

Q3 2013

Investor Kit

JANUARY-SEPTEMBER 2013



Swedish Match reporting segments

■ Snus and snuff

- Swedish snus (Scandinavia and US)
- Moist snuff (US)
- SMPM International

■ Other tobacco products

- Cigars (US)
- Chewing tobacco (US)

■ Lights

- Lighters
- Matches
- Fire related products

■ Other operations

- Distribution
- Central costs

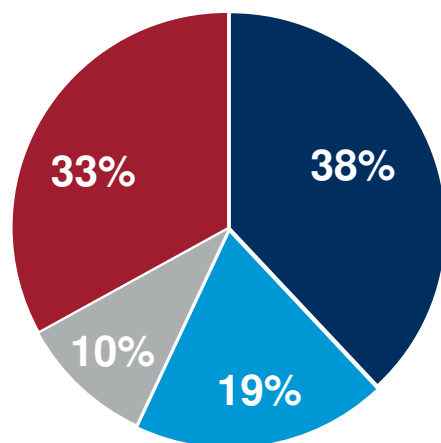


Sales and operating profit

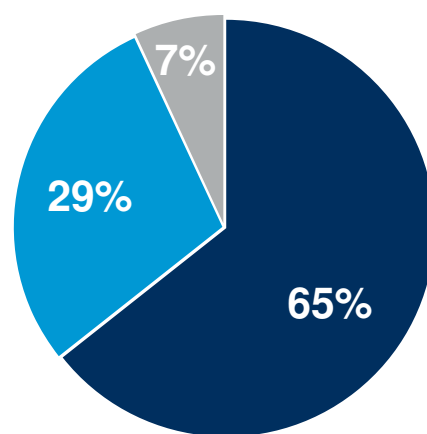
Sales and operating profit by product area

Q3 2013

Sales, SEK



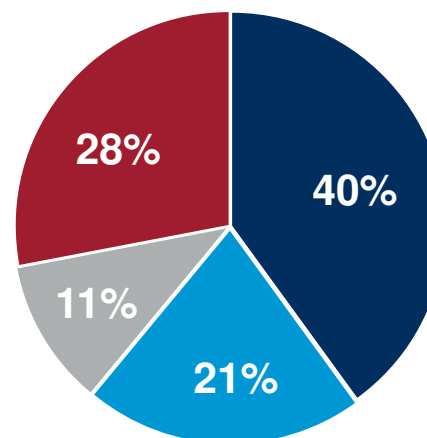
Operating profit*, SEK



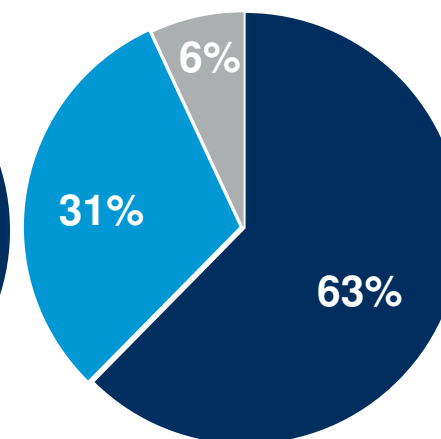
- Snus and snuff
- Other tobacco products
- Lights
- Other operations

Full year 2012

Sales, SEK



Operating profit*, SEK

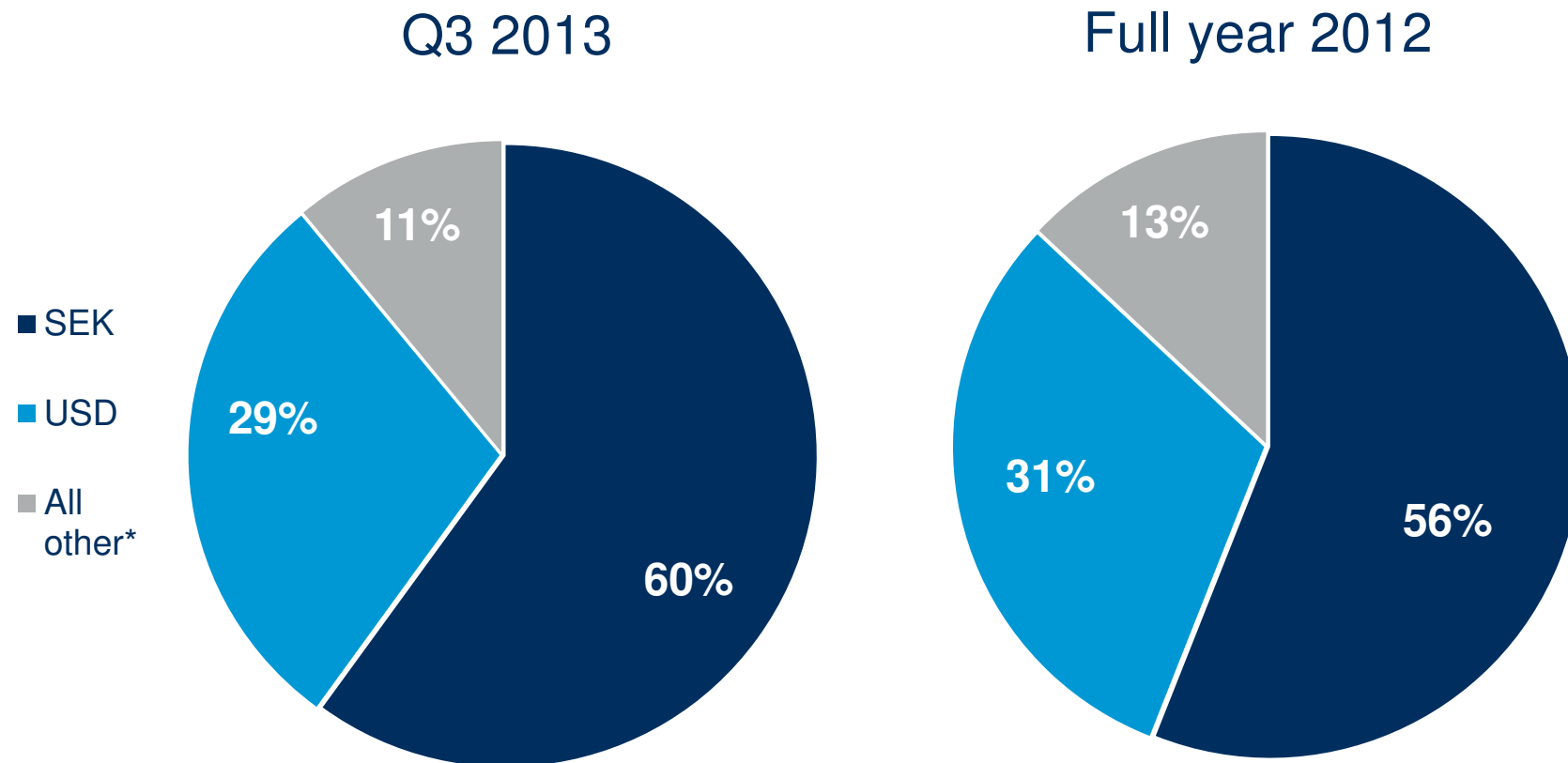


- Snus and snuff
- Other tobacco products
- Lights
- Other operations

* Excluding Other operations, share of net profit in STG and larger one-time items. Totals may not add up due to rounding.

