

# INTERIM REPORT

JANUARY–SEPTEMBER 2010

- Sales for the third quarter were 3,823 MSEK (3,606)
- In local currencies, sales for the third quarter increased by 7 percent, with growth in all product areas except for chewing tobacco
- Operating profit for the third quarter increased to 1,049 MSEK (874). Including depreciation and amortization on assets held for sale, operating profit increased by 16 percent to 1,017 MSEK (874)
- In local currencies, operating profit for the third quarter, including depreciation and amortization on assets held for sale, increased by 17 percent
- EPS (basic) for the third quarter amounted to 3.23 SEK (2.53)
- The transaction with Scandinavian Tobacco Group was completed October 1



Sales for the third quarter of 2010 increased by 6 percent to 3,823 MSEK (3,606) compared to the third quarter of 2009. Currency translation has affected the sales comparison negatively by 39 MSEK. In local currencies, sales increased by 7 percent.

## The third quarter

# SUMMARY

Sales of Scandinavian snus (pasteurized) and US snuff (fermented) in the third quarter increased by 7 percent to 1,174 MSEK (1,093) and operating profit increased by 11 percent to 592 MSEK (534). Scandinavian snus sales were up 9 percent compared to the third quarter of the prior year while volumes measured in number of cans were up by somewhat less than 2 percent.

In the US, sales of snuff in local currency increased by 6 percent, while volumes were up by 5 percent year on year in the third quarter. The operating margin for the snus and snuff product area was 50.4 percent (48.8).

For cigars, sales in the third quarter were 1,137 MSEK (1,065). Operating profit was 284 MSEK (190). Currency translation has affected the sales and operating profit comparison negatively by 34 MSEK and 8 MSEK respectively. Compared to the third quarter of the prior year, sales were higher in local currencies in Europe, and in the US sales grew significantly for the mass market cigar business and were also higher for the premium cigar business. Operating margin for cigars was 24.9 percent (17.9). In the third quarter 2009 a restructuring charge of 45 MSEK was incurred relating to factory reorganization.

Group operating profit for the third quarter increased by 20 percent to 1,049

MSEK (874). Including depreciation and amortization on assets held for sale, third quarter Group operating profit increased by 143 MSEK (16 percent) to 1,017 MSEK, with currency translation affecting the operating profit comparison negatively by 9 MSEK. In local currencies, including depreciation and amortization on assets held for sale, operating profit grew by 17 percent.

Operating margin for the third quarter was 27.4 percent (24.2). Operating margin, including depreciation and amortization on assets held for sale was 26.6 percent.

Basic earnings per share for the third quarter amounted to 3.23 SEK (2.53).

## Sales and results for the first nine months

Sales for the first nine months amounted to 10,806 MSEK (10,659). In local currencies, sales increased by 5 percent. Operating profit increased by 7 percent to 2,749 MSEK (2,568). Currency translation has affected the operating profit comparison negatively by 78 MSEK.

Operating margin for the first nine months was 25.4 percent (24.1). Operating margin, including depreciation and amortization on assets held for sale, was 24.6 percent.

EPS (basic) for the first nine months was 8.28 SEK (7.15), while diluted EPS was 8.26 SEK (7.15).

### SUMMARY OF CONSOLIDATED INCOME STATEMENT

MSEK	July–September		January–September		Full year
	2010	2009	2010	2009	2009
Sales	3,823	3,606	10,806	10,659	14,204
Operating profit	1,049	874	2,749	2,568	3,417
Operating profit including depreciation and amortization on assets held for sale	1,017	874	2,656	2,568	3,417
Profit before income tax	921	757	2,386	2,235	2,974
Profit from continuing operations	729	615	1,885	1,766	2,361
Profit from discontinued operations, net after tax <sup>1)</sup>	–	705	–	785	785
Profit for the period	729	1,319	1,885	2,551	3,146
Earnings per share, basic (SEK)	3.23	2.53	8.28	7.15	9.67
Earnings per share, including discontinued operations, basic (SEK) <sup>1)</sup>	–	5.38	–	10.33	12.88

<sup>1)</sup> South African operations divested in 2009. See Note 3 – Discontinued operations.

### JANUARY–SEPTEMBER

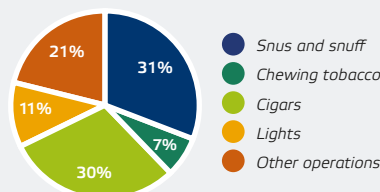
#### SALES

**10,806** MSEK

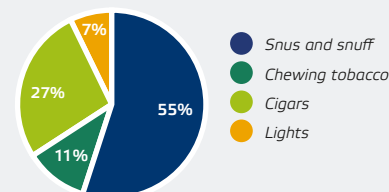
#### OPERATING PROFIT

**2,749** MSEK

#### SALES BY PRODUCT AREA



#### OPERATING PROFIT BY PRODUCT AREA<sup>1)</sup>



<sup>1)</sup> Excluding Other operations and reversal of depreciation and amortization relating to assets held for sale.

## CEO Lars Dahlgren comments:

I am pleased to report that Swedish Match today posted its best ever quarterly underlying operating profit, reaching 1,017 MSEK. In the snus and snuff product area, we achieved solid gains in sales for Scandinavian snus, with volume growth in Sweden, Norway, and Travel Retail. In the US, third quarter moist snuff sales and volumes were higher than last year. Our investments for growth in the smokefree business continue, and we see positive signs from recent new product activity in Scandinavia as well as in the US. In the US, the rollout of *Red Man* moist snuff in an innovative Flavor-Fresh™ packaging provides a clear freshness benefit, and supports the brand's quality positioning. Our US mass market cigar business continues to perform very well, as volumes rose to new record levels.

On October 1, we completed the transaction with the Scandinavian Tobacco Group (STG) to create a new company, with a focus on cigars, combining the cigar and pipe tobacco businesses of Swedish Match (excluding US mass market cigars and our minority stake in Arnold André) with the cigar, pipe tobacco, and fine cut tobacco businesses of STG. With the Swedish Match 49 percent holding in the new STG, and with our joint venture with Philip Morris International for snus outside of Scandinavia and the US, we are very well positioned to capture the global growth opportunities that lie ahead. Our Group strategy is to position Swedish Match as the global smokefree leader, to leverage our strong platforms in Other tobacco products (US mass market cigars and chewing tobacco) to maximize long term profitability, to continue our operational excellence for Lights, and through active ownership, to realize the potential of STG.

### SALES BY PRODUCT AREA

MSEK	July–September			January–September			Full year
	2010	2009	%	2010	2009	%	
Snus and snuff	1,174	1,093	7	3,344	3,149	6	4,250
Chewing tobacco	275	280	-2	814	878	-7	1,112
Cigars	1,137	1,065	7	3,225	3,369	-4	4,426
Lights	391	388	1	1,168	1,152	1	1,574
Other operations	846	781	8	2,254	2,111	7	2,843
<b>Total</b>	<b>3,823</b>	<b>3,606</b>	<b>6</b>	<b>10,806</b>	<b>10,659</b>	<b>1</b>	<b>14,204</b>

### OPERATING PROFIT BY PRODUCT AREA

MSEK	July–September			January–September			Full year
	2010	2009	%	2010	2009	%	
Snus and snuff	592	534	11	1,513	1,394	9	1,916
Chewing tobacco	113	107	5	296	335	-12	411
Cigars	284	190	49	760	757	0	935
Lights	59	62	-4	190	187	2	279
Other operations	-30	-19		-103	-104		-123
<b>Subtotal</b>	<b>1,017</b>	<b>874</b>	<b>16</b>	<b>2,656</b>	<b>2,568</b>	<b>3</b>	<b>3,417</b>
Reversal of depreciation and amortization relating to assets held for sale	32	-		93	-		-
<b>Total</b>	<b>1,049</b>	<b>874</b>	<b>20</b>	<b>2,749</b>	<b>2,568</b>	<b>7</b>	<b>3,417</b>

Operating profit by product area for the third quarter and for the first nine months of 2010 are presented including depreciation and amortization for operations relating to assets held for sale. In order to arrive at the Group's operating profit, depreciation and amortization related to assets held for sale need to be added back to the operating profit of reportable segments with an amount of 32 MSEK for the third quarter and 93 MSEK for the first nine months.

In order to reconcile to the Group's profit before income tax amounting to 921 MSEK (757) for the third quarter and 2,386 MSEK (2,235) for the first nine months, the Group's net finance cost needs to be deducted from operating profit with an amount of 128 MSEK (117) for the third quarter and 363 MSEK (333) for the first nine months.

