



PRESSRELEASE

June 10, 1998

Parliament decided on tax cut:

Cigarette prices reduced on August 1, 1998

The Swedish Parliament has decided that the tax on cigarettes will be reduced on August 1, 1998. Since both Swedish Match and the retailers are reducing their margins at the same time, the price reduction to the customer will be substantial.

The price on a package of Blend Original, for example, will be reduced from SEK 44.50 to SEK 34.50, down 22%.

"The reduction is a step in the right direction. We are now beginning to approach the price levels in other EU countries. During 1997, the excise tax on tobacco in Sweden rose more than 60% in eight months, giving Sweden the highest cigarette prices within EU. This resulted in a dramatic increase primarily in cross-border commerce and smuggling, which hurt the established retail trade, says Bo Aulin, Senior Vice President, Corporate Affairs, Swedish Match.

Sharp price cuts

The price of Blend Kings, John Silver and Camel will be cut on August 1 from SEK 45.00 to SEK 35.50. Blend Original is being cut from SEK 44.50 to SEK 34.50 and Right is being reduced the most, from SEK 43.00 to SEK 33.00.

Swedish Match and the retailers are also cutting margins on August 1. Combined with control efforts by the authorities, this is expected to have the effect that Swedish Match has good possibilities of recovering volume lost to the illegal market.

"After the price cuts, we are nearing the price in Denmark and Finland, which also should reduce the cross-border trade", says Bo Aulin.

"During 1997, legal cigarette sales fell by 27%. The Customs Authority's confiscation of smuggled cigarettes rose by 137% in the same year. This indicates that consumption did not decline in an amount corresponding to fall in legal sales, concludes Bo Aulin.

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New fixed highest price on August 1, 1998

Price today
44:50 SEK

Price on August
1

Excise tax SEK



Excise tax SEK



VAT SEK 8:90

VAT SEK 6:90

Retail margin SEK

Retail margin 4:91

Sales price
Swedish Match 5:28

Sales price
Swedish Match 5:17

Price today
43:00

Price on August
1

Excise tax 24:65
SEK



Excise tax 16:94



VAT 8:60 SEK

VAT 6:60 SEK

Retail margin 5:20

Retail margin 4:91

Sales price
Swedish Match 4:55

Sales price
Swedish Match 4:55