

Q3 2012 Investor Kit

JANUARY-SEPTEMBER 2012



Swedish Match reporting segments

■ Snus and snuff

- Swedish snus in Scandinavia and US
- US moist snuff
- Income from SMPM International

■ Other tobacco products (OTP)

- US mass market cigars
- Chewing tobacco

■ Lights

- Lighters
- Matches
- Fire related products

■ Other operations

- Distribution
- Central costs

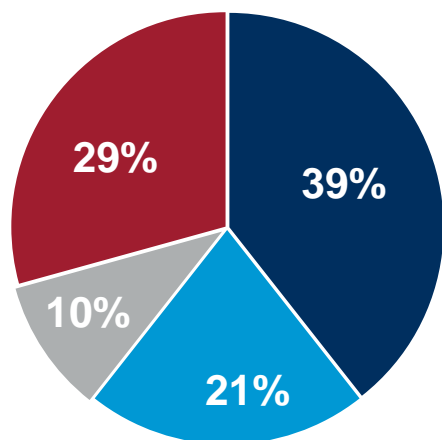


Sales and operating profit

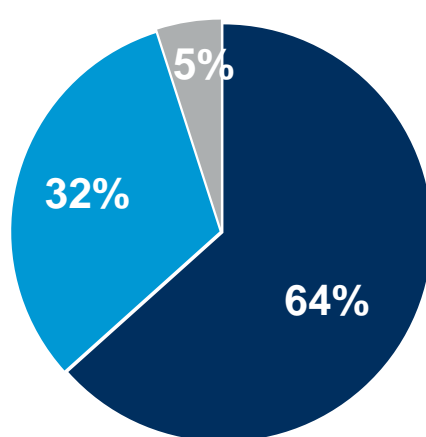
Sales and operating profit by product area

Q3 2012

Sales, SEK



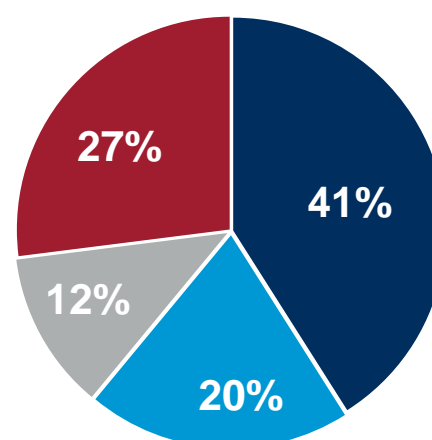
Operating profit*, SEK



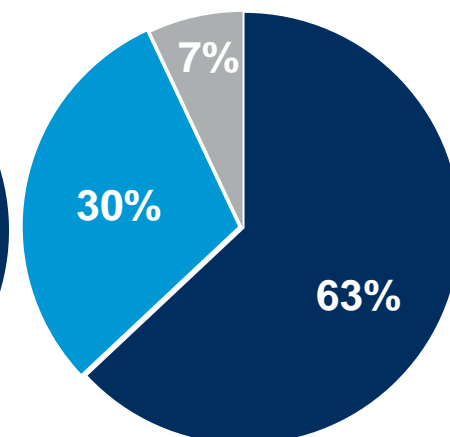
- Snus and snuff
- Other tobacco products
- Lights
- Other operations

Full year 2011

Sales, SEK



Operating profit*, SEK



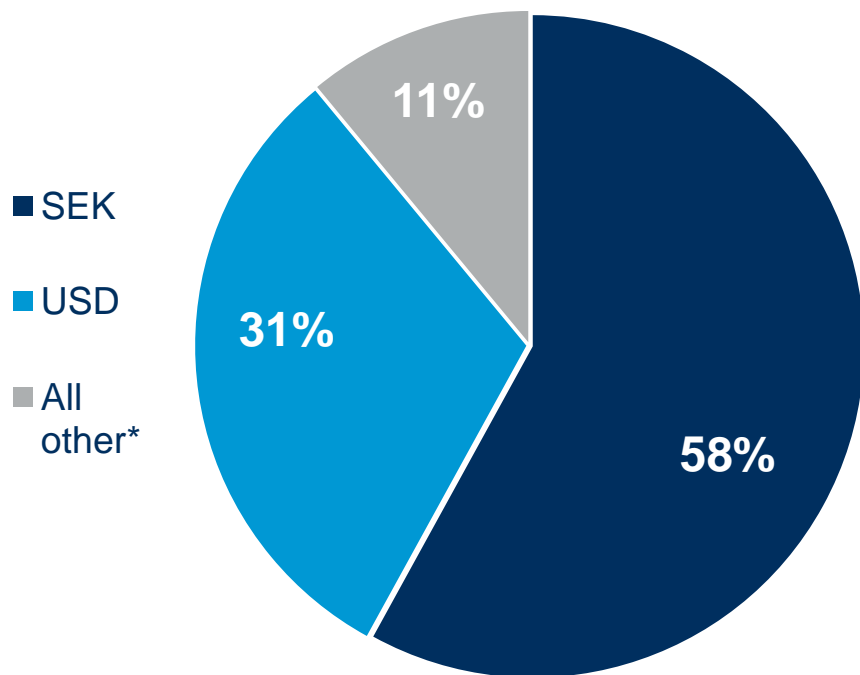
- Snus and snuff
- Other tobacco products
- Lights
- Other operations

* Excluding Other operations and share of net profit in STG for 2011 and 2012 and larger one time items in 2012. Totals may not add to 100% due to rounding.

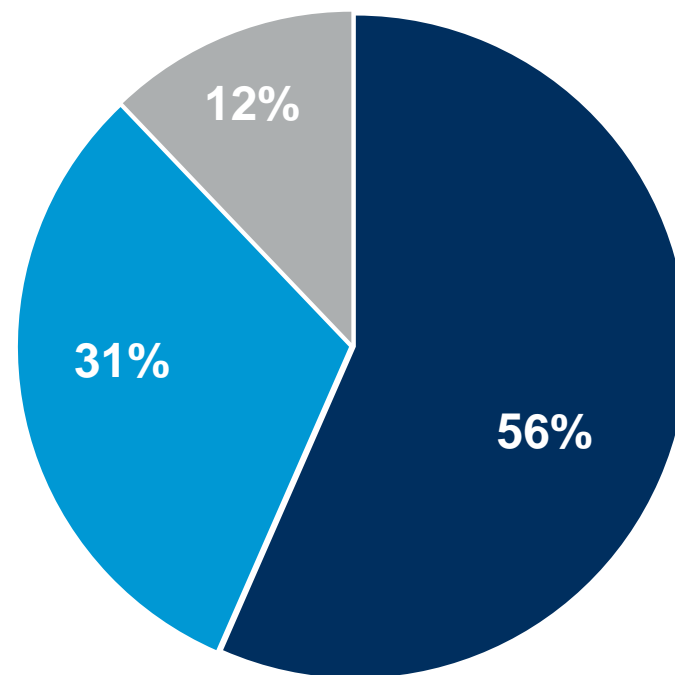
Sales by currency block

Percent of sales, MSEK

Q3 2012



Full year 2011



* Primarily NOK and BRL.

Group results – third quarter 2012

- **Sales amounted to 3,208 MSEK (3,011)**
 - In local currencies, sales increased by 6%
- **Operating profit from product areas increased to 942 MSEK (909)**
 - In local currencies, operating profit from product areas increased by 3%
 - Operating profit, including share of net profit in STG and larger one time items, was 1,022 MSEK (983)
- **Profit before income tax increased to 881 MSEK (853)**
- **Profit for the period increased to 693 MSEK (684)**
- **EPS (basic) was 3.41 SEK (3.28)**
- **Outlook: It is likely that operating profit from product areas for the fourth quarter of 2012 will be lower than in the fourth quarter of 2011**



Conclusions, third quarter – sales

- **Sales up 6% in local currencies, up 7% in SEK**
- **Scandinavian snus sales up 6%**
 - Shipment volumes for Scandinavia down 0.7% year on year
 - Volume growth in Norway and Travel Retail largely offset declines in Sweden
- **US moist snuff sales down 6% in USD, on approx. 5% lower volumes**
- **US mass market cigar sales up 14% in local currency**
 - US mass market cigar volumes up 11%, led by new launches
- **US chewing tobacco sales down 2% in USD**
 - Shipment volumes grew by 2%, with increases in contract manufacturing volumes more than offsetting a 9% volume decline for own brands
- **Lights sales up 1% in local currencies**
 - Sales growth for lighters
 - Matches sales declined slightly in local currencies



Conclusions, third quarter – operating profit

- **Operating profit from product areas* up 3% in local currencies, 4% in SEK**
- **Snus and snuff: operating profit up 3%**
 - Higher spending behind *General* snus in the US
 - Higher operating profit in Scandinavia more than offset lower operating profit on moist snuff in the US
 - Operating margin 48.0%, vs. 49.2% previous year
 - Higher Scandinavian snus margin, and somewhat lower US moist snuff margin versus prior year
- **Other tobacco products: operating profit up 4% in local currency, up 8% in SEK**
 - Cigar operating profit increased in local currency on 11% higher volumes
 - Operating profit for chewing tobacco declined in local currency, and operating margin declined
- **Lights: operating profit down 26%**
 - Operating profit up for lighters, down for matches

* Excluding share of net profit in STG.

