

inside #3

AUGUST 2008

CRICKET

GEARS UP
IN MANILA

NEW EXCITING
PRODUCTS

THE SOLSTICKAN AWARD 2008

LARS DAHLGREN TAKES OFFICE

JOAKIM TILLY NEW CFO

FOCUS:

JARL UGGLA ON
INTERNATIONAL
MARKETS

SWEDISH MATCH



Editorial

As the new President and CEO of Swedish Match AB, I am happy to introduce you to this issue of Inside Magazine which provides you with a perspective on the business and financial performance of Swedish Match.

As we recently posted our interim report for the second quarter and the first six months of 2008, let me just highlight some conclusions from that report.

We note another successful quarter for our snus and snuff business in Scandinavia and the US, confirming the strong trend in this product area. Both sales and operating profit increased in the Scandinavian business while we continued to grow volumes and gain market share in the US snuff operation. The national roll-out of the snuff brand Red Man in the US, continued with significant volume contribution.

Following a weak first quarter of the year, sales for the cigar business has started to return to more normal levels and the acquisitions of Bogaert in Europe and Cigars International in the US, has contributed positively to both sales and operating profit during



PHOTO: MAGNUS FOND

the quarter. The other product areas continue to deliver good results to the company.

All in all, I conclude that we have solid business operations in the company and I look forward to continue the development of Swedish Match in my new role as the President and CFO. Please also find an interview in which I and Joakim Tilly, the new CFO, give our perspective on Swedish Match today.

Further in this issue, we continue the review of our business operations on markets where we are active today. Read more about our international markets in the Focus section, introduced by Jarl Ugglå, President of the International Division.

We are also proud of the Solstickan award in Sweden, this year presented to Henry Ascher for his work on protecting human rights. Finally, meet Conny Andersson, the Swedish cigar expert and connoisseur on the art of fine cigars. Good reading!

Lars Dahlgren
President and CEO
Swedish Match AB

NO. 3, 2008

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★★★ SWEDISH MATCH

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 Swedish Match share is listed on the OMX Nordic Exchange in Stockholm.



PHOTO: HÅKAN IMBERG

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PHOTO: MAGNUS FOND



PHOTO: JAN HENNING



PHOTO: PETER KNUTSON

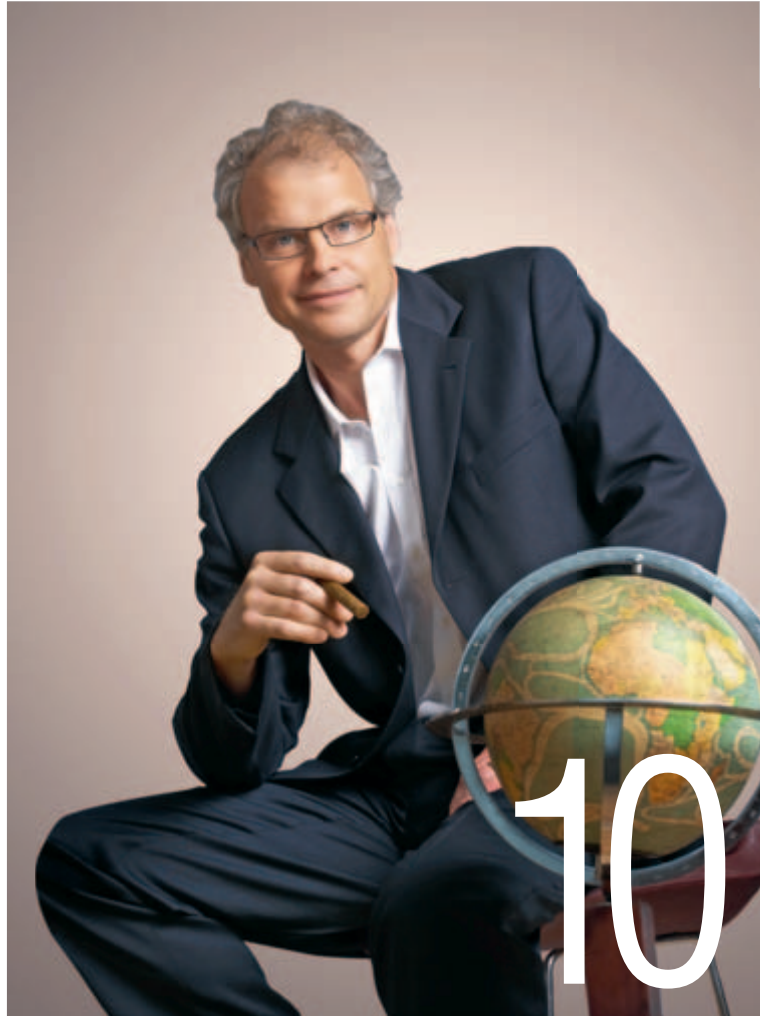


PHOTO: PETER KNUTSON

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On June 1, Lars Dahlgren took office as Swedish Match's new CEO and President, and Joakim Tilly as the Chief Financial Officer. Read their views on their new roles and how they see Swedish Match today.

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The cigar market is dynamic and sub-segments are continuously growing. Jarl Uggle, President Swedish Match International Division, talks about a diversified market in which new consumer habits stimulate us to develop the business.

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In early May, the new lighter factory just outside Manila was opened. Prominent government officials from Sweden and the Philippines jointly cut the ribbon together with Jarl Uggle, President Swedish Match International Division.

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Pediatrician Henry Ascher received this year's Solstickan Award for his commitment to the rights of exposed children in society. The award was ceremoniously presented by Princess Christina Mrs. Magnuson, Honorary Chairman of the Solstickan Foundation.

22 | MEET CONNY ANDERSSON

Meet Swedish Match's Scandinavian tobacco expert with a passionate interest in cigars and his own tobacco plantation on the island Ekerö outside Stockholm.



