



## Interim Report January – March 2012

- Sales for the first quarter increased by 10 percent to 2,917 MSEK (2,646). In local currencies, sales for the first quarter increased by 9 percent
- Operating profit from product areas<sup>1)</sup> for the first quarter increased by 24 percent to 903 MSEK (729). In local currencies, operating profit from product areas<sup>1)</sup> increased by 22 percent
- Operating profit<sup>2)</sup> increased by 23 percent to 972 MSEK (793) for the first quarter
- EPS (basic) for the first quarter amounted to 3.27 SEK (2.50)

1) Operating profit for Swedish Match product areas, which excludes share of net profit in STG.

2) Operating profit for the Group includes share of net profit in STG.

### CEO Lars Dahlgren comments:

Swedish Match delivered strong growth in both sales and operating profit in the first quarter.

In local currencies, sales increased for all our product areas compared to the first quarter of the prior year, up in total by 9 percent, and, operating profit increased by 22 percent with particularly strong performance for Scandinavian snus and US mass market cigars.

In Scandinavia, the snus business delivered a solid 15 percent increase in sales and increased profitability despite a mix shift toward more lower priced products in Sweden.

In the US moist snuff business, while sales were flat on somewhat lower volumes, both operating margin and operating profit grew.

We continue our investments behind *General* snus in the US, with an expansion now underway into seven new geographies. Test market activities for snus through SMPM International show promising signs in Canada, and St. Petersburg, Russia.

Our US mass market cigar business continued to excel during the quarter, with shipment volumes growing by 36 percent in the quarter, and sales increasing by more than 20 percent in local currency.

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	January-March		Full year 2011
	2012	2011	
<b>Sales</b>	<b>2,917</b>	<b>2,646</b>	<b>11,666</b>
<b>Operating profit from product areas<sup>1)</sup></b>	<b>903</b>	<b>729</b>	<b>3,365</b>
<b>Operating profit<sup>2)</sup></b>	<b>972</b>	<b>793</b>	<b>3,702</b>
<b>Profit before income tax</b>	<b>838</b>	<b>665</b>	<b>3,180</b>
<b>Profit for the period</b>	<b>668</b>	<b>533</b>	<b>2,538</b>
<b>Earnings per share, basic (SEK)</b>	<b>3.27</b>	<b>2.50</b>	<b>12.14</b>

1) Excluding share of net profit in STG.

2) Including share of net profit in STG.

### *Sales and results for the first quarter*

Sales for the first quarter of 2012 increased by 10 percent to 2,917 MSEK (2,646) compared to the same period of the previous year. Currency translation has affected the sales comparison positively by 43 MSEK. In local currencies, sales increased by 9 percent.

In the first quarter, sales for the product area Snus and snuff increased by 13 percent to 1,206 MSEK (1,068) and operating profit improved by 21 percent to 568 MSEK (469) despite higher international snus investments. In local currencies sales increased by 11 percent, driven by strong performance in Scandinavia, while operating profit increased by 21 percent. The operating margin for the Snus and snuff product area was 47.1 percent (44.0).

Scandinavian snus sales were up by 15 percent compared to the first quarter of the prior year, on flat shipment volumes. Volumes were impacted by both timing (Easter) effects and hoarding effects, adjusted for these effects volumes in Scandinavia are estimated to have increased by 1 percent in the quarter compared to the same period of the prior year. In the US, sales of snus and snuff in local currency were flat on approximately 4 percent lower volumes from prior year.

For Other tobacco products, sales in the first quarter increased by 16 percent, to 675 MSEK (583). In local currency, sales increased by 11 percent. Operating profit in local currency increased by 17 percent and reported operating profit increased 21 percent to 297 MSEK (245). Currency translation has affected the sales and operating profit comparison positively by 27 MSEK and 11 MSEK respectively. Compared to the first quarter of the prior year, sales and operating profit grew significantly for the US mass market cigar business while for chewing tobacco, sales and operating profit declined. Operating margin for Other tobacco products increased to 44.0 percent (41.9).

Operating profit from product areas increased by 24 percent to 903 MSEK (729). In local currencies, the operating profit increased by 22 percent. Currency translation has affected the comparison positively by 14 MSEK. Operating margin for the first quarter was 33.3 percent (30.0). EBITDA margin was 35.9 percent (32.6).

Operating profit, including share of net profit from STG, increased to 972 MSEK (793). The share of net profit from STG, after interest and tax, amounted to 69 MSEK (65) for the first quarter.

Basic earnings per share for the first quarter amounted to 3.27 SEK (2.50) while diluted earnings per share amounted to 3.24 SEK (2.49).

