

Q1 2013

Investor Kit

JANUARY-MARCH 2013



Swedish Match reporting segments

■ Snus and snuff

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



■ Other tobacco products

- Cigars (US)
- Chewing tobacco (US)

■ Lights

- Lighters
- Matches
- Fire related products

■ Other operations

- Distribution
- Central costs

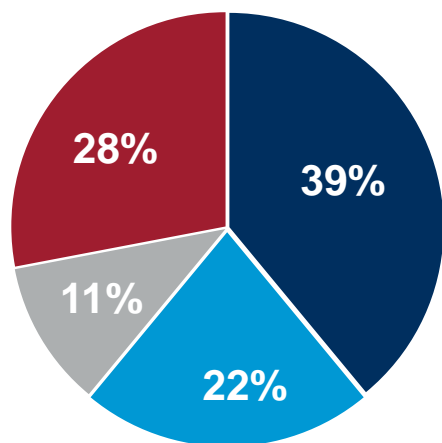


Sales and operating profit

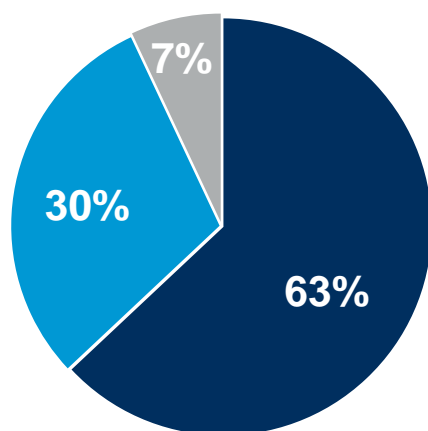
Sales and operating profit by product area

Q1 2013

Sales, SEK



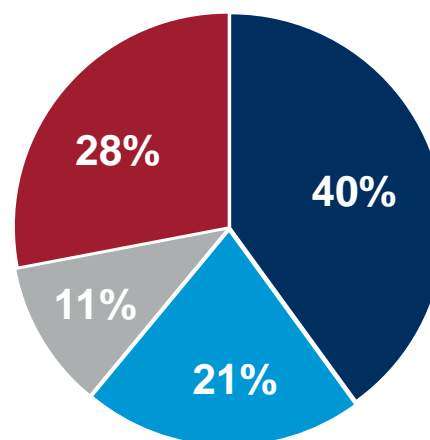
Operating profit*, SEK



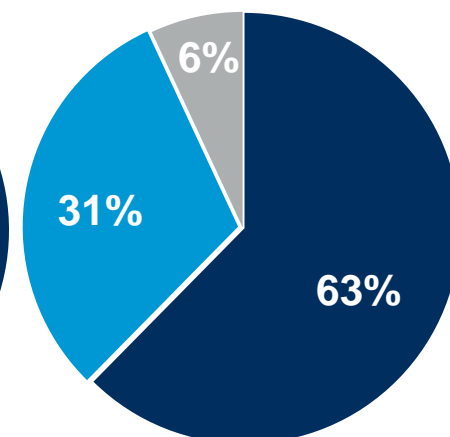
- Snus and snuff
- Other tobacco products
- Lights
- Other operations

Full year 2012

Sales, SEK



Operating profit*, SEK



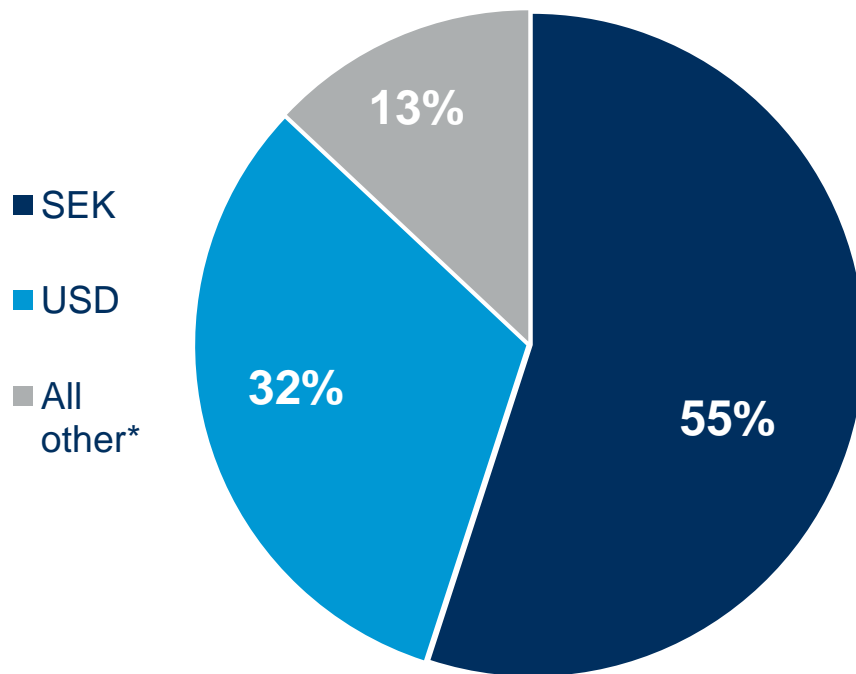
- Snus and snuff
- Other tobacco products
- Lights
- Other operations

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

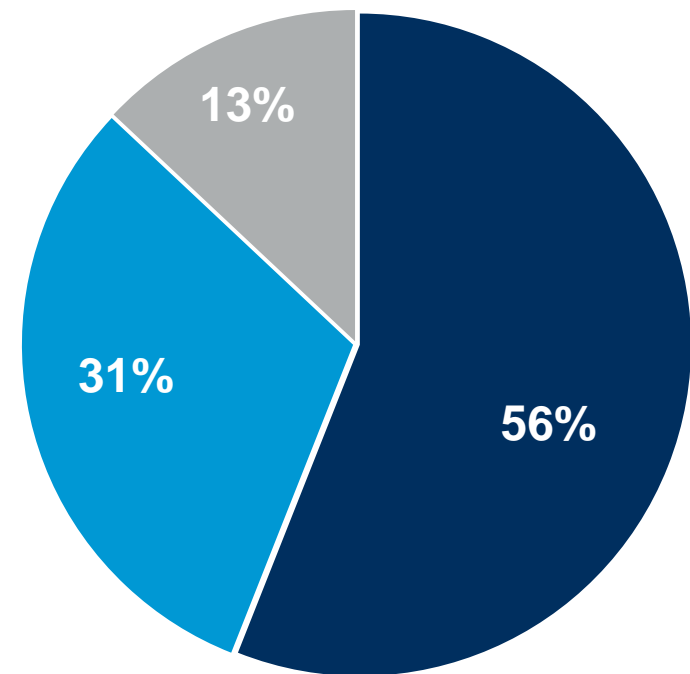
Sales by currency block

Percent of sales, MSEK

Q1 2013



Full year 2012



* Primarily NOK and BRL.