### OPERATING MARGIN BY PRODUCT AREA

Percent	July–September		January–September		Full year
	2010	2009	2010	2009	
Snus and snuff	50.4	48.8	45.2	44.3	45.1
Chewing tobacco	41.0	38.4	36.4	38.1	36.9
Cigars	24.9	17.9	23.6	22.5	21.1
Lights	15.0	15.9	16.3	16.2	17.7
<b>Group, including depreciation and amortization relating to assets held for sale</b>	<b>26.6</b>	<b>24.2</b>	<b>24.6</b>	<b>24.1</b>	<b>24.1</b>
<b>Group, excluding depreciation and amortization relating to assets held for sale</b>	<b>27.4</b>	<b>-</b>	<b>25.4</b>	<b>-</b>	<b>-</b>

### EBITDA BY PRODUCT AREA

MSEK	July–September			January–September			Full year
	2010	2009	%	2010	2009	%	
Snus and snuff	628	573	10	1,622	1,507	8	2,066
Chewing tobacco	116	113	3	306	352	-13	431
Cigars	334	277	20	910	954	-5	1,176
Lights	70	73	-5	222	220	1	323
Other operations	-29	-16		-99	-95		-113
<b>Total</b>	<b>1,118</b>	<b>1,019</b>	<b>10</b>	<b>2,961</b>	<b>2,938</b>	<b>1</b>	<b>3,885</b>

### EBITDA MARGIN BY PRODUCT AREA

Percent	July–September		January–September		Full year
	2010	2009	2010	2009	
Snus and snuff	53.5	52.4	48.5	47.9	48.6
Chewing tobacco	42.1	40.3	37.6	40.1	38.8
Cigars	29.3	26.0	28.2	28.3	26.6
Lights	17.8	18.8	19.0	19.1	20.5
<b>Group</b>	<b>29.2</b>	<b>28.3</b>	<b>27.4</b>	<b>27.6</b>	<b>27.4</b>

Following the announcement that a letter of intent was signed with STG on January 15, 2010, the cigar and pipe tobacco business (which on October 1, 2010 was transferred to the new STG) has until September 30 been presented as assets and liabilities held for sale on the balance sheet. In accordance with the rules of the International Financial Reporting Standards (IFRS) no depreciation or amortization is charged on non-current assets classified as held for sale. However, to facilitate comparison with prior periods, the product areas in this report are presented including depreciation and amortization of assets classified as being held for sale.

Sweden is the world’s largest snus market measured by per capita consumption. A substantially larger proportion of the male population uses the Swedish type of moist snuff called snus\* compared to cigarettes. The Norwegian market is smaller than the Swedish market but has in recent years experienced strong volume growth. The US is the world’s largest moist snuff market measured in number of cans and is nearly five times larger than the Scandinavian snus market. In Sweden and Norway, Swedish Match has a leading position. In the US, the Group is well positioned as the third largest player. Some of the best known brands include *General*, *Ettan*, *Grovsnus*, *Göteborgs Rapé*, *Catch*, and *Kronan* in Sweden, and *Red Man*, *Timber Wolf* and *Longhorn* in the US.



**Product area**

# SNUS AND SNUFF

During the third quarter, sales increased by 7 percent compared to the same quarter of the previous year, to 1,174 MSEK (1,093), and operating profit increased by 11 percent to 592 MSEK (534). Sales, operating profit and operating margin improved in Scandinavia. In the US, sales improved, while operating profit declined as a result of increased investments behind Swedish snus products and higher production costs. The operating margin for the total product area was 50.4 percent (48.8).

In Scandinavia, sales volumes measured in number of cans, were up by somewhat less than 2 percent during the third quarter compared to the third quarter of the previous year. Sales volumes increased in Sweden, Norway as well as in Travel Retail. Sales

revenues in Scandinavia grew by 9 percent in the third quarter, and the operating margin improved.

For the first nine months sales volumes in Scandinavia increased by somewhat less than 3 percent compared to the same period prior year with volume growth in Sweden, Norway and Travel Retail. Sales revenues grew by 11 percent and operating margin improved.

In the US, sales increased by 6 percent in local currency during the third quarter versus the third quarter of the previous year. US volumes measured in number of cans grew by 5 percent in the third quarter. Marketing spending remained at high levels, tied to brand awareness campaigns for *General* Swedish snus on the US market as well as

promotional activity behind the *Red Man*, *Timber Wolf*, and *Longhorn* brands. Net selling price per can improved compared to the third quarter of prior year, but increased production costs, mainly from raw materials, more than offset this effect, resulting in a slightly reduced gross margin.

For the first nine months Swedish Match shipment volumes in the US declined by 2 percent compared to the same period prior year. Retail sales volumes of Swedish Match brands, as measured by Nielsen, for the year to date period through October 2, increased by 1.5 percent compared to the same period of the previous year. This resulted in a decline in market share as the growth of the total market in the same period was 10.0 percent according to Nielsen. Sales revenues

\* Swedish snus is moist snuff which is produced using a special heat treated process, much like pasteurization, as opposed to other moist snuff products for which a fermentation process is used.

**SNUS AND SNUFF**

SALES

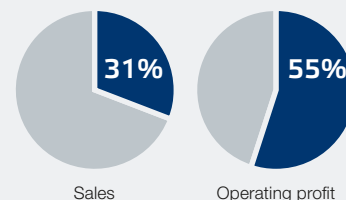
**3,344** MSEK

OPERATING PROFIT

**1,513** MSEK

KEY DATA, MSEK	July-Sep		Jan-Sep		Full year
	2010	2009	2010	2009	2009
Sales	1,174	1,093	3,344	3,149	4,250
Operating profit	592	534	1,513	1,394	1,916
Operating margin, %	50.4	48.8	45.2	44.3	45.1

SHARE OF GROUP TOTAL





## Product area

# CHEWING TOBACCO

Chewing tobacco is sold primarily on the North American market, mainly in the southern US. Swedish Match is the leading producer of chewing tobacco in the US. Well known brands include *Red Man* and *Southern Pride*. The chewing tobacco segment shows a declining trend.

in the US for the first nine months were up 2 percent versus prior year as improved average prices offset the decline in shipment volumes. Operating profit declined primarily as a result of marketing investments and increased production costs.

In late June, an improved *Red Man* moist snuff product was launched in the US, with an innovative new container which will deliver longer lasting product freshness. During the third quarter, this product improvement was supported by consumer marketing.

For the first nine months of the year, sales for the total product group increased to 3,344 MSEK (3,149) and operating profit increased to 1,513 MSEK (1,394). Operating margin was 45.2 percent (44.3).

During the third quarter, sales in the US decreased in local currency by 1 percent, while operating profit increased by 1 percent. Sales in Swedish kronor decreased by 2 percent to 275 MSEK (280), while operating profit improved to 113 MSEK (107).

Sales for the first nine months amounted to 814 MSEK (878) while operating profit amounted to 296 MSEK (335). A restructuring charge of

10 MSEK relating to the closure of the production of the *Piccanell* chewing tobacco brand in Sweden in the second quarter is included in the operating profit. In local currency, sales for the first nine months were down 1 percent, while operating profit declined by 5 percent including the restructuring charge. Operating margin was 36.4 percent (38.1).



### CHEWING TOBACCO

#### SALES

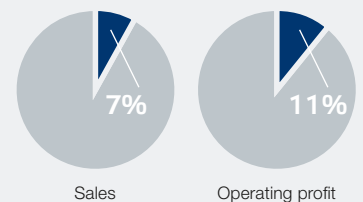
**814** MSEK

#### OPERATING PROFIT

**296** MSEK

KEY DATA, MSEK	July-Sep		Jan-Sep		Full year
	2010	2009	2010	2009	2009
Sales	275	280	814	878	1,112
Operating profit	113	107	296	335	411
Operating margin, %	41.0	38.4	36.4	38.1	36.9

#### SHARE OF GROUP TOTAL





Swedish Match is a major player in the US mass market cigar market, with such well known brands as *White Owl*, *Garcia y Vega*, and *Game by Garcia y Vega*. Swedish Match offers a full range of sizes, styles, and price points for US mass market cigars. Until October 1, 2010, Swedish Match also had the leading share of the US premium cigar market, and a well established position in European cigars. After the close of the period (from October 1), Swedish Match owns 49 percent of Scandinavian Tobacco Group (STG), which includes the former US premium and European cigar businesses of Swedish Match, as well as the former cigar, pipe tobacco, and fine cut tobacco businesses of STG.



