



- ▶▶ Net sales for the second quarter increased to 3,284 MSEK (3,090)
- ▶▶ In local currencies, net sales were 12 percent above the same quarter of last year
- ▶▶ Operating profit for the second quarter increased to 733 MSEK (642)
- ▶▶ EPS for the second quarter increased by 22 percent to 2.02 SEK (1.66)
- ▶▶ We maintain our outlook for 2008 with improving sales and underlying operating profit for the Group compared to 2007. For further comments on the outlook please refer to page 8

## Second quarter

# Sales and results

In local currencies sales for the second quarter of 2008 increased by 12 percent compared with the second quarter of 2007. Reported sales for the second quarter increased by 6 percent to 3,284 MSEK (3,090). Currency translation has affected the sales comparison negatively by 175 MSEK.

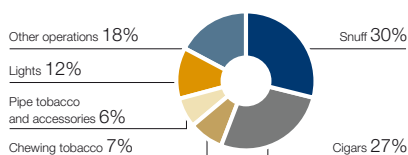
### SALES

# 3,284 MSEK

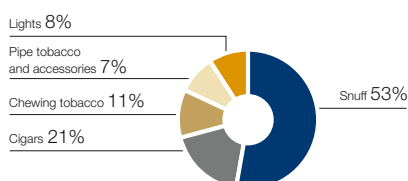
### OPERATING PROFIT

# 733 MSEK

### SALES BY PRODUCT AREA



### OPERATING PROFIT BY PRODUCT AREA\*



\* Excluding Other operations.

For snuff, sales increased by 20 percent during the second quarter to 953 MSEK (794) and operating profit increased by 32 percent to 410 MSEK (311). Scandinavian snus sales were up 26 percent compared to the second quarter of the prior year, volumes measured in number of cans declined by 2 percent. Snuff sales in North America were up by 22 percent in local currency, as a result of a volume growth of 21 percent.

For cigars, sales increased by 7 percent during the second quarter to 908 MSEK (847). Operating profit increased in local currencies but due to translation effects declined in Swedish kronor to 184 MSEK (193). Sales for cigars grew in both the US and in Europe in local currencies as a result of acquired businesses. Operating profit increased in the US in local currency and remained flat versus prior year in Europe. Operating margin for cigars reached 20.3 percent (22.7).

Group operating profit for the second quarter increased by 14 percent to 733 MSEK (642). In local currencies operating profit increased by 21 percent. Currency translation has affected the operating profit comparison negatively by 47 MSEK.

Operating margin for the second quarter amounted to 22.3 percent compared to 20.8 percent for the second quarter of 2007.

Earnings per share (basic and diluted) for the second quarter increased by 22 percent to 2.02 SEK (1.66).

## Sales and results for the first six months

Sales for the first six months amounted to 6,103 MSEK (5,752). In local currencies, sales increased by 11 percent. Operating profit amounted to 1,276 MSEK (1,176). Currency translation has affected the operating profit comparison negatively by 68 MSEK.

Group operating margin during the first six months was 20.9 percent (20.4).

EPS (basic) for the first six months was 3.36 SEK (2.89). Diluted EPS was 3.35 SEK (2.89).

### SUMMARY OF CONSOLIDATED INCOME STATEMENT

MSEK	April–June		January–June		Full year
	2008	2007	2008	2007	2007
Sales	3,284	3,090	6,103	5,752	12,551
Operating profit excl. larger one time items	733	642	1,276	1,176	2,730
Operating profit	733	642	1,276	1,176	2,997
Profit before income tax	614	563	1,041	1,031	2,662
Net profit for the period	512	441	854	773	2,056
Earnings per share, diluted (SEK)	2.02	1.66	3.35	2.89	7.80



**CEO Lars Dahlgren:**

The second quarter confirms a continued strong development of the snus and snuff product lines. Tax-free and Norway compensated for lower volumes in Sweden and overall profit for snus in Scandinavia improved significantly compared to the second quarter of 2007. In the US the national launch of Red Man moist snuff continued, and our US snuff business

gained market share during the quarter. For cigars, sales have started to return to more normal levels following a weak first quarter of 2008. The remaining product groups delivered solid results in local currencies. We maintain our outlook for 2008 with improving sales and underlying operating profit for the Group compared to 2007."

