

- Sales increased 25 percent to 6,564 MSEK (5,265)
- Operating income increased 18 percent to 1,046 MSEK (886)
- Profit before tax was 930 MSEK (827)
- EPS increased to 1.69 (1.24), an increase of 36 percent
- EBITDA increased to 1,357 MSEK (1,134)
- Total shares outstanding as of June 30, 2001 amounted to 358.5 million compared with 362.9 million as of March, 2001



Swedish Match sales increased by 25 percent, of which acquisitions accounted for 11 percentage points, in the first half of 2001 versus the same period last year. Higher currency rates, primarily a higher dollar rate, has effected sales positively by 6 percentage points. Organic sales growth amounted to 8 percent. All product areas exhibited sales gains. Cigars, pipe tobacco, lighters, and snuff show the largest increases.

Operating income grew by 18 percent to 1,046 MSEK, with gains primarily from cigars, matches, pipe tobacco, and lighters. Snuff margins have been impacted by increased costs due to product development and launches of new products, primarily in the US and India.

Net financial expenses increased to -116 MSEK (-59) mainly due to the redemption program, repurchase of shares, and the

acquisitions of General Cigar, and the pipe tobacco business in South Africa.

Earnings per share during the first six months increased to 1.69 SEK (1.24). Earnings per share during the second quarter increased by 37 percent to 0.89 (0.65).

At the General Meeting of Shareholders on April 24, 2001 a prolonging of the mandate to repurchase up to 10 percent of the total amount of outstanding shares was resolved. It was also resolved that the share capital be reduced by 36 MSEK through the cancellation of 15,000,000 shares. The reduction of the share capital of the company is expected to be completed prior to year end.

Number of outstanding shares as per June 30 was 358.5 million.

Summary of Consolidated Income Statement

MSEK	JANUARY–JUNE	
	2001	2000
Sales	6,564	5,265
Operating income	1,046	886
Net income for the period	621	548

Sales by product area

MSEK	APRIL–JUNE		JANUARY–JUNE		CHANGE %	12 MONTHS ENDED JUNE 30, 2001	FULL YEAR 2000	CHANGE %
	2001	2000	2001	2000				
Snuff	642	531	1,170	990	18	2,251	2,071	9
Chewing Tobacco	365	318	679	600	13	1,305	1,227	6
Cigars	892	646	1,642	1,051	56	3,282	2,690	22
Pipe Tobacco & Accessories	245	184	450	357	26	856	762	12
Matches	408	414	833	805	3	1,740	1,712	2
Lighters	203	169	423	344	23	798	720	11
Other operations	740	609	1,367	1,118	22	2,600	2,351	11
Total	3,495	2,871	6,564	5,265	25	12,832	11,533	11

Operating income by product area

MSEK	APRIL–JUNE		JANUARY–JUNE		CHANGE %	12 MONTHS ENDED JUNE 30, 2001	FULL YEAR 2000	CHANGE %
	2001	2000	2001	2000				
Snuff	235	241	449	450	0	953	954	0
Chewing Tobacco	99	83	188	172	9	347	331	5
Cigars	124	87	225	139	62	433	347	25
Pipe Tobacco & Accessories	64	52	123	101	22	234	213	10
Matches	44	18	88	43	105	136	90	51
Lighters	26	19	51	35	46	91	74	23
Other operations	(37)	(29)	(78)	(54)		(148)	(123)	
Total	555	471	1,046	886	18	2,046	1,886	8

SMOKELESS TOBACCO

Swedish Match has a broad presence in smokeless tobacco (Snuff and Chewing Tobacco), with significant market positions in the Nordic countries, the US and South Africa.



SNUFF

Swedish Match is the only global snuff manufacturer, and has leading positions in the Nordic Market and South Africa. In the United States the company has the largest share of the fast growing value price segment. Major brands include General, Catch and Ettan in Sweden, Timber Wolf in the US, and Taxi in South Africa. Sales in the first six months increased 18 percent, to 1,170 MSEK (990). Volume in the US increased 15 percent during the first six months and the market share was

approximately 8 percent. Volume in the Nordic market increased by more than 4 percent.

Operating income was at the same level versus the same period last year, 449 MSEK (450). Costs for product launches has strongly affected the profit.

During the second quarter the new premium snuff Sequoia was launched in the US and Click was launched in Bombay, India.



