



Interim Report January – September 2001

- Sales increased 21 percent to 10,105 MSEK (8,337)
- Operating income increased 16 percent to 1,608 MSEK (1,386) ¹⁾
- Profit before tax was 1,411 MSEK (1,277) ¹⁾
- EPS increased to 2.57 (1.97), an increase of 30 percent ¹⁾
- EBITDA increased to 2,095 MSEK (1,785)
- Total shares outstanding as of September 30, 2001 amounted to 357.0 million compared with 358,5 million as of June, 2001

¹⁾ before items affecting comparability of 80 MSEK

Swedish Match sales increased by 21 percent, of which acquisitions accounted for 6 percentage points, in the first nine months 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 9 percent. All product areas exhibited sales gains. Cigars, pipe tobacco, lighters, and snuff show the largest increases.

Primarily cigars, matches, pipe tobacco, and lighters account for the better result. Snuff margins have been impacted by costs of product development and launches of new products, primarily in the US and India. A one-time charge of 80 MSEK for restructuring of cigar operations is included in Items affecting comparability. Operating income before items affecting comparability grew by 16 percent to 1,608 MSEK.

Net financial expenses increased to -197 MSEK (-109) mainly due to the redemption program, repurchase of shares, and acquisitions.

Earnings per share before items affecting comparability, during the first nine months, increased to 2.57 SEK (1.97). Earnings per share during the third quarter increased to 0.88 (0.73).

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 was registered in October.

Summary of Consolidated Income Statement

MSEK	January – September	
	2001	2000
Sales	10,105	8,337
Operating income before items affecting comparability	1,608	1,386
Net income for the period	886	844

Sales by product area

MSEK	July -		January –		Change %	12 months	Full year	Change %
	September 2001	2000	September 2001	2000		ended Sept 30, 2001		
Snuff	629	529	1,799	1,519	18	2,351	2,071	14
Chewing Tobacco	349	311	1,028	911	13	1,344	1,227	10
Cigars	944	796	2,586	1,847	40	3,429	2,690	27
Pipe Tobacco & Accessories	247	205	697	562	24	897	762	18
Matches	421	429	1,254	1,234	2	1,732	1,712	1
Lighters	190	175	613	519	18	814	720	13
Other operations	761	627	2,128	1,745	22	2,734	2,351	16
Total	3,541	3,072	10,105	8,337	21	13,301	11,533	15

Operating income by product area

MSEK	July -		January –		Change %	12 months	Full year	Change %
	September 2001	2000	September 2001	2000		ended Sept 30, 2001		
Snuff	242	254	691	704	(2)	941	954	(1)
Chewing Tobacco	90	72	278	244	14	365	331	10
Cigars	137	104	362	243	49	466	347	34
Pipe Tobacco & Accessories	62	58	185	159	16	239	213	12
Matches	46	24	134	67	100	157	90	74
Lighters	23	18	74	53	40	95	74	28
Other operations	(38)	(30)	(116)	(84)		(155)	(123)	
Subtotal	562	500	1,608	1,386	16	2,108	1,886	12
Items affecting comparability	(80)	-	(80)	-	-	(80)	-	-
Total	482	500	1,528	1,386	10	2,028	1,886	8

Smokeless Tobacco (Snuff and Chewing Tobacco)

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 nine months increased 18 percent, to 1,799 MSEK (1,519). Volume in the US increased 11 percent during the first nine months and the market share was approximately 8 percent. Volume in the Nordic market increased by 4 percent.

Operating income was down versus the same period last year, 691 MSEK (704). Costs for product launches, specially for the premium snuff Sequoia in the US, has strongly affected the profit.

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 nine months amounted to 1,028 MSEK (911), an increase of 13 percent, mainly due to a stronger US dollar.

Operating income in the first nine months was 278 MSEK (244).

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.

Brown Tobacco (Cigars and Pipe Tobacco)

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 nine months amounted to 2,586 MSEK (1,847), an increase of 40 percent over the same period last year. The increase is primarily attributable to acquisitions but also to strong organic growth in the machine made cigar segment in the US. Sales of premium cigars had slightly lower volume versus same period last year. The Western European market increased slightly. Operating income for cigars grew by 49 percent to 362 MSEK (243) in the first nine months of 2001.

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 nine months increased to 697 MSEK (562). Operating income increased to 185 MSEK (159).

Lights (Matches and Lighters)

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 nine months grew 2 percent versus same period last year, to 1,254 MSEK (1,234).