Group results – first nine months 2012

- **Sales amounted to 9,338 MSEK (8,601)**
 - In local currencies, sales increased by 7%
- **Operating profit from product areas increased to 2,783 MSEK (2,467)**
 - In local currencies, operating profit from product areas increased by 11%
 - Operating profit, including share of net profit in STG and larger one time items, was 3,076 MSEK (2,681). Larger one time item of +30 MSEK in Q2 2012
- **Profit before income tax increased to 2,661 MSEK (2,292)**
- **Profit for the period increased to 2,120 MSEK (1,833)**
- **EPS (basic) was 10.40 SEK (8.72)**



Other items

- **Tax rate for the Group was 20.3% for the first nine months**
 - Includes profit and loss impact from associated companies
 - Underlying tax rate was 22.4%, likely to increase somewhat in 2013
- **Solid cash position, higher cash flow from operations**
 - Cash and cash equivalents were 2,271 MSEK on September 30, 2012 vs. 2,533 MSEK as of December 31, 2011
 - Cash flow from operating activities for the first nine months amounted to 2,082 MSEK (1,863)
 - Higher on improved EBITDA, dividends from associated companies, partly offset by higher tobacco tax payments in the beginning of the year relating to hoarding in Sweden at the end of 2011
- **Share repurchases in the first nine months amounted to 6.2 million (1,671 MSEK)**
 - During the first nine months the Company sold 2.7 million treasury shares at an average price of 154.81 SEK, totaling 414 MSEK, as a result of option holders exercising options
- **The total number of registered shares in the Company is 206.0 million**

Events following the close of the reporting period

■ In October, a Nominating Committee was appointed

- Conny Karlsson (Chairman of the Board), Andy Brown (Cedar Rock Capital), Björn Lind (AMF & AMF Funds), William Lock (Morgan Stanley Investment Management), and William von Mueffling (Cantillon Capital Management)

■ The European Commission issued a press release on October 16 providing information on OLAF investigations

- The European Anti-Fraud Office, OLAF, had concluded its investigations on the notification by Swedish Match of having received a proposal to influence the outcome of the ongoing review by the European Commission of the Tobacco Products Directive, in exchange for financial compensation
- The Tobacco Products Directive regulates the sales ban on Swedish snus within the EU, to which Sweden has an exemption
- OLAF concluded that a proposal to Swedish Match had been made by a Maltese entrepreneur, and that while no direct involvement by the EU Health Commissioner, John Dalli, was found, it was considered that Dalli had been aware of the proposal
- The press release stated that Dalli had decided to resign
- ***Swedish Match takes the incident seriously, and expects that proven scientific facts regarding snus, including the well documented significantly lower health risks compared to cigarettes which are allowed in the EU, will be considered in a continued fair legal process for the proposal of a new Tobacco Products Directive***

Nielsen snus consumption data, Sweden*

- **Swedish Match total value market share 4 weeks to October 7, 2012 was 81.2%**
 - 85.4% 4 weeks to October 9, 2011
- **Swedish Match total volume market share 4 weeks to October 7, 2012 was 76.2%**
 - 82.4% 4 weeks to October 9, 2011
- **Value segment was 36.7% of Swedish market 4 weeks to October 7, 2012**
 - 28.1% 4 weeks to October 9, 2011
- **Swedish Match share of value segment 4 weeks to October 7, 2012 was 42.6%**
 - 46.8% 4 weeks to October 9, 2011
- **Swedish Match share of premium segment 4 weeks to October 7, 2012 was 95.6%**
 - 96.3% 4 weeks to October 9, 2011

* Source: Nielsen. Volume basis, unless stated otherwise.

Nielsen moist snuff/cigar consumption data, US*

■ Moist snuff

- **US snuff market up 7.0% for the YTD to September 29, 2012**
 - Category growth continues to be driven by the value segment up 10% latest four weeks to September 29, while premium segment was up 2%
- **Swedish Match market share in the US**
 - YTD to September 29 was 7.6% vs. 8.7% YTD 2011
 - Swedish Match estimates its market share based on industry shipments to be between 10 and 11 percent of the market (SM estimates, not Nielsen)



■ Cigars (excluding littles)

- **US mass market for cigars up 2.3% for the YTD to September 29**
 - Swedish Match consumption volume up 11.0% YTD to September 29
 - Market consumption volume up 0.3% 4 weeks to September 29
 - Swedish Match consumption volume down 2.9% 4 weeks to September 29
- **Swedish Match market shares in the US**
 - YTD to September 29 was 16.8% vs. 15.5% YTD 2011
 - Based on reported factory shipments and shipments from distributors to retailers, Swedish Match estimates that its actual market share exceeds 20%



* Source: Nielsen. Volume basis, unless stated otherwise.

Financial policy and financing needs

■ Financial policy

- Dividend policy: 40 - 60% of earnings per share
- 2011 dividend 6.50 SEK per share (5.50)
- Net debt not to exceed 3 times EBITA*

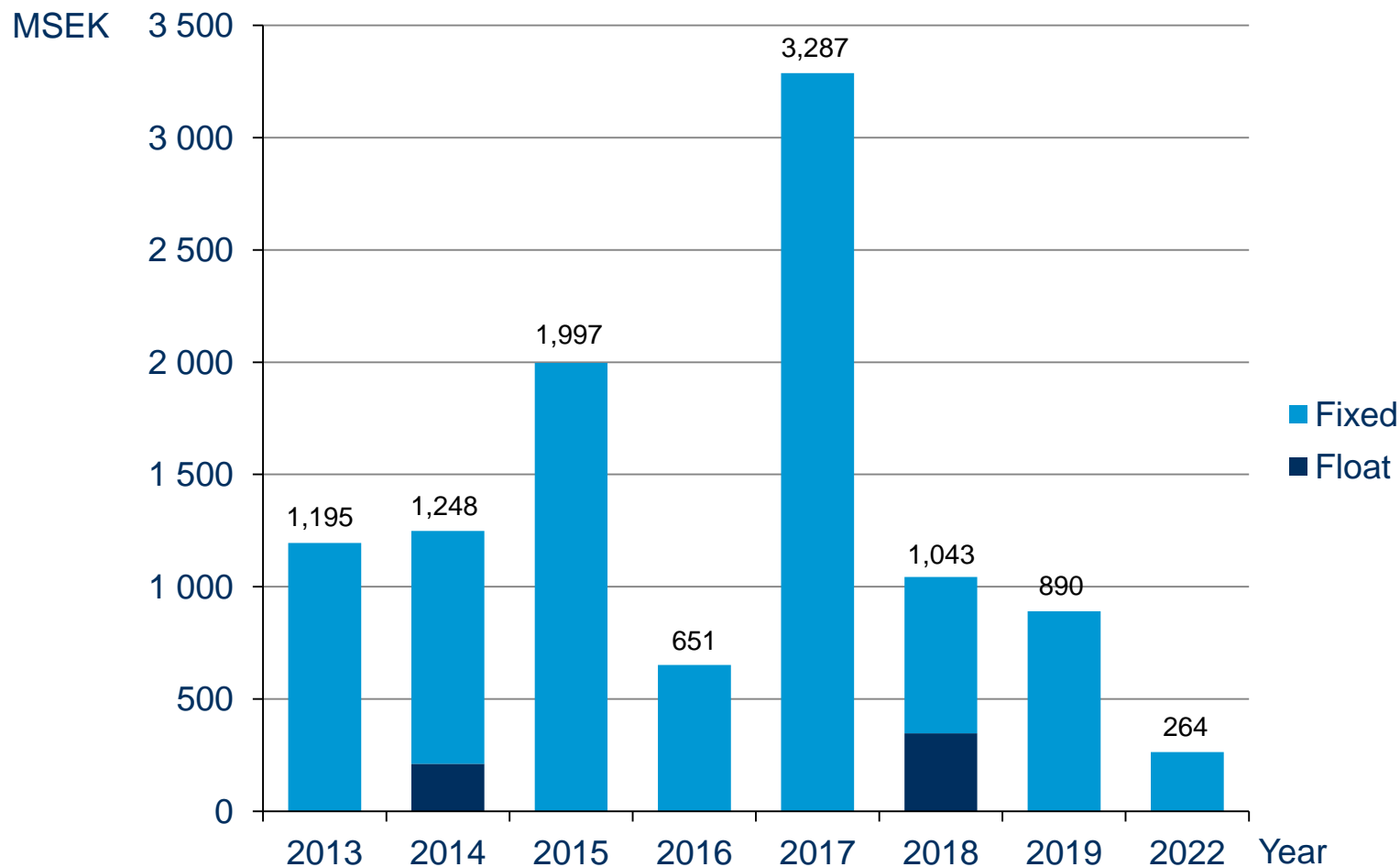
■ Financing and cash flow

- Cash flow from operating activities for the nine months amounted to 2,082 MSEK (1,863)
- Improved EBITDA, higher dividends from associates
- Higher tobacco tax payments relating to hoarding in Sweden at the end of prior year
- Net finance cost for the first nine months was 415 MSEK (389), mainly due to increased debt
- Net debt/EBITA* was 2.6 for the 12 months ending September 30, 2012

* Excluding share of net profit in STG. Operating profit adjusted for amortization and writedowns of intangible assets.