Group results – first quarter 2013

- **Sales amounted to 2,982 MSEK (2,917)**
 - In local currencies, sales increased by 5%
- **Operating profit from product areas amounted to 832 MSEK (903)**
 - In local currencies, operating profit from product areas declined by 6%
 - Key factors in lower operating profit were currency translation, higher spending behind international snus, and an anticipated lower result for Other tobacco products
 - Operating profit, including share of net profit in STG and larger one-time items, increased to 1,031 MSEK (972)
- **Profit before income tax amounted to 895 MSEK (838)**
- **Profit for the period amounted to 741 MSEK (668)**
 - No tax on capital gain from land sale
 - Underlying tax rate was 22%
- **EPS (basic) was 3,72 SEK (3.27)**
 - Excluding larger one-time items basic EPS was 2.92 (3.27)



Conclusions, first quarter – sales

- **Sales up 5% in local currencies, up 2% in SEK**
- **Scandinavian snus sales declined 2%**
 - Shipment volumes for Scandinavia down 2% year on year, down 2-3% when adjusted for hoarding and Easter timing effects
- **US snus/moist snuff sales down 1% in USD**
 - Moist snuff volumes down more than 5% (down less than 3% in constant trading days)
 - Strong growth for snus in the US, with over one million cans shipped in the quarter
- **US cigar sales up 8% in local currency**
 - Positively impacted by changed accounting for tobacco excise taxes
 - Cigar volumes up more than 4% on a constant trading day basis, despite tough comps
- **US chewing tobacco sales down 5% in USD**
 - Shipment volumes were down 12%, with volume declines from both own brands and contract manufacturing
 - Volume decline of own brands on a constant trading day basis less than 8%
- **Lights sales up 2% in local currencies**
 - Higher sales and operating profit for both matches and lighters in local currencies



Conclusions, first quarter – operating profit

- **Operating profit from product areas* declined 6% in local currencies, down 8% in SEK**
- **Snus and snuff: operating profit down 6%, down less than 1% when backing out international snus investments (US/SMPM International)**
 - Higher operating profit in Scandinavia
 - Investment behind pouch moist snuff in US
 - Significantly higher spending behind *General* snus in the US
 - Operating loss for international snus expansion (US, SMPM International) amounted to 63 MSEK (35)
- **Other tobacco products: operating profit down 8% in local currency, down 12% in SEK**
 - Cigar operating profit declined in local currency on strong comps
 - Unusually strong cigar volumes in Q1 2012
 - Cigar operating profits for all of 2013 expected to be up substantially vs. 2012
 - Operating profit for chewing tobacco declined in local currency, and operating margin was lower than prior year
- **Lights: operating profit up 3%, grew close to 12% in local currencies**
 - Operating profit for both matches and lighters up in local currencies

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

Other items

- **Tax rate for the Group was 17.2% for the first quarter**
 - Includes profit and loss impact from associated companies
 - No tax on capital gain from land sale
 - The reported tax rate, excl. one-time items and associated companies, was 22%
 - Underlying tax rate in 2013 estimated to be around 22%

- **Solid cash position, higher cash flow from operations**
 - Cash and cash equivalents were 3,331 MSEK on March 31, 2013 vs. 2,226 MSEK as of March 31, 2012
 - Cash flow from operating activities for the first quarter was to 643 MSEK (307)
 - Higher cash flow versus prior year due to dividends from associated companies and a better cash flow from changes in working capital
 - Higher tobacco tax payments in the beginning of the 2012 relating to hoarding in Sweden at the end of 2011

- **Share repurchases during the first quarter amounted to 0.6 million (138 MSEK)**
 - During the first quarter, the Company sold 0.5 million treasury shares at an average price of 171.60 SEK, totaling 89 MSEK, as a result of option holders exercising options

Annual General Meeting 2013

- Shareholders approved a dividend increase to 7.30 SEK per share
- Shareholders approved that 4 million shares be cancelled; Total amount of registered shares before cancellation is 206.0 million
- Shareholders approved authorization to buy shares to be held in treasury, up to a level not exceeding 10 percent of outstanding shares
- Wenche Rolfsen elected as a new member of the Board of Directors