New design for La Paz website

La Paz website has new design that enhances the authentic brand environment and characterizes La Paz. It offers excellent insight into the world of tobacco, as exemplified by the “Long tobacco road,” a movie that shows how tobacco plants are grown and harvested in Indonesia. The website has a clear structure that provides easy access to key functions and its navigation is user friendly. Please log on to www.world-of-lapaz.com for a closer look!

Best sales force in the industry

According to a recently implemented customer satisfaction survey (CS), Swedish Match North Europe Division’s sales force in Sweden achieved high ratings compared to branch competitors. The purpose with the survey was to determine how satisfied Swedish retailers are with the Swedish Match sales force. The aim was to achieve a CS rating of at least 72 in terms of the customers’ overall impression of the Swedish sales force. The actual result was 76.

Of the competitors, Japan Tobacco achieved a rating of 25, Fiedler & Lundgren achieved 31, Skruf 26 and BAT 29. Compared with previous surveys, the ratings for several competitors declined, while that for Swedish Match rose by 7.

The total rating for Swedish Match salespeople was even better. A gigantic leap was taken compared with the preceding survey, from 72 to 81. A total of 3,800 retailers responded to the questionnaire, equal to a response rate of 60%.

Cash Race improves earnings

Cash Race Relay develops work methods for minimizing the working capital tied up within Swedish Match. Anders Holmberg, Managing Director Cigar Operations International Division, explains that new methods are constantly being launched. For example, optimizing inventory levels and improving payment procedures.

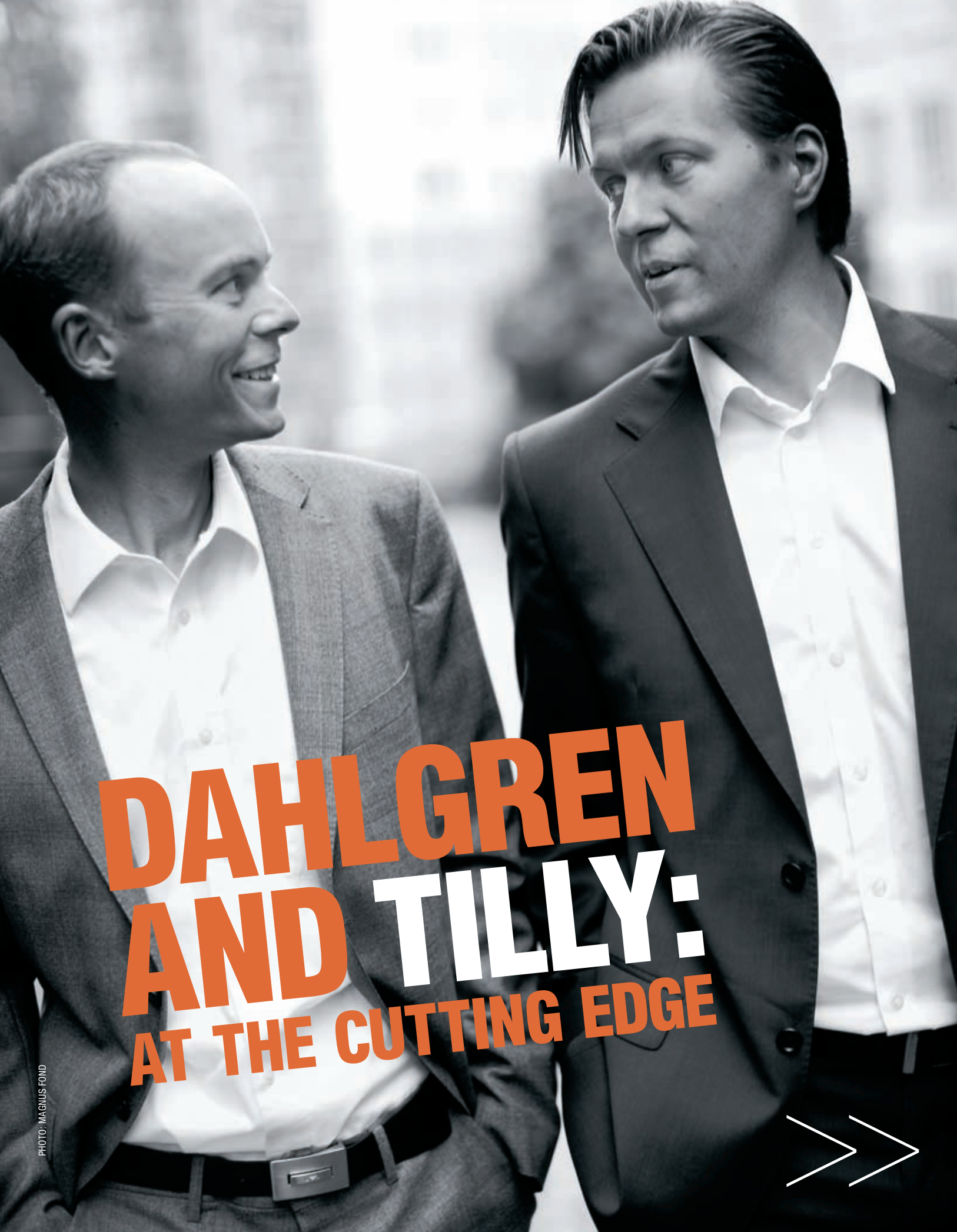
“Optimizing inventory levels is the area that has the greatest impact within the International Division. Other examples of measures include a review of lead times, both internal and external, and optimization of payment procedures. The cross-functional way of working contributes to an overall improvement in earnings for the entire operation. Cash Race Relay is not just something invented by administrators; it is an inherent feature of our corporate culture and our daily work,” says Anders Holmberg.



Tips and ideas please!

A reader questionnaire was appended to the previous issue of Inside. The response has been considerable and we are grateful for all the replies, comments and wishes that have reached the editorial office. We are now continuing to make the magazine even more current and readable for those of you who are interested in Swedish Match’s operations and products. Feel free to contact us with additional ideas, tips and comments.