## Sales by product area

<i>MSEK</i>	January-March		Chg %	Full year 2011
	2012	2011		
Snus and snuff	1,206	1,068	13	4,726
Other tobacco products	675	583	16	2,388
Lights	350	336	4	1,346
Other operations	687	659	4	3,206
<b>Sales</b>	<b>2,917</b>	<b>2,646</b>	<b>10</b>	<b>11,666</b>

## Operating profit by product area

<i>MSEK</i>	January-March		Chg %	Full year 2011
	2012	2011		
Snus and snuff	568	469	21	2,181
Other tobacco products	297	245	21	1,049
Lights	57	58	-2	240
Other operations	-19	-43		-105
<b>Operating profit from product areas</b>	<b>903</b>	<b>729</b>	<b>24</b>	<b>3,365</b>
Share of net profit in STG <sup>1)</sup>	69	65	6	337
<b>Operating profit</b>	<b>972</b>	<b>793</b>	<b>23</b>	<b>3,702</b>

1) The share of net profit in STG for the first quarter 2011 includes restructuring charges of 5 MSEK before tax. For the full year 2011, the share of net profit in STG includes restructuring charges of 66 MSEK before tax.

In order to reconcile to the Group's profit before income tax amounting to 838 MSEK (665) for the first quarter, the Group's net finance cost needs to be deducted from the operating profit with an amount of 134 MSEK (128).

## Operating margin by product area

<i>Percent</i>	January-March		Full year 2011
	2012	2011	
Snus and snuff	47.1	44.0	46.1
Other tobacco products	44.0	41.9	44.0
Lights	16.3	17.3	17.9
<b>Operating margin from product areas<sup>1)</sup></b>	<b>31.0</b>	<b>27.5</b>	<b>28.8</b>
<b>Operating margin<sup>2)</sup></b>	<b>33.3</b>	<b>30.0</b>	<b>31.7</b>

1) Excluding share of net profit in STG.

2) Including share of net profit in STG.

## EBITDA by product area

<i>MSEK</i>	January-March		Chg %	Full year 2011
	2012	2011		
Snus and snuff	611	506	21	2,337
Other tobacco products	319	265	20	1,130
Lights	67	68	-2	281
Other operations	-16	-41		-94
<b>EBITDA from product areas</b>	<b>980</b>	<b>797</b>	<b>23</b>	<b>3,655</b>
Share of net profit in STG <sup>1)</sup>	69	65	6	337
<b>EBITDA</b>	<b>1,049</b>	<b>862</b>	<b>22</b>	<b>3,992</b>

1) The share of net profit in STG for the first quarter 2011 includes restructuring charges of 5 MSEK before tax. For the full year 2011, the share of net profit in STG includes restructuring charges of 66 MSEK before tax.

## EBITDA margin by product area

Percent	January-March		Full
	2012	2011	year 2011
Snus and snuff	50.6	47.4	49.4
Other tobacco products	47.2	45.4	47.3
Lights	19.0	20.3	20.9
<b>EBITDA margin from product areas<sup>1)</sup></b>	<b>33.6</b>	<b>30.1</b>	<b>31.3</b>
<b>EBITDA margin<sup>2)</sup></b>	<b>35.9</b>	<b>32.6</b>	<b>34.2</b>

1) Excluding share of net profit in STG.

2) Including share of net profit 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 Timber Wolf, Longhorn and Red Man in the US.

#### The first quarter

In local currencies, sales for the product area Snus and snuff increased by 11 percent during the first quarter compared to the same quarter of the previous year. Reported sales increased by 13 percent to 1,206 MSEK (1,068) and reported operating profit amounted to 568 MSEK (469). For the first quarter, sales and operating profit improved in Scandinavia versus the first quarter of the prior year. In the US, sales and operating profit for snus and snuff were flat versus the first quarter of the prior year.

In Scandinavia, shipment volumes measured in number of cans, were flat in the first quarter compared to the first quarter of the prior year. On January 1, 2012, the weight based excise tax on snus in Sweden was increased by 13.7 percent. This, in combination with price increases, resulted in trade hoarding in Sweden in the fourth quarter of 2011 of approximately 2 million cans, and trade destocking in the first quarter. The trade destocking in Sweden was offset by strong shipment volumes to Norway in the quarter. When adjusted for Easter effects and year-end hoarding effects, shipment volumes in Scandinavia are estimated to have increased by about 1 percent versus the first quarter of the prior year. Sales revenues in Scandinavia grew by 15 percent in the first quarter. Operating profit and operating margin in Scandinavia in the first quarter increased versus the same quarter of the previous year.

In the US, sales of snus and snuff were flat in local currency during the first quarter versus the first quarter of the prior year. US volumes measured in number of cans were down 4 percent versus the prior year's first quarter. Operating profit increased

\* 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.

for moist snuff, but including the increased investments behind Swedish snus in the US the operating profit for snus and moist snuff combined was flat. For *General* snus in the US the trends are encouraging, and the Company continued to increase distribution in the quarter. *General* snus is now being launched in seven additional cities and is currently available in more than 4,500 stores across the US.

The operating margin for the product area was 47.1 percent (44.0).

