



## Interim Report January – March 2008

- Net sales for the first quarter amounted to 2,818 MSEK (2,663)
- In local currencies, net sales for the first quarter increased by 10 percent
- Operating profit for the first quarter amounted to 543 MSEK (534)
- Net profit for the first quarter amounted to 341 MSEK (332)
- EPS for the first quarter amounted to 1.34 SEK (1.23)
- Significantly improved profitability in the Scandinavian snus business compared to the first quarter previous year
- US cigar business had a weak first quarter but sales and operating profit are expected to improve for the remainder of the year

### Summary of Consolidated Income Statement

| MSEK   | January - March |       | Full         |
|--|-----------------|-------|--------------|
|  | 2008            | 2007  | year<br>2007 |
| Sales  | 2,818           | 2,663 | 12,551       |
| Operating profit excl. larger one time items | 543             | 534   | 2,730        |
| Operating profit                             | 543             | 534   | 2,997        |
| Profit before income tax                     | 427             | 468   | 2,662        |
| Net profit for the period                    | 341             | 332   | 2,056        |
| Earnings per share (SEK)                     | 1.34            | 1.23  | 7.82         |

#### **Sales and results for the first quarter**

In local currencies sales for the first quarter 2008 increased by 10 percent compared with the first quarter 2007. Reported sales for the first quarter increased by 6 percent to 2,818 MSEK (2,663). Currency translation has affected the sales comparison negatively by 100 MSEK.

For snuff, sales increased by 24 percent during the first quarter to 821 MSEK (662) and operating profit increased by 38 percent to 318 MSEK (231). Scandinavian snuff sales were up 32 percent compared to the first quarter prior year. Sales volumes increased as the negative hoarding effects in Sweden were less accentuated in 2008. Sales for North American snuff increased by 21 percent in local currency, driven by strong volume growth.

Sales of cigars in the first quarter were 757 MSEK (735), while operating profit was 112 MSEK (164). Sales for cigars grew in both the US and in Europe in local currencies as a result of acquired businesses. Operating margin for cigars reached

14.8 percent (22.3). The main explanation for the decline in operating profit and margin is the weak start of the year for premium cigars in the US market.

Group operating profit for the first quarter increased by 2 percent to 543 MSEK (534). In local currencies operating profit increased by 6 percent. Currency translation has affected the operating profit comparison negatively by 21 MSEK.

Operating margin for the first quarter amounted to 19.3 percent compared to 20.0 percent for the first quarter 2007.

EPS (basic) for the first quarter was 1.34 SEK (1.23). Diluted EPS amounted to 1.33 SEK (1.22).

## Sales by product area

| MSEK                       | January - March |              | Chg<br>% | Full year<br>2007 |
|----------------------------|-----------------|--------------|----------|-------------------|
|                            | 2008            | 2007         |          |                   |
| Snuff                      | 821             | 662          | 24       | 3,289             |
| Cigars                     | 757             | 735          | 3        | 3,411             |
| Chewing tobacco            | 210             | 238          | -12      | 956               |
| Pipe tobacco & accessories | 198             | 205          | -3       | 851               |
| Lights                     | 347             | 340          | 2        | 1,473             |
| Other operations           | 484             | 483          | 0        | 2,571             |
| <b>Total</b>               | <b>2,818</b>    | <b>2,663</b> | <b>6</b> | <b>12,551</b>     |

## Operating profit by product area

| MSEK                                  | January - March |            | Chg<br>% | Full year<br>2007 |
|---------------------------------------|-----------------|------------|----------|-------------------|
|                                       | 2008            | 2007       |          |                   |
| Snuff                                 | 318             | 231        | 38       | 1,366             |
| Cigars                                | 112             | 164        | -32      | 737               |
| Chewing tobacco                       | 69              | 72         | -4       | 312               |
| Pipe tobacco & accessories            | 51              | 56         | -7       | 201               |
| Lights                                | 54              | 57         | -5       | 252               |
| Other operations                      | -61             | -45        |          | -137              |
| <b>Subtotal</b>                       | <b>543</b>      | <b>534</b> | <b>2</b> | <b>2,730</b>      |
| <i>Larger one time items</i>          |                 |            |          |                   |
| Capital gain from sale of real estate | -               | -          |          | 267               |
| <b>Total</b>                          | <b>543</b>      | <b>534</b> | <b>2</b> | <b>2,997</b>      |

## Operating margin by product area\*

| Percent                    | January - March |             | Full year<br>2007 |
|----------------------------|-----------------|-------------|-------------------|
|                            | 2008            | 2007        |                   |
| Snuff                      | 38.7            | 34.9        | 41.5              |
| Cigars                     | 14.8            | 22.3        | 21.6              |
| Chewing tobacco            | 32.7            | 30.1        | 32.7              |
| Pipe tobacco & accessories | 26.0            | 27.1        | 23.6              |
| Lights                     | 15.5            | 16.8        | 17.1              |
| <b>Group</b>               | <b>19.3</b>     | <b>20.0</b> | <b>21.8</b>       |