Financial policy and financing needs

■ Financial policy

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

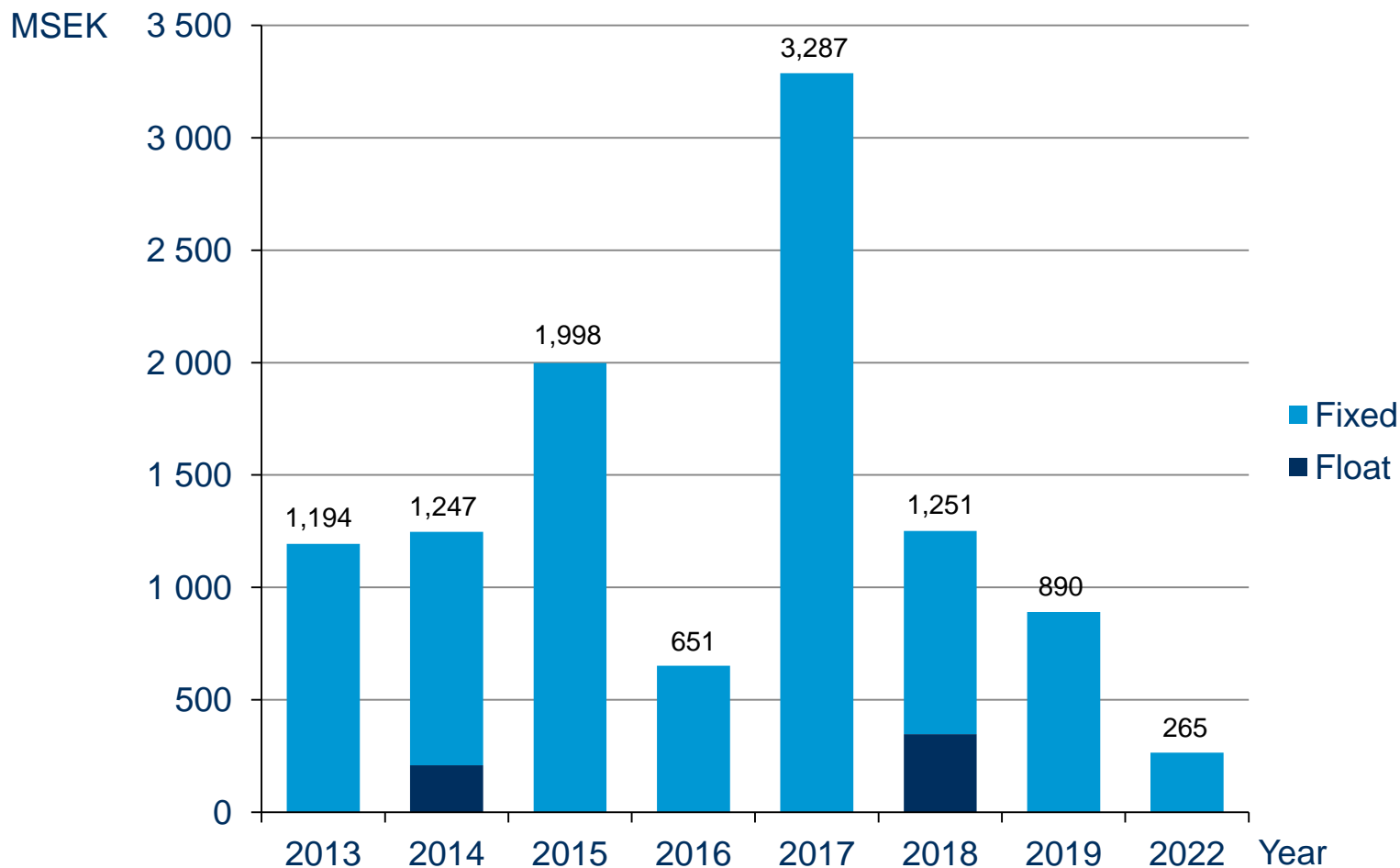
■ Financing and cash flow

- Cash flow from operating activities for the first quarter amounted to 643 MSEK (307)
- Higher dividends from associates
- Improved cash flow from changes in working capital
- Net finance cost for the first quarter was 136 MSEK (134)
- Net debt/EBITA* was 2.4 for the 12 months ending March 31, 2013

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

Maturity profile of interest bearing liabilities*

As of March 31, 2013



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

Snus and snuff

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



Profits up in Scandinavia

- **Scandinavia snus sales down 2% in Q1, while profits were up**
 - Scandinavian shipment volumes down 2%, down 2-3% when adjusting for hoarding/Easter
 - Volume declines in both Sweden and Norway
 - Norway volumes up when adjusting for hoarding/Easter
 - Price increase for *Kaliber* in January 2013 was rolled back in late February
 - Profits higher on lower operating costs
 - Solid total market growth in volume terms
- **US snus and moist snuff sales down 1% in USD in Q1**
 - Significantly higher sales for US snus; moist snuff sales volumes negatively affected by two fewer shipping days vs. prior year
 - Significantly higher spend behind US snus as part of distribution build
 - Growth initiatives for pouches and tubs showed strong traction in the quarter
- **Continued investment behind snus internationally**
 - Expansion of *General* snus in US
 - *Parliament* snus test in St. Petersburg; *General* snus test in Canada and Malaysia
 - *Marlboro* snus test in Tel Aviv



MSEK	Q1-2013	Q1-2012	chg	April 2012 – March 2013	Full year 2012	chg
Sales	1,173	1,206	-3	5,016	5,049	-1
Operating profit	534	568	-6	2,315	2,349	-1
Operating margin, %	45.5	47.1		46.1	46.5	

Nielsen snus consumption data, Sweden*

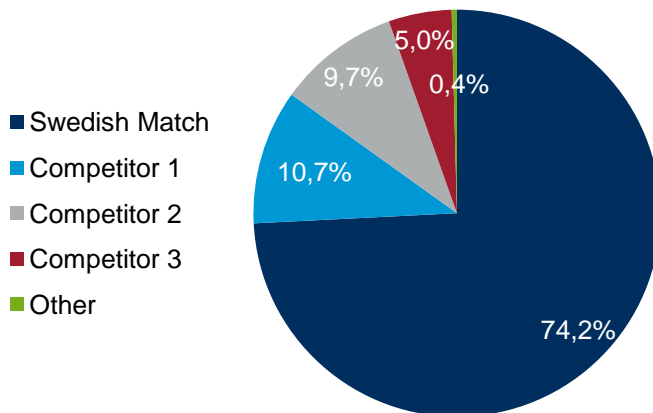
- **Swedish Match total value market share 4 weeks to March 24, 2013 was 79.3%; 24 week share was 80.1%**
 - 83.6% for 4 weeks to March 25, 2012; 84.9% for 24 weeks to March 25, 2012
- **Swedish Match total volume market share 4 weeks to March 24, 2013 was 72.9%; 24 week share was 74.2%**
 - 79.1% for 4 weeks to March 25, 2012; 80.9% for 24 weeks to March 25, 2012
- **Value segment** was 38.1% of Swedish market 4 weeks to March 24, 2013; 24 week share was 37.0%**
 - 33.0% for 4 weeks to March 25, 2012; 30.3% for 24 weeks to March 25, 2012
- **Swedish Match share of value segment** 4 weeks to March 24, 2013 was 35.9%; 24 week share was 37.5%**
 - 44.4% for 4 weeks to March 25, 2012; 45.5% for 24 weeks to March 25, 2012
- **Swedish Match share of premium segment** 4 weeks to March 24, 2013 was 95.7%; 24 week share was 95.8%**
 - 96.2% for 4 weeks to March 25, 2012; 96.3% for 24 weeks to March 25, 2012