E-mail questions and opinions to: inside@swedishmatch.com



**DAHLGREN
AND TILLY:
AT THE CUTTING EDGE**

PHOTO: MAGNUS FOND



Feature story

Lars Dahlgren and Joakim Tilly stepped into new positions on June 1 this year, when Lars took on the mantle of President and CEO of Swedish Match with Joakim succeeding Lars as the CFO. More of the same or something new? BY: RUPINI BERGSTRÖM

Swedish Match has a solid business platform which has generated good returns over the past several years,” says Lars. In that regard, this platform should also provide for further positive developments in many areas. Particularly for snuff and snus, but we also see opportunities for innovative moves in other areas.”

The new duo with a true passion for the business has a collective twenty years worth of experience at Swedish Match, working closely with each other for several years. There’s no question they share a deep and informed understanding of a business that may seem fraught with challenges but which has persistently turned these into opportunities.

CEO Lars Dahlgren, who took over the reigns when former chief



PHOTO: MAGNUS FOND

“There’s no question they share a deep and informed understanding of the business.”

Sven Hindrikes stepped down, has showed his mettle. He has successfully managed company finances through significant restructuring, both operationally and on the financial side, over the last four years.

“I appreciate the opportunity and acknowledge the challenge in my new role, while I am also very excited about what we can do together to take Swedish Match further. We have a solid platform for further development, especially within the smokefree area and cigars”, says Lars.

AT THE FOREFRONT OF INNOVATION

Outsiders may describe the industry as jaded, but the new CEO–CFO team attributes this almost 100-year old company characteristics of a cutting-edge, fast-moving consumer goods group, with the genes of a trailblazer. “It’s a vibrant industry especially when it comes to snus where we have forefront positions today” Joakim notes.

With roots in the production of the very first safety matches, the very first pouch products and a patented white-portion technology, Swedish Match aims to remain at the forefront

of technology and innovation.

“We should speed up from where we stand today,” says Lars, whose focus is to leverage the business formula and to grow business, profits, and shareholder value.

In the near term, despite what many describe as a mature main market for snus, Swedish Match’s CEO and CFO see continued prospects for growth in Scandinavia. Opportunities abound for growth of the snus business in Norway and in the tax-free trade, they say, noting that one should not preclude better volumes in Sweden either.

“The second quarter results confirmed the continued strong development for snus and snuff both in Scandinavia and the US,” Lars notes.

That said, both Lars and Joakim feel that a change in regulations at EU level to overturn a ban that prohibits snus sales elsewhere in the Union is key – at the very least symbolically.

GREAT POTENTIAL OF SMOKEFREE PRODUCTS

Snus outside Scandinavia will likely be a niche product in the near future, says Lars.



“Other product areas provide good margin contribution and cash flow to the Group”

PHOTO: MAGNUS FOND

“However, we strongly believe in the potential of smokefree products and Swedish Match has a unique position through our snus and snuff products, and our technology leadership.”

Snus, Lars says, is first and foremost a lifestyle product for the modern tobacco consumer and is also dramatically less harmful than cigarette smoking.

Longer term, the jury is still out on how Swedish Match will succeed in markets outside Sweden and the US competition has certainly heated up in the past year as international tobacco companies have started producing snus, catching onto a trend among consumers who are increasingly

switching to smokefree tobacco amid smoking bans and a generally bigger focus on more modern choices.

“Looking at Swedish Match as a whole, we have a broad and well known portfolio of modern tobacco products and have generated growth through the years,” Joakim Tilly says. “Most of our future growth will come organically but we also keep our eyes open for complementary acquisitions.”

“The scope for acquisitions, lies largely in the relatively fragmented cigar industry, both in Europe and in the US. As long as it is synergistic, strategic and at the right price. Then we will look at it,” says Joakim.

Swedish Match is today the number

Joakim Tilly

FAVORITE SNUS: Onico enbär, at any occasion.

FAVORITE CIGAR: Macanudo Gold Label, best enjoyed after a good dinner, on New Year’s Eve or after the birth of a new Tilly.

FAVORITE FOOD: Italian or Japanese – usually at a small, unassuming but authentic place anywhere in the world.

HIDDEN TALENT: Coach to a kids football team Brommapojkarna in Stockholm.

A FAVORITE BOOK: “Freakonomics” because the author uses science in a fun, down-to-earth manner in order to advance complicated theories.

A cutting-edge, fast-moving consumer goods group with the genes of a trailblazer.

one player in the US for premium cigars, with strong brands and future growth potential. In the European cigar market, the company has a deep footprint in several countries, supported by a well-recognized brand portfolio.

LONG HERITAGE OF EXPERTISE

“Our cigar business prides itself on a heritage of long-standing expertise and craftsmanship, combined with extensive insight of the modern cigar consumer and emerging lifestyle trends. People will always like pleasure,” says Lars. “For many, there are few things that can beat a good hand rolled cigar – the making of cigars is an art form and we have a unique legacy through our cigar business.”

At the same time, Lars and Joakim say, one should not underestimate the role of the other product areas – lights, chewing and pipe tobacco as well as accessories. They are complements to the core and provide good margin



Swedish Match aims to continue being on the pulse of consumer trends.

PHOTO: MAGNUS FOND

contribution and cash flow to the Group.

Swedish Match will keep rolling out products that consumers want. The company has always had good consumer insight and it aims to continue being on the pulse of consumer trends, especially among snus and cigar enthusiasts.

“We share the pride of being part of a great business with talented and committed people”, say both Lars and Joakim. Their commitment, they say, is to make the most of Swedish Match in the best interest of its customers and consumers, thus continuing to deliver value to shareholders. ★

Lars Dahlgren

FAVORITE SNUS: Göteborgs Rapé Lingon Nr. 2, anytime, anyplace.

FAVORITE CIGAR: Reserva Figuerada presented to Lars by Ernesto, one of Swedish Match's fantastic cigar masters.

FAVORITE CUISINE: Pasta and Asian. Especially a hidden jewel in the Thai crown, called Patara Restaurant on a London backstreet.

HIDDEN TALENT: Lars is good at teaching. During his studies he worked as a substitute teacher.

