

Q2 2012 Investor Kit

JANUARY-JUNE 2012



Swedish Match reporting segments

■ Snus and snuff

- Swedish snus in Scandinavia and US
- US moist snuff
- Income from SMPM International

■ Other tobacco products (OTP)

- US mass market cigars
- Chewing tobacco

■ Lights

- Lighters
- Matches
- Fire related products

■ Other operations

- Distribution
- Central costs

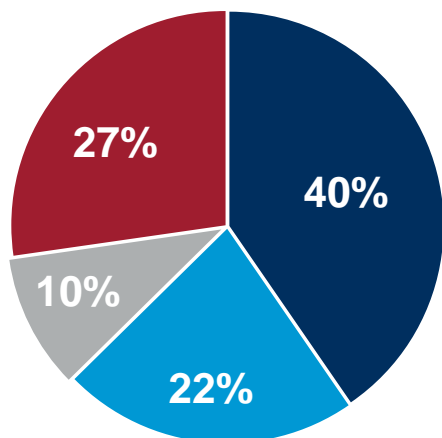


Sales and operating profit

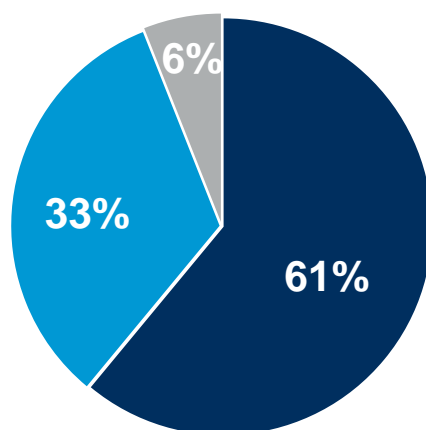
Sales and operating profit by product area

Q2 2012

Sales, SEK



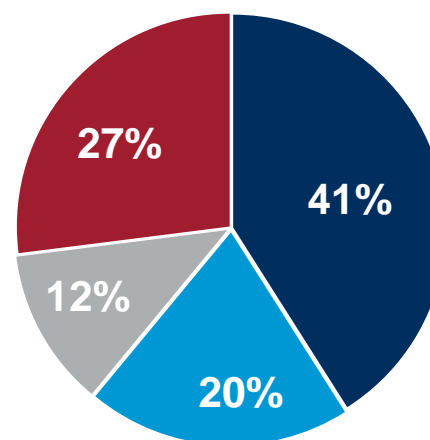
Operating profit*, SEK



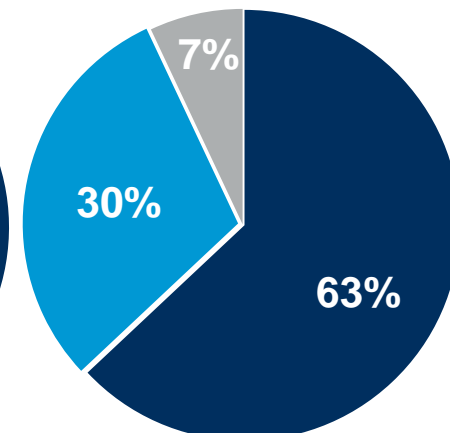
- Snus and snuff
- Other tobacco products
- Lights
- Other operations

Full year 2011

Sales, SEK



Operating profit*, SEK



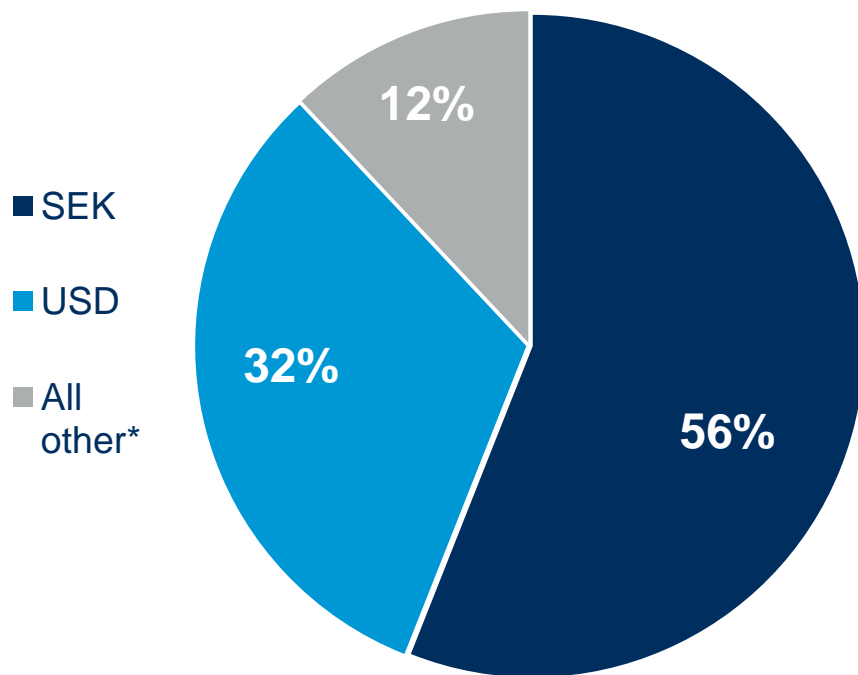
- Snus and snuff
- Other tobacco products
- Lights
- Other operations

* Excluding Other operations and share of net profit in STG for 2011 and 2012 and larger one time items in 2012. Totals may not add to 100% due to rounding.

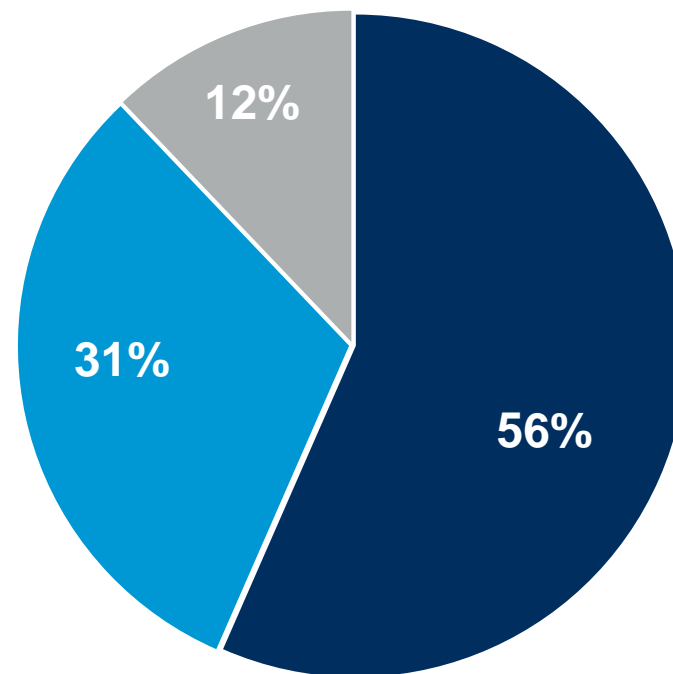
Sales by currency block

Percent of sales, MSEK

Q2 2012



Full year 2011



* Primarily NOK and BRL.

