

Interim Report January – September 2011

- **Comparable sales¹⁾ for the third quarter increased by 2 percent to 3,011 MSEK (2,964) and by 6 percent in local currencies. Sales for the third quarter of 2010 including businesses transferred to STG amounted to 3,823 MSEK**
- **Comparable operating profit²⁾ for the third quarter increased by 4 percent to 909 MSEK (874) and by 9 percent in local currencies**
- **The share of net profit from Scandinavian Tobacco Group in the third quarter amounted to 74 MSEK, including restructuring charges of 61 MSEK before tax**
- **Operating profit including businesses transferred to STG last year, share of net profit from STG and larger one time items³⁾ for the third quarter amounted to 983 MSEK (1,049)**
- **EPS (basic) for the third quarter amounted to 3.28 SEK (3.23)**

1) Sales excluding businesses transferred to STG on October 1, 2010.

2) Operating profit excluding businesses transferred to STG on October 1, 2010, share of net profit from STG and larger one time items.

3) Larger one time items include reversals of amortizations and depreciations relating to assets held for sale in 2010.

CEO Lars Dahlgren comments:

The third quarter

For the third quarter of 2011, Swedish Match continued to deliver strong comparable sales and profit growth in local currency terms. Comparable sales in local currencies increased by 6 percent and comparable operating profit increased by 9 percent with an especially strong performance for Scandinavian snus and US mass market cigars.

In Snus and snuff, the Scandinavian snus business delivered solid profit growth, and we are very pleased with the continued strong volume development in the quarter. The US snuff business experienced lower sales and profits, reflecting lower shipments caused by the phased timing of promotions. Year to date, US moist snuff volumes are unchanged compared to prior year, and sales are up somewhat in local currency. We continue to see good trends for *General* snus in the US. During the third quarter we expanded our efforts to include a targeted test launch of *General* snus in a new assortment tailor-made for the US market in three geographies. Marketing investments relating to snus in the US were significantly higher than in the third quarter prior year. Test market activities for snus through SMPM International continued in Taiwan and Canada, and one additional test market will be added during the fourth quarter.

Our US mass market cigar business continued to excel during the quarter, with solid market share gains for our recent product introductions. Overall we managed to grow

volumes by 55 percent in the quarter compared to the prior year, and sales by more than 25 percent in local currency.

Scandinavian Tobacco Group continued to deliver according to plan, with more synergies being realized. In the third quarter Scandinavian Tobacco Group reported restructuring charges of 105 MDKK, relating to the announced decision to close one cigar factory in Europe. Excluding the restructuring costs, Scandinavian Tobacco Group delivered its strongest quarterly EBITDA so far in the third quarter.

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, realize the potential of Scandinavian Tobacco Group.

Summary of consolidated income statement

MSEK	July-September		January-September		Full year 2010
	2011	2010	2011	2010	
Comparable Group sales¹⁾	3,011	2,964	8,601	8,421	11,222
Sales	3,011	3,823	8,601	10,806	13,606
Comparable Group operating profit²⁾	909	874	2,467	2,322	3,158
Operating profit³⁾	983	1,049	2,681	2,749	4,169
Profit before income tax	853	921	2,292	2,386	3,607
Profit for the period	684	729	1,833	1,885	2,958
Earnings per share, basic (SEK)	3.28	3.23	8.72	8.28	13.12

1) Sales excluding businesses transferred to STG.

2) Operating profit excluding businesses transferred to STG, share of net profit/loss in STG and larger one time items.

3) Including operating profit from businesses transferred to STG (until October 1, 2010) as well as the share of net profit/loss in STG.

Sales and results for the third quarter

Comparable Group sales (excluding businesses transferred to STG) for the third quarter of 2011 increased by 2 percent to 3,011 MSEK (2,964) compared to the same period of the previous year. Currency translation has affected the sales comparison negatively by 122 MSEK. In local currencies, sales increased by 6 percent.

In the third quarter, sales for the product area Snus and snuff increased by 2 percent to 1,199 MSEK (1,174) and operating profit amounted to 590 MSEK (592). In local currencies sales increased by 5 percent, driven by strong performance in Scandinavia. The operating margin for the Snus and snuff product area was 49.2 percent (50.4).

Scandinavian snus sales were up by 8 percent compared to the third quarter of the prior year, with volume growth of 3 percent. In the US, sales of snus and snuff in local currency declined by 6 percent with lower volumes of moist snuff in the third quarter compared to previous year due in large part to phased timing of promotional shipments.

For Other tobacco products, sales in local currency in the third quarter increased by 9 percent while reported sales declined to 613 MSEK (631) as a result of the depreciation of the US dollar versus the Swedish krona. Operating profit increased in local currency by 20 percent and reported operating profit increased to 278 MSEK (259). Currency translation has affected the sales and operating profit comparison negatively by 74 MSEK and 32 MSEK respectively. Compared to the third quarter of the prior year, sales and operating profit grew significantly for the US mass market cigar business while for chewing tobacco, operating profit was flat. Operating margin for Other tobacco products increased to 45.3 percent (41.0).

Comparable Group operating profit (excluding businesses transferred to STG, share of net profit from STG and larger one time items) increased by 4 percent to 909 MSEK (874). In local currencies, comparable Group operating profit increased by 9 percent. Currency translation has affected the comparison negatively by 41 MSEK. Comparable Group operating margin for the third quarter was 30.2 percent (29.5). Comparable Group EBITDA margin was 32.6 percent (31.8).

