

A male golfer wearing a white Titleist cap, white sunglasses, and a white polo shirt with 'SWEDISH MATCH' and three stars on the chest. He is captured in the middle of a golf swing, holding a club, with a white golf ball in the air to his left. The background is a blurred green golf course.

☆☆☆
SWEDISH MATCH

NO. 2 | MAY 2007
inside

FREDRIK JACOBSON'S PASSIONS:

Golf and General

Snus is better
than cigarettes

Report from the AGM

Charles A. Blixt on the key to success



PHOTO: MAGNUS FOND

Focus on snuff and coverage from Annual General Meeting

SNUFF, WHICH TOGETHER WITH CIGARS, is one of our largest product categories, is in focus for this issue of *Swedish Match Inside*. In Scandinavia, Swedish Match is the leader in the snus market. We are also active on the world's largest snuff market, the US, with the production and marketing of American moist snuff.

This spring we began a test sale of the Swedish snus brand General in the US. Accordingly, it is no coincidence that Swedish golf professional Fredrik Jacobson is on the cover of this issue. Fredrik plays on the PGA Tour in the US, and General is his favorite snus. You can also read about different types of snuff and how our high-technology production is the result of both tradition and innovation.

An increasing number of researchers consider smokeless products such as Swedish snus to be a good alternative to cigarettes, but the debate about Harm Reduction remains contentious. Freddi Lewin, oncologist and responsible for scientific issues within Swedish Match's North Europe Division, wishes that government authorities and researchers could kill off the myth that all tobacco is equally harmful.

Swedish Match's Annual General Meeting was held on April 23, and shareholders were heartened by the strong earnings for 2006. The Meeting was the occasion for us to thank Bernt Magnusson for his 12 years' service as Chairman of the Board and to give a warm welcome to his successor Conny Karlsson. We also gained American representation on the Board with two newly elected members, one of whom has solid experience of the US tobacco industry as well as roots in Sweden.

Sven Hindrikes, President and CEO

Contents

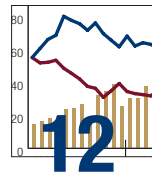
AGM REPORT, WITH COMMENTS AND SPEECHES

At the Annual General Meeting, Conny Karlsson was elected new Chairman of the Board and Bernt Magnusson was thanked for his service.



SWEDISH MATCH IN FIGURES

Each issue of *Swedish Match Inside* contains a summary of the latest interim report, an extract of analysts' questions regarding the report and a brief comment on the share.



THEME: SNUFF

Read about different kinds of snuff, the largest markets, the health benefits of snus compared with cigarettes and about golf pro Fredrik Jacobson's favorite snus.



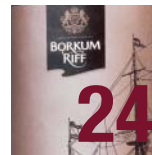
PORTRAIT: MEET THE BOARD OF DIRECTORS

New Board member Charles A. Blixt has more than 20 years of experience from the American tobacco industry. A genuine American, with roots in Sweden.



NEW BORKUM RIFF

Borkum Riff Genuine Pure Tobacco is the biggest news in Borkum Riff's 40-year history since the brand was born: finally a pipe tobacco that is not flavored.



inside

NO. 2 | MAY 2007

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PHOTO: SCANPIX

Mahogany trees restoring nature

"I ALWAYS WONDERED WHY there weren't any mahogany trees in Mahogany Valley, until I found out that the trees had been harvested for their valuable timber and to create arable land. We've just finished planting 20,000 mahogany plants that will grow and restore the natural flora," says Carlos Thomen proudly.

Carlos Thomen is an agronomist and works at General Cigar, a subsidiary of Swedish Match. Approximately 60 percent of the tobacco used in the company's cigar production is grown at his workplace in Copata Mao, in the Dominican Republic. A majority of the tobacco is used for long filler tobacco for the renowned premium cigar brand Macanudo.

"Even though we are conducting a commercial operation, we still need to be caretakers of the land," says Carlos Thomen. "With a climate like ours, with heavy tropical rains that wash away the dry topsoil, land erosion can occur incredibly fast. In the neighboring country of Haiti, there are hardly any trees left and the land consists largely of a rocky desert. We all have a responsibility to ensure that does not happen in the Dominican Republic."

The project was initiated by Carlos Thomen almost a year ago, after contacting the Dominican environmental department. The 20,000 plants were donated by the department

to plant at General Cigar's expense. They are now spreading out in those locations that are unsuitable for tobacco planting.

"Yet another positive effect is that when we plant along the river that runs across our land, the tree roots help bind the soil together and keep it in place when it rains. Eventually, the crowns of the trees will also help soften the impact of the rain and minimize the negative effects. I will be following the progress of these small plants with great excitement," concludes Carlos Thomen.

ANNETTE KAUNITZ

Primo – cigarillos with taste

THIS SPRING, THREE NEW FILTER CIGARILLOS were launched under the Willem II Primo brand. The cigarillos, which are rolled from natural wrappers, are available in three different varieties: Original with pure tobacco taste, Mocca with a subtle element of coffee, superbly suited to chocolate and the sweeter Aroma with a hint of vanilla and cola, the leading taste in the market. Primo was launched first in Belgium, the Netherlands and Luxembourg.

"Aromatic filter cigarillos are one segment that has increased steadily in West European countries in recent years. Today, they represent nearly 20 percent of the Dutch cigarillo market, a figure that can be compared with approximately 7 percent only five years ago," says Marcel Verhoeven, International Brand Director at Swedish Match International Division.

BIRGITTA SJÖBERG



PHOTO: PEPE NILSSON

Our competitors in the US share our view that portion-packed smokeless tobacco is the future.

READ MORE ON PAGE 15



Record earnings pleased

The arrival of spring in Stockholm, with masses of wood anemones, scillas and spring bulbs blooming in the park outside the Stockholm International Fairs facility, must have been matched by the spring feelings of the 435 shareholders represented in the meeting venue itself.

Shareholders in Swedish Match could look back on a very strong 2006, with the best operating income ever for the company. Among other reasons shareholders had for celebrating, the dividend was raised to 2.50 SEK and the share price showed a 37-percent increase during 2006.

“Since its stock market introduction, Swedish Match, together with such companies as Nokia, has had the best share performance among the major listed companies,” noted CEO Sven Hindrikes.

The favorable result is attributable not only to intensive work during the past year, but also

to the extensive rationalization program that has been under way for several years and whose effects were fully realized in the results for 2006.

Searching for acquisition targets

Sven Hindrikes promised an even more aggressive acquisition strategy in the future for the cigars product area, as well as further investments in the snuff operations, particularly in North America and Scandinavia.

“There is an enormous snuff market to be penetrated in the US,” said Sven Hindrikes.

Gunnar Ek, representing the Swedish

Association of Share Investors, wondered whether Swedish Match would be retaining its present structure or was contemplating complete withdrawal from match operations.

“We have no plans to sell off more of the match operations,” replied Hindrikes. “Both the plants that remain, in Sweden and Brazil, have favorable capacity utilization and profitability. The present structure will be retained, and it will be within this structure that we search for opportunities to grow. But in regard to snuff, it should be borne in mind that there are in fact no companies for sale. Within cigars, we are constantly seeking acquisitions.”

Taking leave after 28 years

A special aspect of this year’s meeting was that it marked the end of a long era with Bernt Magnusson as Chairman of the Board. After 28 years in the company, 14 years on the Board – 12





shareholders

of them as Chairman – Bernt Magnusson has decided to move on to new tasks, and when he reported on the work of the Board during the past year, it was also a form of summation of the view of Board work that had characterized his time as Chairman.

“Judging from the public debate, it would be easy to believe that remuneration issues were the highest priority on the agenda, but this was not the case,” said Bernt Magnusson. “Strategy issues have been by far the most important topics at our meetings. They are always a key item at all meetings, and we also devote an entire meeting each year exclusively to strategy.”

With the exception of snuff and cigars, all of Swedish Match’s products are sold in declining markets, according to Bernt Magnusson.

“This means that much inventiveness is required to nevertheless achieve growth in profits,” he continued. “We are constantly

weighing alternatives to offset declining volumes. We have chosen to maintain a strict focus on our main product areas, to look continuously for complementary acquisitions, and not to diversify too much. Swedish Match’s history includes some unsuccessful diversification attempts that have been costly for the owners.”

Finally, Sven Hindrikes thanked Bernt Magnusson for his efforts on behalf of the company.

“Bernt has really been in for the long haul, with experience of Swedish Match dating back to 1979. He deserves a huge vote of thanks for his efforts and is going to be missed here.”

New Board members

Conny Karlsson, who has been a Board member since 2006, was elected as Swedish Match’s new Chairman of the Board.

“Conny is highly competent in the marketing

of consumer goods. We hope this will contribute to the company’s continued growth,” said Mads Eg Gensmann, Chairman of the Nominating Committee.

The two new Board members elected were Charles A. Blixt, with solid experience of the US tobacco industry, and John P. Bridendall, who has extensive experience of fast-moving consumer goods with strong brands.

BIRGITTA GUNNARSSON
PHOTO: MAGNUS FOND



Seen and heard at

Mads Eg Gensmann from Parvus Asset Management is Chairman of the Nominating Committee

"It is my function as Chairman of the Nominating Committee to present proposals for new members of the Board of Directors and for Board members' fees. However, the fees are unchanged since the Extraordinary General Meeting in December, with the major difference that we have now received a recommendation from Institutional Shareholder Services* (ISS) to approve the proposal.

"The recommendation from ISS is very important. It is a good thing that they are satisfied, but we need to have done our own homework too, and I think we have done so. The Committee's proposal regarding remuneration of Board members is sound, since it means that Board members will be expected to invest their fees in shares in the company. We regard this as very significant, since it strengthens the links between the Board of Directors and other shareholders. In this way, they share the same interest in the company."

* Institutional Shareholder Services is an American consulting company that issues recommendations regarding corporate governance issues to funds in the US and other countries and to other institutional investors.



