

#1 *march 2002*

Strong earnings and positive organic growth

Swedish Match reports strong earnings and 8-percent organic growth, despite the weakening world economy. Operating income improved further during the fourth quarter, resulting in full-year increase of 16 percent. Earnings per share increased by a full 28 percent to SEK 3.54. Page 2

Success for cigars in North America

Swedish Match increased both its sales volumes and its market shares for machine-made cigars in North America. The explanations for this success include a more efficient sales force and improved marketing. »This is an extremely dynamic market. You can't afford to sit still for a single minute,« says David Price, head of marketing. Page 2-3



2001 best year ever for shareholders

For Swedish Match shareholders, 2001 was the best year since the company's stock market introduction in 1996. The share price rose 51 percent and the total return to shareholders was in excess of 53 percent, making the Swedish Match share the best-performing of the most actively traded shares on the Stockholm Exchange. The factors behind the share's surge include the company's strong finances, stable and positive cash flow and underlying sales growth, despite a declining economy. Page 7

Danish paradise for Nordic tobacco lovers

The Nordic region's most prestigious tobacco store, W.Ø. Larsen, is located in the Strøget pedestrian shopping district in Copenhagen. Here, genuine craftsmanship is combined with modern marketing methods. Page 4

Register for the Annual General Meeting via the Internet

The Annual General Meeting of Swedish Match will be held on April 23. For the third successive year, shareholders can register via the Internet, as well as by telephone and fax. »Registration via the Internet is simpler for both shareholders and the company,« says Annette Kaunitz, project manager responsible for the website. The address is: www.swedishmatch.se/stamman



LENNART SUNDÉN:

»We are a unique company«

»We have turned the industry's problems into an opportunity. We focus on those niche areas that are growing and where profitability is high, with smokeless alternatives leading the way. This makes us a unique company in our industry,« says Swedish Match's President Lennart Sundén in an interview. Page 4-5

Easier to quit smoking with »snus«

Sweden is pioneering a new way to save lives by steering consumption from cigarettes to snuff (»snus«), according to New Scientist magazine. Karl-Olov Fagerström, an expert on quitting smoking, agrees and believes that snuff can be a highly effective aid for people who wish to quit smoking. »I am quite prepared to recommend snuff when nicotine substitutes are not sufficiently effective,« he says. Page 4-7



Karl-Olov Fagerström.

Analysts' questions

Swedish Match's earnings for 2001 were slightly higher than the average forecasts by financial analysts. Many questions were asked when Group management met analysts in a telephone conference call shortly after the year-end financial report was released.

JONAS PÅLSSON, CAZENOVE & CO:

»I would like to know what is behind the growth figures for snuff. Did the introduction of Sequoia in the US contribute to the increase? What is Sequoia's market share today, and how large do you anticipate that it could become long-term?«

LENNART SUNDÉN, CEO:

»Sequoia did in fact make a contribution. Overall, during its introductory year, the new brand's market share amounted to 0.22 percent. However, Sequoia has only been introduced in about 15 states to date, and market shares vary between the different states from 0.2 to 1.0 percent. We know the introduction will be a long, drawn-out process but so far it has proceeded according to plan. Timber Wolf also advanced strongly in the US during the fourth quarter, a trend that we consider highly promising.«

ROBERT GÄRTNER, HANDELSBANKEN:

»Is it possible that the sharp increase in snuff sales during the fourth quarter was attributable to inventory build-ups?«

LENNART SUNDÉN:

»No, there is no such factor in our fourth-quarter figures, so we believe that the sales volume will be sustained in the future.«

AN ANALYST:

»My question concerns your cash flow. Do you still have tobacco inventories and, if so, will you continue to sell from the inventories? I also wonder what can be done regarding the situation for pipe tobacco in South Africa.«

SVEN HINDRIKES, CFO:

»Yes, it is correct that we still have inventories of raw tobacco, which we will also continue to deplete during the next four years. With regard to pipe tobacco, our earnings were adversely affected by the fall of the South African rand, particularly against the US dollar. We are now working to improve margins there in different ways, including higher prices.«

Continued positive despite weakening

Operating income improved for Swedish Match during the fourth quarter at a comparable rate to previous quarters, and the operating margin strengthened to 16.6 percent. As a result, operating income for the full year rose 16 percent to SEK 2,193 M (1,886). Earnings per share, excluding items affecting comparability, increased by a full 28 percent to SEK 3.54. Earnings per share during the fourth quarter amounted to SEK 0.97, a 24-percent increase compared with the year-earlier period. »Swedish Match continues to demonstrate its qualities as a stable company that can achieve organic growth of 8 percent in a weakening world economy,« comments CFO Sven Hindrikes. »Our strategies are producing results, and we are continuing to generate shareholder value.«

Group sales for the year rose 18 percent to SEK 13,635 M (11,533). The rate of increase during the fourth quarter was 10 percent, largely in the form of organic growth, since the positive effects of exchange-rate movements and earlier acquisitions are now diminishing.

»In addition to being a stable company, Swedish Match is also a growing company. This was the second consecutive year in which we have had a high rate of organic growth, as a result of being correctly positioned in expanding product segments and also taking market shares,« comments CFO Sven Hindrikes. »Organic growth of 8 percent is unique in the industry and unusual compared with many other mature industrial companies, particularly considering the economic downturn. Of the remain-

ing growth during the year, higher exchange rates – especially against the US dollar – and acquired operations each accounted for five percentage points.«

Tobacco products showed continued market strength. Cigar sales rose 29 percent to SEK 3,481 M, due in part to the full-year effect of acquisitions and in part to a strong increase for machine-produced cigars in the US, which showed an 11-percent volume increase. Chewing tobacco and pipe tobacco also showed healthy sales increases, thanks to positive exchange-rate effects and the acquisition of the pipe tobacco operations of British American Tobacco in South Africa.