Group operating profit, including businesses transferred to STG, share of net profit from STG and larger one time items, reached 983 MSEK (1,049, which included a positive IFRS adjustment of 32 MSEK relating to amortizations and depreciation for assets held for sale). The share of net profit from STG, after interest and tax, amounted to 74 MSEK for the third quarter and includes restructuring charges of 61 MSEK before tax.

Basic earnings per share for the third quarter amounted to 3.28 SEK (3.23), while diluted earnings per share amounted to 3.26 SEK (3.22).

Sales and results for the first nine months

Comparable Group sales for the first nine months amounted to 8,601 MSEK (8,421). Comparable Group operating profit amounted to 2,467 MSEK (2,322). In local currencies, comparable sales increased by 8 percent and comparable operating profit increased by 13 percent. Currency translation has affected the operating profit comparison negatively by 151 MSEK.

Comparable Group operating margin for the first nine months was 28.7 percent (27.6). Group operating margin, including businesses transferred to STG, share of net profit in STG and excluding reversal effect from depreciation and amortization on assets held for sale, was 31.2 percent (24.6). Comparable Group EBITDA margin was 31.1 percent (30.0).

Group operating profit, including businesses transferred to STG, share of net profit from STG and larger one time items, reached 2,681 MSEK (2,749, which included a positive IFRS adjustment of 93 MSEK relating to amortizations and depreciation for assets held for sale). The share of net profit from STG amounted to 213 MSEK for the first nine months and includes restructuring charges of 77 MSEK before tax.

EPS (basic) for the first nine months was 8.72 SEK (8.28), while diluted EPS was 8.67 SEK (8.26).

Restated reportable segments

On October 1, 2010, when the transaction between Swedish Match and Scandinavian Tobacco Group to form a new company was closed, the reportable segments of the Group changed. For comparison purposes, the financials of prior periods have been restated to separate the operations transferred to the new STG.

Sales by product area

MSEK	July-September			January-September			Full year
	2011	2010	Chg %	2011	2010	Chg %	
Snus and snuff	1,199	1,174	2	3,460	3,344	3	4,522
Other tobacco products	613	631	-3	1,809	1,883	-4	2,440
Lights	333	352	-5	982	1,050	-6	1,429
Other operations	866	806	7	2,350	2,143	10	2,831
Comparable Group sales	3,011	2,964	2	8,601	8,421	2	11,222
Businesses transferred to STG ¹⁾	-	859	-	-	2,385	-	2,385
Total	3,011	3,823	-21	8,601	10,806	-20	13,606

1) Sales relating to businesses transferred to STG (until October 1, 2010).

Operating profit by product area

MSEK	July-September		Chg %	January-September		Chg %	Full year 2010
	2011	2010		2011	2010		
Snus and snuff	590	592	0	1,599	1,513	6	2,080
Other tobacco products	278	259	7	795	733	8	942
Lights	59	58	3	161	191	-16	279
Other operations	-18	-35		-87	-116		-142
Comparable Group operating profit	909	874	4	2,467	2,322	6	3,158
Share of net profit/loss in STG ¹⁾	74	-		213	-		-60
Businesses transferred to STG ²⁾	-	143		-	334		334
Subtotal	983	1,017	-3	2,681	2,656	1	3,433
Net gain from pension settlements	-	-		-	-		59
Capital gain from transfer of businesses to STG	-	-		-	-		585
Reversal of depreciation and amortization relating to assets held for sale ³⁾	-	32		-	93		93
Total larger one time items	-	32		-	93		737
Total	983	1,049	-6	2,681	2,749	-2	4,169

1) The share of net profit in STG for the first nine months of 2011 includes restructuring charges of 77 MSEK before tax whereof 61 MSEK pertain to the third quarter 2011. The share of net loss in STG in 2010 (fourth quarter) includes restructuring charges, other transaction costs and IFRS acquisition adjustments amounting to 175 MSEK before tax.

2) Operating profit for businesses transferred to STG (until October 1, 2010).

3) During 2010, operating profit by product area was 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 have been added back to the operating profit of reportable segments.

In order to reconcile to the Group's profit before income tax amounting to 853 MSEK (921) for the third quarter and 2,292 MSEK (2,386) for the first nine months, the Group's net finance cost needs to be deducted from operating profit with an amount of 130 MSEK (128) for the third quarter and 389 MSEK (363) for the first nine months.

Operating margin by product area¹⁾

Percent	July-September		January-September		Full year 2010
	2011	2010	2011	2010	
Snus and snuff	49.2	50.4	46.2	45.2	46.0
Other tobacco products	45.3	41.0	43.9	38.9	38.6
Lights	17.7	16.3	16.4	18.2	19.5
Comparable Group operating margin²⁾	30.2	29.5	28.7	27.6	28.1
Group operating margin, including businesses transferred to STG and share of net profit/loss in STG	32.7	26.6	31.2	24.6	25.2

1) Excluding larger one time items.

2) Excluding businesses transferred to STG and share of net profit/loss in STG.

EBITDA by product area

MSEK	July-September		Chg %	January-September		Chg %	Full year 2010
	2011	2010		2011	2010		
Snus and snuff	631	628	0	1,714	1,622	6	2,225
Other tobacco products	297	281	6	853	798	7	1,033
Lights	69	68	2	191	222	-14	320
Other operations	-15	-34		-79	-113		-137
Comparable Group EBITDA¹⁾	982	942	4	2,679	2,529	6	3,441
Share of net profit/loss in STG ²⁾	74	-		213	-		-60
Businesses transferred to STG	-	175		-	432		432
Total	1,056	1,118	-6	2,892	2,961	-2	3,813

1) Excluding businesses transferred to STG and share of net profit/loss in STG.