Maturity profile of interest bearing liabilities*

As of September 30, 2012



* Includes Swedish (SEK) and Global (EUR) MTN programs.

Snus and snuff

- Leading position in **Scandinavia**
- The third largest producer of moist snuff in **the US**
- Production in **Sweden and the US**
- **Joint venture with Philip Morris International** for markets outside Scandinavia and the US



Sales, profits and volumes up. US invests in snus

■ Scandinavia snus sales up 6% in Q3

- Scandinavian shipment volumes down 0.7% in Q3
- Underlying volume YTD estimated to be down slightly when backing out hoarding effects
- Volume growth in Norway and Travel Retail substantially offset declines in Sweden
- Higher prices in Sweden were partially offset by downtrading

■ US snus and moist snuff sales down in USD in Q3

- US moist snuff volumes down 5% versus prior year in Q3
- Lower operating profit, due to both significantly higher spend behind US snus, and weaker result from moist snuff
- Launch of two new SKUs of *Longhorn* tubs in September
 - Long cut mint, fine cut wintergreen

■ Continued investment behind snus internationally

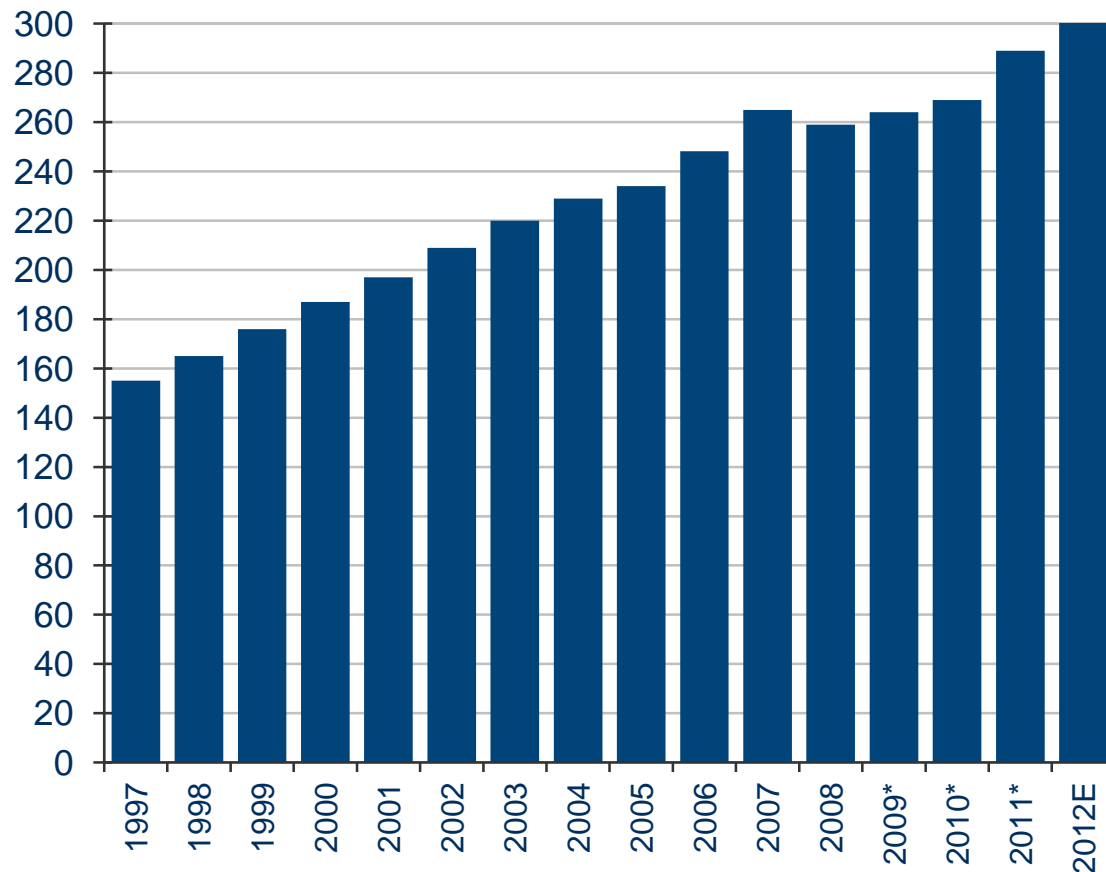
- Expansion of *General* snus in US
- St. Petersburg test of *Parliament* snus and Canada test of *General* snus
- New Tel Aviv, Israel test market for *Marlboro* snus



MSEK	Q3-2012	Q3-2011	chg	9m-2012	9m-2011	chg	Oct 2011- Sep 2012	Full year 2011
Sales	1,263	1,199	5	3,769	3,460	9	5,035	4,726
Operating profit	607	590	3	1,756	1,599	10	2,337	2,181
Operating margin, %	48.0	49.2		46.6	46.2		46.4	46.1

Estimated Scandinavian snus consumption

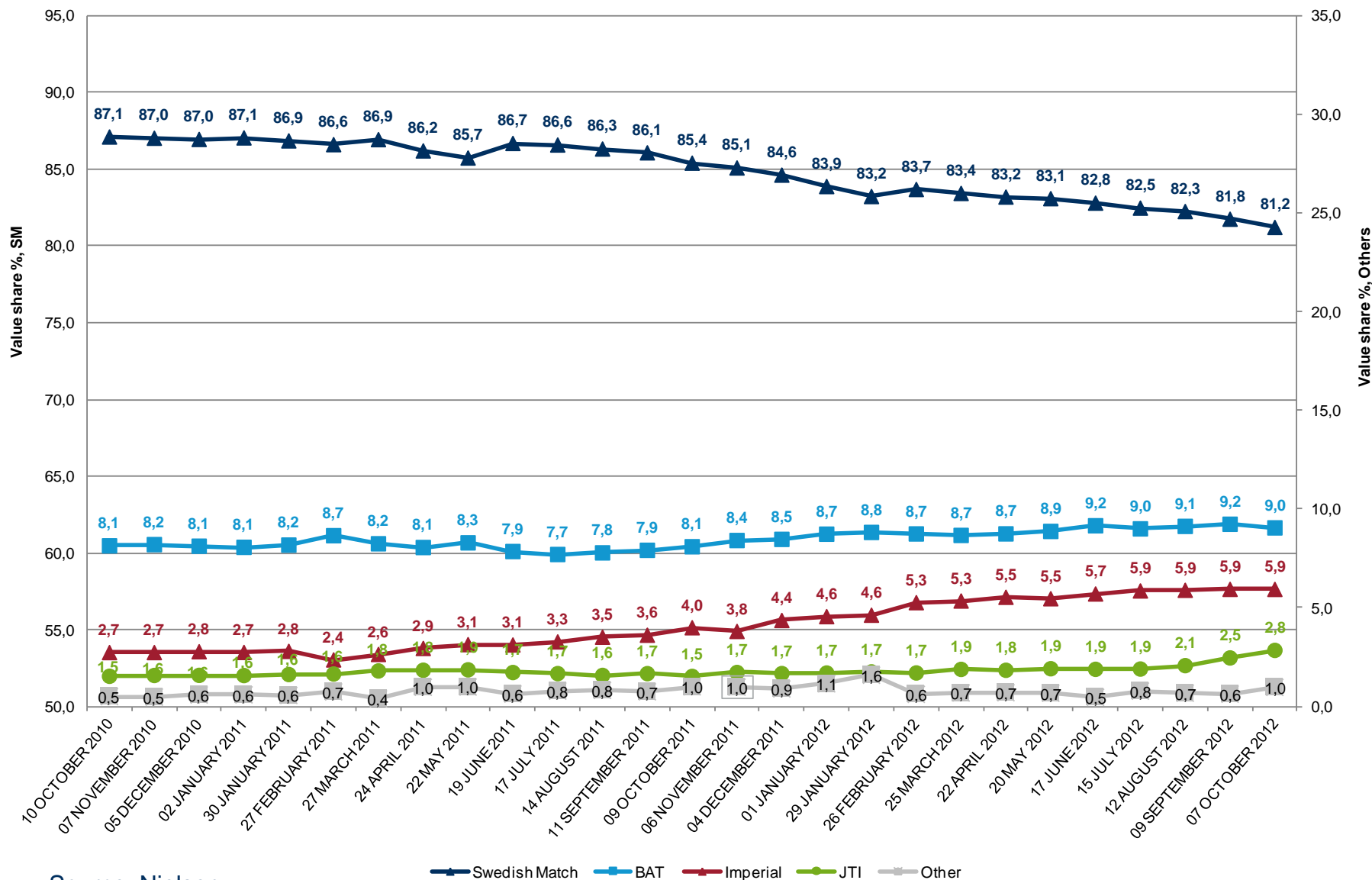
Cans/millions



Source: Swedish Match estimates, adjusted for hoarding in Sweden (estimated hoarding volumes Q4 2006 and Q4 2007 moved to 2007 and 2008 to more accurately reflect consumption).

