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SWMA.ST - Q3 2013 Swedish Match Earnings Conference Call

EVENT DATE/TIME: OCTOBER 29, 2013 / 1:00PM GMT



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PRESENTATION

Emmett Harrison - *Swedish Match AB - SVP, Corporate Communications & Sustainability*

Good afternoon. This is Emmett Harrison, Senior Vice President of Corporate Communications and Sustainability. Welcome to the third-quarter 2013 results telephone conference for Swedish Match.

Lars Dahlgren, President and Chief Executive Officer, is joined today by Tom Hayes, Acting 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 Tom Hayes. A question-and-answer period will follow.

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 discourage 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 SwedishMatch.com. Swedish Match assumes no obligation to update the 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 AB - President & CEO

Thank you, Emmett. For the third quarter 2013 Swedish Match delivered sales growth of 2% in local currencies but operating profit from our fully-owned product areas declined by 10% in local currencies. Reported operating profit in the third quarter includes a SEK28 million restructuring charge related to the Scandinavian snus operation.

Excluding this restructuring charge, operating profit for product areas declined by 7% in local currencies driven by relatively large decline for our US cigar business. Our share of net profit in STG was SEK88 million compared to SEK80 million in the prior year.

For the January to September period, basic earnings per share amounted to SEK10.20 versus SEK10.40 in the prior year. Scandinavian snus sales declined by 4% in the third quarter versus last year. Shipment volumes in Scandinavia were down by less than 1% in the quarter with the product mix and the weakened Norwegian kroner contributing to the sales decline.

Volumes were up in both Sweden and Norway, but down [in travel] retail markets. For the first nine months we estimate that underlying consumption volumes in Scandinavia of our products were down by a bit more than 2% year on year. Third-quarter operating profit in Scandinavia declined versus the same quarter of the previous year as a result of the restructuring costs and the lower sales.

Backing out the SEK28 million restructuring charge this quarter, the operating margin in Scandinavia improved somewhat.

In Sweden, for the 12-week period ending October 6, 2013, Nielsen excluding tobacconists, reported a total market share for Swedish Match in volume terms of 71.8% compared to 76.2% in the corresponding period of the previous year. And in value terms the total market share was 78.4% compared to 81.6% for those same periods.

Swedish Match divides the Swedish snus market into three price segments. For the four-week period ending October 6, we estimate that we had a volume share of 95% of the full price segments; 53.5% of the mid-price segment; and 29% of the low price segment. The full-price segment accounts for approximately 59% of the Swedish market in number of cans, down from approximately 64% in the corresponding period last year.

According to Nielsen, excluding tobacconists, for the 12-week period ending October 6, the total Swedish market showed growth of 8% in volume terms compared to the corresponding period previous year and full price volumes were slightly higher.

Although we believe that the actual growth rates are lower than these figures would indicate, we do note that the market growth has remained strong and that the development of the full-price segment has been more stable over the summer months. We did observe that in late September, however, that low price segment grew as a percentage of the total market and our share of the low price segment declined.

With regard to Scandinavian products and pricing, in September we raised list prices for our full-priced assortment as well as for our low-priced Kaliber brand at approximately [EUR7] per can in Sweden. We held prices for our mid-price product unchanged.

We also have the full three months affect of the weight increase for our full-price original pouches. Many of our full-price pouch products have now been rolled out with an upgraded packaging, including a larger disposal lid.

We have had a heavy new product launch scheduled since May including the launch of General Tailored in Sweden with a softer, smoother mouth feel and outstanding flavor delivery. General Tailored is made with a unique process and we are confident that new products with this technology will further raise the quality bar versus competition. Distribution for General Tailored is at this point around 60% and the market share shows an increasing trend in carrying stores.

Our portfolio using this new technology has now been further expanded with The Lab Fresh product in Norway and the new (inaudible) slim offering in Sweden.



With regard to competitive pricing, we have noted retail price increases for certain competitive brands but the increases have not been consistent across all accounts. The market remains dynamic in the lower price tiers and certain competitive brands have lowered prices. Price sensitivity is high in the low price segment and we are monitoring this situation very closely.

In Sweden, the government has announced that weight-based taxes for snus will be virtually unchanged in January, while in Norway the tax increase will be 2.1% according to the budget proposal.

In Norway, our market share, according to Nielsen, in volume terms in the latest four-week period ending October 6 was 63.2% compared with 63.1% in the previous period and 67.6% in the corresponding period last year. Much of the year-on-year decline is due to the rapid shift away from loose snus towards pouch products. Swedish Match has the highest share in the loose segment.

The Norwegian market continues its solid growth. For the six months ending October 6 Nielsen indicates that the market was up by more than 9% with Swedish Match volumes up slightly.

In the US in the highly competitive moist snuff market Swedish Match moist snuff sales and operating profit were modestly lower in local currency compared to Q3 last year, primarily due to mix effect. Volumes were only slightly down in the third quarter versus last year and our focus on tubs and pouch products is delivering solid benefits as we are achieving increased placement of higher volumes for these varieties.

Nielsen reported the overall US snuff markets have been up by 5.7% for the year-to-date period ending September 28 with Swedish Match volume down 2.4%. Nielsen reports growth for our low-priced brand, Longhorn, with declines in the rest of the portfolio.

In the most recent isolated four-week period ending September 28, Swedish Match's market share was 7.0% according to Nielsen. Market growth is continuing with four-week market growth according to Nielsen at 5% in the most recent period.

Over the past few months we have further rolled out our new Longhorn tub 7.2-ounce variety, so this complements our very successful larger 14.4-ounce tubs. Growth of tubs and pouches, along with a decline of certain of our more expensive varieties, has meant that our average selling price per can equivalent is somewhat below prior year's third quarter, despite the price increases in December 2012 and May 2013.

Our Swedish snus activities in the US continue to show positive momentum. During the quarter we are expanding our store count and today we are in more than 20,000 stores. Spending behind the snus expansion in the US during the third quarter was somewhat higher than Q3 2012, but the spending behind the [test market] activities for snus through SMPM International was slightly lower.

On a year-to-date basis we have spent SEK209 million [selling] Swedish snus in the US and through SMPM International compared to SEK165 million in 2012. For Q4 this year we anticipate international snus spending to be largely in line with the prior year.

