

Full Year Report 2007

- Net sales for the fourth quarter amounted to 3,527 MSEK (3,457) and 12,551 MSEK (12,911) for the full year
- Operating profit for the fourth quarter amounted to 1,062 MSEK (811) and 2,997 MSEK (3,285) for the full year
- Operating profit excluding larger one time items* for the fourth quarter amounted to 795 MSEK (811) and 2,730 MSEK (3,137) for the full year
- Net profit for the fourth quarter amounted to 791 MSEK (603), and 2,056 MSEK (2,335) for the full year
- EPS for the fourth quarter amounted to 3.04 SEK (2.19) and 7.82 SEK (8.13) for the full year
- Hoarding of snus in December 2007 and 2006 and adverse currency translation effects distort comparisons between the periods
- The Board proposes an increased dividend to 3.50 SEK (2.50)

* Larger one time items comprise a gain from the sale of head office buildings in Stockholm in Q4 2007 of 267 MSEK and a pension plan curtailment gain of 148 MSEK in Q2 2006.

Summary of Consolidated Income Statement

MSEK	Oct – Dec		Full	Full
	2007	2006	year 2007	year 2006
Sales	3,527	3,457	12,551	12,911
Operating profit excl. larger one time items	795	811	2,730	3,137
Operating profit	1,062	811	2,997	3,285
Profit before income tax	976	854	2,662	3,173
Net profit for the period	791	603	2,056	2,335
Earnings per share (SEK)	3.04	2.19	7.82	8.13

CEO Sven Hindrikes:

“2007 has been a successful year for Swedish Match. Strategically focus has been on strengthening the platform for growth through investments in brands, new products and category leadership to develop and defend our market positions. The fourth quarter showed an all time high in Group sales supported by the strong development in product areas snuff/snus and cigars. Hoarding effects, following significant excise tax increases in Sweden and negative currency translation effects, distorted comparisons for Group operating profit. The Scandinavian snus market showed further positive developments despite the lower volumes in

Sweden. The US moist snuff market showed strong development and Swedish Match continued to gain market share during 2007. In cigars, the recently acquired businesses in Europe and the US contributed to sales in the fourth quarter. The other product areas demonstrated a stable development in sales and margins and contributed positively to the strong cash generation. Swedish Match ends the year in a good position and a continued positive development is foreseen for 2008. Underlying sales and operating profit are expected to improve compared to 2007”.

Sales and results for the fourth quarter

In local currencies, sales increased by 5 percent compared to the same period previous year. Reported sales for the fourth quarter increased to 3,527 MSEK (3,457) with currency translation negatively affecting the sales comparison by 92 MSEK.

For snuff, reported sales increased by 2 percent during the fourth quarter to 981 MSEK (963) and operating profit declined by 5 percent to 441 MSEK (462). Operating margin was 45.0 percent (48.0). The positive impact from hoarding due to excise tax increases for snus in Sweden were significantly lower in 2007 than in 2006. Launch costs related to Red Man moist snuff in the US affected the operating margins for the total product group negatively. Improved price levels, higher volumes to Norway and tax free compensated for lower volumes in Sweden. North European Division snus sales were flat with prior year. North American snuff sales increased by 20 percent in local currency. The underlying operating margin improved when excluding the impact of lower hoarding and the launch costs related to Red Man moist snuff.

Sales of cigars in the fourth quarter were 928 MSEK (857), while operating profit improved to 195 MSEK (168). In local currencies sales increased by 15 percent, primarily coming from businesses acquired during 2007. Operating margin for cigars was 21.0 percent (19.6). Prior year operating margin was negatively affected by reorganization costs in Europe.

Group operating profit for the fourth quarter amounted to 1,062 MSEK (811). During the fourth quarter, a gain on the sale of head office buildings in Stockholm contributed 267 MSEK to operating profit. Currency translation has affected the operating profit comparison negatively by 20 MSEK.

Operating margin for the fourth quarter amounted to 30.1 percent compared to 23.5 percent for the fourth quarter 2006. Excluding the gain on the sale of the Stockholm office buildings, operating margin in the fourth quarter amounted to 22.5 percent.

EPS (basic) for the fourth quarter was 3.04 SEK (2.19). EPS (diluted) for the fourth quarter was 3.04 SEK (2.18).

Sales and results full year 2007

Sales for the full year amounted to 12,551 MSEK (12,911). In local currencies sales increased by 1 percent. Operating profit*, excluding larger one time items, amounted to 2,730 MSEK (3,137). The lower operating profit is mainly due to lower Scandinavian snuff volumes in the beginning of the year, higher marketing investments as well as currency translation effects. Currency translation has affected the operating profit comparison negatively by 117 MSEK.

