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SWEDISH MATCH

Swedish Match Annual Report 2001

QUALITY

Swedish Match OF

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Financial reports schedule

Interim report for Jan 1–Mar 31, 2002.....	April 23, 2002
Interim report for Jan 1–Jun 30, 2002.....	July 24, 2002
Interim report for Jan 1–Sep 30, 2002.....	October 24, 2002
Year-end report on operations in 2002.....	February 2003
Annual Report 2002.....	March 2003
Form 20-F 2001.....	June 2002

The financial reports may be ordered from:

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The financial information is also accessible at
www.swedishmatch.com

Swedish Match 2001

- Sales increased 18 percent to 13,635 MSEK (2000: 11,533)
- Operating income increased 16 percent to 2,193 MSEK (1,886) ¹⁾
- Income before taxes increased to 1,840 MSEK (1,710)
- Earnings before depreciation, amortization, interest and taxes increased 18 percent to 2,863 MSEK (2,429) ¹⁾
- Earnings per share increased 28 percent to 3.54 SEK (2.76) ¹⁾
- The number of shares outstanding at year-end was 350.0 million (375.1)
- The Board of Directors proposes an increased dividend of SEK 1.45 (1.35)

1) Excluding items affecting comparability.

Key figures

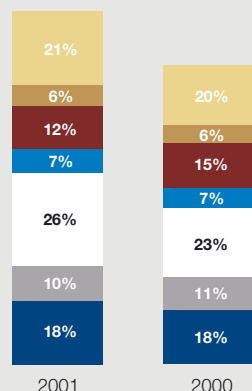
MSEK	2001	2000
Net sales	13,635	11,533
Operating income ²⁾	2,193	1,886
Operating income before depreciation and amortization ²⁾	2,863	2,429
Net income for the year	1,228	1,144
Earnings per share, SEK	3.40	2.76
Dividend per share, SEK	1.45 ¹⁾	1.35
Return on shareholders' equity, %	28.3	21.8

¹⁾ Board proposal

²⁾ Excluding items affecting comparability

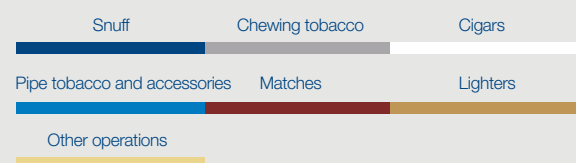
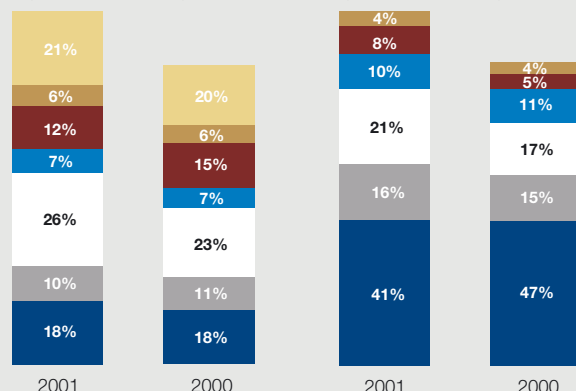
Net sales per product area

13,635 MSEK 11,533 MSEK



Operating income per product area

2,342 MSEK* 2,009 MSEK*



* Excluding Other operations

Swedish Match – a unique company

Swedish Match is a unique company with a complete range of market-leading brands in its product areas: snuff and chewing tobacco, cigars and pipe tobacco – tobacco’s niche products – as well as matches and lighters. The Group’s global operations generated sales of 13,635 MSEK in

Snuff



Share of Group net sales, 18%



Share of Group operating income, 41%

Swedish Match is the only global producer of snuff and holds a leading position in the Nordic snuff market and in South Africa. In the US, the company has the largest market share in the rapidly expanding value segment. The most important brands are General, Catch and Ettan in Sweden, Timber Wolf in the US and Taxi in South Africa.

Chewing tobacco



Share of Group net sales, 10%



Share of Group operating income, 16%

Chewing tobacco is sold in the North American market, where Red Man and Southern Pride rank as strong brands. Swedish Match is the leading producer of chewing tobacco in the US.

Cigars



Share of Group net sales, 26%



Share of Group operating income, 21%

Swedish Match is one of the world’s largest producers of cigars and cigarillos. The largest markets are North America and Western Europe. The main brands are Macanudo, Garcia Y Vega, La Gloria Cubana, La Paz, Justus van Maurik, Willem II and Wings.

more than 140 countries in 2001. Its products are produced in 15 countries. The Group has 14,343 employees. Swedish Match shares are listed on Stockholmsbörsen (SWMA) and Nasdaq in the US (SWMAY).

Pipe tobacco and Accessories



Share of Group
net sales, 7%



Share of Group
operating income, 10%



Swedish Match is one of the world's largest producers of pipe tobacco and its products are marketed throughout the world. The strongest Group brands are Borkum Riff, Boxer and Half and Half. The main markets for pipe tobacco are North America and North and Western Europe. The Group also has a significant presence in South Africa.

Matches



Share of Group
net sales, 12%



Share of Group
operating income, 8%



Swedish Match ranks as the world's leading supplier of matches. The brands are mainly local and very strong in each country. Major brands include Swan Vestas (UK), Solstickan (Sweden), Three Stars and Redheads (Australia).

Lighters



Share of Group
net sales, 6%



Share of Group
operating income, 4%



Swedish Match is the third largest lighter manufacturer in the world, with Cricket as its leading brand. The lighters are sold on a global scale, with Eastern Europe and Asia as the largest markets.

President's statement

Swedish Match is an unusual company in today's tobacco industry. The strategic focusing of the past three years has created substantial value for the shareholders by turning the industry's challenges into a business opportunity. Divestments and acquisitions of companies, restructuring and rationalization measures, as well as financial optimization, have laid the foundation for sustainable positive growth and profitability. Swedish Match has not only created a position for itself as the leading global company in the Other Tobacco Products (OTP) niche but has also built a platform for the future in which its expertise and products are more in tune with social trends.

Year 2001 was a good year for Swedish Match. Sales increased by 18 percent, to 13,635 MSEK and operating income rose by 16 percent, to 2,193 MSEK. Earnings per share increased by 28 percent, to SEK 3.54.

This trend confirmed our position as a unique tobacco company. We now have behind us three successful years with a strategy focused on growth areas and on areas where the Group has world-leading expertise and market positions. Our reorientation in 1999, with the objective of becoming the leading global company in tobacco niche products, has been successful.

A brief summary of the past three years shows the following:

- Sales have increased an average of 19 percent per year. More than ten acquisitions that are now well integrated, as well as substantial organic growth, account for the increase.
- Operating income has increased 14 percent per year, due to acquisitions and their synergistic effects and the focus on increased organic growth, but also as a result of a number of restructuring measures and rationalization programs, as well as improved cost control.



- With its strong positive cash flow, the Group has substantial capacity and freedom of action to participate in the future restructuring of the industry and to acquire companies. At the same time it has been possible to deliver capital returns to the shareholders through redemptions, share-repurchase programs and a good dividend. Cash utilized for these activities have amounted to 65 percent of net profit in the past three years.



*“Our expertise in
smokeless products
gives us great
opportunities”*

The Group’s strategies are based on clear trends in the outside world. Attitudes toward smoking are continuing to become more rigorous, leading to initiatives that will restrict smokers’ freedom of action in various ways. Sweden is the only country that has achieved the World Health Organization’s objective of a country in which fewer than 20 percent of the adult population smoke. This attracted attention in the international press and research circles during the year under the heading “The Swedish Experience”. The trend in Sweden has been made possible largely thanks to Swedish snus, which – for consumers – is both a rational and attractive alternative to smoking, with much lower health risks, according to unanimous research studies. A substantial percentage of former Swedish smokers have stopped smoking thanks to snus.

Interest is being focused on Swedish Match’s knowledge and experience. Nearly 30 years of research and

development have made Swedish Match Swedish snus into a unique product, which is protected by the comprehensive **GOTHIA TEK**® quality standard. The Group’s expertise in the field of smokeless products gives us great opportunities in a world which, to an increasing degree, will continue to search for realistic and practical smokeless alternatives.

Viewed against this background, Swedish Match has a strong strategic position and a well-structured and balanced range of operations. The product range constitutes a meaningful whole with critical mass. The various segments strengthen each other in the marketing sector in all the significant markets in which we are active.

The Group continues to have substantial potential for increasing its value through growth in present product and market areas. The objective for the next three years is to further strengthen Swedish Match’s position as the world’s leading specialist in tobacco’s niche products and related product areas. Organic growth will be supplemented by a continuing active search for suitable acquisitions. Profitability could be further strengthened through programs to improve margins and make more efficient use of capital. We will focus on efforts to enhance the value of our products to our customers and consumers by improving quality and upgrading in the market segments. We will take advantage of product development and marketing opportunities to further enhance our positions.

In other words, we have a substantial work program ahead of us. But we also have the employees, expertise, products and market positions to enable us to live up to our vision of being the world’s leading company in the field of niche tobacco products.



Lennart Sundén
President and Chief Executive Officer

Strategic direction

Swedish Match intends to be a unique tobacco company that uses its world-leading brands and niche products to work in growing markets in harmony with social and consumer trends.

Strategy

In order to be a world leader in niche tobacco products, Swedish Match shall:

- Prioritize growth, particularly organic growth, and also through selected acquisitions.
- Strengthen its position in the European and North American markets and continue to develop positions in certain selected markets, with an established tradition of smokeless tobacco products, in other parts of the world.
- Work actively to broaden the product range in new markets by utilizing the Group's sales channels and extensive distribution network across product categories.
- Continuously improve productivity in operations.

Values

View on tobacco-related issues

“It is Swedish Match's view that tobacco is an adult-oriented product that should not be sold to anyone under the age of 18 years.”

Focus on the consumer

“Continuous product development with the focus on quality, flavor experiences and enjoyment.”

Swedish Match – in tune with social trends

Swedish Match is a unique company, with unique products. The Group has deliberately chosen strategies that are in tune with social trends, rather than opposed to them. The objective is to ensure a competitive return for the shareholders by offering consumers high-quality flavor experiences and enjoyment. The focus is on smokeless alternatives such as Swedish snuff – “snus”, the result of approximately 30 years of unique in-house research and development.

In 2001 Swedish snus attracted attention to an ever-greater extent outside Sweden. Articles in newspapers and magazines directed attention to what, in an international context, has come to be called “The Swedish Experience”. Sweden is the first country to have achieved the World Health Organization’s objective of having less than 20 percent of the adult population as smokers – and Sweden also has the lowest frequency of tobacco-related illnesses in the Western World. This has been made possible largely due to Swedish Match Snus by **GOTHIA TEK**[®]. Swedish Match has also been asked to present reports on its knowledge and experience in international discussion and research forums.

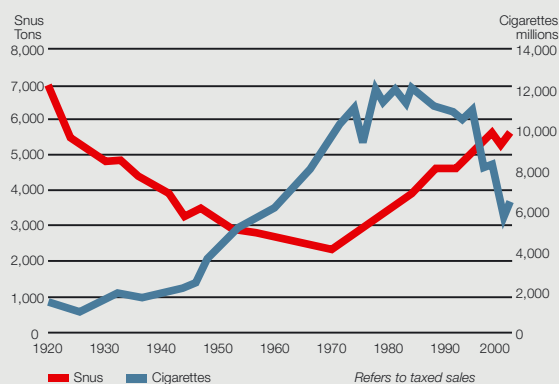
In view of the generally mixed results of efforts to reduce cigarette smoking, there is growing international interest in The Swedish Experience, in which Swedish snus plays a substantial role as a realistic and effective alternative to cigarette smoking. In Sweden, the use of snus is more common than smoking among men, and half of all consumers are former smokers.

The main trends in the tobacco area are that consumption of cigarettes has stagnated, while at the same time there is a renaissance in cigar consumption

as a more socially acceptable and enjoyable form of tobacco consumption. The primary reasons for the decline in cigarette consumption are public concern regarding the health effects of smoking and political intervention in the form of measures such as restrictions on smoking in many places. In certain markets, the consumption of snus is increasing at a similar rate to the decline in cigarette consumption.

Swedish Match has focused for some time on efforts to find ways to reduce the health risks associated with tobacco use. During the past 30 years the Group has conducted intensive research designed to remove undesirable substances in snus. Swedish Match has developed a program for the entire life cycle of the products, from the cultivation and drying of the tobacco to the production and storage of snus. This has resulted in a proprietary product category with a unique quality standard – Swedish snus by **GOTHIA TEK**[®].

Sales of snus and cigarettes in Sweden



Snus according to GOTHIA TEK®

Production of Swedish snus in accordance with the GOTHIA TEK® standard is based on carefully selected types of tobacco, mainly air-dried, a carefully controlled manufacturing process in which the tobacco is heated (pasteurized), and the exclusive use of additives that have been approved for use in foods.

GOTHIA TEK® is based on limits for certain undesirable substances identified by researchers as possible health risks. Strict control of such substances places heavy demands on the raw materials and production processes.

There are well-defined requirements governing the production process, including the following:

- The tobacco must be selected so that the Company's parameters for undesirable substances are observed in each product.
- The products must not contain gene-modified tobacco.
- The tobacco must be pulverized in a controlled process guaranteed to detect and remove foreign particles.
- All additives must meet the requirements of Swedish Match's policy governing ingredients, which specifies that all additives must be approved as food additives, or as tobacco additives, in accordance with the rules in force in the countries where the products are actively marketed.

- The tobacco must be heat-treated so that most of the bacteria are rendered harmless.
- The heat-treating process must be conducted in a closed system, from filling to emptying, to prevent contamination of the product by external sources of bacteria or foreign substances.
- The materials used in packaging must be approved as packaging materials for food.
- Immediately after being packaged, the product must be transferred to a cold-storage room (maximum temperature: 8°C).

The entire process, from seed to retail outlet, is characterized by scrupulous quality control. No human hand ever touches the product during production. In stores, it is recommended that the snus be kept in coolers. Cans are marked with a "best before (date)" label.

In line with its present strategies, Swedish Match will now continue to refine and broaden its research and development, based on experience gained with Swedish snus, to further strengthen its position as a unique tobacco company.



Group Review

Acquisitions

In January Swedish Match acquired a small sales company for advertising products in Belgium.

Swedish Match concluded an agreement to acquire British American Tobacco's pipe tobacco operations in South Africa, effective February 1. The agreement covers a production plant, inventories and brand names.

An agreement was also concluded with the former owners of Leonard Dingler in South Africa and El Credito in the United States covering the additional amounts to be paid as performance-based compensation for the companies.

Brand names pertaining to smokeless tobacco were acquired from Premium Tobacco Traders Ltd in August. As a result of the acquisition, Swedish Match will market dry snuff in Germany, Switzerland and France.

In September Swedish Match acquired Maga S.p.a., one of the leading independent distributors of tobacco products in Italy. Maga sells primarily cigars, pipe tobacco and accessories. The acquisition gives Swedish Match its own marketing and sales organization in the Italian market.

Net sales

Net sales increased by 18 percent during the year, to 13,635 MSEK (11,533), of which organic growth accounted for 8 percentage points. Higher foreign exchange rates, notably a higher rate for the US dollar, affected sales positively by 5 percentage points. Acquired operations accounted for 5 percentage points.

Sales increased in the smokeless (snuff and chewing tobacco) and brown tobacco (cigars and pipe tobacco) product areas as a result of both acquisitions and organic growth.

Sales of snuff were higher in the two most important markets. Sales volumes increased by 4 percent in Northern Europe, and by 13 percent in the US, measured in number of cans. Swedish Match's share in the growing US market increased during the year to 8.5 percent, compared with 7.6 percent a year earlier.

The increased sales of cigars result from the full-year effect of acquisitions made in 2000, and also from a strong increase – 11 percent in terms of volume – in machine-made cigars in the US. The sales volume for premium cigars was down slightly compared with the preceding year.

Sales of pipe tobacco rose by 22 percent as a result of the acquisition of the pipe tobacco operations in South Africa.

The sales volume for lighters increased during the year.

Operating income

Operating income, excluding items affecting comparability, increased by 16 percent to 2,193 MSEK (1,886). Operating income for full-year 2001 was higher in all product areas except snuff.

Operating income for snuff was essentially unchanged, following heavy marketing costs in connection with the launching of new products.

Operating income in the cigar segment increased by 44 percent. The improvement was attributable to a combination of price and volume increases, more efficient production and the full-year effect of acquisitions.

Operating income for pipe tobacco was affected adversely by the weakening of the South African currency, notably during the fourth quarter.

Restructuring

To modernize and improve the production units, it was decided in August to concentrate the Group's European cigar operations to one of the two facilities in Belgium, and to Pandaan in Indonesia. The restructuring involves closing the plant in Overpelt in Belgium and affects approximately 160 people. The restructuring is expected to be completed in 2003.

It was decided to close General Cigar's office in Connecticut, in the US, with operations being relocated in the company's offices in New York and New Jersey. The closure is expected to be put into effect during April 2002.

The cost of the restructuring measures amounts to 80 MSEK, which was charged against profit for the year as an item affecting comparability. The measures are expected to result in annual savings of approximately 50 MSEK, beginning in 2003.

The restructuring program initiated earlier for match operations was completed during the year.

Net financial items

Net interest expense for the year amounted to –286 MSEK (–175). Large payments pertaining to repurchase of Company shares and acquisition of the pipe tobacco operations in South Africa were made during the year. Other financial items, net, amounted to 13 MSEK, compared with expense of 1 MSEK in 2000.

Taxes

Total tax expense for the full year 2001 amounted to 589 MSEK (556), equal to 32 percent of profit before tax. The Group's tax expense in 2002 is also expected to amount to 32 percent.

Group Review

Net sales and operating income by product area	2001	2000	2001	2000
MSEK	Net sales		Operating income	
Snuff	2,457	2,071	950	954
Chewing tobacco	1,377	1,227	372	331
Cigars	3,481	2,690	500	347
Pipe tobacco and Accessories	933	762	236	213
Matches	1,690	1,712	183	90
Lighters	809	720	101	74
Other	2,888	2,351	- 149	- 123
Subtotal	13,635	11,533	2,193	1,886
Items affecting comparability	—	—	- 80	—
Total	13,635	11,533	2,113	1,886

Summary of income statement	2001	2000
MSEK		
Net sales	13,635	11,533
Operating income	2,113	1,886
Net financial expense	- 273	- 176
Taxes	- 589	- 556
Minority interest	- 23	- 10
Profit for year	1,228	1,144
Profit per share, SEK ¹⁾	3.54	2.76

1) Excluding items affecting comparability.