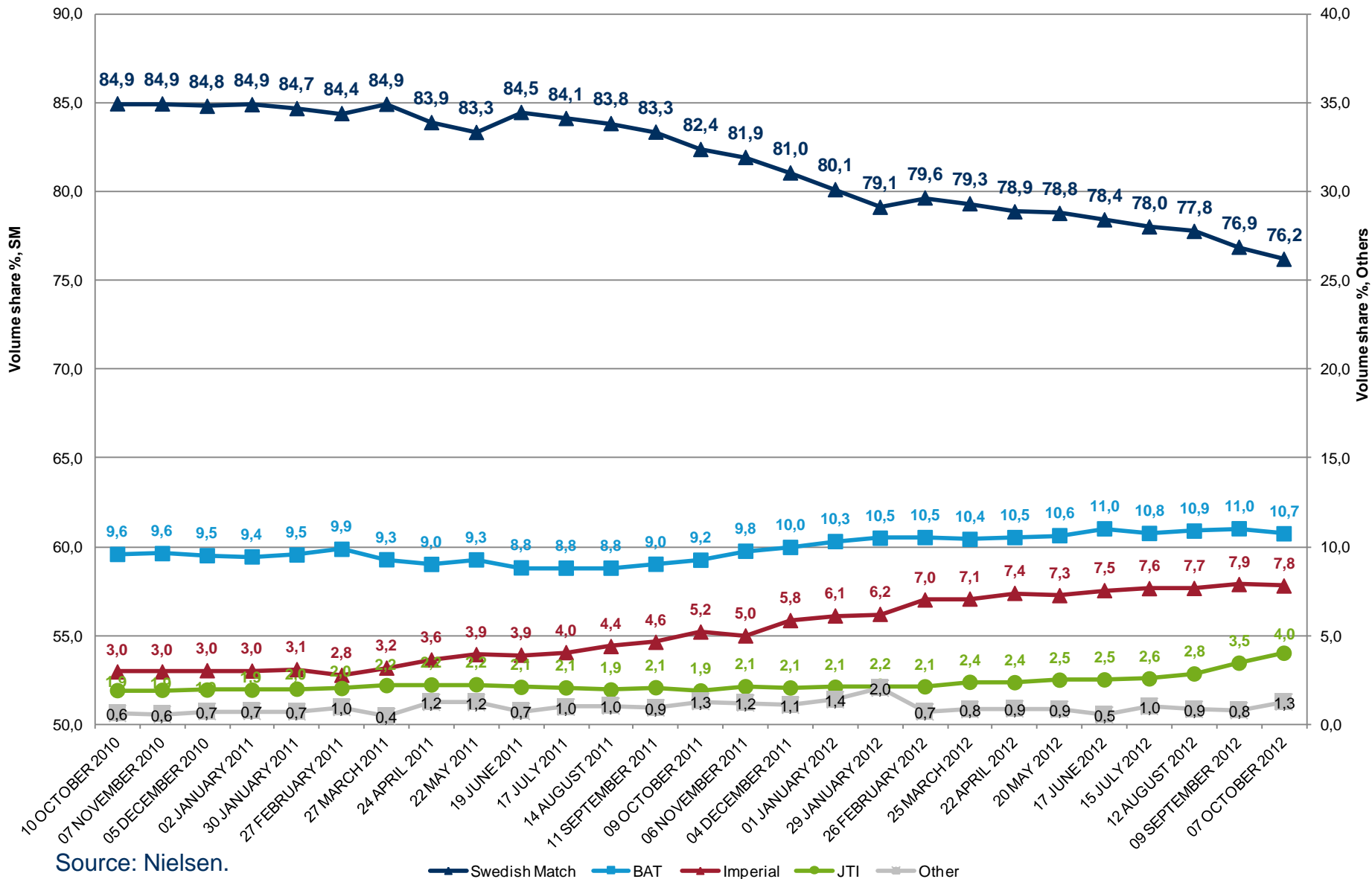
* 2009 to 2011 figures rebased.

Value shares, snus, Sweden



Source: Nielsen.

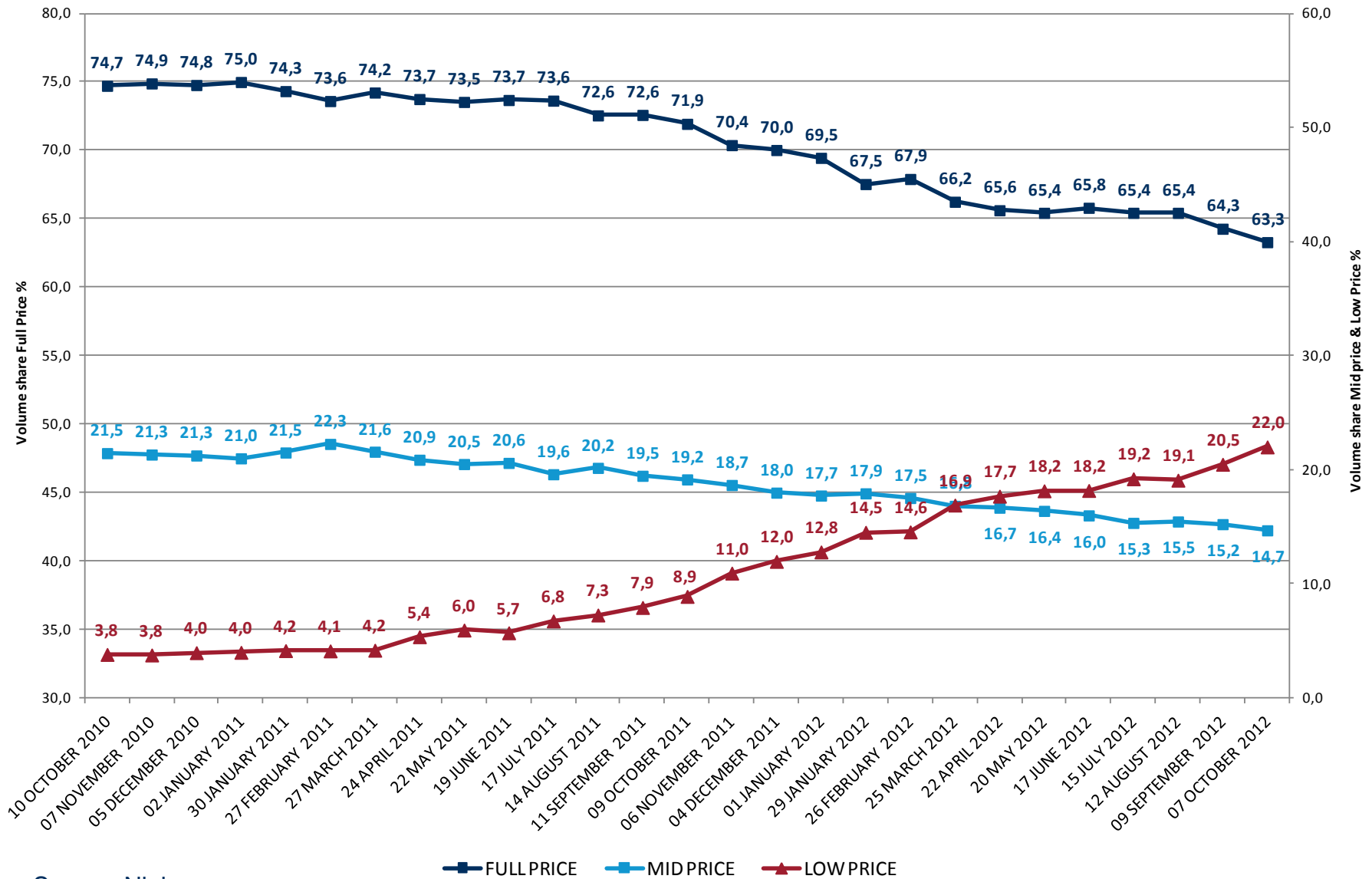
Volume shares, snus, Sweden



Source: Nielsen.

