

Results: January – September 2008



Swedish Match strategy



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

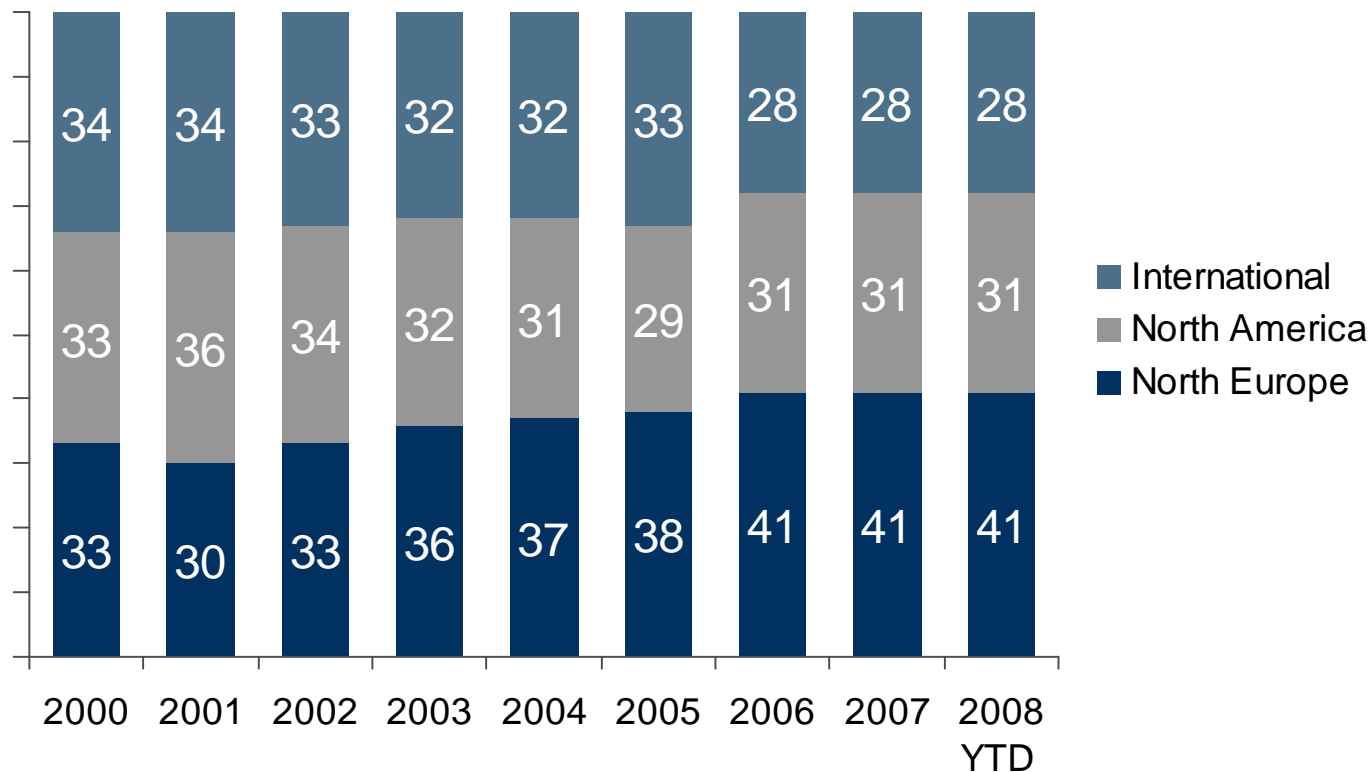
- Acquisitions and Divestitures

- Productivity
- Restructuring

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

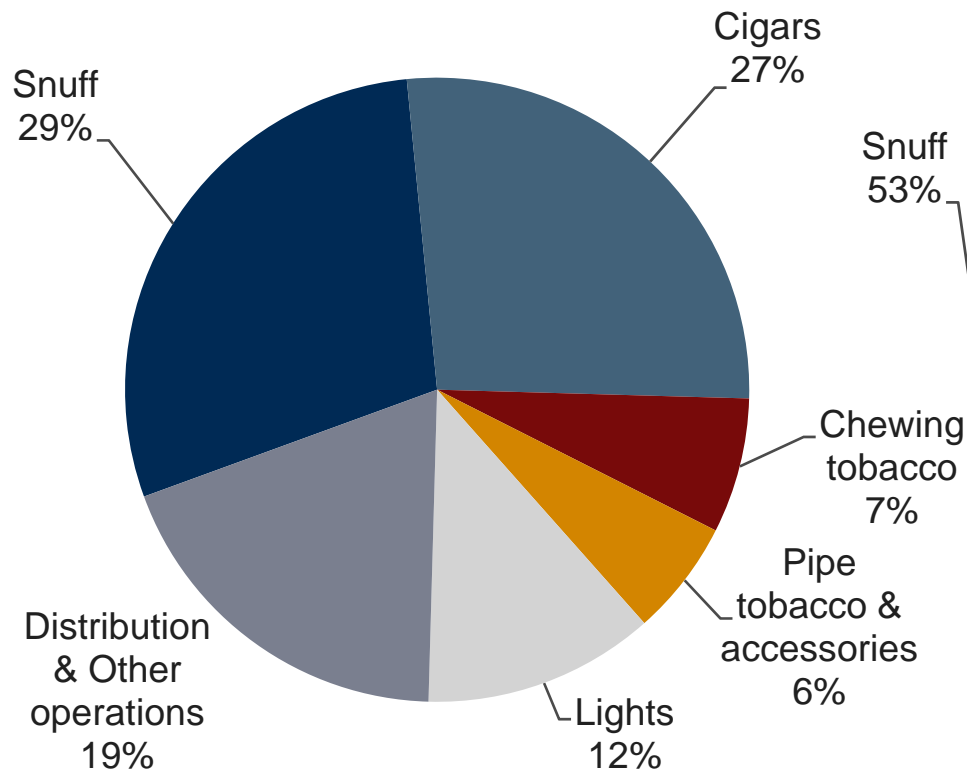
Sales by geographic division

Percent of sales (SEK)

