

SWEDISH MATCH INVESTOR INFORMATION AND RESULTS

Q1 2007



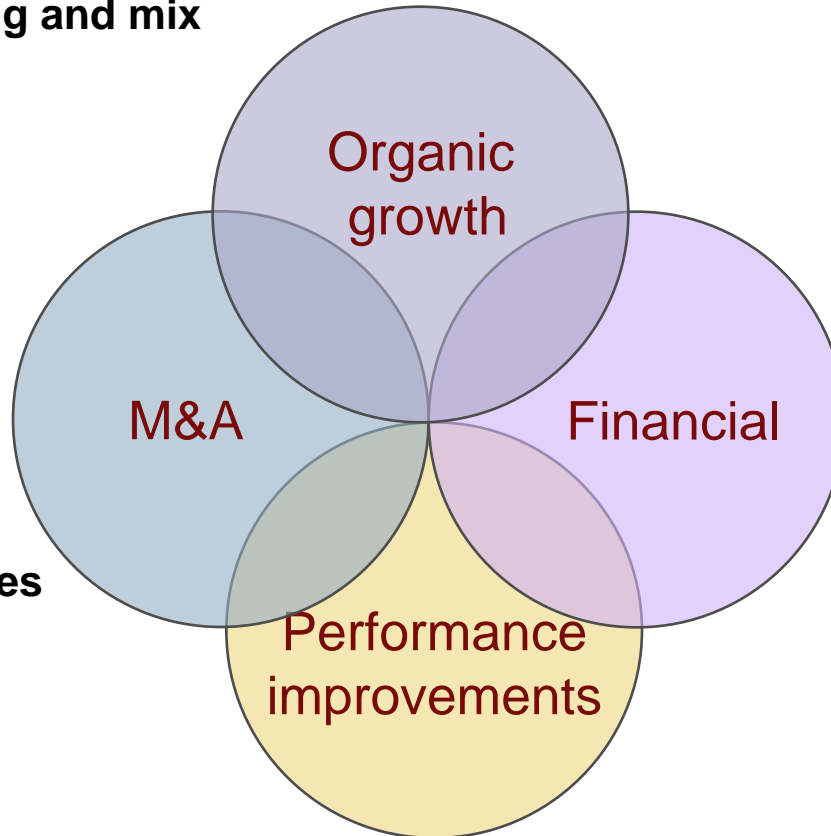
Swedish Match – A global Group of companies

- Swedish Match is a **worldwide manufacturer and distributor** of smokeless tobacco, cigars, pipe tobacco, and lights.
- The Company distributes products throughout the world, with **leading market positions** for many of its products in several countries.
- Major markets include Scandinavia, the US, South Africa, Brazil, Russia, Continental Europe, and parts of Asia/Pacific.
- Improved profits for the Company over time have come from **organic growth** from snuff and cigars, from **productivity improvements**, as well as from acquired businesses.



Swedish Match strategy

- Core organic growth initiatives
- Innovative organic growth platforms
- Pricing and mix



- Acquisitions and Divestitures

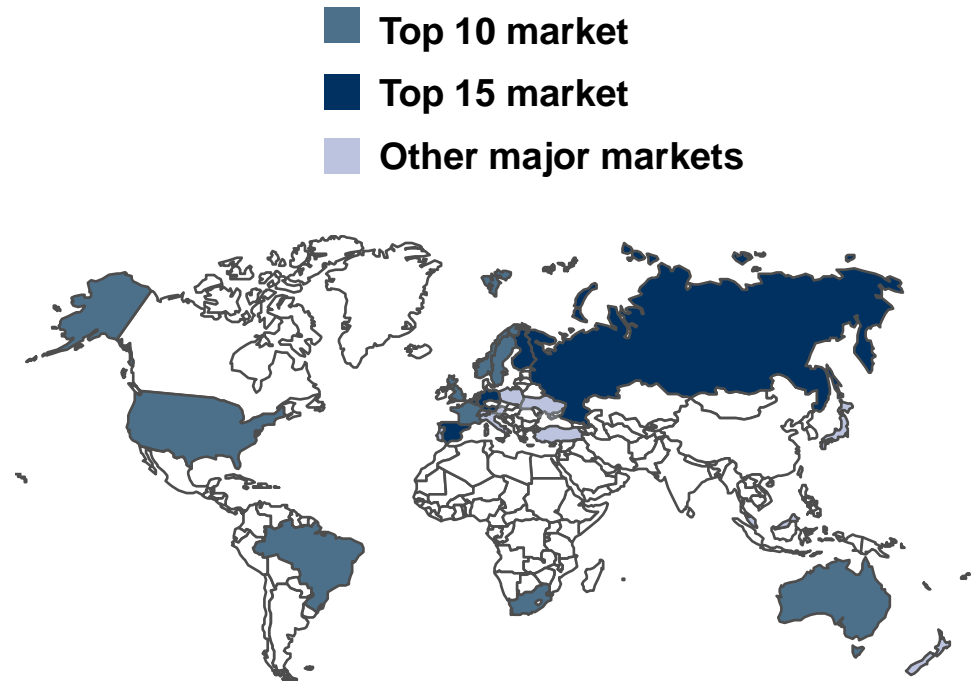
- Balance sheet efficiency
- Operating capital improvements
- Share buy-back program