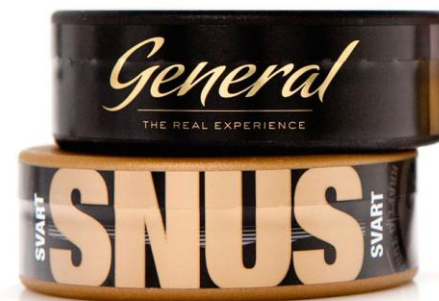
Group results – second quarter 2012

- **Sales amounted to 3,213 MSEK (2,944)**
 - In local currencies, sales increased by 6%
- **Operating profit from product areas increased to 938 MSEK (829)**
 - In local currencies, operating profit from product areas increased by 9%
 - Operating profit, including share of net profit in STG and larger one time items, was 1,082 MSEK (904)
 - Excl. larger one time items, operating profit increased to 1,052 MSEK (904)
- **Profit before income tax increased to 942 MSEK (773)**
- **Profit for the period increased to 759 MSEK (616)**
- **EPS (basic) was 3.72 SEK (2.94)**



Conclusions, second quarter – sales

- **Sales up 6% in local currencies, up 9% in SEK**
- **Scandinavian snus sales up 8%**
 - Volumes for Scandinavia down 3% year on year, but only slightly down when backing out Easter and hoarding effects
 - Continued good volume growth in Norway
- **US moist snuff sales flat in USD, on approx. 2% lower volumes**
- **US mass market cigar sales up 4% in local currency**
 - US mass market cigar volumes up 11% led by growth in FoilFresh® smaller cigars (both sweets and natural)
- **US chewing tobacco sales up 1% in USD**
 - Shipment volumes grew by 3%, with increases in contract manufacturing volumes more than offsetting a 6% volume decline for own brands
- **Lights sales up 10% in local currencies**
 - Solid sales growth for lighters, especially to parts of Asia and East Europe



Conclusions, second quarter – operating profit

- **Operating profit from product areas* up 9% in local currencies and 13% in SEK**
- **Snus and snuff: operating profit up 7% in local currencies, 8% in SEK**
 - Significantly higher spending behind *General* snus in the US, will continue in Q3
 - Operating margin 44.7%, vs. 45.3% previous year
 - Higher Scandinavian snus margin, and somewhat lower US moist snuff margin
- **Other tobacco products: operating profit up 6% in local currency, up 16% in SEK**
 - Cigar operating profit increased in local currency on 11% higher volumes
 - Operating profit for chewing tobacco was flat in local currency
- **Lights: operating profit up 41% in local currencies, up 38% in SEK**
 - Operating profit up for both lighters and matches
 - Strong volume growth for lighters in parts of Asia and East Europe

* Excluding share of net profit in STG.

Group results – first six months 2012

- **Sales amounted to 6,130 MSEK (5,591)**
 - In local currencies, sales increased by 7%
- **Operating profit from product areas increased to 1,841 MSEK (1,558)**
 - In local currencies, operating profit from product areas increased by 15%
 - Operating profit, including share of net profit in STG and larger one time items, was 2,054 MSEK (1,698). Larger one time item of +30 MSEK in Q2 2012
- **Profit before income tax increased to 1,780 MSEK (1,438)**
- **Profit for the period increased to 1,427 MSEK (1,148)**
- **EPS (basic) was 6.99 SEK (5.44)**



Other items

- **Tax rate for the Group was 19.9% for the first six months**
 - Includes profit and loss impact from associated companies
 - Underlying tax rate was 22%, may increase somewhat from 2013
- **Solid cash position, higher cash flow from operations**
 - Cash and cash equivalents were 3,223 MSEK on June 30, 2012 vs. 2,533 MSEK as of December 31, 2011
 - Cash flow from operating activities for the first six months amounted to 1,323 MSEK (1,228)
 - Higher on improved EBITDA, dividends from associated companies, partly offset by higher tobacco tax payments in the beginning of the year relating to hoarding in Sweden at the end of 2011
- **Share repurchases in the first six months amounted to 2.6 million (671 MSEK)**
 - During the first six months the Company sold 2.7 million treasury shares at an average price of 154.81 SEK, totaling 414 MSEK, as a result of option holders exercising options
- **After the cancellation of 7 million shares, the total number of registered shares in the Company is 206.0 million**

Nielsen snus consumption data, Sweden*

- **Swedish Match total value market share 4 weeks to June 17, 2012 was 82.8%**
 - 86.7% 4 weeks to June 19, 2011
- **Swedish Match total volume market share 4 weeks to June 17, 2012 was 78.4%**
 - 84.5% 4 weeks to June 19, 2011
- **Value segment was 34.1% of Swedish market 4 weeks to June 17, 2012**
 - 26.3% 4 weeks to June 19, 2011
- **Swedish Match share of value segment 4 weeks to June 17, 2012 was 45.1%**
 - 50.2% 4 weeks to June 19, 2011
- **Swedish Match share of premium segment 4 weeks to June 17, 2012 was 95.7%**
 - 96.7% 4 weeks to June 19, 2011

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

Nielsen moist snuff/cigar consumption data, US*

■ Moist snuff

- **US snuff market up 6.3% for the YTD to June 9, 2012**
 - Swedish Match reported volume down 6.8% YTD to June 9
 - Swedish Match 4 wks consumption down 6.2% to June 9 vs. y/a
- **Swedish Match market share in the US**
 - YTD to June 9 was 10.0% vs. 11.4% YTD 2011
 - 4 weeks to June 9, 2012 Swedish Match share was 9.8%



■ Cigars (excluding littles)

- **US mass market for cigars up 2.3% for the YTD to June 9**
 - Swedish Match consumption volume up 18.4% YTD to June 9
 - Market consumption volume up 4.1% 4 weeks to June 9
 - Swedish Match consumption volume up 12.8% 4 weeks to June 9
- **Swedish Match market shares in the US**
 - YTD to June 9 was 15.9% vs. 13.8% YTD 2011
 - 4 weeks to June 9 Swedish Match share was 15.8%



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

Financial policy and financing needs

■ Financial policy

- Dividend policy: 40 - 60% of earnings per share
- 2011 dividend 6.50 SEK per share (5.50)
- Net debt not to exceed 3 times EBITA*

