



## Half Year Report January – June 2011

- **Comparable sales<sup>1)</sup> for the second quarter increased by 3 percent to 2,944 MSEK (2,849) and by 11 percent in local currencies. Sales for the second quarter of 2010 including businesses transferred to STG amounted to 3,701 MSEK**
- **Comparable operating profit<sup>2)</sup> for the second quarter increased by 5 percent to 829 MSEK (793) and by 13 percent in local currencies**
- **Operating profit including businesses transferred to STG last year, share of net profit from STG and larger one time items<sup>3)</sup> for the second quarter amounted to 904 MSEK (945)**
- **EPS (basic) for the second quarter amounted to 2.94 SEK (2.78)**

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

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

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

### **CEO Lars Dahlgren comments:**

For the second quarter of 2011, Swedish Match continued to deliver strong comparable sales and profit growth in local currency terms. Comparable sales in local currencies increased by 11 percent and comparable operating profit increased by 13 percent, driven by our Snus and snuff and Other tobacco products segments.

In Snus and snuff, we achieved gains in sales and shipment volumes for both snus in Scandinavia and snus and snuff in the US. The Scandinavian snus business delivered strong profit growth, and we are particularly pleased with the strong volume development in the quarter. The US snuff business increased profits on stronger shipments, and we continue to see good trends in our expansion of Swedish snus in the US. Test market activities for snus through SMPM International continued in Taiwan and Canada, and we are planning to add at least one additional test market during the year.

Our US mass market cigar business continued to excel during the quarter, with solid market share gains for our recent product introductions. Overall we managed to grow volumes by 42 percent in the quarter compared to the prior year, and sales by more than 20 percent in local currency.

Scandinavian Tobacco Group continued its integration activities in the quarter, with some synergies already being realized. The recently acquired Lane business delivered according to plan, and total operating profit grew, both versus the first quarter and prior year.

Our Group strategy is to position Swedish Match as the global smokefree leader, to leverage our strong platforms in Other tobacco products (US mass market cigars and chewing tobacco) to maximize long term profitability, to continue our operational excellence for Lights, and, through active ownership, realize the potential of Scandinavian Tobacco Group.

## Summary of consolidated income statement

MSEK	April - June		January - June		Full year
	2011	2010	2011	2010	
Comparable Group sales <sup>1)</sup>	2,944	2,849	5,591	5,457	11,222
Sales	2,944	3,701	5,591	6,983	13,606
Comparable Group operating profit <sup>2)</sup>	829	793	1,558	1,448	3,158
Operating profit <sup>3)</sup>	904	945	1,698	1,700	4,169
Profit before income tax	773	816	1,438	1,465	3,607
Profit for the period	616	637	1,148	1,155	2,958
Earnings per share, basic (SEK)	2.94	2.78	5.44	5.04	13.12

1) Sales excluding businesses transferred to STG.

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

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

### Sales and results for the second quarter

Comparable Group sales (excluding businesses transferred to STG) for the second quarter of 2011 increased by 3 percent to 2,944 MSEK (2,849) compared to the same period of the previous year. Currency translation has affected the sales comparison negatively by 215 MSEK. In local currencies, sales increased by 11 percent.

In the second quarter, sales for the product area Snus and snuff increased by 7 percent to 1,193 MSEK (1,116) and operating profit increased by 11 percent to 540 MSEK (487). In local currencies, sales increased by 12 percent. The operating margin for the Snus and snuff product area was 45.3 percent (43.6).

Scandinavian snus sales were up by 12 percent compared to the second quarter of the prior year, with volume growth of 8 percent. In the US, sales of snus and snuff in local currency increased by 11 percent, while volumes were significantly higher year on year in the second quarter due in large part to phased timing of promotional shipments.

For Other tobacco products, sales in local currency in the second quarter increased by 11 percent while reported sales declined to 613 MSEK (664) as a result of the depreciation of the US dollar versus the Swedish krona. Operating profit increased in local currency by 20 percent and reported operating profit was 272 MSEK (270). Last year's second quarter operating profit included a 10 MSEK restructuring charge for the closure of the production of the *Piccanell* brand in Sweden. Currency translation has affected the sales and operating profit comparison negatively by 126 MSEK and 52 MSEK respectively. Compared to the second quarter of the prior year, sales and operating profit grew most significantly for the US mass market cigar business while for chewing tobacco, operating profit was higher but sales were flat in local currency. Operating margin for Other tobacco products increased to 44.4 percent (40.7).

Comparable Group operating profit (excluding businesses transferred to STG, share of net profit from STG and larger one time items) increased by 5 percent to 829 MSEK (793). In local currencies, comparable Group operating profit increased by 13 percent. Currency translation has affected the comparison negatively by 70 MSEK.

Comparable Group operating margin for the second quarter was 28.2 percent (27.8). Comparable Group EBITDA margin was 30.6 percent (30.3).

Group operating profit, including businesses transferred to STG, share of net profit from STG and larger one time items, reached 904 MSEK (945, including a positive IFRS adjustment of 34 MSEK relating to amortizations and depreciation for assets held for sale). The share of net profit from STG, after interest and tax, amounted to 74 MSEK for the second quarter and includes restructuring charges of 5 MSEK before tax.

Basic earnings per share for the second quarter amounted to 2.94 SEK (2.78), while diluted earnings per share amounted to 2.92 SEK (2.78).

#### *Sales and results for the first six months*

Comparable Group sales for the first six months amounted to 5,591 MSEK (5,457). Comparable Group operating profit amounted to 1,558 MSEK (1,448). In local currencies, comparable sales increased by 9 percent and comparable operating profit increased by 15 percent. Currency translation has affected the operating profit comparison negatively by 111 MSEK.

Comparable Group operating margin for the first six months was 27.9 percent (26.5). Group operating margin, including businesses transferred to STG, share of net profit in STG and excluding reversal effect from depreciation and amortization on assets held for sale, was 30.4 percent (23.5).

