

FINAL TRANSCRIPT

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SWMA.ST - Q1 2011 Swedish Match Earnings Conference Call

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PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to the Swedish Match conference call. At this time all participants are in listen-only mode until we conduct the question-and-answer session, and instructions will be given at that time.

(Operator Instructions). Just to remind you, this conference call is being recorded. I would now like to hand over to the chairperson, Emmett Harrison. Please begin your meeting and I'll be standing by.

Emmett Harrison - *Swedish Match - SVP of Corporate Communications & Sustainability*

Good afternoon. This is Emmett Harrison, Senior Vice President of Corporate Communications and Sustainability. Welcome to the first quarter 2011 results telephone conference for Swedish Match. Lars Dahlgren, President and Chief Executive Officer is joined today by Joakim Tilly, Chief Financial Officer, and myself.

The conference call should last about an hour and will include an overview by Lars Dahlgren and a review of the financials from Joakim Tilly. A question-and-answer period will follow.



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A shortened version of our investor kit accompanies this presentation via webcast and a complete investor kit is available in the investor relations section of our website swedishmatch.com.

During today's conference call we will discuss certain items, which may constitute forward-looking statements. Because such statements deal with future events, they are subject to various risks and uncertainties.

Although management believes that its expectations are based on reasonable assumptions, it can give no assurance that its expectations will be achieved. Risk factors are outlined in the latest annual report, which is available on our website. Swedish Match assumes no obligation to update information concerning its expectations. This conference call is being recorded, and the recording will be published on the Swedish Match website.

I would now like to turn the conference call over to Lars Dahlgren.

Lars Dahlgren - *Swedish Match - President & CEO*

Thank you, Emmett. Before going into the first quarter results, I'd like to mention that the Annual General Meeting held May 2nd shareholders approved an increased dividend to SEK550 per share, an increase of 16% versus prior year. Shareholders also approved a cancellation of 18 million shares and they renewed share buyback mandate. Shareholders also approved the election of the two new members to the Board of Directors, Joakim Westh and Robert Sharpe. More information about the annual general meeting can be found on our website.

Now, for commentary on the first quarter results. Our comparable operating profit for the first quarter increased to SEK729 million, up from SEK655 million previous year, an increase of 11%. In local currencies, the increase was 17%. The increase in operating profit was driven by a very strong performance for other tobacco products as well as solid profit growth for snus and snuff.

Comparable sales for the first quarter increased by 1% to SEK2.646 billion, up from SEK2.608 billion previous year. In local currencies, the increase was 6%. The strongest increase came from Other Tobacco Products where sales increased by 10% in local currency, followed by snus and snuff where sales increased by 5% in local currency.

The operating profit for the quarter, which includes the share of income from STG reached SEK793 million up from SEK755 million previous year. In last year's number, the business transfer to STG is included before tax and the reverse of depreciation and amortization on assets held for sale amounted to SEK27 million. The earnings per share for the quarter amounted to SEK2.50, an increase from SEK2.26 in the first quarter last year.

Now let me go into some details by product area. Beginning with the snus and snuff product line, Scandinavian snus sales were up by 6% in the first quarter versus last year, while operating profit was up somewhat more in percentage terms resulting in a higher operating margin.

Shipment volumes were up marginally, the comparison being negatively impacted by extra volume shipped during the first quarter of 2010 to accommodate Easter. Backing out this Easter effect and trade loading effect, shipment volumes in Scandinavia increased by more than 2%.

In Sweden, according to Nielsen, our market share for snus in value terms was 87.7% in the February-March period, compared to 88.0% for the preceding two-month period. Our market share in volume terms was 85.6% compared with 85.8% in the December-January period.

In April, we launched a new brand of value price snus in the Swedish market named Kaliber. Kaliber offers consumers Swedish Match quality at a good price, and the brand would be available in limited distribution.



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This week our mini-pouches received a significant packaging improvement with the Swedish introduction of a new smaller and more discreet can with pouches arranged in a star formation. The can have as many pouches as before and the star formation allows us to reduce the amount of plastic used for this product by 21%.

In the US, snuff revenues in the first quarter were up by 3% in local currency on slightly higher volumes. Nielsen reported the overall US snuff markets have been up by 7.8% for the year-to-date period ending April 16, with Swedish Match consumption volume down by 0.9%.