\* Excluding larger one time items

## EBITDA by product area

| <i>MSEK</i>                | January - March |            | Chg<br>% | Full year<br>2007 |
|----------------------------|-----------------|------------|----------|-------------------|
|                            | 2008            | 2007       |          |                   |
| Snuff                      | 356             | 267        | 34       | 1,511             |
| Cigars                     | 161             | 209        | -23      | 920               |
| Chewing tobacco            | 74              | 77         | -4       | 330               |
| Pipe tobacco & accessories | 60              | 64         | -7       | 235               |
| Lights                     | 64              | 69         | -6       | 299               |
| Other operations           | -60             | -43        |          | -129              |
| <b>Total</b>               | <b>655</b>      | <b>642</b> | <b>2</b> | <b>3,166</b>      |

## EBITDA margin by product area

| <i>Percent</i>             | January - March |             | Full year<br>2007 |
|----------------------------|-----------------|-------------|-------------------|
|                            | 2008            | 2007        |                   |
| Snuff                      | 43.4            | 40.3        | 45.9              |
| Cigars                     | 21.3            | 28.5        | 27.0              |
| Chewing tobacco            | 35.2            | 32.3        | 34.5              |
| Pipe tobacco & accessories | 30.1            | 31.3        | 27.6              |
| Lights                     | 18.5            | 20.2        | 20.3              |
| <b>Group</b>               | <b>23.3</b>     | <b>24.1</b> | <b>25.2</b>       |

### Snuff/Snus

Sweden is the world's largest snuff market measured by per capita consumption. A substantially larger proportion of the male population uses the Swedish type of moist snuff called snus\* compared to cigarettes. The Norwegian market is significantly smaller than the Swedish market but in recent years has experienced solid volume growth. The US is the world's largest snuff market measured in number of cans and is approximately five times larger than the Swedish market. In Sweden and Norway, Swedish Match has a leading position. In the US, the Group is well positioned as the third largest player. Some of the best known brands include General, Ettan, and Grov in Sweden, Timber Wolf and Longhorn in the US. In 2007 the Company launched a snuff line extension under its well known Red Man brand in the US market.

During the first quarter, sales increased by 24 percent compared to the same quarter previous year, to 821 MSEK (662), and operating profit increased by 38 percent, to 318 MSEK (231). Currency translation impacts have affected the sales and operating profit comparison negatively. Operating profit improved significantly in the Scandinavian snus business.

The operating margin improved in Scandinavia as a result of higher volumes and improved pricing. In the US, the operating margin was significantly lower than previous year due to substantial marketing costs related to the national rollout of Red Man moist snuff. The operating margin for the total product group was 38.7 percent (34.9).

In Scandinavia, sales volumes measured in number of cans, were up by 8 percent during the first quarter compared to the previous year. Effective January 1, 2008

\* Swedish snus is moist snuff which is produced using a special heat treated process, much like pasteurization, as opposed to other snuff products for which a fermentation process is used.

the excise tax on snus in Sweden increased by 37 percent to 336 SEK per kilogram. As a result of the tax increase, sales volumes were unusually low in the first quarter of both 2007 and 2008. In 2008 destocking from the hoarding at the end of 2007 is estimated to have affected sales volumes negatively by approximately 5 million cans. In the first quarter of 2007 a similar negative hoarding effect was estimated to be more than twice that amount of cans.

Excluding destocking effects in both 2007 and 2008, net sales and operating profit in Scandinavia increased as strong volume growth in tax-free channels and improved price levels more than offset an underlying volume decline in the Swedish market.

In the US, sales volumes during the first quarter were up by 22 percent compared to the same period in the previous year. Volumes for Longhorn and Timber Wolf combined were up by 7 percent. Volumes of Red Man moist snuff contributed significantly to the volume increase, as the brand began to be rolled out nationally. The Red Man national launch is being supported by extensive marketing programs throughout the year. At the beginning of the year, the Triumph brand of Swedish style snus was launched in a test market in Ohio as part of the joint venture with Lorillard. The product is currently available in most outlets that sell tobacco products in the state.

### **Cigars**

Swedish Match is one of the world's largest producers of cigars and cigarillos. Swedish Match offers a full range of different cigars and brands. Well known brands include Macanudo, La Gloria Cubana, White Owl, Garcia y Vega, La Paz, Hajenius, Justus van Maurik, Willem II, Salsa, and Wings. The US is the largest cigar market in the world. Swedish Match has a leading position in the premium segment and is well established in the segment for machine made cigars. After the US, the most important cigar markets are in Europe, where Swedish Match is well represented in most countries. The largest markets for Swedish Match in sales terms in Europe are France, Benelux, Finland and Spain.

