

Full Year Report January – December 2010

- **Comparable sales¹⁾ for the full year increased by 5 percent to 11,222 MSEK (10,678) and for the fourth quarter by 7 percent to 2,801 MSEK (2,620). Sales for the full year, including businesses transferred to STG²⁾, were 13,606 MSEK (14,204)**
- **In local currencies, comparable sales¹⁾ for the full year increased by 7 percent and for the fourth quarter by 9 percent**
- **Comparable operating profit³⁾ for the full year increased by 9 percent to 3,158 MSEK (2,900) and for the fourth quarter by 13 percent to 836 MSEK (740)**
- **In local currencies, comparable operating profit³⁾ for the full year increased by 12 percent and for the fourth quarter by 15 percent**
- **Operating profit including businesses transferred to STG, share of net loss from STG and larger one time items⁴⁾ for the full year increased by 22 percent to 4,169 MSEK (3,417) and for the fourth quarter to 1,421 MSEK (850)**
- **EPS (basic) for the full year amounted to 13.12 SEK (9.67) and for the fourth quarter to 4.85 SEK (2.52)**
- **The Board proposes an increased dividend to 5.50 SEK (4.75)**
 - 1) Sales excluding businesses transferred to STG.
 - 2) In accordance with IFRS, includes sales for businesses transferred to STG for the full year of 2009 and for the first nine months only of 2010.
 - 3) Operating profit excluding businesses transferred to STG, share of net loss from STG and larger one time items.
 - 4) Larger one time items include a gain from pension settlements, capital gains from businesses transferred to STG, and reversals of amortizations and depreciations relating to assets held for sale.

CEO Lars Dahlgren comments:

For the full year 2010 Swedish Match reported solid sales growth across our businesses. In the fourth quarter, sales, excluding businesses transferred to STG, increased by 7 percent. Sales in local currencies increased for every product area, except for Other operations. Snus and snuff and Other tobacco products showed strong improvements in operating profit.

In the Snus and snuff product area, we achieved solid gains in sales for Scandinavian snus, with volume growth in Sweden and Norway. In the US, fourth quarter moist snuff sales were higher than last year, while operating profit was impacted by marketing investments behind *General* snus. Our investments for growth in the smokefree business continue, and we see positive signs from recent new product initiatives in

Scandinavia as well as in the US. At the end of 2010, SMPM International began its second limited test, this time in Canada. This test is in addition to activities in Taiwan.

The US mass market cigar business continues to perform very well, and our market share continues to grow. With regard to our new partnership with Scandinavian Tobacco Group, operational since October 1, we are pleased with the pace of activity as Scandinavian Tobacco Group works through the integration process. We are now expecting to see some of the synergy benefits coming through over the coming quarters.

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.

New segment reporting following the transaction with STG

On October 1, 2010 the transaction between Swedish Match and Scandinavian Tobacco Group to form a new company was closed. Swedish Match contributed its cigar business (with the exception of its US mass market cigar business and its holding in Arnold André) as well as its pipe tobacco and accessories businesses into the new STG and holds 49 percent of the company. As a result of this transaction, the reportable segments of the Group have changed. In the new segment reporting, US mass market cigars and chewing tobacco are combined and presented as one segment "Other tobacco products". The new segments are thereby Snus and snuff, Other tobacco products, Lights and Other operations. For comparison purposes, the financials of prior periods have been restated to separate the operations transferred to STG, unless otherwise stated.

Summary of consolidated income statement

| MSEK | October-December | | Full year | |
|--|------------------|--------------|---------------|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| Comparable sales¹⁾ | 2,801 | 2,620 | 11,222 | 10,678 |
| Sales | 2,801 | 3,545 | 13,606 | 14,204 |
| Comparable operating profit²⁾ | 836 | 740 | 3,158 | 2,900 |
| Operating profit³⁾ | 1,421 | 850 | 4,169 | 3,417 |
| Profit before income tax | 1,221 | 739 | 3,607 | 2,974 |
| Profit from continuing operations | 1,074 | 595 | 2,958 | 2,361 |
| Profit from discontinued operations, net after tax⁴⁾ | - | - | - | 785 |
| Profit for the year | 1,074 | 595 | 2,958 | 3,146 |
| Earnings per share, basic (SEK) | 4.85 | 2.52 | 13.12 | 9.67 |
| Earnings per share, including discontinued operations, basic (SEK)⁴⁾ | - | 2.52 | - | 12.88 |

1) Sales excluding businesses transferred to STG.

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

3) Including operating profit from businesses transferred to STG for 2009 and in the first nine months of 2010, as well as the share of net loss in STG in the fourth quarter of 2010.

4) South African operations divested in 2009. See Note 2 - Discontinued operations.

Sales and results for the fourth quarter

Comparable sales (excluding businesses transferred to STG) for the fourth quarter of 2010 increased by 7 percent to 2,801 MSEK (2,620) compared to the fourth quarter of 2009. Currency translation has affected the sales comparison negatively by 48 MSEK. In local currencies, sales increased by 9 percent.

Sales of Scandinavian snus (pasteurized) and US snuff (fermented) in the fourth quarter increased by 7 percent to 1,178 MSEK (1,101) and operating profit increased by 8 percent to 567 MSEK (523). Scandinavian snus sales were up by 9 percent

compared to the fourth quarter of the prior year while volumes measured in number of cans were up by slightly more than 1 percent.

In the US, sales of snuff in local currency increased by 6 percent, while volumes declined by 1 percent year on year in the fourth quarter. The operating margin for the Snus and snuff product area was 48.1 percent (47.5).

For Other tobacco products, sales in the fourth quarter were 557 MSEK (456). Operating profit was 208 MSEK (136). Currency translation has affected the sales and operating profit comparison negatively by 17 MSEK and 6 MSEK respectively. Compared to the fourth quarter of the prior year, sales and operating profit grew most significantly for the US mass market cigar business and were also higher for the chewing tobacco business in local currency. Operating margin for Other tobacco products was 37.4 percent (29.9).

Group operating profit for the fourth quarter was affected by a number of larger one time items including a gain from pension settlements (see details under section Other events in this report) and a capital gain from the revaluation of assets held for sale upon completion of the STG transaction. The capital gain from the STG transaction has no cash flow effect, for details on the cash flow effects from the STG transaction, see Note 3 in this report. The share of net loss from STG for the fourth quarter includes restructuring charges, transaction costs and IFRS acquisition adjustments of 175 MSEK before tax. Comparable Group operating profit (excluding businesses transferred to STG, share of net loss from STG and larger one time items) increased by 13 percent to 836 MSEK (740). Currency translation has affected the comparison negatively by 17 MSEK. In local currencies, comparable Group operating profit increased by 15 percent. Comparable operating margin for the fourth quarter was 29.9 percent (28.3). Comparable EBITDA margin was 32.6 percent (30.7).