Sales by currency block

Percent of sales, MSEK



* Primarily NOK and BRL.

Group results – third quarter 2013

- **Sales amounted to 3,230 MSEK (3,208)**
 - In local currencies, sales increased by 2%
- **Operating profit from product areas amounted to 836 MSEK (942)**
 - Includes restructuring charge of 28 MSEK
 - In local currencies, operating profit from product areas declined by 10%
 - In local currencies, and excluding restructuring charge, operating profit from product areas declined by 7%
 - Operating profit for Snus and snuff down by 4% excluding restructuring charge
 - Operating profit for Other tobacco products down on weak cigar performance
 - Operating profit, including share of net profit in STG, declined to 924 MSEK (1,022)
- **Profit before income tax amounted to 782 MSEK (881)**
- **Profit for the period amounted to 628 MSEK (693)**
 - Underlying tax rate was 22%
- **EPS (basic) was 3.15 SEK (3.41)**



Conclusions, third quarter – sales

- **Sales up 2% in local currencies, up 1% in SEK**
- **Scandinavian snus sales declined 4%**
 - Higher sales in Norway, lower sales in Sweden and Travel Retail
 - Shipment volumes for Scandinavia down less than 1% year on year
- **US snus/moist snuff sales down 1% in USD**
 - Moist snuff volumes down less than 1% year on year
 - Strong volume growth for snus in the US year on year
- **US cigar sales down by 11% in USD***
 - Volumes down by close to 20%, which was well below expectations
 - Volumes and sales adversely impacted by intensified price competition
- **US chewing tobacco sales flat in USD***
 - Swedish Match volumes down by 3%
 - Lower contract manufacturing volumes
- **Lights sales up 13% in local currencies**
 - Higher sales for both lighters and matches in local currencies

* Total Other tobacco products sales declined by 7% in local currencies.



Conclusions, third quarter – operating profit

- **Operating profit from product areas* declined 10% in local currencies, down 11% in SEK**
 - Excluding a restructuring charge of 28 MSEK in Q3 2013, operating profit down 7% in local currencies
- **Snus and snuff: operating profit down 9%, down 4% when backing out restructuring charges**
 - Price increase in September on certain snus products in Sweden, weight increase for certain full price pouch products
 - Moist snuff mix negatively impacted by higher volumes for tubs and pouch products
 - Higher spending behind *General* snus in the US
 - Operating loss for international snus expansion (US, SMPM International) was 64 MSEK (63)
- **Other tobacco products: operating profit down 16% in local currency, down 18% in SEK**
 - Cigar operating profit declined significantly on 19% lower volumes
 - Negative effect from higher levels of promotions as well as product returns
 - Operating profit for chewing tobacco grew in local currency
- **Lights: operating profit up 36% in local currencies, up 28% in SEK**
 - Operating profit up for both matches and lighters in local currencies

* Excluding share of net profit in STG and larger one-time items.

Other items

- **Tax rate for the Group was 18.8% for the first nine months**

- Includes profit and loss impact from associated companies
- No tax on capital gain from sale of land
- The reported tax rate, excl. one-time items and associated companies, was 22%
- Underlying tax rate in 2013 estimated to be around 22%

- **Cash flow from operations**

- Cash and cash equivalents were 2,880 MSEK on September 30, 2013 vs. 2,824 MSEK as of December 31, 2012
- Cash flow from operating activities for the first nine months was 2,100 MSEK (2,082)
 - Better cash flow from changes in working capital, partially offset by lower operating profit

- **Share repurchases during the first nine months amounted to 1.3 million (302 MSEK).**

- During the first nine months, the Company sold 1.1 million treasury shares at an average price of 156.14 SEK, totaling 165 MSEK, as a result of option holders exercising options

Financial policy and financing needs

■ Financial policy

- Dividend policy: 40 - 60% of earnings per share
- 2012 dividend 7.30 SEK per share (6.50)
- Net debt not to exceed 3 times EBITA*

