

SWEDISH MATCH INVESTOR INFORMATION AND RESULTS

Q2 2007



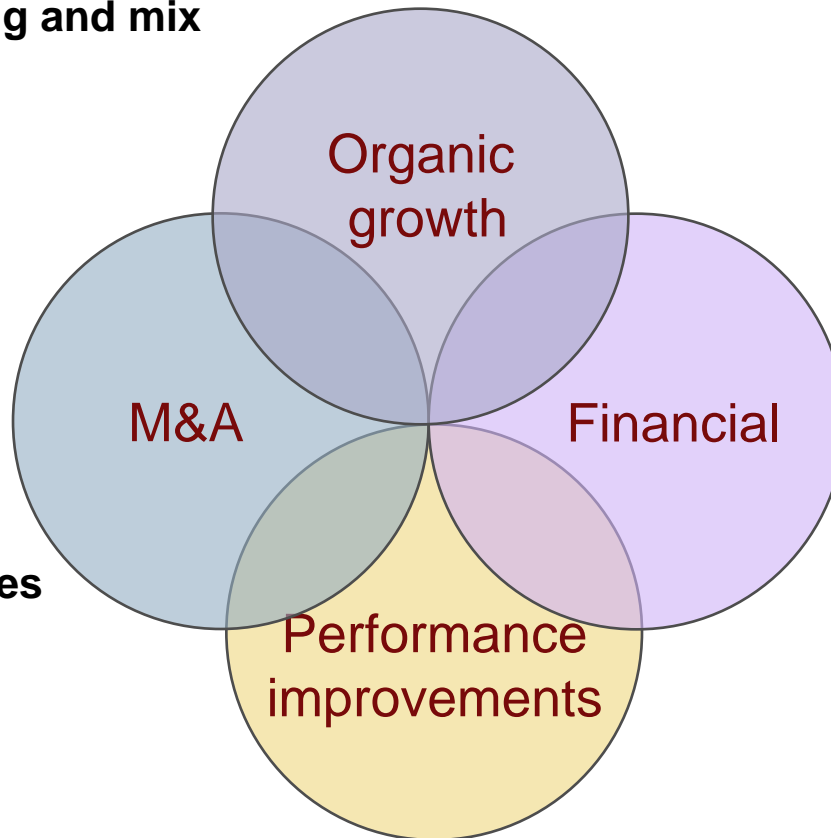
Swedish Match – A global Group of companies

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



Swedish Match strategy

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



- Acquisitions and Divestitures

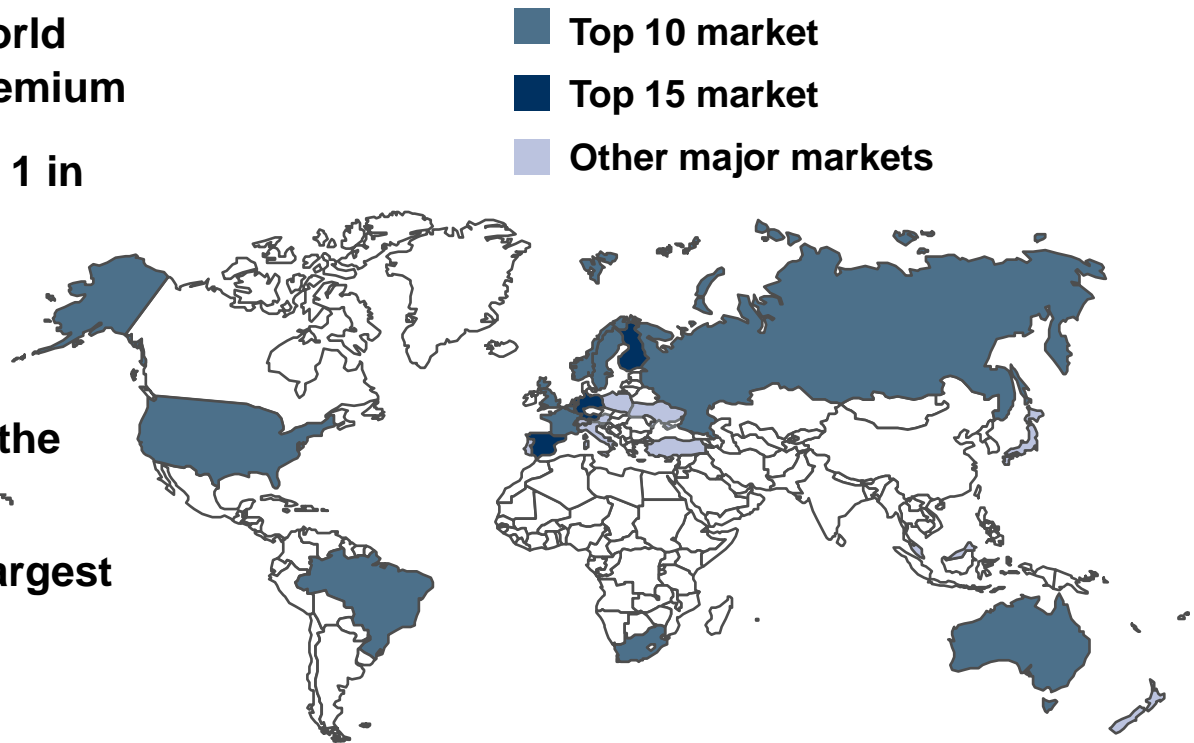
- Balance sheet efficiency
- Operating capital improvements
- Share buy-back program