Earnings per share

Earnings per share, including items affecting comparability, was 3.40 SEK (2.76). Earnings per share, excluding items affecting comparability, rose to 3.54 SEK (2.76), an increase of 28 percent. Earnings per share, excluding amortization of goodwill and brand names and items affecting comparability, increased to 4.34 SEK (3.32), up 31 percent.

Distribution of surplus funds

With companies that are listed on the Stockholm Exchange now being able to repurchase their own shares, there is – in addition to payment of dividends – an alternative way to transfer profits to shareholders. The Board of Directors of Swedish Match has therefore replaced its earlier dividend policy with a more general statement pertaining to the distribution of surplus funds.

Dividend

Swedish Match's policy is that the dividend should largely follow the trend of the Group's net profit. When establishing a dividend, the size of planned repurchases of shares is also taken into account. It is

estimated that the dividend amount will be between 30 percent and 50 percent.

The Board of Directors has voted to propose to the Annual General Meeting that a dividend of 1.45 SEK per share (1.35), or a total of 508 MSEK (490), calculated based on the number of shares outstanding at year-end, be paid to the shareholders. The proposed dividend is equal to slightly more than 40 per cent of net profit for the year.

Repurchase of Company shares

A repurchase of shares is, in principle, a reverse new share issue and makes it possible to work continuously to optimize the capital structure in the balance sheet. In view of Swedish Match's stable and positive cash flow, the Board of Directors' position with regard to repurchase of shares is positive.

The size and scope of share buybacks depends on the same factors as the size and scope of the dividend, namely on Swedish Match's financial position, net profit, anticipated future, cash flow, as well as investments and expansion plans. Other factors that affect a repurchase are the price of the shares and the Group's interest and tax expenses.

Liquid funds

At December 31, 2001, cash and bank balances plus short-term investments amounted to 1,606 MSEK, compared with 2,960 MSEK at the beginning of the year.

In addition to liquid funds held, Swedish Match has unutilized confirmed lines of credit amounting to 1,000 MSEK pertaining to short-term credits, and confirmed lines of credit amounting to 2,100 MSEK pertaining to long-term credits valid until 2004.

Financing

Interest-bearing loans amounted to 6,016 MSEK on December 31, 2001. The Group's main financing is effected through an international corporate bond program (Global MTN Program), of which 3,507 MSEK had been utilized at year-end, and a Swedish bond program, of which 1,925 MSEK had been utilized on the same date.

Equity/assets ratio and net debt/equity ratio

At the end of the fiscal year the Group's equity/assets ratio amounted to 29.3 percent, compared with 32.0 percent a year earlier. The objective is to have an equity/assets ratio of between 25 and 30 percent over the long term.

At the end of the period the Group had interest-bearing loans that exceeded liquid funds by 4,410 MSEK. The comparable amount at the end of the preceding year was 2,739 MSEK. The net debt/equity ratio – net loan debt as a percentage of shareholders' equity and minority interest – thus amounted to 90.5 percent at December 31, 2001.

The net debt/equity ratio should, as a goal, not exceed 100 percent over the long term.

Investments

The Group's direct investments in tangible assets amounted to 633 MSEK (331). Notable major investments included the investment in a new snus plant on the outskirts of Gothenburg. In addition, 962 MSEK (1,660) was invested in acquisitions of subsidiaries. Total depreciation and amortization amounted to 670 MSEK (543), of which depreciation of tangible assets amounted to 329 MSEK (262) and amortization of intangible assets amounted to 341 MSEK (281).

Tobacco tax

In Sweden in 2001 the Group paid tobacco taxes and related sales taxes amounting to 10,044 MSEK (9,662).

Repurchase of shares

A number of measures were implemented during the year as part of the Company's effort to optimize the balance sheet. A Special General Meeting in 2000 approved a reduction in the share capital by canceling 17,350,210 shares through a transfer to unrestricted reserves. The reduction was registered in March 2001. At the Annual General Meeting on April 24, 2001, approval was given for a further reduction of the share capital in an amount of

Summary of balance sheet	2001	2000
MSEK		
Fixed assets	8,430	7,591
Inventories	3,753	3,270
Current receivables	2,834	2,460
Liquid funds	1,606	2,960
Total assets	16,623	16,281
Shareholders' equity	4,105	4,584
Minority interests	767	620
Provisions	2,311	1,918
Long-term liabilities	5,150	4,845
Current liabilities	4,290	4,314
Total shareholders' equity and liabilities	16,623	16,281

36 MSEK by canceling 15,000,000 shares through a transfer to unrestricted reserves. This reduction was registered in October. Following these reductions, the share capital of the Company amounts to 891.8 MSEK, represented by 371,596,181 shares, each with a par value of SEK 2.40.

During the year 25,146,710 shares were repurchased at an average price of 46.49 SEK. As a result of the repurchase and after cancellations, Swedish Match holds 21,596,000 shares, equal to 5.8 percent of the Company's shares. At December 31, 2001, the total number of shares outstanding, net after buybacks, amounted to 350,000,181, a decrease of 7 percent during the year.

As approved by the shareholders at the Annual General Meeting, the Company may hold a maximum of 10 percent of the Company's shares at any given time. Repurchased shares may be used to acquire companies and to cover options issued within the framework of the Company's options program.

Options program

The Board of Directors decided in 1999 to introduce an ongoing options program designed to further increase senior executives' involvement in, and ownership of, the Company. For 2001, the options program includes 51 executives. Under the terms of the program, the allocation of options in a specific year is subject to the following requirements. The total return on Swedish Match shares must be positive and better than the return on the shares of a selection of other companies in the industry (with a maximum allocation at return figure that is 20 percent higher than the average of the other companies' returns).

Group Review

Summary of cash flow	2001	2000
MSEK		
Cash flow from current operations	1,609	945
Cash flow from investment activities	- 1,520	- 1,967
Cash flow from financing activities	- 1,453	- 3,273
Cash flow for the year	- 1,364	- 4,295
Liquid funds, January 1	2,960	7,296
Translation difference in liquid funds	10	- 41
Liquid funds, December 31	1,606	2,960

And the Company's earnings per share must be increasing and higher than the average for the three most recent years (with a maximum allocation at a per-share earnings figure that is 20 percent higher than the average over the preceding three years). Both of these requirements (a positive total return that is higher than competitors' and increased earnings per share) are equal in value. If the conditions related to earnings have been met, the eligible executives are granted options. The options are assigned a market value in accordance with the Black-Scholes model and are issued without cost to the recipient. The value of the allotted options amounts to a maximum of 30 percent of the base salary amount of the executives included in the program. The exercise price for the options amounts to 120 percent of the average

price for the Company's shares during a period after the publication of the year-end results.

As part of the program, 1,812,309 call options were issued during the first half of the year. They may be exercised during the period from March 13, 2004 to March 14, 2006. Each option entitles the holder to purchase one share at an exercise price of 44.50 SEK.

At December 31, 2001, including options issued earlier, the total number of call options issued, against shares held in Treasury, corresponded to 4,659,417 shares, as shown below:

Number of shares	Exercise price	Exercise period
2,847,108	34.70	March 13, 2003–March 14, 2005
1,812,309	44.50	March 13, 2004–March 14, 2006

Financial risk management

Operations

As a result of its international operations, Swedish Match is exposed to financial risks. Financial risks refer to the fluctuations in Swedish Match's cash flow that are caused by changes in foreign exchange rates and interest rates, and to risks associated with refinancing and credit.

To manage its financial risks, Swedish Match has a financial policy that was established by the Board of Directors. The Group's financial policy comprises a framework of guidelines and rules governing the management of financial risks and finance operations in general. Responsibility for the Group's financing, financial-risk management and other finance-related matters is largely centered in the Parent Company's Financial Department. The Swedish

Match Group's financial operations are centralized to take advantage of large-scale operations and to minimize operating risks.

Currency risks

Transaction exposure

Transaction exposure arises in connection with sales and purchases in a currency other than "home" currency of a local subsidiary. Swedish Match's operations are concentrated mainly in Sweden, continental Europe and the United States. Except for the Swedish operations, Swedish Match has a large percentage of its production and sales in "Euroland" countries and in the US. As a result, there is a balance between receivables and payables in euros and US dollars, which limits the Group's transaction exposure.

Swedish Match's policy is to hedge transaction exposure within certain frameworks.

In accordance with the financial policy, the subsidiaries' financing should be done in the local currency where this is possible. In cases where, due to currency regulations or other reasons, it is not possible to finance subsidiaries in local currency, borrowing takes place in another currency, in which case the loan is usually hedged.

Translation exposure

Group earnings and shareholders' equity are affected when the income statements and balance sheets of foreign subsidiaries are translated to Swedish kronor, giving rise to so-called translation exposure. Swedish Match does not, as a rule, hedge shareholders' equity in foreign currency. In exceptions to this rule, shareholders' equity is hedged in the first hand through assuming loans in the same currency.

Interest-rate risk

Changes in interest rates have a direct impact on Swedish Match's net interest income/expense. The speed with which a permanent change in interest rates has an impact on this item depends on the fixed-interest-rate periods of loans and investments. Swedish Match's policy is that the average fixed-interest-rate period should not exceed 12 months. Management of the Group's interest-rate exposure is centralized, with the result that the central financial department is responsible for identifying and managing this exposure. As of December 31, 2001, the average fixed-interest-rate period for Group loans was 2.8 months, and 1.6 months for investments.

Refinancing risk and liquidity

Refinancing risk is defined as the risk of not being able to make regular payments as a consequence of inadequate liquidity or difficulties in raising external loans. In accordance with Swedish Match's financial policy, cash funds and guaranteed credits amounting to at least 2,000 MSEK must always be available. At year-end 2001, this reserve amounted to 4,770 MSEK.

Swedish Match tries to create both financial stability and flexibility in connection with its borrowing, and not to be dependent on individual sources of financing. The greater part of Swedish Match's medium-term financing consists of two bond pro-

grams with the following framework amounts: A Swedish medium-term note program in an amount of 4,000 MSEK and a euro medium-term note program in an amount of 1,000 MEUR (9,350 MSEK). Swedish Match's short-term borrowing program consists mainly of a commercial paper interest-bearing program in an amount of 3,000 MSEK.

Liquidity risks and credit risks

To limit liquidity and credit risks, investments may be made only in instruments with high liquidity and credit ratings. In addition to bank accounts, investments are made mainly in Government bills and Government bonds, as well as in certain approved securities. Swedish Match uses a so-called ISDA Master Agreement which, in certain countries, permits the netting of receivables and liabilities.

Cash management

A number of so-called cash pools have been established in Sweden, the United States and Europe to facilitate payment flows and concentrate the Group's liquidity. The structures of the pools make it possible to concentrate cross-border flows and to handle the Group's total liquidity in kronor, dollars and euros in an efficient manner.

Credit ratings

As of December 31, 2001, Swedish Match was rated as shown below by Standard & Poor's and Moody's Investor Service:

	Standard & Poor's	Moody's
Long-term borrowing	A-	Baa 1
Short-term borrowing	K-1/A-2	—

Risk Management and insurance

The objective of the risk-management program in Swedish Match is to be able to ensure delivery of the Group's products and services, and to protect the Group's assets. This is being done in part by continuously developing the loss-prevention and loss-limiting program in Group operations, and in part by introducing and developing Groupwide insurance solutions. This makes it possible to coordinate and minimize the total cost of managing the Group's damage risks.



snuff

- The positive trend of sales volumes continued in northern Europe and the US, where market shares were strengthened.
- A promotion of snuff was initiated in new and established markets.
- The Group's efforts over a number of years to develop Swedish snuff (snus) as an alternative to cigarette smoking, with a documented lower health risk, gained international attention.

The year

Sales increased by 19 percent to 2,457 MSEK (2,071). Operating income remained at the same level as in 2000 at 950 MSEK (954). Considerable costs for test markets and product launches in the US and India were charged against operating income.

The increases in volumes continued in both of the main markets. In North America, the increase was 13 percent in a market that increased in total by slightly less than 3 percent. Swedish Match's share of the US market increased to an average of approximately 8.5 percent (approximately 7.5). This is attributable to the success of the Timber Wolf brand. The northern European market, Sweden and Norway in particular, grew by slightly more than 4 percent, that is, at roughly the same level as average growth over the past few years.

A significant market drive focused on the launch of Sequoia, a new quality snuff for the North American premium market.

In the US, test market sales also began of Exalt, a tobacco product for smokers looking for an alternative to cigarettes. Exalt has been developed in accordance with the **GOTHIA**TEK® standard (see page 8).

In northern Europe, Probe, a loose snuff with a characteristic whisky flavor, was launched.

Key figures, MSEK	2001	2000
Sales	2,457	2,071
Operating income	950	954
Operating margin, %	39	46
Investments in tangible fixed assets	238	58
Average number of employees	846	842

Production plants

Sweden, US and South Africa.

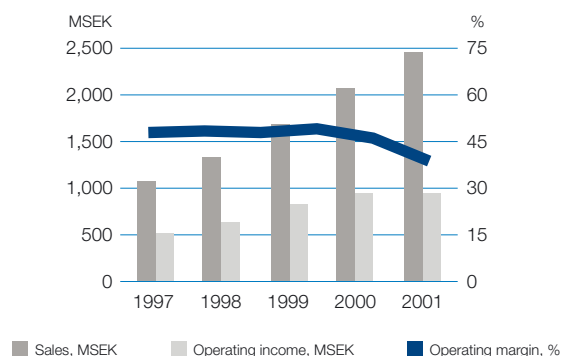


Important brands

Ettan, General, Catch, Grovsnus, Göteborgs Rapé, Timber Wolf, Renegades and Taxi.



Sales, operating income and operating margin



Trial sales of Click, a portion-packed Swedish moist snuff (or “snus”) produced in accordance with the **GOTHIA TEK**® standard, began in the highly populated city of Mumbai (Bombay) in India.

During the year, the European Commission determined that cancer warnings should no longer be placed on smokeless tobacco products. Swedish snus received an increasing amount of attention, partly due to the fact that Sweden is the only country that has succeeded in reducing the number of smokers in the adult population to less than 20 percent, in accordance with the target set by the World Health Organization. Several international newspapers and magazines have devoted a large amount of space to what has come to be known as “The Swedish Experience” on the tobacco front.

During the year, Swedish Match acquired several brands of dry snuff marketed in Germany, Switzerland and France.

Market

The consumption of (moist) snuff has strong traditions primarily in the Nordic region and North America, but also in Africa and Asia. Swedish Match maintains operations in these markets and follows an international strategy for its smokeless tobacco products.

Northern Europe

The consumption of snuff in northern Europe has shown a stable rate of growth during the past decade. This increase has occurred in conjunction with a decrease in the consumption of cigarettes. During 2001, volumes continued to grow. In 2001, the total volume amounted to slightly more than 198 million cans. Swedish snuff, or snus as it is called in Sweden, has become established as the most important alternative to cigarette smoking. A study conducted by the Swedish Cancer Foundation shows the consumption of snus to be twice as effective as NRTs (nicotine replacement therapies, such as nicotine chewing gum) in helping smokers to quit their habit. The background to the transition from cigarettes to snus involves increased health awareness and increasing restrictions on smoking in a growing number of places in our society. In Sweden, which is the largest market in northern Europe, with almost a million snus consumers, about half of them are former smokers. The consumption of snus is growing most rapidly among consumer categories with higher educational and income levels than the population average. Slightly more than 10 percent of the consumers are women. An important explanation behind the trend is Swedish Match’s development of portion-packed snus, which today accounts for almost half of the total consumption.

Swedish Match is the bearer of a 200-year-old snus tradition and is the leading player in the Nordic market. For 30 years, the Group has conducted intensive research on tobacco, with the aim of reducing and eliminating the health risks that tobacco consumption may involve. The Group has developed new methods, including guidelines to growers regarding varieties, and techniques for cultivation, harvesting and storage, as well as creating preparation and production methods that are unique in the world. To ensure the best possible levels of hygiene and quality, the same standards have been adopted as those applied in the food industry, all the way to the consumer, including recommended refrigerated storage in retail outlets. The Group's research and product development has resulted in an in-house product category with a unique quality standard, Swedish snus by **GOTHIA TEK**®.

North America

The North American market is the world's largest, approximately four times the size of the Nordic market, in terms of the number of cans.

Swedish Match is one of four players and holds the most rapidly expanding market share, which amounted to in average approximately 8.5 percent in 2001. Swedish Match's largest trademark is Timber Wolf. The range also includes Renegades portion-packed snuff.

During the year, the Group was able to continue reaping the successes of its enlarged sales team and wider geographical coverage.

South Africa

The consumption of snuff in the South African market remained stable during 2001. Since 1999, when the Group acquired the snuff and pipe tobacco company Leonard Dingler, Swedish Match has been a leading producer with its local, market-leading brand, Taxi.

EU

The sale of moist snuff was banned by the EU (then known as the EC) in 1992, primarily on the assumption that the product could cause cancer. Sweden was exempted from this ban upon its entry into the EU in 1995. Several Swedish studies have shown that suspicions concerning the carcinogenic effects of snus lack scientific support. During the year, the EU authorities therefore decided to remove cancer warnings from packages of smokeless tobacco, including snus. This should be a step in the direction of the EU ban being lifted by political means, particularly since its legal foundation is highly questionable. However, this may take a considerable time. It is therefore Swedish Match's intention to bring the issue of the ban before the European Court as soon as possible.

General



General is Sweden's largest snus brand. Its manufacture meets all the requirements of Swedish Match's standard for Swedish snus by **GOTHIA TEK**®. The General brand has existed for more than 100 years and is today available in four varieties, General Portion, General Loose, General Portion Mini and General Mild Portion.

Timber Wolf



Timber Wolf is a quality snuff in the North American snuff market. Its market share has rapidly risen to more than 8 percent of the total North American snuff market. Timber Wolf is thus one of the market leaders in its segment. The product is available in several different cuts and flavors.



chewing tobacco

- Market share continued to increase slightly.
- Price increases compensated for a decreasing total market.

The year

Sales during the year amounted to 1,377 MSEK (1,227), an increase of 12 percent. Operating income amounted to 372 MSEK (331), also a 12-percent increase.

Swedish Match increased its market share slightly, from 41 to 42 percent. The positive sales trend primarily reflected the positive exchange rate effects of the strong US dollar, and price increases.