Group operating margin for the full year was 23.9 percent (25.4). Group operating margin excluding larger one time items* was 21.8 percent (24.3).

The reported tax rate for the Group for the full year was 22.8 percent (26.4).

EPS (basic) for the full year was 7.82 SEK (8.13). Diluted EPS amounted to 7.80 SEK (8.10).

The Board proposes an increased dividend to 3:50 SEK (2:50).

* Excluding a gain of 267 MSEK from the sale of head office buildings in Stockholm in 2007 and a pension plan curtailment gain of 148 MSEK in 2006.

Sales by product area

MSEK	Oct – Dec		Chg %	Full year 2007	Full year 2006	Chg %
	2007	2006				
Snuff	981	963	2	3,289	3,363	-2
Cigars	928	857	8	3,411	3,407	0
Chewing tobacco	222	240	-8	956	1,063	-10
Pipe tobacco & Accessories	223	226	-1	851	899	-5
Lights	405	388	5	1,473	1,503	-2
Other operations	769	784	-2	2,571	2,677	-4
Total	3,527	3,457	2	12,551	12,911	-3

Operating profit by product area

MSEK	Oct – Dec		Chg %	Full year 2007	Full year 2006	Chg %
	2007	2006				
Snuff	441	462	-5	1,366	1,614	-15
Cigars	195	168	16	737	770	-4
Chewing tobacco	75	76	-1	312	338	-8
Pipe tobacco & Accessories	58	63	-9	201	265	-24
Lights	67	51	31	252	249	1
Other operations	-41	-9		-137	-99	
Subtotal	795	811	-2	2,730	3,137	-13
<i>Larger one time items</i>						
Pension curtailment gain	-	-		-	148	
Capital gain from sale of real estate	267	-		267	-	
Total	1,062	811	31	2,997	3,285	-9

Operating margin by product area

Percent	Oct – Dec		Full year 2007	Full year 2006
	2007	2006		
Snuff	45.0	48.0	41.5	48.0
Cigars	21.0	19.6	21.6	22.6
Chewing tobacco	34.1	31.7	32.7	31.8
Pipe tobacco & Accessories	25.9	28.0	23.6	29.5
Lights	16.4	13.1	17.1	16.6
Group*	22.5	23.5	21.8	24.3

* Excluding larger one time items

EBITDA by product area

MSEK	Oct – Dec		Chg %	Full year 2007	Full year 2006	Chg %
	2007	2006				
Snuff	477	497	-4	1,511	1,751	-14
Cigars	238	211	13	920	944	-3
Chewing tobacco	78	78	-1	330	357	-8
Pipe tobacco & Accessories	66	68	-4	235	300	-22
Lights	78	72	9	299	317	-6
Other operations	-40	-5		-129	-85	
Total	897	922	-3	3,166	3,583	-12

EBITDA margin by product area

Percent	Oct – Dec		Full year 2007	Full year 2006
	2007	2006		
Snuff	48.7	51.7	45.9	52.1
Cigars	25.6	24.6	27.0	27.7
Chewing tobacco	35.1	32.6	34.5	33.6
Pipe tobacco & Accessories	29.6	30.2	27.6	33.4
Lights	19.3	18.6	20.3	21.1
Group	25.4	26.7	25.2	27.8

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, which is significantly smaller than the Swedish market, is at present showing strong growth. The US is the world's largest snuff market measured in number of cans and is approximately five times larger than the Swedish market. In Sweden and Norway, Swedish Match has a leading position. In the US, the Company 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 and Taxi in South Africa.

Effective January 1, 2008 the excise tax on snus in Sweden increased by 37 percent to 336 SEK per kilogram. This followed a doubling of excise taxes on snus effective January 1, 2007. Altogether the excise tax for snus in Sweden has increased by 173 percent compared to the level in 2006.

During the fourth quarter, sales revenues increased by 2 percent compared to the same quarter previous year, to 981 MSEK (963), and operating profit decreased by 5 percent, to 441 MSEK (462). Currency translation impacts have affected the sales and operating profit comparison negatively. Operating profit declined somewhat in the Scandinavian snus business. During the fourth quarter, at least five million cans of additional snus were shipped due to hoarding in anticipation of higher excise taxes in January, 2008. In the fourth quarter of 2006, a similar hoarding was estimated to have been up to 13 million cans. The Company has increased marketing investments in Scandinavia and the US (including launch related costs

* 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.

for Red Man moist snuff) resulting in a somewhat lower operating profit in the US snuff business. Operating margin was 45.0 percent (48.0). The underlying operating margin improved when excluding lower hoarding in 2007 and the launch costs of Red Man moist snuff.