Swedish Match BAT Imperial JTI Other

Price segment volume share, Sweden

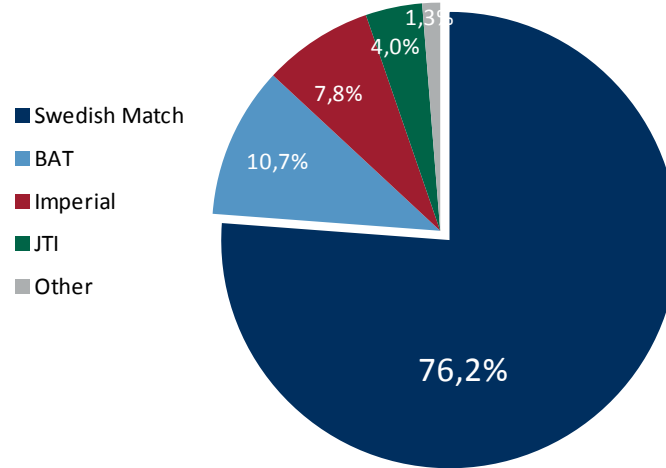


Source: Nielsen.

Manufacturer share by price segment, Sweden

October 2012

Total volume shares



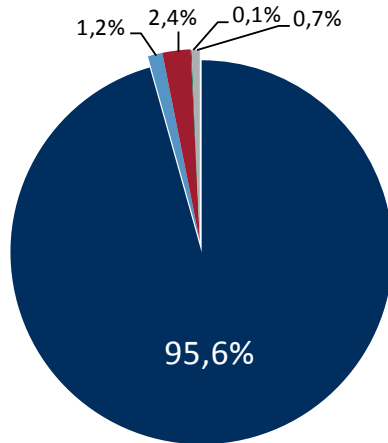
October 2011, Swedish Match share of:

Full price segment was: 96,3%

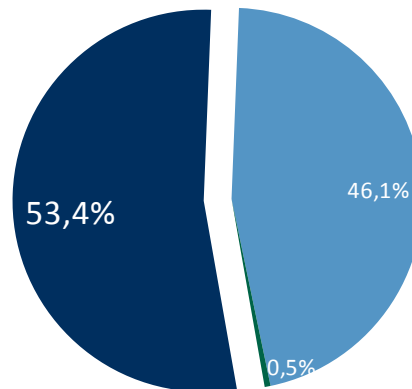
Mid price segment was: 57,7%

Low price segment was: 23,2%

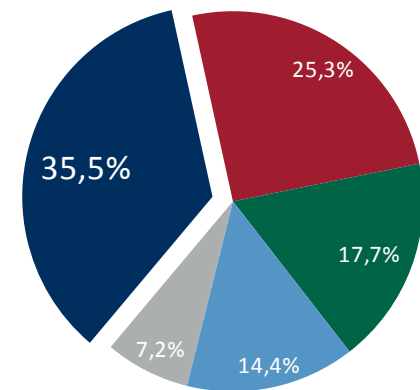
Share of Full price



Share of Mid price



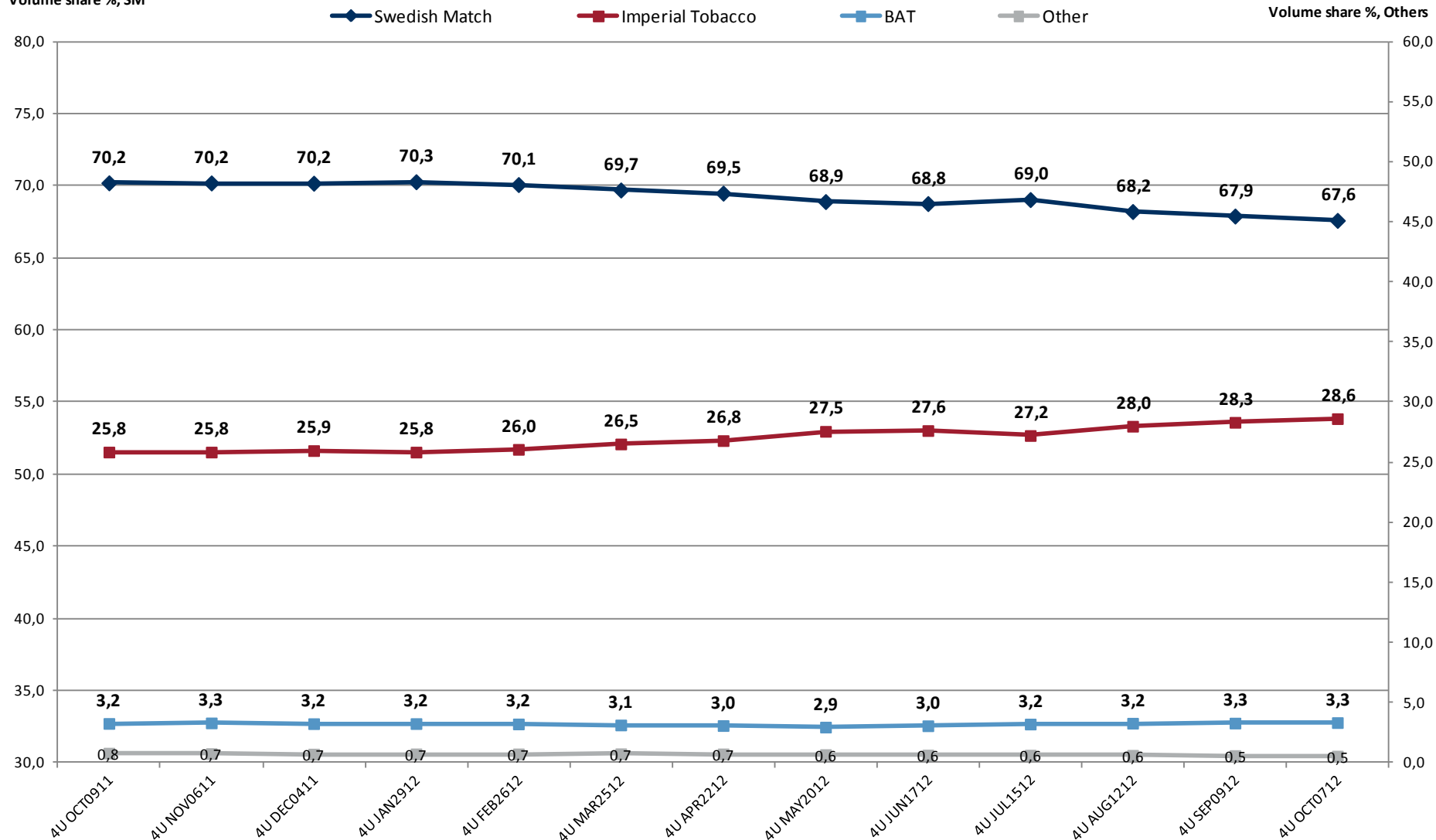
Share of Low price



Source: Nielsen.