## Product area

# CIGARS

During the third quarter, sales increased to 1,137 MSEK (1,065), and operating profit increased to 284 MSEK (190). In local currencies, sales in the third quarter increased by 10 percent compared to the same period of the previous year, and operating profit increased by 53 percent. In the third quarter 2009 a restructuring charge of 45 MSEK was incurred relating to factory reorganization. Excluding this restructuring charge, operating profit increased by 24 percent in local currency. Operating margin was 24.9 percent (17.9).

During the third quarter, US mass market cigar sales increased by 26 percent in local currency compared to the same period in the previous year, and volumes grew by more than 40 percent. The strong growth for US mass market cigars is attributable to the continued success of FoilFresh™ cigars, as well as the successful introduction of a new line of sweet cigars, first introduced towards the end of the second quarter this year.

US premium cigar sales in local currency and volumes improved in the third quarter year on year. Sales grew in the Cigars Inter-

national (mail order and Internet) business, which more than offset modest declines in sales from General Cigar.

In Europe both sales revenue and operating profit improved in the third quarter versus the same period previous year in local currencies as improved pricing and product mix more than compensated for a slight volume decline.

For cigars in total, sales for the first nine months amounted to 3,225 MSEK (3,369), while operating profit was 760 MSEK (757). In local currencies sales increased by 3 per-

### CIGARS

#### SALES

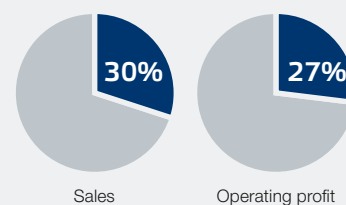
**3,225** MSEK

#### OPERATING PROFIT

**760** MSEK

KEY DATA, MSEK	July-Sep		Jan-Sep		Full year
	2010	2009	2010	2009	2009
Sales	1,137	1,065	3,225	3,369	4,426
Operating profit	284	190	760	757	935
Operating margin, %	24.9	17.9	23.6	22.5	21.1

#### SHARE OF GROUP TOTAL





## Product area

# LIGHTS

Swedish Match is the market leader in a number of markets for matches. The match brands are mostly local, with leading positions in their home countries. Larger brands include *Solstickan*, *Fiat Lux*, *Swan*, *Tres Estrellas*, *Feudor*, and *Redheads*. The Group's main brand for disposable lighters is Cricket. Swedish Match's largest market for lighters is Russia.

During the third quarter sales amounted to 391 MSEK (388). In local currencies, sales increased by 1 percent. Operating profit amounted to 59 MSEK (62). Operating margin was 15.0 percent (15.9).

Sales for the first nine months amounted to 1,168 MSEK (1,152), while operating profit amounted to 190 MSEK (187). Operating margin was 16.3 percent (16.2).



cent versus the previous year, while operating profit increased by 7 percent. In local currencies sales and operating profit improved for European cigars and declined for US premium cigars. US mass market cigars recorded strong growth in sales revenues, volumes and operating profit compared to the first nine months of 2009.

### LIGHTS

#### SALES

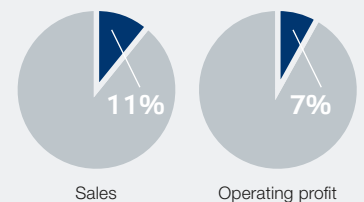
**1,168** MSEK

#### OPERATING PROFIT

**190** MSEK

KEY DATA, MSEK	July-Sep		Jan-Sep		Full year
	2010	2009	2010	2009	2009
Sales	391	388	1,168	1,152	1,574
Operating profit	59	62	190	187	279
Operating margin, %	24.9	17.9	23.6	22.5	21.1

#### SHARE OF GROUP TOTAL



### Other operations

Other operations primarily include the distribution of tobacco products on the Swedish market, some sales of pipe tobacco and accessories, and corporate overhead costs.

Sales in Other operations for the third quarter amounted to 846 MSEK (781). Operating loss for Other operations was 30 MSEK (19). Transaction costs related to the combination of cigar and pipe tobacco activities with Scandinavian Tobacco Group are included in Other operations costs.

Sales for the first nine months amounted to 2,254 MSEK (2,111). Operating loss for the first nine months was 103 MSEK (104).

### Taxes

In the first nine months of the year, the reported tax expense amounted to 501 MSEK (469), corresponding to a tax rate of 21 percent (21). The reported tax rate includes one time items, and excluding those, the underlying tax rate is approximately 22 percent for the first nine months.

### Earnings per share

Basic earnings per share (EPS) for the third quarter amounted to 3.23 SEK (2.53), while diluted EPS was 3.22 SEK (2.52). Including discontinued operations, basic EPS for the third quarter 2009 was 5.38 SEK, while diluted EPS was 5.37 SEK.

EPS (basic) for the first nine months was 8.28 SEK (7.15), while diluted EPS was 8.26 SEK (7.15). Including discontinued operations, basic EPS for the first nine months 2009 was 10.33 SEK, while diluted EPS was 10.32 SEK.

### Depreciation, amortization and write-downs

In the third quarter, total depreciation, amortization and write-downs amounted to 69 MSEK (145), of which depreciation and write-down on property, plant and equipment amounted to 56 MSEK (117) and amortization of intangible assets amounted to 13 MSEK (28). In the third quarter 2009, a write-down of property, plant and equipment of 35 MSEK was recorded related to the partial relocation of production of machine made cigars from the US to the Dominican Republic. Including depreciation and amortization related to assets held for sale, total depreciation, amortization and

write-downs would have amounted to 101 MSEK, of which depreciation and write-down on property, plant and equipment would have amounted to 74 MSEK and amortization of intangible assets would have amounted to 27 MSEK.

In the first nine months, total depreciation, amortization and write-downs amounted to 212 MSEK (371), of which depreciation and write-down on property, plant and equipment amounted to 172 MSEK (281) and amortization of intangible assets amounted to 40 MSEK (90). Including depreciation and amortization related to assets held for sale, total depreciation, amortization and write-downs would have amounted to 305 MSEK, of which depreciation and write-down on property, plant and equipment would have amounted to 224 MSEK and amortization of intangible assets would have amounted to 81 MSEK.

### Financing and cash flow

Cash flow from operating activities for the first nine months amounted to 1,997 MSEK compared with 1,871 MSEK for the same period previous year.

Investments in property, plant and equipment during the first nine months amounted to 248 MSEK (324). In the first quarter, 2010, the Group acquired 20 percent of the shares in Caribbean Cigar Holdings Group, S.A. for 110 MSEK.

Net finance cost for the first nine months increased to 363 MSEK (333). The net finance costs for the second quarter 2010 include bondholder consent fees related to the STG transaction of 21 MSEK.

The net debt as per September 30, 2010 amounted to 8,622 MSEK, including net financial assets reported as assets and liabilities held for sale of 31 MSEK, compared to 7,188 MSEK at December 31, 2009.

In the first nine months of the year, Swedish Match paid dividends totaling 1,089 MSEK and repurchased shares, net, in the amount of 1,825 MSEK. During the first nine months new bond loans of 998 MSEK were issued. Repayment of loans for the same period amounted to 792 MSEK including repurchase of 400 MSEK of bond loans maturing in 2012. As at September 30, 2010 Swedish Match had 8,775 MSEK of interest bearing debt excluding retirement benefit obligations. During the remainder of

2010, 600 MSEK of this debt falls due for repayment. As of September 30, 2010, Swedish Match had 2,463 MSEK in unutilized committed credit lines, including a new bi-lateral back-up facility of 1,000 MSEK.

Cash and cash equivalents amounted to 1,376 MSEK at the end of the period, including cash and cash equivalents reported as assets held for sale of 103 MSEK, compared with 2,530 MSEK as of December 31, 2009.

### Average number of employees

The average number of employees in the Group during the first nine months of 2010 was 10,294 compared with 11,037 for the full year 2009.

### Share structure

Swedish Match's Annual General Meeting decided on April 27, 2010 to authorize the Board of Directors to decide on the acquisition, on one or more occasions prior to the next Annual General Meeting, of a maximum of as many shares as may be acquired without the Company's holding at any time exceeding 10 percent of all shares in the Company. Based on this authorization, Swedish Match has during the third quarter repurchased 7,645,316 shares.

In accordance with the resolution at the Annual General Meeting, 20 million shares held in treasury have been cancelled. The total number of registered shares in the Company after the cancellation of shares is 231.0 million.

During the first nine months of 2010, Swedish Match repurchased 11.2 million shares for 1,878 MSEK at an average price of 168.32 SEK, following authorizations from the Annual General Meetings held in 2009 and 2010. Total shares bought back by Swedish Match since the buyback program started have been repurchased at an average price of 90.42 SEK. As per September 30, 2010 Swedish Match held 10.3 million shares, corresponding to 4.47 percent of the total number of shares. The number of shares outstanding, net as per September 30, 2010, amounted to 220.7 million. In addition, the Company has call options outstanding as of September 30, 2010 corresponding to 4.8 million shares exercisable in gradual stages from 2010–2014.