»SALES OF SNUFF increased by 19 percent during the full year and by the same amount during the fourth quarter. This increase deserves emphasis, since it is



Sven Hindrikes.

based on continued gains in market shares in the US, despite tough competition,« notes CFO Sven Hindrikes. »Volume increased by 13 percent during the year in the US, measured in terms of the number of cans sold, and our market share in this growing market improved on average from 7.6 to 8.5 percent during the year. In Northern Europe, volume was up 4 percent.«

While sales of lighters and matches declined, this was due to the fact that a certain portion of sales was transferred from Matches to Other Operations, primarily advertising products. »We are pleased to note a strong improvement in operating income and operating margins in these two product areas, thanks to our successful program of efficiency-enhancement and restructuring measures,« says Sven Hindrikes.

Group operating income for the full year rose 16 percent to SEK 2,193 M. Earnings before depreciation, interest payments and tax, which increased 18 percent to SEK 2,863 M, provide a measure of the capacity of operations to generate cash flow. All product areas except snuff increased their full-year operating

Success for cigars in North America

Increased sales, market share gains and production efficiencies – that sums up the success achieved by the personnel in charge of machine made cigars in the U.S. during 2001. Among the explanations are a more efficient sales force and improved marketing.

One of several factors underlying these successes is the fact that the sales force became larger and more efficient. The process had already begun in 1999 when Swedish Match acquired the operations for machine made cigars from General Cigar. With the acquisition, Swedish Match's existing sales force became larger and more efficient

through a variety of training initiatives and realized synergies.

This in turn improved contacts with retail outlets, since a larger number of sales personnel can naturally reach a greater number of retailers. »We are one of the few producers that cover the entire spectrum from inexpensive to exclusive machine made cigars,« explains Dan Carr, Vice President,



Sales. »White-Owl, one of our lower price brands was extremely successful in 2001. While Garcia y Vega, the leading natural leaf cigar, increased sales while maintaining its market position,« notes Carr.

At the same time, an exhaustive

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SWEDISH MATCH

organic growth world economy

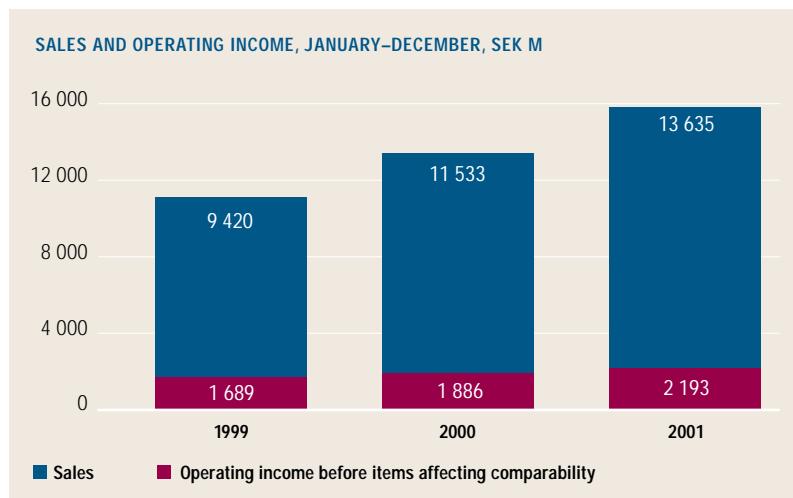
income. The Group-wide improvement for the fourth quarter was 17 percent.

»Snuff ended up with the same operating income as last year,« says Sven Hindrikes. »But it is important to remember that we very substantially increased the level of investment in the snuff product area. We intensified our focus on product development and we launched a number of new products and brands, with particular emphasis on marketing and sales. We are continuing our efforts to break into the premium segment in the US with Sequoia, and this campaign is proceeding according to plan. We are launching snuff in India and have also broadened the product spectrum with new flavors, both in North America and in Northern Europe.«

SWEDISH MATCH'S POSITIVE cash flow and strong balance sheet have provided the resources for continued buybacks of shares in accordance with the program approved by the Annual General Meeting. In total, 25 million shares were repurchased during the year, leaving 350 million shares outstanding in the market at year-end. For purposes of comparison, it is worth noting that when the Group was reintroduced on the stock market in 1996, the total number of shares was 463 million. During year 2000, the number of shares outstanding decreased by 7 percent.

The buyback program has improved the Group's key ratios, particularly earnings per share, which rose 28 percent to SEK 3.54 – an improvement that very few major Swedish companies could match.

»The buyback program benefits the long-term shareholders – those who stay the course and can reap the gains of better key ratios and a higher share price. This philosophy is a key factor in creating shareholder value, combined with our operative strategies for



	SALES, SEK M			OPERATING INCOME, SEK M		
	Jan–Dec 2001	Jan–Dec 2000	Change %	Jan–Dec 2001	Jan–Dec 2000	Change %
Snuff	2 457	2 071	19	950	954	—
Chew. tobacco	1 377	1 227	12	372	331	12
Cigars	3 481	2 690	29	500	347	44
Pipe tobacco/ Accessories	933	762	22	236	213	11
Matches	1 690	1 712	–1	183	90	103
Lighters	809	720	12	101	74	36
Other	2 888	2 351	23	–149	–123	–21
Subtotal	13 635	11 533	18	2 193	1 886	14
Items affecting comparability				–80		
Total	13 635	11 533	18	2 113	1 886	12

increasing growth and improving earnings,« says Sven Hindrikes.