Market

The market is concentrated to the US and is largest in the southeastern states. The trend is for the market to decrease by approximately 4 percent annually.

Swedish Match is the largest of four producers, including among its products the market-leading Red Man brand family. Southern Pride, a value segment brand, has also shown favorable growth since its launch in 1998.

chewing tobacco

Swedish Match has strengthened its market position with a broadened product range, increased sales activities and improved market coverage.

The future

Swedish Match's target is to maintain and strengthen its market-leading position in the decreasing but still profitable market for chewing tobacco.

Key figures, MSEK	2001	2000
Sales	1,377	1,227
Operating income	372	331
Operating margin, %	27	27
Investments in tangible fixed assets	36	35
Average number of employees	309	293

Production plants

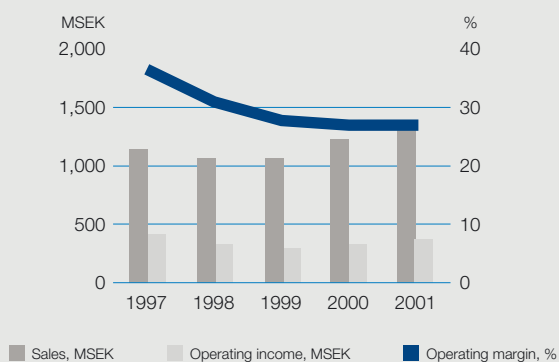
US.



Important brand names

Red Man, Red Man Select, Red Man Golden Blend, Granger Select, JD's Blend and Southern Pride.

Sales, operating income and operating margin



Red Man



The Red Man family, a premium brand, is the top-selling chewing tobacco brand in the US, with a history that stretches back more than 100 years. Its full, fresh and long-lasting flavor is strongly associated with various outdoor activities in the southeastern states of the US. The brand is available in three varieties: Red Man, Red Man Blend and Red Man Select.

Southern Pride



In 1998, Swedish Match launched a new brand in the chewing tobacco market, Southern Pride, which is gaining share in the total market. It has a mild, natural flavor that has rapidly achieved success.



cigars

- Market growth was noted for machine-made cigars both in the US and Europe.
- The market for premium cigars in the US continued to decline.
- Swedish Match's sales increased sharply due to the full-year effect of acquisitions and strong organic growth for machine-made cigars in the US.

The year

Sales rose 29 percent to 3,481 MSEK (2,690). Operating income increased by 44 percent to 500 MSEK (347). The operating margin was 14 percent (13).

The cigar market reflected a fragmented picture during the year. The total market increased marginally. The premium segment for exclusive, hand-made cigars declined in the US, but increased in Western Europe. Swedish Match's market-leading position through the subsidiary General Cigar in the American premium market was strengthened as a result of lower demand for less well-established brands in particular.

Several prestige brands in the premium segment were launched outside the US during the year by Swedish Match's global sales organization. The launch included six countries in Europe and six countries outside Europe and North America, as well as a large number of international airports, ferries and cruise ships. Club Macanudo was also inaugurated at the five-star Shangrila hotel in Djakarta, Indonesia. Club Macanudo is a "walk-in" humididor

Key figures, MSEK	2001	2000
Sales	3,481	2,690
Operating income	500	347
Operating margin, %	14	13
Investments in tangible fixed assets	239	101
Average number of employees	5,922	4,997

Production plants

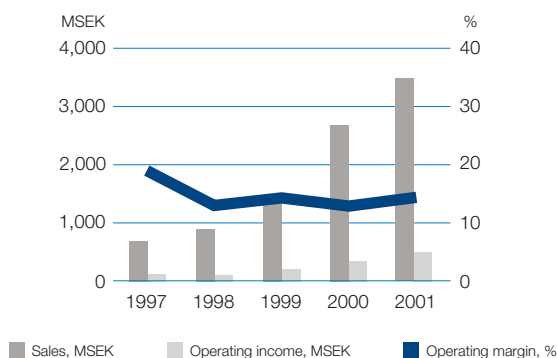
Belgium, Honduras, Germany*, Indonesia, the US and the Dominican Republic.

* through partly owned Arnold André.

Major brands

Macanudo, La Paz, Clubmaster, Willem II, Wings, de Heeren van Ruysdael, Justus van Maurik, Bellman and Garcia y Vega.

Sales, operating income and operating margin



for sales and demonstrations of Swedish Match's premium cigars. A full scale cigar club was established earlier in Manhattan, in New York.

Market growth was noted for machine-made cigars in the US.

The increase in sales and operating income was attributable primarily to acquisitions in North America and growing demand for the Group's products. Positive effects were also created by the strong US dollar.

Market

The global market for cigars has grown by a few percentage points annually for the past several years. The largest markets are Western Europe and North America, accounting for 40 and 35 percent, respectively, of the world market. Swedish Match is one of the largest producers of cigars and cigarillos in the world, and the second largest in terms of sales value following several significant acquisitions, primarily in the US. Swedish Match has played an active role in the market's restructuring and consolidation during recent years.

The cigar market is divided between premium cigars, which comprise exclusive, hand-made products

sold mainly through specialty tobacconists, and machine-made cigars and cigarillos, which are sold in many different price categories and distributed through a large number of retail sales outlets. Most brands are local or regional – only a few brands are global.

Europe

The previous growth rate in the European market, which averaged two percentage points annually, showed a marginal slowdown in 2000 and 2001. The strongest growth in 2001 was noted for hand-made cigars and machine-made cigars in the more expensive price categories. Swedish Match's share of the European market amounts to about 15 percent.

The largest machine-made cigar brand is La Paz, established in the Netherlands in 1813. La Paz showed continued strong growth after comprehensive brand-strengthening measures during recent years, including expansion of the product range and new packaging concepts.

The American premium brands Don Sebastian and Macanudo were introduced in Europe during the year.

North America

Premium cigars

The market for hand-made cigars declined compared with the preceding year. The leading brands strengthened their share of the market.

General Cigar markets some of the North American market's most prominent brands, including Macanudo, Partagas, Punch, Excalibur, La Gloria Cubana, Hoyo de Monterrey and Cohiba. Macanudo is an international brand and, by a broad margin, the best-selling premium cigar in the US.

Machine-made cigars

Today, Swedish Match has a broad product range in most price segments of the North American cigar market. The Group is also a leading producer of Other Tobacco Products (OTP), comprising snuff, cigars, pipe tobacco and chewing tobacco. Its wide range of products provides significant competitive advantages and a strong position in the retail sales sector, an area in which machine-made cigars are a dominant product. The integration of sales organizations with strong synergies continued to generate positive effects during the year, with wider geographical coverage.

Swedish Match's share of the market for machine-made cigars rose to about 11 percent. A substantial percentage of sales in the machine-made segment was attributable to Garcia y Vega, a brand that approaches the premium segment in terms of price, and White Owl.

Asia and Australia

Cigar consumption in Australia and markets in Asia continued to increase, although at a slightly lower rate. The Group strengthened its market presence in Asia during 2001. In China, the launches of La Paz, Macanudo and Willem II cigars continued.

The future

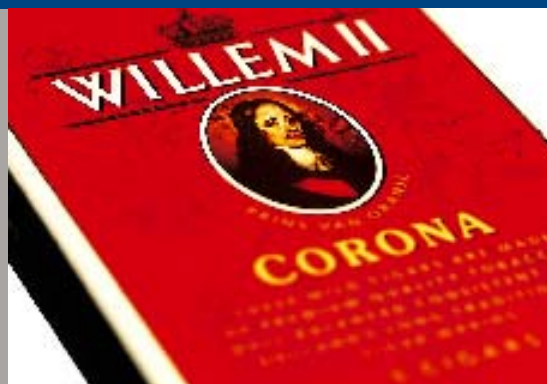
Cigars show continued growth in many markets. Swedish Match has a strong and diversified brand portfolio. In addition to a large number of local and regional brands, Swedish Match owns a number of the few cigar brands that are sold globally. Supported by its strong brands, the Group is favorably positioned to undertake measures to meet growing demand in various markets.

Macanudo



The best-selling, exclusive hand-made cigar in the US, which continues to take market share. The brand was re-launched by General Cigar in 1971 with an extraordinary new quality level. The wrapper is specially grown Connecticut Shade, the world's most sought-after wrapper, which is aged for two to three years. The other tobacco in Macanudo cigars also undergoes two periods of special aging. Macanudo cigars are sold in four different varieties: Café, rounded and full-flavored; Robusto, strong but rounded; Maduro, rich but rounded; and Macanudo Vintage, produced with tobacco from exceptional years, optimally full-flavored and rounded.

Wilhelm II



A genuine Dutch cigar created in 1916, Willem II has become a European favorite and is sold today in more than 80 countries. It is produced from selected tobacco grades from Brazil, Java, Sumatra and the Philippines. A mild, aromatic cigar that represents excellent value, it is named after Willem II, Prince of Orange, a descendant of the Dutch royal family. Willem II cigars are sold in a large number of different varieties suitable for every occasion.



pipe tobacco and accessories

- Increased sales and improved operating income.
- Borkum Riff distinguished as the leading global brand.
- Stronger position as leading player in the important South African market.

The year

Sales in 2001 amounted to 933 MSEK (762), an increase of 22 percent.

The increase was attributable to acquisitions in South Africa. Operating income rose to 236 MSEK (213).

Swedish Match strengthened its leadership position in the South African market through its acquisition of local pipe tobacco operations from British American Tobacco on February 1, 2001. The operations are conducted under the Best Blend Tobacco brand. Several new products were launched during the year.

Best Blend complements the Group's earlier acquisition of Leonard Dingler.

Production in North America is concentrated at Swedish Match's plant in Owensboro, Kentucky, which also produces snuff and chewing tobacco.

In Europe, Swedish Match entered into a subcontract production agreement with MacBaren, a Danish pipe tobacco company.

pipe tobacco and accessories

Key figures, MSEK	2001	2000
Sales	933	762
Operating income	236	213
Operating margin, %	25	28
Investments in tangible fixed assets	9	35
Average number of employees	578	357

Production plants

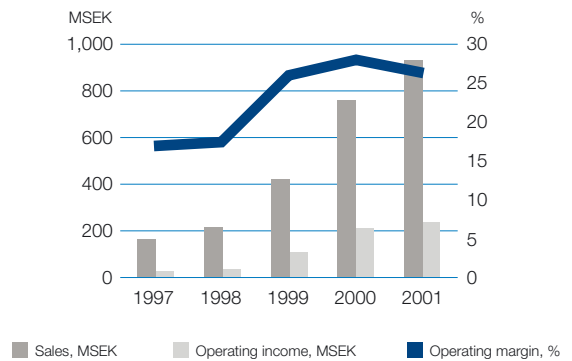
US and South Africa.



Major brands

Best Blend, Borkum Riff, Greve Gilbert Hamiltons Blandning, Half & Half, Boxer, Mellow Breeze, Velvet, Paladin and Black & White.

Sales, operating income and operating margin



Borkum Riff

Swedish Match's largest brand is Borkum Riff, a best-selling global brand that is marketed in some 60 countries.

In 2001, Swedish Match concentrated on further efforts to differentiate Borkum Riff through an extensive offering of different flavors, such as Cherry, Cavendish and Ultra Light. Borkum Riff's market image projects security, tradition and fearlessness through new and exciting flavors.



Market

Swedish Match is one of the largest producers of pipe tobacco in the world and its products are marketed globally. The Group's main markets are Western Europe, North America and South Africa.

The global market for pipe tobacco is highly fragmented, comprising strong, local players and large international companies. Most brands are local or regional.

Consumption of pipe tobacco is declining sharply in the large markets in North America and Western Europe. The volume decline amounts to 8–10 percent annually. The South African market, which was previously characterized by growth, also showed a decline in 2001.

Western Europe

Swedish Match is historically well established in Europe, with strong positions in the Nordic countries, Switzerland, Spain and Austria.

Important brands for the Group in Europe are Borkum Riff, Greve Hamilton and Mellow Breeze.

North America

Important brands in the American market are Borkum Riff, Half & Half, Velvet and Paladin.

South Africa

As a result of its acquisitions of Leonard Dingler and Best Blend, Swedish Match has become the second largest tobacco company in South Africa. The best-selling pipe tobacco in South Africa for the past 60 years has been the firmly established Boxer brand, which, in addition to South Africa, is also marketed in Mozambique and Namibia. Production operations are conducted locally at two plants.

The South African rand weakened in the fourth quarter, creating negative effects on both sales and earnings.

The future

Swedish Match aspires to become a leading global player in the pipe tobacco sector. Continued consolidation is anticipated in the fragmented market, and Swedish Match intends to play an active role in the restructuring process. A continued decline in volumes is forecast for the markets in Europe and North America. The downward trend will be offset to some extent by greater product differentiation, some increases in prices, new flavors and interest in pipe tobacco as an alternative to smoking cigarettes.



matches

- Sharp improvement in earnings.
- Completion of previously announced restructuring program.
- New products complement offering.

The year

Sales in 2001 amounted to 1,690 MSEK (1,712). Operating income amounted to 183 MSEK (90), a strong increase compared with the preceding year. The operating margin improved to 11 percent (5).

Match operations have undergone comprehensive restructuring over the past two years as part of efforts to raise profitability and productivity. The restructuring has involved production capacity adjustments through closures and cutbacks at production units in Europe, Brazil and India.

The increase in earnings in 2001 was attributable to improved margins in markets outside Europe and restructuring in Europe and India.

Market

Swedish Match is the largest match producer in the world and the only international player. The operations were started when the company was founded in 1917.

The Group's main markets are Western Europe, Brazil, Indonesia and India. Swedish Match is the market leader in both Western Europe and Brazil. The match market in Brazil is about the same size as the

Key figures, MSEK	2001	2000
Sales	1,690	1,712
Operating income	183	90
Operating margin, %	11	5
Investments in tangible fixed assets	68	70
Average number of employees	5,893	6,333

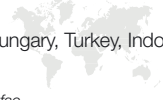
Production plants

Sweden, Brazil, Bulgaria, Spain, Hungary, Turkey, Indonesia* and India.

* through partly owned company P.T. Jamafac.

Major brands

Solstickan, Swan Vestas, Three Stars, England's Glory, Redheads and Fiat Lux.

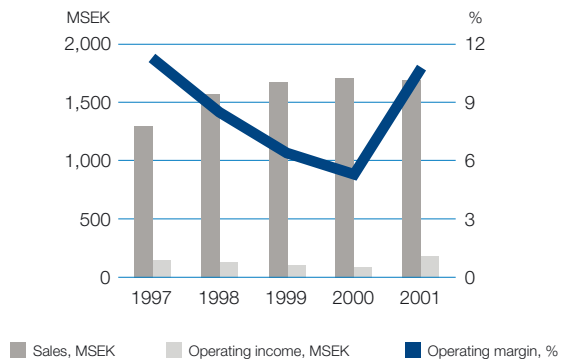


European market. Operations in Brazil generate a substantial contribution to Swedish Match's earnings.

Overcapacity prevails in Europe. In terms of volume, Asia and the Pacific region account for the major portion of the world market. A country's match consumption is linked strongly to its level of economic development. The higher the standard of living, the lower the consumption of matches. Higher living standards, however, create greater demand for more exclusive matches, as well as lighters.

The European market shows a trend toward increased consumption of special matches.

Sales, operating income and operating margin



The future

The profitability of the Group's match operations has improved. To sustain a strong operating margin will require strict cost controls and continuous increases in productivity.

There is no volume growth in the traditional match market. The Group's strong brands are developed continuously to include new product concepts in the entire product range, such as barbecue grill bags, fire-lighters and firelogs.

Redheads



Redheads have been sold in Australia for nearly 100 years. Originally, Miss Redhead was the logo for Redheads' red-capped safety matches. She is a cultural icon in Australia today and well known in all parts of the continent. The matches are manufactured today in several different sizes for different purposes.

Solstickan



Firelogs marketed under the Solstickan brand were launched in the Swedish market during 2001. A percentage of the proceeds from each unit sold is allocated to the Solstickan Foundation, which has supported research work and assistance for the benefit of children and the elderly since 1937.



lighters

- Increased sales in Asia and Russia.
- Continued improvement in earnings.

The year

Sales amounted to 809 MSEK (720), an increase of 12 percent.

Operating income improved by 36 percent to 101 MSEK (74). The improvement reflects both higher volumes and increased productivity. The operating margin amounted to 12 percent (10).

Lighter operations have undergone major restructuring that has resulted in the closure of a production plant and increased market penetration. The effects were already evident during 2000, and the improvements continued in 2001.

Market

Swedish Match ranks third in the international market for lighters. The market is characterized by two large players, with Swedish Match as a strong, smaller player, and strong competition from low-price products manufactured in China and other Asian countries.

Market growth for lighters is correlated with trends in cigarette consumption and general economic

growth. In many developing nations, the lighter is an early status symbol. There is virtually no volume growth in markets in Western Europe and the US, where cigarette smoking is declining. The overall global market shows modest growth, however, supported by continued growth in Asia, Eastern Europe and Russia.

Russia is one of the most important markets for Swedish Match, and volumes have now returned to the levels that prevailed before the country's serious economic crisis in the late 1990s. Cricket is the leading brand in the Russian market.

The Group also noted continued volume improvements in Asia during the year.

The future

Following the restructuring of lighter operations, Swedish Match is focusing on continuous rationalization and product development as part of efforts to maintain profitability and defend its market positions. Design and distribution channels are key factors for continued success in the market.

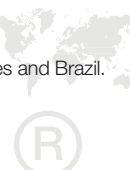
Key figures, MSEK	2001	2000
Sales	809	720
Operating income	101	74
Operating margin, %	12	10
Investments in tangible fixed assets	27	22
Average number of employees	570	625

Production plants

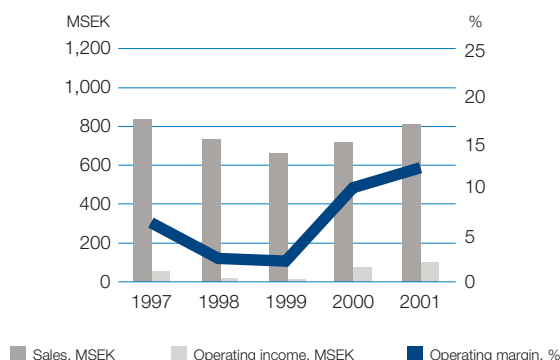
The Netherlands, the Philippines and Brazil.

Major brands

Cricket, Feudor and Poppell.