Group operating profit, including businesses transferred to STG, share of net profit from STG and larger one time items, reached 1,698 MSEK (1,700, including a positive IFRS adjustment of 61 MSEK relating to amortizations and depreciation for assets held for sale). The share of net profit from STG amounted to 139 MSEK for the first six months and includes restructuring charges of 9 MSEK before tax.

EPS (basic) for the first six months was 5.44 SEK (5.04), while diluted EPS was 5.41 SEK (5.03).

#### **Restated reportable segments**

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

#### **Sales by product area**

MSEK	April - June			January - June			Full year 2010
	2011	2010	Chg %	2011	2010	Chg %	
Snus and snuff	1,193	1,116	7	2,261	2,170	4	4,522
Other tobacco products	613	664	-8	1,196	1,252	-4	2,440
Lights	313	347	-10	649	698	-7	1,429
Other operations	826	722	14	1,484	1,337	11	2,831
<b>Comparable Group sales</b>	<b>2,944</b>	<b>2,849</b>	<b>3</b>	<b>5,591</b>	<b>5,457</b>	<b>2</b>	<b>11,222</b>
Businesses transferred to STG <sup>1)</sup>	-	852		-	1,526		2,385
<b>Total</b>	<b>2,944</b>	<b>3,701</b>		<b>5,591</b>	<b>6,983</b>		<b>13,606</b>

1) Sales relating to businesses transferred to STG (until October 1, 2010), net of inter-company sales eliminations.

## Operating profit by product area

MSEK	April - June		Chg %	January - June		Chg %	Full year 2010
	2011	2010		2011	2010		
Snus and snuff	540	487	11	1,010	921	10	2,080
Other tobacco products	272	270	1	517	474	9	942
Lights	44	68	-36	102	134	-24	279
Other operations	-26	-32		-70	-81		-142
<b>Comparable Group operating profit</b>	<b>829</b>	<b>793</b>	<b>5</b>	<b>1,558</b>	<b>1,448</b>	<b>8</b>	<b>3,158</b>
Share of net profit/loss in STG <sup>1)</sup>	74	-		139	-		-60
Businesses transferred to STG <sup>2)</sup>	-	118		-	191		334
<b>Subtotal</b>	<b>904</b>	<b>911</b>	<b>-1</b>	<b>1,698</b>	<b>1,639</b>	<b>4</b>	<b>3,433</b>
Net gain from pension settlements	-	-		-	-		59
Capital gain from transfer of businesses to STG	-	-		-	-		585
Reversal of depreciation and amortization relating to assets held for sale <sup>3)</sup>	-	34		-	61		93
<b>Total larger one time items</b>	<b>-</b>	<b>34</b>		<b>-</b>	<b>61</b>		<b>737</b>
<b>Total</b>	<b>904</b>	<b>945</b>	<b>-4</b>	<b>1,698</b>	<b>1,700</b>	<b>0</b>	<b>4,169</b>

1) The share of net profit in STG for the first six months of 2011 includes restructuring charges of 9 MSEK before tax. The share of net loss in STG in 2010 (fourth quarter) includes restructuring charges, other transaction costs and IFRS acquisition adjustments amounting to 175 MSEK before tax.

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

3) During 2010, operating profit by product area was presented including depreciation and amortization for operations relating to assets held for sale. In order to arrive at the Group's operating profit, depreciation and amortization related to assets held for sale have been added back to the operating profit of reportable segments.

In order to reconcile to the Group's profit before income tax amounting to 773 MSEK (816) for the second quarter and 1,438 MSEK (1,465) for the first six months, the Group's net finance cost needs to be deducted from operating profit with an amount of 131 MSEK (129) for the second quarter and 259 MSEK (235) for the first six months.

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

Percent	April - June		January - June		Full year 2010
	2011	2010	2011	2010	
Snus and snuff	45.3	43.6	44.6	42.4	46.0
Other tobacco products	44.4	40.7	43.2	37.9	38.6
Lights	13.9	19.6	15.7	19.2	19.5
<b>Comparable Group operating margin<sup>2)</sup></b>	<b>28.2</b>	<b>27.8</b>	<b>27.9</b>	<b>26.5</b>	<b>28.1</b>
<b>Group operating margin, including businesses transferred to STG and share of net profit/loss in STG</b>	<b>30.7</b>	<b>24.6</b>	<b>30.4</b>	<b>23.5</b>	<b>25.2</b>

1) Excluding larger one time items.

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

## EBITDA by product area

MSEK	April - June			January - June			Full year 2010
	2011	2010	Chg %	2011	2010	Chg %	
Snus and snuff	577	524	10	1,083	994	9	2,225
Other tobacco products	292	292	0	557	517	8	1,033
Lights	54	78	-32	122	154	-21	320
Other operations	-23	-31		-64	-79		-137
<b>Comparable Group EBITDA<sup>1)</sup></b>	<b>900</b>	<b>863</b>	<b>4</b>	<b>1,697</b>	<b>1,586</b>	<b>7</b>	<b>3,441</b>
Share of net profit/loss in STG <sup>2)</sup>	74	-		139	-		-60
Businesses transferred to STG	-	151		-	257		432
<b>Total</b>	<b>974</b>	<b>1,015</b>	<b>-4</b>	<b>1,836</b>	<b>1,843</b>	<b>0</b>	<b>3,813</b>

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

2) The share of net profit in STG for the first six months of 2011 includes restructuring charges of 9 MSEK before tax. The share of net loss in STG in 2010 (fourth quarter) includes restructuring charges, other transaction costs and IFRS acquisition adjustments amounting to 175 MSEK before tax.

