



Interim Report January – September 2009

- Sales for the third quarter increased by 10 percent to 3,606 MSEK (3,274)¹⁾
- In local currencies, sales for the third quarter increased by 3 percent¹⁾
- Operating profit for the third quarter increased by 8 percent to 874 MSEK (808)¹⁾²⁾
- In local currencies, operating profit for the third quarter increased by 3 percent¹⁾²⁾
- EPS (basic) for the third quarter amounted to 2.53 SEK (2.47)¹⁾²⁾
- EPS (basic) for the third quarter, including discontinued operations and one time gains, amounted to 5.38 SEK (2.67)

¹⁾ Amounts exclude Swedish Match South African operations, which are separately reported as discontinued operations

²⁾ Excludes the gain on the sale of Swedish Match South African operations but includes restructuring charges of 45 MSEK related to US mass market cigar production

CEO Lars Dahlgren comments:

In the third quarter we delivered continued strong sales and operating performance, led by snus and snuff which achieved their best ever performance in operating profit. Compared with the same period last year sales and operating profit increased for all product lines except for lights. Snus volumes continued to grow in the Scandinavian market as a result of strong performance in Sweden. In the US we continued to gain market share for snuff, and volumes grew by 13 percent. After a weak start to the year, it is positive to note that European cigar volumes and sales grew year on year in the third quarter. Our US machine made cigar business is performing well, but the result was impacted by a restructuring charge of 45 MSEK relating to changes in the production set-up. The sale of our South African operations was completed in September, with a tax exempt capital gain of 628 MSEK.

On July 2, 2009, Swedish Match AB announced the agreement to sell its South African operations, Swedish Match South Africa (Proprietary) Limited, and the transaction was subsequently closed in September. Following this announcement, Swedish Match's South African operations are reported as discontinued operations. Furthermore, the segments have been reclassified with the remainder of the former pipe tobacco and accessories segment now being reported in Other Operations. Financial commentary and tables do not include the discontinued operations unless explicitly stated.

Summary of consolidated income statement

MSEK	July - September		January - September		Full year 2008
	2009	2008	2009	2008	
Sales	3,606	3,274	10,659	9,131	12,611
Operating profit excl. larger one-time items	874	808	2,568	1,994	2,801
Operating profit	874	808	2,568	1,994	2,874
Profit before income tax	757	693	2,235	1,649	2,433
Profit from continuing operations	615	621	1,766	1,404	2,091
Profit from discontinued operations, net after tax	705	50	785	129	170
Profit for the period	1,319	671	2,551	1,534	2,261
Earnings per share, basic (SEK)	2.53	2.47	7.15	5.55	8.30
Earnings per share incl. discontinued operations, basic (SEK)	5.38	2.67	10.33	6.07	8.98

Sales and results for the third quarter

Sales for the third quarter of 2009 increased by 10 percent to 3,606 MSEK (3,274) compared to the third quarter of 2008. Currency translation has affected the sales comparison positively by 225 MSEK. In local currencies, sales increased by 3 percent.

Sales of Scandinavian (pasteurized) snus and US (fermented) snuff in the third quarter increased by 13 percent to 1,093 MSEK (964) and operating profit increased by 11 percent to 534 MSEK (479). Scandinavian snus sales were up 9 percent compared to the third quarter of the prior year while volumes measured in number of cans increased by 2 percent.

In the US, sales of snuff in local currency increased by 12 percent, and operating profit also increased. US volumes were up 13 percent in the third quarter.

The operating margin for the snus and snuff product group was 48.8 percent (49.7).

For cigars, sales increased by 14 percent during the third quarter to 1,065 MSEK (933). Operating profit increased to 190 MSEK (187). While sales of US mass market cigars increased, sales of US premium cigars declined in dollar terms. In Europe, sales increased in local currencies, in line with higher volumes. In the third quarter, a restructuring charge of 45 MSEK was recorded for the partial relocation of production of machine made cigars from the US to the Dominican Republic. Operating margin for cigars was 17.9 percent (20.0). Excluding the restructuring charge, the operating margin was 22.1 percent.

Group operating profit including the restructuring charge related to cigars for the third quarter increased by 8 percent to 874 MSEK (808). Currency translation has affected the operating profit comparison positively by 45 MSEK. In local currencies, operating profit increased by 3 percent.

Operating margin for the third quarter amounted to 24.2 percent. Excluding the cigar restructuring charge of 45 MSEK, the operating margin amounted to 25.5 percent compared to 24.7 percent for the third quarter of 2008, a result of continued growth in the snus and snuff businesses.

Basic earnings per share from continued operations for the third quarter amounted to 2.53 SEK (2.47). Basic earnings per share including discontinued operations amounted to 5.38 SEK (2.67). The gain on the sale of the South African operations contributed 2.54 SEK to earnings per share.

Sales and results for the first nine months

Sales for the first nine months increased by 17 percent to 10,659 MSEK (9,131). In local currencies, sales increased by 5 percent. Operating profit was 2,568 MSEK (1,994). Currency translation has affected the operating profit comparison positively by 269 MSEK.

