

☆☆☆  
**SWEDISH MATCH**

**inside**  
NO. 1 | FEBRUARY 2007

Theme: Cigars

# The luxury of enjoying a good cigar

Become a cigar  
expert in five minutes

Sven Hindrikes:  
Best year to date

Meg Tivéus:  
Tolerant attitudes ensure  
favorable Board decisions



FOTO: MAGNUS FOND

## Cigars with a long tradition and outstanding craftsmanship

SWEDISH MATCH IS PERFORMING WELL, 2006 was our best year ever. Following a comprehensive restructuring of the operations in the past years, we achieved our best margin and earnings ever.

This time, I would like to acquaint you with one of our largest and most profitable product categories – cigars. Allow us to provide a glimpse of an exclusive and exciting world, filled with traditions, proud customs, tremendous craftsmanship and tobacco know-how. You will learn about the cigar market and meet some of our appreciated colleagues. It is also our ambition to make you a brilliant cigar expert by introducing you to the secrets behind the art of choosing a cigar and the best way to enjoy it.

On January 1, Mats Adamson became the new Senior Vice President, Group Human Resources at Swedish Match. He has extensive experience in strategic personnel issues within the Group. His background also includes an exciting career in the Swedish military.

We also meet Meg Tivéus, who has been a Board member of Swedish Match since 1999. Meg is an interesting personality in the Swedish business community, and probably one of our most well-known Board members.

**Sven Hindrikes**  
President and CEO

# Contents

## INSIDE INTERVIEWS THE PRESIDENT

President Sven Hindrikes talks about the record year in 2006, priorities for 2007 and the company's growth plans. He also reveals that he is a dedicated cross-country skier.



## THEME: CIGARS

Read about hand-rolled, machine-made, thick and thin cigars as well as how brand building and the high pace of launching new products create success.



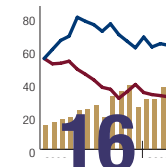
## TALENT HUNTING TO SUPPORT STRATEGIES

Swedish Match's new Senior Vice President Human Resources, Mats Adamson, enjoys working for a successful company that invests in its employees.



## SWEDISH MATCH IN FIGURES

Each issue of Inside contains a summary of the most recent interim report, a selection of analysts' questions regarding the report and a brief share commentary.



## PORTRAIT: MEET THE BOARD OF DIRECTORS

Meg Tivéus has been on the Board of Swedish Match while the share has increased more than fourfold. She is committed to advancing women's position in business.



## NEW VARIETIES OF PARTAGAS

Partagas Spanish Rosado and Partagas Cifuentes Blend, two new cigars with full flavor, have been highly successful on the American market.



## inside

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# General in new elegant design

NOW GENERAL, SWEDEN'S AND NORWAY'S largest snus brand, is appearing in new design on all markets. "The purpose of the new design is to clearly establish the brand's premium position on the market," says Niklas Krohn, Product Manager at Swedish Match North Europe Division. All elements of the design have been reviewed with consumers. In line with their wishes it will now be even easier to distinguish between the different varieties, Loose, Portion and White Portion. A discrete black-striped background and different colors on the lid are the major changes, but the contents are the same. Just what the consumers wanted.



## Award-winning IR manager best in Europe

INSTITUTIONAL INVESTOR RESEARCH GROUP named Emmett Harrison, Swedish Match, the Best IR Professional for Tobacco in its 2006 European Investor Relations Ranking. In addition, a joint survey from REGI Research Company and the Swedish business magazine Affärsvärlden in 2006 named Emmett Harrison the best IR Officer for OMX Large Caps in Sweden.



*Become a cigar expert  
in five minutes*

READ AND LEARN ON PAGES 12-13



## Conny Karlsson proposed as Chairman

AT THE ANNUAL GENERAL MEETING on April 23, 2007, the Nominating Committee will propose Conny Karlsson as new Chairman of the Board of Directors of Swedish Match. Bernt Magnusson earlier announced he would not be available for re-election.

Conny Karlsson is currently Chairman of the Board of SEB Investment Management AB, Zodiac Television AB and Lindex AB. In addition to being a member of the Board of Swedish Match, he is a Board member of Telia Sonera AB, Scribona AB and Carl Lamm AB.

Conny Karlsson was President and CEO of Duni AB for ten years (1990-2000) and prior to this he had ten years experience in fast-moving consumer goods in various positions within Procter & Gamble.

Furthermore, the Nominating Committee will propose the election of Charles A. Blixt and John P. Bridendall to the Board of Directors.



## INTERVIEW WITH SVEN HINDRIKES, PRESIDENT AND SKIING ENTHUSIAST

2006 was the best ever for Swedish Match. Earnings reached a record level, and the Group strengthened its market position as one of the leading companies in niche tobacco products. This success reflects the strength of our strategy. We enhance our competitiveness by focusing on organic growth for snuff and cigars, and we work actively with acquisitions and productivity improvements. The long-term outlook for Swedish Match continues to be positive.

### **Which area of operations have been most successful?**

All areas of operation showed strong results during the year. The highly favorable margins we achieved in the lights (matches and lighters) product area were especially pleasing. Historically, this product area has shown weak profitability. We now see the positive effect of the extensive restructuring we have carried out during the past two years, with rationalizations in production and divestments.

# 2006 our

### **How has the doubling of the tobacco tax affected operations?**

During December, we noted active hoarding on the part of both the retail sector and consumers, which increased our sales of snus for the quarter. We naturally expect to see a corresponding decline in sales during the first quarter of 2007. The tax increase will probably also lead to a slowdown of consumption during the first half of the year. Thereafter, we believe that consumption will recover to the volume figures that we had prior to the tax increase.

### **Why do you distribute so much money to shareholders through share buybacks?**

Our strong cash flow has enabled us to focus strongly on repurchasing shares during the year. If we include the dividend, we transferred approximately 4.3 billion SEK to shareholders during the year. Our share buyback program is a means to ensure an efficient capital structure with reasonably large loans in the balance sheet. Moreover, as the number of shares

Sven Hindrikes during one of his ten Vasaloppet races, the cross-country classic.

## SVEN HINDRIKES

**BORN:** In Floda, western Dalarna, in 1950.

**BACKGROUND:** I joined Swedish Match as CFO in 1998 and was appointed Executive Vice President in 2000 and President in 2004. My previous career experience included 12 years with the ABB Group in Mexico and Canada. In Canada, I was Executive Vice President, with responsibility for finance and accounting, and President of the Power Distribution business area for two years. The Canadian subsidiary expanded strongly during these years and I was mostly involved with acquisitions and integration of operations.

**FAMILY:** My family is extremely important to me. I am married to Hjördis and we have two grown-up sons. Erik, the oldest, lives in Stockholm, and Per, our younger son, is studying in Montreal.

**HOME:** We have two permanent homes – an apartment in northern Stockholm and a property near Mora in Dalarna.

**WHERE ARE YOUR ROOTS?** In Dalarna, the heart of Sweden. During our years overseas, the property in Dalarna was the fixed point in our lives.

**DO YOU USE TOBACCO PRODUCTS?** Yes, I smoke cigars on festive occasions.

### WHAT DO YOU LIKE DOING IN YOUR LEISURE

**TIME?** I am an impassioned skier, both Nordic and alpine. I have taken part in the Vasaloppet race, the cross-country classic, ten times. The entire Vasaloppet week is a folk festival in Mora. In the summer, and when time permits during business trips, I enjoy playing golf. A bit of wood chopping in the forest is also good exercise.

**WHAT IS YOUR FAVORITE PLACE?** I have had the privilege of working internationally for many years. I have visited many wonderful places that I enjoy revisiting whenever I have time. Canada is a marvelous country with changing seasons, as in Sweden, and I would like to live there for part of the year if the opportunity arises in the future – although there is nothing that can replace a Swedish summer in Dalarna.

**WHAT ADVICE WOULD YOU GIVE FOR ACHIEVING A BALANCE IN LIFE?** Well, it's a challenge to achieve a balance in life, with work occupying so much time. It is a question of establishing priorities and devoting time to what is essential. In this way you can make time for family, leisure interests and socializing with friends.

**ARE THERE ANY PERSONALITY TRAITS YOU PARTICULARLY APPRECIATE?** I like to have an open dialog with people, both professionally and in my private life. Honesty and loyalty are key personality traits. But when all is said and done, there is only one way to achieve success, and that is through hard work.

