



PRESS RELEASE

Stockholm, April 22nd, 1998

The Board of Directors of Swedish Match proposes terms for redemption

On 24 February 1998, the Board of Directors of Swedish Match resolved to propose to the Annual General Meeting on 29 April 1998 to resolve to carry out a redemption of shares in the company in the amount of SEK 1,200 million. The proposal is based upon Swedish Match's strong financial position and lies within the framework of the established program statement by the Board of Directors regarding the transfer of surplus funds to the shareholders. The proposed redemption of shares in 1998 will, in the opinion of the Board of Directors, not affect the company's ability to implement its ambitious growth strategy.

The Board of Directors has today specified the terms and conditions of the proposed redemption, which is subject to the approval of the company's shareholders at the Annual general Meeting on 29 April 1998. The following information regarding the proposed redemption, including the approximate number of shares to be redeemed and the redemption amount, remains subject to change.

All shareholders of Swedish Match will be offered the opportunity to redeem each 13th share in exchange for a cash payment of SEK 35 per share. For each share in Swedish Match, one redemption right shall be received. 13 redemption rights will entitle the holder to redeem one share in Swedish Match. If all redemption rights are exercised, a maximum of 35,658,327 shares will be redeemed and a maximum of SEK 1,248 million will be transferred to the shareholders of Swedish Match through the redemption procedure.

The first day for trading in shares in Swedish Match without redemption rights is planned for 6 May 1998. The record date for receipt of redemption rights is planned for 8 May 1998. The application period is anticipated to run from 13 May until 12 June 1998. Informational material will be distributed to all shareholders in conjunction with the commencement of the application period. Trading in redemption rights is anticipated to take place on the Stockholm Stock Exchange between 13 May and 9 June. A parallel offer will be directed to U.S. and Canadian shareholders and holders of ADRs. Trading in ADR rights is anticipated to take place on NASDAQ between May 13 and June 12.

It is proposed that, at an extraordinary general meeting of Swedish Match on 7 July, the necessary resolutions be adopted for redemption of shares pursuant to applications for redemption. Payment of the redemption amount is anticipated to take place at the end of July/beginning of August.

In order to restore the share capital to an amount equivalent to the share capital before the redemption procedure, the Board of Directors intends to propose a private new issue of a maximum of 4 million shares. The new issue shall be effected in accordance with market terms and conditions, and shall be directed to Föreningssparbankernas aktiefonder, The National Pension Fund-Fourth Fund Board, SPP, and Ratos. It is also proposed that the extraordinary general meeting resolve to carry out a bonus issue through a transfer to the share capital from the share premium reserve and the statutory reserve. Through such procedure, it is intended that the nominal value of the share increase from SEK 2.00 to 2.20, which will result in a total of about SEK 86.1 million being transferred to the share capital. The share capital will thereby be restored to the level applicable prior to the redemption procedure.

Through the new issue and bonus issue procedures, payment of the redemption amount can be made within one month after the extraordinary general meeting as compared to the normal case of four to six months. This is made possible because through the procedure described above the district court approval is not required in order to pay the redemption amount.

The effects of the redemption on the income statement and balance sheet, as well as the key ratios, are reported in a separate table for pro forma accounts. The pro forma accounts are based on the annual accounts for the 1997 operating year.

PRO FORMA ACCOUNTS

The pro forma accounts have been based on Swedish Match's accounts for 1997, whereupon adjustments have been made for the effects of the redemption and new issue. The pro forma income statement for 1997 has been prepared as if the redemption and new issue were carried out on 1 January 1997. The pro forma balance sheet for 1997 has been prepared as if the redemption and new issue were carried out on 31 December 1997. The pro forma information has also been based on the following assumptions:

- that the redemption offer is accepted in its entirety;
- that the redemption price is established at SEK 35;
- that SEK 71.3 million is raised through the new issue;
- that the new issue price per share is established at SEK 27, corresponding to the market price at the time of the issue;
- that the net redemption amount (redemption amount less the new issue proceeds) is financed through short-term loans at a rate of interest of 5 percent; and
- that the effect of the increased interest costs on the net profit is calculated on the basis of a 28 percent standard tax rate.

The pro form accounts are prepared on the assumption that shareholders at the annual general meeting on 29 April 1998 adopt the resolution to effect redemption, and the assumption that shareholders at the extraordinary general meeting on 7 July 1998 adopt the necessary resolutions for redemption of shares pursuant to applications for redemption.

CONSOLIDATED INCOME STATEMENT

	1997		1997
SEK million	Actual	Adjustments	Pro forma
Sales	7 465		7 465
Cost of goods sold	-3 615		-3 615
Gross margin	3 850		3 850
Selling, administrative and other expenses	-2 281		-2 281
Share of earnings in associated companies	17		17
Operating profit	1 586		1 586.0
Financial items, net	-28	-59	-87
Profit after financial items	1 558	-59	1 499
Taxes	-512	16	-496
Minority interest	-1		-1
Profit for the year	1 045	-43	1 002

CONSOLIDATED BALANCE SHEET

	Dec. 31, 1997		Dec. 31, 1997
SEK million	Actual	Adjustments	Pro forma
Intangible assets	757		757
Tangible and other operating fixed assets	2 226		2 226
Financial assets	308		308
Current operating assets	3 125		3 125
Current financial receivables	153		153
Cash and bank	563		563
Total assets	7 132		7 132
Equity	2 972	-1 177	1 795
Minority	20		20
Provisions	656		656
Long-term liabilities to credit institutions	209		209
Other long-term liabilities	27		27
Short-term liabilities to credit institutions	825	1 177	2 002
Other short-term financial liabilities	290		290
Short-term operating liabilities	2 133		2 133
Total equity, provisions and liabilities	7 132	0	7 132

KEY RATIOS AND DATA PER SHARE

	1997	Adjustments	1997 Pro forma
Number of shares	463 558 252	-33 016 969	430 541 283
Earnings per share, SEK	2.20 ¹		2.33
Equity per share, SEK	6.25 ¹		4.17
Net debt, SEK million	471		1 648
Net debt/equity ratio, %	15.7		90.8
Interest coverage ratio, times	24.9		13.1
Equity/assets ratio, %	41.9		25.4
Return on shareholders' equity, %	39.5		68.4 ²

¹⁾ Since the redemption amount per share exceeds the share price, the earnings per share and equity per share in 1997 have been adjusted in order to permit comparison with the earnings per share and book equity per share after redemption. The adjustment has been based on a assumed share price prior to redemption of SEK 27, a redemption amount of SEK 35 and that every thirteenth share is redeemed. The adjustment factor has been calculated as $(13 \cdot 27 - 35) / 12 / 27 = 0,9753$. Without adjustment the earnings per share and equity per share amounted to SEK 2,25 and 6,41 respectively.

²⁾ Return on shareholders' equity has been defined as profit for the year divided by average shareholders' equity, calculated as the opening and closing balances divided by two. Since profit for the year pro forma 1997 has been calculated as if redemption was effected on January 1, 1997, the opening balance shareholders' equity been reduced by the net redemption amount (redemption amount less the new issue proceeds) when calculating the return on shareholders' equity pro forma 1997. Before adjustment, the opening shareholders' equity balance amounted to SEK 2,314 million.

Swedish Match is a company specialised in Tobacco, Matches and Lighter products with a turnover of approximately MSEK 7,500 and more than 6,500 employees in approximately 80 offices and factories worldwide. Swedish Match is a listed company both at the Stockholm Stock Exchange and at the NASDAQ, USA.

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