### Other events

On March 16, 2010 Swedish Match acquired 20 percent of the shares in Caribbean Cigar Holdings Group, S.A. (Caribbean Cigar) for 110 MSEK (15.6 MUSD) in cash from San Cristobal Holdings, S.A. Caribbean Cigar has operations in Nicaragua and Honduras and is engaged in the growing, processing and distribution of leaf tobacco and the manufacturing of premium cigars for distribution in the US market. The investment in Caribbean Cigar will help in securing supplies of high quality cigar leaf. The holding in Caribbean Cigar was contributed to the new Scandinavian Tobacco Group on October 1.

Cubatabaco has been seeking to cancel General Cigar's registration for the Cohiba trademark in the US in a proceeding that started in 1997. A District Court ruled in favor of Cubatabaco in 2004. A US Court of Appeals reversed the District Court's ruling and concluded that General Cigar is the rightful owner of the trademark in the US. The matter was appealed to the Supreme Court which denied review of the case. Despite this, the case was reopened by the District Court in 2008 on the basis that there had been a change in New York State law and the District Court again ruled in favor of Cubatabaco in December 2009. On July 14, 2010, the US Court of Appeals for the Second Circuit ruled that the District Court was wrong in reopening the case and thereby upheld its previous ruling that General Cigar is the rightful owner of the Cohiba trademark in the US.

### Events following the close of the reporting period

On October 4, Swedish Match announced that it had completed its transaction with Scandinavian Tobacco Group (STG) at the close of business on October 1. With this transaction, Swedish Match and STG have formed a new company. Swedish Match contributed all of its cigar business with the exception of US mass market cigars and the minority stake in the German cigar company Arnold André, and also contributed its remaining pipe tobacco and accessories businesses. STG transferred all of its tobacco business (cigars, pipe tobacco and fine cut tobacco) into the new company. The new company, named Scandinavian Tobacco Group, also distributes lighters and matches

supplied by Swedish Match in relevant markets. Swedish Match holds 49 percent of the shares in the new company, with the remaining 51 percent of the shares held by the previous STG shareholders. Swedish Match will be compensated with 30 MEUR to account for the shareholding and the relative differences in enterprise values on a cash and debt free basis. The new Scandinavian Tobacco Group has leading positions for US premium cigars, for European cigars, and strong positions in a number of other markets. For further information regarding this transaction, please refer to the press releases of October 4 and April 26, available on the Swedish Match website, [www.swedishmatch.com](http://www.swedishmatch.com).

As a result of the transaction with STG, the Group's reportable segments are changed as of October 1, 2010. In the new segment reporting, US mass market cigars and chewing tobacco are combined and presented as one reportable segment "Other tobacco products". The four new reportable segments are thereby *Snus and snuff*, *Other tobacco products*, *Lights* and *Other operations*. A presentation of the Group's financials according to the new segment reporting can be found at the end of this report.

In October, and in accordance with the instructions adopted by the Annual General Meeting 2010, a Nominating Committee was appointed. In addition to Conny Karlsson (Chairman of the Board), Andy Brown (Cedar Rock Capital), Mads Eg Gensmann (Parvus Asset Management), William Lock (Morgan Stanley Investment Management), and Anders Oscarsson (AMF & AMF Funds) have been appointed members of the Nominating Committee.

### Outlook

During the remainder of 2010 Swedish Match will take further steps to strengthen its position as a leading smokefree tobacco company while maintaining the commitment to profitability in other product categories. For the remaining months of 2010 we expect both the snus market in Scandinavia and the snuff market in the US to continue to grow versus prior year.

For the remainder of the year, we expect continued solid performance in the Scandinavian snus operations, and in the US moist snuff operations we expect an improvement

in the second half of the year compared to the first. Our US mass market cigar business is expected to deliver sales and earnings well above prior year in the remaining months of 2010.

The tax rate from continuing operations, excluding one time items, is expected to be around 22 percent at year end 2010.

The Company maintains its long term financial strategy and dividend policy, and we remain committed to returning cash not needed in operations to shareholders.

### 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 its brands successfully and anticipate and respond to new consumer trends. Restrictions on advertising and promotion may, however, make it more difficult to counteract loss of consumer loyalty. Competitors may develop and promote new products which could be successful, and could thereby have an adverse effect on Swedish Match results of operations.

Swedish Match has a substantial part of its production and sales in the US as well as in Brazil and EMU member countries. Consequently, changes in exchange rates of euro, 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.

Regulatory and fiscal changes related to tobacco and other taxes, as well as to the marketing, sale and consumption of tobacco products, in the countries where the Group is operating may have an adverse effect on Swedish Match results of operations.

For a further description of risk factors affecting Swedish Match, see the Report of the Board of Directors in the published Swedish Match Annual Report for 2009.

### 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 nine months amounted to 0 MSEK (1). Loss

before income tax amounted to 39 MSEK (profit 3,253) and profit for the first nine months amounted to 175 MSEK (3,514). The main sources of income for the Parent Company are dividends and Group contributions from subsidiaries. During the period the Parent Company received dividends amounting to 3,048 MSEK (4,235) and an impairment loss of 1,856 MSEK (0) was recognized as a result of the dividends paid from subsidiaries.

Part of 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. Some of these loans have variable interest rates and a change of interest rates could impact the result of the Parent Company.

Capital expenditures on tangible fixed assets for the first nine months amounted to 2 MSEK (0). During the period 23 MSEK have also been capitalized as an investment in software development on an ERP system for the Group.

The total cash flow for the first nine months was zero (negative 1,706 MSEK) as the Parent Company no longer holds any cash and bank balances. During the first nine months, new bond loans of 998 MSEK were issued and repayment of loans amounted to 792 MSEK. During the period the Parent Company made share repurchases of 1,878 MSEK (1,368) and for the same period the Parent Company sold 0.5 million (0.6) treasury shares for 53 MSEK (51). Dividends of 1,089 MSEK (1,024) have been paid during the period.

#### Forward-looking information

This report contains forward-looking information based on the current expectation of the Swedish Match Group's management. Although management deems that the expectations presented by such forward-looking information are reasonable, no guarantee can be given that these expectations will prove correct. Accordingly, the actual future outcome could vary consider-

ably compared to what is stated in the forward-looking information, due to such factors as changed market conditions for Swedish Match's products and more general conditions regarding business cycles, market and competition, changes in legal requirements and other political measures, and fluctuation in exchange rates.

#### Additional information

This report has not been reviewed by the Company's auditors. The full year 2010 report will be released on February 23, 2011.

Stockholm, October 27, 2010

Lars Dahlgren  
President and CEO

#### Key data

All key data, with the exception of share data, have been calculated excluding all effects from assets and liabilities reported in 2010 as held for sale.

	January–September		12 months ended	Full year
	2010	2009	Sep 30, 2010	2009
<i>Continuing operations</i>				
Operating margin, % <sup>1)</sup>	24.6	24.1	24.4	24.1
Operating capital, MSEK <sup>2)</sup>	8,029	8,207	8,029	8,494
Return on operating capital, % <sup>1) 2)</sup>			43.2	39.4
EBITDA, MSEK <sup>3)</sup>	2,961	2,938	3,908	3,885
EBITA, MSEK <sup>4) 5)</sup>	2,737	2,657	3,615	3,535
Net debt, MSEK <sup>6)</sup>	8,622	6,494	8,622	7,188
Net debt/EBITA <sup>4) 5) 6)</sup>			2.4	2.0
Investments in property, plant and equipment, MSEK <sup>7)</sup>	248	324	396	471
EBITA interest cover <sup>5)</sup>	8.6	8.5	8.5	8.4
<i>Share data</i>				
Earnings per share, basic, SEK				
From continuing operations	8.28	7.15	10.79	9.67
Including discontinued operations	–	10.33	–	12.88
Earnings per share, diluted, SEK				
From continuing operations	8.26	7.15	10.77	9.66
Including discontinued operations	–	10.32	–	12.87
Number of shares outstanding at end of period	220,672,184	239,345,000	220,672,184	231,300,000
Average number of shares outstanding, basic	227,678,175	246,990,305	229,775,783	244,259,880
Average number of shares outstanding, diluted	228,228,884	247,138,150	230,306,024	244,440,057

<sup>1)</sup> Including depreciation and amortization relating to assets held for sale in 2010 and restructuring charges of 73 MSEK in the second half of 2009, whereof 45 MSEK was charged in Q3 2009.

