Full Year Report 2008

- **Net sales for the fourth quarter increased to 3,628 MSEK (3,527) and 13,162 MSEK (12,551) for the full year**
- **Operating profit excluding larger one time items* for the fourth quarter increased to 864 MSEK (795) and 3,017 MSEK (2,730) for the full year**
- **Operating profit for the fourth quarter amounted to 937 MSEK (1,062) and 3,090 MSEK (2,997) for the full year**
- **EPS (basic) for the fourth quarter amounted to 2.91 SEK (3.04) and 8.98 SEK (7.82) for the full year**
- **The Board proposes an increased dividend to 4.10 SEK (3.50)**

* In the fourth quarter 2008 there was a gain of 73 MSEK on the sale of a subsidiary in the UK and related assets. In the fourth quarter 2007 there was a gain of 267 MSEK on the sale of head office buildings in Stockholm.

CEO Lars Dahlgren comments:
The fourth quarter delivered a strong performance in both sales and operating profit. Scandinavian sales of snus continued to grow, despite the fact that the fourth quarter did not benefit from consumer and trade hoarding as was the case in 2007. In the US, we noted a marked improvement in both sales and operating profit for our snuff business with continuing growth of the Red Man brand. While the current economic and credit situation continued to put pressure on the premium cigar business, sales in USD were flat year on year in the fourth quarter as the demand for cigars sold over the Internet continued to increase. Chewing tobacco, Pipe Tobacco and Lights all finished the year on a strong note with year on year increases in operating profit in local currencies in the fourth quarter. We have a healthy cash balance and limited debt repayments through the end of 2009.

Summary of Consolidated Income Statement

MSEK	October – December 2008	October – December 2007	Full year 2008	Full year 2007
Sales	**3,628**	**3,527**	**13,162**	**12,551**
Operating profit excl. larger one time items	**864**	**795**	**3,017**	**2,730**
Operating profit	**937**	**1,062**	**3,090**	**2,997**
Profit before income tax	**839**	**976**	**2,646**	**2,662**
Net profit for the period	**728**	**791**	**2,261**	**2,056**
Earnings per share, basic (SEK)	**2.91**	**3.04**	**8.98**	**7.82**

Sales and results for the fourth quarter

Sales for the fourth quarter of 2008 increased by 3 percent to 3,628 MSEK (3,527) compared to the fourth quarter of 2007. In local currencies, sales declined by 3 percent. Currency translation has affected the sales comparison positively by 204 MSEK.

Sales of snuff in the fourth quarter increased by 8 percent to 1,063 MSEK (981) and operating profit increased by 7 percent to 470 MSEK (441). Scandinavian snus sales were up 2 percent compared to the fourth quarter of the prior year while volumes measured in number of cans declined by 12 percent. Snus sales and can volume in the fourth quarter 2007 were positively impacted by hoarding in anticipation of tax and price increases in January 2008. Snuff sales in North America were up by 13 percent in local currency, as a result of both volume growth and a higher average price for the portfolio. During the fourth quarter there was a high level of marketing activity in Scandinavia, related to new product launches and product changes. Operating margin was 44.2 percent (45.0).

For cigars, sales increased by 14 percent during the fourth quarter to 1,056 MSEK (928). Operating profit increased to 206 MSEK (195). US cigar sales declined less than one percent in dollar terms, as Internet and mail order sales offset declines in other areas, primarily within premium cigars. In Europe, sales declined slightly. Operating profit declined in the US in local currency and increased versus prior year in Europe. Operating margin for cigars was 19.5 percent (21.0).

Group operating profit, excluding larger one time items*, for the fourth quarter increased by 9 percent to 864 MSEK (795). In local currencies, (and excluding larger one time items*) operating profit increased by 6 percent. Currency translation has affected the operating profit comparison positively by 24 MSEK.

Operating margin, excluding larger one time items*, for the fourth quarter amounted to 23.8 percent compared to 22.5 percent for the fourth quarter of 2007 driven by the strength of our smokefree businesses. Operating margin, including larger one time items, amounted to 25.8 percent (30.1).

Basic and diluted earnings per share for the fourth quarter amounted to 2.91 SEK (3.04).

Sales and results for the year

Sales for the year increased to 13,162 MSEK (12,551). In local currencies, sales increased by 6 percent. Operating profit, excluding larger one time items*, increased to 3,017 MSEK (2,730). In local currencies, operating profit excluding larger one time items* increased by 13 percent. Currency translation has affected the operating profit comparison negatively by 64 MSEK. Operating profit, including larger one time items, amounted to 3,090 MSEK (2,997).

Group operating margin, excluding larger one time items*, during the year was 22.9 percent (21.8).

