

Half Year Report January – June 2007

- Net sales for the second quarter amounted to 3,090 MSEK (3,242) and 5,752 MSEK (6,193) for the first six months
- Operating profit* for the second quarter amounted to 642 MSEK (784) and 1,176 MSEK (1,517) for the first six months
- US dollar and other currency translation differences in the second quarter negatively affected sales and operating profit comparisons by 105 MSEK and 25 MSEK respectively
- Net profit for the second quarter amounted to 441 MSEK (617), and 773 MSEK (1,105) for the first six months
- EPS for the second quarter amounted to 1.66 SEK (2.09) and 2.89 SEK (3.72) for the first six months
- Bogaert Cigars acquired at the end of the second quarter, with an annual turnover of 180 MSEK

* Excluding pension plan curtailment gain of 148 MSEK before tax in 2006

Summary of Consolidated Income Statement

| MSEK | April – June | | January – June | | Full year 2006 |
|--|--------------|-------|----------------|-------|-------------------|
| | 2007 | 2006 | 2007 | 2006 | |
| Sales | 3,090 | 3,242 | 5,752 | 6,193 | 12,911 |
| Operating profit excl. larger one time items | 642 | 784 | 1,176 | 1,517 | 3,137 |
| Operating profit | 642 | 932 | 1,176 | 1,665 | 3,285 |
| Profit before income tax | 563 | 881 | 1,031 | 1,578 | 3,173 |
| Net profit for the period | 441 | 617 | 773 | 1,105 | 2,335 |
| Earnings per share (SEK) | 1.66 | 2.09 | 2.89 | 3.72 | 8.13 |

Sales and results for the second quarter

In local currencies, sales declined by 1 percent. Reported sales for the second quarter declined by 5 percent to 3,090 MSEK (3,242) mainly due to currency translation which has affected the sales comparison negatively by 105 MSEK.

For snuff, sales declined by 4 percent during the second quarter to 794 MSEK (831) and operating profit declined by 19 percent to 311 MSEK (383). Operating margin was 39.1 percent (46.1). North European snuff sales were down 5 percent, with lower volumes in the Swedish market, especially in the beginning of the

quarter, as a consequence of the sharp excise tax increase on snuff in Sweden effective January 1, 2007. Sales for North American snuff increased by 8 percent in local currency.

Sales of cigars in the second quarter were 847 MSEK (888), while operating profit was 193 MSEK (207). In local currencies sales were unchanged. Sales and operating profit for cigars grew in both the US mass market and in Europe in local currencies. Operating margin for cigars was 22.7 percent (23.4).

Group operating profit* for the second quarter includes costs of 20 MSEK for the closure of a pipe tobacco plant in South Africa and amounted to 642 MSEK (784). Currency translation has affected the operating profit comparison negatively by 25 MSEK.

Operating margin* for the second quarter amounted to 20.8 percent compared to 24.2 percent for the second quarter 2006.

EPS (basic and diluted) for the second quarter was 1.66 SEK (2.09).

Sales and results for the first six months

Sales for the first six months amounted to 5,752 MSEK (6,193). In local currencies, and excluding divested businesses, sales decreased by 2 percent. Operating profit* amounted to 1,176 MSEK (1,517). Currency translation has affected the operating profit comparison negatively by 69 MSEK.

Group operating margin* during the first six months was 20.4 percent (24.5).

As a consequence of a realignment of the legal and operational structures, the reported tax rate for the Group for the first six months has been reduced to 25 percent.

EPS (basic) for the first six months was 2.89 SEK (3.72). Diluted EPS amounted to 2.89 SEK (3.70).

* Excluding pension plan curtailment gain of 148 MSEK before tax in 2006

Sales by product area

| MSEK | April - June | | | January - June | | | July 2006- June 2007 | Full year 2006 |
|----------------------------|--------------|--------------|-----------|----------------|--------------|-----------|-------------------------|-------------------|
| | 2007 | 2006 | Chg % | 2007 | 2006 | Chg % | | |
| Snuff | 794 | 831 | -4 | 1,457 | 1,615 | -10 | 3,204 | 3,363 |
| Cigars | 847 | 888 | -5 | 1,581 | 1,647 | -4 | 3,342 | 3,407 |
| Chewing tobacco | 253 | 277 | -9 | 492 | 550 | -11 | 1,004 | 1,063 |
| Pipe tobacco & Accessories | 203 | 218 | -7 | 408 | 456 | -11 | 851 | 899 |
| Lights | 354 | 368 | -4 | 694 | 755 | -8 | 1,442 | 1,503 |
| Other operations | 638 | 659 | -3 | 1,121 | 1,170 | -4 | 2,628 | 2,677 |
| Total | 3,090 | 3,242 | -5 | 5,752 | 6,193 | -7 | 12,470 | 12,911 |