- Productivity
- Restructuring

Largest markets in 2006

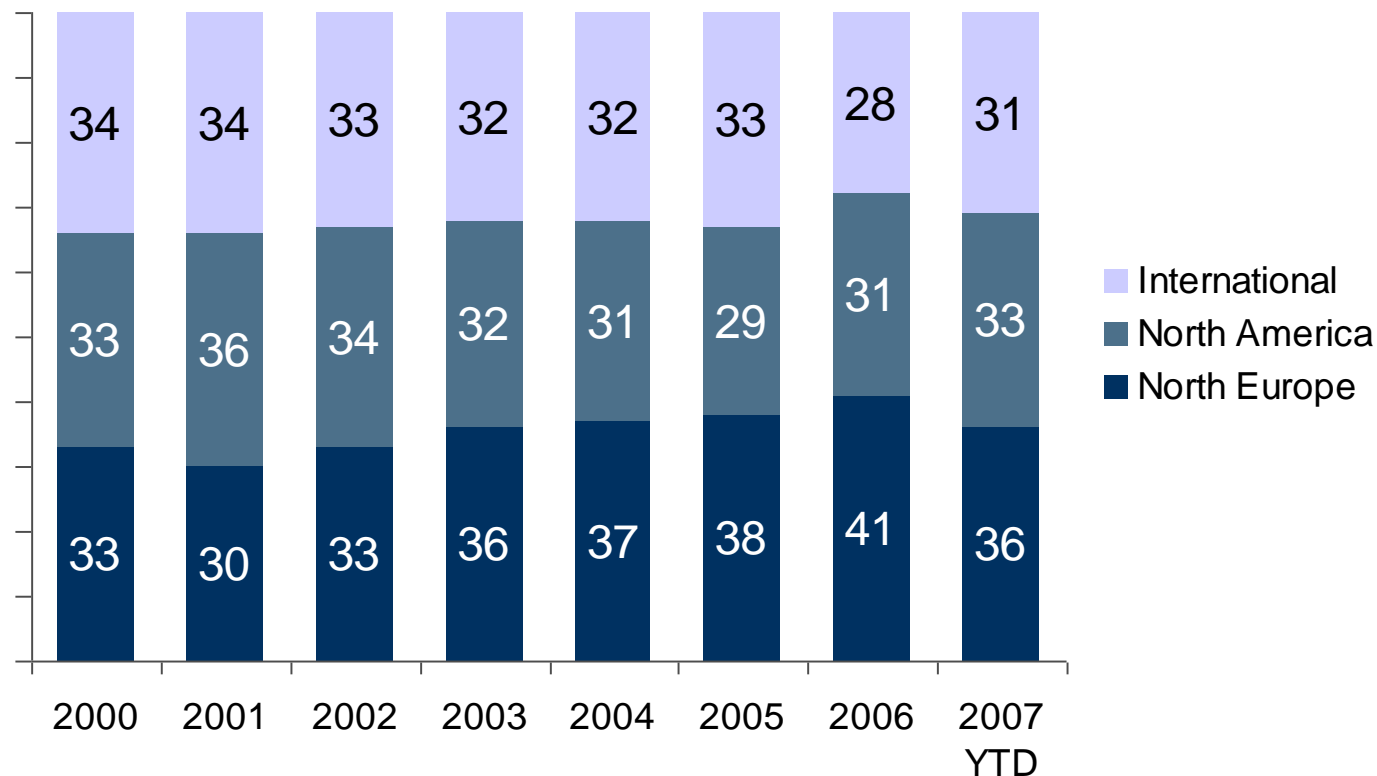
- **Snuff/Snus:** Number 1 in Scandinavia, number 3 in the US, and number 2 in South Africa
- **Cigars:** Number 2 in the world
Number 1 in US premium
- **Chewing tobacco:** Number 1 in the US
- **Matches:** A leader in many markets
- **Lighters:** Cricket is one of the better known brands
- **Pipe tobacco:** One of the largest in the world

**A company with worldwide sales,
in more than 100 countries**



Percent by division

Percent of sales in SEK



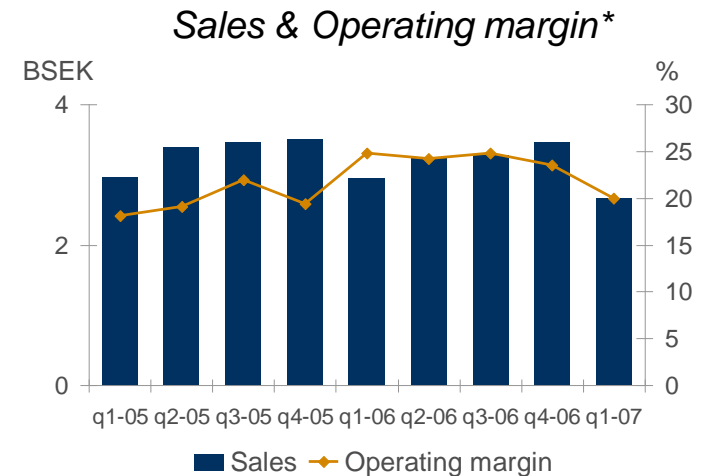
January – March 2007

- Sales reached **2,663 MSEK (2,951)**
 - A sharp increase in the excise tax for snus effective January 1, 2007, resulted in exceptionally low deliveries of snus to the Swedish market during the first quarter
 - Net currency translation negative impact 161 MSEK on sales in Q1
 - In local currency and excluding divested businesses, sales declined by 3 percent
- Operating profit amounted to **534 MSEK (733)**
- Profit before income tax reached **468 MSEK (697)**
- Profit for the period amounted to **332 MSEK (488)**
- EPS down 24% to **1.23 SEK (1.62)**

Highlights January – March 2007

Swedish snus tax increase, currencies hurt sales and profits

- **Exceptionally low deliveries of snus to the Swedish market especially in the beginning of the first quarter**
- **Sales down 3% excluding divested businesses in local currencies**
- **Snuff sales down 16%, continued growth in the US**
- **Operating margin 20.0% vs 24.8% year ago**
- **Operating profit down 27% (534 vs 733*)**
- **Currency translation negative effect on operating profit of 44 MSEK**
- **Tax rate 29%**

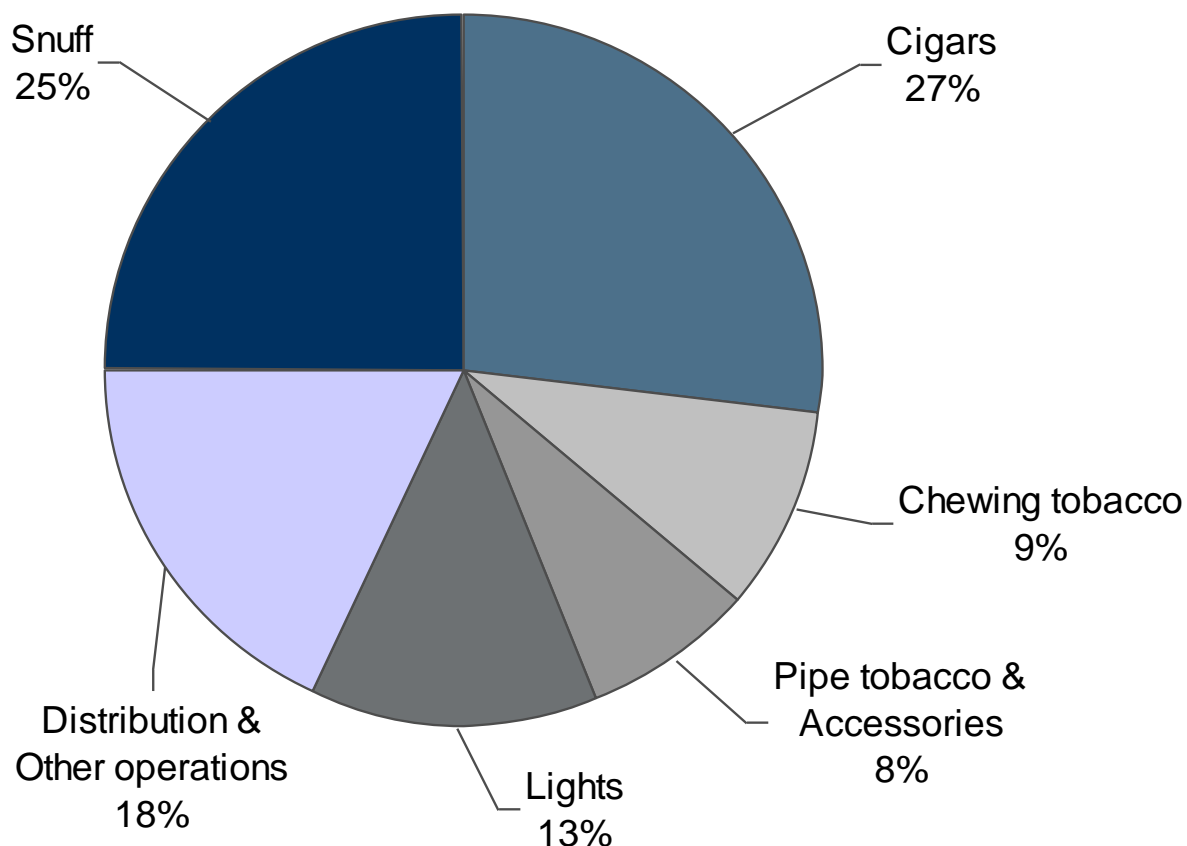


MSEK	Q1-07	Q1-06	% chg	12 mos end. Mar 31, 2007	Full year 2006	% chg
Sales	2,663	2,951	-10	12,622	12,911	-2
Operating profit	534	733	-27	3,086	3,285	-6
Profit before income tax	468	697	-33	2,944	3,173	-7
Profit for the period	332	488	-32	2,179	2,335	-7