Sven Hindrikes' forecast for 2002:
»All parts of the Group are now func-

tioning well. We are correctly positioned with good products, are experiencing positive growth and continuing to fine-tune our successful strategies. □

review of all costs from production plants to sales organization was implemented.

»We will continue our focus on cost reductions and efficiencies in 2002 which also includes a continuing examination of our product range: we continually look to eliminate slow moving inefficient items and replace them with new products to satisfy emerging consumer trends,« says Ed Golden, Vice President, Marketing.

The foundation for continued improvement is driven by a thorough understanding of the consumer and the category. »We have conducted extensive consumer research and this has given us an in-depth understanding of the category, perceptual brand map, consumer motivations and what influences brand position,« continues Ed Golden.

Looking forward, a major task is to strengthen the company's position in

the more expensive price segment led by Garcia y Vega. The brand has considerable equity and there is the opportunity to solidify the brand position and its leadership in the natural-leaf segment. »New packaging, to be launched in the second-half of 2002, will be the key marketing initiative for the brand,«

adds David Price, Director of Marketing for Cigars.

»This is an extremely dynamic market. You cannot afford to sit still for a single minute,« underscores David Price. »We must be able to spot trends and react to changes in the market at an early stage.« □

Annual General Meeting of Swedish Match AB April 23, 2002, 4.30 p.m.

Remember to reregister trustee-registered shares before April 12 in preparation for the Annual General Meeting.

An invitation to attend the Annual General Meeting and a reply card will be inserted in the Annual Report, which will be distributed during the week beginning April 1. You can also register by telephone, +46 10-61 00 10 (between 1.00 p.m. and 4.00 p.m.), fax, +46 8-720 76 56, after March 18, or via the Internet, www.swedishmatch.se/stamman.



Our basic principle is openness

AS CAN BE SEEN from the recently presented year-end report for last year, 2001 was a good year for Swedish Match. A year-end report contains a mass of information about our sales, earnings, markets and products. Group policy is to be as open as possible in our corporate communications.

The only restriction relates to competition. We cannot jeopardize our operations – and ultimately harm both our employees and our shareholders – by revealing in detail to our competitors everything we have done and are planning to do.

Our successes are not something that can be taken for granted, but are the result of the diligent efforts made on a daily basis by the Group's thousands of employees – a resource we intend to safeguard.

But our basic principle is openness.

The stock market's appetite for information, in particular, can sometimes seem insatiable. Analysts process and reprocess our data and figures in their efforts to forecast our future development and assess our position in relation to our competitors. We endeavor to provide as helpful an information base as possible.

The information we provide is not exclusively the concern of the stock market. We are a company operating in an exposed sector. Our products are subjected to debate and critical examination.

Our own aim is to contribute to increased knowledge about the effects of tobacco use by being open about our own research results, which we also have never attempted to conceal. On the contrary, our researchers have regularly published their findings in scientific publications.

Among other objectives, we will endeavor to reduce the harmful effects of tobacco use by developing and marketing smokeless products that carry significantly lower health risks than cigarettes. »Snus by GothiaTek« is an example, and we are proud of what we have achieved in this product area in Sweden.

Shareholders, employees and society in general are all entitled to place rigorous demands on the information we provide, and we will try to meet these expectations.

Feel free to ask us questions, and we will answer as best we can.

Bo Aulin, General Counsel and Senior Vice President, Corporate Affairs

CEO LENNART SUNDÉN'S WATCHWORDS FOR THE FUTURE:

Organic growth, cost-efficiency

During the past three years we have established a unique position in the industry, which means that we are now working with social trends rather than against them. We believe there is still abundant scope for creating shareholder value during the next few years by pursuing the current strategic direction. This is a sample of the views expressed by Lennart Sundén in this interview, in which he recaps his three years as CEO of Swedish Match and presents the Group's future work agenda. Organic growth combined with cost efficiency and effective use of capital remain key concepts for the future.

You have now been CEO for slightly more than three years – have the work involved and the results achieved been roughly what you envisioned when you accepted the job?

»Yes, to a large extent. It has been a period of major changes for the Group and all our employees. We have been able to consistently implement the strategies we adopted in spring 1999, thanks to the high degree of professionalism throughout the Group, and we have achieved our objectives in most areas«.

Today you assert that the Group is unique and different. These are big claims. How do you justify them?

Internationally, the tobacco industry is not showing any substantial growth. Awareness of the danger to health from cigarette smoking is increasing. What we have done – in a nutshell – is to turn the industry's problems into an opportunity. We focus on those niche areas that are growing and where profitability is high, with smokeless alternatives leading the way. We are the only international tobacco company that has this focus as its basic strategy, and as a result we have become the leading OTP company – special-

izing in Other Tobacco Products. So we are a different tobacco company.

But unique?

»Yes, Swedish Match's ›snus‹ (moist snuff) is unique. We have invested more than 20 years of research and development in our snus products. We have unique methods for eliminating, or radically reducing, the substances that are considered hazardous to health, and the result is a product that increasingly stands out as a realistic and effective alternative to smoking. The GothiaTek quality standard guarantees this unique quality. Scientific studies are unanimous in identifying our snus as one of the main reasons why Sweden is the only country in the world that achieved the World Health Organization's objective of reducing the proportion of smokers in the adult population to less than 20 percent.«

Sales have increased by 50 percent and earnings per share even more, and all key ratios have improved. Was this what you and the Board of Directors had in mind three years ago?