Operating profit by product area

| MSEK | April - June | | | January - June | | | July 2006- June 2007 | Full year 2006 |
|------------------------------|--------------|------------|------------|----------------|--------------|------------|-------------------------|-------------------|
| | 2007 | 2006 | Chg % | 2007 | 2006 | Chg % | | |
| Snuff | 311 | 383 | -19 | 541 | 766 | -29 | 1,389 | 1,614 |
| Cigars | 193 | 207 | -7 | 357 | 371 | -4 | 756 | 770 |
| Chewing tobacco | 82 | 81 | 1 | 154 | 167 | -8 | 324 | 338 |
| Pipe tobacco & Accessories | 24 | 58 | -59 | 79 | 133 | -41 | 211 | 265 |
| Lights | 62 | 72 | -14 | 119 | 135 | -12 | 234 | 249 |
| Other operations | -29 | -17 | | -74 | -55 | | -118 | -99 |
| Subtotal | 642 | 784 | -18 | 1,176 | 1,517 | -23 | 2,796 | 3,137 |
| <i>Larger one time items</i> | | | | | | | | |
| Pension curtailment gain | | 148 | | | 148 | | | 148 |
| Total | 642 | 932 | -31 | 1,176 | 1,665 | -29 | 2,796 | 3,285 |

Operating margin by product area

| Percent | April - June | | January - June | | July 2006- June 2007 | Full year 2006 |
|----------------------------|--------------|-------------|----------------|-------------|-------------------------|-------------------|
| | 2007 | 2006 | 2007 | 2006 | | |
| Snuff | 39.1 | 46.1 | 37.2 | 47.4 | 43.4 | 48.0 |
| Cigars | 22.7 | 23.4 | 22.6 | 22.5 | 22.6 | 22.6 |
| Chewing tobacco | 32.3 | 29.3 | 31.2 | 30.4 | 32.3 | 31.8 |
| Pipe tobacco & Accessories | 11.7 | 26.5 | 19.4 | 29.2 | 24.8 | 29.5 |
| Lights | 17.5 | 19.5 | 17.1 | 17.8 | 16.2 | 16.6 |
| Group* | 20.8 | 24.2 | 20.4 | 24.5 | 22.4 | 24.3 |

* Excluding larger one time items

Snuff / Snus

Sweden is the world's largest snuff market measured by per capita consumption. In Sweden, 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 number three on the market. 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.

During the second quarter, sales revenues decreased by 4 percent versus the previous year, to 794 MSEK (831), and operating profit decreased by 19 percent, to 311 MSEK (383). Currency translation impacts have affected the sales and operating profit comparison negatively. The decline in operating profit and margin is primarily a result of lower volumes delivered to the Swedish market and increased spending. Snus volume in Sweden is expected to be significantly higher during the second half compared to the first six months. During the year, the Company increased its marketing and product development spending in the snuff product category, for both the US and Scandinavian markets. Operating margin was 39.1 percent (46.1).

* 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.

In Scandinavia, volumes in the second quarter decreased by 4.7 percent measured in number of cans as a result of some further retailer inventory reductions following trade hoarding in December in Sweden caused by the weight based tax increase effective January 1, 2007. Consumer takeaway is also estimated to have been lower than the same quarter previous year. Volumes in Scandinavia were particularly weak in the beginning of the quarter but recovered towards the end. Increased volumes in Norway and Duty free partially offset Swedish volume declines. In Sweden, pouched snuff represented 63 percent of the volumes sold by Swedish Match compared to 59 percent in the second quarter of 2006.

In the US, sales volumes for the second quarter were up by 10 percent versus previous year measured in number of cans. Sales of Longhorn were considerably higher than the year before, and sales for Timber Wolf also increased.

During the third quarter Swedish Match plans to launch a family of snuff products under the Red Man brand on the US market. The launch will be supported by extensive marketing efforts.

For the first six months of the year, sales amounted to 1,457 MSEK (1,615) while operating profit amounted to 541 MSEK (766). Operating margin was 37.2 percent (47.4).

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 where 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 second quarter, sales revenues declined by 5 percent, to 847 MSEK (888), while operating profit was 193 MSEK (207). Currency translation has affected the comparisons for both sales and operating profit negatively. In local currencies, sales in the second quarter were in line with previous year. Sales and operating profit increased both in the US mass market and in Europe in local currencies. Sales and operating profit declined in the US premium cigar business primarily due to somewhat lower volumes. Operating margin reached 22.7 percent (23.4).