■ Financing and cash flow

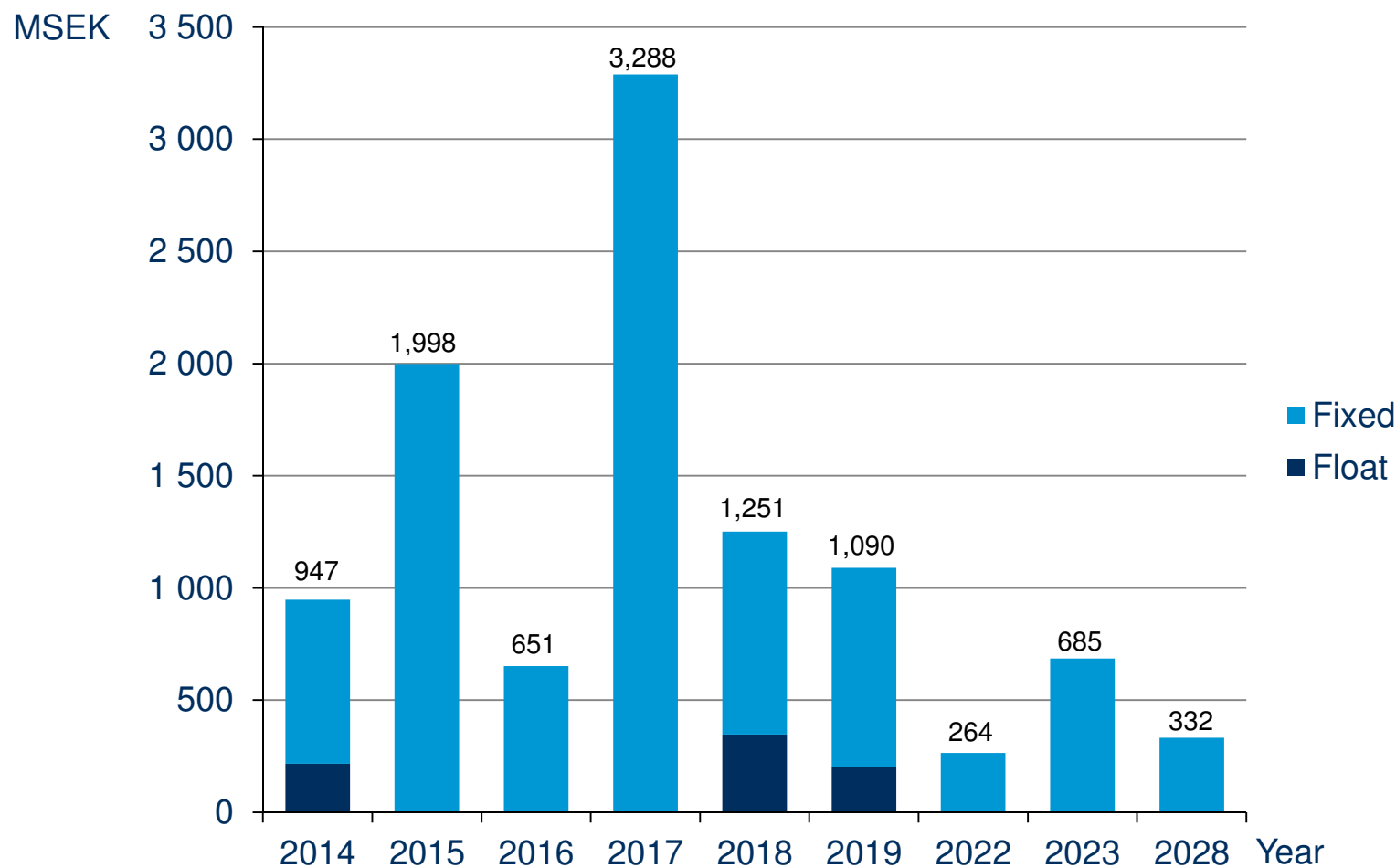
- Cash flow from operating activities for the first nine months amounted to 2,100 MSEK (2,082)
- Higher dividends from associates
- Net finance cost for the first nine months was 416 MSEK (415)
- Net debt/EBITA* was 2.5 for the 12 months ending September 30, 2013



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

Maturity profile of interest bearing liabilities*

As of September 30, 2013



* 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**



Snus and snuff

Operating profit impacted by restructuring and investments

- **Scandinavia snus sales down 4% in Q3**
 - Price increases of most products in Sweden in September 2013, weight increase for certain full price pouch products in Sweden
 - Impacted by currency translation from weaker NOK
 - Scandinavian shipment volumes down less than 1%
 - Volumes up in Norway, up in Sweden and down in Travel Retail
 - Profits down due to 28 MSEK restructuring charge and lower sales
 - Solid total market growth in volume terms
- **US snus and moist snuff sales down 4% in USD in Q3**
 - Higher sales for US snus; moist snuff sales lower primarily on mix
 - Higher spend behind US snus as part of distribution build
 - Growth initiatives for moist snuff pouches and tubs showed good traction in the quarter
- **Continued investment behind snus internationally**
 - Expansion of *General* snus in the US
 - Test market activities through SMPM International in Canada, Russia, Israel, and Malaysia



MSEK	Q3-2013	Q3-2012	chg	9m-2013	9m-2012	chg	Oct 2012- Sep 2013	Full year 2012
Sales	1,217	1,263	-4	3,620	3,769	-4	4,901	5,049
Operating profit	553	607	-9	1,632	1,756	-12	2,225	2,349
Operating margin, %	45.4	48.0		45.1	46.6		45.4	46.5

Nielsen snus consumption data, Sweden*

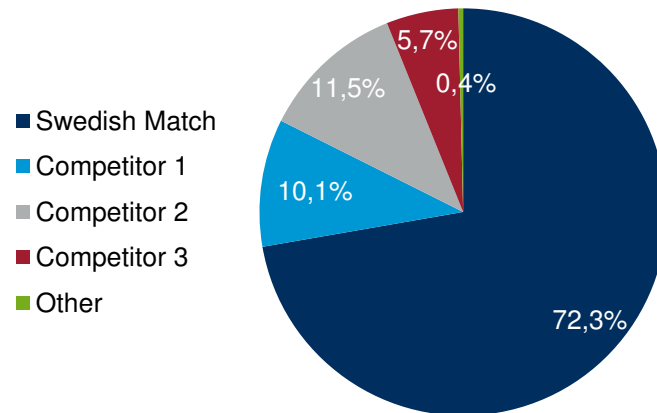
- **Swedish Match total value market share 4 weeks to October 6, 2013 was 78.0%; 24 week share was 78.7%**
 - 81.2% for 4 weeks to October 7, 2012; 82.1% for 24 weeks to October 7, 2012
- **Swedish Match total volume market share 4 weeks to October 6, 2013 was 71.0%; 24 week share was 72.3%**
 - 75.6% for 4 weeks to October 7, 2012; 76.9% for 24 weeks to October 7, 2012
- **Value segment** was 40.8% of Swedish market 4 weeks to October 6, 2013; 24 week share was 39.7%**
 - 36.3% for 4 weeks to October 7, 2012; 34.9% for 24 weeks to October 7, 2012
- **Swedish Match share of value segment** 4 weeks to October 6, 2013 was 36.1%**
 - 40.1% for 4 weeks to October 7, 2012
- **Swedish Match share of premium segment** 4 weeks to October 6, 2013 was 95.0%; 24 week share was 95.2%**
 - 95.9% for 4 weeks to October 7, 2012; 95.8% for 24 weeks to October 7, 2012

* Source: Nielsen (excluding tobacconists). Volume basis, unless stated otherwise.

