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Interim Report January–March

- ★ *Continued stable earnings during first quarter of 1997.*
- ★ *Higher operating income despite modest decline in sales.*
- ★ *Decline in cigarette sales in Sweden as a result of stockpiling toward year-end 1996.*
- ★ *Strong increase in earnings for Chewing Tobacco and Snuff.*
- ★ *New product-oriented organization in effect since January 1, 1997.*



SWEDISH MATCH

Interim Report January–March 1997

Swedish Match sales during the first quarter of 1997 declined 3 percent to SEK 1,684 M, compared with SEK 1,733 M during the corresponding period in 1996. The Cigarettes Division reported the largest shortfall in sales, due to extensive hoarding (estimated at SEK 75 M) toward year-end 1996 because of the tax increase introduced on January 1, 1997.

Operating income before nonrecurring items amounted to SEK 334 M, an increase of SEK 15 M compared with the first quarter of 1996. In terms of earnings, higher prices and volumes for Chewing Tobacco and Snuff more than offset the effect on operating income of the decline in cigarette sales, which was largely, SEK 45 M, due to hoarding in Sweden.

Swedish Match Jan–March 1997

(SEK M)	First three months	
	1997	1996
Sales	1,684	1,733
Operating income before nonrecurring items	334	319
Operating income	334	319
Income before taxes and minority interests	352	298
Net income	234	219

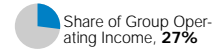
Sales per division

(SEK M)	First three months		Percent change	12 months ended Mar. 31, 1997	Full year 1996
	1997	1996			
Chewing Tobacco	295	248	19	1,090	1,043
Cigarettes	349	425	- 18	1,907	1,983
Cigars	151	159	- 5	670	678
Lighters	211	212	0	845	846
Matches	303	329	- 8	1,215	1,241
Pipe Tobacco	37	49	- 24	184	196
Snuff	238	201	18	937	900
Groupwide operations and eliminations	100	110		519	529
Total	1,684	1,733	- 3	7,367	7,416

Operating income before nonrecurring items, per division

(SEK M)	First three months		Percent change	12 months ended Mar. 31, 1997	Full year 1996
	1997	1996			
Chewing Tobacco	104	59	76	413	368
Cigarettes	94	143	- 34	740	789
Cigars	30	25	20	141	136
Lighters	10	11	- 9	47	48
Matches	26	25	4	119	118
Pipe Tobacco	5	9	- 44	37	41
Snuff	115	86	34	460	431
Groupwide operations and eliminations	- 50	- 39		- 219	- 208
Total	334	319	5	1,738	1,723

Division Chewing Tobacco



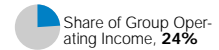
Chewing Tobacco operates almost exclusively in the North American market.

Sales during the first three months of 1997 amounted to SEK 295 M, an increase of SEK 47 M, or 19%, compared with the corresponding period in 1996. The increase was attributable primarily to premium products in

the Red Man brand line and the stronger U.S. currency. Operating income rose from SEK 59 M to SEK 104 M, based mainly on higher sales, a greater percentage of high-price products and cost savings.



Division Cigarettes



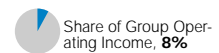
Sales of cigarettes and tobacco for roll-your-own cigarettes is primarily in Sweden but also in Estonia and certain other export markets.

Sales during the first quarter of 1997 totaled SEK 349 M, a decline of SEK 76 M compared with the corresponding period last year. The decline was due essentially to hoarding prior to the introduction of higher

cigarette tax at year-end 1996. Operating income fell from SEK 143 M during the first quarter of 1996 to SEK 94 M this year. The effect of hoarding toward year-end 1996 on operating income during the first quarter of 1997 has been estimated at approximately SEK 45 M.



Division Cigars



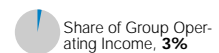
Western Europe is the division's most important market. Cigars are also exported to a large number of other markets.

Sales during the first quarter of 1997 amounted to SEK 151 M (159). The decline was caused mainly by

changes in currency exchange rates. Operating income rose to SEK 30 M (25). The launch of premium cigars was initiated in the U.S. during the quarter, but the launch had no significant impact on quarterly results.



Division Lighters



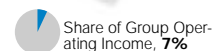
The division markets disposable lighters in virtually all lighter markets around the world.

Sales during the first quarter of 1997 amounted to SEK 211 M (212). Sales volumes were somewhat lower

than last year, primarily in North America and Asia. Operating income declined from SEK 11 M to SEK 10 M due to lower volumes.



Division Matches



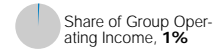
The division markets matches primarily in Western Europe and Brazil, but it also has large export volumes in markets around the world.