Group operating profit, including businesses transferred to STG, share of net loss from STG and larger one time items, reached 1,421 MSEK (850).

Basic earnings per share for the fourth quarter amounted to 4.85 SEK (2.52).

Sales and results for the full year

Comparable sales (excluding businesses transferred to STG) for the full year increased to 11,222 MSEK (10,678). In local currencies, comparable sales increased by 7 percent. Comparable Group operating profit (excluding businesses transferred to STG, share of net loss from STG and larger one time items) increased by 9 percent to 3,158 MSEK (2,900). Currency translation has affected the comparable operating profit comparison negatively by 76 MSEK. In local currencies comparable operating profit increased by 12 percent. Comparable operating margin for the year was 28.1 percent (27.2). Comparable EBITDA margin was 30.7 percent (30.2).

Full year operating profit, including businesses transferred to STG, share of net loss from STG and larger one time items, increased by 22 percent, to 4,169 MSEK (3,417).

EPS (basic) for the year was 13.12 SEK (9.67, or 12.88 including discontinued operations), while diluted EPS was 13.09 SEK (9.66, or 12.87 including discontinued operations).

Sales by product area

| MSEK | October-December | | Chg % | Full year | | Chg % |
|---|------------------|--------------|------------|---------------|---------------|-----------|
| | 2010 | 2009 | | 2010 | 2009 | |
| Snus and snuff | 1,178 | 1,101 | 7 | 4,522 | 4,250 | 6 |
| Other tobacco products | 557 | 456 | 22 | 2,440 | 2,337 | 4 |
| Lights | 379 | 373 | 2 | 1,429 | 1,403 | 2 |
| Other operations | 687 | 690 | 0 | 2,831 | 2,689 | 5 |
| Comparable sales | 2,801 | 2,620 | 7 | 11,222 | 10,678 | 5 |
| Businesses transferred to STG ¹⁾ | - | 925 | | 2,385 | 3,526 | -32 |
| Total | 2,801 | 3,545 | -21 | 13,606 | 14,204 | -4 |

1) Sales for businesses transferred to STG for 2009 and for the first nine months of 2010, net of inter-company sales eliminations.

Operating profit by product area

| MSEK | October-December | | Chg % | Full year | | Chg % |
|--|------------------|------------|-----------|--------------|--------------|-----------|
| | 2010 | 2009 | | 2010 | 2009 | |
| Snus and snuff | 567 | 523 | 8 | 2,080 | 1,916 | 9 |
| Other tobacco products | 208 | 136 | 53 | 942 | 804 | 17 |
| Lights | 87 | 100 | -12 | 279 | 312 | -11 |
| Other operations | -26 | -18 | | -142 | -132 | |
| Comparable operating profit | 836 | 740 | 13 | 3,158 | 2,900 | 9 |
| Businesses transferred to STG ¹⁾ | - | 109 | | 334 | 518 | -35 |
| Share of net loss in STG ²⁾ | -60 | - | | -60 | - | |
| Subtotal | 777 | 850 | -9 | 3,433 | 3,417 | 0 |
| Net gain from pension settlements | 59 | - | | 59 | - | |
| Capital gain from transfer of businesses to STG | 585 | - | | 585 | - | |
| Reversal of depreciation and amortization relating to assets held for sale | - | - | | 93 | - | |
| Total larger one time items | 644 | - | - | 737 | - | - |
| Total | 1,421 | 850 | 67 | 4,169 | 3,417 | 22 |

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

2) The share of net loss from Scandinavian Tobacco Group includes charges for restructuring, other transaction costs as well as IFRS acquisition adjustments amounting to 175 MSEK before tax.

In order to reconcile to the Group's profit before income tax amounting to 1,221 MSEK (739) for the fourth quarter and 3,607 MSEK (2,974) for the full year, the Group's net finance cost needs to be deducted from operating profit with an amount of 199 MSEK (111) for the fourth quarter and 562 MSEK (443) for the full year.

Operating margin by product area¹⁾

| Percent | October-December | | Full year | |
|--|------------------|-------------|-------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| Snus and snuff | 48.1 | 47.5 | 46.0 | 45.1 |
| Other tobacco products | 37.4 | 29.9 | 38.6 | 34.4 |
| Lights | 23.0 | 26.6 | 19.5 | 22.2 |
| Comparable operating margin²⁾ | 29.9 | 28.3 | 28.1 | 27.2 |
| Group, including businesses transferred to STG and share of net loss in STG | 27.7 | 24.0 | 25.2 | 24.1 |

1) Excluding larger one time items.

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

EBITDA by product area

| MSEK | October-December | | | Full year | | |
|--|------------------|------------|------------|--------------|--------------|-----------|
| | 2010 | 2009 | Chg % | 2010 | 2009 | Chg % |
| Snus and snuff | 604 | 559 | 8 | 2,225 | 2,066 | 8 |
| Other tobacco products | 235 | 152 | 55 | 1,033 | 933 | 11 |
| Lights | 98 | 110 | -11 | 320 | 352 | -9 |
| Other operations | -24 | -16 | | -137 | -126 | |
| Comparable EBITDA¹⁾ | 912 | 805 | 13 | 3,441 | 3,226 | 7 |
| Businesses transferred to STG | - | 142 | | 432 | 659 | -34 |
| Share of net loss in STG ²⁾ | -60 | - | | -60 | - | |
| Total | 852 | 947 | -10 | 3,813 | 3,885 | -2 |

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

2) The share of net loss from Scandinavian Tobacco Group includes charges for restructuring, other transaction costs as well as IFRS acquisition adjustments amounting to 175 MSEK before tax.

EBITDA margin by product area

| Percent | October-December | | Full year | |
|--|------------------|-------------|-------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| Snus and snuff | 51.3 | 50.8 | 49.2 | 48.6 |
| Other tobacco products | 42.2 | 33.3 | 42.3 | 39.9 |
| Lights | 25.8 | 29.4 | 22.4 | 25.1 |
| Comparable EBITDA margin¹⁾ | 32.6 | 30.7 | 30.7 | 30.2 |
| Group, including businesses transferred to STG and share of net loss in STG | 30.4 | 26.7 | 28.0 | 27.4 |

1) Excluding businesses transferred to STG and share of net 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 nearly five times larger than the Scandinavian snus market. In Sweden and Norway, Swedish Match has a leading position. In the US, the Group is well positioned as the third largest player. Some of the best known brands include General, Ettan, Grovsnus, Göteborgs Rapé, Catch, and Kronan in Sweden, and Red Man, Timber Wolf and Longhorn in the US.

The fourth quarter

During the fourth quarter, sales increased by 7 percent compared to the same quarter of the previous year to 1,178 MSEK (1,101), and operating profit increased by 8 percent to 567 MSEK (523). Sales, operating profit and operating margin improved in Scandinavia versus the fourth quarter of the prior year. In the US, sales revenues improved, while operating profit declined as a result of increased investments behind Swedish snus products. The operating margin for the product area was 48.1 percent (47.5).