Group operating margin during the first nine months was 24.1 percent (21.8).

The reported tax rate for the Group for the first nine months was 21 percent (15).

EPS (basic) for the first nine months was 7.15 SEK (5.55), while diluted EPS was 7.15 SEK (5.54). EPS (basic) for the first nine months including discontinued operations was 10.33 SEK (6.07), while diluted EPS was 10.32 SEK (6.06).

Sales by product area

<i>MSEK</i>	July - September		Chg	January - September		Chg	Full year
	2009	2008	%	2009	2008	%	2008
Snus and snuff	1,093	964	13	3,149	2,690	17	3,725
Cigars	1,065	933	14	3,369	2,592	30	3,644
Chewing tobacco	280	237	18	878	674	30	934
Lights	388	401	-3	1,152	1,117	3	1,525
Other Operations	781	740	6	2,111	2,057	3	2,783
Total	3,606	3,274	10	10,659	9,131	17	12,611

Operating profit by product area

<i>MSEK</i>	July - September		Chg	January - September		Chg	Full year
	2009	2008	%	2009	2008	%	2008
Snus and snuff	534	479	11	1,394	1,195	17	1,658
Cigars	190	187	2	757	481	57	686
Chewing tobacco	107	87	23	335	233	43	329
Lights	62	85	-28	187	204	-8	275
Other Operations	-19	-30		-104	-119		-146
Subtotal	874	808	8	2,568	1,994	29	2,801
<i>Larger one-time items</i>							
Gain on sale of subsidiary and related assets*	-	-		-	-		73
Total	874	808	8	2,568	1,994	29	2,874

* The capital gain is attributable to the product area Other Operations

Total sales and operating profit of the Group's reportable segments reconcile to the Group's total sales and operating profit for the periods. In order to arrive at the profit before tax of 757 MSEK (693) for the third quarter and 2,235 MSEK (1,649) for the first nine months, the net finance costs of 117 MSEK (115) and 333 MSEK (345) respectively need to be deducted.

Operating margin by product area*

Percent	July - September		January - September		Full year
	2009	2008	2009	2008	
Snus and snuff	48.8	49.7	44.3	44.4	44.5
Cigars	17.9	20.0	22.5	18.5	18.8
Chewing tobacco	38.4	36.9	38.1	34.6	35.2
Lights	15.9	21.2	16.2	18.2	18.0
Group	24.2	24.7	24.1	21.8	22.2

* Excluding larger one-time items

EBITDA by product area

MSEK	July - September			January - September			Full year
	2009	2008	Chg %	2009	2008	Chg %	
Snus and snuff	573	516	11	1,507	1,306	15	1,805
Cigars	277	235	18	954	626	52	889
Chewing tobacco	113	92	22	352	249	41	346
Lights	73	95	-23	220	234	-6	316
Other Operations	-16	-27		-95	-110		-134
Group	1,019	911	12	2,938	2,305	27	3,222

EBITDA margin by product area

Percent	July - September		January - September		Full year
	2009	2008	2009	2008	
Snus and snuff	52.4	53.6	47.9	48.5	48.4
Cigars	26.0	25.2	28.3	24.1	24.4
Chewing tobacco	40.3	39.1	40.1	36.9	37.1
Lights	18.8	23.7	19.1	20.9	20.7
Group	28.3	27.8	27.6	25.2	25.5

Snus/Moist 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 approximately six times larger than the Swedish 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 and Grov in Sweden, and Red Man, Timber Wolf and Longhorn in the US.

During the third quarter, sales increased by 13 percent compared to the same quarter of the previous year, to 1,093 MSEK (964), and operating profit increased by 11 percent to 534 MSEK (479). Sales and operating profit improved in Scandinavia as well as in the US. The operating margin for the total product group was 48.8 percent (49.7).

In Scandinavia, sales volumes measured in number of cans, increased by 2 percent during the third quarter compared to the third quarter of the previous year, as volume increases in Sweden more than offset declines in Travel Retail and declines in

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

deliveries to the distributor in Norway. Sales revenues in Scandinavia grew by 9 percent in the third quarter, while operating profit grew by 4 percent on higher marketing and production costs. During the quarter there were a number of new product and packaging updates, including product development and some launch costs for *Lab Series 01* and *02*, an innovative and unique product which continues its roll-out during the fourth quarter in Norway. The new, *General White Portion* snus in an upgraded “star formation” packaging which was launched in February, has been well received in Sweden, supported by marketing activities in the second and third quarters. At the end of June, consumer prices for Swedish snus were increased by an average of 4 percent – the first price increase in the Swedish market since January, 2008.

In the US, sales increased by 12 percent during the third quarter. US volumes measured in number of cans rose by 13 percent during the third quarter and were up 10 percent for the year to date period, led by strong growth for the *Longhorn* brand. During the third quarter, the Company began shipping *Longhorn pouches* to retailers. *Longhorn* offers consumers a lower priced alternative in the fast growing pouch segment of the market. Swedish Match consumer volumes as measured by Nielsen for the year to date period through October 3 increased by 7.1 percent compared to the same period of the previous year. Market growth in the same period was 1.6 percent according to Nielsen. The strong shipment volumes were a contributor to the sales and operating profit growth in the US snuff business.