Operating income grew to 134 MSEK (67). In the third quarter, operating margin increased to 10.9 percent (5.6) primarily due to positive effects of the previously announced restructuring program, but also due to increased volumes in certain markets.

Lighters

Swedish Match is the third largest lighter manufacturer in the world, and its main brand is Cricket. Sales in the first nine months grew 18 percent, to 613 MSEK (519). Operating income grew by 40 percent, to 74 MSEK (53), due to increased volume and improved productivity.

Other Operations

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

For the first nine months of 2001, net expenses grew to -116 MSEK (-84).

Net financial expense

Net financial expense in the first nine months amounted to -197 MSEK (-109). Net interest expense amounted to -218 MSEK (-108). Other financial items, net, amounted to 21 MSEK (-1).

Taxes

Taxes for the first nine months were 426 MSEK (428) 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.

By the end of August the European dry snuff operation of the Burger company was acquired.

In September, the company purchased 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 Italian market. The yearly turnover is approximately 35 MSEK.

Investments

The Group's direct investments in tangible fixed assets amounted to 422 MSEK (219). Included in this figure is the ongoing investment in a new snuff factory outside Gothenburg and increased investments within the cigar operation.

Total depreciation and amortization amounted to 487 MSEK (399), of which depreciation on tangible assets amounted to 235 MSEK (200) and amortization of intangibles amounted to 252 MSEK (199).

Financing and liquidity

At the end of the period, the Group had a net debt of 4,259 MSEK, as compared with 2,739 MSEK at December 31, 2000. During the third quarter net debt decreased by 276 MSEK.

Cash and bank balances, including short term investments, amounted to 1,947 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 9,964 MSEK (9,363).

Average number of Group employees

The average number of employees in the Group during the 12 month period ending June 30 was 14,014, compared with 13,672 for the full year 2000.

Cancellation of shares and share buy back program

The General Meeting of shareholders on April 24, 2001 resolved to reduce the share capital by 36 MSEK through cancellation of 15,000,000 shares previously bought back for provisions to a fund to be utilized in accordance with resolutions approved by the Annual General Meeting. The reduction was registered on October 16, 2001 after which the company's share capital amounts to 891.8 MSEK. The share capital is spread over 371,596,181 shares with a par value of 2.40 SEK. Through buy back Swedish Match holds 14,577,000 shares in its treasury which means that the net number of shares outstanding amounts to 357,019,181.

By authorization by the Annual General Meeting the company can acquire a maximum of 10 percent of all shares in the company. 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.

Accounting 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 full year 2001 report will be released on February 12, 2002.

Stockholm, October 23, 2001

Lennart Sundén
President and Chief Executive Officer

Key data

	January – September		12 months	Full year
	2001	2000	ended Sept 30, 2001	2000
Operating margin, %	15.9	16.6	15.8	16.4
Return on operating capital, %			21.8	23.3
Return on shareholders' equity, %			22.1	21.8
Net debt/equity ratio, %	82.6	55.3	82.6	52.6
Equity/assets ratio, %	29.8	31.3	29.8	32.0
Investments in tangible assets, MSEK	422	219	534	331
EBITDA, MSEK (before items affecting comparability)	2,095	1,785	2,739	2,429
Average number of employees			14,014	13,672
<i>Share data</i>				
Earnings per share, basic*	2.57	1.97	3.36	2.76
Earnings per share, diluted*	2.56	1.96	3.36	2.76
Adjusted earnings per share**	3.16	2.37	4.11	3.32
Shareholders' equity per share, SEK	12.43	11.95	12.70	12.22
Number of shares outstanding at end of period	357,019,181	383,829,891	357,019,181	375,146,891
Average number of shares outstanding during period	364,273,808	419,915,136	368,446,326	410,177,322