2) The share of net profit in STG for the first nine months of 2011 includes restructuring charges of 77 MSEK before tax whereof 61 MSEK pertain to the third quarter 2011. The share of net loss in STG in 2010 (fourth quarter) includes restructuring charges, other transaction costs and IFRS acquisition adjustments amounting to 175 MSEK before tax.

EBITDA margin by product area

Percent	July-September		January-September		Full year 2010
	2011	2010	2011	2010	
Snus and snuff	52.6	53.5	49.5	48.5	49.2
Other tobacco products	48.4	44.5	47.2	42.4	42.3
Lights	20.8	19.3	19.5	21.1	22.4
Comparable Group EBITDA margin¹⁾	32.6	31.8	31.1	30.0	30.7
Group EBITDA margin, including businesses transferred to STG and share of net profit/loss in STG	35.1	29.2	33.6	27.4	28.0

1) Excluding businesses transferred to STG and share of net profit/loss in STG.

Snus and snuff

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 about 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.

The third quarter

During the third quarter, sales in local currencies increased by 5 percent compared to the same quarter of the previous year. Reported sales increased by 2 percent to 1,199 MSEK (1,174) and reported operating profit amounted to 590 MSEK (592). For the third quarter, sales and operating profit improved in Scandinavia, versus the third quarter prior year, while they were lower in the US due to lower shipments of moist snuff and increased marketing investments behind Swedish snus. The operating margin for the product area was 49.2 percent (50.4).

* 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.

In Scandinavia, sales volumes measured in number of cans, were 3 percent higher during the third quarter compared to the third quarter of the prior year. Volumes grew both in Sweden and in Norway. Sales revenues in Scandinavia grew by 8 percent in the third quarter. In the US, sales of snus and snuff declined by 6 percent in local currency during the third quarter versus the third quarter of the prior year. US moist snuff volumes measured in number of cans declined by 12 percent in the third quarter, due in large part to phased timing of promotional shipments. For snus in the US the trends are encouraging, and the Company continued the store expansion in the quarter. *General* snus is now available in about 3,000 stores across the US. Marketing investments in Swedish snus in the US increased significantly versus the same period in the prior year.

The first nine months

For the first nine months of the year, sales increased to 3,460 MSEK (3,344) and operating profit increased to 1,599 MSEK (1,513). Operating margin was 46.2 percent (45.2).

In Scandinavia, sales revenues increased by 9 percent, while shipment volumes increased by 4 percent. Operating margin was up slightly versus previous year.

In the US, sales revenues for the first nine months were up 2 percent versus prior year on flat volumes. Operating profit for the US moist snuff business was higher, while marketing investments for Swedish snus in the US increased significantly.

Other tobacco products

The product area Other tobacco products consists of US mass market cigars and chewing tobacco. 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 wide range of sizes, styles, and price points for US mass market cigars. Swedish Match is the leading producer of chewing tobacco in the US where the product is mainly sold in the southern states of the country. Well known brands include Red Man and Southern Pride. The market for chewing tobacco shows a declining trend.

The third quarter

During the third quarter, sales for Other tobacco products increased by 9 percent in local currency compared to the same period of the previous year, and operating profit increased by 20 percent, driven by US mass market cigars. The weaker US dollar has had a negative translation impact and reported sales amounted to 613 MSEK (631). Reported operating profit was 278 MSEK (259). Operating margin was 45.3 percent (41.0).

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 55 percent. The strong growth for US mass market cigars is attributable to the continued success of recent product introductions. The new line of sweet cigars in FoilFresh™ packaging, first introduced towards the end of the second quarter of 2010, remains the key contributor to strong volume growth.

US chewing tobacco sales in the third quarter were down by 5 percent in local currency while operating profit was flat. Shipment volumes of own brands declined by 7 percent, while contract manufacturing volumes were significantly below year ago levels, partly due to inventory adjustments.

The first nine months

Sales for the product area for the first nine months amounted to 1,809 MSEK (1,883) while operating profit increased to 795 MSEK (733). In local currency, sales for the first nine months were up 10 percent, while operating profit was up by 23 percent, with increased operating profit for both US mass market cigars and US chewing tobacco. Last year's second quarter operating profit included a 10 MSEK restructuring charge for the closure of the production of the *Piccanell* brand in Sweden. Operating margin was 43.9 percent (38.9).

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.

The third quarter

During the third quarter sales amounted to 333 MSEK (352). In local currencies, sales declined by 1 percent. Operating profit amounted to 59 MSEK (58). Operating margin was 17.7 percent (16.3).

For lighters, sales and operating profit in local currencies increased compared to the third quarter prior year as a result of strong volume performance. For matches, sales and operating profit declined somewhat in local currencies, mainly as a result of a weaker country mix and negative currency transaction impacts.

The first nine months

Sales for the first nine months amounted to 982 MSEK (1,050), while operating profit amounted to 161 MSEK (191). Operating margin was 16.4 percent (18.2).

Other operations

Other operations are primarily the distribution of tobacco products on the Swedish market, and corporate overhead costs.