Sales during the first quarter of 1997 amounted to SEK 303 M, a decline of SEK 26 M compared with the corresponding period last year. The decline was caused

mainly by lower volumes. Operating income totaled SEK 26 M, virtually unchanged from the first quarter of 1996. Improvements in productivity compensated for effects on income caused by lower volumes.



Division Pipe Tobacco



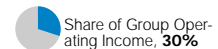
The division is responsible for the Company's pipe tobacco business worldwide, but its primary markets are the U.S. and Sweden.

Sales during the first three months of 1997 fell to SEK 37 M from SEK 49 M during the corresponding period last year, primarily the result of large deliveries to

Switzerland and the U.S. that were planned for 1997, but made already in the autumn of 1996. As a result, operating income declined from SEK 9 M during the first quarter of 1996 to SEK 5 M this year.



Division Snuff



The division markets moist snuff products mainly in the growing markets in Sweden and the U.S.

Sales during the first quarter amounted to SEK 238 M, an increase of SEK 37 M compared with the corresponding period last year. The increase in Swedish

Match's market share in the U.S. continues. Operating income improved as a result of higher volumes and prices in Sweden and the U.S., from SEK 86 M to SEK 115 M.



Financial result

Net interest improved compared with the first quarter of 1996 as a result of lower net debt. Other financial items, reflecting a net total of SEK 21 M (9), are attributable primarily to exchange gains on financial assets and liabilities.

Investments, financing and liquidity

Group investments in tangible assets during the first three months of 1997 amounted to SEK 53 M (51). Liquid funds, including short-term investments, totaled SEK 395 M at the close of the three-month period under review, compared with SEK 942 M at the beginning of 1997. Net debt at the end of the period was SEK 519 M, an increase with SEK 442 M from year-end 1996. The net debt at year-end 1996 was low due to the fact that liabilities for income taxes and tobacco excise taxes were a total of approximately SEK 500 M higher than normal. These liabilities have been paid down and are now at a normal level.

Average number of Group employees

The average number of Group employees during the first three months of 1997 was 6,321, compared with 6,840 during the same period in 1996. The average number of employees in Sweden was 1,444, compared with 1,554 last year.

Increase in Swedish tobacco tax

In its budget proposal, the Swedish government has announced a 29 percent excise tax increase on cigarettes, effective August 1, 1997. To date, it has been possible for Swedish Match to compensate for lower volumes attributable to higher tax through increased prices. However, the new tax increase will make cigarettes in Sweden much more expensive than in most neighboring countries. Consequently, the scope for further price increase is limited.

Other information

This report has not been reviewed by Swedish Match's auditors.

The interim report for the first six months of 1997 is scheduled to be released on August 12, 1997.

Göran Lindén
President and Chief Executive Officer

Group income statement

(SEK M)	First three months		Percent change	12 months ended Mar. 31, 1997	Full year 1996
	1997	1996			
Sales, incl. tobacco tax	3,181	3,383	- 6	14,805	15,007
Less tobacco tax	- 1,497	- 1,650	9	- 7,438	- 7,591
Sales	1,684	1,733	- 3	7,367	7,416
Cost of goods sold	- 807	- 893	10	- 3,567	- 3,653
Gross profit	877	840	4	3,800	3,763
Sales and administration costs, etc.	- 548	- 526	- 4	- 2,078	- 2,056
Share in earnings of associated companies	5	5		16	16
Operating income before nonrecurring items	334	319	5	1,738	1,723
Nonrecurring items	—	—		- 123	- 123
Operating income	334	319	5	1,615	1,600
Interest, net	- 3	- 30		- 54	- 81
Other financial items, net	21	9		23	11
Net financial items	18	- 21		- 31	- 70
Income before income taxes and minority interests	352	298	18	1,584	1,530
Income taxes	- 116	- 80	- 45	- 475	- 439
Minority interests	- 2	1		15	18
Net income	234	219	7	1,124	1,109

Group balance sheet

(SEK M)	Mar. 31, 1997	Dec 31, 1996
Intangible fixed assets	524	516
Tangible fixed assets	2,088	2,034
Financial fixed assets	289	277
Current operating assets	3,085	2,964
Current financial receivables	158	144
Liquid funds	395	942
Total assets	6,539	6,877
Shareholders' equity	2,698	2,314
Minority interests	53	54
Provisions	496	483
Long-term loans	5	4
Other long-term liabilities	8	8
Short-term borrowings	909	1,015
Other current liabilities	499	709
Current operating liabilities	1,871	2,290
Total shareholders' equity and liabilities	6,539	6,877
Operating capital	3,826	3,224
Net debt	519	77