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# best year to date

decreases, earnings per share increase, which in turn can lead to a higher share price. We have a clearly defined financial strategy that ensures that no more capital than necessary is used in operations.

### Do you have any money for acquisitions?

Of course. We maintain a balance whereby we always have the financial capacity to make profitable acquisitions that complement our operations. During the year, we acquired two well-known brands, Hajenius and Oud Kampen, that both have strong positions in the Dutch market. In 2005, we acquired the remaining minority share in General Cigar for 155 MUSD. This operation has now been integrated into Swedish Match, resulting in substantial cost synergies, which were fully realized during the second half of 2006.

### Where will the company's future growth come from?

Our potential for growth lies in the product areas moist snuff and cigars, which currently

account for 75 percent of consolidated earnings. Our strategy in these areas is to actively work with product development, new product launches, new flavors and new formats, as well as various forms of brand expansion.

But let us not forget other product areas, which are expected to generate favorable profit and cash flow for many years to come. These products are positioned in product categories that are not growing. I am thinking, for example, of chewing tobacco in the US, where volumes are declining by 5-7 percent annually, but where our market share is 44 percent, enabling us to continue making a healthy profit despite the absence of growth.

### What are your priorities for 2007?

We are currently making a number of changes in the organization with the aim of creating better conditions for organic growth. We plan to strengthen our organization with more competence and increased resources, while simultaneously directing a more focused effort to creating growth.

The aim for moist snuff is to increase our market share in the US during the next few years. In Sweden, it is a matter of defending our market share, which is currently around 90 percent.

In addition, as the market leader, we aim to work actively to ensure that the total market for snus in Sweden continues to grow. At the same time, we intend to gain a foothold in a number of new markets.

We also propose to implement one or two complementary cigar acquisitions during the year.

We plan to divest the head-office property in Stockholm, which will release funds that we can invest in operations.

Continuous improvements in productivity and cost-efficiency are activities that run like a thread through all of Swedish Match's operations, and this will continue during 2007. We will also continue to relocate some production to Asia.

STORY: MATS HALLVARSSON  
PHOTO: PIN SPORT & STUDIOFOTO

# Cigars – quality

Few products are as strongly associated with luxury and indulgence as cigars. When the workday is stressful and the pace frantic, the need for relaxation and pleasure becomes even greater. Increasing numbers of people are discovering how a quality cigar can make a luxurious interlude even more enjoyable.

IN THE MID-1990s, cigars underwent a major renaissance. After decades of obscurity in the shadow of cigarettes, exclusive, preferably hand-rolled, cigars again became popular. But

what many believed was a transient fad has proved persistent and now, slightly more than ten years later, cigars are also riding high on a widespread wave of interest in consumer products that bring a feeling and experience of luxury and pleasure.

Lavish books and magazines contain reports on exclusive dark chocolate in beautiful packaging, well-aged cheeses, expensive vintage wines and exquisite Coronas – a phenomenon confirmed by the fact that luxury goods and quality products are selling as never before.

Today, time is often a scarce commodity, which makes brief interludes of relaxation even more valuable. At such times, what could be better than to withdraw to a state of contemplative tranquility and draw on a lovingly hand-rolled cigar, either alone or in the company of like-minded people, comfortably

ensconced in a favorite armchair with a balloon glass of well-aged brandy in your hand?

## Only the best imaginable

Swedish Match has focused its attention on the ultimate cigar experience, in which quality is a crucial element.

“Our brands are based on a foundation of the highest quality and the most carefully selected tobaccos. Every stage of the process, from planting and processing, to marketing and sales, is aimed exclusively at producing the best product imaginable. This is why consumers return to us time and again”, says Bill Chilian, Marketing Director at General Cigar, a wholly owned subsidiary to Swedish Match.

To guarantee the highest quality, production methods are continuously evaluated and improved. But the newest and best solutions are not always found in cutting-edge technology. Once again classic old seed varieties are being used that have far more flavor than the hybrid varieties produced in recent years. The tobacco is also aged considerably longer, and now also in accordance with the old methods, wrapping the tobacco in palm leaves and placing it in used wine and sherry barrels.

“For premium cigars, as for most other products, the natural methods are the best,” continues Bill Chilian. “You can develop seed genetically that has greater resistance to disease and insects, but this is at the expense of the flavor. Longer curing of the tobacco gives the cigar a more balanced and refined flavor, but very few cigar producers are able to age their tobacco as long as we do.”

## Bank of tobacco

Bill Chilian tells us about a “Tobacco Library,” a bank of tobacco that has been specially aged for a number of years. As with wine, properly cured high-quality tobacco only gets better with age. It acquires a pronounced mildness, surprising in a cigar context, without any loss of flavor or aroma. A combination that is sheer paradise for the cigar aficionado and ensures that Swedish Match will be able to supply the US market and the rest of the world with first-class, luxurious premium cigars for many decades to come.

Another advantage from this exceptionally long period of aging is greater security against unreliable deliveries or poor harvests. There is simply no risk of being left without quality tobacco, notwithstanding unrest or unfavorable weather conditions in the supplier countries.

STORY: BIRGITTA SJÖBERG  
PHOTO: MAGNUS FOND



# and rich enjoyment

## Experience and skill needed for best results

COMPOSING A CIGAR RECIPE requires many years of experience. Apart from taste and smoke characteristics, the major challenge lies in ensuring that the cigar has the same taste from year to year, regardless of harvest variations. The cigar recipe is compiled either vertically, where only one tobacco type is used with leaves from different heights on the plant, or horizontally, involving the blending of several tobacco types and leaf heights.

Longfiller cigars, with a filling made of whole tobacco leaves, are rolled by hand, often by teams of three. Cigar rollers achieve the necessary manual dexterity after undergoing six months of training and long practice. Leaves are cut and rolled with consummate skill. The wrapper leaf is rolled diagonally, with the leaf veins on the inside that lie parallel to the length of cigar.

To conclude the process, the tip is sealed using a circular end-piece cut from the tobacco leaf – a safety feature to prevent the cigar from coming undone during transport. The finished cigars are checked carefully to maintain the highest quality.

STORY: BIRGITTA SJÖBERG  
PHOTO: VICTOR BROTT



## Hajenius strengthens our quality range in Europe

Hajenius is one of the most well-known premium cigars in the Netherlands. Its brand includes an exclusive cigar store in Amsterdam. Swedish Match's acquisition last year of Hajenius strengthened its product portfolio with a brand that has become synonymous with extremely high quality.

EUROPE AND NORTH AMERICA are Swedish Match's most important cigar markets. The Dutch branch Hajenius is a leader among premium cigars in the Netherlands and its cigar store in Amsterdam is a key element of marketing.

The Hajenius cigar store is one of the most beautiful and exclusive cigar stores in Europe. It is furnished in Art Deco style using such classic materials such as oak, leather and marble. Apart from the retail premises and private humidor boxes, the premises include a room that functions as a walk-in humidor. The store attracts approximately 160,000 visitors annually.

The history of Hajenius cigars and cigar store extends 180 years into the past. It began as far back as 1826, when Pantaleon Gerhard Coenraad Hajenius started his first cigar store. The store, which quickly became successful, was moved in 1914 to its current address in central Amsterdam. P.G.C. Hajenius eventually also became a known brand of quality cigars.