During the first quarter, sales were 757 MSEK (735), while operating profit was 112 MSEK (164). Currency translation has affected the comparisons for both sales and operating profit negatively. In local currencies, sales in the first quarter increased by 9 percent compared to the same period previous year, while operating profit declined by 28 percent. Operating margin was 14.8 percent (22.3).

In the US, Cigars International, acquired in September 2007 has showed a strong performance and growth in line with the acquisition plan. Excluding the impact of acquisitions, sales in local currencies were down approximately 25 percent for premium cigars in the US primarily due to lower shipments to national accounts and trade destocking. It is expected that in the coming quarters there will be a return to more normal shipment levels for premium cigars. Sales of mass market cigars in the US also decreased. Higher shipments are expected for mass market cigars in the US from new product launches going forward. For the remainder of the year, sales and operating profit in the US should therefore improve. Cigar sales in Europe increased. Excluding the impact of the Bogaert acquisition, sales were flat despite difficult market conditions in some countries. Operating profit declined somewhat.

### **Chewing tobacco**

Chewing tobacco is sold primarily on the North American market, mainly in the southern US. Swedish Match is the leading producer of chewing tobacco in the US. Well known brands include Red Man and Southern Pride. The chewing tobacco segment shows a declining trend.

During the first quarter, sales declined by 12 percent, to 210 MSEK (238). In local currency, sales of chewing tobacco on the North American market declined by 1 percent. As a result of the weaker USD, operating profit declined by 4 percent, to 69 MSEK (72). Operating margin was 32.7 percent (30.1).

### **Pipe tobacco and accessories**

Swedish Match is one of the world's largest pipe tobacco companies. The Borkum Riff brand is sold in over 60 countries. The Company has a significant presence in South Africa. Best Blend and Boxer are the most important brands in South Africa. Accessories include the sales of papers and other smoking related items. Pipe tobacco consumption is declining in most established markets.

During the first quarter, sales declined by 3 percent to 198 MSEK (205) and the operating profit declined to 51 MSEK (56). The sales and operating profit comparisons are affected by the depreciation of the South African Rand. Operating margin was 26.0 percent (27.1).

### **Lights**

Swedish Match is the market leader in a number of markets for matches. The brands are mostly local, with leading positions in their home countries. Larger brands include Solstickan, Three Stars, Fiat Lux, and Redheads. The Group's main brand for disposable lighters is Cricket. Swedish Match's largest market for lighters is Russia.

During the first quarter sales amounted to 347 MSEK (340), while operating profit amounted to 54 MSEK (57). Operating margin was 15.5 percent (16.8).

### **Other operations**

Other operations include the distribution of tobacco products on the Swedish market, as well as corporate overheads.

Sales in Other operations for the first quarter amounted to 484 MSEK (483). Sales were unusually low both in the first quarter of 2008 and 2007 as a result of high retail inventories at the beginning of the year in anticipation of the increased excise taxes for tobacco products. Operating profit for Other operations was a negative 61 MSEK (negative 45).

### **Taxes**

The Group tax expense for the first quarter amounted to 85 MSEK (136), corresponding to a tax rate of 20 percent (29). In 2007 a realignment of the operational and legal structures resulted in a more effective capital structure and thus a lower tax rate.

### **Earnings per share**

Earnings per share for the first quarter amounted to 1.34 SEK (1.23).

### **Depreciation and amortization**

Total depreciation and amortization for the first quarter amounted to 113 MSEK (109), of which depreciation on property, plant and equipment amounted to 78 MSEK (76) and amortization of intangible assets amounted to 34 MSEK (33).

### **Financing and cash flow**

Cash flow from operations for the first quarter decreased to negative 22 MSEK compared with 34 MSEK for the same period previous year. Tax payments during the quarter were 206 MSEK, compared with 169 MSEK in 2007. The cash flow was adversely impacted by high payments of tobacco taxes following the hoarding of tobacco products in the Swedish market at the end of 2007.

The net debt as per March 31, 2008 amounted to 7,600 MSEK compared to 7,127 MSEK at December 31, 2007. The increase of 473 MSEK was impacted by share repurchases, net, of 436 MSEK. Investments in property, plant and equipment amounted to 73 MSEK (124).

During the first quarter new bond loans of 236 MSEK were issued. Repayment of bond loans for the same period amounted to 642 MSEK.

Cash and cash equivalents amounted to 2,324 MSEK at the end of the period, compared with 3,439 MSEK at the beginning of the year. As of March 31, 2008, Swedish Match had 2,849 MSEK in unutilized committed credit lines.

Net finance cost for the first quarter increased to 116 MSEK (66) as a result of higher net debt and increased interest rates on bond loans with variable rates.

### **Average number of employees**

The average number of employees in the Group during the first quarter was 11,834 compared with 12,075 for the full year 2007.

