

## **BATCO. COMPETITOR ACTIVITY REPORT** **1ST QUARTER 1993**

**(Incorporates Competition information on Rothmans, Seita and Tabacalera  
until May 1993)**

### **ROTHMANS**

#### **Organisation**

Rothmans announced in February the restructuring of its Far East operations.

A new company - Rothmans of Pall Mall Ltd - will be incorporated in Bermuda, and run from Hong Kong. It will hold the interests that are currently in Rothmans of Pall Mall (Malaysia) Berhad, and Rothmans Industries (Singapore), both of which are 50% publicly owned. In addition, it will hold the smaller Rothmans subsidiaries in Japan, China, Hong Kong, South Korea and Taiwan.

Rothmans International will hold 50% of the shares in the new company, with the balance being held by Malaysian (39%) and Singaporean (10%) shareholders. The shares will also be listed in Hong Kong.

Rothmans International's Chairman, Lord Swaythling, told the press that the move was "constructive reconstruction", that would enable Rothmans to attack Far Eastern opportunity markets in a more coherent way. It is also consistent with Mr Anton Rupert's statement to the Financial Times last year, that Rothmans International would now "concentrate on Asia".

City Analysts point out that the move will "unlock" the cash reserves of the existing public companies: a special dividend will be paid, and Rothmans International's share of this will be £106 mn. The North East Asia operations that will be included in the new company, lost £16 mn in 1991-92.

The reorganisation is consistent with Rothmans' ongoing restructuring of the tobacco group around four regional chief executives - in this case, the Asia Pacific region.

Several of Rothmans significant Asian interests are not being included. Rothmans Australian subsidiary gave a profit warning of a 15% profit decline for 1992-93, in February. It holds the Indonesian and Philippines subsidiaries: in the latter, Alhambra Industries is being closed this year, and Sterling Tobacco, the other Rothmans operation, is being reviewed (Rothmans own 64%).

Restructuring continues in Europe, affecting the Liege (Belgium) manufacturing operations, and Brinkmann Tabaks Vertrieb, the German RYO subsidiary.

Rothmans has set up a new subsidiary, Rothmans International Tobacco Products, to be responsible for the Production, Sales and Marketing of non-cigarette brands. Based in Amsterdam, the company's first move is attacking the UK shag market with its Cutter's Choice brand.

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### Expansion

Rothmans announced a joint venture with the Nevo Tobacco Factory, St Petersburg. Rothmans International will have a holding of 75%, for which they are paying US\$55 mn. A new plant will reportedly be constructed, to be ready in 1995. This is Rothmans' first investment in the former Soviet bloc.

Rothmans are proceeding with their plans for a factory in Nigeria: it now seems unlikely to begin operating this year.

### SEITA

#### Results

Seita announced its 1992 results. Profits before tax were FF 341 mn, up by 122% on the comparable figures for 1991. Seita had predicted a profit of FF 590 mn when the half year results were announced in November 1992. Seita's financial year ends on 31st December, and thus these results precede the full impact of the current French price war.

#### Privatisation

During the run-up to the French elections in March, there was some speculation that Seita might be privatised. A formal denial was issued by M Malvy, the Budget Minister, in January 1993, after M Vincent Bolloré of Bolloré Technologies had expressed an interest in acquiring a share holding in Seita (which remains 100% state-owned).

### TABACALERA S.A.

#### Results

Tabacalera S.A. reported in March 1993 consolidated group PBT results of Ptas 18998 mn for 1992, down by 13.4% on the comparable figure for 1991.

The tobacco sector results, with a PBT of Ptas 20060 mns, were 3.5% ahead of 1991, but group results were depressed by the continued under performance of some of the diversified activities, particularly Elosua. (The Tabacalera group had forecast a profit rise in its half year announcement).

#### Diversification

It was reported on April 26th that Tabacalera had agreed to sell its Royal Brands subsidiary to RJR Nabisco, for £190 mn. Royal Brands is basically RJR Nabisco's Spanish and Portuguese business, which was sold by Reynolds to Tabacalera in two tranches, in 1987 and 1989. RJR had bid earlier this year for 50% of Royal Brands, but it is understood that Tabacalera wanted to sell 100% of the company. United Biscuits in partnership with Campbell Biscuits, had also bid.

Tabacalera has been negotiating to sell a 30% share holding in its Compania de Filipinas (tobacco trading) subsidiary, probably to Standard Commercial, for a price in the region of £23 mn.

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**Privatisation**

The Cortes passed a Law on Special Taxes at the end of December 1992. This contained clauses ending the government's obligation to hold a majority stake in the company. (The state currently holds 52.4% of Tabacalera).

**Exports**

Tabacalera continues to have high aspirations for its exports. Shipments of its new Laser brand have been made to the former Soviet bloc at very low prices and in some cases are being supported by television advertising.

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