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

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

Manufacturer share by price segment, Sweden

Total volume shares



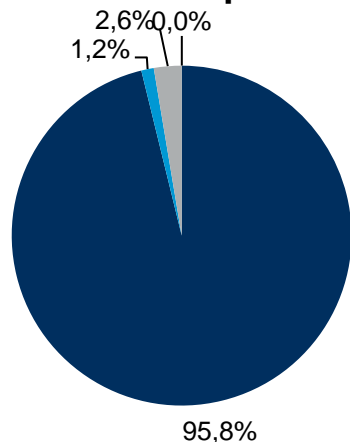
24 March, 2013 (12 weeks ending),
Swedish Match share of:

Full priced segment** was: 95.7%

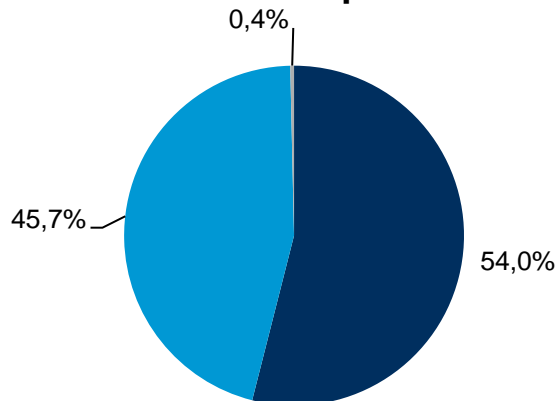
Mid priced segment** was: 54.1%

Low priced segment** was: 26.1%

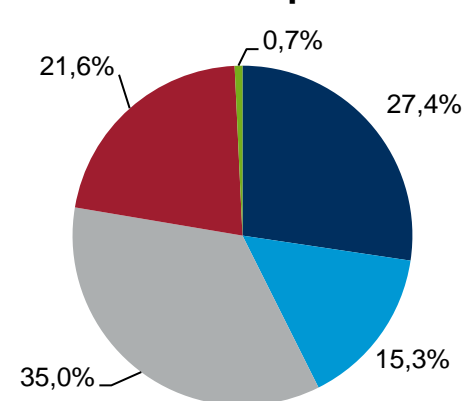
Share of full priced**



Share of mid priced**



Share of low priced**

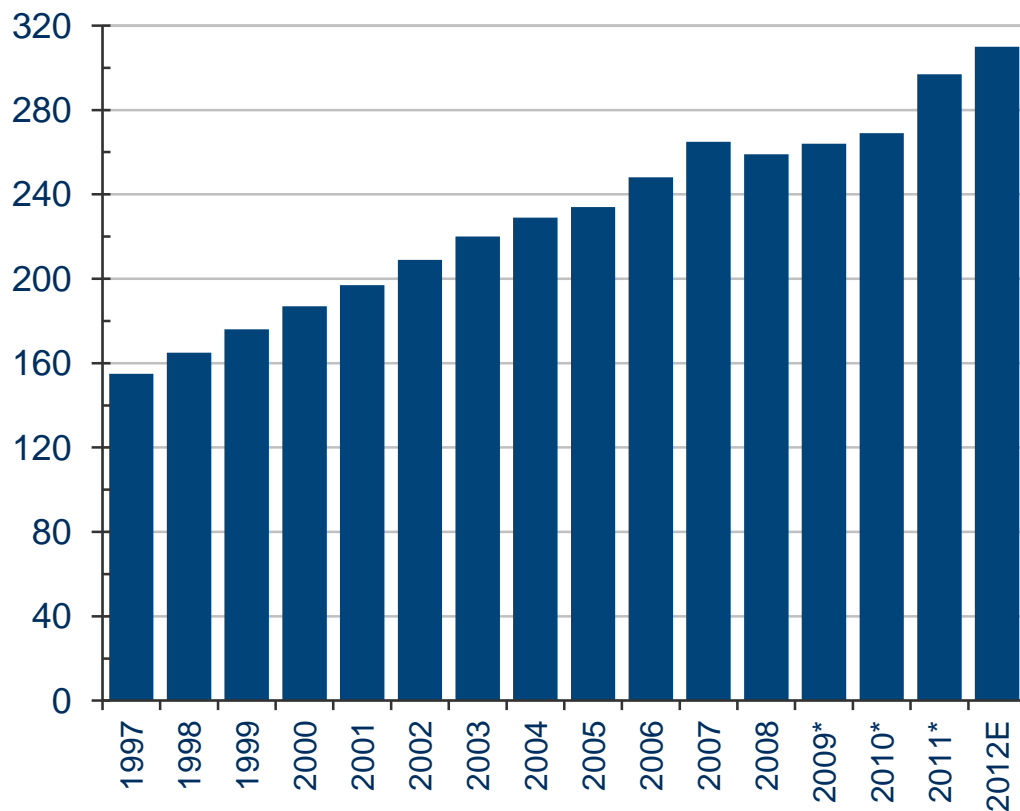


Source: Nielsen (excluding tobacconists). 24 weeks ending 24 March, 2013.

** Swedish Match estimates its share of price segments using own definitions of segments then extrapolating Nielsen data.

Estimated Scandinavian snus consumption

Cans/millions



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

* 2009 to 2011 figures rebased.



Nielsen moist snuff consumption data, US*

- **US snuff market up 5.7% for the YTD to March 16**
 - Category growth continues to be driven by the value segment
- **Swedish Match market share in the US**
 - YTD to March 16 was 7.2% vs. 7.8% YTD 2012
 - Swedish Match estimates its market share based on industry shipments to be approximately 10% of the market (SM estimates, not Nielsen)

