

Q1 2012 Investor Kit

JANUARY-MARCH 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

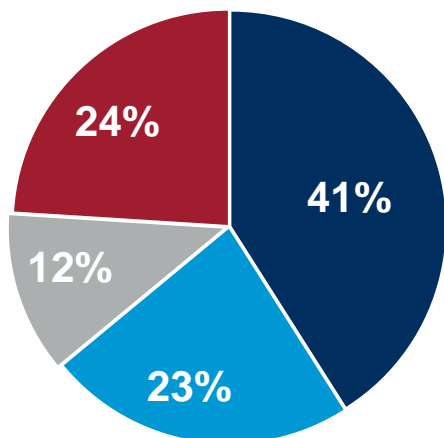


Sales and operating profit

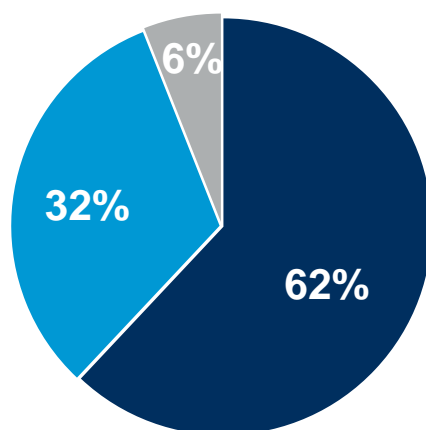
Sales and operating profit by product area

Q1 2012

Sales, SEK



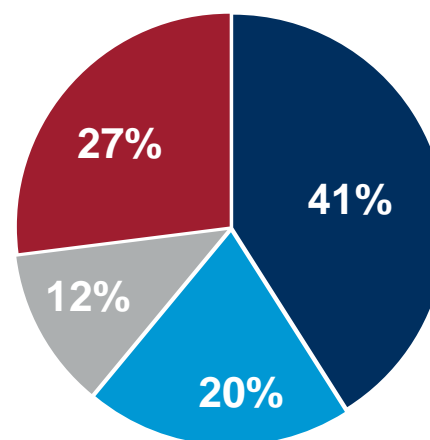
Operating profit*, SEK



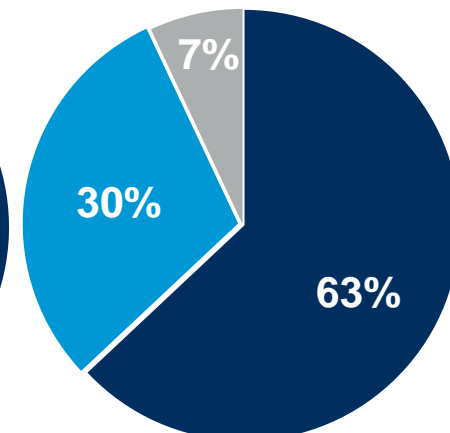
- Snus and snuff
- Other tobacco products
- Lights
- Other operations

Full year 2011

Sales, SEK



Operating profit*, SEK



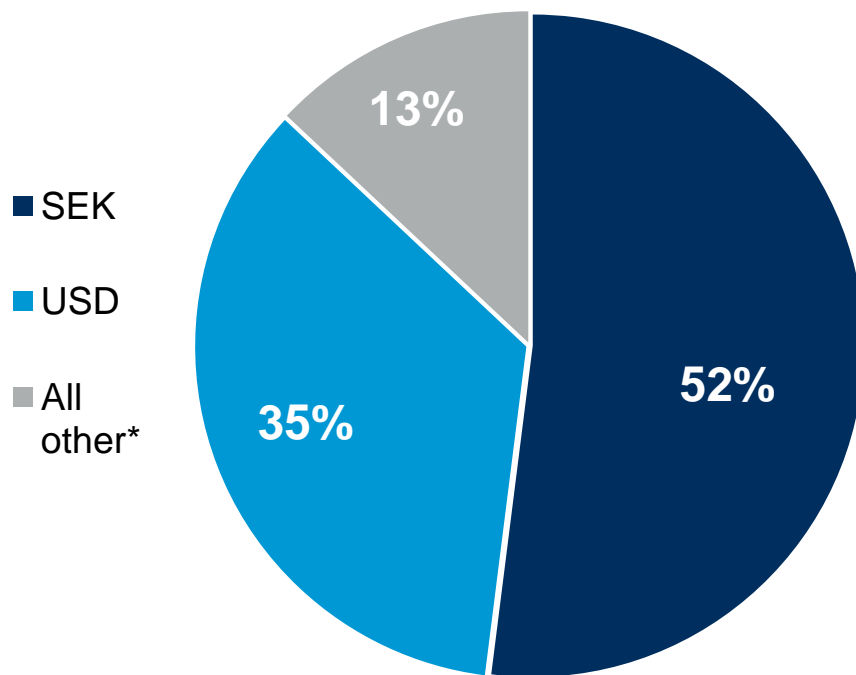
- Snus and snuff
- Other tobacco products
- Lights
- Other operations

* Excluding Other operations and share of net profit in STG.

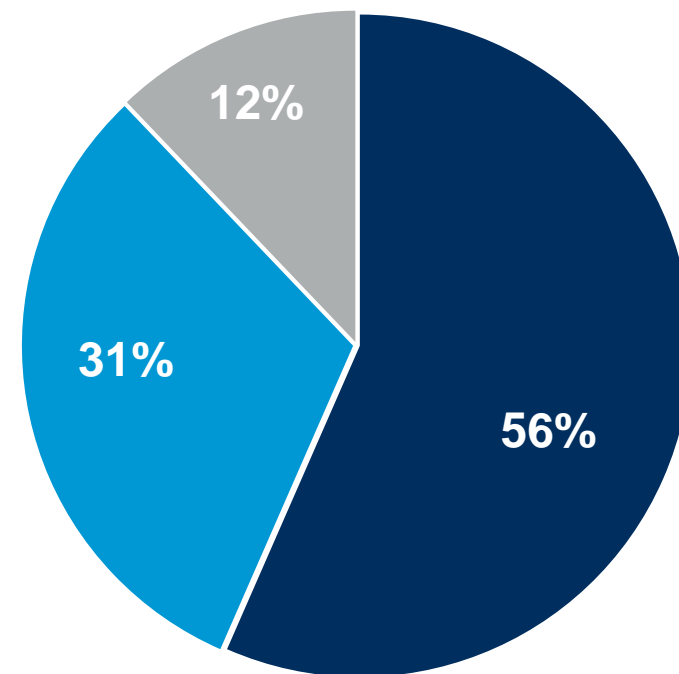
Sales by currency block

Percent of sales, MSEK

Q1 2012



Full year 2011



* Primarily NOK and BRL.