In Scandinavia, shipment volume in cans, during the fourth quarter were down 9 percent compared to the same period in the previous year. Excluding hoarding effects in 2006 and 2007, shipment volumes are estimated to have increased in the fourth quarter. Increased volumes to Norway and duty free offset Swedish volume declines.

In the US, shipment volumes measured in number of cans during the fourth quarter were up by 28 percent compared to the same period in the previous year. Volumes for Longhorn and Timber Wolf combined were up by 20 percent. Shipment volumes of Red Man moist snuff contributed to the volume increase. The Red Man launch was supported by extensive marketing efforts.

For the full year, sales amounted to 3,289 MSEK (3,363) while operating profit amounted to 1,366 MSEK (1,614). Operating margin was 41.5 percent (48.0). The main reason for the lower operating margin is the weak start of 2007, following the extensive hoarding in Sweden at the end of 2006. In addition, higher investments in marketing and product launches as well as a higher proportion of value priced products have impacted the operating margin negatively.

Cigars

Swedish Match is the world's second largest producer of cigars and cigarillos in sales value. Swedish Match offers a full range of different cigars and brands. Well known brands include Macanudo, La Gloria Cubana, White Owl, Garcia y Vega, La Paz, Hajenius, Justus van Maurik, Willem II, Salsa, and Wings. The US is the largest cigar market in the world. Swedish Match has a leading position in the premium segment and is well established in the segment for machine made cigars. After the US, the most important cigar markets are in Europe, where Swedish Match is well represented in most countries, with an especially good market position in the Netherlands and in the Nordic area.

During the fourth quarter, sales revenues were 928 MSEK (857), while operating profit was 195 MSEK (168). Currency translation has affected the comparisons for both sales and operating profit negatively. In local currencies, sales in the fourth quarter increased by 15 percent compared to the same period previous year, while operating profit increased by 25 percent. Operating margin was 21.0 percent (19.6).

Excluding the impact of acquisitions, sales in local currencies were unchanged for premium cigars in the US, while mass market cigars in the US and European cigars showed a decline. The operating profit for the fourth quarter in 2006 was negatively impacted by reorganization costs in Europe. In the fourth quarter 2007 a provision for integration costs related to the recently acquired Bogaert Cigars has been largely offset by capital gains from the sale of surplus property in the US. The trend in Europe towards less expensive cigars has continued during the quarter. In the US, the recently acquired Cigars International Inc. contributed positively to the result.

Group sales for the full year were 3,411 MSEK (3,407), while operating profit was 737 MSEK (770). In local currencies, sales increased by 6 percent, while operating profit increased by 2 percent, primarily attributable to acquired businesses.

In mid June, Swedish Match acquired Bogaert Cigars, a privately held cigar company headquartered in Belgium with production facilities in Belgium and Indonesia. The Bogaert Cigars portfolio consists of machine-made cigars/cigarillos of own-brands (Bogart and Hollandia) as well as private label.

In September, the Company acquired Cigars International Inc., a US based distributor of premium cigars specializing in mail order and internet sales.

Chewing tobacco

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

During the fourth quarter, sales revenues declined by 8 percent, to 222 MSEK (240). In local currency, sales of chewing tobacco on the North American market increased. As a result of the weaker USD, operating profit declined by 1 percent, to 75 MSEK (76). Operating margin was 34.1 percent (31.7).

Sales for the full year amounted to 956 MSEK (1,063) while operating profit amounted to 312 MSEK (338). In the US, sales for the full year were down less than 2 percent, while operating profit was up 1 percent in local currency. Operating margin was 32.7 percent (31.8).

Pipe tobacco and Accessories

Swedish Match is one of the largest pipe tobacco companies in the world and its products are marketed worldwide. The Borkum Riff brand is sold in over 60 countries. The Company has its most significant presence in South Africa, where local production takes place. Best Blend and Boxer are the most important brands in South Africa. Accessories include the sales of papers, filters, and other smoking related items, primarily in the UK and Australia. Pipe tobacco consumption is declining in most established markets.

During the fourth quarter, sales revenues declined by 1 percent to 223 MSEK (226) and the operating profit declined to 58 MSEK (63). The sales and operating profit comparisons are affected by the depreciation of the South African Rand. Operating margin was 25.9 percent (28.0).

Sales for the full year amounted to 851 MSEK (899), while operating profit amounted to 201 MSEK (265). Operating profit during full year was negatively affected by the weaker South African Rand and costs related to the closure of a redundant pipe tobacco factory in South Africa during the second quarter 2007. Operating margin was 23.6 percent (29.5).

