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SWEDISH MATCH

PRESS RELEASE

May 31st, 1999

Austria Tabak to acquire Swedish Match's cigarette business.

Swedish Match and Austria Tabak have reached an Agreement to transfer the cigarette business of Swedish Match to Austria Tabak for 4,800 MSEK in cash.

The Agreement is subject to the satisfactory resolution of certain questions of practical and legal nature and appropriate approvals from relevant authorities.

The cigarette business of Swedish Match, with sales of 1.490 MSEK and EBIT of 473 MSEK (rolling 12 months), includes production facilities in Malmö, Sweden, management and marketing functions in Stockholm and a sales-force and in addition a local Estonian operation. In total appr. 500 employees will be subject to the transfer. The main products of Swedish Match's cigarette business are Blend, Right and John Silver. Swedish Match had a 48 % market share in Sweden in 1998.

- *“Through the acquisition of Swedish Match's cigarette business, Austria Tabak will significantly expand its cigarette operations and thus attain the scale to be increasingly competitive in this business segment in the fast consolidating European and global tobacco markets”, says Heinz Schiendl, President and Chief Executive Officer of Austria Tabak. “In expanding into cigarette markets which Swedish Match serves today, Austria Tabak will look to use Swedish Match's cigarette business as a platform for the introduction of selected brands of its own, whilst at the same time developing and continuing to invest in the existing established Swedish Match brands”.*
- *“I envisage that key management personnel and the majority of the employees of Swedish Match's cigarette operations will continue to be employed subsequent to the transfer of ownership. Further I envisage that the production facilities in Malmö will continue in operation, he adds.*
- *“Today Swedish Match's business strategy focuses mainly on smokeless tobacco, an area in which we foresee considerable growth opportunities, particularly for moist snuff, and on cigars”, says Lennart Sundén, President and Chief Executive Officer of Swedish Match. “The strategic importance of cigarettes in our product portfolio has diminished in recent years. Our ambition is to arrive at a sound industrial solution for the cigarette operations, with a new owner who can provide better conditions for the long-term development and management of these operations. Austria Tabak is an ideal choice from that, as well as many other,*

aspects”, Lennart Sundén concludes. “In addition we envisage further strategic co-operation in markets outside of Sweden”.

Swedish Match has been advised by Merrill Lynch International and Austria Tabak has been advised by CAIB Investment Bank AG.

Swedish Match is an international group with headquarters in Stockholm, Sweden. The company manufactures a broad range of tobacco products, matches and disposable lighters that are sold in approximately 140 countries. Annual sales in 1998 amounted to approximately MSEK 8,200. Swedish Match is listed on the Stockholm Stock Exchange and on NASDAQ

Austria Tabak is an international manufacturing and trading group focusing on Austria and Germany. The industrial activities comprise the production and marketing of tobacco products. As a tobacco wholesaler, Austria Tabak has operations in Austria, Germany and Hungary. The two divisions are equally important for the earnings power of the Austria Tabak Group. Annual sales in 1998 amounted to MATS 71.600 . Austria Tabak is listed on the Vienna stock exchange.

For further information please contact:

Swedish Match AB

Lennart Sundén, President & Chief Executive Officer Office +46 8 658 01 75

Sven Hindrikes, Senior Vice President &
Chief Financial Officer Office + 46 8 658 02 82

Bo Aulin, Senior Vice President, Corporate Affairs Office + 46 8 658 03 64

Austria Tabak AG

Heinz Schiendl, Chief Executive Officer Office +43 1 31342 1338

Diethard Schwarzmaier, General Secretary Office +43 1 31342 1331

Hubert Greier, Press Officer Office +43 1 31342 1411