



PRESS RELEASE

August 10, 1998

Pace of rationalization measures increases due to decline in profits

Swedish Match's sales during the first six months of 1998 rose 5 percent to SEK 3,814M, compared with SEK 3,626 M during the corresponding period in 1997.

Operating profit declined to SEK 650 M, down from SEK 741 M. An item affecting comparability amounting to SEK 48 M was charged against operating profit for the period.

During the first six months of 1998, the Snuff Division continued to develop strongly, says Göran Lindén, President and CEO of Swedish Match. The Cigarette Division's sales and operating profit declined due to lower volumes in the Swedish Market as a result of last year's 63-percent tax increase.

As a result of changes in patterns of tobacco consumption worldwide, the tobacco industry is facing a restructuring phase. Göran Lindén comments on recent developments:

- In the Western world, consumption of snuff and cigars is increasing, while consumption of cigarettes is declining. In other parts of the world, however, cigarette consumption is increasing. In due course, these developments can be expected to lead to a consolidation and restructuring of production resources within the industry. Swedish Match intends to play an active role in this restructuring process.
- Accordingly, a decision has been made to intensify efforts aimed at enhancing the efficiency of Swedish Match's production facilities. During the first six months of the current year, costs of SEK 48 million were posted for moving production from the plant in Geraardsbergen in Belgium to Szeged, Hungary. In addition to the rationalization measures that have already been announced further decisions of this kind will be made during the second half of the year. The additional costs involved are estimated to amount to approximately SEK 100 million. The rationalization measures are expected to have a positive impact on earnings as early as 1999".

For further comments, please contact:

Göran Lindén, President and CEO

Sven Hindrikes, Senior Vice President and CFO

Bo Aulin, Senior Vice President, Corporate Affairs

Boel Sundvall, Vice President, Investor Relations

Office: +46 8 658 01 75

Office: +46 8 658 02 82

Mobile: +46 70 567 41 76

Office: +46 8 658 03 64

Mobile: +46 70 558 03 64

Office: +46 8 658 01 73

Mobil: +46 70 651 39 09