In mid June, Swedish Match acquired Bogaert Cigars, a privately held cigar company headquartered in Belgium with production facilities in Belgium and Indonesia. Bogaert has an annual turnover of approximately 20 MEUR. Yearly production volumes are currently some 270 million cigars. The Bogaert cigar portfolio consists of machine-made cigars/cigarillos of own-brands (Bogart and Hollandia) as well as private label. The primary markets are France, Germany, Netherlands and Belgium, which together comprise more than 90 percent of company turnover. The Bogaert Cigars business allows the Group to expand its portfolio of products, and helps Swedish Match to increase its presence in growing segments in several important European markets.

Group sales for the first six months were 1,581 MSEK (1,647), while operating profit was 357 MSEK (371). In local currencies, sales and operating profit were up by 2 percent.

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 second quarter, sales revenues declined by 9 percent, to 253 MSEK (277). Operating profit grew by 1 percent, to 82 MSEK (81). In the US, sales were flat, and operating profit grew by 11 percent in local currency. Operating margin was 32.3 percent (29.3).

Sales for the first six months amounted to 492 MSEK (550) while operating profit amounted to 154 MSEK (167). In the US, sales for the first six months was down 1 percent, while operating profit grew by 2 percent in local currency. Operating margin was 31.2 percent (30.4).

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 on most established markets.

During the second quarter, sales revenues decreased by 7 percent to 203 MSEK (218) and the operating profit declined to 24 MSEK (58). The sales and operating profit comparisons are affected by the sharp depreciation of the South African Rand. In addition, operating profit was negatively affected by 20 MSEK by the closure of a manufacturing facility. In local currencies, sales increased by 2 percent. Operating margin was 11.7 percent (26.5).

Sales for the first six months amounted to 408 MSEK (456), while operating profit amounted to 79 MSEK (133). Operating margin was 19.4 percent (29.2).

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 second quarter sales revenues amounted to 354 MSEK (368), while operating profit amounted to 62 MSEK (72). Operating margin was 17.5 percent (19.5).

Sales for the first six months amounted to 694 MSEK (755), while operating profit amounted to 119 MSEK (135). Operating margin was 17.1 percent (17.8).

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 second quarter was 638 MSEK (659). Operating profit for Other operations was a negative 29 MSEK (negative 17). During the first six months, sales in Other operations was 1,121 MSEK (1,170), while operating profit was a negative 74 MSEK (negative 55). 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.

Taxes

Following the divestitures and restructuring measures over the past few years the Company has identified a need to better align the legal and operational structures. This has also resulted in a more efficient capital structure of the Group and the tax expense for the first six months amounted to 258 MSEK (473), corresponding to a tax rate of 25 percent (30).

Depreciation and amortization

Total depreciation and amortization amounted to 217 MSEK (221), of which depreciation on property, plant and equipment amounted to 152 MSEK (157) and amortization of intangible assets amounted to 65 MSEK (64).

Financing and cash flow

At the close of the period the Group's net debt amounted to 8,235 MSEK, as compared to 5,658 MSEK on December 31, 2006, an increase of 2,577 MSEK. The definition of net debt now includes the net of pension plan assets and liabilities. As of December 31, 2006 and June 30, 2007 net pension liabilities of 532 MSEK and 521 MSEK respectively are included in net debt. The increase in net debt during the first half of the year is primarily due to share repurchases, net, of 1,853 MSEK, payment of dividends of 664 MSEK and investments of 607 MSEK.

Cash flow from operations was 571 MSEK compared with a negative 310 MSEK previous year. Tax payments during the first half of the year were 325 MSEK, compared with unusually high 1,308 MSEK in the first six months of 2006. The cash flow from change in working capital has been negatively impacted by unusually high payments of tobacco excise taxes as a result of exceptionally strong sales of snuff in Sweden and in the Swedish distribution of tobacco products at the end of 2006 in anticipation of the sharply increased tobacco excise taxes effective January 1, 2007.

Cash flow from investing activities amounted to an outflow of 607 MSEK (outflow 958) and direct investments in property, plant and equipment amounted to 289 MSEK (124).

During the period new bond loans of 1,050 MSEK have been issued. Amortization for the period amounted to 310 MSEK.

Cash and cash equivalents amounted to 1,288 MSEK at the end of the period, compared with 3,042 MSEK at the beginning of the year.

Net finance cost for the period amounted to a 145 MSEK (87).