Lights

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

During the fourth quarter sales revenues amounted to 405 MSEK (388), while operating profit amounted to 67 MSEK (51). Operating margin was 16.4 percent (13.1).

Sales for the full year amounted to 1,473 MSEK (1,503), while operating profit amounted to 252 MSEK (249). Currency translation has impacted sales and operating profit positively. Operating margin was 17.1 percent (16.6).

Other operations

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

Sales in Other operations for the fourth quarter amounted to 769 MSEK (784). Operating profit for Other operations was a negative 41 MSEK (negative 9). During the full year, sales in Other operations were 2,571 MSEK (2,677), while operating profit was a negative 137 MSEK (negative 99). Sales in the Swedish distribution of tobacco products was unusually low in the beginning of the year as a consequence of high retailer inventories in anticipation of the sharply raised tobacco excise taxes effective January 1, 2007 and an overall decline in sales of tobacco products. From the fourth quarter 2007, costs in Other operations increased on higher rental expenses following the sale of the head office buildings in Stockholm.

Taxes

The Group tax expense for the full year amounted to 606 MSEK (838), corresponding to a tax rate of 22.8 percent (26.4). There was no income tax expense on the gain on the sale of the head office buildings in Stockholm. In 2007 a realignment of the operational and legal structures has resulted in a more effective capital structure and thus a lowered tax rate. In 2006 the tax expense was favourably impacted by the reversal of a provision for withholding tax on unremitted earnings from US subsidiaries of 125 MSEK.

Earnings per share

Earnings per share for the year amounted to 7.82 SEK (8.13). Last year's earnings per share was positively affected by the one time pension plan curtailment gain, reversal of the tax provision as well as the one time gain on investments. Earnings per share for 2007 were favorably impacted by the gain from the sale of the head office buildings in Stockholm.

Depreciation and amortization

Total depreciation and amortization for the full year amounted to 435 MSEK (446), of which depreciation on property, plant and equipment amounted to 300 MSEK (314) and amortization of intangible assets amounted to 135 MSEK (132).

Financing and cash flow

Cash flow from operations for the year increased to 2,327 MSEK compared with 1,335 MSEK for the previous year. Tax payments during the year were 410 MSEK, compared with unusually high 1,732 MSEK during 2006.

The net debt as per December 31, 2007 amounted to 7,127 MSEK compared to 5,658 MSEK at December 31, 2006. The increase of 1,469 MSEK includes share repurchases, net, of 2,453 MSEK, payment of dividends of 664 MSEK and the acquisitions of Bogaert Cigars and Cigars International of 1,250 MSEK. The proceeds from the sale of the Stockholm head office buildings amounted to cash inflow of 1,085 MSEK and investments in property, plant and equipment amounted to 541 MSEK.

During the year new bond loans of 2,250 MSEK have been issued. Payments of bond loans for the same period amounted to 300 MSEK.

Cash and cash equivalents amounted to 3,439 MSEK at the end of the period, compared with 3,042 MSEK at the beginning of the year.

Net finance cost for the full year increased to 336 MSEK (112) as a result of a gain on the sale of securities of 111 MSEK in 2006 as well as higher net debt and increased interest rates.

Revised dividend and financial policy

In conjunction with the publication of the results for the third quarter, the Board announced a change to the dividend and the financial policy of the Company. The Board concluded that the strategic position of Swedish Match supports a modified dividend policy and raised the targeted pay-out ratio to 40 to 60 percent of the earnings per share for the year, subject to adjustments for larger one time items.

The Board further concluded that in view of the good and stable prospects for the business as well as the additional contribution that recently acquired companies are expected to generate, the financial policy should be that the Company will strive to maintain a net debt that does not exceed three times EBITA.

The Board continually reviews the financial position of the Company, and the actual level of net debt will be assessed against anticipated future profitability and cash flow, investment and expansion plans, acquisition opportunities as well as the development of interest rates and credit markets. The Board remains committed to maintain an investment grade credit rating.

Proposed dividend per share

The Board proposes an increased dividend to 3.50 SEK (2.50), equivalent to 45 percent (31) of the earnings per share for the year. The proposed dividend amounts to 896 MSEK based on the 255.9 million shares outstanding at the end of the year.

Tobacco tax

During the year Swedish Match's payments of tobacco tax in Sweden increased to 9.4 billion SEK (8.2).

Average number of Group employees

The average number of employees in the Group during the full year 2007 was 12,075 compared with 12,465 for the full year 2006.