Group results – first quarter 2012

- **Sales amounted to 2,917 MSEK (2,646)**
 - In local currencies, sales increased by 9 percent
- **Operating profit from product areas amounted to 903 MSEK (729)**
 - In local currencies, operating profit from product areas increased by 22 percent
 - Operating profit, including share of net profit in STG, was 972 MSEK (793)
- **Profit before income tax amounted to 838 MSEK (665)**
- **Profit for the period amounted to 668 MSEK (533)**
- **EPS (basic) was 3.27 SEK (2.50)**



Conclusions, first quarter – sales

- **Sales up 9% in local currencies, up 10% in SEK**
- **Scandinavian snus sales up 15%**
 - Volumes for Scandinavia flat year on year
 - Underlying volumes up 1% when backing out Easter and hoarding effects
- **US snus and snuff sales flat in USD, on approx. 4% lower volumes**
 - Higher prices partially offset by negative mix
- **US mass market cigar sales up more than 20% in local currency**
 - US mass market cigar volumes up 36% led by growth in FoilFresh® smaller cigars (both sweets and natural)
- **US chewing tobacco sales down 3% in USD**
 - Shipment volume declined 11% on own brands, while contract manufacturing volumes were up following inventory adjustments in previous quarters
- **Lights sales up 4% in local currencies**



Conclusions, first quarter – operating profit

- **Operating profit from product areas* up 22% in local currencies and 24% in SEK**
- **Snus and snuff: operating profit up 21% in local currencies and in SEK**
 - Operating margin 47.1%, vs. 44.0% previous year
 - Improved operating margin for both Scandinavian snus and US moist snuff
 - Higher spending behind *General* snus in the US, SMPM International JV
- **Other tobacco products: operating profit up 17% in local currency, up 21% in SEK**
 - Cigar operating profit increased significantly in local currency on higher volumes
 - Operating profit for chewing tobacco was down on lower volumes
 - Operating margins up on portfolio mix
- **Lights: operating profit down 2% in local currencies, down 2% in SEK**
 - Lighters operating profit up in local currencies from strong volume performance
 - Matches operating profit declined in local currencies, from weaker country mix and somewhat lower volumes

* Excluding share of net profit in STG.

Other items

- **Tax rate for the Group was 20.3% in the first quarter**
 - Includes profit and loss impact from associated companies
 - Underlying tax rate was 22%
- **Solid cash position, cash flow in the first quarter affected by higher excise tax payments**
 - Cash and cash equivalents were 2,226 MSEK on March 31, 2012 vs. 2,533 MSEK as of December 31, 2011
 - Cash flow from operating activities for the first quarter amounted to 307 MSEK (523)
 - Higher tobacco tax payments relating to hoarding at the end of prior year
- **Share repurchases in the first quarter amounted to 1.4 million (367 MSEK)**
 - 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

Annual General Meeting 2012

- Shareholders approved a dividend increase to 6.50 SEK per share
- Shareholders approved that 7 million shares be cancelled. Total amount of registered shares before cancellation is 213.0 million
- Shareholders approved authorization to buy shares to be held in treasury, up to a level not exceeding 10 percent of outstanding shares



Nielsen snus consumption data, Sweden*

- **Total Swedish market volume up 6.4% rolling 12 weeks to March 25, 2012 vs. year ago. Swedish Match volume down 0.5% in same 12 week period**
- **Swedish Match total value market share 4 weeks to March 25, 2012 in Sweden was 83.4%**
 - 86.9% 4 weeks ending March 27, 2011
- **Swedish Match total volume market share 4 weeks to March 25, 2012 in Sweden was 79.3%**
 - 84.9% 4 weeks ending March 27, 2011
- **Value segment is 33.7% of Swedish market (4 weeks to March 25, 2012)**
 - 25.8% 4 weeks ending March 27, 2011
- **Swedish Match share of value segment in Sweden was 46.6%**
 - 50.7% 4 weeks ending March 27, 2011
- **Swedish Match share of premium segment in Sweden was 96.0%**
 - 96.8% 4 weeks ending March 27, 2011

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

Nielsen moist snuff/cigar consumption data, US*

■ Moist snuff

- **US snuff market up 6.7% for the YTD to April 14, 2012**
 - Swedish Match reported volume down 8.2% YTD to April 14
 - Swedish Match 4 wks consumption down 6.2% to April 14 vs. y/a
- **Swedish Match market share in the US**
 - YTD to April 14 was 9.9% vs. 11.5% YTD 2011
 - 4 weeks to April 14, 2012 Swedish Match share was 9.7%



■ Cigars (excluding littles)

- **US mass market for cigars up 0.6% for the YTD to April 14**
 - Swedish Match consumption volume up 20.3% YTD to April 14
 - Market consumption volume up 1.4% 4 weeks to April 14
 - Swedish Match consumption volume up 17.1% 4 weeks to April 14
- **Swedish Match market shares in the US**
 - YTD to April 14 was 16.1% vs. 13.5% YTD 2011
 - 4 weeks to April 14 Swedish Match share was 16.2%



* 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*

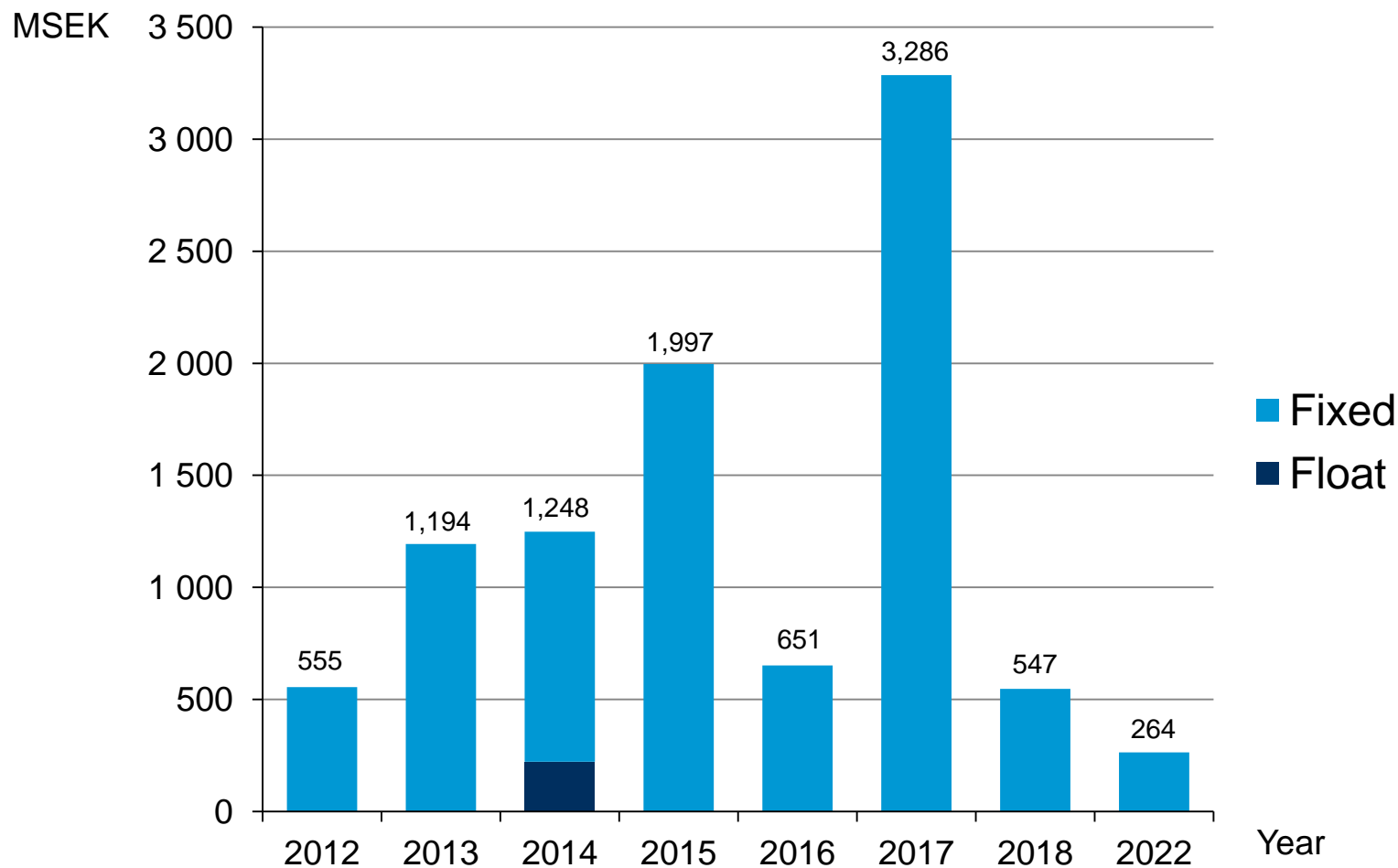
■ Financing and cash flow

- Cash flow from operating activities for the first quarter amounted to 307 MSEK (523)
- Higher tobacco tax payments relating to hoarding at the end of prior year
- Net finance cost for the first quarter was 134 MSEK (128)
- Net debt/EBITA* was 2.4 for the 12 months ending March 31, 2012