William N. Booth is member of the Nominating Committee and represents Wellington Management Company, Swedish Match's largest shareholder

"I think it will be very exciting with the new Board members we have nominated. Both Chuck Blixt from the tobacco sector and John Bridendall, from the wine and spirits industry have much to offer. I have known Chuck for ten years and John since his days at Brown Forman, one of the largest American-owned spirits and wine companies.

"At the same time, I want to say that Swedish Match has been fortunate to have had Bernt Magnusson as Chairman of the Board for 12 years. I have been highly impressed with his leadership, his listening ability and his considerable patience. But I fully understand that he wishes to move on, and I am convinced that he still has much to offer in other contexts."

Remuneration issues arouse interest

AS USUAL, THE SUBJECT OF REMUNERATION paid to the Board of Directors and management prompted questions at the Meeting, despite the fact that these motions on the agenda actually contained no new information. The level proposed for Board fees was the same as that adopted by the Extraordinary General Meeting held in December last year.

Peter Lundkvist, representing the Third Swedish National Pension Fund, was one of those who voted against the Board fees.

"While we agree with the Nominating Committee that the fees were previously too low, we nevertheless cannot support this increase, which is far too high and has proceeded much too rapidly. We do not think it is reasonable," he said.

Nominating Committee Chairman Mads Eg Gensmann replied that the increased dividends are a consequence of a detailed evaluation of the

Board of Directors during the past year.

"We noted then that the company needs reinforcement with foreign skills, in which case the Board fees must be on par with international standards. The benchmarking investigation we conducted resulted in a compromise. The level is still below that which prevails in the US market and more at the level applicable in Europe."

Mads Eg Gensmann also pointed out another reason for raising the fees.

"A condition linked to the fees is that Board members are expected to invest the entire amount after tax in shares in the company, since we feel it is important that they build up a substantial holding in the company."

In his role as Chairman of the Compensation Committee, Bernt Magnusson also addressed the matter of remuneration to senior executives.

"Here too the discussion boils down to differences between Swedish and foreign

shareholders. As it happens, the Swedish shareholders have largely elected to sell their holdings in the company, with the result that 80 percent of the share capital is now owned by foreign investors. It is clear that this has an influence. Nevertheless, remuneration to the company's senior executives is around the average within Swedish industry, while it is lower in an international comparison.

"However, the guidelines for remuneration are well conceived and are aimed at ensuring that the company can recruit and retain employees with the highest competence.

"They should also foster Group unity and be simple, long-term, measurable and attuned to market conditions, and the variable component should always have a ceiling," said Bernt Magnusson.

the AGM



**Ingrid Ericsson,
shareholder**

"I enjoy Annual General Meetings, which give me the chance to meet and socialize with other shareholders. Swedish Match's Annual General Meeting is not that different from other companies' meetings, which are also enjoyable. But I miss Ingemar Mundebo, Chairman of the Annual General Meetings 1997-2006."



**Lennart Lindberg,
shareholder**

"I have in fact stayed with the company ever since the Volvo/Procordia era in the early 1990s. It has been a good investment and I have never contemplated selling. The shares stay where they are, which might indicate that I am satisfied. The only negative factor is that I think the company has been a bit tight-fisted with the dividend."



**Ing-Marie Idnert,
shareholder**

"I think Swedish Match is a good and interesting company. It is my understanding that the company also has an excellent product in Swedish snus, which is a less hazardous alternative to cigarettes. But I think the dividend is too low."

BIRGITTA GUNNARSSON
PHOTO: MAGNUS FOND





Sven Hindriks' address to the shareholders

Dear shareholders and honored guests

The fiscal year 2006 was a strong one for Swedish Match. We reported the best-ever earnings and retained our position as one of the world's leading companies in niche tobacco products. Profitability improved, sales increased and positions were strengthened in the core areas of snuff and cigars. It was also a positive year for shareholders with a 37-percent increase in the share price. You are owners of a highly profitable company, and I am pleased to announce that we are able to increase the dividend according to the Board of Directors' proposal to 2.50 SEK per share, an increase of 19 percent.

SWEDISH MATCH CONDUCTS its business in a dynamic environment. In our industry, changes are occurring constantly to which we must adapt. New trends in society influence people's product preferences and their attitudes towards tobacco are changing.

Legislation on tobacco has been tightened significantly in recent years. Bans on smoking in public environments have been introduced in more and more countries, and marketing restrictions are constantly increasing. At the same time as these limitations reduce options for selling and using tobacco, they create new marketing opportunities for us. Swedish Match's smokeless tobacco products offer a better alternative for people who wish to stop smoking. The transition from smoking to snus in Scandinavia is clear, and it is also partially discernable in the US, where there are currently some 50 million smokers or 20 percent of the adult population. This can be compared with Sweden, where slightly less than 15 percent are smokers, which is the lowest figure in Europe.

As a global tobacco player, we respect the requirements and expectations that society places on us with respect to the environment, social responsibility and human rights. In this manner, we also nurture the trust that consumers place in us when they buy our products. This is confidence that our customers have in us as a good partner and that you as shareholders have in the company and its business as a good investment.

As an exchange-listed company, stringent requirements are placed on our corporate governance. This is an area in which Swedish Match sets a high standard. In addition to the requirements placed on us by the Swedish Code of Corporate Governance, there are requirements on corporate governance in Swedish Match from our previous US market listing. Based on these requirements, we have created well-defined routines and systems for management and control and transparent reporting to shareholders and the market.

TODAY, SWEDISH MATCH has about 60,000 shareholders, of which foreign ownership accounts for slightly more than 80 percent. Our larger owners include Wellington Management

Company, Parvus Asset Management, Morgan Stanley and Cedar Rock Capital. Most of these owners have been with the company for some time. Among Swedish owners we find Robur Funds, SEB Funds and Handelsbanken Funds.

Since its exchange listing, Swedish Match, along with such companies as Nokia, has had the best price trend among the larger listed companies in Stockholm. The share price has increased sixfold.

IN PACE WITH INCREASED INTEREST for the Scandinavian snus market, the rate of product launches has been stepped up. The new market situation places demands on Swedish Match as the market leader to always remain at the forefront. Over the past year, we launched more new products than ever before. Onico and Kronan are two examples. They both belong to segments in which Swedish Match was not previously represented but where we took a leading position during the year.

In the same way that we work hard in Scandinavia to defend our position, we are working hard in North America to increase market share through extensive work with product development and measures to promote product categories. This work included launching Timber Wolf Packs, portion moist snuff under the Timber Wolf brand, and Game, a machine-rolled cigar under the Garcia y Vega brand.

In Europe, a number of new launches in the cigar and cigarillo categories took place, and systematic work was conducted to increase market shares. During the past year, we acquired the Hajennius and Oud Kampen cigar brands, two well-respected brands sold primarily in the Netherlands, Belgium and Germany.

In recent years, we implemented significant rationalization measures in both Swedish and European operations that included divestment of unprofitable units that achieved full effect in 2006.

WE ARE WORKING ACTIVELY with the balance sheet in order to achieve an optimal capital structure. As part of this effort, shares were repurchased during the preceding year for a total of SEK 3,674 million. During the current year, we will achieve our long-term goals with respect to the balance

sheet's structure. Swedish Match's business is characterized by high and stable cash flows, and considering today's low interest rates, our share buy-back strategy has been profitable for you as shareholders.

Significant amounts have been returned over the past five years through dividends and share repurchases. In total, nearly SEK 10 billion was paid to shareholders.

These comments were followed by a report on the Group's sales and operating profit and the Group's product group's.

AFTER WORKING FOR A NUMBER OF YEARS to consolidate operations, we will now continue to focus on organic growth and taking a more aggressive role with respect to acquisitions. The ambition now is to find a number of complementary and profitable acquisitions in the cigar product are and to invest more in snuff operations, particularly in our main markets in the US and Scandinavia. We will also invest further in product development and activities to promote growth. The organization is being strengthened in marketing and sales in a number of countries.

We continue the established financial strategy to create maximum value for you as shareholders. The share repurchasing program will continued and in future result in a dividend of between 30 and 50 percent of net profit.

You are the owners of a unique and profitable company that since its listing on the Stockholm Stock Exchange eleven years ago has generated very favorable returns.

We are now at a point where we are receiving increasing attention relating to snuff and its relative advantages, compared with cigarettes. We have a gigantic US market to further penetrate with snuff, and we will continue to expand cigar operations to become more effective and productive in what we do.

Thank you for your attention.

The entire speech can be read or viewed as a web broadcast on Swedish Match's website, www.swedishmatch.com.

