

# Q4 2012 Full Year Report

## JANUARY – DECEMBER 2012

- Sales for the full year increased by 7 percent to 12,486 MSEK (11,666) and for the fourth quarter by 3 percent to 3,148 MSEK (3,064). In local currencies, sales for the full year increased by 6 percent and for the fourth quarter by 4 percent
- Operating profit from product areas<sup>1)</sup> for the full year increased by 9 percent to 3,666 MSEK (3,365). For the fourth quarter operating profit from product areas<sup>1)</sup> decreased by 2 percent to 883 MSEK (898). In local currencies, operating profit from product areas<sup>1)</sup> for the full year increased by 8 percent and was flat for the fourth quarter
- Operating profit<sup>2)</sup> amounted to 4,062 MSEK (3,702) for the full year and to 986 MSEK (1,022) for the fourth quarter
- EPS (basic) for the full year increased by 18 percent to 14.33 SEK (12.14) and for the fourth quarter by 15 percent to 3.93 SEK (3.42)
- The Board proposes an increased dividend to 7.30 SEK (6.50)

<sup>1)</sup> Operating profit for Swedish Match product areas, which excludes share of net profit in STG and larger one time items.

<sup>2)</sup> Operating profit for the Group includes share of net profit in STG and larger one time items.



# THE FOURTH QUARTER SUMMARY

## Sales and results for the fourth quarter

Sales for the fourth quarter of 2012 increased by 3 percent to 3,148 MSEK (3,064) compared to the same period of the previous year. Currency translation has affected the sales comparison negatively by 39 MSEK. In local currencies, sales increased by 4 percent.

In the fourth quarter, sales for the product area Snus and snuff increased by 1 percent to 1,280 MSEK (1,266) and operating profit improved by 2 percent to 593 MSEK (581). In local currencies sales increased by 1 percent. The operating margin for the Snus and snuff product area was 46.3 percent (45.9).

Scandinavian snus sales were up by 2 percent compared to the fourth quarter of the prior year, on 3 percent lower shipment volumes. Underlying volumes, excluding estimated hoarding effects were down by 2 percent. Volume growth in Norway and Travel Retail partially offset volume declines in Sweden. Operating profit for snus in Scandinavia improved versus the same quarter of the prior year. In the US, sales of snus and moist snuff in local currency in the fourth quarter were 2 percent lower than in the same period of the previous year, with volume declines for moist snuff. Swedish snus in the US grew significantly from a small base. Operating profit for moist snuff in the US improved compared to the same quarter of the prior year, while investment spending behind Swedish snus in the US was substantially higher than a year ago.

For Other tobacco products, sales in the fourth quarter increased by 4 percent, to 601 MSEK (578). In local currency, sales increased by 6 percent. Operating profit in local currency was in line with the fourth quarter of the prior year, and reported operating profit decreased by 3 percent to 248 MSEK (255). Currency translation has affected the sales and operating profit comparisons negatively by 12 MSEK and

6 MSEK respectively. Compared to the fourth quarter of the prior year, sales in local currency grew for both the US mass market cigar business and for chewing tobacco. Operating margin for Other tobacco products was 41.2 percent (44.1). The operating margin in the fourth quarter of 2011 was exceptionally strong owing to an unusually favorable cigar mix.

Operating profit from product areas decreased by 2 percent to 883 MSEK (898). In local currencies, the operating profit was in line with previous year's fourth quarter. Currency translation has affected the comparison negatively by 12 MSEK. Operating margin from product areas for the fourth quarter was 28.0 percent (29.3).

The share of net profit from STG, after interest and tax, amounted to 103 MSEK (124). The reported share of net profit from STG in the fourth quarter of 2011 was positively impacted by the reversal of a previously recognized provision as well as a difference between the estimate and the actual result for the third quarter of 2011. Excluding these items the share of net profit from STG improved in the fourth quarter of 2012 compared to the same period of the previous year.

Operating profit, including share of net profit from STG and larger one time items, decreased to 986 MSEK (1,022) during the fourth quarter.

Operating margin, including share of net profit from STG, for the fourth quarter was

31.3 percent (33.4). EBITDA margin was 33.5 percent (35.9).

Basic earnings per share for the fourth quarter amounted to 3.93 SEK (3.42) while diluted earnings per share amounted to 3.91 SEK (3.40).

## Sales and results for the full year

Sales for the full year amounted to 12,486 MSEK (11,666). Operating profit from product areas increased to 3,666 MSEK (3,365). In local currencies, sales increased by 6 percent and operating profit increased by 8 percent. Currency translation has affected the operating profit comparison positively by 39 MSEK. Operating margin from product areas for the full year increased to 29.4 percent (28.8).