The third quarter

Sales in Other operations for the third quarter amounted to 866 MSEK (806). Operating loss for Other operations was 18 MSEK (35). The third quarter of 2010 included costs related to the transaction with STG.

The first nine months

Sales for the first nine months amounted to 2,350 MSEK (2,143). Operating loss for the first nine months was 87 MSEK (116). During the first nine months of 2011 the operating loss includes redundancy costs following an organizational change and the operating loss in 2010 included costs related to the transaction with STG.

Scandinavian Tobacco Group

Swedish Match holds 49 percent of the shares in Scandinavian Tobacco Group.

On March 1, 2011, Scandinavian Tobacco Group acquired Lane Limited in the US (Lane) from Reynolds American, Inc., for 205 MUSD. Lane produces pipe tobacco, fine cut tobacco, and little cigars.

The third quarter

Swedish Match's share of Scandinavian Tobacco Group's net profit after interest and tax amounted to 74 MSEK for the third quarter. The share of net profit from

Scandinavian Tobacco Group includes restructuring charges amounting to 61 MSEK before tax for the third quarter relating to the announced decision to close one European cigar factory. Excluding restructuring charges EBITDA increased for all product groups of Scandinavian Tobacco Group compared to the third quarter of the previous year.

For premium cigars, sales were flat in local currencies versus prior year in the third quarter, while for mass market cigars sales were down. EBITDA for premium cigars and mass market cigars grew significantly both in local currencies and Danish kroner due to realized synergies and lower costs. For pipe/fine cut tobacco, excluding Lane effects, sales and EBITDA were above the third quarter of the prior year on the back of strong volume performance. The Lane business delivered EBITDA according to the acquisition plan.

Total Scandinavian Tobacco Group net sales for the third quarter amounted to 1,413 MDKK. Excluding restructuring charges, EBITDA for total Scandinavian Tobacco Group in the third quarter amounted to 342 MDKK. Including restructuring charges, EBITDA amounted to 237 MDKK for the third quarter. Excluding Lane and restructuring costs, EBITDA increased by 34 percent compared to the estimated pro forma in the third quarter of 2010.

The first nine months

Swedish Match's share of Scandinavian Tobacco Group's net profit after interest and tax amounted to 213 MSEK for the first nine months. The share of net profit from Scandinavian Tobacco Group includes restructuring charges amounting 77 MSEK before tax for the first nine months. Total Scandinavian Tobacco Group net sales for the first nine months amounted to 4,048 MDKK. Excluding restructuring charges, EBITDA amounted to 915 MDKK for the first nine months. Including restructuring charges, EBITDA for total Scandinavian Tobacco Group in the first nine months amounted to 785 MDKK. Excluding Lane and restructuring costs, EBITDA increased by 26 percent compared to the estimated pro forma for the first nine months of 2010.

Taxes

For the first nine months of the year, the reported tax expense amounted to 459 MSEK (501), corresponding to a tax rate of 20 percent (21). The reported tax rate excluding one time items as well as profit and loss impact from associated companies and joint ventures is 22 percent (22).

Earnings per share

Basic earnings per share (EPS) for the third quarter amounted to 3.28 SEK (3.23), while diluted EPS was 3.26 SEK (3.22). EPS for the first nine months of the year amounted to 8.72 SEK (8.28), while diluted EPS was 8.67 SEK (8.26).

Depreciation and amortization

In the third quarter, total depreciation and amortization amounted to 73 MSEK (69), of which depreciation on property, plant and equipment amounted to 59 MSEK (56) and amortization of intangible assets amounted to 14 MSEK (13).

In the first nine months, total depreciation and amortization amounted to 212 MSEK (212), of which depreciation on property, plant and equipment amounted to 169 MSEK (172) and amortization of intangible assets amounted to 42 MSEK (40).

Financing and cash flow

Cash flow from operating activities for the first nine months amounted to 1,863 MSEK compared with 1,997 MSEK for the same period previous year. The cash flow for the

first nine months of 2010 included businesses transferred to STG on October 1, 2010. Excluding businesses transferred to STG the cash flow from operations increased compared to 2010 mainly as a result of higher EBITDA.

Investments in property, plant and equipment during the first nine months amounted to 170 MSEK (248, whereof 36 MSEK pertained to businesses transferred to STG).

Net finance cost for the first nine months increased to 389 MSEK (363). The net finance cost of 2010 includes bondholder consent fees of 21 MSEK related to the STG transaction. The underlying increase in the finance cost was mainly a result of a higher net debt and higher interest rates. In May a loan repayment of 140 MSEK was received from STG following final transaction adjustments.

The net debt as per September 30, 2011 amounted to 9,015 MSEK compared to 7,650 MSEK at December 31, 2010.

In the first nine months of the year, Swedish Match paid dividends totaling 1,152 MSEK and repurchased shares, net, in the amount of 1,872 MSEK. During the first nine months new bond loans of 680 MSEK were issued. Repayment of loans for the same period amounted to 733 MSEK including repurchase of 191 MSEK of bond loans with shorter maturities. As at September 30, 2011 Swedish Match had 9,835 MSEK of interest bearing debt excluding retirement benefit obligations compared to 9,885 MSEK at December 31, 2010. None of this debt falls due for repayment during the remainder of 2011. As of September 30, 2011, Swedish Match had 1,481 MSEK in unutilized committed credit lines.

Cash and cash equivalents amounted to 2,178 MSEK at the end of the period, compared with 3,275 MSEK at December 31, 2010.