*Q1 2006 operating profit included 17 MSEK related to recovery of excise taxes for snuff

Group sales split January – March 2007

Percentage split by product area, SEK



OTP: 69%

Snuff

- The only company with significant **international** snuff operations
- Leading position in **Sweden** and **Norway**
- Well positioned in the value price segments in the **US**
- Second largest position in **South Africa**
- Production in **Sweden**, **US** and in **South Africa**



Sweden destocking following Q4 hoarding largely complete



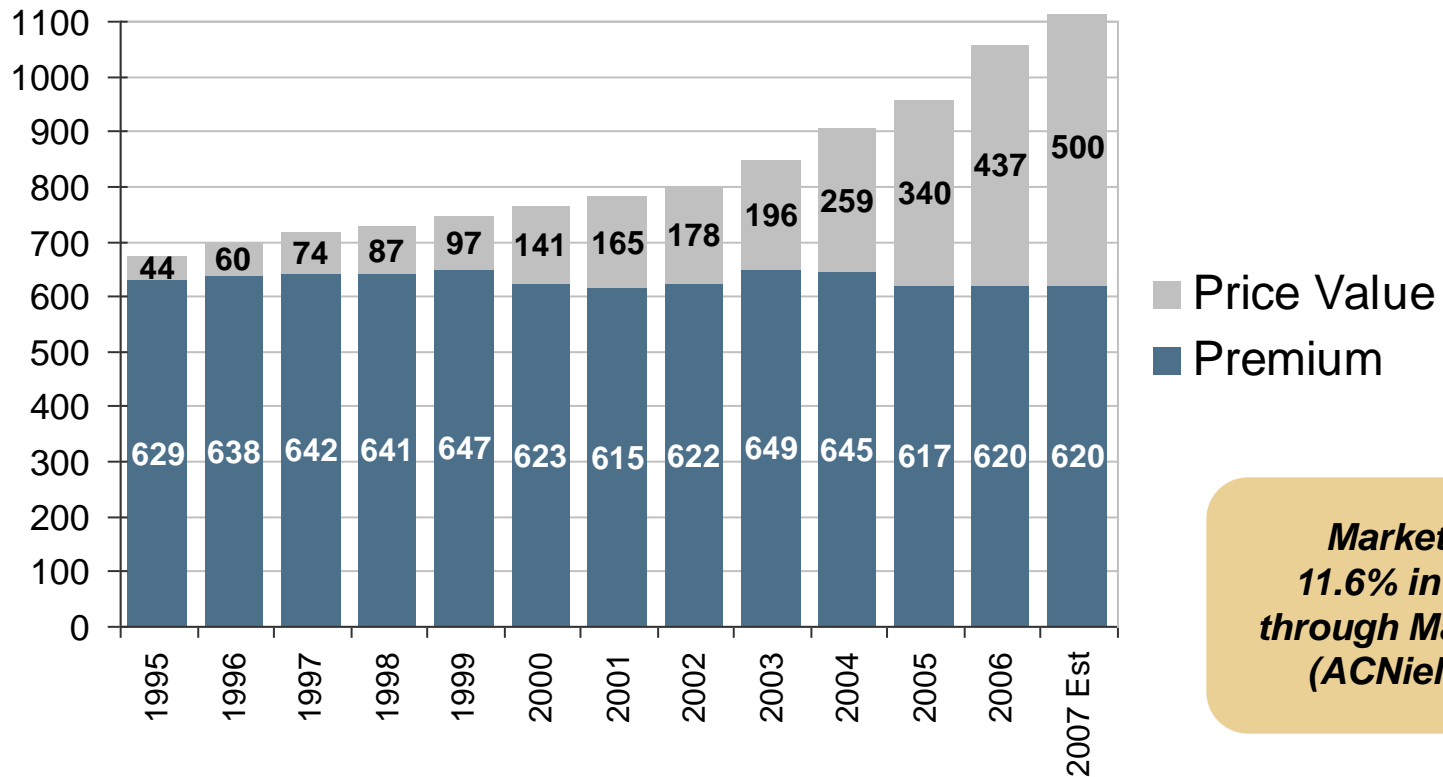
- Q1 sales down 20% in N. Europe vs Q1 2006, USD sales up 10% in US
- Scandinavia snuff volumes down 21%, with Sweden down 31% and Norway/Duty Free up
- Kronan has 55% of low priced segment in Sweden
- US snuff volumes up 13%
- Longhorn continues its rapid growth, Timber Wolf volumes up as well
- Increased investment spending in US and Scandinavia
- Lower margins from reduced volumes, mix effects, and higher spending

MSEK	Q1-07	Q1-06	% chg	12 mos end. Mar. 31, 2007	Full year 2006	% chg
Sales	662	785	-16	3,240	3,363	-4
Operating profit	231	383	-40	1,462	1,614	-9
Operating margin, %	34.9	48.8		45.1	48.0	