Manufacturer volume share, Norway

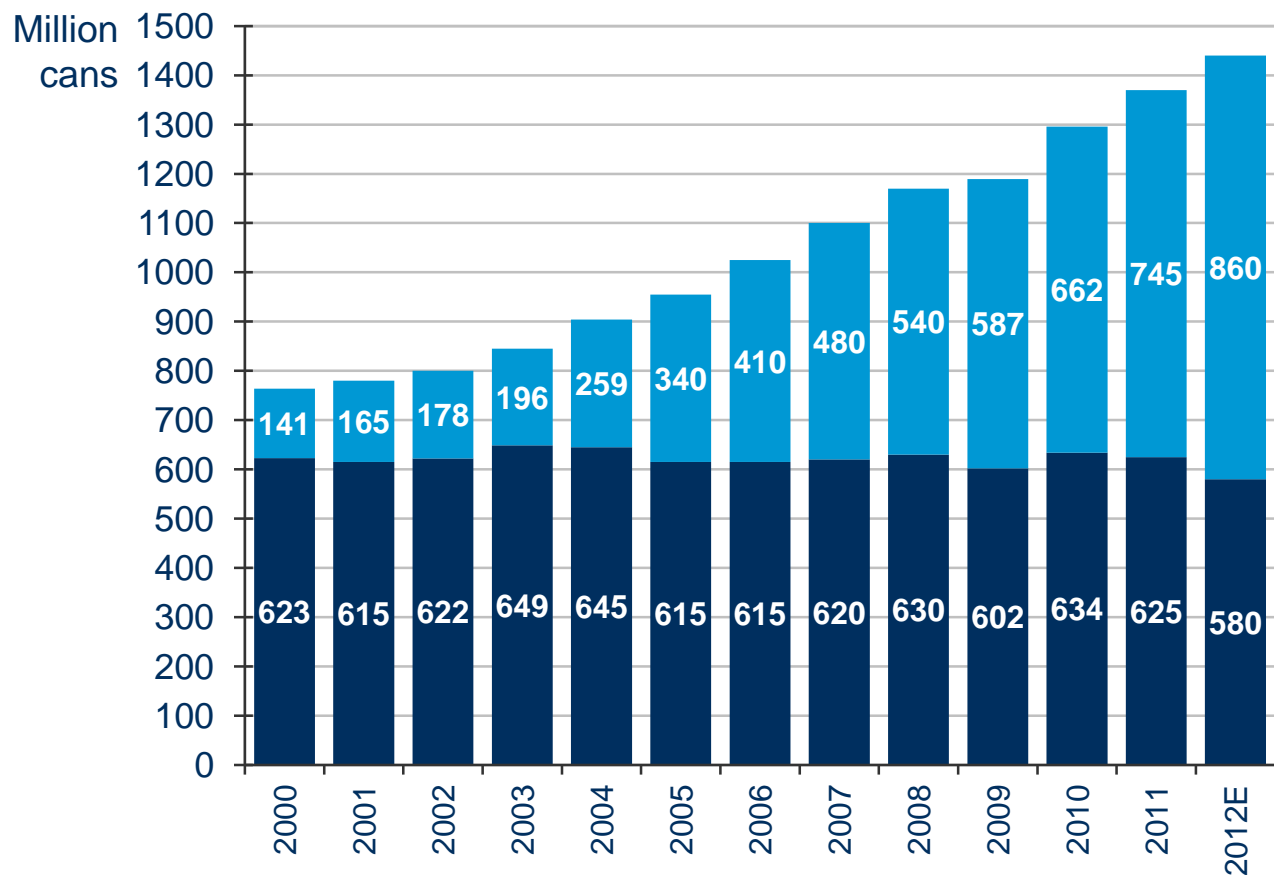
Volume share %, SM



Source: Nielsen.

Volume growth of moist snuff in the US

US snuff market by segment



- Price value
- Premium



Market size estimated by Swedish Match using Nielsen estimates as well as industry data and estimates. Note that the value segment includes competitive “premium brand” line extensions launched at price value level.

Snus expansion

Snus in the US

- **General snus in more than 9,000 stores in the US**
 - Good sell-through/rotation in stores
 - Distribution expansion continues
 - New packaging format also available in Classic Blend and Nordic Mint (10/15 count)
 - Chicago, Dallas, Philadelphia from Sept/Oct 2011
 - In Q3 distribution was expanded throughout the US with a focus on leading convenience store chains and key markets like New York, Los Angeles, and Denver



SMPM International (the 50/50 joint venture)

- Test launch under the *Parliament* brand in St. Petersburg, Russia, started in December 2011, expanded store count in Q3 to more than 400 stores
- Test launch of *General* in Canada started in December 2010, now in more than 1,000 stores
- Test launch of *Marlboro* in Tel Aviv, Israel in July 2012, in approximately 100 stores

Other tobacco products

US mass market cigars

- Swedish Match is a major player in the **US** mass market cigar market
- Production takes place in **Santiago, Dominican Republic** and **Dothan, Alabama**



Chewing tobacco

- Nearly all chewing tobacco sales are in the **US**. Swedish Match is the largest producer and production takes place in **Owensboro, Kentucky**
- The market typically declines by 5-10% per year in volume, down 5.4% YTD to September 29, 2012 (Nielsen)



Other tobacco products

Third quarter sales up 8% in local currency vs. previous year

- Sales and operating profit growth in local currency driven by increased volume of US mass market cigars
- In local currency, Q3 sales up 8% and operating profit up 4%
- Volume growth of 11% for cigars in Q3, sales up 14% in local currency and operating profit up vs. year ago
 - Continued growth of *White Owl* and *Garcia y Vega* small cigars
 - Successful launch of *White Owl Black*, and *Game by Garcia y Vega Black*
- Chewing tobacco sales down 2% in local currency and operating profit declined vs. year ago in Q3, on 2% higher volume
- Chewing tobacco volume of own brands down 9% in Q3 and for the year to date



MSEK	Q3-2012	Q3-2011	chg	9m-2012	9m-2011	chg	Oct 2011- Sep 2012	Full year 2011
Sales	689	613	12	2,060	1,809	14	2,639	2,388
Operating profit	300	278	8	913	795	15	1,168	1,049
Operating margin, %	43.5	45.3		44.3	43.9		44.3	44.0

Other tobacco products

US mass market cigars

- **US mass market sales show continued growth**
 - Q3 sales increased 14% in local currency compared to previous year
Operating profit also higher – more than sales growth
 - Excluding little cigars, market share is 16.8% YTD, vs. 15.5% year ago (Nielsen, September 29, 2012)
 - Based on reported factory shipments and shipments from distributors to retailers, Swedish Match estimates that its actual market share exceeds 20%
- **Continued success for FoilFresh® cigars with particularly strong growth for *small cigars***
- **Launch of *Game by Garcia y Vega Black* and *White Owl Black* in Q3**

Chewing tobacco

- **Continued market volume decline**
 - 2012 category down 5.4% YTD to September 29, 2012 (Nielsen)
 - Swedish Match brands down 4.7% YTD to September 29, 2012 (Nielsen)
- **Price increase of 5% in November/December 2011**



Q3 sales up 1%, operating profit down 18% in local currencies

- **Swedish Match is market leader in many markets. The brands are mostly local and hold a strong position in their respective markets**
- **Main markets EU, Brazil, Asia and East Europe**
- **Production in Brazil, the Netherlands, the Philippines and Sweden**

- Q3 Operating profit up for lighters on somewhat higher sales and factory efficiencies
- Q3 Sales and operating profit down for matches, impacted by higher costs, country mix and currency movements
- Lights distribution by STG in several markets



MSEK	Q3-2012	Q3-2011	chg	9m-2012	9m-2011	chg	Oct 2011- Sep 2012	Full year 2011
Sales	311	333	-7	998	982	2	1,361	1,346
Operating profit	44	59	-26	161	161	0	240	240
Operating margin, %	14.0	17.7		16.1	16.4		17.7	17.9

Scandinavian Tobacco Group (STG)

- **Swedish Match share of STG net profit after interest and tax in the first nine months amounted to 263 MSEK (213)**
 - Net finance cost for the first nine months amounted to 62 MDKK (28)
 - Net finance cost in the prior year was positively impacted by significant currency gains
- **Net profit for the period for STG amounted to 440 MDKK (402)**
- **Reported 9 month EBITDA amounted to 928 MDKK (818 including restructuring costs of 131 MDKK)**
 - On a comparable basis, EBITDA decreased by 5% for total STG
 - Excluding Lane effects and EBITDA on divested cigar brands in Australia (in 2011)
 - Premium cigar profits up on higher shipment volumes
 - For Mass market cigars Excluding Lane sales and operating profit up
 - Lower volumes in part due to delivery issues tied to implementation of new ERP system
 - Pipe tobacco/fine cut sales and operating profit declined
 - Volume declines in export markets
 - For Lane, during the March-September period (Lane was acquired in March 2011) sales and operating profit declined, primarily as a result of country mix and higher operating expenses in the US market
- **204 MSEK dividend from STG received April 27**



P & L summary

MSEK	Q3- 2012	Q3-2011	Chg	9m-2012	9m-2011	chg	Oct 2011- Sep 2012	Full year 2011	chg
Sales	3,208	3,011	7	9,338	8,601	9	12,402	11,666	6
Cost of goods sold	-1,617	-1,495		-4,551	-4,259		-6,066	-5,774	
Gross profit	1,591	1,516	5	4,787	4,342	10	6,336	5,892	8
Selling and adm. expenses	-640	-604		-1,986	-1,868		-2,634	-2,516	
Share of profit/loss in assoc. companies and joint ventures	72	71		245	206		365	327	
Adjustment to capital gain from transfer of businesses to STG	-	-		30	-		30	-	
Operating profit	1,022	983	4	3,076	2,681	15	4,098	3,702	11
Finance income	11	10		28	28		37	37	
Finance costs	-152	-140		-443	-417		-586	-560	
Net finance cost	-141	-130		-415	-389		-548	-523	
Profit before income tax	881	853	3	2,661	2,292	16	3,550	3,180	12
Income tax expense	-188	-169		-542	-459		-724	-642	
Profit for the period	693	684	1	2,120	1,833	16	2,825	2,538	11
EPS, basic, SEK	3.41	3.28		10.40	8.72		13.83	12.14	
EPS, diluted, SEK	3.40	3.26		10.34	8.67		13.74	12.07	

Balance sheet in summary

MSEK	September 30, 2012	December 31, 2011
Intangible assets	951	992
Property, plant and equipment	2,003	2,076
Investments in associated companies and joint ventures	4,230	4,481
Other non-current financial receivables*	1,316	1,395
Current operating assets	2,841	3,031
Other current investments and current financial assets	-	0
Cash and cash equivalents	2,271	2,533
Total assets	13,612	14,507
Equity attributable to equity holders of the Parent	-2,605	-1,602
Non-controlling interests	2	2
Total equity	-2,603	-1,599
Non-current provisions	1,098	1,070
Non-current loans	8,962	8,535
Other non-current financial liabilities*	2,009	1,787
Current provisions	102	84
Current loans	1,090	1,283
Other current liabilities*	2,955	3,347
Total equity and liabilities	13,612	14,507

* For full detail, please refer to notes in the January-September 2012 report.