** Segmentation by segment: premium and value (mid and low price), made by Swedish Match, not Nielsen.

Manufacturer share by price segment, Sweden

Total volume shares



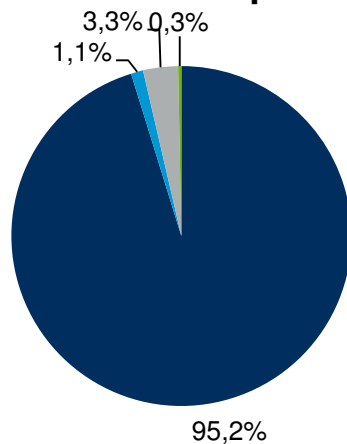
6 October 2013 (12 weeks ending),
Swedish Match share of:

Full price segment was: 95.0%

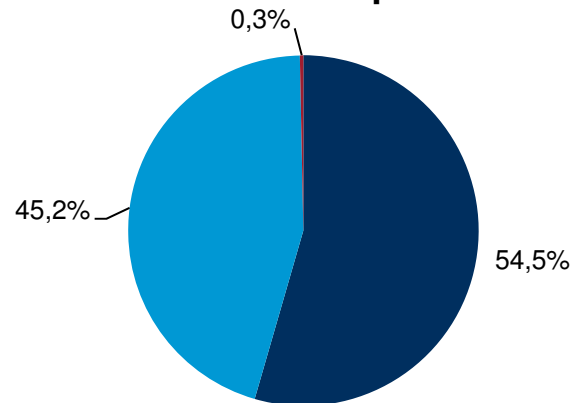
Mid price segment was: 54.5%

Low price segment was: 29.6%

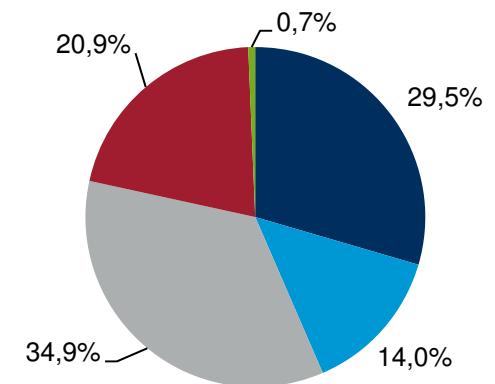
Share of full price



Share of mid price



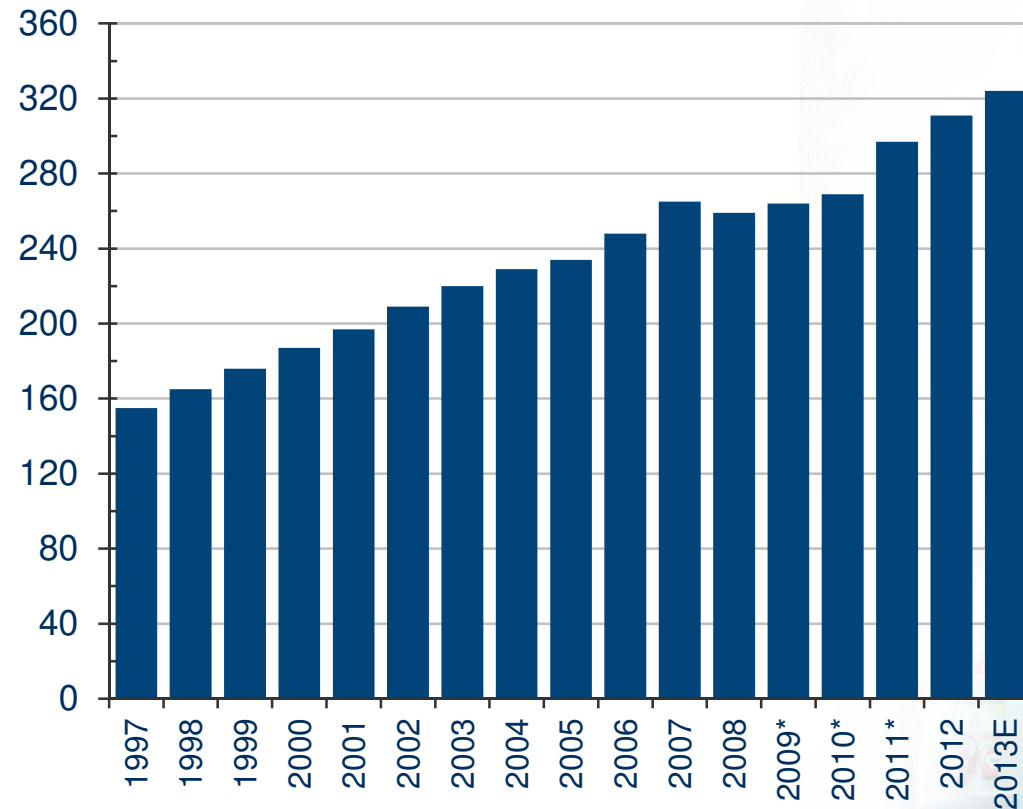
Share of low price



Source: Swedish Match estimates, using Nielsen data (excluding tobacconists). 24 weeks ending 6 October 2013.

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.



