

Swedish Match and Scandinavian Tobacco Group sign agreement to form a new cigar focused company

Swedish Match and Scandinavian Tobacco Group (STG) intend to form a new company with a core focus on cigars; the transaction agreement has on 26 April 2010 been signed by the parties.

Swedish Match will contribute its entire cigar business with the exception of US mass market cigars, and will contribute its remaining pipe tobacco and accessories businesses. STG will transfer all of its tobacco businesses (cigars, pipe tobacco and fine cut tobacco) into the new company.

Swedish Match will hold 49 percent of the shares in the new company, with the remaining 51 percent of the shares to be held by STG's shareholders. STG will compensate Swedish Match with 30 MEUR to account for the shareholding and the relative differences in enterprise values on a cash and debt free basis. Based on the Swedish Match and STG 2009 full year results, the new company would have had an annual turnover of approximately 690 MEUR, EBITDA of approximately 140 MEUR, and a volume of more than 2.5 billion cigars. The STG tobacco business normalized full year 2009 Sales and EBITDA were approximately 320 MEUR and 70 MEUR respectively, employing about 3,500 employees. For the full year 2009, the normalized Sales and EBITDA for the businesses to be contributed to the new company by Swedish Match were approximately 370 MEUR and 70 MEUR respectively, employing about 7,000 employees.

Closing of the transaction, which is subject to competition authority approvals, is expected to occur during the third quarter, 2010.

Swedish Match was advised by Mannheimer Swartling. The firm's team was led by Dr. Thomas Kaiser-Stockmann, Julia Kroymann and Thereze Falkjaer Jensen assisted in the matter.