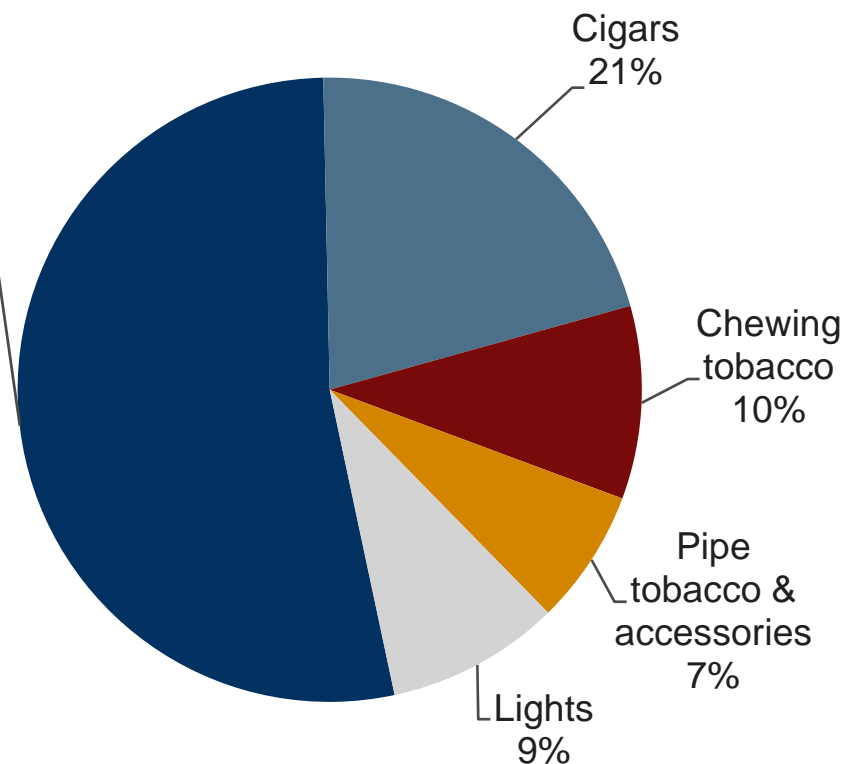


Group sales and operating profit Jan-Sep 2008

Sales split, SEK



Operating profit* split, SEK



* Excluding Other operations

Conclusions from the third quarter (isolated)

Results

- **Net sales increased by 8 percent in local currencies, driven by strong snuff performance**
 - ↪ Scandinavian snus sales up 20 percent, with volumes down 2 percent
 - Volume growth in Norway, tax-free largely offset declines in Sweden
 - Improved price levels in all markets
 - ↪ US snuff sales up 13 percent in local currency
- **Operating profit increased by 18 percent in local currencies**
 - ↪ Strong year on year improvement of Scandinavian snuff margins
 - ↪ Cigar operating profit increased by 10 percent in local currency
 - ↪ Pipe tobacco negatively affected by depreciation of South African Rand
- **Tax rate for the Group positively impacted by reversals of provisions**
 - ↪ Tax rate in the third quarter was 11 percent, and 15 percent in first nine months
- **Solid cash position and limited debt repayments through 2009**
 - ↪ Cash and cash equivalents are 2,424 MSEK vs 1,281 MSEK previous year
 - ↪ 109 MSEK debt due in Q4, and 653 MSEK due in 2009

ACNielsen consumption data

- **SM total market share* in Sweden was 87.5%**
 - 87.9% in June/July 2008 (89.8% in Aug/Sep 2007)
- **SM share* of premium snus in Sweden is stable at 96.7%**
 - Virtually unchanged over the last eight months
- **Low price segment is 21.8%* of Swedish market**
 - Slightly higher over the last eight months (21.5% in Feb/Mar)
- **SM share* of low price segment in Sweden: 54.4%**
- **US snuff market* up 7% for the year to date through October 4**
 - Swedish Match consumption volume up 18.4% YTD
 - Consumption up 9.8% latest four weeks
 - Consumption YTD: volumes up for Red Man and Longhorn, with Timber Wolf flat.
- **SM market shares* in the US continue to grow**
 - YTD October 4 was 12.0%, vs. 10.9% year earlier, and 12.2% latest 4 weeks
 - YTD Red Man share 1.1%, and 1.5% in latest four weeks

* ACNielsen. Swedish shares are for the August/September period, US shares for periods ending October 4

Other highlights

- **Strong reported result for chewing tobacco**
 - Sales up 4 percent and operating profit up 13 percent in local currency
 - Quarterly result positively impacted by relatively modest volume declines
- **Other Operations**
 - Higher structural costs following sale of Stockholm headquarters
- **Acquisitions/Investments**
 - Bogaert (acquired June 2007) now in comps in Q3
 - Cigars International (acquired September 2007) will be fully in comps in Q4
- **Other Issues**
 - Total smoking ban in public places in France from January 1, 2008
 - Smoking ban in the Netherlands from July 2008
 - Norway to increase tobacco excise tax by 13 percent in 2009
 - Swedish Match to produce chewing tobacco for National Tobacco from January 2009

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
- The tax rate for 2008 is estimated to be 15 percent

Group results January – September 2008

- Sales amounted to **9,534 MSEK (9,024)**
 - In local currency sales increased by 10 percent
 - Net currency translation negative impact of 375 MSEK
 - Sales for the Group excluding Swedish distribution increased by 13 percent in local currencies
- Operating profit amounted to **2,140 MSEK (1,935)**
 - In local currency operating profit increased by 16 percent
 - Extensive launch expenses for Red Man snuff affect comparison, especially in the first six months
 - Net currency translation negative impact of 101 MSEK
- Profit before income tax amounted to **1,788 MSEK (1,686)**
- Net profit for the period amounted to **1,520 MSEK (1,264)**
- EPS (basic) was **6.01 SEK (4.78)**