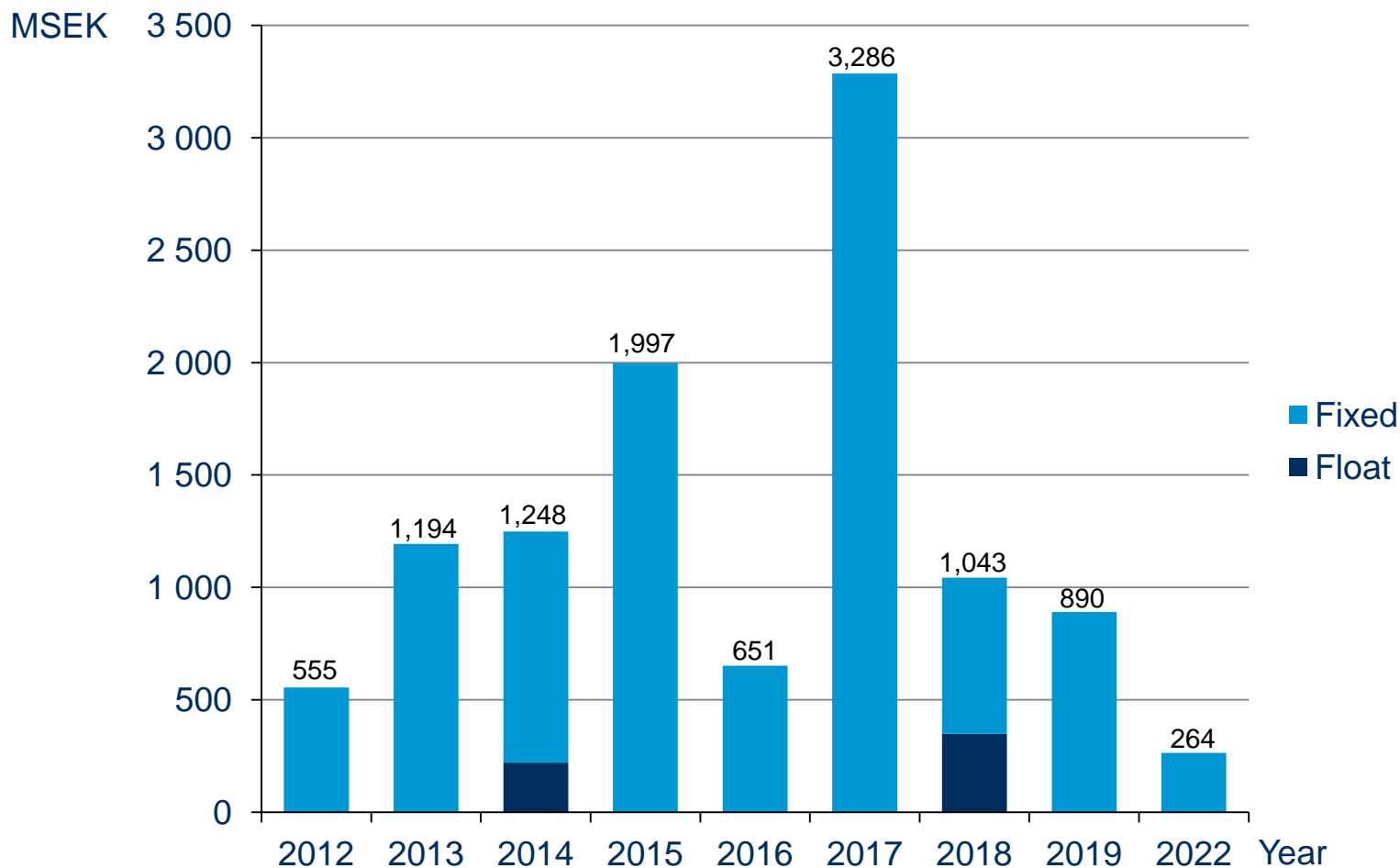
■ Financing and cash flow

- Cash flow from operating activities for the six months amounted to 1,323 MSEK (1,228)
- Improved EBITDA, higher dividends from associates
- Higher tobacco tax payments relating to hoarding in Sweden at the end of prior year
- Net finance cost for the first six months was 274 MSEK (259)
- Net debt/EBITA* was 2.5 for the 12 months ending June 30, 2012

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

Maturity profile of interest bearing liabilities*

As of June 30, 2012



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

Snus and snuff

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



Sales, profits and volumes up. US invests in snus

- **Scandinavia snus sales up 8% in Q2**
 - Scandinavian volumes down 3% in Q2
 - Underlying volume estimated to be down slightly in Q2 when backing out hoarding/Easter effects, and flat for the 6 month period
 - Solid volume growth in Norway, declines in Sweden/travel retail, impacted by hoarding/Easter effects

- **US snus and moist snuff sales flat in USD in Q2**
 - US moist snuff volumes down 2% versus prior year in Q2
 - Lower operating profit, primarily due to significantly higher spend behind US snus

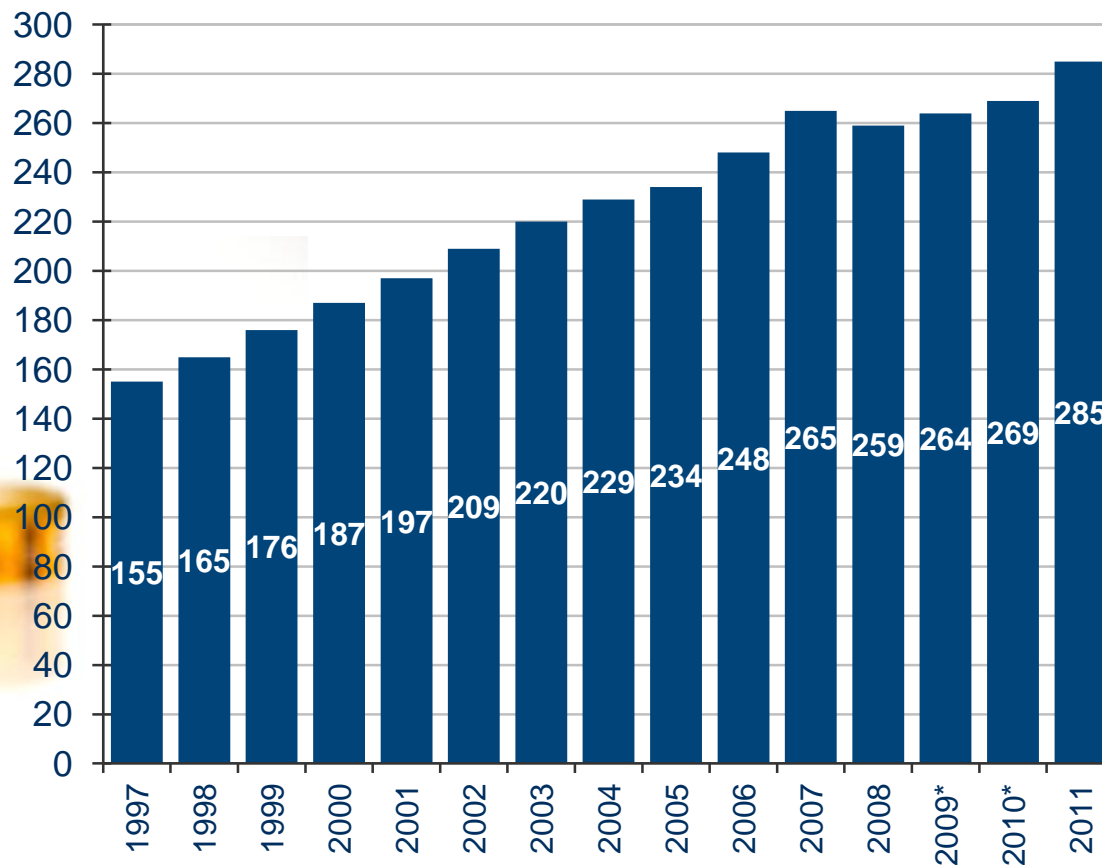
- **Continued investment behind snus internationally**
 - Expansion of *General* snus in US
 - St. Petersburg test of *Parliament* snus
 - Canada test of *General* snus



MSEK	Q2-2012	Q2-2011	chg	H1-2012	H1-2011	chg	July 2011- June 2012	Full year 2011
Sales	1,300	1,193	9	2,506	2,261	11	4,971	4,726
Operating profit	581	540	8	1,149	1,010	14	2,321	2,181
Operating margin, %	44.7	45.3		45.9	44.6		46.7	46.1

