



NASDAQ OMX Stockholm: SWMA

## PRESS RELEASE

4 October, 2010

### **Swedish Match completes transaction with Scandinavia Tobacco Group**

**Today, Swedish Match (SM) and Scandinavian Tobacco Group (STG) announce the creation of a global company with leading market positions in cigars, pipe tobacco and fine cut tobacco.**

Following previous announcements in January and April 2010, all necessary approvals have been obtained and the transaction was finalized on October 1st. The new company will operate under the name Scandinavian Tobacco Group, and will be headquartered in Copenhagen, Denmark.

SM has contributed its cigar businesses (with the exception of US mass market cigars and its minority interest in Arnold André) as well as its pipe tobacco and accessories businesses. STG has contributed all of its tobacco businesses (cigars, pipe tobacco and fine cut tobacco).

Skandinavisk Holding A/S holds 51 percent of the new STG, and SM the remaining 49 percent.

*“Swedish Match and STG have today created a focused tobacco company with an outstanding brand portfolio and increased scale, providing a strong platform for profitability and growth. The new STG is an important milestone in realizing our strategy to develop the cigar business to best in class.”* said Lars Dahlgren, CEO of Swedish Match.

Swedish Match will receive a cash consideration of 30 MEUR, subject to purchase price adjustments, as compensation for the relative differences in enterprise values of the contributed businesses. The new STG has a financial policy which stipulates that the company shall have a Net Debt of two to three times EBITA. After the new STG has assumed external debt, it will distribute excess cash to its shareholders.

The main advisors to Swedish Match in this transaction have been Sundling Wörn Partners and KPMG Transaction Services.

## **The new STG**

The new STG is the second largest cigar company in the world with sales to more than 100 countries. The company has leading positions for US premium cigars, for European cigars, and strong positions in a number of other markets. Leading cigar brands include Macanudo (US), CAO (US), Cohiba (US), Partagas (US), Punch (US) for US premium cigars, and Café Crème, La Paz, Henri Wintermans, Colts, Mercator for European cigars.

The company holds the global number one position in pipe tobacco with sales to more than 60 countries. Leading pipe tobacco brands include Erinmore, Borkum Riff, Clan, Half and Half, and W.Ø. Larsen. In addition the company is the market leader in fine cut tobacco in selected markets, primarily in Scandinavia.

The company will distribute the lights products of Swedish Match in a number of markets, mainly in Europe.

The new STG employs 9,700 people in 20 countries with production at 17 different sites, sales companies in 15 countries and four distribution centers. Based on the Swedish Match and STG 2009 results, the combined businesses had an annual turnover of approximately 690 MEUR, EBITDA of approximately 140 MEUR and annual volumes of about 2.5 billion machine made cigars, 115 million handmade cigars, 1,800 tons of pipe tobacco and 2,100 tons of fine cut tobacco.

The Board of the new STG consists of eight Directors, with four representing each owner. Jørgen Tandrup, former Chairman of STG, is the Chairman of the Board, and Conny Karlsson, Chairman of Swedish Match, is deputy Chairman. Anders Colding-Friis, former CEO of STG, continues as the CEO of the new STG.

## **The New Swedish Match**

The new Swedish Match will continue its focus on Smokefree tobacco with a vision to become the global Smokefree leader. We will build on our leading position in Scandinavia, our solid number three position in the US, and will continue our efforts to commercialize snus in new markets. Swedish Match will continue developing our successful US mass market cigar business, and further capitalize on our strong brand equity in Chewing Tobacco. In the lights business, Swedish Match operates on a global basis with strong brands for both matches and lighters, with continued focus on operational excellence and selected growth opportunities. The company also owns a distribution company focused on tobacco products in Sweden. Furthermore, Swedish Match will, through its 49 percent ownership, take an active role in realizing the full potential of the new STG.

The new Swedish Match has 3,900 employees in 10 countries.

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**Swedish Match** develops, manufactures, and sells market-leading brands in Snus and snuff products, Other tobacco products (US mass market cigars, chewing tobacco) and Lights products. The Group sells products across the globe, with production units in seven countries. The Group's global operations generated sales of 14,134 MSEK for the twelve month period ending June 30, 2010. The Swedish Match share is listed on the NASDAQ OMX Stockholm (SWMA).

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The character of this information is such that it shall be disclosed by Swedish Match AB (publ) in accordance with the Swedish Securities Markets Act. The information was disclosed to the media on 4 October, 2010 at 8.30 a.m. (CET).