### **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 first quarter*

During the first quarter, sales for the product area Other tobacco products increased by 11 percent in local currency compared to the same period of the previous year, and operating profit increased by 17 percent in local currency, driven by US mass market cigars. Reported sales for the product area amounted to 675 MSEK (583) and reported operating profit was 297 MSEK (245). The operating margin was 44.0 percent (41.9).

During the first quarter, US mass market cigar volumes grew by 36 percent and sales increased by more than 20 percent in local currency compared to the same period in the previous year. The growth for US mass market cigars is attributable to the continued success of recent product introductions. The line of sweets cigars in FoilFresh® packaging, remains an important contributor to the strong volume growth. This has been further supported by the launch in the first quarter of *White Owl Silver* cigars, as well as strong growth in *Game* small cigars. Operating profit and operating margin increased versus prior year.

US chewing tobacco sales in the first quarter were down by 3 percent in local currency, and operating profit was also lower. Shipment volumes of own brands declined by 11 percent, while contract manufacturing volumes were above prior year levels, following inventory adjustments in previous quarters.

### **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 first quarter*

During the first quarter sales for the product area Lights amounted to 350 MSEK (336). In local currencies, sales increased by 4 percent. Operating profit amounted to 57 MSEK (58) and the operating margin was 16.3 percent (17.3).

For lighters, sales and operating profit in local currencies increased compared to the first quarter of the prior year as a result of strong volume performance. For matches,

sales and operating profit declined in local currencies, mainly as a result of a weaker country mix and lower volumes.

### **Other operations**

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

#### *The first quarter*

Sales in Other operations for the first quarter amounted to 687 MSEK (659). Operating loss for Other operations was 19 MSEK (43). Operating loss in the first quarter of 2012 was positively affected by a one time income from termination of a distribution agreement relating to the divested pipe tobacco operations. During the first quarter of 2011, the operating loss included redundancy costs following an organizational change.

### **Scandinavian Tobacco Group**

*Scandinavian Tobacco Group (STG) was established on October 1, 2010, following a merger between the tobacco activities in Scandinavian Tobacco Group A/S and the European mass market cigar, US premium cigar and pipe tobacco businesses of Swedish Match. The Danish company Skandinavisk Holding A/S holds 51 percent of the shares in STG, and the remaining 49 percent are held by Swedish Match. STG is the world's largest manufacturer of cigars, a world leader in pipe tobacco, and holds a strong position within fine cut tobacco in Scandinavia and the US. STG's leading brands include Café Crème, La Paz, Henri Wintermans, Macanudo, CAO, Partagas (USA), Cohiba (USA), Erinmore, Borkum Riff, Colts and Tiedemanns. On March 1, 2011, STG acquired Lane Limited in the US (Lane) from Reynolds American Inc. Lane produces pipe tobacco, fine cut tobacco and little cigars.*

Please see Note 3 for a summary of STG consolidated income statement.

The STG result, and consequently the Swedish Match reported share of the net result in STG, may for some reporting periods be partly based on estimates due to differences in reporting time schedules. Any differences between such estimates and the actual result of STG for the period, are adjusted in the following reporting period.

#### *The first quarter*

Sales for Scandinavian Tobacco Group increased by 13 percent to 1,334 MDKK (1,179) during the first quarter compared to the same quarter of the previous year. In local currencies, excluding Lane effects, sales increased by 5 percent. Reported EBITDA amounted to 258 MDKK (235).

For premium cigars, sales increased on higher shipment volumes, and operating profit increased more in percentage terms, as a result of realized synergies and the stronger volume performance. Sales through mail order and Internet channels in particular showed a strong performance in the quarter.

For mass market cigars the general market decline in European markets continued in the quarter, partly driven by the introduction of a smoking ban in Belgium in hotels, restaurants and cafés. STG shipments were also negatively influenced by a strike in the Houthalen plant. Despite these developments, STG increased sales and operating profit and gained market shares in key markets.

Pipe tobacco/fine cut sales and operating profit declined somewhat, mainly as a result of volume declines in export markets, while the strong performance in Europe continued.

Lane performance during the first quarter was according to expectations for the domestic US market, while volumes for export markets for pipe tobacco and little cigars were below plan which negatively impacted sales and EBITDA.

The first quarter of 2012 includes the Lane business for three months, while it was included only for one month in the first quarter of 2011. The first quarter of 2011 also included one month of sales and EBITDA related to cigar brands in Australia which were divested during that quarter. On a comparable basis, EBITDA increased by 3 percent for total STG.

Net finance cost for the quarter increased to 33 MDKK (10), due to a higher average net debt following the Lane transaction, increased interest rates and adverse currency effects. The reported tax rate for the quarter was 26.1 percent. Profit for the period amounted to 117 MDKK (112) including a positive adjustment of 17 MDKK (2) relating to differences between estimates and actual result for the previous period.

The Swedish Match share of net profit in STG amounted to 69 MSEK (65).