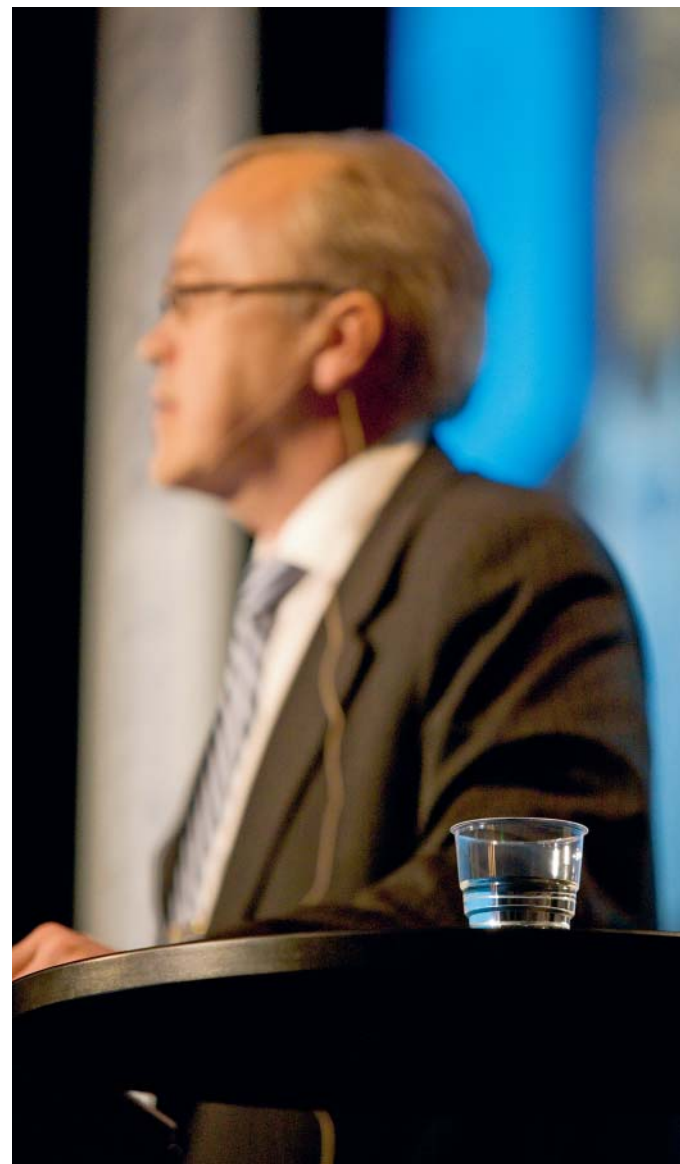
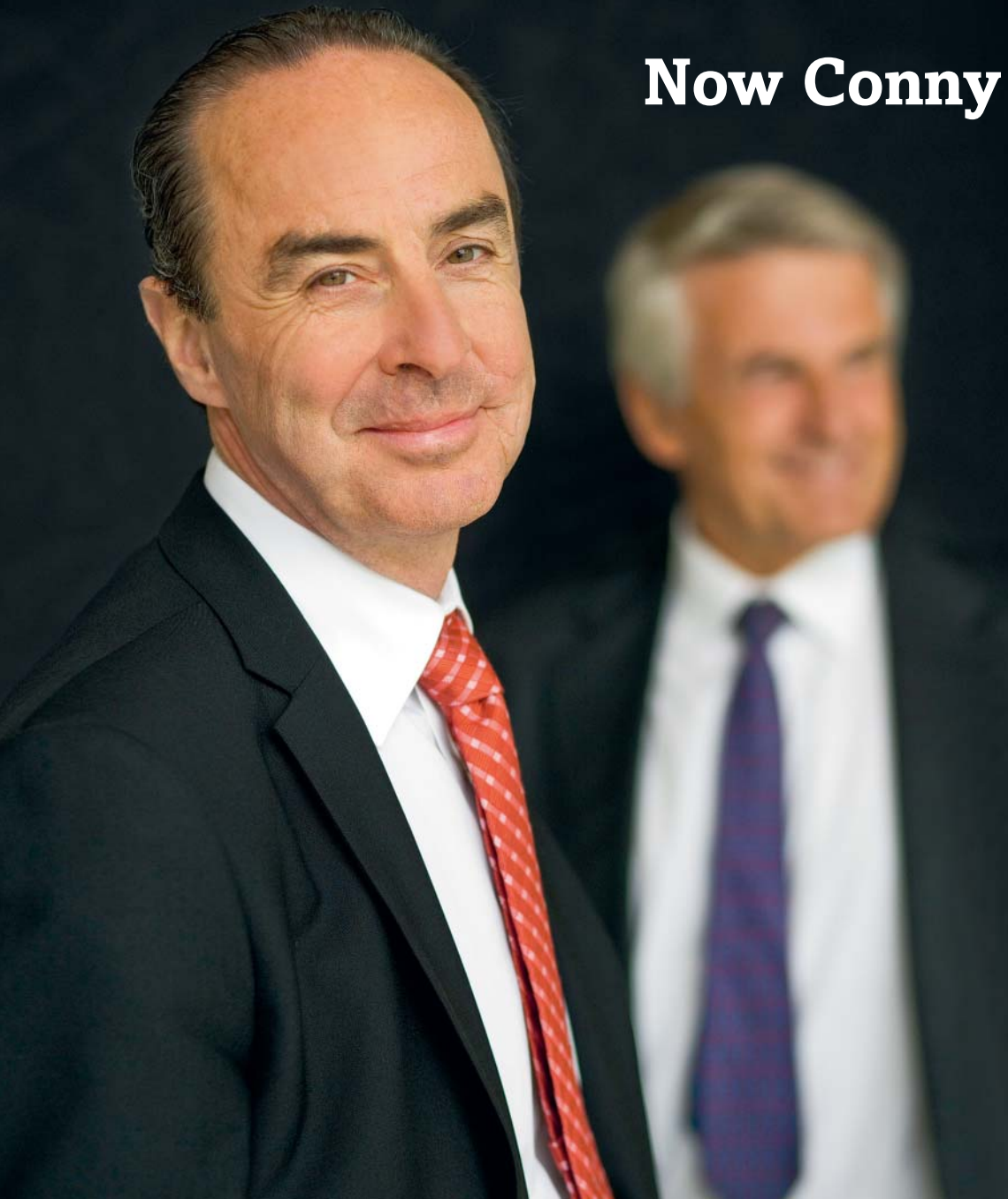


PHOTO: MAGNUS FOND



Now Conny takes the gavel

BERNT MAGNUSSON HAS BEEN Chairman of the Board of Swedish Match for nearly 12 years and has been active within the company since 1979. It is not without a feeling of loss that he now leaves his post as Chairman and his friends at the company.

How does it feel to be leaving Swedish Match after such a long time?

“I have never been involved with a company as long as I have with Swedish Match, so it is with a hint of sadness that I’m leaving. At the same time, it is important to go when it is time, after giving what you have to offer. I have already been Chairman of the Board longer than I had envisioned, and renewal will be good for both the company and myself.”

What will you remember most from your tenure on the Board?

“Most of all I will remember the daily operations and my friends at Swedish Match. I associate a very strong corporate culture with the company and many of my closest friends can be traced to my time at Swedish Match. In terms of the business, I think the sale of cigarette operations and the acquisition of General Cigar were the most successful transactions we made during my tenure.”

What do you think Conny Karlsson will contribute as Chairman of the Board?

“I think Conny will infuse the company with new energy. New people and different experiences always provide a boost. Conny has had a warm-up year as Board member, so he’s had time to become very familiar with operations and is ready for the task.”

Will you be retiring now?

“No, absolutely not. Even though I’ve turned 66, I have just as many assignments as before. I want to take this opportunity to extend a warm thanks to all the employees, both old and new, for my time here. I’ve always felt a great deal of warmth and camaraderie within the organization.”

LOTTA ÖRTNÄS
PHOTO: MAGNUS FOND



Bernt Magnusson steps down.

Conny Karlsson takes over as Chairman of the Board succeeding Bernt Magnusson, who held the gavel for 12 years.

THE NEW CHAIRMAN OF THE BOARD of Swedish Match, Conny Karlsson, has extensive experience with consumer products as well as Board work for listed companies. *Swedish Match Inside* took the opportunity to congratulate him on his appointment at the Annual General Meeting.

Congratulations Conny, how does it feel?

“Very exciting! I’ve been a member of the Board for a year now and have been able to experience quite a bit of the company during that time, including visits to operations in several countries.”

In what ways can you, as Chairman of the Board, contribute to ensuring that Swedish Match remains successful in the future?

“I have a solid background in consumer products and am very interested in expanding and developing Swedish Match’s products. I also believe that I will be able to serve as a good sounding board for employees within our operations.”

What did Bernt Magnusson contribute during his tenure as Chairman of the Board?

“He contributed to a strong continuity and extensive understanding of the industry. He has been a major asset to Swedish Match, it is a shame that we won’t be able to keep him.”

What issues will you be devoting yourself to in the near future?

“There are several opportunities for developing the Group. The most important is that we work together with Group management for continued positive growth, organically and through acquisitions. Swedish Match has good products, a strong market position and talented employees. This combination offers us significant opportunities to capitalize on the growth potential that exists.”

Experienced Americans on the Board

In addition to electing a new Chairman of the Board, the Annual General Meeting also elected Charles A. Blixt and John P. Bridendall as new Board members. They are two highly experienced Americans who are now assuming a position on the Swedish Match Board of Directors.

“Having members with different cultural backgrounds and knowledge about other markets than Scandinavia is valuable. I have been promoting international expansion, so I am pleased that Charles A. Blixt and John P. Bridendall were elected to the Board,” says Conny Karlsson, himself newly elected Chairman of the Board of Swedish Match.

Charles A. Blixt and John P. Bridendall both have years of international experience, but with slightly different specialities. Charles A. Blixt has more than 20 years of experience from the tobacco industry within R.J. Reynolds, the next largest tobacco company in the US. John P. Bridendall has extensive experience with fast-moving consumer goods with strong brands, including the wine and liquor industry and such brands as Jack Daniel’s and Southern Comfort.

The new members have very good knowledge about the American market and agree that there



PHOTO: MAGNUS FOND

New Chairman of the Board Conny Karlsson chats with new Board members John P. Bridendall and Charles A. Blixt at the Annual General Meeting.

is great potential for Swedish Match’s products.

“Swedish Match is a well-managed company with strong brands, I am really looking forward to participating in the work of the Board,” says John. P. Bridendall.

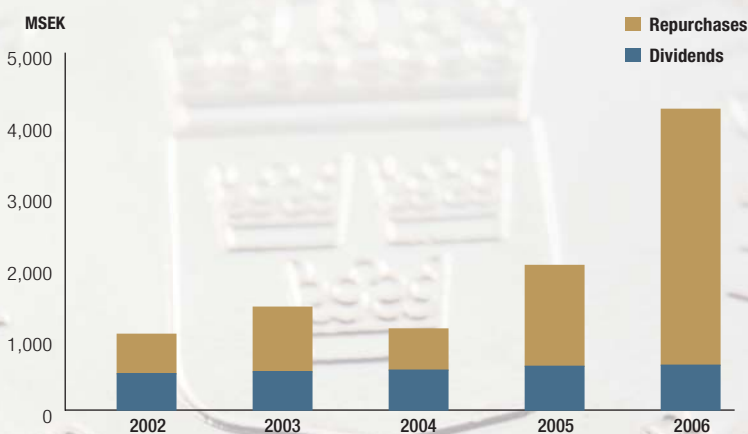
“I am convinced that we can contribute to increasing knowledge about the American market,” says Charles A. Blixt. “Swedish Match

has strong possibilities to grow in the US and on other markets outside Scandinavia.”