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

Maturity profile of interest bearing liabilities*

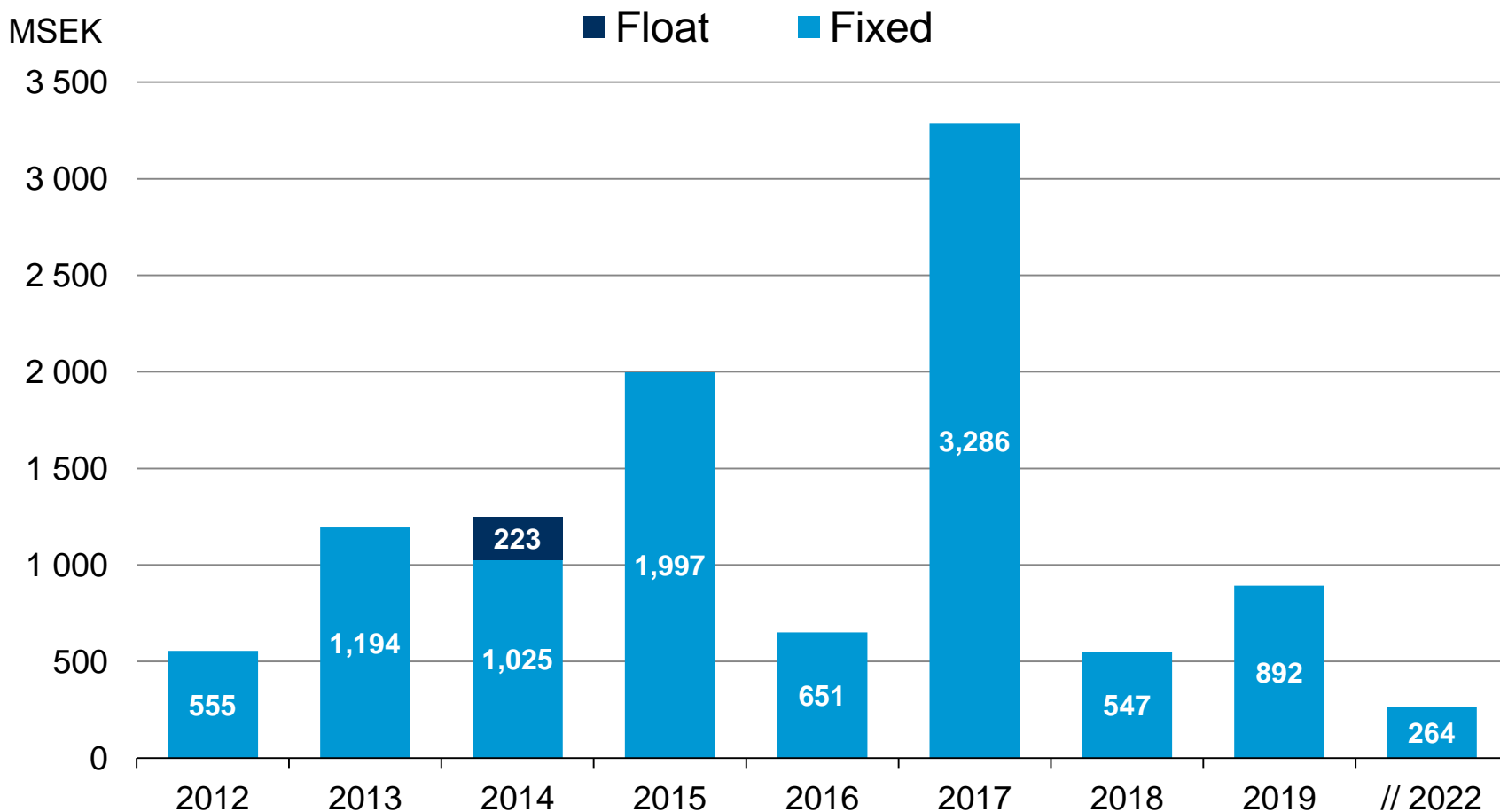
As of March 31, 2012



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

Maturity profile of interest bearing liabilities*

As of May 3, 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 US**



Sales, profits and volumes up. US invests in snus

- **Scandinavia snus sales up 15% in Q1**
 - Scandinavian volumes flat in Q1
 - Underlying volume estimated to be up 1% when backing out hoarding/Easter effects
 - Hoarding volume of 2 million cans in Sweden in December 2011
 - Tax increase of 13.7% in Sweden on January 1
 - Weight adjustments and price increases in Sweden January 1

- **US snus and moist snuff sales flat in USD in Q1**
 - US moist snuff volumes down 4% versus prior year in Q1
 - Moist snuff operating profit up versus prior year

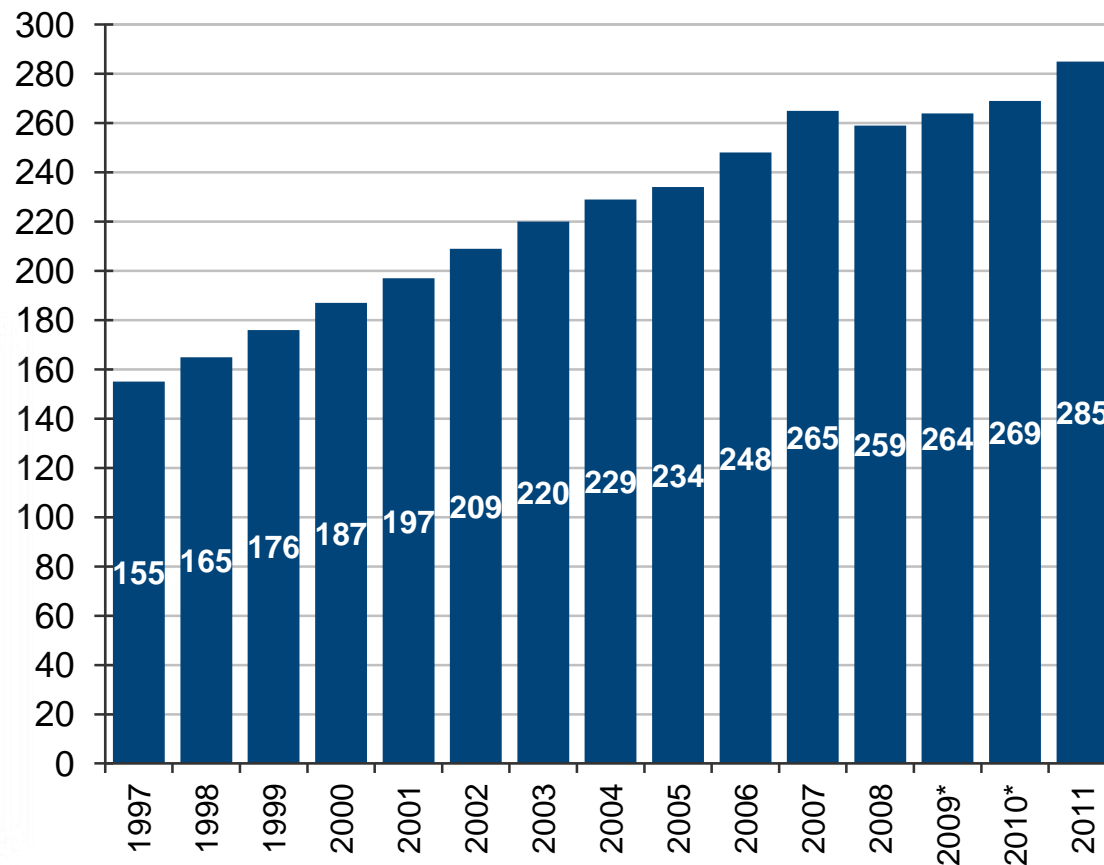
- **Continued investment behind snus internationally**
 - Expansion of *General* snus in US
 - St. Petersburg test of *Parliament* snus
 - Canada test of *General* snus