- Productivity
- Restructuring

Largest markets in 2006

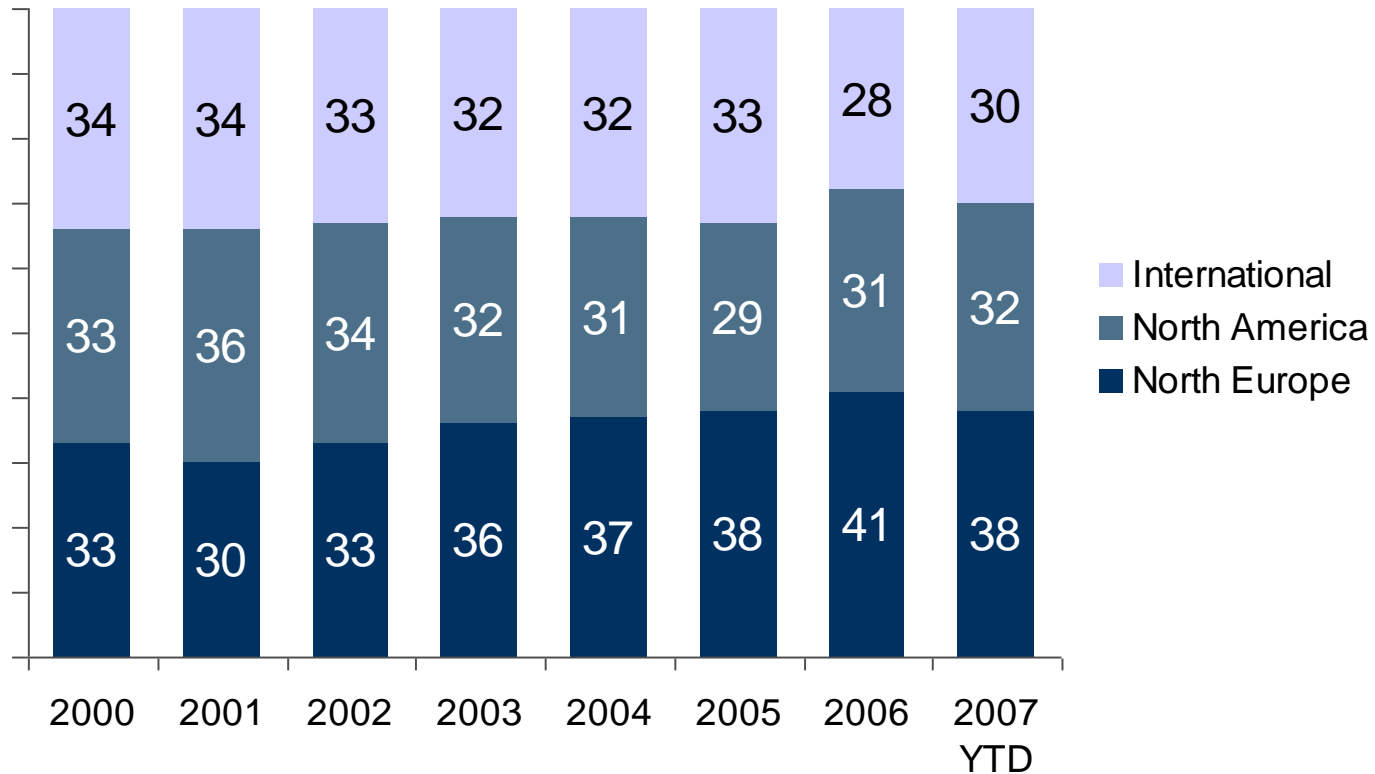
- **Snuff/Snus:** Number 1 in Scandinavia, number 3 in the US, and number 2 in South Africa
- **Cigars:** Number 2 in the world
Number 1 in US premium
- **Chewing tobacco:** Number 1 in the US
- **Matches:** A leader in many markets
- **Lighters:** Cricket is one of the better known brands
- **Pipe tobacco:**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

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



Percent by division

Percent of sales in SEK



January – June 2007

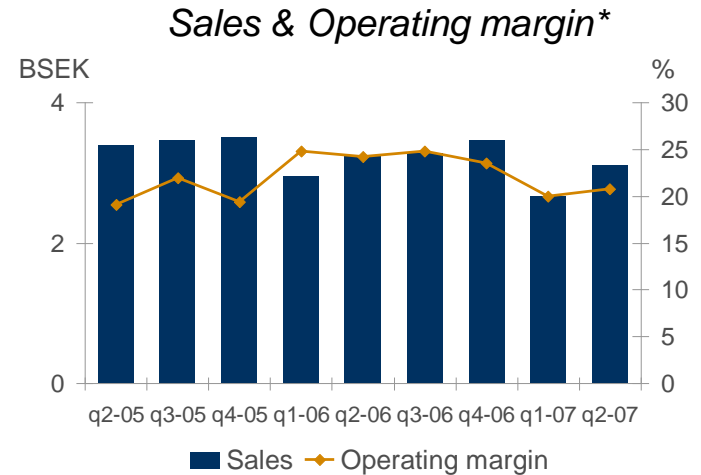
- Sales reached **5,752 MSEK (6,193)**
 - A sharp increase in the excise tax for snus effective January 1, 2007, resulted in exceptionally low deliveries of snus to the Swedish market during the first quarter, with volumes improving but still below 2006 levels during the second quarter
 - Net currency translation negative impact 266 MSEK on sales
 - In local currency and excluding divested businesses, sales declined by 2 percent
- Operating profit amounted to **1,176 MSEK (1,517 excluding pension curtailment gain of 148 MSEK)**
- Profit before income tax reached **1,031 MSEK (1,578)**
- Profit for the period amounted to **773 MSEK (1,105)**
- EPS (diluted) down 22% to **2.89 SEK (3.70)**

- Sales reached **3,090 MSEK (3,242)**
 - In local currency sales declined by 1 percent
- Operating profit amounted to **642 MSEK (784 excluding pension curtailment gain of 148 MSEK)**
- Profit before income tax reached **563 MSEK (881)**
- Tax rate reduced due to more efficient capital structure
- Profit for the period amounted to **441 MSEK (617)**
- EPS down 21% to **1.66 SEK (2.09)**
 - EPS in 2006 positively impacted by pension curtailment gain

Highlights April – June 2007

Volumes in Scandinavian snus improving, currencies hurt

- Group sales down 1% in local currencies
- Snuff sales down 1% in local currencies with continued growth in the US
- Lower deliveries of snus to the Scandinavian market due to destocking and consumption effects
- Snus volumes in June near 2006 levels in Scandinavia
- 20 MSEK restructuring charge in pipe tobacco
- Operating profit down 18% (642 vs 784*)
- Currency translation negative effect on operating profit of 25 MSEK

