

ANDY - BACKGROUND FOR TABACALERA MEETING ON TUESDAY, DECEMBER 3.

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**Schindler, Andy**

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**From:** Smith, Jan Fulton  
**To:** Schindler, Andy  
**Cc:** Griscom, Tom C. (MSM USA)  
**Subject:** Tabacalera Background  
**Date:** Tuesday, November 26, 1996 2:27PM  
**Priority:** High

FYI, as background information for your upcoming meeting with the Tabacalera president, attached is information provided by John Scarritt of RJR's Madrid office.

As further information, the Spanish cigarette market is estimated at about 75 billion units annually. Of that, about 30% is "black tobacco" products, while 70% is "blonde" tobacco (American-blend and Virginia cigarettes) ... with American-Blend holding about a 68% SOM, and Virginia about 2%.

A big issue in Spain earlier this year was the unexpected announcement by the government on July 26th that it would enact significant increases in tobacco and alcohol taxes as a mid-year measure to cover 1996 budget shortfalls. Immediately following the announcement, Tabacalera's share value dropped more than 22%, and the cigarette pricing turmoil generated extended front-page news coverage in Spain. Mr. Alierta, who had just been named Tabacalera's new president the month before, publicly criticized the impact of the unexpected tax hike.

<<File Attachment: TABINFO.DOC>>