Share structure

The Annual General Meeting on April 23, 2007 renewed the mandate to repurchase shares up to 10 percent of the shares of the Company until the next Annual General Meeting for a maximum amount of 3 billion SEK. In addition, a decision was made to cancel 13.0 million shares held in treasury, with a contemporaneous bonus issue without issuing new shares of an amount equivalent the amount represented by the cancelled shares or 18.1 MSEK. With the latter transaction the Company's share capital did not decrease through the cancellation of shares. The total amount of registered shares in the Company after the cancellation of shares is 267,000,000 shares with a quotient value of 1.4589 SEK. During the year, the Company issued 931,702 call options to senior Company officials and key employees for the stock option program for 2006. These call options can be exercised from March 1, 2010 to February 29, 2012. The exercise price is 145.50 SEK.

During 2007, 20.1 million shares were repurchased for 2,575 MSEK representing an average price of 128.13 SEK. As of December 31, 2007 Swedish Match held

11.1 million shares in its treasury, corresponding to 4.2 percent of the total number of shares. Total shares bought back by Swedish Match since the buyback programs started have been repurchased at an average price of 76.78 SEK. During 2007, the Company also sold 1.6 million treasury shares for 122 MSEK representing an average price of 75.95 SEK as a result of option holders exercising their options. The number of shares outstanding, net after repurchase and after the sale of treasury shares, as per December 31, 2007 amounted to 255.9 million. In addition, the Company has call options outstanding as of December 31, 2007 corresponding to 3.4 million shares exercisable in gradual stages from 2007-2012.

The Board will propose to the Annual General Meeting in April 2008 a renewed mandate to repurchase shares of the Company up to an amount of 3 billion SEK until the next Annual Meeting in 2009. In addition a proposal will be made to cancel shares held in treasury with a contemporaneous bonus issue without issuing new shares of an amount equivalent to the reduction of share capital through the cancellation of shares.

Other events

On July 6, 2007, the Company announced that it had reached an agreement to sell a real estate company which was the owner of two buildings belonging to the Tobaksmonopolet property in Stockholm. The purchaser of the real estate was Aberdeen Property Fund Pan-Nordic and the purchase price was 995 MSEK. The closing date of the sale was October 1, 2007. In addition to the buildings involved in this transaction, two adjacent parcels of land have been sold to NCC, a Swedish construction company. The total capital gain on these transactions was 267 MSEK and was recorded during the fourth quarter 2007.

Due to a prior listing on the American Nasdaq stock exchange, Swedish Match has been registered with the U.S. Securities and Exchange Commission (SEC). On June 5, 2007 Swedish Match filed a deregistration with SEC and therefore does not have any further reporting obligations to SEC.

Swedish Match AB (publ)

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

Sales in the Parent company for the full year amounted to 6 MSEK (13). Operating result amounted to -348 MSEK (-368) and net profit for the year amounted to 17,039 MSEK (6,619). The main sources of revenues for the Parent company are dividends and Group contributions from subsidiaries.

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. The increased debt position has resulted in increased interest expenses in 2007.

Capital expenditures for the full year amounted to 2 MSEK (0). The cash flow for the period was 1,124 MSEK (negative 223). Cash and bank at the end of the period amounted to 2,808 MSEK (1,684). During the year the Parent company made share repurchases, net, of 2,453 MSEK (3,585) and paid dividends of 664 MSEK (627).

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 2006 Annual Report except for the accounting for pensions and other retirement benefits in accordance with IAS 19, Employee Benefits, as described below.

New accounting principle

In order to enhance transparency Swedish Match has changed the principle for reporting of actuarial gains and losses in the Group's various defined benefit pension plans. These actuarial gains and losses are now recognized directly in equity in the period in which they occur.

The net of plan surpluses and deficits is included in the calculation of net debt. The total cost relating to defined benefit plans which previously was charged to personnel costs is now divided between personnel costs and financial income and expenses. Financial income and expenses are calculated from the net value of each plan at the beginning of the year. For surplus plans financial income is calculated using the expected return on plan assets and for deficit plans financial expenses is calculated using the discount factor decided for each plan.

The new method of accounting for actuarial gains and losses is a change of accounting principles and 2006 has been restated. The effect of the restatement on Swedish Match's opening equity for 2006 amounts to a negative 284 MSEK and an increased net liability for retirement benefits of 397 MSEK. The effect on the 2006 closing equity compared with previously reported numbers amounts to a negative 250 MSEK and an increased net liability for retirement benefits of 304 MSEK. The restated operating profit for 2006 increases by 50 MSEK, finance net is charged with 44 MSEK and tax is charged with 2 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.

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

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

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

For a further description of risk factors affecting Swedish Match see Report of the Board of Directors in the published Swedish Match Annual Report for 2006.