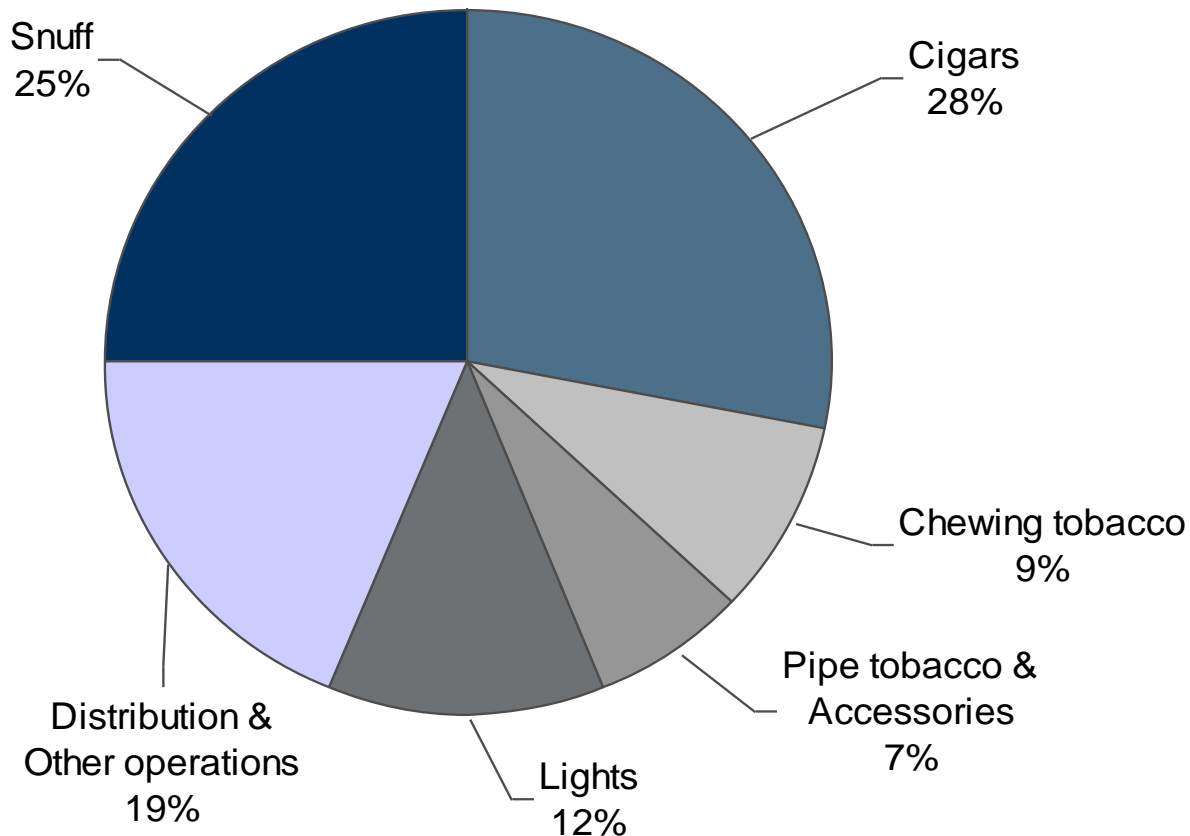


MSEK	Q2-07	Q2-06	% chg	H1-07	H1-06	% chg	12 mos end. June 30, 2007	Full year 2006
Sales	3,090	3,242	-5	5,752	6,193	-7	12,470	12,911
Operating profit*	642	784	-18	1,176	1,517	-23	2,796	3,137
Profit before income tax	563	881	-36	1,031	1,578	-35	2,625	3,173
Profit for the period	441	617	-29	773	1,105	-30	2,003	2,335

*Q2 2006 operating profit excludes one time pension curtailment gain of 148 MSEK

Group sales split January – June 2007

Percentage split by product area, SEK



OTP: 69%

Snuff

- The only company with significant **international** snuff operations



- Leading position in **Sweden** and **Norway**
- Well positioned in the value price segments in the **US**
- Second largest position in **South Africa**
- Production in **Sweden**, **US** and in **South Africa**

Sweden destocking following Q4 hoarding now complete



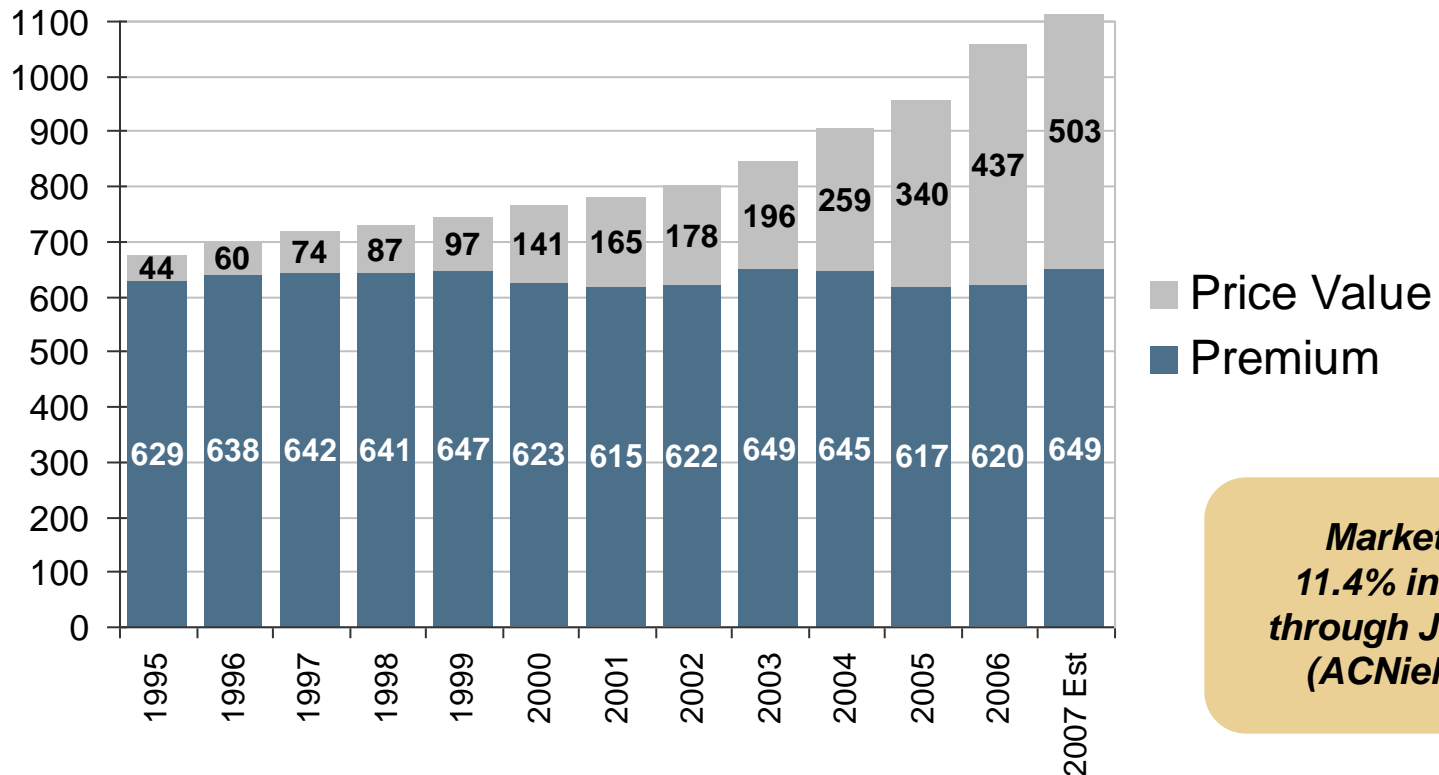
- Q2 sales down 5% in N. Europe vs Q2 2006, USD sales up 8% in US
- US snuff volumes up 10% despite tough comparisons
- Consumption in Scandinavia estimated to be down by approx. 1% in Q2 compared to previous year
- Kronan has 59% of low priced segment in Sweden
- Longhorn continues its rapid growth, Timber Wolf volumes up as well
- Lower margins from reduced Scandinavian volumes, mix effects, and higher marketing spending