The reported tax rate for the Group for the full year was 14.5 percent (22.8), positively impacted by the reversal of certain tax provisions.

EPS (basic) for the year was 8.98 SEK (7.82). Diluted EPS was 8.96 SEK (7.80).

* In the fourth quarter 2008 there was a gain of 73 MSEK on the sale of a subsidiary in the UK and related assets. In the fourth quarter 2007 there was a gain of 267 MSEK on the sale of head office buildings in Stockholm.

Sales by product area

MSEK	October - December 2008	2007	Chg %	Full year 2008	Full year 2007	Chg %
Snuff	1,063	981	8	3,829	3,289	16
Cigars	1,056	928	14	3,657	3,411	7
Chewing tobacco	260	222	17	934	956	-2
Pipe tobacco & accessories	217	223	-3	817	851	-4
Lights	410	405	1	1,534	1,473	4
Other operations	621	769	-19	2,390	2,571	-7
Total	**3,628**	**3,527**	**3**	**13,162**	**12,551**	**5**

Operating profit by product area

MSEK	October - December 2008	2007	Chg %	Full year 2008	Full year 2007	Chg %
Snuff	470	441	7	1,689	1,366	24
Cigars	206	195	6	689	737	-6
Chewing tobacco	96	75	27	329	312	5
Pipe tobacco & accessories	57	58	-1	210	201	5
Lights	71	67	7	276	252	9
Other operations	-36	-41		-176	-137	
Subtotal	**864**	**795**	**9**	**3,017**	**2,730**	**10**
Larger one time items						
Gain on sale of subsidiary and related assets	73	-		73	-	
Gain on sale of real estate	-	267		-	267	
Total	**937**	**1,062**	**-12**	**3,090**	**2,997**	**3**

Operating margin by product area*

Percent	October - December 2008	2007	Full year 2008	Full year 2007
Snuff	44.2	45.0	44.1	41.5
Cigars	19.5	21.0	18.8	21.6
Chewing tobacco	36.8	34.1	35.2	32.7
Pipe tobacco & accessories	26.3	25.9	25.7	23.6
Lights	17.4	16.4	18.0	17.1
Group	**23.8**	**22.5**	**22.9**	**21.8**

* Excluding larger one time items

EBITDA by product area

MSEK	October - December 2008	2007	Chg %	Full year 2008	Full year 2007	Chg %
Snuff	507	477	6	1,840	1,511	22
Cigars	264	238	11	892	920	-3
Chewing tobacco	98	78	25	346	330	5
Pipe tobacco & accessories	65	66	-2	241	235	3
Lights	82	78	5	317	299	6
Other operations	-35	-40		-171	-129	
Total	**980**	**897**	**9**	**3,465**	**3,166**	**9**

EBITDA margin by product area

Percent	October - December 2008	2007	Full year 2008	Full year 2007
Snuff	47.7	48.7	48.0	45.9
Cigars	25.0	25.6	24.4	27.0
Chewing tobacco	37.5	35.1	37.1	34.5
Pipe tobacco & accessories	29.9	29.6	29.5	27.6
Lights	20.0	19.3	20.7	20.3
Group	**27.0**	**25.4**	**26.3**	**25.2**

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 strong volume growth. The US is the world's largest snuff market measured in number of cans and is approximately six 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 Group launched a snuff line extension under its well known Red Man brand in the US market.

During the fourth quarter, sales increased by 8 percent compared to the same quarter of the previous year, to 1,063 MSEK (981), and operating profit increased by 7 percent, to 470 MSEK (441). Operating profit improved significantly in the US snuff business in local currency. In Scandinavia, where the fourth quarter of 2007 included trade and consumer hoarding in anticipation of the announced excise tax increase in January 2008, the operating profit was modestly lower.

Operating margin for the quarter improved versus prior year in the US, but was slightly down in Scandinavia. In the US, marketing spending per can for the Red Man brand was lower than in previous quarters, while in Scandinavia, higher marketing spending (primarily tied to product launch initiatives) and lower volumes reduced profitability somewhat. The operating margin for the total product group was 44.2 percent (45.0).

In Scandinavia, sales volumes measured in number of cans, were down by 12 percent during the fourth quarter compared to the previous year, with much of the decline due to hoarding effects in the prior year period. During the quarter, the Swedish Government published the budget for 2009, which confirmed that there would be no increase of excise taxes on snus in January 2009, following two successive years of major excise tax increases. In view of this, there was no extraordinary consumer or trade hoarding of the product in Sweden as was the case in the fourth quarter of both 2007 and 2006.

Sales revenues in Scandinavia grew by 2 percent in the fourth quarter, while operating profit declined by 2 percent due to mix effects and higher marketing spending. During the quarter, product launch and redesign initiatives included

[*] 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.

support behind *Onico*, a smokefree product that contains no tobacco, as well as *Grov Svart*, a new pouch product with a distinctive look and taste, as well as line extensions on the *General* brand with a bolder, stronger profile.