Share of Group sales, 18%



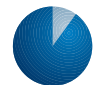
Share of Group income, 42%

CHEWING TOBACCO

Chewing tobacco is sold primarily in the North American market. Major brands include Red Man and Southern Pride. Swedish Match is the leading producer of chewing tobacco in the US. Sales in the first six months amounted to 679 MSEK (600), an increase of 13 percent, mainly due to a stronger US dollar.

Operating income in the first six months was 188 MSEK (172).

The chewing tobacco market in the US has declined at an annual rate of approximately 4 percent over the past several years. Swedish Match share of market has improved since the same period last year and amounts to slightly more than 42 percent.



Share of Group sales, 10%



Share of Group income, 18%

BROWN TOBACCO

Cigars and pipe tobacco has been identified as one of the growth opportunities for Swedish Match.



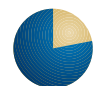
CIGARS

Swedish Match is one of the world's largest manufacturers of cigars and cigarillos, and ranks number two in terms of sales value. Its largest markets are North America and Western Europe. These two markets represent 75 percent of the world cigar market. Swedish Match markets its broad portfolio of brands worldwide, with both premium and machine made cigars. Major brands include Macanudo, Garcia Y Vega, La Gloria Cubana, La Paz, Justus van Maurik, and Wings.

Sales in the first six months amounted to 1,642 MSEK (1,051), an increase of 56 percent over the same period last year. The increase is primarily attributable to recent acquisitions in North America. The cigar market grew in both North America and Western Europe, with the strongest gains coming from machine made cigars in the US. Operating income for cigars grew by 62 percent to 225 MSEK (139) in the first half of 2001.



Share of Group sales, 26%



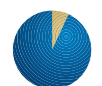
Share of Group income, 22%

PIPE TOBACCO AND ACCESSORIES

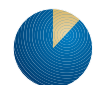
Swedish Match is the third largest manufacturer of pipe tobacco in the world, and its products are marketed worldwide. Major brands include Borkum Riff, Boxer, and Half and Half. The main markets for pipe tobacco are in North

America, North Europe and Western Europe. The company also has a significant presence in South Africa.

Sales for the first six months increased to 450 MSEK (357). Operating income increased to 123 MSEK (101).



Share of Group sales, 7%



Share of Group income, 12%



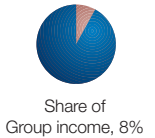
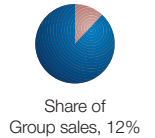
LIGHTS

Swedish Match is a global producer and marketer of matches and lighters. These products are sold in over 140 countries.

MATCHES

Swedish Match has the number one worldwide share position. Brands are mostly local, and very strong in their home countries. Major brands include Swan, Solstickan, Three Stars, and Redheads. Sales for the first six months grew 3 percent versus same period last year, to 833 MSEK (805).

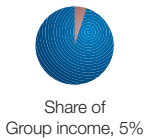
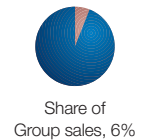
Operating income grew to 88 MSEK (43). Operating margin increased to 10.6 percent (5.3) primarily due to positive effects of the ongoing restructuring program.



LIGHTERS

Swedish Match is the third largest lighter manufacturer in the world, and its main brand is Cricket. Sales in the first six months grew 23 percent, to 423 MSEK (344). Operating

income grew by 46 percent, to 51 MSEK (35) and operating margin was 12.1 percent.



OTHER OPERATIONS

Other operations include, among other things, the distribution of tobacco products on the Swedish market, sales of advertising products, as well as corporate overheads and expenses for business development. Expenses for business development have increased versus same period last year.

For the first half of 2001, net expenses grew to -78 MSEK (-54).

Net financial expense

Net financial expense in the first six months amounted to -116 MSEK (-59). Net interest expense amounted to -137 MSEK (-51). Other financial items, net, amounted to 21 MSEK (-8).

Taxes

Taxes for the first six months were 298 MSEK (277) corresponding to a 32% tax rate.

Acquisitions

In January a small advertising product company in Belgium was acquired.

On February 1st the final agreement with British American Tobacco concerning acquisition of its pipe tobacco business in South Africa was concluded. The acquisition includes production facilities, stock and brands. The annual sales amount to approximately 200 MSEK.

A final agreement has also been concluded with the previous owner of Leonard Dingler in South Africa regarding the earn-out on the purchase price.

After the end of the period an agreement has been entered to purchase the tobacco business of Maga s.p.a., one of the leading independent distributors of niche tobacco products in Italy. The acquisition allows Swedish Match to establish its own marketing and sales organization in the important Italian market. The yearly turnover is approximately 35 MSEK. The transaction is expected to be completed in the beginning of September 2001.