## EBITDA margin by product area

Percent	April - June		January - June		Full year 2010
	2011	2010	2011	2010	
Snus and snuff	48.4	46.9	47.9	45.8	49.2
Other tobacco products	47.6	44.0	46.5	41.3	42.3
Lights	17.2	22.6	18.8	22.1	22.4
<b>Comparable Group EBITDA margin<sup>1)</sup></b>	<b>30.6</b>	<b>30.3</b>	<b>30.4</b>	<b>29.1</b>	<b>30.7</b>
<b>Group EBITDA margin, including businesses transferred to STG and share of net profit/loss in STG</b>	<b>33.1</b>	<b>27.4</b>	<b>32.8</b>	<b>26.4</b>	<b>28.0</b>

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

### Snus and snuff

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

#### The second quarter

During the second quarter, sales in local currencies increased by 12 percent compared to the same quarter of the previous year. Reported sales increased by 7 percent to 1,193 MSEK (1,116), and reported operating profit increased by 11 percent to 540 MSEK (487). Sales, operating profit and operating margin improved in both Scandinavia and the US versus the second quarter of the prior year. The operating margin for the product area was 45.3 percent (43.6).

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

In Scandinavia, sales volumes measured in number of cans, were 8 percent higher during the second quarter compared to the second quarter of the prior year. Adjusting for both Easter timing of deliveries and for trade loading effects, volumes are estimated to have increased by 4 percent compared to the same period of the previous year. Underlying volumes grew both in Sweden and in Norway. Sales revenues in Scandinavia grew by 12 percent in the second quarter, and the operating margin improved somewhat from prior year's levels.

In the US, sales of snus and snuff increased by 11 percent in local currency during the second quarter versus the second quarter of the prior year. US volumes measured in number of cans increased by 16 percent in the second quarter, due in large part to phased timing of promotional shipments for moist snuff. Marketing spending for moist snuff was lower than prior year, primarily due to higher spending during the second quarter of 2010 tied to sponsorship activities. For snus in the US the trends are encouraging, and the Company continued the store expansion in the quarter. Marketing investments in Swedish snus in the US increased versus the same period in the prior year.

#### *The first six months*

For the first six months of the year, sales increased to 2,261 MSEK (2,170) and operating profit increased to 1,010 MSEK (921). Operating margin was 44.6 percent (42.4).

In Scandinavia, sales revenues increased by 9 percent, while shipment volumes increased by 4 percent. When adjusting for trade loading effects, Scandinavian shipment volumes for the first six months of the year are estimated to have increased by 3 percent compared to the same period of the previous year. Operating margin was up slightly versus previous year.

In the US, sales revenues for the first six months were up 7 percent versus prior year on improved volumes. Operating profit was also higher. Swedish Match volumes, as measured by Nielsen for the year to date period through June 11, decreased by 1.3 percent compared to the same period of the previous year. The growth of the total market in the same period was 7.3 percent according to Nielsen. Swedish Match shipment volumes in the US for the first six months increased by 8 percent compared to the same period prior year, partly as a result of planned phasing of promotional shipments for moist snuff.

#### **Other tobacco products**

*The product area Other tobacco products consists of US mass market cigars and chewing tobacco. Swedish Match is a major player in the US mass market cigar market, with such well known brands as White Owl, Garcia y Vega, and Game by Garcia y Vega. Swedish Match offers a wide range of sizes, styles, and price points for US mass market cigars. Swedish Match is the leading producer of chewing tobacco in the US where the product is mainly sold in the southern states of the country. Well known brands include Red Man and Southern Pride. The market for chewing tobacco shows a declining trend.*

#### *The second quarter*

During the second quarter, in local currency, sales for Other tobacco products increased by 11 percent compared to the same period of the previous year, and operating profit increased by 20 percent. Operating profit increased both for mass market cigars and chewing tobacco in local currency. Last year's second quarter operating profit included a 10 MSEK restructuring charge for the closure of the

production of the *Piccanell* brand in Sweden. The weaker US dollar has had a negative translation impact and reported sales amounted to 613 MSEK (664). Reported operating profit was 272 MSEK (270). Operating margin was 44.4 percent (40.7).

During the second quarter, US mass market cigar sales increased by more than 20 percent in local currency compared to the same period in the previous year, and volumes grew by 42 percent. The strong growth for US mass market cigars is attributable to the continued success of recent product introductions. The new line of sweet cigars in FoilFresh™ packaging, first introduced towards the end of the second quarter of 2010, was the key contributor to the strong volume growth. In December, 2010 a price increase of approximately 5 percent was implemented.

US chewing tobacco sales in the second quarter were flat in local currency as higher average prices compensated for lower volumes. Sales in SEK were down 18 percent versus the same quarter of the prior year. Shipment volumes of own brands declined by 3.5 percent, but due to declines in contract manufacturing total shipment volumes were 9 percent below year ago levels.

#### *The first six months*

Sales for the product area for the first six months amounted to 1,196 MSEK (1,252) while operating profit amounted to 517 MSEK (474). In local currency, sales for the first six months were up 11 percent, while operating profit was up by 25 percent, with increases for both mass market cigars and chewing tobacco. Operating margin was 43.2 percent (37.9).

### **Lights**

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

#### *The second quarter*

During the second quarter sales amounted to 313 MSEK (347). In local currencies, sales declined by 2 percent. Operating profit amounted to 44 MSEK (68). Operating margin was 13.9 percent (19.6).

Sales and operating profit declined for both matches and lighters in the second quarter despite higher volumes, due to mix effects, higher raw material prices and negative currency effects.

#### *The first six months*

Sales for the first six months amounted to 649 MSEK (698), while operating profit amounted to 102 MSEK (134). Operating margin was 15.7 percent (19.2).

### **Other operations**

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

#### *The second quarter*

Sales in Other operations for the second quarter amounted to 826 MSEK (722). Operating loss for Other operations was 26 MSEK (32).

