



Nasdaq: SWMAY Stockholmsbörsen: SWMA

Interim Report January – September 2002

- Sales increased 2 percent to 10,317 MSEK (10,105)
- Organic growth amounted to 5 percent
- Strong volume growth for snuff
- Operating income increased 16 percent to 1,865 MSEK (1,608)¹⁾
- EPS increased 21 percent to 3.11 SEK (2.56)¹⁾
- Restructuring program of 68 MSEK will provide savings in 2003
- EBITDA increased 13 percent to 2,370 MSEK (2,095)¹⁾

¹⁾ excluding items affecting comparability

Sales for the first nine months increased by 2 percent, to 10,317 MSEK (10,105) led by continued solid growth in snuff operations. Organic growth amounted to 5 percent. Currency translation impact compared to last year has reduced reported sales by 3 percentage points during the first nine months.

Operating income excluding items affecting comparability grew by 16 percent to 1,865 MSEK (1,608). Most product areas experienced improved margins. In the third quarter there was a restructuring charge of 68 MSEK recorded as an item affecting comparability.

Net financial expense for the first nine months was -202 MSEK (-197). Net interest expense was -192 MSEK (-218).

Earnings per share, excluding items affecting comparability, increased by 21 percent to 3.11 SEK (2.56).

Summary of Consolidated Income Statement

<i>MSEK</i>	January – September		Full year
	2002	2001	2001
Sales	10,317	10,105	13,635
Operating income excluding items affecting comparability	1,865	1,608	2,193
Net income for the period	1,050	886	1,228

Sales by product area

	July - Sep		Change	Jan - Sep		Change	12 months ended	Full year
MSEK	2002	2001	%	2002	2001	%	Sep 30, '02	2001
Snuff	707	629	12	2,090	1,799	16	2,748	2,457
Chewing Tobacco	312	349	(11)	1,023	1,028	0	1,372	1,377
Cigars	864	944	(8)	2,513	2,586	(3)	3,408	3,481
Pipe Tobacco & Accessories	217	247	(12)	618	697	(11)	854	933
Matches	387	421	(8)	1,268	1,254	1	1,704	1,690
Lighters	165	190	(13)	535	613	(13)	731	809
Other operations	815	761	7	2,270	2,128	7	3,030	2,888
Total	3,467	3,541	(2)	10,317	10,105	2	13,847	13,635

Operating income by product area

	July - Sep		Change	Jan - Sep		Change	12 months ended	Full year
MSEK	2002	2001	%	2002	2001	%	Sep 30, '02	2001
Snuff	320	242	32	923	691	34	1,182	950
Chewing Tobacco	100	90	11	311	278	12	405	372
Cigars	140	137	2	411	362	14	549	500
Pipe Tobacco & Accessories	41	62	(34)	119	185	(36)	170	236
Matches	53	46	15	177	134	32	226	183
Lighters	17	23	(26)	60	74	(19)	87	101
Other operations	(51)	(38)		(136)	(116)		(169)	(149)
Subtotal	620	562	10	1,865	1,608	16	2,450	2 193
Items affecting comparability	(68)	(80)		(68)	(80)		(68)	(80)
Total	552	482	15	1,797	1,528	18	2,382	2 113

Operating margin by product area

	July - Sep		Jan - Sep		12 months ended	Full year
PERCENT	2002	2001	2002	2001	Sep 30, '02	2001
Snuff	45.3	38.5	44.2	38.4	43.0	38.7
Chewing Tobacco	32.1	25.8	30.4	27.0	29.5	27.0
Cigars	16.2	14.5	16.4	14.0	16.1	14.4
Pipe Tobacco & Accessories	18.9	25.1	19.3	26.5	19.9	25.3
Matches	13.7	10.9	14.0	10.7	13.3	10.8
Lighters	10.3	12.1	11.2	12.1	11.9	12.5
Group	17.9	15.9	18.1	15.9	17.7	16.1

Smokeless Tobacco

Swedish Match has a broad presence in smokeless tobacco (Snuff and Chewing Tobacco), with significant positions in the Nordic countries, the US, and South Africa. The main organic growth is within the snuff operations in North America and North Europe.

Snuff

Swedish Match is the only global producer of snuff, and has a leading position on the Nordic snuff market and in South Africa. In the US, the Company has the largest share of the fast-growing value price segment. The biggest brands are General, Catch, and Ettan in Sweden, Timber Wolf in the US and Taxi in South Africa. Sales for the first nine months amounted to 2,090 MSEK (1,799) an increase of 16 percent. Organic growth for snuff during this period was 18 percent. Operating income in the first nine months grew by 34 percent, to 923 MSEK (691).