Sales, operating income and operating margin



Cricket



Cricket was launched in 1961. Today, there is a complete family of Cricket lighters and more than 350 million units are sold annually in more than 140 countries.

Cricket is a quality lighter under continuous product development and differentiated with attractive design features and colors that are renewed every three months.

In 2001, Swedish match was contracted by FIFA as the official supplier of lighters designed specially for the 2002 Football World Cup in Japan and Korea.



Corporate Governance

■ Annual General Meeting

The Annual General Meeting of 2001 elected the Board of Directors proposed by the Nomination Committee. All Board members appointed by the Annual General Meeting were reelected.

The Annual General Meeting also elected members of the Nomination Committee. Bernt Magnusson (Chairman of the Board) and Björn Franzon (Executive Vice President of the National Pension Insurance Fund, Fourth Fund Board) were reelected. Anders Ek (President of Robur) and Lars Otterbeck (President of Alecta) were elected as new members. The Nomination Committee prepares and submits proposals to the Annual General Meeting for the election of Board members and auditors and the size of the fees paid to Board members and auditors.

■ Board of Directors

The Board of Directors of Swedish Match AB has established an agenda that includes instructions for the allocation of duties between the Board and the President, as well as instructions for financial reporting. The Board convenes annually for the statutory meeting and five ordinary meetings. Four of the ordinary meetings are scheduled to coincide with publication dates for the company's full-year and interim reports. The fifth ordinary meeting is held in December, and concentrates on a review of the budget. The company's auditors attend the meeting at which the year-end financial report is presented in order to inform the Board of points noted during the audit. In addition to the ordinary meetings, the Board is called to other meetings when the situation requires.

The Board of Directors monitors the President's performance of his obligations, is responsible for ensuring that the company's organization fulfills its purpose, and conducts continuous evaluations of the company's procedures and guidelines for management and investment of the company's funds. The Board also approves budget and strategic plans for the company and the Group, and monitors the development of operations in relation to budgets and plans.

The Board of Directors held its statutory meeting on the same day as the Annual General Meeting. The statutory meeting passed its ordinary resolutions concerning election of the Chairman (Bernt Magnusson), secretary (Bo Aulin) and signatory rights. Two members of the Board may sign jointly on behalf of the company, as well as a limited number of senior company employees, two of whom may sign jointly. The President is always authorized to sign on behalf of the company in matters related to day-to-day management of the company's operations.

The number of Board meetings held during 2001 was seven, including one meeting held via remote connections (per capsulam). In addition to monitoring business operations in relation to budget and strategic plans, the Board has also devoted a significant amount of time to monitoring the company's strategic course, social and market issues, acquisitions and follow-up of acquisitions and the distribution of surplus funds.

■ Chairman

The Chairman of the Board monitors the development of business operations and ensures that other Board members receive all information required to maintain the quality of their work and exercise their duties as stipulated in the Swedish Companies Act. The Chairman represents the company in matters regarding ownership.

■ President

The President manages the company's operations under guidelines established by the Board of Directors. The President prepares the required information and documentation prior to Board meetings and submits reasoned proposals for decisions by the Board. The President also provides Board members with information required on a monthly basis to monitor the company's and the Group's position, operations and development, while also providing the Chairman with continuous information regarding the company's ongoing operations.

■ Group Management

The President leads Group management's work and, after consultations with its members, makes decisions regarding business operations. Group management consists of all division managers and staff officers, a total of 10 members. Executive management meetings are held during one or two days each month. Many of the meetings are scheduled to coincide with visits to various Group units. The President also conducts business review meetings with all divisions of Swedish Match, three times per year with each of the five divisions, in accordance with a rolling scheme.

■ Remuneration Committee

The Remuneration Committee of the Board of Directors discusses and resolves questions concerning salaries and other terms of employment, pension benefits and bonus systems for the President and management personnel who report directly to the President. The Committee also discusses and resolves other remuneration issues that involve matters of principle or carry considerable importance in other respects, for example option programs and profit-sharing systems. The Chairman of the Remuneration Committee is Chairman of the Board Bernt Magnusson. Other members are Jan Blomberg, Klaus Unger and Lennart Sundén. Lennart Sundén does not participate in decisions regarding his own employment terms.



Cultivation in Connecticut of the superior wrapper tobacco, Connecticut Shade. More than 80 percent of Swedish Match's consumption of raw materials is renewable products, such as tobacco and wood for matches.

Swedish Match and the environment

Purpose

The purpose of Swedish Match's environmental policy is to establish a consistent management approach to environmental aspects of operations.

Vision

Swedish Match's environmental vision is to achieve a balance in which the company consistently achieves its commercial objectives of meeting the requirements of shareholders, customers and other interests, while at the same time integrating its operations and products in the natural ecocycle, thereby ensuring that the results of the company's commercial and environmental endeavors are permanently linked and mutually supportive.

Policy

To achieve its vision, Swedish Match management has adopted the following environmental policy, which applies to all aspects of Group operations:

- Wherever Swedish Match has operations, the Group shall comply with all relevant legislation, regulations and other requirements that affect it.
- At all sites of Group operations, Swedish Match shall apply appropriate environmental management systems designed to prevent contamination and reduce the risk of negative environmental consequences.
- In addition to customary financial criteria, Swedish Match shall also consider environmental aspects in all commercial undertakings.
- Swedish Match shall identify and progressively implement changes in every phase of the life cycle of its products, processes and services with the aim of reducing negative environmental aspects that may violate the conditions necessary for a sustainable society.

Environmental management systems

Swedish Match is gradually implementing environmental management systems at the Group's different production plants. During 2001, the plants in the Netherlands (Valkenswaard) and the Philippines (Manila) were certified in accordance with ISO 14001. The production plants in Indonesia (Pandaan) and Brazil (Manaus) are expected to receive certification in 2002.

Permits and compulsory reporting

The following is a presentation of the permits and compulsory reporting requirements that apply to the Group's various production plants in Sweden. All plants complied with the specifications of their permits in year 2001. All permits are valid until further notice, unless otherwise stated.

Tobacco products

The snus plant in Gothenburg is required to submit specific reports in compliance with stipulations of the Swedish Environmental Code. Construction of a new production plant in Kungälv began in 2001. The new plant will be subject to the same compulsory reporting requirements as the Gothenburg plant.

Matches

The plant in Vetlanda, Sweden, produces matchsticks and outer box substances such as the striking surface materials used in match production in other parts of the world. The operations are subject to permit, which is valid until further notice, under the Environmental Protection Act. The permit regulates noise levels, timber storage facilities and emissions of solvents.

Matches, firelighters and sulfur-coated match tips for proprietary production and export are manufactured at the Tidaholm plant. The operations are subject to permit in accordance with the Environmental Protection Act.

The permit allows Swedish Match to expand its match and striking tips production operations at the plant, provided that total annual volumes do not exceed 90 billion matches or 2,000 tons of striking tips. The permit also limits amounts of wastewater from the plant, dust concentration levels in exhaust ventilation air, and noise levels.

Match production machines are manufactured in Kalmar. The operations are subject to compulsory reporting under the Environmental Protection Act.

Swedish Match has secured permits for Group production plants in countries other than Sweden in compliance with legislation in the respective countries.

Significance of developments in the environmental field

In the US, the UK and Scandinavian markets, Swedish Match encounters increased interest in environmental issues among wholesalers and consumers. This is natural, since the products are sold through food supply chains and other retail outlets characterized by a relatively strong demand for environmentally compatible products. Development of an environmentally compatible striking tip for match production are an example of the Group's environment-driven product development work.

There is a global trend toward increased demands from public authorities for environmental adaptations in production plants and processes. As mentioned above, Swedish Match is adapting its operations through implementation of measures to clean and reduce emissions and introduce environmental management systems in a growing number of Group production plants.

Personnel

Swedish Match's personnel and competence development is designed to fulfill the Group's need for competent managers and employees, so that it can achieve its overall goals. An important task is to support a results-oriented culture based on Swedish Match's six fundamental values: Communication, Teamwork, Trust, Innovation, Recognition and Growth.

As in previous years, work in 2001 was focused on further development of professional leadership and measures to ensure a high future level of availability of internal leadership resources. Several different programs were conducted involving continuous and long-term training programs for management personnel and employees at different levels in the Group.

For several years, efforts have been under way to strengthen Swedish Match's common, global corporate culture, to develop synergies and integrate the many company acquisitions made since 1999. During 2001, a high priority was assigned to such areas as measures to integrate recently acquired operations in Australia, the Dominican Republic, India and South Africa.

International Managers Program

A ten-month international management program was concluded during summer 2001. The program gathered managers from all of the Group's divisions. The purpose of the International Managers Program was to strengthen teambuilding, entrepreneurship and management skills.

The participants worked on projects proposed by the Group management team. The main themes of the projects were business opportunities that can be developed using the Internet and intranet, and management to promote diversity. The working groups' proposals for solutions produced concrete results, including the Group-wide World Class Purchasing project, which will result in reduced costs in a number of areas. Another result involves the development of new functions on the Group's Internet website.



Trainee program

A trainee program began in 2001. The program is focused on younger employees, under 30 years of age, with one or more years of professional experience. The training consists of systematically supervised projects in various international Group environments during three six-month periods. In addition, four seminars are held on the subject of team-building, advanced Group knowledge and basic management. The program gathers participants from the Netherlands, Sweden, South Africa and the US.

Management conference

At more or less regular intervals, normally annually, about 100 of the Group's managers meet for a conference aimed at clarifying the strategies of the Group and its various divisions.

Union cooperation

Since 1996, Swedish Match has had an agreement on cooperation with the union organizations in the Swedish part of the Group.

In accordance with this agreement, a group including representatives of Group management and the personnel representatives on the Board of Directors, meets prior to each Board meeting. The group prepares issues that are on the Board's agenda, particularly matters that may result in negotiations in accordance with the Swedish Employment (Codetermination in the workplace) Act.

A reference group, consisting of local union representatives from the Swedish Confederation of Trade Unions and the Negotiation Cartel for Salaried Employees in the Private Business Sector for the operational areas in Sweden, also meets prior to each Board meeting.

European Works Council

In 1998, an agreement was signed between the Group and its personnel representatives in the EU countries regarding a European Works Council.

The European Works Council is a forum for information and consultation regarding matters of a Group-wide nature within Europe. Examples of matters that may be discussed are structural changes and production planning that affects operations in several countries.

The Group comprises employees from countries in the EU where the Group has more than 50 employees. In 2001, representatives from Spain, France, the UK, the Netherlands, Belgium and Sweden took part, as well as an observer from the Group's Hungarian operations. In accordance with the agreement, the group meets twice a year and when required by special circumstances.

Consolidated Income Statement

MSEK	Note	2001	2000
Net sales, including tobacco tax		22,428	19,831
Less tobacco tax		- 8,793	- 8,298
Net sales		13,635	11,533
Cost of goods sold		- 7,627	- 6,647
Gross profit		6,008	4,886
Selling expenses	2	- 2,475	- 1,925
Administrative expenses	2	- 1,027	- 836
Other operating income	3	19	26
Other operating expenses	3	- 19	- 1
Share of earnings in associated companies		28	17
Amortization of intangible assets	2	- 341	- 281
Items affecting comparability	4	- 80	—
Operating income		2,113	1,886
Interest income		121	252
Interest expenses		- 407	- 427
Exchange rate differences and other financial items	5	13	- 1
Income after financial items		1,840	1,710
Taxes	6	- 589	- 556
Minority interests		- 23	- 10
Net income		1,228	1,144
Average number of shares, basic		361,506,184	410,177,322
Average number of shares, after dilution*		363,016,335	410,177,322
Earnings per share, basic, SEK		3.40	2.76
Earnings per share, after dilution, SEK		3.38	2.76

*Dilution attributable to the effect of options issued.

Consolidated Balance Sheet

MSEK	Note	December 31, 2001		December 31, 2000	
Assets					
Fixed assets					
Intangible assets	7	4,769		4,288	
Tangible assets	8	2,970		2,576	
Financial assets	9	691		727	
Total fixed assets		8,430		7,591	
Current assets					
Inventories	10	3,753		3,270	
Current operating receivables					
Trade receivables		2,143		1,871	
Other receivables		513		408	
Prepaid expenses and accrued income		178		2,834	
Liquid funds					
Short-term investments	11	760		1,895	
Cash and bank	11	846		1,606	
Total current assets		8,193		8,690	
Total assets		16,623		16,281	
Equity and liabilities					
Shareholders' equity					
Restricted equity					
Share capital		892		969	
Restricted reserves		1,625		1,291	
Unrestricted equity					
Unrestricted reserves		360		1,180	
Net income for the year		1,228		4,105	
Minority interests		767		620	
Provisions					
Provisions for pensions and similar commitments	13	457		409	
Provisions for taxation	6	891		826	
Other provisions	6	963		2,311	
Long-term liabilities		78		5,150	
Bond loans	14	4,984		3,936	
Liabilities to credit institutions	14	88		702	
Other long-term liabilities		78		5,150	
Current liabilities		944		1,061	
Liabilities to credit institutions	14	944		1,061	
Accounts payable		775		738	
Other current liabilities	15	1,584		1,569	
Accrued expenses and deferred income	16	987		4,290	
Total equity and liabilities		16,623		16,281	
Commitments and contingent liabilities					
Pledged assets	17	144		388	
Contingent liabilities	18	530		327	

Consolidated Cash Flow Statement

MSEK	Note	2001	2000
Operations			
Income after financial items		1,840	1,710
Depreciation and amortization		670	543
Other		78	51
		2,588	2,304
Taxes paid		- 634	- 590
Cash flow from operations before changes in operating capital		1,954	1,714
Cash flow from changes in operating capital			
Trade receivables		- 182	- 87
Inventories		- 127	- 219
Other assets		75	- 65
Accounts payable		- 28	17
Accrued expenses and other current liabilities		- 83	- 415
Cash flow from operations		1,609	945
Investment activities			
Investments in property, plant and equipment		- 633	- 331
Sales of property, plant and equipment		72	83
Acquisitions of subsidiaries and associated companies		- 962	- 1,660
Acquisitions of intangible assets		- 12	- 11
Change in financial receivables		15	- 48
Cash flow from investment activities		- 1,520	- 1,967
Financing activities			
Change in short-term loans		58	- 48
Long-term loans		1,407	—
Amortization of long-term loans		- 1,181	- 785
Dividends paid		- 490	- 539
New share issue		—	66
Redemption of shares		—	- 1,061
Buyback of shares		- 1,169	- 906
Other		- 78	—
Cash flow from financing activities		- 1,453	- 3,273
Cash flow for the year		- 1,364	- 4,295
Liquid funds at the beginning of the year		2,960	7,296
Translation differences in liquid funds		10	- 41
Liquid funds at year-end	11	1,606	2,960

Supplementary information, see Note 19.

Notes

(All amounts in MSEK unless otherwise stated)

The Annual Report has been prepared in accordance with Sweden's Annual Accounts Act and recommendations and statements of the Swedish Financial Accounting Standards Council. The accounting principles are unchanged from the preceding year, except in that the new recommendation, RR9, of the Swedish Financial Accounting Standards Council concerning income taxes has been applied. Comparative figures for 2000 have been restated according to the new principles. There is a positive effect on the company's income of 4 MSEK for 2001, and a negative effect of 9 MSEK for 2000.

1 Significant accounting principles

Consolidated financial statements

The consolidated financial statements include the Parent Company, all subsidiaries and associated companies. Subsidiaries are defined as companies in which Swedish Match holds shares vested with more than 50 percent of the votes or in which Swedish Match has a decisive influence in some other way. Associated companies are defined as companies in which Swedish Match has long-term holdings equivalent to at least 20 percent but not more than 50 percent of total votes. Holdings in associated companies are reported in accordance with the equity method. The Group's share of the reported income of associated companies is reported as a proportion of operating income and income taxes.

All acquisitions of companies are reported in accordance with the purchase method. Companies divested during the year are included in the consolidated financial statements up to the date of sale. Companies acquired during the year are included in the consolidated financial statements from the date of acquisition.

Minority interests in Swedish Match's income are reported after income taxes.

Other shareholdings are reported at acquisition value; dividends received are reported as income.

Foreign Currency

Translation of the accounts of foreign subsidiaries

The accounts of foreign subsidiaries, with the exception of subsidiaries in countries with hyper inflation, are translated to Swedish kronor at closing day exchange rates. Balance sheets, accordingly, are translated at year-end exchange rates and income statements are translated at average exchange rates for the year. Exchange rate differences arising from translations of income statements and balance sheets are entered directly under equity.

The accounts of subsidiaries in countries with hyper inflation are translated first into the functional currency (normally USD) in accordance with the monetary method. Non-monetary assets, accordingly, are reported in the functional currency at historical exchange rates and eventual exchange rate differences are reported in the income statement. The accounts are then translated into Swedish kronor in accordance with closing day exchange rates.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are translated at the closing day rate, with the exception of hedged items, which are translated at the respective rate of the associated forward contract. Exchange gains and losses are reported in operating income to the extent they amount to operating balance dealings and otherwise in net financial items.

Derivative instruments

Currency forward contracts

The Group enters forward contracts mainly to hedge its currency risks with regard to certain financial liabilities and expected, but not yet contracted, sales and purchases in foreign currencies. Forward contracts entered for the purpose of hedging future transactions are not booked until the transactions actually take place. Balances in foreign currency that have been hedged, are translated using the relevant rate according to the forward contract, and realized and unrealized exchange gains and losses are reported in the income statement.

Interest swaps

The Company uses interest-rate swaps to adjust the relationship between borrowing at fixed and variable interest rates. An interest swap involves the exchange of fixed interest rates on a loan or investment for variable interest, or vice versa. Since interest swaps are linked to the underlying loan or investment in terms of the amount and maturity period, interest swaps are reported at amounts corresponding to the accrued interest.

Currency swaps

The Company conducts currency swaps to hedge currency risks from loans in currencies other than the domestic currency. A currency swap involves the exchange of interest and amortization payments in one currency for interest and amortization payments in another currency. Since currency swaps are linked to the underlying loan in terms of the currency, amount and maturity period, currency swaps are reported at amounts corresponding to accrued interest and unrealized exchange-rate differences.

Reporting of revenues

Reporting of revenues from the sales of goods takes place in conjunction with delivery to the customer.

Income taxes

Reported income taxes include tax to be paid or refunded with regard to the current year, adjustments concerning prior years' taxes, changes in deferred tax, and shares in the taxes of associated companies.

Valuation of all tax liabilities/receivables takes place in nominal amounts, and is performed in accordance with the tax rules and tax rates that have been enacted.