Nielsen moist snuff consumption data, US*

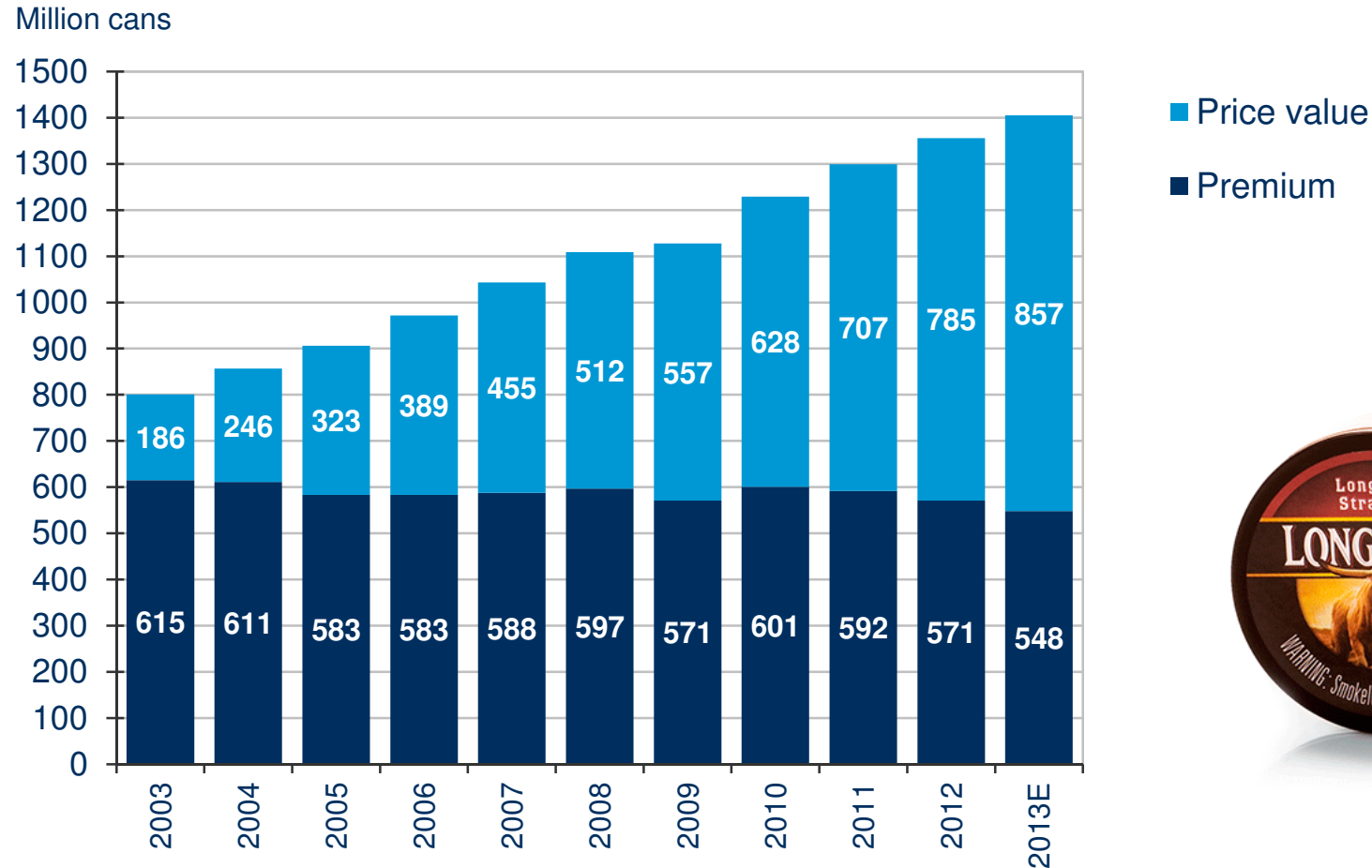
- **US snuff market up 5.7% for the YTD to September 28**
 - Category growth continues to be driven by the value segment
- **Swedish Match market share in the US**
 - YTD to September 28 was 7.0% vs. 7.6% YTD 2012
 - Swedish Match estimates its market share based on industry shipments to be close to 10% of the market (SM estimates, not Nielsen)



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

Volume growth of moist snuff in the US

US snuff market by segment



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 currently in more than 20,000 stores in the US**
 - Good sell-through/rotation in stores
 - Distribution expansion continues
 - More than 3 million cans shipped year to date
 - 2 million cans shipped for all of 2012



SMPM International (the 50/50 joint venture)

- **Test launch of *General* in Canada started in December 2010, continued distribution build, now in 3,000 stores.**
- **Test launch under the *Parliament* brand in St. Petersburg, Russia, started in December 2011. Now also in Moscow and other cities, and in more than 500 stores.**
- **Test launch of *Marlboro* in Tel Aviv, Israel in July 2012, now in more than 400 stores.**
- **Good sales of *General* snus in Malaysia, although store base is small**

Other tobacco products

US 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 6-8% per year in volume



Other tobacco products

Sales and profits down, despite strong chewing performance

- **Sales down more than 10% for cigars, up slightly for chewing tobacco in USD**
 - Cigar sales negatively affected by promotional pricing/mix, lower volumes, and returns
 - Chewing tobacco sales up on price/mix, despite volume decline
- **Operating profit down for cigars, up for chewing tobacco in USD**
 - Operating profit for cigars declined vs. prior year on lower volumes and high levels of promotional activity
 - Full year 2013 operating profit growth for cigars and OTP expected to be below 2012
- **Shipment volumes down for cigars**
 - Net shipments down close to 20% versus Q3 2012, mix skewed to promotional items
 - Programs in place to respond to increasingly competitive environment
 - *Jackpot* launch in September/November
- **Solid chewing tobacco performance**
 - Sales and profits up
 - Lower shipments on contract manufacturing
 - Price increase of 5% in September



MSEK	Q3-2013	Q3-2012	chg	9m-2013	9m-2012	chg	Oct 2012- Sep 2013	Full year 2012
Sales	622	689	-10	1,974	2,060	-4	2,575	2,661
Operating profit	246	300	-18	801	913	-12	1,049	1,161
Operating margin, %	39.6	43.5		40.6	44.3		40.7	43.6

Other tobacco products

US cigars

- **Cigars (mass market, excluding littles)***
 - **US market for cigars up 7.9% for the YTD to September 28**
 - Swedish Match consumption volume up 15.6% YTD to September 28
 - **Swedish Match market shares in the US**
 - YTD to September 28 was 18.0% vs.16.8% YTD 2012
 - Based on reported factory shipments and shipments from distributors to retailers, Swedish Match estimates that its actual market share exceeds 20%
- **Particularly strong growth for small cigars**
- **Launch of Gold varieties of *White Owl* and *Game by Garcia y Vega* in Q1/Q2, *Game Red* and the new low priced brand *Jackpot* in Q3/Q4**



Chewing tobacco

- **Continued market volume decline**
 - Estimated to be down by 3-4%, a slower decline than the historical trend of 6-8%
 - Swedish Match's share continues to grow over time
 - Swedish Match estimates that the market declines are more than what Nielsen indicates

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

Q3 sales and operating profit up 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 sales and operating profit up for both matches and lighters in local currencies
- Q3 sales and operating profit, negatively impacted by currency movements (strong SEK, weak BRL)
- Strong lighter volume growth in Asia
- Improved match performance in Brazil



MSEK	Q3-2013	Q3-2012	chg	9m-2013	9m-2012	chg	Oct 2012- Sep 2013	Full year 2012
Sales	332	311	7	986	998	-1	1,327	1,339
Operating profit	56	44	28	167	161	4	228	222
Operating margin, %	16.8	14.0		17.0	16.1		17.2	16.6

Scandinavian Tobacco Group (STG)



- **STG Sales up 9% in the third quarter**
 - Sales higher for all product segments in local currencies
 - Cigars in Europe had low volumes in Q3 prior year on ERP related issues
 - Q4 2012 cigar sales were higher than normal due to recovered volumes, Q4 2013 has a planned stock reduction for a major European distributor, so Q4 comparisons will be distorted

- **Swedish Match share of STG net profit after interest and tax for the third quarter amounted to 88 MSEK (80)**
 - Excluding accounting adjustments, share of net profit was 88 MSEK (82)

- **Total STG net finance cost for the third quarter amounted to 24 MDKK (22)**

- **Net profit for the January–September period for STG amounted to 397 MDKK (439)**