Operating profit, including share of net profit from STG and larger one time items, reached 4,062 MSEK (3,702). The share of net profit from STG amounted to 366 MSEK (337) for the full year. Larger one time items, which occurred in the second quarter, consist of a positive adjustment of 30 MSEK to the capital gain from transfer of businesses to STG as a consequence of a reversal of a provision relating to transaction guarantees.

Operating margin, including share of net profit in STG, was 32.3 percent (31.7).

EPS (basic) for the full year increased by 18 percent to 14.33 SEK (12.14), and diluted EPS also increased by 18 percent to 14.25 SEK (12.07).

## Summary of consolidated income statement

MSEK	October–December		Full year	
	2012	2011	2012	2011
Sales	3,148	3,064	12,486	11,666
Operating profit from product areas <sup>1)</sup>	883	898	3,666	3,365
Operating profit <sup>2)</sup>	986	1,022	4,062	3,702
Profit before income tax	850	888	3,511	3,180
Profit for the period	787	705	2,907	2,538
Earnings per share, basic (SEK)	3.93	3.42	14.33	12.14

<sup>1)</sup> Excluding share of net profit in STG and larger one time items.

<sup>2)</sup> Including share of net profit in STG, as well as a larger one time item of 30 MSEK in Q2 2012.

## January–December

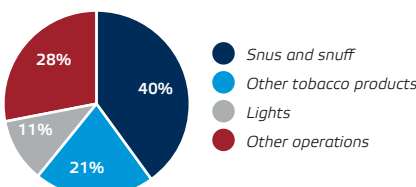
### Sales

# 12,486 MSEK

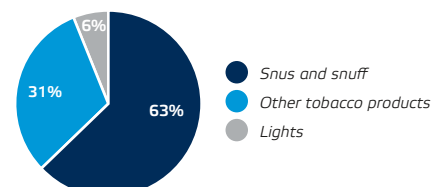
### Operating profit

# 3,666 MSEK

### Sales by product area



### Operating profit by product area<sup>1)</sup>



<sup>1)</sup> Excluding Other operations, share of net profit in STG and larger one time items.

## CEO Lars Dahlgren comments:

In local currencies, Swedish Match delivered 4 percent sales growth during the fourth quarter compared to the same period in the previous year, with sales increases for all product areas except Lights where sales were flat. Operating profit from product areas was virtually unchanged versus prior year in local currencies, with higher operating profit in the Snus and snuff product area offsetting lower operating profits in the Lights product area.

In Scandinavia, the snus business experienced a 2 percent increase in sales, with sales and volume growth in Norway and Travel Retail offsetting sales and volume declines in Sweden (where the decline was partly explained by lower year end hoarding in 2012 than in 2011). Profitability in Scandinavia improved versus prior year.

Aggressive pricing at the low end of the Swedish market continued in the quarter. On January 1, 2013, Swedish Match raised the price for its low priced Kaliber brand on the Swedish market. To date, competitors have not followed with similar price adjustments, and at least one competitor has increased the level of discounting. Swedish Match is determined to take the necessary measures to meet competition in every segment in which we compete.

In the US moist snuff business, sales in local currency were somewhat down due to lower volumes, but operating profit increased as a consequence of lower costs. For Swedish snus in the US, investments related to the store expansion and marketing activities were substantially higher than in both the previous quarter and in the prior year period. *General snus* is now available in more than 11,000 retail outlets in the US and I am very pleased with the trends and the progress. We will continue to invest behind the brand and expand distribution, and we expect to be in 15,000-20,000 stores by the end of 2013. Test market activities for snus through SMPM International continue in Canada, St. Petersburg (Russia), Tel Aviv (Israel) and Malaysia.

Within Other tobacco products, chewing tobacco had a relatively strong fourth quarter, and our US mass market cigar business continued to grow, helped by the launch of *White Owl Black* and *Game by Garcia y Vega Black* cigars. For cigars, shipment volumes increased by 16 percent and sales grew by 8 percent in local currency. Operating profit for Other tobacco products was in line with the prior year in local currency, despite an unusually favorable cigar mix in the fourth quarter of 2011.

Our lights businesses delivered the best quarterly result in 2012 in the fourth quarter, but did not reach the operating profit of the strong fourth quarter of 2011.