Cash flow in summary

MSEK	Jan-Sep 2012	Jan-Sep 2011
Cash flow from operating activities before changes in working capital	2,435	1,851
Cash flow from changes in working capital	-353	13
Net cash from operating activities	2,082	1,863
Purchase of property, plant and equipment	-171	-170
Proceeds from sale of property, plant and equipment	3	2
Purchase of intangible assets	-28	-11
Investments in associated companies and joint ventures*	-20	-15
Investments in other companies*	-	-4
Proceeds from sale of subsidiaries, net of cash disposed of*	9	143
Changes in financial receivables etc.	-	1
Net cash used in investing activities	-208	-54
Changes in loans	520	-54
Dividend paid to equity holders of the Parent	-1,334	-1,152
Repurchase of own shares	-1,671	-1,872
Stock options exercised	414	67
Other	11	90
Net cash used in financing activities	-2,059	-2,921
Net decrease in cash and cash equivalents	-185	-1,112
Cash and cash equivalents at the beginning of the period	2,533	3,275
Effect of exchange rate fluctuations on cash and cash equivalents	-78	14
Cash and cash equivalents at the end of the period	2,271	2,178

* For full detail, please refer to notes in the January-September 2012 report.

Key data*

MSEK	Jan-Sep 2012	Jan-Sep 2011
Operating margin, %	32.6	31.2
Operating capital, MSEK	7,177	7,194
Return on operating capital, % (12 months rolling from Oct 2011)	56.6	
EBITDA, MSEK**	3,273	2,892
EBITA, MSEK**	3,089	2,723
Net debt, MSEK	9,671	9,015
Net debt/EBITA** (12 months rolling from Oct 2011)	2.3	
Investments in property, plant and equipment, MSEK**	171	170
EBITA interest cover	7.6	7.2
<i>Excluding share of net profit in STG</i>		
EBITA, MSEK**	2,826	2,510
Net debt/EBITA** (12 months rolling from Oct 2011)	2.6	
Share data		
Earnings per share, basic, SEK	10.40	8.72
Earnings per share, diluted, SEK	10.34	8.67
Average number of shares outstanding, basic (Mio)	203.8	210.1
Shares outstanding, end of period (Mio)	200.6	206.4

* All key data, with the exception of share data, have been calculated excluding larger one time items.

** For full detail, please refer to notes in the January-September 2012 report.

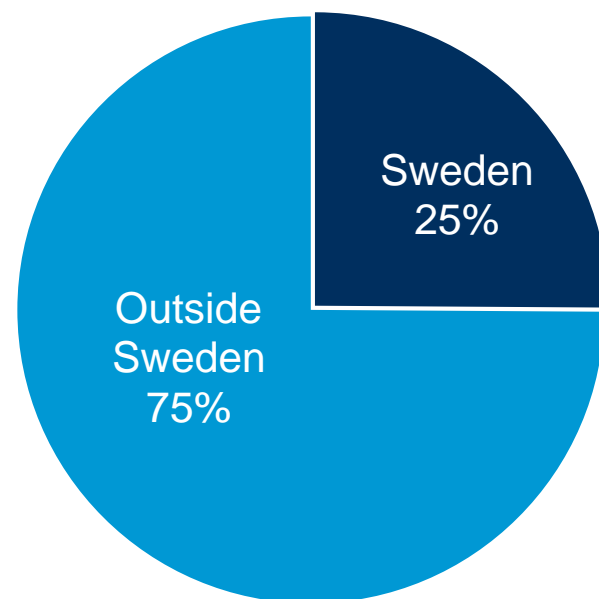
Largest shareholders*

As per September 30, 2012

Largest shareholders

Morgan Stanley Investment Management	6.4%
AMF Insurance & Funds	2.9%
Swedbank Robur Funds	2.6%
Fidelity Funds	2.3%
Standard Life Investment Funds	2.1%
SEB Funds	1.4%
Second Swedish National Pension Fund	1.3%
Fourth Swedish National Pension Fund	1.2%
SHB Funds	1.1%
Third Swedish National Pension Fund	1.0%
	<hr/>
	22.3%

51,972 shareholders



Source: Euroclear, official registry and SIS Ägaranalys.

* Percent split of share capital held, excluding Swedish Match shares held in treasury.

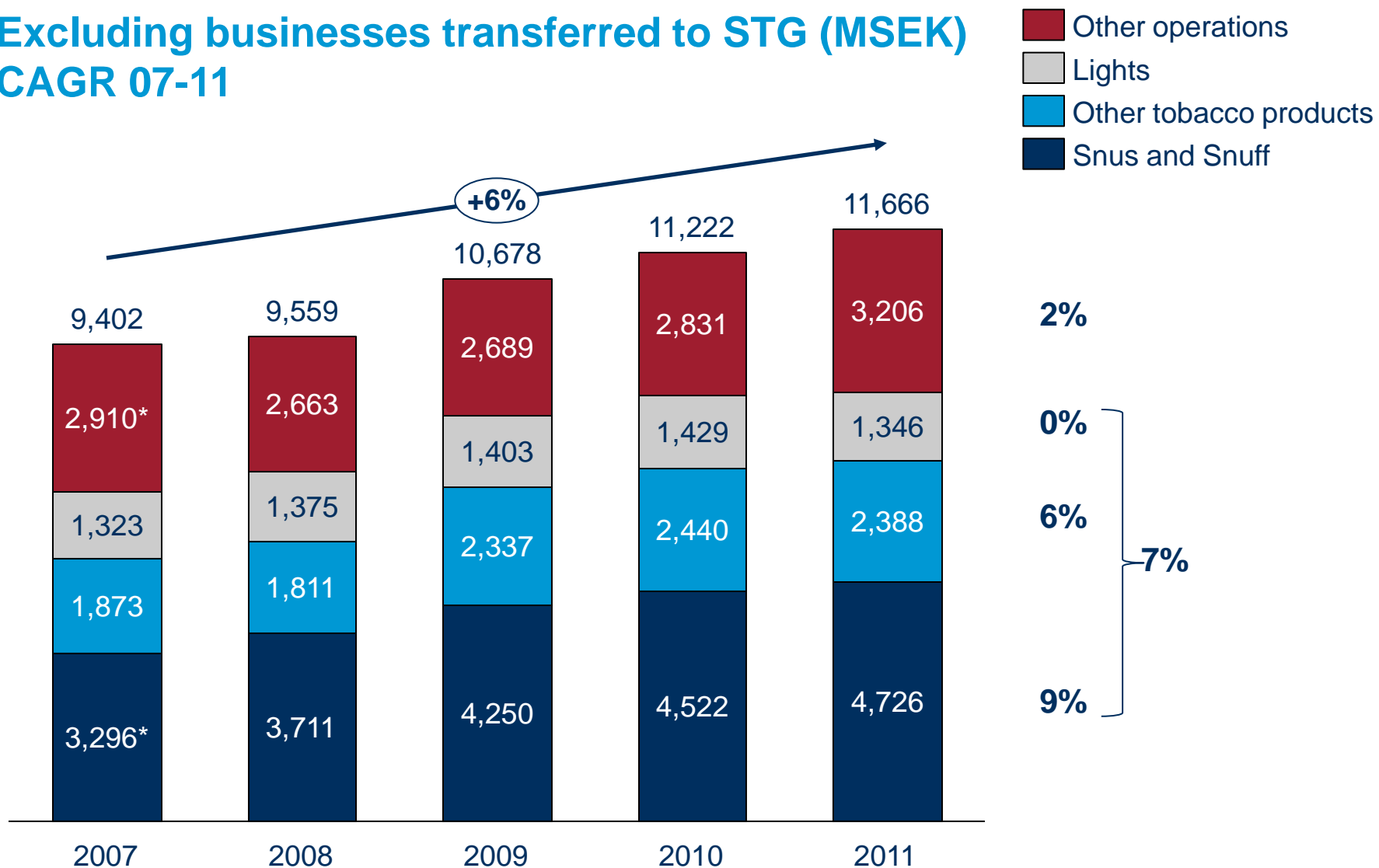
Group strategy

- **Position the Company as the global smokefree leader**
- **Leverage strong platforms to maximize long term profitability in Other tobacco products**
- **Continue to focus on operational excellence and profitability in Lights**
- **Realize the potential of STG through active ownership**



