SWEDISH MATCH

Full Year Report 2009

- **Sales for the full year increased by 13 percent to 14,204 MSEK (12,611) and for the fourth quarter by 2 percent to 3,545 MSEK (3,480)**
- **In local currencies, sales for the full year increased by 5 percent and for the fourth quarter by 4 percent**
- **Operating profit excluding larger one time items for the full year increased by 22 percent to 3,417 MSEK (2,801) and for the fourth quarter by 5 percent to 850 MSEK (807)[1)]**
- **In local currencies, operating profit excluding larger one time items for the full year increased by 13 percent and for the fourth quarter by 9 percent[1)]**
- **EPS (basic) for the full year amounted to 9.67 SEK (8.30) and for the fourth quarter to 2.52 SEK (2.75)[2)]**
- **EPS (basic) for the full year, including discontinued operations and one time gains, amounted to 12.88 SEK (8.98)[2)]**
- **The Board proposes an increased dividend to 4.75 SEK (4.10)**

1) *Excluding the one time gain of 73 MSEK from sale of subsidiary and related assets in Q4 2008 but including restructuring charges for cigars of 45 MSEK in Q3 2009 and 29 MSEK in Q4 2009*

2) *Including the one time gain of 73 MSEK from sale of subsidiary and related assets in Q4 2008 and restructuring charges for cigars of 45 MSEK in Q3 2009 and 29 MSEK in Q4 2009*

CEO Lars Dahlgren comments:

During 2009 Swedish Match delivered excellent financial results and a record cash flow from operations while undergoing an extensive transformation process. Having clearly established a vision of being the global smokefree leader, best in class in cigars, and maintaining operational excellence in lights and pipe tobacco, a number of changes were put into place. At the same time, we stayed focused on the business evidenced by the very strong results. During the year, total company sales grew in both local currencies and in Swedish kronor, with increased sales reported for all product areas. The snus and snuff product area led the way with strong growth, with sales exceeding 4 billion SEK for the first time. Operating profit growth was also strong, with snus and snuff growing at double digits. Earnings per share reached 9.67 SEK per share, up 16 percent from the previous year. We divested our South African business, which was primarily pipe tobacco, making us even more focused on our smokefree and cigar businesses. Our smokefree joint venture with Philip Morris International has laid the foundation to explore new market opportunities, and will enter an exciting new phase in 2010 as SMPM International plans include conducting its first test launch. In January, 2010, we announced that Swedish Match had signed a letter of intent with Scandinavian Tobacco Group (STG) to form a new company, combining the cigar and pipe tobacco businesses of Swedish Match (excluding US mass market cigars) with the tobacco business of STG. The new company would create a stronger and more competitive cigar, pipe tobacco, and fine cut tobacco company, 49 percent owned by Swedish Match and 51 percent owned by STG. The transaction is subject to due diligence by both parties, final agreements and regulatory approvals. These strategic partnerships, as well as the outstanding performance from our employees, demonstrate our continued efforts to develop Swedish Match.

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 South African operations as well as the gain on the sale of the South African operations of 628 MSEK 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

	October - December		Full year	
MSEK	**2009**	**2008**	**2009**	**2008**
Sales	**3,545**	**3,480**	**14,204**	**12,611**
Operating profit excl. larger one time items	**850**	**807**	**3,417**	**2,801**
Operating profit	**850**	**880**	**3,417**	**2,874**
Profit before income tax	**739**	**784**	**2,974**	**2,433**
Profit from continuing operations	**595**	**687**	**2,361**	**2,091**
Profit from discontinued operations, net after tax	**-**	**41**	**785**	**170**
Profit for the period, incl. discontinued operations	**595**	**728**	**3,146**	**2,261**
Earnings per share, basic (SEK)	**2.52**	**2.75**	**9.67**	**8.30**
Earnings per share, incl. discontinued operations, basic (SEK)	**2.52**	**2.91**	**12.88**	**8.98**

Sales and results for the fourth quarter

Sales for the fourth quarter of 2009 increased by 2 percent to 3,545 MSEK (3,480) compared to the fourth quarter of 2008. Currency translation has affected the sales comparison negatively by 82 MSEK. In local currencies, sales increased by 4 percent.

Sales of Scandinavian snus (pasteurized) and US snuff (fermented) in the fourth quarter increased by 6 percent to 1,101 MSEK (1,035) and operating profit increased by 13 percent to 523 MSEK (463). Scandinavian snus sales were up 13 percent compared to the fourth quarter of the prior year while volumes measured in number of cans increased by 3 percent.

