



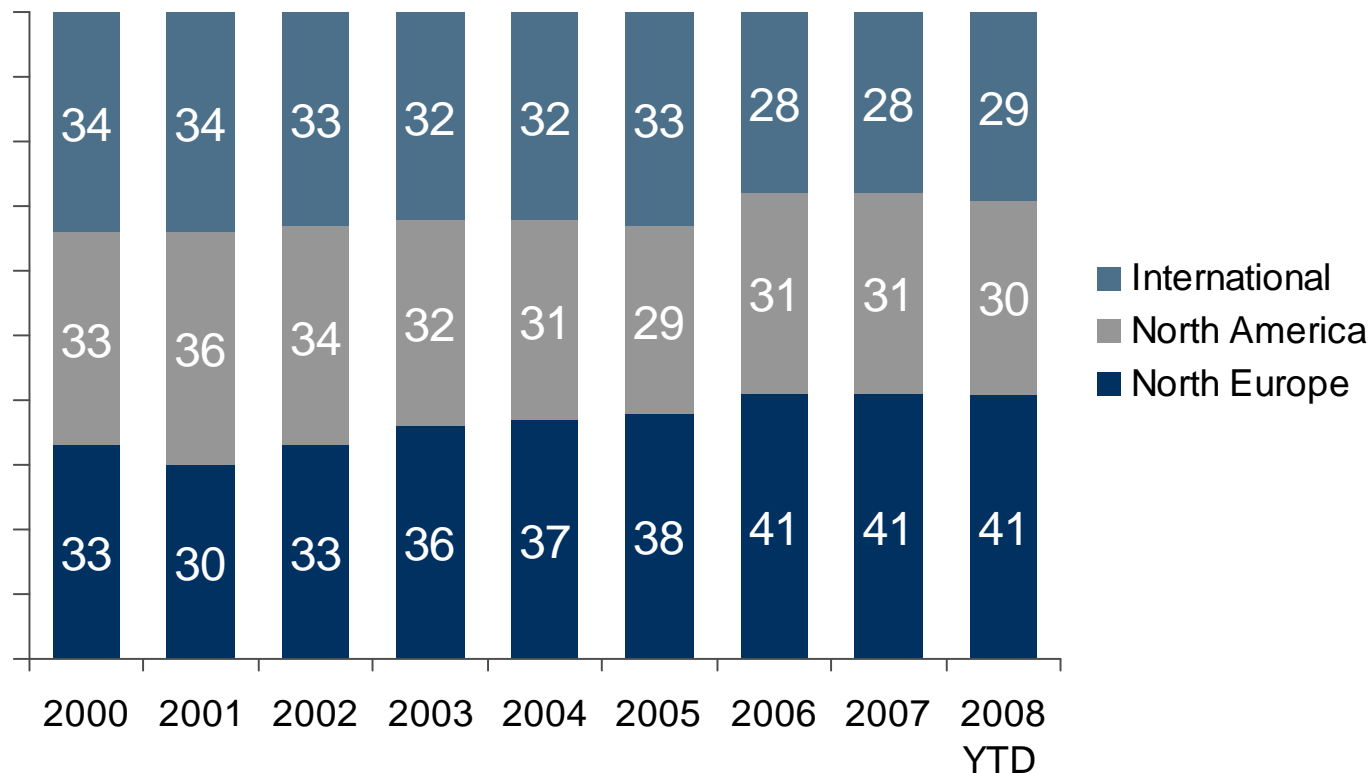
# Swedish Match strategy



- Core organic growth initiatives
- Innovative organic growth platforms
- Pricing and mix
  
- Acquisitions and Divestitures
  
- Productivity
- Restructuring
  
- Balance sheet efficiency
- Operating capital improvements
- Share buy-back program

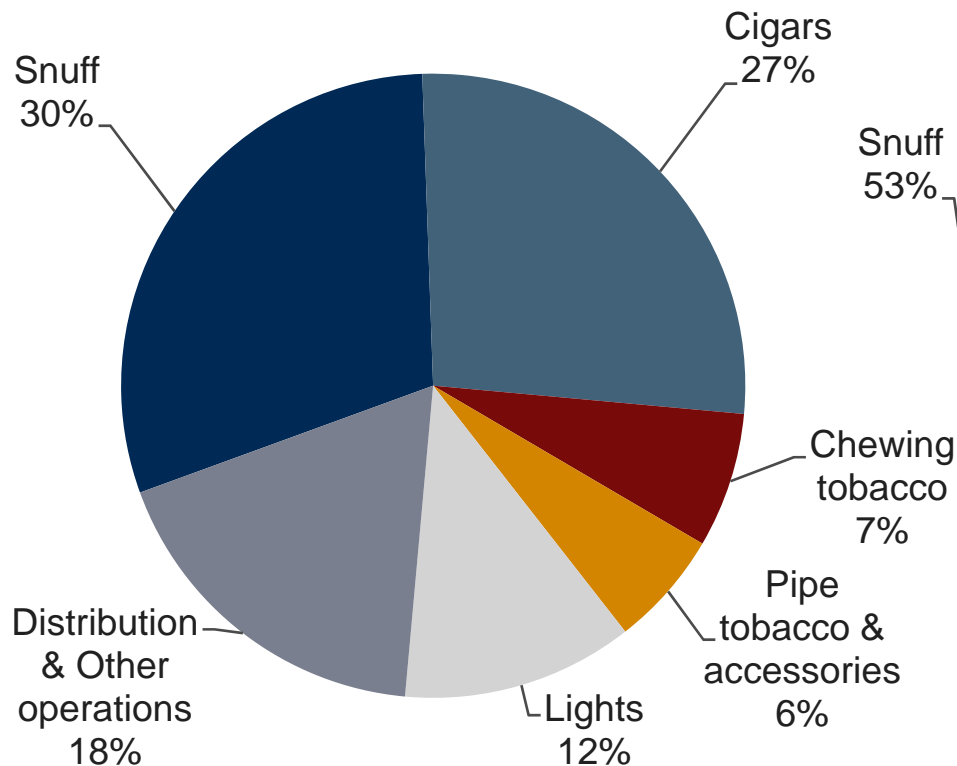
# Sales by geographic division

Percent of sales (SEK)