Sales by product area, MSEK	April-June			January-June			July 2007-June 2008	Full year 2007
	2008	2007	Change %	2008	2007	Change %		
Snuff	953	794	20	1,774	1,457	22	3,606	3,289
Cigars	908	847	7	1,665	1,581	5	3,495	3,411
Chewing tobacco	227	253	-10	437	492	-11	901	956
Pipe tobacco & accessories	189	203	-7	387	408	-5	830	851
Lights	374	354	5	721	694	4	1,500	1,473
Other operations	634	638	-1	1,119	1,121	0	2,569	2,571
<b>Total</b>	<b>3,284</b>	<b>3,090</b>	<b>6</b>	<b>6,103</b>	<b>5,752</b>	<b>6</b>	<b>12,901</b>	<b>12,551</b>

Operating profit by product area, MSEK	April-June			January-June			July 2007-June 2008	Full year 2007
	2008	2007	Change %	2008	2007	Change %		
Snuff	410	311	32	728	541	34	1,553	1,366
Cigars	184	193	-4	296	357	-17	676	737
Chewing tobacco	77	82	-6	146	154	-5	305	312
Pipe tobacco & accessories	47	24	99	99	79	24	220	201
Lights	62	62	0	116	119	-3	249	252
Other operations	-47	-29		-108	-74		-172	-137
<b>Subtotal</b>	<b>733</b>	<b>642</b>	<b>14</b>	<b>1,276</b>	<b>1,176</b>	<b>9</b>	<b>2,830</b>	<b>2,730</b>
<i>Larger one time items</i>								
Capital gain from sale of real estate							267	267
<b>Total</b>	<b>733</b>	<b>642</b>	<b>14</b>	<b>1,276</b>	<b>1,176</b>	<b>9</b>	<b>3,098</b>	<b>2,997</b>

Operating margin by product area, percent	April-June			January-June			July 2007-June 2008	Full year 2007
	2008	2007		2008	2007			
Snuff	43.0	39.1		41.1	37.2		43.1	41.5
Cigars	20.3	22.7		17.8	22.6		19.3	21.6
Chewing tobacco	34.1	32.3		33.4	31.2		33.8	32.7
Pipe tobacco & accessories	25.0	11.7		25.5	19.4		26.5	23.6
Lights	16.6	17.5		16.0	17.1		16.6	17.1
<b>Group*</b>	<b>22.3</b>	<b>20.8</b>		<b>20.9</b>	<b>20.4</b>		<b>21.9</b>	<b>21.8</b>

\* Excluding larger one time items

EBITDA by product area, MSEK	April-June			January-June			July 2007-June 2008	Full year 2007
	2008	2007	Change %	2008	2007	Change %		
Snuff	448	347	29	804	614	31	1,701	1,511
Cigars	232	237	-2	393	446	-12	867	920
Chewing tobacco	82	87	-5	156	164	-5	322	330
Pipe tobacco & accessories	55	32	69	114	96	18	252	235
Lights	72	74	-3	136	142	-4	293	299
Other operations	-46	-26		-105	-69		-165	-129
<b>Total</b>	<b>842</b>	<b>750</b>	<b>12</b>	<b>1,498</b>	<b>1,393</b>	<b>8</b>	<b>3,271</b>	<b>3,166</b>

EBITDA margin by product area, percent	April-June			January-June			July 2007-June 2008	Full year 2007
	2008	2007		2008	2007			
Snuff	47.0	43.7		45.3	42.1		47.2	45.9
Cigars	25.5	28.0		23.6	28.2		24.8	27.0
Chewing tobacco	36.3	34.3		35.7	33.3		35.7	34.5
Pipe tobacco & accessories	28.9	15.8		29.5	23.6		30.4	27.6
Lights	19.2	20.8		18.9	20.5		19.5	20.3
<b>Group</b>	<b>25.7</b>	<b>24.3</b>		<b>24.5</b>	<b>24.2</b>		<b>25.4</b>	<b>25.2</b>

## Product area

# Snuff/Snus

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

During the second quarter, sales increased by 20 percent compared to the same quarter of the previous year, to 953 MSEK (794), and operating profit increased by 32 percent, to 410 MSEK (311). Currency translation impacts have affected the sales and operating profit comparison negatively. Operating profit improved significantly in the Scandinavian snus business.

The operating margin in Scandinavia improved. In the US, the operating margin was lower than last year's second quarter due to continued substantial marketing costs related to the national roll-out of Red Man moist snuff. The operating margin for the total product group was 43.0 percent (39.1).

In Scandinavia, sales volumes measured in number of cans, were down by 2 percent during the second quarter compared to the previous year. Excluding hoarding effects in 2007 and 2008, sales volumes are estimated to have declined by somewhat less than 5 percent.

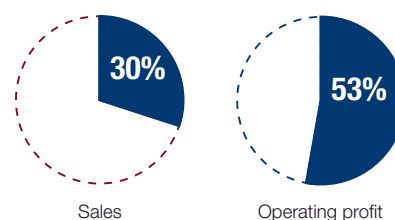
Sales and operating profit in Scandinavia increased as strong volume growth in Norway and tax-free channels and improved price levels more than offset the volume decline in the Swedish market.