Average number of employees

The average number of employees in the Group during the first nine months of 2011 was 3,895 compared with 3,908 for the full year 2010, excluding employees transferred to STG.

Share structure

During the first nine months, Swedish Match repurchased 9.0 million shares for 1,872 MSEK at an average price of 208.96 SEK, following authorization from the Annual General Meeting held in 2010 and 2011. During the first nine months the Company sold 0.5 million treasury shares at an average price of 127.10 SEK, totaling 67 MSEK, as a result of option holders exercising options. Total shares bought back by Swedish Match since the buyback program started have been repurchased at an average price of 98.47 SEK. In accordance with the resolution at the Annual General Meeting on May 2, 18 million shares held in treasury have been cancelled. The total number of registered shares in the Company after the cancellation of shares is 213.0 million.

As per September 30, 2011 Swedish Match held 6.6 million shares, corresponding to 3.12 percent of the total number of shares. The number of shares outstanding, net as per September 30, 2011, amounted to 206.4 million. The Company has issued call options of which an amount corresponding to 5.0 million shares exercisable in gradual stages from 2011-2015 were outstanding as of September 30, 2011.

Events following the close of the reporting period

In October, and in accordance with the instructions adopted by the Annual General Meeting 2011, a Nominating Committee was appointed. In addition to Conny Karlsson (Chairman of the Board), Andy Brown (Cedar Rock Capital), Björn Lind (AMF & AMF Funds), William Lock (Morgan Stanley Investment Management), and William von

Mueffling (Cantillon Capital Management) have been appointed members of the Nominating Committee.

Outlook

During the remainder of 2011 Swedish Match will continue to invest for growth. During the remainder of the year Swedish Match will increase its investments in Swedish snus in new markets, in the US, as well as in our joint venture with PMI for other geographies. We expect both the snus market in Scandinavia and the snuff market in the US to continue to grow versus prior year in volume terms.

In our US mass market cigar business we expect continued strong momentum, with increased sales and profits in local currency driven by innovative product introductions. The trend for US chewing tobacco of declining volumes is expected to continue.

The tax rate from continuing operations for 2010, excluding one time items and STG effects, was 22 percent and is expected to be at a similar level in 2011.

The Company maintains its long term financial strategy and dividend policy, and remains 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, Norway and EMU member countries. Consequently, changes in exchange rates of euro, Norwegian krona, Brazilian real and in particular the US dollar 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 2010.

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 35 MSEK (44). Loss before income tax amounted to 158 MSEK (loss 39) and net profit for the first nine months amounted to 98 MSEK (175).

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 2,091 MSEK (3,048). An impairment loss on shares in subsidiaries of 1,143 MSEK was recognized during the period as a result of dividends paid out of retained earnings 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. The majority of these loans have fixed interest rates and hence any changes in interest rates would have an immaterial impact on the result of the Parent Company.

No capital expenditures on tangible fixed assets have been recognized during the first nine months of 2011 compared to 2 MSEK during the first nine months of 2010. During the period 11 MSEK (23) have been capitalized in intangible assets as an investment in software development on an ERP system for the Group.

A shareholder contribution was provided to the joint venture, SMPM International, in the amount of 15 MSEK. Since the joint venture company is in a phase of build up and therefore not generating any profit, an impairment loss of 12 MSEK was recognized during the period. During the third quarter the shares of SMPM International have been transferred to a Group company at book value.

The total cash flow for the first nine months was zero (0) as the Parent Company does not hold any cash and bank balances.

During the first nine months, new bond loans of 680 MSEK were issued and repayment of loans amounted to 733 MSEK. During the period the Parent Company made share repurchases of 1,872 MSEK (1,878) and sold 0.5 million (0.5) treasury shares for 67 MSEK (53). A dividend of 1,152 MSEK (1,089) has 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 considerably 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 2011 report will be released on February 22, 2012.

Stockholm, October 26, 2011

Lars Dahlgren
President and CEO

Key data

All key data for 2010, with the exception of share data, have been calculated reversing all effects from reporting assets and liabilities as held for sale between January 15, 2010 and October 1, 2010 and excluding larger one time items.

	January – September 2011	September 2010	12 months ended Sep 30, 2011	Full year 2010
Operating margin, %	31.2	24.6	30.3	25.2
Operating capital, MSEK	7,194	8,029	7,194	7,099
Return on operating capital, %			45.4	44.0
EBITDA, MSEK ¹⁾	2,892	2,961	3,745	3,813
EBITA, MSEK ²⁾	2,723	2,737	3,513	3,527
Net debt, MSEK	9,015	8,622	9,015	7,650
Net debt/EBITA ²⁾			2.6	2.2
Investments in property, plant and equipment, MSEK ³⁾	170	248	232	311
EBITA interest cover	7.2	8.6	6.2	7.0
<i>Excluding businesses transferred to STG and share of net profit/loss in STG</i>				
EBITA, MSEK ²⁾	2,510	2,360	3,359	3,209
Net debt/EBITA ²⁾			2.7	2.4
<i>Share data</i>				
Earnings per share, basic, SEK	8.72	8.28	13.70	13.12
Earnings per share, diluted, SEK	8.67	8.26	13.62	13.09
Number of shares outstanding at end of period	206,363,657	220,672,184	206,363,657	214,797,106
Average number of shares outstanding, basic	210,096,401	227,678,175	212,145,504	225,331,835
Average number of shares outstanding, diluted	211,340,847	228,228,884	213,382,583	225,969,047

1) Operating profit adjusted for depreciation, amortization and write-downs of tangible and intangible assets.