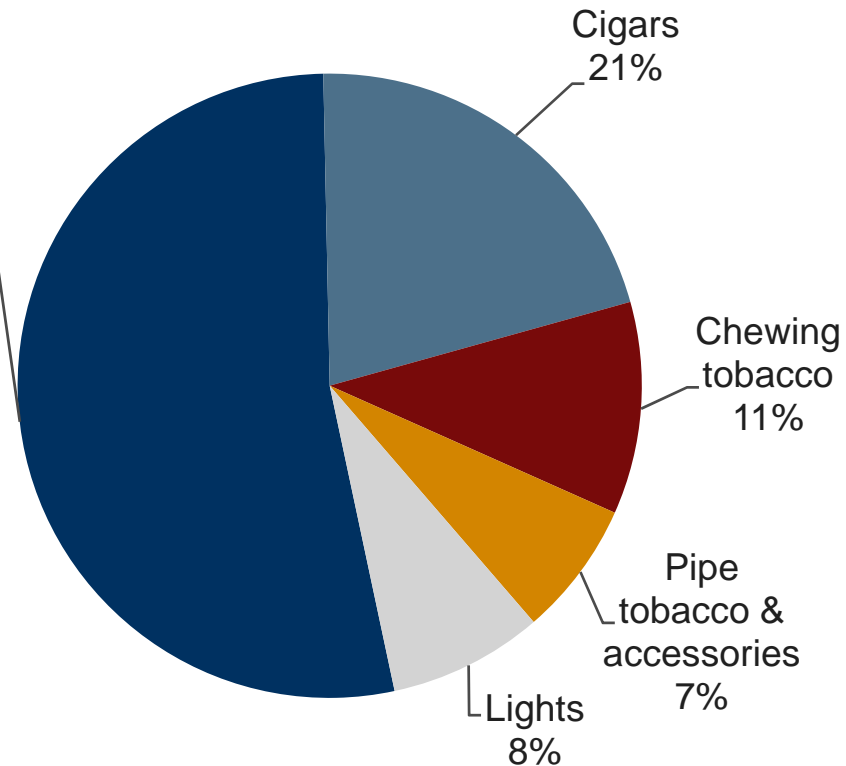


# Group sales and operating profit H1 2008

## Sales split, SEK



## Operating profit\* split, SEK



\* Excluding Other operations

# Conclusions from the second quarter

## Results

- **Net sales increased by 12 percent in local currencies, driven by strong snuff performance**
  - Scandinavian snus sales up 26 percent, with volumes down 2 percent
    - Excluding hoarding/destocking effects, volumes estimated down <5 percent year on year
  - US snuff sales up 22 percent in local currency
  - Cigar sales up 16 percent in local currencies
    - Excluding acquisitions, sales down in both Europe and the US
- **Operating profit for snuff improved by 32 percent**
  - Strong year on year improvement of Scandinavian snuff margins
    - Volume growth in Norway, tax-free, and higher prices in all markets
  - Red Man national rollout from March supported by extensive marketing efforts, reducing margins in the US
- **Premium cigar sales up 43 percent in local currency in the US**
  - Cigars International shows strong performance in line with acquisition plan
  - Sales for premium cigars excluding Cigars International improved from Q1 levels, but were down 10 percent year on year in local currency, from lower volumes and mix effects
- **Negative impact on sales and results from a continued weak USD, ZAR**
  - Currency translation impact on sales: 175 MSEK

# Conclusions from the second quarter

## Markets (snuff and snus)

- **SM total market share\* in Sweden was stable at 87.5%**
  - 87.6% in Feb/Mar 2008 (89.8% in Apr/May 2007)
- **SM share\* of premium snus in Sweden is still stable at 96.9%**
  - Virtually unchanged from Apr/May 2007 (97.1%)
- **Low price segment declined to 21.2%\* of Swedish market**
  - 21.5 in Feb/Mar 2008
- **SM share\* of low price 52.5% (53.9% in Feb/Mar 2008)**
- **Snuff volumes in the US increased by 22% in Q2 vs. prior year**
  - Red Man accounted for 14 percentage points of this increase
  - Red Man began national rollout phase in March
- **SM market shares\* in the US continue to grow**
  - YTD June 14 was 11.8%, vs. 10.5% year earlier
  - YTD Red Man share 1.1%, and 1.2% in latest four weeks

\* ACNielsen. Swedish shares are for the April/May period

# Other highlights

- **Stronger results in local currencies for Chewing tobacco, Pipe tobacco, and Lights**
- **Other Operations**
  - Higher structural costs following sale of Stockholm headquarters
- **Acquisitions/Investments**
  - Cigars International acquisition performing very well
  - Bogaert integration is going according to plan
- **Financial Policy**
  - Dividend policy: 40 – 60% of earnings per share
    - In 2007 dividend was 45% of EPS, up from 31% of EPS in 2006
  - Net debt not to exceed 3 times EBITA
- **Other Issues**
  - Total smoking ban in public places in France from January 1, 2008
  - Smoking ban in the Netherlands from July 2008

# Outlook

- Previous outlook remains valid with the exception of the tax rate
- Sales and underlying operating profit to exceed the levels in 2007
- Scandinavian snus to continue to deliver strong results for the remainder of the year
- Further market share gains and volume growth for snuff in the US
- Further improvement of sales and operating profit for the rest of the year in the US
- The tax rate for 2008 is estimated to be 18 percent
- Tax rate beyond 2008 uncertain, due to possible Swedish legislative changes



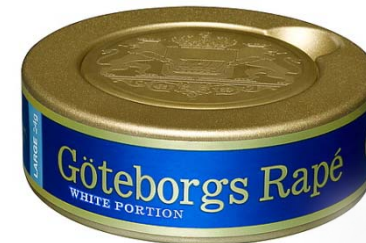
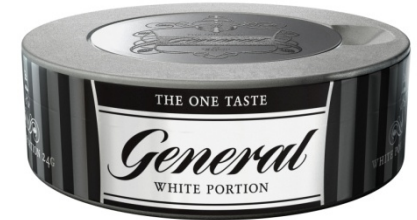
# Group results January – June 2008