In the US, sales volumes during the second quarter were up by 21 percent compared to the same period in the previous year. Volumes for Longhorn and Timber Wolf combined were up by 8 percent. The national roll-out of the Red Man brand continued, which contributed significantly to the volume increase. The Red Man launch is being supported by extensive marketing programs. At the beginning of the year, the Triumph brand of Swedish style snus was launched in a test market in Ohio as part of the joint venture with Lorillard. The product is currently available in most outlets that sell tobacco products in the state.

For the first six months of the year, sales increased to 1,774 MSEK (1,457) and operating profit increased to 728 MSEK (541). Operating margin was 41.1 percent (37.2).



SHARE OF GROUP TOTAL



KEY DATA

	January-June		Full year
MSEK	2008	2007	2007
Sales	1,774	1,457	3,289
Operating profit	728	541	1,366
Operating margin, %	41.1	37.2	41.5

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

## Product area

# Cigars

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

During the second quarter, sales were 908 MSEK (847), and operating profit amounted to 184 MSEK (193). Currency translation has affected the comparisons for both sales and operating profit negatively. In local currencies, sales in the second quarter increased by 16 percent compared to the same period of the previous year, while operating profit increased by 4 percent. Operating margin was 20.3 percent (22.7).

During the second quarter, US premium cigar volumes started to return to more normal levels, but were still below the level of the previous year (excluding acquisitions). Sales in local currencies (excluding acquisitions) were down approximately 10 percent in part due to the lower shipments, and in part due to mix shifts toward smaller and less expensive cigars. In the US, Cigars International, acquired in September 2007, has shown a strong performance.

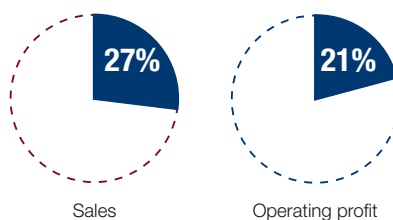
Sales of mass market cigars in the US were down approximately 4 percent in local currency during the second quarter versus previous year, while operating income was stable. Volume declines were offset by price increases, some mix improvements and lower costs.

Cigar sales in Europe increased as a result of the Bogaert acquisition in June 2007. Excluding the impact of the Bogaert acquisition, sales and profits were lower due to difficult market conditions in some countries. In the Netherlands a smoking ban in all bars and restaurants was introduced effective July 1 which has impacted shipments during the period. Including the Bogaert acquisition, operating profit remained flat compared to the same period previous year.

For cigars in total, sales for the first six months amounted to 1,665 MSEK (1,581), while operating profit was 296 MSEK (357). In local currencies sales increased by 13 percent versus the previous year, while operating profit declined by 11 percent.



SHARE OF GROUP TOTAL



KEY DATA

MSEK	January-June		Full year
	2008	2007	2007
Sales	1,665	1,581	3,411
Operating profit	296	357	737
Operating margin, %	17.8	22.6	21.6

## Product area

Chewing tobacco



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

During the second quarter, sales declined by 10 percent, to 227 MSEK (253). In local currency, sales of chewing tobacco increased by 3 percent as better prices more than compensated a decline in volumes. As a result of the weaker USD, operating profit declined by 6 percent, to 77 MSEK (82). In local currency, the operating profit increased by 8 percent. Operating margin was 34.1 percent (32.3).

Sales for the first six months amounted to 437 MSEK (492) while operating profit amounted to 146 MSEK (154). In local currency, sales for the first six months was up 1 percent, while operating profit grew by 8 percent. Operating margin was 33.4 percent (31.2).

## Product area

Pipe tobacco and accessories



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

During the second quarter, sales declined by 7 percent to 189 MSEK (203) and the operating profit reached 47 MSEK (24). During the second quarter of 2007, operating profit was negatively affected by 20 MSEK by the closure of a manufacturing facility. The sales and operating profit comparisons are affected by the depreciation of the South African Rand. In local currencies, sales increased by 8 percent, while operating profit, excluding the costs of the plant closure in 2007, increased by 31 percent. The volume decline in South Africa, in both the first and the second quarter, has been more modest than what we consider to be the historic trend. The more efficient production setup also contributed to the improved profit. Operating margin was 25.0 percent (11.7).

Sales for the first six months amounted to 387 MSEK (408), while operating profit amounted to 99 MSEK (79). Operating margin was 25.5 percent (19.4).

## Product area

Lights



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

During the second quarter sales amounted to 374 MSEK (354), while operating profit amounted to 62 MSEK (62). Operating margin was 16.6 percent (17.5).