In the case of items reported in the income statement, related tax effects are also reported within the income statement. Tax effects of items that are entered directly against shareholders' equity are recorded against shareholders' equity.

Deferred taxes are calculated according to the balance-sheet method on all temporary differences that arise between the reported and taxation values of assets and liabilities.

Deferred tax receivables with regard to loss carryforwards or other future tax-related deductions are reported to the extent that it is likely that the deduction can be offset against future taxable income.

Due the relationship between reporting and taxation, the Parent Company reports the deferred tax liability on untaxed reserves as a part of the untaxed reserves.

Intangible fixed assets

Intangible assets are amortized on a straight-line basis over 5–20 years. Goodwill in major subsidiaries that have been in business for more than 20 years, and have strong brands and good market positions, is amortized over 20 years. Acquired brands are amortized over 20 years if similar conditions prevail.

Tangible fixed assets

Depreciation of property, machinery and equipment is based on the acquisition cost of the asset and its estimated economic life. Buildings and land improvements are generally depreciated over periods of 20–50 years. The estimated economic life for vehicles is normally 5 years and 5–10 years for machinery and equipment.

New acquisitions and re-acquisitions are capitalized, while repair and maintenance costs are expensed as incurred. When assets are sold or discarded, the acquisition cost is written off, and the associated accumulated depreciation and any gain or loss is entered as income.

Inventories

Inventories are reported at the lower of cost or market and in all significant aspects in accordance with the FIFO (first-in, first-out) method after deductions for obsolescence. Unrealized inter-company gains are eliminated in their entirety.

Use of estimates

The preparation of annual reports in accordance with generally accepted accounting principles requires company management to make estimates and assumptions that affect the amounts of reported assets and liabilities, disclosures regarding uncertain conditions and possible future events and their financial effects on closing day and upon reported income and expenses during the accounting period. The actual outcome may differ from such estimates.

2 Selling and administrative expenses

Selling expenses include expenses for research and development and similar expenses totaling 100 (105) MSEK.

Effective in year 2000, amortization of intangible fixed assets is reported as a separate item in the income statement. Entries in prior years have been adjusted to comply with the new principles.

Administration expenses include costs for auditors' fees in accordance with the table below:

	2001	2000
Auditing	16	12
Other	8	7
PricewaterhouseCoopers	24	19
Other accountants (auditing assignments)	1	1

3 Other operating income and other operating expenses

Other operating income includes exchange rate gains amounting to 15 (18) MSEK.

Other operating expenses include exchange rate losses amounting to 14 (4) MSEK.

4 Items affecting comparability

A provision of 80 MSEK for the restructuring of cigar operations in Belgium and the US is entered as an item affecting comparability for 2001.

5 Exchange-rate differences and other financial items

	2001	2000
Exchange-rate differences	43	16
Other financial items	– 30	– 17
Total	13	– 1

6 Taxes

Income taxes in 2001 and 2000 were distributed as follows:

	2001	2000
Current income taxes	– 399	– 378
Deferred income taxes	– 181	– 171
Other taxes	– 9	– 7
Total taxes	– 589	– 556

Note 6 cont.

The tax effects of temporary differences that resulted in assets and liabilities in the form of deferred tax at December 31, 2001 and December 31, 2000 are summarized below:

	2001	2000
Loss carryforwards	342	289
Restructuring reserve	35	59
Pension and healthcare benefits	102	93
Tax equalisation reserve	- 344	- 269
Depreciation in excess of plan	- 317	- 272
Inventory reserve	- 63	- 52
Valuation reserve	- 187	- 203
Other	- 229	- 190
Net deferred income tax liabilities	- 661	- 545
<i>Classified per balance sheet category</i>		
Financial fixed assets	230	281
Less tax provisions	- 891	- 826
Net deferred income tax liabilities	- 661	- 545

Other provisions include a reserve for taxes amounting to 698 (507) MSEK.

At December 31, 2001, the Group had deductible loss carryforwards corresponding to 1,058 MSEK. The Group's deductible tax-loss carryforwards expire as follows:

Year	Amount
2002	21
2003	30
2004	108
2005	124
2006	52
2007	35
Thereafter	688
Total deductible tax loss carryforwards	1,058

In 2001 and 2000, the Group's net income was charged with tax of 32.0 percent (both years). The difference between the Group's tax expense and application of the statutory tax rate in Sweden of 28 percent is attributable to the items shown in the following table:

	2001	2000
Swedish tax rate	28.0	28.0
Adjustments for foreign tax rates	2.5	4.4
Losses that could not be utilized	2.1	1.6
Non-taxable items	- 5.2	- 2.1
Non-deductible amortization of goodwill	2.6	2.0
Adjustments for taxes in prior years	- 0.7	- 3.2
Non-deductible expenses	2.6	1.2
Other items	0.1	0.1
Total	32.0	32.0

7 Intangible assets

Intangible fixed assets at December 31 are as follows:

	Trademarks and other intangible assets		Goodwill		Total	
	2001	2000	2001	2000	2001	2000
Acquisition value brought forward	1,770	1,795	3,712	2,215	5,482	4,010
Purchases/investments	12	—	—	11	12	11
Companies acquired	118	—	749	1,274	867	1,274
Reclassifications	225	—	- 204	—	21	—
Exchange differences, etc.	- 85	- 25	118	212	33	187
Accumulated acquisition value carried forward	2,040	1,770	4,375	3,712	6,415	5,482
Amortization brought forward	- 179	- 92	- 1,015	- 650	- 1,194	- 742
Amortization for the year	- 114	- 87	- 227	- 194	- 341	- 281
Write-downs	- 14	—	—	—	- 14	—
Companies acquired	—	—	—	- 89	—	- 89
Obsolescence/disposals	- 45	—	24	- 38	- 21	- 38
Exchange differences	4	—	- 80	- 44	- 76	- 44
Accumulated amortization carried forward	- 348	- 179	- 1,298	- 1,015	- 1,646	- 1,194
Book value carried forward	1,692	1,591	3,077	2,697	4,769	4,288

8 Tangible fixed assets

Tangible assets as of December 31 included the following:

	Buildings and land*		Machinery and other technical facilities		Equipment, tools and fixtures		New construction		Total	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
Acquisition value brought forward	2,054	1,238	3,004	2,377	301	311	212	218	5,571	4,144
Purchases/Investments	104	47	135	98	69	48	325	138	633	331
Companies acquired	2	725	6	297	—	3	—	—	8	1,025
Sales/scrapping	- 78	- 63	- 87	- 134	- 25	- 25	1	—	- 189	- 222
Reclassifications	- 19	9	192	191	8	- 32	- 181	- 168	0	0
Exchange differences	129	98	- 133	175	27	- 4	24	24	47	293
Accumulated acquisition value carried forward	2,192	2,054	3,117	3,004	380	301	381	212	6,070	5,571
Depreciation brought forward	- 721	- 407	- 2 082	- 1 676	- 190	- 195	- 2	0	- 2,995	- 2,278
Depreciation for the year	- 64	- 49	- 220	- 176	- 44	- 36	- 1	- 1	- 329	- 262
Companies acquired	—	- 230	—	- 172	—	—	—	—	—	- 402
Sales/scrapping	24	1	66	128	22	17	—	—	112	146
Write-downs	- 17	—	- 27	—	—	—	- 23	—	- 67	—
Reclassifications	—	- 1	- 2	- 24	2	26	—	- 1	0	0
Exchange differences	- 9	- 35	201	- 162	- 15	- 2	2	0	179	- 199
Accumulated depreciation carried forward	- 787	- 721	- 2,064	- 2,082	- 225	- 190	- 24	- 2	- 3,100	- 2,995
Book value carried forward	1,405	1,333	1,053	922	155	111	357	210	2,970	2,576

* In buildings and land is land included at a book value of 502 (485) MSEK.

The tax assessment value at December 31 for property in Sweden is shown below:

	2001	2000
Buildings	65	66
Land	11	14
Total assessed tax value for property in Sweden	76	80

Depreciation of tangible assets was distributed under the following headings in the income statement:

	2001	2000
Cost of goods sold	- 220	- 183
Selling expenses	- 19	- 18
Administrative expenses	- 90	- 61
Total	- 329	- 262

9 Financial fixed assets

Financial fixed assets consist of the following items and were changed in 2001 and 2000, respectively, as shown below:

	2001	2000
Participations in associated companies	130	125
Participations in other companies	14	23
Deferred tax receivables	230	281
Long-term receivables	317	298
Total	691	727

	2001	2000
Amount brought forward from preceding year	727	542
Change in long-term deferred tax receivables	- 72	11
Long-term receivables in acquired companies	—	168
Change in long-term financial receivables	- 5	- 13
Acquisitions of shares in other companies	- 9	—
Acquisitions of participations in associated companies	—	—
Share in earnings of associated companies, net after tax	9	14
Dividends from associated companies	- 11	- 36
Exchange differences	52	41
Value carried forward	691	727

Note 9 cont.

Participations in associated companies and other shares included in financial assets as of December 31:

	2001		2000	
	Owner-ship %	Book value	Owner-ship %	Book value
Arnold André GmbH & Co. KG	40	77	40	70
P.T. Jamafac	40	44	40	45
Other associated companies		9		10
Total shares in associated companies		130		125
Other shares and participations		14		23
Total shares and participations		144		148

Within the framework of normal business, Swedish Match conducts various transactions with associated companies. Receivables from these companies totaled 36 MSEK at December 31, 2001, and 24 MSEK at December 31, 2000. Total sales to associated companies amounted to 121 MSEK and 106 MSEK in 2001 and 2000, respectively.

10 Inventories

Inventories at December 31 consist of the following items, after deductions for obsolescence:

	2001	2000
Finished goods inventories	830	768
Work in progress	211	194
Leaf tobacco	2,434	2,027
Other input and consumable materials	278	281
Total inventories	3,753	3,270

11 Liquid funds

Liquid funds consist of short-term investments in the form of interest-bearing securities, cash and bank balances in accordance with the following:

	2001	2000
Short-term investments		
Government bonds and treasury bills	—	598
Corporate bonds/commercial paper	—	1,207
Money market funds	—	90
Other financial investments	760	—
	760	1 895
Cash and bank		
Bank accounts and cash	772	760
Investment loans in banks	74	305
	846	1,065
Total liquid funds	1,606	2,960

Liquid funds in accordance with the above include instruments with maturity dates of more than 3 months.

12 Shareholders' equity

Swedish Match's share capital is distributed among 371,596,181 shares with a par value of SEK 2.40 per share. Each share carries one vote. Through repurchases and after share cancellations, the Company owns 21,596,000 shares, and the net total of shares outstanding, accordingly, amounts to 350,000,181.

	2001	2000
Share capital, opening balance	969	949
Redemption of shares	—	- 67
Cancellation of shares	- 77	—
New issues	—	5
Bonus issue	—	82
Total share capital	892	969
Restricted reserves, opening balance	1,291	1,020
Premium on new issue	—	61
Bonus issue	—	- 82
Transfers between unrestricted and restricted shareholders' equity	334	292
Total restricted reserves	1,625	1,291
Unrestricted reserves, opening balance	2,375	3,971
Effect of change in accounting principles	- 51	- 42
Unrestricted reserves, adjusted opening balance	2,324	3,929
Redemption of shares	—	- 995
Allocation to unrestricted reserves through the cancellation of shares	77	—
Dividend	- 490	- 539
Buyback of own shares	- 1,169	- 905
Transfers between unrestricted and restricted shareholders' equity	- 334	- 292
Translation difference*	- 48	- 18
Net income for the year	1,228	1,144
Total unrestricted shareholders' equity	1,588	2,324
Total shareholders' equity	4,105	4,584

Accumulated translation difference

Opening balance	- 230	- 212
Change in accumulated translation difference	- 48	- 18
Closing balance	- 278	- 230

* The translation difference was affected favorably by currency hedging of shareholders' equity amounting to 238 (283) MSEK.

13 Pensions and similar commitments

The Group applies various pension plans for its employees all over the world. Pension provisions are calculated in accordance with actuarial principles in each country. Most of the company's pension plans are defined as benefit-based pension obligations, which are covered either by insurance, or by funded or unfunded pension plans.

Note 13 cont.

The pension benefits offered to employees of the Group's Swedish operations are covered mainly by two fully independent super-annuation funds. These funds also provide pension benefits for the employees of a former subsidiary. At December 31, 2001, the market value of assets in the funds exceeded the actuarial value of the pension obligations. The surplus funds can be used only after approval by the Boards of these funds. In 2001, the funds contributed 53 MSEK to Group companies in Sweden in accordance with prior decision by the funds. The corresponding figure for 2000 was 77 MSEK.

The Group also has foundations or similar arrangements for a number of benefit-based pension obligations, primarily in the US, Sweden and Great Britain.

Some of the Group's benefit-based pension commitments, primarily local and national general plans, are covered by the Company. The current value of these future pension benefits is reported as a liability in the Consolidated Balance Sheet and totals 74 (104) MSEK.

In addition to pension plans, the Group's US subsidiaries employ unfunded plans for healthcare and other benefits for retired employees who fulfill the requirements for minimum age and years of service. These plans generally involve a cost contribution, for which the retired employee's share of cost is adjusted regularly and includes other components such as deductible amounts and co-insurance. The estimated future cost of pension benefits for healthcare is entered as a liability, in accordance with US accounting principles. This liability in the consolidated balance sheet amounts to 383 (305) MSEK.

14 Bond loans/Liabilities to credit institutions

The maturity structure of the Group's long-term interest-bearing liabilities is presented below:

Year	2001
2003	732
2004	594
2005	692
2006	2,551
2007 and later	503
Total	5,072

Current interest-bearing liabilities

	2001	2000
Next year's amortization of long-term loans	360	954
Bank overdraft facility utilized	51	30
Other current liabilities	533	77
Total current interest-bearing liabilities	944	1 061

15 Other current liabilities

Other current liabilities at December 31 consist of the following:

	2001	2000
Tobacco taxes	753	738
Value Added Tax liability	231	230
Income tax liability	97	211
Other	503	390
Total	1,584	1,569

16 Accrued expenses and deferred income

Accrued expenses and deferred income at December 31 consist of the following:

	2001	2000
Accrued wage/salary-related expenses	216	130
Accrued vacation pay	55	53
Accrued social security charges	55	111
Other	661	652
Total	987	946

17 Guarantees provided

For the Group's own long-term liabilities

	2001	2000
Fixed assets	—	278
Inventories	49	81
Receivables	15	20
Liquid funds	73	—
Total	137	379

Other collateral pledged

	2001	2000
Liquid funds	7	9
Total other collateral pledged	7	9

Of the above 73 MSEK (–) was provided for the benefit of subsidiaries.

18 Commitments and contingent liabilities

Operational leasing agreements

Future annual minimum charges under the terms of irrevocable operative leasing agreements with initial or remaining terms of one year or more consisted of the following at December 31, 2001

2002	105
2003	94
2004	87
2005	82
2006 and thereafter	261
Total minimum charges	629

The Group's leasing expenses for operational leasing agreements amounted to 108 (98) MSEK for 2001.

Note 18 cont.

Future irrevocable minimum leasing income is distributed in accordance with expiration dates as follows:

Within one year	62
More than one year but less than five years	118
More than five years	56
Total minimum lease income	236

Contingent liabilities

	2001	2000
Guarantees to subsidiaries	176	199
Guarantees to external companies	6	16
Other guarantees and contingent liabilities	348	112
Total contingent liabilities	530	327

Swap agreements for certain bond loans in euros

Contingent liabilities include an amount of 206 (24) MSEK that constitutes the difference between certain bond loans in euros valued at year-end in the swapped currency, generally SEK, and the same loans valued at closing day rate in euros in accordance with the recommendations of the Swedish Institute of Authorized Public Accountants concerning currency and interest swaps. The counterparties in interest swaps are banks.

Performance-based adjustment of acquisition values

In the case of some of Swedish Match's acquisitions there are agreements with the seller concerning a supplement to the purchase price if the profit of the acquired company reaches a certain pre-specified level. The maximum amount to which this can give rise is 48 MSEK.

There is an agreement with the minority shareholders of General Cigar concerning put and call options with regard to the minority's holdings. The options can be exercised over the period 2004–2006. Valuation of the shares in connection with the exercising of sales options is determined on the basis of the company's earnings, at certain minimum levels. The value of the minority shareholders' total holdings, cannot be less than 97 MUSD.

Leaf tobacco purchases

Some subsidiaries have entered contractual commitments with tobacco growers regarding future purchases of leaf tobacco.

Legal disputes

The Company is involved in a number of legal proceedings of a routine character for the business. In some cases, the Group's cigar operations are involved in disputes with competitors regarding the use of certain brand names. Among others, there are proceedings against General Cigar, where Cubatobaco is claiming that General Cigar does not have the right to use the Cohiba brand. Subsidiaries of Swedish Match in Brazil and France are subject to claims concerning alleged unfair dismissal of employees. In Brazil there are six such cases, while in France 120 employees have instigated proceedings as a result

of the closure of the factory in Lyon. Although the outcomes of these proceedings cannot be anticipated with any certainty, and accordingly no guarantees can be made, the view of management is that liabilities attributable to these disputes, if any, should not have any significant negative impact on the earnings or financial position of Swedish Match.

Further, the Pinkerton Tobacco Company (subsidiary of Swedish Match North America, Inc.) is the defendant in cases where it is claimed that the use of tobacco products has caused health problems. One of the cases concerns a plaintiff who is affirming that use of chewing tobacco caused her husband's death. Proceedings have been postponed several times at the plaintiff's request. The main proceedings are now scheduled for January 2003. The other matter involves all in all thirty claims against the Pinkerton Tobacco Company that have been brought in West Virginia state court (the "West Virginia Claims") and which were consolidated with more than 1,200 claims against cigarette and other tobacco product manufacturers. Of the thirty claims, twenty-four also allege claims against cigarette manufacturers for injuries, including but not limited to lung cancer, emphysema and heart disease. Pinkerton has been severed out of phase one of the consolidated trial, which currently only involves claims against the cigarette manufacturers. Of the remaining West Virginia claims against Pinkerton, four involve allegations of cancer, one of which involves colon cancer. One of the other two alleges congestive heart disease and the other has no allegation of disease. While the claims against the cigarette manufacturers proceed to trial, no dates have been established for the trial of the remaining claims against Pinkerton, and no discovery has been taken. Although management cannot in any meaningful way assess the liability that ongoing or anticipated disputes could result in, management believes that there are defenses to all claims and intends to defend every case vigorously, should they proceed to trial.