- Sales amounted to **6,103 MSEK (5,752)**
  - In local currency sales increased by 11%
  - Net currency translation negative impact of 275 MSEK
  - Sales for the Group excluding Swedish distribution increased by 13% in local currencies
- Operating profit amounted to **1,276 MSEK (1,176)**
  - In local currency operating profit increased by 14%
  - Continued extensive launch expenses for Red Man snuff affect comparison
  - Net currency translation negative impact of 68 MSEK
- Profit before income tax amounted to **1,041 MSEK (1,031)**
- Net profit for the period amounted to **854 MSEK (773)**
- EPS (basic) was **3.36 SEK (2.89)**

# Snuff



- The only company with significant **international** snuff operations
- Leading position in **Sweden** and **Norway**
- Well positioned in the value price segments in **the US**
- Second largest position in **South Africa**
- Production in **Sweden**, **the US** and in **South Africa**



# Snuff

## Scandinavian operating profit up Red Man national rollout continued

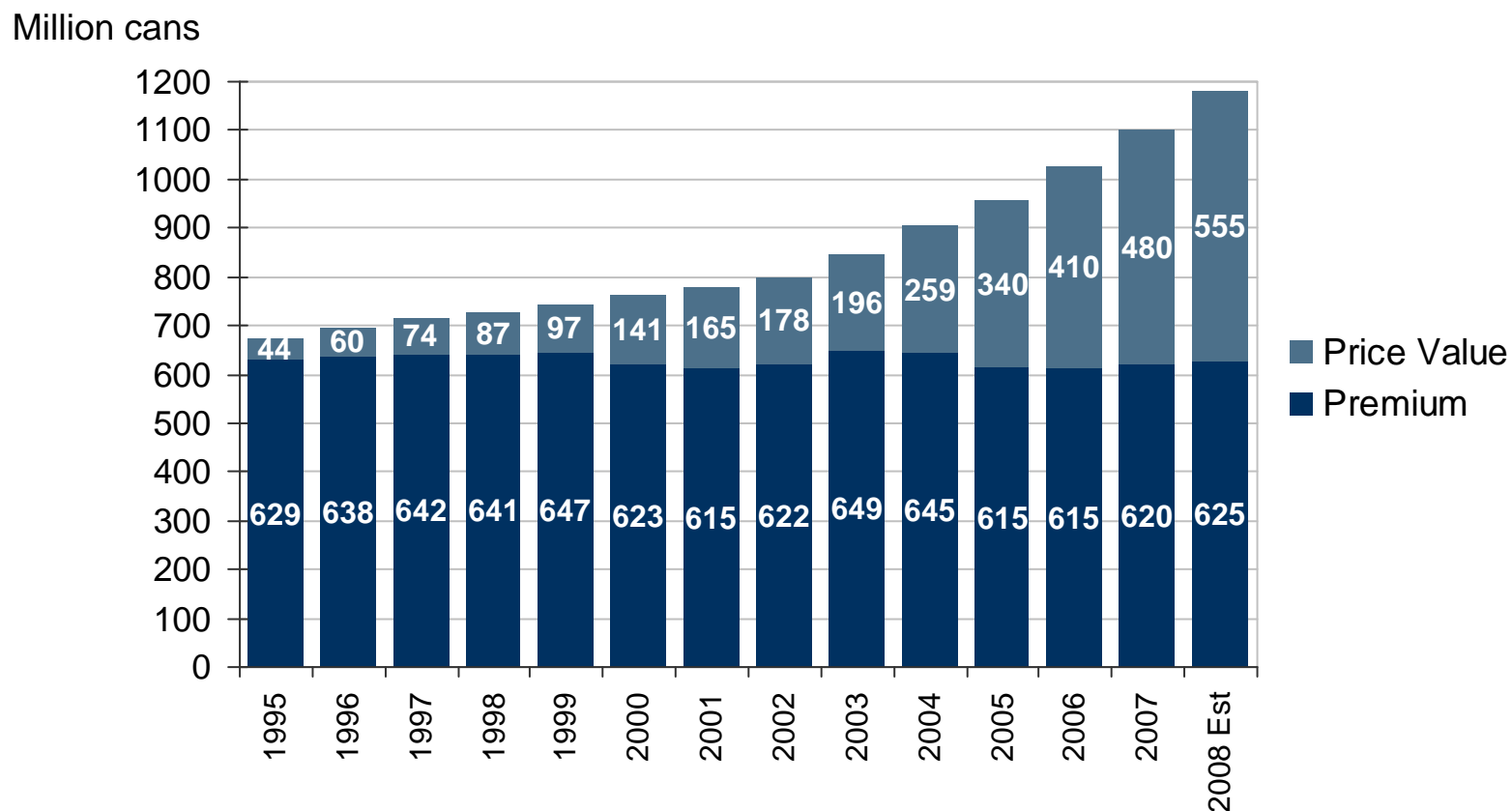
- North European division snus sales up 26% in Q2, and up 29% for the six month period
- Margins improved slightly in Scandinavia from Q1 levels, up significantly from last year
  - Higher volumes in Norway, tax-free largely offset declines in Sweden (total down 2%)
- US sales up 22% in both Q2 and H1 in local currency
- US snuff volumes up 21% year on year in Q2
  - US snuff volumes up 8% for Longhorn and Timber Wolf
- Red Man national rollout continues, now in 60,000 + stores
- Lower margins in US during the Red Man launch phase, with spending levels similar for both Q2 and Q1



MSEK	Q2-08	Q2-07	% chg	H1-08	H1-07	% chg	12 mos end. Jun. 30, 2008	Full year 2007
Sales	953	794	20	1,774	1,457	22	3,606	3,289
Operating profit	410	311	32	728	541	34	1,553	1,366
Operating margin, %	43.0	39.1		41.1	37.2		43.1	41.5