Sales for the first six months amounted to 721 MSEK (694), while operating profit amounted to 116 MSEK (119). Operating margin was 16.0 percent (17.1).

## Other operations

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

Sales in Other operations for the second quarter amounted to 634 MSEK (638). Operating profit for Other operations was a negative 47 MSEK (negative 29).

Sales for the first six months amounted to 1,119 MSEK (1,121). Operating profit for the first six months was a negative 108 MSEK (negative 74).

## Taxes

The Group tax expense for the first half of the year amounted to 187 MSEK (258), corresponding to a tax rate of 18 percent (25).

## Earnings per share

Earnings per share (basic and diluted) for the second quarter amounted to 2.02 SEK (1.66). For first half of the year, basic earnings per share amounted to 3.36 SEK (2.89), and diluted earnings per share amounted to 3.35 SEK (2.89).

## Depreciation and amortization

Total depreciation and amortization for the first half of the year amounted to 221 MSEK (217), of which depreciation on property, plant and equipment amounted to 153 MSEK (152) and amortization of intangible assets amounted to 68 MSEK (65).

## Financing and cash flow

Cash flow from operations for the first half of the year increased to 653 MSEK compared with 571 MSEK for the same period of the previous year. Corporate income tax payments during the first half of the year were 346 MSEK, compared with 325 MSEK in 2007. The cash flow for the first six months, in 2008 as well as in 2007, was adversely impacted by high payments of tobacco taxes following year end hoarding of tobacco products in the Swedish market.

The net debt as per June 30, 2008 amounted to 8,017 MSEK compared to 7,127 MSEK at December 31, 2007. The increase of 890 MSEK includes dividend payments of 886 MSEK and share repurchases, net, of 634 MSEK. Investments in property, plant and

equipment amounted to 138 MSEK (289).

During the first half of the year new bond loans of 786 MSEK were issued. Repayment of bond loans for the same period amounted to 642 MSEK.

Cash and cash equivalents amounted to 2,404 MSEK at the end of the period, compared with 3,439 MSEK at the beginning of the year. As of June 30, 2008, Swedish Match had 2,868 MSEK in unutilized committed credit lines.

Net finance cost for the first half of the year increased to 235 MSEK (145) as a result of higher average net debt and increased interest rates.

## Average number of employees

The average number of employees in the Group during the first half of the year was 11,824 compared with 12,075 for the full year 2007.

## Share structure

The Annual General Meeting on April 22, 2008 approved a mandate to repurchase shares for a maximum amount of 3,000 MSEK until the next Annual General Meeting with the condition that the Company at any time does not hold more than 10 percent of the shares of the Company. In addition, in accordance with the resolution at the Annual General Meeting, 12.0 million shares held in treasury have been cancelled. The total amount of registered shares in the Company after the cancellation of shares is 255,000,000 shares. In June, after Annual General Meeting approval, the Company issued 1,592,851 call options to senior Company officials and key employees for the stock option program for 2007. These call options can be exercised from March 1, 2011 to February 29, 2013. The exercise price is 172.68 SEK.

During the first six months 5.3 million shares were repurchased for 696 MSEK at an average price of 135.52 SEK. Total shares bought back by Swedish Match since the buyback programs started have been repurchased at an average price of 78.66 SEK. During the first six months the Company sold 0.8 million treasury shares at an average price of 78.22 SEK as a result of option holders exercising options. As per June 30, 2008 Swedish Match held 3.5 million shares in its treasury, corresponding to 1.4 percent

of the total number of shares. The number of shares outstanding, net after repurchase and after the sale of treasury shares, as per June 30, 2008 amounted to 251.5 million. In addition, the Company has call options outstanding as of June 30, 2008 corresponding to 4.6 million shares exercisable in gradual stages from 2008–2013.

## Other events

On May 13, 2008, the Swedish Match Board of Directors appointed Lars Dahlgren as the new President and CEO of Swedish Match AB, effective June 1, 2008. Also effective June 1, 2008, Joakim Tilly was appointed Chief Financial Officer of the Group.

## Swedish Match AB (publ)

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

Sales in the Parent company for the first six months amounted to 1 MSEK (6). Profit before tax amounted to 602 MSEK (loss 262) and net profit to 858 MSEK (loss 192). The main sources of revenues for the Parent company are dividends and Group contributions from subsidiaries. Group contributions are typically received at the end of the year.

The Group's treasury operations are included in the operations of the Parent company and include the major part of the Group's external borrowings. Some of these loans have variable interest rates and an increase of interest rates during the next six months could increase the interest expense in the Parent company.