### *The first six months*

Sales for the first six months amounted to 1,484 MSEK (1,337). Operating loss for the first six months was 70 MSEK (81). During the first six months of 2011 the operating loss includes redundancy costs following an organizational change and the operating loss in 2010 included costs related to the transaction with STG.

### **Scandinavian Tobacco Group**

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

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

### *The second quarter*

Swedish Match's share of Scandinavian Tobacco Group's net profit after interest and tax amounted to 74 MSEK for the second quarter. The share of net profit from Scandinavian Tobacco Group includes restructuring charges amounting to 5 MSEK before tax for the second quarter.

For premium cigars, operating profit in the second quarter declined versus prior year mainly as a result of a weaker US dollar against the Danish krone. For mass market cigars, operating profit in the second quarter grew significantly as a result of realized synergies. For pipe/fine cut tobacco, excluding Lane effects, operating profit was in line with the second quarter of the prior year. The Lane business delivered operating profit and EBITDA according to the acquisition plan.

Total Scandinavian Tobacco Group net sales for the second quarter amounted to 1,301 MDKK. EBITDA for total Scandinavian Tobacco Group in the second quarter amounted to 279 MDKK. Excluding restructuring charges, EBITDA amounted to 287 MDKK for the second quarter. The operating profit, excluding restructuring charges, amounted to 208 MDKK for the second quarter. Excluding Lane and restructuring costs, operating profit increased by 14 percent and EBITDA increased by 10 percent compared to the estimated pro forma in the second quarter of 2010.

### *The first six months*

Swedish Match's share of Scandinavian Tobacco Group's net profit after interest and tax amounted to 139 MSEK for the first six months. The share of net profit from Scandinavian Tobacco Group includes restructuring charges amounting 9 MSEK before tax for the first six months. Total Scandinavian Tobacco Group net sales for the first six months amounted to 2,595 MDKK. EBITDA for total Scandinavian Tobacco Group in the first six months amounted to 514 MDKK. Excluding restructuring charges, EBITDA amounted to 530 MDKK for the first six months. The operating profit, excluding restructuring charges, amounted to 377 MDKK for the first six months. Excluding Lane and restructuring costs, operating profit increased by 17 percent and EBITDA increased by 15 percent compared to the estimated pro forma for the first six months of 2010.

### **Taxes**

For the first half of the year, the reported tax expense amounted to 290 MSEK (309), corresponding to a tax rate of 20.1 percent (21.1). The reported tax rate excluding one time items as well as profit and loss impact from associated companies and joint ventures was approximately 22 percent (22).



### **Earnings per share**

Basic earnings per share (EPS) for the second quarter amounted to 2.94 SEK (2.78), while diluted EPS was 2.92 SEK (2.78). EPS for the first six months of the year amounted to 5.44 SEK (5.04), while diluted EPS was 5.41 SEK (5.03).

### **Depreciation and amortization**

In the second quarter, total depreciation and amortization amounted to 70 MSEK (70), of which depreciation on property, plant and equipment amounted to 56 MSEK (57) and amortization of intangible assets amounted to 14 MSEK (13).

In the first six months, total depreciation and amortization amounted to 139 MSEK (143), of which depreciation on property, plant and equipment amounted to 111 MSEK (116) and amortization of intangible assets amounted to 28 MSEK (28).

### **Financing and cash flow**

Cash flow from operating activities for the first six months amounted to 1,228 MSEK compared with 1,116 MSEK for the same period previous year. The main reasons for the increase in cash flow from operations in the first half of 2011 compared to the same period 2010 are somewhat lower taxes paid, improved cash flow from changes in working capital and timing of interest payments.

Investments in property, plant and equipment during the first six months amounted to 132 MSEK (197, whereof 25 MSEK pertained to businesses transferred to STG).

Net finance cost for the first six months increased to 259 MSEK (235). The net finance cost of 2010 includes bondholder consent fees of 21 MSEK related to the STG transaction. The underlying increase in the finance cost was mainly a result of a higher net debt and higher interest rates. During the period a loan repayment of 140 MSEK was received from STG following final transaction adjustments.

The net debt as per June 30, 2011 amounted to 8,699 MSEK compared to 7,650 MSEK at December 31, 2010.

In the first half of the year, Swedish Match paid dividends totaling 1,152 MSEK and repurchased shares, net, in the amount of 1,114 MSEK. During the first six months new bond loans of 133 MSEK were issued. Repayment of loans for the same period amounted to 497 MSEK including repurchase of 141 MSEK of bond loans with shorter maturities. As at June 30, 2011 Swedish Match had 9,524 MSEK of interest bearing debt excluding retirement benefit obligations compared to 9,885 MSEK at December 31, 2010. During the remainder of 2011, 187 MSEK of this debt falls due for repayment. As of June 30, 2011, Swedish Match had 1,468 MSEK in unutilized committed credit lines.

Cash and cash equivalents amounted to 1,801 MSEK at the end of the period, compared with 3,275 MSEK at December 31, 2010.

### **Average number of employees**

The average number of employees in the Group during the first half of 2011 was 3,902 compared with 3,908 for the full year 2010, excluding employees transferred to STG.

### **Share structure**

During the first quarter, Swedish Match repurchased 5.9 million shares for 1,180 MSEK at an average price of 199.60 SEK, following authorization from the Annual General Meeting held in 2010. No shares were repurchased during the second quarter. During the first quarter the Company sold 0.5 million treasury shares at an average price of 127.10 SEK, totaling 67 MSEK, as a result of option holders

exercising options. No options were exercised during the second quarter. Total shares bought back by Swedish Match since the buyback program started have been repurchased at an average price of 96.55 SEK. In accordance with the resolution at the Annual General Meeting on May 2, 2011, 18 million shares held in treasury have been cancelled. The total number of registered shares in the Company after the cancellation of shares is 213.0 million.