# Volume growth of snuff in the US

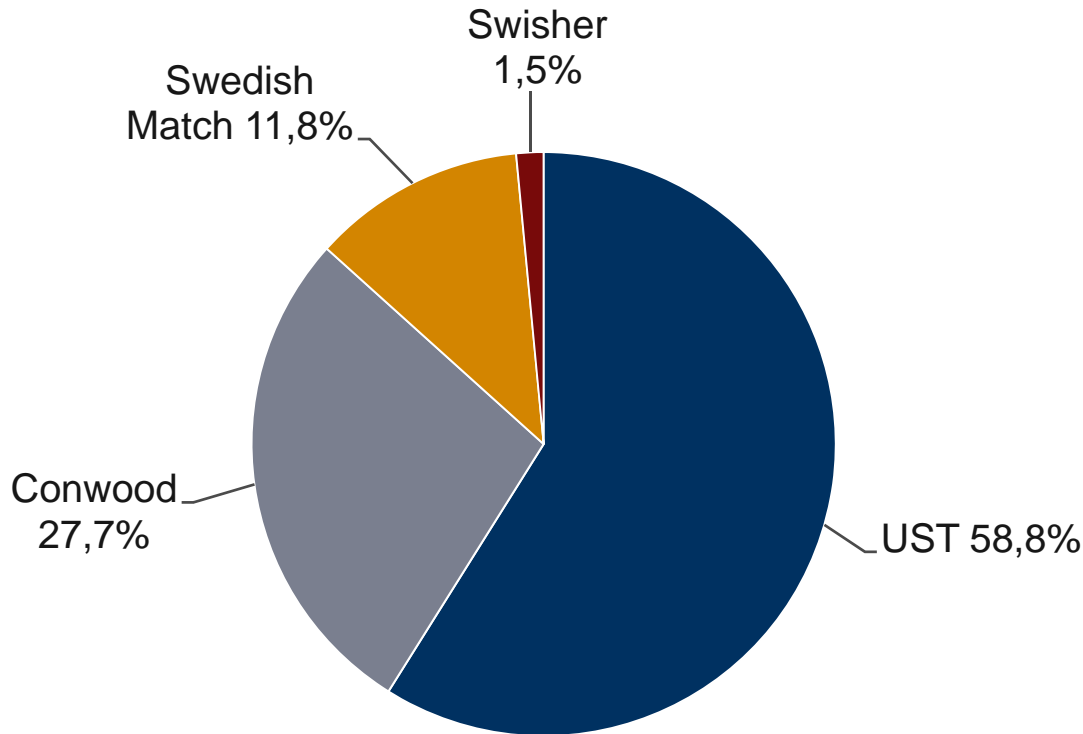
## US snuff market by segment



Swedish Match estimated market size, using ACNielsen estimates as well as industry data and estimates

# US moist snuff market shares

Volume share North America, YTD June 14



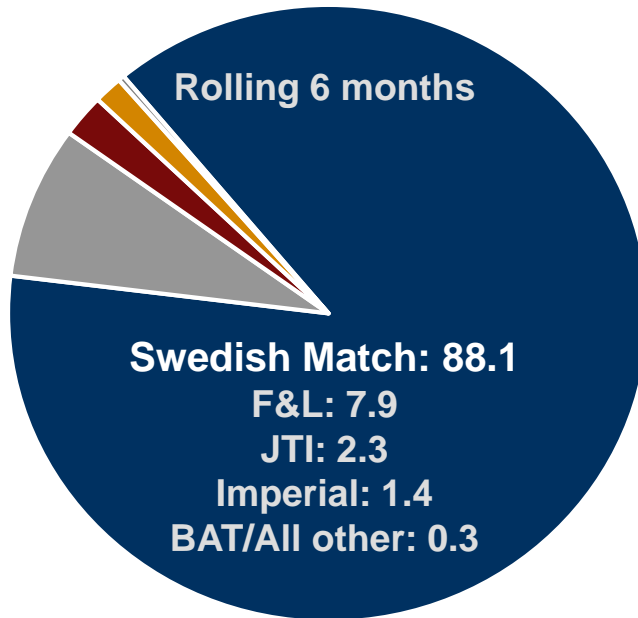
4 weeks ending  
June 14

**Swedish Match: 12.4**  
**UST: 57.8**  
**Conwood: 28.1**  
**Swisher: 1.5**

Source: ACNielsen, due to rounding totals may not add to 100%

# Swedish snus market shares

Volume share Sweden, rolling 6 months through May 2008



Source: ACNielsen, due to rounding totals may not add to 100%



# Cigars

- Swedish Match is one of the world's largest producers and distributors of cigars and cigarillos
- The largest markets are **North America** and **Western Europe**
- Production in **Belgium**, **Dominican Republic**, **Indonesia**, **Honduras** and the **US**



# Cigars

## US Premium cigar volumes\* improve vs Q1

- Q2 cigar sales increased 16% in local currency, from acquired businesses
- US premium sales , excluding Cigars International, in Q2 rebounded from Q1 levels but were down 10 percent in USD due to mix effects and lower volumes
- US mass market sales down modestly in USD mainly due to difficult comparisons
- European cigar sales excluding Bogaert were modestly lower with difficult conditions in some markets
- Operating profit in Q2 down due to currency effects, somewhat lower premium cigar volumes
- Operating margin decline vs prior year attributable to US premium and European cigars