* Excluding items affecting comparability (net of taxes). 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	July -		January –		Change %	12 months		Change %
	September 2001	2000	September 2001	2000		ended Sept 30, 2001	Full year 2000	
Sales, including tobacco tax	5,981	5,262	16,696	14,495	15	22,032	19,831	11
Less tobacco tax	(2,440)	(2,190)	(6,591)	(6,158)	7	(8,731)	(8,298)	5
Sales	3,541	3,072	10,105	8,337	21	13,301	11,533	15
Cost of goods sold	(1,957)	(1,776)	(5,636)	(4,815)	17	(7,468)	(6,647)	12
Gross profit	1,584	1,296	4,469	3,522	27	5,833	4,886	19
Sales and administrative expenses	(932)	(722)	(2,631)	(1,957)	34	(3,410)	(2,736)	25
Amortization, intangible assets	(94)	(78)	(252)	(199)	27	(334)	(281)	19
Shares in earnings of associated co.	4	4	22	20	10	19	17	12
	562	500	1,608	1,386	16	2,108	1,886	12
Items affecting comparability	(80)	-	(80)	-		(80)	-	
Operating income	482	500	1,528	1,386	10	2,028	1,886	8
Net interest expense	(81)	(57)	(218)	(108)		(285)	(175)	
Other financial items, net	0	7	21	(1)		21	(1)	
Net financial items	(81)	(50)	(197)	(109)	81	(264)	(176)	50
Income after financial items	401	450	1,331	1,277	4	1,764	1,710	3
Taxes	(128)	(151)	(426)	(428)		(554)	(556)	
Minority interests	(8)	(3)	(19)	(5)		(24)	(10)	
Net income for the period	265	296	886	844	5	1,186	1,144	4
Earnings per share, basic***	0.74	0.73	2.43	1.97		3.23	2.76	
Earnings per share, diluted***	0.74	0.72	2.42	1.96		3.22	2.76	

*** Including items affecting comparability (net of taxes). Earnings per share for the periods before June 30, 2000 have been adjusted for the bonus element of the redemption of shares.

Consolidated Balance Sheet in summary

MSEK

	Sept 30, 2001	Dec 31, 2000
Intangible fixed assets	5,103	4,288
Tangible fixed assets	2,896	2,576
Financial fixed assets	835	727
Current operating assets	6,499	5,730
Liquid Funds	1,947	2,960
Total assets	17,280	16,281
Shareholders' equity	4,438	4,584
Minority interests	716	620
Provisions	2,105	1,918
Long-term loans	5,423	4,638
Other long-term liabilities	75	207
Short-term loans	783	1,061
Other current liabilities	3,740	3,253
Total shareholders' equity, provisions and liabilities	17,280	16,281
Operating capital	11,563	9,821
Net debt	4,259	2,739

Change in Shareholders' equity

MSEK

	January - September 2001	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
Transfer to statutory reserve and cancellation of shares for transfer to unrestricted reserve	(17)	-
Transfer to statutory reserve and increase of unrestricted reserves from cancellation of shares	17	-
Repurchase of own shares	(799)	(594)
Dividend paid	(490)	(539)
New share issue	-	66
Redemption of shares	-	(1,061)
Translation difference for the period	257	(29)
Net income for the period	886	844
Total shareholders' equity at end of period	4,438	4,585

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 29,577,000 shares, as detailed below, and the total number of shares outstanding, accordingly, is 357,019,181. In October 15,000,000 of the repurchased shares detailed below have been cancelled.

Year of repurchase	Number of shares	% of total shares	Average price
2000	11,449,290	3.0	31.39
2001	18,127,710	4.7	44.04
Total	29,577,000	7.7	39.14

Consolidated Cash Flow Statement in summary

<i>MSEK</i>	Jan-Sept 2001	Jan-Sept 2000
Cash flow from operations before changes in Working Capital	1,415	1,208
Cash flow from changes of Working Capital	(163)	(667)
Cash flow from operations	1,252	541
<i>Investments</i>		
Investments in property, plant and equipment	(422)	(219)
Sales of property, plant and equipment	41	37
Acquisitions and investments in associated companies	(894)	(1,660)
Changes in financial receivables etc.	(63)	(55)
Cash flow from investments	(1,338)	(1,897)
<i>Financing</i>		
Changes in loans	426	(633)
Dividends	(490)	(539)
New share issue	-	66
Capital redemption	-	(1,061)
Repurchases of shares	(799)	(594)
Other	(80)	-
Cash flow from financing	(943)	(2,761)
Cash flow for the period	(1,029)	(4,117)
Liquid funds at the beginning of the period	2,960	7,296
Translation difference attributable to liquid funds	16	(132)
Liquid funds at the end of the period	1,947	3,047