In the US, sales of snuff in local currency declined by less than 1 percent, and operating profit also declined. US volumes were flat year on year in the fourth quarter.

The operating margin for the snus and snuff product area was 47.5 percent (44.7).

For cigars, sales in the fourth quarter were 1,056 MSEK (1,052). Operating profit was 179 MSEK (205). During the fourth quarter a restructuring charge pertaining to the cigar factory in Belgium has affected operating profit negatively by 29 MSEK. Sales increased in local currencies in both the US machine made and premium businesses, as well as in Europe. Operating margin for cigars was 16.9 percent (19.5). Excluding the restructuring charge, the operating margin was 19.7 percent.

Fourth quarter Group operating profit, excluding larger one time items, but including the restructuring charge related to cigars, increased by 5 percent to 850 MSEK (807). Currency translation has affected the operating profit comparison negatively by 30 MSEK. In local currencies, operating profit increased by 9 percent.

Operating margin for the fourth quarter improved to 24.0 percent, compared to 23.2 percent for the fourth quarter of 2008, mainly as a result of continued growth and improved profitability in snus and snuff.

Basic earnings per share for the fourth quarter amounted to 2.52 SEK (2.75). Fourth quarter basic earnings per share includes a cigar restructuring charge of 29 MSEK before tax in 2009, and a gain on the sale of a subsidiary of 73 MSEK in 2008.

Sales and results for the year

Sales for the year increased by 13 percent to 14,204 MSEK (12,611). In local currencies, sales increased by 5 percent. Operating profit increased to 3,417 MSEK (2,874). Currency translation has affected the operating profit comparison positively by 239 MSEK. For the full year operating profit has been negatively affected by restructuring charges of 73 MSEK, including the restructuring charge of 45 MSEK recorded in the third quarter pertaining to US machine made cigars, and a cigar restructuring charge of 29 MSEK recorded in the fourth quarter pertaining to European cigars.

Group operating margin during the year was 24.1 percent (22.2). Excluding the cigar restructuring charges, the operating margin during the year was 24.6 percent.

The reported tax rate for the Group for the year was 20.6 percent (14.1).

EPS (basic) for the year was 9.67 SEK (8.30), while diluted EPS was 9.66 SEK (8.29). EPS (basic) for the full year including discontinued operations was 12.88 SEK (8.98), while diluted EPS was 12.87 SEK (8.96).

Sales by product area

	October - December		Chg	Full year		Chg
MSEK	**2009**	**2008**	**%**	**2009**	**2008**	**%**
Snus and snuff	1,101	1,035	6	4,250	3,725	14
Cigars	1,056	1,052	0	4,426	3,644	21
Chewing tobacco	233	260	-10	1,112	934	19
Lights	422	407	4	1,574	1,525	3
Other operations	732	726	1	2,843	2,783	2
Total	**3,545**	**3,480**	**2**	**14,204**	**12,611**	**13**

Operating profit by product area

MSEK	October - December 2009	2008	Chg %	Full year 2009	2008	Chg %
Snus and snuff	523	463	13	1,916	1,658	16
Cigars	179	205	-13	935	686	36
Chewing tobacco	76	96	-21	411	329	25
Lights	92	71	29	279	275	1
Other operations	-19	-27		-123	-146	
Subtotal	**850**	**807**	**5**	**3,417**	**2,801**	**22**
Larger one time items						
Gain on sale of subsidiary and related assets*	-	73		-	73	
Total	**850**	**880**	**-3**	**3,417**	**2,874**	**19**

* 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 739 MSEK (784) for the fourth quarter and 2,974 MSEK (2,433) for the full year, the net finance costs of 111 MSEK (97) and 443 MSEK (441) respectively need to be deducted.

Operating margin by product area*

Percent	October - December 2009	2008	Full year 2009	2008
Snus and snuff	47.5	44.7	45.1	44.5
Cigars	16.9	19.5	21.1	18.8
Chewing tobacco	32.5	36.8	36.9	35.2
Lights	21.8	17.5	17.7	18.0
Group	**24.0**	**23.2**	**24.1**	**22.2**

* Excluding larger one time items, but including restructuring charges for the product area cigars of 45 MSEK in Q3 2009 and 29 MSEK in Q4 2009