Nielsen reports that the growth of our low-priced brand Longhorn was higher than the overall category, while we saw some declines in the rest of our portfolio due to intense price competition. In the most recent isolated four-week period ending April 16, Swedish Match market share was 11.3% according to Nielsen. Market growth is continuing as the four-week period market growth according to Nielsen is 5.1% in April.

In Q1, profitability for our US snuff business increased more than sales in local currency, despite higher investments done into support the introduction of Swedish snus in the US market. The profit increase was driven by higher average price due to a 7% price increase taken in May 2010 and promotional phasing, as well as discontinuation of NASCAR sponsorship activities for the traditional moist snuff business which were included in THE first-half of 2010. This was partly upset by a negative mix of the lowest priced brand, Longhorn, increased as a percentage of our portfolio.

Swedish Match will continue to invest behind its snus program in the US, the General snus, and we are very pleased with the brand's performance. General snus is now available in approximately 1,300 stores in major cities across the country, and the store expansion is continuing as we see good rotation and sell-through in our expansion stores. General typically sells at a premium price compared to other snus offerings in the US.

With regard to SMPM International, the joint venture company for smokefree products, we have had a small-scale launch already in the Swedish nation and Taiwan. Late in 2010, we also began testing General snus in Canada, in and around the Toronto area. The product is available in a limited number of outlets and is marketed under the General brand, low-key adapted and researched. We're currently expanding the test in Canada to include more outlets nursing positive times in these markets.

In our other tobacco products businesses, sales for mass market cigars in local currencies were up by 22% versus the first quarter of 2010. The US mass market cigar volumes increased by 46% from the first quarter of 2010. The reason for the relatively stronger growth in volume than in sales is that we've been particularly successful with our cigarillo, or small cigar assortments.

During the quarter, we gained market share and have continued good success with our FoilFresh cigars. Our recently introduced sweet cigars in FoilFresh packaging continues to do very well and in the first quarter of 2011 we introduced a new variant of sweet cigar with a candela wrapper, White Owl green sweet. The initial response from the trade has been very encouraging.

We anticipate that the second quarter will be a more difficult comparison period, since it will be anniversaring the initial launch of White Owl Sweet Cigarillos and significant pipeline volume in the prior year quarter. In addition, we are facing some capacity constraints, but with the recent investments we have decided additional capacity should be fully up and running in the second-half of the year.

For chewing tobacco, our market share for the year-to-date period ending April 16 was 46.2% according to Nielsen estimates. This means that Swedish Match has taken some market share in a category that Nielsen estimates to have declined by 8.5%.

In value terms, our market share is about 50%. In local currency, US sales declined only slightly while operating profit increased versus last year's first quarter. Shipment volumes declined by more than 5% year-on-year.



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For our Lights businesses in the first quarter, in local currency terms, sales increased by 1% while operating profit declined by 7%. In the quarter, sales and operating profit of lighters increased while sales and operating profit for matches were below prior year.

The reduction in profit for matches results from both currency transaction and translation effects as a result of the strength of Swedish krona versus the US dollar and other currencies. For matches produced in Sweden, much of the cost of materials and production of matches are denominated in Swedish kronor while sales are a blending of mainly kronor, dollars, and euros.

As regards Scandinavian Tobacco Group, the integration process is progressing well and the integration costs in the first quarter were relatively modest as a large part of the integration cost had already been taken in the fourth quarter.

The Swedish Match 49% share of STG's net profit after interest and tax amounted to SEK65 million for the first quarter. The share of net profit from STG includes charges for restructuring amounting to SEK5 million before tax. During the first quarter, STG's premium cigar business grew in sales versus prior year.

For the Cigars International business, which sells primarily through the Internet and through mail-order catalogues, business continued to significantly outperform the business through traditional accounts. In addition, strong performance for Cigars International real life synergies contributed to improved operating profit.

For mass market cigars, STG's sales and operating profit improved driven by relatively stronger performance for the STG portfolio branded cigars while subcontracting volumes were down owing to timing differences.

For fine cut and pipe tobacco, sales and operating profit both improved from prior year, but excluding the positive impacts from the Lane acquisition, operating profit was down somewhat as a consequence of less favorable (inaudible) and especially a decline in subcontracted volumes.