<sup>2)</sup> Including operating assets and liabilities reported as held for sale.

<sup>3)</sup> Operating profit adjusted for depreciation, amortization and write-downs of tangible and intangible assets.

<sup>4)</sup> Operating profit adjusted for amortization and write-downs of intangible assets.

<sup>5)</sup> Including depreciation relating to assets held for sale.

<sup>6)</sup> Including net financial assets reported as assets and liabilities held for sale of 31 MSEK as of September 30, 2010.

<sup>7)</sup> Including investments in forest plantations of 18 MSEK (17).

### Consolidated income statement in summary

MSEK	Note	July–September		Change %	January–September		Change %	12 months ended Sep 30, 2010	Full year 2009	Change %
		2010	2009		2010	2009				
<i>Continuing operations</i>										
Sales, including tobacco tax		7,044	6,737		19,591	19,073		26,000	25,483	
Less tobacco tax		-3,221	-3,130		-8,785	-8,415		-11,649	-11,279	
<b>Sales</b>		<b>3,823</b>	<b>3,606</b>	<b>6</b>	<b>10,806</b>	<b>10,659</b>	<b>1</b>	<b>14,351</b>	<b>14,204</b>	<b>1</b>
Cost of goods sold		-1,896	-1,843		-5,325	-5,279		-7,160	-7,114	
<b>Gross profit</b>		<b>1,927</b>	<b>1,764</b>	<b>9</b>	<b>5,481</b>	<b>5,379</b>	<b>2</b>	<b>7,191</b>	<b>7,089</b>	<b>1</b>
Selling and administrative expenses		-878	-892		-2,735	-2,821		-3,595	-3,681	
Share of profit in associated companies and joint ventures		1	3		3	9		3	10	
<b>Operating profit</b>		<b>1,049</b>	<b>874</b>	<b>20</b>	<b>2,749</b>	<b>2,568</b>	<b>7</b>	<b>3,598</b>	<b>3,417</b>	<b>5</b>
Finance income		6	35		19	76		30	86	
Finance costs		-134	-152		-383	-408		-504	-529	
Net finance cost		-128	-117		-363	-333		-474	-443	
<b>Profit before income tax</b>		<b>921</b>	<b>757</b>	<b>22</b>	<b>2,386</b>	<b>2,235</b>	<b>7</b>	<b>3,124</b>	<b>2,974</b>	<b>5</b>
Income tax expense		-192	-142		-501	-469		-644	-613	
<b>Profit for the period from continuing operations</b>		<b>729</b>	<b>615</b>	<b>19</b>	<b>1,885</b>	<b>1,766</b>	<b>7</b>	<b>2,480</b>	<b>2,361</b>	<b>5</b>
<i>Discontinued operations</i>										
Profit from discontinued operations, net after tax	3	-	705		-	785		-	785	
<b>Profit for the period</b>		<b>729</b>	<b>1,319</b>	<b>-45</b>	<b>1,885</b>	<b>2,551</b>	<b>-26</b>	<b>2,480</b>	<b>3,146</b>	<b>-21</b>
<i>Attributable to:</i>										
Equity holders of the Parent		729	1,319		1,884	2,550		2,479	3,146	
Non-controlling interests		0	0		1	1		1	1	
<b>Profit for the period</b>		<b>729</b>	<b>1,319</b>	<b>-45</b>	<b>1,885</b>	<b>2,551</b>	<b>-26</b>	<b>2,480</b>	<b>3,146</b>	<b>-21</b>
<i>Earnings per share, basic, SEK</i>										
From continuing operations		3.23	2.53		8.28	7.15		10.79	9.67	
Including discontinued operations		-	5.38		-	10.33		-	12.88	
<i>Earnings per share, diluted, SEK</i>										
From continuing operations		3.22	2.52		8.26	7.15		10.77	9.66	
Including discontinued operations		-	5.37		-	10.32		-	12.87	

### Consolidated statement of comprehensive income

MSEK	July–September		January–September		12 months ended Sep 30, 2010	Full year 2009
	2010	2009	2010	2009		
<b>Profit recognized in the income statement</b>	<b>729</b>	<b>1,319</b>	<b>1,885</b>	<b>2,551</b>	<b>2,480</b>	<b>3,146</b>
<i>Other comprehensive income</i>						
Translation differences related to foreign operations	-640	-542	-455	-387	-290	-222
Translation differences included in profit and loss	-	160	-7	160	-4	163
Effective portion of changes in fair value of cash flow hedges	7	-	38	65	14	41
Reclassification adjustments for gains/losses on cash flow hedges included in profit and loss	-	25	-	25	-	25
Actuarial gains and losses attributable to pensions, including payroll tax	-138	-182	-225	-67	-273	-115
Other comprehensive income from associated companies and joint ventures	-	-	-6	-	-6	-
Income tax relating to components of other comprehensive income	48	73	77	26	90	38
<b>Total other comprehensive income, net of tax</b>	<b>-721</b>	<b>-466</b>	<b>-577</b>	<b>-178</b>	<b>-470</b>	<b>-70</b>
<b>Total comprehensive income</b>	<b>8</b>	<b>853</b>	<b>1,308</b>	<b>2,373</b>	<b>2,010</b>	<b>3,076</b>
<i>Attributable to:</i>						
Equity holders of the Parent	8	853	1,307	2,373	2,010	3,075
Non-controlling interests	0	0	1	1	1	1
<b>Total comprehensive income</b>	<b>8</b>	<b>853</b>	<b>1,308</b>	<b>2,373</b>	<b>2,010</b>	<b>3,076</b>

## Consolidated balance sheet in summary

MSEK	Note	September 30, 2010	December 31, 2009
Intangible assets		1,115	3,792
Property, plant and equipment		2,090	2,525
Other non-current financial receivables <sup>1)</sup>		1,586	2,193
Current operating assets		2,427	5,296
Other current investments		1	1
Cash and cash equivalents		1,273	2,530
Assets held for sale <sup>2)</sup>	2	5,501	–
<b>Total assets</b>		<b>13,994</b>	<b>16,337</b>
Equity attributable to equity holders of the Parent		–709	899
Non-controlling interests		4	4
<b>Total equity</b>		<b>–705</b>	<b>903</b>
Non-current provisions		996	1,301
Non-current loans		7,684	8,252
Other non-current financial liabilities <sup>3)</sup>		1,457	1,440
Current provisions		95	125
Current loans		1,142	1,002
Other current liabilities		2,552	3,313
Liabilities attributable to assets held for sale <sup>2)</sup>	2	773	–
<b>Total equity and liabilities</b>		<b>13,994</b>	<b>16,337</b>

<sup>1)</sup> Includes pension assets of 142 MSEK (150) and derivative financial instruments of 110 MSEK (679) used to hedge the Parent Company's bond loans denominated in euro.

<sup>2)</sup> A net inter-company liability of 3,211 MSEK has been eliminated from assets and liabilities held for sale in the consolidated balance sheet. The net assets held for sale, including inter-company balances amount to 1,517 MSEK.

<sup>3)</sup> Includes pension liabilities of 1,295 MSEK (1,291) and derivative financial instruments of 71 MSEK (3) used to hedge the Parent Company's bond loans denominated in euro.

## Consolidated cash flow statement in summary

MSEK	January–September	
	2010	2009
<i>Operating activities</i>		
<b>Profit before income taxes</b>	<b>2,386</b>	<b>2,235</b>
Adjustments for non-cash items and other	120	190
Income tax paid	–520	–436
<b>Cash flow from operating activities before changes in working capital</b>	<b>1,986</b>	<b>1,990</b>
Cash flow from changes in working capital	12	–119
<b>Net cash from operating activities</b>	<b>1,997</b>	<b>1,871</b>
<i>Investing activities</i>		
Purchase of property, plant and equipment	–248	–324
Proceeds from sale of property, plant and equipment	5	4
Purchase of intangible assets	–31	–1
Acquisition of subsidiaries, net of cash acquired <sup>1)</sup>	–	–39
Investments in associated companies and joint ventures <sup>2)</sup>	–123	–8
Proceeds from sale of subsidiaries, net of cash disposed of <sup>3)</sup>	–	1,574
Changes in financial receivables etc.	0	0
<b>Net cash used in investing activities</b>	<b>–396</b>	<b>1,205</b>
<i>Financing activities</i>		
Changes in loans	207	–527
Dividends paid to equity holders of the Parent	–1,089	–1,024
Repurchase of own shares	–1,878	–1,368
Stock options exercised	53	51
Other	63	76
<b>Net cash used in financing activities</b>	<b>–2,644</b>	<b>–2,793</b>
<b>Net decrease/increase in cash and cash equivalents</b>	<b>–1,043</b>	<b>284</b>
<i>Cash flow from discontinued operations</i>		
Net cash from operating activities	–	233
Net cash used in investing activities	–	–6
Net cash used in financing activities	–	–51
<b>Net increase in cash and cash equivalents</b>	<b>–</b>	<b>176</b>
<b>Total net decrease/increase in cash and cash equivalents</b>	<b>–1,043</b>	<b>459</b>
Cash and cash equivalents at the beginning of the period	2,530	3,178
Effect of exchange rate fluctuations on cash and cash equivalents	–111	–38
Less cash and cash equivalents reclassified as assets held for sale	–103	–
<b>Cash and cash equivalents at the end of the period</b>	<b>1,273</b>	<b>3,600</b>

<sup>1)</sup> Acquisition in 2009 pertains to Rocker Production AB acquired from Philip Morris International of 31 MSEK and final payment for the acquisition of Havana Honeys' assets of 8 MSEK.