As per June 30, 2011 Swedish Match held 3.6 million shares, corresponding to 1.69 percent of the total number of shares. The number of shares outstanding, net as per June 30, 2011, amounted to 209.4 million. The Company has issued call options of which an amount corresponding to 5.0 million shares exercisable in gradual stages from 2011-2015 were outstanding as of June 30, 2011.

### **Outlook**

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

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

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

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

### **Risk factors**

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

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

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

For a further description of risk factors affecting Swedish Match, see the Report of the Board of Directors in the published Swedish Match annual report for 2010.

### **Swedish Match AB (publ)**

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

Sales in the Parent Company, for the first six months amounted to 26 MSEK (29). Profit before income tax amounted to 231 MSEK (630) and net profit for the first six months amounted to 390 MSEK (766).

The main sources of income for the Parent Company are dividends and Group contributions from subsidiaries. During the period the Parent Company received dividends amounting to 2,091 MSEK (1,152). An impairment loss on shares in subsidiaries of 1,143 MSEK was recognized during the second quarter as a result of dividends paid out of retained earnings from subsidiaries.

Part of the Group's treasury operations are included in the operations of the Parent Company and include the major part of the Group's external borrowings. The majority of these loans have fixed interest rates and hence any changes in interest rates would have an immaterial impact on the result of the Parent Company.

No capital expenditures on tangible fixed assets have been recognized during the first six months of 2011, nor during 2010. During the period 9 MSEK (13) have been capitalized in intangible assets as an investment in software development on an ERP system for the Group.

A shareholder contribution was provided to the joint venture, SMPM International, in the amount of 15 MSEK. Since the joint venture company is in a phase of build up and therefore not generating any profit, an impairment loss of 9 MSEK was recognized during the period.

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

During the first six months, new bond loans of 133 MSEK were issued and repayment of loans amounted to 497 MSEK. During the period the Parent Company made share repurchases of 1,180 MSEK (556) and sold 0.5 million (0.5) treasury shares for 67 MSEK (53). Dividend of 1,152 MSEK (1,089) 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 January-September 2011 report will be released on October 26.

The Board of Directors and the CEO declare that the half year report gives a true and fair view of the operations, position and result of the Company and the Group and describes the major risks and uncertainties of the Company and the companies in the Group.

Stockholm, July 20, 2011

Conny Karlsson  
Chairman

Andrew Cripps  
Deputy Chairman

Kenneth Ek  
Board member

Karen Guerra  
Board member

Eva Larsson  
Board member

Joakim Lindström  
Board member

Robert F. Sharpe  
Board member

Meg Tivéus  
Board member

Joakim Westh  
Board member

Lars Dahlgren  
President and CEO

## Key data

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

	January – June 2011	June 2010	12 months ended June 30, 2011	Full year 2010
Operating margin, %	30.4	23.5	28.6	25.2
Operating capital, MSEK	7,024	8,928	7,024	7,099
Return on operating capital, %			43.8	44.0
EBITDA, MSEK <sup>1)</sup>	1,836	1,843	3,806	3,813
EBITA, MSEK <sup>2)</sup>	1,725	1,693	3,559	3,527
Net debt, MSEK	8,699	8,185	8,699	7,650
Net debt/EBITA <sup>2)</sup>			2.4	2.2
Investments in property, plant and equipment, MSEK <sup>3)</sup>	132	197	246	311
EBITA interest cover	7.0	8.5	6.4	7.0
<i>Excluding businesses transferred to STG and share of net profit/loss in STG</i>				
EBITA, MSEK <sup>2)</sup>	1,586	1,473	3,322	3,209
Net debt/EBITA <sup>2)</sup>			2.6	2.4
<i>Share data</i>				
Earnings per share, basic, SEK	5.44	5.04	13.64	13.12
Earnings per share, diluted, SEK	5.41	5.03	13.58	13.09
Number of shares outstanding at end of period	209,408,074	228,317,500	209,408,074	214,797,106
Average number of shares outstanding, basic	211,107,994	229,075,760	216,347,952	225,331,835
Average number of shares outstanding, diluted	212,264,437	229,588,580	217,343,211	225,969,047

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

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

3) Including investments in forest plantations of 13 MSEK (12).

## Consolidated income statement in summary

MSEK	April - June		Chg %	January - June		Chg %	12 months ended		Full year	Chg %
	2011	2010		2011	2010		June 30, -11	2010		
Sales, including tobacco tax	6,033	6,676		11,192	12,547		23,707	25,062		
Less tobacco tax	-3,089	-2,976		-5,601	-5,564		-11,493	-11,456		
<b>Sales</b>	<b>2,944</b>	<b>3,701</b>	<b>-20</b>	<b>5,591</b>	<b>6,983</b>	<b>-20</b>	<b>12,214</b>	<b>13,606</b>		<b>-10</b>
Cost of goods sold	-1,467	-1,805		-2,764	-3,429		-5,998	-6,662		
<b>Gross profit</b>	<b>1,478</b>	<b>1,896</b>	<b>-22</b>	<b>2,826</b>	<b>3,554</b>	<b>-20</b>	<b>6,216</b>	<b>6,944</b>		<b>-10</b>
Selling and administrative expenses	-647	-955		-1,265	-1,857		-2,764	-3,356		
Share of profit/loss in associated companies and joint ventures	74	4		136	2		72	-62		
Net gain from pension settlements	-	-		-	-		59	59		
Capital gain from transfer of businesses to STG	-	-		-	-		585	585		
<b>Operating profit</b>	<b>904</b>	<b>945</b>	<b>-4</b>	<b>1,698</b>	<b>1,700</b>	<b>0</b>	<b>4,167</b>	<b>4,169</b>		<b>0</b>
Finance income	9	5		18	13		32	27		
Finance costs	-140	-134		-277	-248		-619	-590		
Net finance cost	-131	-129		-259	-235		-587	-562		
<b>Profit before income tax</b>	<b>773</b>	<b>816</b>	<b>-5</b>	<b>1,438</b>	<b>1,465</b>	<b>-2</b>	<b>3,580</b>	<b>3,607</b>		<b>-1</b>
Income tax expense	-157	-180		-290	-309		-629	-649		
<b>Profit for the period</b>	<b>616</b>	<b>637</b>	<b>-3</b>	<b>1,148</b>	<b>1,155</b>	<b>-1</b>	<b>2,951</b>	<b>2,958</b>		<b>0</b>
<i>Attributable to:</i>										
Equity holders of the Parent	615	636		1,148	1,155		2,951	2,957		
Non-controlling interests	0	0		0	0		1	1		
<b>Profit for the period</b>	<b>616</b>	<b>637</b>	<b>-3</b>	<b>1,148</b>	<b>1,155</b>	<b>-1</b>	<b>2,951</b>	<b>2,958</b>		<b>0</b>
Earnings per share, basic, SEK	2.94	2.78		5.44	5.04		13.64	13.12		
Earnings per share, diluted, SEK	2.92	2.78		5.41	5.03		13.58	13.09		