The first quarter included one month of sales and operating profit from the Lane acquisition. Excluding restructuring charges, the total STG operating profit for the first quarter was DKK167 million, and excluding the contribution from Lane this corresponds to an increase of 18% compared to the estimated pro forma number for the first quarter of 2010.

I will now handover to Joakim for some more comments on the financials.

Joakim Tilly - Swedish Match - CFO

Thank you, Lars. To begin with, the development of exchange rates had a negative effect on our sales and operating profit comparisons due to a strengthening of the Swedish kroner versus the US dollar, the Norwegian krone, the Brazilian real and the euro, compared to last year's first quarter results. The average rate of the dollar versus the Swedish krona has declined by 9.9% year-to-date, from 7.90% in 2010 to 6.48% in Q1 2011. The Swedish krona is also strengthened against the Norwegian krone by 7.7%.

For the first quarter, the translation effect on operating profit was a negative SEK40 million. For the first quarter, the total translation impact on sales was a negative SEK120 million of which SEK63 million for other tobacco products, SEK38 million for snus and snuff, and SEK17 million for lights.

If current exchange rates prevail, we would expect continued negative effects on sales and operating profit comparisons for the second quarter of 2011, compared to the second quarter of 2010.

Net finance cost for the first quarter amounted to SEK128 million, compared to SEK106 million previous year, with the increase resulting in part from higher interest-bearing debt, but also from higher interest rates following the lengthening of the maturity



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profile with the bond issuance and redemptions in November 2010. This bond transaction improves our financial risk profile with more evenly spread bond maturities in the coming years. Please note that net finance costs in the second quarter of 2010 included bondholder consent fees related to the STG transaction amounting SEK21 million.

On March 31, 2011, Swedish Match had SEK9.6 billion of interest-bearing debt excluding retirement benefit obligations. The average maturity duration of the bond portfolio is 3.99 years and the average duration of the interest binding is 3.90 years.

During the first quarter, new bond loans of SEK133 million were issued maturing in 2016. Repayments of loans for the same period amounted to SEK377 million including repurchase of SEK141 million of bond loans with shorter maturities. During the remainder of 2011, a total of SEK307 million bonds holds due for repayment with SEK120 million pulling due in the second quarter.

The weighted average interest rate on bonds issued including derivative effects is currently 4.875% and about 7% of the portfolio is exposed to variations in interest rates.

As of March 31, 2011, Swedish Match had SEK2.3 billion of cash and cash equivalents. For the first quarter, the reported tax expense amounted to SEK132 million corresponding to a tax rate of 19.9%. The reported tax rate excluding one-time items as well as profit and loss impacts from associated companies is about 22%, which is the same as in 2010.

Some comments on the cash flow. Cash flow from operating activities for the first three months was SEK523 million compared with SEK344 million in prior year. The main reasons for the increase being lower taxes paid in the first quarter this year as well as improved cash flow from working capital.

Cash flow from changes in working capital was a negative SEK78 million versus a negative SEK118 million in last year's first quarter. It should also be noted that the cash flow from operating activities in the first three months of 2010 includes cash flow from businesses now contributed to STG.

Investments in property, plant and equipment amounted to SEK52 million compared with last year's level of SEK107 million where SEK14 million pertained to businesses now contributed to STG. Net investments amounted to SEK62 million in the first quarter versus SEK221 million in the prior year.

During the first quarter 5.9 million shares were repurchased for SEK1,180 million worth an average price of SEK199.60, while 0.5 million treasury shares were sold as a result of option holders exercising their options.

The net debt was SEK8.22 billion as per March 31st. The net debt in relation to EBITA excluding businesses transferred to STG, shared profit in STG and larger one-time items was SEK2.5 million for the 12 months period ending March 31, 2010.

As we stated in the full year conference call, a capital gain was recognized in the fourth quarter of 2010 from the reevaluation of assets held for sale upon completion of the STG transaction, gains which had no cash flow effect amounting to SEK585 million. The final purchase price and transaction adjustments are expected to be completed in the first half of 2011 and may result in an additional gain or loss.

I will now turn the conference call over to Lars.

Lars Dahlgren - Swedish Match - President & CEO

Thank you. And Operator, I think we can go ahead and open the floor to questions and answers.



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QUESTIONS AND ANSWERS

Operator

(Operator Instructions.) Peter Wallin.