From April 1, excise taxes in the US increased by 91.5 cents per pound (about 7 cents per can for most products). Swedish Match maintained pricing until June 23, when prices increased by 7-10 cents per can. This increase compensated for the tax increase, bringing net prices closer to pre April 1 levels.

For the first nine months of the year, sales increased to 3,149 MSEK (2,690) and operating profit increased to 1,394 MSEK (1,195). Operating margin was 44.3 percent (44.4).

Cigars

Swedish Match is one of the world's largest producers of cigars and cigarillos. Swedish Match offers a full range of different cigars and brands. Well known brands include Macanudo, La Gloria Cubana, White Owl, Garcia y Vega, La Paz, Hajenius, Hollandia, Justus van Maurik, Willem II, and Salsa. The US is the largest cigar market in the world. Swedish Match has a leading position in the premium segment and is well established in the segment for machine made cigars. After the US, the most important cigar markets are in Europe, where Swedish Match is well represented in most countries. The largest markets for Swedish Match in sales terms in Europe are France, Benelux, Finland, and Spain.

During the third quarter, sales were 1,065 MSEK (933), and operating profit amounted to 190 MSEK (187). Excluding restructuring charges, operating profit was 235 MSEK. In local currencies, sales in the third quarter were up 1 percent compared to the same period of the previous year, while operating profit declined by 5 percent. Operating margin was 17.9 percent. Excluding restructuring charges, operating margin was 22.1 percent (20.0) and operating profit increased by 14 percent in local currencies.

During the third quarter, US mass market cigar sales grew by 14 percent in local currency, with volumes up by 8 percent compared to the same period in the previous year.

US premium cigar sales, which includes Internet and mail order, were down in local currency. US premium cigar volumes declined, to a degree as a result of timing of deliveries, with increased volumes to mail order and Internet retailers partially offsetting declines for traditional retailers.

In the third quarter, a restructuring charge of 45 MSEK was recorded for the partial relocation of production of machine made cigars from the US to the Dominican Republic. Of this charge, 35 MSEK was a non-cash write-down of property, plant and equipment. Excluding this restructuring cost, spending returned to more normal levels in the quarter, while in the second quarter costs were unusually low due to temporary cost reductions.

Cigar sales in Europe grew as a result of higher volumes in a number of markets, most notably in France, Portugal, and Spain.

For cigars in total, sales for the first nine months amounted to 3,369 MSEK (2,592), while operating profit was 757 MSEK (481). In local currencies sales increased by 7 percent versus the previous year, while operating profit increased by 30 percent. Excluding restructuring charges, operating profit was 802 MSEK (481), and increased by 37 percent in local currencies.

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.

During the third quarter, sales increased by 18 percent, to 280 MSEK (237). In local currency, sales of chewing tobacco increased by 2 percent. Operating profit increased by 23 percent, to 107 MSEK (87). In local currency, the operating profit increased by 6 percent. Operating margin was 38.4 percent (36.9).

Sales for the first nine months amounted to 878 MSEK (674) while operating profit amounted to 335 MSEK (233). In local currency, sales for the first nine months were up 3 percent, while operating profit grew by 13 percent. Operating margin was 38.1 percent (34.6).

During the second quarter, Swedish Match began producing chewing tobacco as part of a production agreement with National Tobacco. Production was fully up and running during the third quarter.

Lights

Swedish Match is the market leader in a number of markets for matches. The brands are mostly local, with leading positions in their home countries. Larger brands include Solstickan, Three Stars, Fiat Lux, 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 388 MSEK (401). In local currencies, sales declined by 9 percent. Operating profit amounted to 62 MSEK (85). The operating profit in the third quarter of 2008 included a capital gain of 9 MSEK. Operating margin was 15.9 percent (21.2).

Sales for the first nine months amounted to 1,152 MSEK (1,117), while operating profit amounted to 187 MSEK (204). Operating margin was 16.2 percent (18.2).

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 781 MSEK (740). Operating loss for Other Operations was 19 MSEK (30).

Sales for the first nine months amounted to 2,111 MSEK (2,057). Operating loss for the first nine months was 104 MSEK (119).

Taxes

In the first nine months of the year, the reported tax expense amounted to 469 MSEK (245), corresponding to a tax rate of 21 percent (15). In Sweden the corporate tax rate was reduced from 28 percent to 26.3 percent as from January 1, 2009.

The change to the tax rate compared to the full year 2008 (14 percent) is mainly attributable to significant positive one-time reversals of tax provisions in 2008 and a tax exempt gain from the sale of the UK subsidiary in 2008. Currency movements also impact the tax rate as a large portion of profits are generated in the US where the Group's average tax rate is approximately 38 percent.