Outlook

The trend during the year confirms our strategic direction, characterized by focus on organic growth, complementary acquisitions and an efficient balance sheet. The past year has entailed considerable progress in a number of areas which provides a platform for continuing growth.

We finished 2007 on a strong note. Group sales reached an all time high in the fourth quarter. We will continue with programs to stimulate growth, primarily for snuff and cigars, with product development, new brand launches and market segmentation as key components. In these efforts, we will capitalize on changing consumption patterns in the tobacco area by offering consumers modern smokefree tobacco products and attractive cigars.

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

For the product line snuff, for the full year, a continued volume and market share increase are expected in the US. For the Scandinavian market the increase in Swedish excise tax in January 2008 is expected to create a destocking effect in the beginning of the year following the hoarding of some five million cans in December, 2007. The actions taken last year are expected to result in improved operating profit and margins compared to 2007 for the Scandinavian market, despite the expected reduction in volumes to the Swedish market following the excise tax increase.

For the product line cigars, sales for the full year 2008 are expected to increase significantly. The inclusion of recently acquired businesses, including amortization of intangible assets, and the challenging market conditions in some European countries, are however expected to put some pressure on the operating margin, especially in the beginning of the year.

In the financial area, we will continue to optimize the balance sheet in light of the expected substantial cash flow from operations and thus achieve an efficient return of capital to our shareholders.

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

The expected development for the Group 2008, will lay the foundation for our continuing efforts to create value for our customers, consumers and Swedish Match shareholders.

Additional information

This report has not been reviewed by the Company's auditors. The annual report for 2007 is expected to be released and distributed early April. The Annual General Meeting will be held on April 22, 2008 in Stockholm, Sweden. The first quarter 2008 report will be released on April 25.

Stockholm, February 20, 2008

Sven Hindrikes
President and Chief Executive Officer

Key data*

	Full year 2007	Full year 2006
Operating margin, % ¹⁾	21.8	24.3
Operating capital, MSEK	8,439	8,059
Return on operating capital, % ¹⁾	33.1	38.1
Net debt, MSEK	7,127	5,658
Equity/assets ratio, %	4.4	13.0
Investments in property, plant and equipment, MSEK ²⁾	541	304
EBITDA, MSEK ³⁾	3,166	3,583
EBITA, MSEK ⁴⁾	2,865	3,269
EBITA interest cover	9.0	15.7
Net debt/EBITA	2.5	1.7
<i>Share data⁵⁾</i>		
Earnings per share, SEK		
Basic	7.82	8.13
Diluted	7.80	8.10
Shareholders' equity per share, SEK	2.81	7.43
Number of shares outstanding at end of period	255,874,800	274,367,981
Average number of shares outstanding	262,604,644	287,062,345
Average number of shares outstanding, diluted	263,405,637	288,161,247

1) Excluding a gain of 267 MSEK from the sale of head office buildings in Stockholm during the fourth quarter 2007 and a pension curtailment gain of 148 MSEK during the second quarter 2006

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

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

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

5) Profit attributable to equity holders of the Parent

* The definitions are in accordance with the published Annual Report 2006 except for the definition of net debt, which now includes net pension liabilities as described in the section "New accounting principle" in this report

Consolidated Income Statement in summary

MSEK	Oct – Dec		Chg %	Full year 2007	Full year 2006	Chg %
	2007	2006				
Sales, including tobacco tax	6,600	6,097		22,852	21,991	
Less tobacco tax	-3,073	-2,640		-10,301	-9,080	
Sales	3,527	3,457	2	12,551	12,911	-3
Cost of sales	-1,880	-1,877		-6,578	-6,674	
Gross profit	1,647	1,581	4	5,973	6,237	-4
Sales and administrative expenses*	-584	-772		-2,976	-2,963	
Share of profit in equity accounted investees	-1	3		1	11	
Operating profit	1,062	811	31	2,997	3,285	-9
Financial income**	56	150		165	239	
Financial expenses	-142	-107		-501	-351	
Net finance cost	-86	43		-336	-112	
Profit before income taxes	976	854	14	2,662	3,173	-16
Income tax expense	-185	-251		-606	-838	
Net profit for the period	791	603	31	2,056	2,335	-12
<i>Attributable to:</i>						
Equity holders of the Parent	791	603		2,055	2,335	
Minority interests	0	0		1	1	
Net profit for the period	791	603	31	2,056	2,335	-12
Earnings per share, basic, SEK	3.04	2.19		7.82	8.13	
Earnings per share, diluted, SEK	3.04	2.18		7.80	8.10	

* Including a gain of 267 MSEK from sale of head office buildings in Stockholm during the fourth quarter 2007 and a pension curtailment gain of 148 MSEK during the second quarter 2006