## Consolidated statement of comprehensive income

MSEK	April - June		January - June		12 months ended		Full year 2010
	2011	2010	2011	2010	June 30, -11	2010	
<b>Profit for the period</b>	<b>616</b>	<b>637</b>	<b>1,148</b>	<b>1,155</b>	<b>2,951</b>	<b>2,958</b>	
<i>Other comprehensive income</i>							
Translation differences related to foreign operations	190	329	-33	184	-722	-504	
Translation differences included in profit and loss	0	-	0	-7	285	278	
Effective portion of changes in fair value of cash flow hedges	-10	17	-58	31	-31	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	-91	-166	5	-87	-101	-193	
Share of other comprehensive income in associated companies and joint ventures	-46	-	-128	-6	-68	55	
Income tax relating to components of other comprehensive income	38	66	13	29	23	39	
<b>Other comprehensive income, net of tax for the period</b>	<b>82</b>	<b>246</b>	<b>-202</b>	<b>145</b>	<b>-637</b>	<b>-291</b>	
<b>Total comprehensive income for the period</b>	<b>698</b>	<b>883</b>	<b>947</b>	<b>1,300</b>	<b>2,315</b>	<b>2,668</b>	
<i>Attributable to:</i>							
Equity holders of the Parent	698	883	947	1,300	2,314	2,667	
Non-controlling interests	0	0	0	0	1	1	
<b>Total comprehensive income for the period</b>	<b>698</b>	<b>883</b>	<b>947</b>	<b>1,300</b>	<b>2,315</b>	<b>2,668</b>	

## Consolidated balance sheet in summary

<i>MSEK</i>	June 30, 2011	December 31, 2010
Intangible assets	968	1,027
Property, plant and equipment	2,084	2,097
Investments in associated companies and joint ventures	4,183	4,085
Other non-current financial receivables <sup>1)</sup>	1,336	1,368
Current operating assets	2,869	2,886
Other current investments and current financial assets	1	1
Cash and cash equivalents	1,801	3,275
<b>Total assets</b>	<b>13,242</b>	<b>14,739</b>
Equity attributable to equity holders of the Parent	-1,803	-484
Non-controlling interests	2	2
<b>Total equity</b>	<b>-1,801</b>	<b>-482</b>
Non-current provisions	1,029	1,050
Non-current loans	8,374	9,209
Other non-current financial liabilities <sup>2)</sup>	1,344	1,478
Current provisions	86	98
Current loans	1,108	525
Other current liabilities <sup>3)</sup>	3,103	2,861
<b>Total equity and liabilities</b>	<b>13,242</b>	<b>14,739</b>

1) Includes pension assets of 113 MSEK (117) and derivative financial instruments of 73 MSEK (88) used to hedge the Parent Company's bond loans denominated in euro.

2) Includes pension liabilities of 1,090 MSEK (1,158) and derivative financial instruments of 108 MSEK (222) used to hedge the Parent Company's bond loans denominated in euro.

3) Includes current financial derivatives of 7 MSEK (18) used to hedge the Parent Company's bond loans denominated in euro.

## Consolidated cash flow statement in summary

<i>MSEK</i>	January – June	
	2011	2010
<i>Operating activities</i>		
<b>Profit before income taxes</b>	<b>1,438</b>	<b>1,465</b>
Adjustment for share of net profit/loss in associated companies and joint ventures	-136	-2
Adjustments for other non-cash items and other	214	63
Income tax paid	-332	-354
<b>Cash flow from operating activities before changes in working capital</b>	<b>1,185</b>	<b>1,171</b>
Cash flow from changes in working capital	43	-55
<b>Net cash from operating activities</b>	<b>1,228</b>	<b>1,116</b>
<i>Investing activities</i>		
Purchase of property, plant and equipment	-132	-197
Proceeds from sale of property, plant and equipment	1	6
Purchase of intangible assets	-9	-20
Investments in associated companies and joint ventures <sup>1)</sup>	-15	-110
Investments in other companies <sup>2)</sup>	-4	-
Proceed from sale of subsidiaries, net of cash disposed of <sup>3)</sup>	143	-
Changes in financial receivables etc.	1	0
<b>Net cash used in investing activities</b>	<b>-14</b>	<b>-322</b>
<i>Financing activities</i>		
Changes in loans	-364	-392
Dividend paid to equity holders of the Parent	-1,152	-1,089
Repurchase of own shares	-1,180	-556
Stock options exercised	67	53
Other	-7	12
<b>Net cash used in financing activities</b>	<b>-2,636</b>	<b>-1,971</b>
<b>Net decrease in cash and cash equivalents</b>	<b>-1,422</b>	<b>-1,177</b>
Cash and cash equivalents at the beginning of the period	3,275	2,530
Effect of exchange rate fluctuations on cash and cash equivalents	-52	-25
Less cash and cash equivalents reclassified as assets held for sale	-	-87
<b>Cash and cash equivalents at the end of the period</b>	<b>1,801</b>	<b>1,242</b>

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

2) 2011 pertains to acquisition of 13 percent of the shares in Green Cross Europe AB in an amount of 4 MSEK.