MSEK	Q1-2012	Q1-2011	chg	April 2011-March 2012	Full year 2011	chg
Sales	1,206	1,068	13	4,864	4,726	3
Operating profit	568	469	21	2,280	2,181	5
Operating margin, %	47.1	44.0		46.9	46.1	

Estimated Scandinavian snus consumption

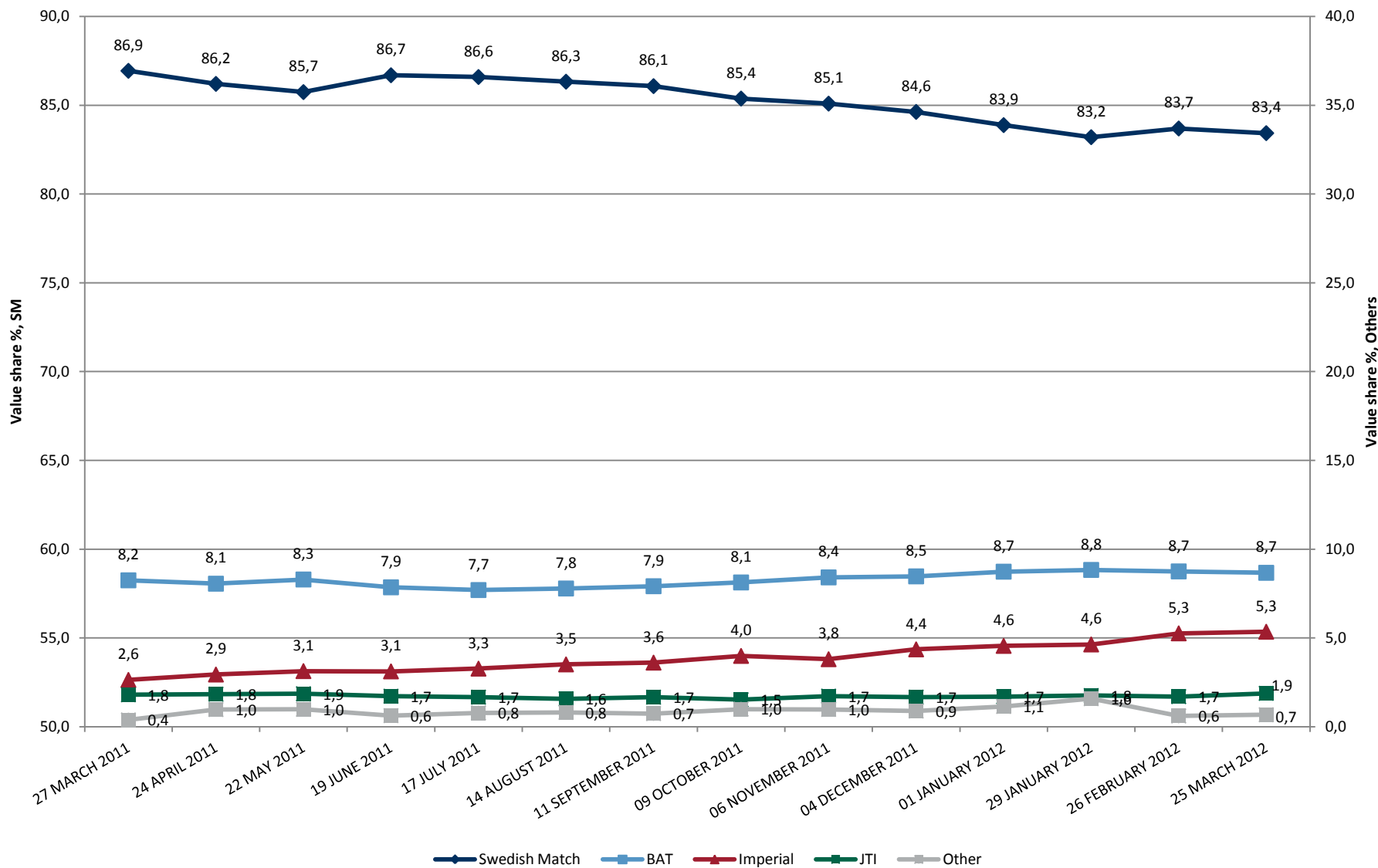
Cans/millions



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).