- **Reported EBITDA for the third quarter amounted to 335 MDKK (319)**
 - Handmade cigar sales up in local currencies, but EBITDA declined
 - Machine made cigar sales and profits up on higher volumes
 - Prior year sales and profits unusually low on ERP related issues
 - Difficult market situations in certain European countries
 - Pipe tobacco sales up but EBITDA declined
 - Fine cut sales and EBITDA up

P & L summary

MSEK	Q3- 2013	Q3-2012	chg	9m-2013	9m-2012	chg	Oct 2012- Sep 2013	Full year 2012	chg
Sales	3,230	3,208	1	9,432	9,338	1	12,580	12,486	1
Cost of goods sold	-1,749	-1,617		-4,950	-4,551		-6,536	-6,138	
Gross profit	1,481	1,591	-7	4,482	4,787	-6	6,044	6,349	-5
Selling and administrative expenses	-638	-640		-1,924	-1,986		-2,591	-2,653	
Share of profit/loss in associated companies and joint ventures	81	72		203	245		294	337	
Adjustment to capital gain from transfer of businesses to STG	-	-		-	30		-	30	
Capital gain from sale of land	-	-		161	-		161	-	
Operating profit	924	1,022	-10	2,923	3,076	-5	3,909	4,062	-4
Finance income	9	11		25	28		35	38	
Finance costs	-151	-152		-441	-443		-587	-589	
Net finance cost	-142	-141		-416	-415		-553	-551	
Profit before income tax	782	881	-11	2,507	2,661	-6	3,356	3,511	-4
Income tax expense	-154	-188		-471	-542		-534	-604	
Profit for the period	628	693	-9	2,035	2,120	-4	2,822	2,907	-3
EPS, basic, SEK, incl. larger one-time items	3.15	3.41		10.20	10.40		14.14	14.33	
EPS, basic, SEK, excl. larger one-time items	3.15	3.41		9.39	10.25		13.33	14.18	
EPS, diluted, SEK, incl. larger one-time items	3.14	3.40		10.18	10.34		14.10	14.25	
EPS, diluted, SEK, excl. larger one-time items	3.14	3.40		9.38	10.19		13.30	14.10	

Balance sheet in summary

MSEK	September 30, 2013	December 31, 2012
Intangible assets	965	962
Property, plant and equipment	2,029	2,010
Investments in associated companies and joint ventures	4,321	4,354
Other non-current financial receivables*	1,122	1,140
Current operating assets	2,719	3,080
Other current investments and current financial assets	15	-
Cash and cash equivalents	2,880	2,824
Total assets	14,050	14,371
Equity attributable to equity holders of the Parent	-1,472	-2,053
Non-controlling interests	1	2
Total equity	-1,470	-2,051
Non-current provisions	993	1,009
Non-current loans	9,488	9,238
Other non-current financial liabilities*	1,471	1,870
Current provisions	107	102
Current loans	682	1,119
Other current liabilities*	2,779	3,084
Total equity and liabilities	14,050	14,371

* For full detail, please refer to notes in the January-September 2013 report.

Cash flow in summary

MSEK	Jan-Sep 2013	Jan-Sep 2012
Cash flow from operating activities before changes in working capital	2,238	2,435
Cash flow from changes in working capital	-138	-353
Net cash from operating activities	2,100	2,082
Purchase of property, plant and equipment	-232	-171
Proceeds from sale of property, plant and equipment	1	3
Purchase of intangible assets	-30	-28
Investments in associated companies and joint ventures*	-43	-20
Proceeds from sale of subsidiaries, net of cash disposed of*	168	9
Changes in financial receivables etc.	0	-
Net cash used in investing activities	-135	-208
Changes in loans	-278	520
Dividend paid to equity holders of the Parent	-1,459	-1,334
Repurchase of own shares	-302	-1,671
Stock options exercised	165	414
Other	-13	11
Net cash used in financing activities	-1,887	-2,059
Net decrease in cash and cash equivalents	78	-185
Cash and cash equivalents at the beginning of the period	2,824	2,533
Effect of exchange rate fluctuations on cash and cash equivalents	-23	-78
Cash and cash equivalents at the end of the period	2,880	2,271

* For full detail, please refer to notes in the January-September 2013 report.

Key data*

MSEK	Jan-Sep 2013	Jan-Sep 2012
Operating margin, %	29.3	32.6
Operating capital, MSEK	7,337	7,177
Return on operating capital, % (12 months rolling from October 2012)	51.6	
EBITDA, MSEK**	2,959	3,273
EBITA, MSEK**	2,781	3,089
Net debt, MSEK	8,598	9,671
Net debt/EBITA** (12 months rolling from October 2012)	2.3	
Investments in property, plant and equipment, MSEK**	232	171
EBITA interest cover	6.8	7.6
<i>Excluding share of net profit in STG</i>		
EBITA, MSEK**	2,559	2,826
Net debt/EBITA** (12 months rolling from October 2012)	2.5	
Share data		
EPS, basic, SEK, incl. larger one-time items	10.20	10.40
EPS, basic, SEK, excl. larger one-time items	9.39	10.25
EPS, diluted, SEK, incl. larger one-time items	10.18	10.34
EPS, diluted, SEK, excl. larger one-time items	9.38	10.19
Average number of shares outstanding, basic (Mio)	199.6	203.8
Shares outstanding, end of period (Mio)	199.1	200.6

* All key data, unless otherwise stated, have been calculated excluding larger one-time items.

** For full detail, please refer to notes in the January-September 2013 report.

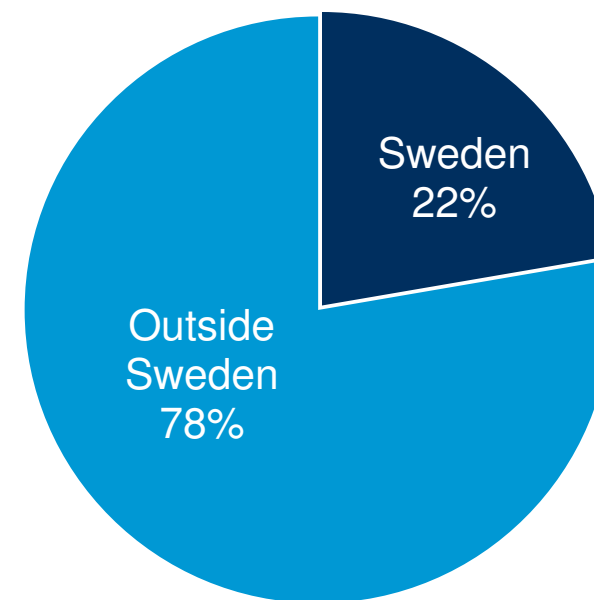
Largest shareholders*

As per September 30, 2013

Largest shareholders

Morgan Stanley Investment Management	5.1%
Standard Life Investment Funds	2.1%
AMF Insurance & Funds	1.8%
Fidelity Funds	1.7%
Fourth Swedish National Pension Fund	1.2%
SHB Funds	1.2%
Second Swedish National Pension Fund	1.1%
Parvus Asset Management	1.0%
Swedbank Robur Funds	0.9%
Länsförsäkringar Funds	0.9%
	<hr/>
	17.0%