Volume growth of snuff in the US

US snuff market by segment

Million cans

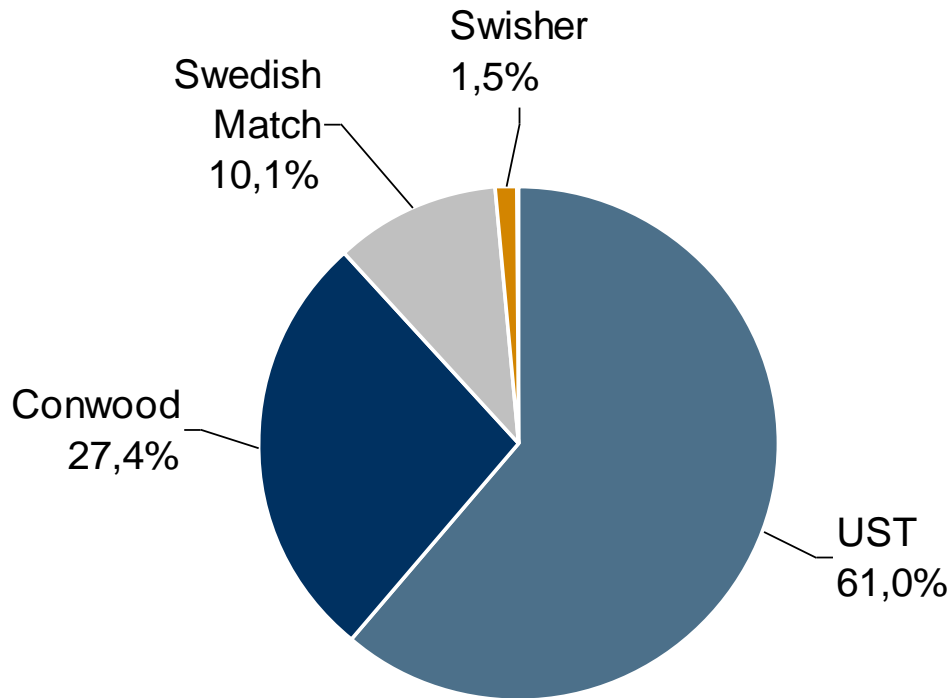


Rebased market data using ACNielsen estimates

**Market up
11.6% in 2007
through March 24
(ACNielsen)**

US moist snuff market shares

Volume share North America, YTD March 24



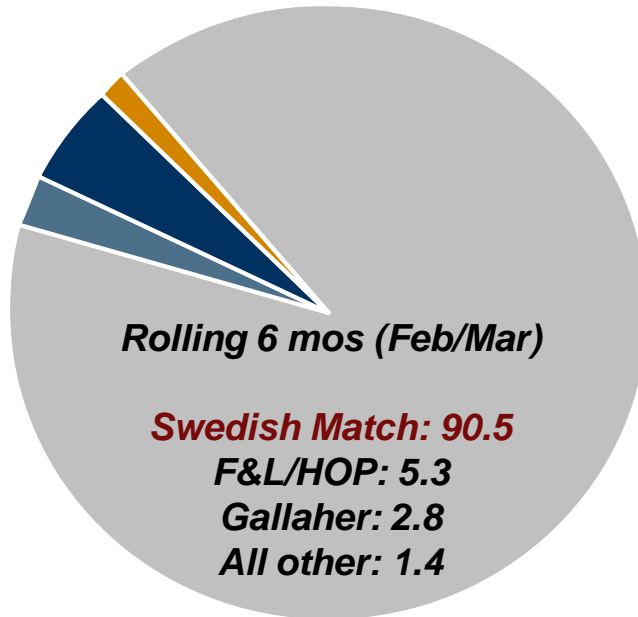
**4 weeks ending
March 24**

Swedish Match: 10.3
UST: 60.8
Conwood: 27.4
Swisher: 1.5

Source: ACNielsen

Swedish snus market shares

Volume share Sweden, rolling 6 months to March 2007



2 months Feb/Mar

Swedish Match: 89.6
F&L/HOP: 5.8
Gallaher: 2.9
All other: 1.7

Source: ACNielsen

Swedish tax increase

- From January 1, 2007 weight based tax doubled
 - **From 123 SEK/kg to 246 SEK/kg**
- Swedish Match raised prices on most products, passing along the tax increase. Prices were raised by more than the tax increase for value priced products.
- Retail price of snus increased by 4 – 7 SEK per can for most 24g pouch products, and by 7 – 10 SEK per can for 50g loose products
- Destocking effect and moderate consumption declines in the first quarter
- Significant recovery towards the end of the quarter

Cigars



- One of the world's largest producers and distributors of cigars and cigarillos. The cigars are marketed in more than 70 countries
The largest markets are **North America** and **Western Europe** where about three-fourths of all cigars are sold
- Production in **Belgium, Dominican Republic, Indonesia, Honduras** and the **US**

Cigars

Sales and operating profit up in US and Europe in local currencies

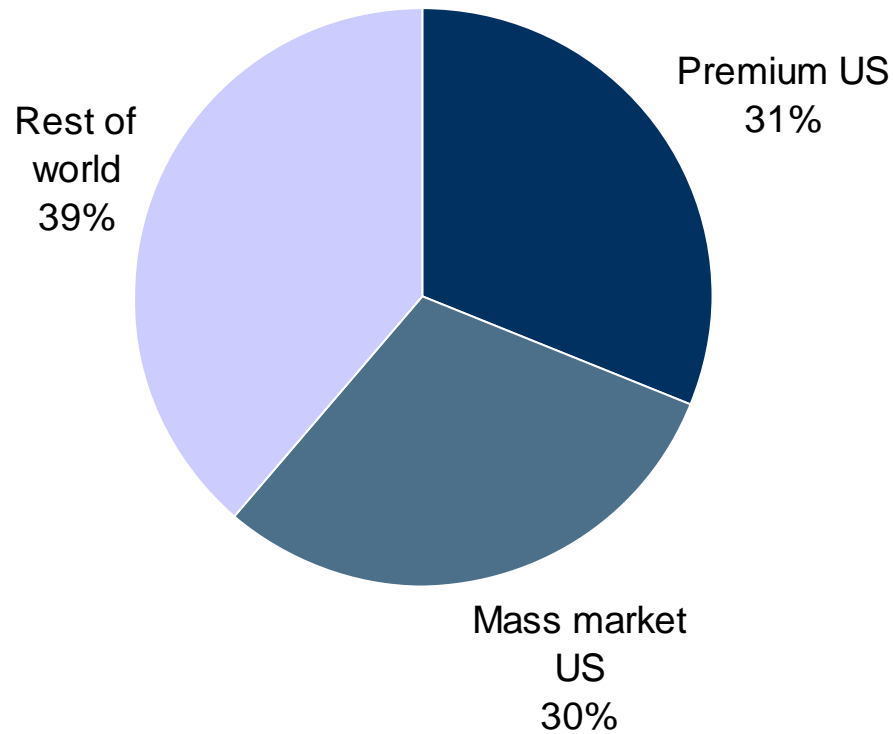


- Q1 sales up 4% in local currencies versus year ago
- Operating profit up 8% in local currencies
- Q1 operating margin 22.3%
- European shift toward smaller cigars continues

MSEK	Q1-07	Q1-06	% chg	12 mos end. Mar. 31, 2007	Full year 2006	% chg
Sales	735	759	-3	3,383	3,407	-1
Operating profit	164	163	0	771	770	0
Operating margin, %	22.3	21.5		22.8	22.6	

Cigar sales

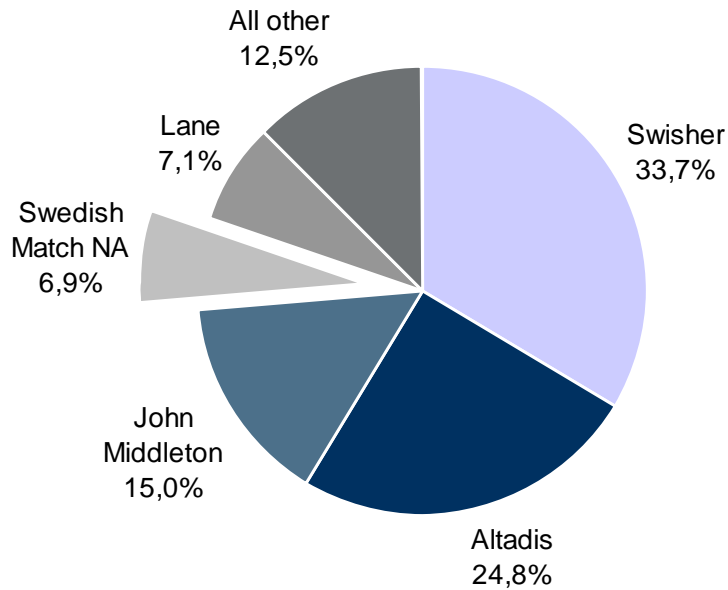
2007 March YTD sales split (SEK)