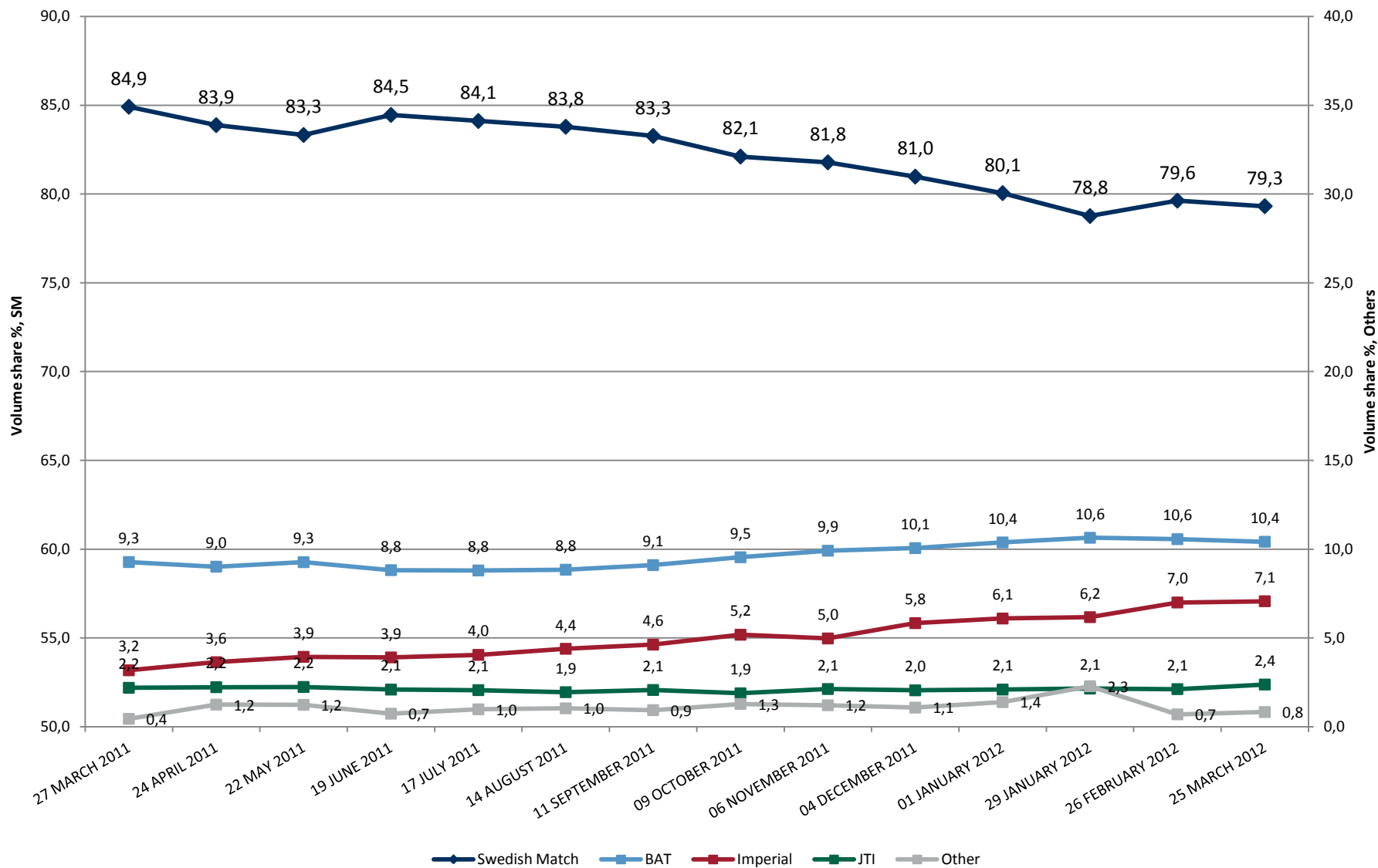
* 2009 and 2010 figures rebased.

Value shares, snus, Sweden



Source: Nielsen.

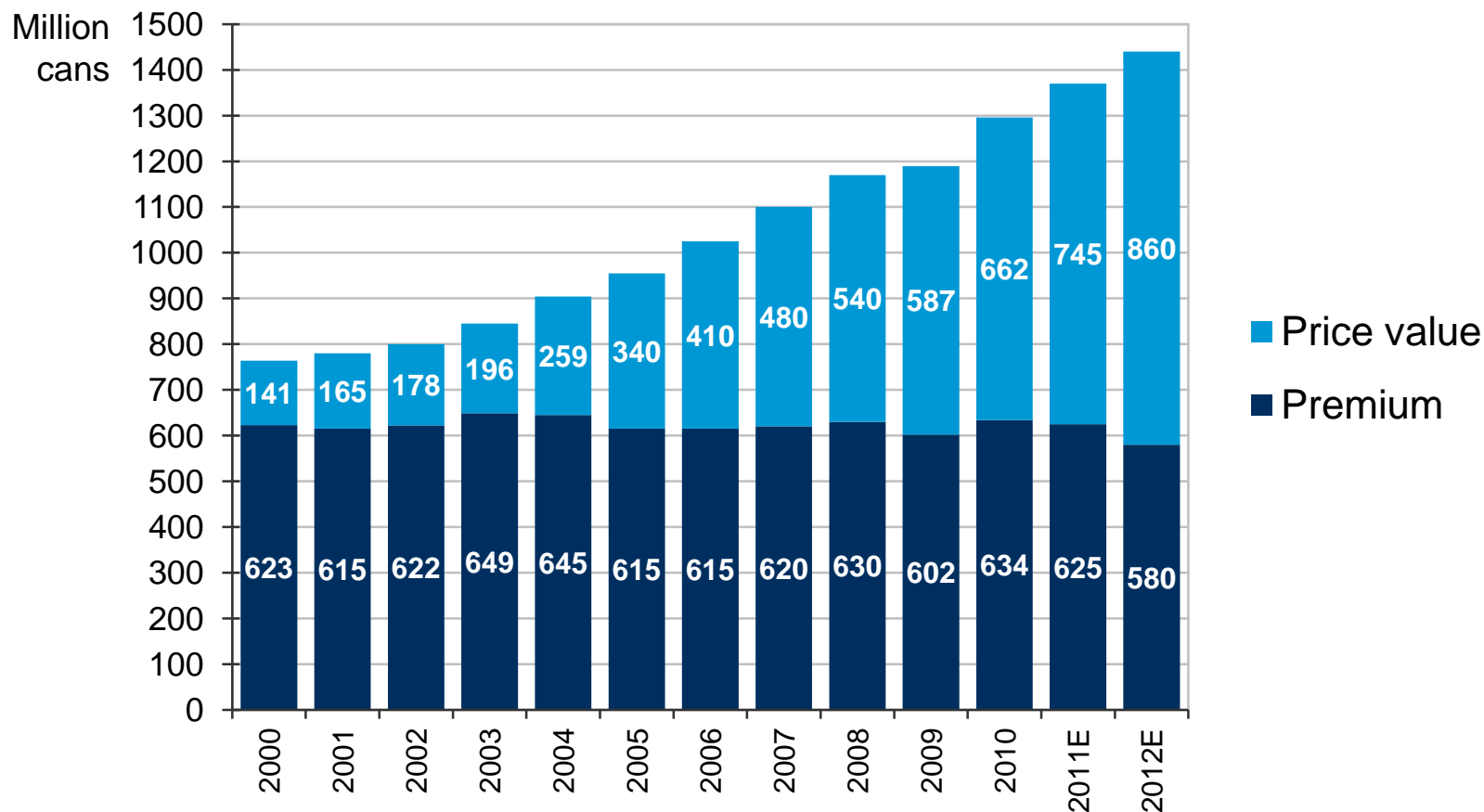
Volume shares, snus, Sweden



Source: Nielsen.