During the third quarter sales for the product area, other tobacco products, declined by 7% in local currency compared to the same period of the previous year and operating profit declined by 16%. Operating profit was negatively affected by the change in pension accounting noted in our interim report. Most of that decline, however, can be attributed to lower shipment volumes and higher promotions for the US cigar business.

For US cigars, shipment volumes declined by nearly 20% in the third quarter. Part of the decline was attributable to higher product returns as we reset retail shelves with more competitively priced products. The main factor, however, was a further ramp up of competitive activity in the deep discount segment where products are offered for sale to consumers at a price 30% less than our lowest priced White Owl products.

For natural leaf cigars we did increase volumes, but in our HTL portfolio we showed steep volume declines. In the HTL segment we launched our own deep discount brand, Jackpot in September and during Q4 we will expand the Jackpot product range as well as adjust the promotional mix on the existing SKUs. While these measures should support the volume development, we expect lower average prices as a result of the more promotional product mix.



For chewing tobacco, our market share for the year-to-date period ending September 28 was 48.1% according to Nielsen estimates versus 47% for the year-to-date period ending 2012. Swedish Match shipment volumes in the quarter are down 11%, including contract manufacturing volumes. Our own portfolio performed better than this and was down by 5% on a constant trading day basis.

During the quarter chewing tobacco sales were in line with last year's third quarter, positively impacted by a 5% price increase on the Swedish Match portfolio during the quarter. And operating profit was higher year on year in local currency.

Our lights businesses had solid results with increased sales and higher operating profits in local currency for both matches and lighters. Lighters had a particularly strong quarter, while in SEK terms operating profit for matches only increased slightly due to currency effects.

In regard to our 49% holding on Scandinavian Tobacco Group, their total net sales for the third quarter increased to DKK1.577 billion, up from DKK1.443 billion in the third quarter of the prior year. And EBITDA increased to DKK335 million, up from DKK319 million in the prior year.

All product segments reported higher sales in local currencies with the most notable increase from machine-made cigars. Sales comparisons for machine-made cigars were positively impacted by unusually weak sales volumes prior year in Europe due to a backlog situation in conjunction with an ELP installation.

Stronger sales and volumes for machine-made cigars resulted in a notable increase of the EBITDA. The backlog situation substantially recovered in the fourth quarter last year. In this year's fourth quarter there is a planned inventory adjustment at a major European distributor, which would result in unusually low net shipment volumes.

EBITDA in the quarter increased for fine cut tobacco versus prior year, while EBITDA declined for handmade cigars and pipe tobacco as higher expenses offset the benefit of increased sales. Swedish Match share of net profit after taxes from STG in the third quarter amounted to SEK88 million, up from the adjusted SEK82 million in last year's third quarter.

Now I will hand over to Tom for some out more comments on the financials.

Tom Hayes - Swedish Match AB - Acting CFO

Thank you, Lars. For the third quarter the development of exchange rates had a negative effect on our sales and operating profit comparison due to the weakening of the US dollar and the Brazilian riel versus the Swedish krone relative to the third quarter of 2012.

The average rate of the dollar versus the Swedish krone has depreciated by about 4% year-to-date through September from 6.81 in 2012 to 6.52 in 2013, while the Brazilian riel has depreciated 13% versus the krone for the same time period. The total translation impact on sales was a negative SEK53 million for the third quarter, which consists of a negative SEK18 million for other tobacco products, a negative SEK15 million for snus and snuff, and a negative SEK20 for lights.

The total translation affect on operating profit was a negative SEK10 million in the third quarter. While not included in the translation effects that I just referenced, it is worth noting that the further weakening of the Norwegian krone, approximately 4% versus the Swedish krone in Q3 2013 compared to the third quarter of 2012, dampened operating profit of our Scandinavian snus operation by SEK8 million.

The current exchange rate environment implies that we could continue to see negative translation impacts in the fourth quarter. The average rate of the US dollar versus SEK for the fourth quarter of 2012 was 6.66 while the average Brazilian riel/SEK rate was 3.24 in the fourth quarter of 2012.

There were no large or one-time items recorded in either the third quarter of 2013 or 2012. The 2013 year-to-date results include a capital gain of SEK161 million which was recorded as a larger one-time item resulting from the Q1 2013 approval of the final purchase price for a 2007 land sale.



Year-to-date 2012 results include an adjustment to the capital gain from transfer of business to STG of SEK30 million, which was booked as a positive, larger, one-time item in the second quarter of 2012. The SEK28 million restructuring charge recorded in the third quarter of 2013 was reflected as an ordinary item within the snus and snuff product area.

Net financing costs for the third quarter amounted to SEK142 million compared to SEK141 million in the previous year and included a loss on the repurchase of debt of SEK9 million, largely offset by lower average debt levels and interest rates on our outstanding bond portfolio.

During the first nine months of the year the reported tax rate was 18.8%. Excluding one-time items, associated companies, and joint ventures, the tax rate was 22%, which is also what we expect for the full year of 2013. One-time items relate to the additional capital gain from the sale of land while associated companies and joint venture was mainly related to STG.

Some brief comments on cash flow and the balance sheet. Cash flow from operating activities for the nine-month period amounted to SEK2.1 billion compared to SEK2.082 billion for the same period the previous year. The cash flow from operations increased versus the prior year, primarily due to favorable changes in working capital offset by the decline in operating profit.

Net cash used in investing activities for the first nine months amounted to SEK135 million and includes investments in property, plant, and equipment of SEK232 million compared to SEK171 million in the previous year. We expect that investments in property, plant, and equipment for the full year should be in the range of SEK300 million.

In the first nine months of 2013 net cash used in investing activity was positively impacted by the receipt of the additional purchase price of SEK161 million related to the 2007 land sale.

During the first nine months of 2013 nearly SEK1.8 billion has been transferred to the shareholders by means of share buybacks and dividends, of which SEK302 million was in the form of share buybacks. During the second quarter of the year 4 million shares held in treasury were canceled. As of September 30, 2013, Swedish Match held 2.9 million shares, bringing the total number of shares outstanding net of treasury shares down to 199.1 million shares.

Net debt as of September 30, 2013, amounted to SEK8.598 million compared to SEK9.289 million at the end of 2012. Three new bond loans totaling SEK1.225 million were issued in the first nine months of the year while SEK1.491 million of bonds were repaid. The average maturity duration of the bond portfolio is now 4.2 years and the weighted average interest rate of the bond was 4.66% with about 93% of the portfolio at fixed interest rates.