Quarterly data

<i>MSEK</i>	Q3/99	Q4/99	Q1/00	Q2/00	Q3/00	Q4/00	Q1/01	Q2/01	Q3/01
Sales, including tobacco tax	4,545	4,403	4,188	5,045	5,262	5,336	4,946	5,769	5,981
Less tobacco tax	(2,127)	(1,841)	(1,794)	(2,174)	(2,190)	(2,140)	(1,877)	(2,274)	(2,440)
Sales	2,418	2,562	2,394	2,871	3,072	3,196	3,069	3,495	3,541
Cost of goods sold	(1,413)	(1,443)	(1,385)	(1,654)	(1,776)	(1,832)	(1,738)	(1,941)	(1,957)
Gross profit	1,005	1,119	1,009	1,217	1,296	1,364	1,331	1,554	1,584
Sales and administrative expenses	(567)	(690)	(547)	(688)	(722)	(779)	(772)	(927)	(932)
Amortization, intangible assets	(42)	(58)	(55)	(66)	(78)	(82)	(80)	(78)	(94)
Shares in earnings of associated co.	11	27	8	8	4	(3)	12	6	4
	407	398	415	471	500	500	491	555	562
Items affecting comparability	4,102	(395)	-	-	-	-	-	-	(80)
Operating income	4,509	3	415	471	500	500	491	555	482
Net interest expense	(24)	(38)	(10)	(41)	(57)	(67)	(67)	(70)	(81)
Other financial items, net	12	(15)	(5)	(3)	7	0	21	0	0
Net financial items	(12)	(53)	(15)	(44)	(50)	(67)	(46)	(70)	(81)
Income after financial items	4,497	(50)	400	427	450	433	445	485	401
Income taxes	(201)	(149)	(139)	(138)	(151)	(128)	(143)	(155)	(128)
Minority interests	3	13	1	(3)	(3)	(5)	(5)	(6)	(8)
Net income for the period	4,299	(186)	262	286	296	300	297	324	265

Sales by product area

MSEK

	Q3/99	Q4/99	Q1/00	Q2/00	Q3/00	Q4/00	Q1/01	Q2/01	Q3/01
Snuff	430	480	459	531	529	552	528	642	629
Chewing Tobacco	270	259	282	318	311	316	314	365	349
Cigars	407	437	405	646	796	843	750	892	944
Pipe Tobacco & Accessories	100	212	173	184	205	200	205	245	247
Matches	406	418	391	414	429	478	425	408	421
Lighters	170	154	175	169	175	201	220	203	190
Other operations	635	602	509	609	627	606	627	740	761
Total	2,418	2,562	2,394	2,871	3,072	3,196	3,069	3,495	3,541

Operating income by product area*MSEK*

	Q3/99	Q4/99	Q1/00	Q2/00	Q3/00	Q4/00	Q1/01	Q2/01	Q3/01
Snuff	236	221	209	241	254	250	214	235	242
Chewing Tobacco	78	73	89	83	72	87	89	99	90
Cigars	55	55	52	87	104	104	101	124	137
Pipe Tobacco & Accessories	22	59	49	52	58	54	59	64	62
Matches	30	14	25	18	24	23	44	44	46
Lighters	8	12	16	19	18	21	25	26	23
Other operations	(22)	(36)	(25)	(29)	(30)	(39)	(41)	(37)	(38)
Subtotal	407	398	415	471	500	500	491	555	562
Items affecting comparability	4 102	(395)	-	-	-	-	-	-	(80)
Total	4 509	3	415	471	500	500	491	555	482

Operating margin by product area*PERCENT*

	Q3/99	Q4/99	Q1/00	Q2/00	Q3/00	Q4/00	Q1/01	Q2/01	Q3/01
Snuff	54.9	46.0	45.5	45.4	48.0	45.3	40.5	36.6	38.5
Chewing Tobacco	28.9	28.2	31.6	26.1	23.2	27.5	28.3	27.1	25.8
Cigars	13.5	12.6	12.8	13.5	13.1	12.3	13.5	13.9	14.5
Pipe Tobacco & Accessories	22.0	27.8	28.3	28.3	28.3	27.0	28.8	26.1	25.1
Matches	7.4	3.3	6.4	4.3	5.6	4.8	10.4	10.8	10.9
Lighters	4.7	7.8	9.1	11.2	10.3	10.4	11.4	12.8	12.1
Group	16.8	15.5	17.3	16.4	16.3	15.6	16.0	15.9	15.9

For further information, please contact:

<i>Lennart Sundén, President and Chief Executive Officer</i>	<i>office</i>	<i>+46 8 658 01 75</i>
<i>Sven Hindrikes, Executive Vice President and Chief Financial Officer</i>	<i>office</i>	<i>+46 8 658 02 82</i>
	<i>mobile</i>	<i>+46 70 567 41 76</i>
<i>Bo Aulin, Senior Vice President, Secretary and General Counsel</i>	<i>office</i>	<i>+46 8 658 03 64</i>
	<i>mobile</i>	<i>+46 70 558 03 64</i>
<i>Emmett Harrison, Vice President, Investor Relations</i>	<i>office</i>	<i>+46 8 658 01 73</i>
	<i>mobile</i>	<i>+46 70 938 01 73</i>