Volume growth of moist snuff in the US

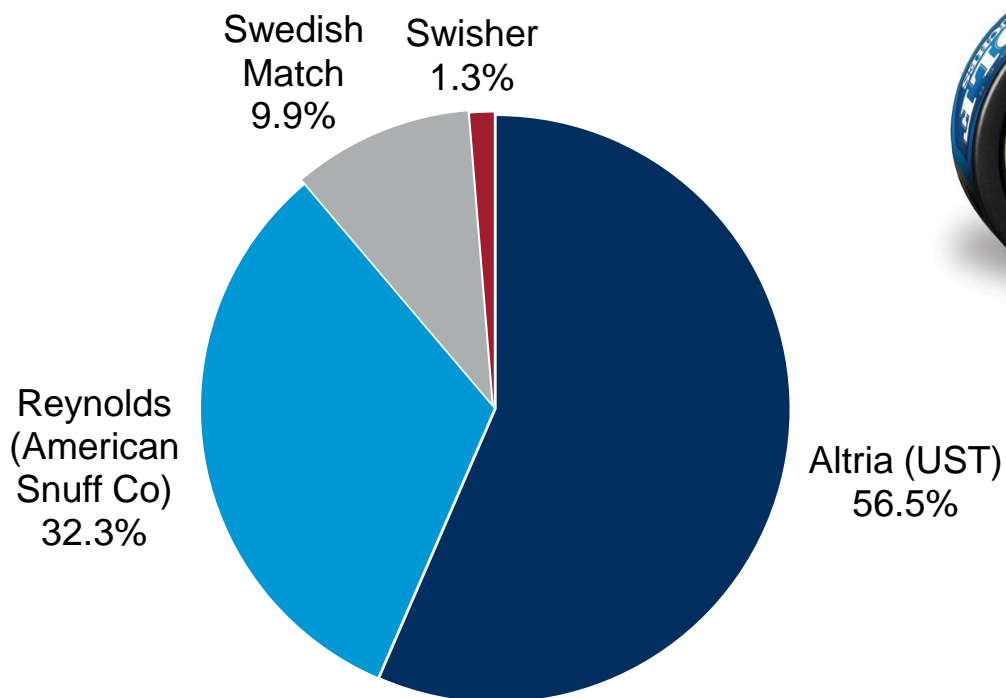
US snuff market by segment



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.

US moist snuff market shares

Volume share US, YTD April 14



4 weeks to April 14, 2012	volume share
Altria	56.4
Reynolds	32.6
Swedish Match	9.7
Swisher	1.3

Source: Nielsen. Totals may not add to 100% due to rounding.

Snus expansion

Snus in the US

- **General snus in more than 4,500 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
 - Currently being placed into broader distribution in 7 markets
 - New York, Los Angeles, Minneapolis, Phoenix, Denver, Nashville and throughout the state of Ohio



SMPM International (the 50/50 joint venture)

- **New test launch under the *Parliament* brand in St. Petersburg, Russia, started in December 2011**
- **Test launch of *General* in Canada started in December 2010**
 - Feedback positive, doubled store count in test launch, adding Alberta stores (previously only Toronto area)

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 7.6% YTD to April 14, 2012 (Nielsen)



Other tobacco products

First quarter sales up 11% in local currency vs. previous year

- Sales and operating profit growth in local currency driven by increased volume of US mass market cigars (volumes up 36% in Q1)
- In local currency, Q1 sales up 11% and operating profit up 17%
- Volume growth on cigars from increased consumption, added distribution of new products, as well as promotional activity
 - Continued growth of *White Owl Sweets*
 - Solid launch of *White Owl Silver*
 - Strong growth of *Garcia y Vega Game* small cigars (consumption YTD April 14 up 76% according to Nielsen)
- Chewing tobacco sales and operating profit down in local currency vs. year ago in Q1, on 5% lower volumes
- Chewing tobacco volume of own brands down 11% YTD



MSEK	Q1-2012	Q1-2011	chg	April 2011-March 2012	Full year 2011	chg
Sales	675	583	16	2,479	2,388	4
Operating profit	297	245	21	1,102	1,049	5
Operating margin, %	44.0	41.9		44.4	44.0	

Other tobacco products

US mass market cigars

- **US mass market sales show strong growth**
 - Q1 sales increased more than 20% in local currency compared to previous year. Operating profit also significantly higher – more than sales growth
 - Excluding little cigars, market share is 16.1% YTD, vs. 13.5% year ago (Nielsen, April 14, 2012)
 - Share 16.2% 4 weeks to April 14, 2012 (Nielsen)
- **Continued success for FoilFresh® cigars with particularly strong growth for *White Owl* (Sweets, Green Sweets, and *White Owl Silver*)**
- **Mix shift since 2009 from larger cigars to smaller, less expensive cigars**

Chewing tobacco

- **Continued market decline**
 - 2012 category down 7.6% YTD to April 14, 2012 (Nielsen)
 - Swedish Match brands down 10.2% to April 14, 2012 (Nielsen)
- **Price increase of 5% in November/December 2011**



Q1 sales up 4%, operating profit down 2% 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: Europe/EU, Brazil and Russia
- Production in Brazil, the Netherlands, the Philippines and Sweden

- Operating profit up for lighters on stronger volumes and sales
- Operating profit down for matches, impacted by country mix and somewhat lower volumes
- Cricket lighters show good momentum in Asia
- Bulgarian production unit sold in Q2 2011, continue to source products from new owner
- Lights distribution by STG in several markets



MSEK	Q1-2012	Q1-2011	chg	April 2011-March 2012	Full year 2011	chg
Sales	350	336	4	1,359	1,346	1
Operating profit	57	58	-2	239	240	-1
Operating margin, %	16.3	17.3		17.6	17.9	

Scandinavian Tobacco Group (STG)

- **Swedish Match share of STG net profit after interest and tax in Q1 amounted to 69 MSEK (65)**
 - Higher STG EBITDA, substantially offset by increased STG net financial costs
- **Reported EBITDA amounted to 258 MDKK (235)**
 - On a comparable basis, EBITDA increased by 3 percent for total STG
 - Excluding Lane effects and EBITDA on divested cigar brands in Australia (in 2011)
 - Premium cigar profits up on higher shipment volumes and realized synergies
 - Mass market cigar sales and operating profit up
 - Despite general market decline and negative impact from strike in Houthalen factory
 - Pipe tobacco/fine cut sales and operating profit declined somewhat
 - Volume declines in export markets, partly offset by strong performance in Europe
 - Lane performance according to expectations for the domestic US market, while below plan for cigar contract manufacturing and export volumes for pipe tobacco
- **204 MSEK dividend from STG received April 27**



P & L summary

MSEK	Q1- 2012	Q1-2011	chg	April 2011- March 2012	Full year 2011	chg
Sales	2,917	2,646	10	11,937	11,666	2
Cost of goods sold	-1,376	-1,298		-5,852	-5,774	
Gross profit	1,541	1,348	14	6,085	5,892	3
Selling and administrative expenses	-635	-617		-2,534	-2,516	
Share of profit/loss in associated companies and joint ventures	66	62		331	327	
Operating profit	972	793	23	3,881	3,702	5
Finance income	6	10		32	37	
Finance costs	-140	-138		-562	-560	
Net finance cost	-134	-128		-529	-523	
Profit before income tax	838	665	26	3,353	3,180	5
Income tax expense	-170	-132		-680	-642	
Profit for the period	668	533	25	2,673	2,538	5
EPS, basic, SEK	3.27	2.50		12.92	12.14	
EPS, diluted, SEK	3.24	2.49		13.01	12.07	

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*	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
Total assets	13,876	14,507
Equity attributable to equity holders of the Parent	-1,266	-1,602
Non-controlling interests	2	2
Total equity	-1,264	-1,599
Non-current provisions	1,068	1,070
Non-current loans	8,956	8,535
Other non-current financial liabilities*	1,616	1,787
Current provisions	72	84
Current loans	531	1,283
Other current liabilities*	2,897	3,347
Total equity and liabilities	13,876	14,507

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

Cash flow in summary

MSEK	Jan-Mar 2012	Jan-Mar 2011
Cash flow from operating activities before changes in working capital	724	602
Cash flow from changes in working capital	-417	-78
Net cash from operating activities	307	523
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*	-	-4
Changes in financial receivables etc.	2	1
Net cash used in investing activities	-45	-62
Changes in loans	-296	-244
Repurchase of own shares	-367	-1,180
Stock options exercised	137	67
Other	3	-2
Net cash used in financing activities	-523	-1,360
Net decrease in cash and cash equivalents	-262	-899
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
Cash and cash equivalents at the end of the period	2,226	2,295