### Sales by product area

MSEK	October–December		Change %	Full year		Change %
	2012	2011		2012	2011	
Snus and snuff	1,280	1,266	1	5,049	4,726	7
Other tobacco products	601	578	4	2,661	2,388	11
Lights	341	364	-6	1,339	1,346	-1
Other operations	926	856	8	3,437	3,206	7
<b>Sales</b>	<b>3,148</b>	<b>3,064</b>	<b>3</b>	<b>12,486</b>	<b>11,666</b>	<b>7</b>

### Operating profit by product area

MSEK	October–December		Change %	Full year		Change %
	2012	2011		2012	2011	
Snus and snuff	593	581	2	2,349	2,181	8
Other tobacco products	248	255	-3	1,161	1,049	11
Lights	61	80	-23	222	240	-8
Other operations	-18	-18	-	-65	-105	-
<b>Operating profit from product areas</b>	<b>883</b>	<b>898</b>	<b>-2</b>	<b>3,666</b>	<b>3,365</b>	<b>9</b>
Share of net profit in STG	103	124	-17	366	337	9
<b>Subtotal</b>	<b>986</b>	<b>1,022</b>	<b>-4</b>	<b>4,032</b>	<b>3,702</b>	<b>9</b>
Adjustment to capital gain from transfer of businesses to STG	-	-	-	30	-	-
<b>Total larger one time items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30</b>	<b>-</b>	<b>-</b>
<b>Operating profit</b>	<b>986</b>	<b>1,022</b>	<b>-4</b>	<b>4,062</b>	<b>3,702</b>	<b>10</b>

In order to reconcile to the Group's profit before income tax amounting to 850 MSEK (888) for the fourth quarter and 3,511 MSEK (3,180) for the full year, the Group's net finance cost needs to be deducted from the operating profit with an amount of 137 MSEK (134) for the fourth quarter and 551 MSEK (523) for the full year.

### Operating margin by product area<sup>1)</sup>

Percent	October–December		Full year	
	2012	2011	2012	2011
Snus and snuff	46.3	45.9	46.5	46.1
Other tobacco products	41.2	44.1	43.6	44.0
Lights	17.9	21.9	16.6	17.9
<b>Operating margin from product areas<sup>2)</sup></b>	<b>28.0</b>	<b>29.3</b>	<b>29.4</b>	<b>28.8</b>
<b>Operating margin<sup>3)</sup></b>	<b>31.3</b>	<b>33.4</b>	<b>32.3</b>	<b>31.7</b>

<sup>1)</sup> Excluding larger one time items.

<sup>2)</sup> Excluding share of net profit in STG.

<sup>3)</sup> Including share of net profit in STG.

### EBITDA by product area<sup>1)</sup>

MSEK	October–December		Change %	Full year		Change %
	2012	2011		2012	2011	
Snus and snuff	637	623	2	2,518	2,337	8
Other tobacco products	261	277	-6	1,238	1,130	10
Lights	69	90	-23	258	281	-8
Other operations	-15	-15	-	-52	-94	-
<b>EBITDA from product areas</b>	<b>952</b>	<b>976</b>	<b>-2</b>	<b>3,962</b>	<b>3,655</b>	<b>8</b>
Share of net profit in STG	103	124	-17	366	337	9
<b>EBITDA<sup>2)</sup></b>	<b>1,055</b>	<b>1,100</b>	<b>-4</b>	<b>4,328</b>	<b>3,992</b>	<b>8</b>

<sup>1)</sup> Excluding larger one time items.

<sup>2)</sup> Including share of net profit in STG.

### EBITDA margin by product area<sup>1)</sup>

Percent	October–December		Full year	
	2012	2011	2012	2011
Snus and snuff	49.7	49.2	49.9	49.4
Other tobacco products	43.4	47.9	46.5	47.3
Lights	20.4	24.8	19.3	20.9
<b>EBITDA margin from product areas<sup>2)</sup></b>	<b>30.2</b>	<b>31.9</b>	<b>31.7</b>	<b>31.3</b>
<b>EBITDA margin<sup>3)</sup></b>	<b>33.5</b>	<b>35.9</b>	<b>34.7</b>	<b>34.2</b>

<sup>1)</sup> Excluding larger one time items.

<sup>2)</sup> Excluding share of net profit in STG.

<sup>3)</sup> Including share of net profit in STG.

Sweden is the world’s largest snus market measured by per capita consumption. A substantially larger proportion of the male population uses the Swedish type of moist snuff called snus\* compared to cigarettes. The Norwegian market is smaller than the Swedish market but has in recent years experienced strong volume growth. The US is the world’s largest moist snuff market measured in number of cans and is about five times larger than the Scandinavian snus market. In Sweden and Norway, Swedish Match has a leading position. In the US, the Group is well positioned as the third largest player. Some of the best known brands include *General*, *Ettan*, *Grovsnus*, *Göteborgs Rapé*, *Catch*, and *Kronan* in Sweden, and *Longhorn*, *Timber Wolf*, and *Red Man* in the US.