The net debt in relation to EBITDA, excluding share of profit in STG, was 2.5 for the 12-month period ended September 30, 2013. The net interest-bearing debt at September 30, 2013 excluding net pension liabilities amounted to SEK10.506 million.

I will now turn the conference call back to Lars.

Lars Dahlgren - *Swedish Match AB - President & CEO*

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Stellan Hellstrom.



Stellan Hellstrom - *Nordea - Analyst*

Hi, this is Stellan Hellstrom with Nordea. Firstly, on mass-market cigars, in the US you are bringing out the new line of products there. I was just wondering if you could share some of your expectations for this line in terms of uptake and also if you can say how much that impacted Q3 and how much you expect to land in Q4.

Lars Dahlgren - *Swedish Match AB - President & CEO*

This is Lars here. The Jackpot line was introduced in September, so we basically just have the first monthly shipments there, so obviously we have to see how this is received by the trade.

What we are doing also in November is that we are extending the product range with more varieties of Jackpot, and it's worth pointing out that this has been our launch plan for some time. So this is -- the fact that we are extending the portfolio is not, so to say, an immediate reaction to the sharp volume declines we see in the third quarter. It has been our plan for some time.

We definitely think that this will help the volume development in the fourth quarter. At the same time, it is early days. And it is clear that we have to work with a promotional mix on the rest of the portfolio as well, because there has been some very fierce undercutting on prices and deals to larger cigar distributors that resulted in this very steep shipment declines in the third quarter.

Stellan Hellstrom - *Nordea - Analyst*

Okay, thanks. Also, a question on Sweden and snus.

You mentioned that some competition has not followed suit in raising prices in the low end in September and you are monitoring the market shares closely. What do you see at this point as potential countermeasures? Are you still looking at maybe a rollback of Kaliber, or is there anything else that you are considering, maybe a new SKU or something?

Lars Dahlgren - *Swedish Match AB - President & CEO*

I think one element of the Swedish trade that is worth pointing out is that with the chains, which sort of dictate the pricing environment, you need to have rather long leadtimes before you make price adjustments. Our September price adjustment we had to announce basically 12 weeks ahead of it taking effect, so one should not expect that one can read exactly what is happening in the competitive landscape instantly after there is still some price increase.

But we have been clear all along that in the low-price segment clearly price sensitivity is high. We think also after the small adjustment that we have a very competitive offering with Kaliber, but we have to monitor the trends very clearly there.

If there is a potential that we adjust the relative pricing on Kaliber, I think our history shows that when it comes to the low-price segment that is more of a tactical decision in the low-price segment the way the market works, which is evidenced by the fact that we have changed prices for Kaliber rather frequently in the last 12 months.

So with that I think we have to wait and see a little bit; this is one period. But within the low-price segment that is -- Kaliber pricing is the parameter to look at and its relative competitiveness.

Stellan Hellstrom - *Nordea - Analyst*

Fine. Finally, if you can just say something on the better market trends, market share trends in Norway. If you have any comment on why this --.

Lars Dahlgren - *Swedish Match AB - President & CEO*

What you see there is -- in the last two periods we have some small gains in the Norwegian market. And the Norwegian market continues to be very dynamic and basically dictated by new products that are an important factor behind the dynamic growth of that market. We look at product launched this year our portfolio has actually taken a good share of that incremental growth from new products.

On the year-to-date trend we have a decline, as you know, and part of this decline has to do with the loose segment falling -- actually falling this year as opposed to the historic trend being more that the loose segment has been relatively stable and pouches have grown. And then also some of our more, call it, traditional pouch products, while they haven't declined, if you look at the Nielsen numbers they also don't take overall share. So they don't fully participate in the market growth.

Stellan Hellstrom - *Nordea - Analyst*

Okay, thank you.

Operator

Anders Hansson.

Anders Hansson - *Danske Bank - Analyst*

It's Anders Hansson at Danske Bank. First coming back to the mass-market cigar question, just understand when you launched Jackpot what -- I saw some comments that you hoped to see volume growth in Q4, but I guess that comes at a quite negative price mix. Do you also aim to have positive sales growth in mass-market cigars in Q4?

Lars Dahlgren - *Swedish Match AB - President & CEO*

When it comes to the mass-market cigar business what we are clear on is that it is in addition to have volume growth in the fourth quarter. It is clear that we have to adjust some of the promotional mix on our -- the rest of our portfolio as well. So we have seen throughout this year that sales growth has lagged volume growth and I think we should expect that to continue also through the fourth quarter.

So if we will be successful in generating sales growth that sort of depends on how successful we are in generating the volume growth that is our ambition.

Anders Hansson - *Danske Bank - Analyst*

And the impact on margins should be some negative from higher share of Jackpot I guess?

Lars Dahlgren - *Swedish Match AB - President & CEO*

Yes, we will, with all likelihood, face a negative price mix effect in the fourth quarter (multiple speakers) as we have done for this year as well. But it may accelerate a little bit in the fourth quarter.



Anders Hansson - *Danske Bank - Analyst*

And just one more on mass-market cigars; how much of the volume decline was due to returns?

Lars Dahlgren - *Swedish Match AB - President & CEO*

It is a factor, but as I said the majority of the return is net returns.

Anders Hansson - *Danske Bank - Analyst*

Okay, thanks.

Operator

Owen Bennett.

Owen Bennett - *Nomura - Analyst*

Good afternoon, guys. Just a couple of questions, please.

Just coming back to Sweden, firstly. Obviously, the low-price segment growth picked up again in September. I was just wondering what are any specific drivers of that and are competition taking pricing earlier on in the year; are they discounting back again?

Secondly, also in [Scandi], given the top-line decline I was surprised that the adjusted Scandi margins were actually up. I was just wondering if there are any cost saves supporting these margins and how do you see costs in Scandi for the full year versus prior year? Thank you.

Lars Dahlgren - *Swedish Match AB - President & CEO*

When it comes to the increased share of the low-price segment of the total market a couple of comments. First of all, it is -- historically we have seen that after the summer. It is not unusual that we see those type of effects.

If you look at exactly the same Nielsen measure one year ago, the increase in the low-price segment was actually bigger than this year. At the same time I think we need to be a little bit careful also looking at one isolated period, because when you look at that isolated period the Nielsen is basically reporting flat full-price volumes and very strong growth of low-price volumes. It is a short period of time.