Key data

	12 months ended March 31, 1997	Full year 1996
Operating margin, %*	23.6	23.2
Return on operating capital, %*	49.8	49.9
Return on shareholders' equity, %	54.5	57.3
Interest coverage, times	10.6	9.6
Debt/equity ratio, %	18.8	3.2
Equity/assets, %	42.1	34.4
Investments, SEK M	219	217
Operating cash flow, SEK M*	1,712	1,968
Average number of employees	6,321**	6,580

Share data

Income per share after full tax,		
before nonrecurring items, SEK	2.62	2.59
after nonrecurring items, SEK	2.42	2.39
Shareholders' equity per share, SEK	5.82	4.99
Number of shares outstanding	463,558,252	463,558,252

Income per share after full tax the first three months of 1997 amounted to SEK 0.50.

* Before nonrecurring items

** First three months

Quarterly data

(SEK M)	Q1/96	Q2/96	Q3/96	Q4/96	Q1/97
Sales, incl. tobacco tax	3,383	3,715	3,793	4,116	3,181
Less tobacco tax	-1,650	-1,867	-1,938	-2,136	-1,497
Sales	1,733	1,848	1,855	1,980	1,684
Cost of goods sold	-893	-900	-893	-967	-807
Gross profit	840	948	962	1,013	877
Sales and administration costs, etc.	-526	-531	-484	-515	-548
Shares of income in associated companies	5	5	4	2	5
Operating income before nonrecurring items	319	422	482	500	334
Nonrecurring items	—	-123	—	—	—
Operating income	319	299	482	500	334
Interest net	-30	-26	-17	-8	-3
Other financial items, net	9	1	0	1	21
Finance items, net	-21	-25	-17	-7	18
Income before income taxes and minority interests	298	274	465	493	352
Income taxes	-80	-94	-149	-116	-116
Minority interests	1	-1	1	17	-2
Net income	219	179	317	394	234

Sales per division

(SEK M)	Q1/96	Q2/96	Q3/96	Q4/96	Full year 1996	Q1/97
Chewing Tobacco	248	267	296	232	1 043	295
Cigarettes	425	489	505	564	1 983	349
Cigars	159	168	168	183	678	151
Lighters	212	217	205	212	846	211
Matches	329	316	262	334	1 241	303
Pipe Tobacco	49	42	51	54	196	37
Snuff	201	221	229	249	900	238
Groupwide operations and eliminations	110	128	139	152	529	100
Total	1,733	1,848	1,855	1,980	7,416	1,684

Operating income before nonrecurring items, per divisions

(SEK M)	Q1/96	Q2/96	Q3/96	Q4/96	Full year 1996	Q1/97
Chewing Tobacco	59	98	111	100	368	104
Cigarettes	143	189	223	234	789	94
Cigars	25	36	30	45	136	30
Lighters	11	15	11	11	48	10
Matches	25	33	24	36	118	26
Pipe Tobacco	9	5	14	13	41	5
Snuff	86	100	117	128	431	115
Groupwide operations and eliminations	- 39	- 54	- 48	- 67	- 208	- 50
Total	319	422	482	500	1,723	334

To facilitate comparison, historical data for the years 1993-1995 is presented in this interim report based on the new organization.

Sales per division

(SEK M)	Full year 1993	Full year 1994	Q1/95	Q2/95	Q3/95	Q4/95	Full year 1995
Chewing Tobacco	1,208	1,233	267	335	286	285	1,173
Cigarettes	1,633	1,934	385	516	527	513	1,941
Cigars	705	729	167	182	189	191	729
Lighters	791	796	210	209	219	197	835
Matches	1,825	1,754	346	352	324	336	1,358
Pipe Tobacco	269	222	45	45	49	43	182
Snuff	581	640	153	189	179	208	729
Groupwide operations and eliminations	411	452	101	125	135	127	488
Total	7,423	7,760	1,674	1,953	1,908	1,900	7,435

Operating income before nonrecurring items, per division

(SEK M)	Full year 1993	Full year 1994	Q1/95	Q2/95	Q3/95	Q4/95	Full year 1995
Chewing Tobacco	264	277	38	94	90	114	336
Cigarettes	631	775	115	215	233	223	786
Cigars	88	114	15	30	28	36	109
Lighters	37	- 5	- 7	- 8	6	6	- 3
Matches	261	303	40	11	18	24	93
Pipe Tobacco	69	35	6	4	9	12	31
Snuff	179	224	58	61	85	77	281
Groupwide operations and eliminations	- 100	- 144	- 32	- 52	- 25	- 30	- 139
Total	1,429	1,579	233	355	444	462	1,494

Addresses

Product Divisions

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