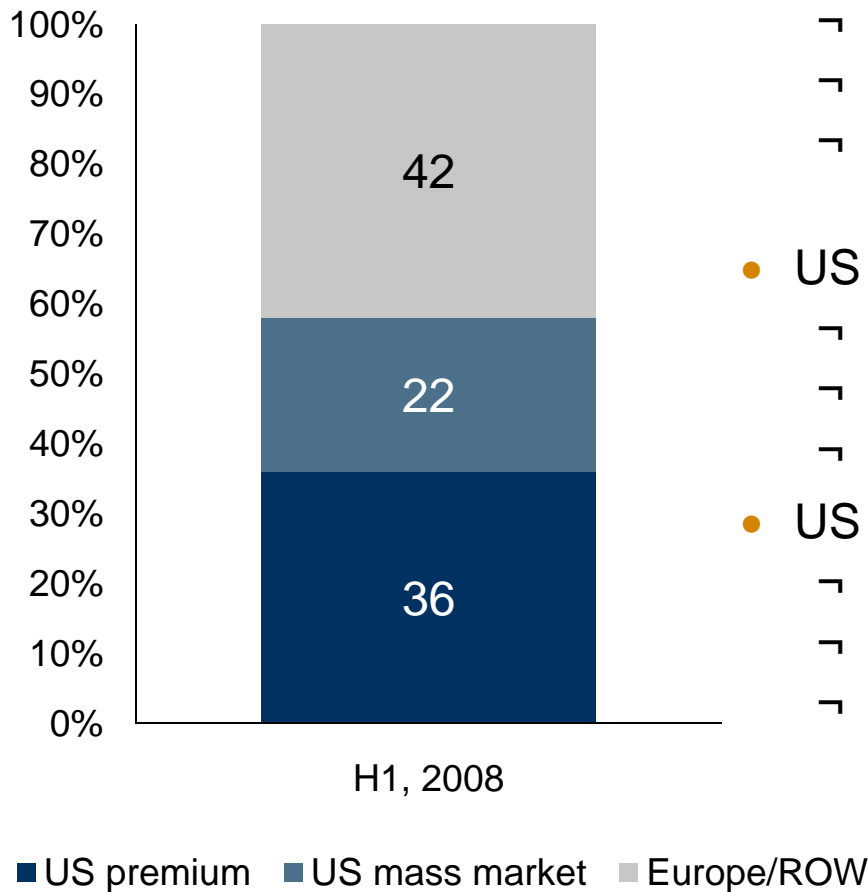
MSEK	Q2-08	Q2-07	% chg	H1-08	H1-07	% chg	12 mos end. Jun. 30, 2008	Full year 2007
Sales	908	847	7	1,665	1,581	5	3,495	3,411
Operating profit	184	193	-4	296	357	-17	676	737
Operating margin, %	20.3	22.7		17.8	22.6		19.3	21.6

\* Excluding acquired businesses. With acquisitions, volumes were up significantly versus prior year



# Cigars

## Sales split (SEK)



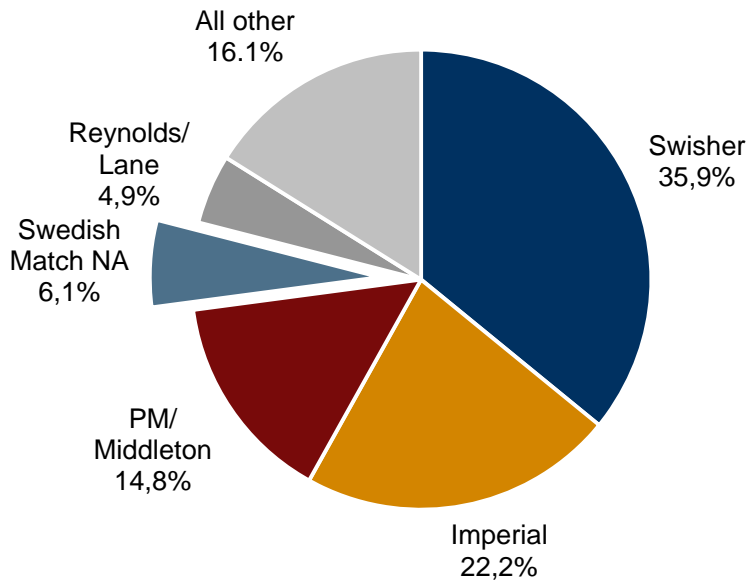
- Europe and other non-US:
  - 15% market share in Europe
  - 5 billion stick market (Europe)
  - Long term market volume trend: stable to slightly down
- US mass market:
  - 6.1% volume share (ACNielsen)
  - 5-6 billion stick market
  - Long term volume trend: up
- US premium:
  - 30-35% market share
  - 320 million stick market
  - Long term market volume trend: stable, but with fluctuations year to year