Estimated Scandinavian snus consumption

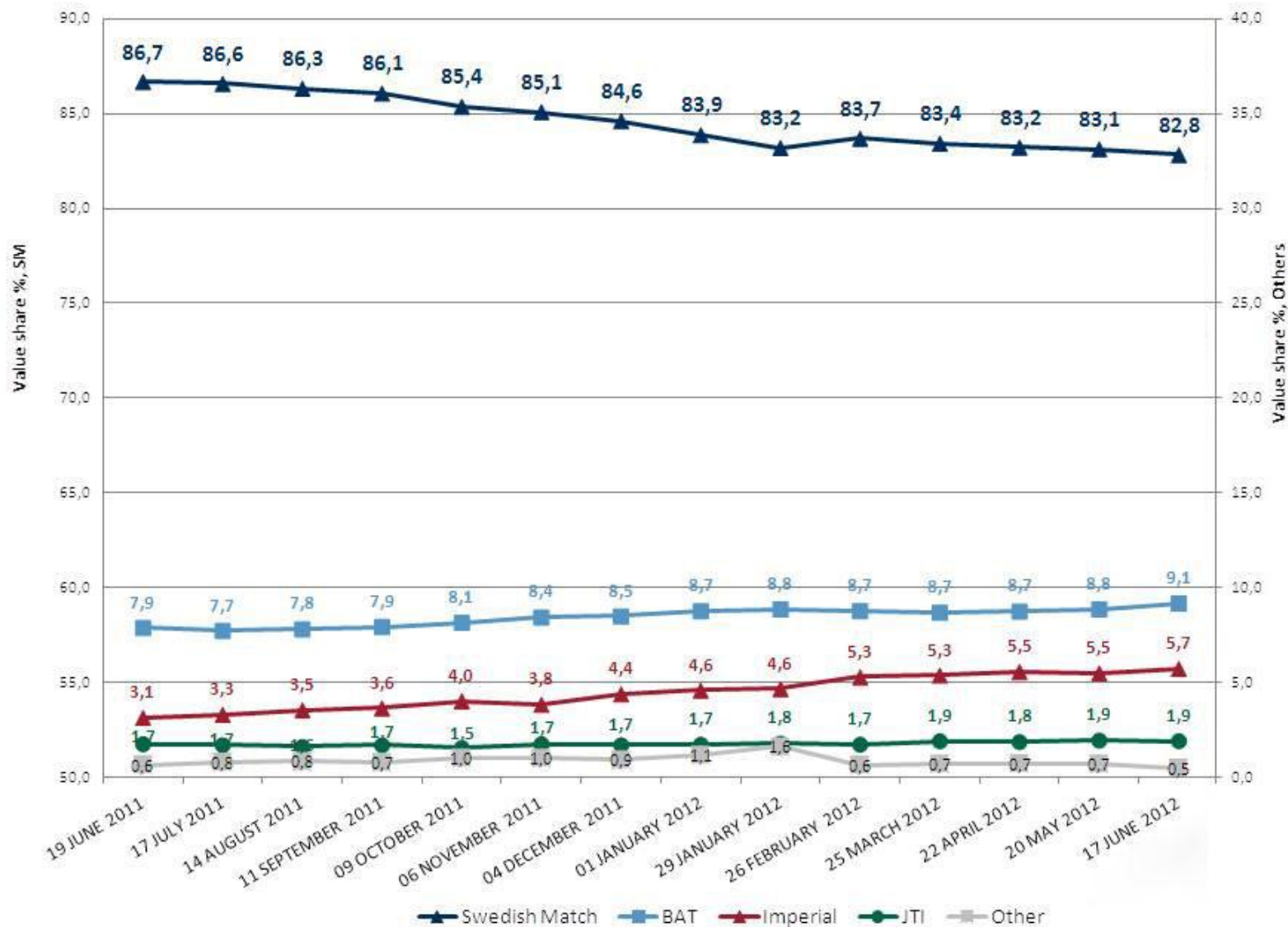
Cans/millions



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

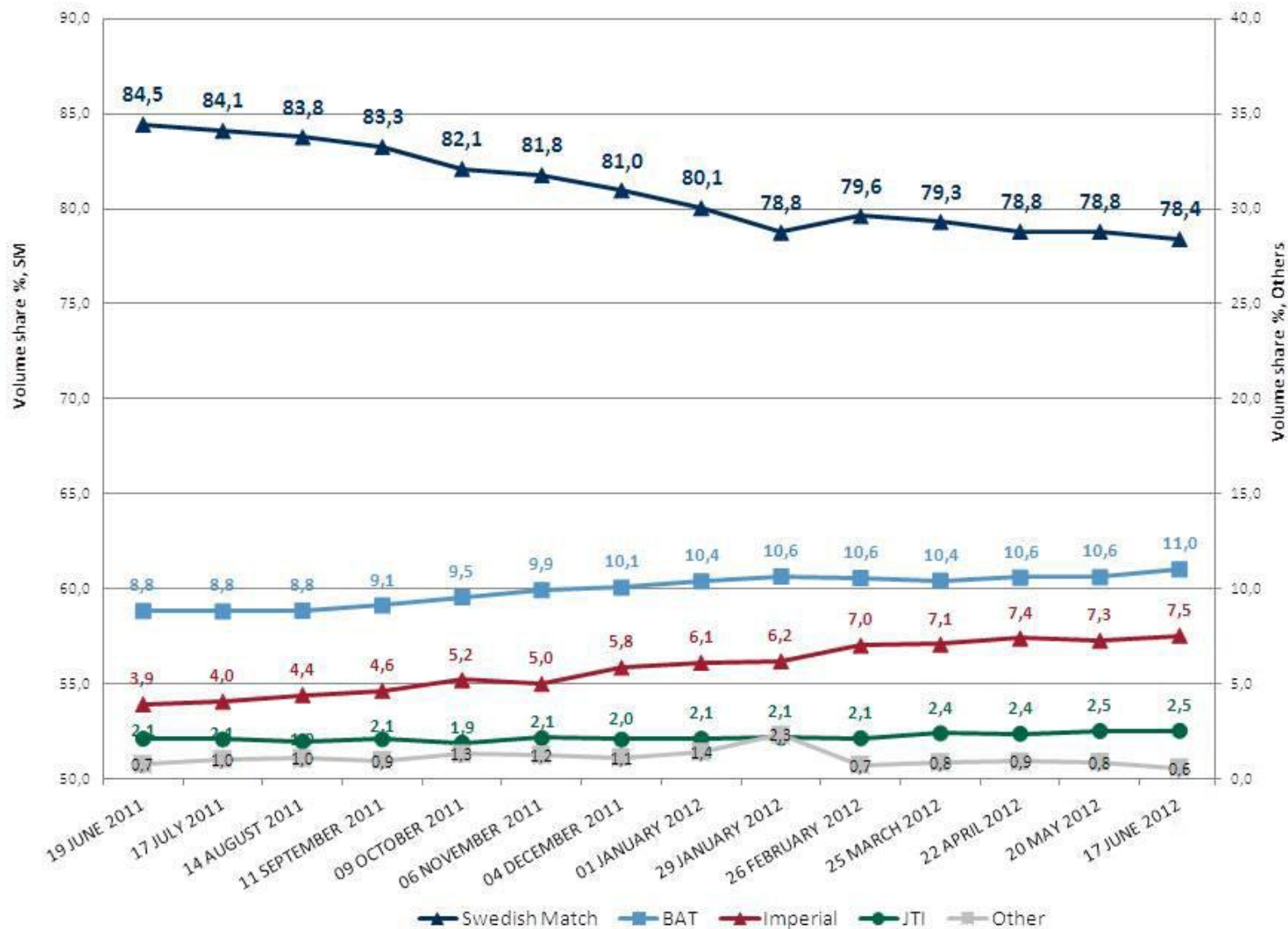
* 2009 and 2010 figures rebased.