An interview with Charles A. Blixt is presented on pages 22-23. An interview with John P. Bridendall will be published in the next issue of Inside.

LOTTA ÖRTNÄS

Major transfers to shareholders



During the past five years, Swedish Match has repurchased shares for slightly more than SEK 7 billion.

THE TRANSFER OF CAPITAL to Swedish Match’s shareholders set records in 2006, with regard to dividends and repurchases. The dividend for the 2006 fiscal year increased 19 percent, from 2.10 SEK to 2.50 SEK per share, totaling SEK 644 million. An even higher value was returned to the shareholders through Swedish Match’s repurchase of its own shares, which amounted to SEK 3.7 billion during 2006.

Dividends and repurchases are the usual way to return funds no longer needed in a company’s operations to the shareholders. With Swedish Match’s defensive business characteristics and strong cash flow, the company has the possibility to carry out large repurchase programs.

During the past five years, Swedish Match has repurchased shares for slightly more than SEK 7 billion. Generally, the repurchased shares are cancelled after a time, which means that the number of shares outstanding in the company gradually declines. The number of the shares in the company has declined from 350 million to 274 million during the past five years, that is, by nearly 22 percent. This means that today each share entitles the shareholder to a correspondingly larger share of the company’s profits than five years ago.

MARIA HANELL
PHOTO: SCANPIX

Questions and answers

On April 27, Swedish Match presented its results for the first quarter of 2007. During a telephone conference held the same day, management answered questions from the analysts that monitor the company for banks and brokerages.

JONATHAN FELL, DEUTSCHE BANK:

The exceptional first quarter and the shift in sales toward value-priced snuff make it difficult to judge where the margin will end up for the rest of the year. I have nevertheless made an estimate of around 44 percent for the second half of the year. Could this be about right?

SVEN HINDRIKES, CEO:

It is true that growth has been more rapid for value-priced snuff, and this has had a certain impact on the margin. Your assumptions sound by no means unrealistic.

LARS DAHLGREN, CFO:

The primary factor affecting the operating margin for snuff was the very low sales in Sweden, which in turn resulted from a sharp increase in tobacco tax and the fact that this prompted consumers to hoard snus before year-end. We could not adjust the cost base on the basis of such an exceptional situation, but instead made further investments in such areas as marketing. And we intend to continue investing in organic growth in the future.

DAVID IRELAND, ABN AMRO:

The operating margin for cigars was strong in the US, despite the negative currency effects during the first quarter. What can this be expected to signify for the operating margin for the Group as a whole in 2007?

LARS DAHLGREN:

We are highly pleased with performance in the US during the first quarter and also anticipate a positive performance in the future. We stick to the objective that we communicated previously that the operating margin should be between 21 and 23 percent for the full year. However, it is always difficult to forecast margins, especially when the increasingly weak USD is making the future uncertain.

ADAM SPIELMAN, CITIGROUP:

Is the tax increase in Sweden expected to have any lasting impact on your product mix and consumption?

SVEN HINDRIKES:

The first quarter was very special, and the second quarter is not expected to be normal either. Thereafter, we predict that the situation will normalize, and we are sticking to our belief in a positive future for snuff, which is also confirmed by the fact that we are investing in increased production capacity in Sweden and the US.

JANUARY - MARCH

Interim report

SALES AND RESULTS FOR THE FIRST QUARTER

In local currencies and excluding divested businesses sales for the first quarter 2007 declined by 3 percent compared with the first quarter 2006. Reported sales for the first quarter declined by 10 percent to SEK 2,663 million (2,951). Currency translation has affected the sales comparison negatively by SEK 161 million.

For snuff, sales declined by 16 percent during the first quarter to SEK 662 million (785) and operating profit declined by 40 percent to SEK 231 million (383). Last years' operating profit included an income of SEK 17 million related to the recovery of excise taxes. North European snuff sales were down 20 percent, following retailer inventory destocking and reduced consumer takeaway after a sharp excise tax increase on snuff in Sweden effective January 1, 2007. Sales for North American snuff increased by 10 percent

in local currency, driven by strong volume growth and market share gains.

Sales of cigars in the first quarter were SEK 735 million (759), while operating profit was SEK 164 million (163). Sales and operating profit for cigars grew in both the US and in Europe in local currencies. Operating margin for cigars reached 22.3 percent (21.5).

Group operating profit for the first quarter declined by 27 percent to SEK 534 million (733). Currency translation has affected the operating profit comparison negatively by SEK 44 million.

Operating margin for the first quarter amounted to 20.0 percent compared to 24.8 percent for the first quarter 2006.

Earnings per share (basic) for the first quarter was 1.23 SEK (1.62). Diluted Earnings per share amounted to 1.22 SEK (1.61).

www.swedishmatch.com/financialreports

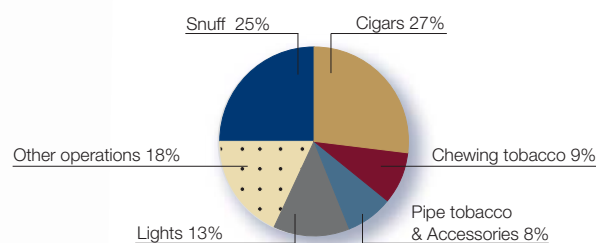


PHOTO: MAGNUS FOND

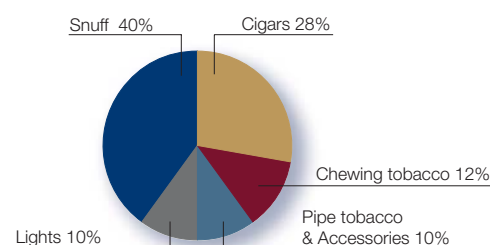
Lars Dahlgren, CFO

SEK million	Jan-Mar 2007	Jan-Mar 2006	Full-year 2006
Sales	2,663	2,951	12,911
Operating profit	534	733	3,285
Income before tax	468	697	3,173
Net income	332	488	2,335
Earnings per share, SEK	1.23	1.62	8.13

SALES BY PRODUCT AREA JAN-MAR 2007



OPERATING PROFIT BY PRODUCT AREA* JAN-MAR 2007



* excluding larger one time items

SHARE COMMENTS

Increased dividend to shareholders

THE SHARES IN THE CONSUMER non-durables segment have experienced a relatively weak start in 2007. Since year-end through April 27, the industry as a whole has dropped 1.9 percent and Swedish Match declined 3.3 percent in the same period. The broad-based OMS Stockholm index, which reflects the trend for the Sweden-based companies listed on the OMX Nordic Exchange, has posted stronger performance during the same period, increasing by 9.8 percent.

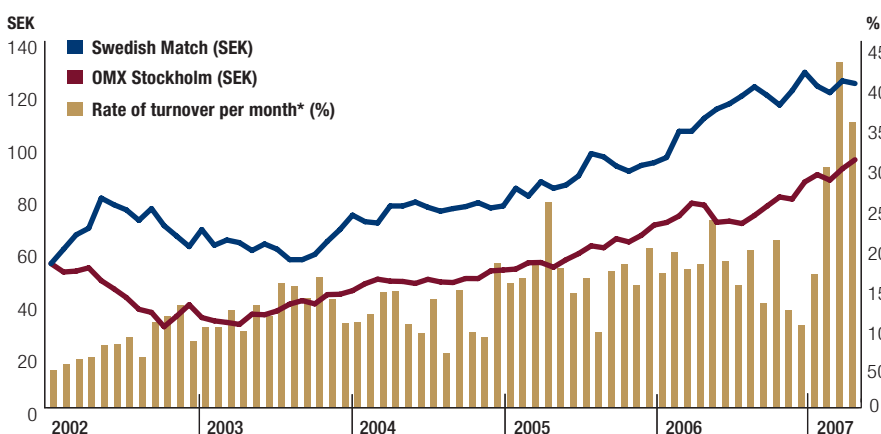
The Swedish Match Annual General Meeting on April 23, 2007 approved a dividend for 2006 of 2.50 SEK per share. An increase of 19 percent compared with 2005. The dividend of 2.50 SEK represents a direct return of 2 percent. In total, the dividend corresponds to SEK 664 million.

Swedish Match's dividend policy states that the dividend shall mainly track the development of the Group's net profit. The size of the planned repurchase program is also taken into account in determining the dividend.

KEY FIGURES

Earnings per share, SEK	
2006	8.13
2005	5.61
Equity per share, SEK	
Dec. 31, 2006	7.43
Dec. 31, 2005	16.60

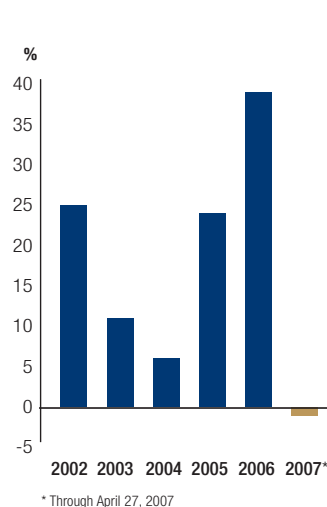
SHARE PRICE AND TURNOVER



The Swedish Match share price rose 37 percent during 2006, compared with a 24-percent increase for the OMX Stockholm. During 2007, through April 27, the price declined, however, by 3 percent, while the OMX Stockholm rose by 10 percent.

* The annual rate is based on turnover value in relation to the average market capitalization each month.