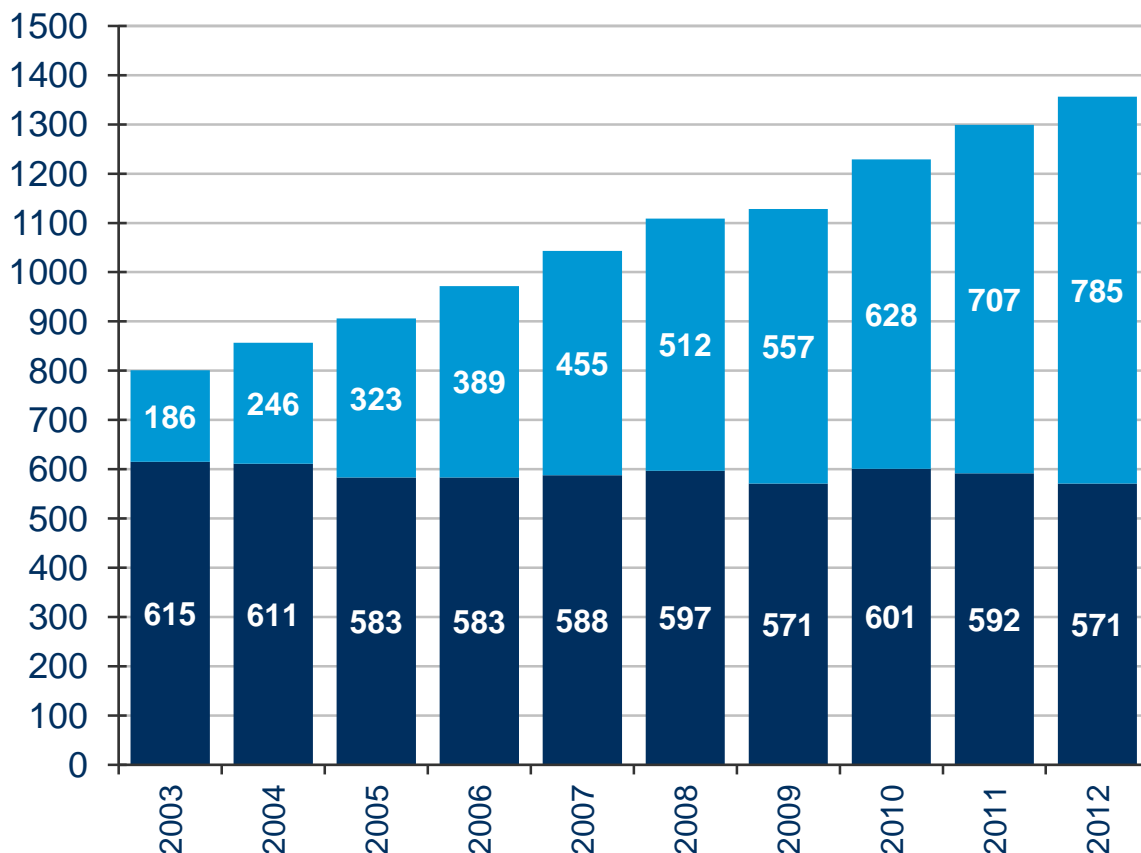


* Source: Nielsen. Volume basis, unless stated otherwise.

Volume growth of moist snuff in the US

US snuff market by segment

Million cans



- Price value
- Premium



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

Snus expansion

Snus in the US

- **General snus currently in more than 13,000 stores in the US**
 - Good sell-through/rotation in stores
 - Distribution expansion continues
 - More than 1 million cans shipped in Q1



SMPM International (the 50/50 joint venture)

- **Test launch of General in Canada started in December 2010, now in more than 1,800 stores**
- **Test launch under the Parliament brand in St. Petersburg, Russia, started in December 2011, in more than 400 stores**
- **Test launch of Marlboro in Tel Aviv, Israel in July 2012, in more than 200 stores**
- **Good sales of General snus in Malaysia, although store base is small**

Other tobacco products

US cigars

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



Chewing tobacco

- Nearly all chewing tobacco sales are in the **US**. Swedish Match is the largest producer and production takes place in **Owensboro, Kentucky**
- The market typically declines by 6-8% per year in volume



Other tobacco products

First quarter sales up 3% in local currency vs. previous year

- **Sales growth in local currency for cigars, while chewing tobacco sales were lower vs. previous year**
 - Cigar sales positively impacted by changed accounting for excise taxes; backing out this effect, sales would still have been slightly higher
- **Modest volume growth for cigars despite tough comps**
 - Volumes up more than 4 percent on a constant trading day basis
 - Good sell-in of *White Owl* Gold and *Game by Garcia y Vega* Gold
 - Lower levels of promotional volume for *White Owl* Sweets cigars
 - Year on year volume growth expected to accelerate in coming quarters
- **Operating profit for cigars declined vs. prior year**
 - Affected by high COGS as well as pension accounting changes
 - Operating profit for cigars is expected to be higher in 2013 than 2012
- **Chewing tobacco sales down 5% in USD and operating profit was below year ago on 12% lower volume (volume of own brands down less than 8% on a constant trading day basis)**
 - Poor absorption negatively affected cost of goods sold for chewing tobacco in Q1



MSEK	Q1-2013	Q1-2012	chg	April 2012 – March 2013	Full year 2012	chg
Sales	664	675	-2	2,651	2,661	0
Operating profit	260	297	-12	1,124	1,161	-3
Operating margin, %	39.2	44.0		42.4	43.6	

Other tobacco products

US cigars

- **Cigars (mass market, excluding littles)***
 - **US market for cigars up 3.3% for the YTD to March 16**
 - Swedish Match consumption volume up 4% YTD to March 16
 - **Swedish Match market shares in the US**
 - YTD to March 16 was 17.8% vs. 17.6% YTD 2012
 - Based on reported factory shipments and shipments from distributors to retailers, Swedish Match estimates that its actual market share exceeds 20%
- **Particularly strong growth for *small cigars***
- **Launch of *Game by Garcia y Vega Black* and *White Owl Black* in Q3, distribution expansion in Q4/Q1**
- **Launch of Gold varieties of *White Owl* and *Game by Garcia y Vega* in Q1, to continue in Q2**



Chewing tobacco

- **Continued market volume decline**
 - Estimated to be down by more than 5% YTD
- **Price increase of 5% in December 2012**

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

Q1 sales and operating profit up in local currencies

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

- Q1 operating profit up for both lighters and matches
- Q1 sales and operating profit, impacted by country mix and currency movements (strong SEK, weak BRL)
- Lights distribution by STG in several markets



MSEK	Q1-2013	Q1-2012	chg	April 2012 – March 2013	Full year 2011	chg
Sales	328	350	-6	1,317	1,339	-2
Operating profit	59	57	3	223	222	1
Operating margin, %	17.8	16.3		17.0	16.6	