Investments

The Group's direct investments in tangible fixed assets amounted to 259 MSEK (102).

Total depreciation and amortization amounted to 311 MSEK (247), of which depreciation on tangible assets amounted to 153 MSEK (126) and amortization of intangibles amounted to 158 MSEK (121).

Financing and liquidity

At the end of the period, the Group had a net debt of 4,535 MSEK, as compared with 2,739 MSEK at December 31, 2000.

Cash and bank balances, including short term investments, amounted to 1,225 MSEK at the end of the period, compared with 2,960 MSEK at the beginning of the year. The liquid funds are primarily invested in short-term marketable interest bearing securities.

Tobacco tax

During the past 12 months, total tobacco tax and value-added tax on tobacco tax paid by Swedish Match in Sweden amounted to 9,805 MSEK (9,403).

Average number of Group employees

The average number of employees in the Group during the 12 month period ending June 30 was 13,750, compared with 13,672 for the full year 2000.

Redemption of shares and share repurchase program

After the reduction of share capital due to cancellation of 17,350,210 shares, according to the resolution by the Extra Meeting of Shareholders in October 2000, was registered in March 2001, the company's share capital amounts to 927.8 MSEK. The share capital is spread over 386,596,181 shares with a par value of 2.40 SEK. Through repurchase Swedish Match holds 28,120,000 in its treasury which means the number of outstanding shares amounts to 358,476,181.

At the General Meeting of Shareholders on April 24th, 2001 the Board of Directors suggests reduction of share capital with 36 MSEK through cancellation of 15,000,000 shares with transfer to unrestricted reserve. The reduction of the share capital of the company is expected to be completed prior to year end. The Board of Directors also proposes renewed authorization to acquire a maximum of 10 percent of all shares in the company. After reduction of share capital, and if the mandate to repurchase will be fully utilized, the number of outstanding shares in the company will be, net after repurchase, 334.4 million shares.

Options program

During the first half of the year, as part of a bonus program for senior management, 1,812,309 call options were issued by the company. The call options can be exercised from March 13, 2004 until March 14, 2006. Every option entitles the holder to buy one share at a price of 44.50 SEK per share.

Accountings principles

This interim report has been prepared in accordance with the recommendation RR 20 Interim Reports from the Swedish Financial Accounting Standards Council.

Swedish Match applies the Swedish Financial Accounting Standards Council's new recommendation RR 9 Income Taxes. The financial data for 2000 has been restated according to the new principles.

Additional information

This report has not been reviewed by the company's auditors.

The interim report for the first nine months of 2001 will be released on October 23, 2001.

Stockholm, July 24, 2001

Lennart Sundén
President and Chief Executive Officer

Key data	JANUARY–JUNE		12 MONTHS ENDED	FULL YEAR
	2001	2000	JUNE 30, 2001	2000
Operating margin, %	15.9	16.8	15.9	16.4
Return on operating capital, %			23.0	23.3
Return on shareholders' equity, %			21.4	21.8
Net debt/equity ratio, %	88.5	23.0	88.5	52.6
Equity/assets ratio, %	30.3	29.7	30.3	32.0
Investments in tangible assets, MSEK	259	102	488	331
EBITDA, MSEK	1,357	1,134	2,652	2,429
Average number of employees			13,750	13,672
Share data*				
Earnings per share, basic, SEK	1.69	1.24	3.21	2.76
Earnings per share, diluted, SEK	1.68	1.24	3.20	2.76
Adjusted earnings per share**, SEK	2.06	1.46	3.92	3.32
Shareholders' equity per share, SEK	12.27	11.48	12.27	12.22
Number of shares outstanding at end of period	358,476,181	402,765,391	358,476,181	375,146,891
Average number of shares outstanding during period	367,328,463	431,496,443	378,069,471	410,177,322

* Earnings per share for the periods before June 30, 2000 have been adjusted for the bonus element of the redemption of shares.

** Reported net income adjusted for items affecting comparability and amortization (net of taxes) divided by the average number of shares outstanding.