### **Share structure**

During the first quarter 3.6 million shares were repurchased at an average price of 138.81 SEK. Total shares bought back by Swedish Match since the buyback programs started have been repurchased at an average price of 78.18 SEK. During the first quarter the Company sold 0.8 million treasury shares at an average price of 78.22 SEK as a result of option holders exercising options. As per March 31, 2008 Swedish Match held 13.9 million shares, corresponding to 5.2 percent of the total number of shares. The number of shares outstanding, net after repurchase and after the sale of treasury shares, as per March 31, 2008 amounted to 253.1 million. In addition, the Company has call options outstanding as of March 31, 2008 corresponding to 2.6 million shares exercisable in gradual stages from 2008-2012.

### **Annual General Meeting**

The Annual General Meeting on April 22, 2008 approved the Board's proposal to pay a dividend to the shareholders of 3.50 SEK per share for a total of 886 MSEK. The Meeting also approved a mandate to repurchase shares for a maximum amount of 3,000 MSEK until the next Annual General Meeting with the condition that the Company at any time does not hold more than 10 percent of all shares of the Company. In addition, a decision was made to cancel 12.0 million shares held in treasury, with a contemporaneous bonus issue, without issuing of new shares, of an amount equivalent the amount represented by the cancelled shares or 17.5 MSEK. With the latter transaction the Company's share capital will not decrease

through the cancellation of shares. The total amount of registered shares in the Company before the cancellation of shares is 267,000,000.

The Annual General Meeting also approved the proposal of the Board of Directors that the Company may issue a maximum of 1,592,851 call options to senior Company officials and key employees for the stock option program for 2007 and that the Company, in deviation from the preferential rights of shareholders, be permitted to transfer a maximum of 1,592,851 shares of the Company at a selling price of 172.68 SEK per share in conjunction with a demand for the redemption of these call options. Redemption can take place from March 2011 to February 2013.

The Meeting re-elected Charles A. Blixt, Andrew Cripps, Arne Jurbrant, Conny Karlsson, Kersti Strandqvist and Meg Tivéus as Board members and elected Karen Guerra as new member of the Board. Conny Karlsson was elected Chairman of the Board and Andrew Cripps was elected deputy Chairman of the Board.

### **Risk factors**

Swedish Match faces intense competition in all of its markets and for each of its products and such competition may increase in the future. In order to be successful the Group must promote its brands successfully and anticipate and respond to new customer trends. Restrictions on advertising and promotion may, however, make it more difficult to counteract loss of consumer loyalty. Competitors may develop and promote new products which could be successful, and could thereby have an adverse effect on Swedish Match's results of operations.

Changes in the regulatory landscape might affect the demand for Swedish Match products in the market place.

Swedish Match has a substantial part of its production and sales in EMU member countries as well as South Africa, Brazil and the US. Consequently, changes in exchange rates of euro, South African rand, Brazilian real and the US dollar in particular may adversely affect the Group's results of operations, cash flow, financial condition or relative price competitiveness in the future. Such effects may occur both in local currencies and when such local currencies are translated into Swedish currency for purposes of financial reporting.

Regulatory changes in the countries where the Group is operating related to tobacco taxes as well as to the marketing, sale and consumption of tobacco products may have an adverse effect on Swedish Match's results of operations.

For a further description of risk factors affecting Swedish Match see Report of the Board of Directors in the Swedish Match Annual Report for 2007.

### **Outlook**

A positive development is foreseen for the remainder of 2008. Both underlying sales and operating profit for the Group are expected to improve compared to 2007.

For the product line snuff a continued volume and market share increase is expected in the US during 2008. The Scandinavian snus business is expected to improve sales and operating profit for the year.

After a weak start in the first quarter, we expect both sales and operating profit in the cigar business to improve for the remainder of the year.

The tax rate for 2008 is estimated to be around 20 percent.

**Accounting principles**

The financial information in this report has been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the European Commission for application within the EU. The report is prepared in accordance with the Accounting Standard IAS 34 Interim Financial Reporting. The accounting principles are the same as in the 2007 Annual Report.

**Additional information**

This report has not been reviewed by the Company's auditors. The half year 2008 report will be released on July 18.