In Scandinavia, sales volumes measured in number of cans, were up by slightly more than 1 percent during the fourth quarter compared to the fourth quarter of the previous year. Sales volumes increased in Sweden and Norway, more than offsetting declines

* 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 Travel Retail. Sales revenues in Scandinavia grew by 9 percent in the fourth quarter, and the operating margin improved from prior year's levels.

In the US, sales increased by 6 percent in local currency during the fourth quarter versus the fourth quarter of the previous year. US volumes measured in number of cans declined by 1 percent in the fourth quarter. Marketing spending remained at high levels, tied to brand awareness campaigns for *General* Swedish snus on the US market. For traditional moist snuff brands net selling price per can improved compared to the fourth quarter of the prior year, due to midyear price increases, but also due to the planned phasing of promotions resulting in less promotional volume in Q4 versus prior year. During the fourth quarter, the package design for the *Timber Wolf* brand was updated with a stronger, more impactful design.

Full year

For the full year, sales volumes in Scandinavia increased by more than 2 percent compared to the same period in the prior year with volume growth in Sweden, Norway and Travel Retail. Sales revenues grew by 10 percent and operating margin improved.

For the full year Swedish Match shipment volumes in the US declined by 2 percent compared to the prior year. Retail sales volumes of Swedish Match brands, as measured by Nielsen, for the year to date period through December 25, increased by 1.9 percent compared to the same period of the previous year. The total market growth in the same period was 9.8 percent according to Nielsen. Sales revenues in the US for the full year were up 3 percent in local currency versus prior year as improved average prices offset the decline in shipment volumes. Operating profit declined primarily as a result of marketing investments and higher raw material prices.

For the year, sales for the total product group increased to 4,522 MSEK (4,250) and operating profit increased to 2,080 MSEK (1,916). Operating margin was 46.0 percent (45.1).

Other tobacco products

With the contribution of the US premium and European cigar businesses to the new STG company, 49 percent owned by Swedish Match, the US business for mass market cigars and chewing tobacco have been combined into a new reporting segment: Other tobacco products. Swedish Match is a major player in the US mass market cigar market, with such well known brands as White Owl, Garcia y Vega, and Game by Garcia y Vega. Swedish Match offers a full range of sizes, styles, and price points for US mass market cigars. Swedish Match is the leading producer of chewing tobacco in the US and 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 fourth quarter

During the fourth quarter, sales for Other tobacco products increased to 557 MSEK (456), and operating profit increased to 208 MSEK (136). In local currencies, sales in the fourth quarter increased by 26 percent compared to the same period of the previous year, and operating profit increased by 58 percent. Operating margin was 37.4 percent (29.9).

During the fourth quarter, US mass market cigar sales increased by 49 percent in local currency compared to the same period in the previous year, and volumes grew by 69 percent. The strong growth for US mass market cigars is attributable to the continued success of FoilFresh™ cigars, as well as the successful introduction of a new line of

sweet cigars, first introduced towards the end of the second quarter during 2010. The operating margin for mass market cigars was higher than prior year level.

US chewing tobacco sales in the fourth quarter increased 4 percent in local currency, and 1 percent in SEK, as higher average prices more than offset modest volume declines. A price increase of 5 percent occurred in November. During the fourth quarter, there was some forward buying on promotions, which accounted for shipment volumes higher than normal trends would indicate. The operating margin was higher than prior year level.

Full year

For Other tobacco products, sales for the full year amounted to 2,440 MSEK (2,337), while operating profit was 942 MSEK (804). In local currency sales increased by 11 percent versus the previous year, while operating profit increased by 24 percent. For US mass market cigars, sales grew by 22 percent in local currency on 35 percent higher volumes as the product mix moved to one with substantially more smaller cigars than large cigars. Full year operating profit improved for US mass market cigars and was flat for chewing tobacco.

A restructuring charge of 10 MSEK relating to the closure of the production of the *Piccanell* chewing tobacco brand in Sweden in the second quarter 2010 is included in the operating profit, while a restructuring charge of 45 MSEK relating to US mass market cigars was included in the Q3 2009 result.

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 fourth quarter

During the fourth quarter sales amounted to 379 MSEK (373). In local currencies, sales increased by 5 percent. Operating profit amounted to 87 MSEK (100). Operating margin was 23.0 percent (26.6).

Lighters experienced sales and operating profit growth in local currencies during the fourth quarter, primarily resulting from stronger overall shipment volumes versus the prior year. Matches sales and operating profit declined in the fourth quarter in local currencies on somewhat lower volumes as well as higher production costs.

Full year

Sales for the full year amounted to 1,429 MSEK (1,403), while operating profit amounted to 279 MSEK (312). Operating margin was 19.5 percent (22.2). For the full year, lighters experienced sales and operating profit growth, while matches experienced some declines in sales and operating profit on lower volumes.

Other operations

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

The fourth quarter

Sales in Other operations for the fourth quarter amounted to 687 MSEK (690). Operating loss for Other operations was 26 MSEK (18).

Full year

Sales for the full year amounted to 2,831 MSEK (2,689). Operating loss for the full year was 142 MSEK (132). Transaction costs related to the combination of cigar and pipe tobacco activities with Scandinavian Tobacco Group are included in Other operations costs.

Scandinavian Tobacco Group

The Swedish Match 49 percent share of Scandinavian Tobacco Group's net loss after interests and tax amounted to 60 MSEK for both the fourth quarter and the full year. The share of net loss from Scandinavian Tobacco Group includes charges for restructuring, other transaction costs as well as IFRS acquisition adjustments amounting to 175 MSEK before tax. It should be noted that the share of net loss from Scandinavian Tobacco Group has no direct cash flow impact for Swedish Match. The cash flow impact for Swedish Match from the 49 percent ownership will result from future dividends from Scandinavian Tobacco Group. The size of future dividends will depend on the net result of Scandinavian Tobacco Group as well as its financial policy, stipulating a net debt/EBITA ratio of between two and three. The underlying performances of the businesses of Scandinavian Tobacco Group were somewhat mixed during the fourth quarter. The US long-filler premium cigar business was weak in the traditional brick and mortar channel, to a large extent due to inventory reductions at a major customer, while the Cigars International business (Internet, e-mail and catalogues) performed strongly which partly offset the declines in brick and mortar. For the European cigar business, Scandinavian Tobacco Group gained or maintained market share in most key markets, but suffered from a general market volume decline and mix shifts to lower priced cigars. For fine cut and pipe tobacco, the performance was stronger than prior year for branded products, but the volume manufactured for third parties declined. Excluding restructuring charges, transaction costs and IFRS acquisition adjustments, the operating profit of Scandinavian Tobacco Group in the fourth quarter was 206 MSEK.