Comparable sales

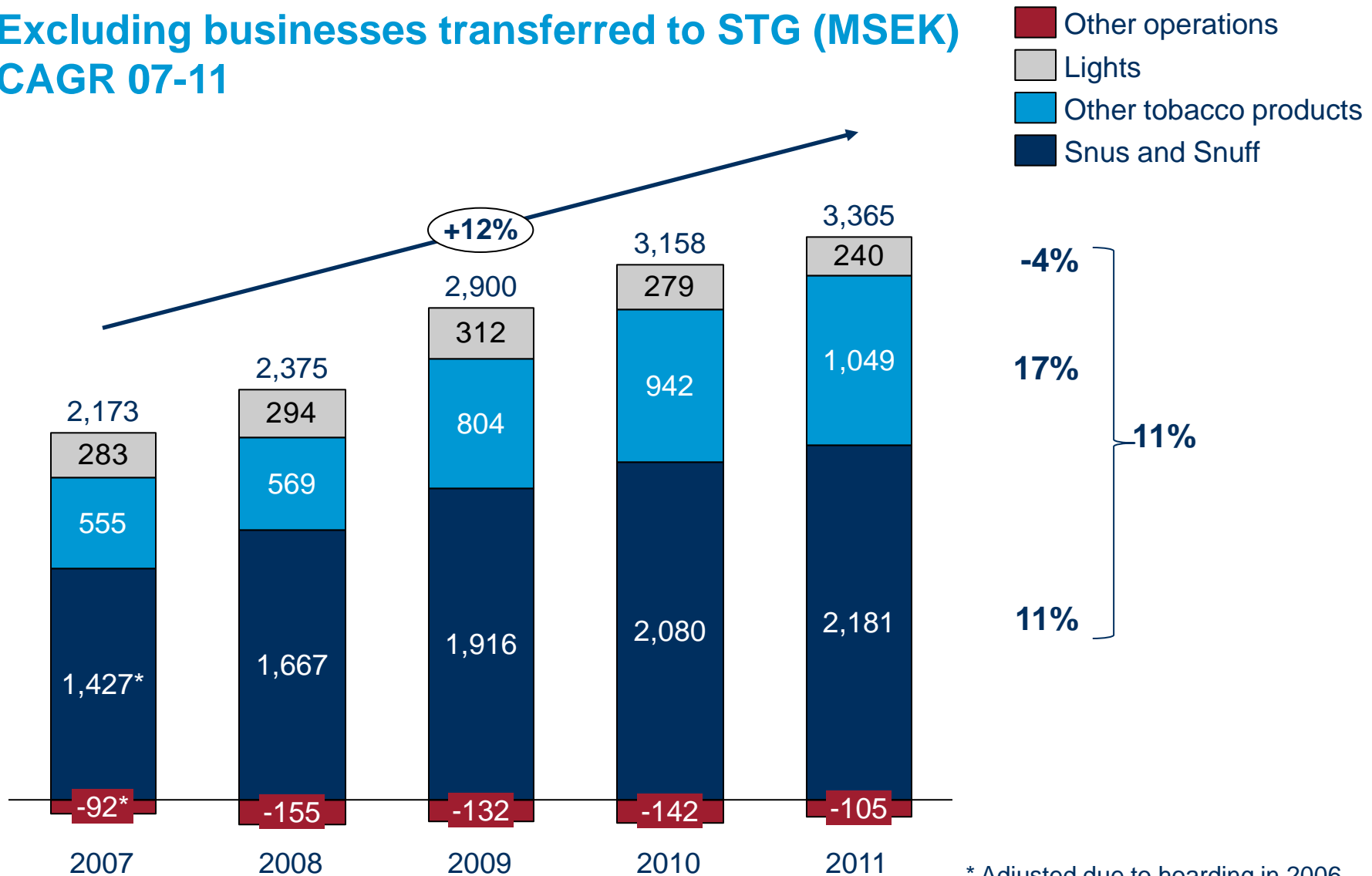
Excluding businesses transferred to STG (MSEK) CAGR 07-11



* Adjusted due to hoarding in 2006.

Comparable operating profit

Excluding businesses transferred to STG (MSEK) CAGR 07-11



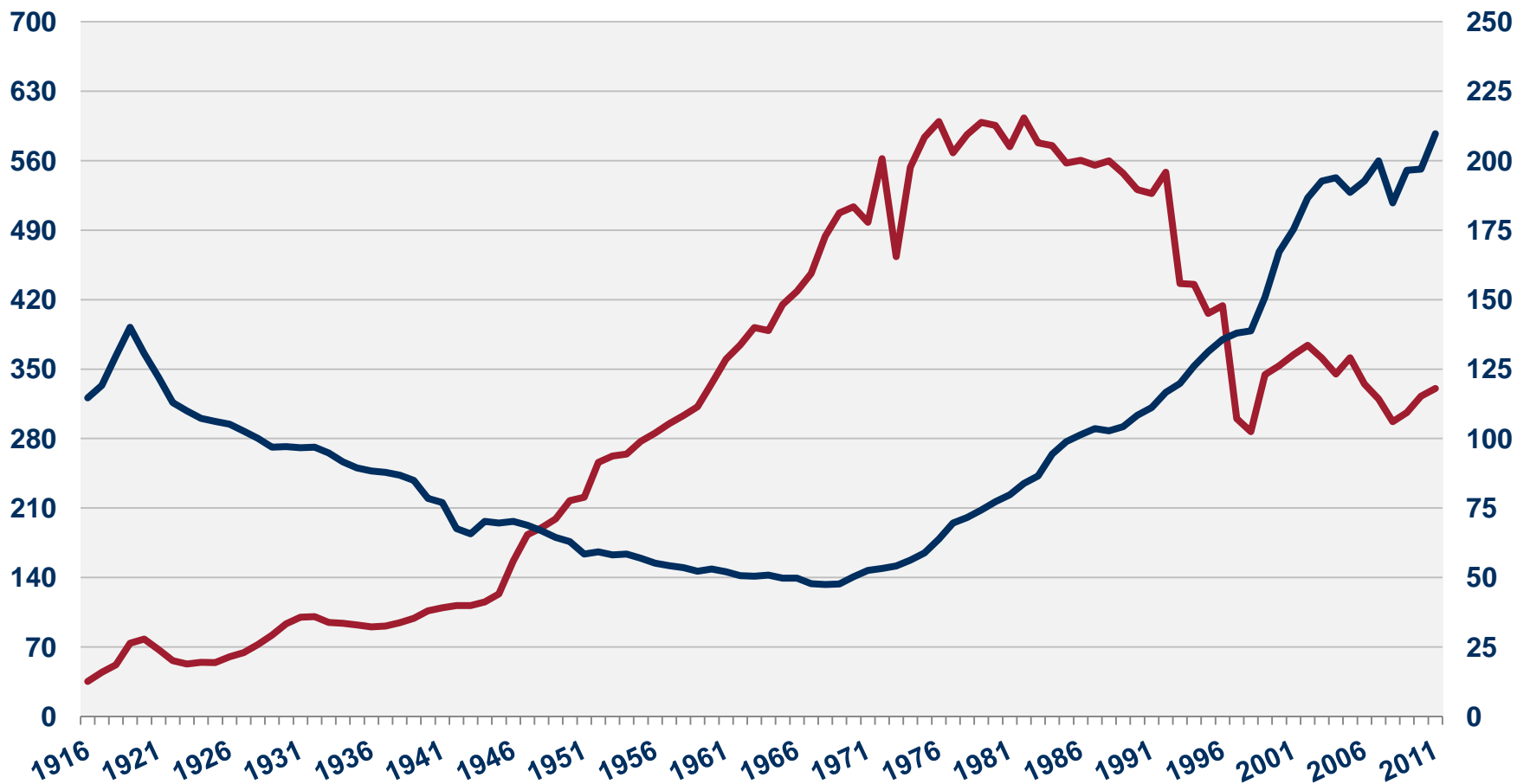
* Adjusted due to hoarding in 2006.

Snus vs. cigarettes in Sweden

Volume of snus and cigarettes in Sweden 1916-2011

Cigarettes
(million packs)

Snus
(million cans)



* Adjusted for estimated snus hoarding 1996, 1997, 2006, 2007, 2008, and 2011.

Source: Swedish Match Distribution AB and Swedish Match estimates.