EBITDA by product area

MSEK	October - December 2009	2008	Chg %	Full year 2009	2008	Chg %
Snus and snuff	559	498	12	2,066	1,805	15
Cigars	222	263	-15	1,176	889	32
Chewing tobacco	79	98	-19	431	346	25
Lights	103	82	26	323	316	2
Other operations	-17	-24		-113	-134	
Group	**947**	**917**	**3**	**3,885**	**3,222**	**21**

EBITDA margin by product area

Percent	October - December 2009	2008	Full year 2009	2008
Snus and snuff	50.8	48.2	48.6	48.4
Cigars	21.0	25.0	26.6	24.4
Chewing tobacco	34.0	37.5	38.8	37.1
Lights	24.4	20.1	20.5	20.7
Group	**26.7**	**26.3**	**27.4**	**25.5**

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 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, Grovsnus and Göteborgs Rapé in Sweden, and Red Man, Timber Wolf and Longhorn in the US.

During the fourth quarter, sales increased by 6 percent compared to the same quarter of the previous year, to 1,101 MSEK (1,035), and operating profit increased by 13 percent to 523 MSEK (463). Sales and operating profit improved in Scandinavia, and in the US sales were flat while operating profit declined. The operating margin for the total product area was 47.5 percent (44.7).

In Scandinavia, sales volumes measured in number of cans, increased by 3 percent during the fourth quarter compared to the fourth quarter of the previous year, with volume growth in Sweden, Norway, and Travel Retail. Sales revenues in Scandinavia grew by 13 percent in the fourth quarter, and operating margin improved. During the quarter the launch of *Lab Series 01* and *02* continued in Norway, a full national rollout is now underway.

In the US, sales declined by less than 1 percent in local currency during the fourth quarter versus previous year. US volumes measured in number of cans were virtually unchanged versus prior year, as volume growth for the *Longhorn* brand offset declines for the *Timber Wolf* brand. Flat average sales prices and somewhat higher cost per can were, together with increased marketing spending, most notably for Swedish snus brands on the US market, the reasons for the decline in operating profit. Swedish Match consumer volumes as measured by Nielsen for the year to date period through December 26 increased by 5.9 percent compared to the same period of the previous year. This resulted in further growth in market share as the growth of the total market in the same period was 1.6 percent according to Nielsen.

For the full year, sales increased to 4,250 MSEK (3,725) and operating profit increased to 1,916 MSEK (1,658). Operating margin was 45.1 percent (44.5). Sales, volumes and operating profit increased in Scandinavia as well as in the US.

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 include France, Benelux, Finland, and Spain.

---

[*] 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.

During the fourth quarter, sales were 1,056 MSEK (1,052), and operating profit amounted to 179 MSEK (205). Excluding the restructuring charge relating to the rationalization of cigar manufacturing in Europe, operating profit was 208 MSEK. In local currencies, sales in the fourth quarter were up 6 percent compared to the same period of the previous year, while operating profit declined by 2 percent. Operating margin was 16.9 percent (19.5). Excluding the restructuring charge, operating margin was 19.7 percent and operating profit increased by 11 percent in local currencies.

During the fourth quarter, US mass market cigar sales grew by 8 percent in local currency compared to the same period in the previous year.

US premium cigar sales, which include Internet and mail order sales, were up 6 percent in local currency. US premium cigar volumes were flat, with increased volumes to mail order and Internet retailers offsetting declines for traditional retailers.

Cigar sales in Europe grew as a result of higher volumes in a number of markets, most notably in France, Portugal, Finland, and Spain – more than offsetting continued volume declines in the Netherlands.

For cigars in total, sales for the full year amounted to 4,426 MSEK (3,644), while operating profit was 935 MSEK (686). In local currencies sales increased by 7 percent versus the previous year, while operating profit increased by 20 percent. Excluding the restructuring charges made in the third and fourth quarters, operating profit was 1,008 MSEK (686), and increased by 30 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 fourth quarter, sales increased in local currency by 2 percent, while decreasing by 10 percent in Swedish kronor to 233 MSEK (260). In local currency, the operating profit declined by 7 percent, due in part to volume declines in Texas and Florida following significant tax increases. Operating profit decreased by 21 percent in Swedish kronor to 76 MSEK (96). Operating margin was 32.5 percent (36.8).

Sales for the full year amounted to 1,112 MSEK (934) while operating profit amounted to 411 MSEK (329). In local currency, sales for the year were up 2 percent, while operating profit grew by 7 percent. Operating margin was 36.9 percent (35.2).