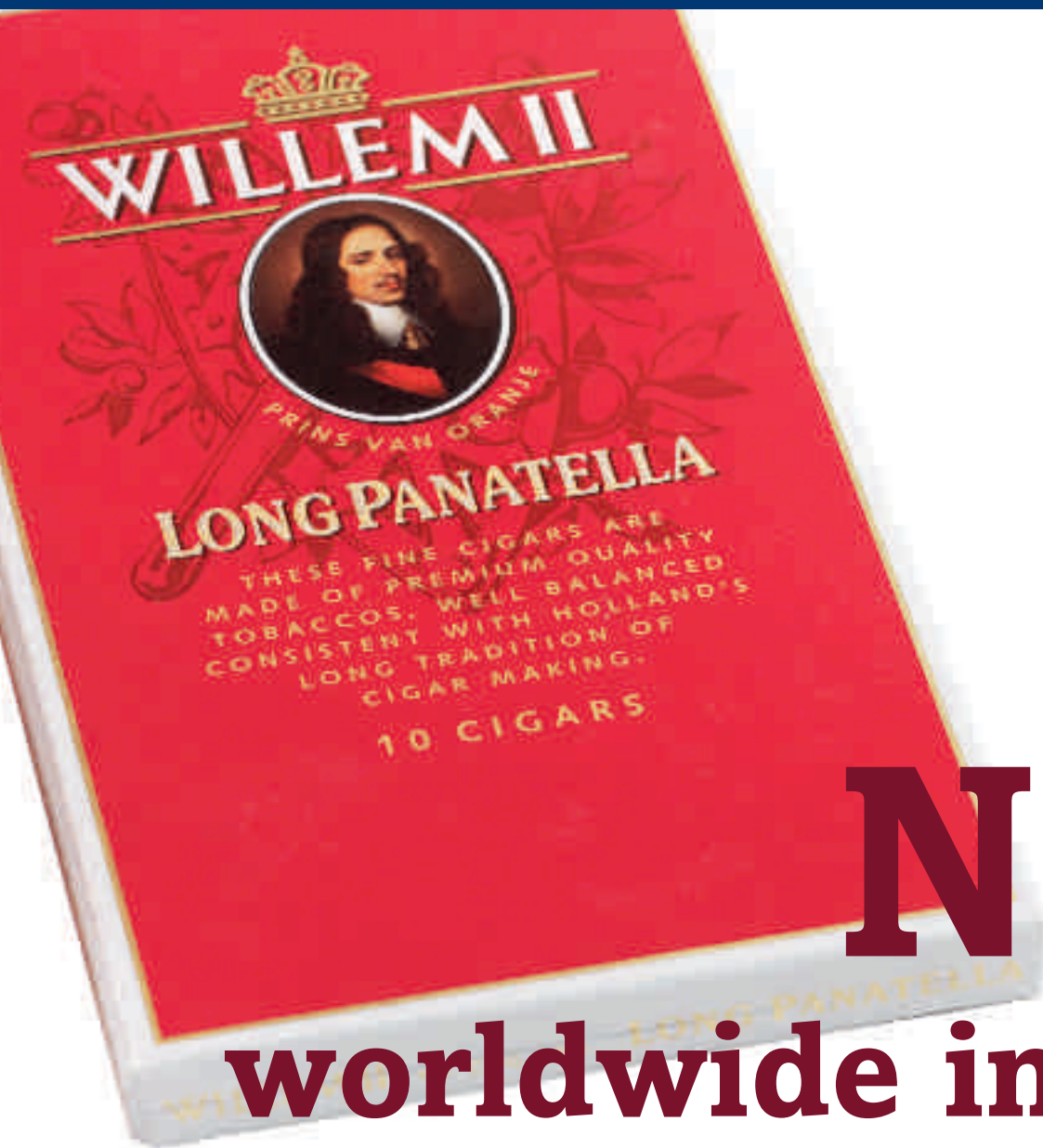
Today, Hajenius cigars are available in three varieties: Hajenius Sumatra Selection, Hajenius Grand Finale Selection and Hajenius HBPR Selection. The cigar sizes range from small cigarillos to large coronas.

Read more about Hajenius and the cigar store on the website, [www.hajenius.com](http://www.hajenius.com).

STORY: LOTTA ÖRTNÄS



Hajenius cigar store in Amsterdam is one of the most exclusive in Europe.



# No. 2 worldwide in cigars

Swedish Match is the world's second largest cigar company in terms of sales value. Strong sales, driven by successful launches and sensitivity to trends and consumer preferences, are among the reasons.

SOME 15 BILLION CIGARS are consumed each year. The largest and most important markets are North America and Europe, which combined account for more than 90 percent of the total cigar market. The remaining sales are primarily in Asia and Australia.

Swedish Match has operations within both machine-made cigars and premium cigars. Combined, the two segments had sales of 3,407 MSEK in 2006.

Cigars are produced at Swedish Match plants in Houthalen (Belgium), Pandaan (Indonesia), Santiago (Dominican Republic), Danli and Confradia (Honduras) and Dothan,

Alabama (USA). The Group also has tobacco plantations in the Dominican Republic and in Connecticut, in the US. Cigar Operations have approximately 8,500 employees.

But what is it that makes Swedish Match so successful in the cigar segment? The answer lies, among other factors, in the Group's long-term strategic work with brands. A further success factor is Swedish Match's ability to rapidly predict trends and match consumer needs and wishes with new products.

In the US, which is Swedish Match's most important cigar market, accounting for two thirds of sales, the company has a leading

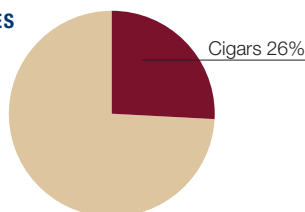
position in the premium-cigar segment. The market share amounts to nearly 35 percent and five of the ten most smoked premium cigars in the US are Swedish Match brands. The leading brand in the US is Macanudo, while other well-known cigar brands include Partagas, Punch, Hoyo de Monterrey, Cohiba, La Gloria Cubana, Don Tomas and Helix.

The clearest current trend within premium cigars is the continued interest in full-bodied cigar blends and cigars that can be enjoyed in a shorter time. There is also increased interest in cigars in tubes.

#### US consumes approximately 7 billion machine-made cigars annually

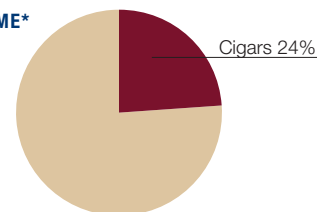
Within machine-made cigars, known as the mass-market segment, Swedish Match has also been successful in foreseeing and satisfying

SALES



The cigar share of the Group sales in 2006 of 12,911 MSEK was 26 percent.

OPERATING INCOME\*



The cigar share of the Group operating income in 2006 of 3,235 MSEK was 24 percent.

\* excluding larger one time items



market trends, in both the US and the rest of the world. While more than 300 million premium cigars are smoked in the US each year, the corresponding figure for machine-made cigars is a staggering 7 billion – a volume that has grown by between 1 and 3 percent annually over the past ten years. Swedish Match's

*We have launched an average of 25 new products per year since 2004.*

market share is around 7 percent, and the company's strongest brands in the US are White Owl and Garcia y Vega.

In the US, a clear shift can be seen from simpler products to cigars with natural wrappers.

"This was our motivation for launching Game, within the Garcia y Vega brand, in the middle of last year," says David Price, Vice President Marketing at Swedish Match North America Division. "It was an immediate success, and during the first six months alone we sold more than 30 million cigars."

Interest in flavored cigars continues. Swedish Match has launched a number of successful products in this segment, including White Owl Peach, Grape and Pineapple. The flavored cigars were the number one new cigar item for three consecutive years, beginning in 2003. White Owl Pineapple won Convenience Store Petroleum magazine's Best New Product award in 2005. However, David Price emphasizes that the company's future success will be driven by continuing to identify consumer trends, as well as developing strong brands that hold up regardless of trends.



Jean-Louis Leppert, Vice President Marketing, Swedish Match International

#### Benelux and France our top markets in Europe

In the European market, Swedish Match's sales are dominated by machine-made cigars, for which the total market amounts to approximately 6 billion sold products per year. The strongest Swedish Match brands in Europe, whether they are regional or local, are La Paz, Willem II, Hofnar, Bellman, Justus van Maurik, Salsa and Cortéz. At the beginning of 2006, Hajenius and Oud Kampen, two well-known brands in the premium short fillers segment, were acquired, as well as the flagship Hajenius cigar store, the most exclusive in Amsterdam (read more on page 7).

Swedish Match markets and sells cigars and cigarillos throughout Europe. The largest markets for Swedish Match are the Benelux and France, while sales volumes are also significant in the Nordic region and Spain to name a few. During the past year, the company has used its aggressive and successful strategy to capture market shares in a slightly declining market characterized by tough competition and increasingly stringent legal restrictions.

According to Jean-Louis Leppert, Vice President Marketing, Swedish Match International Division, the company's success in cigar sales is due to its active development of new products in the different markets.

"We have launched an average of 25 new products per year since 2004, and the results have not been slow in coming. A full 12 percent of sales volume for 2006 derived from cigars and cigarillos that did not exist a mere two years ago," says Jean-Louis Leppert.