TOTAL RETURN



* Through April 27, 2007

Annual Report for 2006



SWEDISH MATCH'S ANNUAL REPORT for 2006 has now been published. You can download it in electronic format from the company's website, www.swedishmatch.com, where you can also order a printed version of the Annual Report.



Swedish Match is a global Group of companies with a broad assortment of market-leading brands in smokeless tobacco products, cigars, pipe tobacco and lights products.

Buy snus on the Internet

YOU CAN PURCHASE SWEDISH SNUS from Swedish Match on our website, www.swedishsnus.com and have it delivered to your doorstep. Sales are open in all countries where permitted. However, EU citizens can purchase Swedish Match's tobacco- and nicotine-free product Onico via the website.

www.swedishsnus.com

Snuff – a product

Snuff is one of Swedish Match's largest product categories. During 2006, it accounted for one fourth of total sales and fully 50 percent of operating profit. Read more about the difference between traditional American snuff and Swedish snus, the largest markets, Scandinavia and the US, how awareness is increasing of the health advantages of snus over cigarettes, how the product is manufactured and Swedish Match's initiatives in the category.

Moist American snuff is used in the lower lip.



Moist Swedish snus is used in the upper lip.



This is snuff

Snuff is a smokeless tobacco product found in many countries around the world and in many varieties. Among Swedish Match's snuff products, traditional American moist snuff and Swedish snus are the largest categories.

Oral snuff

American moist snuff is traditionally used in the lower lip and consists of shredded or ground tobacco that is fermented. Swedish Match sells American moist snuff all over the US under the brands Timber Wolf, Longhorn and Renegades.

Swedish snus is used in the upper lip and consists of ground tobacco that is pasteurized. The main markets are Sweden and Norway. The most well-known brands are General, Ettan, Catch, Grovsnus and Göteborgs Rapé.

Nasal snuff

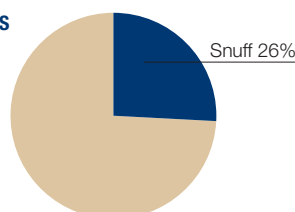
Dry nasal snuff is inhaled through the nose and consists of aromatic ground tobacco powder. The most important market is South Africa with the Taxi brand. In Europe, Swedish Match sells nasal snuff in selected markets under the brands Singleton's, Kensington and Rumney's.

Dry South African snuff is inhaled through the nose.



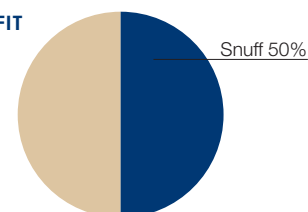
ILLUSTRATION: ELINA NILSSON

SALES



Of the Group's sales of SEK 12,911 million in 2006, snuff accounted for 26%.

OPERATING PROFIT



Of the Group's operating profit of SEK 3,285 million* in 2006, snuff accounted for 50%.

* Excluding larger one time items.

for the future

US – world’s largest snuff market

The American snuff market is growing constantly, and demand is increasing every year. As restrictions on smoking become more widespread, more and more smokers are seeking smokeless alternatives. Swedish Match is one of the players in this growing market.

The US is the world’s largest snuff market with annual growth of about 6 percent in recent years. During 2006, growth was a full 10 percent. In total, more than one billion cans were consumed in the US during 2006, and Swedish Match’s market share was 9.9 percent in terms of volume.*

“The US market has tremendous potential. Demand for snuff is increasing, and development in this product category is accelerating,” says Patrik Hildingsson, Vice President for New Business Development at Swedish Match North America Division.

Fast growth for portion-packed snuff

After slightly more than ten years at Swedish Match, of which the last two and a half in the US, Patrik Hildingsson knows nearly everything worth knowing about snuff and its potential in the US market. He relates that there is a long tradition in the US of smokeless products, such as American snuff and chewing tobacco, but that the recent growth for snuff is largely because it has attracted new users. In addition to users of chewing tobacco to some extent switching to snuff, an increasing number of smokers are replacing cigarettes with snuff due to the increasing restrictions on smoking. The trend of switching from cigarettes to snuff, has long been evident in Sweden, has spread to Norway and is now also starting to become noticeable in the US.

Portion-packed snuff is still a small but rapidly growing segment, and several US players have launched portion-packed snuff.

“This provides an indication that competitors share our view that portion-packed smokeless tobacco is the future. Previously, there was little product development in smokeless products in the US. Instead, the focus was on pricing and distribution. With competition now increasing in the market, it is important to know how to build brands and develop snuff as a product,” notes Patrik Hildingsson.

Launching Swedish snus

Swedish Match’s extensive experience of manufacturing, product development and marketing of snuff and snus in Scandinavia and the US give the company a firm base to stand on in



PHOTO: STIG-GÖRAN NILSSON

Patrik Hildingsson, Vice President for New Business Development at Swedish Match North America Division.

the battle for the US market. In addition to already having well-established brands, such as Timber Wolf and Longhorn, increasing demand creates opportunities for introducing Swedish snus in the US.

“In response to interest in Swedish snus, which resulted in several articles in the US press in the past year, we began a test sale of the Swedish brand General at the beginning of 2007 in 100 stores in metropolitan regions in California, Florida, Illinois, New Jersey, New York, Pennsylvania, Texas and Virginia. Our greatest challenges going forward are providing information about the relative health advantages of snuff, increasing availability and positioning Swedish snus in the US,” concludes Patrik Hildingsson.

*Source: ACNielsen

LOTTA ÖRTNÄS



PHOTO: HÅKAN MOBERG

In the US market, Swedish Match sells Timber Wolf, Longhorn and Renegades. At the beginning of the year, a test sale of Swedish snus started with the General and Catch brands.



Swedish Match currently has thirteen different brands of snus in the Scandinavian market.

PHOTO: HÅKAN MOBERG

Market leader in Scandinavia

With market shares of nearly 90 percent in Sweden and Norway,* Swedish Match is the Scandinavian leader in the snus market. Despite increased competition from international tobacco companies, Swedish Match has a strong market-leading position. The key to success is an intense focus on product development and continuous dialogue with customers.

“We are working intensively to both care for and improve existing brands and to develop new products. All development takes place in close cooperation with our consumers,” says Anna Neiås, Marketing Director at Swedish Match North Europe Division.

In Sweden and Norway, there are more than a million consumers who regularly use snus, and the market continues to grow. During 2006, consumption increased by slightly more than 3 percent in Sweden and more than 10 percent in Norway.

The snus that Swedish Match produces and sells in Scandinavia is Swedish snus made according to the GothiaTek® quality standard, which guarantees high quality at all stages, from the tobacco plant to the store. (Read more on page 20.) Some 60 percent of all snus sold is portion-packed snus.

Product launches and new segments

The Scandinavian snus market is changing rapidly, in part through increasingly frequent product launches. Over the past 18 months, Swedish Match launched 13 new products on the Swedish and Norwegian markets.

“We are innovative when it comes to new

products and are driving market development. We are also active in all segments: super-premium, premium and value-priced, as well as tobacco- and nicotine-free,” notes Anna Neiås.

One example of a product launched in 2006 is Kardus, a loose snus in the super-premium segment. Within the value-priced segment, Swedish Match has strengthened its position through the launch of product varieties under the Kronan brand. A completely new segment that has emerged in recent years is tobacco- and nicotine-free snus. The product Onico was launched in 2006 and quickly achieved considerable success.

Communicating via the snus can

Swedish Match also works actively with retailers in Sweden and Norway to increase exposure of snus in the stores. Although snus has total sales of SEK 5 billion at the consumer level, sales take place in a relatively small area of the store.

“We have to make use of the space available. That is why it is also important to communicate with consumers via the packaging, the snus can. We are working constantly to improve the image of both existing and new products. Two strong brands that recently received new designs are General, which was launched in February and



PHOTO: PETER KNUTSON

Anna Neiås, Marketing Director at Swedish Match North Europe Division.

Ettan, which was launched in May. In that process, as in all other product development, our consumers have been involved,” concludes Anna Neiås.

*Source: ACNielsen

LOTTA ÖRTNÄS

GOLF PRO FREDRIK JACOBSON:

Not without my snus



Swedish Match has nearly 20 different brands of snuff and snus, but Swedish golf pro Fredrik Jacobson knows which brand he prefers.

“General is without a doubt my favorite snus, I have used it for 15 years,” says Fredrik Jacobson.

Fredrik Jacobson scored his breakthrough in the golfing elite in 2003 with three victories in the PGA European Tour. Sponsoring cooperation with Swedish Match commenced that year.

“It began when I played the US Open 2003 and only had enough snus for the first week. When I qualified for the next tournament on the PGA Tour, I had to immediately send for an emergency supply of snus from Sweden. This is how I came into contact with Swedish Match and we started to work together,” said Fredrik Jacobson.

Since then, he does not want to run the risk of being without his snus. Fredrik Jacobson now receives a monthly shipment of General portion-packed snus and loose snus to his home in Florida where he lives with his wife Erika and their two daughters.

“I have heard that Swedish Match has test launched General in the US. The Americans who tried Swedish snus liked it, so General should be well received here,” says Fredrik Jacobson.

SINCE 2004, FREDRIK JACOBSON has been participating in the PGA Tour in the US. In April this year, he competed for the first time after a seven-month break due to injury and operation on his wrist. His hand functioned well during the competition at Hilton Head, South Carolina and although Fredrik Jacobson missed the cut, he was very satisfied with his game.

“I have never ever been away from golf for such a long period and I had to work extra hard with rehabilitation and training to return. It feels unbelievably good to compete again.”

Since then, Fredrik Jacobson has played impressively in several tournaments. At the time this issue of *Swedish Match Inside* went to press, his best performance this year was seventh at the EDS Byron Nelson Championship in Irving, Texas.

LOTTA ÖRTNÄS



PHOTO: PEPE NILSSON

Swedish golfer Fredrik Jacobson has now returned to the PGA Tour after a seven-month absence recuperating from an injury.