Tobacco tax

During the first six months of 2007 Swedish Match's payments of tobacco tax in Sweden have increased to 4.1 billion SEK (3.7).

Average number of Group employees

The average number of employees in the Group during the first half of 2007 was 12,155 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 3,000 MSEK. In addition, a decision was made to cancel 13.0 million shares held in treasury, with a contemporaneous bonus issue 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 ratio value of 1.4589 SEK. In June, after Annual General Meeting approval, 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 the first six months 15.9 million shares were repurchased for 1,975 MSEK representing an average price of 123.91 SEK. As at June 30, 2007 Swedish Match held 7.0 million shares in its treasury, corresponding to 2.6 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 74.92 SEK. During the first six months 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 30 June, 2007 amounted to 260.0 million. In addition, the Company has call options outstanding as of June 30, 2007 corresponding to 3.4 million shares exercisable in gradual stages from 2007-2012.

Other events

On July 6, 2007, the Company announced that it had reached an agreement to sell a real estate company which is the owner of two buildings belonging to the Tobaksmonopolet property in Stockholm. Swedish Match will remain as one of the tenants in the divested buildings. The purchaser of the real estate is Aberdeen Property Fund Pan-Nordic and the purchase price is 995 MSEK. The closing date of the sale is scheduled to be on October 1, 2007. The capital gain on the sale is estimated to be in excess of 200 MSEK and will be recorded at the close of the transaction. In addition to the buildings involved in this transaction, two adjacent parcels of land continue to be held for sale.

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) and therefore subject to extensive and costly SEC reporting obligations. Swedish Match has filed to deregister from the 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 first six months amounted to 6 MSEK (7). Loss after financial items and before dividends from subsidiaries for the same period amounted to 262 MSEK (loss 315) and net loss to 192 MSEK (loss 267). The main sources of revenues for the parent company are dividends and Group contributions from subsidiaries. These are typically received at the end of the year.

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

Capital expenditures during the first six months amounted to 1 MSEK (0). The cash flow for the period was 1,282 MSEK (104). Cash and bank at the end of the period amounted to 401 MSEK (2,923). During the first half of the year the parent company made share repurchases, net, of 1,853 MSEK and paid dividends of 664 MSEK.

Accounting principles

The financial information in this interim 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 for the parent company are in accordance with the Annual Accounts Acts (1995:1554) and the Swedish Financial Accounting Standard Council's recommendation RR 32:05.

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 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 2006 amounts to a negative 284 MSEK and an increased net liability for retirement benefits of 397 MSEK. The effect on the closing equity 2006 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 brand equity 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. There can be no assurance that branding or new products launches by Swedish Match's competitors will not be successful in persuading consumers of the Group's products to switch to competitor's products, which could have an adverse effect on Swedish Match's results of operations.

In some markets where the Group is operating, some competitors are for regulatory reasons prohibited to market certain of its products. Should these regulations change and these products be allowed, the competitive landscape may change.

Swedish Match has a substantial part of its production and sales in EMU member countries, 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.

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

Outlook

As previously announced, the operating margin for snuff in Q1, and to a lesser extent in Q2, was significantly impacted by a sharp decline in volumes on the Swedish market due to the doubling of the excise tax for snuff effective January 1. Sales volumes improved toward the end of the period and the Company believes that volumes will continue to revert to normal levels over the remainder of the year. Despite a continued increased level of spending to drive organic growth in snuff, including new product launches, we expect operating margin for snuff in the second half to improve from the Q2 level.

Our outlook for the US snuff market remains firm and we target solid double digit volume growth for the full year.

The Company is continuing to pursue potential cigar acquisitions.

The tax rate for 2007 is estimated to be 25 percent excluding the non taxable capital gain on the sale of the Stockholm real estate. For 2008 and onwards the tax rate is expected to be around 20 percent.

Additional information

This report has not been reviewed by the Company's auditors. The January-September 2007 report will be released on October 25.