»We conducted an exhaustive strategic analysis of the situation and potential. It soon



A tobacco lover's paradise

»W.Ø. LARSEN, BY APPOINTMENT to the Danish Royal Family – importer of English shag, Dutch tobacco, Havana cigars and Egyptian cigarettes.« The words are emblazoned in elegant, old-fashioned gold lettering on the store-front at Amagertorv 9 in the middle of Copenhagen's centrally located pedestrian shopping district, Strøget. The tobacco-lover who sees this sign knows that he has

arrived at the Nordic region's most prestigious tobacco store, W.Ø. Larsen.

For four generations – since 1864 – the male descendants of Wilhelm Øckenholt Larsen have been involved in retail sales of tobacco products and have built up an operation that has no parallel in the Nordic region, with royalty and many prominent celebrities as customers. The operation expand-

ed through the acquisition of several small tobacco processing plants and the establishment of the company's own cigar and pipe tobacco production, followed in due course by pipe manufacture.

TODAY THE COMPANY is headed by Ole and Nils Larsen, both of whom also bear the customary family name, Wilhelm Øckenholt, thus ensuring that they have the

and effective use of capital



»Swedish Match's snus is unique. We have invested more than 20 years of research and development in our snuff products. We have unique methods for eliminating, or radically reducing, the substances that are considered hazardous to health.«

LENNART SUNDÉN

became clear to us that cigarettes had a better future in the hands of another player. The sale of our cigarette operations provided the resources for expansion and specialization in the OTP area. However, strong expansion needs to be underpinned by a profitable basic operation, which made it important to implement fairly radical restructuring and rationalization programs in those product areas where margins and profitability were weak. We decided to focus on cost-control and efficiency-enhancement programs in parallel with a major expansion program based on acquisitions, and we tried to exploit the buying opportunities that exist in an industry going through a consolidation phase.«

How important is the strategy?

»Strategy is extremely important. We devote considerable energy to developing strategies and then following them consistently. It is a matter of making as accurate a survey as possible of the current situation and endeavoring to pinpoint trends in the business environment, then applying a creative business approach to the establishment of a development process within which you can control as many parameters as possible and achieve as favorable a position as possible. It is not enough to be just another good company.« Differentiation – being different from all the other companies – can be one of the keys to success, enabling you to create greater value for your shareholders than your competitors can. If you find the right formula directly from the start, you can avoid expensive and time-consuming corrections as the journey proceeds.«

Do you think being a corporate leader is a profession and a talent in itself?

There are several aspects to the question. Industry knowledge is very valuable, and its importance varies from one segment to another. Perhaps I could summarize my own experience in this way: I estimate that 80–90 percent of the problems and issues I encounter at Swedish Match are ones that I have faced before. The remainder are special, industry-specific issues about which I have had to learn subsequently.

The demands on corporate leaders are constantly becoming more severe and the job just gets tougher. What leadership qualities do you think people should focus on today?

»One can talk at great length, as many people do, about leadership styles and lead-

ership qualities, until in the end you have such a mass of assertions and verbiage that the messages become contradictory and meaningless. If you want me to try to encapsulate in a few words something meaningful about leadership work, I would like to place special emphasis on the following attributes: a resolute formulation of goals, clear communication, and making sure – through effective follow-up – that decisions are implemented rapidly. I would like to add one more item to the list – a large measure of personal energy and enthusiasm.«

What do you find the most fun in your job?

»One of the most enjoyable aspects is to see results and feel stimulated to go on, and also seeing other people in the company achieving good results.«

The strategy adopted by Swedish Match in 1999 has now remained unchanged for three years. What is the lifespan of a sound strategy?

»That's a difficult question to answer simply. Strategies must be formulated in accordance with developments in the business environment, and business environments and their pace of change vary considerably from market to market and from sector to sector. It is important to always look for the unique and unrepeatable opportunities for a company.«

When will it be time for a change of strategies at Swedish Match?

»Strategies operate at different levels. Swedish Match now has a well-functioning basic strategy that I described earlier. We can verify that the present strategies provide the scope for continuing to create substantial shareholder value over the next few years. We expect to make minor shifts of emphasis, but the main outlines are clear. (See box). We work largely in product niches where we can be the best and possibly the largest, and have the best products and the strongest brands.«

What will be the balance between organic growth and acquisitions?

During the past three years we have made a number of acquisitions, including several large ones. During the next few years, the emphasis will be more on organic growth. But the strategy by no means excludes acquisitions, and if the right opportunity presents itself we are prepared – and have the resources – to make major acquisitions. □

Lennart Sundén's five top priorities for the next few years:

ORGANIC GROWTH

To continue promoting organic growth, particularly in the smokeless product areas. This will naturally involve product launches and marketing campaigns, but also ongoing research and development aimed at further improving quality and developing smokeless alternatives.

IMPROVED MARGINS

Increased efforts to further reduce costs and increase efficiency in everything we do. Swedish Match has the potential to improve margins in most areas.

MORE EFFECTIVE ASSET MANAGEMENT

With the same aim, we pursue programs to make our asset management more effective. We must increase the rate of capital turnover.

ACQUISITIONS

Profitable acquisitions in those areas where the Group has the expertise required to be among the market-leading companies.

OPTIMAL CAPITAL STRUCTURE

Continued focus on optimizing the capital structure of the balance sheet, raising the possibility of further share buybacks.