Earnings per share

Basic earnings per share for the third quarter amounted to 2.53 SEK (2.47). Basic earnings per share including discontinued operations amounted to 5.38 SEK (2.67).

EPS (basic) for the first nine months was 7.15 SEK (5.55), while diluted EPS was 7.15 SEK (5.54). EPS (basic) including discontinued operations for the first nine months was 10.33 SEK (6.07), while diluted EPS was 10.32 SEK (6.06).

Depreciation, amortization and write-downs

In the third quarter, total depreciation, amortization and write-downs amounted to 145 MSEK (104), of which depreciation on property, plant and equipment amounted to 82 MSEK (74) and amortization of intangible assets amounted to 28 MSEK (30). In the third quarter, a write-down of property, plant and equipment of 35 MSEK (0) was recorded related to the partial relocation of production of machine made cigars from the US to the Dominican Republic.

In the first nine months of the year, total depreciation, amortization and write-downs amounted to 371 MSEK (311), of which depreciation and write-down on property, plant and equipment amounted to 281 MSEK (223) and amortization of intangible assets amounted to 90 MSEK (88). Amortization of intangible assets mainly pertains to trademarks.

Financing and cash flow

Cash flow from operations for the first nine months of the year amounted to 1,871 MSEK compared with 1,356 MSEK for the same period of the previous year. Cash flow from operations in the first quarter of 2008 was negatively affected by timing differences in working capital and excise tax payments from the hoarding in the Swedish market at the end of 2007.

The net debt as per September 30, 2009 amounted to 6,494 MSEK compared to 7,640 MSEK at December 31, 2008. During the first nine months of the year new bond loans of 998 MSEK were issued. Repayment of loans for the same period amounted to 1,524 MSEK including repurchase of 900 MSEK of bond loans with shorter maturities. As at September 30, 2009 Swedish Match had 9,028 MSEK of

interest bearing debt excluding retirement benefit obligations. During the fourth quarter 2009, 35 MSEK of this debt falls due and in 2010, 1,417 MSEK is due for repayment.

In the first nine months of the year, dividend payments of 1,024 MSEK and share repurchases, net, of 1,318 MSEK were made. Investments in property, plant and equipment in the first nine months of the year amounted to 324 MSEK (207).

Cash and cash equivalents amounted to 3,600 MSEK at the end of the period, compared with 3,178 MSEK as of December 31, 2008. As of September 30, 2009, Swedish Match had 2,546 MSEK in unutilized committed credit lines.

Net finance cost for the first nine months decreased to 333 MSEK (345).

Average number of employees

The average number of employees in the Group during the first nine months of 2009 was 11,128 compared with 11,483 for the full year 2008.

Share structure

The Annual General Meeting on April 28, 2009 approved a mandate to repurchase shares for a maximum amount of 3,000 MSEK until the next Annual General Meeting with the condition that the Company at any time does not hold more than 10 percent of all shares of the Company. In addition, in accordance with the resolution at the Annual General Meeting, 4.0 million shares held in treasury have been cancelled. The total number of registered shares in the Company after the cancellation of shares is 251,000,000.

After Annual General Meeting approval, the Company issued 1,716,948 call options to senior Company officials and key employees for the stock option program for 2008. These call options can be exercised from March 2012 to February 2014. The strike price is 141.24 SEK.

During the first nine months 10.4 million shares were repurchased for 1,368 MSEK at an average price of 131.71 SEK. Total shares bought back by Swedish Match since the buyback programs started have been repurchased at an average price of 82.50 SEK. During the first nine months of the year the Company sold 0.6 million treasury shares at an average price of 88.22 SEK as a result of option holders exercising options. As per September 30, 2009 Swedish Match held 11.7 million shares in treasury, corresponding to 4.6 percent of the total number of shares. The number of shares outstanding, net after repurchases and after the sale of treasury shares, as per September 30, 2009 amounted to 239.3 million. In addition, the Company has call options outstanding as of September 30, 2009 corresponding to 5.3 million shares exercisable in gradual stages from 2009-2014.

Other events and events following the close of the reporting period

Swedish Match and Philip Morris International announced in February the agreement to establish an exclusive joint venture company to commercialize Swedish snus and other smokefree tobacco products worldwide, outside of Scandinavia and the United States. The joint venture is based in Stockholm and the board of directors consists of six members, with three nominated by each company.

In February 2009, legislation was signed in the US to fund the State Childrens' Health Care Insurance Programs (SCHIP) through tobacco tax revenues (federal excise tax increases). The new federal excise tax rates became effective on April 1, 2009, and impacts both shipment volumes and consumption during 2009.

On June 22, 2009 a new law was signed in the US which grants the Food and Drug Administration (FDA) authority to regulate tobacco products. According to the legislation, payments of user fees, certain registrations as well as other requirements begins implementation from the second half of 2009.