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

Stockholm, July 20, 2007

| | | | |
|----------------------------|------------------|-----------------------------|------------------|
| Conny Karlsson Chairman | Charles A. Blixt | John P. Bridendall | Andrew Cripps |
| Kenneth Ek | Arne Jurbrant | Eva Larsson | Joakim Lindström |
| Kersti Strandqvist | Meg Tivéus | Sven Hindrikes President | |

Key data*

| | January – June | | July 2006- June 2007 | Full year 2006 |
|--|----------------|-------------|-------------------------|-------------------|
| | 2007 | 2006 | | |
| Operating margin, % ¹⁾ | 20.4 | 24.5 | 22.4 | 24.3 |
| Operating capital, MSEK | 8,867 | 8,370 | 8,867 | 8,059 |
| Return on operating capital, % ¹⁾ | | | 32.4 | 38.1 |
| Return on shareholders' equity, % | | | 160.9 | 68.3 |
| Net debt, MSEK | 8,235 | 5,125 | 8,235 | 5,658 |
| Net debt/equity ratio, % | 2,313.4 | 239.5 | 2,313.4 | 277.3 |
| Equity/assets ratio, % | 2.4 | 12.7 | 2.4 | 13.0 |
| Investments in property, plant and equipment, MSEK ²⁾ | 289 | 124 | 469 | 304 |
| EBITDA, MSEK ³⁾ | 1,393 | 1,739 | 3,237 | 3,583 |
| EBITA, MSEK ⁴⁾ | 1,241 | 1,582 | 2,928 | 3,269 |
| EBITA interest cover | 8.7 | 18.2 | 11.1 | 15.7 |
| Net debt/EBITA | | | 2.8 | 1.7 |
| <i>Share data⁵⁾</i> | | | | |
| Earnings per share, SEK | | | | |
| Basic | 2.89 | 3.72 | 7.36 | 8.13 |
| Diluted | 2.89 | 3.70 | 7.34 | 8.10 |
| Shareholders' equity per share, SEK | 1.36 | 7.55 | 1.36 | 7.43 |
| Number of shares outstanding at end of period | 260,038,200 | 282,989,781 | 260,038,200 | 274,367,981 |
| Average number of shares outstanding | 267,277,508 | 297,216,755 | 272,092,721 | 287,062,345 |
| Average number of shares outstanding, diluted | 267,771,232 | 298,259,390 | 272,995,815 | 288,161,247 |

1) Excluding larger one time items

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

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 Annual Report 2006 except for the definition of net debt, which now includes net pension liabilities in accordance with the section New accounting principles in this report

Consolidated Income Statement in summary

| MSEK | April - June | | Chg % | January - June | | Chg % | 12 months | Full year | Chg % |
|---|--------------|--------------|------------|----------------|--------------|------------|----------------------|---------------|------------|
| | 2007 | 2006 | | 2007 | 2006 | | ended June 30, 07 | | |
| Sales, including tobacco tax | 5,645 | 5,502 | | 10,268 | 10,299 | | 21,960 | 21,991 | |
| Less tobacco tax | -2,555 | -2,260 | | -4,515 | -4,106 | | -9,490 | -9,080 | |
| Sales | 3,090 | 3,242 | -5 | 5,752 | 6,193 | -7 | 12,470 | 12,911 | -3 |
| Cost of sales | -1,629 | -1,657 | | -2,997 | -3,123 | | -6,548 | -6,674 | |
| Gross profit | 1,461 | 1,583 | -8 | 2,756 | 3,070 | -10 | 5,922 | 6,237 | -5 |
| Sales and administrative expenses* | -821 | -657 | | -1,582 | -1,410 | | -3,135 | -2,963 | |
| Share of profit in equity accounted investees | 2 | 5 | | 2 | 6 | | 8 | 11 | |
| Operating profit | 642 | 932 | -31 | 1,176 | 1,665 | -29 | 2,796 | 3,285 | -15 |
| Financial income** | 40 | 26 | | 76 | 57 | | 258 | 239 | |
| Financial expenses | -119 | -77 | | -221 | -144 | | -428 | -351 | |
| Net finance cost | -79 | -51 | | -145 | -87 | | -170 | -112 | |
| Profit before income taxes | 563 | 881 | -36 | 1,031 | 1,578 | -35 | 2,625 | 3,173 | -17 |
| Income tax expense | -122 | -264 | | -258 | -473 | | -622 | -838 | |
| Net profit for the period | 441 | 617 | -29 | 773 | 1,105 | -30 | 2,003 | 2,335 | -14 |
| <i>Attributable to:</i> | | | | | | | | | |
| Equity holders of the Parent | 441 | 617 | | 773 | 1,105 | | 2,003 | 2,335 | |
| Minority interests | 0 | 0 | | 0 | 0 | | 1 | 1 | |
| Net profit for the period | 441 | 617 | -29 | 773 | 1,105 | -30 | 2,003 | 2,335 | -14 |
| Earnings per share, basic, SEK | 1.66 | 2.09 | | 2.89 | 3.72 | | 7.36 | 8.13 | |
| Earnings per share, diluted, SEK | 1.66 | 2.09 | | 2.89 | 3.70 | | 7.34 | 8.10 | |