Swedish Match volume grew by 6 percent in North Europe, and in the US, volume grew by 10 percent. Swedish Match continued to improve its market position in the growing US market. Year-to-date unit share of the total US market increased to slightly more than 9 percent or about 1 percentage point more than the same period year ago.

For the third quarter, sales were 707 MSEK (629), an increase of 12 percent. Operating income increased by 32 percent to 320 MSEK (242) mainly due to improved volume but also due to positive price/mix effects, as well as more efficient marketing spending. Operating margin reached 45.3 percent (38.5).

Chewing Tobacco

Chewing tobacco is sold primarily in the North American market. Major brands are Red Man and Southern Pride. Swedish Match is the leading producer of chewing tobacco in the US. The chewing tobacco segment is characterised by annual volume declines which have averaged 4 - 5 percent per year. In 2002, the volume decline has moderated somewhat.

Sales were flat during the first nine months, at 1,023 MSEK (1,028). In local currency, sales were up 3 percent. Operating income increased by 12 percent, to 311 MSEK (278). Operating income improvement is a result of price increases, and lower expenses.

For the third quarter, sales declined by 11 percent, to 312 MSEK (349), due to negative currency translation impact. Operating income was 100 MSEK (90). Operating margin reached 32.1 percent (25.8) as improved pricing and product cost improvements have strengthened the operating result. Market share in the US remains stable at 42 percent.

Cigars and Pipe Tobacco

Swedish Match is one of the world's largest producers of cigars and pipe tobacco with a broad presence globally. Growth opportunities are mainly within cigars.

Cigars

Swedish Match is one of the largest producers of cigars and cigarillos in the world and is the second biggest in sales value. The main markets are North America and West Europe. These two markets together make up about 75 percent of the world market for cigars. Swedish Match offers a full range of products worldwide, with both premium and machine made cigars. Major brands are Macanudo, Garcia y Vega, La Gloria Cubana, La Paz, Justus van Maurik, and Wings.

Sales for the first nine months amounted to 2,513 MSEK (2,586), a decline of 3 percent. In local currency sales were flat. Operating income for the first nine months increased 14 percent to 411 MSEK (362) primarily as a result of lower operating costs. Swedish

Match North American mass market cigar volume declined, while European and US premium businesses were stable.

During the third quarter, sales were 864 MSEK, (944), with currency translation effects accounting for all of the decline. Operating income was 140 MSEK (137). Operating margin was 16.2 percent (14.5).

Pipe Tobacco and Accessories

Swedish Match is one of the largest producers of pipe tobacco in the world and the products are marketed worldwide. Major brands include Borkum Riff, Half and Half, and Boxer. The main markets for pipe tobacco are North America and West Europe. The Company also has a significant presence in South Africa.

Sales for the first nine months amounted to 618 MSEK (697), a decrease of 11 percent. Operating income declined to 119 MSEK (185). Sales and operating income were negatively impacted by a significant decline in the value of the South African Rand versus the year-ago period, as well as weaker volume in several markets.

For the third quarter, sales were 217 MSEK (247) and operating income was 41 MSEK (62). Operating margin was 18.9 percent (25.1).

Lights

Swedish Match produces and markets matches and lighters globally. These products are sold in over 140 countries.

Matches

Swedish Match is number one in the world market for matches. The brands are mostly local, and have strong positions in their home countries. Major brands include Swan, Solstickan, Three Stars, and Redheads.

Sales for the first nine months amounted to 1,268 MSEK (1,254). Operating income grew 32 percent to 177 MSEK (134).

For the third quarter, sales were 387 MSEK (421) and operating income was 53 MSEK (46). In local currency, sales increased slightly. Operating margin was 13.7 percent (10.9).

Lighters

Swedish Match is the third largest producer of disposable lighters in the world and the main brand is Cricket.

Swedish Match sales for the first nine months were 535 MSEK (613) and operating income was 60 MSEK (74).

During the third quarter, sales were 165 MSEK (190) and operating income was 17 MSEK (23). Operating margin was 10.3 percent (12.1). The lighter business is faced with an increasingly competitive market environment. Sales volume has been effected negatively and a restructuring of the lighter production has been initiated.

Other Operations

Other operations include, among other things, the distribution of tobacco products on the Swedish market, sales of advertising products, as well as corporate overheads and costs for business development and legal expenses. For the first nine months, net

expenses for other operations were -136 MSEK (-116). For the third quarter net expenses were -51 MSEK (-38).

Items affecting comparability

In the third quarter a charge of 68 MSEK was taken for restructuring in Continental Europe, including sales and cigar production as well as lighter production. Headcount will be reduced by approximately 140 employees.