MSEK	Q2-07	Q2-06	% chg	H1-07	H1-06	% chg	12 mos end. Jun. 30, 2007	Full year 2006
Sales	794	831	-4	1,457	1,615	-10	3,204	3,363
Operating profit	311	383	-19	541	766	-29	1,389	1,614
Operating margin, %	39.1	46.1		37.2	47.4		43.4	48.0

Volume growth of snuff in the US

US snuff market by segment

Million cans

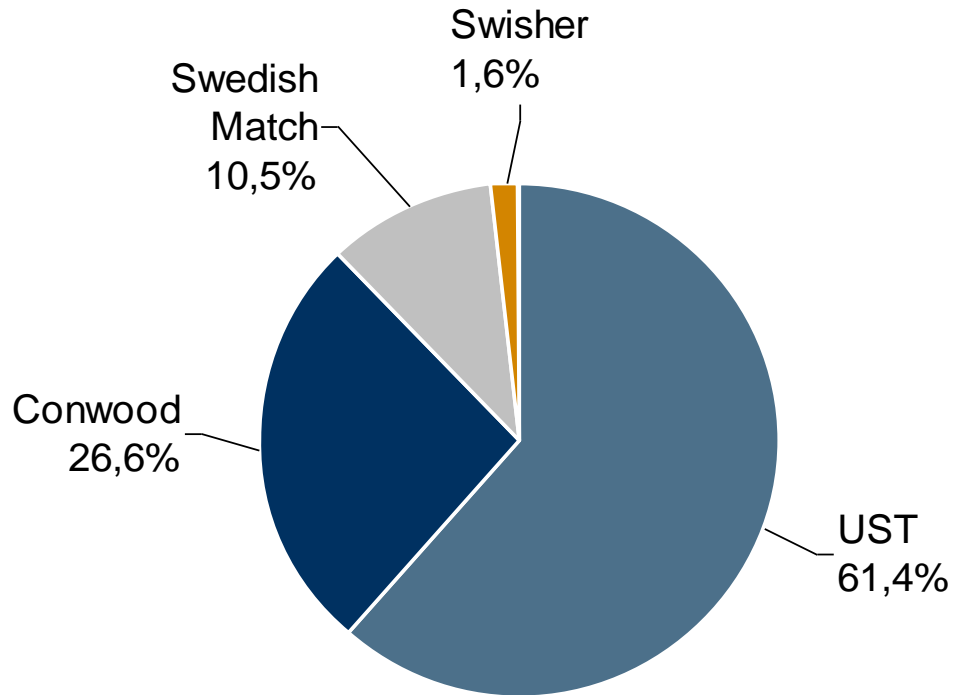


Rebased market data using ACNielsen estimates

**Market up
11.4% in 2007
through June 16
(ACNielsen)**

US moist snuff market shares

Volume share North America, YTD June 16



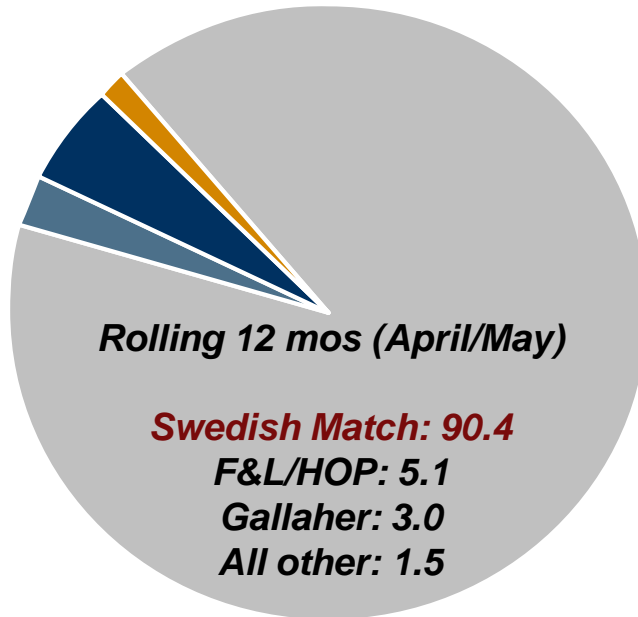
**4 weeks ending
June 16**

Swedish Match: 10.9
UST: 61.0
Conwood: 26.5
Swisher: 1.6

Source: ACNielsen

Swedish snus market shares

Volume share Sweden, rolling 12 months to May 2007



2 months April/May

Swedish Match: 89.9
F&L/HOP: 5.8
Gallaher: 2.8
All other: 1.5

Source: ACNielsen

Swedish tax increase

- From January 1, 2007 weight based tax doubled
 - **From 123 SEK/kg to 246 SEK/kg**
- Swedish Match raised prices on most products, passing along the tax increase. Prices were raised by more than the tax increase for value priced products
- Retail price of snus increased by 4 – 7 SEK per can for most 24g pouch products, and by 7 – 10 SEK per can for 50g loose products
- Destocking effect and moderate consumption declines in the first half, most significantly in the first quarter
- Strong recovery on volumes during Q2