49,563 shareholders



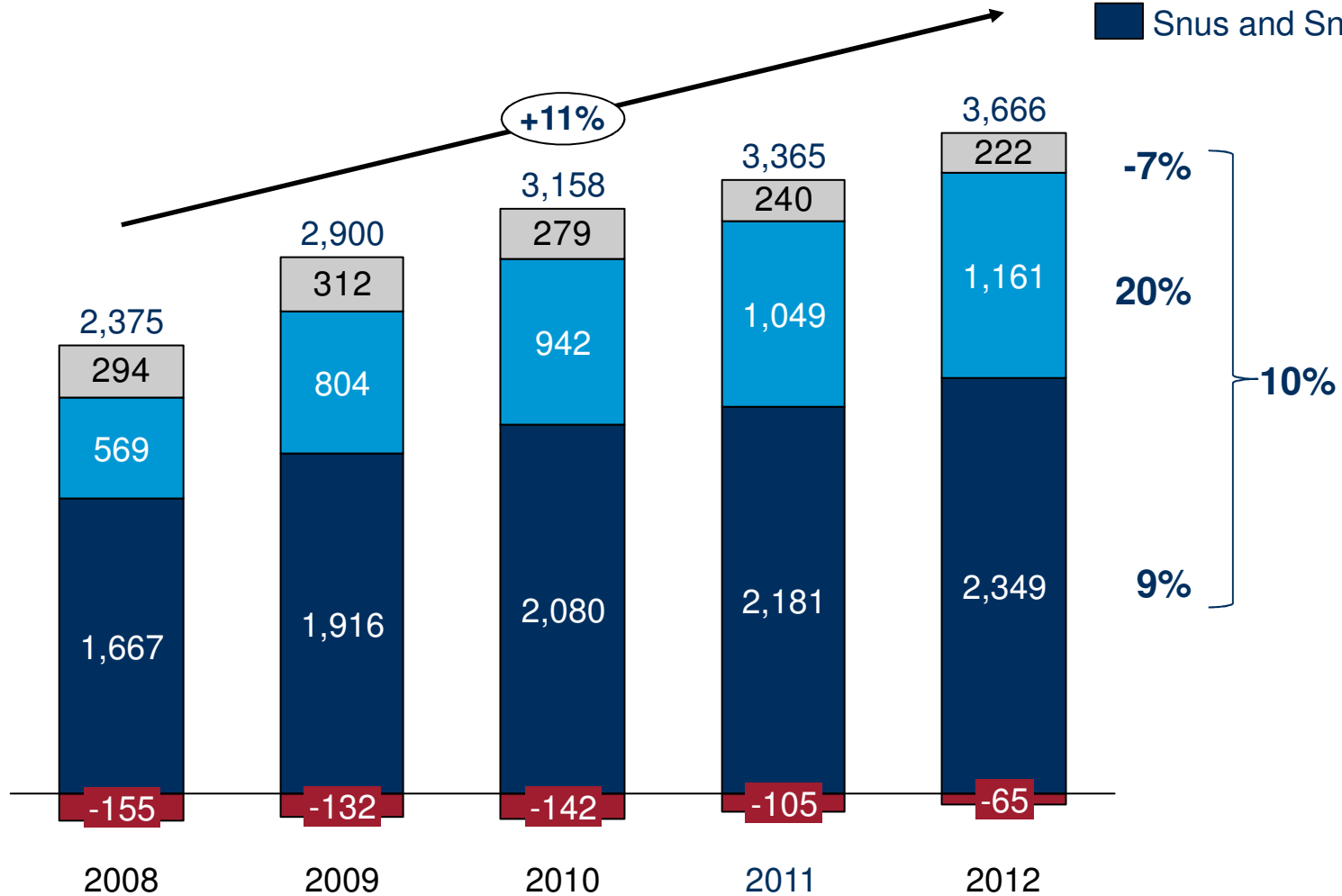
Source: Euroclear, official registry and SIS Ägaranalys.