On January 14, 2011, Scandinavian Tobacco Group announced its plans to acquire Lane Limited in the US (Lane) from Reynolds American, Inc. Lane produces pipe tobacco, fine-cut-tobacco, and little cigars. For more information, please refer to the Swedish Match press release from January 14.

Taxes

For the full year, the reported tax expense amounted to 649 MSEK (613), corresponding to a tax rate of 18.0 percent (20.6). The reported tax rate from continuing operations excluding one time items as well as profit and loss impact from associated companies and joint ventures was 22 percent (22).

Earnings per share

Basic earnings per share (EPS) for the fourth quarter amounted to 4.85 SEK (2.52), while diluted EPS was 4.83 SEK (2.51).

EPS (basic) for the full year was 13.12 SEK (9.67), while diluted EPS was 13.09 SEK (9.66). Including discontinued operations, basic EPS for the full year 2009 was 12.88 SEK, while diluted EPS was 12.87 SEK.

Proposed dividend per share

The Board of Directors proposes an increased dividend to 5.50 SEK (4.75), equivalent to 55 percent of the earnings per share for the year excluding larger one time items. The proposed dividend amounts to 1,181 MSEK (1,089) based on the 214.8 million shares outstanding at the end of the year.

Depreciation, amortization and write-downs

In the fourth quarter, total depreciation, amortization and write-downs amounted to 76 MSEK (97), of which depreciation and write-down on property, plant and equipment amounted to 62 MSEK (69) and amortization of intangible assets amounted to 13 MSEK (28). The fourth quarter of 2009 includes depreciation, amortization and write-downs related to businesses transferred to STG of 33 MSEK, of which depreciation and write-down on property, plant and equipment amounted to 17 MSEK and amortization of intangible assets amounted to 15 MSEK.

During the year, total depreciation, amortization and write-downs amounted to 288 MSEK (468), of which depreciation and write-down on property, plant and equipment amounted to 235 MSEK (350) and amortization of intangible assets amounted to 53 MSEK (118). Amortization of intangible assets mainly pertains to trademarks.

Including depreciation and amortization related to assets reported as held for sale during the period from January 15 up until October 1, 2010, total depreciation, amortization and write-downs for the full year 2010 would have amounted to 381 MSEK, of which depreciation and write-down on property, plant and equipment would have amounted to 286 MSEK and amortization of intangible assets would have amounted to 94 MSEK.

Financing and cash flow

Cash flow from operating activities for the year amounted to 2,616 MSEK compared with 2,911 MSEK for the same period previous year. The main reasons for the decline in cash flow from operations in 2010 compared to 2009 are higher taxes paid, a higher net finance cost, and that the businesses transferred to STG only are included for nine months in 2010.

Investments in property, plant and equipment during the year amounted to 311 MSEK (471). In the first quarter, 2010, the Group acquired 20 percent of the shares in Caribbean Cigar Holdings Group, S.A. (Caribbean Cigars) for 110 MSEK. The holding in Caribbean Cigars was subsequently transferred to STG on October 1.

Net finance cost for the year increased to 562 MSEK (443) of which 77 MSEK is an effect of the total realized value of discounted interest as a result from the repurchase of bond loans of 171 MEUR, maturing 2013, including matched interest rate derivatives.

The net finance cost for the year also includes bondholder consent fees related to the STG transaction of 21 MSEK paid during the second quarter 2010.

The net debt as per December 31, 2010 amounted to 7,650 MSEK compared to 7,188 MSEK at December 31, 2009.

In the year, Swedish Match paid dividends totaling 1,089 MSEK and repurchased shares, net, in the amount of 2,961 MSEK. During the year new bond loans of 4,242 MSEK were issued. Repayment of loans for the same period amounted to 2,961 MSEK including repurchase of 1,970 MSEK of bond loans with shorter maturities. As at December 31, 2010 Swedish Match had 9,885 MSEK of interest bearing debt excluding retirement benefit obligations. During 2011, 542 MSEK of this debt falls due for repayment. As of December 31, 2010, Swedish Match had 1,442 MSEK in unutilized committed credit lines.

Cash and cash equivalents amounted to 3,275 MSEK at the end of the period, compared with 2,530 MSEK at December 31, 2009.

Average number of employees

On October 1, 2010, 6,461 employees were transferred to STG. The average number of employees in the Group during the year, excluding employees transferred to STG, was 3,908 compared with 3,826 for the full year 2009. Including employees transferred to STG, the average number of employees during the year was 8,822 compared with 11,037 during the full year 2009.

Share structure

Swedish Match's Annual General Meeting decided on April 27, 2010 to authorize the Board of Directors to decide on the acquisition, on one or more occasions prior to the next Annual General Meeting, of a maximum of as many shares as may be acquired without the Company's holding at any time exceeding 10 percent of all shares in the Company. Based on this authorization, Swedish Match has during the fourth quarter repurchased 5,875,078 shares.

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

During the year, Swedish Match repurchased 17.0 million shares for 3,014 MSEK at an average price of 176.93 SEK, following authorizations from the Annual General Meetings held in 2009 and 2010. Total shares bought back by Swedish Match since the buyback program started have been repurchased at an average price of 93.46 SEK. During the year the Company sold 0.5 million treasury shares at an average price of 99.75 SEK as a result of option holders exercising options. As per December 31, 2010 Swedish Match held 16.2 million shares, corresponding to 7.01 percent of the total number of shares. The number of shares outstanding, net as per December 31, 2010, amounted to 214.8 million. During 2010, the Company has issued 713,670 call options to senior management and key employees for the stock option program for 2009. These call options can be exercised from March 2013 to February 2015. The exercise price is 197.45 SEK. As per December 31, 2010 the Company has call options outstanding corresponding to 5.5 million shares exercisable in gradual stages from 2011-2015.

In January 2011, a further 1.6 million shares have been repurchased for 313 MSEK at an average price of 195.99 SEK.

The Board will propose to the Annual General Meeting in May 2011 a renewed mandate to repurchase shares up to a total holding in treasury not exceeding 10 percent of the number of registered shares in the Company until next Annual General Meeting in 2012.

Other events

On October 4, 2010 Swedish Match announced that it had completed its transaction with Scandinavian Tobacco Group (STG) at the close of business on October 1. With this transaction, Swedish Match and STG have formed a new company. Swedish Match contributed all of its cigar business with the exception of US mass market cigars and the minority stake in the German cigar company Arnold André, and also contributed its remaining pipe tobacco and accessories businesses. STG transferred all of its tobacco business (cigars, pipe tobacco and fine cut tobacco) into the new company. The new company, named Scandinavian Tobacco Group, also distributes lighters and matches supplied by Swedish Match in relevant markets. Swedish Match holds 49 percent of the shares in the new company, with the remaining 51 percent of the shares held by the previous STG shareholders. Swedish Match is compensated

with 30 MEUR to account for the shareholding and the relative differences in enterprise values on a cash and debt free basis. The revaluation of the Swedish Match assets contributed to STG in the transaction resulted in a reported capital gain of 585 MSEK in the fourth quarter. The final purchase price and transaction adjustments are expected to be completed in the first half of 2011 and may result in an additional gain or loss. The new Scandinavian Tobacco Group has leading positions for US premium cigars, for European cigars, and strong positions in a number of other markets. For further information regarding this transaction, please refer to the press releases of April 26 and October 4, 2010 available on the Swedish Match website, www.swedishmatch.com.