Peter Wallin - - Analyst

Thank you and good afternoon, gentlemen. I'd like to start off with a question on business area Other Tobacco Products where you're reporting a very, very strong EBIT margin in the quarter. I was wondering if you could give some color in terms of whether it's -- US mass market cigars EBIT margin level and chewing tobacco's margin level in the quarter.

Lars Dahlgren - Swedish Match - President & CEO

Yes, this is Lars here. You have a good history on the chewing tobacco margins. Of course, it used to be a separate segment, and what we've said is that the profitability within Other Tobacco Products is not all that different. And what you really see is a very strong quarter. And because of the growth of the mass market cigar, of course, which add some scale then to this business, but we also had a strong quarter for chewing tobacco where we can see that our volumes were down less than the reported market trend.

Peter Wallin - - Analyst

Okay, thank you. And then a follow-up on, since you're stating also that you will start to face much more challenging comparables for mass market cigars starting in the second quarter, that obviously applies for your exceptionally strong volume performance over the last quarters. But do you also expect that your profitability in terms of margins for US market cigars will fall back slightly in the second quarter year-over-year?

Emmett Harrison - Swedish Match - SVP of Corporate Communications & Sustainability

You're going to have -- and this is Emmett Harrison. You're going to have fluctuations in margins from quarter to quarter. That happens. Last year's second quarter had a lot of pipeline volume for the White Owl sweet cigars. So we're going up against a comp that had a very rich proportion that -- with pipeline volume.

This year a bigger part of that, of the volume that we're shipping is fill volume, which includes promotional volume in it. So we're not going to give guidance on specific quarters for the operating margins. But it is a very difficult quarter compared to prior year in terms of volumes and turnover.

Peter Wallin - - Analyst

Okay, thank you. And then just one small final question from me in terms of this new product launch you've done in Scandinavia, the Kaliber Snus. Have you taken any kind of promotional cost for that in the first quarter? Will those come in the second quarter and are those of any substance or will they be -- get lost in the big picture?

Lars Dahlgren - Swedish Match - President & CEO

I mean, we don't really have the promotional cost in the sense. I mean, what we have is that for us, in channels that give you low price we've provided this product, and it's at a lower price. So it will come through net sales and it's going to be a second quarter issue. But it's not -- because that is a limited distribution.

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Peter Wallin - - Analyst

Okay, well, thank you. That's it from me for now.

Lars Dahlgren - Swedish Match - President & CEO

And I can add to that, that we've obviously done this because we think that we have a very good product here to take share from competitors in the low-price segment.

Operator

Anders Hansson.

Anders Hansson - Danske Markets - Analyst

Hi, Anders Hansson at Danske Markets. First of all, I'd like to come back to the Other Tobacco Products just to try to understand the EBIT margin. And unless chewing tobacco was tremendously strong since we know what they did, (inaudible) in the past 10 years, mass market cigars must have been at least around 45%. And I'm just trying to understand what lead to -- it's been a sharp improvement in the past five, six quarters, and is that all volume leverage or mix shift, or what is the key explanation?

Lars Dahlgren - Swedish Match - President & CEO

I mean, the key explanation is really, it's correct that if you look over a longer time period, that the US mass market operating margins have improved significantly. And the main explanation is really the success in that. The business is much bigger. And also if you recall in 2011 -- sorry, 2009, we did fairly expensive restructuring program and where we improved the productivity as well. So we've had a good development on the cost of goods per cigar as well following that restructuring.

Anders Hansson - Danske Markets - Analyst

Okay. And when we try to guess on the breakdown, we shouldn't include those in some massive change in profitability for chewing tobacco which seems to have been rather stable for many, many years.

Lars Dahlgren - Swedish Match - President & CEO

You said it. Chewing tobacco had a very good quarter as well. And it's a solid start of the year and we are encouraged by the fact that our portfolio with the strength of our brands and the leading position within the segments seems to be clearly more resistant to the market decline.

Emmett Harrison - Swedish Match - SVP of Corporate Communications & Sustainability

And to repeat what Lars said just a moment ago, the margins differences between the two segments within the other tobacco products are not all that different in the first quarter.

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Anders Hansson - Danske Markets - Analyst

Okay. One other question on redundancy cost in other, can you give any indication if it's SEK10 million or so or on the magnitude of those costs?

Joakim Tilly - Swedish Match - CFO

This is Joakim Tilly here. It's around SEK15 million.