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

Key data

MSEK	Jan-Mar 2012	Jan-Mar 2011
Operating margin, %	33.3	30.0
Operating capital, MSEK	7,474	6,966
Return on operating capital, % (12 months rolling from Apr 2011)	53.8	
EBITDA, MSEK*	1,049	862
EBITA, MSEK*	986	807
Net debt, MSEK	8,733	8,223
Net debt/EBITA* (12 months rolling from Apr 2011)	2.2	
Investments in property, plant and equipment, MSEK*	39	52
EBITA interest cover	7.5	6.7
<i>Excluding share of net profit in STG</i>		
EBITA, MSEK*	918	742
Net debt/EBITA* (12 months rolling from Apr 2011)	2.4	
Share data		
Earnings per share, basic, SEK	3.27	2.50
Earnings per share, diluted, SEK	3.24	2.49
Average number of shares outstanding, basic (Mio)	204.1	212.8
Shares outstanding, end of period (Mio)	203.7	209.4

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

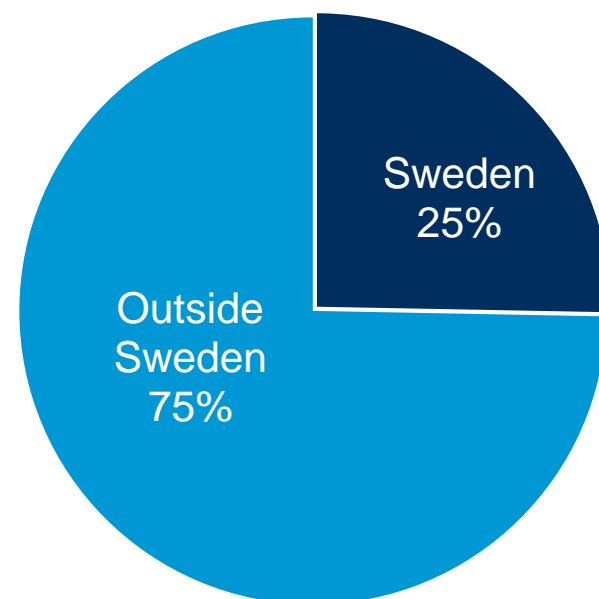
Largest shareholders*

As per March 31, 2012

Largest shareholders

Morgan Stanley Investment Management	6.5%
Swedbank Robur Funds	2.7%
AMF Insurance & Funds	2.3%
Standard Life Investment Funds	2.3%
SEB Funds	1.6%
Fourth Swedish National Pension Fund	1.5%
Fidelity Funds	1.4%
Third Swedish National Pension Fund	1.1%
Second Swedish National Pension Fund	1.1%
SHB Funds	1.0%
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	21.5%

51,801 shareholders



Source: Euroclear, official registry and SIS Ägaranalys.