Financial Policy and financing needs

- **Financial Policy**

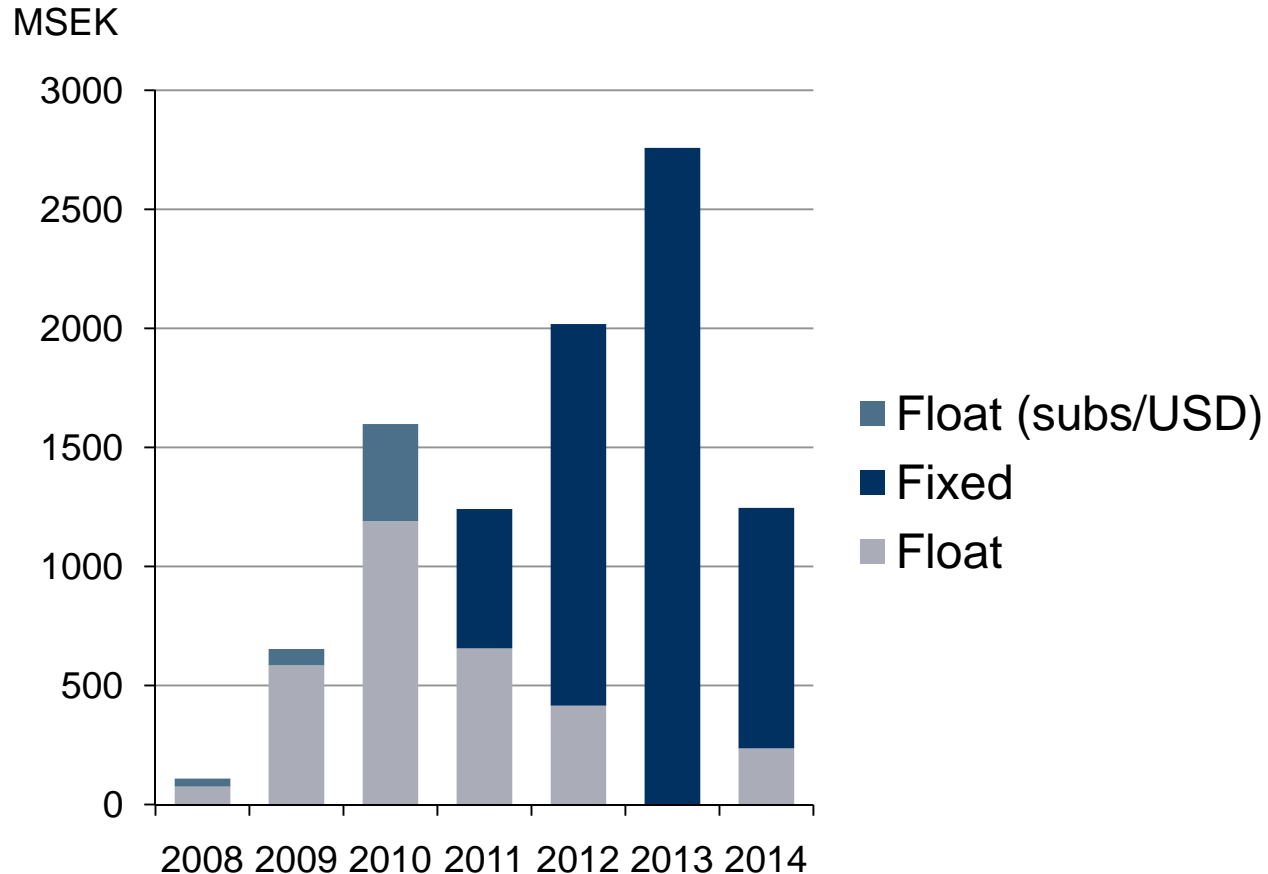
- Dividend policy: 40 – 60% of earnings per share
 - In 2007 dividend was 45% of EPS, up from 31% of EPS in 2006
- Net debt not to exceed 3 times EBITA

- **Financing and Cash Flow**

- 786 MSEK in new bond loans issued in first nine months
- 1,105 MSEK in repayment of bond loans in first nine months
- 109 MSEK in debt falls due in Q4 2008, and 653 MSEK in 2009

Swedish Match plans to meet its payback obligations during 2008 and 2009 from internally generated funds from operations and available cash.

Maturity profile of interest bearing liabilities*

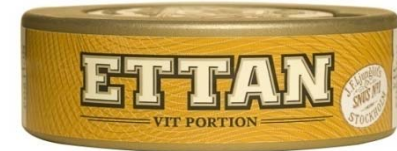


* Primarily from the Swedish (SEK) and Global (EUR) MTN programs

Snuff



- 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

Strong sales and profit growth

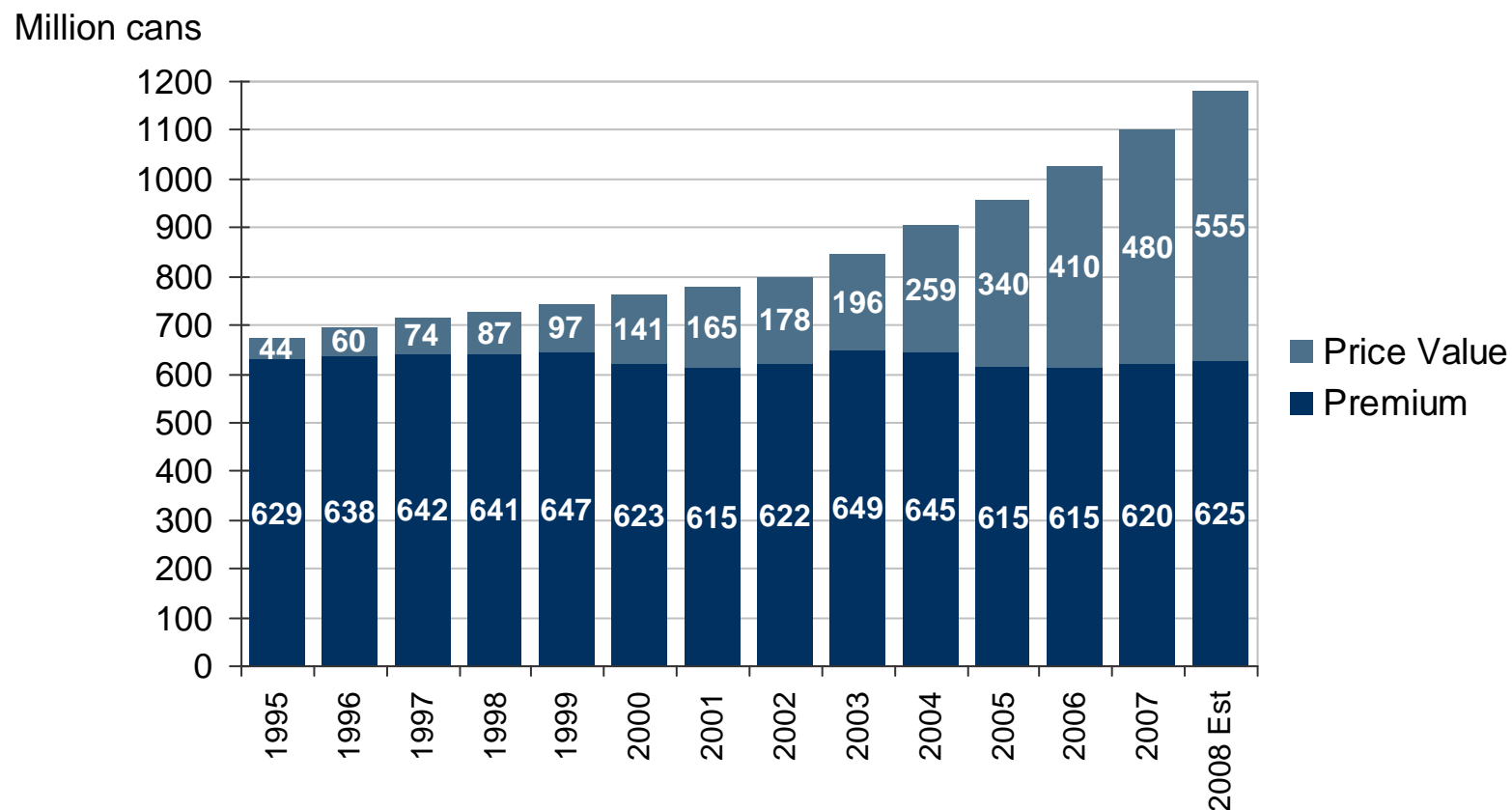
- **North European division snus sales up 20% in Q3, and up 26% for the nine month period**
 - Higher volumes in Norway, tax-free largely offset declines in Sweden (volumes down 2% in Q3 in North Europe)
- **Q3 margins above year earlier levels**
 - Both in North Europe and the US
- **US sales up 13% in Q3, up 18% in nine months in USD**
- **US snuff volumes up 5% year on year in Q3**
 - Timing of promotional activity, Red Man launch in Q3 2007
- **Red Man national rollout nearly complete**
 - Available in more than 60,000 outlets