#### Popularity of aromatic cigars continues

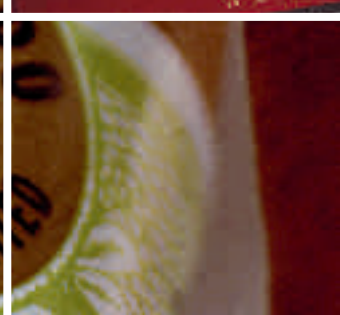
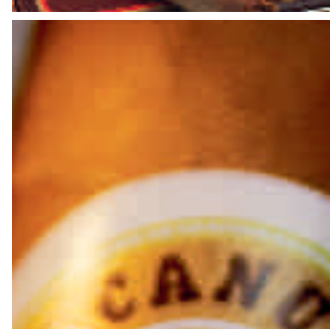
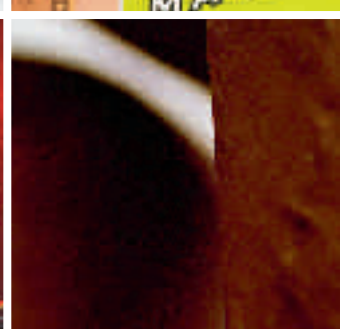
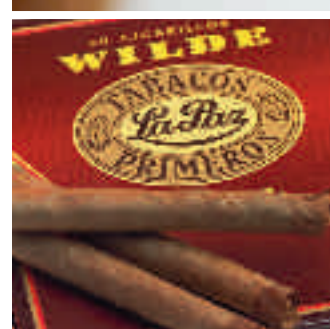
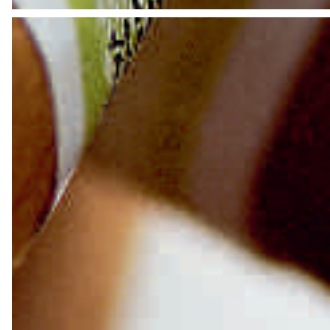
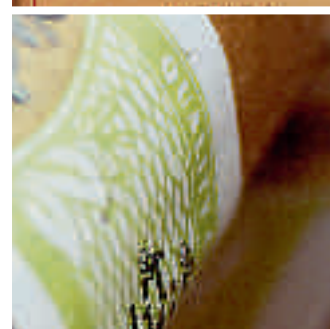
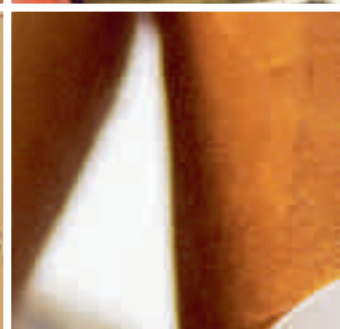
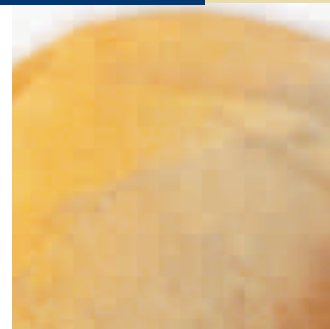
As in the premium cigar segment, one of the clearest trends within machine-made cigars is without doubt the aromatic products.

"Today, nearly every country has a vanilla cigarillo," says Jean-Louis Leppert. "Some smokers and those around them find that the aroma of cigar smoke is not always appreciated, but a scent of vanilla can break down the barriers. It is mainly new recruits to cigar smoking who take to the new flavors, while long-time consumers still prefer the more traditional cigars."

As a result of the increased restrictions on smoking, there is also growing interest in shorter cigarillos and cigarillos with filters, as well as smaller packs containing only a few products.

"The key to our success is our strong brands and high launch rate of up-to-date new products that meet market preferences," concludes Jean-Louis Leppert.

STORY: BIRGITTA SJÖBERG  
PHOTO: PEPE NILSSON (CIGARS) AND JOEP VAN MOORSEL





# Cigars for a trend-conscious generation

J.T. Gurvin, responsible for the Helix brand at Swedish Match's subsidiary General Cigar in the US.

For the trend-conscious generation, the right cigar is every bit as important as the right clothes and gadgets. With brands such as Helix, Swedish Match has met the challenge of launching cigars that appeal to city-dwellers. Forget the cliché of the elderly cigar-smoking gentleman; the modern cigar consumer is already here!

“TO REACH A GENERATION that is both discerning and savvy, it is essential to have finely tuned instincts,” says J.T. Gurvin, who is responsible for the Helix brand at Swedish Match’s subsidiary General Cigar in the US.

J.T. knows what he is talking about. He is the Brand Manager responsible for the Helix brand introduced in early 2000, and the US introduction of the Helix Remix. Helix has established itself since its launch in 2005 as a fashionable and well-known brand that appeals to consumers who are somewhat younger than traditional cigar smokers.

The concept for Helix was born during the cigar boom at the end of the 1990s. At a time when most other cigar producers were focusing exclusively on full-bodied cigars, the team hit on the concept of heading in the opposite direction. A mild cigar at a lower price could attract a different consumer group.

#### iPod generation

“It was a challenge to create a cigar that chimed with this particular target group’s lifestyle,” recalls J.T. “In order to be successful, we needed to find out as much as possible about the potential consumers’ behavior patterns and motivational forces.”

J.T. describes the Helix smoker as: following the growing smoking trend of a demographic in the thirties. The Helix smoker likes to be the vanguard when it comes to trying new things, and is what marketing experts call an “early adapter.”

J.T. refers to the target group as “the iPod generation”, men and women, who enjoy spending money on things they like, are interested in new technology, are fashion-conscious, and like to travel.

#### Flavored products popular

“The Helix smoker is inspired by an urban lifestyle that suggests a level of ‘Success’ and those who appreciate an opportunity to ‘Celebrate’, while never missing the opportunity to ‘Socialize’, which were the paradigms of the current Helix advertising campaigns,” J.T. shares.

PHOTO: ANGELO MINOR

“We also observed how the target group adopts other products. These trend-conscious consumers like products such as flavored vodka and beer, which led us to also develop a variety of Helix flavored with Amaretto liqueur.”

Helix is currently available in three varieties: Helix Natural, Helix Maduro and the aforementioned Helix Remix Amaretto. The name Helix, meaning spiral, derives from the cigar’s spiral wrapper. All the Helix varieties are hand-rolled premium cigars with a mild flavor profile and are priced relatively low despite their high quality.

*Sales of Helix have increased steadily since the brand was introduced.*

#### Unconventional marketing

Another key aspect when J.T. and his colleagues began developing the new cigar was the appearance and packaging. Realizing that something special was needed to persuade the target group to embrace Helix Remix, the team decided to continue the use of modern, unconventional forms associated with Helix since it’s creation. The original decision to deviate from traditional cigar marketing by launching Helix in a blue, metallic box – a color and material not normally used for premium cigars, Helix Remix was launched in a copper colored metallic box with great success and response from Helix fans.

“Within the industry, marketing a cigar in a blue box was viewed as tantamount to giving the brand the kiss of death,” relates J.T. Gurvin. “But instead it turned out to be perfectly in tune with our market group, and Helix has been a great success.”

Sales of Helix have increased steadily since the brand was introduced. The next step for J.T. and his team is to further develop the brand.

“At present we are testing another flavored variety of Helix. If all goes according to plan, we hope to be able to launch the new flavor in the Helix family during the second half of 2007,” reveals J.T.

STORY: LOTTA ÖRTNÄS



PHOTO: PEPE NILSSON

**Helix addresses a target group with an urban lifestyle of celebrating and socializing on all occasions.**

# Best-seller and classic

LA PAZ IS SWEDISH MATCH’S largest cigar brand in Europe, measured in sales volume. This success is attributable to the strong brand. A brand is the most important asset of any company selling consumer goods, and facilitates the knowledge and recognition of the product.

“A brand should always clearly reflect what it stands for through delivering products that meet its recognized standards. The La Paz brand has done this consistently over the years and that is one of the main drivers behind its success in such countries as France, the Netherlands and Spain,” says Marcel Verhoeven, International Brand Director Cigars, Swedish Match International Division.

La Paz stands for authentic and flavorful cigars with distinctive taste and aroma. It is best known for its Wilde range, with the uncut end revealing the exciting composition of 100 percent tobacco leaves. However, in addition to uncovering the wild character, the unique shape also facilitates the full and rich aroma to bloom from the very beginning.