19 Supplementary information to Cash Flow Statement

Acquisitions of subsidiaries in 2001

In 2001, companies were acquired for a total of 962 MSEK. For these companies taken as a whole, the total value of acquired assets and liabilities, purchase sums, and the impact on the Group's liquid funds were as follows:

Tangible fixed assets	8
Intangible fixed assets	875
Inventories	108
Accounts receivable, trade	14
Accounts payable, trade	- 22
Other assets/liabilities, net	- 21
Purchase price paid	962
Cash and bank balances in acquired companies	—
Effect on the Group's liquid funds	962

Note 19 cont.

Liquid assets

See Note 11.

Interest paid and dividends

Interest payments during the year amounted to 399 (531) MSEK. Dividends received from associated companies during the year amounted to 11 MSEK.

20 Derivative instruments

The Group is active internationally, which gives rise to risk exposure caused by exchange rate fluctuations. The Group employs forward contracts to reduce the effects of changes in exchange rates.

At December 31, 2001, the Group had outstanding currency forward contracts in the following nominal values, net:

	2001	2000
Forward contracts	68	2,955

The book values and market values of all Group derivative instruments at December 31, 2000 amounted to the following amounts:

	2001		2000	
	Book value	Estimated market value	Book value	Estimated market value
Currency forwards	-1	0	95	125
Currency swaps	-8	-7	-38	-38
Interest swaps	303	319	159	178
Total	294	312	216	265

21 Geographic information

Certain information by geographic area is summarized in the tables below:

	2001	2000
<i>Sales outside the Group</i>		
Sweden	4,405	4,058
Europe excluding Sweden	2,426	2,089
North America	4,935	3,837
Latin America	452	403
Other areas	1,417	1,146
Total sales outside the Group	13,635	11,533
<i>Assets</i>		
Sweden	4,180	4,908
Europe excluding Sweden	2,381	2,247
North America	7,129	6,458
Latin America	558	585
Other areas	2,375	2,083
Total assets	16,623	16,281

Sales in all essential respects refer to sales of goods.

22 Net income and shareholders' equity in accordance with US GAAP

The accounts of Swedish Match are prepared in accordance with Swedish accounting principles ("Swedish GAAP"). Since the listing of Swedish Match on the NASDAQ Exchange in the US, the company has issued certain financial information prepared in accordance with American accounting principles (US GAAP). Swedish Match also submits a report each year (Form 20-F) to the US Securities and Exchange Commission (SEC), which includes additional information about Swedish Match's business activities in accordance with established regulations.

A summary of the effects on the Group's profit and shareholders' equity from applications of US GAAP is presented in the tables below:

	Note	2001	2000
<i>Reconciliation of net income</i>			
Income for the year in accordance with Swedish accounting principles		1,228	1,144
<i>Items that increase or reduce profit</i>			
Reversal, changed accounting principles (Note 1)		-51	9
Reporting of goodwill, etc:	a		
Amortization of goodwill		-128	-128
Other depreciation		-1	-1
Restructuring expenses	b	-44	-140
Sale-leaseback	c	4	1
Adjustment for company acquisitions	d	-3	—
Supplementary purchase amounts	e	-17	—
Reporting of hedging activities	f	-29	23
Pensions	g	15	19
Options program	h	3	-5
Surplus funds from Alecta	i	2	-7
Short-term investments	j	—	—
Tax effects of US GAAP adjustments above		2	—
Net income in accordance with US GAAP		981	915
<i>In SEK per share:</i>			
Income per share, before dilution		2.71	2.23
Income per share, after dilution		2.70	2.23
<i>Reconciliation of shareholders' equity</i>			
Reported equity in accordance with Swedish accounting principles		4,105	4,584
<i>Items that increase or reduce shareholders' equity</i>			
Reversal, changed accounting principles		—	51
Reporting of goodwill, etc:	a		
Goodwill		1,585	1,713
Property, machinery and equipment		40	41
Restructuring expenses	b	26	70
Sale-leaseback	c	-266	-270
Adjustment for company acquisitions	d	-46	-38
Supplementary purchase amounts	e	-17	—
Reporting of hedging activities	f	—	29

Note 22 cont.

	Note	2001	2000
Pensions	g	128	123
Options program	h	7	4
Surplus funds from Alecta	i	-5	-7
Short-term investments	j	12	8
Tax effects of US GAAP adjustments above		18	11
Equity in accordance with US GAAP		5,587	6,319

a. Reporting of goodwill, etc.

At December 31, 1995, Swedish Match was owned by the Volvo Group, which acquired the Parent Company in two stages, November 1993 and June 1994, whereby the purchase method was applied in reporting the transactions. Accordingly, the difference between the acquisition value and book value of net assets was distributed among buildings, land and shares held by Swedish Match, and for which market values exceeded book values at the time of the acquisition. The remainder of the difference between the acquisition price and book value of the assets comprised goodwill. These distributions were booked at Group level by Volvo and were not pushed down to the subsidiary Group, Swedish Match.

US GAAP requires that "push down" accounting be applied for independent annual reports of wholly owned subsidiaries if the ownership share is 95 percent or more, which was the case in Volvo's acquisition in 1994. Consequently, the adjustments made in accordance with the purchase method by Volvo, pertaining to Swedish Match, began being reported for US GAAP purposes by Swedish Match in June 1994. The goodwill thereby calculated has subsequently been further adjusted since US GAAP requires that the acquisition price shall be set on the basis of the payment amount at the time the transaction was completed and not the date the transaction was announced, as required by Swedish GAAP. Total gross value of goodwill which, according to the above, was transferred to Swedish Match in 1994 amounted to 6,158 MSEK. Adjustments for property, machinery and equipment amounted to 119 MSEK. The goodwill entry is amortized over 20 years.

The capital gain reported by Swedish Match as an item affecting comparability in conjunction with the sale 1994 and 1995 of the shares in UST, Inc. has instead increased the value of the assets at the time Volvo made the acquisition.

In 1999, Swedish Match divested its cigarette operations. This has resulted in a reduction in the goodwill value that was transferred from Volvo to the extent it was applicable to cigarette operations. The original gross value attributable to the cigarette operations totaled 3,605 MSEK. The planned residual value of this goodwill entry, consequently, has been settled against the capital gains that arose in the sale of the cigarette operations. Including minor adjustments for properties, machinery and equipment, the adjustment amounted to a reported capital loss of 2,751 MSEK. The remaining gross value of goodwill related to remaining operations within Swedish Match amounts to 2,553 MSEK. Corresponding amounts from properties, machinery and equipment, fittings, etc. totaled 49 MSEK.

b. Restructuring costs

In the Swedish Match Group, provisions for restructuring costs have been made in accordance with Swedish accounting principles. According to US GAAP, costs for restructuring measures are reported only on the condition that a sufficiently detailed implementation plan has been formulated at the close of the accounting period, that the measures are made public and that conditions are known to employees who will be affected prior to the balance sheet day. Provisions cancelled for US GAAP reconciliation are primarily explained in that the aforementioned requirements have not been met.

c. Sale-leaseback of property

In 1998, the Group sold a property and is now leasing the same property in accordance with a leasing agreement, which according to Swedish accounting principles is classified as operational leasing. As Swedish Match has an option to repurchase this property, the sale in 1998, in accordance with US GAAP, is considered a financing arrangement, with the result that income recognition is postponed and the sale proceeds are booked as a liability. The capital gain in 1998 was 266 MSEK. The property's value is recovered and depreciation according to plan is applied.

d. Adjustments for company acquisitions

Certain costs for restructuring reserves that affect the acquiring company are included in total goodwill in the Consolidated Balance Sheet. In accordance with US GAAP, these costs have been charged against income since they were not associated with the acquired company.

Consolidated balance sheet, point k.	Reported in accordance with Swedish GAAP		Reported in accordance with US GAAP	
	2001	2000	2001	2000
Fixed assets	8,430	7,591	10,585	9,546
Current assets	8,193	8,690	6,071	6,991
Total assets	16,623	16,281	16,656	16,537
Shareholders' equity	4,105	4,584	5,587	6,319
Minority interests	767	620	37	14
Provisions	2,311	1,918	1,475	1,121
Long-term liabilities	5,150	4,845	5,692	5,121
Current liabilities	4,290	4,314	3,865	3,962
Total liabilities and shareholders' equity	16,623	16,281	16,656	16,537

Note 22 cont.

e. Supplementary purchase amounts

According to Swedish accounting principles, a performance-based supplement to the purchase price for acquisition of a company increases the recorded value of goodwill. According to US GAAP, conditional purchase amounts in some cases shall be expensed for services performed.

f. Reporting of hedging activities

In conjunction with the valuation of derivatives the company has reported on its hedging activities. From January 1, 2001, FAS 133 "Accounting for derivative instruments and hedging instruments" applies. Since the company does not fulfill the requirements laid down in FAS 133 to be able to report on hedging activities in this manner, changes in the real values of derivatives are to be reported in the income statement. In accordance with the transitional rules, there was a positive effect of changing accounting principles of 19 MSEK in reported net income after tax.

g. Pensions

Pensions are reported by every unit of the Swedish Match Group, if required, based on principles deemed appropriate for local statutory purposes, provided they stipulate that pension entitlements are reported as an expense.

Under US GAAP, pensions are reported in accordance with SFAS No. 87, "Employers' Accounting for Pensions". The Group has estimated the effects on net income and shareholders' equity under the assumption that SFAS No. 87 provisions are being applied.

h. Options program

The Board of Directors decided in 1999 to introduce an options program for Senior Management. In accordance with Swedish GAAP, the Company makes provisions for social fees and withholding tax on the options. In accordance with EITF 00-16, Recognition and Measurement of Employer Payroll Taxes on Employee Stock-Based Compensation, these costs are not reported until the tax liability arises, which normally occurs when the options are issued.

i. Reporting of refunds from Alecta (formerly SPP)

Alecta, the Swedish insurance company, announced its decision in April 2000 to repay pension fund contributions to its policyholders, including Swedish Match. The refunds comprise two components, a cash refund to be paid immediately and an opportunity to reduce future premium payments. In accordance with Swedish GAAP, the cash payments and discounted present values of future premium reductions were booked as income during 2000.

In accordance with US GAAP, only cash payments were booked as income, while future premium reductions will be booked as income when they are actually received.

j. Short-term investments

Short-term investments are reported according to Swedish GAAP, at the lower of cost or market value. In accordance with US GAAP, Swedish Match's short-term investments can be classified as "available for sale." According to US GAAP, such

assets must be valued at market value in the balance sheet. Unrealized gains and losses, after due consideration for deferred taxes, are transferred directly to and from shareholders' equity.

k. Deconsolidation of General Cigar

Swedish Match acquired 64 percent of the American company General Cigar in May 2000. The Cullman family holds the remaining 36 percent. According to the shareholder agreement between Swedish Match and the Cullman family the minority shareholder has the opportunity to actively participate in significant issues pertaining to daily operations in General Cigar, known as "substantive participating rights". According to EITF 96-16, "Investor's accounting for an investee when the investor has a majority of the voting interest but the minority shareholder or shareholders have certain approval or veto rights", General Cigar should not be consolidated by Swedish Match. Therefore, the investment in General Cigar is reported applying the equity method according to US GAAP. This does not result in any effect on reconciliation of net income for the year or shareholders' equity in accordance with Swedish GAAP or US GAAP. However, the balance sheet is affected by this difference. The table on Page 45 presents a condensed consolidated balance sheet in accordance with Swedish GAAP and US GAAP.

l. Cash Flow Analysis

According to SFAS No. 95, "cash and cash equivalents" only cover funds with terms of three months or less. Some of Swedish Match's liquid funds (see Note 11) do not meet this requirement. As a result, changes in this segment of liquid funds are reported as investments, as defined by SFAS No. 95.

Also, in accordance with Swedish accounting principles, changes in short-term borrowing, where the term is twelve months or less, are reported net. In accordance with SFAS 95, there is a three-month limit for such net reporting.

23 Personnel

The average number of employees in the Parent Company during 2001 was 42, and in the Group was 14,343. The corresponding numbers in 2000 were 43 and 13,672, respectively.

Wages, salaries, other remuneration and social costs are summarized below:

	2001			2000		
	Salaries and other compensation	Social costs (of which – pension costs)		Salaries and other compensation	Social costs (of which – pension costs)	
Parent Company	38	16 (4)		38	16 (3)	
Subsidiaries	1,744	600 (85)		1,465	510 (112)	
Group	1,782	616 (89)		1,503	526 (115)	

During year 2001, 7.5 MSEK (10) was paid into the profit-sharing fund for Group employees in Sweden.

Note 23 cont.

Wages, salaries and other remuneration by country and between members of the Board, etc., and other employees, are summarized below:

	2001			2000		
	Board and CEO (of which bonuses, etc)	Other employees		Board and CEO (of which bonuses, etc)	Other employees	
Parent Company						
Sweden	11 (2)	27		10 (2)	28	
<i>Subsidiaries</i>						
Australia	1	13		1 (0)	12	
Belgium	1	112		1	94	
Brazil	4 (0)	42		3	42	
Bulgaria	(0) (1)	2		—	6	
Dominican Republic	—	133		—	65	
Philippines	1 (0)	11		— (0)	11	
France	—	20		—	21	
Honduras	—	21		—	16	
Hong Kong	1	2		1	2	
India	2	74		1	70	
Indonesia	—	1		—	4	
Ireland	1 (0)	14		0 (0)	14	
China	(0)	10		—	8	
Netherlands	11 (2)	130		5 (2)	113	
Portugal	—	4		—	4	
Switzerland	(0)	11		3 (0)	8	
South Africa	1 (0)	52		1 (0)	28	
Spain	—	44		1	38	
United Kingdom	6 (1)	52		4 (0)	41	
Sweden	4 (0)	288		5 (1)	282	
Turkey	2 (0)	19		1	19	
Germany	2 (0)	17		2 (0)	11	
Hungary	(0)	15		—	14	
United States	14 (5)	599		14 (6)	482	
Other countries	1 (0)	6		1 (0)	16	
Total in subsidiaries	52 (9)	1,692		44 (9)	1,421	
Group total	63 (11)	1,719		54 (11)	1,449	

Information regarding benefits for the Board of Directors and senior executives is presented below:

Bernt Magnusson, Chairman of the Board of Swedish Match, was paid a Board of Directors fee of 525,000 SEK in 2001. Other members elected by the Annual General Meeting received 212,000 SEK each.

Lennart Sundén, President and CEO, was paid 5,190,000 SEK in 2001, including a bonus of SEK 1,190,000. Lennart Sundén has a bonus agreement of up to 35 percent of his fixed cash salary. In addition, Lennart Sundén received taxable benefits amounting to 125,000 SEK and bonuses in associated companies of 23,000 SEK. In accordance with an options program established by the Board, he was allotted options in 2001 at a gross cost of 600,000 SEK, plus social fees. Lennart Sundén is entitled to a pension from age 60. From age 60 to 65, a pension is paid at 70 percent of pensionable salary. From age 65, a pension is paid at 45 percent of pensionable salary. Lennart Sundén must give six months notice of his intention to resign and the company must give 12

Employees by country are detailed below:

	Average number of employees of whom men, %		
	2001	2000	
Parent Company			
Sweden	42	48	43
<i>Other</i>			
Australia	50	58	55
Belgium	511	30	538
Brazil	776	73	765
Bulgaria	121	43	251
Dominican Republic	2,869	38	2,126
Philippines	196	44	165
France	67	52	69
Hong Kong	13	38	14
Honduras	852	45	528
India	3,778	99	4,019
Indonesia	730	15	681
Ireland	48	75	44
Jamaica	—	—	143
China	226	84	208
Netherlands	440	83	485
Portugal	24	67	28
Switzerland	15	47	28
Spain	161	85	161
United Kingdom	90	72	81
Sweden	924	54	915
South Africa	551	93	337
Turkey	232	84	212
Germany	55	47	51
Hungary	231	40	295
United States	1,323	57	1,404
Other countries	18	79	26
Group total	14,343	64	13,672

months notice. A maximum severance payment of two years' salary is payable if the company terminates the employment contract. However, severance pay will be reduced by a maximum of 50 percent of any other income but not to less than half of the contracted severance pay.

Other members of Group Management are entitled to pensions at the normal pension ages of 60–65. Between 60 and 65 years of age, pensions are paid at 50–70 percent of pensionable salary. From age 65, pensions are paid at 32.5–70 percent of pensionable salary. Pensionable salary (which can vary depending on country of service) is defined as cash salary plus the average of bonus payments received during the three years immediately prior to retirement, which may in no case amount to more than 35 percent of the cash salary. A six-month mutual notice of intent to terminate employment applies for all members of the Group Management other than Lennart Sundén. If the Company terminates employment, severance pay is payable in an amount equivalent to 18 months of cash salary.

Parent Company Income Statement

MSEK	Note	2001	2000
Net sales		18	10
Cost of goods sold		-11	-6
Gross profit		7	4
Selling expenses	1	-7	-3
Administrative expenses	1	-218	-196
Other operating income	1	89	15
Other operating expense		-3	—
Operating loss		-132	-180
Income from participations in Group companies	2	810	226
Interest income, Group companies		410	379
Other interest income		67	168
Interest expenses, Group companies		-101	-78
Other interest expenses		-289	-308
Exchange differences and other financial items	3	286	421
Income after financial items		1,051	628
Appropriations			
Accelerated amortization, trademarks		-30	—
Appropriations to tax equalization reserve		-240	-240
Income before tax		781	388
Taxes	4	-224	-308
Net income for the year		557	80

Parent Company Cash Flow Statement

MSEK	Note	2001	2000
Cash flow from current operations		351	442
Cash flow from investment activities		-98	244
Financing activities			
Change in short-term loans		58	—
Long-term borrowing		1,407	—
Amortization of long-term loans		-827	-670
Change in Group balances		-242	845
Dividends paid		-490	-539
Redemption of shares, net		—	-1,062
Repurchases of own shares		-1,169	-905
New share issue		—	66
Other		-200	-120
Cash flow from financing activities		-1,463	-2,385
Cash flow for the year		-1,210	-1,699
Liquid funds at beginning of the year		2,348	4,047
Liquid funds at end of the year	8	1,138	2,348

Supplementary information, see Note 12.