| MSEK | Q3-08 | Q3-07 | % chg | 9m-08 | 9m-07 | % chg | 12 mos end. Sep. 30, 2008 | Full year 2007 |
|---------------------|-------|-------|-------|-------|-------|-------|---------------------------|----------------|
| Sales | 992 | 852 | 16 | 2,766 | 2,308 | 20 | 3,746 | 3,289 |
| Operating profit | 483 | 383 | 26 | 1,212 | 925 | 31 | 1,653 | 1,366 |
| Operating margin, % | 48.7 | 45.0 | | 43.8 | 40.1 | | 44.1 | 41.5 |

Volume growth of snuff in the US

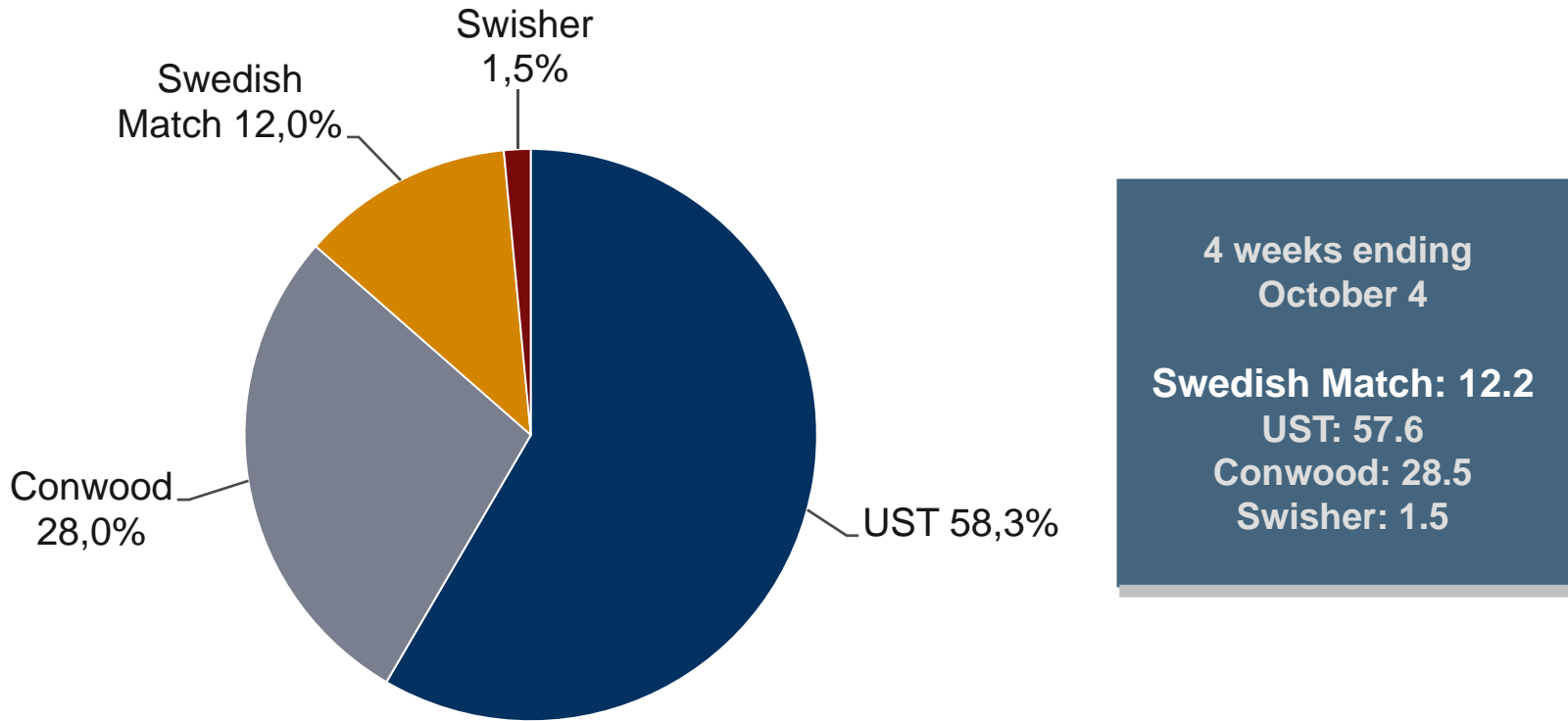
US snuff market by segment



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

US moist snuff market shares

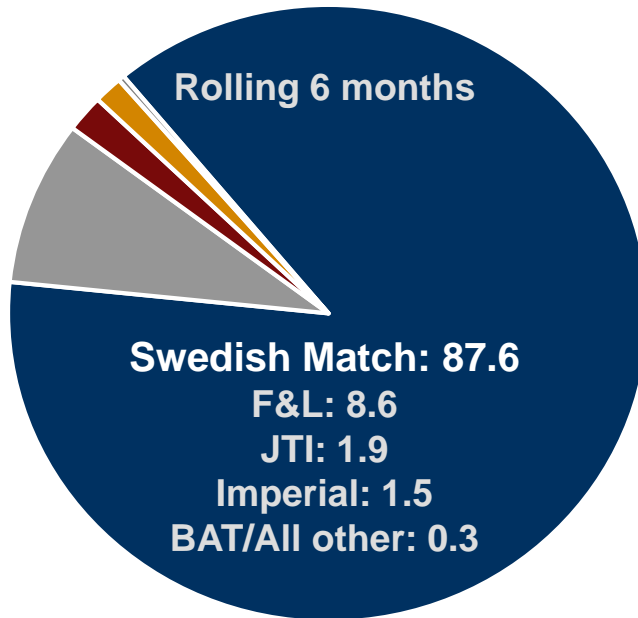
Volume share North America, YTD October 4