Consolidated Income Statement in summary									
MSEK	APRIL–JUNE		JANUARY–JUNE		CHANGE %	12 MONTHS ENDED JUNE 30, 2001	FULL YEAR 2000	CHANGE %	
	2001	2000	2001	2000					
Sales, including tobacco tax	5,769	5,045	10,715	9,233	16	21,313	19,831	7	
Less tobacco tax	(2,274)	(2,174)	(4,151)	(3,968)	5	(8,481)	(8,298)	2	
Sales	3,495	2,871	6,564	5,265	25	12,832	11,533	11	
Cost of goods sold	(1,941)	(1,654)	(3,680)	(3,039)	21	(7,288)	(6,647)	10	
Gross profit	1,554	1,217	2,884	2,226	30	5,544	4,886	13	
Sales and administrative expenses	(927)	(688)	(1,698)	(1,235)	37	(3,199)	(2,736)	17	
Amortization, intangible assets	(78)	(66)	(158)	(121)	31	(318)	(281)	13	
Shares in earnings of associated cos.	6	8	18	16	13	19	17	12	
Operating income	555	471	1,046	886	18	2,046	1,886	8	
Net interest expense	(70)	(41)	(137)	(51)		(261)	(175)		
Other financial items, net	0	(3)	21	(8)		28	(1)		
Net financial items	(70)	(44)	(116)	(59)		(233)	(176)		
Income before taxes and minority interests	485	427	930	827	12	1,813	1,710	6	
Taxes	(155)	(138)	(298)	(277)		(577)	(556)		
Minority interests	(6)	(3)	(11)	(2)		(19)	(10)		
Net income for the period	324	286	621	548	13	1,217	1,144	6	
Earnings per share, basic, SEK	0.89	0.65	1.69	1.24		3.21	2.76		
Earnings per share, diluted, SEK	0.88	0.65	1.68	1.24		3.20	2.76		

Consolidated Balance Sheet in summary

MSEK	JUNE 30 2001	DEC 31 2000
Intangible fixed assets	5,243	4,288
Tangible fixed assets	2,900	2,576
Financial fixed assets	673	605
Current operating assets	6,890	5,852
Liquid Funds	1,225	2,960
Total assets	16,931	16,281
Shareholders' equity	4,400	4,584
Minority interests	725	620
Provisions	2,088	1,918
Long-term loans	4,786	4,638
Other long-term liabilities	219	207
Short-term loans	974	1,061
Other current liabilities	3,739	3,253
Total shareholders' equity, provisions and liabilities	16,931	16,281
Operating capital	11,953	9,821
Net debt	4,535	2,739

Change in Shareholders' equity

MSEK	JAN-JUNE 2001	JAN-JUNE 2000
Shareholders' equity, opening balance as per December 31	4,635	5,940
Effect due to change in accounting principle	(51)	(42)
Adjusted shareholders' equity, opening balance	4,584	5,898
Cancellation of shares for transfer to unrestricted reserves and transfer to statutory reserve	(17)	—
Increase of unrestricted reserves from cancellation of shares and decrease from transfer to statutory reserve	17	—
Repurchase of own shares	(723)	(32)
Dividend paid	(490)	(539)
New share issue	—	66
Redemption of shares	—	(1,052)
Translation difference for the period	408	(268)
Net income for the period	621	548
Total shareholders' equity at end of period	4,400	4,621

The Parent Company's share capital consists of 386,596,181 shares with a par value of 2.40 SEK per share. Through repurchases, the Company has 28,120,000 shares, as detailed below, and the total number of shares outstanding, accordingly, is 358,476,181.

YEAR OF REPURCHASE	NUMBER OF SHARES	% OF TOTAL SHARES	AVERAGE PRICE
2000	11,449,290	3.0	31.39
2001	16,670,710	4.3	43.29
Total	28,120,000	7.3	38.44

Consolidated Cash Flow Statement in summary

MSEK	JAN-JUNE 2001	JAN-JUNE 2000
Cash flow from operations before changes in Working Capital	965	680
Cash flow from changes of Working Capital	(394)	(555)
Cash flow from operations	571	125
Investments		
Investments in property, plant and equipment	(259)	(102)
Sales of property, plant and equipment	18	11
Investments in intangibles	—	(8)
Investments in consolidated companies	(747)	(1,423)
Changes in financial receivables etc.	(15)	(85)
Cash flow from investments	(1,003)	(1,607)
Financing		
Changes in loans	(43)	(344)
Dividends	(490)	(539)
New share issue	—	59
Repurchase of shares	(723)	(32)
Other	(79)	—
Cash flow from financing	(1,335)	(856)
Cash flow for the period	(1,767)	(2,338)
Liquid funds at the beginning of the period	2,960	7,296
Translation difference attributable to liquid funds	32	(147)
Liquid funds at the end of the period	1,225	4,811