Since the second quarter, 2009, Swedish Match has been producing chewing tobacco as part of a production agreement with National Tobacco. Production has been fully up and running since 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, Tres Estrellas, Fiat Lux, and Redheads. The Group's main brand for disposable lighters is Cricket. Swedish Match largest market for lighters is Russia.

During the fourth quarter sales amounted to 422 MSEK (407). In local currencies, sales declined by 2 percent. Operating profit amounted to 92 MSEK (71). Operating margin was 21.8 percent (17.5). Volumes for lighters declined, but volumes for matches increased compared to the same period prior year.

Sales for the full year amounted to 1,574 MSEK (1,525), while operating profit amounted to 279 MSEK (275). Operating margin was 17.7 percent (18.0).

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 fourth quarter amounted to 732 MSEK (726). Operating loss for Other operations was 19 MSEK (27), positively affected by various one time items.

Sales for the full year amounted to 2,843 MSEK (2,783). Operating loss for the year was 123 MSEK (146).

Taxes

For the full year, the reported tax expense amounted to 613 MSEK (342), corresponding to a tax rate of 20.6 percent (14.1). The tax rate includes one time items, and excluding those the underlying tax rate was around 22 percent for the full year. 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 is mainly explained by the 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 fourth quarter amounted to 2.52 SEK (2.75). For the full year basic earnings per share was 9.67 SEK (8.30), while diluted EPS was 9.66 SEK (8.29). EPS (basic) including discontinued operations for the year was 12.88 SEK (8.98), while diluted EPS was 12.87 SEK (8.96).

Proposed dividend per share

The Board of Directors proposes an increased dividend to 4.75 SEK (4.10), equivalent to 49 percent (46) of the earnings per share for the year. The proposed dividend amounts to 1,099 MSEK based on the 231.3 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 97 MSEK (109), of which depreciation and write-down on property, plant and equipment amounted to 69 MSEK (77) and amortization of intangible assets amounted to 28 MSEK (32).

During the year, total depreciation, amortization and write-downs amounted to 468 MSEK (420), of which depreciation and write-down on property, plant and equipment amounted to 350 MSEK (300) and amortization of intangible assets amounted to 118 MSEK (120). Amortization of intangible assets mainly pertains to trademarks.

Financing and cash flow

Cash flow from operations for the year amounted to 2,911 MSEK compared with 1,838 MSEK in 2008. 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 December 31, 2009 amounted to 7,188 MSEK compared to 7,640 MSEK at December 31, 2008. During the year new bond loans of 998 MSEK were issued. Repayment of loans for the same period amounted to 2,018 MSEK including repurchase of 900 MSEK of bond loans with shorter maturities. As at December 31, 2009 Swedish Match had 8,578 MSEK of interest bearing debt excluding retirement benefit obligations. During 2010, 1,002 MSEK of this debt falls due for repayment.

In the year, dividend payments of 1,024 MSEK and share repurchases, net, of 2,547 MSEK were made. Investments in property, plant and equipment in the year amounted to 471 MSEK (319).

Cash and cash equivalents amounted to 2,530 MSEK at the end of the period, compared with 3,178 MSEK at the beginning of 2009. As of December 31, 2009, Swedish Match had 2,559 MSEK in unutilized committed credit lines. In the beginning of 2010 a syndicated loan has been renegotiated and certain bi-lateral credit lines have matured. Following this change, the amount of unutilized committed credit lines is 160 MEUR.

Net finance cost for the year increased to 443 MSEK (441).

Average number of employees

The average number of employees in the Group during the year was 11,037 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 year 18.4 million shares were repurchased for 2,598 MSEK at an average price of 140.94 SEK. Total shares bought back by Swedish Match since the buyback programs started have been repurchased at an average price of 85.62 SEK. During 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 December 31, 2009 Swedish Match held 19.7 million shares in treasury, corresponding to 7.8 percent of the total number of shares. The number of shares outstanding, net after repurchases and after the sale of treasury shares, as per December 31, 2009 amounted to 231.3 million. In addition, the Company has call options outstanding as of December 31, 2009 corresponding to 5.3 million shares exercisable in gradual stages from 2010 to 2014.

In January 2010, a further 2.3 million shares have been repurchased for 357 MSEK at an average price of 155.41 SEK.

The Board will propose to the Annual General Meeting in April 2010 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 the next Annual Meeting in 2011. In addition a proposal will be made to cancel 20 million shares held in treasury with a contemporaneous bonus issue without issuing new shares of an amount equivalent to the reduction of share capital through the cancellation of shares.