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

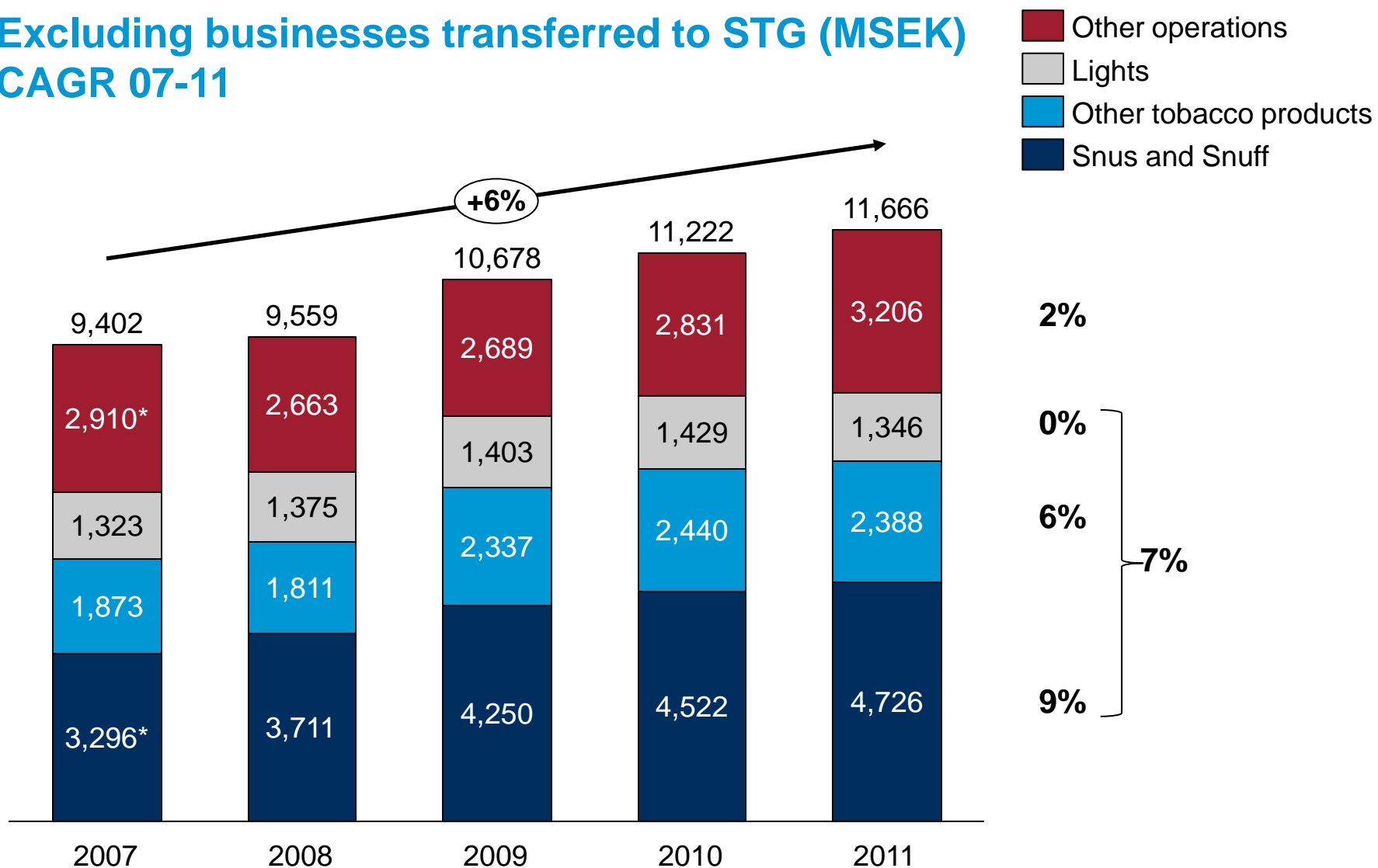
Group strategy

- **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

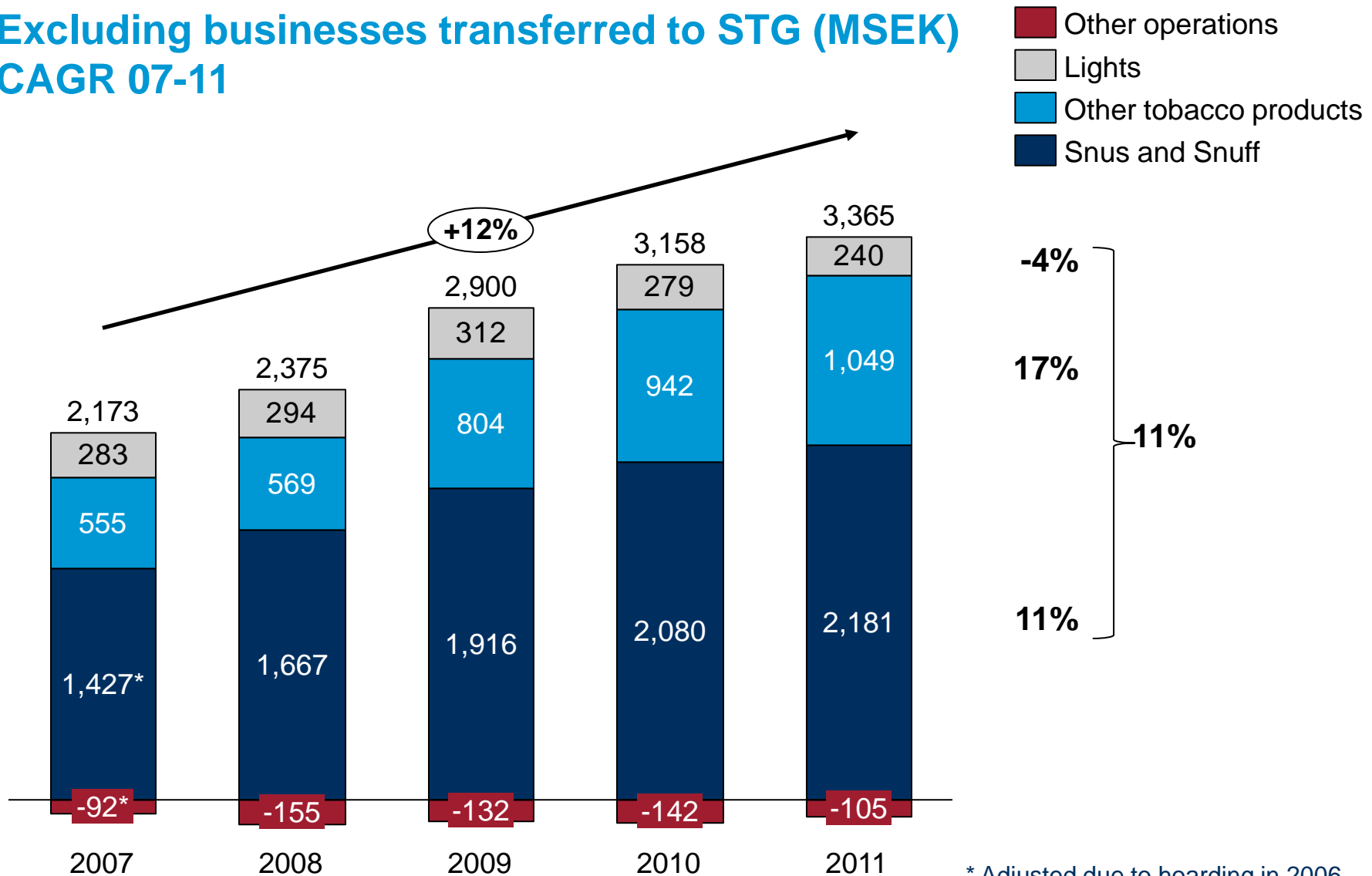
Excluding businesses transferred to STG (MSEK) CAGR 07-11



* Adjusted due to hoarding in 2006.

Comparable operating profit

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



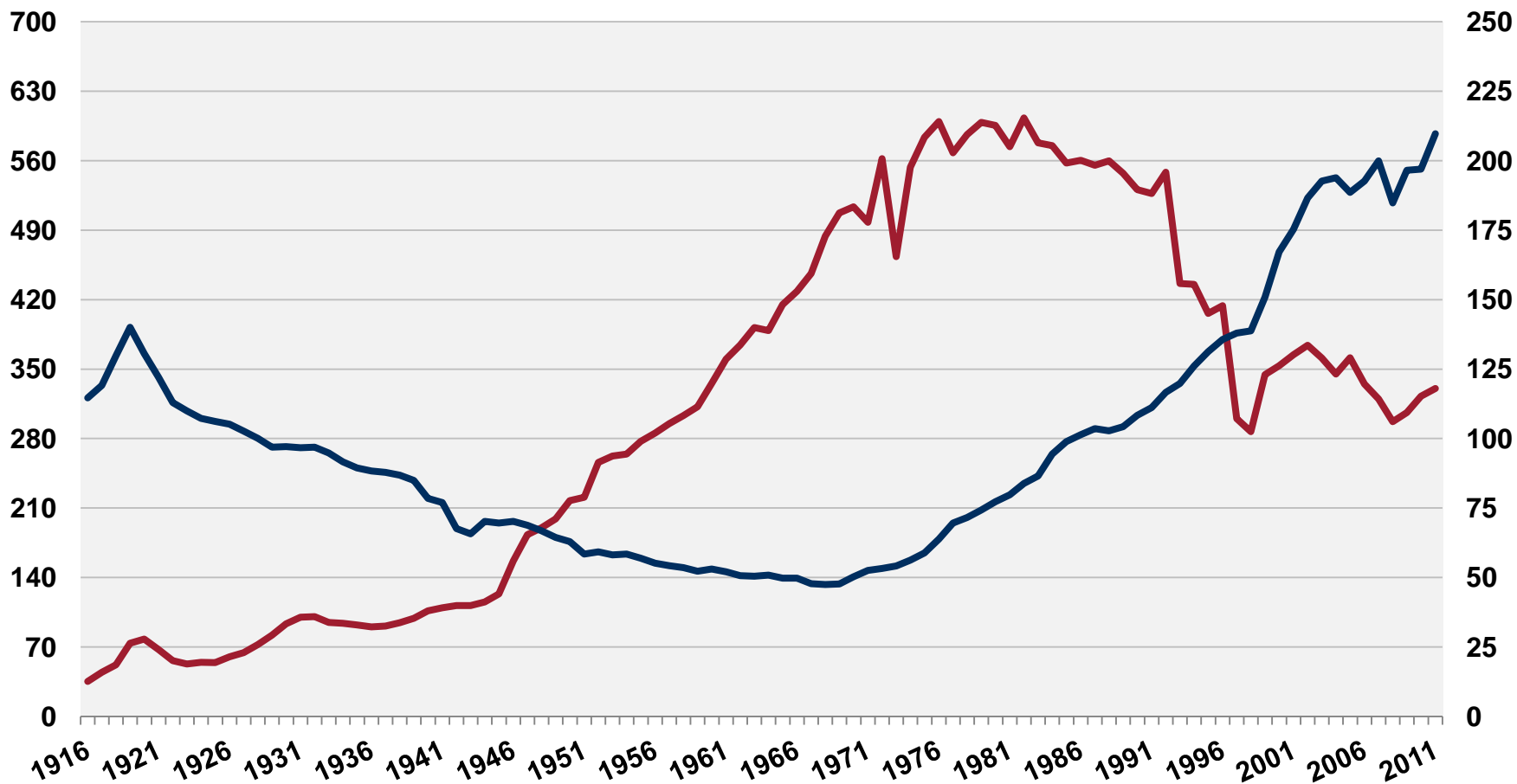
* Adjusted due to hoarding in 2006.

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.