On July 2, 2009, Swedish Match AB announced that it has reached an agreement to sell its South African operations, Swedish Match South Africa (Proprietary) Limited (SMSA) to Philip Morris International (PMI) for a purchase price amounting to 1.75 billion ZAR. The transaction was completed during the month of September. In 2008 the South African operations had total sales of 688 million ZAR. SMSA will continue to distribute lighters, matches and cigars for Swedish Match.

In October, and in accordance with the instructions adopted by the Annual General Meeting 2009, a Nominating Committee was formed. In addition to Conny Karlsson (Chairman of the Board), Andy Brown (Cedar Rock Capital), K. G. Lindvall (Robur Kapitalförvaltning), Mads Eg Gensmann (Parvus Asset Management) and William Lock (Morgan Stanley Investment Management) have been appointed members of the Nominating Committee.

Outlook

In 2009, Swedish Match is taking further steps to drive value creation and growth to strengthen its position as a leading smokefree tobacco company while maintaining the strong commitment to profitability in other product categories. For the full year Swedish Match expects the snuff market in both Scandinavia and the US to grow. For the second half of the year, Swedish Match expects Group sales and operating profit excluding larger one-time items to exceed prior year. For the fourth quarter, Swedish Match expects that the combination of timing of shipments and promotions in the US and a weaker US dollar will bring Group operating profit below the level of the third quarter.

The Group maintains its long term financial strategy and dividend policy, and Swedish Match remains committed to returning cash not needed in operations to shareholders.

The tax rate from continuing operations for 2009, excluding one-time items, is estimated to be around 22 percent.

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's results of operations.

Swedish Match has a substantial part of its production and sales in EMU member countries as well as in Brazil and the US. 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's 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 2008.

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 1 MSEK (1). Profit before income tax amounted to 3,253 MSEK (628) and profit for the first nine months amounted to 3,514 MSEK (992). 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 4,235 MSEK (4,673).

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 during the first nine months amounted to 0 MSEK (0). The cash flow for the period was negative 1,706 MSEK (negative 801). During the first nine months of the year new bond loans of 998 MSEK were issued. Repayment of loans for the same period amounted to 1,485 MSEK including repurchase of 900 MSEK of bond loans with shorter maturities. During the period the Parent Company made share repurchases, net, of 1,318 MSEK and paid dividend of 1,024 MSEK. Cash and bank at the end of the period amounted to 996 MSEK compared with 2,702 MSEK at the beginning of the year.

Accounting principles

This report is prepared in accordance with the Accounting Standard IAS 34 Interim Financial Reporting. The Annual Account Act and the Securities Markets Act have also been applied. The report of the Parent Company is prepared in accordance with the Annual Account Act and the Securities Markets Act which is in accordance with the rules of RFR 2.2 Accounting for Legal Entities issued by the Swedish Financial Reporting Board.

New accounting standards, changes of standards and interpretations applicable from January 1, 2009 as detailed below have been applied in this report:

IFRS 8 operating segments sets out the definition of operating segments and requirements for disclosure in the financial reports. Swedish Match monitors and makes decisions about operating matters based on product areas. The reportable segments for Swedish Match are *Snus and snuff*, *Cigars*, *Chewing tobacco*, *Lights* and *Other Operations*. The South African operations accounted for the major part of the total Swedish Match pipe tobacco and accessories business and following the reporting of the South African operations as discontinued, the classification of segments was changed. The continuing pipe tobacco and accessories operations are no longer reported in a separate segment but instead included in *Other Operations* and the discontinued operations are excluded from the segment reporting. Due to the changed classification of operating segments, prior periods have been restated. There are no internal sales between operating segments and the Group's financial costs as well as taxes are not allocated to product areas. Operating assets are not monitored on a segment basis.

Amendments to IAS 1 Presentation of financial statements set out a revised presentation of owner changes in equity and of comprehensive income. The revision does not change the recognition, measurement or disclosure of specific transactions.

Amendments to IAS 23 Borrowing costs set out that borrowing costs directly pertaining to acquisition, construction or production of an asset that takes a substantial time to complete shall be capitalized. The amendment has not had a material impact on the financial report.

In all other respects the accounting principles are the same as in the 2008 Annual Report.

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 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 January-December 2009 report will be released on February 25, 2010.

Stockholm, October 27, 2009

Lars Dahlgren
President and CEO

Key data

	January – September		12 months	Full year
	2009	2008	ended Sep 30, 2009	2008
<i>Continuing operations</i>				
Operating margin, % ¹⁾	24.1	21.8	23.9	22.2
Operating capital, MSEK	8,207	7,974	8,207	8,841
Return on operating capital, % ¹⁾			41.7	34.0
EBITDA, MSEK ³⁾	2,938	2,305	3,855	3,222
EBITA, MSEK ⁴⁾	2,657	2,082	3,497	2,921
Net debt, MSEK	6,494	7,468	6,494	7,640
Investments in property, plant and equipment, MSEK ²⁾	324	207	436	319
EBITA interest cover	8.5	6.5	8.5	7.0
Net debt/EBITA			1.9	2.6
<i>Share data</i>				
Earnings per share, basic, SEK				
From continuing operations	7.15	5.55	9.91	8.30
Including discontinued operations	10.33	6.07	13.24	8.98
Earnings per share, diluted, SEK				
From continuing operations	7.15	5.54	9.90	8.29
Including discontinued operations	10.32	6.06	13.23	8.96
Number of shares outstanding at end of period	239,345,000	249,160,000	239,345,000	249,160,000
Average number of shares outstanding, basic	246,990,305	252,769,971	247,532,729	251,867,479
Average number of shares outstanding, diluted	247,138,150	253,174,385	247,700,425	252,211,733