Value shares, snus, Sweden



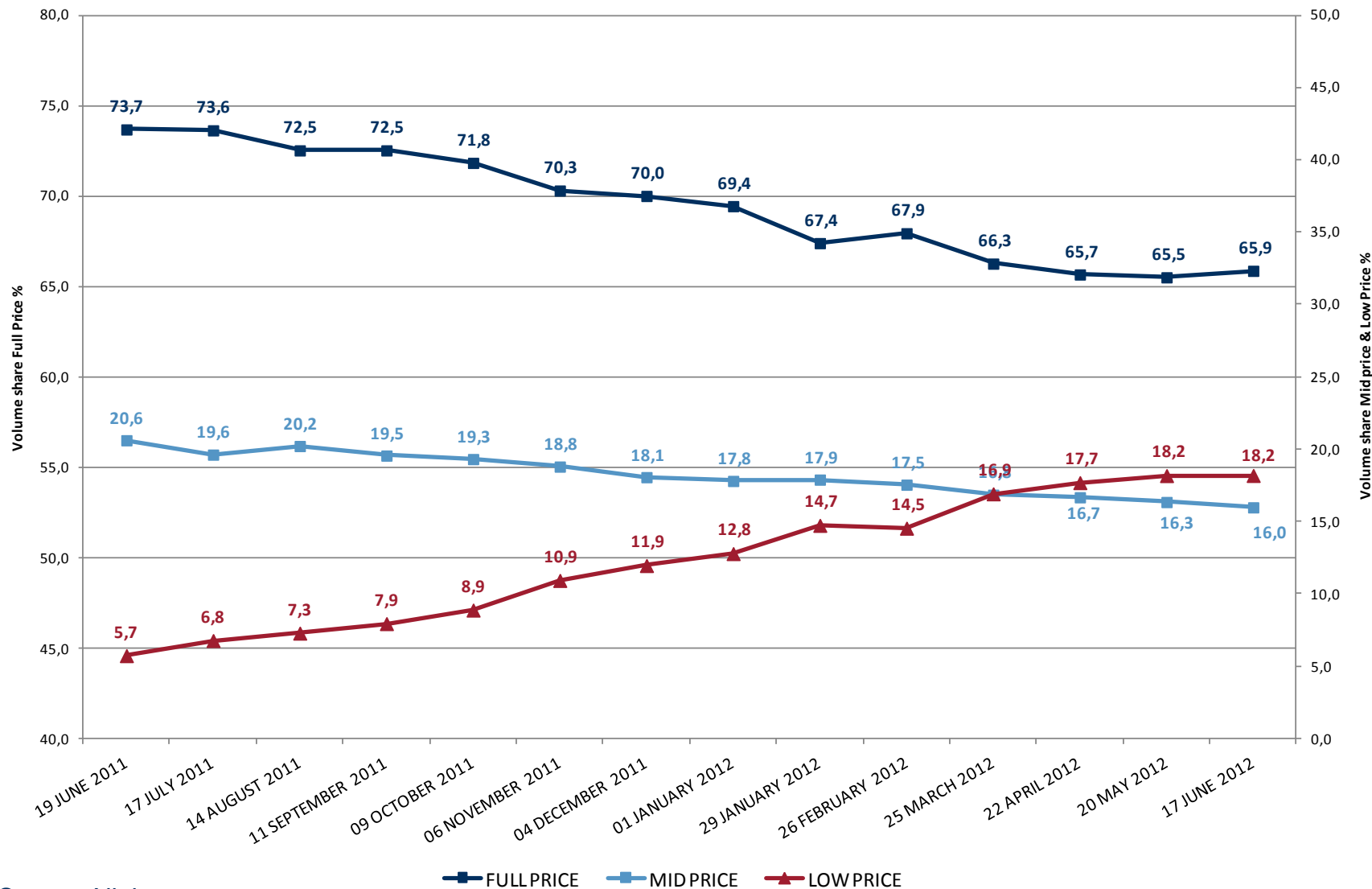
Source: Nielsen.

Volume shares, snus, Sweden



Source: Nielsen.

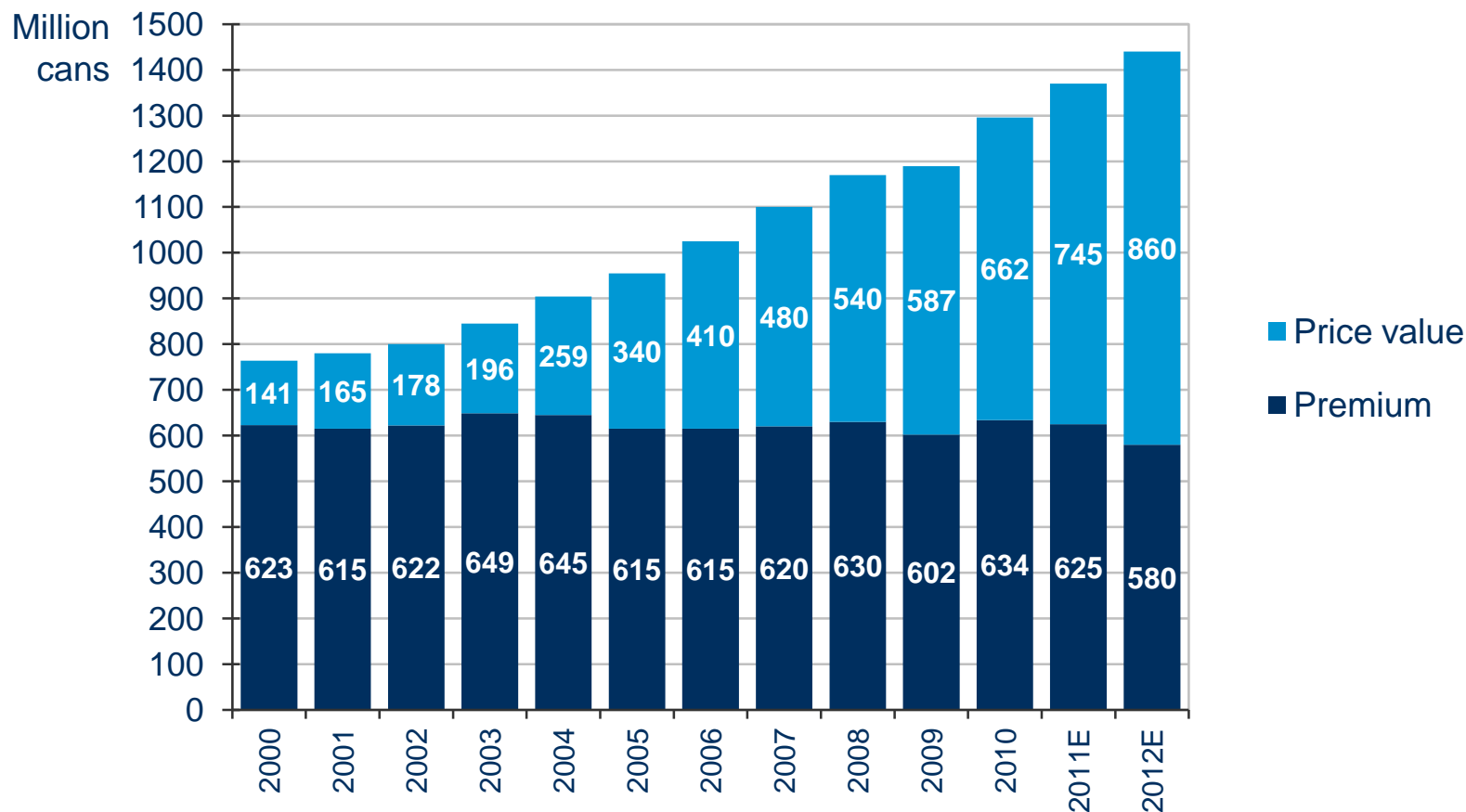
Volume share of full price and value segments, Sweden



Source: Nielsen.

Volume growth of moist snuff in the US

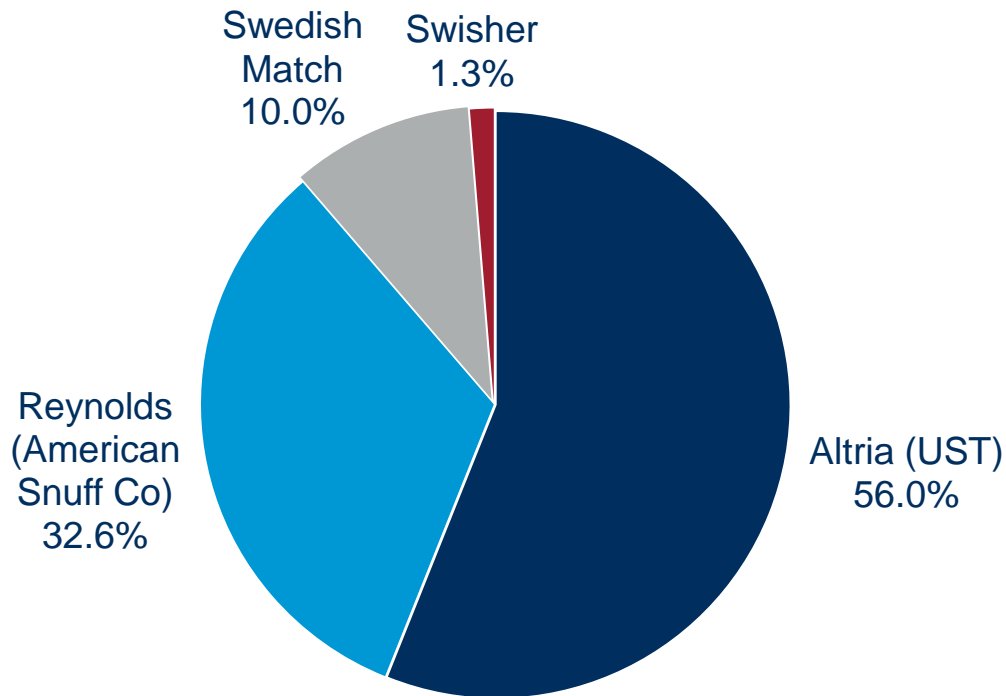
US snuff market by segment



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

US moist snuff market shares

Volume share US, YTD June 9



4 weeks to June 9, 2012	volume share
Altria	55.7
Reynolds	33.1
Swedish Match	9.8
Swisher	1.4