On April 26, 2012, the Annual General Meeting of STG decided that a dividend of in total 350 MDKK would be paid to the shareholders and Swedish Match received its share of the dividend, 204 MSEK, on April 27.

#### **Taxes**

For the first quarter, the reported tax expense amounted to 170 MSEK (132), corresponding to a tax rate of 20.3 percent (19.9). The reported tax rate excluding associated companies and joint ventures was 22 percent (22).

#### **Earnings per share**

Basic earnings per share (EPS) for the first quarter amounted to 3.27 SEK (2.50), while diluted EPS was 3.24 SEK (2.49).

#### **Depreciation and amortization**

In the first quarter, total depreciation and amortization amounted to 77 MSEK (68), of which depreciation on property, plant and equipment amounted to 62 MSEK (55) and amortization of intangible assets amounted to 14 MSEK (13).

#### **Financing and cash flow**

Cash flow from operating activities for the first quarter amounted to 307 MSEK compared with 523 MSEK for the same period previous year. The main reasons for the decrease in cash flow from operations in the first quarter of 2012 compared to the same period 2011 are higher tobacco tax payments relating to hoarding at the end of 2011.

Investments in property, plant and equipment during the first quarter amounted to 39 MSEK (52).

Net finance cost for the first quarter increased to 134 MSEK (128).

The net debt as per March 31, 2012 amounted to 8,733 MSEK compared to 8,886 MSEK at December 31, 2011.

In the first quarter share repurchases, net, of 230 MSEK were made. During the first quarter new bond loans of 463 MSEK were issued. Repayment of loans for the same period amounted to 759 MSEK. As at March 31, 2012 Swedish Match had 9,744 MSEK of interest bearing debt excluding retirement benefit obligations compared to 10,038 MSEK at December 31, 2011. During the remainder of 2012, 556 MSEK of this debt falls due for payment. As of March 31, 2012, Swedish Match had 1,415 MSEK in unutilized committed credit lines.

Cash and cash equivalents amounted to 2,226 MSEK at the end of the period, compared with 2,533 MSEK as of December 31, 2011.

### **Average number of employees**

The average number of employees in the Group during the first quarter was 3,824 compared with 3,880 for the full year 2011.

### **Share structure**

During the first quarter, Swedish Match repurchased 1.4 million shares for 367 MSEK at an average price of 250.52 SEK, following authorization from the Annual General Meeting held in 2011. During the first quarter the Company sold 0.9 million treasury shares at an average price of 144.71 SEK, totaling 137 MSEK, as a result of option holders exercising options. Total shares bought back by Swedish Match since the buyback program started have been repurchased at an average price of 100.87 SEK.

As per March 31, 2012 Swedish Match held 9.3 million shares, corresponding to 4.39 percent of the total number of shares. The number of shares outstanding, net as per March 31, 2012, amounted to 203.7 million. The Company has issued call options of which an amount corresponding to 4.0 million shares exercisable in gradual stages from 2012-2015 were outstanding as of March 31, 2012.

In April 2012, a further 123,000 shares have been repurchased for 33 MSEK at an average price of 267.66 SEK.

### **Annual General Meeting and repurchase of own shares**

The Annual General Meeting on May 2, 2012 re-elected Andrew Cripps, Karen Guerra, Conny Karlsson, Robert F. Sharpe, Meg Tivéus and Joakim Westh as Board members. Conny Karlsson was re-elected Chairman of the Board and Andrew Cripps was re-elected Deputy Chairman of the Board.

The Annual General Meeting approved the Board's proposal to pay a dividend to the shareholders of 6.50 SEK per share for a total of 1,324 MSEK, based on the number of shares outstanding as per March 31, 2012. In addition, a decision was made to cancel 7 million shares held in treasury with a simultaneous bonus issue, without issuing new shares, of an amount equivalent to the reduction of share capital through the cancellation of shares. With the latter transaction the Company's share capital will not decrease through the cancellation of shares. The total number of registered shares in the Company before the cancellation of shares is 213.0 million and the total number of outstanding shares as of May 2 was 203.5 million.

The Annual General Meeting also authorized the Board of Directors to decide on the acquisition, on one or more occasions prior to the next Annual General Meeting, of a maximum of as many shares as may be acquired without the Company's holding at any time exceeding 10 percent of all shares in the Company. The shares shall be acquired on NASDAQ OMX Stockholm at a price within the price interval registered at any given time, i.e. the interval between the highest bid price and the lowest selling price. The Board has decided to execute share repurchases under this mandate in the time period until the Annual General Meeting in 2013.

### **Outlook**

For the full year 2012, we expect continued growth in revenues and operating profit led by a solid development for Snus and snuff and Other tobacco products.

During the year, we will continue to invest for growth for snus internationally. In the US we will expand distribution and invest further in marketing activities to build



awareness and generate trial. In SMPM International, the plan is to add at least one additional test market during the year.