Financing and net financial expense

At the close of the period the Group net debt amounted to 3,614 MSEK, as compared to 4,410 MSEK on December 31, 2001, a reduction of 796 MSEK. Payments for dividends, share repurchases and capital expenditure amounted to 1,256 MSEK during the first nine months.

Cash and bank balances, including short term investments, amounted to 2,287 MSEK at the end of the period, compared with 1,606 MSEK at the beginning of the year.

Net interest expense for the first nine months amounted to -192 MSEK (-218). Other financial items, net, amounted to -10 MSEK (21).

Taxes

Total tax expense for the first nine months amounted to 510 MSEK (426) corresponding to 32 percent of income before taxes.

Earnings per share

Earnings per share for the first nine months amounted to 2.98 (2.42), an increase of 23 percent. Earnings per share excluding amortization of intangible assets and items affecting comparability amounted to 3.71 SEK (3.16), an increase of 17 percent.

Capital expenditure, depreciation and amortization

The Group's direct investments in tangible fixed assets amounted to 576 MSEK (422). Among the major investments is a new snuff factory outside Gothenburg, Sweden. Total depreciation and amortization amounted to 505 MSEK (487), of which depreciation on tangible assets amounted to 256 MSEK (235) and amortization of intangibles amounted to 249 MSEK (252).

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 11,812 MSEK (9,964).

Average number of Group employees

The average number of employees in the Group for the first nine months was 14,756 compared with 14,343 for the full year 2001, primarily due to increased production of cigars in Indonesia and the Dominican Republic.

Share structure

During the first nine months 2,243,500 shares have been repurchased. Swedish Match holds at the end of the period 23,839,500 shares in its treasury, corresponding to 6.4 percent of the total amount of shares. The number of shares outstanding, net after repurchase, as per September 30, 2002 amounts to 347,756,681.

At the Annual General Meeting, on April 23, 2002, the shareholders approved the reduction of share capital with 24 MSEK through cancellation of 10,000,000 shares. The reduction was completed and registered in October. After the reduction the Company holds 13,839,500 shares in its treasury, corresponding to 3.8 percent of the total amount of shares. The Company may hold a maximum of 10 percent of all shares in the Company.

Other events

Swedish Match North America, Inc. on July 22nd filed federal civil antitrust action in the United States District Court for the Western District of Kentucky against U.S. Smokeless Tobacco Company ("USST") and other U.S. Tobacco affiliated companies, seeking a permanent injunction and alleging antitrust damages in connection with USST's use of illegal, exclusionary tactics to suppress competition, raise prices, and stifle innovation in the United States moist snuff tobacco market. The amount of damages has yet to be specified.

Accounting principles

The accounting principles applied in this interim report are the same as for the full year 2001 annual report on operations.

Additional information

This report has not been reviewed by the Company's auditors. The full year 2002 report will be released on February 11th, 2003.

Stockholm, October 24, 2002

Lennart Sundén
President and Chief Executive Officer

Key data

	January - September		12 months ended	Full year
	2002	2001	Sep 30, 2002	2001
Operating margin, %	18.1	15.9	17.7	16.1
Operating capital, MSEK	10,230	11,563	10,230	11,227

Return on operating capital, %			22.5	20.8
Return on shareholders' equity, %			33.3	28.3
Net debt, MSEK	3,614	4,259	3,614	4,410
Net debt/equity ratio, %	78.0	82.6	78.0	90.5
Equity/assets ratio, %	29.4	29.8	29.4	29.3
Investments in tangible assets, MSEK	576	422	787	633
EBITDA, MSEK	2,370	2,095	3,138	2,863
<i>Earnings per share</i>				
Basic, SEK	3.01	2.43	3.98	3.40
Diluted, SEK	2.98	2.42	3.95	3.38
Excluding items affecting comparability, diluted, SEK	3.11	2.56	4.07	3.52
Excluding amortization and items affecting comparability, diluted, SEK	3.71	3.16	4.82	4.30
Shareholders' equity per share, SEK	11.29	12.43	11.29	11.73
No of shares outstanding at end of period	347,756,681	357,019,181	347,756,681	350,000,181
Average No of shares outstanding	349,186,370	364,273,808	350,186,683	361,506,184
Average No of shares outstanding, diluted	351,933,305	366,004,721	352,791,838	363,016,335