In terms of competitive pricing, we have seen prices, list prices coming up in the late spring from a couple of competitors. We have seen some of this pricing sticking but, yes, we have also seen some increased discounting from one competitor.

And also one competitor who basically repositioned their price from the upper level of the -- or the product from the upper level of the low-price segment to a deep discount level of the low price segment. So it is a mixed picture, I would say, on the pricing side.

Owen Bennett - *Nomura - Analyst*

Okay, thank you. And just on the margins in terms of (multiple speakers)?



Lars Dahlgren - *Swedish Match AB - President & CEO*

Sorry, the margins there. No, you are correct in your conclusion there that the underlying operating costs in the Scandinavian business were a bit lower, which is a trend that we have seen this year and we are working hard on that.

We have a new organization in place as well that we think primarily will work more effectively, but obviously we also hope to generate some savings out of that. But at the same time there are other costs that tend to go up in the competitive environment that we are in, but we continue to focus on operating costs.

Owen Bennett - *Nomura - Analyst*

Okay. Then so for the full year how should we look at costs versus prior year in Scandi?

Lars Dahlgren - *Swedish Match AB - President & CEO*

(inaudible) full year. One quarter is a little bit short to discuss, but if you look at the year-to-date period it is operating costs in the Scandinavian snus business are lower than prior year.

Owen Bennett - *Nomura - Analyst*

Okay, thank you.

Operator

Andreas Lundberg.

Andreas Lundberg - *ABG Sundal Collier - Analyst*

Andreas here with ABG; good afternoon. I think you indicated that your Q4 US snus investments and your international investments should fair in appear in line with the same period last year. Do you mean actual costs year on year, or do you mean profits year on year? That is my first question.

Lars Dahlgren - *Swedish Match AB - President & CEO*

I mean the net loss that we incurred from these ventures.

Andreas Lundberg - *ABG Sundal Collier - Analyst*

Okay, got you. It also appears that you will focus more on brand building rather than on store expansion in the US for snus into 2014. What is the rationale behind that and what kind of activities are you planning for?

Lars Dahlgren - *Swedish Match AB - President & CEO*

We will focus on distribution as well next year. I think there have been some comments out there today that this year we have doubled the number of stores in the US market. We don't anticipate that we will double the number of stores where snus is present next year, but we do plan to continue growing.

As I say, this year it has been very important for us to secure distribution so that snus is more easily accessible for -- General snus meant for the American consumer. So it means that it provides a little more opportunities, I would say, throwing in a little bit more of traditional brand-building and category-enhancing activities into the marketing mix, but you shouldn't see it as this big swing.

We continue to believe that availability at retail includes the point of sales at retail. And working with the retailers in terms of product placement and educating them on the category, so that they can educate the consumers are key factors in this category.

Andreas Lundberg - *ABG Sundal Collier - Analyst*

Okay. What is competition doing in this area at the moment?

Lars Dahlgren - *Swedish Match AB - President & CEO*

I mean when it comes to one of our main competitors, our main competitor if you measure it by market share in the Swedish snus category, one of the things that they have done is that, like us, they have run some promotions during the spring. Which on our part at least was basically to make sure is that we generate trial of the product, because we are convinced that we have a very, very good product for the American market.

They have launched a new larger product, so more in line, you can say, with the size of our product.

Andreas Lundberg - *ABG Sundal Collier - Analyst*

Okay, thanks a lot.

Operator

Henry Davies.

Henry Davies - *BofA Merrill Lynch - Analyst*

Thank you. I have got four questions, please. Firstly, just back on Sweden pricing. If you do end up cutting prices on Kaliber, where does that leave your thoughts on premium pricing?

And just to clarify, if two of your three competitors have taken a similar price increase on low price to your price increase, does your recent caution imply that the fourth competitor (technical difficulty) to take material market share? That is the first question.

Second, still on Sweden. Just a bit of color on your innovations; consumer reaction and market share in particular on General Tailored that would be great.

Thirdly, a technical one on STG, the destocking you are expecting in the fourth quarter. How many months of destock should we be expecting?

Then, lastly, on Norway, following up on a previous question, it seems your market share has started to stabilize in recent months. Just a bit of color on what has driven that and if you think that stabilization could continue. Thanks.

Lars Dahlgren - *Swedish Match AB - President & CEO*

Okay, let's try to remember all of your questions; otherwise you have to help us. Start from the back in Norway then.



The stabilization in market share there is because we have been successful with some of the recent product introductions, including The Lab Fresh family that has helped to strengthen the overall Lab range in the Norwegian market. We continued to focus on coming out with the best new product in that market and, of course, working with the current portfolio as well. What this means going forward, I think we have to come back to.

On the STG side, it is basically one month of sales to have the portfolio in a major market, a little bit more than half a month sales in a major European market.

And consumer reactions, as I said, basically all consumer reactions so far that we have are actually very positive on Tailored. It has taken some time to build distribution and get it well-visible at retail. We are at 60% distribution. To my memory the latest market share is 0.6 in carrying stores and 0.4 of the overall market. Is that correct, Emmett?

Emmett Harrison - *Swedish Match AB - SVP, Corporate Communications & Sustainability*

Correct.

Lars Dahlgren - *Swedish Match AB - President & CEO*

If you compare that to launches of other premium brands, it is not bad and the trend is positive, so we continue to feel very good about the Tailored offering. And we do think also that new offering under the (inaudible) brand and the slim variety based on the same technology will sort of further enhance this whole proposition so that hopefully they can complement and see some synergies between those two launches.

One comment there only on the GR Slim variety. It is a selective launch to start with as well and this has to do with the launch windows in the organize trade, so it is not in full national distribution until the beginning of next year. But consumers will definitely be able to find the product as of now basically.

In terms of Sweden pricing, I say that we see that within the low-price segment relative pricing is extremely sensitive and it is basically, to a large extent, about the pocket outlay and the price. When it comes to the full-price portfolio, it is our view that it is not that affected of the practical elements of what is going on there in the low-price segment. Over time the price gap is large, but I think our strategy is well respected now.

We took a modest 2.5% list price increase of the full-price segment. What we have said there is that we are not taking full price up in January of next year. If you look historically, we haven't used January that often but when there have been tax increases we have done that. And this year the tax increase is virtually zero, so what we do to full-price segment -- the next price increase will be in the full-price segment.

And we will have to come back to that since there are no decisions yet. It is basically part of an annual review and analysis of the market trends and what we think is the right thing for the long-term proposition.