A FAVORITE BOOK: “The Emigrants” by Wilhelm Moberg.

FOCUS. Swedish Match's success during the last year is confirmation that the Group's long-term strategies work. In four issues, Swedish Match Inside provides in-depth insight on the strategies for continued growth and profitability. In this issue we highlight the European market, together with Latin America, South Africa and Asia/Pacific.



Swedish Match International Division has its core business within the cigar category in Europe, followed by matches and lighters in many parts of the world. All markets represent a variety of regional tobacco tastes and preferences, offering a collection of strong brands.

PHOTO: MAGNUS FOND



STRONG BRAND PORTFOLIO IN A DIVERSIFIED MARKET

With brands such as La Paz, Hollandia and Willem II, the European cigar business is the cornerstone for Swedish Match International Division and the business is supported by product categories such as matches and lighters. The result is a collection of strong brands with a great variety of tastes and preferences being offered to a diversified consumer market.

BY: KAROLINE HAMMAR

A natural starting point for making our business a success is to always begin with the consumer perspective. You have to be alert when listening to the market and provide consumers with what they are aspiring to," says Jarl Uggla, President Swedish Match International Division.

Business opportunities and challenges for Swedish Match International Division differ from other Swedish Match markets due to various cultural and regional

cornerstone for Swedish Match in the European market, which is the result of organic growth and acquisitions. A substantial consolidation process has been going on throughout the industry, where, for example, hundreds of small cigar producers in the Benelux countries a century ago have now been concentrated into just five big companies.

DEVELOPMENT INEVITABLE

"Acquiring well-known brands is one thing, but developing our market

positions is vital and requires hard work," Uggla says. "Strict tobacco regulation, combined with new consumer habits, is challenging us to be innovative and to

develop our products and brands. Our value chain must adapt to changing consumer demands. We strive to offer high-quality products, whatever the regional market or cultural preference might be. We can only communicate through the packaging or through point-of-sale materials. That is forcing us to pay more attention to the quality of the product and the presentation

of the packaging, and to constantly consider our offer to the consumer."

The cigar market is very dynamic and many sub-segments are growing, such as smaller and shorter cigars that take less time to smoke, new flavors, filters, and smaller boxes of five or ten, instead of twenty, cigars.

FOCUS ON GLOBAL BRANDS

Jean Louis Leppert, Vice President Marketing Swedish Match International Division, points out the importance of having a strong brand focus.

"Today, brands are strategic company assets. Due to the legal situation, building new tobacco brands from scratch has become almost impossible; we must take extreme care of our brand portfolio."

The flagships for mass market cigars are La Paz, Hollandia, Willem II and Salsa, in key markets such as the Benelux countries, France, Australia, Finland and Iberia.

"Because few cigar brands have worldwide recognition, due to high market fragmentation, this means we also manage well-known brands like Hajenius in the Netherlands, Bellman in Scandinavia and Wee Willem in Australia, to name a few," Leppert says. The cigar business is supported by

Challenges stimulate us to develop our business.

preferences. Fierce market competition is still a factor all market players have to deal with.

"We face tough challenges, but they stimulate us to develop the business. We are committed to increasing our cigar sales and to growing our market share," Uggla says.

The cigar business is the

the product categories matches and lighters. These products show high potential especially in new markets such as Eastern Europe. When entering a new market there are two options; because local match brands show high emotional value at consumer level you can approach the market by using Swedish Match local brands in that particular market, or you can enter the market by using a strong global brand that has potential when it comes to product development and increasing market share.

“We’re positioning ourselves in Eastern Europe with agents and distributors. Russia is important for lighters, for example, and is also a fast emerging area for cigars. It’s important to have a strong position for a product category in a market. Timing is a key factor for success. In 2007, new products launched since 2004 accounted for 15 percent of our total cigar volume.”

EMPHASIS ON EFFECTIVE PRODUCTION

A worldwide market spanning Latin America, South Africa, Europe and Asia/Pacific puts pressure on effective manufacturing and administration.

“We constantly monitor and adapt our production processes, cutting costs and concentrating volumes, while looking for synergies,” Uggla says. “An efficient supply chain doesn’t necessarily mean major rationalizations. It is as much about the small steps we take together in the everyday business environment.”

The sourcing of raw materials is also of vital importance. “Tobacco is a natural product and can vary from year to year, depending on whether it has been rainy or dry,” he says. “Our experts get early samples of the crop before we commit to buying. This requires a good sense of anticipation

and understanding of what the market will be asking for in the future.”

EVERYONE’S RESPONSIBILITY TO DO BETTER

The success of the business depends on the competent and loyal employees all over the world. The workforce is dedicated to Swedish Match products and to building relations with customers and consumers.

“With businesses all over the world, we depend on local initiatives and excellent local managers and employees. It is everyone’s responsibility to make their own voice heard and find ways to do things better. It is my responsibility to inspire and give the right people new challenges. Then we take our business further to be best in class with profitable customer satisfaction,” Uggla concludes. ✪



PHOTO: PETER KNUTSSON

This is International:

Geographical scope: The international market comprises Europe, Latin America, Asia/Pacific and South Africa.

Product areas: Cigars, pipe tobacco, nasal snuff, matches and lighters, as well as a range of barbecue products.

Major brands: Cigars: La Paz, Hollandia, Willem II and Salsa, in key markets such as Benelux, France, Australia, Finland and Iberia. Hajenius in the Netherlands, Bellman in Scandinavia and Wee Willem in Australia.

Matches: Fiat Lux in Brazil, Tres Estrellas in Spain, Redheads in

Australia, Feudor in France and Solstickan in Sweden.

Lighters: Cricket, one of the leading quality disposable lighters in markets such as Russia, Europe and Brazil.

Production units: Cigars are manufactured in Belgium and Indonesia, lighters in the Philippines, the Netherlands and Brazil. Matches in Brazil, Sweden, and Bulgaria. Pipe tobacco and nasal snuff in South Africa.

Market in figures: International Division accounts for one-third of Swedish Match’s total sales.