* Including 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 | Jun 30, 2007 | Dec 31, 2006 |
|---|---------------|---------------|
| Intangible fixed assets* | 3,808 | 3,469 |
| Property, plant and equipment | 2,357 | 2,221 |
| Financial fixed assets | 1,157 | 1,055 |
| Current operating assets** | 5,977 | 5,827 |
| Other current investments | 5 | 56 |
| Cash and cash equivalents | 1,288 | 3,042 |
| Total assets | 14,592 | 15,670 |
| Equity attributable to equity holders of the Parent | 353 | 2,037 |
| Minority interests | 3 | 3 |
| Total equity | 356 | 2,041 |
| Non-current provisions | 1,295 | 1,192 |
| Non-current loans | 8,195 | 7,815 |
| Other non-current liabilities | 671 | 657 |
| Current provisions | 43 | 61 |
| Current loans | 813 | 409 |
| Other current liabilities | 3,220 | 3,495 |
| Total equity and liabilities | 14,592 | 15,670 |

* A preliminary split has been made of the excess value of the acquisition of Bogaert Cigars in Q2 2007 and has been allocated mainly to intangible assets

** Includes assets held for sale amounting to 801 MSEK, mainly attributable to the head office in Stockholm

Consolidated Cash Flow Statement in summary

| MSEK | January - June | |
|--|----------------|--------------|
| | 2007 | 2006 |
| Profit before income taxes | 1,031 | 1,578 |
| Adjustments for non-cash items and other | 208 | 45 |
| Income tax paid | -325 | -1,308 |
| Cash flow from operating activities before changes in working capital | 914 | 315 |
| Cash flow from changes in working capital | -343 | -625 |
| Net cash from operating activities | 571 | -310 |
| <i>Investing activities</i> | | |
| Acquisition of property, plant and equipment* | -289 | -124 |
| Proceeds from sale of property, plant and equipment | 25 | 84 |
| Acquisition of intangible assets | -67 | -270 |
| Acquisition of subsidiaries, net of cash acquired | -365 | -19 |
| Divestment of business operations | - | 31 |
| Changes in financial receivables etc. | 38 | -174 |
| Changes in current investments | 51 | -487 |
| Net cash used in investing activities | -607 | -958 |
| <i>Financing activities</i> | | |
| Changes in loans | 743 | 4,185 |
| Dividends | -664 | -627 |
| Repurchase of own shares | -1,975 | -2,328 |
| Sale of treasury shares | 122 | 94 |
| Other | 39 | -8 |
| Net cash used in financing activities | -1,735 | 1,316 |
| Net decrease in cash and cash equivalents | -1,771 | 48 |
| Cash and cash equivalents at the beginning of the period | 3,042 | 3,325 |
| Effect of exchange rate fluctuations on cash and cash equivalents | 17 | -120 |
| Cash and cash equivalents at the end of the period | 1,288 | 3,253 |

* Includes investments held for sale and biological assets

Statement of recognized income and expense

| MSEK | January - June | |
|--|----------------|-------------|
| | 2007 | 2006 |
| Actuarial gains and losses related to pensions, incl. payroll tax* | 0 | 0 |
| Available-for-sale financial assets | 0 | 18 |
| Cash flow hedges | 32 | - |
| Translation difference in foreign operations | 22 | -631 |
| Tax on items taken to/transferred from equity | -9 | -5 |
| Total transactions taken to equity | 45 | -618 |
| Net profit for the period recognized in the income statement | 773 | 1,105 |
| Total income and expense recognized for the period | 818 | 486 |
| <i>Attributable to:</i> | | |
| Equity holders of the Parent | 818 | 486 |
| Minority interests | 0 | 0 |
| Total income and expense recognized for the period | 818 | 486 |

* Actuarial gains and losses are recalculated on a yearly basis

Change in Shareholders' equity

| MSEK | January - June | |
|--|----------------|--------------|
| | 2007 | 2006 |
| Opening balance as per December 31 | 2,040 | 5,083 |
| Total income and expense recognized for the period | 818 | 486 |
| Changed accounting principle IAS 19, net after tax | 0 | -284 |
| Acquisition of own shares | -1,975 | -2,619 |
| Stock options exercised | 122 | 94 |
| Share-based payments, IFRS 2 | 14 | 7 |
| Dividends | -664 | -627 |
| Closing balance at end of period | 356 | 2,140 |