2) Operating profit adjusted for amortization and write-downs of intangible assets.

3) Including investments in forest plantations of 18 MSEK (18).

Consolidated income statement in summary

MSEK	Jul - Sep		Chg %	Jan - Sep		Chg %	12 months ended		Full year	Chg %
	2011	2010		2011	2010		Sep 30, 2011	2010		
Sales, including tobacco tax	6,208	7,044		17,400	19,591		22,871	25,062		
Less tobacco tax	-3,198	-3,221		-8,799	-8,785		-11,469	-11,456		
Sales	3,011	3,823	-21	8,601	10,806	-20	11,402	13,606		-16
Cost of goods sold	-1,495	-1,896		-4,259	-5,325		-5,597	-6,662		
Gross profit	1,516	1,927	-21	4,342	5,481	-21	5,805	6,944		-16
Selling and administrative expenses	-604	-878		-1,868	-2,735		-2,490	-3,356		
Share of profit/loss in associated companies and joint ventures	71	1		206	3		142	-62		
Net gain from pension settlements	-	-		-	-		59	59		
Capital gain from transfer of businesses to STG	-	-		-	-		585	585		
Operating profit	983	1,049	-6	2,681	2,749	-2	4,101	4,169		-2
Finance income	10	6		28	19		36	27		
Finance costs	-140	-134		-417	-383		-624	-590		
Net finance cost	-130	-128		-389	-363		-588	-562		
Profit before income tax	853	921	-7	2,292	2,386	-4	3,513	3,607		-3
Income tax expense	-169	-192		-459	-501		-607	-649		
Profit for the period	684	729	-6	1,833	1,885	-3	2,906	2,958		-2
<i>Attributable to:</i>										
Equity holders of the Parent	684	729		1,832	1,884		2,906	2,957		
Non-controlling interests	0	0		0	1		1	1		
Profit for the period	684	729	-6	1,833	1,885	-3	2,906	2,958		-2
Earnings per share, basic, SEK	3.28	3.23		8.72	8.28		13.70	13.12		
Earnings per share, diluted, SEK	3.26	3.22		8.67	8.26		13.62	13.09		

Consolidated statement of comprehensive income

MSEK	July-September		January-September		12 months ended		Full year
	2011	2010	2011	2010	Sep 30, 2011	2010	
Profit for the period	684	729	1,833	1,885	2,906	2,958	
<i>Other comprehensive income</i>							
Translation differences related to foreign operations	169	-640	136	-455	86	-504	
Translation differences included in profit and loss	-1	-	0	-7	285	278	
Effective portion of changes in fair value of cash flow hedges	-33	7	-91	38	-71	58	
Reclassification adjustments for gains/losses on cash flow hedges included in profit and loss	0	-	0	-	-24	-24	
Actuarial gains and losses attributable to pensions, including payroll tax	-313	-138	-307	-225	-276	-193	
Share of other comprehensive income in associated companies and joint ventures	5	-	-124	-6	-63	55	
Income tax relating to components of other comprehensive income	133	48	145	77	108	39	
Other comprehensive income, net of tax for the period	-39	-721	-241	-577	45	-291	
Total comprehensive income for the period	645	8	1,592	1,308	2,952	2,668	
<i>Attributable to:</i>							
Equity holders of the Parent	645	8	1,591	1,307	2,951	2,667	
Non-controlling interests	0	0	0	1	1	1	
Total comprehensive income for the period	645	8	1,592	1,308	2,952	2,668	

Consolidated balance sheet in summary

<i>MSEK</i>	September 30, 2011	December 31, 2010
Intangible assets	993	1,027
Property, plant and equipment	2,067	2,097
Investments in associated companies and joint ventures	4,315	4,085
Other non-current financial receivables ¹⁾	1,483	1,368
Current operating assets	2,680	2,886
Other current investments and current financial assets	2	1
Cash and cash equivalents	2,178	3,275
Total assets	13,718	14,739
Equity attributable to equity holders of the Parent	-1,850	-484
Non-controlling interests	2	2
Total equity	-1,848	-482
Non-current provisions	1,025	1,050
Non-current loans	8,412	9,209
Other non-current financial liabilities ²⁾	1,695	1,478
Current provisions	93	98
Current loans	1,432	525
Other current liabilities ³⁾	2,910	2,861
Total equity and liabilities	13,718	14,739

1) Includes pension assets of 114 MSEK (117) and derivative financial instruments of 72 MSEK (88) used to hedge the Parent Company's bond loans denominated in euro.

2) Includes pension liabilities of 1,473 MSEK (1,158) and derivative financial instruments of 61 MSEK (222) used to hedge the Parent Company's bond loans denominated in euro.

3) Includes current financial derivatives of 4 MSEK (18) used to hedge the Parent Company's bond loans denominated in euro.