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

Swedish snus market shares

Volume share Sweden, rolling 6 months through Sep. 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

Sales up 8%, operating profit up 10% in local currencies

- **Q3 cigar margin was 20.1 percent**
 - close to Q2 (20.3) and year ago (20.5) levels
- **US mass market sales up 8% in USD in Q3**
 - Good performance for both HTL and natural wrapper
- **US premium sales (excluding Cigars International) down 11% in USD due lower volumes -- same trend as experienced in Q2**
 - Cigars International will be fully included in comps in Q4
- **European cigar sales and volumes down, primarily from continued weakness in France and NL**
 - Bogaert now in comparable figures in Q3

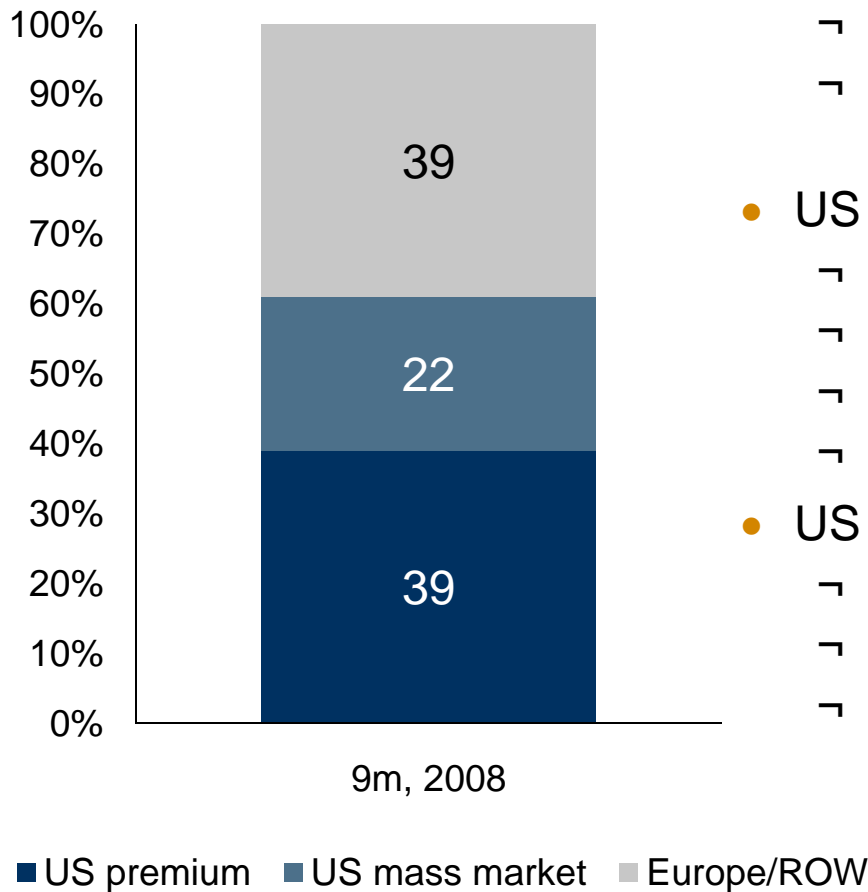


| MSEK | Q3-08 | Q3-07 | % chg | 9m-08 | 9m-07 | % chg | 12 mos end. Sep. 30, 2008 | Full year 2007 |
|---------------------|-------|-------|-------|-------|-------|-------|---------------------------|----------------|
| Sales | 936 | 902 | 4 | 2,601 | 2,483 | 5 | 3,529 | 3,411 |
| Operating profit | 188 | 185 | 1 | 483 | 542 | -11 | 678 | 737 |
| Operating margin, % | 20.1 | 20.5 | | 18.6 | 21.8 | | 19.2 | 21.6 |

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

Cigars

Sales split (SEK)



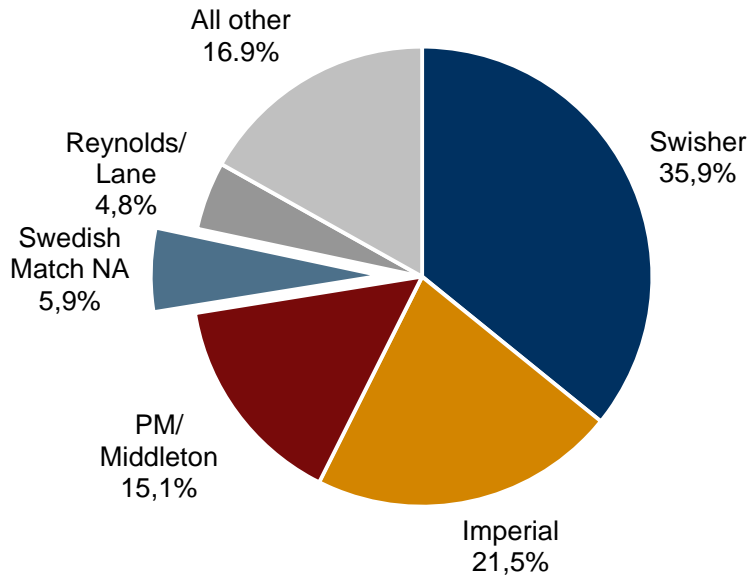
- Europe and other non-US:
 - 15% market share in Europe*
 - 5 billion stick market (Europe)
 - Long term market volume trend: stable to slightly down
- US mass market:
 - 5.9% volume share (ACNielsen)
 - 11.0% value share (ACNielsen)
 - 6-8 billion stick market
 - Long term volume trend: up
- US premium:
 - 30-35% market share*
 - 280-300 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 October 4