In the US, sales volumes during the fourth quarter were up by 5 percent compared to the same period in the previous year, with volume increases for the Red Man and Longhorn brands more than offsetting declines for the Timber Wolf brand. Last year's fourth quarter included substantial pipeline shipments of Red Man. In 2008, the Triumph brand of Swedish style snus has been launched in test markets in Ohio and Georgia as part of the joint venture with Lorillard.

Sales and operating profit in the US rose due to higher volumes and price/mix effects, as well as lower marketing spending as the fourth quarter of 2007 included launch spending behind the Red Man brand.

For the year, sales increased to 3,829 MSEK (3,289) and operating profit increased to 1,689 MSEK (1,366). Operating margin was 44.1 percent (41.5).

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, Hollandia, Justus van Maurik, and Salsa. 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 fourth quarter, sales were 1,056 MSEK (928), and operating profit amounted to 206 MSEK (195). In local currencies, sales in the fourth quarter were down 1 percent from same period of the previous year, while operating profit declined by 7 percent. Operating margin was 19.5 percent (21.0).

During the fourth quarter, US premium cigar sales in local currency were at the same level as in the previous year, which includes the acquired business of Cigars International (Internet and mail order) in both years. Excluding Cigars International, premium cigar sales in the US declined by 8 percent in local currency versus prior year as a result of lower volumes. Premium cigar volumes have been lower in 2008 as retailers have been managing inventory levels to reflect the current market. Premium cigar retailers have been faced with both a more difficult credit environment and reduced consumption. Sales of mass market cigars in the US declined by 2 percent in local currency. Volumes were negatively impacted by some destocking following the hoarding effects in the third quarter in anticipation of a September price increase. Cigar sales in Europe declined by 2 percent.

For cigars in total, sales for the year amounted to 3,657 MSEK (3,411), while operating profit was 689 MSEK (737). In local currencies sales increased by 8 percent versus the previous year, while operating profit declined by 2 percent. Operating margin was 18.8 percent (21.6). During the year, volumes and sales were negatively impacted from both smoking bans in France and the Netherlands as well as price/mix effects toward smaller and less expensive cigars in markets in both the US and Europe.

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 fourth quarter, sales increased by 17 percent, to 260 MSEK (222). In local currency, sales of chewing tobacco declined by 4 percent, as volume declines more than offset the positive effect from earlier pricing activities. Operating profit increased by 27 percent, to 96 MSEK (75). In local currency, the operating profit increased by 5 percent. Operating margin was 36.8 percent (34.1).

Sales for the year amounted to 934 MSEK (956) while operating profit amounted to 329 MSEK (312). In local currency, sales for the year were up 1 percent, while operating profit grew by 5 percent. Operating margin was 35.2 percent (32.7).

Pipe tobacco and accessories

Swedish Match is one of the world's largest pipe tobacco companies. The Company has a significant presence in South Africa where Best Blend and Boxer are the most important brands. The Borkum Riff brand is sold across the globe. Accessories include the sales of papers and other smoking related items, primarily in the UK.

During the fourth quarter, sales declined by 3 percent to 217 MSEK (223) and the operating profit reached 57 MSEK (58). The sales and operating profit comparisons are affected by the depreciation of the South African Rand. In local currencies, sales increased by 8 percent, while operating profit increased by 17 percent. Operating margin was 26.3 percent (25.9).

In December, Swedish Match sold its Swedish Match UK Ltd. business to Republic Technologies International. The divested business includes mainly cigarette papers and filters and corresponds to some 1 percent of Swedish Match total Group sales. The divestments resulted in a capital gain of 73 MSEK reported separately as a larger one time item.

Sales for the year amounted to 817 MSEK (851), while operating profit amounted to 210 MSEK (201). Operating margin was 25.7 percent (23.6).

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 fourth quarter sales amounted to 410 MSEK (405). In local currencies sales declined by 1 percent. Operating profit amounted to 71 MSEK (67). Operating margin was 17.4 percent (16.4).

Sales for the year amounted to 1,534 MSEK (1,473). In local currencies sales increased by 3 percent. Operating profit increased to 276 MSEK (252). Full year operating profit includes a gain of 18 MSEK from the sale of land. Operating margin was 18.0 percent (17.1).

Other operations

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

Sales in Other operations for the fourth quarter amounted to 621 MSEK (769). Operating profit for Other operations was a negative 36 MSEK (negative 41).

Sales for the year amounted to 2,390 MSEK (2,571). Operating profit for the full year was a negative 176 MSEK (negative 137).