Lennart Sundén

Lennart Sundén, age 49, B.Sc. Engineering and MBA

Lennart was born in Gnosjö in southern Sweden. The harsh landscape in this part of Sweden has fostered an unusually strong entrepreneurial spirit, and Gnosjö in fact has one of the highest percentages of self-employed entrepreneurs in Sweden.

»It was clear to me from an early age that I wanted to go into business,« says Lennart Sundén, who holds degrees from both the Royal Institute of Technology in Stockholm and the Stockholm School of Economics.

correct initials to match the corporate logotype. They continue to offer a broad, high-quality range of all the products a smoker could require, with a typically Danish focus on the needs of the pipe-smoker. Each morning, one or other of the brothers can be seen working at the tobacco-blending table to replenish the jars containing the pipe-smokers' favorite blends. Many customers have their own individual blends, which are sometimes passed down from father to son.

Genuine craftsmanship, com-

bined with modern marketing methods, is the foundation of the family-run operation. W.Ø. Larsen's tobacco blends are sold in unusually attractive jars, that often have a long lifespan as containers for other family members' bits and pieces. Quality control, packaging and distribution are all state-of-the-art.

Over the years, the family built up an exceptionally fine collection of artifacts associated with the tobacco culture, which grew to become a small in-store museum. In the mid-1990s the collection

was merged with Skandinaviska Tobakskompagniet's collections. The lower floors at Amagertorv 9 were remodeled to provide additional space for the store and for a professionally run tobacco museum in the semi-basement, which is now accessed via a stairway from the store area.

HOWEVER, THE STORE HAS retained its cozy and intimate atmosphere that harks back to the 19th century. The wall shelves are packed with every conceivable type of tobacco from all corners of the

world, as well as around 1,000 pipes to choose from, including of course W.Ø. Larsen's own range.

The remodeling was also a boon to cigar lovers, since it created space for a proper, climate-controlled cigar room. The range on offer focuses on Cuban cigars, with all the famous classic brands represented: Bolivar, Montecristo, Partagas, Punsch, Romeo y Julieta and Upmann. But there is also a large selection of Dominican cigars, including the complete ranges of Davidoff, Juan Clemente, Griffin's and Dunhill.



W.Ø. Larsen also has a collection of tobacco-related artifacts. The aim is to create a living and active museum. On certain days, a master cigar-maker demonstrates the art of hand-rolling a cigar.

NAMES & NEWS

Swedish Match Board actively involved

IN SWEDISH BUSINESS WEEKLY Affärsvärlden's annual ranking of the work performed by the Boards of Directors of major Swedish companies, the Swedish Match Board receives a high grade for its active involvement. In the survey, which looks at 28 listed companies, Boards are ranked according to the parameters of quality and involvement. The Swedish Match Board showed the highest degree of involvement of all of the companies surveyed. The magazine explains that the Swedish Match Board earned its high grade due to the large number of Board meetings held, dealing with matters that included the restructuring of match production, as described in issue 4/2001 of Inside.

In the media

»SWEDISH MATCH SHARE REMAINS A SAFE BET IN 2002«

The Swedish Match share performed strongly in 2001 and look like being a safe bet in 2002 as well. Cecilia Lannebo, an analyst at Enskilda Securities, believes that the company's stable trend will continue.

»We think that the share price will develop at least in pace with the rest of the market,« she says.

(THE WALL STREET JOURNAL, EUROPE, NOVEMBER 27, 2001)

»GERMAN TOBACCO GIANT TO BE SOLD AT AUCTION«

The world's fourth largest tobacco company, Reemtsma of Germany, is to be sold at auction. The company is valued at approximately SEK 50 billion. The principal owner, German coffee and food chain Tchibo, wants to sell and the company has for a long time been viewed as an acquisition target.

(DAGENS INDUSTRI, NOVEMBER 27, 2001)

INCREASED EXPORTS OF HAVANA CIGARS

Cuba reports that it exported 153 million of its world-famous Havana cigars in 2001, which represents an increase of 25 percent compared with 2000. The state news agency, AIN, reports that production totaled 303 million cigars. Cigars are Cuba's third largest export product.

(REUTERS, JANUARY 4, 2002)

COUNTERFEIT HAVANA CIGARS IN DENMARK

Customs officers in the Danish province of Jutland have uncovered a new form of crime: counterfeit Havana cigars. The customs authority does not know how many of the cigars have entered Denmark but believes that the imports are organized. Tobacco merchant Hans Rehmer, from the city of Århus, is often offered cheap cigars. However, he estimates that 98 percent of these are fakes.

»They have often been rolled so firmly that it is almost impossible to draw air through them and the tobacco resembles hay,« he says. »The only thing they have in common with genuine Cuban cigars is that they were produced in Cuba.«

(RITZAU, NOVEMBER 2001)

New appointments

JOHN F. DOHERTY has been appointed managing director of WIMCO Ltd., effective January 1, 2002. Doherty replaces Sieb Flapper, who has taken a position as senior advisor with in the Match Division, reporting directly to Graham Jones.



Snus an effective aid to giving up smoking

Low price, ready availability and positive associations as a tobacco product all make moist snuff an effective aid to giving up smoking. This is the view of Karl-Olov Fagerström, an expert on the subject of quitting smoking, who sometimes recommends Swedish-style moist snuff (»snus«) to his patients.