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

## Change in shareholders' equity

<i>MSEK</i>	Equity attributable to holders of the Parent	Non- controlling interests	Total equity
<b>Equity at January 1, 2010</b>	<b>899</b>	<b>4</b>	<b>903</b>
Profit for the period	1,155	0	1,155
Other comprehensive income, net after tax for the period	145	0	145
<b>Total comprehensive income for the period</b>	<b>1,300</b>	<b>0</b>	<b>1,300</b>
Dividend	-1,089	0	-1,089
Repurchase of own shares	-556	-	-556
Stock options exercised	53	-	53
Cancellation of shares	-31	-	-31
Bonus issue	31	-	31
<b>Equity at June 30, 2010</b>	<b>606</b>	<b>5</b>	<b>611</b>
<b>Equity at January 1, 2011</b>	<b>-484</b>	<b>2</b>	<b>-482</b>
Profit for the period	1,148	0	1,148
Other comprehensive income, net after tax for the period	-202	0	-202
<b>Total comprehensive income for the period</b>	<b>947</b>	<b>0</b>	<b>947</b>
Dividend	-1,152	0	-1,152
Repurchase of own shares	-1,180	-	-1,180
Stock options exercised	67	-	67
Cancellation of shares	-30	-	-30
Bonus issue	30	-	30
<b>Equity at June 30, 2011</b>	<b>-1,803</b>	<b>2</b>	<b>-1,801</b>

## Parent Company income statement in summary

<i>MSEK</i>	January - June	
	2011	2010
Sales	26	29
Selling and administrative expenses	-102	-152
<b>Operating loss</b>	<b>-76</b>	<b>-123</b>
Result from participation in Group companies	849	1,152
Result from participation in joint ventures	-9	-7
Net finance cost	-533	-392
<b>Profit before income tax</b>	<b>231</b>	<b>630</b>
Income tax	159	136
<b>Profit for the period</b>	<b>390</b>	<b>766</b>

## Parent Company statement of comprehensive income

<i>MSEK</i>	January - June	
	2011	2010
<b>Profit for the period</b>	<b>390</b>	<b>766</b>
<i>Other comprehensive income</i>		
Effective portion of changes in fair value of cash flow hedges	-58	31
Income tax relating to components of other comprehensive income	15	-8
<b>Other comprehensive loss/income, net of tax for the period</b>	<b>-43</b>	<b>23</b>
<b>Total comprehensive income for the period</b>	<b>347</b>	<b>789</b>



## Parent Company balance sheet in summary

<i>MSEK</i>	<b>June 30, 2011</b>	<b>June 30, 2010</b>	<b>Dec 31, 2010</b>
Intangible and tangible fixed assets	51	15	45
Non-current financial assets	49,524	50,723	50,667
Current assets	297	260	2,353
<b>Total assets</b>	<b>49,872</b>	<b>50,998</b>	<b>53,064</b>
<b>Equity</b>	<b>19,660</b>	<b>22,426</b>	<b>21,578</b>
<b>Untaxed reserves</b>	<b>1</b>	<b>0</b>	<b>1</b>
Provisions	113	36	114
Non-current liabilities	26,707	25,676	27,606
Current liabilities	3,391	2,859	3,765
<b>Total liabilities</b>	<b>30,211</b>	<b>28,571</b>	<b>31,485</b>
<b>Total equity and liabilities</b>	<b>49,872</b>	<b>50,998</b>	<b>53,064</b>

### Note 1 – Accounting principles

This report for the Group is prepared in accordance with the Accounting Standard IAS 34 Interim Financial Reporting and applicable rules in the Annual Accounts Act. The report for the Parent Company is prepared in accordance with the Annual Accounts Act, Chapter 9. The new or amended IFRS standards and IFRIC interpretations, which became effective January 1, 2011, have had no material effect on the consolidated financial statements.

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

### Note 2 – Related parties transactions

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

In the normal course of business, Swedish Match conducts various transactions with associated companies and joint ventures. Transactions are conducted at an arms-length basis. At the end of the first half of year 2011, receivables from these companies amounted to 26 MSEK and total payables to these companies amounted to 9 MSEK. During the first half of 2011, total sales to associated companies and joint ventures amounted to 88 MSEK and total purchases from associated companies and joint ventures amounted to 54 MSEK.