- **Swedish Match share of STG net profit after interest and tax for the first quarter amounted to 39 MSEK (69)**
 - Excluding accounting adjustments, net profit was 41 (59)
- **Total STG net finance cost for the first quarter amounted to 18 MDKK (33)**
 - The decrease was mainly due to negative currency effects in the prior year period
- **Net profit for the period for STG amounted to 74 MDKK (101)**
- **Reported EBITDA for the first quarter amounted to 215 MDKK (259)**
 - Handmade cigar profits up, with lower OPEX and positive mix effects
 - Machine made cigar sales and profits down on lower volumes
 - Wholesaler inventory reductions negatively impacted country mix
 - Higher freight and logistics costs following recovery from backlog situation
 - Stable or growing market shares for cigars in key European markets
 - Pipe tobacco EBITDA down on lower export volumes
 - Fine cut EBITDA down on lower volumes, destock following yearend hoarding in Denmark on yearend excise tax increase
- **Dividend of 224 MSEK received from STG March 7 (previous dividend of 204 MSEK received in April 2012)**

P & L summary

MSEK	Q1- 2013	Q1-2012	chg	April 2012- March 2013	Full year 2012	chg
Sales	2,982	2,917	2	12,551	12,486	1
Cost of goods sold	-1,527	-1,376		-6,289	-6,138	
Gross profit	1,455	1,541	-6	6,262	6,349	-1
Selling and adm. expenses	-618	-635		-2,635	-2,653	
Share of profit/loss in assoc. companies and joint ventures	35	66		305	337	
Adjustment to capital gain from transfer of businesses to STG	-	-		30	30	
Additional payment from sales of land	159	-		159	-	
Operating profit	1,031	972	6	4,121	4,062	1
Finance income	8	6		40	38	
Finance costs	-144	-140		-593	-589	
Net finance cost	-136	-134		-553	-551	
Profit before income tax	895	838	7	3,568	3,511	2
Income tax expense	-154	-170		-588	-604	
Profit for the period	741	668	11	2,980	2,907	3
EPS, basic, SEK, incl. larger one-time items	3.72	3.27		14.77	14.33	
EPS, basic, SEK, excl. larger one-time items	2.92	3.27		13.83	14.18	
EPS, diluted, SEK, incl. larger one-time items	3.71	3.24		14.71	14.25	
EPS, diluted, SEK, excl. larger one-time items	2.91	3.24		13.78	14.10	

Balance sheet in summary

MSEK	March 31, 2013	December 31, 2012
Intangible assets	962	962
Property, plant and equipment	2,024	2,010
Investments in associated companies and joint ventures	4,106	4,354
Other non-current financial receivables*	1,224	1,140
Current operating assets	3,111	3,080
Other current investments and current financial assets	10	-
Cash and cash equivalents	3,331	2,824
Total assets	14,768	14,371
Equity attributable to equity holders of the Parent	-1,280	-2,053
Non-controlling interests	3	2
Total equity	-1,277	-2,051
Non-current provisions	1,056	1,009
Non-current loans	8,648	9,238
Other non-current financial liabilities*	1,792	1,870
Current provisions	89	102
Current loans	1,535	1,119
Other current liabilities*	2,926	3,084
Total equity and liabilities	14,768	14,371

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

Cash flow in summary

MSEK	Jan-Mar 2013	Jan-Mar 2012
Cash flow from operating activities before changes in working capital	907	724
Cash flow from changes in working capital	-264	-417
Net cash from operating activities	643	307
Purchase of property, plant and equipment	-70	-39
Proceeds from sale of property, plant and equipment	0	1
Purchase of intangible assets	-5	-9
Proceeds from sale of subsidiaries, net of cash disposed of*	5	-
Changes in financial receivables etc.	-1	2
Net cash used in investing activities	-72	-45
Changes in loans	-12	-296
Repurchase of own shares	-138	-367
Stock options exercised	89	137
Other	-8	3
Net cash used in financing activities	-69	-523
Net decrease in cash and cash equivalents	502	-262
Cash and cash equivalents at the beginning of the period	2,824	2,533
Effect of exchange rate fluctuations on cash and cash equivalents	5	-46
Cash and cash equivalents at the end of the period	3,331	2,226

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

Key data*

MSEK	Jan-Mar 2013	Jan-Mar 2012
Operating margin, %	29.2	33.3
Operating capital, MSEK	7,290	7,474
Return on operating capital, % (12 months rolling from April 2012)	53.3	
EBITDA, MSEK**	938	1,049
EBITA, MSEK**	878	986
Net debt, MSEK	8,615	8,733
Net debt/EBITA** (12 months rolling from April 2012)	2.2	
Investments in property, plant and equipment, MSEK**	70	39
EBITA interest cover	6.6	7.5
<i>Excluding share of net profit in STG</i>		
EBITA, MSEK**	839	918
Net debt/EBITA** (12 months rolling from April 2012)	2.4	
Share data		
EPS, basic, SEK, incl. larger one-time items	3.72	3.27
EPS, basic, SEK, excl. larger one-time items	2.92	3.27
EPS, diluted, SEK, incl. larger one-time items	3.71	3.24
EPS, diluted, SEK, excl. larger one-time items	2.91	3.24
Average number of shares outstanding, basic (Mio)	199.3	204.1
Shares outstanding, end of period (Mio)	199.3	203.7

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

** For full detail, please refer to notes in the January-March 2013 interim report

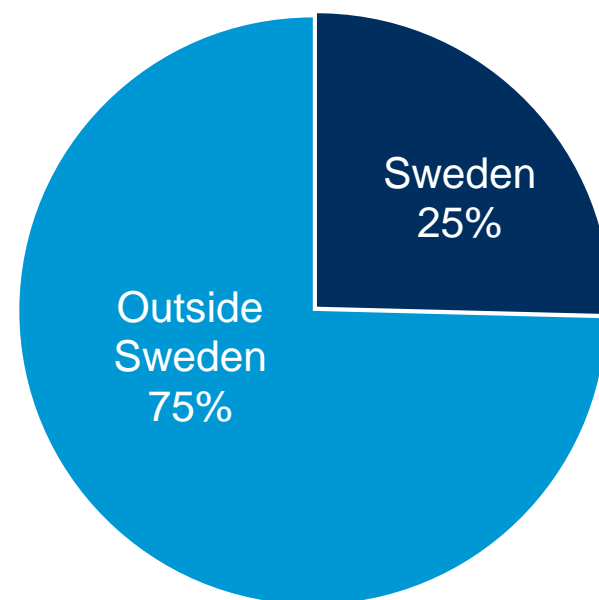
Largest shareholders*

As per March 31, 2013

Largest shareholders

Morgan Stanley Investment Management	6.4%
Fidelity Funds	2.5%
AMF Insurance & Funds	2.4%
Swedbank Robur Funds	2.1%
Standard Life Investment Funds	2.0%
Capital Group Funds	1.5%
SHB Funds	1.4%
Fourth Swedish National Pension Fund	1.2%
Second Swedish National Pension Fund	1.2%
Third Swedish National Pension Fund	1.0%
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	21.7%