<sup>2)</sup> Investments in 2010 pertain to acquisition of 20 percent of the shares in Caribbean Cigar Holdings Group, S.A. in an amount of 110 MSEK and investment of 12 MSEK in Swedish Match and Philip Morris International's joint venture company, SMPM International. Investments in 2009 pertain to investment of 8 MSEK in SMPM International.

<sup>3)</sup> The cash flows from sale of subsidiaries during 2009 pertain to the disposal of Swedish Match's South African operations of 1,568 MSEK and additional payment received of 8 MSEK relating to the disposal of Swedish Match UK Ltd. For further information see Note 3 – Discontinued operations in this report and Note 5 – Discontinued operations in the annual report 2009.

## Change in shareholders' equity

MSEK	Equity attributable to holders of the Parent	Non-controlling interests	Total equity
<b>Equity at January 1, 2009</b>	<b>1,377</b>	<b>4</b>	<b>1,381</b>
Total comprehensive income	2,373	1	2,373
Dividends	-1,024	-	-1,024
Repurchase of own shares	-1,368	-	-1,368
Stock options exercised	51	-	51
Cancellation of shares	-6	-	-6
Bonus issue	6	-	6
Share-based payments, IFRS 2	19	-	19
<b>Equity at September 30, 2009</b>	<b>1,426</b>	<b>4</b>	<b>1,431</b>
<b>Equity at January 1, 2010</b>	<b>899</b>	<b>4</b>	<b>903</b>
Total comprehensive income	1,307	1	1,308
Dividends	-1,089	0	-1,089
Repurchase of own shares	-1,878	-	-1,878
Stock options exercised	53	-	53
Cancellation of shares	-31	-	-31
Bonus issue	31	-	31
<b>Equity at September 30, 2010</b>	<b>-709</b>	<b>4</b>	<b>-705</b>

## Parent Company income statement in summary

MSEK	January–September	
	2010	2009
Sales	-	1
<b>Gross profit</b>	<b>-</b>	<b>1</b>
Selling and administrative expenses	-185	-214
<b>Operating loss</b>	<b>-185</b>	<b>-213</b>
Result from participation in Group companies	1,192	4,235
Result from participation in joint venture	-12	-5
Net finance cost	-1,035	-764
<b>Profit/Loss before income tax</b>	<b>-39</b>	<b>3,253</b>
Income tax	214	261
<b>Profit for the period</b>	<b>175</b>	<b>3,514</b>

## Parent Company statement of comprehensive income

MSEK	January–September	
	2010	2009
<b>Profit for the period</b>	<b>175</b>	<b>3,514</b>
<i>Other comprehensive income</i>		
Effective portion of changes in fair value of cash flow hedges	38	65
Reclassification adjustment for gains/losses on cash flow hedges in profit and loss	-	25
Income tax relating to changes in fair value of cash flow hedges	-10	-24
<b>Other comprehensive income</b>	<b>28</b>	<b>66</b>
<b>Total comprehensive income</b>	<b>203</b>	<b>3,580</b>

## Parent Company balance sheet in summary

MSEK	September 30, 2010	September 30, 2009	December 31, 2009
Intangible and tangible fixed assets	25	2	2
Non-current financial assets	49,359	51,179	51,190
Current assets	7,858	7,725	6,462
<b>Total assets</b>	<b>57,243</b>	<b>58,906</b>	<b>57,654</b>
<b>Equity</b>	<b>20,532</b>	<b>23,413</b>	<b>23,229</b>
<b>Untaxed reserves</b>	<b>0</b>	<b>2</b>	<b>0</b>
Provisions	57	23	25
Non-current liabilities	25,932	27,033	26,462
Current liabilities	10,723	8,435	7,937
<b>Total liabilities</b>	<b>36,712</b>	<b>35,491</b>	<b>34,424</b>
<b>Total equity and liabilities</b>	<b>57,243</b>	<b>58,906</b>	<b>57,654</b>



### Note 1 – Accounting principles

This report for the Group is prepared in accordance with the Accounting Standard IAS 34 Interim Financial Reporting and applicable rules in the Annual Accounts Act. The interim report for the Parent Company is prepared in accordance with section 9 in the Annual Accounts Act.

New accounting standards, changes of standards and interpretations applicable from January 1, 2010 as detailed below have been applied in this report:

The revised IFRS 3 Business Combinations entail changes to the reporting of acquisitions regarding, for example, accounting for transaction costs, any contingent consideration and step acquisitions. The Group recognizes transaction costs relating to business combinations as an expense when incurred.

Amendments to IAS 27 Consolidated and Separate Financial Statements bring about changes regarding, for example, how to report changes in ownership in cases where the Parent Company retains or loses control of the owned entity. As a consequence of implementing the amendments to IAS 27 the term “minority interest” has changed and is now called “non-controlling interests” in the presentation of the Group’s consolidated financial statements.

The following amendments and interpretations, applicable as of January 1, 2010 have not had a significant impact on the financial result or position of the Group: amendments to IAS 39 Financial Instruments concerning Recognition and Measurement of Eligible Hedged Items, IFRIC 12 Service Concession Arrangements, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 16 Hedges of Net Investments in a Foreign Operation, IFRIC 17 Distribution of Non-cash Assets to Owners, and IFRIC 18 Transfers of Assets from Customers.

In all other respects the accounting principles and basis of calculations are the same as in the 2009 Annual Report.

### Note 2 – Assets held for sale

In this report assets and liabilities, which after the close of the reporting period have been transferred to the new company that has been formed with Scandinavian Tobacco Group, are classified as held for sale as of the date of announcement of the intent to form a new company.

At September 30, 2010, assets held for sale comprised the following balances:

Assets held for sale	
MSEK	Sep 30, 2010
Non-current financial assets	9
Other non-current assets	3,047
Current operating assets	2,343
Cash and cash equivalents	103
<b>Total assets held for sale in consolidated balance sheet</b>	<b>5,501</b>
Inter-company financial receivables	591
Other inter-company receivables	22
<b>Total assets held for sale<sup>1)</sup></b>	<b>6,114</b>
Non-current liabilities	369
Current liabilities	404
<b>Total liabilities attributable to assets held for sale in consolidated balance sheet</b>	<b>773</b>
Inter-company financial liabilities	2,381
Other inter-company liabilities	1,442
<b>Total liabilities attributable to assets held for sale<sup>1)</sup></b>	<b>4,597</b>
<b>Total net assets held for sale<sup>1)</sup></b>	<b>1,517</b>

<sup>1)</sup> Inter-company receivables and liabilities included in the disposal group classified as assets held for sale are eliminated at Group level and are therefore not included in assets held for sale and liabilities attributable to assets held for sale in the Group’s consolidated balance sheet.

### Note 3 – Discontinued operations

In the third quarter of 2009, Swedish Match divested the Swedish Match South African operations. The South African operations primarily manufactured and sold pipe tobacco and nasal snuff and accounted for approximately 70 percent of the sales of the former pipe tobacco and accessories product area. As a consequence of this divestiture, the South African operations were restated as discontinued operations in the Group’s accounts. Income and expenses of the discontinued operations for the first nine months of 2009 are specified below.