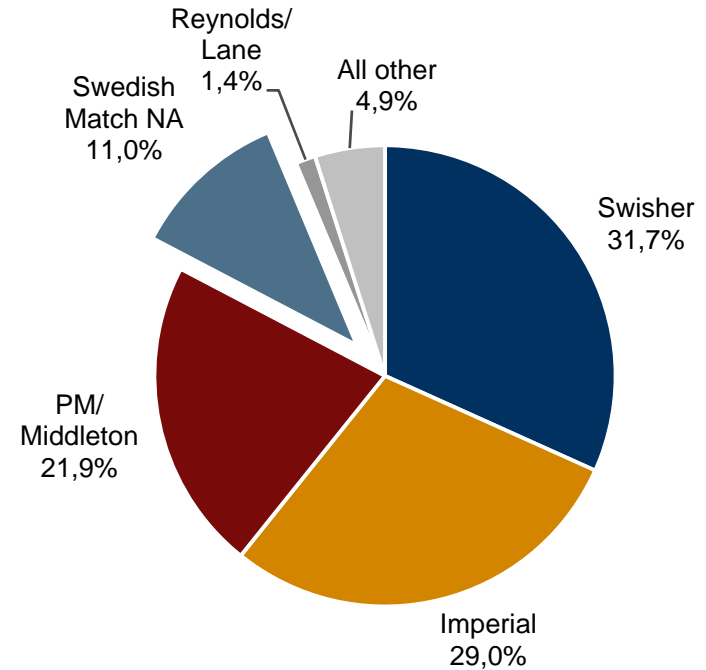
VOLUME share



4 weeks ending
October 4

Swedish Match: 5.5

VALUE share



4 weeks ending
October 4

Swedish Match: 10.6

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

Chewing tobacco

Q3 sales up 4%, operating profit up 13% 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

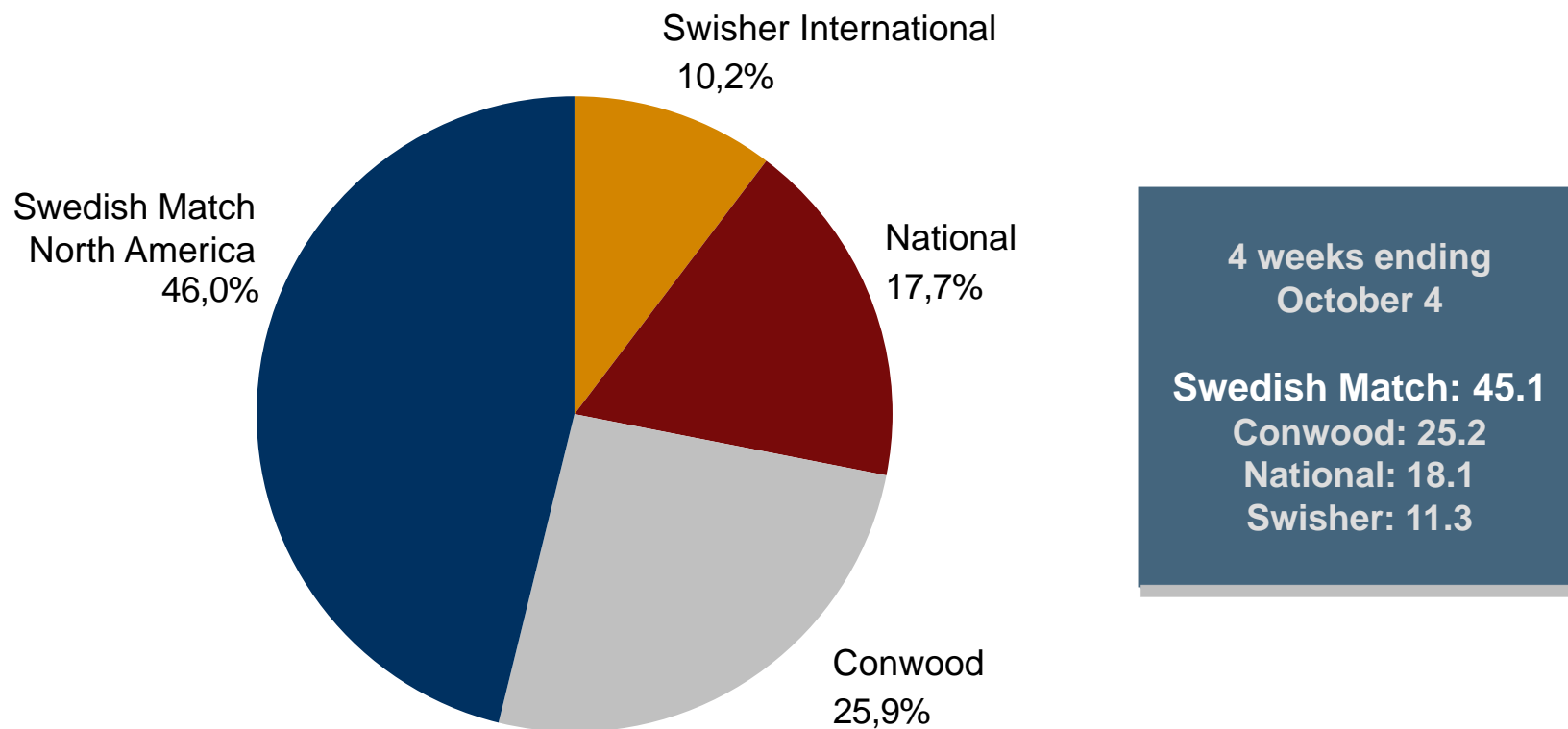


- Improved pricing more than offset modest shipment volume declines
- Operating margins up year on year, from pricing as well as normal quarterly fluctuations
- Market shares at 46.0% for the year to date through October 4
- Price increase of 5% in December, 2007 and 3% in May 2008

| MSEK | Q3-08 | Q3-07 | % chg | 9m-08 | 9m-07 | % chg | 12 mos end. Sep. 30, 2008 | Full year 2007 |
|---------------------|-------------|-------|-------|-------|-------|-------|---------------------------|----------------|
| Sales | 237 | 243 | -2 | 674 | 734 | -8 | 896 | 956 |
| Operating profit | 87 | 83 | 5 | 233 | 237 | -1 | 309 | 312 |
| Operating margin, % | 36.9 | 34.3 | | 34.6 | 32.2 | | 34.5 | 32.7 |