The foundation of a Wilde La Paz is an aromatic Besoeki (Java) or a somewhat sweeter Mata Fina (Brazil) wrapper of superior quality. The wrapper is sometimes bound anti-clockwise with the vein of the leaf on the outside, which also adds to the whimsical appearance of the La Paz cigar. The binder leaf is almost always made from Besoeki tobacco. The blend in each Wilde varies of course, but consists predominantly of a sophisticated mixture of Besoeki, Mata Fina and Remedios tobaccos. The brand presents no less than thirteen different products, in varying sizes and characters – from the small Mini Wilde to the top-seller Wilde Cigarillos and the new Miniaturas and from the classic Indonesian taste to exotic vanilla.

“A Wilde Cigar spreads its aroma as you light it up, even before taking the first puff. It builds up the taste gradually as the filler, binder and finally the wrapper burns. Hence it is in fact the most authentic cigar there is. It reveals how all cigars were at the time when the Mayas called them Sik’ar,” says Marcel Verhoeven.



Marcel Verhoeven, International Brand Director Cigars, International Division

STORY: BIRGITTA SJÖBERG  
PHOTO: PEPE NILSSON

# Cigar expert in

You do not have to be an expert to enjoy a cigar, but with a little basic knowledge and some well-chosen cigars, you are well on the way.

A GOOD CIGAR IS RARELY THE RESULT OF CHANCE, but of many years of hard work and knowledge that has been refined for generations. However, the experience of a good cigar may be easily spoiled, or enhanced, as a result of storage, handling or other circumstances. Subsequently, the secret behind the fantastic smoking experience lies not only in the cultivation, drying and production – even though it is a prerequisite – but, also in the smoker's choice and care of the finished product.

Why is it that only certain cigars are experienced as a memorable enjoyment, while others are quickly forgotten. Naturally, there are a

number of different factors that influence and countless choices to be made on the road to an excellent cigar.

Prior to the pleasing event of choosing a good quality cigar from a well-conditioned humidor, you should reflect for a while before the forthcoming smoking opportunity. Time at your disposal in which to enjoy the cigar itself influences the length; taste preferences are crucial to tobacco choices and smoking habits, and appreciation for mild or full-flavored smoking experiences, influences the choice of shape, or façon, as it is called in cigar language. The best advice for beginners is to ask for assistance and advice.

One common error that the unaccustomed smoker makes is choosing a short, little cigar, believing that it is “mild”. In reality, it is the exact opposite, since a long cigar is self-filtering and a robust diameter increases the possibilities of better and more balanced tobacco mixtures.

Subsequently, a long and thick cigar may be a better choice for the unaccustomed smoker. Another disaster is choosing a cigar made from tobacco that is too aromatic. The result is frequently long butts in the ashtray.

Otherwise, the classic mistake is lighting the cigar at the wrong end, something that does not go unnoticed, since the wrapper and binder will loosen and embers and filler will fall – to the smoker's surprise and the un concealed amusement of the surrounding.

But do not be afraid of potential pitfalls; instead, allow yourself to be inspired by the possibility of new and exciting experiences and discussions. Equipped with a small amount of basic cigar knowledge, anyone can become a “cigar expert” and amaze everyone at the next dinner party.

STORY: BIRGITTA SJÖBERG  
PHOTO: PEPE NILSSON

**Filler:** Can be shortfiller (cut leaves) or longfiller (whole leaves).

**Tip:** Cut off carefully. The small cap at the tip prevents the cigar from unrolling.

## The anatomy of a cigar

**Tuck:** Light this end.

**Wrapper:** What you see. The wrapper is thin and elastic.

**Binder:** Binds and holds the filler together. Combined the filler and binder is called the bunch.

## Cigar etiquette - the proper way to enjoyment

It is not easy to always do everything correctly, and sometimes it is not even necessary. But, in certain instances, it can be a relief to avoid the most obvious and embarrassing faux pas, or at least be aware of them. With the help of a few simple cigar rules, you will be able to mingle freely in the finest lounges.

### YES, DO LIKE THIS

Store cigars in a humidor with approximately 70 percent relative humidity, otherwise they will dry out and be spoiled. Freezing is a practical but stops the process of maturing.

Choose cigars to suit the occasion. Take into consideration the amount of time required and other refreshments. Please ask experts in the cigar shops for advice.

Cut the cigar with a sharp cigar cutter where the cigar narrows towards the tip. A hole the size of a pea is sufficient.

# five minutes

## CHARACTERISTICS

### Earthy, spicy, creamy or sweet

IN REFERRING TO CIGARS, when tobacco is mentioned it is usually in terms of its geographic origin. But, tobacco cultivation is similar to wine. It is not only a question of country of origin or district. Even minor geographic differences, as well as cultivation methods and skill, influence the final product. Cigar characteristics are frequently described in terms of mild to full-flavored, while aroma and tastes are generally described using words as earthy, spicy, creamy and sweet, without resorting to the flowery language used in the wine industry.

In the past, most cigar tobacco came from Indonesia, Cuba and Brazil, but today's humidors are being filled with an increasing number of cigars from the Dominican Republic, Nicaragua and Honduras.

In simple terms, it can be said that Indonesia produces light, mild and relatively neutral tobacco, a characteristic that is very appreciated in the most popular cigarillos. Brazil is famous for its dark and somewhat sweet leaves, while the strongest and most aromatic characteristics frequently originate from Cuba. According to many, despite its Cuban origins, cigars from the Dominican Republic have a broader spectrum, better balance and can be surprisingly mild.

## SHAPE/FAÇON

### Long, short, thick or thin

IT IS NOT ONLY THE TOBACCO MIXTURE and origin that determines the taste of a cigar, but also such factors as production methods and storage. However, in addition to the tobacco, the most important contributing factor to the smoking experience is nevertheless the shape of the cigar, or *façon* as referred to by experts.

- The *façon* is stated in length and thickness, measured in inches and "ring gauge" (1/64 inch), and there are differences between straight cigars and *figurados*.
- The length acts as a filter; a long cigar is milder than a short one, but consequently only initially.
- The thickness betrays the amount of taste, according to the principle that more tobacco produces more taste.

The best way to learn the characteristics of the various shapes is to simply test them.

STORY: BIRGITTA SJÖBERG  
PHOTO: PEPE NILSSON

Torpedo



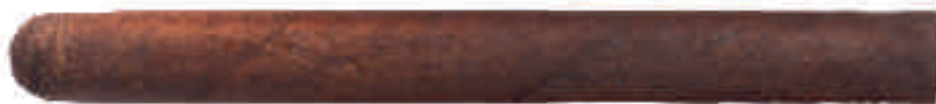
Torpedo



Pyramido



Double Corona



Corona



Robusto



Long Panatella



Cigarillo



## NO, AVOID THIS

Heat the wrapper with a flame prior to lighting the cigar and taking the first puff. Cedar is preferable.

Remove the ashes by breaking the thimble-long ash column, not by knocking the cigar with your index finger.

If you would like to remove the girdle, wait until the cigar is warm and the glue loosens easier, to avoid damaging the delicate wrapper.

During cigar tasting, it is not only allowed but also expected to taste each other's cigars.

Do not lick the entire wrapper. Do not warm the entire cigar with a flame. This is only necessary for cigars of low quality, with a lot of glue.

Do not listen to the cigar by rolling it close to your ear. This does not reveal the condition of the cigar, only your own ignorance.

Do not bite off the end of the cigar. This will shred the wrapper and the cigar might unroll.

Never use a lighter with lighter fluid, it will spoil the cigar. Use gas lighters or matches.

Do not inhale the smoke. Cigars produce basic smoke, which means that the nicotine is absorbed through the oral mucous membrane.

Do not stub out the cigar, it should be allowed to burn out by itself in an ashtray. Furthermore, do not save a cold cigar butt for later use.

# New HR manager seeks dynamics



“What makes Swedish Match such a fantastic company is the combination of its people and the business situation,” says Mats Adamson, the new Senior Vice President Human Resources at Swedish Match. Apart from his 13 years at Swedish Match, Mats has an exciting background, which includes roots in Estonia and ten years as an officer in the Swedish Navy. What now awaits are new challenges in his role as Head of Group Human Resources.

“THE EMPLOYEES ARE one of Swedish Match’s principal assets. Working with HR issues at a global level makes me feel tremendously privileged.”

Mats Adamson succeeded Göran Streiffert as Senior Vice President Human Resources and Head of Group Human Resources on January 1, 2007. Adamson’s previous position was Vice President Human Resources within the North Europe Division.

The step from a division to Group staff entailed moving from a position close to operations and markets to one that involves a more strategic and global approach.