Taxes

In the fourth quarter, the tax rate amounted to 13 percent, positively impacted by a revaluation of the deferred tax liability on untaxed reserves in Sweden following the decision by the parliament to lower the corporate tax rate in Sweden from 28 percent to 26.3 percent as from January 1, 2009. In addition, the fourth quarter profit contains a gain from sale of the UK subsidiary of 73 MSEK which is exempt from corporate taxation.

The Group tax expense for the year amounted to 385 MSEK (606), corresponding to a tax rate of 14.5 percent (22.8). The main reasons for the lower tax rate compared to 2007, are significant positive one time reversals of tax provisions as well as a lower weighted average tax rate. Other reasons are the lowering of the Swedish corporate tax rate and the exemption for corporate taxes on gain of the sale of the UK subsidiary.

Earnings per share

Basic earnings per share for the fourth quarter amounted to 2.91 SEK (3.04) and diluted EPS for the fourth quarter amounted to 2.91 SEK (3.04). For the full year, basic earnings per share amounted to 8.98 SEK (7.82), and diluted earnings per share amounted to 8.96 SEK (7.80).

Proposed dividend per share

The Board proposes an increased dividend to 4.10 SEK (3.50), equivalent to 46 percent (45) of the earnings per share for the year. The proposed dividend amounts to 1,022 MSEK based on the 249.2 million shares outstanding at the end of the year.

Depreciation and amortization

In the fourth quarter, total depreciation and amortization amounted to 116 MSEK (102), of which depreciation on property, plant and equipment amounted to 79 MSEK (69) and amortization of intangible assets amounted to 37 MSEK (33).

Total depreciation and amortization for the year amounted to 449 MSEK (435), of which depreciation on property, plant and equipment amounted to 310 MSEK (300) and amortization of intangible assets amounted to 139 MSEK (135).

Financing and cash flow

Cash flow from operations for the year decreased to 1,979 MSEK compared with 2,327 MSEK in 2007. Timing effects in purchase of strategic raw materials and high payments of tobacco taxes following the 2007 year end hoarding of tobacco products in the Swedish market adversely affected the cash flow for the year. Contributions for certain pension obligations and timing effects in relation to income tax payments also had a negative effect on cash flow for the period.

The net debt as per December 31, 2008 amounted to 7,640 MSEK compared to 7,127 MSEK at December 31, 2007. The increase of 513 MSEK includes dividend payments of 886 MSEK and share repurchases, net, of 934 MSEK. Investments in property, plant and equipment amounted to 331 MSEK (541). Changes in the value of net pension liabilities added 786 MSEK. The net pension liability included in net debt relate to post-employment defined benefit obligations and amounted to 1,165 MSEK (379) based on IAS 19 actuarial calculations as per December 31, 2008. A decline in the market value of plan assets and a somewhat higher obligation valuation, resulting in an actuarial loss including payroll taxes of 952 MSEK, are the main reasons for the increase in the net pension liability of 786 MSEK.

During the year new loans of 843 MSEK were issued. Repayment of loans for the same period amounted to 1,284 MSEK. As at December 31, 2008 Swedish Match had 9,654 MSEK of interest bearing debt excluding retirement benefit obligations. During 2009, 662 MSEK of this debt falls due for repayment. Swedish Match plans to meet its payback obligations during 2009 from internally generated funds from operations and available cash.

Cash and cash equivalents amounted to 3,178 MSEK at the end of the period, compared with 3,439 MSEK at the beginning of 2008. As of December 31, 2008, Swedish Match had 3,238 MSEK in unutilized committed credit lines.

Net finance cost for the year increased to 443 MSEK (336) as a result of higher average net debt and increased interest rates.

Average number of employees

The average number of employees in the Group during the year was 11,866 compared with 12,075 for the full year 2007.

Share structure

The Annual General Meeting on April 22, 2008 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 the shares of the Company. In addition, in accordance with the resolution at the Annual General Meeting, 12.0 million shares held in treasury have been cancelled. The total amount of registered shares in the Company after the cancellation of shares is 255,000,000 shares. In June, after Annual General Meeting approval, the Company issued 1,592,851 call options to senior Company officials and key employees for the stock option program for 2007. These call options can be exercised from March 1, 2011 to February 28, 2013. The exercise price is 172.68 SEK.

During the year 7.5 million shares were repurchased for 996 MSEK at an average price of 132.63 SEK. Total shares bought back by Swedish Match since the buyback programs started have been repurchased at an average price of 79.36 SEK. During the year 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 December 31, 2008 Swedish Match held 5.8 million shares in its treasury, corresponding to 2.3 percent of the total number of shares. The number of shares outstanding, net after repurchase and after the sale of treasury shares, as per December 31, 2008 amounted to 249.2 million. In addition, the Company has call options outstanding as of December 31, 2008 corresponding to 4.2 million shares exercisable in gradual stages from 2009-2013.