We expect both the Scandinavian snus market and the US market for moist snuff to continue to grow in volume terms in 2012.

In the US mass market cigar business, we will launch additional innovative products and we expect to continue to grow faster than the overall market and generate increased sales and profits in local currency. The trend of declining volumes for US chewing tobacco is expected to continue.

The tax rate for 2012, excluding one time items as well as associated companies and joint ventures, is expected to be around 22 percent.

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

### **Risk factors**

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

Swedish Match has a substantial part of its production and sales in the US as well as in Brazil, 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 2011.

### **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 quarter amounted to 14 MSEK (13). Profit before income tax amounted to 676 MSEK (loss 310) and net profit for the first quarter amounted to 781 MSEK (net loss 229).

The main sources of income for the Parent Company are dividends and Group contributions from subsidiaries. During the first quarter the Parent Company received dividends amounting to 1,077 MSEK (-).

Part of the Group's treasury operations are within the operations of the Parent Company including 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 quarter 2012, nor during 2011. During the first quarter 9 MSEK (7) have been capitalized in intangible assets as an investment in software development on an ERP system for the Group.

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

During the first quarter, new bond loans of 463 MSEK were issued and repayment of loans amounted to 759 MSEK. During the period the Parent Company made share repurchases of 367 MSEK (1,180) and sold 0.9 million (0.5) treasury shares for 137 MSEK (67).

### **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 half year 2012 report will be released on July 20, 2012.

Stockholm, May 4, 2012

Lars Dahlgren  
President and CEO

## Key data

	January-March		12 months ended	Full year
	2012	2011	March 31, 2012	2011
Operating margin, %	33.3	30.0	32.5	31.7
Operating capital, MSEK	7,474	6,966	7,474	7,224
Return on operating capital, %			53.8	51.7
EBITDA, MSEK <sup>1)</sup>	1,049	862	4,179	3,992
EBITA, MSEK <sup>2)</sup>	986	807	3,939	3,759
Net debt, MSEK	8,733	8,223	8,733	8,886
Net debt/EBITA <sup>2)</sup>			2.2	2.4
Investments in property, plant and equipment, MSEK <sup>3)</sup>	39	52	232	245
EBITA interest cover	7.5	6.7	7.6	7.4
<i>Excluding share of net profit in STG</i>				
EBITA, MSEK <sup>2)</sup>	918	742	3,598	3,422
Net debt/EBITA <sup>2)</sup>			2.4	2.6
<i>Share data</i>				
Earnings per share, basic, SEK	3.27	2.50	12.92	12.14
Earnings per share, diluted, SEK	3.24	2.49	13.01	12.07
Number of shares outstanding at end of period	203,655,265	209,408,074	203,655,265	204,172,141
Average number of shares outstanding, basic	204,069,318	212,807,915	206,816,540	209,001,190
Average number of shares outstanding, diluted	205,687,877	213,857,724	205,494,079	210,296,918

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 8 MSEK (7).

## Consolidated income statement in summary

MSEK	January-March		Chg %	12 months ended	Full year		Chg %
	2012	2011		March 31, 2012	2011		
Sales, including tobacco tax	5,769	5,158		24,273	23,662		
Less tobacco tax	-2,852	-2,512		-12,336	-11,997		
<b>Sales</b>	<b>2,917</b>	<b>2,646</b>	<b>10</b>	<b>11,937</b>	<b>11,666</b>		<b>2</b>
Cost of goods sold	-1,376	-1,298		-5,852	-5,774		
<b>Gross profit</b>	<b>1,541</b>	<b>1,348</b>	<b>14</b>	<b>6,085</b>	<b>5,892</b>		<b>3</b>
Selling and administrative expenses	-635	-617		-2,534	-2,516		
Share of net profit/loss in associated companies and joint ventures	66	62		331	327		
<b>Operating profit</b>	<b>972</b>	<b>793</b>	<b>23</b>	<b>3,881</b>	<b>3,702</b>		<b>5</b>
Finance income	6	10		32	37		
Finance costs	-140	-138		-562	-560		
Net finance cost	-134	-128		-529	-523		
<b>Profit before income tax</b>	<b>838</b>	<b>665</b>	<b>26</b>	<b>3,353</b>	<b>3,180</b>		<b>5</b>
Income tax expense	-170	-132		-680	-642		
<b>Profit for the period</b>	<b>668</b>	<b>533</b>	<b>25</b>	<b>2,673</b>	<b>2,538</b>		<b>5</b>
<i>Attributable to:</i>							
Equity holders of the Parent	667	533		2,672	2,538		
Non-controlling interests	0	0		0	1		
<b>Profit for the period</b>	<b>668</b>	<b>533</b>	<b>25</b>	<b>2,673</b>	<b>2,538</b>		<b>5</b>
Earnings per share, basic, SEK	3.27	2.50		12.92	12.14		
Earnings per share, diluted, SEK	3.24	2.49		13.01	12.07		