Consolidated cash flow statement in summary

<i>MSEK</i>	January – September	
	2011	2010
<i>Operating activities</i>		
Profit before income taxes	2,292	2,386
Adjustment for share of net profit/loss in associated companies and joint ventures	-206	-3
Adjustments for other non-cash items and other	255	123
Income tax paid	-490	-520
Cash flow from operating activities before changes in working capital	1,851	1,986
Cash flow from changes in working capital	13	12
Net cash from operating activities	1,863	1,997
<i>Investing activities</i>		
Purchase of property, plant and equipment	-170	-248
Proceeds from sale of property, plant and equipment	2	5
Purchase of intangible assets	-11	-31
Investments in associated companies and joint ventures ¹⁾	-15	-123
Investments in other companies ²⁾	-4	-
Proceed from sale of subsidiaries, net of cash disposed of ³⁾	143	-
Changes in financial receivables etc.	1	0
Net cash used in investing activities	-54	-396
<i>Financing activities</i>		
Changes in loans	-54	207
Dividend paid to equity holders of the Parent	-1,152	-1,089
Repurchase of own shares	-1,872	-1,878
Stock options exercised	67	53
Other	90	63
Net cash used in financing activities	-2,921	-2,644
Net decrease in cash and cash equivalents	-1,112	-1,043
Cash and cash equivalents at the beginning of the period	3,275	2,530
Effect of exchange rate fluctuations on cash and cash equivalents	14	-111
Less cash and cash equivalents reclassified as assets held for sale	-	-103
Cash and cash equivalents at the end of the period	2,178	1,273

1) 2011 pertains to additional investment of 15 MSEK in SMPM International. 2010 pertains to acquisition of 20 percent of the shares in Caribbean Cigar Holdings Group, S.A. in an amount of 110 MSEK. The holding in Caribbean Cigars Holdings Group, S.A. was transferred to STG on October 1, 2010.

2) 2011 pertains to acquisition of 13 percent of the shares in Secure Vending AB in an amount of 4 MSEK.

3) The cash flows from sale of subsidiaries during the first nine months of 2011 pertain to the repayment of loans from STG of 140 MSEK following final transaction adjustments. Furthermore, in the beginning of June 2011, Swedish Match sold Swedish Match Plam Bulgaria DA to Euro Fire Products Ltd. for a total purchase price of 12 MSEK. Divested net assets, including accumulated translations reserve, amounted to 12 MSEK, whereof cash and cash equivalents amounted to 3 MSEK. At completion of the transaction, 6 MSEK of the purchase price was received in cash.

Change in shareholders' equity

<i>MSEK</i>	Equity attributable to holders of the Parent	Non- controlling interests	Total equity
Equity at January 1, 2010	899	4	903
Profit for the period	1,884	1	1,885
Other comprehensive income, net after tax for the period	-577	0	-577
Total comprehensive income for the period	1,307	1	1,308
Dividend	-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
Equity at September 30, 2010	-709	4	-705
Equity at January 1, 2011	-484	2	-482
Profit for the period	1,832	0	1,833
Other comprehensive income, net after tax for the period	-241	0	-241
Total comprehensive income for the period	1,591	0	1,592
Dividend	-1,152	0	-1,152
Repurchase of own shares	-1,872	-	-1,872
Stock options exercised	67	-	67
Cancellation of shares	-30	-	-30
Bonus issue	30	-	30
Equity at September 30, 2011	-1,850	2	-1,848

Parent Company income statement in summary

<i>MSEK</i>	January-September	
	2011	2010
Sales	35	44
Selling and administrative expenses	-155	-229
Operating loss	-120	-185
Result from participation in Group companies	835	1,192
Result from participation in joint ventures	-12	-12
Net finance cost	-861	-1,035
Loss before income tax	-158	-39
Income tax	257	214
Profit for the period	98	175

Parent Company statement of comprehensive income

<i>MSEK</i>	January-September	
	2011	2010
Profit for the period	98	175
<i>Other comprehensive income</i>		
Effective portion of changes in fair value of cash flow hedges	-91	38
Reclassification adjustment for gains/losses on cash flow hedges included in profit and loss	0	-
Income tax relating to components of other comprehensive income/loss	24	-10
Other comprehensive income, net of tax for the period	-67	28
Total comprehensive income for the period	31	203

Parent Company balance sheet in summary

<i>MSEK</i>	Sep 30, 2011	Sep 30, 2010	Dec 31, 2010
Intangible and tangible fixed assets	51	25	45
Non-current financial assets	49,511	49,359	50,667
Current assets	444	1,844	2,353
Total assets	50,005	51,229	53,064
Equity	18,653	20,532	21,578
Untaxed reserves	1	0	1
Provisions	110	57	114
Non-current liabilities	26,717	25,932	27,606
Current liabilities	4,526	4,709	3,765
Total liabilities	31,352	30,698	31,485
Total equity and liabilities	50,005	51,229	53,064

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 report for the Parent Company is prepared in accordance with the Annual Accounts Act, Chapter 9. The new or amended IFRS standards and IFRIC interpretations, which became effective January 1, 2011, have had no material effect on the consolidated financial statements.

In all other aspects, the accounting principles and basis of calculations in this report are the same as in the annual report of 2010.

Note 2 – Related parties transactions

The Group's related parties include joint ventures, associated companies and key management personnel with significant influence over the Company. Key management personnel with significant influence over the Company are Swedish Match Board of Directors and members of the Group Management Team.

In the normal course of business, Swedish Match conducts various transactions with associated companies and joint ventures. Transactions are conducted at an arms-length basis. At the end of the first nine months of 2011, receivables from these companies amounted to 31 MSEK and total payables to these companies amounted to 7 MSEK. During the first nine months of 2011, total sales to associated companies and joint ventures amounted to 128 MSEK and total purchases from associated companies and joint ventures amounted to 91 MSEK.

No transactions with key management personnel besides normal remuneration have been conducted during the period.