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

Snus expansion

Snus in the US

- **General snus in more than 6,000 stores in the US**
 - Good sell-through/rotation in stores
 - Distribution expansion continues
 - New packaging format also available in Classic Blend and Nordic Mint (10/15 count)
 - Chicago, Dallas, Philadelphia from Sept/Oct 2011
 - Expanded distribution in 7 markets
 - New York, Los Angeles, Minneapolis, Phoenix, Denver, Nashville and throughout the state of Ohio



SMPM International (the 50/50 joint venture)

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

Other tobacco products

US mass market cigars

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



Chewing tobacco

- Nearly all chewing tobacco sales are in the **US**. Swedish Match is the largest producer and production takes place in **Owensboro, Kentucky**
- The market typically declines by 5-10% per year in volume, down 6.3% YTD to June 9, 2012 (Nielsen)



Other tobacco products

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

- Sales and operating profit growth in local currency driven by increased volume of US mass market cigars
- In local currency, Q2 sales up 3% and operating profit up 6%
- Volume growth of 11% for cigars in Q2
 - Continued growth of *White Owl Sweets*
 - Solid launch of *White Owl Silver*
 - Strong growth of *Garcia y Vega Game* small cigars (consumption YTD June 9 up 71% according to Nielsen)
- Chewing tobacco sales and operating profit up 1% in local currency vs. year ago in Q2, on 3% higher volume
- Chewing tobacco volume of own brands down 8% YTD, down 6% in Q2



MSEK	Q2-2012	Q2-2011	chg	H1-2012	H1-2011	chg	July 2011- June 2012	Full year 2011
Sales	696	613	14	1,371	1,196	15	2,563	2,388
Operating profit	316	272	16	613	517	19	1,146	1,049
Operating margin, %	45.4	44.4		44.7	43.2		44.7	44.0

US mass market cigars

- **US mass market sales show continued growth**
 - Q2 sales increased 4% in local currency compared to previous year. Operating profit also higher – more than sales growth
 - Excluding little cigars, market share is 15.9% YTD, vs. 13.8% year ago (Nielsen, June 9, 2012)
 - Share 15.8% 4 weeks to June 9, 2012 (Nielsen)
- **Continued success for FoilFresh® cigars with particularly strong growth for *small cigars***
- **No major launches in Q2 vs. *White Owl Green Sweets* in Q2 2011**

Chewing tobacco

- **Continued market volume decline**
 - 2012 category down 6.3% YTD to June 9, 2012 (Nielsen)
 - Swedish Match brands down 8.7% to June 9, 2012 (Nielsen)
- **Price increase of 5% in November/December 2011**



Q2 sales up 10%, operating profit up 41% 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**

- Operating profit up for lighters on stronger volumes and sales, particularly parts of Asia and East Europe
- Operating profit up for matches, impacted by country mix and currency movements
- Bulgarian production unit sold in Q2 2011, continue to source products from new owner
- Lights distribution by STG in several markets



MSEK	Q2-2012	Q2-2011	chg	H1-2012	H1-2011	chg	July 2011- June 2012	Full year 2011
Sales	336	313	8	686	649	6	1,383	1,346
Operating profit	60	44	38	117	102	15	256	240
Operating margin, %	17.9	13.9		17.0	15.7		18.5	17.9

Scandinavian Tobacco Group (STG)

- **Swedish Match share of STG net profit after interest and tax in the first six months amounted to 183 MSEK (139)**
 - Higher STG EBITDA, lower financial costs in Q2 from positive exchange rate gains
- **Reported 6 month EBITDA amounted to 609 MDKK (549)**
 - On a comparable basis, EBITDA increased by 3 percent for total STG
 - Excluding Lane effects and EBITDA on divested cigar brands in Australia (in 2011)
 - Premium cigar profits up on higher shipment volumes
 - Mass market cigar sales and operating profit up
 - Somewhat lower volumes, positive country mix effects, lower operating expenses
 - Pipe tobacco/fine cut sales and operating profit declined
 - Volume declines in export markets
 - For Lane, during the March-June period (Lane was acquired in March 2011) sales improved in local currency, while operating profit declined, primarily as a result of higher operating expenses in the US market
- **204 MSEK dividend from STG received April 27**



P & L summary

MSEK	Q2- 2012	Q2-2011	chg	H1-2012	H1-2011	chg	July 2011- June 2012	Full year 2011	chg
Sales	3,213	2,944	9	6,130	5,591	10	12,205	11,666	5
Cost of goods sold	-1,558	-1,467		-2,934	-2,764		-5,944	-5,774	
Gross profit	1,655	1,478	12	3,196	2,826	13	6,262	5,892	6
Selling and adm. expenses	-710	-647		-1,345	-1,265		-2,597	-2,516	
Share of profit/loss in assoc. companies and joint ventures	107	74		173	136		364	327	
Adjustment to capital gain from transfer of businesses to STG	30	-		30	-		30	-	
Operating profit	1,082	904	20	2,054	1,698	21	4,059	3,702	10
Finance income	12	9		17	18		36	37	
Finance costs	-151	-140		-291	-277		-574	-560	
Net finance cost	-140	-131		-274	-259		-537	-523	
Profit before income tax	942	773	22	1,780	1,438	24	3,522	3,180	11
Income tax expense	-183	-157		-353	-290		-705	-642	
Profit for the period	759	616	23	1,427	1,148	24	2,817	2,538	11
EPS, basic, SEK	3.72	2.94		6.99	5.44		13.70	12.14	
EPS, diluted, SEK	3.69	2.92		6.94	5.41		13.60	12.07	

Balance sheet in summary

MSEK	June 30, 2012	December 31, 2011
Intangible assets	988	992
Property, plant and equipment	2,038	2,076
Investments in associated companies and joint ventures	4,411	4,481
Other non-current financial receivables*	1,378	1,395
Current operating assets	3,088	3,031
Other current investments and current financial assets	0	0
Cash and cash equivalents	3,223	2,533
Total assets	15,126	14,507
Equity attributable to equity holders of the Parent	-1,855	-1,602
Non-controlling interests	2	2
Total equity	-1,853	-1,599
Non-current provisions	1,121	1,070
Non-current loans	9,147	8,535
Other non-current financial liabilities*	1,860	1,787
Current provisions	107	84
Current loans	1,657	1,283
Other current liabilities*	3,086	3,347
Total equity and liabilities	15,126	14,507

