit Increase . . . . .  
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3. Sampoerna Agreement With Dupont. . . . .  
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4. Swedish Match Acquires Dingler In SA . .  
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#### France: SEITA And Tabacalera To Merge

After months of speculation, French tobacco group Seita SA and Spain's Tabacalera confirmed on October 5 that they will merge, creating a European competitor for the multinationals to be called Altadis, which will have a market capitalization of 6.7 billion euros (US\$ 7.1 billion). Following a board meeting on October 4, a source close to Seita stated that the new group will have operational headquarters in Paris, legal headquarters in Madrid and stock market listings in both cities. Altadis will be jointly led by Seita president Jean-Dominique Comolli and Tabacalera chief executive Cesar Alierta. The new group will have a market share of 47.5 percent in Spain and 34.8 percent in France and will produce 105 billion cigarettes per year.

Rumors of the merger, which originated in March (WA99-12), resurfaced over the past few months as consolidation became a major theme in the industry. On October 1, talk of the

merger rose again causing shares in both Seita and Tabacalera to soar. Trading in Seita stock was suspended in Paris following the companies' October 4 confirmation that talks were underway, as was trading in Tabacalera stock on the Madrid bourse.

The merger is a 50/50 transaction. If approved by Seita shareholders, Tabacalera will offer a takeover bid of 19 Tabacalera shares for every six

Seita shares, which values the French company at 3.09 billion euros (US\$ 3.3 billion). Seita shareholders will vote on the merger at a meeting on November 9, which will be approved if 50.1 percent of shares accept it. The Spanish State will continue to run a 'golden share' of the group for one year, which will allow it to veto strategic decisions. In addition, an exceptional net dividend of five euros (US\$ 5.35) will be paid to Seita shareholders. Tabacalera's distribution subsidiary Logista will become a part of the new group once the merger is completed.

The new group anticipates synergies of about 70 million to 100 million euros (US\$ 74.9 million to US\$ 107 million) per year over the medium term. Comolli added, "The biggest synergies would be in purchasing, central services and in the US cigar business." The deal will group Seita's *Gitanes* and *Gauloises* cigarette brands with Tabacalera's *Fortuna* and *Ducados* brands. Altadis expects to achieve an annual earnings growth of 15 percent from 2001, as sales are predicted to improve by five percent a year between now and 2003. In addition,