Income Statement in summary for Parent company

| MSEK | January – June | | Full year 2006 |
|--|----------------|-------------|-------------------|
| | 2007 | 2006 | |
| Net sales | 6 | 7 | 13 |
| Cost of sales | -3 | -4 | -8 |
| Gross profit | 3 | 3 | 5 |
| Selling and administrative expenses | -131 | -280 | -373 |
| Operating loss | -128 | -277 | -368 |
| Income from participation in Group companies | 1 | -5 | 7,366 |
| Net finance cost | -134 | -33 | -105 |
| Profit after financial items | -262 | -315 | 6,893 |
| Appropriations | 0 | 0 | 11 |
| Profit before income tax | -262 | -315 | 6,904 |
| Income tax expense | 70 | 48 | -285 |
| Profit for the year | -192 | -267 | 6,619 |

Balance Sheet in summary for Parent company

| MSEK | Jun 30, 2007 | Dec 31, 2006 |
|-------------------------------------|--------------------------------------|---------------|
| | Intangible and tangible fixed assets | 24 |
| Financial fixed assets | 16,137 | 15,719 |
| Current assets | 5,531 | 7,391 |
| Total assets | 21,692 | 23,139 |
| Equity | 5,571 | 8,253 |
| Untaxed reserves | 24 | 24 |
| Non-current liabilities | 7,650 | 7,271 |
| Provisions | 17 | |
| Current liabilities | 8,430 | 7,591 |
| Total liabilities | 16,121 | 14,886 |
| Total equity and liabilities | 21,692 | 23,139 |

Quarterly data*

| <i>MSEK</i> | Q2/05 | Q3/05 | Q4/05 | Q1/06 | Q2/06 | Q3/06 | Q4/06 | Q1/07 | Q2/07 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Sales, including tobacco tax | 5,604 | 5,754 | 5,876 | 4,797 | 5,502 | 5,595 | 6,097 | 4,623 | 5,645 |
| Less tobacco tax | -2,220 | -2,294 | -2,376 | -1,846 | -2,260 | -2,335 | -2,640 | -1,961 | -2,555 |
| Sales | 3,384 | 3,461 | 3,500 | 2,951 | 3,242 | 3,261 | 3,457 | 2,663 | 3,090 |
| Cost of sales | -1,842 | -1,848 | -1,959 | -1,456 | -1,657 | -1,675 | -1,877 | -1,368 | -1,629 |
| Gross profit | 1,542 | 1,612 | 1,540 | 1,495 | 1,584 | 1,586 | 1,581 | 1,295 | 1,461 |
| Sales and administrative expenses | -901 | -860 | -869 | -763 | -805 | -780 | -772 | -762 | -821 |
| Share of profit in equity accounted investees | 6 | 4 | 5 | 1 | 5 | 3 | 3 | 0 | 2 |
| | 647 | 756 | 678 | 733 | 785 | 809 | 811 | 534 | 642 |
| <i>Larger one time items</i> | | | | | | | | | |
| Pension curtailment gain | - | - | - | - | 148 | - | - | - | - |
| Income from sale of real estate | - | 206 | - | - | - | - | - | - | - |
| Operating profit | 647 | 962 | 678 | 733 | 933 | 809 | 811 | 534 | 642 |
| Financial income | 22 | 15 | 31 | 32 | 26 | 34 | 39 | 36 | 40 |
| Financial expenses | -55 | -55 | -67 | -68 | -77 | -101 | -107 | -102 | -119 |
| | -33 | -40 | -36 | -36 | -51 | -67 | -68 | -66 | -79 |
| <i>Larger one time items</i> | | | | | | | | | |
| Gain on sale of securities | - | - | - | - | - | - | 111 | - | - |
| Net finance cost | -33 | -40 | -36 | -36 | -51 | -67 | 43 | -66 | -79 |
| Profit before income taxes | 614 | 922 | 642 | 697 | 882 | 742 | 854 | 468 | 563 |
| Income tax expense | -209 | -353 | -186 | -209 | -264 | -113 | -251 | -136 | -122 |
| Net profit for the period | 405 | 569 | 456 | 488 | 617 | 628 | 603 | 332 | 441 |
| <i>Attributable to:</i> | | | | | | | | | |
| Equity holders of the Parent | 404 | 569 | 456 | 488 | 617 | 628 | 603 | 332 | 441 |
| Minority interests | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net profit for the period | 405 | 569 | 456 | 488 | 617 | 628 | 603 | 332 | 441 |

* The 2005 quarters have not been restated for the changed accounting principle for pensions