**Including a gain on sale of securities of 111 MSEK in the fourth quarter 2006

Consolidated Balance Sheet in summary

MSEK

	Dec 31, 2007	Dec 31, 2006
Intangible fixed assets	4,419	3,469
Property, plant and equipment	2,388	2,221
Financial fixed assets	1,011	1,055
Current operating assets*	5,204	5,827
Other current investments	5	56
Cash and cash equivalents	3,439	3,042
Total assets	16,467	15,670
Equity attributable to equity holders of the Parent	720	2,037
Minority interests	4	3
Total equity	724	2,041
Non-current provisions	1,292	1,192
Non-current loans	8,768	7,815
Other non-current liabilities	567	657
Current provisions	60	61
Current loans	1,271	409
Other current liabilities	3,785	3,495
Total equity and liabilities	16,467	15,670

* 2006 includes assets held for sale amounting to 747 MSEK, mainly attributable to the head office property in Stockholm which was sold during the fourth quarter 2007

Consolidated Cash Flow Statement in summary

MSEK

	January – December	
	2007	2006
Profit before income taxes	2,662	3,173
Adjustments for non-cash items and other	120	110
Income tax paid	-410	-1,732
Cash flow from operating activities before changes in working capital	2,372	1,551
Cash flow from changes in working capital	-45	-216
Net cash from operating activities	2,327	1,335
<i>Investing activities</i>		
Acquisition of property, plant and equipment*	-541	-304
Proceeds from sale of property, plant and equipment	1,165	100
Acquisition of intangible assets	-68	-270
Acquisition of subsidiaries, net of cash acquired	-1,209	-29
Divestment of business operations	-	31
Changes in financial receivables etc.	112	-60
Changes in current investments	51	277
Net cash used in investing activities	-490	-255
<i>Financing activities</i>		
Changes in loans	1,802	3,129
Dividends	-664	-627
Repurchase of own shares	-2,575	-3,674
Stock options exercised	122	94
Other	-111	-86
Net cash used in financing activities	-1,426	-1,164
Net increase/decrease in cash and cash equivalents	410	-85
Cash and cash equivalents at the beginning of the period	3,042	3,325
Effect of exchange rate fluctuations on cash and cash equivalents	-13	-198
Cash and cash equivalents at the end of the period	3,439	3,042

* Includes investments held for sale and biological assets

Consolidated statement of recognized income and expense

MSEK	January – December	
	2007	2006
Actuarial gains and losses related to pensions, incl. payroll tax*	-57	44
Available-for-sale financial assets	-	-40
Cash flow hedges	38	-
Translation difference in foreign operations	-258	-867
Tax on items taken to/transferred from equity	-5	-27
Total transactions taken to equity	-282	-891
Net profit for the period recognized in the income statement	2,056	2,335
Total income and expense recognized for the period	1,773	1,443
Attributable to:		
Equity holders of the Parent	1,772	1,443
Minority interests	1	1
Total income and expense recognized for the period	1,773	1,443

* Actuarial gains and losses are calculated at the end of the fourth quarter

Change in Shareholders' equity

MSEK	January – December	
	2007	2006
Opening balance as per January 1	2,041	5,083
Total income and expense recognized for the period	1,773	1,443
Changed accounting principle IAS 19, net after tax	-	-284
Repurchase of own shares	-2,575	-3,679
Stock options exercised	122	94
Share-based payments, IFRS 2	28	10
Cancellation of shares	-18	-56
Bonus issue	18	56
Dividends	-664	-627
Minority interest	0	0
Closing balance as per December 31	724	2,041

Parent company Income Statement in summary

MSEK	Full year	Full year
	2007	2006
Net sales	6	13
Cost of sales	-3	-8
Gross profit	3	5
Selling and administrative expenses	-351	-373
Operating loss	-348	-368
Income from participation in Group companies	17,714	7,366
Net finance cost	-368	-105
Profit after financial items	16,998	6,893
Appropriations	11	11
Profit before income tax	17,009	6,904
Income tax expense	30	-285
Profit for the year	17,039	6,619

Parent company Balance Sheet in summary

MSEK	Dec 31, 2007	Dec 31, 2006
Intangible and tangible fixed assets	19	29
Financial fixed assets	52,082	15,719
Current assets	7,381	7,391
Total assets	59,482	23,139
Equity	22,182	8,253
Untaxed reserves	13	24
Non-current liabilities	26,421	7,271
Provisions	20	-
Current liabilities	10,846	7,591
Total liabilities and untaxed reserves	37,300	14,886
Total equity and liabilities	59,482	23,139