PHOTO: ALL OVER PRESS/ANDREW REDINGTON

Snus is better than

An increasing number of researchers consider that smokeless products are a good alternative for people who find it difficult to stop using tobacco completely. Proponents of Harm Reduction, which is a strategy for reducing the harmful effects of smoking, believe that there are major health gains to be realized if smokers replace cigarettes with significantly less harmful smokeless products.

Each year, more than 400,000 persons in the US die from smoking-related diseases. This is more than double the number that die from alcohol, drugs, traffic accidents, AIDS, murder and suicide. These were the findings of the American Council on Science and Health (ACSH) in a report published at the end of last year.

In its report "Helping Smokers Quit: A Role for Smokeless Tobacco?" the ACSH discusses the strategies pursued to date by authorities and other bodies to reduce the harmful effects of cigarette smoking. The authorities' strategies are often based on intolerant attitude towards all types of tobacco products. In this report, they are compared with Harm Reduction, which is based on the observation that most smokeless tobacco products, such as Swedish snus, are significantly less harmful than cigarettes. Therefore it is better

for smokers to replace cigarettes with other less dangerous products, according to proponents.

The Swedish Experience

This is a strategy from which the authorities should also learn, according to the ACSH, which cites what is called the Swedish Experience. This experience is documented in a large number of epidemiological studies with such findings as:

- The incidence of lung cancer among Swedish men has declined over the past 20 years, which researchers link to the fact that Swedish men are smoking less and that many of them have switched to snus.
- There is no demonstrable correlation between the use of Swedish snus and oral cancer.
- Neither has any link been shown between

the use of Swedish snus and intestinal or esophageal cancer.

- Mortality in cancer is not elevated among Swedish snus users, and the risk of cardiovascular diseases is much lower in this group than among smokers.

The ACSH's report includes a summary of scientific reports and studies by Brad Rodu, professor of tobacco studies at the Brown Cancer Center at the University of Louisville. He has long been one of the most prominent proponents of Harm Reduction in the US. Brad Rodu believes that authorities and health organizations have failed to get those whom he terms confirmed smokers to completely abstain from tobacco.

"At the same time, we have a solid scientific foundation to stand on that shows that modern, smokeless products are 98 percent less harmful than cigarettes," said Brad Rodu recently in the magazine *Nordic Reach*.

Ideological grounds for debate

Why then are the waves of debate still so high when it comes to Harm Reduction? One explanation may be that there are studies that show elevated risks with smokeless tobacco products. These



Smokefree for organic growth

SMOKELESS PRODUCTS ARE one of the tobacco segments that are growing. In Swedish Match's strategy for organic growth, snuff is an important product area, and in February, a new Groupwide function was established for Smokefree Products.

"Excellent work has been done in recent years, but much still remains to be done in this area,"

says Lars-Olof Löfman, Senior Vice President for Smokefree products.

"It is particularly important to spread knowledge and promote acceptance on an international level for smokeless products as a strategy for reducing risk in relation to cigarette smoking," notes Löfman.

From left: Freddi Lewin, responsible for scientific issues within Swedish Match North Europe Division, The Smokefree function includes Lars-Erik Rutqvist, Vice President for Scientific Affairs, Lars-Olof Löfman, Senior Vice President for Smokefree Products, and Tomas Hammargren, Vice President for Public Affairs.

cigarettes

Imagine if we could dispel the myth that all tobacco is equally harmful.

studies were not performed with Swedish snus or equivalent products, however. Through its GothiaTek® quality program, Swedish Match long ago virtually eliminated the content of carcinogenic tobacco-specific nitrosamines in its products that can be linked to an elevated cancer risk.

Another explanation is purely ideological, according to Freddi Lewin, who is responsible for scientific issues within Swedish Match North Europe Division.

“The polarization depends on what you believe society can do,” says Freddi Lewin. “Opponents of Harm Reduction are working for a completely tobacco-free society and are therefore unyielding in their opposition to every form of tobacco use. Unfortunately, such a goal is almost an unattainable utopia. The World Health Organization (WHO) has published estimates that show the opposite and that smoking will increase over the foreseeable future. This will apply even in the most favorable scenario.

“Balanced information is therefore important so that people can make informed decisions,” emphasizes Freddi Lewin who himself is an oncologist.

Evaluation within the EU

“Researchers know, for example, that nicotine does not cause cancer. Among the general public, however, there is still a perception that it is the nicotine that causes cancer. It would be a great help in public health work if authorities and researchers could dispel the myth that all tobacco is equally harmful,” continues Lewin.

Despite continued debate, Freddi Lewin nonetheless believes that Harm Reduction is winning ground in the research community.

“An evaluation of smokeless tobacco products is also being performed within the EU. Our hope is naturally that this will result in the Harm Reduction strategy gaining political support, which would be desirable from a public health standpoint,” concludes Freddi Lewin.

BIRGITTA GUNNARSSON



PHOTO: STIG-GÖRAN NILSSON

The EU's view of snus

An important campaign for Swedish Match is gaining the ability to sell snus within the EU.

The current EU directive took effect in 1992 and prohibited the sale of snus and certain other smokeless tobacco products on the grounds of health risks.

“What has happened since 1992 is that much more scientific facts have been presented that support our view that Swedish snus is very much less hazardous to health than cigarettes. It is not logical to prohibit the sale of snus while continued to permit the sale of cigarettes,” says Tomas Hammargren, Vice President for Public Affairs within Swedish Match.

A scientific committee is now working within the European Commission on a report that will contain a scientific review of the health effects of snus and other smokeless tobacco products. The report is expected to be published 2007.

ESTOC driving the snus issue

Swedish Match also works through the industry organization European Smokeless Tobacco Council (ESTOC). For ESTOC, a primary task is to promote future EU legislation that will result in a scientifically based regulation of smokeless products.

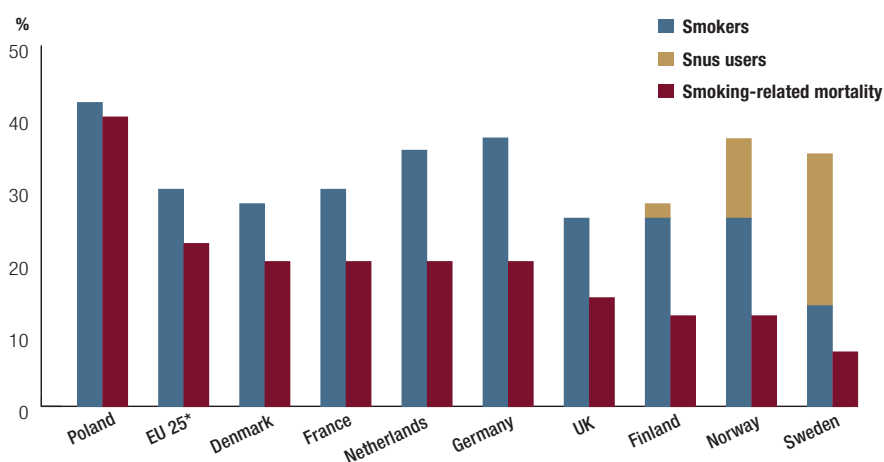
Tomas Hammargren has been chairman of ESTOC for slightly more than one year. He is optimistic that the EU ban on snus will be lifted but remains uncertain as to how long it will take.

“Tobacco issues are always politically sensitive, which means that it is difficult to say how long the process will take,” notes Hammargren. “At the same time, it is clear that we are now seeing greater interest in the European Commission and the European Parliament than previously.

“An important part of the message is that it is cigarettes that are the major health problem. Another important factor is the growing international interest for such products as snus that can reduce the harmful effects of smoking,” concludes Tomas Hammargren.

BIRGITTA GUNNARSSON

Most snus users and lowest mortality in Sweden



* EU 25 refers to the 25 EU member states before expansion on January 1, 2007.

The diagram shows the proportion of smokers and snus users among men and the risk of dying in a smoking-related disease. Despite the fact that tobacco consumption is at least as high in Sweden as in other European countries, the risk of being afflicted by a smoking-related fatal disease is significantly lower. Many researchers believe that this is because snus replaces more harmful cigarettes in Sweden.

Sources
 Proportion of daily smokers among men: WHO, European Commission and national statistics authorities for the Nordic countries
 Proportion of daily snus users among men: Public Health Institute in Sweden, Directorate of Health in Norway and the Public Health Institute in Finland. The diagram does not take into consideration that the same persons may be both smokers and snus users. In Sweden, about two percent of the male population both smoke and use snus daily.
 Risk for a 35-year old man to be afflicted by a smoking-related fatal disease before the age of 70: Peio, R.; Lopez, AO; Boreham, J; Thun, M.; Heath, C.

SNUS PRODUCTION:

Tradition and



Greatly simplified, production of snus requires only tobacco, water and salt. For Swedish Match, however, the production of quality snus is an advanced and highly technical process that begins long before the tobacco reaches the plant.

PHOTO: ANNA REHNBERG

Tobias Brännberg is Head of the Tobacco and Recipes department at Swedish Match's high-tech snus plant in Kungälv.

WALKING AROUND THE SWEDISH MATCH snus plant in Kungälv, a town on the west coast of Sweden, you are struck by the fact that it is modern, bright and so clinically sterile that you could eat from the floor. There isn't even a smell of tobacco. The fact that the production process is completely closed means that tobacco is really only seen when it is on its way to the mill and when the pouches are placed in the cans.

Tobias Brännberg, Head of the Tobacco and Recipes department, explains that the starting point for good snus is tobacco of high quality.

"The tobacco must have the right chemical composition, and the leaves must feel alive, smell fresh and have a mature color. The tobacco has the greatest impact on the final product's

aroma and taste," says Brännberg.

Tobias and his colleagues are responsible for the quality of the tobacco and accompany the tobacco purchasers on their trips to visit plantations. Because tobacco varieties differ

widely in character depending on climate and soil, Swedish Match currently purchases tobacco from eleven countries in various part of the world, reveals Tobias.