EXPERTISE FOR OUR CONSUMERS

Product quality and sales results depend on Swedish Match's dedicated employees worldwide. A global business needs local initiatives and it is everyone's responsibility to find ways to do things better. Inside met up with some employees around the world to get their view on daily work. BY: KAROLINE HAMMAR

FRANCE



PHOTO: AUDREY GULLAUD

Name: Francois Sehpossian

Title: Managing Director, Swedish Match France

Product category:

Cigars, Lighters, Matches

"I have managed Swedish Match on the French market for 12 months. We are a great team of 60 people who are devoted to selling our cigars and lighters in France, from which 40 sales representatives visit 20,000 tobacco retailers

all over the country. France is one of the most important markets for La Paz, with more than 120 million cigars sold per year. La Paz has a history of 20 years on the French cigar market with a leading position in premium machine made segment. La Paz leads the 100 percent tobacco cigar segment. Competition is fierce which means we have to focus and invest in our brands. 2008 is really the year of La Paz and we put great energy into making the brand communication consistent and developing the range even further. We have recently introduced La Paz Mini Wilde in packages of five, which is a nice and smaller format for the modern smoker giving access to our premium brand at a competitive price.

"We have introduced a new concept this year, the 'Club La Paz', for the top 1,000 cigar retailers on the market, in order for them to improve our presence on the shelves and our share in their cigar sales. The idea is to reward better visibility of our brand. The challenge is to develop our market share with La Paz, our most profitable and strategic brand, by improving distribution and trade marketing."

BRAZIL

Name: Marta Weber

Title: Marketing Manager, Brazil

Product category: Lighters

"Lighter sales in the Brazilian market have increased significantly during the last years. The main reasons are a great improvement in distribution through tobacco distributors and successful campaigns. On average, we have introduced a new design collection every six months. We have a fantastic teamwork culture, there is no doubt that the good work and results come from this spirit. Anyone, from the manager to the clerks, feels free to give their suggestions and comments which will always be valued.

"The potential for the business is still big. We have a fantastic product, we are an enormous country and still have a lot of market share to gain from our competitors. That is a challenge!

"Cricket quality and beauty are recognized by everyone, everywhere. I am especially proud when our partners distribute and sell our products in new beautiful lighter collections with local themes and I hear the market demands for more."



PHOTO: JAN HEINBERG



INDONESIA

Name: Ani Hayati
Title: Administration officer
Product category: Cigars

"The result of our work comes down to the teamwork of all employees in our department. We are more effective when every individual has a responsibility appropriate for every single task. Then we can be more focused on our job and achieve better results. We have to make sure we deliver quality to our customers."

PHOTO: JAN HEINBERG



Name: Lestari
Title: QC Packing Leader
Product category: Cigars

"I focus on quality, especially in material, cigars and support material like wooden boxes and other accessories. In order to deliver good-quality cigars we have to control and secure quality. Packing is the final inspection so it needs to be perfect. I feel rewarded when our customers are satisfied with our quality products."

PHOTO: JAN HEINBERG



Name: Serti Wulandari
Title: ICT Application Finance Dept
Product category: Cigars

"Right now I am working with the Integration Network of Tobacco System. This will help us cut costs and enable us to work more efficiently. When this is implemented we will have good coordination and communication between our units. I love technology and analyzing the system processes."

SOUTH AFRICA

Name: William Sithole
Title: Manufacturing Director, Boksburg Factory, South Africa
Product category: Pipe tobacco, snuff

"Following my appointment as Manufacturing Director, I have one important purpose, and that is to amplify the resources to deliver better factory performance. The strategy for

success is to continuously look for improvements and seek to eliminate everything that undermines efficiency and threatens productivity. Open communication, continuous improvement, teamwork and sound employee relations are the key values that I embrace in my new role. My previous experience as

Human Resources Manager made it easy to apply my skills in this line function. I have implemented transformation initiatives in line with the business strategy. The participation in Swedish Match Human Resources Council has given me the opportunity to share best practices from countries like the US and Sweden."





Tom Bodde says Hajenius and Oud Kampen show strong potential in the Belgian market.

PHOTO: GIJUS BAKS

QUALITY AND PARTNERSHIP THE ROUTES TO SUCCESS

Through acquiring the Bogart business, as well as the Hajenius and Oud Kampen brands, we create new possibilities to gain market share for Swedish Match Benelux. Tom Bodde, Managing Director Swedish Match International Division Benelux, gives his view on the market opportunities. BY: KAROLINE HAMMAR

With the recent acquisitions, we will be stronger in terms of market performance and end-sales results. Hajenius is a super-premium brand with an exclusive and selective distribution at 230 outlets in the Netherlands. On the other hand, most of the Bogaert assortment comprises value-priced brands. Acquiring the Bogart Cigars business, as well as the Hajenius and Oud Kampen brands, enables us to serve both high and low ends of the market.

What is the market potential?

"We have a strong market position in the Benelux countries. For the new brands, the Belgian market shows strong potential, with a premium sales force that is developing the premium short-filler proposition. Also for the former Bogart business, we see new possibilities to sell private labels and continue to drive growth in Benelux."

How will the market share increase?

"We are a full-assortment supplier to our business partners. With

the newly acquired brands, in combination with our traditional brands, I believe we offer the best. By creating partnerships with retailers, we are developing the cigar category. A clear positioning of the brands and a dedicated sales force will strengthen our market position. Swedish Match Benelux is a team of passionate people. For us, it's important to focus on consumers and customers. We have set the target of being the best in terms of market approach. We create a spirit of wanting to be

better than our competitors. We will generate market share and keep up the good results."

What is Swedish Match's competitive advantage?