The Board will propose to the Annual General Meeting in April 2009 a renewed mandate to repurchase shares of the Company up to an amount of 3 billion SEK until the next Annual Meeting in 2010. In addition a proposal will be made to cancel

4 million shares held in treasury with a contemporaneous bonus issue without issuing new shares of an amount equivalent to the reduction of share capital through the cancellation of shares.

Other events and events following the close of the reporting period

Cubatabaco has been seeking to cancel General Cigar's registration for the Cohiba trademark in the US in a proceeding started in 1997 in Federal District Court in New York. The District Court ruled in favor of Cubatabaco but the US Court of Appeals of the Second Circuit concluded that General Cigar was the rightful owner of the Cohiba trademark in the US. The matter was appealed to the US Supreme Court, and in June 2006, the Supreme Court denied review of the case. In 2008 the District Court reopened the case on the basis that there had been a change in New York State law and again ruled in favor of Cubatabaco. Cubatabaco has sought an injunction against General Cigar selling Cohiba cigars and the disgorgement of General Cigar's profits from the sale of Cohiba cigars. Further, Cubatabaco has asked the Office of Foreign Asset Control for a license to register the Cohiba trademark in the US and thereby cancel General Cigar's registration of the trademark. General Cigar is opposing the granting of such a license and will appeal against the District Court's decision to re-open the case. In the opinion of management there are good defenses against Cubatabaco's claims and the case will continue to be vigorously defended.

In September 2008, Swedish Match signed a contract manufacturing agreement with National Tobacco Company whereby Swedish Match will produce chewing tobacco for National Tobacco Company. National Tobacco Company will continue to market, sell, and distribute its brands in the US. Contract manufacturing production will be phased in during the first half of 2009.

In February 2009, legislation was signed in the US to fund the State Childrens' Health Care Insurance Programs (SCHIP) through tobacco tax revenues (Federal Excise Tax increases). The new tax rates are scheduled to become effective on April 1, 2009, and could impact both shipment volumes and consumption during 2009.

On February 3, 2009, Swedish Match and Philip Morris International announced that they have entered into an agreement to establish an exclusive joint venture company to commercialize Swedish snus and other smokefree tobacco products worldwide, outside of Scandinavia and the United States. The joint venture will be based in Stockholm and the board of directors will consist of six members, with three nominated by each company.

Outlook

During 2009, Swedish Match will take further steps to drive value creation and growth to strengthen our position as a leading smokefree tobacco company while maintaining our strong commitment to profitability in other product categories. For 2009 we expect both the snuff market in Scandinavia and in the US to grow.

Tax and regulatory changes could have impacts on the Group's tobacco sales. In Sweden, the maintenance of the excise tax at 2008 levels should help to stabilize the snus market. In the US, the recently enacted federal excise tax increases could negatively impact consumption, especially of cigars. We will take decisive measures to mitigate the effects of possible volume declines for US cigars. For US machine made cigars we expect significant trade hoarding in the first quarter, followed by destocking effects in the second quarter.

The Company maintains its long term financial strategy and dividend policy, and we remain committed to returning cash not needed in operations to shareholders. Securing long term financing at reasonable cost is challenging in the current credit environment, which will be taken into account in determining the timing and amount of cash returns.

The tax rate for 2009 is estimated to be in the range of 22 to 24 percent.

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.

Swedish Match has a substantial part of its production and sales in EMU member countries as well as in 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 and fiscal changes related to tobacco and other taxes, as well as to the marketing, sale and consumption of tobacco products, in the countries where the Group is operating may have an adverse effect on Swedish Match's results of operations.

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

Swedish Match AB (publ)

Swedish Match AB (publ) is the Parent company of the Swedish Match Group.

Sales in the Parent company for the full year amounted to 1 MSEK (6). Profit before tax amounted to 1,907 MSEK (17,009) and net profit for the year amounted to 1,914 MSEK (17,039). The main sources of revenues for the Parent company are dividends and Group contributions from subsidiaries.

Part of the Group's treasury operations are included in the operations of the Parent company and include the major part of the Group's external borrowings. Some of these loans have variable interest rates and a change of interest rates could impact the result of the Parent company.

Capital expenditures during the full year amounted to 1 MSEK (2). The cash flow for the period was a negative 106 MSEK (1,124). Cash and bank at the end of the period amounted to 2,702 MSEK (2,808). During the year the Parent company made share repurchases, net, of 934 MSEK (2,453) and paid dividends of 886 MSEK (664).