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

Comparable operating profit

Excluding businesses transferred to STG (MSEK)
CAGR 08-12

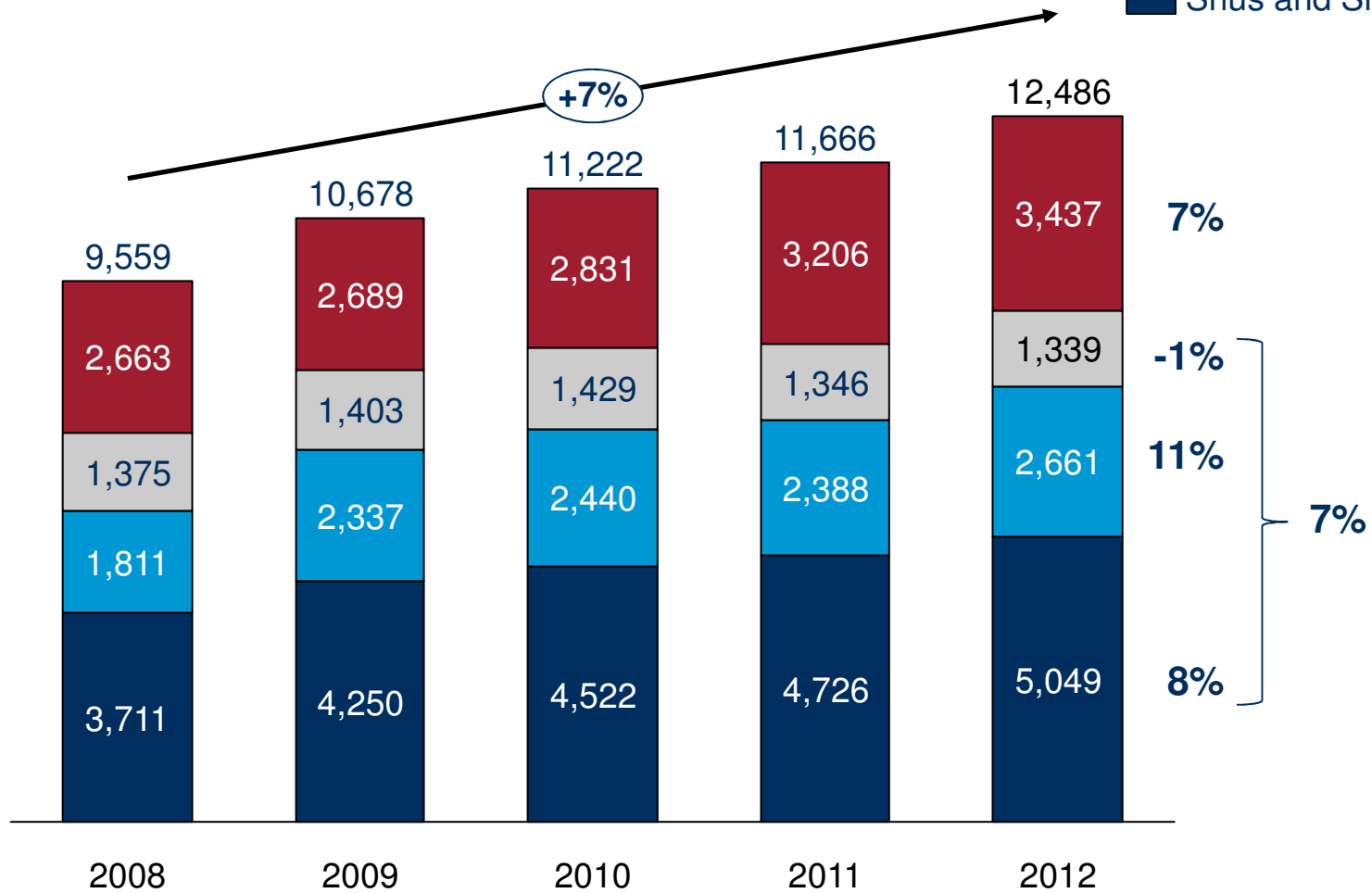
- Other operations
- Lights
- Other tobacco products
- Snus and Snuff



Comparable sales

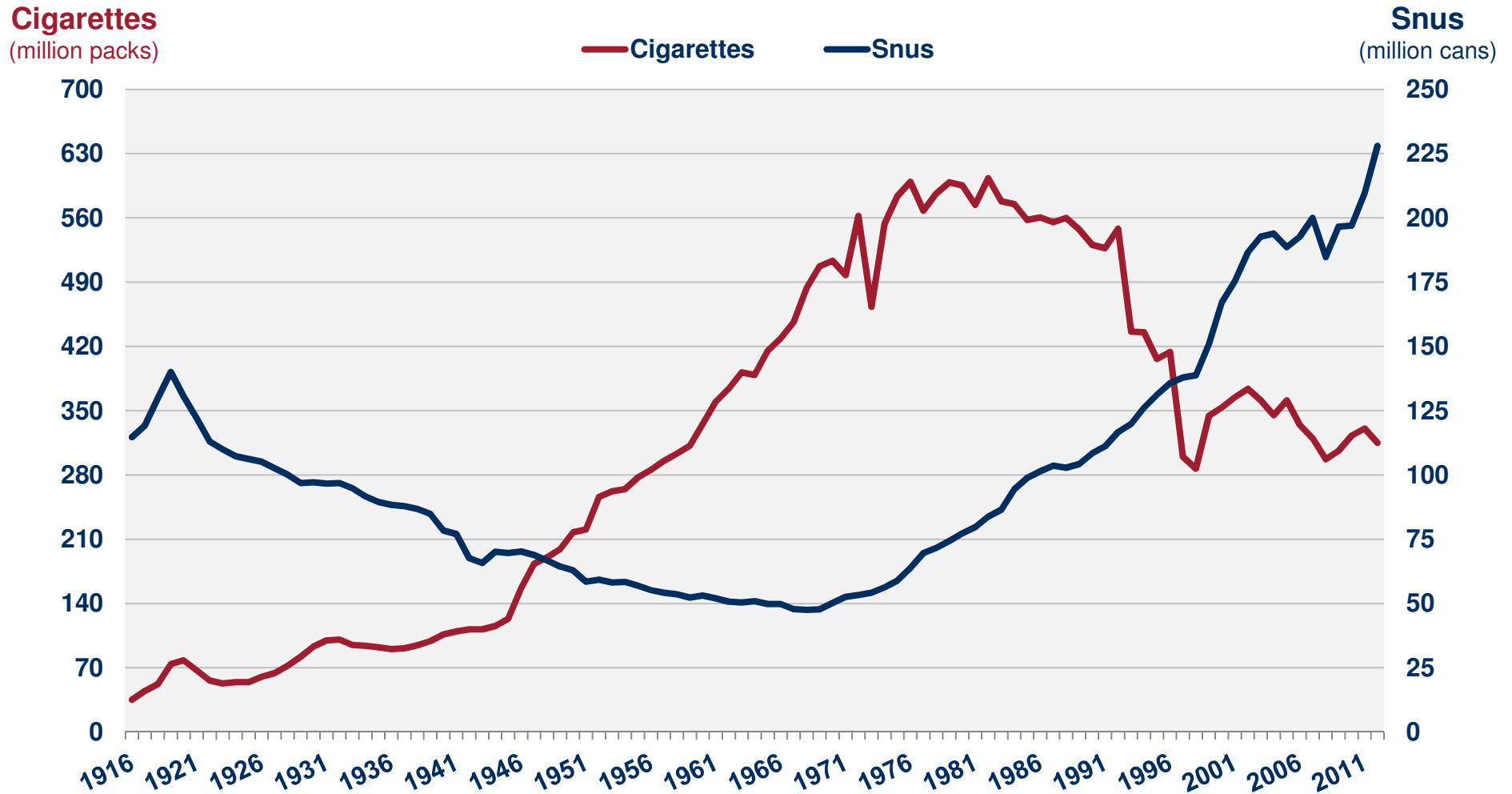
Excluding businesses transferred to STG (MSEK)
CAGR 08-12

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



Snus vs. cigarettes in Sweden

Volume of snus and cigarettes in Sweden 1916-2012



Adjusted for estimated snus hoarding 1996, 1997, 2006, 2007, 2008, 2011 and 2012.

Source: Swedish Match Distribution AB and Swedish Match estimates.