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

On December 1, 2010, the pension obligations for salaried personnel and workers in Sweden which were funded by insurance policies with two company specific pension funds, PSF and PSA, were transferred to three insurance companies. As a result of this transaction, a settlement gain of 59 MSEK has been recognized in the fourth quarter of 2010. The settlement gain is the result of the difference in the obligations settled with the insurance companies and the present value of the pension obligations based on the actuarial assumptions net of the fair value of the plan assets as per the settlement date. In conjunction with the update of the pension obligations to current actuarial assumptions as per settlement date, an actuarial loss of 166 MSEK has been recognized in other comprehensive income in the fourth quarter of 2010. In accordance with IAS 19, the transferred pension obligations are treated as defined contribution plans after the transaction date of December 1, 2010.

Outlook

In 2011 Swedish Match will continue to invest for growth. During 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, excluding one time items, for 2010 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 we remain committed to returning cash not needed in operations to shareholders.

Risk factors

Swedish Match faces intense competition in all of its markets and for each of its products and such competition may increase in the future. In order to be successful the Group must promote its brands successfully and anticipate and respond to new consumer trends. Restrictions on advertising and promotion may, however, make it more difficult to counteract loss of consumer loyalty. Competitors may develop and

promote new products which could be successful, and could thereby have an adverse effect on Swedish Match results of operations.

Swedish Match has a substantial part of its production and sales in the US as well as in Brazil and EMU member countries. Consequently, changes in exchange rates of euro, Brazilian real and the US dollar in particular may adversely affect the Group's results of operations, cash flow, financial condition or relative price competitiveness in the future. Such effects may occur both in local currencies and when such local currencies are translated into Swedish currency for purposes of financial reporting.

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

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

Swedish Match AB (publ)

Swedish Match AB (publ) is the Parent Company of the Swedish Match Group.

Sales in the Parent Company for the full year amounted to zero (2 MSEK). Profit before income tax amounted to 2,614 MSEK (4,742) and profit for the year amounted to 2,402 MSEK (4,578). The main sources of income for the Parent Company are dividends and Group contributions from subsidiaries. During the year the Parent Company received dividends amounting to 4,286 MSEK (4,235) and Group contributions amounting to 1,952 MSEK (1,771). An impairment loss on shares in subsidiaries of 2,757 MSEK (-) was recognized as a result of dividends paid from subsidiaries and a gain on sale of shares in subsidiaries amounting to 299 MSEK has been recognized in the income statement of 2010.

Part of the Group's treasury operations are included in the operations of the Parent Company and include the major part of the Group's external borrowings. Some of these loans have variable interest rates and a change of interest rates could impact the result of the Parent Company.

Capital expenditures on tangible fixed assets for the year amounted to 2 MSEK (-) and 42 MSEK (0) have been capitalized in intangible assets as an investment in software development on an ERP system for the Group.

The total cash flow for the year was zero (negative 2,702 MSEK) as the Parent Company no longer holds any cash and bank balances. During the year, new bond loans of 4,242 MSEK were issued. Repayment of loans for the same period amounted to 2,961 MSEK including repurchase of 1,970 MSEK of bond loans with shorter maturities. During the year the Parent Company made share repurchases of 3,014 MSEK (2,598) and sold 0.5 million (0.6) treasury shares for 53 MSEK (51). Dividends of 1,089 MSEK (1,024) have been paid during the period.

Forward-looking information

This report contains forward-looking information based on the current expectation of the Swedish Match Group's management. Although management deems that the expectations presented by such forward-looking information are reasonable, no guarantee can be given that these expectations will prove correct. Accordingly, the actual future outcome could vary 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 annual report for 2010 is expected to be distributed in early April. The Annual General Meeting will be held on May 2, 2011 in Stockholm, Sweden. The January-March 2011 report will be released on May 4, 2011.

Stockholm, February 23, 2011

Lars Dahlgren
President and CEO

Key data

All key data, 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.

| | Full year 2010 | Full year 2009 |
|--|-------------------|-------------------|
| <i>Continuing operations</i> | | |
| Operating margin, % ¹⁾ | 25.2 | 24.1 |
| Operating capital, MSEK | 7,099 | 8,494 |
| Return on operating capital, % ¹⁾ | 44.0 | 39.4 |
| EBITDA, MSEK ²⁾ | 3,813 | 3,885 |
| EBITA, MSEK ¹⁾³⁾ | 3,527 | 3,535 |
| Net debt, MSEK | 7,650 | 7,188 |
| Net debt/EBITA ¹⁾³⁾ | 2.2 | 2.0 |
| Investments in property, plant and equipment, MSEK ⁴⁾ | 311 | 471 |
| EBITA interest cover ¹⁾ | 7.0 | 8.4 |
| <i>Continuing operations, excluding businesses transferred to STG and share of net loss in STG</i> | | |
| EBITA, MSEK ³⁾⁵⁾ | 3,209 | 2,951 |
| Net debt/EBITA ³⁾⁵⁾ | 2.4 | 2.4 |
| <i>Share data</i> | | |
| Earnings per share, basic, SEK | | |
| From continuing operations | 13.12 | 9.67 |
| Including discontinued operations | - | 12.88 |
| Earnings per share, diluted, SEK | | |
| From continuing operations | 13.09 | 9.66 |
| Including discontinued operations | - | 12.87 |
| Number of shares outstanding at end of period | 214,797,106 | 231,300,000 |
| Average number of shares outstanding, basic | 225,331,835 | 244,259,880 |
| Average number of shares outstanding, diluted | 225,969,047 | 244,440,057 |

1) Includes restructuring charges of 73 MSEK in 2009.

2) Operating profit adjusted for depreciation, amortization and write-downs of tangible and intangible assets. Includes restructuring charges of 38 MSEK in 2009.

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

4) Including investments in forest plantations of 24 MSEK (22).

5) Includes restructuring charges of 45 MSEK in 2009.