Cigars



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

Cigars

Bogaert Cigars Acquired, strengthening presence in Europe

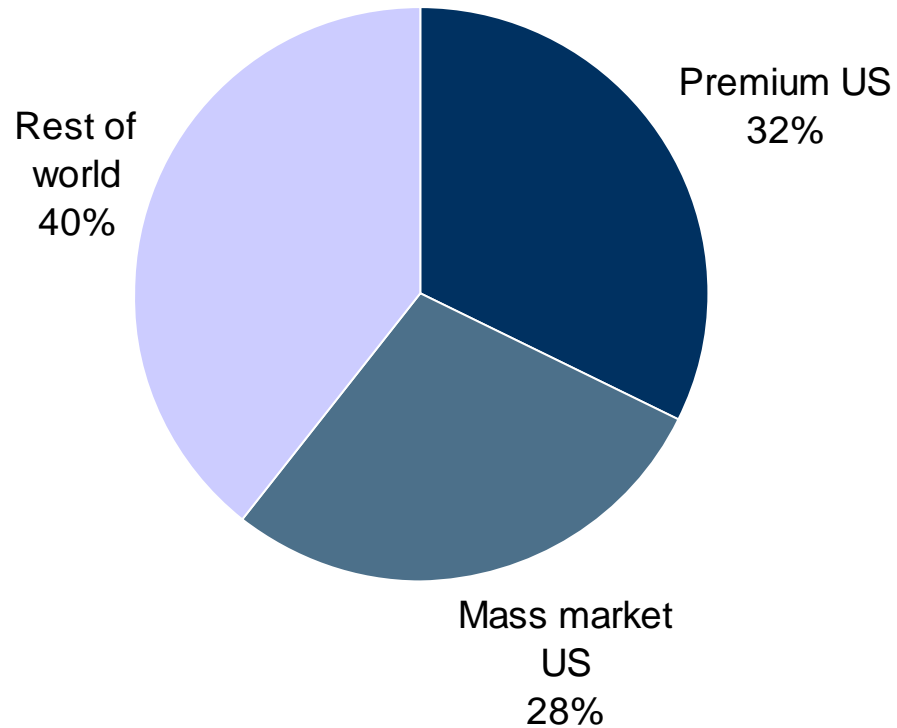


- Q2 sales flat in local currencies versus year ago
- Higher mass market USD sales despite lower volumes, with positive mix offsetting volume weakness
- Operating profit up for European cigars and US mass market in local currencies
- Some volume decline for US premium cigars
- US mass market price increases in June
- Bogaert acquisition completed in June, no impact of sales and operating profit in Q2

MSEK	Q2-07	Q2-06	% chg	H1-07	H1-06	% chg	12 mos end. Jun. 30, 2007	Full year 2006
Sales	847	888	-5	1,581	1,647	-4	3,342	3,407
Operating profit	193	207	-7	357	371	-4	756	770
Operating margin, %	22.7	23.4		22.6	22.5		22.6	22.6

Cigar sales

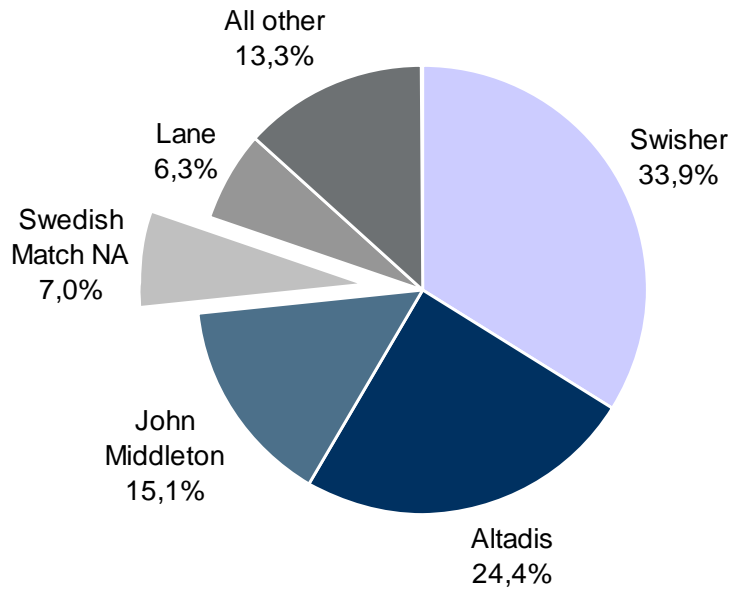
2007 June YTD sales split (SEK)



Cigars

North America, mass market YTD June 16

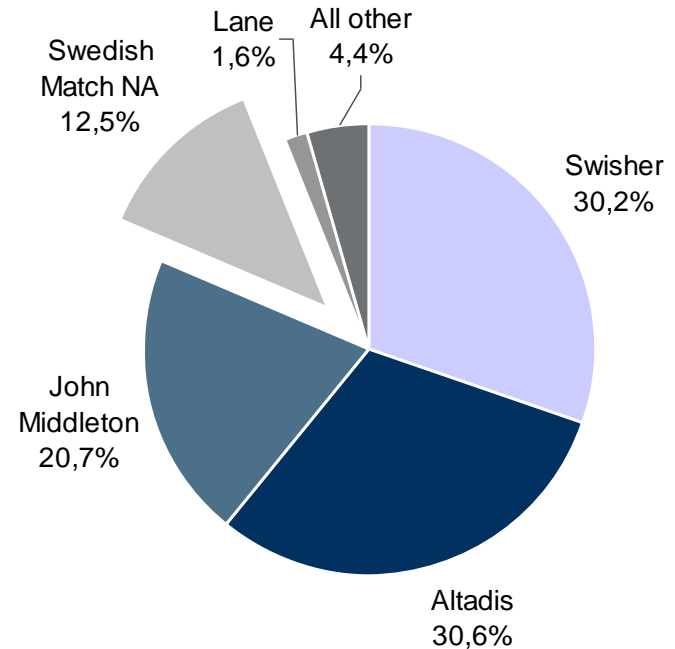
VOLUME share



**4 weeks ending
June 16**

Swedish Match: 7.0

VALUE share (USD)