Stockholm, April 25, 2008

Sven Hindrikes  
President and Chief Executive Officer



## Key data

|  | January - March |             | 12 months             | Full year   |
|--|-----------------|-------------|-----------------------|-------------|
|  | 2008            | 2007        | ended<br>Mar 31, 2008 | 2007        |
| Operating margin, % <sup>1)</sup>                                | 19.3            | 20.0        | 21.6                  | 21.8        |
| Operating capital, MSEK  | 8,213           | 8,486       | 8,213                 | 8,439       |
| Return on operating capital, % <sup>1)</sup>                     |                 |             | 32.8                  | 33.1        |
| Net debt, MSEK   | 7,600           | 6,800       | 7,600                 | 7,127       |
| Investments in property, plant and equipment, MSEK <sup>2)</sup> | 73              | 124         | 490                   | 541         |
| EBITDA, MSEK <sup>3)</sup>                                       | 655             | 642         | 3,179                 | 3,166       |
| EBITA, MSEK <sup>4)</sup>  | 577             | 566         | 2,876                 | 2,865       |
| EBITA interest cover   | 5.4             | 8.4         | 8.0                   | 9.0         |
| Net debt/EBITA   |                 |             | 2.6                   | 2.5         |
| <i>Share data<sup>5)</sup></i>                                   |                 |             |                       |             |
| Earnings per share, SEK  |                 |             |                       |             |
| Basic  | 1.34            | 1.23        | 7.97                  | 7.82        |
| Diluted  | 1.33            | 1.22        | 7.95                  | 7.80        |
| Number of shares outstanding at end of period                    | 253,084,575     | 265,759,734 | 253,084,575           | 255,874,800 |
| Average number of shares outstanding                             | 255,309,093     | 270,159,813 | 258,891,964           | 262,604,644 |
| Average number of shares outstanding, diluted                    | 255,811,611     | 271,198,474 | 259,586,211           | 263,405,637 |

1) Excluding a gain of 267 MSEK from the sale of head office buildings in Stockholm during the fourth quarter 2007

2) Includes investments in assets held for sale and biological assets

3) Operating profit excluding larger one time items adjusted for depreciation, amortization and writedowns of tangible and intangible assets

4) Operating profit excluding larger one time items adjusted for amortization and writedowns of intangible assets

5) Profit attributable to equity holders of the Parent

## Consolidated Income Statement in summary

| MSEK  | January - March |              | Chg       | 12 months             | Full year     | Chg       |
|---|-----------------|--------------|-----------|-----------------------|---------------|-----------|
|   | 2008            | 2007         | %         | ended<br>Mar 31, 2008 | 2007          | %         |
| Sales, including tobacco tax                  | 5,002           | 4,623        |           | 23,230                | 22,852        |           |
| Less tobacco tax                              | -2,183          | -1,961       |           | -10,524               | -10,301       |           |
| <b>Sales</b>                                  | <b>2,818</b>    | <b>2,663</b> | <b>6</b>  | <b>12,706</b>         | <b>12,551</b> | <b>1</b>  |
| Cost of sales                                 | -1,434          | -1,368       |           | -6,645                | -6,578        |           |
| <b>Gross profit</b>                           | <b>1,384</b>    | <b>1,295</b> | <b>7</b>  | <b>6,061</b>          | <b>5,973</b>  | <b>1</b>  |
| Sales and administrative expenses*            | -838            | -762         |           | -3,053                | -2,976        |           |
| Share of profit in equity accounted investees | -3              | 0            |           | -2                    | 1             |           |
| <b>Operating profit</b>                       | <b>543</b>      | <b>534</b>   | <b>2</b>  | <b>3,006</b>          | <b>2,997</b>  | <b>0</b>  |
| Financial income                              | 40              | 36           |           | 169                   | 165           |           |
| Financial expenses                            | -156            | -102         |           | -555                  | -501          |           |
| Net finance cost                              | -116            | -66          |           | -386                  | -336          |           |
| <b>Profit before income taxes</b>             | <b>427</b>      | <b>468</b>   | <b>-9</b> | <b>2,621</b>          | <b>2,662</b>  | <b>-2</b> |
| Income tax expense                            | -85             | -136         |           | -556                  | -606          |           |
| <b>Net profit for the period</b>              | <b>341</b>      | <b>332</b>   | <b>3</b>  | <b>2,065</b>          | <b>2,056</b>  | <b>0</b>  |
| <i>Attributable to:</i>                       |                 |              |           |                       |               |           |
| Equity holders of the Parent                  | 341             | 332          |           | 2,064                 | 2,055         |           |
| Minority interests                            | 0               | 0            |           | 1                     | 1             |           |
| <b>Net profit for the period</b>              | <b>341</b>      | <b>332</b>   | <b>3</b>  | <b>2,065</b>          | <b>2,056</b>  | <b>0</b>  |
| Earnings per share, basic, SEK                | 1.34            | 1.23         |           | 7.97                  | 7.82          |           |
| Earnings per share, diluted, SEK              | 1.33            | 1.22         |           | 7.95                  | 7.80          |           |

\* Including a gain of 267 MSEK from sale of head office buildings in Stockholm during the fourth quarter 2007