Capital expenditures during the first six months amounted to 0 MSEK (1). The cash flow for the period was negative 743 MSEK (positive 1,282). Cash and bank at the end of the period amounted to 2,066 MSEK compared with 2,808 MSEK at the beginning of the year. During the first half of the year the Parent company made share repurchases, net, of 634 MSEK and paid dividends of 886 MSEK.

## Risk factors

Swedish Match faces intense competition in all of its markets and for each of its products and such competition may increase in the future. In order to be successful the Group must promote its brands successfully and anticipate and respond to new customer trends. Restrictions on advertising and

promotion may, however, make it more difficult to counteract loss of consumer loyalty. Competitors may develop and promote new products which could be successful, and could thereby have an adverse effect on Swedish Match's results of operations.

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

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

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

## Outlook for 2008

The outlook presented in the interim report for the first quarter of 2008 remains valid with the exception of the tax rate.

For the full year we expect both sales and underlying operating profit to exceed the levels in 2007, driven primarily by a strong performance in the snuff/snus

product area. We expect the Scandinavian snus business to continue to deliver strong results for the remainder of the year, and in the US we expect further market share gains and volume growth.

As expected, the cigar business performed better in the second quarter than in the first, and in the US we see room for some further improvement for the remainder of the year.

The revised estimate for the full year tax rate is 18 percent (previous guidance around 20 percent), due to a number of factors including items of temporary nature and a weak USD exchange rate.

## Potential change to the Swedish income tax legislation

On June 24, 2008 the Swedish Ministry of Finance submitted for comments a proposal from the tax authorities that would severely limit the tax deductibility of interest expenses on intra-group loans in Sweden effective 2009. In the proposal the tax authorities also mentioned that the resulting additional tax revenue could be used to finance a general lowering of the Swedish corporate income tax rate, currently at 28 percent. Most initial comments in the media to the proposal have been negative as the proposal affects normal business transactions.

If the tax legislation were to be changed based on the proposal from the tax authorities, Swedish Match estimates that the tax rate may rise to around 25 percent in 2009. This estimate is uncertain both with respect to the amount of additional income tax Swedish Match would have to pay as well as the timing of a possible change to the legislation.

## Accounting principles

The financial information in this report has been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the European Commission for application within the EU. The report is prepared in accordance with the Accounting Standard IAS 34 Interim Financial Reporting. The accounting principles are the same as in the 2007 Annual Report. The financial reporting of the Parent company has been prepared in accordance with the Annual Accounts Act and RFR 2.1 Reporting for legal entities.

## Forward-looking information

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

## Additional information

This report has not been reviewed by the Company's auditors. The January-September 2008 report will be released on October 29.

The Board of Directors and the CEO declare that the half year report gives a true and fair view of the operations, position and result of the Company and the Group and describes the major risks and uncertainties of the Company and the companies in the Group.

Stockholm, July 18, 2008

Conny Karlsson  
Chairman

Andrew Cripps  
Deputy Chairman

Charles A. Blixt  
Board member

Kenneth Ek  
Board member

Karen Guerra  
Board member

Arne Jurbrant  
Board member

Eva Larsson  
Board member

Joakim Lindström  
Board member

Kersti Strandqvist  
Board member

Meg Tiveus  
Board member

Lars Dahlgren  
President and CEO

The character of the information in this report is such that it shall be disclosed by Swedish Match AB (publ) in accordance with the Swedish Securities Markets Act. The information was disclosed to the media on July 18, 2008 at 08.00 a.m (CET).



## Key data

	January–June		12 months ended Jun 30, 2008	Full year 2007
	2008	2007		
Operating margin, % <sup>1)</sup>	20.9	20.4	21.9	21.8
Operating capital, MSEK	8,078	8,867	8,078	8,439
Return on operating capital, % <sup>1)</sup>			33.4	33.1
Net debt, MSEK	8,017	8,235	8,017	7,127
Investments in property, plant and equipment, MSEK <sup>2)</sup>	147	289	400	541
EBITDA, MSEK <sup>3)</sup>	1,498	1,393	3,271	3,166
EBITA, MSEK <sup>4)</sup>	1,344	1,241	2,968	2,865
EBITA interest cover	6.0	8.7	7.4	9.0
Net debt/EBITA			2.7	2.5
Share data <sup>5)</sup>				
Earnings per share, SEK				
Basic	3.36	2.89	8.34	7.82
Diluted	3.35	2.89	8.32	7.80
Number of shares outstanding at end of period	251,530,000	260,038,200	251,530,000	255,874,800
Average number of shares outstanding	253,855,908	267,277,508	255,893,845	262,604,644
Average number of shares outstanding, diluted	254,350,043	267,771,232	256,509,679	263,405,637