Accounting principles

This report is prepared in accordance with the Accounting Standard IAS 34 Interim Financial Reporting. The Annual Account Act and the Securities Markets Act have also been applied. The accounting principles are the same as in the 2007 Annual

Report. The report of the Parent company is prepared in accordance with the Annual Account Act and the Securites Markets Act which is in accordance with the rules of RFR 2.1 Accounting for Legal Entities issued by the Swedish Financial Reporting Board. The accounting principles are the same as in the 2007 Annual Report.

Forward-looking information

This report contains forward-looking information based on the current expectation of the Swedish Match Group's management. Although management deems that the expectations presented by such forward-looking information are reasonable, no guarantee can be given that these expectations will prove correct. Accordingly, the actual future outcome could vary considerably compared to what is stated in the forward-looking information, due to such factors as changed conditions regarding business cycles, market and competition, changes in legal requirements and other political measures, and fluctuation in exchange rates.

Additional information

This report has not been reviewed by the Company's auditors. The Annual Report for 2008 is expected to be released and distributed in early April. The Annual General Meeting will be held on April 28, 2009 in Stockholm, Sweden. The January-March 2009 report will be released on April 30, 2009.

Stockholm, February 18, 2009

Lars Dahlgren
President and CEO

Key data

	Full year 2008	Full year 2007
Operating margin, %[1)]	22.9	21.8
Operating capital, MSEK	9,585	8,439
Return on operating capital, %[1)]	33.5	33.1
Net debt, MSEK	7,640	7,127
Investments in property, plant and equipment, MSEK[2)]	331	541
EBITDA, MSEK[3)]	3,465	3,166
EBITA, MSEK[4)]	3,156	2,865
EBITA interest cover	7.5	9.0
Net debt/EBITA	2.4	2.5
Share data[5)]		
Earnings per share, SEK		
Basic	8.98	7.82
Diluted	8.96	7.80
Number of shares outstanding at end of period	249,160,000	255,874,800
Average number of shares outstanding, basic	251,867,479	262,604,644
Average number of shares outstanding, diluted	252,211,733	263,405,637

1) Excluding a gain of 73 MSEK from sale of subsidiary and related assets during the fourth quarter 2008 and a gain of 267 MSEK from the sale of head office buildings in Stockholm during the fourth quarter 2007
2) Includes investments in forest plantations and assets held for sale in 2007
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	October - December 2008	2007	Chg %	Full year 2008	Full year 2007	Chg %
Sales, including tobacco tax	6,382	6,600		23,718	22,852	
Less tobacco tax	-2,755	-3,073		-10,556	-10,301	
Sales	**3,628**	**3,527**	**3**	**13,162**	**12,551**	**5**
Cost of sales	-1,823	-1,880		-6,685	-6,578	
Gross profit	**1,804**	**1,647**	**10**	**6,477**	**5,973**	**8**
Selling and administrative expenses	-945	-851		-3,472	-3,244	
Share of profit in equity accounted investees	4	-1		11	1	
Gain on sale of subsidiary and related assets	73	-		73	-	
Gain on sale of real estate	-	267		-	267	
Operating profit	**937**	**1,062**	**-12**	**3,090**	**2,997**	**3**
Finance income	43	56		163	165	
Finance expenses	-141	-142		-607	-501	
Net finance cost	-98	-86		-443	-336	
Profit before income taxes	**839**	**976**	**-14**	**2,646**	**2,662**	**-1**
Income tax expense	-111	-185		-385	-606	
Profit for the period	**728**	**791**	**-8**	**2,261**	**2,056**	**10**
Attributable to:						
Equity holders of the Parent	728	791		2,261	2,055	
Minority interests	0	0		1	1	
Profit for the period	**728**	**791**	**-8**	**2,261**	**2,056**	**10**
Earnings per share, basic, SEK	2.91	3.04		8.98	7.82	
Earnings per share, diluted, SEK	2.91	3.04		8.96	7.80	

Consolidated Balance Sheet in summary

MSEK

	Dec 31, 2008	Dec 31, 2007
Intangible assets	4,702	4,419
Property, plant and equipment	2,458	2,388
Financial fixed assets	2,284	1,011
Current operating assets	5,732	5,204
Other current investments	1	5
Cash and cash equivalents	3,178	3,439
Total assets	**18,355**	**16,467**
Equity attributable to equity holders of the Parent	1,377	720
Minority interest	4	4
Total equity	**1,381**	**724**
Non-current provisions	1,281	1,292
Non-current loans	9,975	8,768
Other non-current liabilities	1,337	567
Current provisions	29	60
Current loans	743	1,271
Other current liabilities	3,609	3,785
Total equity and liabilities	**18,355**	**16,467**