**4 weeks ending
June 16**

Swedish Match: 12.7

Source: ACNielsen

Chewing tobacco

Q2 sales flat in USD, pricing offsets volume declines

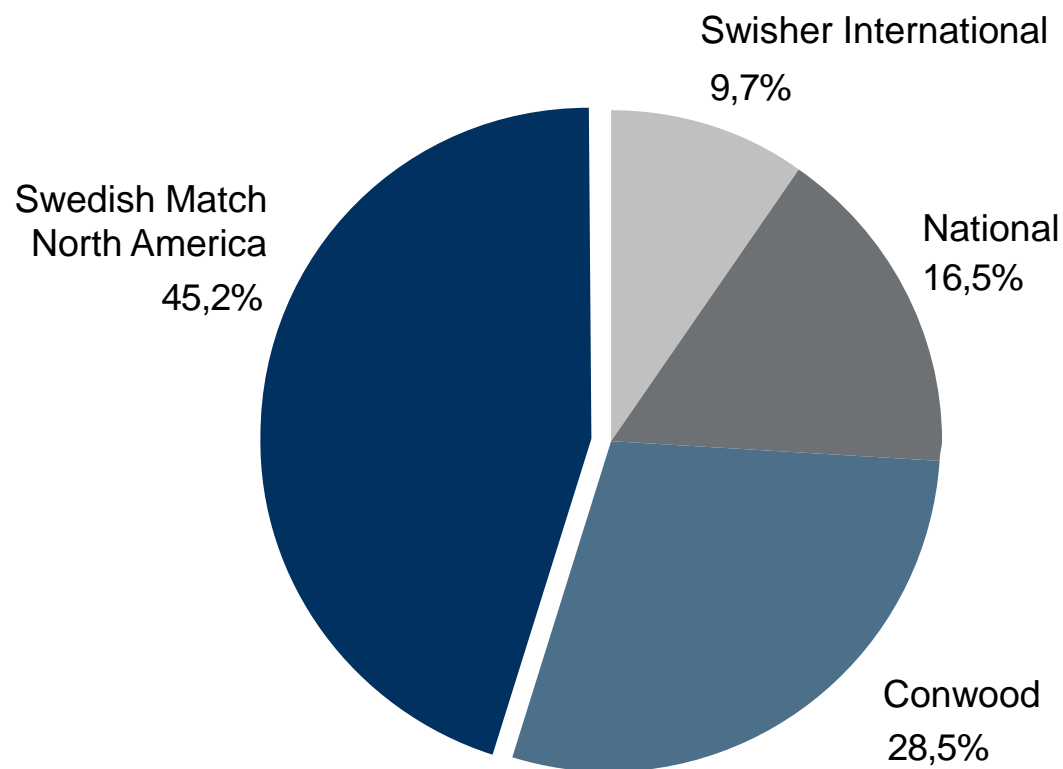


- Improved pricing offset shipment volume declines. USD sales flat
- Market shares stable
- 7% price increase announced at the end of the first quarter

MSEK	Q2-07	Q2-06	% chg	H1-07	H1-06	% chg	12 mos end. Jun. 30, 2007	Full year 2006
Sales	253	277	-9	492	550	-11	1,004	1,063
Operating profit	82	81	1	154	167	-8	324	338
Operating margin, %	32.3	29.3		31.2	30.4		32.3	31.8

Chewing tobacco

Volume share North America, YTD June 16



**4 weeks ending
June 16**

Swedish Match: 45.0
Conwood: 28.1
National: 17.3
Swisher: 9.4

Source: ACNielsen

Pipe tobacco

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

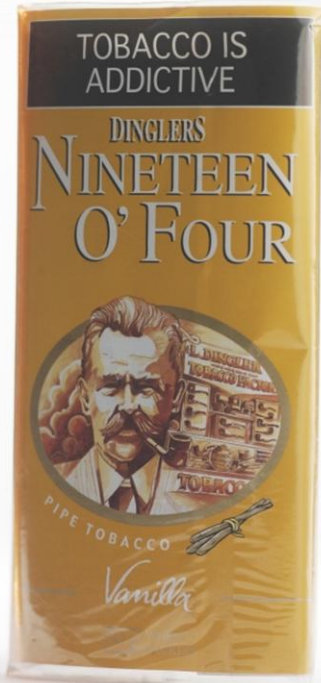
The largest markets for Swedish Match are in **South Africa, North America and Europe**

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



Pipe tobacco and Accessories

Volume declines in most markets



- Volume declines in most markets
- Closure of Rustenburg, South Africa plant negatively impacted operating profit by 20 MSEK
- Significant negative ZAR currency effect in Q2
- In local currencies, sales increased by 2%

MSEK	Q2-07	Q2-06	% chg	H1-07	H1-06	% chg	12 mos end. Jun. 30, 2007	Full year 2006
Sales	203	218	-7	408	456	-11	851	899
Operating profit	24	58	-59	79	133	-41	211	265
Operating margin, %	11.7	26.5		19.4	29.2		24.8	29.5

Lights

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

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

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



Lights



- Sales down 3% excluding divestments and in local currencies
- Operating margin hold above full year 2006 level

MSEK	Q2-07	Q2-06	% chg	H1-07	H1-06	% chg	12 mos end. Jun. 30, 2007	Full year 2006
Sales	354	368	-4	694	755	-8	1,442	1,503
Operating profit	62	72	-14	119	135	-12	234	249
Operating margin, %	17.5	19.5		17.1	17.8		16.2	16.6

P & L summary

MSEK	January – June 2007	January – June 2006	Percent change	12 mos end. June 30, 2007	Full year 2006	Percent change
Sales	5,752	6,193	-7	12,470	12,911	-3
Cost of sales	-2,997	-3,123		-6,548	-6,674	
Gross profit	2,756	3,070	-10	5,922	6,237	-5
Sales and adm. expenses*	-1,582	-1,410		-3,135	-2,963	
Share of profit in equity accounted investees	2	6		8	11	
Operating profit	1,176	1,665	-29	2,796	3,285	-15
Financial income**	76	57		258	239	
Financial expenses	-221	-144		-428	-351	
Net finance cost	-145	-87		-170	-112	
Income before tax	1,031	1,578	-35	2,625	3,173	-17
Income tax expense	-258	-473		-622	-838	
Profit for the period	773	1,105	-30	2,003	2,335	-14
Attributable to:						
Equity holders of the Parent	773	1,105		2,003	2,335	
Minority interests	0	0		1	1	
Profit for the period	773	1,105	-30	2,003	2,335	-14
EPS, basic, SEK	2.89	3.72		7.36	8.13	
EPS, diluted, SEK	2.89	3.70		7.34	8.10	

* Including pension curtailment gain of 148 MSEK in Q2 2006

** Including a gain on sale of securities of 111 in Q4 2006

Balance sheet

MSEK	Jun 30, 2007	Dec 31, 2006
Intangible fixed assets*	3,808	3,469
Property, plant and equipment	2,357	2,221
Financial fixed assets	1,157	1,055
Current operating assets*	5,977	5,827
Current investments	5	56
Cash and cash equivalents	1,288	3,042
Total assets	14,592	15,670
Equity attributable to equity holders of the parent	353	2,037
Minority interests	3	3
Total equity	356	2,041
Non-current provisions	1,295	1,192
Non-current loans	8,195	7,815
Other non-current liabilities	671	657
Current provisions	43	61
Current loans	813	409
Other current liabilities	3,220	3,495
Total equity and liabilities	14,592	15,670
Operating capital	8,867	8,059
Net debt	8,235	5,658