Cigars

North America, mass market YTD March 24

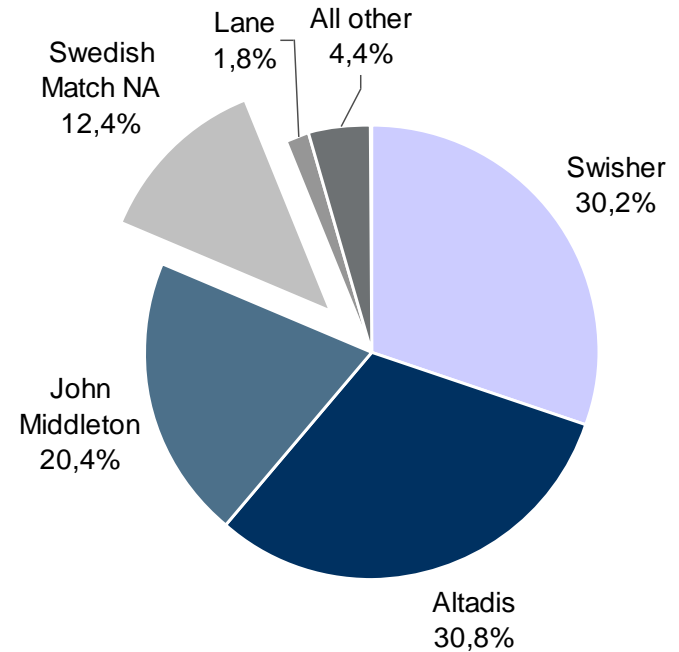
VOLUME share



**4 weeks ending
March 24**

Swedish Match: 6.9

VALUE share (USD)



**4 weeks ending
March 24**

Swedish Match: 12.5

Source: ACNielsen

Chewing tobacco

Q1 sales down 2% in USD for North American business

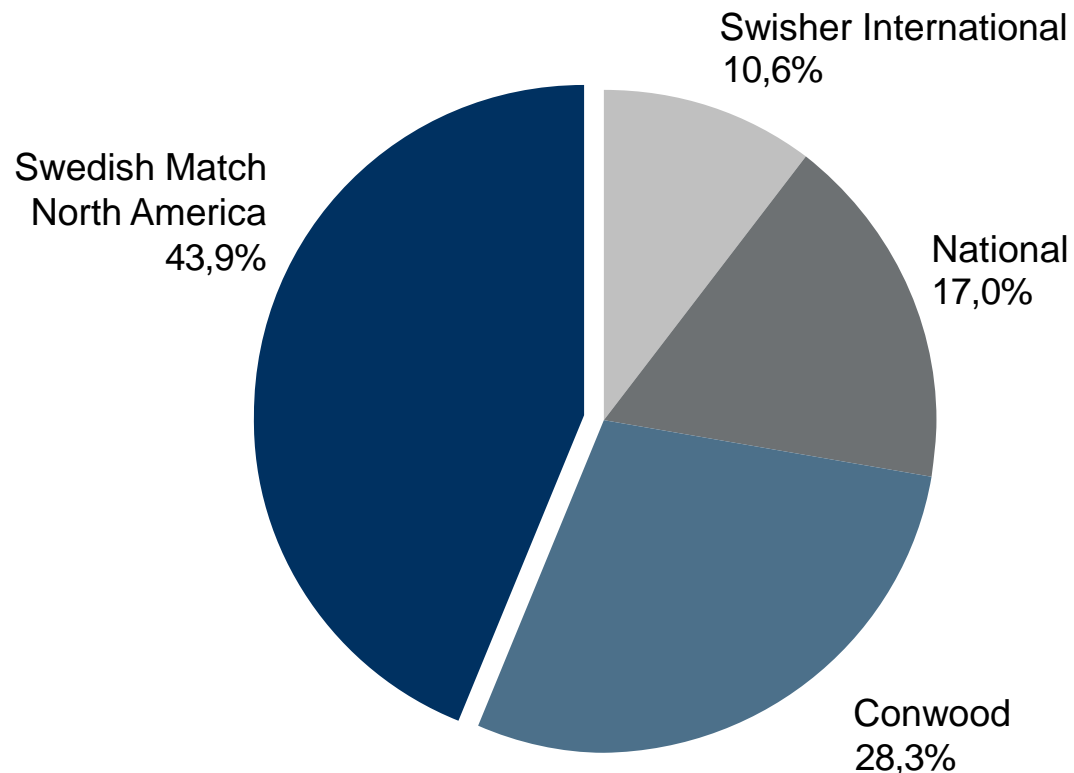


- Improved average price partially offset shipment volume declines
- Red Man Silver Blend expanding distribution nationally
- Market shares stable
- 7% price increase announced at the end of the first quarter

MSEK	Q1-07	Q1-06	% chg	12 mos end. Mar. 31, 2007	Full year 2005	% chg
Sales	238	273	-13	1,028	1,063	-3
Operating profit	72	86	-17	324	338	-4
Operating margin, %	30.1	31.5		31.5	31.8	

Chewing tobacco

Volume share North America, YTD March 24



**4 weeks ending
March 24**

Swedish Match: 43.7
Conwood: 28.7
National: 16.9
Swisher: 10.5

Source: ACNielsen

Pipe tobacco

- One of the world's largest producers of pipe tobacco

The largest markets for Swedish Match are in **South Africa, North America and Europe**

- Production in **US** and in **South Africa**



Pipe tobacco and Accessories

Volume declines in most markets



- Volume declines in most markets
- Pricing and cost control compensated volume declines
- Significant negative ZAR currency effect in Q1
- In local currencies, sales increased by 1%

MSEK	Q1-07	Q1-06	% chg	12 mos end. Mar. 31, 2007	Full year 2006	% chg
Sales	205	238	-14	866	899	-4
Operating profit	56	76	-27	245	265	-8
Operating margin, %	27.1	31.8		28.3	29.5	

Lights

- A market leader in many markets. The brands are mainly local and strong in their respective home countries.