#### Analysis of the result from discontinued operations

January–September

MSEK	2009
Sales	489
Expenses	–319
Income taxes	–13
Capital gain from sale of discontinued operations	628
<b>Profit from discontinued operations, net after tax</b>	<b>785</b>

## Quarterly data

MSEK	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08
<i>Continuing operations</i>									
Sales, including tobacco tax	7,044	6,676	5,870	6,409	6,737	6,648	5,690	6,141	6,033
Less tobacco tax	-3,221	-2,976	-2,588	-2,864	-3,130	-2,982	-2,303	-2,661	-2,759
<b>Sales</b>	<b>3,823</b>	<b>3,701</b>	<b>3,282</b>	<b>3,545</b>	<b>3,606</b>	<b>3,666</b>	<b>3,387</b>	<b>3,480</b>	<b>3,274</b>
Cost of goods sold	-1,896	-1,805	-1,624	-1,835	-1,843	-1,812	-1,624	-1,747	-1,663
<b>Gross profit</b>	<b>1,927</b>	<b>1,896</b>	<b>1,658</b>	<b>1,710</b>	<b>1,764</b>	<b>1,854</b>	<b>1,762</b>	<b>1,733</b>	<b>1,611</b>
Selling and administrative expenses	-878	-955	-902	-860	-892	-958	-970	-930	-808
Share of profit in associated companies and joint ventures	1	4	-2	0	3	4	2	4	5
	<b>1,049</b>	<b>945</b>	<b>755</b>	<b>850</b>	<b>874</b>	<b>899</b>	<b>794</b>	<b>807</b>	<b>808</b>
<i>Larger one time items</i>									
Gain on sale of subsidiary and related assets	-	-	-	-	-	-	-	73	-
<b>Operating profit</b>	<b>1,049</b>	<b>945</b>	<b>755</b>	<b>850</b>	<b>874</b>	<b>899</b>	<b>794</b>	<b>880</b>	<b>808</b>
Finance income	6	5	8	10	35	14	27	41	39
Finance costs	-134	-134	-115	-121	-152	-122	-135	-137	-154
Net finance cost	-128	-129	-106	-111	-117	-108	-108	-97	-115
<b>Profit before income tax</b>	<b>921</b>	<b>816</b>	<b>649</b>	<b>739</b>	<b>757</b>	<b>791</b>	<b>686</b>	<b>784</b>	<b>693</b>
Income tax expense	-192	-180	-130	-143	-142	-168	-159	-97	-72
<b>Profit for the period from continuing operations</b>	<b>729</b>	<b>637</b>	<b>519</b>	<b>595</b>	<b>615</b>	<b>624</b>	<b>527</b>	<b>687</b>	<b>621</b>
<i>Discontinued operations</i>									
Profit from discontinued operations, net after tax	-	-	-	-	705	41	40	41	50
<b>Profit for the period</b>	<b>729</b>	<b>637</b>	<b>519</b>	<b>595</b>	<b>1,319</b>	<b>664</b>	<b>567</b>	<b>728</b>	<b>671</b>
<i>Attributable to:</i>									
Equity holders of the Parent	729	636	519	595	1,319	664	567	728	671
Non-controlling interests	0	0	0	0	0	0	0	0	0
<b>Profit for the period</b>	<b>729</b>	<b>637</b>	<b>519</b>	<b>595</b>	<b>1,319</b>	<b>664</b>	<b>567</b>	<b>728</b>	<b>671</b>

## Sales by product area

MSEK	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08
Snus and snuff	1,174	1,116	1,054	1,101	1,093	1,087	969	1,035	964
Chewing tobacco	275	278	261	233	280	314	284	260	237
Cigars	1,137	1,151	937	1,056	1,065	1,129	1,175	1,052	933
Lights	391	395	382	422	388	387	377	407	401
Other operations	846	760	648	732	781	749	581	726	740
<b>Total</b>	<b>3,823</b>	<b>3,701</b>	<b>3,282</b>	<b>3,545</b>	<b>3,606</b>	<b>3,666</b>	<b>3,387</b>	<b>3,480</b>	<b>3,274</b>

## Operating profit by product area

MSEK	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08
Snus and snuff	592	487	434	523	534	463	397	463	479
Chewing tobacco	113	94	89	76	107	129	98	96	87
Cigars	284	286	190	179	190	281	286	205	187
Lights	59	69	62	92	62	62	63	71	85
Other operations	-30	-26	-47	-19	-19	-36	-50	-27	-30
<b>Subtotal</b>	<b>1,017</b>	<b>911</b>	<b>728</b>	<b>850</b>	<b>874</b>	<b>899</b>	<b>794</b>	<b>807</b>	<b>808</b>
Reversal of depreciation and amortization relating to assets held for sale	32	34	27	-	-	-	-	-	-
<b>Subtotal</b>	<b>1,049</b>	<b>945</b>	<b>755</b>	<b>850</b>	<b>874</b>	<b>899</b>	<b>794</b>	<b>807</b>	<b>808</b>
<i>Larger one time items</i>									
Gain on sale of subsidiary and related assets	-	-	-	-	-	-	-	73	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73</b>	<b>-</b>
<b>Total</b>	<b>1,049</b>	<b>945</b>	<b>755</b>	<b>850</b>	<b>874</b>	<b>899</b>	<b>794</b>	<b>880</b>	<b>808</b>

## Operating margin by product area<sup>1)</sup>

Percent	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08
Snus and snuff	50.4	43.6	41.2	47.5	48.8	42.6	40.9	44.7	49.7
Chewing tobacco	41.0	33.9	34.1	32.5	38.4	41.0	34.6	36.8	36.9
Cigars	24.9	24.9	20.3	16.9	17.9	24.9	24.3	19.5	20.0
Lights	15.0	17.5	16.3	21.8	15.9	16.1	16.7	17.5	21.2
<b>Group, including depreciation and amortization relating to assets held for sale</b>	<b>26.6</b>	<b>24.6</b>	<b>22.2</b>	<b>24.0</b>	<b>24.2</b>	<b>24.5</b>	<b>23.4</b>	<b>23.2</b>	<b>24.7</b>
<b>Group, excluding depreciation and amortization relating to assets held for sale</b>	<b>27.4</b>	<b>25.5</b>	<b>23.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1)</sup> Excluding larger one time items, but including restructuring charges for cigars of 45 MSEK in Q3 2009 and 29 MSEK in Q4 2009.

### New segment reporting following the transaction with STG

As a result of the transaction with STG, the reportable segments of the Group are changed as of October 1, 2010. In the new segment reporting, US mass market cigars and chewing tobacco are combined and presented as one reportable segment “Other tobacco products”. The new reportable segments are thereby *Snus and snuff*, *Other tobacco products*, *Lights* and *Other operations*. For comparison reason the financials of prior periods have been restated to separate the operations transferred to STG. The tables below present the Group’s financials according to the new segments.

### Sales by product area

*New segment reporting – pro forma*

MSEK	July–September			January–September			Full year 2009
	2010	2009	Change %	2010	2009	Change %	
Snus and snuff	1,174	1,093	7	3,344	3,149	6	4,250
Other tobacco products	631	571	11	1,883	1,881	0	2,337
Lights	352	341	3	1,050	1,030	2	1,403
Other operations	806	742	9	2,143	1,999	7	2,689
<b>Subtotal</b>	<b>2,964</b>	<b>2,747</b>	<b>8</b>	<b>8,421</b>	<b>8,058</b>	<b>4</b>	<b>10,678</b>
Business transferred to STG <sup>1)</sup>	859	859	0	2,385	2,601	–8	3,526
<b>Total</b>	<b>3,823</b>	<b>3,606</b>	<b>6</b>	<b>10,806</b>	<b>10,659</b>	<b>1</b>	<b>14,204</b>

<sup>1)</sup> Net of inter-company sales eliminations.

### Operating profit by product area

*New segment reporting – pro forma*

MSEK	July–September			January–September			Full year 2009
	2010	2009	Change %	2010	2009	Change %	
Snus and snuff	592	534	11	1,513	1,394	9	1,916
Other tobacco products	259	169	53	733	667	10	804
Lights	58	72	–21	191	212	–10	312
Other operations	–35	–25		–116	–114		–132
<b>Subtotal</b>	<b>874</b>	<b>750</b>	<b>16</b>	<b>2,322</b>	<b>2,160</b>	<b>8</b>	<b>2,900</b>
Business transferred to STG	143	124	15	334	408	–18	518
<b>Subtotal</b>	<b>1,017</b>	<b>874</b>	<b>16</b>	<b>2,656</b>	<b>2,568</b>	<b>3</b>	<b>3,417</b>
Reversal of depreciation and amortization relating to assets held for sale	32	–		93	–		–
<b>Total</b>	<b>1,049</b>	<b>874</b>	<b>20</b>	<b>2,749</b>	<b>2,568</b>	<b>7</b>	<b>3,417</b>

### Operating margin by product area<sup>1)</sup>

*New segment reporting – pro forma*

Percent	July–September		January–September		Full year 2009
	2010	2009	2010	2009	
Snus and snuff	50.4	48.8	45.2	44.3	45.1
Other tobacco products <sup>2)</sup>	41.0	29.6	38.9	35.5	34.4
Lights	16.3	21.3	18.2	20.6	22.2
<b>Group, excluding business transferred to STG</b>	<b>29.5</b>	<b>27.3</b>	<b>27.6</b>	<b>26.8</b>	<b>27.2</b>
<b>Group, including business transferred to STG<sup>3)</sup></b>	<b>26.6</b>	<b>24.2</b>	<b>24.6</b>	<b>24.1</b>	<b>24.1</b>

<sup>1)</sup> Excluding larger one-time items.