"You can compare this with the difference between various types of grapes. To ensure that the tobacco is of high quality, we take samples for analysis in the growers barns," he says.

GothiaTek® – our own quality standard

Swedish Match has introduced its own quality standard called GothiaTek®. Gunnel Johansson, acting Plant Manager at Kungälv, explains that in tobacco, like other crops, there are undesirable substances that research has shown can result in possible health hazards if they are present in excessive concentrations. Swedish Match works conscientiously and over the long term to refine products and improve production techniques. GothiaTek® is the result of many years of research and places very stringent requirements on the raw materials, production process and maximum permissible levels of unwanted substances in the snus.

All ingredients in snus from Swedish Match are approved as food additives, and the hygiene requirements in the plant are very high. The entire machine park undergoes a total cleaning every

day. To meet the hygiene requirements in the plant, visitors must put on protective clothing and caps. Hands must be washed and rings removed.

"We are extremely careful with respect to hygiene and have introduced three hygiene zones. No one is allowed past the reception without protective clothing," says Gunnel Johansson.

Innovation produces unique products

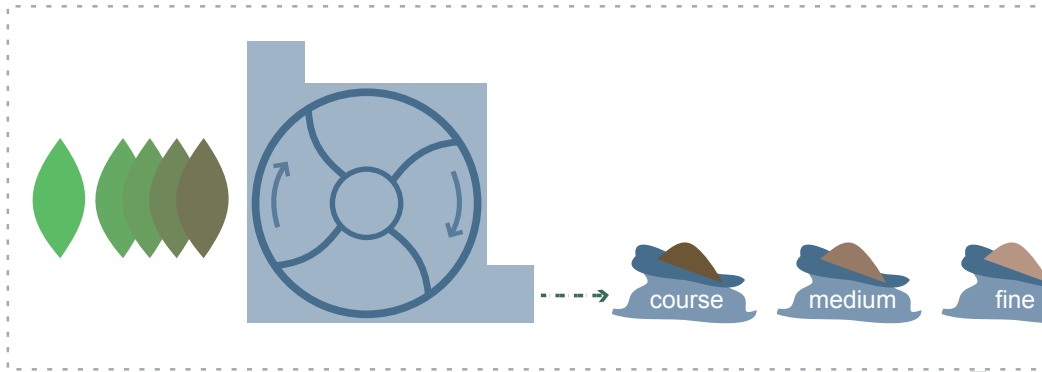
Swedish Match, which is the Scandinavian market leader, accounts for much of the innovation in the snus industry. One example is the white product technology developed by Swedish Match. The result is portion snus with a whiter and fresher appearance, despite the fact that it is just as moist as traditional portion snus. With this technology, the snus runs less and retains its taste longer.

"This is a unique method that is only used by us. It was also a successful initiative, since market share is increasing rapidly," relates Gunnel Johansson.

Our visit includes the flavoring room where the flavoring agents that are added to certain kinds of snus are stored. Tobias Brännberg explains that recipes are critical in producing the best snus. For loose snus, compressibility is also important. Each recipe contains about 20 types of tobacco. Certain brands also contain aromatic substances, such as lemon, licorice and whiskey.

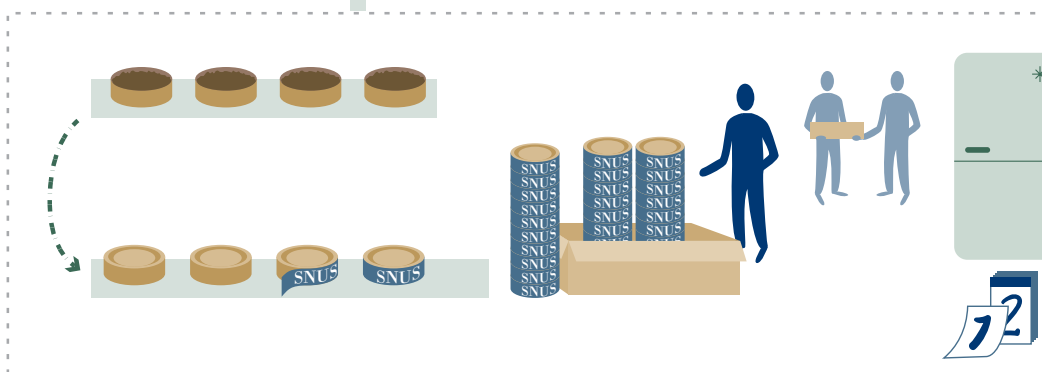
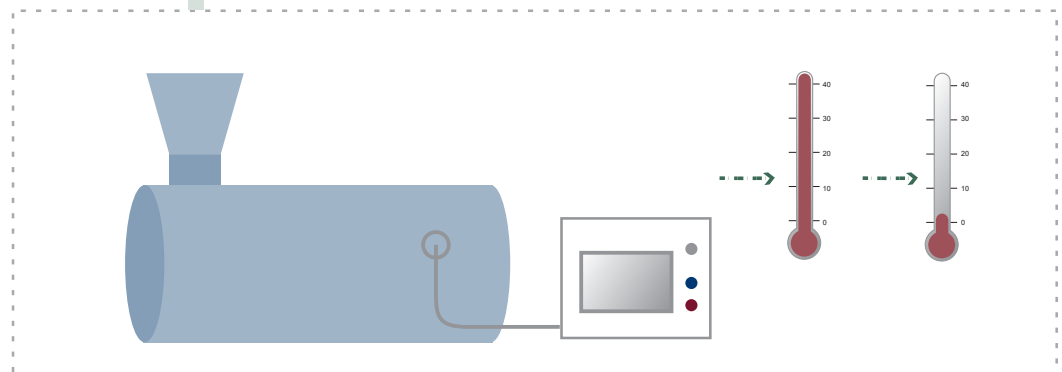
All ingredients in Swedish Match snus are approved as food additives, and hygiene requirements in production are extremely high.

innovation



GRINDING
 Snus production begins by grinding the tobacco in a mill into course, medium and fine powders, which are then mixed according to various recipes before being transported to ageing silos.

BLENDING
 In the blending room, the tobacco powder is blended in large metal vats. Everything is controlled by a sophisticated automated process system. Water and salt are added during stirring, and the mixture is heated in a process similar to pasteurization. Thereafter, the mixture is cooled again, and other ingredients are added. Samples are taken for quality control, and if all sample values are approved, the batch is ready for packing.



PACKING
 The entire production process is automated. In the packing room, cans are filled with snus, sealed with a cap and weighed to ensure that the quantity of snus is correct. Labels are then applied to the cans, which are stacked in tubes of ten cans.

ILLUSTRATION: ELINA NILSSON

Ettan, with 180 years to its credit, is Swedish Match's oldest brand, and its recipe has not been changed in any major way since the start.

Cooperation underlies success

The production of snus takes place in three stages: grinding, blending and packaging. The process is illustrated above. The packaged snus is stored in refrigerated rooms a number of days before

distribution to retailers so that it matures and develops its characteristic aroma and taste before reaching consumers.

Asked why Swedish Match's snus sells so well, Tobias Brännberg and Gunnel Johansson reply that it is due to the company's long tradition and high expertise from raw tobacco purchasing to marketing.

"One success factor is that we are skilled

in determining what consumers want and that cross-functional cooperation between marketing, production and sales functions very well," says Tobias Brännberg.

"I see it as a successful combination of tradition and innovation," concludes Gunnel Johansson.

ÅSA MOBERG



CHARLES A. BLIXT,
NEW MEMBER OF THE BOARD OF DIRECTORS:

Brands and

With more than 20 years in the American tobacco industry, Charles A. Blixt has solid experience of the American market and tobacco sector. As a newly elected member of the Board of Swedish Match, he hopes to be able to contribute to the company's growth in the US and in other markets outside Scandinavia.

During a visit to Stockholm, Charles A. Blixt has a full schedule of activities connected with Swedish Match. In just a few days, he plans to attend the Annual General Meeting, a Board meeting and to visit the snus factories in Kungälv and Gothenburg, on Sweden's west coast. Nevertheless, he does not feel stressed and sports the hint of smile the entire time.

"I have a great deal of confidence in Swedish Match and have known a number of people in Group management for some time," says Charles A. Blixt. "When I was asked by the Nominating Committee to join the Board, the decision to accept was an easy one."

This past June, Charles A. Blixt concluded a 22-year career with R.J. Reynolds, the second-largest tobacco company in the US, where he had held the post of General Counsel, among others positions, for many years.

"My time with R.J. Reynolds was a wonderful and instructive period, but it was time for new challenges," says Charles A. Blixt.

Legal expertise

Now the agenda is filled with Board responsibilities and a number of legal consulting assignments. In addition to serving on the Board of Swedish Match, Charles A. Blixt sits on the Boards of Krispy Kreme Doughnuts and the pharmaceutical company Targacept, which is developing a new category of medicines based on the beneficial characteristics of the nicotine molecule for treatment of aging-related illnesses such as Alzheimer's disease.

Together with his American colleague John P. Bridendall, also newly elected to

the Board of Swedish Match, Charles A. Blixt is convinced of being able to contribute to increasing knowledge about both the American and international markets.

"John P. Bridendall has excellent knowledge of fast-selling consumer goods with strong brand names. Together with his experience of building brands and my legal expertise in connection with the tobacco industry, we cover a broad spectrum that will be of significant value to Swedish Match."

Focus on growth

Charles A. Blixt thinks that Swedish Match is geared for growth. The company is well-managed, with high-quality products, strong brand names and highly skilled personnel. The challenge, according to Charles A. Blixt, will be to remain focused on prioritized growth areas – increasing sales of snuff and cigars in markets outside of Scandinavia, the US market for example, aided by the brand names, while maintaining the company's leading position in the Scandinavian snus market.