51,423 shareholders



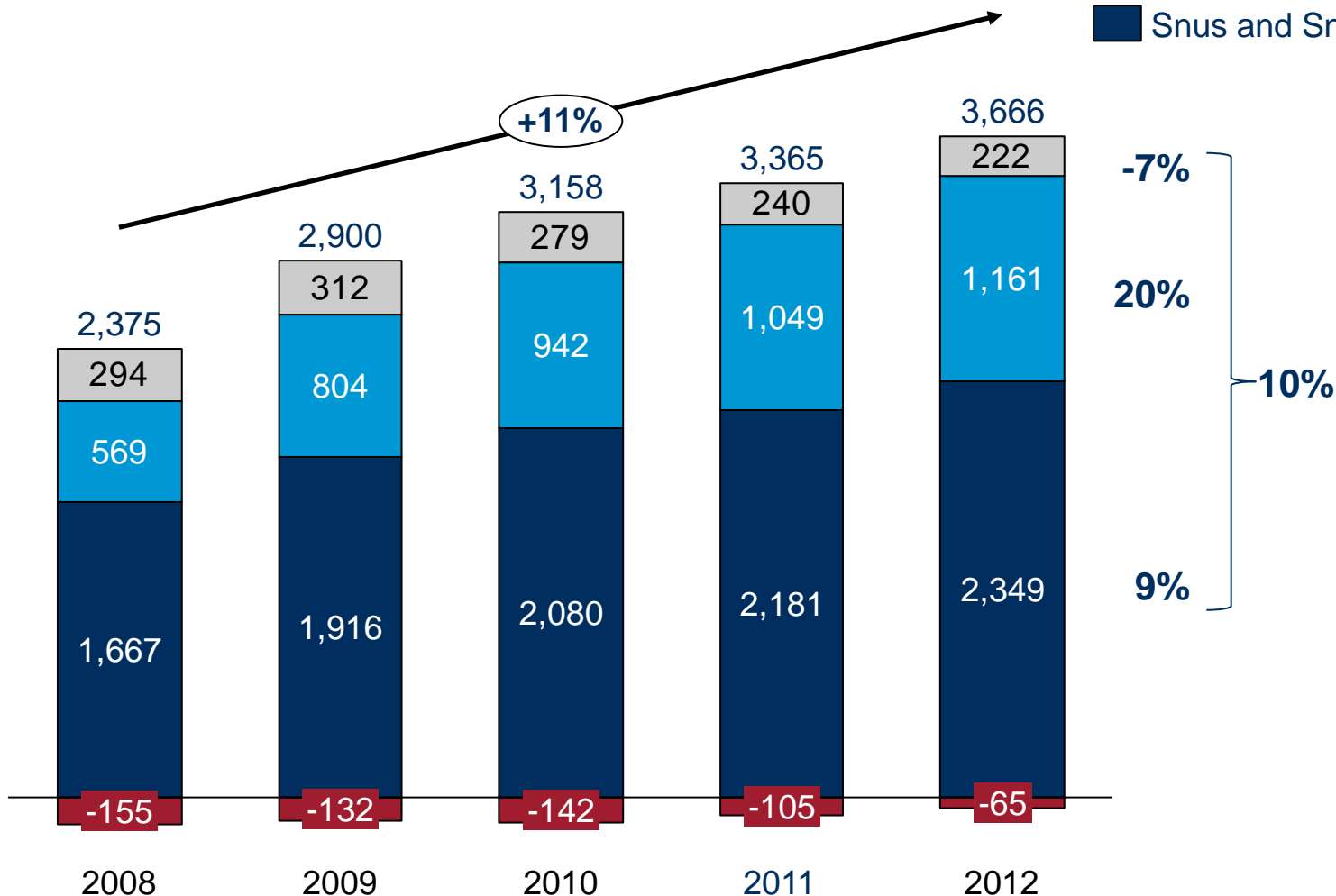
Source: Euroclear, official registry and SIS Ägaranalys.