Sales by product area

| <i>MSEK</i> | Q2/05 | Q3/05 | Q4/05 | Q1/06 | Q2/06 | Q3/06 | Q4/06 | Q1/07 | Q2/07 |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Snuff | 800 | 809 | 819 | 785 | 831 | 785 | 963 | 662 | 794 |
| Cigars | 841 | 874 | 834 | 759 | 888 | 903 | 857 | 735 | 847 |
| Chewing tobacco | 267 | 290 | 280 | 273 | 277 | 273 | 240 | 238 | 253 |
| Pipe tobacco & Accessories | 218 | 241 | 245 | 238 | 218 | 217 | 226 | 205 | 203 |
| Lights | 524 | 454 | 521 | 387 | 368 | 360 | 388 | 340 | 354 |
| Other operations | 734 | 792 | 800 | 510 | 659 | 723 | 784 | 483 | 638 |
| Total | 3,384 | 3,461 | 3,500 | 2,951 | 3,242 | 3,261 | 3,457 | 2,663 | 3,090 |

Operating profit by product area*

| <i>MSEK</i> | Q2/05 | Q3/05 | Q4/05 | Q1/06 | Q2/06 | Q3/06 | Q4/06 | Q1/07 | Q2/07 |
|------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Snuff | 388 | 401 | 392 | 383 | 383 | 385 | 462 | 231 | 311 |
| Cigars | 112 | 188 | 176 | 163 | 207 | 231 | 168 | 164 | 193 |
| Chewing tobacco | 83 | 94 | 100 | 86 | 81 | 95 | 76 | 72 | 82 |
| Pipe tobacco & Accessories | 56 | 62 | 60 | 76 | 58 | 68 | 63 | 56 | 24 |
| Lights | 45 | 47 | -31 | 63 | 72 | 64 | 51 | 57 | 62 |
| Other operations | -37 | -37 | -20 | -38 | -17 | -35 | -9 | -45 | -29 |
| Subtotal | 647 | 756 | 678 | 733 | 784 | 808 | 811 | 534 | 642 |
| <i>Larger one time items</i> | | | | | | | | | |
| Pension curtailment gain | - | - | - | - | 148 | - | - | - | - |
| Income from real estate sale | - | 206 | - | - | - | - | - | - | - |
| Subtotal | - | 206 | - | - | 148 | - | - | - | - |
| Total | 647 | 962 | 678 | 733 | 932 | 808 | 811 | 534 | 642 |

* The 2005 quarters have not been restated for the changed accounting principle for pensions

Operating margin by product area*

| Percent | Q2/05 | Q3/05 | Q4/05 | Q1/06 | Q2/06 | Q3/06 | Q4/06 | Q1/07 | Q2/07 |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Snuff | 48.5 | 49.5 | 47.8 | 48.8 | 46.1 | 49.1 | 48.0 | 34.9 | 39.1 |
| Cigars | 13.3 | 21.5 | 21.1 | 21.5 | 23.4 | 25.6 | 19.6 | 22.3 | 22.7 |
| Chewing tobacco | 31.2 | 32.5 | 35.6 | 31.5 | 29.3 | 34.7 | 31.7 | 30.1 | 32.3 |
| Pipe tobacco & Accessories | 25.6 | 25.7 | 24.4 | 31.8 | 26.5 | 31.5 | 28.0 | 27.1 | 11.7 |
| Lights | 8.7 | 10.5 | -5.9 | 16.2 | 19.5 | 17.7 | 13.1 | 16.8 | 17.5 |
| Group** | 19.1 | 21.9 | 19.4 | 24.8 | 24.2 | 24.8 | 23.5 | 20.0 | 20.8 |

* The 2005 quarters have not been restated for the changed accounting principle for pensions

** Excluding larger one time items

Swedish Match AB (publ), SE-118 85 Stockholm
Visiting address: Rosenlundsgatan 36, Telephone: +46 8 658 02 00
Corporate Identity Number: 556015-0756
www.swedishmatch.com

For further information, please contact:

Sven Hindrikes, President and Chief Executive Officer
Office +46 8 658 02 82, Mobile +46 70 567 41 76

Lars Dahlgren, Chief Financial Officer
Office +46 8 658 04 41, Mobile +46 70 958 04 41

Bo Aulin, Senior Executive Advisor & Senior Vice President Corp. Communications
Office +46 8 658 03 64, Mobile +46 70 558 03 64

Emmett Harrison, Vice President, Investor Relations
Office +46 8 658 01 73, Mobile +46 70 938 01 73

Richard Flaherty, COO OTP, North America Division, US Investor Relations contact
Office +1 804 302 1774, Mobile +1 804 400 1774