“My predecessor, Göran Streiffert, and I have worked closely together in the past year. My preparations for the new position included traveling round the world and getting to know the organization,” Mats explains.

“At present, I am mainly focusing on acquainting myself with my new duties and gaining deeper insight into various matters. Long term, however, my principal task will be to ensure that the Human Resources Department supports our business strategies.”

Adamson has long-standing experience of strategic HR, management and organizational matters, including positions outside Swedish Match. For example, he was in the Swedish Navy for ten years.

Adamson explains that during his time in the Navy, the incidents involving foreign submarines in Swedish waters occurred in the 1980s, when he had to put his knowledge to use in a war-like situation.

“That gave me experience that has also been extremely useful to me in my civilian career; for example, leading and motivating people in challenging and pressing situations.”

In 1994, Mats was recruited to a cigarette

operation in Estonia that had just been acquired by Svenska Tobaks AB.

“One of the reasons why I was headhunted for that position was that I spoke fluent Estonian. Both of my parents are from Estonia.”

Two years later, he was offered the position of HR Manager for the North Europe Division of Swedish Match.

“It’s a great company. Swedish Match believes in its employees and gives them the opportunity to grow.”

Mats does not hesitate a second when asked why he is so happy at work: the employees and the business situation.

“I have great colleagues all over the world. The company has a welcoming, generous climate. It is also a flat organization that makes it easy to discuss matters with each other.”

“With respect to the business situation, I believe that one of our competitive benefits is that it has an exciting product portfolio that offers great potential.” He also emphasizes the favorable consequences that result from Swedish Match being such a well-managed and profitable company.

“A profitable company makes it possible to invest in the operations, in both the hard and the soft aspects. Human resources is an example of a soft aspect that has received more attention in recent years and that we are currently focusing on a lot.”

One of our main tasks is to ensure that the company has the right employees for tackling new situations. In order to supply these resources, both experienced and new competencies are needed.

“This is exemplified by the North Europe Division, where we have mixed internal and external recruitment favorably to the new, highly competitive market. Everything is so mobile and transient that the organization has to have such a dynamic if we are to succeed,” Mats concludes.

STORY: LOTTA ÖRTNÄS  
PHOTO: VICTOR BROTT

## MATS ADAMSON

**BORN:** 1959.

**FAMILY:** Wife and three sons 19, 16 and 3 years of age.

**LIVES:** In Segeltorp, Huddinge, south of Stockholm

**ROOTS?** Both in Sweden and Estonia. I was born in Västerås, Sweden, but my parents are from Estonia.

**USE OF TOBACCO PRODUCTS?** Not on a daily basis, but at a dinner party I enjoy a good cigar or a portion of snuff.

**RELAXATION?** I work out in various ways, through sports, carpentry or gardening.

**FAVORITE PLACE?** I would have to say Provence in France, where I spend a lot of my time in the summer.

**ADVICE FOR FINDING A BALANCE IN LIFE?** It’s necessary to look at the big picture and ensure that it works – to achieve a balance between work and family. If you create time for both of these parts, you will achieve a harmony.

**CHARACTERISTICS THAT YOU APPRECIATE:** Honesty is tremendously important. I also like people who can listen and can generously share their experiences and knowledge with others.

*Long term, my principal task will be to ensure that the Human Resources Department supports our business strategies.*

# We work to reduce emissions

Swedish Match was ranked in the second best category when the Climate Index was prepared by Swedish insurance company Folksam. This index surveys the Swedish companies' emissions of carbon dioxide from fuel and their climate awareness. It should also be noted that the climate issue is only one of the environmental areas in which Swedish Match works to promote sustainable development.

MANY RESEARCHERS REGARD climate changes, or the greenhouse effect, as one of the most serious environmental problems, and the topic is the subject of lively debate in the political arena and among the media. In January this year, the European Commission submitted a proposal urging the governments of all EU countries to agree that by 2020 they will have reduced emissions of greenhouse gases by 20 percent, compared with the level in 1990.

Swedish Match understands the importance of environmental issues and works continuously to achieve improvements in, and to maintain a systematic environmental and quality focus on, such areas as the use of water and energy and waste handling.

"It is a matter of continuously striving to achieve a balance between business goals and the environmental demands of stakeholders. All commercial initiatives must be measured on the basis of both financial and environmental criteria," says Nina Hanses, Vice President Management Resources, who is responsible for the global coordination of Swedish Match's environmental work.

It is at a local level, that the tangible environmental work is conducted. Every major business unit has an environmental manager. In 2005, a corporate environmental council was established to coordinate Group-wide

projects and facilitate an exchange of knowledge and experience and compliance with Swedish Match's environmental policy.

"Our top-priority environmental goal is to limit emissions that have an impact on the climate. Since we are aware that our production operations account for the greatest part of our carbon dioxide emissions, this is where we have to devote most effort. That can be measures like switching to more environmentally friendly energy sources and accomplishing energy-saving programs", Nina Hanses continues.

About 80 percent of consolidated sales originate from units that have been granted ISO 14001 certification. The production units of General Cigar, which was incorporated into the Group in 2005, are next in line for certification.

Folksam has been preparing a climate index for nine years and the focus of the index has evolved from quantitative to qualitative matters. It examines how the 40 largest listed companies in Sweden, as well as ten unlisted companies of general interest, conduct their work on the climate issue. The most recent survey was presented in February 2007.

STORY: MIA HANELL  
PHOTO: VICTOR BROTT



Nina Hanses, responsible for the global coordination of Swedish Match's environmental work.

PHOTO: PETER KNUTSON

## Swedish Match's climate efforts in brief

EMISSION SOURCE AND SHARE OF GROUP'S TOTAL EMISSIONS IN 2005: 73,927 TONS

### Production 67%

Many of the plants in Europe have switched to natural gas and "green" electricity, and several other units have introduced energy-saving programs. As a result of these efforts, emissions were reduced by approximately 10 percent between 2003 and 2005.

### Transport of goods 14%

As a consequence of restructuring, planning of logistics and effective transportation chains and vehicles, emissions have been reduced by about 20 percent in two years.

### Properties 8%

Most of the Swedish Match units in Europe and North America have introduced programs for reducing the energy consumed for heating and lighting. During 2003-2005, carbon dioxide emissions were reduced by more than 15 percent.

### Business travel 11%

The North Europe Division's sales force has been offered gas-powered cars, as one of the efforts to reduce the environmental load. Other measures that make a favorable contribution include arranging more video and telephone conferences.



## Questions and answers

Swedish Match's earnings for full-year 2006 were presented on February 14. At a subsequent telephone conference, Group Management answered questions from bank and brokerage analysts who track the company.

**ELISE BADOY, GOLDMAN SACHS:**

**Please comment on the rising costs for cigars during the quarter?**

**SVEN HINDRIKES, CEO:**

There was a shift toward smaller and less expensive cigars with lower margins in Europe. In addition, we had restructuring expenses of 2 MEUR and somewhat higher marketing costs. However, we expect that the earnings in the past quarter will not be repeated in 2007, but retain our outlook announced earlier of an operating margin of 21-23 percent for full-year 2007.

**HENRIK FRÖJD, KAUPTHING BANK:**

**You state that you will increase the marketing and selling expenses for snuff. Can you give us any figures for these cost increases?**

**SVEN HINDRIKES:**

That was a more general comment. We intend to be somewhat more aggressive on our existing snuff markets in Sweden and the US, mainly to grow in the US, as well as to retain our market share and volumes on the Swedish market.

**ERIK BLOOMQUIST, JP MORGAN:**

**Will the tax increase have varying sales effects on different types of snus?**

**LARS DAHLGREN, CFO:**

It is too early to draw any conclusions for specific snus products, but we know that sales of loose snus are being hit harder than portion-packed. We are not seeing any decline in low-price snus as a result of the tax hike.

**DAVID IRELAND, ABN AMRO:**

**Can you comment on what type of cigar acquisition you are seeking?**

**SVEN HINDRIKES:**

We are looking for operations complementing our existing cigar business in the US and Europe. We are reviewing different projects of varying size.

**ROGERIO FUJIMORI, CREDIT SUISSE:**

**"What was the trend for the operating margin for cigars in the US in the fourth quarter and for the year? I would like to know more about the growth for snus in Norway."**

**LARS DAHLGREN:**

Operating margin in total rose somewhat in 2006 compared to 2005, partly due to changes in product mix and savings attributable to the integration of General Cigar. The margin decline during the fourth quarter is attributable solely to the European market. Norway posted continued solid growth for snus, with volume increase exceeding 10 percent.