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

<sup>2)</sup> Includes investments in assets held for sale and biological assets

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

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

<sup>5)</sup> Profit attributable to equity holders of the Parent

## Consolidated Income Statement in summary

MSEK	April–June		Change %	January–June		Change %	12 months ended Jun 30, 2008	Full year 2007	Change %
	2008	2007		2008	2007				
Sales, including tobacco tax	6,031	5,645		11,032	10,268		23,616	22,852	
Less tobacco tax	-2,746	-2,555		-4,930	-4,515		-10,715	-10,301	
<b>Sales</b>	<b>3,284</b>	<b>3,090</b>	<b>6</b>	<b>6,103</b>	<b>5,752</b>	<b>6</b>	<b>12,901</b>	<b>12,551</b>	<b>3</b>
Cost of sales	-1,687	-1,629		-3,121	-2,997		-6,703	-6,578	
<b>Gross profit</b>	<b>1,598</b>	<b>1,461</b>	<b>9</b>	<b>2,982</b>	<b>2,756</b>	<b>8</b>	<b>6,198</b>	<b>5,973</b>	<b>4</b>
Sales and administrative expenses*	-870	-821		-1,708	-1,582		-3,102	-2,976	
Share of profit in equity accounted investees	5	2		2	2		1	1	
<b>Operating profit</b>	<b>733</b>	<b>642</b>	<b>14</b>	<b>1,276</b>	<b>1,176</b>	<b>9</b>	<b>3,098</b>	<b>2,997</b>	<b>3</b>
Financial income	33	40		74	76		162	165	
Financial expenses	-153	-119		-309	-221		-588	-501	
Net finance cost	-119	-79		-235	-145		-426	-336	
<b>Profit before income taxes</b>	<b>614</b>	<b>563</b>	<b>9</b>	<b>1,041</b>	<b>1,031</b>	<b>1</b>	<b>2,672</b>	<b>2,662</b>	<b>0</b>
Income tax expense	-102	-122		-187	-258		-536	-606	
<b>Net profit for the period</b>	<b>512</b>	<b>441</b>	<b>16</b>	<b>854</b>	<b>773</b>	<b>10</b>	<b>2,136</b>	<b>2,056</b>	<b>4</b>
<i>Attributable to:</i>									
Equity holders of the Parent	512	441		853	773		2,135	2,055	
Minority interests	0	0		0	0		1	1	
<b>Net profit for the period</b>	<b>512</b>	<b>441</b>	<b>16</b>	<b>854</b>	<b>773</b>	<b>10</b>	<b>2,136</b>	<b>2,056</b>	<b>4</b>
Earnings per share, basic, SEK	2.02	1.66		3.36	2.89		8.34	7.82	
Earnings per share, diluted, SEK	2.02	1.66		3.35	2.89		8.32	7.80	

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

## Consolidated Balance Sheet in summary

MSEK	Jun 30, 2008	Dec 31, 2007
Intangible assets	4,081	4,419
Property, plant and equipment	2,306	2,388
Financial fixed assets	1,070	1,011
Current operating assets	4,868	5,204
Other current investments	5	5
Cash and cash equivalents	2,404	3,439
<b>Total assets</b>	<b>14,735</b>	<b>16,467</b>
Equity attributable to equity holders of the Parent	-420	720
Minority interest	3	4
<b>Total equity</b>	<b>-417</b>	<b>724</b>
Non-current provisions	1,326	1,292
Non-current loans	9,084	8,768
Other non-current liabilities	557	567
Current provisions	38	60
Current loans	1,011	1,271
Other current liabilities	3,136	3,785
<b>Total equity and liabilities</b>	<b>14,735</b>	<b>16,467</b>

## Consolidated Cash Flow Statement in summary

MSEK	January–June	
	2008	2007
<b>Profit before income taxes</b>	<b>1,041</b>	<b>1,031</b>
Adjustments for non-cash items and other	153	208
Income tax paid	-346	-325
<b>Cash flow from operating activities before changes in working capital</b>	<b>848</b>	<b>914</b>
Cash flow from changes in working capital	-195	-343
<b>Net cash from operating activities</b>	<b>653</b>	<b>571</b>
<i>Investing activities</i>		
Acquisition of property, plant and equipment*	-138	-289
Proceeds from sale of property, plant and equipment	74	25
Acquisition of intangible assets	-2	-67
Acquisition of subsidiaries, net of cash acquired	-6	-365
Divestment of business operations	5	-
Changes in financial receivables etc.	-4	38
Changes in current investments	0	51
<b>Net cash used in investing activities</b>	<b>-70</b>	<b>-607</b>
<i>Financing activities</i>		
Changes in loans	102	743
Dividends paid to equity holders of the Parent	-886	-664
Repurchase of own shares	-696	-1,975
Stock options exercised	62	122
Other	-116	39
<b>Net cash used in financing activities</b>	<b>-1,534</b>	<b>-1,735</b>
<b>Net decrease in cash and cash equivalents</b>	<b>-951</b>	<b>-1,771</b>
Cash and cash equivalents at the beginning of the period	3,439	3,042
Effect of exchange rate fluctuations on cash and cash equivalents	-84	17
<b>Cash and cash equivalents at the end of the period</b>	<b>2,404</b>	<b>1,288</b>