Consolidated Cash Flow Statement in summary

MSEK	**January – December**	
	2008	**2007**
Profit before income taxes	**2,646**	**2,662**
Adjustments for non-cash items and other	218	120
Income tax paid	-523	-410
Cash flow from operating activities before changes in working capital	**2,341**	**2,372**
Cash flow from changes in working capital	-362	-45
Net cash from operating activities	**1,979**	**2,327**
Investing activities		
Acquisition of property, plant and equipment*	-331	-541
Proceeds from sale of property, plant and equipment	135	1,165
Acquisition of intangible assets	-8	-68
Acquisition of subsidiaries, net of cash acquired	-7	-1,209
Divestment of business operations	155	-
Changes in financial receivables etc.	3	112
Changes in current investments	5	51
Net cash used in investing activities	**-48**	**-490**
Financing activities		
Changes in loans	-441	1,802
Dividends paid to equity holders of the Parent	-886	-664
Repurchase of own shares	-996	-2,575
Stock options exercised	62	122
Other	35	-111
Net cash used in financing activities	**-2,226**	**-1,426**
Net decrease/increase in cash and cash equivalents	**-295**	**410**
Cash and cash equivalents at the beginning of the period	3,439	3,042
Effect of exchange rate fluctuations on cash and cash equivalents	34	-13
Cash and cash equivalents at the end of the period	**3,178**	**3,439**

* Includes investments in forest plantations and assets held for sale in 2007

Consolidated Statement of Recognized Income and Expense

MSEK	January – December 2008	2007
Net profit for the period recognized in the income statement	2,261	2,056
Income and expenses recognized in equity:		
Actuarial gains and losses attributable to pensions, incl. payroll tax	-952	-57
Effective portion of changes in fair value of cash flow hedges	-184	38
Translation difference in foreign operations	826	-258
Tax on items taken to/transferred from equity	344	-5
Total transactions taken to equity	**34**	**-282**
Total income and expense recognized for the period	**2,296**	**1,773**
Attributable to:		
Equity holders of the Parent	2,295	1,772
Minority interest	1	1
Total income and expense recognized for the period	**2,296**	**1,773**

Change in Shareholders' Equity

MSEK	January – December 2008	2007
Opening balance as per January 1	**724**	**2,041**
Total income and expense recognized for the period	2,296	1,773
Reclassification of pension plan IAS 19, net after tax	152	-
Repurchase of own shares	-996	-2,575
Stock options exercised	62	122
Share-based payments, IFRS 2	28	28
Dividends paid to equity holders of the Parent	-886	-664
Cancellation of shares	-18	-18
Bonus issue	18	18
Minority interest	0	0
Closing balance as per December 31	**1,381**	**724**

Parent company Income Statement in summary

MSEK	Full year 2008	Full year 2007
Net sales	1	6
Cost of sales	0	-3
Gross profit	**1**	**3**
Selling and administrative expenses	-285	-351
Operating loss	**-284**	**-348**
Income from participation in Group companies	3,651	17,714
Net finance cost	-1,471	-368
Profit after financial items	**1,896**	**16,998**
Appropriations	11	11
Profit before income tax	**1,907**	**17,009**
Income tax	7	30
Profit for the year	**1,914**	**17,039**

Parent company Balance Sheet in summary

MSEK	Dec 31, 2008	Dec 31, 2007
Intangible and tangible fixed assets	6	19
Financial fixed assets	51,528	52,082
Current assets	5,112	7,381
Total assets	**56,646**	**59,482**
Equity	**22,148**	**22,182**
Untaxed reserves	**2**	**13**
Provisions	16	20
Non-current liabilities	27,614	26,421
Current liabilities	6,866	10,846
Total liabilities	**34,496**	**37,287**
Total equity and liabilities	**56,646**	**59,482**