OCTOBER - DECEMBER

# Interim report

**SALES AND RESULTS FOR THE FOURTH QUARTER**

In local currencies and excluding divested businesses sales for the fourth quarter 2006 increased by 10 percent compared with the fourth quarter 2005. Reported sales for the fourth quarter decreased by 1 percent to 3,457 MSEK (3,500). Currency translation has affected the sales comparison negatively by 197 MSEK.

For snuff, sales increased by 18 percent during the fourth quarter, to 963 MSEK (819) and operating income increased by 17 percent to 460 MSEK (392). North European snuff sales were up 25 percent, stemming from higher than normal volumes due to hoarding in anticipation of an excise tax increase on snuff in Sweden effective January 1, 2007. North American snuff sales were flat, but were up 11 percent in local currency terms. The operating margin reached 47.8 percent (47.8).

Sales of cigars in the fourth quarter increased to 857 MSEK (834), while operating income

declined by 8 percent, to 163 MSEK (176). Sales and operating income for cigars grew in the US. Sales grew in Europe, but operating income declined, due to a less profitable product mix and some restructuring costs. Operating margin for cigars declined to 19.0 percent (21.1).

Group operating income for the fourth quarter increased by 18 percent to 799 MSEK (678). Currency translation has affected the operating income comparison negatively by 53 MSEK.

Operating margin for the fourth quarter amounted to 23.1 percent compared to 19.4 percent for the fourth quarter 2005.

In the fourth quarter financial income was favorably impacted by a gain on a sale of securities with an amount of 111 MSEK before tax.

Earnings per share (basic) for the fourth quarter was 2.18 SEK (1.47). Diluted earnings per share amounted to 2.18 SEK (1.46).

[www.swedishmatch.com/financialreports](http://www.swedishmatch.com/financialreports)

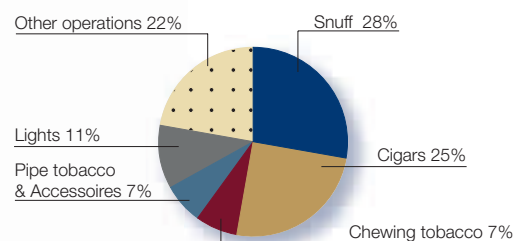


PHOTO: MAGNUS FOND

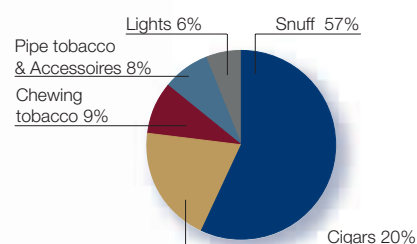
Lars Dahlgren, CFO

MSEK	Oct-Dec 2006	Oct-Dec 2005	Full-year 2006	Full-year 2005
Sales	3,457	3,500	12,911	13,311
Operating income	799	678	3,235	2,825
Income before tax	853	642	3 167	2 696
Net income incl. minority interest	602	456	2,331	1,777
Earnings per share, SEK	2.18	1.47	8.12	5.61

**SALES BY PRODUCT AREA  
OCT-DEC 2006**



**OPERATING INCOME BY PRODUCT AREA\*  
OCT-DEC 2006**



\* excluding layer one time items



SHARE COMMENTS

# Board proposes increased dividend

SWEDISH MATCH EXPERIENCED A STRONG YEAR in 2006. The share price rose 37 percent, while the Stockholm Stock Exchange OMX All Share Index was up 24 percent. Swedish Match's industry index, consumer staples, rose 33 percent in 2006.

To date, the beginning of 2007 has resulted in a somewhat weaker performance of the Swedish Match share. At the close of the stock exchange on February 14, the trend was a negative 5 percent since year-end. The Stockholm Stock Exchange OMX All Shares Index posted a gain of 5 percent during the

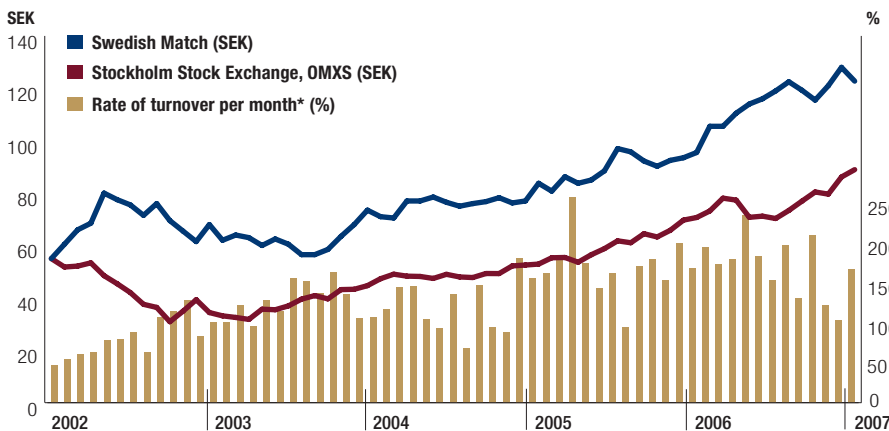
same period. In contrast, the consumer staples index fell slightly, with a decline of 1 percent for the period December 31, 2006 through February 14, 2007.

In the year-end report published on February 14, the Board announced that it is proposing that the dividend for 2006 be raised to 2.50 SEK per share, from 2.10 SEK per share of the 2005 fiscal year, corresponding to an increase of 19 percent. The Swedish Match Annual General Meeting, which will decide on the dividend, will be held this year on April 23.

KEY FIGURES

<b>Earnings per share, SEK</b>	
2006	8.12
2005	5.61
<b>Equity per share, SEK</b>	
Dec. 31, 2006	8.34
Dec. 31, 2005	16.60

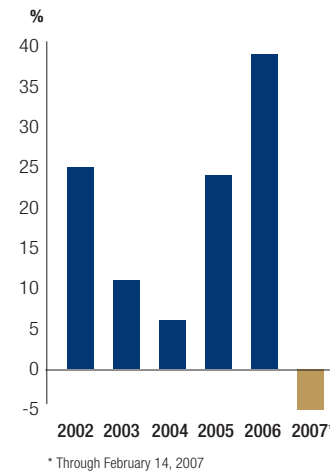
SHARE PRICE AND TURNOVER



The Swedish Match share price rose 37 percent during 2006, compared with a 24-percent increase for the Stockholm Stock Exchange as a whole (OMXS Index). During 2007, through February 14, the price declined, however, by 5 percent, while the OMXS Index rose in the same amount.

\* The annual rate is based on turnover value in relation to the average market capitalization each month.

TOTAL RETURN



\* Through February 14, 2007

## Annual General Meeting, April 23, 2007



Current Chairman Bernt Magnusson and President Sven Hindrikes at the 2006 Annual General Meeting.

THE SWEDISH MATCH ANNUAL GENERAL MEETING will be held on Monday, April 23, 2007 at the Stockholm International Fairs, Älvsjö, in Stockholm. The notice of participation will be published in daily newspapers and sent to the company's shareholders as in prior years. Registration can be made on our website, by telephone, mail or fax.

As announced earlier, the current Chairman of Swedish Match, Bernt Magnusson, has informed the Board that he will not be available for re-election. The Nominating Committee has proposed that Conny Karlsson succeed Bernt Magnusson as Chairman. In addition, Karsten Slotte has announced that he declines re-election.

The Nominating Committee of Swedish Match will propose the election of Charles A. Blixt and John P. Bridendall to the Board of Directors. In its proposal to the Annual General Meeting, the Nominating Committee has made particular note of Charles A. Blixt's extensive experience of the tobacco industry, as well as John P. Bridendall's vast experience of the US fast-moving consumer goods market, international profile and financial background.

MEG TIVÉUS, MEMBER OF THE BOARD

# Tolerant

MEG TIVÉUS, 63, IS ONE OF THE DIRECTORS who has spent most time on the Swedish Match Board, having been first elected in 1999. The following is one way of describing her “journey on the Board of Directors”: the Swedish Match share price rose from SEK 28 in spring 1999 to SEK 125 at the end of 2006.