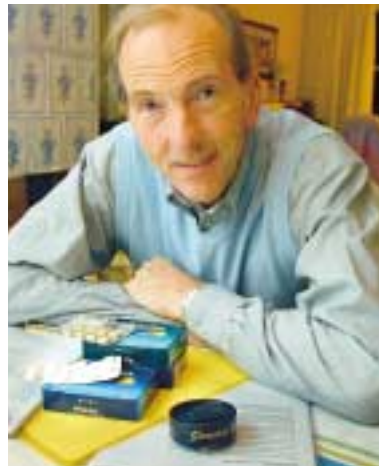
Fagerström sees four significant advantages in the use of snus in comparison with nicotine substitutes as an aid to quitting smoking:

- Availability. It is essentially as easy to obtain snus as cigarettes.
- The price is considerably lower than for other nicotine substitutes.
- Snus is not perceived as a medicine.
- Users have a positive attitude to snus, since it is a tobacco product.

Combined, these factors are sufficient to convince Fagerström that in many cases snus can be a highly effective way to cut down on smoking.

»I am quite prepared to recommend snus when nicotine substitutes are not sufficiently effective,« he says.

SKEPTICS USUALLY OBJECT that a danger associated with increased use of snus is that young people could be tempted to start using tobacco and may then proceed to more harmful forms of tobacco use, such as cigarette smoking.



Karl-Olov Fagerström.

»While it is clear that snus could be a first step in tobacco use, how common this progression becomes is strongly influenced by the manner in which snus is marketed,« Fagerström points out. »There is currently a major difference between Sweden and the US in this regard. In Sweden, snus is marketed using the argument that it reduces the need to smoke, as well as being a form of tobacco use that shows consideration for other people. In the US, on the other hand, marketing is targeted at young people to a considerably greater extent.«

There are also a number of poten-

tially harmful substances in snus, such as nitrosamines and heavy metals, that are not present in nicotine substitutes.

»But clinical studies don't seem to show any harmful effects to speak of from these substances,« counters Fagerström.

THE FACT THAT THE PROPORTION of people who smoke in Sweden is relatively low in an international context is attributable both to the extensive amount of information available about the dangers of smoking and to the popularity of snus. While the level of nicotine consumption is roughly equal in Sweden, Norway and Denmark, snus accounts for a relatively far larger proportion of total consumption in Sweden. One of the effects of this disparity is that mortality from lung cancer is substantially lower in Sweden than in the neighboring countries.

»There are no other factors, other than the lower level of smoking, that could explain this difference,« concludes Karl-Olov Fagerström. □

Karl-Olov Fagerström is an associate professor of medical psychology and works as a consultant on the medical aspects of tobacco use. The results of his research in this area include more than 100 articles in international medical journals. He also runs a clinic for people trying to give up smoking.

NEW SCIENTIST:

Snus instead of cigarettes saves lives

Sweden is showing us a new way to save lives. This is the conclusion drawn by the respected magazine, New Scientist, in an analysis of possible methods to reduce smoking. Where moist snuff (»snus«) accounts for a large proportion of tobacco consumption, a substantial reduction in health-damaging effects is observed.

Global cigarette consumption is increasing by approximately 1 percent annually. While it is true that smoking has decreased somewhat in a few western countries, this is counterbalanced by increases in the rest of the world. Today, there are approximately 1.1 billion smokers in the world. By 2025, that figure is expected to rise to 1.6 billion.

According to the magazine, traditional methods for reducing smoking are ineffective. Of those who use nicotine substitutes to try and quit smoking, 90 percent begin smoking again within a year.

ACCORDING TO THE NEW SCIENTIST, it may be time to think the unthinkable and accept that a tobacco-free world is not possible, and instead focus to a greater extent on trying to get consumers to use less harmful forms of tobacco.

In this context, Sweden is presented as an example of the effects such a strategy can have. Sweden was the only country that managed to achieve the World

Health Organization's target that less than 20 percent of the population should be smokers by the year 2000.

The magazine wonders why Sweden has succeeded so well, the article goes on, and concludes that the reason is snus. Snus provides consumers with an opportunity to use tobacco while avoiding the health-damaging effects associated with cigarette smoking, which essentially are linked to the substances formed when tobacco is burned. Scientific evidence suggests that the nicotine itself is relatively harmless compared with the smoke.

Among Swedish men, snus is more popular than smoking; 17 percent smoke and 19 percent use snus. This is by far the lowest proportion of smokers in Europe and is also reflected in the fact that Swedish men have the lowest incidence of lung cancer in Europe.

Several scientific studies have failed to show any links between snus use and cancer.

THE AMOUNTS OF HARMFUL substances present in Swedish snus are also substantially lower compared with snuff produced in the US. According to a study commissioned by the Massachusetts Department of Public Health, US snuff contains up to 45 times more nitrosamines than Swedish Match's



»Ettan« brand. Snuff produced by Swedish Match in the US, such as Timber Wolf, also demonstrated levels far below those found in competing brands. The unusually low levels of what are considered to be health-endangering substances in the Swedish snus are explained by the fact that Swedish Match's manufacturing process involves a heating process and the manufactured product is then stored in a refrigerator. All this largely eliminates the growth of bacteria in the snus.

The fact that snuff can function as a nicotine substitute has caused several international health experts to recommend a so-called »harm reduction« strategy, whereby smoking is reduced by steering consumption from cigarettes to other types of tobacco. This approach is entirely in line with Swedish Match's philosophy. □

NewScientist

2001 the best year ever for Swedish Match shareholders

For Swedish Match shareholders, 2001 was the best year since the company's stock market introduction in 1996. The share price rose 51 percent, from SEK 36.50 at the beginning of the year to SEK 55.50 at year-end. To this share price increase must be added the dividend for the year of SEK 1.35 per share, which means that the total return to shareholders during the year was in excess of 53 percent. This makes Swedish Match the best-performing of the most actively traded shares on the Stockholm Exchange. During the preceding year, 2000, the share rose by more than 20 percent.