Source: Swedish Match estimates for Europe (excl UK) and US premium cigars

# Cigars

## North America, mass market YTD June 14

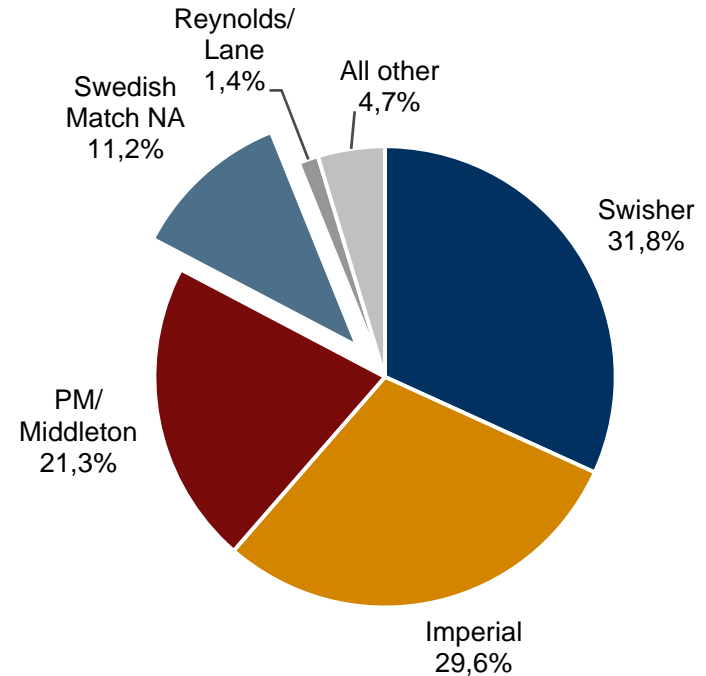
VOLUME share



4 weeks ending  
June 14

Swedish Match: 5.9

VALUE share



4 weeks ending  
June 14

Swedish Match: 10.9

Source: ACNielsen, due to rounding totals may not add to 100%

# Chewing tobacco

Q2 sales up 3%, operating profit up 8% in local currency

Nearly all chewing tobacco sales are in *the US*

Swedish Match is the largest producer of chewing tobacco in *the US*

Production in *the US*

The market typically declines by 5 - 8% per year in volume

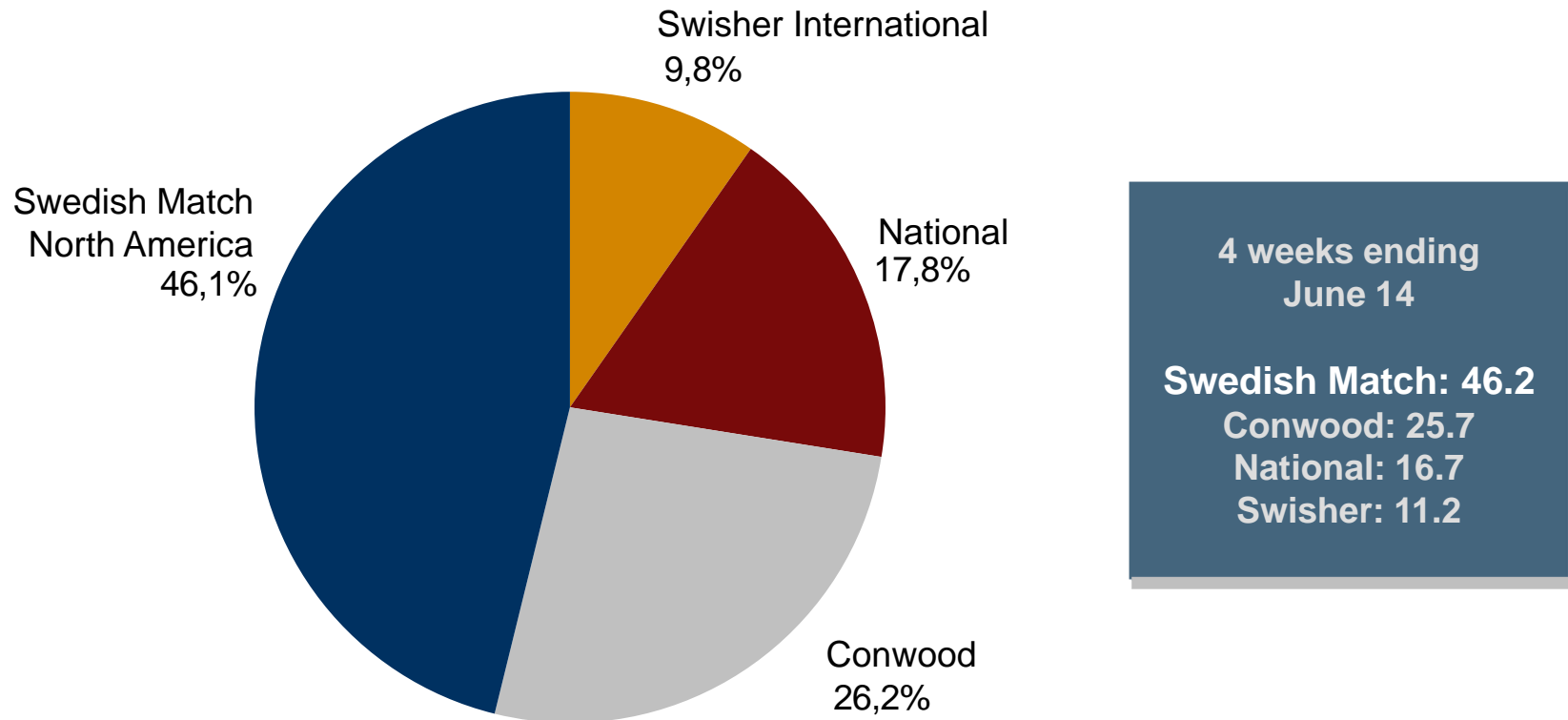


- Improved pricing more than offset shipment volume declines
- Operating margins up year on year
- Market shares at 46.1% for the year to date through June 14
- Price increase of 5% in December, 2007 and 3% in May 2008

MSEK	Q2-08	Q2-07	% chg	H1-08	H1-07	% chg	12 mos end. Jun. 30, 2008	Full year 2007
Sales	227	253	-10	437	492	-11	901	956
Operating profit	77	82	-6	146	154	-5	305	312
Operating margin, %	34.1	32.3		33.4	31.2		33.8	32.7

# Chewing tobacco

## Volume share North America, YTD June 14



Source: ACNielsen, due to rounding totals may not add to 100%

# Pipe tobacco and accessories

## Sales up 8% in Q2 in local currencies

Swedish Match is one of the world's largest producers of pipe tobacco

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

Production in **the US** and in **South Africa**



- South Africa accounts for approximately half of pipe tobacco/accessories sales
- Sales and operating profit negatively affected by currency translation (ZAR)
- In local currencies, sales up 8 percent in Q2
- 20 MSEK cost for factory closure in Q2 2007
- Volume declines in most markets

MSEK	Q2-08	Q2-07	% chg	H1-08	H1-07	% chg	12 mos end. Jun. 30, 2008	Full year 2007
Sales	<b>189</b>	203	-7	387	408	-5	830	851
Operating profit	<b>47</b>	24	99	99	79	24	220	201
Operating margin, %	<b>25.0</b>	11.7		25.5	19.4		26.5	23.6

# Lights

## Sales up, profit flat in Q2

Swedish Match is market leader in many markets. The brands are mainly local and strong in their respective home countries

Main markets are *Europe* and *Latin America*

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



- Sales in Q2 were up 5%
- Lower sales of higher margin products in some countries had a slight negative effect on the result (mix effect)
- Operating profit was unchanged in Q2, and down 3% year to date

MSEK	Q2-08	Q2-07	% chg	H1-08	H1-07	% chg	12 mos end. Jun. 30, 2008	Full year 2007
Sales	374	354	5	721	694	4	1,500	1,473
Operating profit	62	62	0	116	119	-3	249	252
Operating margin, %	16.6	17.5		16.0	17.1		16.6	17.1