Quarterly data*

MSEK	Q4/05	Q1/06	Q2/06	Q3/06	Q4/06	Q1/07	Q2/07	Q3/07	Q4/07
Sales, including tobacco tax	5,876	4,797	5,502	5,595	6,097	4,623	5,645	5,984	6,600
Less tobacco tax	-2,376	-1,846	-2,260	-2,335	-2,640	-1,961	-2,555	-2,713	-3,073
Sales	3,500	2,951	3,242	3,261	3,457	2,663	3,090	3,272	3,527
Cost of sales	-1,959	-1,456	-1,657	-1,675	-1,877	-1,368	-1,629	-1,702	-1,880
Gross profit	1,540	1,495	1,584	1,586	1,581	1,295	1,461	1,570	1,647
Sales and administrative expenses	-869	-763	-805	-780	-772	-762	-821	-810	-851
Share of profit in equity accounted investees	5	1	5	3	3	0	2	0	-1
	678	733	785	809	811	534	642	759	795
<i>Larger one time items</i>									
Capital gain from real estate sale	-	-	-	-	-	-	-	-	267
Pension curtailment gain	-	-	148	-	-	-	-	-	-
Operating profit	678	733	933	809	811	534	642	759	1,062
Financial income	31	32	26	34	39	36	40	33	56
Financial expenses	-67	-68	-77	-101	-107	-102	-119	-137	-142
	-36	-36	-51	-67	-68	-66	-79	-105	-86
<i>Larger one time items</i>									
Gain on sale of securities	-	-	-	-	111	-	-	-	-
Net finance cost	-36	-36	-51	-67	43	-66	-79	-105	-86
Profit before income taxes	642	697	882	742	854	468	563	655	976
Income tax expense	-186	-209	-264	-113	-251	-136	-122	-164	-185
Net profit for the period	456	488	617	628	603	332	441	491	791
Attributable to:									
Equity holders of the Parent	456	488	617	628	603	332	441	491	791
Minority interests	0	0	0	0	0	0	0	0	0
Net profit for the period	456	488	617	628	603	332	441	491	791

* The 2005 quarter has not been restated for the changed accounting principle for pensions

Sales by product area

MSEK	Q4/05	Q1/06	Q2/06	Q3/06	Q4/06	Q1/07	Q2/07	Q3/07	Q4/07
Snuff	819	785	831	785	963	662	794	852	981
Cigars	834	759	888	903	857	735	847	902	928
Chewing tobacco	280	273	277	273	240	238	253	243	222
Pipe tobacco & Accessories	245	238	218	217	226	205	203	220	223
Lights	521	387	368	360	388	340	354	374	405
Other operations	800	510	659	723	784	483	638	682	769
Total	3,500	2,951	3,242	3,261	3,457	2,663	3,090	3,272	3,527

Operating profit by product area*

MSEK	Q4/05	Q1/06	Q2/06	Q3/06	Q4/06	Q1/07	Q2/07	Q3/07	Q4/07
Snuff	392	383	383	385	462	231	311	383	441
Cigars	176	163	207	231	168	164	193	185	195
Chewing tobacco	100	86	81	95	76	72	82	83	75
Pipe tobacco & Accessories	60	76	58	68	63	56	24	64	58
Lights	-31	63	72	64	51	57	62	67	67
Other operations	-20	-38	-17	-35	-9	-45	-29	-22	-41
Subtotal	678	733	784	808	811	534	642	759	795
<i>Larger one time items</i>									
Capital gain from real estate sale	-	-	-	-	-	-	-	-	267
Pension curtailment gain	-	-	148	-	-	-	-	-	-
Subtotal	-	-	148	-	-	-	-	-	267
Total	678	733	932	808	811	534	642	759	1,062

* The 2005 quarter has not been restated for the changed accounting principle for pensions

Operating margin by product area*

Percent	Q4/05	Q1/06	Q2/06	Q3/06	Q4/06	Q1/07	Q2/07	Q3/07	Q4/07
Snuff	47.8	48.8	46.1	49.1	48.0	34.9	39.1	45.0	45.0
Cigars	21.1	21.5	23.4	25.6	19.6	22.3	22.7	20.5	21.0
Chewing tobacco	35.6	31.5	29.3	34.7	31.7	30.1	32.3	34.3	34.1
Pipe tobacco & Accessories	24.4	31.8	26.5	31.5	28.0	27.1	11.7	28.9	25.9
Lights	-5.9	16.2	19.5	17.7	13.1	16.8	17.5	17.8	16.4
Group**	19.4	24.8	24.2	24.8	23.5	20.0	20.8	23.2	22.5

* The 2005 quarter has not been restated for the changed accounting principle for pensions

** Excluding larger one time items

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