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

Cash flow in summary

MSEK	Jan-Jun 2012	Jan-Jun 2011
Cash flow from operating activities before changes in working capital	1,683	1,185
Cash flow from changes in working capital	-360	43
Net cash from operating activities	1,323	1,228
Purchase of property, plant and equipment	-104	-132
Proceeds from sale of property, plant and equipment	1	1
Purchase of intangible assets	-19	-9
Investments in associated companies and joint ventures*	-20	-15
Investments in other companies*	-	-4
Proceeds from sale of subsidiaries, net of cash disposed of*	9	143
Changes in financial receivables etc.	0	1
Net cash used in investing activities	-133	-14
Changes in loans	1,075	-364
Dividend paid to equity holders of the Parent	-1,334	-1,152
Repurchase of own shares	-671	-1,180
Stock options exercised	414	67
Other	9	-7
Net cash used in financing activities	-506	-2,636
Net decrease in cash and cash equivalents	683	-1,422
Cash and cash equivalents at the beginning of the period	2,533	3,275
Effect of exchange rate fluctuations on cash and cash equivalents	6	-52
Cash and cash equivalents at the end of the period	3,223	1,801

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

Key data*

MSEK	Jan-Jun 2012	Jan-Jun 2011
Operating margin, %	33.0	30.4
Operating capital, MSEK	7,478	7,024
Return on operating capital, % (12 months rolling from July 2011)	55.6	
EBITDA, MSEK**	2,176	1,836
EBITA, MSEK**	2,053	1,725
Net debt, MSEK	9,362	8,699
Net debt/EBITA** (12 months rolling from July 2011)	2.3	
Investments in property, plant and equipment, MSEK**	104	132
EBITA interest cover	7.7	7.0
<i>Excluding share of net profit in STG</i>		
EBITA, MSEK**	1,870	1,586
Net debt/EBITA** (12 months rolling from July 2011)	2.5	
Share data		
Earnings per share, basic, SEK	6.99	5.44
Earnings per share, diluted, SEK	6.94	5.41
Average number of shares outstanding, basic (Mio)	204.2	211.1
Shares outstanding, end of period (Mio)	204.3	209.4

* 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-June 2012 report.

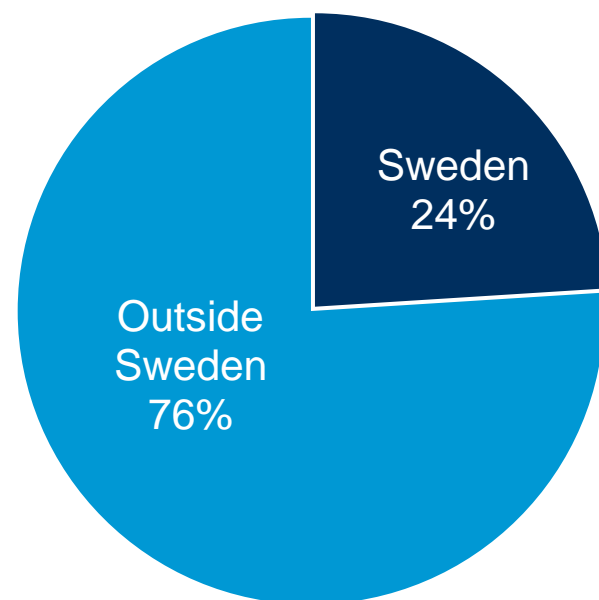
Largest shareholders*

As per June 30, 2012

Largest shareholders

Morgan Stanley Investment Management	6.4%
Swedbank Robur Funds	2.7%
AMF Insurance & Funds	2.2%
Standard Life Investment Funds	2.1%
Fidelity Funds	1.6%
SEB Funds	1.3%
Fourth Swedish National Pension Fund	1.3%
SHB Funds	1.2%
Second Swedish National Pension Fund	1.1%
Parvus Asset Management	1.0%
	<hr/>
	20.9%

51,578 shareholders



Source: Euroclear, official registry and SIS Ägaranalys.

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

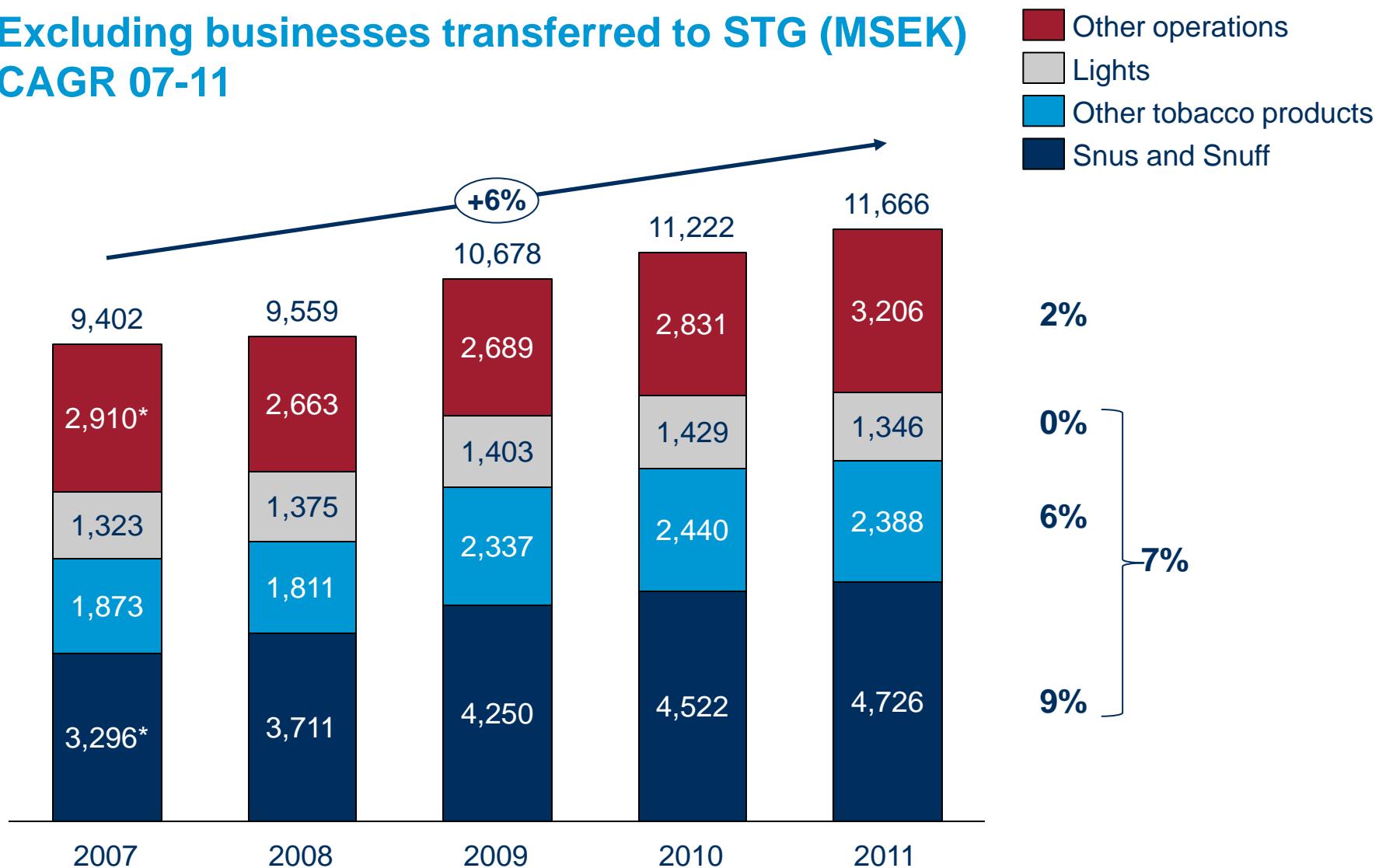
Group strategy

- **Position the Company as the global smokefree leader**
- **Leverage strong platforms to maximize long term profitability in Other tobacco products**
- **Continue to focus on operational excellence and profitability in Lights**
- **Realize the potential of STG through active ownership**