## Consolidated Balance Sheet in summary

MSEK

|   | Mar 31, 2008  | Dec 31, 2007  |
|---|---------------|---------------|
| Intangible fixed assets                             | 4,058         | 4,419         |
| Property, plant and equipment                       | 2,291         | 2,388         |
| Financial fixed assets                              | 976           | 1,011         |
| Current operating assets*                           | 4,614         | 5,204         |
| Other current investments                           | 5             | 5             |
| Cash and cash equivalents                           | 2,324         | 3,439         |
| <b>Total assets</b>                                 | <b>14,268</b> | <b>16,467</b> |
| Equity attributable to equity holders of the Parent | -18           | 720           |
| Minority interest                                   | 4             | 4             |
| Total equity  | -15           | 724           |
| Non-current provisions                              | 1,309         | 1,292         |
| Non-current loans                                   | 8,669         | 8,768         |
| Other non-current liabilities                       | 538           | 567           |
| Current provisions                                  | 39            | 60            |
| Current loans                                       | 918           | 1,271         |
| Other current liabilities                           | 2,810         | 3,785         |
| <b>Total equity and liabilities</b>                 | <b>14,268</b> | <b>16,467</b> |

\* Includes assets held for sale amounting to 7 MSEK (0).

## Consolidated Cash Flow Statement in summary

MSEK

|  | January – March<br>2008 | 2007         |
|--|-------------------------|--------------|
| <b>Profit before income taxes</b>  | <b>427</b>              | <b>468</b>   |
| Adjustments for non-cash items and other                                     | 170                     | 100          |
| Income tax paid  | -206                    | -169         |
| <b>Cash flow from operating activities before changes in working capital</b> | <b>391</b>              | <b>400</b>   |
| Cash flow from changes in working capital                                    | -413                    | -365         |
| <b>Net cash from operating activities</b>                                    | <b>-22</b>              | <b>34</b>    |
| <i>Investing activities</i>  |                         |              |
| Acquisition of property, plant and equipment*                                | -73                     | -124         |
| Proceeds from sale of property, plant and equipment                          | 30                      | 16           |
| Acquisition of intangible assets   | -                       | -34          |
| Acquisition of subsidiaries, net of cash acquired                            | -4                      | -            |
| Changes in financial receivables etc.  | -6                      | 47           |
| Changes in current investments   | 0                       | 1            |
| <b>Net cash used in investing activities</b>                                 | <b>-53</b>              | <b>-94</b>   |
| <i>Financing activities</i>  |                         |              |
| Changes in loans   | -408                    | 740          |
| Repurchase of own shares   | -497                    | -1,243       |
| Stock options exercised  | 61                      | 122          |
| Other  | -138                    | 14           |
| <b>Net cash used in financing activities</b>                                 | <b>-983</b>             | <b>-367</b>  |
| <b>Net decrease in cash and cash equivalents</b>                             | <b>-1,057</b>           | <b>-427</b>  |
| Cash and cash equivalents at the beginning of the period                     | 3,439                   | 3,042        |
| Effect of exchange rate fluctuations on cash and cash equivalents            | -59                     | 26           |
| <b>Cash and cash equivalents at the end of the period</b>                    | <b>2,324</b>            | <b>2,641</b> |

\* Includes investments held for sale and biological assets

## Consolidated Statement of Recognized Income and Expense

| MSEK   | January – March |            |
|--|-----------------|------------|
|  | 2008            | 2007       |
| Net profit for the period recognized in the income statement   | 341             | 332        |
| <b>Income and expenses recognized in equity:</b>               |                 |            |
| Effective portion of changes in fair value of cash flow hedges | 10              | 21         |
| Translation difference in foreign operations                   | -659            | 131        |
| Tax on items taken to/transferred from equity                  | -3              | -6         |
| <b>Total transactions taken to equity</b>                      | <b>-652</b>     | <b>146</b> |
| <b>Total income and expense recognized for the period</b>      | <b>-310</b>     | <b>478</b> |
| <b>Attributable to:</b>  |                 |            |
| Equity holders of the Parent                                   | -310            | 478        |
| Minority interest  | 0               | 0          |
| <b>Total income and expense recognized for the period</b>      | <b>-310</b>     | <b>478</b> |

## Change in Shareholders' Equity

| MSEK   | January – March |              |
|--|-----------------|--------------|
|  | 2008            | 2007         |
| <b>Opening balance as per January 1</b>            | <b>724</b>      | <b>2,041</b> |
| Total income and expense recognized for the period | -310            | 478          |
| Repurchase of own shares                           | -497            | -1,243       |
| Stock options exercised                            | 62              | 122          |
| Share-based payments, IFRS 2                       | 7               | 8            |
| Minority interest                                  | 0               | 0            |
| <b>Closing balance as per March 31</b>             | <b>-15</b>      | <b>1,405</b> |