"It is our sales representatives, who sell cigars to our tobacco retailers. It's of utmost importance that we have excellent relationships with our retailers. They are our ambassadors, advising and selling our brands to the consumers. Our performance in terms of delivery, quality and partnership is the route to our current and future success." ✪



Cricket gears up in the Philippines

Four miles outside Manila, the new plant where the popular Cricket lighter is manufactured was officially opened in May. The new lighter plant represents state-of-the-art production for Swedish Match Cricket lighters. BY: HENRIK BREHMER

Manila in 38 degrees Celsius heat. Vic Bocaling welcomes his guests to the new plant in Laguna Techno Park, four miles outside Manila. Vic has been the Managing Director of Swedish Match in the Philippines since 1996 and is responsible for Swedish Match's new plant, where the popular Cricket lighter is manufactured. The plant was operational at the end of December 2007 and was officially inaugurated May 5 this year.

"Today, the new lighter plant represents the importance of having Cricket lighter production in Asia for Swedish Match. The new plant in Laguna Technology Park also has good expansion possibilities. Cricket is ready to continue expansion," explains Vic Bocaling.

"The production flow has been optimized and the processes automated, which enables more efficient production flows and a better work environment for the employees," says Marcel Petersen, Swedish Match Philippines' Manufacturing Director.

In 2006, it was established that the former plant in Manila was small and old fashioned. An intense hunt for new premises with the right expansion possibilities was initiated. One of the requirements was that the new plant would be located in an area that would allow reasonable travel time for employees. This was an important consideration for Vic

and his team, since retaining employees was extremely vital.

"We were able to retain all our employees in the plant, which contributed highly to the successful transfer and continued high efficiency of the new plant," says Maribel Umali, Swedish Match Philippines' Human Resource Manager.

In April 2007, Swedish Match purchased the new plant in Laguna Technology Park, at which other international companies such as Atlas Copco, Honda, Panasonic and Hitachi were established. It was a battle against time; in six months the new premises were to be customized and



Jarl Ugglå, President Swedish Match International Division, cuts the ribbon together with Sweden's ambassador to the Philippines Inger Ulfvædt (to the right) and Lillia de Lima, Director for the Philippine Economic Zone Authority (to the left).

Focus

← expanded. In addition, all equipment and production were to be transferred without interfering with delivery capacity. With assistance from the lighter plant in Assen, Netherlands, production was planned so that delivery of Cricket lighters to primarily Asia and Russia would continue. All production equipment was installed by December 29 and one month later the new lighter plant in the Philippines had a production capacity of 80 percent of normal volume.

The opening ceremony was impressive. The plant was decorated in fantastic floral arrangements, the employees described the production process at the various stations in the plant and there was one opening speech after another on the expanded stage in the employees' dining area.

Jarl Uggla, President Swedish Match International Division presented a gift as a sign of the successful transfer and the team spirit that has developed over the years. Sweden's ambassador to the Philippines, Inger Ultvedt, spoke about the significance of Swedish Match and products from Swedish companies in the Philippines. The Director General for the Philippine Economic Zone Authority, Lillia de Lima, a key government partner in the transfer process, also promised to continue to support the company's operations in the Philippines.

The ceremony was characterized by enthusiasm and warmth, not only from the outdoor temperature but also from loyalty emanating from the Philippine management and employees of Swedish Match. ✪

“

**Within six months
the new premises
were to be customized
and expanded without
interfering with
delivery capacity.**

”



Jarl Uggla is handing over a symbolic gift to Vic Bocaling, Managing Director of Laguna Techno Park in Manila, as a sign of the successful transfer and the good team spirit that has developed over the years.

Facts:

Swedish Match has a long tradition in the Philippines. The lighter operation was established in 1973 in central Manila and was then called Feudor Philippines. Swedish Match has been engaged in the Philippines since 1927 in matches and other products. The lighter operation is the main business in the Philippines today. The plant currently supplies Cricket lighters to the Asian market, Russia and parts of Europe. Other lighter production units are located in Assen, Netherlands and in Manaus, Brazil.

New products



IN A TUBE

The cigar brand La Paz launched a new corona during the early summer. Each cigar has been packed carefully and sealed in a tube. This is a high quality and attractively priced cigar, which makes it appealing to consumers. It is easy to carry for the occasional cigar experience.



MORE THAN A MATCH

Under the slogan that a matchbox can be more than just a match holder, three match brands – Le Tre Stelle from Italy, Korona from Hungary and Feudor from France – have focused on decorative and attractive covers for match boxes. Everything from classical instruments to beautiful summer flowers are now decorating the boxes.



SNUS IN STAR FORMATION

Swedish Match continues its work on offering consumers the best snus. In Norway, all white snus products are designed in a star formation. A symbol on the side of the pack shows the star formation within the can. Swedish Match has developed this unique white-portion technology, which ensures that the snus has a longer taste.



PHOTO: MAGNUS FOND



LIGHT WITH LOVE AND PEACE

Cricket is launching a new design series with a Seventies theme. Peace, freedom and love were a few of the catchwords used during the decade when the pace of development kicked into a higher gear. Cricket is now celebrating this fascinating era with a colorful series of lighters.

Solstickan Award



PHOTO: PETER KNUTSSON

Henry Ascher receives the award from Princess Christina Mrs. Magnuson, Honorary Chairman of the Solstickan Foundation.

NAME: Henry Ascher.
BORN: September 15, 1953 in Gothenburg.
FAMILY: Wife, three children and a cat. Henry's parents came to Sweden as refugees during Second World War.
EDUCATION: Associate Professor of Pediatrics, Gothenburg University 2003, Doctoral thesis – Gluten Intolerance 1996, Pediatrician, Specialist in Pediatrics 1989, Licensed Doctor 1983, Doctor of Medicine 1979.
CURRENT WORK: University lecturer in infant and child health with a focus on migration and health, NHV. Pediatrician in Gamlestan, Gothenburg. School doctor at Angered Secondary School.
INTERESTS: Almost everything, but above all people and culture, particularly drama and literature.
MOTTO: Nothing human is alien to me, *Karl Marx*.