1) Excluding a gain of 73 MSEK from sale of subsidiary and related assets during the fourth quarter 2008

2) Includes investments in assets held for sale and forest plantations

3) Operating profit excluding larger one-time items adjusted for depreciation, amortization and writedowns of tangible and intangible assets

4) Operating profit excluding larger one-time items adjusted for amortization and writedowns of intangible assets

Consolidated income statement in summary

MSEK

	July – Sep			Jan – Sep			12 months	Full year	Chg
	2009	2008	Chg %	2009	2008	Chg %	ended Sep 30, 2009		
<i>Continuing operations</i>									
Sales, including tobacco tax	6,737	6,033		19,073	16,652		25,215	22,793	
Less tobacco tax	-3,130	-2,759		-8,415	-7,521		-11,077	-10,182	
Sales	3,606	3,274	10	10,659	9,131	17	14,139	12,611	12
Cost of goods sold	-1,843	-1,663		-5,279	-4,690		-7,025	-6,437	
Gross profit	1,764	1,611	9	5,379	4,441	21	7,112	6,174	15
Sales and administrative expenses	-892	-808		-2,821	-2,454		-3,751	-3,384	
Share of profit in equity accounted investees	3	5		9	7		14	11	
Gain on sale of subsidiary and related assets	-	-		-	-		73	73	
Operating profit	874	808	8	2,568	1,994	29	3,448	2,874	20
Finance income	35	39		76	113		116	154	
Finance costs	-152	-154		-408	-458		-546	-595	
Net finance cost	-117	-115		-333	-345		-429	-441	
Profit before income tax	757	693	9	2,235	1,649	36	3,019	2,433	24
Income tax expense	-142	-72		-469	-245		-566	-342	
Profit for the period from continuing operations	615	621	-1	1,766	1,404	26	2,453	2,091	17
<i>Discontinued operations</i>									
Profit from discontinued operations, net after tax	705	50		785	129		826	170	
Profit for the period	1,319	671	97	2,551	1,534	66	3,279	2,261	45
<i>Attributable to:</i>									
Equity holders of the Parent	1,319	671		2,550	1,533		3,278	2,261	
Minority interests	0	0		1	1		1	1	
Profit for the period	1,319	671	97	2,551	1,534	66	3,279	2,261	45
<i>Earnings per share, basic, SEK</i>									
From continuing operations	2.53	2.47		7.15	5.55		9.91	8.30	
Including discontinued operations	5.38	2.67		10.33	6.07		13.24	8.98	
<i>Earnings per share, diluted, SEK</i>									
From continuing operations	2.52	2.47		7.15	5.54		9.90	8.29	
Including discontinued operations	5.37	2.66		10.32	6.06		13.23	8.96	

Consolidated statement of comprehensive income

MSEK	July – Sep		Jan – Sep		12 months	Full
	2009	2008	2009	2008	ended Sep 30, -09	year 2008
Profit recognized in the income statement	1,319	671	2,551	1,534	3,279	2,261
<i>Other comprehensive income</i>						
Translation difference in foreign operations	-339	549	-357	206	397	959
Reclassification of pension plan	-	-	-	212	-	212
Effective portion of changes in fair value of cash flow hedges	25	-65	90	-23	-71	-184
Actuarial gains and losses attributable to pensions, incl. payroll tax*	-182	-	-67	-	-1,020	-952
Income tax relating to components of other comprehensive income	73	19	26	-53	363	284
Other comprehensive income from discontinued operations	-43	58	130	-118	115	-133
Other comprehensive income	-466	561	-178	224	-216	186
Total comprehensive income	853	1,232	2,373	1,758	3,063	2,447
<i>Attributable to:</i>						
Equity holders of the Parent	853	1,231	2,373	1,757	3,062	2,446
Minority interest	0	0	1	1	1	1
Total comprehensive income	853	1,232	2,373	1,758	3,063	2,447

* During 2008 actuarial gains and losses were calculated only at year end

Consolidated balance sheet in summary

MSEK	September 30, 2009	December 31, 2008
Intangible assets	3,730	4,702
Property, plant and equipment	2,419	2,458
Other non-current financial receivables ¹⁾	2,127	2,284
Current operating assets	5,052	5,732
Other current investments	1	1
Cash and cash equivalents	3,600	3,178
Total assets	16,929	18,355
Equity attributable to equity holders of the Parent	1,426	1,377
Minority interest	4	4
Total equity	1,431	1,381
Non-current provisions	1,338	1,281
Non-current loans	9,207	9,975
Other non-current financial liabilities ²⁾	1,368	1,337
Current provisions	34	29
Current loans	472	743
Other current liabilities	3,080	3,609
Total equity and liabilities	16,929	18,355