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

Cash flow in summary

MSEK	January – June	
	2007	2006
Cash flow from operating activities before changes in working capital	914	315
Cash flow from changes in working capital	-343	-625
Net cash from operating activities	571	-310
Acquisition of property, plant and equipment*	-289	-124
Proceeds from sale of property, plant and equipment	25	84
Acquisition of intangible assets	-67	-270
Acquisition of subsidiaries, net of cash acquired	-365	-19
Divestment of business operations	-	31
Changes in financial receivables etc.	38	-174
Changes in current investments	51	-487
Net cash used in investing activities	-607	-958
Changes in loans	743	4,185
Dividends	-664	-627
Repurchase of own shares, net	-1,853	-2,234
Other	39	-8
Net cash used in financing activities	-1,735	1,316
Net decrease in cash and cash equivalents	-1,771	48
Cash and cash equivalents at the beginning of the period	3,042	3,325
Effect of exchange rate fluctuations on cash and cash equivalents	17	-120
Cash and cash equivalents at the end of the period	1,288	3,253

* Includes investments held for sale and biological assets

Key data

MSEK	January – June	
	2007	2006
Operating margin, %**	20.4	24.5
EBITDA, MSEK**	1,393	1,739
EBITA, MSEK**	1,241	1,582
EBITA interest cover	8.7	18.2
Net debt/EBITA*	2.8	1.7
Share data**		
Earnings per share, basic, SEK	2.89	3.72
Earnings per share, diluted, SEK	2.89	3.70
Average numbers of shares outstanding (Mio)	267.3	297.2
Shares outstanding, end of period (Mio)	260.0	283.0

* For 12 month period ending June 2007 and for full year 2006

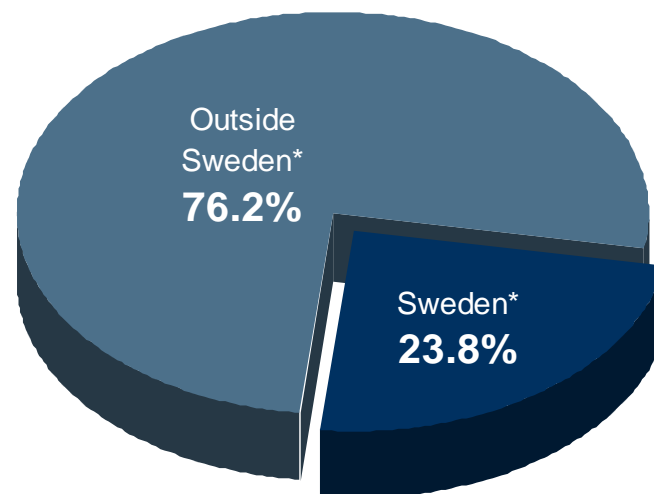
** Please refer to notes in the January-June 2007 interim report

Shareholders

Largest shareholders*:

Parvus Asset Management	10.1 %
Wellington Management Company	9.6 %
Morgan Stanley Investment Mgmt	5.3 %
Swedbank Robur Fonder	2.9 %
SHB/SPP Fonder	2.4 %
SEB Fonder	1.5 %
Andra AP-fonden	1.3 %
Tredje AP-fonden	1.0 %
Första AP-fonden	0.8 %
iShares Funds	0.8 %
	<hr/>
	35.7 %

55,961 shareholders
June 30, 2007

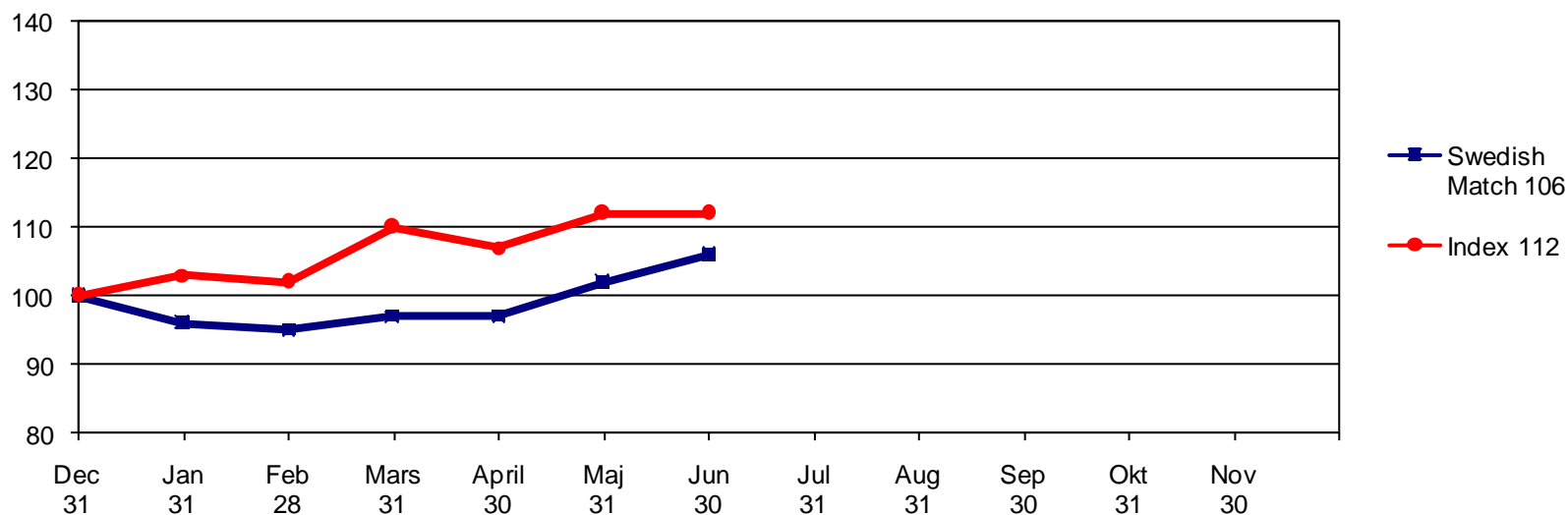


Source: VPC (official registry) and SIS Ägaranalys, percent of share capital excluding Swedish Match shares held in Treasury
* Percent split of share capital held, excluding Swedish Match shares held in Treasury

Swedish Match compared with index

Total Shareholder Return, 2007

Index includes: UST, Altadis, Imperial, Japan Tobacco + Gallaher, BAT



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

Increasing international interest in snus

THE WALL STREET JOURNAL.