*** The 2008 ***

Solstickan Award

winner focuses on protecting human rights

Pediatrician Henry Ascher received the 2008 Solstickan Award “for having worked to ensure that all children who stay in Sweden, either permanently or temporarily, are treated in a manner that complies with the United Nations’ Convention on the Rights of Children”. BY: LINA WIIK

There is no strength in solitude. Together we can drive issues and gain power. The Solstickan Award not only goes to me, but also to my colleagues and all the refugee children and families with whom I work,” says the award winner, who is pleased and somewhat embarrassed by the recognition he has received.

As a newly graduated pediatrician in the 1980s, Ascher worked for several years in Palestinian refugee camps in Lebanon.

“I think about my experiences there every day, and the knowledge that I gained is valuable in dealing with refugees in Sweden,” he says.

Back home in Sweden, Ascher devoted himself to research and specialized in stomach and intestinal

diseases. He worked with everything from gluten intolerance to technically advanced liver and intestine transplants.

Ten years ago, Henry and several colleagues jointly started the Rosengrenska Clinic in Gothenburg, as a voluntary clinic for refugees in hiding. This opened his eyes to the conditions of refugee children in Sweden and increased his awareness of the rapes to which many women in war zones are subjected. He discovered that these experiences affected their children to a greater degree than previously recognized. Today, Ascher teaches at the Nordic College of Public Health Science while simultaneously working as a doctor.

“The right to health and safety is one of the principal needs of people living as refugees. That’s why it’s important for the future to

protect basic human rights, such as the right to asylum.”

Ascher is always busy and is very committed to everything he does. His will to effect change and to alter the established structure is a strong driving force. Without it, he says that he would not be able to endure his work.

“Seeing thousands of people demonstrating for improved human rights for people that have received amnesty, or seeing the Solstickan Foundation that works to increase awareness of humanitarian issues gives me the will to go on,” concludes Henry.

Henry will donate the award money from the Solstickan Foundation to Palestinian refugee camps. It may be used for a theater project to help young people deal with their experiences, or for a medical clinic in a refugee camp where Henry himself has worked. ☘



Anna Petermann, Ewa Stenwall and Ingvar Pramhäll.



Cecilia Ahlgren-Fries and Magnus Tell.



Princess Christina Mrs. Magnuson and Sven Hindrikes.

The Solstickan Award is presented each year to someone in Sweden who, outside the framework of his or her normal professional work and within the parameters of the Solstickan statutes, has made a significant contribution to children or the elderly. Please visit: www.solstickan.se for more information.

PHOTO: PETER KNUTSON

The quarter in brief

Results for the second quarter

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.

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 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).



Joakim Tilly

FOTO: PETER KNUTSON

“In local currencies sales increased by 12 percent”

3 analyst comments

1

Jonathan Fell, analyst Deutsche Bank: “Reassuring results, which were above market expectations, and the market is pleased by this kind of performance in an

environment where the world economy is getting tougher. Figures were

excellent within the snus area, and also good to see how US cigars have recovered somewhat compared to last quarter. A slight disappointment that the group tax rate might increase next year, but that is a circumstance out of Swedish Match’s control. Swedish Match is a safe investment compared to other consumer stocks at the moment.”

2

Henrik Fröjd, analyst Kaupthing Bank: “A result better than expected. Swedish snus in particular showed very good

sales figures, a combination of price and component mix that was a pleasant

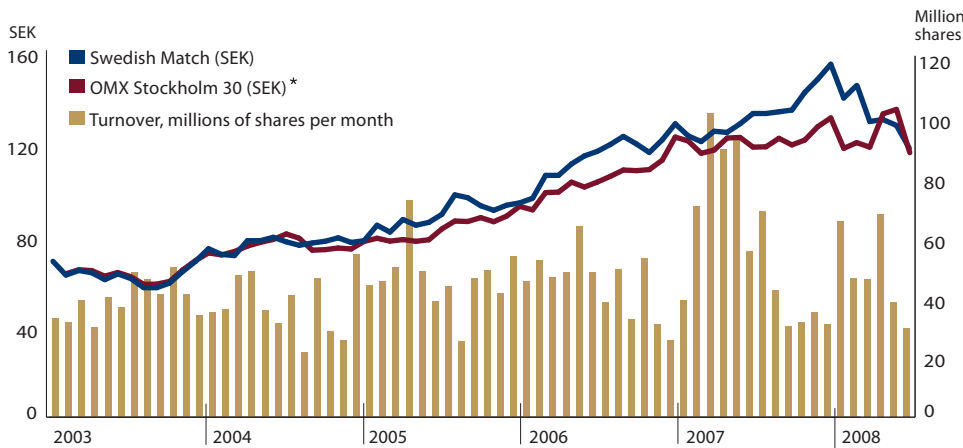
Share comment

Between March 31 and June 30 2008, the share price of Swedish Match declined by 4.6 percent, to a level of 123.50 SEK. During the same period, the OMXS30 index of the 30 largest

Swedish listed companies, declined by 9.9 percent. Over the 12 month period to June 30, the Swedish Match share has significantly outperformed the OMXS30. During this 12 month period, the index

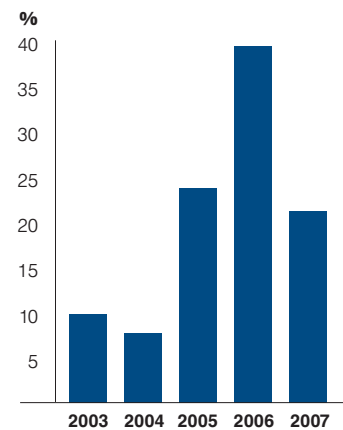
declined by more than 31 percent, while the Swedish Match share price declined by 5 percent, demonstrating the defensive characteristics of the Swedish Match share.

Share price and turnover

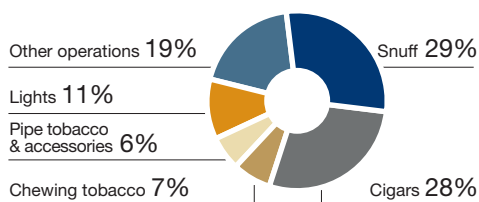


* Indexed to the initial Swedish Match share price on this graph.