1) Includes pension assets of 173 MSEK (134) and derivative financial instruments of 655 MSEK (1,064) used to hedge the Parent Company's bond loans denominated in euro

2) Includes pension liabilities of 1,240 MSEK (1,298) and derivative financial instruments of 3 MSEK (-) used to hedge the Parent Company's bond loans denominated in euro

Consolidated cash flow statement in summary

<i>MSEK</i>	January – September	
	2009	2008
<i>Operating activities</i>		
Profit before income taxes	2,235	1,649
Adjustments for non-cash items and other	190	295
Income tax paid	-436	-434
Cash flow from operating activities before changes in working capital	1,990	1,511
Cash flow from changes in working capital	-119	-154
Net cash from operating activities	1,871	1,356
<i>Investing activities</i>		
Acquisition of property, plant and equipment	-324	-207
Proceeds from sale of property, plant and equipment	4	65
Acquisition of intangible assets	-1	-2
Acquisition of subsidiaries, net of cash acquired ¹⁾	-48	-14
Divestments of business operations	1,574	5
Changes in financial receivables etc.	0	2
Net cash used in investing activities	1,205	-150
<i>Financing activities</i>		
Changes in loans	-527	-380
Dividends paid to equity holders of the Parent	-1,024	-886
Repurchase of own shares	-1,368	-996
Stock options exercised	51	62
Other	76	-99
Net cash used in financing activities	-2,793	-2,299
Net increase/decrease in cash and cash equivalents	284	-1,093
<i>Cash flow from discontinued operations</i>		
Net cash from operating activities	233	175
Net cash used in investing activities	-6	17
Net cash used in financing activities	-51	-3
Net increase in cash and cash equivalents	176	190
Cash and cash equivalents at the beginning of the period	3,178	3,439
Effect of exchange rate fluctuations on cash and cash equivalents	-38	-113
Cash and cash equivalents at the end of the period	3,600	2,424

- 1) Acquisitions in 2009 pertain to Rocker Production AB acquired from Philip Morris International of 31 MSEK, investment of 8 MSEK in Swedish Match's and Philip Morris International's joint venture company and final payment for the acquisition of Havana Honeys' assets of 8 MSEK. At the date of the acquisition of Rocker Production AB, the acquired company's net assets amounted to 31 MSEK. Of the company's assets, tangible assets accounted for 21 MSEK, inventories for 12 MSEK and other assets for 3 MSEK. Acquired liabilities amounted to 5 MSEK. If the acquisition had occurred on January 1, 2009, the Group estimates that net sales for the Group would have increased by 1 MSEK and net profit would have decreased by 2 MSEK

Change in shareholders' equity

<i>MSEK</i>	Equity attributable to holders of the Parent	Minority interest	Total equity
Equity at January 1, 2008	720	4	724
Total comprehensive income	1,757	1	1,758
Repurchase of own shares	-996	-	-996
Stock options exercised	62	-	62
Share-based payments, IFRS 2	23	-	23
Cancellation of shares	-18	-	-18
Bonus issue	18	-	18
Dividends	-886	-	-886
Equity at September 30, 2008	683	4	687
Equity at January 1, 2009	1,377	4	1,381
Total comprehensive income	2,372	1	2,373
Repurchase of own shares	-1,368	-	-1,368
Stock options exercised	51	-	51
Share-based payments, IFRS 2	19	-	19
Cancellation of shares	-6	-	-6
Bonus issue	6	-	6
Dividends	-1,024	-	-1,024
Equity at September 30, 2009	1,426	4	1,431

Discontinued operations

In the third quarter Swedish Match discontinued Swedish Match South African operations. The South African operations primarily manufacture and sell pipe tobacco and nasal snuff and accounted for approximately 70 percent of the sales of the former pipe tobacco and accessories segment.

Analysis of the result from discontinued operations

<i>MSEK</i>	January – September 2009	September 2008
Sales	489	403
Expenses	-319	-245
Income taxes	-13	-29
Capital gain from sale of discontinued operations	628	-
Profit from discontinued operations, net after tax	785	129

Parent Company income statement in summary

<i>MSEK</i>	January – September	
	2009	2008
Sales	1	1
Cost of goods sold	-	-
Gross profit	1	1
Selling and administrative expenses	-214	-211
Operating loss	-213	-210
Income from participation in Group companies	4,235	1,953
Result from participation in joint venture	-5	-
Net finance cost	-764	-1,115
Profit before income tax	3,253	628
Income tax	261	364
Profit for the period	3,514	992