Quarterly data									
MSEK	Q2/99	Q3/99	Q4/99	Q1/00	Q2/00	Q3/00	Q4/00	Q1/01	Q2/01
Sales, including tobacco tax	4,167	4,545	4,403	4,188	5,045	5 262	5,336	4,946	5,769
Less tobacco tax	(1,849)	(2,127)	(1,841)	(1,794)	(2,174)	(2,190)	(2,140)	(1,877)	(2,274)
Sales	2,318	2,418	2,562	2,394	2,871	3,072	3,196	3,069	3,495
Cost of goods sold	(1,206)	(1,413)	(1,443)	(1,385)	(1,654)	(1,776)	(1,832)	(1,738)	(1,941)
Gross profit	1,112	1,005	1,119	1,009	1,217	1,296	1,364	1,331	1,554
Sales and administrative expenses	(634)	(567)	(690)	(547)	(688)	(722)	(779)	(772)	(927)
Amortization, intangible assets	(36)	(42)	(58)	(55)	(66)	(78)	(82)	(80)	(78)
Shares in earnings of associated cos.	2	11	27	8	8	4	(3)	12	6
	444	407	398	415	471	500	500	491	555
Items affecting comparability	—	4,102	(395)	—	—	—	—	—	—
Operating income	444	4,509	3	415	471	500	500	491	555
Net interest expense	(45)	(24)	(38)	(10)	(41)	(57)	(67)	(67)	(70)
Other financial items, net	5	12	(15)	(5)	(3)	7	0	21	0
Net financial items	(40)	(12)	(53)	(15)	(44)	(50)	(67)	(46)	(70)
Income after financial items	404	4,497	(50)	400	427	450	433	445	485
Income taxes	(145)	(201)	(149)	(139)	(138)	(151)	(128)	(143)	(155)
Minority interests	(6)	3	13	1	(3)	(3)	(5)	(5)	(6)
Net income for the period	253	4,299	(186)	262	286	296	300	297	324

Sales by product area									
MSEK	Q2/99	Q3/99	Q4/99	Q1/00	Q2/00	Q3/00	Q4/00	Q1/01	Q2/01
Snuff	402	430	480	459	531	529	552	528	642
Chewing Tobacco	278	270	259	282	318	311	316	314	365
Cigars	370	407	437	405	646	796	843	750	892
Pipe Tobacco & Accessories	53	100	212	173	184	205	200	205	245
Matches	401	406	418	391	414	429	478	425	408
Lighters	173	170	154	175	169	175	201	220	203
Other operations	262	635	602	509	609	627	606	627	740
Subtotal	1,939	2,418	2,562	2,394	2,871	3,072	3,196	3,069	3,495
Divested business	379	—	—	—	—	—	—	—	—
Total	2,318	2,418	2,562	2,394	2,871	3,072	3,196	3,069	3,495

Operating income by product area									
MSEK	Q2/99	Q3/99	Q4/99	Q1/00	Q2/00	Q3/00	Q4/00	Q1/01	Q2/01
Snuff	178	236	221	209	241	254	250	214	235
Chewing Tobacco	71	78	73	89	83	72	87	89	99
Cigars	57	55	55	52	87	104	104	101	124
Pipe Tobacco & Accessories	11	22	59	49	52	58	54	59	64
Matches	34	30	14	25	18	24	23	44	44
Lighters	(8)	8	12	16	19	18	21	25	26
Other operations	(27)	(22)	(36)	(25)	(29)	(30)	(39)	(41)	(37)
Subtotal	316	407	398	415	471	500	500	491	555
Divested business	128	—	—	—	—	—	—	—	—
Items affecting comparability	—	4,102	(395)	—	—	—	—	—	—
Total	444	4,509	3	415	471	500	500	491	555

Operating margin by product area									
PERCENT	Q2/99	Q3/99	Q4/99	Q1/00	Q2/00	Q3/00	Q4/00	Q1/01	Q2/01
Snuff	44.3	54.9	46.0	45.5	45.4	48.0	45.3	40.5	36.6
Chewing Tobacco	25.5	28.9	28.2	31.6	26.1	23.2	27.5	28.3	27.1
Cigars	15.4	13.5	12.6	12.8	13.5	13.1	12.3	13.5	13.9
Pipe Tobacco & Accessories	20.8	22.0	27.8	28.3	28.3	28.3	27.0	28.8	26.1
Matches	8.5	7.4	3.3	6.4	4.3	5.6	4.8	10.4	10.8
Lighters	(4.6)	4.7	7.8	9.1	11.2	10.3	10.4	11.4	12.8
Group	16.3	16.8	15.5	17.3	16.4	16.3	15.6	16.0	15.9