SWEDISH MATCH

Pressrelease
March 3, 1997

Operating income before nonrecurring items up 15 percent

In 1996, operating income before nonrecurring items rose by slightly more than 15 percent, from SEK 1,494 M to SEK 1,723 M. This was achieved despite virtually unchanged sales of SEK 7,416 M, compared with SEK 7,435 M a year earlier. All divisions reported higher operating income.

The improvement in Group income was attributable to strong price trends for several product groups, higher volumes for certain products and substantial improvements in efficiency and costs savings.

Net income, that is, income after nonrecurring items, net financial items, minority interests and taxes, is largely unchanged at SEK 1,109 M in 1996, compared with SEK 1,097 M a year earlier. Net income was charged with SEK 92 M in nonrecurring items after tax pertaining mainly to restructuring costs in conjunction with the closing of the plants in Arvika and Härnösand. In 1995, net income was affected positively by nonrecurring items amounting to SEK 218 M.

Earnings per share after full tax, but before nonrecurring items, rose by 37 percent to SEK 2.59. Shareholders' equity per share increased 48 percent to SEK 4.99.

A dividend of SEK 1.10 per share is proposed.

Chief Executive Göran Lindén comments:

This year's result demonstrates strength in many respects. The sales trend is positive for several product groups, including moist snuff, lighters and matches, although as a result of currency effects the volume increases did not gain full impact on sales revenues expressed in Swedish kronor. Operating margin rose from 20.1 to 23.2 percent and return on operating capital increased to 49.9 percent, compared with 41.3 percent in 1995.

The Group continues to be characterized by favorable profitability and profit margin and a strong cash flow.

Just as development in the market is important for our earnings, so is the ongoing program to reduce costs. This will affect earnings positively, with full effect from 1998 and partly already in 1997.

In order to increase the effectiveness of cultivating new markets while concurrently increasing strengths in the existing markets, an entirely new organization was implemented at year end 1996, with seven product divisions which market their products through seven sales regions which are oriented towards consumer markets and a global unit for advertising products activities.

Increased sales, higher costs efficiency and increased competitiveness are several of the effects we foresee as a result of the new organization.

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