Main markets are **Europe** and **Latin America**

- Production in **Sweden, Brazil, the Netherlands, and the Philippines**



Lights



- Sales flat excluding divestments and in local currencies
- Q1 operating profit down 2% in local currencies and excluding divestments
- Operating margin will vary from quarter to quarter depending on shipments to local markets

MSEK	Q1-07	Q1-06	% chg	12 mos end. Mar 31, 2007	Full year 2006	% chg
Sales	340	387	-12	1,456	1,503	-3
Operating profit	57	63	-9	243	249	-2
Operating margin, %	16.8	16.2		16.7	16.6	

P & L summary

MSEK	January – March		Percent	12 mos end.	Full year	Percent
	2007	2006	change	Mar. 31 2007	2006	change
Sales	2,663	2,951	-10	12,622	12,911	-2
Cost of sales	-1,368	-1,456		-6,586	-6,674	
Gross profit	1,295	1,495	-13	6,036	6,237	-3
Sales and adm. expenses*	-762	-763		-2,962	-2,963	
Share of profit in equity accounted investees	0	1		11	11	
Operating profit	534	733	-27	3,086	3,285	-6
Financial income**	36	32		244	239	
Financial expenses	-102	-68		-386	-351	
Net finance cost	-66	-36		-142	-112	
Income before tax	468	697	-33	2,944	3,173	-7
Income tax expense	-136	-209		-764	-838	
Profit for the period	332	488	-32	2,179	2,335	-7
Attributable to:						
Equity holders of the Parent	332	488		2,179	2,335	
Minority interests	0	0		1	1	
Profit for the period	332	488	-32	2,179	2,335	-7
EPS, basic, SEK	1.23	1.62		7.80	8.13	
EPS, diluted, SEK	1.22	1.61		7.77	8.10	

* Including pension curtailment gain of 148 MSEK in Q2 2006

** Including a gain on sale of securities in Q4 2006

Balance sheet

MSEK	Mar 31, 2007	Dec 31, 2006
Intangible fixed assets	3,462	3,469
Property, plant and equipment	2,266	2,221
Financial fixed assets	1,134	1,055
Current operating assets	5,791	5,827
Current investments	55	56
Cash and cash equivalents	2,641	3,042
Total assets	15,350	15,670
Equity attributable to equity holders of the parent	1,402	2,037
Minority interests	3	3
Total equity	1,405	2,041
Non-current provisions	1,253	1,192
Non-current loans	8,218	7,815
Other non-current liabilities	677	657
Current provisions	49	61
Current loans	744	409
Other current liabilities	3,003	3,495
Total equity and liabilities	15,350	15,670
Operating capital	8,486	8,059
Net debt	6,800	5,658

Cash flow in summary

MSEK	January – March	
	2007	2006
Cash flow from operating activities before changes in working capital	400	-170
Cash flow from changes in working capital	-365	-487
Net cash from operating activities	34	-657
Acquisition of property, plant and equipment*	-124	-60
Proceeds from sale of property, plant and equipment	16	75
Acquisition of intangible assets	-34	-257
Proceeds from sale of subsidiaries, net of cash disposed of	-	30
Changes in financial receivables etc.	47	-29
Changes in current investments	1	29
Net cash used in investing activities	-94	-212
Changes in loans	740	1,433
Repurchase of own shares	-1,243	-881
Sales of treasury shares	122	19
Other	14	-4
Net cash used in financing activities	-367	566
Net decrease in cash and cash equivalents	-427	-303
Cash and cash equivalents at the beginning of the period	3,042	3,325
Effect of exchange rate fluctuations on cash and cash equivalents	26	-18
Cash and cash equivalents at the end of the period**	2,641	3,004

* Includes investments held for sale and biological assets

** Cash and cash equivalents include other current investments with a maturity of less than 90 days from acquisition

Key data

MSEK	January – March	
	2007	2006
Operating margin, %**	20.0	24.8
EBITDA, MSEK**	642	843
EBITA, MSEK**	566	764
EBITA interest cover	8.4	21.6
Net debt/EBITA	2.2	0.8*
Share data**		
Earnings per share, basic, SEK	1.23	1.62
Earnings per share, diluted, SEK	1.22	1.61
Average numbers of shares outstanding (Mio)	270.2	300.7
Shares outstanding, end of period (Mio)	265.8	297.6

* Not restated for 2006

** Please refer to notes in the January-March 2007 interim report

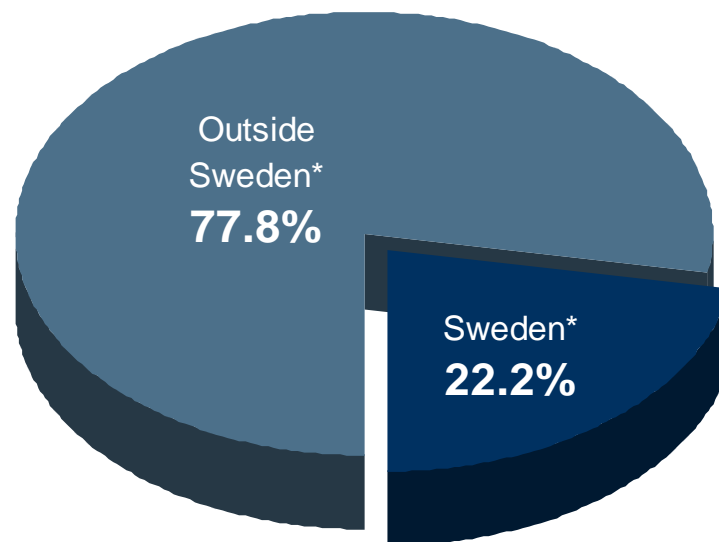
Shareholders

Largest shareholders*:

Wellington Management	9.4 %
Swedbank Robur fonder	3.0 %
SHB/SPP fonder	1.5 %
Tredje AP-fonden	0.9 %
SHB	0.9 %
SEB fonder	0.9 %
Andra AP-fonden	0.8 %
SEB	0.7 %
Swedbank	0.7 %
Govt of Singapore Inv Corp	0.7 %
	<hr/>
	19.5 %

57,451 shareholders

March 31, 2007



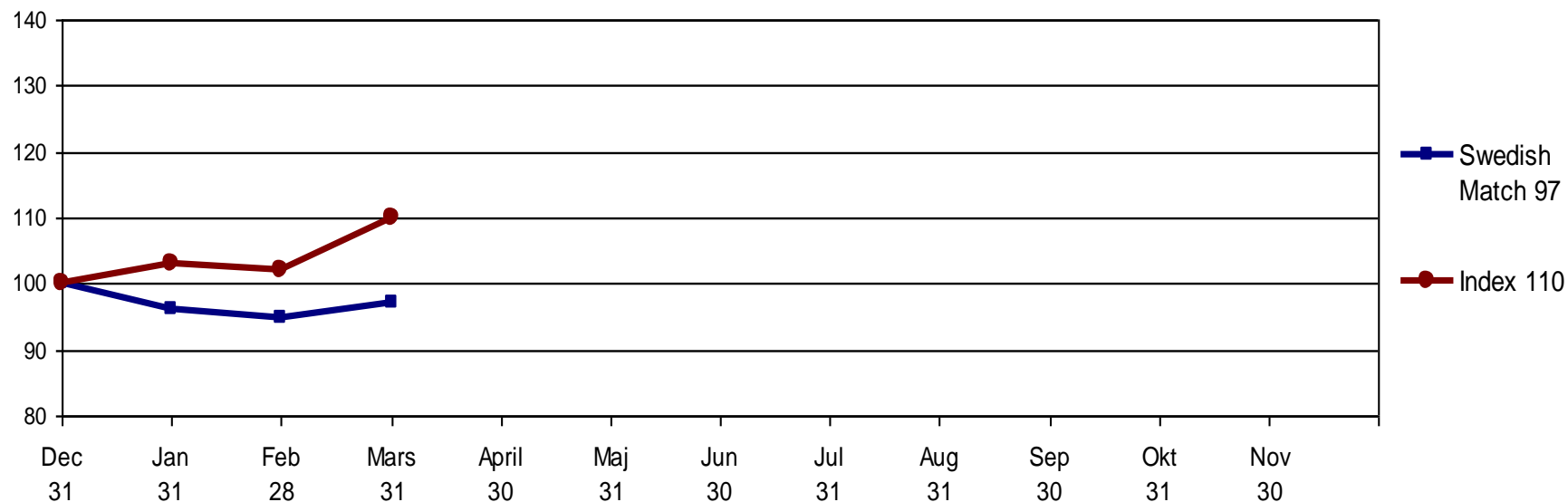
Source: VPC (official registry) and SIS Ägaranalys, percent of share capital excluding Swedish Match shares held in Treasury

* Percent split of share capital held, excluding Swedish Match shares held in Treasury

Swedish Match compared with index

Total Shareholder Return, 2007

Index includes: UST, Altadis, Imperial, Gallaher, BAT



Total shareholder return assumes dividends and redemptions are reinvested (taxes, commissions, etc. are not considered)

Increasing international interest in snus

THE WALL STREET JOURNAL.