Henry Davies - *BofA Merrill Lynch - Analyst*

Perfect, thank you. Maybe just a follow-up on that last question. If you do reduce your price of Kaliber, will that not just lead to your two competitors that have put the same price increase through doing the same? And then you have got premium prices increasing, discount prices staying the same and the price gap that you have already identified as too large increases over time and you are back to square one?

So is it just that this fourth competitor is taking so much share, which is why you are having to consider this? Otherwise, the move just seems a bit confusing.

Lars Dahlgren - *Swedish Match AB - President & CEO*

First of all, we haven't said that we will take back Kaliber pricing. We have said that we will monitor the development very closely. The way the market is that is it very tactical in the low-price segment at the moment.

Henry Davies - *BofA Merrill Lynch - Analyst*

Okay, thank you.

Operator

Casper Blom.

Casper Blom - *Handelsbanken Capital Markets - Analyst*

Thank you, Casper from Handelsbank here. Three questions, please.

First of all, with regards to US cigars and these new Jackpot launches that you are doing, could you talk a little bit about what type of products these are? Are these flavored cigars that could potentially be hurt by any new regulation with regards to flavors in the US?

My second question relates to the Swedish mid-price sector, which you haven't really spoken much about. What potential do you see for price increases here? And just to clarify, is General Tailored placed within the mid-price segment?

Then, thirdly, sort of speaking more broadly, you have now seen consumers trading down both in Sweden and the US snus -- snuff and within mass-market cigars. Is this sort of an expression of consumers becoming less loyal than they have been historically? Thank you.

Lars Dahlgren - *Swedish Match AB - President & CEO*

If I start on the mid-price, we did not take pricing in September in the mid-price segment and when you look at the development for our mid-price brand (inaudible) it is clear that we have some pretty steep volume declines and that the positioning of (inaudible) is challenging in this competitive environment.

So I would say, while we don't communicate specifically on future price changes, apart from what I just said about the full price at year-end, then it is a challenging environment for the mid-price segment. And General Tailored, being the General brand, when we segment the market we put that in the full-price segment.

When it comes to these cigars, Tom?

Tom Hayes - *Swedish Match AB - Acting CFO*

Casper, this is Tom. The Jackpot launch that we did in September was what we refer to as HTL rapper, or homogenized tobacco leaf. So it is not our natural leaf offering in the US.

But the September launch were flavored cigars. We will follow that up in November with what we refer to as our mild launch. Those have hints of flavor, but those would not be subject -- or the expectation would be not subject to FDA regulation.

Casper Blom - *Handelsbanken Capital Markets - Analyst*

Okay. Any comments on changing consumer loyalty, so to speak, more broadly?

Lars Dahlgren - *Swedish Match AB - President & CEO*

More broadly I would say -- I mean we have -- in that sense you are right that if we go back a few years the low price segment in the Swedish market, for example, was smaller than it is today. And same goes for the value segment in the US. I think this is to some extent a trend that you have seen in many customer goods categories.

Casper Blom - *Handelsbanken Capital Markets - Analyst*

Okay, thank you.

Tom Hayes - *Swedish Match AB - Acting CFO*

But at the same time, it is important to note that there has been quite a bit of resilience at the full-price side of the market in the Swedish market despite these very big price gaps. The growth, yes, in volume terms is coming from lower-priced products, but there is a very loyal consumer that is looking for high-quality products with these very strong brands, with packaging and the flavors and the assortments that they like.

Casper Blom - *Handelsbanken Capital Markets - Analyst*

So you could speak of a two-tier market now?

Tom Hayes - *Swedish Match AB - Acting CFO*

Yes, I mean the mid-price segment is declining as a total share of the total market. Right now it is around a 60/40 split between full-priced and low-priced products.

Does that mean that it will stay there? It could mean that the low price segment, the two value segments combined continue to grow a little bit, but with very strong overall market growth, with 5% or so market growth for the overall Swedish market, we do see good resilience at the full-priced end.

Casper Blom - *Handelsbanken Capital Markets - Analyst*

Thank you.

Operator

Adam Spielman.

Adam Spielman - *Citigroup - Analyst*

Can I ask three questions? One I hope is really simple. Do you have any new information about any FDA announcement on regulation potentially of cigars?

Lars Dahlgren - *Swedish Match AB - President & CEO*

No.

Adam Spielman - *Citigroup - Analyst*

Okay, thank you. Secondly, can I just double check, if I -- I believe you said that the full-price segment was nearly stable. But is that just in Sweden or does this include -- if I look to the full-price segment in Sweden and travel retail as a whole are you able to say how that has moved in the latest quarter?

Lars Dahlgren - *Swedish Match AB - President & CEO*

It is very difficult on a quarterly basis, Adam, because you have the travel retail serves Swedish, it serves Finnish, and it serves Norwegian consumers. Plus that sort of quarterly fluctuation in shipment volumes there are not unusual.

But we have seen throughout the year a decline in the travel retail market and it was a little bit steeper in the third quarter. And that is the reason, one of the reasons we say that be careful with this sort of very, very strong market growth that Nielsen is indicating for -- when Nielsen is saying 8% growth in the third-quarter volume the Swedish market. We more talk about 5% volume growth in the Swedish market.

Adam Spielman - *Citigroup - Analyst*

Okay. Then the main question; I am a little confused and I hope you can help. On the one hand, on the front page of your press release you have said that there is an acceleration of growth in the value segment of the snus market in Sweden. But on the other hand, you have also said, well, this frequently happens in September.

And so I am trying to gauge how significant you really think it is. It is not really clear to me.

Lars Dahlgren - *Swedish Match AB - President & CEO*

I think and I want -- what we want to point out is that -- I mean if you go back to 2012 we saw a very steep increase in the low-price segment in the Swedish market. Much of this was driven by increased distribution and visibility of the low-price segment.

Going into this year we did say and we did think and we continue to think that we will see some increase of the low-priced segment Swedish market, especially if it is in combination with this strong category growth. We have increased our activity level and we think we have gotten good effects out of some of these launches and the job we are doing on visibility and so forth.

If you look to the third quarter and the spring and the summer months, things actually do look fairly stable from a market share point of view and also what Nielsen reports as resilience from the full-price segment. If you take the year-on-year full-price volumes as Nielsen reports them, you will see an improved trend basically for the last -- or for all of the quarters through this year.