Consolidated Income Statement in summary

MSEK	July – Sep		Jan – Sep		Change %	12 months ended Sep 30, '02	Full year 2001	Change %
	2002	2001	2002	2001				
Sales, including tobacco tax	7,029	5,981	18,235	16,696	9	23,967	22,428	7
Less tobacco tax	(3,562)	(2,440)	(7,918)	(6,591)	20	(10,120)	(8,793)	15
Sales	3,467	3,541	10,317	10,105	2	13,847	13,635	2
Cost of goods sold	(1,939)	(1,957)	(5,625)	(5,636)	0	(7,616)	(7,627)	0
Gross profit	1,528	1,584	4,692	4,469	5	6,231	6,008	4
Sales and administrative expenses	(835)	(932)	(2,595)	(2,631)	(1)	(3,466)	(3,502)	(1)
Amortization, intangible assets	(79)	(94)	(249)	(252)	(1)	(338)	(341)	(1)
Shares in earnings of associated co	6	4	17	22	(23)	23	28	(18)
	620	562	1,865	1,608	16	2,450	2,193	12
Items affecting comparability	(68)	(80)	(68)	(80)		(68)	(80)	
Operating income	552	482	1,797	1,528	18	2,382	2,113	13
Net interest expense	(59)	(81)	(192)	(218)		(260)	(286)	
Other financial items, net	(1)	0	(10)	21		(18)	13	
Net financial items	(60)	(81)	(202)	(197)	3	(278)	(273)	2
Income before taxes and minority interests	492	401	1,595	1,331	20	2,104	1,840	14
Taxes	(157)	(128)	(510)	(426)		(673)	(589)	
Minority interests	(15)	(8)	(35)	(19)		(39)	(23)	
Net income for the period	320	265	1,050	886	19	1,392	1,228	13
Earnings per share, basic	0.92	0.74	3.01	2.43		3.98	3.40	
Earnings per share, diluted	0.91	0.74	2.98	2.42		3.95	3.38	

Consolidated Balance Sheet in summary

MSEK

	Sep 30, 2002	Dec 31, 2001
Intangible fixed assets	4,210	4,769
Tangible fixed assets	2,938	2,970
Financial fixed assets	632	691
Current operating assets	5,672	6,587
Liquid Funds	2,287	1,606
Total assets	15,739	16,623
Shareholders' equity	3,925	4,105
Minority interests	706	767
Provisions	2,229	2,311
Long-term loans	5,031	5,072
Other long-term liabilities	74	78
Short-term loans	870	944
Other current liabilities	2,904	3,346
Total shareholders' equity, provisions and liabilities	15,739	16,623

Change in Shareholders' equity

MSEK

	Jan – Sep 2002	Jan – Sep 2001
Shareholders' equity, opening balance as per December 31	4,105	4,635
Effect due to change in accounting principle	-	(51)
Adjusted shareholders' equity, opening balance	4,105	4,584
Cancellation of shares for transfer to unrestricted reserves and transfer to statutory reserve	-	(17)
Increase of unrestricted reserves from cancellation of shares and decrease from transfer to statutory reserve	-	17
Repurchase of own shares	(172)	(799)
Dividend paid	(508)	(490)
Translation difference for the period	(550)	257
Net income for the period	1,050	886
Total shareholders' equity at end of period	3,925	4,438

Consolidated Cash Flow Statement in summary

<i>MSEK</i>	Jan – Sep 2002	Jan – Sep 2001
Cash flow from operations before changes in Working Capital		
Capital	1,925	1,415
Cash flow from changes of Working Capital	59	(163)
Cash flow from operations	1,984	1,252
<i>Investments</i>		
Investments in property, plant and equipment	(576)	(422)
Sales of property, plant and equipment	101	41
Acquisitions of intangibles	(14)	-
Acquisitions of subsidiaries	(10)	(894)
Changes in financial receivables etc.	(2)	(63)
Cash flow from investments	(501)	(1,338)
<i>Financing</i>		
Changes in loans	(80)	426
Dividends	(508)	(490)
Repurchase of shares	(172)	(799)
Other	51	(80)
Cash flow from financing	(709)	(943)
Cash flow for the period	774	(1,029)
Liquid funds at the beginning of the period	1,606	2,960
Translation difference attributable to liquid funds	(93)	16
Liquid funds at the end of the period	2,287	1,947