## Consolidated statement of comprehensive income

MSEK	January-March		12 months	Full year
	2012	2011	ended March 31, 2012	2011
<b>Profit for the period</b>	<b>668</b>	<b>533</b>	<b>2,673</b>	<b>2,538</b>
<i>Other comprehensive income</i>				
Translation differences related to foreign operations	-125	-224	41	-57
Translation differences included in profit and loss	-1	-	-1	0
Effective portion of changes in fair value of cash flow hedges	64	-48	90	-22
Reclassification adjustments for gains/losses on cash flow hedges included in profit and loss	-	-	0	0
Actuarial gains and losses attributable to pensions, including payroll tax	114	96	-335	-353
Share of other comprehensive income in associated companies and joint ventures	-91	-82	81	90
Income tax relating to components of other comprehensive income	-63	-26	106	143
<b>Other comprehensive income, net of tax for the period</b>	<b>-102</b>	<b>-284</b>	<b>-17</b>	<b>-199</b>
<b>Total comprehensive income for the period</b>	<b>565</b>	<b>249</b>	<b>2,656</b>	<b>2,340</b>
<i>Attributable to:</i>				
Equity holders of the Parent	565	249	2,655	2,339
Non-controlling interests	0	0	0	1
<b>Total comprehensive income for the period</b>	<b>565</b>	<b>249</b>	<b>2,656</b>	<b>2,340</b>

## Consolidated balance sheet in summary

MSEK	March 31, 2012	December 31, 2011
Intangible assets	967	992
Property, plant and equipment	2,032	2,076
Investments in associated companies and joint ventures	4,415	4,481
Other non-current financial receivables <sup>1)</sup>	1,320	1,395
Current operating assets	2,916	3,031
Other current investments and current financial assets	0	0
Cash and cash equivalents	2,226	2,533
<b>Total assets</b>	<b>13,876</b>	<b>14,507</b>
Equity attributable to equity holders of the Parent	-1,266	-1,602
Non-controlling interests	2	2
<b>Total equity</b>	<b>-1,264</b>	<b>-1,599</b>
Non-current provisions	1,068	1,070
Non-current loans	8,956	8,535
Other non-current financial liabilities <sup>2)</sup>	1,616	1,787
Current provisions	72	84
Current loans	531	1,283
Other current liabilities <sup>3)</sup>	2,897	3,347
<b>Total equity and liabilities</b>	<b>13,876</b>	<b>14,507</b>

1) Includes pension assets of 68 MSEK (67) and derivative financial instruments of 53 MSEK (62) used to hedge the Parent Company's bond loans denominated in euro.

2) Includes pension liabilities of 1,283 MSEK (1,449) and derivative financial instruments of 284 MSEK (247) used to hedge the Parent Company's bond loans denominated in euro.

3) Includes current financial derivatives of 26 MSEK (33) used to hedge the Parent Company's bond loans denominated in euro.

## Consolidated cash flow statement in summary

MSEK	January-March	
	2012	2011
<i>Operating activities</i>		
<b>Profit before income taxes</b>	<b>838</b>	<b>665</b>
Adjustment for share of net profit/loss in associated companies and joint ventures	-66	-62
Adjustments for other non-cash items and other	91	102
Income tax paid	-139	-104
<b>Cash flow from operating activities before changes in working capital</b>	<b>724</b>	<b>602</b>
Cash flow from changes in working capital	-417	-78
<b>Net cash from operating activities</b>	<b>307</b>	<b>523</b>
<i>Investing activities</i>		
Purchase of property, plant and equipment	-39	-52
Proceeds from sale of property, plant and equipment	1	0
Purchase of intangible assets	-9	-8
Investments in other companies <sup>1)</sup>	-	-4
Changes in financial receivables etc.	2	1
<b>Net cash used in investing activities</b>	<b>-45</b>	<b>-62</b>
<i>Financing activities</i>		
Changes in loans	-296	-244
Repurchase of own shares	-367	-1,180
Stock options exercised	137	67
Other	3	-2
<b>Net cash used in financing activities</b>	<b>-523</b>	<b>-1,360</b>
<b>Net decrease/increase in cash and cash equivalents</b>	<b>-262</b>	<b>-899</b>
Cash and cash equivalents at the beginning of the period	2,533	3,275
Effect of exchange rate fluctuations on cash and cash equivalents	-46	-81
<b>Cash and cash equivalents at the end of the period</b>	<b>2,226</b>	<b>2,295</b>

1) Investments in other companies 2011 pertain to acquisition of 13 percent of the shares in Secure Vending AB in an amount of 4 MSEK.