Parent Company balance sheet in summary

<i>MSEK</i>	Sep 30, 2009	Sep 30, 2008
Intangible and tangible fixed assets	2	9
Financial fixed assets	51,179	50,472
Current assets	7,725	4,544
Total assets	58,906	55,025
Equity	23,413	21,343
Untaxed reserves	2	13
Provisions	23	21
Non-current liabilities	27,033	26,616
Current liabilities	8,435	7,032
Total liabilities	35,491	33,669
Total equity and liabilities	58,906	55,025

Quarterly data

MSEK	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q4/07	Q3/07
<i>Continuing operations</i>									
Sales, including tobacco tax	6,737	6,648	5,690	6,141	6,033	5,832	4,786	6,275	5,724
Less tobacco tax	-3,130	-2,982	-2,303	-2,661	-2,759	-2,668	-2,093	-2,916	-2,598
Sales	3,606	3,666	3,387	3,480	3,274	3,164	2,693	3,359	3,126
Cost of goods sold	-1,843	-1,812	-1,624	-1,747	-1,663	-1,633	-1,395	-1,798	-1,641
Gross profit	1,764	1,854	1,762	1,733	1,611	1,531	1,298	1,561	1,485
Sales and administrative expenses	-892	-958	-970	-930	-808	-846	-799	-822	-789
Share of profit in equity accounted investees	3	4	2	4	5	5	-3	-1	0
	874	899	794	807	808	691	496	738	696
<i>Larger one-time items</i>									
Gain on sale of subsidiary and related assets	-	-	-	73	-	-	-	-	-
Gain on sale of real estate	-	-	-	-	-	-	-	267	-
Operating profit	874	899	794	880	808	691	496	1,005	696
Finance income	35	14	27	41	39	33	40	53	29
Finance costs	-152	-122	-135	-137	-154	-150	-153	-138	-133
Net finance cost	-117	-108	-108	-97	-115	-117	-113	-85	-103
Profit before income tax	757	791	686	784	693	574	383	920	592
Income tax expense	-142	-168	-159	-97	-72	-95	-78	-177	-147
Profit for the period from continuing operations	615	624	527	687	621	479	304	743	445
<i>Discontinued operations</i>									
Profit from discontinued operations, net after tax	705	41	40	41	50	38	42	48	46
Profit for the period	1,319	664	567	728	671	517	346	791	491
<i>Attributable to:</i>									
Equity holders of the Parent	1,319	664	567	728	671	517	346	791	491
Minority interest	0	0	0	0	0	0	0	0	0
Profit for the period	1,319	664	567	728	671	517	346	791	491

Sales by product area

MSEK	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q4/07	Q3/07
Snus and snuff	1,093	1,087	969	1,035	964	926	801	949	832
Cigars	1,065	1,129	1,175	1,052	933	905	754	923	898
Chewing tobacco	280	314	284	260	237	227	210	222	243
Lights	388	387	377	407	401	371	345	402	371
Other Operations	781	749	581	726	740	735	583	863	782
Total	3,606	3,666	3,387	3,480	3,274	3,164	2,693	3,359	3,126

Operating profit by product area

MSEK	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q4/07	Q3/07
Snus and snuff	534	463	397	463	479	403	313	435	380
Cigars	190	281	286	205	187	183	111	194	184
Chewing tobacco	107	129	98	96	87	77	69	75	83
Lights	62	62	63	71	85	63	55	67	66
Other Operations	-19	-36	-50	-27	-30	-37	-52	-33	-17
Subtotal	874	899	794	807	808	691	496	738	696
<i>Larger one-time items</i>									
Gain on sale of subsidiary and related assets	-	-	-	73	-	-	-	-	-
Gain on sale of real estate	-	-	-	-	-	-	-	267	-
Subtotal	-	-	-	73	-	-	-	267	-
Total	874	899	794	880	808	691	496	1,005	696

Operating margin by product area*

Percent	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q4/07	Q3/07
Snus and snuff	48.8	42.6	40.9	44.7	49.7	43.6	39.0	45.8	45.6
Cigars	17.9	24.9	24.3	19.5	20.0	20.2	14.7	21.0	20.5
Chewing tobacco	38.4	41.0	34.6	36.8	36.9	34.1	32.7	34.1	34.3
Lights	15.9	16.1	16.7	17.5	21.2	17.1	16.1	16.7	17.9
Group	24.2	24.5	23.4	23.2	24.7	21.8	18.4	22.0	22.3

* Excluding larger one-time items, but including a restructuring charge of 45 MSEK for cigars in Q3 2009

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

For further information, please contact:

Lars Dahlgren, President and Chief Executive Officer
Office +46 8 658 0441, Mobile +46 70 958 0441

Joakim Tilly, Chief Financial Officer
Office +46 8 658 0213, Mobile +46 76 860 9597

Henrik Brehmer, Senior Vice President Corporate Communications
Office +46 8 658 0452, Mobile +46 76 111 3414

Emmett Harrison, Vice President, Investor Relations
Office +46 8 658 0173, Mobile +46 70 938 0173

Richard Flaherty, President US Sales Division, US Investor Relations contact
Office +1 804 302 1774, Mobile +1 804 400 1774

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 27, 2009 at 08.00 a.m. (CET).