<sup>2)</sup> Including a restructuring charge of 45 MSEK for US mass market cigars in Q3 2009.

<sup>3)</sup> Including depreciation and amortization relating to assets held for sale as from January 15, 2010 and including a restructuring charge of 29 MSEK in Q4 2009.

**EBITDA by product area***New segment reporting – pro forma*

	July–September			January–September			Full year
	2010	2009	Change %	2010	2009	Change %	
<b>MSEK</b>							
Snus and snuff	628	573	10	1,622	1,507	8	2,066
Other tobacco products	281	229	23	798	781	2	933
Lights	68	83	-18	222	243	-9	352
Other operations	-34	-24		-113	-109		-126
<b>Subtotal</b>	<b>942</b>	<b>861</b>	<b>9</b>	<b>2,529</b>	<b>2,421</b>	<b>4</b>	<b>3,226</b>
Business transferred to STG	175	158	11	432	517	-16	659
<b>Total</b>	<b>1,118</b>	<b>1,019</b>	<b>10</b>	<b>2,961</b>	<b>2,938</b>	<b>1</b>	<b>3,885</b>

**EBITDA margin by product area***New segment reporting – pro forma*

Percent	July–September		January–September		Full year
	2010	2009	2010	2009	
Snus and snuff	53.5	52.4	48.5	47.9	48.6
Other tobacco products	44.5	40.1	42.4	41.5	39.9
Lights	19.3	24.3	21.1	23.6	25.1
<b>Group, excluding business transferred to STG</b>	<b>31.8</b>	<b>31.3</b>	<b>30.0</b>	<b>30.0</b>	<b>30.2</b>
<b>Group, including business transferred to STG</b>	<b>29.2</b>	<b>28.3</b>	<b>27.4</b>	<b>27.6</b>	<b>27.4</b>

**Other tobacco products<sup>1)</sup>***New segment reporting – pro forma*

MUSD	July–September			January–September			Full year
	2010	2009	Change %	2010	2009	Change %	
Sales	87	79	10	256	239	7	306
Operating profit	36	24	49	100	85	18	105
EBITDA	39	32	22	109	99	9	122

<sup>1)</sup> Excluding larger one-time items, but including a restructuring charge of 6 MUSD for US mass market cigars in Q3 2009.

## Sales by product area

New segment reporting – pro forma

MSEK	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08
Snus and snuff	1,174	1,116	1,054	1,101	1,093	1,087	969	1,031	960
Other tobacco products	631	664	588	456	571	617	694	500	463
Lights	352	347	351	373	341	337	352	370	350
Other operations	806	722	615	690	742	711	546	696	712
<b>Subtotal</b>	<b>2,964</b>	<b>2,849</b>	<b>2,608</b>	<b>2,620</b>	<b>2,747</b>	<b>2,752</b>	<b>2,560</b>	<b>2,597</b>	<b>2,484</b>
Business transferred to STG <sup>1)</sup>	859	852	674	925	859	914	827	883	790
<b>Total</b>	<b>3,823</b>	<b>3,701</b>	<b>3,282</b>	<b>3,545</b>	<b>3,606</b>	<b>3,666</b>	<b>3,387</b>	<b>3,480</b>	<b>3,274</b>

<sup>1)</sup> Net of inter-company sales eliminations.

## Operating profit by product area

New segment reporting – pro forma

MSEK	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08
Snus and snuff	592	487	434	523	534	463	397	465	481
Other tobacco products	259	270	204	136	169	252	246	151	175
Lights	58	68	66	100	72	69	71	77	92
Other operations	-35	-32	-48	-18	-25	-39	-49	-38	-26
<b>Subtotal</b>	<b>874</b>	<b>793</b>	<b>655</b>	<b>740</b>	<b>750</b>	<b>745</b>	<b>665</b>	<b>654</b>	<b>722</b>
Business transferred to STG	143	118	73	109	124	155	130	153	86
<b>Subtotal</b>	<b>1,017</b>	<b>911</b>	<b>728</b>	<b>850</b>	<b>874</b>	<b>899</b>	<b>794</b>	<b>807</b>	<b>808</b>
Reversal of depreciation and amortizations relating to assets held for sale	32	34	27	-	-	-	-	-	-
Gain on sale of subsidiary and related assets	-	-	-	-	-	-	-	73	-
<b>Subtotal</b>	<b>32</b>	<b>34</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73</b>	<b>-</b>
<b>Total</b>	<b>1,049</b>	<b>945</b>	<b>755</b>	<b>850</b>	<b>874</b>	<b>899</b>	<b>794</b>	<b>880</b>	<b>808</b>

Operating margin by product area<sup>1)</sup>

New segment reporting – pro forma

Percent	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08
Snus and snuff	50.4	43.6	41.2	47.5	48.8	42.6	40.9	45.1	50.2
Other tobacco products <sup>2)</sup>	41.0	40.7	34.7	29.9	29.6	40.9	35.5	30.2	37.8
Lights	16.3	19.6	18.7	26.6	21.3	20.4	20.2	20.7	26.1
<b>Group, excluding business transferred to STG</b>	<b>29.5</b>	<b>27.8</b>	<b>25.1</b>	<b>28.3</b>	<b>27.3</b>	<b>27.1</b>	<b>26.0</b>	<b>25.2</b>	<b>29.1</b>
<b>Group, including business transferred to STG<sup>3)</sup></b>	<b>26.6</b>	<b>24.6</b>	<b>22.2</b>	<b>24.0</b>	<b>24.2</b>	<b>24.5</b>	<b>23.4</b>	<b>23.2</b>	<b>24.7</b>

<sup>1)</sup> Excluding larger one-time items.

<sup>2)</sup> Including a restructuring charge of 45 MSEK for US mass market cigars in Q3 2009.

<sup>3)</sup> Including depreciation and amortization relating to assets held for sale as from January 15, 2010 and including a restructuring charge of 29 MSEK in Q4 2009.

Other tobacco products<sup>1)</sup>

New segment reporting – pro forma

MUSD	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08
Sales	87	88	82	66	79	78	83	64	73
Operating profit	36	36	28	20	24	32	29	19	28

<sup>1)</sup> Excluding larger one-time items, but including a restructuring charge of 6 MUSD for US mass market cigars in Q3 2009.



*Red Man moist snuff*

# Now with new FlavorFresh™ Lid

*Red Man* moist snuff, sold in the US, introduces revolutionary new FlavorFresh™ Lid that's guaranteed to lock in freshness.

Consumer research has shown that freshness is an important factor for US moist snuff users when making their purchase decision.

*Red Man's* new FlavorFresh™ Lid with innovative gasket technology seals tight, improving moisture retention and locking

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*Red Man* moist snuff is made from a blend of high quality tobacco and is available in long cut wintergreen, fine cut natural and long cut straight. ■

**About *Red Man* moist snuff:** For more than 100 years, *Red Man* has been one of the most well known and well respected brand names in the smokeless tobacco category on the US market. *Red Man* moist snuff is the latest addition to this renowned brand family. Quality, heritage and tradition – that's what *Red Man* premium moist snuff is all about.



Swedish Match develops, manufactures and sells market-leading brands in product areas Snus and snuff, Other tobacco products (US mass market cigars and chewing tobacco) and Lights. The Group sells products across the globe, with production units in seven countries. Swedish Match also has an independent distribution company in Sweden. The world market for snus and snuff has grown significantly in value terms over the past several years, led by volume growth in the US. Markets for other product categories have been stable or declining. Swedish Match generates close to a third of its sales and more than half of its operating profit from snus and snuff. The Swedish Match share is listed on the NASDAQ OMX Stockholm.



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**SWEDISH MATCH**

**Swedish Match AB (publ)**

Box 7179

SE-103 88 Stockholm, Sweden

Visiting address: Västra Trädgårdsgatan 15

Telephone: +46 8-658 02 00

Corporate Identity Number: 556015-0756

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



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