On the question whether she is satisfied, she answers: “Being satisfied sounds almost like resting on one’s laurels. But of course I’m satisfied that the company has fared so well and that the shareholders have received a healthy return on their investments. This is the result of strategic efforts to concentrate operations in a difficult market, because tobacco is hardly an easy product to market. But the successes are also down to the efforts of management, which has been extremely skillful in conducting and streamlining the company’s operations.”

## Impressive CV

No one can doubt Meg Tivéus’s track record. As a former top executive and now as a person who devotes a lot of time to corporate governance, she has an excellent profile in the field of fast-moving consumer products and consumer services. Her professional experience includes being divisional manager at Åhléns, one of Sweden’s largest retail chains, Executive Vice President of Sweden Post and President of Svenska Spel, a state-owned gaming company. Her directorships include membership of the Boards of Cloetta Fazer, Billerud, Danderyd Hospital, Nordea Funds and Boss Media.

But is experience of running traditional enterprises all that counts for Board membership?

“This varies from company to company. The Board members must have relevant knowledge and experience. Representing a variety of personalities is also important, to ensure that all matters are illuminated from many perspectives. The competences represented by Swedish Match’s Board are excellent, since they reflect product and market knowledge and international and financial expertise.”

## Supermodel’s coach

Tivéus also notes a currently favorable trend in the form of new faces on Swedish Boards of Directors, represented by younger people who have not yet reached the heights of their careers. She has personally committed herself to coaching more women for assuming leading positions in Swedish enterprises, including supermodel Emma Wiklund, who was recently elected to the Board of the Swedish clothing chain Lindex.

During Meg Tivéus’s period on the Swedish Match Board, the governance of companies has advanced quickly, as a result of an increased focus on control and the Swedish Code of

A portrait of Meg Tivéus, a woman with short, wavy brown hair and glasses, smiling. She is wearing a dark blue blazer over a light-colored top and a necklace. Her hands are in her pockets.

Tolerance, constructive discussions and mutual respect. That is the summary made by Meg Tivéus, one of the Directors who has spent most time on the Board. She is an acknowledged pragmatist, with extensive experience of both operational work and corporate governance. Matters involving corporate expansion are close to her heart and she emphasizes the United States as an important market to make progress in.

OF DIRECTORS:

# attitudes on our Board

Corporate Governance. Many people say this is a negative trend. What is your opinion?

“At Swedish Match, we all agree that strong internal control is important. As a result of our previous listing on NASDAQ, we have to report to the SEC and satisfy the requirements of American legislation, so we have to meet extremely stringent regulations. However, I think that the Swedish Code is good. It has lifted corporate governance to a higher level in many companies. On the other hand, it is quite clear that the rules are too detailed for certain types of companies, particularly smaller ones. And at Swedish Match, we’re working to be exempted from the most extreme control regulations resulting from US legislation.”

**Expansion important**

In her work on Boards of Directors, Meg Tivéus is renowned for being an outright pragmatist. She eagerly pursues strategic matters concerning expansion and can under-

stand some of the criticism concerning the company’s stagnating sales. However, in response to the question of whether an expansion into closely related product groups has been considered, she replies that it is extremely difficult to achieve this while maintaining the high profitability shown by Swedish Match today. She also believes that the shareholders look favorably upon companies with concentrated operations.

“But I’m working for expansion and I believe that the gigantic American market has a lot to offer. We have a 10 percent share of the US market for moist snuff, a share that must absolutely not deteriorate. It’s essential that we have a critical mass above that level in order to be a force to reckon with in the distribution channels. We are working to make additional advances. Moreover, our cigars already occupy excellent positions, and have the potential to become even stronger in the United States and in Europe and Asia.”

What challenges do you think the Board will face in the years immediately ahead?

**Five challenges**

“In brief, I believe we should assign priority to five areas. Firstly, we must uphold the market shares for snus in Sweden and develop them in the neighboring countries. Secondly, we must focus even more intently on expansion in the United States. Thirdly, we must strengthen the grip of cigars in the major markets in Continental Europe. Fourthly, we must intensify our expansion via acquisitions. And fifthly, we must defend our key figures. If we achieve all these aims, Swedish Match will continue to be an attractive investment for our shareholders.”

And, of course, shareholders play a special role in Swedish Match, which has an exceptionally high share of foreign funds. How does Meg Tivéus, who has worked for state-owned, municipal, listed and family-owned companies, view the interaction with this type of shareholder?

*The important factor is that the Board continuously challenges the company’s President, to provide the stimulation to make even further progress and to continuously improve.*

**Getting better all the time**

“Different owners have different requirements, depending on the particular phase of development and market position of the company. Based on my experience, the important factor is that the Board of Directors continuously challenges the company’s president, to provide the stimulation to make even further progress and to continuously improve. Another aim must be to consistently support the major strategic matters while refraining from detailed control. It is also essential for the President to engage in constructive dialog with the Chairman of the Board and to have access to the experience of the individual Board members when required. All of these features work well at Swedish Match. Generally speaking, one could say that the demands of Swedish Match’s owners are clear-cut, as reflected in the operational and financial strategies chosen by the Board.”

Finally, we wonder whether Meg Tivéus would like to say a few words that capture the atmosphere on the Swedish Match Board.

“Tolerant. The discussions we have are constructive and characterized by mutual respect. This results in good decisions.”

STORY: MATS HALLVARSSON

**MEG TIVÉUS**

**BORN:** In Motala, Sweden, in 1943. Fifth in line of a family of five.

**FAMILY:** Lives with Curt Enzell, former Research Manager at Tobaksbolaget and Swedish Match. Two children of her own, three grandchildren and several “bonus” children.

**USE OF TOBACCO PRODUCTS?** No, but Curt uses snus.

**SPARE TIME:** Hiking, skiing (soon the mini-Vasaloppet, cross-country classic race), golf (abominably), fitness classes, opera, theater and family life.

**FAVORITE PLACE:** Gotland in Sweden and the Canary Islands. Has to be islands.

**ADVICE FOR FINDING A BALANCE IN LIFE?** Achieving the right mix of work and leisure. Having a family and friends that you love and love you.

**CHARACTERISTICS THAT YOU APPRECIATE:** Honesty, candor, human kindness and a sense of humor.



PHOTO: PETER KNUTSON



# New proud additions to Partagas family

MORE THAN 300 MILLION premium cigars are imported into the US each year. One of the most popular brands is Partagas. Recently, two new family members were introduced, Partagas Spanish Rosado and Partagas Cifuentes Blend, appreciated cigars that have achieved major successes on the American market.

Partagas is known and appreciated for its strong and rich flavor, without any trace of bitterness or harshness, characteristics also featured in the two newcomers. Partagas Spanish Rosado features a wrapper from the San Augustin Valley in Honduras that provides a spicy taste with a hint of cinnamon.

A Connecticut Broadleaf binder surrounds a blend of Dominican, Honduran and Mexican tobaccos. Partagas Cifuentes Blend features sun-ripened Honduran wrapper leaves with filler and binder from Nicaragua, which gives the cigar a full-bodied and rich flavor.

PARTAGAS ORIGINATED IN CUBA, where Jaime Partagas started production in 1845. However, it was Ramón Cifuentes and his namesake who made the brand the leader among Havanas. Shortly after Fidel Castro overthrew the government, Ramón was forced to flee, never to return. Finally, he restarted production in the

Dominican Republic to carry on the tradition of the full-bodied and flavor-rich cigars.

In addition, the Partagas 160 jubilee cigar was launched in a limited number. It is cigar master Daniel Núñez' tribute to his mentor, Ramón Cifuentes. A vintage, masterful cigar for the most dedicated bon vivant, the Partagas 160 is produced using a unique 30-year-old wrapper from Cameroon. The tobacco, which is renowned for its dark, nearly black color and extraordinary taste character, was selected exclusively for this commemorative cigar.

STORY: BIRGITTA SJÖBERG  
PHOTO: PEPE NILSSON

## ☆☆☆ SWEDISH MATCH

Swedish Match is a global Group of companies with a broad assortment of market-leading brands in snuff/snus, cigars, pipe tobacco and chewing tobacco - tobacco s niche products - as well as matches and lighters. The Group s operations generated sales of 12,911 MSEK in 2006. The average number of employees during 2006 was 12,465. The Swedish Match share is listed on the Stockholm Stock Exchange.

[www.swedishmatch.com](http://www.swedishmatch.com)

snuff/snus

cigars

matches

lighters

pipe tobacco

chewing tobacco