# P & L summary

MSEK	January – June 2008	January – June 2007	Percent change	12 mos end. June 30, 2008	Full year 2007	Percent change
<b>Sales</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	-3,121	-2,997		-6,703	-6,578	
<b>Gross profit</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 adm. expenses*	-1,708	-1,582		-3,102	-2,976	
Share of profit in equity accounted investees	2	2		1	1	
<b>Operating profit</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	74	76		162	165	
Financial expenses	-309	-221		-588	-501	
Net finance cost	-235	-145		-426	-336	
<b>Profit before income taxes</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	-187	-258		-536	-606	
<b>Net profit for the period</b>	<b>854</b>	<b>773</b>	<b>10</b>	<b>2,136</b>	<b>2,056</b>	<b>4</b>
<b><i>Attributable to:</i></b>						
Equity holders of the Parent	853	773		2,135	2,055	
Minority interests	0	0		1	1	
<b>Profit for the period</b>	<b>854</b>	<b>773</b>	<b>10</b>	<b>2,136</b>	<b>2,056</b>	<b>4</b>
EPS, basic, SEK	3.36	2.89		8.34	7.82	
EPS, diluted, SEK	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

# Balance sheet

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 interests	3	4
Total equity	-417	724
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>



# Cash flow in summary

MSEK	January – June	
	2008	2007
<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>
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>
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

# Key data

MSEK	January – June	
	2008	2007
Operating margin, %*	20.9	20.4
Operating capital, MSEK	8,078	8,867
Net debt	8,017	8,235
EBITDA, MSEK*	1,498	1,393
EBITA, MSEK*	1,344	1,241
EBITA interest cover	6.0	8.7
Net debt/EBITA , rolling 12 months/full year	2.7	2.5
<b>Share data*</b>		
Earnings per share, basic, SEK	3.36	2.89
Earnings per share, diluted, SEK	3.35	2.89
Average numbers of shares outstanding (Mio)	253.9	267.3
Shares outstanding, end of period (Mio)	251.5	260.0

\* Please refer to notes in the interim report January – June 2008

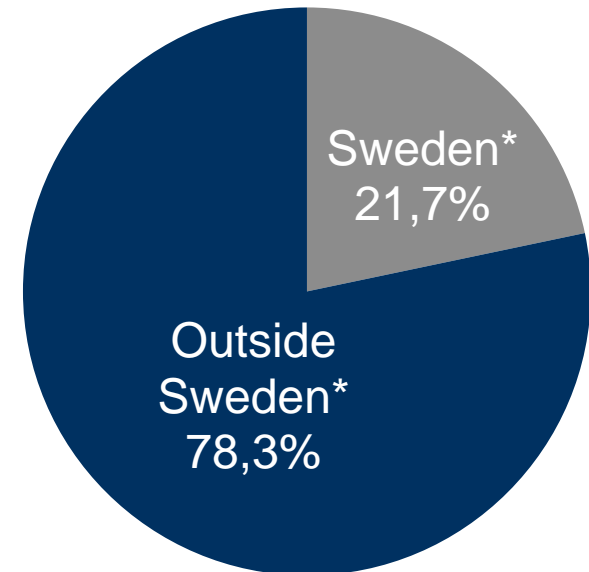
# Largest shareholders

As per June 30, 2008

## Largest shareholders\*:

Parvus Asset Management	10.5 %
Morgan Stanley Investment Mgmt	5.6 %
Wellington Management Company	5.0 %
Swedbank Robur Funds	1.8 %
SHB/SPP Funds	1.6 %
First Swedish National Pension Fund	1.3 %
Third Swedish National Pension Fund	1.2 %
Nordea Funds	1.1 %
Govt of Singapore Inv Corp	1.1 %
SEB Funds	1.0 %
	<hr/>
	<b>30.2 %</b>

**53,441** shareholders



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

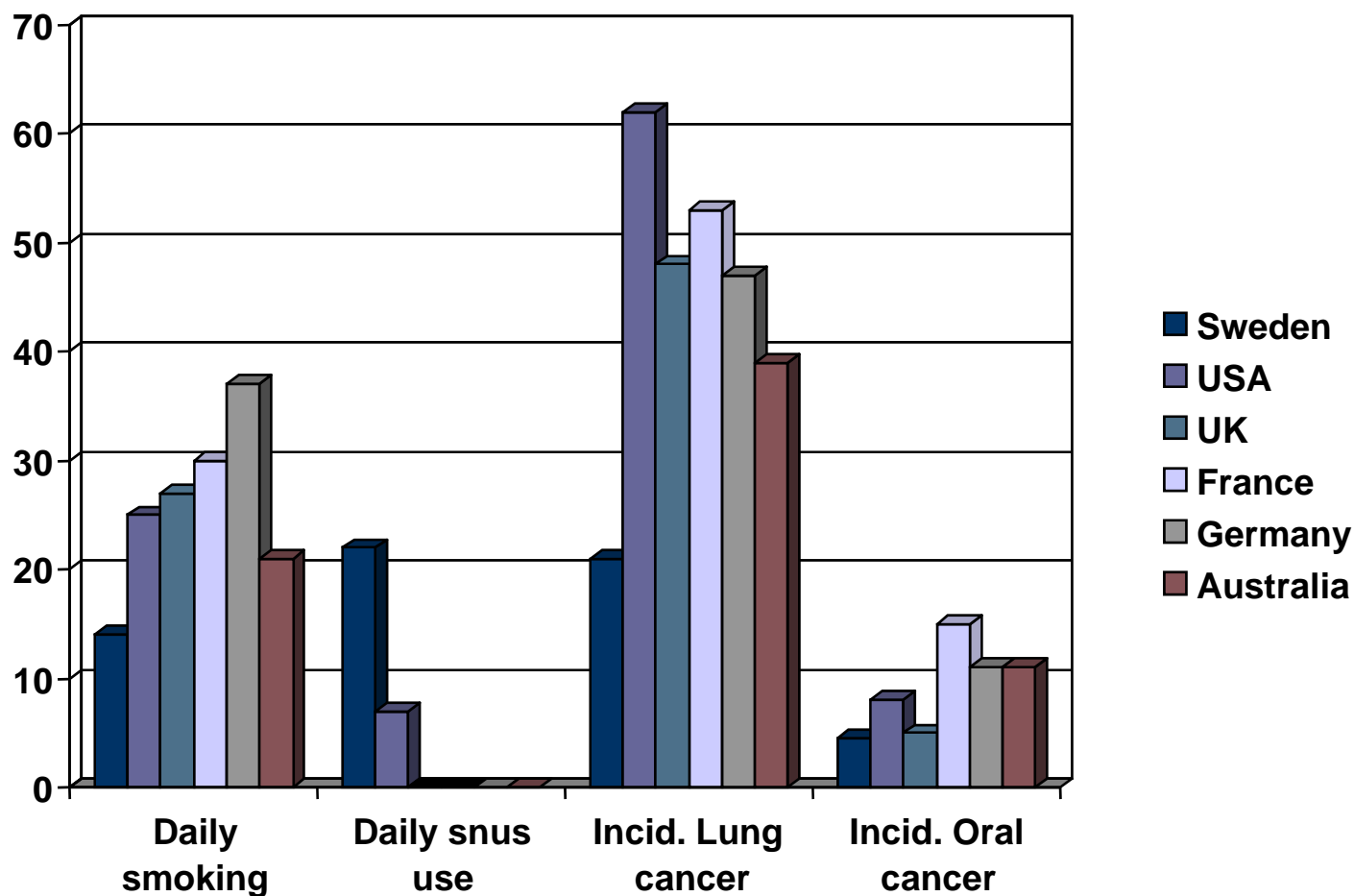
\* Percent split of share capital held, excluding Swedish Match shares held in treasury