## Quarterly data

| <i>MSEK</i>                                   | Q1/06        | Q2/06        | Q3/06        | Q4/06        | Q1/07        | Q2/07        | Q3/07        | Q4/07        | Q1/08        |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Sales, including tobacco tax                  | 4,797        | 5,502        | 5,595        | 6,097        | 4,623        | 5,645        | 5,984        | 6,600        | 5,002        |
| Less tobacco tax                              | -1,846       | -2,260       | -2,335       | -2,640       | -1,961       | -2,555       | -2,713       | -3,073       | -2,183       |
| <b>Sales</b>                                  | <b>2,951</b> | <b>3,242</b> | <b>3,261</b> | <b>3,457</b> | <b>2,663</b> | <b>3,090</b> | <b>3,272</b> | <b>3,527</b> | <b>2,818</b> |
| Cost of sales                                 | -1,456       | -1,657       | -1,675       | -1,877       | -1,368       | -1,629       | -1,702       | -1,880       | -1,434       |
| <b>Gross profit</b>                           | <b>1,495</b> | <b>1,584</b> | <b>1,586</b> | <b>1,581</b> | <b>1,295</b> | <b>1,461</b> | <b>1,570</b> | <b>1,647</b> | <b>1,384</b> |
| Sales and administrative expenses             | -763         | -805         | -780         | -772         | -762         | -821         | -810         | -851         | -838         |
| Share of profit in equity accounted investees | 1            | 5            | 3            | 3            | 0            | 2            | 0            | -1           | -3           |
|   | <b>733</b>   | <b>785</b>   | <b>809</b>   | <b>811</b>   | <b>534</b>   | <b>642</b>   | <b>759</b>   | <b>795</b>   | <b>543</b>   |
| <i>Larger one time items</i>                  |              |              |              |              |              |              |              |              |              |
| Capital gain from sale of real estate         | -            | -            | -            | -            | -            | -            | -            | 267          | -            |
| Pension curtailment gain                      | -            | 148          | -            | -            | -            | -            | -            | -            | -            |
| <b>Operating profit</b>                       | <b>733</b>   | <b>933</b>   | <b>809</b>   | <b>811</b>   | <b>534</b>   | <b>642</b>   | <b>759</b>   | <b>1,062</b> | <b>543</b>   |
| Financial income                              | 32           | 26           | 34           | 39           | 36           | 40           | 33           | 56           | 40           |
| Financial expenses                            | -68          | -77          | -101         | -107         | -102         | -119         | -137         | -142         | -156         |
|   | -36          | -51          | -67          | -68          | -66          | -79          | -105         | -86          | -116         |
| <i>Larger one time items</i>                  |              |              |              |              |              |              |              |              |              |
| Gain on sale of securities                    | -            | -            | -            | 111          | -            | -            | -            | -            | -            |
| Net finance cost                              | -36          | -51          | -67          | 43           | -66          | -79          | -105         | -86          | -116         |
| <b>Profit before income taxes</b>             | <b>697</b>   | <b>882</b>   | <b>742</b>   | <b>854</b>   | <b>468</b>   | <b>563</b>   | <b>655</b>   | <b>976</b>   | <b>427</b>   |
| Income tax expense                            | -209         | -264         | -113         | -251         | -136         | -122         | -164         | -185         | -85          |
| <b>Net profit for the period</b>              | <b>488</b>   | <b>617</b>   | <b>628</b>   | <b>603</b>   | <b>332</b>   | <b>441</b>   | <b>491</b>   | <b>791</b>   | <b>341</b>   |
| <i>Attributable to:</i>                       |              |              |              |              |              |              |              |              |              |
| Equity holders of the Parent                  | 488          | 617          | 628          | 603          | 332          | 441          | 491          | 791          | 341          |
| Minority interest                             | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| <b>Net profit for the period</b>              | <b>488</b>   | <b>617</b>   | <b>628</b>   | <b>603</b>   | <b>332</b>   | <b>441</b>   | <b>491</b>   | <b>791</b>   | <b>341</b>   |

## Sales by product area

| <i>MSEK</i>                | Q1/06        | Q2/06        | Q3/06        | Q4/06        | Q1/07        | Q2/07        | Q3/07        | Q4/07        | Q1/08        |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Snuff                      | 785          | 831          | 785          | 963          | 662          | 794          | 852          | 981          | 821          |
| Cigars                     | 759          | 888          | 903          | 857          | 735          | 847          | 902          | 928          | 757          |
| Chewing tobacco            | 273          | 277          | 273          | 240          | 238          | 253          | 243          | 222          | 210          |
| Pipe tobacco & accessories | 238          | 218          | 217          | 226          | 205          | 203          | 220          | 223          | 198          |
| Lights                     | 387          | 368          | 360          | 388          | 340          | 354          | 374          | 405          | 347          |
| Other operations           | 510          | 659          | 723          | 784          | 483          | 638          | 682          | 769          | 484          |
| <b>Total</b>               | <b>2,951</b> | <b>3,242</b> | <b>3,261</b> | <b>3,457</b> | <b>2,663</b> | <b>3,090</b> | <b>3,272</b> | <b>3,527</b> | <b>2,818</b> |