For Swedish shareholders, 2001 was a depressing year. The Stockholm

Exchange fell by 17 percent during the year. The sharpest decline occurred in September following the attacks in the US, but prices recovered somewhat toward the end of the year.

World stock markets also fell by 17 percent last year, measured as a weighted average in US dollars.

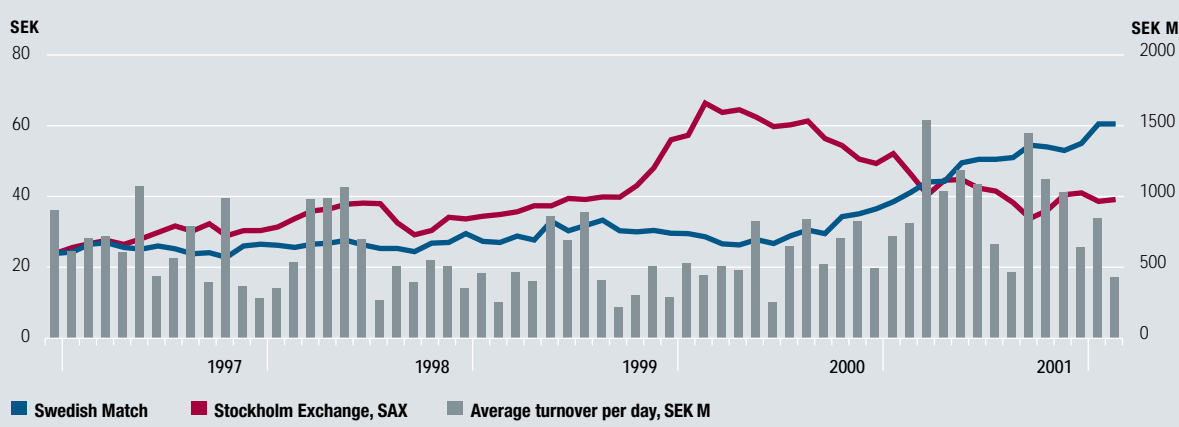
This can be compared with a 15-percent decline during the preceding year. It is unusual for share prices to fall in two successive years – the previous occasion this happened was at the time of the oil crisis in 1973–1974.

The US Nasdaq Exchange, on which Swedish Match's American Depository Receipts are listed, fell slightly more than 20 percent during 2001.

The factors behind the surge of the Swedish Match share include the company's strong financial position, stable and positive cash flow and underlying sales growth, even during a period of economic decline. Investors also benefit from improved earnings per share following a continuing share buy-back program.

The current year also began with a decline in share prices on the stock markets, with the Stockholm Exchange recording a 10-percent fall during January. The Swedish Match share has also gone against the stream during the early part of 2002, with continuing positive share price development. □

SHARE PRICE AND TURNOVER DURING FIVE-YEAR PERIOD



TOTAL RETURN

Total return, %

Jan 1–Feb 13, 2002	10
2001	56
2000	32
1999	4
1998	19
1997	15
May 15–Dec 31, 1996	9

(24% annual return)

KEY FIGURES

Earnings per share, SEK

2001	3,54
2000	2,76

Shareholders' equity per share

31 dec 2001	11,73
31 dec 2000	12,22

SHARE PERFORMANCE, %

Sep 28, 2001–Feb 11, 2002

Swedish Match	11,1
SAX	15,8

Smooth transition to the euro

The start of 2002 saw the transition to the euro as the new currency for 12 of the EU member states. For Swedish Match products, which are sold in the retail sector, this means that prices are now set in euros instead of local currencies in the majority of European markets.

»The transition to the euro certainly went smoothly and far better than we ever could have envisaged,« says Peter Nilsson, head of the Continental Europe Division, which is headquartered in the Netherlands.

For consumers, the euro means that it has become much easier to compare prices between different countries and

to shop where prices are most favorable.

The euro will therefore have an evening-out effect on consumer prices.

For Swedish Match, however, the picture is partly different. The prices paid by retailers were already largely harmonized prior to the introduction of the euro. On the other hand, the prices paid by consumers for tobacco products vary substantially due to the different levels of taxation in the various countries.

»Consumer prices vary by up to 60 percent due to different rates of taxation.

»Because prices are determined by taxes, no tendency towards hidden price rises for tobacco products have

been observed in connection with the change of currency,« he points out.

How the combined effect of salaries and prices in euros will turn out remains to be seen.

»In the long-term, however, it should stimulate consumption. The euro creates a more transparent and competitive market,« explains Peter Nilsson.

This means extensive changes in the retail sector, to which Swedish Match will have to adapt its sales organization.

»We are moving towards large, international chains of stores with uniform prices, complemented by a multitude of small, local niche players,« he concludes. □

NAMES & NEWS



One of the best in Sweden

THE SWEDISH MATCH WEBSITE is one of the absolute best in Sweden. In an annual ranking of 331 Swedish, market-listed company websites, Swedish Match's website placed fourth.

The survey results are based on a questionnaire submitted mostly to financial analysts, but also to a large number of amateur investors.

The questions asked respondents about their use of the Internet today, their desires and demands for company websites, and what they think about technology in the future. The questionnaire contained 83 checkpoints. The questions addressed primarily financial information – information needed to analyze a company or serve as reference material – but also contained general information about the company. The questionnaire asked for quantifiable facts about content and function in an effort to avoid subjective conclusions.