The Nielsen data comes out there and it is one period and we want people to understand that it is only one period, but we also want to make sure that people don't miss that one. It is a factor that we have to see how it develops over the fall. We are pleased with what we have seen for most of the third quarter, but it is very competitive so we have to continue to monitor the situation.



Adam Spielman - *Citigroup - Analyst*

I guess there are two possible interpretations. There is a bearish interpretation that says, look, we had a -- let's call this a price war. We had some very significant pricing actions at the end of last year. You have innovated; you have felt things stabilized.

But, frankly, as soon as you put prices up again, for whatever reason which occurred on the first of September, then immediately the data starts showing a deterioration. I guess that is the bearish interpretation.

The other interpretation is, frankly, who cares about one month. It always does it. The quality of the product has gone up and let's not worry.

And I guess where do you think the independent observer should come out? How do you think he or she should weigh those two possible means of (multiple speakers)?

Lars Dahlgren - *Swedish Match AB - President & CEO*

First of all, I think the independent observer, as us, should realize it is a very short period. And when it comes to the affect on the full-price segment as such, we have not been able to detect any negative trends in our delivery patents after the small adjustment that we did in the full-price segment.

And as I said, Nielsen is reporting -- I think even they reported a growth, right, in the last month of their full-price segment but then a very strong growth of their low-price segment so one needs to be a little bit careful. But there have been -- I have seen some comments out there where it is almost as if there is not so much competition anymore at the lower end of the market. And that is something that is important to keep in mind that the continues to be a dynamic and very competitive price segment of the Swedish market. But we are working very hard with our high-quality products in all price tiers of the Swedish market.

Adam Spielman - *Citigroup - Analyst*

Okay, thank you.

Operator

Erik Bloomquist.

Erik Bloomquist - *Berenberg Bank - Analyst*

Good afternoon. Question is on the US snus business. Firstly, I was wondering in terms of the increase in cans per store per week that was alluded to in the press release, how much was that increasing? Are we talking about going from four cans to six, or what kind of development is that?

Can you talk a little bit more about what you are seeing in terms of the evolution for stores that have been open more than one year? Where are they reaching in terms of that turnover on a weekly basis?

Emmett Harrison - *Swedish Match AB - SVP, Corporate Communications & Sustainability*

Hi, Erik. This is Emmett. First of all, one caveat is the numbers bounce around a lot. We look at CMPP data, which is shipments into retailers -- and this is in consumer take-away -- so it is affected a little bit by these trial promotions and taking off trial promotions, inventory adjustments, and so on.



But the trends continue to be positive. For stores launched in 2010 the trend line is getting close to 30 cans per store per week, which is up from, let's say, 25 back at the beginning of the year for that particular trend line. For stores launched in 2011 the trend line is still below 20, but it is above 15. Again, that is a fairly similar slope as for the 2010 store. So good traction in terms of cans per store per week.

I don't think it is really right to talk about 4 going to 6 or 6 going to 5 or something like that, because that is so affected by distribution and shipments into new stores that it kind of skews the numbers a little bit. But we are encouraged by the trend line, so if in any particular four-week period or eight-week period the number is much above that trend line or even much below that trend line we are not too concerned about it because we keep an eye as well on the different offerings and different activities that we have.

Erik Bloomquist - *Berenberg Bank - Analyst*

Okay, great. So does that mean that we are then looking at perhaps 2015 when there is sufficient volume to merit installation of a line for US snus? Is that a correct extrapolation?

Lars Dahlgren - *Swedish Match AB - President & CEO*

We are evaluating when is the right time for that. There will come a day. We haven't made any formal decisions yet and we will get back to that.

I think it is worth pointing out that we have added a lot of stores during 2013. Clearly with the new stores you have some initial shipments and then it tends to go down, so that stores added in 2013 -- I think what Emmett is saying -- it is almost too early to see a trend line. But if you take the overall number and we try to isolate for some of these effects of the promotion and so forth, we are basically relatively flat on cans per store per week on overall average but with expanded distribution.

Erik Bloomquist - *Berenberg Bank - Analyst*

Okay, thank you. Then, lastly, is there a cost effect from the new General cans and how has that been received by consumers? Thank you.

Lars Dahlgren - *Swedish Match AB - President & CEO*

It is not launched yet. I believe costing is fairly similar to the existing General can. If you are talking about the new rectangular metal can for the US market.

Emmett Harrison - *Swedish Match AB - SVP, Corporate Communications & Sustainability*

But it sure does pop at retail. I mean it looks great.

Erik Bloomquist - *Berenberg Bank - Analyst*

Okay, thank you.

Operator

James Bushnell.



James Bushnell - *Exane BNP Paribas - Analyst*

Good afternoon. Two questions, please. Firstly, and with apologies for doing this one to the death, could you remind us where you see your relative price positioning at the low end in snus in Sweden on a like-for-like basis, as much as that is possible to talk about?

Then, secondly, you mentioned that Scandinavian sales are down 4% year on year. You also mentioned the weakening of the Norwegian krone. If you can maybe give us a like-for-like constant currency sales trend there and if at all possible to split out by Sweden, Norway, travel retail as much as you can that would be great. Thank you.

Lars Dahlgren - *Swedish Match AB - President & CEO*

This Lars; while Emmett is looking up the prices for you I will just comment on the Scandinavian portfolio. If you adjust for the weak Norwegian krone, the sales decline in Scandinavia was 3% instead of 4%.

Then we don't go into much further detail than saying that the volumes were up in Sweden, volumes were up in Norway, but down in travel retail. And you saw the overall number that we report.

Emmett Harrison - *Swedish Match AB - SVP, Corporate Communications & Sustainability*

If we look at -- for average consumer prices on the Swedish market -- we won't look at loose. We look at original, loose, and -- original pouches and wide pouches. For the full-price products right now in October the average price for the pouches is hovering around 45 krone; a little bit less than that for the original, a little bit more than that for the wide pouches.

For the mid-price products it is around 35 krone to 36 krone. Again, a little bit less for the original, a little bit more for the wide pouches. Then for the lower-priced product the price range varies between about 19 krone and 25 krone depending on the product.

Now the weights are different for those different products. I would say that on a weight-adjusted basis they are pretty similar, except for perhaps one competitor that did a price reduction a while back that might be a little bit less expensive right now.

James Bushnell - *Exane BNP Paribas - Analyst*

So just to be clear, you think versus two of your competitors you are, on a like-for-like basis, roughly at the same price on a weight-adjusted basis?