Other events

Swedish Match and Philip Morris International announced in February 2009 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, SMPM International, 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 impacted 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. In accordance with the legislation, payments of user fees, certain registrations as well as other requirements began 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 for a purchase price amounting to 1.7 billion ZAR. The transaction was completed during the month of September. In 2008 the South African operations had total sales of 688 MZAR. SMSA will continue to distribute lighters, matches and cigars for Swedish Match.

In October 2009, 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), Mads Eg Gensmann (Parvus Asset Management), KG Lindvall (Swedbank Robur funds), and William Lock (Morgan Stanley Investment Management) have been appointed members of the Nominating Committee.

At the end of 2009, Swedish Match and Lorillard agreed to end their joint venture testing of snus in the US. Swedish Match will continue to market snus, primarily using the *General* brand. Swedish Match snus is now available in more than 600 tobacconist stores.

Cubatabaco has been seeking to cancel General Cigar's registration for the Cohiba trademark in the US in a proceeding that started in 1997. A District Court ruled in favor of Cubatobaco in 2004. A US Court of Appeals reversed the District Court's ruling and concluded that General Cigar is the rightful owner of the trademark in the US. The matter was appealed to the Supreme Court which denied review of the case. Despite this the case was reopened by the District Court in 2008 on the basis that there had been a change in New York State law and the District Court again ruled in favor of Cubatabaco in December 2009. General Cigar has filed an appeal and has asked the US Court of Appeals to again reverse the ruling of the District Court. Pending the outcome of this appeal Swedish Match can continue selling products under the Cohiba brand in the US. In the opinion of management there are good defenses against Cubatabaco's claims and the case will continue to be vigorously defended.

Events following the close of the reporting period

On January 15, 2010, Swedish Match AB announced that it had signed a letter of intent with Scandinavian Tobacco Group (STG) which would, if an agreement is reached, combine the cigar and pipe tobacco businesses of Swedish Match (with the exception of the US machine made cigar business) with the cigar, pipe tobacco, and fine cut tobacco businesses of STG. The new company would have annual sales in the range of 670 MEUR. Swedish Match would own 49 percent of the new company, while STG would own 51 percent. On February 15, Swedish Match received the necessary consent from bondholders. Completion of the transaction is still subject to due diligence by both parties, final transaction agreements, and regulatory approvals. Signing is expected to take place during the first half of 2010 with completion as soon as possible thereafter.

Outlook

During 2010 Swedish Match will take further steps to strengthen our position as a leading smokefree tobacco company while maintaining our commitment to profitability in other product categories. For 2010 we expect both the snus market in Scandinavia and the snuff market in the US to grow.

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

The tax rate from continuing operations for 2009, excluding one time items, was around 22 percent, and is expected to be at a similar level in 2010.

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 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 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 full year amounted to 2 MSEK (1). Profit before income tax amounted to 4,742 MSEK (1,907) and net profit for the year amounted to 4,578 MSEK (1,914). 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 year amounted to 0 MSEK (1). The cash flow for the period was negative 2,702 MSEK (negative 106). During 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 2,547 MSEK (934) and paid dividend of 1,024 MSEK (886). Cash and bank at the end of the period amounted to 0 MSEK compared with 2,702 MSEK at the beginning of the year, which is an effect of a changed treasury set-up for the Group.

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 annual report for 2009 is expected to be released end of March and distributed in early April. The Annual General Meeting will be held on April 27, 2010 in Stockholm, Sweden. The January-March 2010 report will be released on April 29, 2010.

Stockholm, February 25, 2010

Lars Dahlgren
President and CEO

Key data

	Full year	
	2009	**2008**
Continuing operations		
Operating margin, %[1)]	24.1	22.2
Operating capital, MSEK	8,494	8,841
Return on operating capital, %[1)]	39.4	34.0
EBITDA, MSEK[2)]	3,885	3,222
EBITA, MSEK[3)]	3,535	2,921
Net debt, MSEK	7,188	7,640
Net debt/EBITA	2.0	2.6
Investments in property, plant and equipment, MSEK[4)]	471	319
EBITA interest cover	8.4	7.0
Share data		
Earnings per share, basic, SEK		
From continuing operations	9.67	8.30
Including discontinued operations	12.88	8.98
Earnings per share, diluted, SEK		
From continuing operations	9.66	8.29
Including discontinued operations	12.87	8.96
Number of shares outstanding at end of period	231,300,000	249,160,000
Average number of shares outstanding, basic	244,259,880	251,867,479
Average number of shares outstanding, diluted	244,440,057	252,211,733