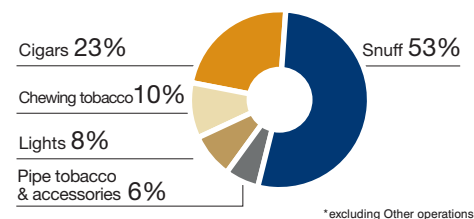
Total return



NET SALES APRIL-JUNE 2008



OPERATING PROFIT APRIL-JUNE 2008*



MSEK	Apr-June 2008	Apr-June 2007	Full year 2007
Net sales	3 284	3 090	12 551
Operating profit	733	642	2 997
Income before tax	614	563	2 662
Net income	512	441	2 056
Earnings per share, SEK	2:02	1:66	7:82

surprise. Swedish Match is characterised by great stability, particularly when compared with other consumer-good companies. The area of concern, however, is the rate of tax, which is expected to rise. Sales of cigars in the US and Europe could have been higher, but I believe that mass-market cigars will contribute in the future.”

3

in Scandinavia. On the downside, there is the proposed change to Swedish tax

Anders Hansson, analyst, Danske Bank: “A good report, in which both Swedish snus and cigars delivered. The most positive aspect was Swedish snus sales

legislation, which may reduce earnings per share. The Swedish Match share has done well compared with other consumer-good companies, but I am looking forward to a quarter in which Red Man in the US makes a positive contribution, and Swedish Match can then show how well its Swedish snus operations can do.”

With a passion for cigars

For Conny Andersson, enjoying life is a passion and he is one of Swedish Match's most devoted cigar experts. His love of cigars goes back to his childhood roots in Spain. Today, he trains Swedish Match's customers and tobacconists in the fine art of cigar appreciation. BY: KAROLINE HAMMAR

Asked why he has such a burning interest for cigars, Andersson does not answer at first. Instead, his brown eyes sparkle and a smile spreads across his face.

"I grew up with a tradition in which both my father and my grandfather smoked cigars," he says "It was a natural part of my childhood. Later on, I developed an interest when I became a restaurant manager. It seemed only natural that I should take care of the restaurant's humididor, and I was more than happy to describe the different cigars and their characteristic aromas to the guests. I smoked my first cigar in Spain with my father and my grandfather."

For Andersson, cigar production from tobacco leaves to the finished cigar is a fascinating and demanding handicraft.

"Succeeding in producing tobacco that tastes the same from year to year while simultaneously developing the tobacco's tastes into completely new products is challenging, demanding and fun all at the same time."

Conny Andersson has worked at Swedish Match since 2001. He began as a sales representative for snus and cigars and worked with the company's customers in both retail and with

tobacconists in Sweden. Today, his role has changed, and he conducts training in the fine art of cigar smoking and how to combine different types of snus with different drinks and food dishes.

"Through my work in the restaurant business, I came into contact with Swedish Match sales representatives who were aware of my interest in cigars. After a few years as a sales representative, I saw new challenges and wanted to learn more about cigar production. I therefore spent some time in the Dominican Republic and worked in one of our cigar factories there. I learned the entire manufacturing process, from planting to the finished cigar. I am now responsible for both snus and cigar training for our customers. If they have knowledge that they can pass on to consumers, it increases interest and more products are sold," he says.

In addition to conveying Andersson's extensive knowledge to customers, the training programs are an excellent means of strengthening relationships with customers.

"If we succeed in communicating better knowledge of our cigars, customers will display them on their shelves and sell them to a greater

extent. It is important to be able to talk about the cigars and the tobacco. You can give advice about what they go best with, chocolate, whiskey or other beverages. This is valuable for the tobacconist who can provide added value to the customer."

Andersson would never dream of working in another industry or with anything else than tobacco. He considers his passion for cigars to be for life.

"When I have finished a training program for customers and then hear from consumers who say how good the store is in terms of both product range and service, I feel great satisfaction. I know how much care and how much work it takes to make a finished product," says Andersson.

One of Andersson's dreams has not yet been realized, however.

"In five or ten years, I would like to be a tobacco purchaser. Traveling around the world and selecting the right tobacco for our products is the basis for the business. Without high-quality tobacco, we would not have quality products. I have tremendous respect for all craftsmanship involved in cigar making. It is a tradition and a constant learning process that never ends," concludes Andersson. ★



CONNOR ANDERSSON

AGE: 37.

FAMILY: Married, two children aged eight and two.

RESIDENCE: Stockholm.

INTERESTS: Cigars, food and drink. Has his own tobacco plantation on the island of Ekerö outside Stockholm. Previously played football, but this interest is now limited to being a spectator.

BEST TRIP: Ilha Grande Nature Reserve on an island south of Rio de Janeiro, Brazil, which was a prison island and thus not exploited by tourism. The landscape is fantastic with both jungle and beautiful beaches.

BEST CIGAR MEMORY: One morning at 5:00 a.m. on a beach in the Dominican Republic. The cigar was a Bolivar.

FAVORITE CIGAR: Macanudo Maduro Diplomat because it has a very pleasing sweetness and goes well with a glass of Calvados, which is also slightly sweet.



PHOTO: DAN LJUNGSVIK

Creating a winning team

Summer, sun and sailing. This summer, the Swedish Match sailing boat, the Dufour 40 Onico, can be seen in the waters outside the west coast of Sweden. For many years, Swedish Match has been strongly associated with sailing, not least as a tool for enhancing team spirit within the company. BY: LOTTA ÖRTNÄS

“We see many parallels between sailing as a sport and our corporate philosophy of creating a winning team. It’s all about the team’s ability to move the vessel, or the company, forward against the challenges that arises and to cross the finishing line as a winner,” says Torbjörn Åkeson, Acting President Swedish Match North Europe Division.

The Dufour 40 Onico sailing boat will be participating in several races this summer. It will also take part in Match Cup Sweden in Marstrand and in the European Championship in Marstrand. Between races, the boat can be seen at various places along the west coast of Sweden.