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

## Quarterly data

<i>MSEK</i>	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09
<i>Continuing operations</i>									
Sales, including tobacco tax	6,033	5,158	5,471	7,044	6,676	5,870	6,409	6,737	6,648
Less tobacco tax	-3,089	-2,512	-2,671	-3,221	-2,976	-2,588	-2,864	-3,130	-2,982
<b>Sales</b>	<b>2,944</b>	<b>2,646</b>	<b>2,801</b>	<b>3,823</b>	<b>3,701</b>	<b>3,282</b>	<b>3,545</b>	<b>3,606</b>	<b>3,666</b>
Cost of goods sold	-1,467	-1,298	-1,338	-1,896	-1,805	-1,624	-1,835	-1,843	-1,812
<b>Gross profit</b>	<b>1,478</b>	<b>1,348</b>	<b>1,463</b>	<b>1,927</b>	<b>1,896</b>	<b>1,658</b>	<b>1,710</b>	<b>1,764</b>	<b>1,854</b>
Selling and administrative expenses	-647	-617	-621	-878	-955	-902	-860	-892	-958
Share of profit/loss in associated companies and joint ventures	74	62	-65	1	4	-2	0	3	4
	<b>904</b>	<b>793</b>	<b>777</b>	<b>1,049</b>	<b>945</b>	<b>755</b>	<b>850</b>	<b>874</b>	<b>899</b>
<i>Larger one time items</i>									
Net gain from pension settlements	-	-	59	-	-	-	-	-	-
Capital gain from transfer of businesses to STG	-	-	585	-	-	-	-	-	-
<b>Operating profit</b>	<b>904</b>	<b>793</b>	<b>1,421</b>	<b>1,049</b>	<b>945</b>	<b>755</b>	<b>850</b>	<b>874</b>	<b>899</b>
Finance income	9	10	8	6	5	8	10	35	14
Finance costs	-140	-138	-207	-134	-134	-115	-121	-152	-122
Net finance cost	-131	-128	-199	-128	-129	-106	-111	-117	-108
<b>Profit before income tax</b>	<b>773</b>	<b>665</b>	<b>1,221</b>	<b>921</b>	<b>816</b>	<b>649</b>	<b>739</b>	<b>757</b>	<b>791</b>
Income tax expense	-157	-132	-148	-192	-180	-130	-143	-142	-168
<b>Profit for the period from continuing operations</b>	<b>616</b>	<b>533</b>	<b>1,074</b>	<b>729</b>	<b>637</b>	<b>519</b>	<b>595</b>	<b>615</b>	<b>624</b>
<i>Discontinued operations</i>									
Profit from discontinued operations, net after tax	-	-	-	-	-	-	-	705	41
<b>Profit for the period</b>	<b>616</b>	<b>533</b>	<b>1,074</b>	<b>729</b>	<b>637</b>	<b>519</b>	<b>595</b>	<b>1,319</b>	<b>664</b>
<i>Attributable to:</i>									
Equity holders of the Parent	615	533	1,073	729	636	519	595	1,319	664
Non-controlling interests	0	0	0	0	0	0	0	0	0
<b>Profit for the period</b>	<b>616</b>	<b>533</b>	<b>1,074</b>	<b>729</b>	<b>637</b>	<b>519</b>	<b>595</b>	<b>1,319</b>	<b>664</b>

## Sales by product area

<i>MSEK</i>	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09
Snus and snuff	1,193	1,068	1,178	1,174	1,116	1,054	1,101	1,093	1,087
Other tobacco products	613	583	557	631	664	588	456	571	617
Lights	313	336	379	352	347	351	373	341	337
Other operations	826	659	687	806	722	615	690	742	711
<b>Comparable Group sales</b>	<b>2,944</b>	<b>2,646</b>	<b>2,801</b>	<b>2,964</b>	<b>2,849</b>	<b>2,608</b>	<b>2,620</b>	<b>2,747</b>	<b>2,752</b>
Businesses transferred to STG <sup>1)</sup>	-	-	-	859	852	674	925	859	914
<b>Total</b>	<b>2,944</b>	<b>2,646</b>	<b>2,801</b>	<b>3,823</b>	<b>3,701</b>	<b>3,282</b>	<b>3,545</b>	<b>3,606</b>	<b>3,666</b>

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

## Operating profit by product area

MSEK	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09
Snus and snuff	540	469	567	592	487	434	523	534	463
Other tobacco products	272	245	208	259	270	204	136	169	252
Lights	44	58	87	58	68	66	100	72	69
Other operations	-26	-43	-26	-35	-32	-48	-18	-25	-39
<b>Comparable Group operating profit</b>	<b>829</b>	<b>729</b>	<b>836</b>	<b>874</b>	<b>793</b>	<b>655</b>	<b>740</b>	<b>750</b>	<b>745</b>
Share of net profit/loss in STG <sup>1)</sup>	74	65	-60	-	-	-	-	-	-
Businesses transferred to STG <sup>2)</sup>	-	-	-	143	118	73	109	124	155
<b>Subtotal</b>	<b>904</b>	<b>793</b>	<b>777</b>	<b>1,017</b>	<b>911</b>	<b>728</b>	<b>850</b>	<b>874</b>	<b>899</b>
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	-	-	-
<b>Total larger one time items</b>	<b>-</b>	<b>-</b>	<b>644</b>	<b>32</b>	<b>34</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>904</b>	<b>793</b>	<b>1,421</b>	<b>1,049</b>	<b>945</b>	<b>755</b>	<b>850</b>	<b>874</b>	<b>899</b>

1) The share of net profit in STG for the first six months 2011 includes restructuring charges of 9 MSEK before tax. The share of net loss in STG in 2010 (fourth quarter) includes restructuring charges, other transaction costs and IFRS acquisition adjustments amounting to 175 MSEK before tax.

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

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

Percent	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09
Snus and snuff	45.3	44.0	48.1	50.4	43.6	41.2	47.5	48.8	42.6
Other tobacco products	44.4	41.9	37.4	41.0	40.7	34.7	29.9	29.6	40.9
Lights	13.9	17.3	23.0	16.3	19.6	18.7	26.6	21.3	20.4
<b>Comparable Group operating margin<sup>2)</sup></b>	<b>28.2</b>	<b>27.5</b>	<b>29.9</b>	<b>29.5</b>	<b>27.8</b>	<b>25.1</b>	<b>28.3</b>	<b>27.3</b>	<b>27.1</b>
<b>Group operating margin, including businesses transferred to STG and share of net profit/loss in STG<sup>3)</sup></b>	<b>30.7</b>	<b>30.0</b>	<b>27.7</b>	<b>26.6</b>	<b>24.6</b>	<b>22.2</b>	<b>24.0</b>	<b>24.2</b>	<b>24.5</b>

1) Excluding larger one time items.

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

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

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The character of the information in this report is such that it shall be disclosed by Swedish Match AB (publ) in accordance with the Swedish Securities Markets Act. The information was disclosed to the media on July 20, 2011 at 08.00 a.m. (CET).

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