1) Excluding a gain of 73 MSEK from sale of subsidiary and related assets during 2008, but including restructuring charges of 73 MSEK in 2009
2) Operating profit excluding larger one time items adjusted for depreciation, amortization and writedowns of tangible and intangible assets
3) Operating profit excluding larger one time items adjusted for amortization and writedowns of intangible assets
4) Includes investments in forest plantations of 22 MSEK (19)

Consolidated income statement in summary

MSEK	October - December 2009	October - December 2008	Chg %	Full year 2009	Full year 2008	Chg %
Continuing operations						
Sales, including tobacco tax	6,409	6,141		25,483	22,793	
Less tobacco tax	-2,864	-2,661		-11,279	-10,182	
Sales	**3,545**	**3,480**	**2**	**14,204**	**12,611**	**13**
Cost of goods sold	-1,835	-1,747		-7,114	-6,437	
Gross profit	**1,710**	**1,733**	**-1**	**7,089**	**6,174**	**15**
Sales and administrative expenses	-860	-930		-3,681	-3,384	
Share of profit in equity accounted investees	0	4		10	11	
Gain on sale of subsidiary and related assets	-	73		-	73	
Operating profit	**850**	**880**	**-3**	**3,417**	**2,874**	**19**
Finance income	10	41		86	154	
Finance costs	-121	-137		-529	-595	
Net finance cost	-111	-97		-443	-441	
Profit before income tax	**739**	**784**	**-6**	**2,974**	**2,433**	**22**
Income tax expense	-143	-97		-613	-342	
Profit for the period from continuing operations	**595**	**687**	**-13**	**2,361**	**2,091**	**13**
Discontinued operations						
Profit from discontinued operations, net after tax	-	41		785	170	
Profit for the period	**595**	**728**	**-18**	**3,146**	**2,261**	**39**
Attributable to:						
Equity holders of the Parent	595	728		3,146	2,261	
Minority interests	0	0		1	1	
Profit for the period	**595**	**728**	**-18**	**3,146**	**2,261**	**39**
Earnings per share, basic, SEK						
From continuing operations	2.52	2.75		9.67	8.30	
Including discontinued operations	2.52	2.91		12.88	8.98	
Earnings per share, diluted, SEK						
From continuing operations	2.51	2.75		9.66	8.29	
Including discontinued operations	2.51	2.91		12.87	8.96	

Consolidated statement of comprehensive income

MSEK	October - December 2009	October - December 2008	Full year 2009	Full year 2008
Profit recognized in the income statement	**595**	**728**	**3,146**	**2,261**
Other comprehensive income				
Translation differences related to foreign operations	165	733	-222	820
Translation differences included in profit and loss	2	6	163	6
Effective portion of changes in fair value of cash flow hedges	-24	-161	41	-184
Reclassification adjustments for gains/losses on cash flow hedges included in profit and loss	-	-	25	-
Actuarial gains and losses attributable to pensions, incl. payroll tax[1)]	-48	-952	-115	-952
Income tax relating to components of other comprehensive income	12	337	38	344
Total comprehensive income, net of tax	**107**	**-38**	**-70**	**34**
Total comprehensive income	**703**	**690**	**3,076**	**2,296**
Attributable to:				
Equity holders of the Parent	703	690	3,075	2,295
Minority interest	0	0	1	1
Total comprehensive income	**703**	**690**	**3,076**	**2,296**

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

Consolidated balance sheet in summary

MSEK	December 31, 2009	December 31, 2008
Intangible assets	3,792	4,702
Property, plant and equipment	2,525	2,458
Other non-current financial receivables[1)]	2,193	2,284
Current operating assets	5,296	5,732
Other current investments	1	1
Cash and cash equivalents	2,530	3,178
Total assets	**16,337**	**18,355**
Equity attributable to equity holders of the Parent	899	1,377
Minority interest	4	4
Total equity	**903**	**1,381**
Non-current provisions	1,301	1,281
Non-current loans	8,252	9,975
Other non-current financial liabilities[2)]	1,440	1,337
Current provisions	125	29
Current loans	1,002	743
Other current liabilities	3,313	3,609
Total equity and liabilities	**16,337**	**18,355**

1) Includes pension assets of 150 MSEK (134) and derivative financial instruments of 679 MSEK (1,064) used to hedge the Parent Company's bond loans denominated in euro

2) Includes pension liabilities of 1,291 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