Respondents especially appreciated the structure, layout, and good navigation of the Swedish Match website. They especially appreciated the fact that analytic material can be downloaded, and is presented in an Excel format.

»This achievement is incredibly satisfying considering that the Internet has become the primary source of information for the financial market, which is the website's main target group. With these rankings, we can measure how well we communicate in comparison with other market-listed companies,« says Annette Kaunitz, website manager.

The website is subject to continuous improvement. Kaunitz says the website will soon contain some new exciting sections. Among these is a news page that will create a living website, which will feel more up-to-the-minute than before. Another project is a press-room to better meet the specific demands placed on Swedish Match by the media.

Visit the Swedish Match website at www.swedishmatch.com

New products from Arnold André

TWO NEW PRODUCTS of the Vasco da Gama range are now available for export, Capa de Cuba cigarillos and Light Taste cigarillos. Handelsgold has introduced cherry tip-cigarillos, available for export, based on the popularity of its vanilla tip-cigarillos, and Clubmaster is introducing a vanilla cigarillo, characterized by a mild, light taste, available in four formats.

Web pages increase consumer contacts

From about 20 consumer contacts a month to nearly 1,000! This dramatic increase is the result of two new snus brand websites for General (www.generalsnus.com) and Ettan (www.ettansnus.com). The websites were opened in August of this year and have quickly become a huge success.

The »new« contacts consist mainly of e-mails; in the past, consumers generally established contact through telephone calls. The nature of consumer contacts has also changed. »Before the websites were established, most contacts with customers – but not all – were complaints, while consumer contacts today are dominated by questions and comments concerning our products.«

»WE HAVE A CREATED a principle whereby we try to ensure that all consumers who send e-mails receive a reply within three days. In a best-case scenario, we are able to answer their questions immediately, while in other cases the answer may need to be discussed internally before it is sent to the consumer. In the latter case, we notify the consumers and tell them when they can expect to receive a reply,« says Anna Neías.

Swedish Match's decision to open brand-name websites, instead of a general snus site, was based on the fact that consumers tend to be more interested in »their« brands than snus products in general. The websites also include information about the brand's history and the products it includes. The only general snus website operated by Swedish Match is www.gothiatek.com, which, among other information, describes our quality standard for Swedish moist snuff (»snus«) and presents summaries of scientific findings concerning the Swedish product.

»Although the number of contacts has

increased by a factor of 30, we have remained receptive to the opinions of our customers,« says Anna Neías. »And the fact that we do not have websites for all our brands does not mean we do not maintain contacts with consumers of these other products. We conduct regular surveys, for example, to monitor consumer opinions and preferences, and we are constantly in contact with our retailers, since they are the ones who receive the most feedback and comments about our products.«

THE COMMENTS AND OPINIONS received by the marketing department have resulted in a number of new product launches. These include the launch of CatchDry, for example, a less moist portion-packaged snuff available in different flavors, and the introduction this summer of Probe loose-weight snus, a moist snus with a whisky flavor. The establishment of www.generalsnus.com and www.ettansnus.com was also a result of wishes expressed by consumers.

Although most of the questions and comments sent to the websites are focused on General and Ettan, they also indirectly affect other brands, particularly in terms of packaging and product availability.

»The new input from consumers is quickly becoming possibly our most important source of information for product development. Finding out the views of consumers from day to day is incredibly valuable.« □



FACTS ABOUT SWEDISH MATCH SNUFF (Figures from year 2001)

Sales: 2,457 MSEK

Operating income: 950 MSEK

Production plants: Sweden, USA, South Africa and Zimbabwe*

Major brands: General, Catch, Ettan, Grovsnus, Göteborgs Rapé, Timber Wolf, Renegades and Taxi

*Through partly owned company Tobacco Rette.

SWEDISH MATCH IN BRIEF

Swedish Match is a unique company with a complete range of market leading 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 SEK 13,635 M in 140 countries in 2000. The Group has 14,343 employees. Swedish Match shares are listed on the Stockholm Exchange (SWMA) and NASDAQ (SWMAY).

Smokeless Tobacco

Swedish Match has a broad presence in the global market for smokeless tobacco

(snuff and chewing tobacco), with prominent market positions in the Nordic countries, North America and South Africa.

MARKET POSITION

Snuff: Market leader in the Nordic countries and South Africa and the third largest player in North America.

Chewing Tobacco: Market leader in North America



Cigars and Pipe Tobacco

Along with smokeless tobacco, cigars and pipe tobacco

have been identified as a growth sector for Swedish Match. The products are sold in large parts of the world, with particular emphasis on North America, Europe and South Africa.

MARKET POSITION

Cigars: World's largest cigar company, with a product range that covers all price segments.

Pipe tobacco: One of the world's oldest and largest producers of pipe tobacco.



Matches and Lighters

Swedish Match manufactures and markets matches and lighters globally.

The products are sold in more than 140 countries.

MARKET POSITION

Matches: World's leading manufacturer of matches and the only company with match production and sales operations in all parts of the world.

Lighters: One of the world's three largest manufacturers.



KEY FIGURES

MSEK	2001	2000
Net sales	13 635	11 533
Operating income before items affecting comparability	2 193	1 886
Operating income before depreciation	2 863	2 429
Net income	1 228	1 144
Income per share after tax, SEK	3:54	2:78
Dividend per share, SEK	1:45 *	1:35
Return on shareholder's equity, %	28,3	21,8

* Proposed by the board

☆☆☆
SWEDISH MATCH