Quarterly data*

MSEK	Q4/08	Q3/08	Q2/08	Q1/08	Q4/07	Q3/07	Q2/07	Q1/07	Q4/06
Sales, including tobacco tax	6,382	6,303	6,031	5,002	6,600	5,984	5,645	4,623	6,097
Less tobacco tax	-2,755	-2,872	-2,746	-2,183	-3,073	-2,713	-2,555	-1,961	-2,640
Sales	**3,628**	**3,432**	**3,284**	**2,818**	**3,527**	**3,272**	**3,090**	**2,663**	**3,457**
Cost of sales	-1,823	-1,741	-1,687	-1,434	-1,880	-1,702	-1,629	-1,368	-1,877
Gross profit	**1,804**	**1,691**	**1,598**	**1,384**	**1,647**	**1,570**	**1,461**	**1,295**	**1,581**
Sales and administrative expenses	-945	-828	-865	-834	-851	-810	-821	-762	-772
Share of profit in equity accounted investees	4	5	5	-3	-1	0	2	0	3
	864	**868**	**738**	**547**	**795**	**759**	**642**	**534**	**811**
Larger one time items									
Gain on sale of subsidiary and related assets	73	-	-	-	-	-	-	-	-
Gain on sale of real estate	-	-	-	-	267	-	-	-	-
Operating profit	**937**	**868**	**738**	**547**	**1,062**	**759**	**642**	**534**	**811**
Financial income	43	43	36	43	56	33	40	36	39
Financial expenses	-141	-157	-153	-156	-142	-137	-119	-102	-107
	-98	-115	-117	-114	-86	-105	-79	-66	-68
Larger one time items									
Gain on sale of securities	-	-	-	-	-	-	-	-	111
Net finance cost	-98	-115	-117	-114	-86	-105	-79	-66	43
Profit before income taxes	**839**	**754**	**621**	**433**	**976**	**655**	**563**	**468**	**854**
Income tax expense	-111	-83	-104	-87	-185	-164	-122	-136	-251
Net profit for the period	**728**	**671**	**517**	**346**	**791**	**491**	**441**	**332**	**603**
Attributable to:									
Equity holders of the Parent	728	671	517	346	791	491	441	332	603
Minority interest	0	0	0	0	0	0	0	0	0
Net profit for the period	**728**	**670**	**516**	**346**	**791**	**491**	**441**	**332**	**603**

* Data for Q1-Q3 2008 has been restated due to a multi-employer plan being entirely assumed by Swedish Match and thereby reclassified from a post-employment defined contribution plan to a post-employment defined benefit plan.

Sales by product area

MSEK

	Q4/08	Q3/08	Q2/08	Q1/08	Q4/07	Q3/07	Q2/07	Q1/07	Q4/06
Snuff	1,063	992	953	821	981	852	794	662	963
Cigars	1,056	936	908	757	928	902	847	735	857
Chewing tobacco	260	237	227	210	222	243	253	238	240
Pipe tobacco & accessories	217	214	189	198	223	220	203	205	226
Lights	410	404	374	347	405	374	354	340	388
Other operations	621	650	634	484	769	682	638	483	784
Total	**3,628**	**3,432**	**3,284**	**2,818**	**3,527**	**3,272**	**3,090**	**2,663**	**3,457**

Operating profit by product area*

MSEK

	Q4/08	Q3/08	Q2/08	Q1/08	Q4/07	Q3/07	Q2/07	Q1/07	Q4/06
Snuff	470	486	412	321	441	383	311	231	462
Cigars	206	188	184	112	195	185	193	164	168
Chewing tobacco	96	87	77	69	75	83	82	72	76
Pipe tobacco & accessories	57	54	47	51	58	64	24	56	63
Lights	71	85	64	56	67	67	62	57	51
Other operations	-36	-32	-47	-61	-41	-22	-29	-45	-9
Subtotal	**864**	**868**	**738**	**547**	**795**	**759**	**642**	**534**	**811**
Larger one time items									
Gain on sale of subsidiary and related assets	73	-	-	-	-	-	-	-	-
Gain on sale of real estate	-	-	-	-	267	-	-	-	-
Subtotal	**73**	**-**	**-**	**-**	**267**	**-**	**-**	**-**	**-**
Total	**937**	**868**	**738**	**547**	**1,062**	**759**	**642**	**534**	**811**

* Data for Q1-Q3 2008 has been restated due to a multi-employer plan being entirely assumed by Swedish Match and thereby reclassified from a post-employment defined contribution plan to a post-employment defined benefit plan.

Operating margin by product area*

Percent

	Q4/08	Q3/08	Q2/08	Q1/08	Q4/07	Q3/07	Q2/07	Q1/07	Q4/06
Snuff	44.2	49.0	43.3	39.0	45.0	45.0	39.1	34.9	48.0
Cigars	19.5	20.1	20.3	14.8	21.0	20.5	22.7	22.3	19.6
Chewing tobacco	36.8	36.9	34.1	32.7	34.1	34.3	32.3	30.1	31.7
Pipe tobacco & accessories	26.3	25.4	25.0	26.0	25.9	28.9	11.7	27.1	28.0
Lights	17.4	21.1	17.1	16.1	16.4	17.8	17.5	16.8	13.1
Group	**23.8**	**25.3**	**22.5**	**19.4**	**22.5**	**23.2**	**20.8**	**20.0**	**23.5**

* Excluding larger one time items

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

For further information, please contact:

Lars Dahlgren, President and Chief Executive Officer
Office +46 8 658 04 41, Mobile +46 70 958 04 41

Joakim Tilly, Chief Financial Officer
Office +46 8 658 02 13, Mobile +46 76 860 95 97

Henrik Brehmer, Senior Vice President Corporate 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, President 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 February 18, 2009 at 08.00 a.m (CET).