Parent Company Balance Sheet

MSEK	Note	2001-12-31		2000-12-31	
Assets					
Fixed assets					
Intangible fixed assets	5	110			
Tangible fixed assets	6	2		2	
Financial fixed assets	7				
Shares and participations in Group companies		6,842		6,842	
Other long-term securities		10		10	
Other long-term receivables in Group companies		4,357		3,864	
Total fixed assets		11,321		10,718	
Current assets					
Inventories		1			
Trade receivables		3		1	
Accounts receivable, Group companies		1,878		2,478	
Other receivables		150		8	
Prepaid expenses and accrued income		32		47	
Liquid funds					
Current investments	8	743		1,789	
Cash and bank	8	395		559	
Total current assets		3,202		4,882	
Total assets		14,523		15,600	
Shareholders' equity and liabilities					
Shareholders' equity					
9					
Restricted equity					
Share capital		892		969	
Statutory reserve		194		169	
Unrestricted equity					
Profit brought forward		3,367		4,960	
Net income for the year		557		80	
Untaxed reserves	10	1,230		959	
Long-term liabilities					
Debtenture loan		4,984		3,936	
Liabilities to credit institutions		—		200	
Liabilities to Group companies		10		12	
Current liabilities					
Liabilities to credit institutions		698		908	
Liabilities to Group companies		2,518		3,313	
Accounts payable		24		13	
Accounts payable, Group companies		16		26	
Other current liabilities		14		39	
Accrued expenses and deferred income		19		16	
Total shareholders' equity and liabilities		14,523		15,600	
Pledged assets	11	80		8	
Contingent liabilities for subsidiaries	11	480		650	

Notes, Parent Company

Swedish Match AB (publ)
Organization Number: 556015-0756

(All amounts in MSEK unless stated otherwise)

The Parent Company's accounting principles correspond in applicable sectors with those applied in the Group.

1 Sales and administrative expenses and other operating revenue

In addition to management functions, Parent Company operations comprise sales of advertising products in the Nordic market and sales of nasal snuff in Germany, Switzerland and France. In 2001, sales to Group companies amounted to 10 MSEK (1). Purchases from Group companies amounted to 3 MSEK (4). Other operating revenue consists mainly of Group administration expenses billed to subsidiaries.

Administrative expenses include costs for auditing fees as shown below:

	2001	2000
Auditing assignments	1	2
Other assignments	4	4
PricewaterhouseCoopers	5	6

2 Results from participations in Group companies

	2001	2000
Dividends	2	55
Group contributions	808	920
Liquidation of Group companies	—	-708
Writedown of shares in subsidiaries	—	-41
Total	810	226

3 Exchange-rate differences and other financial items

Exchange gains amounted to 301 MSEK in fiscal 2001 and 433 MSEK in fiscal 2000.

4 Taxes

Difference between tax expense and tax expense based on current tax rate:

	2001	2000
Reported income before tax	781	388
Tax based current tax rate of 28%	-219	-109
Tax effect of non-deductible expense	-8	-209
Tax effect of non-taxable revenues	3	15
Tax pertaining to earlier fiscal years	—	-5
Tax on income for the year in accordance with the Income Statement	-224	-308

5 Intangible fixed assets

During the year, trademark rights to nasal snuff products were acquired from Premium Tobacco Traders Ltd., Hong Kong, totaling 114 MSEK. Included among the trademarks are Singletons, Rumneys and Kensington.

	2001	2000
Intangible fixed assets		
Acquisition value brought forward	—	—
Investments	114	—
Closing balance, accumulated acquisition value	114	—
Amortization brought forward	—	—
Amortization for the year	-4	—
Closing accumulated amortization	-4	—
Closing balance, book value	110	—

6 Tangible fixed assets

Tangible fixed assets at December 31 include equipment as follows:

	2001	2000
Acquisition value brought forward	8	8
Investments	1	1
Sales/scraping	—	-1
Closing accumulated acquisition value	9	8
Depreciation brought forward	-6	-5
Depreciation for the year	-1	-1
Closing balance, accumulated depreciation	-7	-6
Closing balance, book value	2	2

7 Financial fixed assets

Change in financial fixed assets:

	2001	2000
Opening amount brought forward from preceding year	10,716	11,955
Acquisition of shares in Group companies	—	1
Liquidation of Group companies	—	-722
Sales of subsidiaries	—	-228
Change in other long-term receivables due from Group companies	493	-290
Total	11,209	10,716

Note 7 cont.

Shares and participations in subsidiary companies at December 31, 2001:

	Number of shares or participations	Currency	Par value*	Book value, MSEK	Parent Company holding, %	Corp. Reg No.	Domicile
Swedish Match Arenco AB	305,500	SEK	30,550	31	100	556040-2157	Kalmar
Swedish Match Industries AB	30,853	SEK	30,853	195	100	556005-0253	Tidaholm
Swedish Match United Brands	200,000	SEK	20,000	122	100	556345-7737	Stockholm
Intermatch Sweden AB	710,000	SEK	71,000	85	100	556018-0423	Stockholm
Svenska Tändsticks AB	1,000	SEK	100	0	100	556105-2506	Stockholm
Treab Plus AB	96,000	SEK	4,800	17	100	556013-4412	Stockholm
Svenska Tobaks AB	8,000	SEK	800	1	100	556337-4833	Stockholm
Petum AB	10,000	SEK	1,000	2	100	556362-6968	Stockholm
Petum Sverige AB	60,000	SEK	6,000	0	100	556197-0350	Stockholm
Tobak Fastighetsaktiebolaget	2,000	SEK	2,000	146	100	556367-1253	Stockholm
Svenskt Snus AB	1,000	SEK	1,000	62	100	556367-1261	Stockholm
Svenska Tändsticks Philippine Company	20,000	PHP	20,000	0	100		
Swedish Match North America Inc	100	USD	100	849	100		
Swedish Match Group BV	20,900,000	NLG	2,090	5,331	100		
Nitedals Taendstiker A/S	500	NOK	500	1	100		
SA Allumettière Caussemille 1)	10,000	FRF	1,000	0	100		
The Burma Match Co. Ltd 2)	300,000	BUK	3,000	0	100		
Vulcan Trading Co. Ltd 3)	4,000	BUK	400	0	100		
Total shares				6,842			

*) Local currency in 000s 1) Nationalized in November 1963 2) Nationalized in December 1968 3) Nationalized in January 1969

In addition, shares are owned in:

Union Alumettière Marocaine S.A.

Ownership is purely formal. Group companies hold all rights and obligations.

Other shares at December 31, 2001

The Parent Company holds shares in a company connected to operations.

Name	Currency	Par value	Book value	Parent Company holding, %
Yaka Feodor SA	JPY	100 000	0	15,4

8 Liquid funds

Liquid funds comprise short-term investments in the form of interest-bearing securities and cash and bank balances as follows:

Short-term investments	2001	2000
Government bonds/treasury bills	—	492
Corporate bonds/commercial paper	—	1,207
Capital market funds	—	90
Other financial investments	743	—
	743	1,789
Cash and bank balances		
Bank accounts and cash	321	254
Certificates of deposit in banks	74	305
	395	559
Total liquid funds	1,138	2,348

9 Shareholders' equity

The Parent Company's share capital at December 31, 2001 consisted of 371,596,181 shares with a par value of SEK 2.40 per share. All shares carry one vote each. Through buybacks and after redemption, the Company has 21,596,000 shares, and the total number of shares outstanding, accordingly, is 350,000,181.

Note 9 cont.	2001	2000
Share capital brought forward from preceding year	969	949
Redemption of shares	—	-67
New issue	—	5
Bonus issue	—	82
Cancellation of shares	-77	—
Total share capital	892	969
Statutory reserve brought forward from preceding year	169	190
Premium on new share issue	—	61
Bonus issue	—	-82
Allocation to statutory reserve	25	—
Total statutory reserve	194	169
Unrestricted equity brought forward from preceding year	5,040	7,474
Redemption of shares	—	-995
Dividend	-490	-539
Allocation to statutory reserve	-25	—
Buybacks of own shares	-1,169	-905
Allocation to non-restricted reserves through cancellation of shares	77	—
Group contributions received	—	32
Group contributions paid	-92	-136
Tax effect of Group contributions	26	29
Income for the year	557	80
Total unrestricted equity	3,924	5,040
Total shareholders' equity	5,010	6,178

10 Untaxed reserves

	2001	2000
Accumulated difference between booked depreciation and accelerated depreciation	30	—
Tax allocation reserve	1,200	959
Total	1,230	959

11 Pledged assets and contingent liabilities, 2001

Pledged assets

For own long-term liabilities

	2001	2000
For own long-term liabilities	—	—
Total long-term liabilities	0	0

Other pledged assets

	2001	2000
Liquid assets	80	8
Total Other pledged assets	80	8

Of the above, 73 (-) were pledged for the benefit of subsidiaries.

Contingent liabilities

	2001	2000
Guarantees for subsidiaries	274	626
Other guarantees and contingent liabilities	206	24
Total contingent liabilities	480	650

12 Supplementary information to Cash Flow Analysis

Cash flow, see Note 8.

Taxes paid, interest paid, etc.

Taxes paid amounted to 374 MSEK (434) and interest payments to MSEK 282 (397). Dividends received during the year amounted to MSEK 2 (55).

Proposed distribution of earnings

According to the Consolidated Balance Sheet, the Company's unrestricted shareholders' equity amounts to 1,588 MSEK, of which 1,228 MSEK is the net income for the fiscal year. It is proposed that no allocations be made to restricted reserves.

As shown in the Parent Company's Balance Sheet, 3,924 MSEK in retained earnings is at the disposal of the Annual General Meeting, of which 77 MSEK comprises unrestricted reserves, after the reduction in share capital, and 557 MSEK comprises net income for the year.

The Board of Directors and the President propose that the 3,924 MSEK at the disposal of the Annual

General Meeting be distributed so that shareholders receive a dividend of 1.45 SEK per share, a total of 508 MSEK, based on the number of shares outstanding at year-end, and that the remaining earnings be brought forward.

It is proposed that the dividend for the year be first charged against unrestricted reserves after write down of share capital and the balance against retained earnings.

The Board of Directors also proposes April 26, 2002 as the record date for shareholders listed in the Swedish Securities Register Center (VPC).

Stockholm, February 12, 2002

Bernt Magnusson
Chairman of the Board

Arne R. Bennborn

Jan Blomberg

Kenneth Ek

Anders Lannebo

Eva Larsson

Joakim Lindström

Meg Tivéus

Klaus Unger

Lennart Sundén
President

Our audit report was submitted on February 26, 2002

Åke Danielsson
Authorized Public Accountant

Göran Tidström
Authorized Public Accountant

Auditors' Report

To the Annual General Meeting of Swedish Match AB (publ)

Corporate Identity Number: 556015-0756

We have audited the annual report, the consolidated financial statements, the accounts and the administration by the Board of Directors and the President of Swedish Match AB (publ) for year 2001. The accounts and administration of the Company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual report, the consolidated financial statements and the administration of the Company based on our audit.

The audit was conducted in accordance with generally accepted auditing standards in Sweden. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a random basis, evidence supporting the amounts and other disclosures in the financial statements. An audit also includes assessments of the accounting principles applied and their application by the Board of Directors and President, as well as evaluations of the overall presentation of information in the financial statements. We

examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any Board member or the President, or whether they have in some other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for the opinion set out below.

In our opinion, the Annual Report and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act and, consequently, provide a fair presentation of the Company's and the Group's earnings and financial position in accordance with generally accepted auditing principles in Sweden.

We recommend that the income statements and the balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Board of Directors' Report and that the members of the Board of Directors and the President be discharged from liability for the fiscal year.

Stockholm, February 26, 2002

Åke Danielsson
Authorized Public Accountant

Göran Tidström
Authorized Public Accountant

Five-year summary

Consolidated income statements (MSEK)	1997	1998	1999	2000	2001
Net sales	7,465	8,194	9,420	11,533	13,635
Gross profit	3,850	4,098	4,282	4,886	6,008
Items affecting comparability	—	- 108	3,707	—	- 80
Operating income	1,586	1,381	5,396	1,886	2,113
Items affecting comparability	—	- 60	—	—	—
Net financial items	- 28	- 183	- 116	- 176	- 273
Income after financial items	1,558	1,198	5,280	1,710	1,840
Net income	1,045	726	4,656	1,144	1,228
Operating income before depreciation /amortization	1,854	1,713	5,777	2,429	2,863

Consolidated balance sheets (MSEK)	1997	1998	1999	2000	2001
Assets					
Intangible fixed assets	757	895	3,268	4,288	4,769
Tangible fixed assets	2,050	2,239	1,866	2,576	2,970
Financial fixed assets	545	549	543	727	691
Inventories	1,584	1,902	1,732	3,270	3,753
Current receivables	1,633	2,101	1,965	2,460	2,834
Liquid funds	563	2,876	7,296	2,960	1,606
Total assets	7,132	10,562	16,670	16,281	16,623
Equity and liabilities					
Equity	2,972	2,160	5,940	4,584	4,105
Minority interests	20	148	162	620	767
Provisions	656	1,165	1,195	1,918	2,311
Long-term liabilities	236	2,124	5,303	4,845	5,150
Current liabilities	3,248	4,965	4,070	4,314	4,290
Total equity and liabilities	7,132	10,562	16,670	16,281	16,623

Cash flow (MSEK)	1997	1998	1999	2000	2001
Cash flow from current operations	773	794	1,329	945	1,609
Cash flow from investment activities	- 652	82	2,005	- 1,967	- 1,520
Cash flow from financing activities	- 531	1,427	1,181	- 3,273	- 1,453
Cash flow for the year	- 410	2,303	4,515	- 4,295	- 1,364
Liquid funds at beginning of the year	942	563	2,876	7,296	2,960
Translation difference in liquid funds	31	10	- 95	- 41	10
Liquid funds at year-end	563	2,876	7,296	2,960	1,606

Key Data	1997	1998	1999	2000	2001
Operating capital at year end, MSEK	3,975	4,700	6,352	9,821	11,227
Net debt, MSEK	471	1,455	- 1,267	2,739	4,410
Investments in tangible fixed assets, MSEK	292	393	452	331	633
Operating margin, %	21.2	18.2	17.9	16.4	16.1
Return on operating capital, %	42.7	33.2	30.6	23.3	20.8
Return on shareholders equity, %	39.5	28.3	115.0	21.8	28.3
Net debt/equity ratio, %	15.7	63.0	pos	52.6	90.5
Equity/assets ratio, %	41.9	21.9	36.6	32.0	29.3
Share capital, MSEK	927	949	949	969	892
Dividend per share, MSEK	1.05	1.08	1.22	1.35	1.45*
Earnings per share					
before items affecting comparability, SEK	2.15	1.92	2.26	2.76	3.54
after items affecting comparability, SEK	2.15	1.56	10.56	2.76	3.40

*Board proposal

Key figures by product area (MSEK)	1997	1998	1999	2000	2001
Net sales					
Snuff	1,079	1,337	1,688	2,071	2,457
Chewing Tobacco	1,149	1,068	1,068	1,227	1,377
Cigars	691	902	1,438	2,690	3,481
Pipe Tobacco and Accessories	166	218	420	762	933
Matches	1,299	1,573	1,673	1,712	1,690
Lighters	834	735	662	720	809
Other operations	701	893	1,742	2,351	2,888
Sub total	5,919	6,726	8,691	11,533	13,635
Divested operations	1,546	1,468	729	—	—
Total	7,465	8,194	9,420	11,533	13,635
Operating income					
Snuff	522	641	828	954	950
Chewing Tobacco	420	331	297	331	372
Cigars	131	117	206	347	500
Pipe Tobacco and Accessories	28	38	109	213	236
Matches	147	134	107	90	183
Lighters	53	18	14	74	101
Other operations	- 252	- 228	- 127	- 123	- 149
Sub total	1,049	1,051	1,434	1,886	2,193
Divested operations	537	438	255	—	—
Items affecting comparability	—	- 108	3,707	—	- 80
Total	1,586	1,381	5,396	1,886	2,113
Operating margin, %					
Snuff	48.4	47.9	49.1	46.1	38.7
Chewing Tobacco	36.6	31.0	27.8	27.0	27.0
Cigars	19.0	13.0	14.3	12.9	14.4
Pipe Tobacco and Accessories	16.9	17.4	26.0	28.0	25.3
Matches	11.3	8.5	6.4	5.3	10.8
Lighters	6.4	2.4	2.1	10.3	12.5

Quarterly data

Condensed income statements		2000				2001			
MSEK	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Net sales	2,394	2,871	3,072	3,196	3,069	3,495	3,541	3,530	
Gross profit	1,009	1,217	1,296	1,364	1,331	1,554	1,584	1,539	
Items affecting comparability	—	—	—	—	—	—	- 80	—	
Operating income	415	471	500	500	491	555	482	585	
Net financial items	-15	- 44	- 50	- 67	- 46	- 70	- 81	- 76	
Income after financial items	400	427	450	433	445	485	401	509	
Net income	262	286	296	300	297	324	265	342	
Operating income before depreciation/amortization	536	598	651	644	647	710	658	768	
Operating income before items affecting comparability and depreciation/amortization	536	598	651	644	647	710	738	768	

Key Data		2000				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Operating margin, %	17.3	16.4	16.3	15.6	16.0	15.9	15.9	16.6	
Net debt/equity ratio, %	pos	23.0	55.3	52.6	72.4	88.5	82.6	90.5	
Equity/assets ratio, %	38.3	29.7	31.3	32.0	31.8	30.3	29.8	29.3	
Investments in tangible fixed assets, MSEK	53	49	117	112	132	127	163	211	
Earnings per share after tax									
before items affecting comparability, SEK	0.59	0.69	0.69	0.79	0.80	0.89	0.88	0.97	
after items affecting comparability, SEK	0.59	0.69	0.69	0.79	0.80	0.89	0.74	0.97	

Net sales by product area		2000				2001			
MSEK	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Snuff	459	531	529	552	528	642	629	658	
Chewing Tobacco	282	318	311	316	314	365	349	349	
Cigars	405	646	796	843	750	892	944	895	
Pipe Tobacco and Accessories	173	184	205	200	205	245	247	236	
Matches	391	414	429	478	425	408	421	436	
Lighters	175	169	175	201	220	203	190	196	
Other operations	509	609	627	606	627	740	761	760	
Total	2,394	2,871	3,072	3,196	3,069	3,495	3,541	3,530	