Tom Hayes - *Swedish Match AB - Acting CFO*

The honest answer is it really depends on the shop. It depends on the mix that is out there. It depends on how the consumer looks at the product.

If you are talking about weight per gram or price per gram or price per pouch, there is so many variances that go in there I think the most honest answer is they are broadly similar. But I would really have to do a lot of digging and I wonder whether the consumer does that much digging into the exact price per pouch or exact price per gram for the different products.

James Bushnell - *Exane BNP Paribas - Analyst*

Thanks very much.



Operator

Nicklas Fharm.

Nicklas Fharm - *SEB Enskilda Inc - Analyst*

Good afternoon, this is Nicklas Fharm with SEB Equities. I would like to ask you a couple of questions as well, starting with the full price segment.

Do you think if we talk about the market outlook that there is indeed a cyclical component in the mix in the markets? It is obviously secular growth for the value segment or the low-price segment, but to what extent do think there is a cyclical component also in the full-price segment? And how do you expect to capitalize on that going forward? If you could talk about marketing and what have you?

And in relation to that question, the cost restructuring program that you are charging the Q3 P&L with, what is that supposed to leave you with in terms of savings? And would those savings potentially be used for improving your margins or for lowering prices elsewhere?

Lars Dahlgren - *Swedish Match AB - President & CEO*

If you (inaudible) component, meaning how it relates to the overall status of the economy, I would say generally speaking it may be a small factor, but it is a very small factor, according to our knowledge about the snus market. So it is much more important what is happening around us and so forth and at the various shops and competitive landscape.

When it comes to the restructuring charge, there is a reduction in the workforce that falls out of this and there are some savings. There is some lagging this that the full effect will not be until 2015, but there are some anticipated savings, roughly speaking, around SEK20 million.

The main thing I will say of the new organization is that we think it is a more effective way of organizing ourselves with basically one responsibility for the entire Scandinavian market. And we think that it will be a quicker and more decisive organization.

Nicklas Fharm - *SEB Enskilda Inc - Analyst*

What do you think about marketing as a tool to drive or maintain volumes in the full price segment for next year?

Lars Dahlgren - *Swedish Match AB - President & CEO*

When it comes to marketing the Swedish laws are that basically you are allowed to do point-of-sales marketing at retail. And that is an important component in terms of explaining, for example, news that we put out into the segment to take now the GR Slim product to make sure that consumers are aware of this product and driving them.

We actually rely on consumers telling consumers, and that is why we think it is so important to really focus on the product quality, which we do.

Nicklas Fharm - *SEB Enskilda Inc - Analyst*

Could I also ask you from the other side, from the balance sheet side, I mean you are -- excluding STG you are at 2.5 times net debt to EBITDA. Do you have any potential or any plans to refinance your debt in the short term? And what do you think; what are you saying -- could you say anything about potential share buybacks at this stage?

Tom Hayes - *Swedish Match AB - Acting CFO*

This is Tom here. You are correct in noting our net debt to EBITDA at the end of September at 2.5. We still believe that is the appropriate place to be.

We don't talk to share buybacks, obviously, until they are affected, but in doing your modeling you should obviously consider the circumstances of the challenging US mass-market cigar business on what that means for EBITDA and share repurchases that could come from EBITDA.

We don't have any current plans for refinancing and if you look at our maturity profile, it is fairly manageable for the foreseeable future. We do have a more sizeable amount due in 2017 with respect to our public bonds, and we would look to get in front of that either 2015 -- 2015.

Nicklas Fharm - *SEB Enskilda Inc - Analyst*

Okay, excellent. Thank you very much, gentlemen.

Operator

Chas Manso.

Chas Manso - *Societe Generale - Analyst*

Chas Manso from [SocGen] here. On Scandinavia, just looking at the sequential price mix which looks to have gone from minus 1 to minus 3 from Q2 to Q3. Given you have had some price increases and the full-price segment is a bit firmer, a little bit surprising that the price mix deteriorated. Could you maybe talk to that if possible?

While we are on the Scandinavian bit, could you talk about the sort of travel retail components within the Swedish market growth? You are saying 5%; Nielsen is saying 8%.

Is that 5% sort of adjusting for travel retail or should we adjust further down for travel retail once that anniversaries next year? And if so, by what amount?

Lars Dahlgren - *Swedish Match AB - President & CEO*

On the travel retail, it is, as I said, a little bit difficult to make the exact calculation since it is impossible to know exactly where the product ends up being consumed. I would say that the 5% estimate that we give for the Swedish market probably has a slight positive impact also of travel retail.

But travel retail is basically 12% -- in the quarter is 12% of our portfolio, so that gives you sort of the magnitude. And that is the entire travel retail, including the Norwegians and the Fins and so forth. When it comes to price mix, you have some moving pieces, but you have to be -- price has to remain relatively stable over the spring and the summer, but you still have the effect of higher low-price or more low-price product in our portfolio versus prior year.

The travel retail decline effect or the price mix component a little bit. And also the Norwegian krone, as I said, you basically can figure it out when I say that if you adjust for that net sales would have been down 3% instead.

Then you almost -- actually between Q3 and Q2, and this is the same last year if you go back and check. There is -- Norway, where sales prices are a little bit higher, Norway is a little bit lighter part of the total portfolio.



And this is normal summer phenomenon coming from the fact that I guess more Norwegians travel. They travel to Sweden more in the summer as well and buy the product there. So there are quite a few moving pieces. I think it is a good reminder that one should be a little bit careful looking on an isolated quarter when it comes to the price mix components.

Chas Manso - *Societe Generale - Analyst*

Okay. On the US, just thinking a little bit about the US mass-market cigar margins. So you are saying that the Jackpot product, it is 3 for 99 versus more normal 2 for 99. So have you managed to reduce the cost base as much as the unit revenue base so that you can maintain margins, or is this significantly margin dilutive going forward? And some kind of feel for potential impact at that level?

Lars Dahlgren - *Swedish Match AB - President & CEO*

Jackpot is margin dilutive as such, but of course it does provide absorption effects. If you just stand aside and not participate in this environment, it would be even more margin dilutive.

We have worked on the product costing for Jackpot and it is slightly lower than, for example, the corresponding White Owl product, but it is not to the extent that it would compensate for the lower price.

Chas Manso - *Societe Generale - Analyst*

Right. In the Q3 OTP margin it wasn't depressed any way by the returns, the put up returns aspect of the quarter?