\* Includes investments held for sale and biological assets

## Consolidated Statement of Recognized Income and Expense

MSEK	January–June	
	2008	2007
Net profit for the period recognized in the income statement	854	773
<i>Income and expenses recognized in equity:</i>		
Effective portion of changes in fair value of cash flow hedges	42	32
Translation difference in foreign operations	-519	22
Tax on items taken to/transferred from equity	-12	-9
<b>Total transactions taken to equity</b>	<b>-489</b>	<b>45</b>
<b>Total income and expense recognized for the period</b>	<b>365</b>	<b>818</b>
<i>Attributable to:</i>		
Equity holders of the Parent	364	818
Minority interest	0	0
<b>Total income and expense recognized for the period</b>	<b>365</b>	<b>818</b>

## Change in Shareholders' Equity

MSEK	January–June	
	2008	2007
<b>Opening balance as per January 1</b>	<b>724</b>	<b>2,041</b>
Total income and expense recognized for the period	365	818
Repurchase of own shares	-696	-1,975
Stock options exercised	62	122
Share-based payments, IFRS 2	15	14
Dividends paid to equity holders of the Parent	-886	-664
Cancellation of shares	-18	-
Bonus issue	18	-
Minority interest	0	0
<b>Closing balance as per June 30</b>	<b>-417</b>	<b>356</b>

## Income Statement in summary for Parent company

MSEK	January–June		Full year
	2008	2007	2007
Net sales	1	6	6
Cost of sales	0	-3	-3
<b>Gross profit</b>	<b>1</b>	<b>3</b>	<b>3</b>
Selling and administrative expenses	-168	-131	-351
<b>Operating loss</b>	<b>-167</b>	<b>-128</b>	<b>-348</b>
Income from participation in Group companies	1,521	1	17,714
Net finance cost	-752	-134	-368
<b>Profit after financial items</b>	<b>602</b>	<b>-262</b>	<b>16,998</b>
Appropriations	0	0	11
<b>Profit before income tax</b>	<b>602</b>	<b>-262</b>	<b>17,009</b>
Income tax	256	70	30
<b>Profit for the year</b>	<b>858</b>	<b>-192</b>	<b>17,039</b>

## Balance Sheet in summary for Parent company

MSEK	Jun 30, 2008	Dec 31, 2007
Intangible and tangible assets	12	19
Financial fixed assets	53,183	52,082
Current assets	4,693	7,381
<b>Total assets</b>	<b>57,888</b>	<b>59,482</b>
<b>Equity</b>	<b>21,554</b>	<b>22,182</b>
Untaxed reserves	13	13
Non-current liabilities	26,798	26,421
Provisions	38	20
Current liabilities	9,485	10,846
<b>Total liabilities</b>	<b>36,334</b>	<b>37,300</b>
<b>Total equity and liabilities</b>	<b>57,888</b>	<b>59,482</b>