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

Comparable operating profit

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

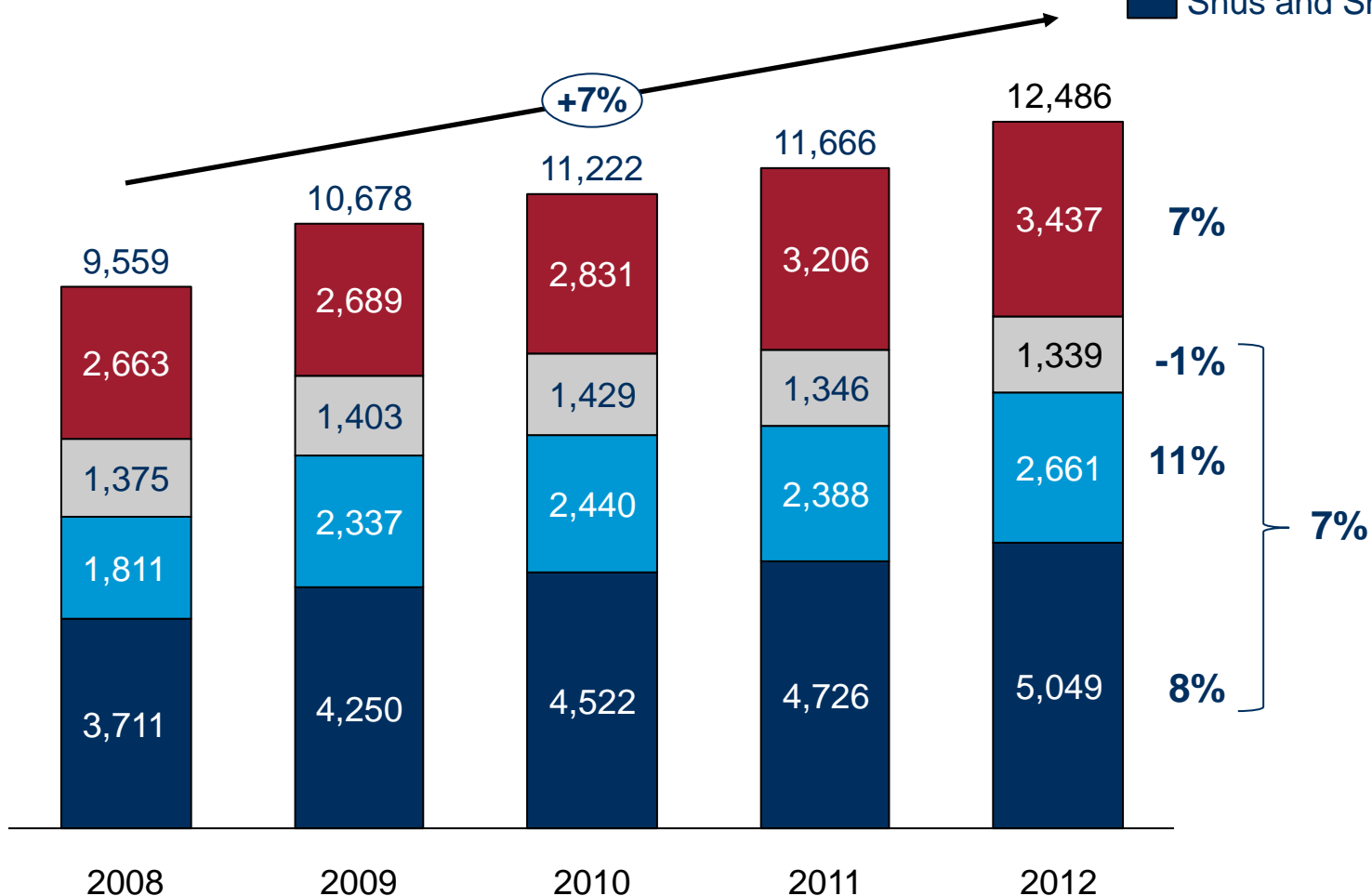
- Other operations
- Lights
- Other tobacco products
- Snus and Snuff



Comparable sales

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

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

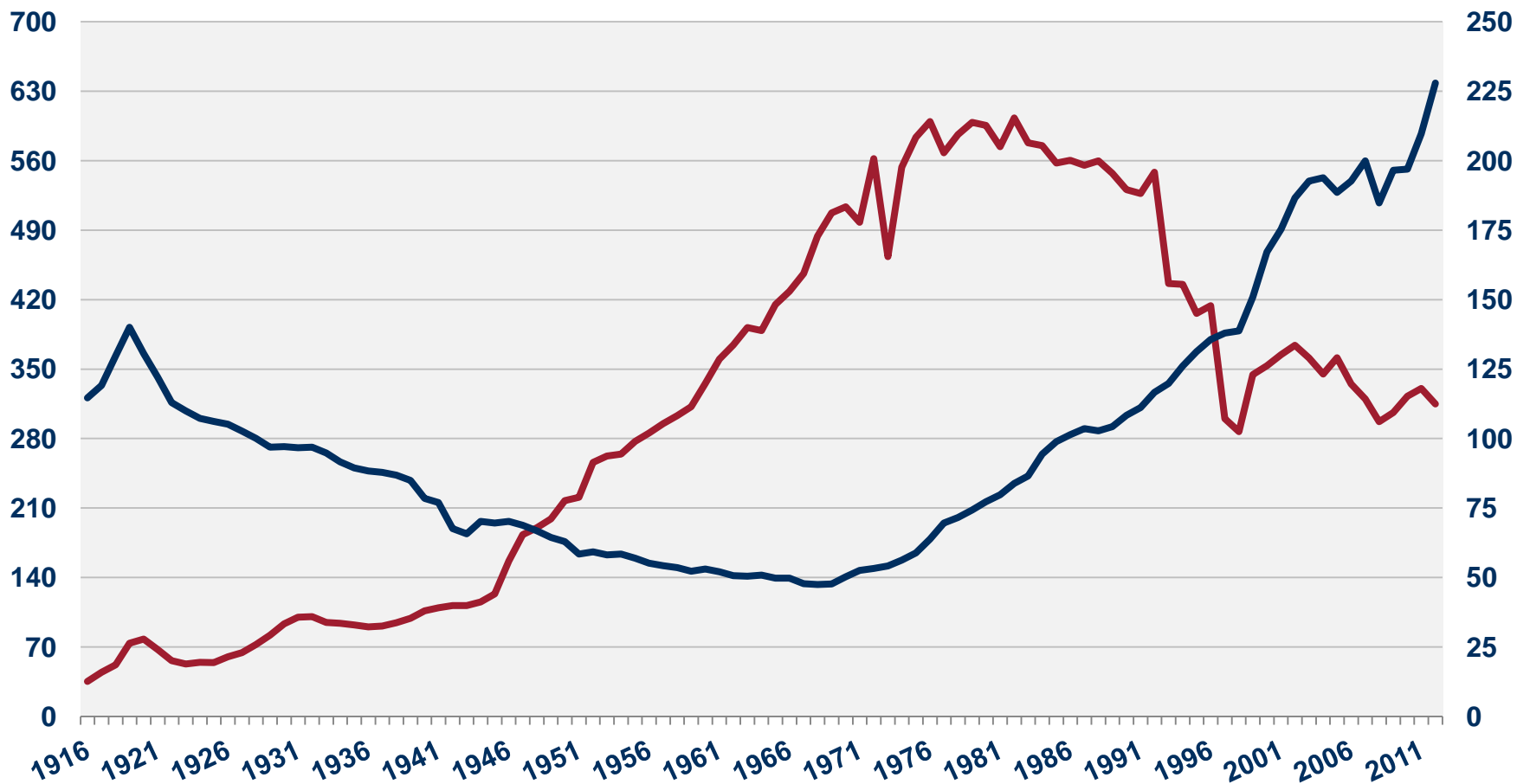


Snus vs. cigarettes in Sweden

Volume of snus and cigarettes in Sweden 1916-2012

Cigarettes
(million packs)

Snus
(million cans)



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

Source: Swedish Match Distribution AB and Swedish Match estimates.