Operating income by product area		2000				2001			
MSEK	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Snuff	209	241	254	250	214	235	242	259	
Chewing Tobacco	89	83	72	87	89	99	90	94	
Cigars	52	87	104	104	101	124	137	138	
Pipe Tobacco and Accessories	49	52	58	54	59	64	62	51	
Matches	25	18	24	23	44	44	46	49	
Lighters	16	19	18	21	25	26	23	27	
Other operations	-25	-29	-30	-39	-41	-37	-38	-33	
Sub total	415	471	500	500	491	555	562	585	
Items affecting comparability	—	—	—	—	—	—	-80	—	
Total	415	471	500	500	491	555	482	585	

Operating margin by product area		2000				2001			
Percent	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Snuff	45.5	45.4	48.0	45.3	40.5	36.6	38.5	39.4	
Chewing tobacco and accessories	31.6	26.1	23.2	27.5	28.3	27.1	25.8	26.9	
Cigars	12.8	13.5	13.1	12.3	13.5	13.9	14.5	15.4	
Pipe Tobacco	28.3	28.3	28.3	27.0	28.8	26.1	25.1	21.6	
Matches	6.4	4.3	5.6	4.8	10.4	10.8	10.9	11.2	
Lighters	9.1	11.2	10.3	10.4	11.4	12.8	12.1	13.8	
Group	17.3	16.4	16.3	15.6	16.0	15.9	15.9	16.6	

Group Management



Lennart Sundén

President and CEO
Joined Swedish Match AB in 1998
Born 1952, MSc. Engineering, MBA.
Previously employed by AB Electrolux 1977–1998. Manager of Electrolux industrial operations for appliances in Europe 1991–1993. Manager of Electrolux' global vacuum cleaner and small appliance operations 1993–1998. Board assignments: Board member of FöreningsSparbanken AB, JM AB and Arnold André GmbH & Co KG.
Shareholding in Swedish Match: 60,000
Call options: 401,688

Sven Hindrikes

Executive Vice President,
Chief Financial Officer
Joined Swedish Match in 1998.
Born 1950, MBA.
Previously employed within ABB in Mexico and served as Executive Vice President of ABB Canada. Executive Vice President of Linjebuss AB. Board assignments: Chairman of PT Jamapac, Indonesia, board member of Wimco Ltd, India.
Shareholding in Swedish Match: 60,000
Call options: 140,715



Massimo Rossi

Senior Advisor
Joined Swedish Match in 1975
Member of Group management since 1992.
Born 1942, MSc.
Board assignments: Chairman of International Health Insurance, Denmark. Board member of EQT Scandinavia B.V., EQT Northern Europe, Duni AB, Stenqvist AB and Stiftelsen Solstickan.
Shareholding in Swedish Match: 101,400
Call options: 274, 223



Bo Aulin

Senior Vice President, Corporate Affairs
Joined Swedish Match in 1990
Member of Group management since 1996.
Born 1948, Graduate of Uppsala University, Law School
Previously employed as corporate lawyer for Swedish National Forest Enterprise and chief legal counsel for the Swedish Association of Wholesalers.
Shareholding in Swedish Match: 2,700
Call options: 140,715



Lennart Freeman

President, North America Division
Joined Swedish Match in 1975
Member of Group management since 1999.
Born 1951, MBA.
Previously employed by SAAB Cars and Exxon.
Shareholding in Swedish Match: 300
Call options: 91,749



Stefan Gelkner

President, North Europe Division
Joined Swedish Match in 1977
Member of Group management since 1999.
Born 1944, MSc. Engineering.
Previously employed by Ericsson.
Shareholding in Swedish Match: 1,000
Call options: 120,715



Peter Nilsson

President, Continental Europe Division
Joined Swedish Match in 1987.
Member of Group management since 1999.
Born 1962, MBA.
Shareholding: 6,086
Call options: 254,223



Graham Jones

President, Match Division
Joined Swedish Match in 1987.
Member of Group management since 1999.
Born 1949, MBA.
Previously employed by De Beers Prospecting Ltd, Arthur Anderson & Co, Mars Ltd, Scot Bowyers Ltd and Bryant & May Ltd.
Shareholding in Swedish Match: 6,000
Call options: 254,223



Ingemar Olsson

President, Overseas Division
Joined Swedish Match in 1983
Member of Group management since 1999.
Born 1953, MSc. Engineering.
Previously employed by Sandvik Coromant.
Shareholding in Swedish Match: 19,500
Call options: 234,223



Göran Streiffert

Senior Vice President, Group Human Resources and IS/IT
Joined Swedish Match and Group management staff in 1997.
Born 1946, MSc.
Previously employed by Gullspång, PLM and Scancem.
Shareholding in Swedish Match: 3,000
Call options: 140,715

Board of Directors



Bertt Magnusson

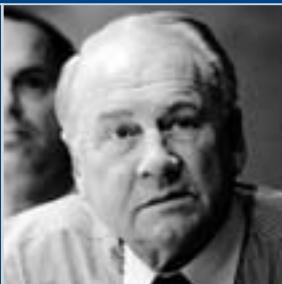
Born 1941. Chairman. Board member since 1993.

Chairman of Dyno Nobel ASA.

Other Board assignments: Vice Chairman of Net Insight AB. Board member of Avesta Polarit, Volvo Car Corp, Höganäs AB, Nordea AB, Pharmadule AB. Advisor to the European Bank for Reconstruction and Development.

Shares: 9,858

Arne R. Bennborn
Born 1932. Board member since 1996.
Honorary Dr. Tech.
Member of the Royal Academy of Engineering Sciences.
Shares: 4,584



Jan Blomberg

Born 1939. Board member since 1996.

Other Board assignments: Chairman of Handelsbanken Regionbank City, Stockholm. Vice Chairman of Drott AB. Board member of Besam AB, Skandia Investment, Haldex AB, Capio AB, Svenska Spel AB and H&B Capital.

Shares: 3,638



Anders Lannebo

Born 1944. Board member since 2000.

Founder and Chairman of Lannebo Fonder.

Other Board assignments: Chairman of Webupdate AB. Board member of Aktieförbundet (Swedish Association for Share Promotion) and Svenskt Stål AB SSAB.

Shares: 40,015



Lennart Sundén

Born 1952. Board member since 1999.

President and CEO of Swedish Match AB since November 1998.

Other Board assignments: Board member of Förenings-Sparbanken, JM AB and Arnold André GmbH & Co KG

Shares: 60,000. Call options 401,689.

Meg Tivéus
Born 1943. Board member since 1999.
President of Svenska Spel AB.
Other Board assignments: Board member of Operan, ARK Resebyrå AB, Billerud AB and Danderyds Sjukhus.
Shares: 0



Klaus Unger

Born 1934. Board member since 1984.

Other Board assignments: Board member of Arnold André GmbH & Co KG. Member of the Royal Swedish Academy of Engineering Sciences.

Shares: 4,614



Employee representatives Regular members



Kenneth Ek
Born 1953. Board member since 1999.
Appointed by the Federation of Salaried Employees in Industry and Services (PTK). Board member of the Swedish Association of Management and Professional Staff (Ledama) at the snus factory in Gothenburg, Sweden.
Shares: 0

Eva Larsson
Born 1958. Board member since 1999.
Appointed by the Swedish Trade Union Confederation (LO) of Swedish Match Industries AB. Shop steward at the match factory in Tidaholm, Sweden.
Shares: 0



Joakim Lindström
Born 1965. Deputy member since 1999.
Appointed by the Swedish Trade Union Confederation (LO) within Swedish Match AB. Vice President of the Swedish Food Workers' Association (Livs) in Solna, Stockholm, Sweden.
Shares: 0

Employee representatives (deputies)



Lennart Johansson
Born 1951. Deputy member since 1999.
Appointed by the Federation of Salaried Employees in Industry and Services (PTK). Chairman of the Association of Graduate Engineers at Swedish Match.
Shares: 0

Stig Karlsson
Born 1941. Deputy member since 1999.
Appointed by the Federation of Salaried Employees in Industry and Service (PTK) within Swedish Match Industries AB. Shop Steward for the Swedish Industrial AB Salaried Employees Association (SIF) at Swedish Match Arenco AB in Kalmar, Sweden.
Shares: 249



Christer Hylén
Born 1965. Deputy member since 2001.
Appointed by the Swedish Trade Union Confederation (LO) within Swedish Match AB.
Shares: 0

Auditors

Åke Danielsson
Authorized Public Accountant
Örlings PricewaterhouseCoopers AB
Born 1947
Swedish Match Auditor since 1998

Göran Tidström
Authorized Public Accountant
Örlings PricewaterhouseCoopers AB
Born 1946
Swedish Match Auditor since 1986

Deputy Auditor

Claes Dahlén
Authorized Public Accountant
Örlings PricewaterhouseCoopers AB
Born 1950
Swedish Match Deputy Auditor since 1998

The Swedish Match share

The Swedish Match share is listed on the Stockholm Exchange in Sweden and the NASDAQ Exchange in the US. Total share capital amounts to 891.8 MSEK, distributed among 371.6 million shares with a par value of SEK 2.40 each. Every share carries one vote. A round lot is 500 shares.

Turnover

Total turnover in 2001 was approximately 268 million (245) Swedish Match shares on the Stockholmsbörsen, with a daily average turnover of about 1.1 million shares (1.0). The turnover rate, or the liquidity of the share on the Stockholm Exchange, was 70 percent during the year, compared with the market average of 134 percent. The volume of trading on NASDAQ increased during the year, and the number of outstanding American Depositary Receipts (with each ADR corresponding to 10 shares) decreased to 509,049 (601,056). The depository bank is the Bank of New York (symbol SWMAY).

Price performance in 2001

The company's market capitalization at year-end 2001 amounted to 20.6 SEK billion. The share price

increased 50.8 percent during the year. The Affärsvärlden General Index declined by nearly 17 percent.

The lowest price paid during the year was 34.90 SEK on January 4, and the highest price paid was 58 SEK on December 21.

Ownership structure

Foreign ownership interests corresponded to 68.5 percent of total share capital, an increase of 11.5 percentage points compared with 2000. Swedish ownership interests were divided among institutions, with 15 percent of total shares outstanding, mutual funds 6.4 percent and private persons 10.2 percent of the share capital. The ten largest shareholders account for 28.5 percent of share capital.

Dividend

The Board of Directors has proposed a dividend for 2001 to the Annual General Meeting of 1.45 SEK (1.35) per share.

Transfers of capital to Swedish Match shareholders (1997–2001)

	1997	1998	1999	2000	2001	Total
Dividends	510	510	474	490	508	2,792
Redemptions, net	—	1,147	—	996	—	2,143
Buyback	—	—	—	905	1,169	2,074
Total	510	1,657	474	2,391	1,677	7,009

Share distribution, December 31, 2001

Size of holding	No. of owners	%	No. of shares	% of capital and votes
1 – 1,000	93,574	92.5	16,787,420	4.8
1,001 – 5,000	6,462	6.4	13,273,572	3.8
5,001 – 20,000	779	0.8	7,277,941	2.1
20,001 – 50,000	140	0.1	4,403,635	1.3
50,001 –	245	0.2	308,257,613	88.0
Summa	101 200	100.0	350,000,181*	100.0

* Excluding 21,596,000 shares held by the company following the buyback.

Largest shareholders, December 31, 2001*

Owner	No. of shares	% of voting rights and capital
Fidelity	47,930,225	13.7
Robur fonder	22,750,143	6.5
Capital Group	18,258,699	5.2
Harbor Funds Inc	15,718,474	4.5
Alecta	7,058,876	2.0
Fourth AP-Fund	6,690,000	1.9
Third AP-Fund	5,963,100	1.7
Putnam Funds	4,133,011	1.2
Franklin Templeton	4,109,400	1.2
First AP-Fund	3,867,277	1.1
Others	213,520,976	61.0
Total	350,000,181	100.0

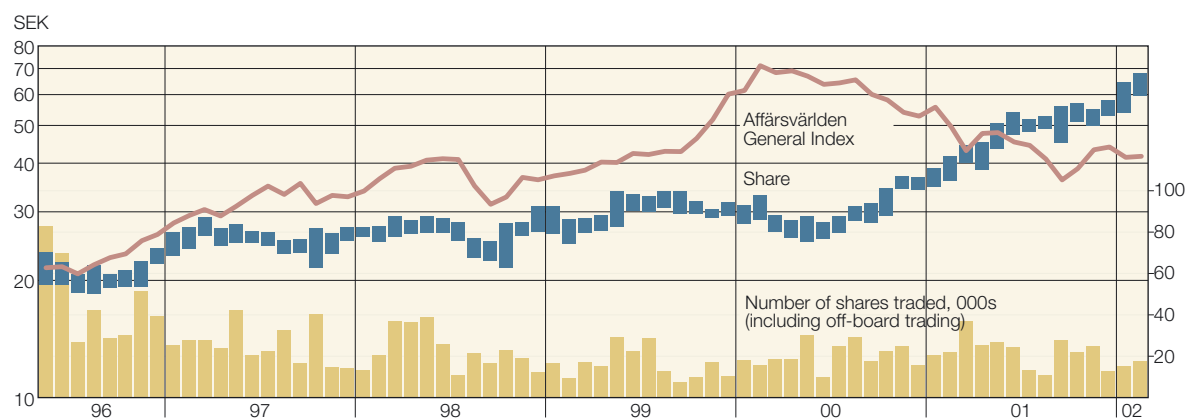
* Registered direct ownership according to VPC (Securities Register Center). In addition, the company owns 21,596,000 shares acquired through buyback.

Per-share data*

	1997	1998	1999	2000	2001
Income after tax					
before items affecting comparability, SEK	2.15	1.92	2.26	2.76	3.54
after items affecting comparability, SEK	2.15	1.56	10.56	2.76	3.40
Dividend, SEK	1.05	1.08	1.22	1.35	1.45**
Market price at year-end, SEK	25.34	28.86	29.06	36.50	55.50
Shareholders' equity per share, SEK	6.12	4.89	13.47	12.22	11.73
P/E ratio after tax	11.8	18.7	2.8	13.2	16.3
EBIT multiple	8.1	10.4	6.9	9.0	11.2
Price/equity	4.1	5.9	2.2	3.0	4.7
Direct return, %	4.2	3.7	4.2	3.7	2.6
Total return, %	15.5	18.6	4.3	32.0	55.6
Average number of shares	463,558,252	450,133,840	431,339,663	410,177,322	361,506,184
Number of shareholders	142,859	127,710	115,019	105,950	101,200

* Where appropriate, adjusted for bonus issue element at redemption. As of 2001, Swedish Match follows Recommendation RR 9 of the Swedish Financial Accounting Standards Council in regard to Income Tax. Comparative figures for 2000 have been adjusted in accordance with the new accounting principles.

** Board proposal.



Information to our shareholders

Annual General Meeting

The Annual General Meeting will be held at 4.30 p.m. on Tuesday, April 23, 2002 in Hall K1, Stockholm International Fairs (Stockholmsmässan), Älvsjö in Stockholm. Shareholders who are listed in a printout of the Shareholders' Register compiled on April 12, 2002 and have notified Swedish Match of their intention to attend are entitled to participate in the Annual General Meeting.

Listing in shareholders' register

The Swedish Match Shareholders' Register is maintained by Värdepapperscentralen VPC AB (the Swedish Securities Register Center). Listings are restricted to shares registered in the owner's name. Shareholders whose shares are held in trust must ensure that their shares are re-registered in their own names not later than Friday, April 12, 2002.

Notification of intention to attend Annual General Meeting

Notification of intention to participate in the Annual General Meeting will be accepted as from Tuesday, March 19, 2002.

Applications may be submitted by:

Telephone +46 20-61 00 10 (1.00 p.m. to 4.00 p.m.)

Fax +46 8-720 76 56

www.swedishmatch.se/stamman

post Swedish Match AB

Legal Affairs

SE-118 85 Stockholm

Sweden

When notifying the company, please state your:

name

personal identification number

(registration number)

address and telephone number (daytime)

Shareholders who wish to participate in the Annual General Meeting must notify the Company not later than 4.00 p.m. on Wednesday, April 17, 2002, which is the expiration date for receipt of notification by Swedish Match. The Board of Directors has proposed April 26, 2002 as the record date for dividend entitlement. Dividends are expected to be paid by VPC on May 2, 2002.

Nominating committee for Swedish Match Board of Directors

The Nominating Committee prepares and submits proposals to the Annual General Meeting for the election of the Board of Directors and auditors and fees paid to members of the Board and the auditors.

The Committee, which is appointed by the Annual General Meeting, comprises Anders Ek, Björn Franzon, Bernt Magnusson and Lars Otterbeck.

Address: Swedish Match AB

Nominating Committee

SE-118 85 Stockholm

Sweden

Financial reports may be ordered via the Internet:

www.swedishmatch.com

Or from:

Swedish Match AB

Investor Relations

SE-118 85 Stockholm

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Telephone: +46 8-658 0145

Fax: +46 8-658 0262

E-mail: investorrelations@swedishmatch.com

Production

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Definitions

Return on Shareholders' equity (%)	$\frac{\text{Net income for the year}}{\text{Average shareholders' equity}} \times 100$
Return on Operating capital (%)	$\frac{\text{Operating income before items affecting comparability}}{\text{Average operating capital}} \times 100$
Direct return (%)	$\frac{\text{Proposed dividend}}{\text{Share price at year-end}} \times 100$
EBIT multiple	$\frac{\text{Market value} + \text{net debt} + \text{minority interests}}{\text{Operating income before items affecting comparability}}$
Equity per share	$\frac{\text{Shareholders' equity}}{\text{Number of share outstanding at year-end}}$
Average shareholders' equity	$\frac{\text{Opening} + \text{closing Shareholders' equity}}{2}$
Average operating capital	$\frac{\text{Opening} + \text{closing operating capital}}{2}$
Net debt	Interest-bearing liabilities – liquid assets
Debt/equity ratio	$\frac{\text{Net debt}}{\text{Shareholders' equity} + \text{minority interests}} \times 100$
Operating capital	Current operating assets + intangible assets, property, plant and equipment + other long-term operating assets – current operating liabilities
P/E ratio after tax	$\frac{\text{Share price at year-end}}{\text{Earnings per share after items affecting comparability}}$
Operating margin (%)	$\frac{\text{Operating income before items affecting comparability}}{\text{Net sales}} \times 100$
Equity/assets	$\frac{\text{Shareholders' equity} + \text{minority interests}}{\text{Total assets}} \times 100$
Earnings per share	$\frac{\text{Income for the year (where appropriate, adjusted for items affecting comparability)}}{\text{Average number of shares after buy back}}$

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