Consolidated income statement in summary

| MSEK | October - December | Chg | Full year | Full year | Chg |
|---|--------------------|--------------|---------------|---------------|-----------|
| Note | 2010 | 2009 | 2010 | 2009 | % |
| <i>Continuing operations</i> | | | | | |
| Sales, including tobacco tax | 5,471 | 6,409 | 25,062 | 25,483 | |
| Less tobacco tax | -2,671 | -2,864 | -11,456 | -11,279 | |
| Sales | 2,801 | 3,545 | 13,606 | 14,204 | -4 |
| Cost of goods sold | -1,338 | -1,835 | -6,662 | -7,114 | |
| Gross profit | 1,463 | 1,710 | 6,944 | 7,089 | -2 |
| Selling and administrative expenses | -621 | -860 | -3,356 | -3,681 | |
| Share of profit/loss in associated companies and joint ventures | -65 | 0 | -62 | 10 | |
| Net gain from pension settlements | 59 | - | 59 | - | |
| Capital gain from transfer of businesses to STG | 585 | - | 585 | - | |
| Operating profit | 1,421 | 850 | 4,169 | 3,417 | 22 |
| Finance income | 8 | 10 | 27 | 86 | |
| Finance costs | -207 | -121 | -590 | -529 | |
| Net finance cost | -199 | -111 | -562 | -443 | |
| Profit before income tax | 1,221 | 739 | 3,607 | 2,974 | 21 |
| Income tax expense | -148 | -143 | -649 | -613 | |
| Profit for the period from continuing operations | 1,074 | 595 | 2,958 | 2,361 | 25 |
| <i>Discontinued operations</i> | | | | | |
| Profit from discontinued operations, net after tax | 2 | - | - | 785 | |
| Profit for the period | 1,074 | 595 | 2,958 | 3,146 | -6 |
| <i>Attributable to:</i> | | | | | |
| Equity holders of the Parent | 1,073 | 595 | 2,957 | 3,146 | |
| Non-controlling interests | 0 | 0 | 1 | 1 | |
| Profit for the period | 1,074 | 595 | 2,958 | 3,146 | -6 |
| Earnings per share, basic, SEK | | | | | |
| From continuing operations | 4.85 | 2.52 | 13.12 | 9.67 | |
| Including discontinued operations | - | - | - | 12.88 | |
| Earnings per share, diluted, SEK | | | | | |
| From continuing operations | 4.83 | 2.51 | 13.09 | 9.66 | |
| Including discontinued operations | - | - | - | 12.87 | |

Consolidated statement of comprehensive income

| MSEK | October-December | Full year | Full year |
|---|------------------|------------|--------------|
| | 2010 | 2009 | 2010 |
| Profit recognized in the income statement | 1,074 | 595 | 2,958 |
| <i>Other comprehensive income</i> | | | |
| Translation differences related to foreign operations | -49 | 165 | -504 |
| Translation differences included in profit and loss | 285 | 2 | 278 |
| Effective portion of changes in fair value of cash flow hedges | 20 | -24 | 58 |
| Reclassification adjustments for gains/losses on cash flow hedges included in profit and loss | -24 | - | -24 |
| Actuarial gains and losses attributable to pensions, including payroll tax | 32 | -48 | -193 |
| Share of other comprehensive income in associated companies and joint ventures | 61 | - | 55 |
| Income tax relating to components of other comprehensive income | -38 | 12 | 39 |
| Other comprehensive income, net of tax | 286 | 107 | -291 |
| Total comprehensive income, net of tax | 1,360 | 703 | 2,668 |
| <i>Attributable to:</i> | | | |
| Equity holders of the Parent | 1,360 | 703 | 2,667 |
| Non-controlling interests | 0 | 0 | 1 |
| Total comprehensive income, net of tax | 1,360 | 703 | 2,668 |

Consolidated balance sheet in summary

| <i>MSEK</i> | December 31, 2010 | December 31, 2009 |
|--|--------------------------|--------------------------|
| Intangible assets | 1,027 | 3,792 |
| Property, plant and equipment | 2,097 | 2,525 |
| Other non-current financial receivables ¹⁾ | 5,453 | 2,193 |
| Current operating assets | 2,886 | 5,286 |
| Other current investments and current financial assets ²⁾ | 1 | 10 |
| Cash and cash equivalents | 3,275 | 2,530 |
| Total assets | 14,739 | 16,337 |
| Equity attributable to equity holders of the Parent | -484 | 899 |
| Non-controlling interests | 2 | 4 |
| Total equity | -482 | 903 |
| Non-current provisions | 1,050 | 1,301 |
| Non-current loans | 9,209 | 8,252 |
| Other non-current financial liabilities ³⁾ | 1,478 | 1,440 |
| Current provisions | 98 | 125 |
| Current loans | 525 | 1,002 |
| Other current liabilities ⁴⁾ | 2,861 | 3,313 |
| Total equity and liabilities | 14,739 | 16,337 |

1) Includes shares in STG of 3,979 MSEK (-), pension assets of 117 MSEK (150) and derivative financial instruments of 88 MSEK (670) used to hedge the Parent Company's bond loans denominated in euro.

2) Includes current financial derivatives of 0 MSEK (9) used to hedge the Parent Company's bond loans denominated in euro.

3) Includes pension liabilities of 1,158 MSEK (1,291) and derivative financial instruments of 222 MSEK (3) used to hedge the Parent Company's bond loans denominated in euro.

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

Consolidated cash flow statement in summary

| MSEK | January – December | | |
|--|--------------------|---------------|---------------|
| | Note | 2010 | 2009 |
| <i>Operating activities</i> | | | |
| Profit before income taxes | | 3,607 | 2,974 |
| Adjustments for non-cash items and other | | -297 | 511 |
| Income tax paid | | -733 | -507 |
| Cash flow from operating activities before changes in working capital | | 2,576 | 2,978 |
| Cash flow from changes in working capital | | 40 | -67 |
| Net cash from operating activities | | 2,616 | 2,911 |
| <i>Investing activities</i> | | | |
| Purchase of property, plant and equipment | | -311 | -471 |
| Proceeds from sale of property, plant and equipment | | 6 | 3 |
| Purchase of intangible assets | | -51 | -16 |
| Net proceeds from businesses transferred to STG | 3 | 1,439 | - |
| Acquisition of subsidiaries, net of cash acquired ¹⁾ | | - | -39 |
| Investments in associated companies and joint ventures ²⁾ | | -123 | -23 |
| Proceeds from sale of subsidiaries, net of cash disposed of ³⁾ | | - | 1,577 |
| Changes in financial receivables etc. | | -1 | 12 |
| Net cash used in investing activities | | 959 | 1,043 |
| <i>Financing activities</i> | | | |
| Changes in loans | | 1,281 | -1,020 |
| Dividends paid to equity holders of the Parent | | -1,089 | -1,024 |
| Repurchase of own shares | | -3,014 | -2,598 |
| Stock options exercised | | 53 | 51 |
| Other | | 122 | -115 |
| Net cash used in financing activities | | -2,646 | -4,707 |
| Net increase/decrease in cash and cash equivalents | | 928 | -753 |
| <i>Cash flow from discontinued operations</i> | | | |
| Net cash from operating activities | | - | 219 |
| Net cash used in investing activities | | - | -6 |
| Net cash used in financing activities | | - | -51 |
| Net increase in cash and cash equivalents | | - | 162 |
| Total net increase/decrease in cash and cash equivalents | | 928 | -591 |
| Cash and cash equivalents at the beginning of the period | | 2,530 | 3,178 |
| Effect of exchange rate fluctuations on cash and cash equivalents | | -183 | -58 |
| Cash and cash equivalents at the end of the period | | 3,275 | 2,530 |