Quarterly data

<i>MSEK</i>	Q3/00	Q4/00	Q1/01	Q2/01	Q3/01	Q4/01	Q1/02	Q2/02	Q3/02
Sales, including tobacco tax	5,262	5,336	4,946	5,769	5,981	5,732	5,225	5,981	7,029
Less tobacco tax	(2,190)	(2,140)	(1,877)	(2,274)	(2,440)	(2,202)	(1,908)	(2,448)	(3,562)
Sales	3,072	3,196	3,069	3,495	3,541	3,530	3,317	3,533	3,467
Cost of goods sold	(1,776)	(1,832)	(1,738)	(1,941)	(1,957)	(1,991)	(1,765)	(1,921)	(1,939)
Gross profit	1,296	1,364	1,331	1,554	1,584	1,539	1,552	1,612	1,528
Sales and administrative expenses	(722)	(779)	(772)	(927)	(932)	(871)	(869)	(891)	(835)
Amortization, intangible assets	(78)	(82)	(80)	(78)	(94)	(89)	(83)	(87)	(79)
Shares in earnings of associated co.	4	(3)	12	6	4	6	5	6	6
	500	500	491	555	562	585	605	640	620
Items affecting comparability	-	-	-	-	(80)	-	-	-	(68)
Operating income	500	500	491	555	482	585	605	640	552
Net interest expense	(57)	(67)	(67)	(70)	(81)	(68)	(64)	(69)	(59)
Other financial items, net	7	0	21	0	0	(8)	(7)	(2)	(1)
Net financial items	(50)	(67)	(46)	(70)	(81)	(76)	(71)	(71)	(60)
Income after financial items	450	433	445	485	401	509	534	569	492
Income taxes	(151)	(128)	(143)	(155)	(128)	(163)	(171)	(182)	(157)
Minority interests	(3)	(5)	(5)	(6)	(8)	(4)	(2)	(18)	(15)
Net income for the period	296	300	297	324	265	342	361	369	320

Sales by product area

MSEK

	Q3/00	Q4/00	Q1/01	Q2/01	Q3/01	Q4/01	Q1/02	Q2/02	Q3/02
Snuff	529	552	528	642	629	658	672	711	707
Chewing Tobacco	311	316	314	365	349	349	344	367	312
Cigars	796	843	750	892	944	895	778	871	864
Pipe Tobacco & Accessories	205	200	205	245	247	236	190	211	217
Matches	429	478	425	408	421	436	460	421	387
Lighters	175	201	220	203	190	196	186	184	165
Other operations	627	606	627	740	761	760	687	768	815
Total	3,072	3,196	3,069	3,495	3,541	3,530	3,317	3,533	3,467

Operating income by product area

MSEK

	Q3/00	Q4/00	Q1/01	Q2/01	Q3/01	Q4/01	Q1/02	Q2/02	Q3/02
Snuff	254	250	214	235	242	259	290	313	320
Chewing Tobacco	72	87	89	99	90	94	106	105	100
Cigars	104	104	101	124	137	138	122	149	140
Pipe Tobacco & Accessories	58	54	59	64	62	51	42	36	41
Matches	24	23	44	44	46	49	65	59	53
Lighters	18	21	25	26	23	27	20	23	17
Other operations	(30)	(39)	(41)	(37)	(38)	(33)	(40)	(45)	(51)
Subtotal	500	500	491	555	562	585	605	640	620
Items affecting comparability	-	-	-	-	(80)	-	-	-	(68)
Total	500	500	491	555	482	585	605	640	552

Operating margin by product area

PERCENT

	Q3/00	Q4/00	Q1/01	Q2/01	Q3/01	Q4/01	Q1/02	Q2/02	Q3/02
Snuff	48.0	45.3	40.5	36.6	38.5	39.4	43.2	44.0	45.3
Chewing Tobacco	23.2	27.5	28.3	27.1	25.8	26.9	30.8	28.6	32.1
Cigars	13.1	12.3	13.5	13.9	14.5	15.4	15.7	17.1	16.2
Pipe Tobacco & Accessories	28.3	27.0	28.8	26.1	25.1	21.6	22.1	17.1	18.9
Matches	5.6	4.8	10.4	10.8	10.9	11.2	14.1	14.0	13.7
Lighters	10.3	10.4	11.4	12.8	12.1	13.8	10.8	12.5	10.3
Group	16.3	15.6	16.0	15.9	15.9	16.6	18.2	18.1	17.9

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>mobile</i>	<i>+46 8 658 02 82</i> <i>+46 70 567 41 76</i>
<i>Bo Aulin, Senior Vice President, Secretary and General Counsel</i>	<i>office</i> <i>mobile</i>	<i>+46 8 658 03 64</i> <i>+46 70 558 03 64</i>
<i>Emmett Harrison, Vice President, Investor Relations</i>	<i>office</i> <i>mobile</i>	<i>+46 8 658 01 73</i> <i>+46 70 938 01 73</i>
<i>Lin McKinnie, Vice President, Investor Relations (US)</i>	<i>office</i> <i>mobile</i>	<i>+1 804 302 1912</i> <i>+1 917 592 7670</i>