Lars Dahlgren - *Swedish Match AB - President & CEO*

I mean returns do affect margins. And I mean returns are -- we do have the returns on a recurring basis in all quarters basically, but they were definitely higher in Q3 than they were last year.

Chas Manso - *Societe Generale - Analyst*

Yes, that is what I am trying to get to the bottom of. Is the Q3 margin sort of depressed by the returns, the abnormal (multiple speakers)?

Lars Dahlgren - *Swedish Match AB - President & CEO*

It is a negative.

Chas Manso - *Societe Generale - Analyst*

Yes. So maybe going forward the margin impact maybe not as bad as it was in Q3; that is what I'm trying to get to the bottom of?

Lars Dahlgren - *Swedish Match AB - President & CEO*

We have to see also our product returns in this dynamic environment. We cannot rule that we will have some product returns in Q4 as well. But I think your point too is that we are -- it is our ambition to grow volumes, but it really comes at a price and that price is net price to participate in this dynamic environment.

Chas Manso - *Societe Generale - Analyst*

The last one for me is on the US snus store count. So you are talking now about more moderate increases in the store count. Could you remind us where you feel, when it is all played out, what the ideal store count you would be aiming for actually is?

Lars Dahlgren - *Swedish Match AB - President & CEO*

I would say 50,000, 60,000 stores I would consider full national distribution. So I mean we are still planning to expand distribution next year, but not doubling the distribution as this year.

Chas Manso - *Societe Generale - Analyst*

Okay, but you haven't lowered your end-game target for the number of stores in US mix?

Lars Dahlgren - *Swedish Match AB - President & CEO*

No.

Chas Manso - *Societe Generale - Analyst*

Okay, thank you.

Operator

Gabriela Malczynska.

Gabriela Malczynska - *Barclays Capital Markets - Analyst*

Sorry if it was already clarified, but I just wanted to clarify on the pricing strategy in Sweden going into 2014, especially with respect of the upcoming excise increases.

Emmett Harrison - *Swedish Match AB - SVP, Corporate Communications & Sustainability*

Yes, this is Emmett. Basically there is no excise tax increase in Sweden. It is practically the same in January of next year.

There is about a 2.1% tax, weight-based tax increase in Norway, so that is going to go from NOK9.50 to NOK9.70 per kilo. And with that lack of tax increases in January of next year I think you can say that we are not going to do anything in January on the price increase front there.

Then we are going to take a look later on during the year and just keep an eye on how things are going. We will decide later on in the year what other kind of increases or adjustments we are going to be making.

Gabriela Malczynska - *Barclays Capital Markets - Analyst*

Okay, fantastic. That is all I need to know. Thank you.

Operator

Henry Davies.

Henry Davies - BofA Merrill Lynch - Analyst

Just a couple of follow-ups. Going back to the -- Adam's question on the Nielsen data getting worse in September, did I hear you say -- I think you also said that you didn't notice any changes to your premium shipments in September. Did I hear that right?

And maybe if you could just tell us the rough progression of your premium shipments in July/August versus September and maybe also into October what you have seen so far this month.

Tom Hayes - Swedish Match AB - Acting CFO

If we take a look at the Nielsen numbers, I mean what we are pointing out is for the period ending in early October, which is basically the September read for Nielsen, we saw that our share of market within the low-price segment dropped by a full percentage point. Went from around 30 to around 29, which was a pretty big reaction to a fairly small price increase there.

If you look at the Nielsen numbers for volume growth, or however you want to call it, volume progression, for the full-price segment and for Swedish Match it is pretty consistent. Nielsen is showing it up 1 to 2 percentage points in each of the last three four-week periods.

Now, we believe that the numbers for the total market growth and also for the full-price segment growth is somewhat overstated when we look at Nielsen, excluding tobacconists, partly attributable to some of the travel retail changes and so forth. I guess what we are saying is the full-price segment is being very resilient. It is following normal patterns, where you have a bit of an increase in the summer months and a slight drop off slightly after the summer, but very normal patterns.

Then at the low end of the market you did see a bit of an increase in the growth in the fall, which is -- or in September, which is to be expected because of normal seasonal patterns. But you saw a fairly big reaction in only one period so we need to take a look at some more periods to see how things go with regard to Kaliber.

I am not going to go into a trading update for the month of October. That has to wait, but we will be getting new Nielsen numbers in in two or three weeks.

Henry Davies - BofA Merrill Lynch - Analyst

Okay, great. Thanks. Then just back on travel retail, can you remind us when you did the last packaging change which is leading to the current volume decline, so we can work out how many quarters of this we have to model?

Tom Hayes - Swedish Match AB - Acting CFO

In the summer of 2011 there was the first phase of the packaging changes for the travel retail pack, but it was only for a couple of brands within our portfolio. So you had a positive impact for the Swedish market, if you will, in the second half of 2011 and first half of 2012.

It was anniversaried in the middle of 2012 and there you saw the larger decline in the full-price segment and you actually saw volume increases in the second half of 2012 and in the second half -- that is right, 2012 versus 2011. There were some other changes that were made, smaller changes that were made subsequent to the middle of 2011. But then, again, in the summer of 2013 we did it for basically the rest of the portfolio on the products.



Henry Davies - *BofA Merrill Lynch - Analyst*

Perfect. Last question from me just on the selling rates in US snus; clearly very positive in 2010 and 2011 basket. On the stores added in 2012 and so far in 2013, which is a much larger number of stores, are you seeing the same early progression in selling rates or is it perhaps a little bit slower? Any color on that would be great.

Tom Hayes - *Swedish Match AB - Acting CFO*

Not much color on that. I can help you a little bit though. When we talk about these rates of cans per store per week, we are talking about shipments from distributors into retailers.

Now when we expand the store count for some of these extra stores you are talking about perhaps some smaller convenience stores as opposed to big dedicated tobacco outlets or cigar shops or so forth. So the shipments that they need of stock that goes into those stores might be a little bit different.

We are seeing an increase in the selling rates of cans per week per store, but the store types are a little bit different than what they were before.

Henry Davies - *BofA Merrill Lynch - Analyst*

Okay, thank you.

Operator

(Operator Instructions) There are no further questions at this time. Please continue.

Lars Dahlgren - *Swedish Match AB - President & CEO*

Thank you for listening today. Just to remind you that the release of our full-year results will be on February 19. Thank you very much.

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