## Operating profit by product area

| <i>MSEK</i>                           | Q1/06      | Q2/06      | Q3/06      | Q4/06      | Q1/07      | Q2/07      | Q3/07      | Q4/07        | Q1/08      |
|---------------------------------------|------------|------------|------------|------------|------------|------------|------------|--------------|------------|
| Snuff                                 | 383        | 383        | 385        | 462        | 231        | 311        | 383        | 441          | 318        |
| Cigars                                | 163        | 207        | 231        | 168        | 164        | 193        | 185        | 195          | 112        |
| Chewing tobacco                       | 86         | 81         | 95         | 76         | 72         | 82         | 83         | 75           | 69         |
| Pipe tobacco & accessories            | 76         | 58         | 68         | 63         | 56         | 24         | 64         | 58           | 51         |
| Lights                                | 63         | 72         | 64         | 51         | 57         | 62         | 67         | 67           | 54         |
| Other operations                      | -38        | -17        | -35        | -9         | -45        | -29        | -22        | -41          | -61        |
| <b>Subtotal</b>                       | <b>733</b> | <b>784</b> | <b>808</b> | <b>811</b> | <b>534</b> | <b>642</b> | <b>759</b> | <b>795</b>   | <b>543</b> |
| <i>Larger one time items</i>          |            |            |            |            |            |            |            |              |            |
| Capital gain from sale of real estate | -          | -          | -          | -          | -          | -          | -          | 267          | -          |
| Pension curtailment gain              | -          | 148        | -          | -          | -          | -          | -          | -            | -          |
| <b>Subtotal</b>                       | <b>-</b>   | <b>148</b> | <b>-</b>   | <b>-</b>   | <b>-</b>   | <b>-</b>   | <b>-</b>   | <b>267</b>   | <b>-</b>   |
| <b>Total</b>                          | <b>733</b> | <b>932</b> | <b>808</b> | <b>811</b> | <b>534</b> | <b>642</b> | <b>759</b> | <b>1,062</b> | <b>543</b> |

## Operating margin by product area\*

| <i>Percent</i>             | <b>Q1/06</b> | <b>Q2/06</b> | <b>Q3/06</b> | <b>Q4/06</b> | <b>Q1/07</b> | <b>Q2/07</b> | <b>Q3/07</b> | <b>Q4/07</b> | <b>Q1/08</b> |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Snuff                      | 48.8         | 46.1         | 49.1         | 48.0         | 34.9         | 39.1         | 45.0         | 45.0         | 38.7         |
| Cigars                     | 21.5         | 23.4         | 25.6         | 19.6         | 22.3         | 22.7         | 20.5         | 21.0         | 14.8         |
| Chewing tobacco            | 31.5         | 29.3         | 34.7         | 31.7         | 30.1         | 32.3         | 34.3         | 34.1         | 32.7         |
| Pipe tobacco & accessories | 31.8         | 26.5         | 31.5         | 28.0         | 27.1         | 11.7         | 28.9         | 25.9         | 26.0         |
| Lights                     | 16.2         | 19.5         | 17.7         | 13.1         | 16.8         | 17.5         | 17.8         | 16.4         | 15.5         |
| <b>Group</b>               | <b>24.8</b>  | <b>24.2</b>  | <b>24.8</b>  | <b>23.5</b>  | <b>20.0</b>  | <b>20.8</b>  | <b>23.2</b>  | <b>22.5</b>  | <b>19.3</b>  |

\* Excluding larger one time items

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*Swedish Match AB (publ), SE-118 85 Stockholm*  
*Visiting address: Rosenlundsgatan 36, Telephone: +46 8 658 02 00*  
*Corporate Identity Number: 556015-0756*  
*www.swedishmatch.com*

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*For information, please contact:*

*Sven Hindrikes, President and Chief Executive Officer*  
*Office +46 8 658 02 82, Mobile +46 70 567 41 76*

*Lars Dahlgren, Chief Financial Officer*  
*Office +46 8 658 04 41, Mobile +46 70 958 04 41*

*Henrik Brehmer, Senior Vice President Corp. Communications*  
*Office +46 8 658 04 52, Mobile +46 76 111 34 14*

*Emmett Harrison, Vice President, Investor Relations*  
*Office +46 8 658 01 73, Mobile +46 70 938 01 73*

*Richard Flaherty, COO OTP, North America Division, US Investor Relations contact*  
*Office +1 804 302 1774, Mobile +1 804 400 1774*

The character of the information in this report is such that it shall be disclosed by Swedish Match AB (publ) in accordance with the Swedish Securities Markets Act. The information was disclosed to the media on April 25, 2008 at 08.00 a.m (CET).