Anders Hansson - Danske Markets - Analyst

Okay, thank you. And one final bit of an integrity question. When I look at the tax rate for STG, they seem to be at the same or lower tax rate as Swedish Match as a whole. Is that a fair guess?

Joakim Tilly - Swedish Match - CFO

No, that's not correct. We have said before that we expect them to have a slightly higher tax rate than Swedish Match as a whole, and that's what they have also. So --

Anders Hansson - Danske Markets - Analyst

Okay. So it's -- then it's net financials?

Joakim Tilly - Swedish Match - CFO

(Multiple speakers) -- for annual calculations.

Anders Hansson - Danske Markets - Analyst

No, no, then it's net financials probably. Okay, thanks. That's all I have.

Operator

David Hayes.

David Hayes - Analyst

Good day, gentlemen, hi. Just following up on the Kaliber discussion. Could you just give us a little bit more detail in terms of the exact price point positioning relative to the other brands of that brand and whether that's in reaction to more competition at the lower end of the markets developed in the last few months? You're making the point about going up against those lower price point competitors.

And just following up on the cigar side, obviously a lot of big great numbers gained through volume, but it come against this tougher competent second quarter. Will the second quarter still be positive volumes despite going up against the shipment in the last year and the capacity constraint?



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And just on the restructuring that you mentioned in terms of the margin, are you still seeing benefits from the cost base in cigars from that restructuring through this year or is that kind of done now in terms of the cost base benefits? Thank you.

Lars Dahlgren - *Swedish Match - President & CEO*

Yes, this is Lars again. And when we talk about the Kaliber one, we expect -- first of all, in Sweden, as you know, it's the trade who sets the end price to the consumer and -- but we do expect that the Kaliber brands to be basically line priced with some of these very low prices that are offered to consumers in selected channels for some of our competitors' products. And yes, it's definitely a reaction to increased competition that we have seen in the very low end of the low-price segment.

While the total of five segments, according to Nielsen, has not grown in size, if you look at the latest two months period compared to the preceding three months period. So it's more of a -- more intense activity at that end. So we don't think that this will have any material impact on our Scandinavian snus profitability for the full year, and we do definitely expect that to take back some market share from competition in -- within the low price segment there.

David Hayes - *Analyst*

Okay. And on cigars?

Lars Dahlgren - *Swedish Match - President & CEO*

Yes, sorry, what -- was it the question on volumes?

David Hayes - *Analyst*

Yes. To just be more specific, second-quarter volumes. With all the comp and the capacity issues being resolved in the second half, is the second quarter volumes still positive do you think? And then just on the restructuring cost side, are you still seeing cost savings coming through that division from the 2009 program, or is that now pretty much completed?

Lars Dahlgren - *Swedish Match - President & CEO*

I'd say on the cost saving side, what we are -- it's pretty much completed. But on the other hand, very good growth is in the fully automated American plant especially. So the restructuring has become extra handy.

And when it comes to the volume forecast, I'd say that we're definitely targeting to be at least in line with the prior year and maybe somewhat better than that on the volume side. But we are -- quite frankly, we cannot ship everything we would like to ship in the second quarter, but that situation should be remedied in the second half of the year.

David Hayes - *Analyst*

Okay, great. Thank you very much.

Operator

Stellan Hellstrom.

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Stellan Hellstrom - - Analyst

Yes, hi. I was just wondering now that you know that how much taxes are going to be increased in Sweden on snus, do you -- do we have any reason to think differently in terms of your pricing strategy going forward?

Lars Dahlgren - Swedish Match - President & CEO

Well, I don't what you think, but we're very clear that pricing in the Scandinavian snus business is an important component of our value creation strategy. At the same time, we look very carefully, continuously, and we also look to drive the overall market and try to have the overall market growth in Scandinavia. And for this year, our best estimate at this point of time is that Scandinavian snus volumes will grow in the range of 2% in the total market.

And we've been knowing about this tax increase of 13% at year end for a long time now. I mean, there is no news in the recent -- it's just the recent proposal just made it concrete, which was already very, very likely development, basically confirmed before the issue of the formal proposal. So we've had that in our planning all year along.

Stellan Hellstrom - - Analyst

Last time when there was a significant tax increase, you were quite clear that you would prioritize profitability. Now it seems that you are more tilted towards growth then. Is that a correct interpretation?