"The brands and consumers are the key to success – those two factors are decisive for a consumer products company," emphasizes Charles A. Blixt. "Accordingly, it is critical for Swedish Match to increase the visibility of its brands among consumers."

New trend in the debate

Charles A. Blixt explains that the situation in the US is different from that in Sweden and the rest of Scandinavia, partly because the US is less homogenous. For example, laws vary from state to state, as do, consequently, smoking restrictions.

"One of Swedish Match's challenges will be to convince legislators in the US that smokeless tobacco is a better alternative to cigarettes.

consumers decisive

I have been part of the public debate over tobacco for more than 20 years, which has long been categorically opposed to all tobacco. In recent years, I have also noticed a minority of anti-tobacco activists who see smokeless tobacco as a reduced risk alternative to cigarettes. Needless to say it is difficult for them to admit this officially, but it hopefully represents a trend from which we can benefit.”

Roots in Sweden

Although Charles A. Blixt is used to working hard, he also places a priority on leisure activities. Golf, skiing and diving are interests that he enjoys pursuing when he has time. He travels extensively throughout the world and has visited every state in the US.

His last name, Blixt, is Swedish in origin and Charles A. Blixt's roots are in fact entirely Swedish. Both his paternal and maternal grandparents emigrated to the US from Sweden during the end of the 19th century; over a million Swedes emigrated to North America 1850-1930. His father and mother spoke Swedish with each other at home.

“But they spoke English with me so that I would learn it properly, so I don't speak as much Swedish as I would like. However, I was raised with many Swedish traditions and Swedish food. Some of my favorites are Swedish pancakes and ginger snaps, which I like to prepare myself.”

Setting a good example

On the subject of leadership, Charles A. Blixt believes that the best kind of leadership involves setting a good example. His thesis is that if employees rely on a leader, they will act in the same way as the leader does. What does he think of the leadership of Swedish Match?

“My sense is that there is a unique collegiality and openness among the employees of Swedish Match,” says Charles A. Blixt, before departing for the snusfactories in Gothenburg and Kungälv. “One reason for this is undoubtedly effective leadership.”

LOTTA ÖRTNÄS
PHOTO: PETER KNUTSON

CHARLES A. BLIXT

BORN: I Rockford, Illinois 1951.

FAMILY: Two daughters. One is a lawyer in New York and the other works with PR in Washington.

PLACE OF RESIDENCE: Winston-Salem, North Carolina, USA.

WHERE ARE YOUR ROOTS?

Illinois, but also in Sweden. Both my maternal and paternal grandparents emigrated to the US from Sweden.

DO YOU USE TOBACCO PRODUCTS?

Yes, cigars, cigarettes and snus.

WHAT DO YOU DO DURING YOUR FREE TIME?

I play golf, ski and dive, often together with my daughters. I also like to take photographs.

WHAT IS YOUR FAVORITE PLACE?

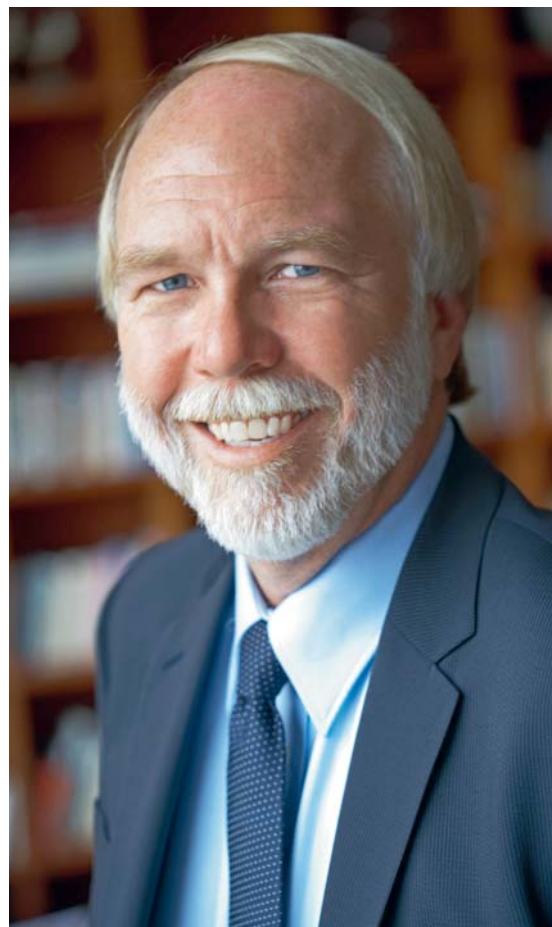
Home, though I love to travel.

WHAT IS YOUR ADVICE FOR ATTAINING BALANCE IN LIFE?

Above all, don't take yourself too seriously. To enjoy life, you need to combine hard work with enjoying yourself.

WHAT ARE SOME PERSONAL QUALITIES YOU ADMIRE?

Honesty, integrity and humor.



The surname Blixt reflects Charles A. Blixt's Swedish heritage from his grandparents.

It is critical for Swedish Match to increase the visibility of its brands among consumers.

New Borkum Riff has genuine tobacco flavor

JUNE WILL BRING THE MOST SIGNIFICANT development in pipe tobacco in Borkum Riff's nearly 40-year history since the brand was born. The new addition, Borkum Riff Genuine Pure Tobacco, is the only variety in the Borkum Riff product family that is not flavored, having only the genuine flavor and aroma of tobacco.

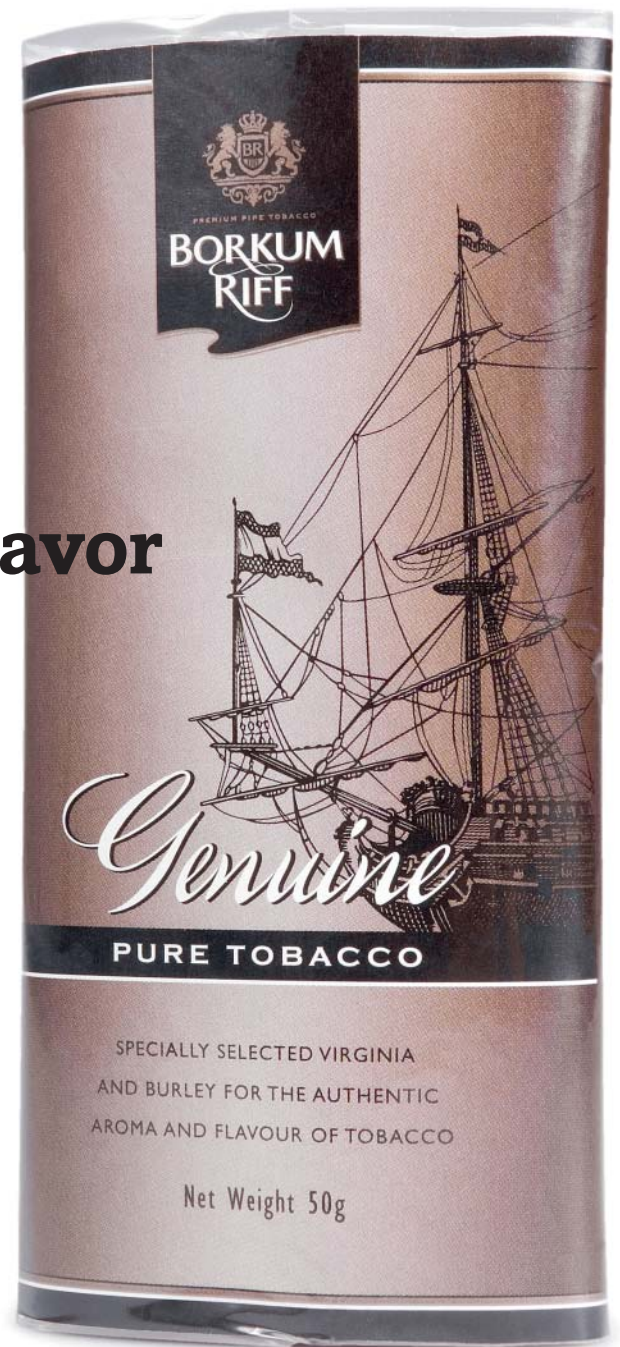
"Our consumers have been asking for a pipe tobacco without added flavoring, and that laid the foundation for the development of Borkum Riff Genuine Pure Tobacco," explains Annika Enquist Andersson, Product Manager for pipe tobacco at Swedish Match.

This is Borkum Riff's first pipe tobacco without flavor additives and thus represents an entirely new trend in the brand. The new product variant consists of Virginia and Burley tobaccos and has overtones of nuts, chocolate and coffee.

"Borkum Riff Genuine Pure Tobacco is made from tobacco of extremely high quality and scored very high ratings when we tested it among pipe smokers," relates Annika Enquist Andersson. "According to the current plans, the Borkum Riff family is to be supplemented with more unflavored varieties in the future."

Borkum Riff celebrates its 40th anniversary next year, and has a very strong position as the world's third largest brand in the pipe tobacco market. Borkum Riff Genuine Pure Tobacco will be launched first in Switzerland, then in Spain, Austria and Japan, before being launched worldwide.

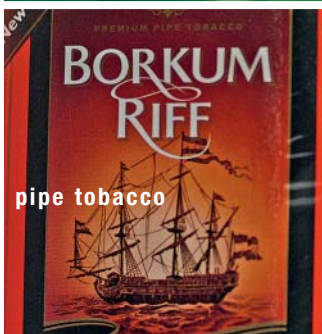
LOTTA ÖRTNÄS



☆☆☆
SWEDISH MATCH

Swedish Match is a global Group of companies with a broad assortment of market-leading brands in snuff/snus, cigars, pipe tobacco and chewing tobacco – tobacco's niche products – as well as matches and lighters. The Group's operations generated sales of SEK 12,911 million in 2006. The average number of employees during 2006 was 12,465. The Swedish Match share is listed on OMX Nordic Exchange Stockholm AB.

www.swedishmatch.com



pipe tobacco

chewing tobacco

matches

lighters