SATURDAY, SEPTEMBER 16, 2006

(c) 2006, Dow Jones & Company, Inc. All Rights Reserved

Should Snuff Be Used as a Tool To Quit Smoking?

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

The Lure of Swedish 'Snus'

By KEVIN HELLIKER

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

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

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

A growing body of research -- some of it funded by smokeless tobacco purveyors -- shows that smokeless tobacco is much less harmful than cigarettes. The reduced risk is most dramatic for varieties of smokeless tobacco that are low in nitrosamines, as the primary carcinogens in smokeless tobacco are called. A panel of medical experts funded by the National Cancer Institute studied low-nitrosamine smokeless tobacco and concluded that it posed at least a 90% reduction in health risks compared with smoking, according to a 2004 report in the journal *Cancer Epidemiology, Biomarkers & Prevention*. A 2002 statement from Britain's Royal College of Physicians, which sets standards in the U.K., called smokeless tobacco "10 to 1,000 times less hazardous than smoking, depending on the product."

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

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

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

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

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

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

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

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

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

THE AMERICAN COUNCIL ON SCIENCE AND HEALTH PRESENTS

HELPING SMOKERS QUIT: A ROLE FOR SMOKELESS TOBACCO?

Dr. Elizabeth Whelan, President
ACSH, 1995 Broadway, 2nd Floor, New York, NY 10021

FT.com / Companies / Consumer Industries - Tobacco ruling reopens debate on smokeless products

09/27/2006 11:31 AM

FT.com
FINANCIAL TIMES

Close

Tobacco ruling reopens debate on smokeless products

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

http://www.ft.com/cms/1/64485ca-468-11d0-8704-000779e2340dwp_uid=881080c-3010-11d0-ba9f-0000e211c1c1print=yes.html

Page 1 of 2

THE PUBLISHER'S SALE OF THIS REPORT DOES NOT CONSTITUTE OR IMPLY ANY ENDORSEMENT OR SPONSORSHIP OF ANY PRODUCT, SERVICE, COMPANY OR ORGANIZATION.
JOURNAL REPRINTS 888 624 4228 P.O. BOX 900 PRINCETON, NJ 08540-0900. DO NOT EDIT OR ALTER REPRINTS. REPRODUCTIONS NOT PERMITTED.

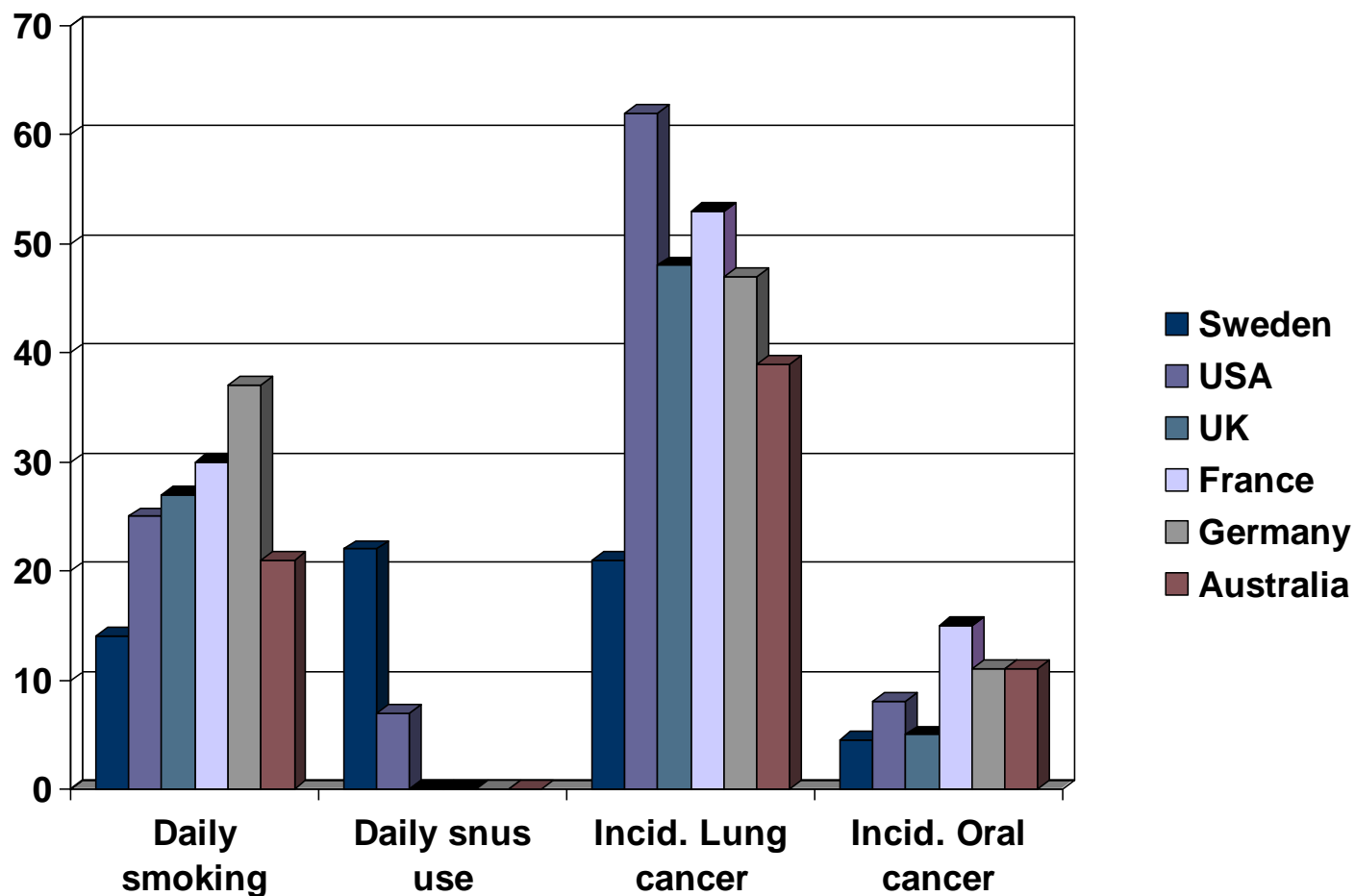
DOW JONES

The Swedish Experience

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

The Swedish Experience

Reduced number of tobacco related diseases



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

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

Sales of snus and cigarettes in Sweden 1916-2005