Quarterly data

<i>MSEK</i>	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09
<i>Continuing operations</i>									
Sales, including tobacco tax	6,208	6,033	5,158	5,471	7,044	6,676	5,870	6,409	6,737
Less tobacco tax	-3,198	-3,089	-2,512	-2,671	-3,221	-2,976	-2,588	-2,864	-3,130
Sales	3,011	2,944	2,646	2,801	3,823	3,701	3,282	3,545	3,606
Cost of goods sold	-1,495	-1,467	-1,298	-1,338	-1,896	-1,805	-1,624	-1,835	-1,843
Gross profit	1,516	1,478	1,348	1,463	1,927	1,896	1,658	1,710	1,764
Selling and administrative expenses	-604	-647	-617	-621	-878	-955	-902	-860	-892
Share of profit/loss in associated companies and joint ventures	71	74	62	-65	1	4	-2	0	3
	983	904	793	777	1,049	945	755	850	874
<i>Larger one time items</i>									
Net gain from pension settlements	-	-	-	59	-	-	-	-	-
Capital gain from transfer of businesses to STG	-	-	-	585	-	-	-	-	-
Operating profit	983	904	793	1,421	1,049	945	755	850	874
Finance income	10	9	10	8	6	5	8	10	35
Finance costs	-140	-140	-138	-207	-134	-134	-115	-121	-152
Net finance cost	-130	-131	-128	-199	-128	-129	-106	-111	-117
Profit before income tax	853	773	665	1,221	921	816	649	739	757
Income tax expense	-169	-157	-132	-148	-192	-180	-130	-143	-142
Profit for the period from continuing operations	684	616	533	1,074	729	637	519	595	615
<i>Discontinued operations</i>									
Profit from discontinued operations, net after tax	-	-	-	-	-	-	-	-	705
Profit for the period	684	616	533	1,074	729	637	519	595	1,319
<i>Attributable to:</i>									
Equity holders of the Parent	684	615	533	1,073	729	636	519	595	1,319
Non-controlling interests	0	0	0	0	0	0	0	0	0
Profit for the period	684	616	533	1,074	729	637	519	595	1,319

Sales by product area

<i>MSEK</i>	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09
Snus and snuff	1,199	1,193	1,068	1,178	1,174	1,116	1,054	1,101	1,093
Other tobacco products	613	613	583	557	631	664	588	456	571
Lights	333	313	336	379	352	347	351	373	341
Other operations	866	826	659	687	806	722	615	690	742
Comparable Group sales	3,011	2,944	2,646	2,801	2,964	2,849	2,608	2,620	2,747
Businesses transferred to STG ¹⁾	-	-	-	-	859	852	674	925	859
Total	3,011	2,944	2,646	2,801	3,823	3,701	3,282	3,545	3,606

1) Sales for businesses transferred to STG for 2009 and in the first nine months of 2010.

Operating profit by product area

MSEK	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09
Snus and snuff	590	540	469	567	592	487	434	523	534
Other tobacco products	278	272	245	208	259	270	204	136	169
Lights	59	44	58	87	58	68	66	100	72
Other operations	-18	-26	-43	-26	-35	-32	-48	-18	-25
Comparable Group operating profit	909	829	729	836	874	793	655	740	750
Share of net profit/loss in STG ¹⁾	74	74	65	-60	-	-	-	-	-
Businesses transferred to STG ²⁾	-	-	-	-	143	118	73	109	124
Subtotal	983	904	793	777	1,017	911	728	850	874
Net gain from pension settlements	-	-	-	59	-	-	-	-	-
Capital gain from transfer of businesses to STG	-	-	-	585	-	-	-	-	-
Reversal of depreciation and amortizations relating to assets held for sale	-	-	-	-	32	34	27	-	-
Total larger one time items	-	-	-	644	32	34	27	-	-
Total	983	904	793	1,421	1,049	945	755	850	874

1) The share of net profit in STG for the first nine months 2011 includes restructuring charges of 77 MSEK before tax whereof 61 MSEK pertain to the third quarter 2011. The share of net loss in STG in 2010 (fourth quarter) includes restructuring charges, other transaction costs and IFRS acquisition adjustments amounting to 175 MSEK before tax.

2) Operating profit for businesses transferred to STG for 2009 and in the first nine months of 2010.

Operating margin by product area¹⁾

Percent	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09
Snus and snuff	49.2	45.3	44.0	48.1	50.4	43.6	41.2	47.5	48.8
Other tobacco products	45.3	44.4	41.9	37.4	41.0	40.7	34.7	29.9	29.6
Lights	17.7	13.9	17.3	23.0	16.3	19.6	18.7	26.6	21.3
Comparable Group operating margin²⁾	30.2	28.2	27.5	29.9	29.5	27.8	25.1	28.3	27.3
Group operating margin, including businesses transferred to STG and share of net profit/loss in STG³⁾	32.7	30.7	30.0	27.7	26.6	24.6	22.2	24.0	24.2

1) Excluding larger one time items.

2) Excluding businesses transferred to STG and share of net profit/loss in STG, but including a restructuring charge of 45 MSEK for Other tobacco products in the third quarter of 2009.

3) Including restructuring charges of 45 MSEK in the third quarter of 2009 and 29 MSEK in the fourth quarter of 2009.

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The character of the information in this report is such that it shall be disclosed by Swedish Match AB (publ) in accordance with the Swedish Securities Markets Act. The information was disclosed to the media on October 26, 2011 at 08.00 a.m. (CET).

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