Lars Dahlgren - Swedish Match - President & CEO

I mean, I wouldn't compare this tax increase in 2012 to the, what I call, the draconian years of 2007 and 2008 where the -- two years in a row. I mean, first they doubled it and then they had a very steep tax increase the year after. So I mean this tax increase basically translates on a pure tax point of view on [loose] which is a higher to a couple of kronas per can, which is not all that significant on the end price. And then we'll have to factor that in, of course, through our overall assessment of what we think is the best strategy for both the short and the long term.

Stellan Hellstrom - - Analyst

Okay. Also, I don't know if you mentioned this, but with regard to restructuring costs in STG, do you expect more there or are we done now?

Lars Dahlgren - Swedish Match - President & CEO

I think you can see some more this year. But as indicated by the comparison between the first quarter and the fourth quarter, talking in complete different magnitude in 2011 as they managed to complete a lot of -- on that and take cost for it in the fourth quarter of 2010.

Stellan Hellstrom - - Analyst

Okay, thank you.

Operator

Toby McCullagh.



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Toby McCullagh -- Analyst

Hi there. Yes, just with regard to the incremental investment in snus at Scandinavia. Can you talk just a little bit about the magnitude of that, and also how much that was in Q1? And can you perhaps talk a little bit about the phasing of how that's going to come through in the remainder of the year?

Lars Dahlgren - Swedish Match - President & CEO

Yes, this is Lars here again. Clearly, this is something that where we can add and remove things in the marketing formula, and we will invest as much as we think makes sense. But the ball park figure is that you should see increased international investment, meaning, U.S. and SMPMI combined with our share of SMPMI then in the range of SEK50 million to SEK100 million higher in 2011 than 2010.

And it's actually skewed fairly uneven over the year in comparison to 2010 in the sense that the first quarter of 2010 we had relatively high marketing cost for Swedish snus in the US related to some awareness campaign for the General brand names. So we did have higher cost in 2011, but the relative difference or the difference between 2011 and 2010 spending will be more notable throughout the year.

Toby McCullagh -- Analyst

Okay, thanks for that. And back on the OTP, and mid-term capacity issues notwithstanding, can you talk about -- a little bit about the longer term sustainability of the obviously very strong momentum you've had in that business? And also give a bit of an update on the competitive response?

Lars Dahlgren - Swedish Match - President & CEO

Yes. Yes, I mean, we feel very good about this business and we've had a long track record. It's not only now in 2010, but the business has become big enough, so there are more questions about it where as we have a long track record of being very innovative and staying ahead of the curve and the competition in that business. And we will continue to innovate and to drive growth and that also leads then to the increased distribution and so forth.

And then we have to see how competition reacts. And they are definitely responding quite aggressively. But we have very strong momentum and we have a very good consumer offering. I mean, the main competitor in the sweet segments have applied a quite -- doing quite attractive promotion and discounting and so forth. But our momentum continues. And according to Nielsen, we, after one year, are close to 10% of just the sweet segment. And if you look at the CMPP data, which is reflecting the share from distributors to the trade, that is quite a bit higher, so indicating that positive momentum is still continuing.

Toby McCullagh -- Analyst

That's great. Thanks a lot.

Operator

Jon Fell.

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Jon Fell - - Analyst

Hi, everyone. I have two things actually. Firstly, I was wondering if you could just give us a bit of color on STG's underlying results during the quarter and what drove such an underlying strong sales growth because presumably the dollar acted against them actually this quarter as well. To what extent did they benefit from synergies? And are you able to quantify what Lane added to sales and EBIT?

Lars Dahlgren - Swedish Match - President & CEO

No. We don't give the specific for Lane for one month, and they just took over the business. We will have to update you on that as the year goes along. But on the currency side, it's not all that much between the Danish krone, which is pegged to the euro compared to the dollar. I mean, there is some but not much.

Jon Fell - - Analyst

But I'm thinking about the US dollar earnings of --

Lars Dahlgren - Swedish Match - President & CEO

Yes, but as I said when we report the full year, we -- mind you that when we write about the total STG, we talked about the results in Danish kroner to give a complete picture for the STG growth. But our share is, of course, in Swedish krona. And between the dollar and Danish krona, in the first quarter 2011 and 2010, it's not at all the same type of translation differences that you would had between the Swedish krona and the dollar.

Jon Fell - - Analyst

Okay. Yes.