**Quarterly data**

MSEK	2006			2007				2008	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Sales, including tobacco tax	5,502	5,595	6,097	4,623	5,645	5,984	6,600	5,002	6,031
Less tobacco tax	-2,260	-2,335	-2,640	-1,961	-2,555	-2,713	-3,073	-2,183	-2,746
<b>Sales</b>	<b>3,242</b>	<b>3,261</b>	<b>3,457</b>	<b>2,663</b>	<b>3,090</b>	<b>3,272</b>	<b>3,527</b>	<b>2,818</b>	<b>3,284</b>
Cost of sales	-1,657	-1,675	-1,877	-1,368	-1,629	-1,702	-1,880	-1,434	-1,687
<b>Gross profit</b>	<b>1,584</b>	<b>1,586</b>	<b>1,581</b>	<b>1,295</b>	<b>1,461</b>	<b>1,570</b>	<b>1,647</b>	<b>1,384</b>	<b>1,598</b>
Sales and administrative expenses	-805	-780	-772	-762	-821	-810	-851	-838	-870
Share of profit in equity accounted investees	5	3	3	0	2	0	-1	-3	5
	785	809	811	534	642	759	795	543	733
<i>Larger one time items</i>									
Capital gain from sale of real estate	-	-	-	-	-	-	267	-	-
Pension curtailment gain	148	-	-	-	-	-	-	-	-
<b>Operating profit</b>	<b>933</b>	<b>809</b>	<b>811</b>	<b>534</b>	<b>642</b>	<b>759</b>	<b>1,062</b>	<b>543</b>	<b>733</b>
Financial income	26	34	39	36	40	33	56	40	33
Financial expenses	-77	-101	-107	-102	-119	-137	-142	-156	-153
	-51	-67	-68	-66	-79	-105	-86	-116	-119
<i>Larger one time items</i>									
Gain on sale of securities	-	-	111	-	-	-	-	-	-
Net finance cost	-51	-67	43	-66	-79	-105	-86	-116	-119
<b>Profit before income taxes</b>	<b>882</b>	<b>742</b>	<b>854</b>	<b>468</b>	<b>563</b>	<b>655</b>	<b>976</b>	<b>427</b>	<b>614</b>
Income tax expense	-264	-113	-251	-136	-122	-164	-185	-85	-102
<b>Net profit for the period</b>	<b>617</b>	<b>628</b>	<b>603</b>	<b>332</b>	<b>441</b>	<b>491</b>	<b>791</b>	<b>341</b>	<b>512</b>
<i>Attributable to:</i>									
Equity holders of the Parent	617	628	603	332	441	491	791	341	512
Minority interest	0	0	0	0	0	0	0	0	0
<b>Net profit for the period</b>	<b>617</b>	<b>628</b>	<b>603</b>	<b>332</b>	<b>441</b>	<b>491</b>	<b>791</b>	<b>341</b>	<b>512</b>

**Sales by product area**

MSEK	2006			2007				2008	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Snuff	831	785	963	662	794	852	981	821	953
Cigars	888	903	857	735	847	902	928	757	908
Chewing tobacco	277	273	240	238	253	243	222	210	227
Pipe tobacco & accessories	218	217	226	205	203	220	223	198	189
Lights	368	360	388	340	354	374	405	347	374
Other operations	659	723	784	483	638	682	769	484	634
<b>Total</b>	<b>3,242</b>	<b>3,261</b>	<b>3,457</b>	<b>2,663</b>	<b>3,090</b>	<b>3,272</b>	<b>3,527</b>	<b>2,818</b>	<b>3,284</b>

**Operating profit by product area**

MSEK	2006			2007				2008	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Snuff	383	385	462	231	311	383	441	318	410
Cigars	207	231	168	164	193	185	195	112	184
Chewing tobacco	81	95	76	72	82	83	75	69	77
Pipe tobacco & accessories	58	68	63	56	24	64	58	51	47
Lights	72	64	51	57	62	67	67	54	62
Other operations	-17	-35	-9	-45	-29	-22	-41	-61	-47
<b>Subtotal</b>	<b>784</b>	<b>808</b>	<b>811</b>	<b>534</b>	<b>642</b>	<b>759</b>	<b>795</b>	<b>543</b>	<b>733</b>
<i>Larger one time items</i>									
Capital gain from sale of real estate	-	-	-	-	-	-	267	-	-
Pension curtailment gain	148	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>148</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>267</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>932</b>	<b>808</b>	<b>811</b>	<b>534</b>	<b>642</b>	<b>759</b>	<b>1,062</b>	<b>543</b>	<b>733</b>

**Operating margin by product area\***

Percent	2006			2007				2008	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Snuff	46.1	49.1	48.0	34.9	39.1	45.0	45.0	38.7	43.0
Cigars	23.4	25.6	19.6	22.3	22.7	20.5	21.0	14.8	20.3
Chewing tobacco	29.3	34.7	31.7	30.1	32.3	34.3	34.1	32.7	34.1
Pipe tobacco & accessories	26.5	31.5	28.0	27.1	11.7	28.9	25.9	26.0	25.0
Lights	19.5	17.7	13.1	16.8	17.5	17.8	16.4	15.5	16.6
<b>Group</b>	<b>24.2</b>	<b>24.8</b>	<b>23.5</b>	<b>20.0</b>	<b>20.8</b>	<b>23.2</b>	<b>22.5</b>	<b>19.3</b>	<b>22.3</b>

\* Excluding larger one time items

Swedish Match is a global Group with a broad offering of market-leading brands in smokefree tobacco products, cigars, pipe tobacco and lights products. The Company sells products in more than 100 countries, with production units in 11 countries. The markets for snuff/snus and cigars have been growing in both sales and volume terms over the past several years, while the markets for chewing tobacco, pipe tobacco, and lights have been declining. Swedish Match also distributes third parties' tobacco products on the Swedish market. Swedish Match generates approximately half of its sales and more than two thirds of its operating income from snuff and cigars. The Swedish Match share is listed on the OMX Nordic Exchange in Stockholm.