## Change in shareholders' equity

MSEK	Equity		
	attributable to holders of the Parent	Non-controlling interests	Total equity
<b>Equity at January 1, 2011</b>	<b>-484</b>	<b>2</b>	<b>-482</b>
Profit for the period	533	0	533
Other comprehensive income, net of tax for the period	-284	0	-284
<b>Total comprehensive income for the period</b>	<b>249</b>	<b>0</b>	<b>249</b>
Repurchase of own shares	-1,180	-	-1,180
Stock options exercised	67	-	67
<b>Equity at March 31, 2011</b>	<b>-1,349</b>	<b>2</b>	<b>-1,347</b>
<b>Equity at January 1, 2012</b>	<b>-1,602</b>	<b>2</b>	<b>-1,599</b>
Profit for the period	667	0	668
Other comprehensive income, net of tax for the period	-102	0	-102
<b>Total comprehensive income for the period</b>	<b>565</b>	<b>0</b>	<b>565</b>
Repurchase of own shares	-367	-	-367
Stock options exercised	137	-	137
<b>Equity at March 31, 2012</b>	<b>-1,266</b>	<b>2</b>	<b>-1,264</b>

## Parent Company income statement in summary

MSEK	January-March	
	2012	2011
Sales	14	13
Administrative expenses	-55	-43
<b>Operating loss</b>	<b>-41</b>	<b>-30</b>
Result from participation in Group companies	1,077	-
Result from participation in joint ventures	-	-4
Net finance cost	-360	-276
<b>Profit/Loss before income tax</b>	<b>676</b>	<b>-310</b>
Income tax	105	80
<b>Profit/Loss for the period</b>	<b>781</b>	<b>-229</b>

## Parent Company statement of comprehensive income

MSEK	January-March	
	2012	2011
<b>Profit/Loss for the period</b>	<b>781</b>	<b>-229</b>
<i>Other comprehensive income</i>		
Effective portion of changes in fair value of cash flow hedges	64	-48
Income tax relating to components of other comprehensive income	-17	13
<b>Other comprehensive income, net of tax for the period</b>	<b>47</b>	<b>-35</b>
<b>Total comprehensive income for the period</b>	<b>828</b>	<b>-265</b>

## Parent Company balance sheet in summary

MSEK	Mar 31, 2012	Mar 31, 2011	Dec 31, 2011
Intangible and tangible fixed assets	67	51	60
Non-current financial assets	49,369	50,667	49,373
Current assets	285	512	2,172
<b>Total assets</b>	<b>49,720</b>	<b>51,229</b>	<b>51,605</b>
<b>Equity</b>	<b>20,124</b>	<b>20,200</b>	<b>19,525</b>
<b>Untaxed reserves</b>	<b>124</b>	<b>1</b>	<b>124</b>
Provisions	75	113	71
Non-current liabilities	27,376	26,704	26,960
Current liabilities	2,021	4,212	4,924
<b>Total liabilities</b>	<b>29,472</b>	<b>31,029</b>	<b>31,955</b>
<b>Total equity and liabilities</b>	<b>49,720</b>	<b>51,229</b>	<b>51,605</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 and RFR 2.

The new or amended IFRS standards and IFRIC interpretations, which became effective January 1, 2012, 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 2011.

### 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 quarter 2012, receivables from these companies amounted to 43 MSEK and total payables to these companies amounted to 2 MSEK. During the first quarter 2012, total sales to associated companies and joint ventures amounted to 58 MSEK and total purchases from associated companies and joint ventures amounted to 19 MSEK.

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

### Note 3 – Scandinavian Tobacco Group

#### Summary of STG consolidated income statement

MDKK	January - March		Change %
	2012	2011	
Sales	1,334	1,179	13
EBITDA (excluding one time items)	258	243	6
EBITDA	258	235	10
Operating profit	169	161	5
Net finance cost	-33	-10	
Income tax expense	-35	-40	
<b>Net profit for the period</b>	<b>100</b>	<b>110</b>	<b>-9</b>
Adjustment from previous period <sup>1)</sup>	17	2	
<b>Adjusted net profit for the period</b>	<b>117</b>	<b>112</b>	<b>5</b>
<i>MSEK</i>			
<b>Swedish Match's share of net profit</b>	<b>69</b>	<b>65</b>	<b>6</b>

1) Adjustment relating to differences between estimates and actual results for the previous period.