# The Swedish Experience

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

# The Swedish Experience

## Reduced number of tobacco related diseases

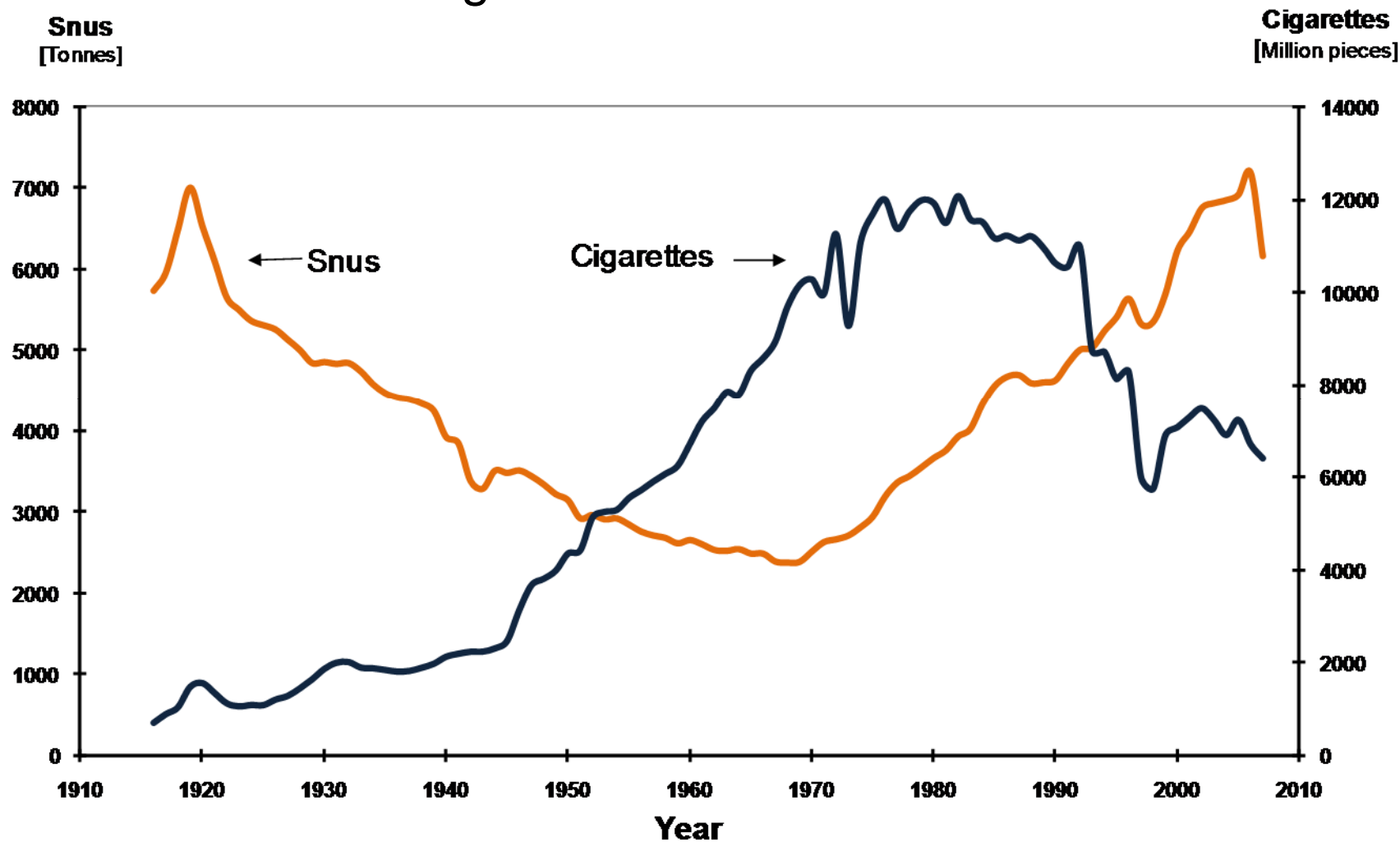


Sources: Cancer; WHO/IARC GLOBOCAN 2002. Tobacco use, latest available official figures.

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

# Snus vs cigarettes in Sweden

## Sales of snus and cigarettes in Sweden 1916-2007



Source: Swedish Match