- 1) Acquisition in 2009 pertains to Rocker Production AB acquired from Philip Morris International of 31 MSEK and final payment for the acquisition of Havana Honeys' assets of 8 MSEK.
- 2) Investments in 2010 pertain to acquisition of 20 percent of the shares in Caribbean Cigar Holdings Group, S.A. in an amount of 110 MSEK and investment of 12 MSEK in Swedish Match and Philip Morris International's joint venture company, SMPM International. Investments in 2009 pertain to investment of 23 MSEK in SMPM International.
- 3) The cash flows from sale of subsidiaries during 2009 pertain to the disposal of Swedish Match's South African operations of 1,568 MSEK and additional payment received of 8 MSEK relating to the disposal of Swedish Match UK Ltd. For further information see Note 2 – Discontinued operations in this report and Note 5 - Discontinued operations in the annual report for 2009.

Change in shareholders' equity

| <i>MSEK</i> | Equity attributable to holders of the Parent | Non- controlling interests | Total equity |
|--|--|----------------------------------|--------------|
| Equity at January 1, 2009 | 1,377 | 4 | 1,381 |
| Total comprehensive income | 3,075 | 1 | 3,076 |
| Dividend | -1,024 | 0 | -1,024 |
| Repurchase of own shares | -2,598 | - | -2,598 |
| Stock options exercised | 51 | - | 51 |
| Cancellation of shares | -6 | - | -6 |
| Bonus issue | 6 | - | 6 |
| Share-based payments, IFRS 2 | 18 | - | 18 |
| Equity at December 31, 2009 | 899 | 4 | 903 |
| Equity at January 1, 2010 | 899 | 4 | 903 |
| Total comprehensive income | 2,667 | 1 | 2,668 |
| Transfer of non-controlling interest to STG of partly owned subsidiary | - | -2 | -2 |
| Dividend | -1,089 | 0 | -1,089 |
| Repurchase of own shares | -3,014 | - | -3,014 |
| Stock options exercised | 53 | - | 53 |
| Cancellation of shares | -31 | - | -31 |
| Bonus issue | 31 | - | 31 |
| Equity at December 31, 2010 | -484 | 2 | -482 |

Parent Company income statement in summary

| <i>MSEK</i> | Full year | |
|--|--------------|--------------|
| | 2010 | 2009 |
| Sales | - | 2 |
| Gross profit | - | 2 |
| Selling and administrative expenses | -301 | -251 |
| Operating loss | -301 | -249 |
| Result from participation in Group companies | 3,780 | 6,006 |
| Result from participation in joint venture | -20 | -9 |
| Net finance cost | -845 | -1,008 |
| Profit after financial items | 2,614 | 4,740 |
| Appropriations | 0 | 2 |
| Profit before income tax | 2,614 | 4,742 |
| Income tax | -212 | -164 |
| Profit for the year | 2,402 | 4,578 |

Parent Company statement of comprehensive income

| <i>MSEK</i> | Full year | |
|---|--------------|--------------|
| | 2010 | 2009 |
| Profit for the year | 2,402 | 4,578 |
| <i>Other comprehensive income</i> | | |
| Effective portion of changes in fair value of cash flow hedges | 58 | 41 |
| Reclassification adjustment for gains/losses on cash flow hedges in profit and loss | -24 | 25 |
| Income tax relating to components of other comprehensive income | -9 | -17 |
| Other comprehensive income, net of tax | 25 | 48 |
| Total comprehensive income, net of tax | 2,427 | 4,626 |

Parent Company balance sheet in summary

| <i>MSEK</i> | Dec 31, 2010 | Dec 31, 2009 |
|--------------------------------------|---------------------|---------------------|
| Intangible and tangible fixed assets | 45 | 2 |
| Non-current financial assets | 50,667 | 51,190 |
| Current assets | 2,353 | 1,920 |
| Total assets | 53,064 | 53,112 |
| Equity | 21,578 | 23,229 |
| Untaxed reserves | 1 | 0 |
| Provisions | 114 | 25 |
| Non-current liabilities | 27,606 | 26,462 |
| Current liabilities | 3,765 | 3,395 |
| Total liabilities | 31,485 | 29,882 |
| Total equity and liabilities | 53,064 | 53,112 |

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 and the Securities Markets Act which is in accordance with the rules of RFR 2.3 Accounting for Legal Entities issued by the Swedish Financial Reporting Board.

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

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

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

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

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

Note 2 - Discontinued operations

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

Analysis of the result from discontinued operations

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

Note 3 - STG transaction

Assets and liabilities transferred to STG

| <i>MSEK</i> | 2010 |
|--------------------------------------|--------------|
| Non-current financial assets | 9 |
| Other non-current assets | 3,148 |
| Current operating assets | 2,335 |
| Cash and cash equivalents | 103 |
| Inter-company financial receivables | 591 |
| Other inter-company receivables | 22 |
| Total assets transferred | 6,207 |
| Non-current liabilities | 406 |
| Current liabilities | 404 |
| Inter-company financial liabilities | 2,381 |
| Other inter-company liabilities | 1,442 |
| Total liabilities transferred | 4,634 |
| Transferred assets, net | 1,573 |

Analysis of cash flow effect from transaction with STG

| <i>MSEK</i> | 2010 |
|--|--------------|
| Repayment of loans, received from STG ¹⁾ | 1,560 |
| Less cash and cash equivalents in transferred operations | -103 |
| Effect on cash and cash equivalents from net assets transferred | 1,457 |
| Transaction costs relating to 49% investment in STG | -19 |
| Effect on cash and cash equivalents from net investment | -19 |
| Net cash effect from transaction with STG | 1,439 |

1) On October 28, 2010, STG made a repayment of loans of 170 MEUR (1,560 MSEK) to Swedish Match. Additional loans amounting to 28 MEUR (257 MSEK) are still outstanding and will be repaid during the first quarter of 2011. The loans were provided by Swedish Match to STG in connection with the formation of the new company and include the 30 MEUR cash consideration as compensation for the relative differences in enterprise values of the businesses contributed from Swedish Match and the former Scandinavian Tobacco Group. Final purchase price adjustments are expected to be determined and settled in the first half of 2011.