#### Quarterly data<sup>1)</sup>

MSEK	Q1/12	Q4/11	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10
Sales, including tobacco tax	5,769	6,262	6,208	6,033	5,158	5,471	7,044	6,676	5,870
Less tobacco tax	-2,852	-3,198	-3,198	-3,089	-2,512	-2,671	-3,221	-2,976	-2,588
<b>Sales</b>	<b>2,917</b>	<b>3,064</b>	<b>3,011</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>
Cost of goods sold	-1,376	-1,515	-1,495	-1,467	-1,298	-1,338	-1,896	-1,805	-1,624
<b>Gross profit</b>	<b>1,541</b>	<b>1,549</b>	<b>1,516</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>
Selling and administrative expenses	-635	-648	-604	-647	-617	-621	-878	-955	-902
Share of net profit/loss in associated companies and joint ventures	66	120	71	74	62	-65	1	4	-2
	<b>972</b>	<b>1,022</b>	<b>983</b>	<b>904</b>	<b>793</b>	<b>777</b>	<b>1,049</b>	<b>945</b>	<b>755</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>972</b>	<b>1,022</b>	<b>983</b>	<b>904</b>	<b>793</b>	<b>1,421</b>	<b>1,049</b>	<b>945</b>	<b>755</b>
Finance income	6	8	10	9	10	8	6	5	8
Finance costs	-140	-142	-140	-140	-138	-207	-134	-134	-115
Net finance cost	-134	-134	-130	-131	-128	-199	-128	-129	-106
<b>Profit before income tax</b>	<b>838</b>	<b>888</b>	<b>853</b>	<b>773</b>	<b>665</b>	<b>1,221</b>	<b>921</b>	<b>816</b>	<b>649</b>
Income tax expense	-170	-183	-169	-157	-132	-148	-192	-180	-130
<b>Profit for the period</b>	<b>668</b>	<b>705</b>	<b>684</b>	<b>616</b>	<b>533</b>	<b>1,074</b>	<b>729</b>	<b>637</b>	<b>519</b>
<i>Attributable to:</i>									
Equity holders of the Parent	667	705	684	615	533	1,073	729	636	519
Non-controlling interests	0	0	0	0	0	0	0	0	0
<b>Profit for the period</b>	<b>668</b>	<b>705</b>	<b>684</b>	<b>616</b>	<b>533</b>	<b>1,074</b>	<b>729</b>	<b>637</b>	<b>519</b>

1) Includes businesses transferred to STG for the first nine months of 2010.

## Sales by product area

MSEK	Q1/12	Q4/11	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10
Snus and snuff	1,206	1,266	1,199	1,193	1,068	1,178	1,174	1,116	1,054
Other tobacco products	675	578	613	613	583	557	631	664	588
Lights	350	364	333	313	336	379	352	347	351
Other operations	687	856	866	826	659	687	806	722	615
<b>Sales from product areas</b>	<b>2,917</b>	<b>3,064</b>	<b>3,011</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>
Businesses transferred to STG <sup>1)</sup>	-	-	-	-	-	-	859	852	674
<b>Sales</b>	<b>2,917</b>	<b>3,064</b>	<b>3,011</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>

1) Sales for businesses transferred to STG for the first nine months of 2010.

## Operating profit by product area

MSEK	Q1/12	Q4/11	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10
Snus and snuff	568	581	590	540	469	567	592	487	434
Other tobacco products	297	255	278	272	245	208	259	270	204
Lights	57	80	59	44	58	87	58	68	66
Other operations	-19	-18	-18	-26	-43	-26	-35	-32	-48
<b>Operating profit from product areas</b>	<b>903</b>	<b>898</b>	<b>909</b>	<b>829</b>	<b>729</b>	<b>836</b>	<b>874</b>	<b>793</b>	<b>655</b>
Share of net profit/loss in STG <sup>1)</sup>	69	124	74	74	65	-60	-	-	-
Businesses transferred to STG <sup>2)</sup>	-	-	-	-	-	-	143	118	73
<b>Subtotal</b>	<b>972</b>	<b>1,022</b>	<b>983</b>	<b>904</b>	<b>793</b>	<b>777</b>	<b>1,017</b>	<b>911</b>	<b>728</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>-</b>	<b>-</b>	<b>-</b>	<b>644</b>	<b>32</b>	<b>34</b>	<b>27</b>
<b>Operating profit</b>	<b>972</b>	<b>1,022</b>	<b>983</b>	<b>904</b>	<b>793</b>	<b>1,421</b>	<b>1,049</b>	<b>945</b>	<b>755</b>

1) The share of net profit in STG during 2011 includes restructuring charges of 66 MSEK before tax in total. 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 the first nine months of 2010.

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

Percent	Q1/12	Q4/11	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10
Snus and snuff	47.1	45.9	49.2	45.3	44.0	48.1	50.4	43.6	41.2
Other tobacco products	44.0	44.1	45.3	44.4	41.9	37.4	41.0	40.7	34.7
Lights	16.3	21.9	17.7	13.9	17.3	23.0	16.3	19.6	18.7
<b>Operating margin from product areas<sup>2)</sup></b>	<b>31.0</b>	<b>29.3</b>	<b>30.2</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>Operating margin<sup>3)</sup></b>	<b>33.3</b>	<b>33.4</b>	<b>32.7</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>

1) Excluding larger one time items.

2) Excluding share of net profit/loss in STG.

3) Including share of net profit/loss in STG.

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The character of the information in this report is such that it shall be disclosed by Swedish Match AB (publ) in accordance with the Swedish Securities Markets Act. The information was disclosed to the media on May 4, 2012 at 08.15 a.m. (CET).

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