Comparable sales

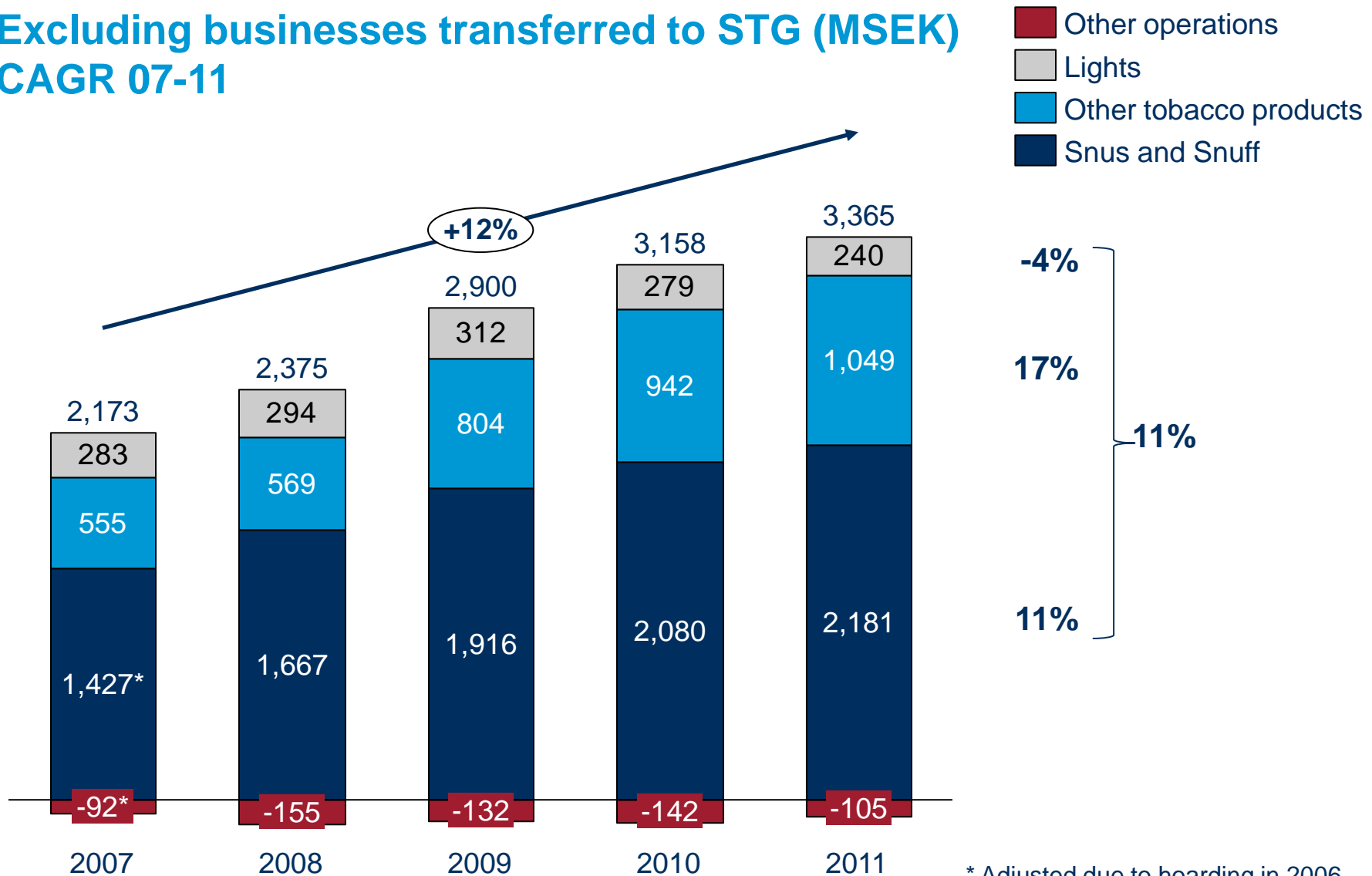
Excluding businesses transferred to STG (MSEK) CAGR 07-11



* Adjusted due to hoarding in 2006.

Comparable operating profit

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



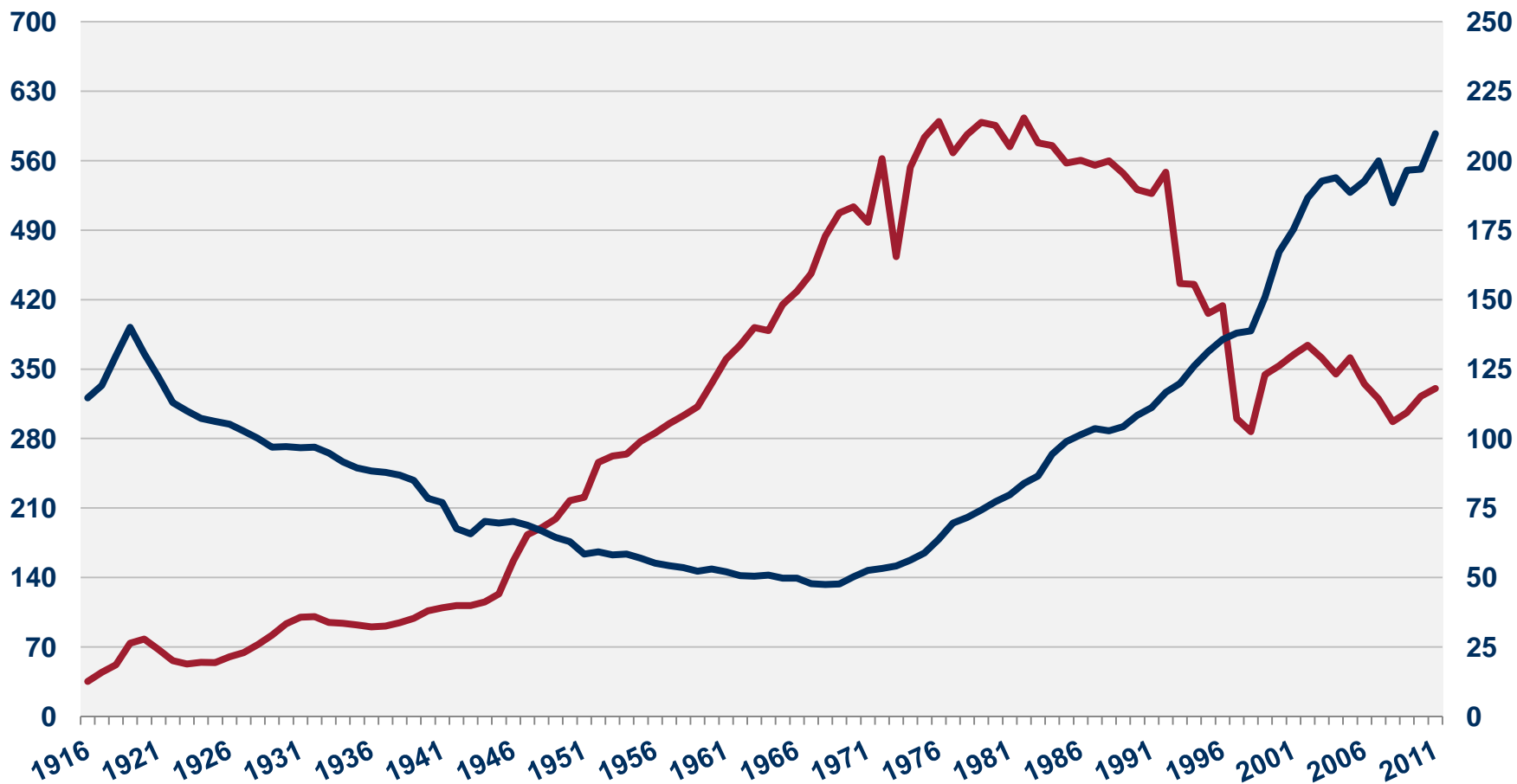
* Adjusted due to hoarding in 2006.

Snus vs. cigarettes in Sweden

Volume of snus and cigarettes in Sweden 1916-2011

Cigarettes
(million packs)

Snus
(million cans)



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

Source: Swedish Match Distribution AB and Swedish Match estimates.