Quarterly data

| <i>MSEK</i> | Q4/10 | Q3/10 | Q2/10 | Q1/10 | Q4/09 | Q3/09 | Q2/09 | Q1/09 | Q4/08 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <i>Continuing operations</i> | | | | | | | | | |
| Sales, including tobacco tax | 5,471 | 7,044 | 6,676 | 5,870 | 6,409 | 6,737 | 6,648 | 5,690 | 6,141 |
| Less tobacco tax | -2,671 | -3,221 | -2,976 | -2,588 | -2,864 | -3,130 | -2,982 | -2,303 | -2,661 |
| Sales | 2,801 | 3,823 | 3,701 | 3,282 | 3,545 | 3,606 | 3,666 | 3,387 | 3,480 |
| Cost of goods sold | -1,338 | -1,896 | -1,805 | -1,624 | -1,835 | -1,843 | -1,812 | -1,624 | -1,747 |
| Gross profit | 1,463 | 1,927 | 1,896 | 1,658 | 1,710 | 1,764 | 1,854 | 1,762 | 1,733 |
| Selling and administrative expenses | -621 | -878 | -955 | -902 | -860 | -892 | -958 | -970 | -930 |
| Share of profit/loss in associated companies and joint ventures | -65 | 1 | 4 | -2 | 0 | 3 | 4 | 2 | 4 |
| | 777 | 1,049 | 945 | 755 | 850 | 874 | 899 | 794 | 807 |
| <i>Larger one time items</i> | | | | | | | | | |
| Net gain from pension settlements | 59 | - | - | - | - | - | - | - | - |
| Capital gain from transfer of businesses to STG | 585 | - | - | - | - | - | - | - | - |
| Gain on sale of subsidiary and related assets | - | - | - | - | - | - | - | - | 73 |
| Operating profit | 1,421 | 1,049 | 945 | 755 | 850 | 874 | 899 | 794 | 880 |
| Finance income | 8 | 6 | 5 | 8 | 10 | 35 | 14 | 27 | 41 |
| Finance costs | -207 | -134 | -134 | -115 | -121 | -152 | -122 | -135 | -137 |
| Net finance cost | -199 | -128 | -129 | -106 | -111 | -117 | -108 | -108 | -97 |
| Profit before income tax | 1,221 | 921 | 816 | 649 | 739 | 757 | 791 | 686 | 784 |
| Income tax expense | -148 | -192 | -180 | -130 | -143 | -142 | -168 | -159 | -97 |
| Profit for the period from continuing operations | 1,074 | 729 | 637 | 519 | 595 | 615 | 624 | 527 | 687 |
| <i>Discontinued operations</i> | | | | | | | | | |
| Profit from discontinued operations, net after tax | - | - | - | - | - | 705 | 41 | 40 | 41 |
| Profit for the period | 1,074 | 729 | 637 | 519 | 595 | 1,319 | 664 | 567 | 728 |
| <i>Attributable to:</i> | | | | | | | | | |
| Equity holders of the Parent | 1,073 | 729 | 636 | 519 | 595 | 1,319 | 664 | 567 | 728 |
| Non-controlling interests | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Profit for the period | 1,074 | 729 | 637 | 519 | 595 | 1,319 | 664 | 567 | 728 |

Sales by product area

| <i>MSEK</i> | Q4/10 | Q3/10 | Q2/10 | Q1/10 | Q4/09 | Q3/09 | Q2/09 | Q1/09 | Q4/08 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Snus and snuff | 1,178 | 1,174 | 1,116 | 1,054 | 1,101 | 1,093 | 1,087 | 969 | 1,031 |
| Other tobacco products | 557 | 631 | 664 | 588 | 456 | 571 | 617 | 694 | 500 |
| Lights | 379 | 352 | 347 | 351 | 373 | 341 | 337 | 352 | 370 |
| Other operations | 687 | 806 | 722 | 615 | 690 | 742 | 711 | 546 | 696 |
| Comparable sales | 2,801 | 2,964 | 2,849 | 2,608 | 2,620 | 2,747 | 2,752 | 2,560 | 2,597 |
| Businesses transferred to STG ¹⁾ | - | 859 | 852 | 674 | 925 | 859 | 914 | 827 | 883 |
| Total | 2,801 | 3,823 | 3,701 | 3,282 | 3,545 | 3,606 | 3,666 | 3,387 | 3,480 |

1) Net of inter-company sales eliminations.

Operating profit by product area

| MSEK | Q4/10 | Q3/10 | Q2/10 | Q1/10 | Q4/09 | Q3/09 | Q2/09 | Q1/09 | Q4/08 |
|---|--------------|--------------|------------|------------|------------|------------|------------|------------|------------|
| Snus and snuff | 567 | 592 | 487 | 434 | 523 | 534 | 463 | 397 | 465 |
| Other tobacco products | 208 | 259 | 270 | 204 | 136 | 169 | 252 | 246 | 151 |
| Lights | 87 | 58 | 68 | 66 | 100 | 72 | 69 | 71 | 77 |
| Other operations | -26 | -35 | -32 | -48 | -18 | -25 | -39 | -49 | -38 |
| Comparable operating profit | 836 | 874 | 793 | 655 | 740 | 750 | 745 | 665 | 654 |
| Businesses transferred to STG | - | 143 | 118 | 73 | 109 | 124 | 155 | 130 | 153 |
| Share of net loss in STG | -60 | - | - | - | - | - | - | - | - |
| Subtotal | 777 | 1,017 | 911 | 728 | 850 | 874 | 899 | 794 | 807 |
| 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 | - | - | - | - | - |
| Gain on sale of subsidiary and related assets | - | - | - | - | - | - | - | - | 73 |
| Total larger one time items | 644 | 32 | 34 | 27 | - | - | - | - | 73 |
| Total | 1,421 | 1,049 | 945 | 755 | 850 | 874 | 899 | 794 | 880 |

Operating margin by product area¹⁾

| Percent | Q4/10 | Q3/10 | Q2/10 | Q1/10 | Q4/09 | Q3/09 | Q2/09 | Q1/09 | Q4/08 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Snus and snuff | 48.1 | 50.4 | 43.6 | 41.2 | 47.5 | 48.8 | 42.6 | 40.9 | 45.1 |
| Other tobacco products ¹⁾ | 37.4 | 41.0 | 40.7 | 34.7 | 29.9 | 29.6 | 40.9 | 35.5 | 30.2 |
| Lights | 23.0 | 16.3 | 19.6 | 18.7 | 26.6 | 21.3 | 20.4 | 20.2 | 20.7 |
| Comparable operating margin²⁾ | 29.9 | 29.5 | 27.8 | 25.1 | 28.3 | 27.3 | 27.1 | 26.0 | 25.2 |
| Group, including businesses transferred to STG and share of net loss in STG | 27.7 | 26.6 | 24.6 | 22.2 | 24.0 | 24.2 | 24.5 | 23.4 | 23.2 |

1) Excluding larger one time items, but including restructuring charges of 45 MSEK in the third quarter 2009.

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

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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 February 23, 2011 at 08.00 a.m. (CET).

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