Lars Dahlgren - Swedish Match - President & CEO

And as I said, I mean it's -- cigars did well. Premium cigars did well with -- driven by Cigars International. There is some growth as well in mass market cigars outside the US on the top line. And then when you add Lane into the fine cut business, it's up there as well. So it's -- actually all the segments report increased sales.

Jon Fell - - Analyst

And then a second question just related to US snuff, you referred to intense price competition. I think anybody's revenue per can this quarter was either flat or down a bit. And your volumes are stable. Do you feel any need to reassess your strategy in the US to reignite growth? What's going to get that going again do you think?

Lars Dahlgren - Swedish Match - President & CEO

Our price per can was up a little bit because our volumes were marginally positive. But net sales in US dollar was up 3%. And it's a very intense situation right now and our profits were up compared to prior year. And quite frankly we are not pleased with having lost market share.

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Having said that, I think the ambition of significantly growing market share in the moist snuff business in this environment would be too costly for our shareholders. So the ambition is more to grow in line with the market. And the real potential we see for a smokefree product in the US is, for Swedish Match in particular, is actually and the Swedish snus category.

But here this is something that's going to take some time to build up. But as I've been quite clear about, this is an area where we continue to invest and we are getting increasingly convinced that it's a category that is here to stay and it's also a category where the Swedish Match with its heritage and its knowledge and quality of Swedish products has a competitive advantage.

Jon Fell - - Analyst

Okay, thank you.

Operator

[Daniel Owen].

Daniel Owen - - Analyst

Yes, hello. I had one question here on STG as well. So EBITDA was up quite significantly. I wonder if you could just let us know if any of this is from price increases on the European market or if it's mainly a question here of synergy gains? And also, is it still the expectation to have around EUR25 million in savings, synergy gains? That's the first question.

Lars Dahlgren - Swedish Match - President & CEO

It's a combination in terms of the improvement in profitability that you start to see some synergies coming through, but there have also been price increases across the portfolio. And when it comes to synergies, we don't have any material deviations from what we said before where we said EUR25 million. I think it was even said EUR25 million plus.

And let's say the round number that we use ourselves now is EUR30 million. And the phasing of that remains similar to before, that you will see some of it in 2011, you will see some movement in 2012, but some of them are complicated ones and we'll have to have some patience to 2013 and maybe also to beginning of 2014 before they can be fully realized.

Daniel Owen - - Analyst

Okay, perfect. And then also I wonder after the STG merger have you lost any market share in the combined European cigar market or has you managed to have these price increases without losing any market share?

Lars Dahlgren - Swedish Match - President & CEO

On average, STG has done better than the European countries where they wasted market growth that we estimate for the countries where STG competes. There are few exceptions where there has been some growth in the extreme value segment in Southern Europe where STG has lost some share, but it's been less attractive shares. In the core markets, STG portfolio has actually performed very well.

Daniel Owen - - Analyst

Perfect, thank you very much.

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Operator

(Operator Instructions). Rogerio Fujimori.

Rogerio Fujimori - - *Analyst*

Hi, everyone. Could you just update us on the margin outlook for the light division given recent currency swings? I was just wondering if the Q1 margin would be a good proxy for the full year assuming current FX rates. Thank you.

Emmett Harrison - *Swedish Match - SVP of Corporate Communications & Sustainability*

This is Emmett, hi Rogerio. The currencies are definitely having an impact, especially in Sweden where we produce our matches and most of the inputs are in Swedish kronas and the sales are blending of kronas, dollars and euros. And dollars and euros is pretty significant part of that. Given the fact that the dollar krone rate is stronger today for the krone than it was during the first quarter, I think it's around 605 or so versus the 648 we talked about in the first quarter, those pressures are obviously still there.

So without giving specific guidance going forward, I think that the factors that caused the margins to be the way they were in the second quarter are still there -- first quarter are still there; certainly in the second.

Rogerio Fujimori - - *Analyst*

Thank you, Emmett.

Operator

It appears we have no further questions at this time. I hand the conference back to you.

Emmett Harrison - *Swedish Match - SVP of Corporate Communications & Sustainability*

Thank you. And I'd just like to inform everybody that the release of our first half results for 2011 will be on July 20. Thank you very much.

Operator

Ladies and gentlemen, thank you for your participation. This concludes today's conference call. You may now disconnect your lines. Thank you.

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