SATURDAY, SEPTEMBER 16, 2006

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Should Snuff Be Used as a Tool To Quit Smoking?

Smokeless Tobacco Is Safer Than Cigarettes but Poses Its Own Health Risks

The Lure of Swedish 'Snus'

By KEVIN HELLIKER

For four decades, Pam Harlan sought to quit smoking. She tried cessation therapy and nicotine-replacement products such as the patch. She coughed in the morning, felt chest pain, watched her mother die of lung cancer -- and continued lighting up.

Then she tried smokeless tobacco. Instead of the usual wad of snuff, however, she popped a small pellet of tobacco that dissolves like a cough drop. The pellet packs as much nicotine as a cigarette. By popping about 15 pellets a day, Ms. Harlan, a 56-year-old nurse at the University of Louisville School of Medicine, has stayed off cigarettes since Sept. 19, 1995.

For decades, public-health officials have been warning people about the dangers of smokeless tobacco. Now there is debate over whether smokers ought to be informed about smokeless tobacco as a way to quit smoking.

A growing body of research -- some of it funded by smokeless tobacco purveyors -- shows that smokeless tobacco is much less harmful than cigarettes. The reduced risk is most dramatic for varieties of smokeless tobacco that are low in nitrosamines, as the primary carcinogens in smokeless tobacco are called. A panel of medical experts funded by the National Cancer Institute studied low-nitrosamine smokeless tobacco and concluded that it posed at least a 90% reduction in health risks compared with smoking, according to a 2004 report in the journal *Cancer Epidemiology, Biomarkers & Prevention*. A 2002 statement from Britain's Royal College of Physicians, which sets standards in the U.K., called smokeless tobacco "70 to 1,000 times less hazardous than smoking, depending on the product."

There is also evidence that smokeless tobacco can be used as a tool for quitting smoking. In Sweden, where the smoking rate among men has fallen to the lowest in the industrialized world, many smokers have switched to smokeless tobacco.

This poses a dilemma for health officials: Would publicizing the lower risks of smokeless tobacco convert smokers -- or merely create a new problem, by increasing usage of smokeless? Adding a sense of urgency to the debate: Major cigarette companies, facing flat or declining sales, now see smokeless tobacco as a way to boost business.

Nobody is suggesting that use of smokeless tobacco is preferable to quitting tobacco altogether, or to quitting it with the use of nicotine products such as the gum or the patch. But some believe that smokeless tobacco could serve as a last-ditch alternative for those who can't otherwise quit. After falling for decades, the number of Americans who smoke is stuck at about 45 million. More than 400,000 Americans die each year of smoking-related disease, making cigarettes the No. 1 cause of preventable death in the U.S.

Surveys show that most smokers want to quit and about 40% each year make a serious effort to do so. But even with the help of counseling or nicotine-replacement products, the vast majority of quitting attempts fail. Of those who fail, half will die of smoking-related disease, say public-health officials.

Some say smokers should know about the reduced risks of smokeless tobacco. "Smokers have a right to be informed of significant harm reduction options," Lynn T. Kozlowski, chairman of behavioral health at State University of New York at Buffalo, argued in a 2001 commentary in *Nicotine and Tobacco*

Research. Dr. Kozlowski, who receives no money from the tobacco industry, years ago helped uncover the fact that light cigarettes aren't necessarily less harmful.

But others counter that the state of California -- without any help from smokeless tobacco -- has lowered its smoking rate to nearly the same low rate found in Swedish men, by using public-health initiatives. They worry that declaring smokeless to be safer could encourage teenagers and others to start using it. "Smokeless tobacco products are neither a safe substitute for smoking nor an effective method of quitting smoking," says David Sampson, spokesman for the American Cancer Society.

A National Cancer Institute-funded report, published this year in the journal *Addictive Behaviors*, studied the likely outcome of an official policy offering a regulated low-nitrosamine smokeless product to smokers. It concluded such a policy would increase use of smokeless tobacco but bring about a reduction in smoking. "This reduction would likely yield substantial health benefits," the report said, while expressing concern about possible unintended consequences.

The vast majority of smokeless tobacco sales come from so-called moist snuff, which users place between their lip and gum. Switching from cigarettes to virtually any moist snuff on the U.S. market would bring about a reduction in risk for cancer and heart disease, by eliminating the dangers of smoke. But smokeless brands vary widely in the amount of nitrosamines they contain, and those with the lowest levels -- and hence the lowest risks -- are the least available. The kind used in Sweden, which is low in nitrosamines, can be

THE AMERICAN COUNCIL ON SCIENCE AND HEALTH PRESENTS

HELPING SMOKERS QUIT: A ROLE FOR SMOKELESS TOBACCO?

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09/27/2006 11:31 AM

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Tobacco ruling reopens debate on smokeless products

By Lauren Foster in New York
Published: September 26 2006 19:36 | Last updated: September 26 2006 19:36

Big tobacco had more bad press this week after a US federal judge ruled people who smoked "light" cigarettes in the belief they were safer than higher-tar alternatives could proceed with a nationwide class action.

The news follows a recent study that found the amount of nicotine in US cigarettes rose about 10 per cent between 1998 and 2004, potentially making it harder to quit and easier to become addicted.

The message was clear: smokers are getting more nicotine than in the past and may need additional help in trying to break their powerful nicotine addiction.

In the US, home to 44.5m adult smokers, 70 per cent want to quit and 40 per cent make a serious attempt each year, but fewer than 5 per cent succeed in any given year, according to the National Institutes of Health.

Worldwide, an estimated 5m people die every year from tobacco-related diseases, and health officials predict the annual death toll will double by 2020 if current smoking trends continue.

Faced with these figures, some public health experts are looking more closely at smokeless products, such as Swedish "snus" and traditional moist snuff, as a way to reduce tobacco-related deaths and diseases. They suggest these products are a potentially less harmful way of delivering nicotine.

"Five million deaths worldwide is unconscionable when some of those could be prevented by offering some safer alternatives to smoking, which we know is very dangerous," said Philip Alcabes, associate professor of urban public health at Hunter College School of Health Sciences.

Tobacco is not deadly, he says, the harm is in the smoke. "The weight of the evidence is quite heavy at this point that there are smokeless products that are far safer than smoking cigarettes," he said. "Whatever opinion you may have about the moral probity of smoking, from an empirical standpoint people don't just stop doing something just because you tell them to. If you have a simple way of protecting them, why not use it?"