MSEK	January – December	
	2009	**2008**
Operating activities		
Profit before income taxes	**2,974**	**2,433**
Adjustments for non-cash items and other	511	213
Income tax paid	-507	-488
Cash flow from operating activities before changes in working capital	**2,978**	**2,158**
Cash flow from changes in working capital	-67	-320
Net cash from operating activities	**2,911**	**1,838**
Investing activities		
Purchase of property, plant and equipment	-471	-319
Proceeds from sale of property, plant and equipment	3	109
Purchase of intangible assets	-16	-8
Acquisition of subsidiaries, net of cash acquired[1)]	-63	-7
Proceeds from sale of subsidiaries, net of cash disposed of	1,577	155
Changes in financial receivables etc.	12	4
Changes in other current investments	0	5
Net cash used in investing activities	**1,043**	**-61**
Financing activities		
Changes in loans	-1,020	-483
Dividends paid to equity holders of the Parent	-1,024	-886
Repurchase of own shares	-2,598	-996
Stock options exercised	51	62
Other	-115	35
Net cash used in financing activities	**-4,707**	**-2,267**
Net decrease in cash and cash equivalents	**-753**	**-491**
Cash flow from discontinued operations		
Net cash from operating activities	219	142
Net cash used in investing activities	-6	13
Net cash used in financing activities	-51	42
Net increase in cash and cash equivalents	**162**	**196**
Cash and cash equivalents at the beginning of the period	3,178	3,439
Effect of exchange rate fluctuations on cash and cash equivalents	-58	34
Cash and cash equivalents at the end of the period	**2,530**	**3,178**

1) Acquisitions in 2009 pertain to Rocker Production AB acquired from Philip Morris International of 31 MSEK, investment of 23 MSEK in Swedish Match 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

MSEK	Equity attributable to holders of the Parent	Minority interest	Total equity
Equity at January 1, 2008	**720**	**4**	**724**
Adjustment for reclassification of pension plan IAS 19, net after tax	152	-	152
Adjusted equity at January 1, 2008	**872**	**4**	**876**
Total comprehensive income	2,295	1	2,296
Dividends	-886	-1	-886
Repurchase of own shares	-996	-	-996
Stock options exercised	62	-	62
Cancellation of shares	-18	-	-18
Bonus issue	18	-	18
Share-based payments, IFRS 2	28	-	28
Equity at December 31, 2008	**1,377**	**4**	**1,381**
Equity at January 1, 2009	**1,377**	**4**	**1,381**
Total comprehensive income	3,075	1	3,076
Dividends	-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**

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

MSEK	January – December 2009	2008
Sales	489	551
Expenses	-319	-338
Income taxes	-13	-43
Capital gain from sale of discontinued operations	628	-
Profit from discontinued operations, net after tax	**785**	**170**

Parent Company income statement in summary

MSEK	Full year	
	2009	**2008**
Sales	2	1
Gross profit	**2**	**1**
Selling and administrative expenses	-251	-285
Operating loss	**-249**	**-284**
Result from participation in Group companies	6,006	3,651
Result from participation in joint venture	-9	-
Net finance cost	-1,008	-1,471
Profit after financial items	**4,740**	**1,896**
Appropriations	2	11
Profit before income tax	**4,742**	**1,907**
Income tax	-164	7
Profit for the period	**4,578**	**1,914**

Parent Company statement of comprehensive income

MSEK	Full year	
	2009	**2008**
Profit for the year	**4,578**	**1,914**
Other comprehensive income		
Effective portion of changes in fair value of cash flow hedges	41	-184
Reclassification adjustment for gains/losses on cash flow hedges in profit and loss	25	-
Income tax relating to changes in fair value of cash flow hedges	-17	49
Other comprehensive income	**48**	**-135**
Total comprehensive income	**4,627**	**1,779**

Parent Company balance sheet in summary

MSEK	**Dec 31, 2009**	**Dec 31, 2008**
Intangible and tangible fixed assets	2	6
Non-current financial assets	51,190	51,528
Current assets	6,462	5,112
Total assets	**57,654**	**56,646**
Equity	**23,229**	**22,148**
Untaxed reserves	**0**	**2**
Provisions	25	16
Non-current liabilities	26,462	27,614
Current liabilities	7,937	6,866
Total liabilities	**34,424**	**34,496**
Total equity and liabilities	**57,654**	**56,646**