Chewing tobacco

Volume share North America, YTD October 4



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

Pipe tobacco and accessories

Sales up 10%, operating profit up 1% in Q3 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 more than half of pipe tobacco/accessories sales
- Sales and operating profit negatively affected by currency translation (ZAR)
- Operating margin has been stable in each of the last four quarters, despite currency shifts

| MSEK | Q3-08 | Q3-07 | % chg | 9m-08 | 9m-07 | % chg | 12 mos end. Sep. 30, 2008 | Full year 2007 |
|---------------------|-------|-------|-------|-------|-------|-------|---------------------------|----------------|
| Sales | 214 | 220 | -3 | 600 | 628 | -4 | 823 | 851 |
| Operating profit | 54 | 64 | -15 | 153 | 143 | 7 | 210 | 201 |
| Operating margin, % | 25.4 | 28.9 | | 25.4 | 22.7 | | 25.6 | 23.6 |

Lights

Sales and profits higher on solid performance, some FX

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 up 6% in Q3 while operating profit up 20% in local currencies
- Positive effects from strong lighter volumes, productivity improvements
- Operating margin in Q3 was unusually strong as both matches and lighters had a very good quarter

| MSEK | Q3-08 | Q3-07 | % chg | 9m-08 | 9m-07 | % chg | 12 mos end. Sep. 30, 2008 | Full year 2007 |
|---------------------|-------------|-------|-------|-------|-------|-------|---------------------------|----------------|
| Sales | 404 | 374 | 8 | 1,124 | 1,068 | 5 | 1,529 | 1,473 |
| Operating profit | 83 | 67 | 25 | 199 | 186 | 7 | 266 | 252 |
| Operating margin, % | 20.6 | 17.8 | | 17.7 | 17.4 | | 17.4 | 17.1 |

P & L summary

| MSEK | January – September | | Percent change | 12 mos end. Sep. 30, 2008 | Full year 2007 | Percent change |
|--|---------------------|--------------|-------------------|------------------------------|-------------------|-------------------|
| | 2008 | 2007 | | | | |
| Sales | 9,534 | 9,024 | 6 | 13,061 | 12,551 | 4 |
| Cost of sales | -4,862 | -4,698 | | -6,742 | -6,578 | |
| Gross profit | 4,673 | 4,326 | 8 | 6,320 | 5,973 | 6 |
| Sales and adm. expenses* | -2,540 | -2,393 | | -3,123 | -2,976 | |
| Share of profit in equity accounted investees | 7 | 3 | | 6 | 1 | |
| Operating profit | 2,140 | 1,935 | 11 | 3,202 | 2,997 | 7 |
| Financial income | 114 | 109 | | 170 | 165 | |
| Financial expenses | -466 | -358 | | 608 | -501 | |
| Net finance cost | -352 | -250 | | -438 | -336 | |
| Profit before income taxes | 1,788 | 1,686 | 6 | 2,764 | 2,662 | 4 |
| Income tax expense | -268 | -421 | | -453 | -606 | |
| Net profit for the period | 1,520 | 1,264 | 20 | 2,311 | 2,056 | 12 |
| <i>Attributable to:</i> | | | | | | |
| Equity holders of the Parent | 1,519 | 1,264 | | 2,310 | 2,055 | |
| Minority interests | 1 | 1 | | 1 | 1 | |
| Profit for the period | 1,520 | 1,264 | 20 | 2,311 | 2,056 | 12 |
| EPS, basic, SEK | 6.01 | 4.78 | | 9.10 | 7.82 | |
| EPS, diluted, SEK | 6.00 | 4.77 | | 9.08 | 7.80 | |

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

Balance sheet

| MSEK | Sep 30, 2008 | Dec 31, 2007 |
|---|---------------------|---------------------|
| Intangible assets | 4,375 | 4,419 |
| Property, plant and equipment | 2,366 | 2,388 |
| Financial fixed assets | 1,146 | 1,011 |
| Current operating assets | 5,010 | 5,204 |
| Other current investments | 6 | 5 |
| Cash and cash equivalents | 2,424 | 3,439 |
| Total assets | 15,328 | 16,467 |
| Equity attributable to equity holders of the Parent | 515 | 720 |
| Minority interests | 4 | 4 |
| Total equity | 518 | 724 |
| Non-current provisions | 1,381 | 1,292 |
| Non-current loans | 8,957 | 8,768 |
| Other non-current liabilities | 640 | 567 |
| Current provisions | 28 | 60 |
| Current loans | 728 | 1,271 |
| Other current liabilities | 3,075 | 3,785 |
| Total equity and liabilities | 15,328 | 16,467 |

Cash flow in summary

| MSEK | January – September | |
|--|---------------------|---------------|
| | 2008 | 2007 |
| Cash flow from operating activities before changes in working capital | 1,648 | 1,579 |
| Cash flow from changes in working capital | -117 | -185 |
| Net cash from operating activities | 1,531 | 1,394 |
| Acquisition of property, plant and equipment* | -213 | -422 |
| Proceeds from sale of property, plant and equipment | 91 | 29 |
| Acquisition of intangible assets | -2 | -67 |
| Acquisition of subsidiaries, net of cash acquired | -14 | -1,168 |
| Divestment of business operations | 5 | - |
| Changes in financial receivables etc. | 0 | 78 |
| Changes in current investments | 0 | 51 |
| Net cash used in investing activities | -133 | -1,500 |
| Changes in loans | -382 | 1,207 |
| Dividends paid to equity holders of the Parent | -886 | -664 |
| Repurchase of own shares | -996 | -2,274 |
| Stock options exercised | 62 | 122 |
| Other | -99 | -45 |
| Net cash used in financing activities | -2,301 | -1,653 |
| Net decrease in cash and cash equivalents | -903 | -1,759 |
| Cash and cash equivalents at the beginning of the period | 3,439 | 3,042 |
| Effect of exchange rate fluctuations on cash and cash equivalents | -113 | -3 |
| Cash and cash equivalents at the end of the period | 2,424 | 1,281 |