Brad Rodu, an oral pathologist and professor of Medicine at the University of Louisville, says smokeless products can serve as effective substitutes for smokers who are either unable or unwilling to quit tobacco and nicotine entirely. (Mr Rodu holds an endowed chair in tobacco harm-reduction research funded by two companies that manufacture smokeless tobacco products.)

"The model I envision for nicotine use is much like that for caffeine use: it's an addictive drug, but right now the difference is the delivery system," he said. "With nicotine, unfortunately the most common consumption is to burn the tobacco and inhale the smoke, and that is what confers high risk after decades of use. Smokeless tobacco use has, at most, 2 per cent of the health risks of smoking."

Mr Rodu and others point to Sweden, where snus is more widely used by men than cigarettes and where men have the lowest rate of lung cancer in Europe. One study showed that the smoking rate among Swedish men fell from 19 per cent in 1996 to 9 per cent in 2004. By contrast, women are much less likely to use snus and their rate of tobacco-related deaths is similar to that in other European countries.

Jonathan Foulds, director of the Tobacco Dependence Program at the University of Medicine and Dentistry of New Jersey, says it is "fairly clear" that people in Sweden who use snus are less likely to smoke and young people who use snus are less likely to start smoking.

Jeff Slier, associate director of the American Council on Science and Health, acknowledges snus is "not 100 per cent safe" and that there are "clearly" risks associated with it, but says they are lower than the risks of smoking cigarettes.

One potential risk is oral cancer, as the products contain carcinogenic chemicals called tobacco-specific nitrosamines. They have also been linked with gum disease, pancreatic cancer, hypertension and increased risk of heart disease.

In the US, the Centers for Disease Control and Prevention take the position that there is no safe tobacco product. And in the European Union, snus is banned, except in Sweden.

http://www.ft.com/cms/1/64485ca-468-11d0-8704-0007792140.dwp_auth=881080c-3010-11d0-ba9f-0000e211c1cc.print=yes.html

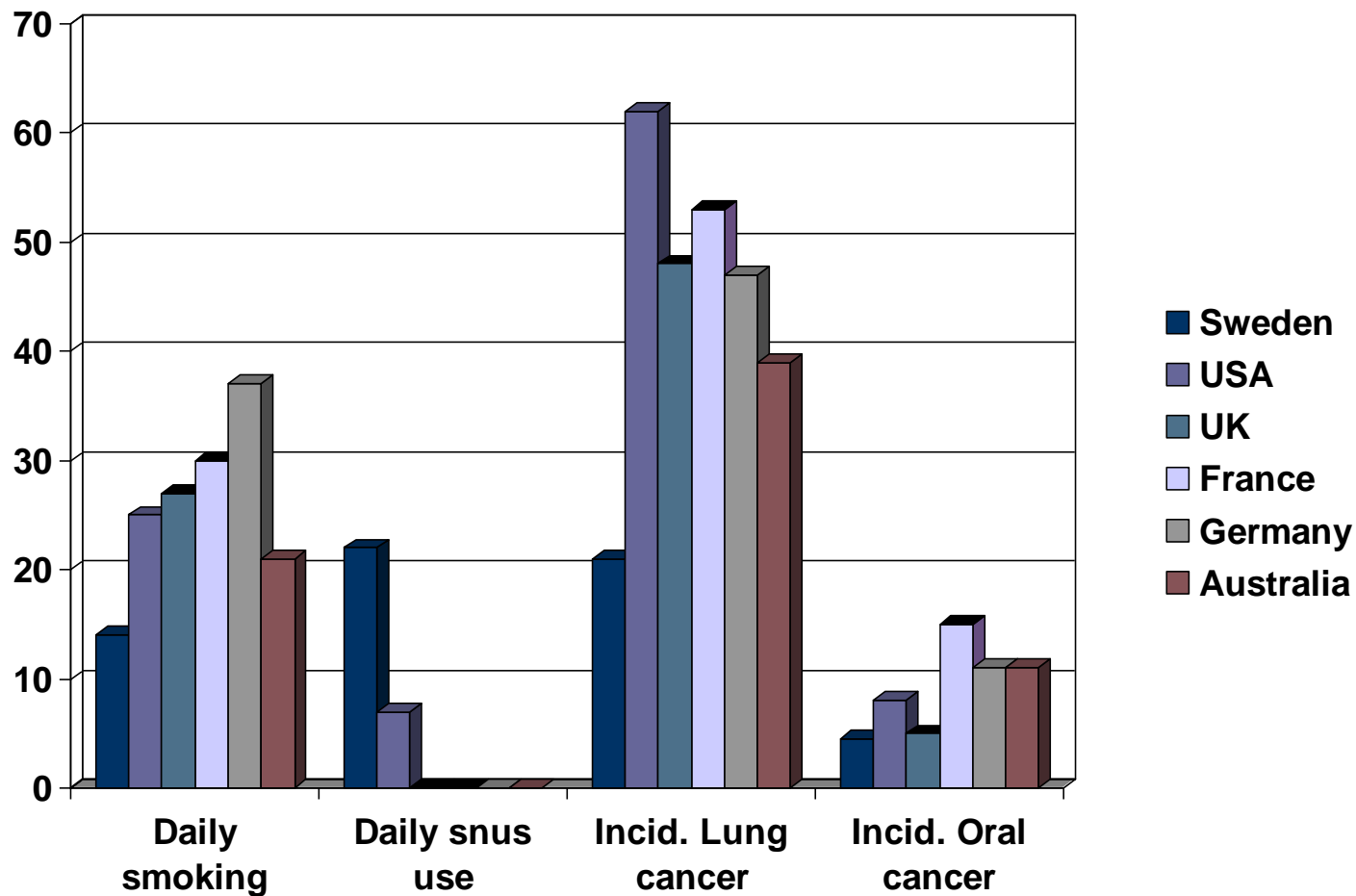
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The Swedish Experience

- In Sweden, total tobacco consumption is similar to other European countries due to the combined prevalence of smoking and snus
- However, Sweden is the only country in Europe to have met the World Health Organization's (WHO) objective of reducing the percentage of adult smokers to less than 20% (Swedish males 14%)
- Swedish males have favored Swedish snus over smoking and they have amongst the lowest prevalence of tobacco related diseases in the Western world; this is referred to as the Swedish experience
- The Swedish experience serves as a useful example to other countries who wish to reduce the incidence of tobacco smoking and related health issues since Sweden has:
 - Europe's **highest** per capita consumption of smokeless tobacco
 - **Lowest** cigarette consumption in Europe
 - **Lowest** lung cancer mortality rate in Europe
 - **Lowest** percentage of smoking-related deaths among developed countries
 - Among the **lowest** oral cancer mortality rate in Europe

The Swedish Experience

Reduced number of tobacco related diseases



Sources: Cancer; WHO/IARC GLOBOCAN 2002. Tobacco use, latest available official figures.

(1) Incidence (new cases) per 100 000 inhabitants. ASR, age standardised rates, based on world standard population (W).

Sales of snus and cigarettes in Sweden 1916-2005