Quarterly data

MSEK	Q4/09	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q4/07
Continuing operations									
Sales, including tobacco tax	6,409	6,737	6,648	5,690	6,141	6,033	5,832	4,786	6,275
Less tobacco tax	-2,864	-3,130	-2,982	-2,303	-2,661	-2,759	-2,668	-2,093	-2,916
Sales	**3,545**	**3,606**	**3,666**	**3,387**	**3,480**	**3,274**	**3,164**	**2,693**	**3,359**
Cost of goods sold	-1,835	-1,843	-1,812	-1,624	-1,747	-1,663	-1,633	-1,395	-1,798
Gross profit	**1,710**	**1,764**	**1,854**	**1,762**	**1,733**	**1,611**	**1,531**	**1,298**	**1,561**
Sales and administrative expenses	-860	-892	-958	-970	-930	-808	-846	-799	-822
Share of profit in equity accounted investees	0	3	4	2	4	5	5	-3	-1
	850	**874**	**899**	**794**	**807**	**808**	**691**	**496**	**738**
Larger one time items									
Gain on sale of subsidiary and related assets	-	-	-	-	73	-	-	-	-
Gain on sale of real estate	-	-	-	-	-	-	-	-	267
Operating profit	**850**	**874**	**899**	**794**	**880**	**808**	**691**	**496**	**1,005**
Finance income	10	35	14	27	41	39	33	40	53
Finance costs	-121	-152	-122	-135	-137	-154	-150	-153	-138
Net finance cost	-111	-117	-108	-108	-97	-115	-117	-113	-85
Profit before income tax	**739**	**757**	**791**	**686**	**784**	**693**	**574**	**383**	**920**
Income tax expense	-143	-142	-168	-159	-97	-72	-95	-78	-177
Profit for the period from continuing operations	**595**	**615**	**624**	**527**	**687**	**621**	**479**	**304**	**743**
Discontinued operations									
Profit from discontinued operations, net after tax	0	705	41	40	41	50	38	42	48
Profit for the period	**595**	**1,319**	**664**	**567**	**728**	**671**	**517**	**346**	**791**
Attributable to:									
Equity holders of the Parent	595	1,319	664	567	728	671	517	346	791
Minority interest	0	0	0	0	0	0	0	0	0
Profit for the period	**595**	**1,319**	**664**	**567**	**728**	**671**	**517**	**346**	**791**

Sales by product area

MSEK	Q4/09	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q4/07
Snus and snuff	1,101	1,093	1,087	969	1,035	964	926	801	949
Cigars	1,056	1,065	1,129	1,175	1,052	933	905	754	923
Chewing tobacco	233	280	314	284	260	237	227	210	222
Lights	422	388	387	377	407	401	371	345	402
Other operations	732	781	749	581	726	740	735	583	863
Total	**3,545**	**3,606**	**3,666**	**3,387**	**3,480**	**3,274**	**3,164**	**2,693**	**3,359**

Operating profit by product area

MSEK	Q4/09	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q4/07
Snus and snuff	523	534	463	397	463	479	403	313	435
Cigars	179	190	281	286	205	187	183	111	194
Chewing tobacco	76	107	129	98	96	87	77	69	75
Lights	92	62	62	63	71	85	63	55	67
Other operations	-19	-19	-36	-50	-27	-30	-37	-52	-33
Subtotal	**850**	**874**	**899**	**794**	**807**	**808**	**691**	**496**	**738**
Larger one time items									
Gain on sale of subsidiary and related assets	-	-	-	-	73	-	-	-	-
Gain on sale of real estate	-	-	-	-	-	-	-	-	267
Subtotal	**-**	**-**	**-**	**-**	**73**	**-**	**-**	**-**	**267**
Total	**850**	**874**	**899**	**794**	**880**	**808**	**691**	**496**	**1,005**

Operating margin by product area*

Percent	Q4/09	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q4/07
Snus and snuff	47.5	48.8	42.6	40.9	44.7	49.7	43.6	39.0	45.8
Cigars	16.9	17.9	24.9	24.3	19.5	20.0	20.2	14.7	21.0
Chewing tobacco	32.5	38.4	41.0	34.6	36.8	36.9	34.1	32.7	34.1
Lights	21.8	15.9	16.1	16.7	17.5	21.2	17.1	16.1	16.7
Group	**24.0**	**24.2**	**24.5**	**23.4**	**23.2**	**24.7**	**21.8**	**18.4**	**22.0**

* Excluding larger one time items, but including restructuring charges for cigars of 45 MSEK in Q3 2009 and 29 MSEK in Q4 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 February 25, 2010 at 08.00 a.m. (CET).