* Includes investments held for sale and biological assets

Key data

| MSEK | January – September | |
|--|---------------------|-------|
| | 2008 | 2007 |
| Operating margin, %* | 22.4 | 21.4 |
| Operating capital, MSEK | 8,646 | 9,553 |
| Net debt | 7,656 | 8,707 |
| EBITDA, MSEK* | 2,472 | 2,268 |
| EBITA, MSEK* | 2,242 | 2,037 |
| EBITA interest cover | 6.9 | 8.6 |
| Net debt/EBITA , rolling 12 months/full year | 2.5 | 2.5 |
| Share data* | | |
| Earnings per share, basic, SEK | 6.01 | 4.78 |
| Earnings per share, diluted, SEK | 6.00 | 4.77 |
| Average number of shares outstanding (Mio) | 252.8 | 264.3 |
| Shares outstanding, end of period (Mio) | 249.2 | 257.9 |

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

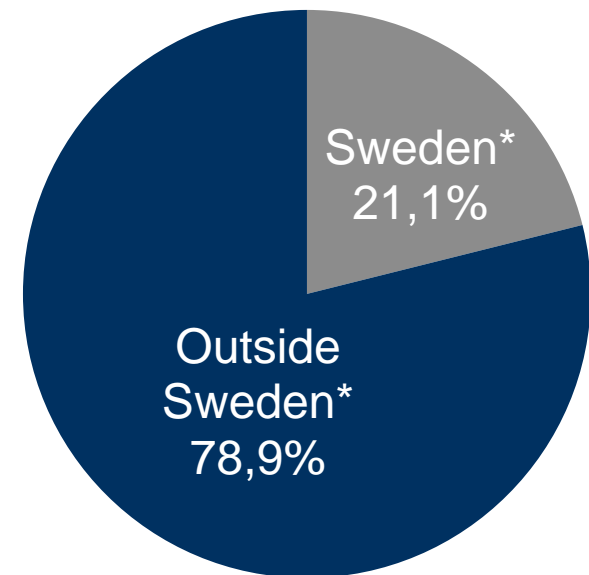
Largest shareholders

As per September 30, 2008

Largest shareholders*:

| | |
|--------------------------------------|---------------|
| Parvus Asset Management | 10.6 % |
| Morgan Stanley Investment Mgmt | 5.7 % |
| Swedbank Robur Funds | 1.6 % |
| First Swedish National Pension Fund | 1.5 % |
| SHB/SPP Funds | 1.2 % |
| Nordea Funds | 1.1 % |
| SEB Funds | 0.9 % |
| Threadneedle Investments | 0.9 % |
| Fourth Swedish National Pension Fund | 0.9 % |
| Govt of Singapore Inv Corp | 0.8 % |
| | <hr/> |
| | 25.2 % |

53,220 shareholders

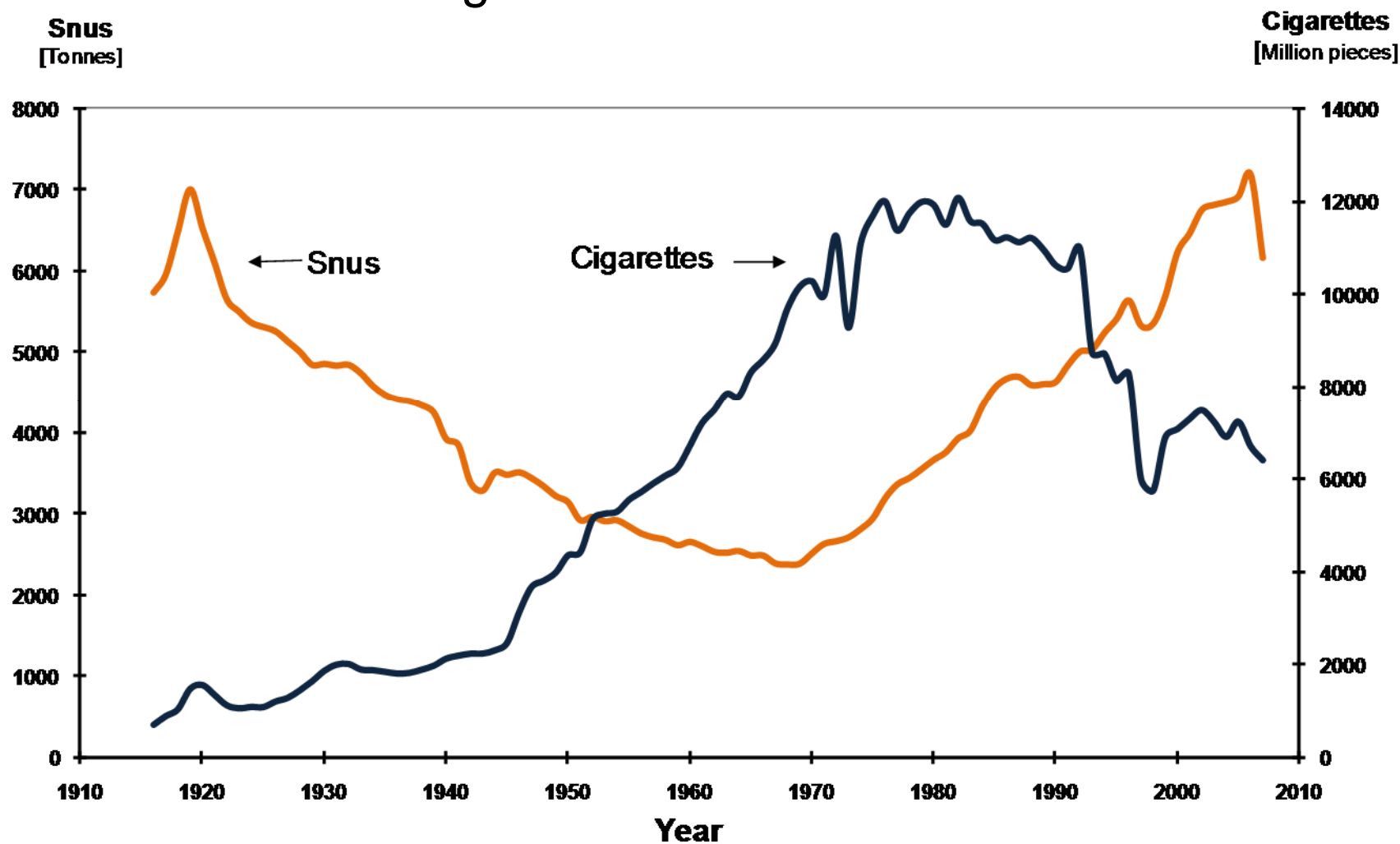


Source: VPC (official registry) and SIS Ägaranalys, percent of share capital excluding Swedish Match shares held in treasury

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

Snus vs cigarettes in Sweden

Sales of snus and cigarettes in Sweden 1916-2007



Source: Swedish Match