# SNUS AND SNUFF

## The fourth quarter

In local currencies, sales for the product area Snus and snuff increased by 1 percent during the fourth quarter compared to the same quarter of the previous year. Reported sales also increased by 1 percent to 1,280 MSEK (1,266). Operating profit increased by 2 percent to 593 MSEK (581).

For the fourth quarter, sales and operating profit improved in Scandinavia versus the fourth quarter of the prior year, mainly as a result of increased sales and gross profit. In the US, in local currency, sales for moist snuff declined versus prior year on lower volumes, while operating profit increased as a result of lower expenses. Significant investments were incurred in the US to support the expansion of Swedish snus in that market – well above the fourth quarter of the prior year and also above the third quarter of 2012.

In Scandinavia, shipment volumes measured in number of cans, were down by 3 percent compared to the fourth quarter of the prior year. Volume increases in Norway and in Travel Retail partially offset decreased volumes for the Swedish market. The volume decline for the Swedish market was accentuated by the fact that an estimated 2 million cans were hoarded by the trade at the end of the fourth quarter of 2011, while in the fourth quarter of 2012, Swedish Match estimates that 0.6 million cans were hoarded in Sweden. On the Norwegian market, an estimated 0.7 million cans were hoarded in the fourth quarter of 2012. On an underlying basis, excluding hoarding effects, it is estimated that Swedish Match snus volumes in Scandinavia were down by 2 percent.

Sales revenues in Scandinavia grew by 2 percent in the fourth quarter compared to

the fourth quarter of the prior year. Operating profit and operating margin in Scandinavia improved. The fourth quarter of the prior year included an expense of 6 MSEK relating to inventory writedowns.

Competition in the low priced segment in Sweden remained intense in the fourth quarter, and Swedish Match’s market share declined within this segment of the market. For the four week period ending December 30, 2012, Nielsen (excluding tobacconists) reported a total market share for Swedish Match in volume terms of 75.0 percent compared to 81.5 percent one year ago and in value terms a total market share of 80.6 percent compared to 85.4 percent one year ago.

The increased activity in the low priced segment has contributed to the overall volume growth in the market, which continued to be above 3 percent in the fourth quarter according to Swedish Match estimates.

\* Swedish snus is moist snuff which is produced using a special heat treated process, much like pasteurization, as opposed to other moist snuff products for which a fermentation process is used.

### Snus and snuff

#### Sales

**5,049** MSEK

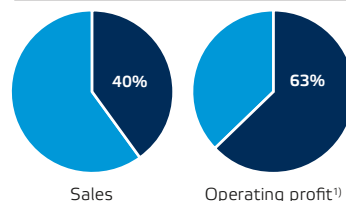
#### Operating profit

**2,349** MSEK

Key data, MSEK	October–December		Full year	
	2012	2011	2012	2011
Sales	1,280	1,266	5,049	4,726
Operating profit	593	581	2,349	2,181
Operating margin, %	46.3	45.9	46.5	46.1

### January–December

#### Share of Group total



<sup>1)</sup> Excluding Other operations, share of net profit in STG and larger one time items.



The Swedish government increased excise taxes for snus in Sweden by 4 SEK/kg (1.0 percent) effective January 1, 2013. Swedish Match decided to absorb this excise tax increase and not increase list prices for its full and mid priced brands on January 1. For Swedish Match's lowest priced brand, *Kaliber*, list prices were increased.

For *General* snus in the US the trends are encouraging. The Company continued to increase distribution in the quarter, and volumes grew significantly off a small base compared to the same period in the prior year. *General* snus is currently available in more than 11,000 stores across the US. Marketing investments related to Swedish snus in the US were higher in the fourth quarter compared to both the third quarter and the fourth quarter of the prior year. For the Company's US moist snuff business, volumes measured in number of cans were

down by less than 3 percent versus the prior year's fourth quarter. Sales declined, while operating profit improved somewhat, also when adjusting for a write-down in the prior year's fourth quarter of 5 MSEK.

The operating margin for the product area was 46.3 percent (45.9).

#### The full year

For the full year, sales for the product area increased to 5,049 MSEK (4,726) and operating profit increased to 2,349 MSEK (2,181). Operating margin was 46.5 percent (46.1).

In Scandinavia, sales revenues increased by 8 percent, while shipment volumes declined by 2 percent. When adjusting for hoarding/destocking effects, Scandinavian volumes for Swedish Match for the year are estimated to have been down by 1 percent. Operating margin was higher than in the previous year.

In the US, sales revenues for moist snuff for the year were down slightly versus prior year on 3 percent lower volumes. Operating profit for moist snuff was flat versus 2011, while investments in support of the snus expansion in the US were significantly higher than prior year.

During 2012, SMPM International (the joint venture between Swedish Match and Philip Morris International; 50 percent owned by Swedish Match) continued test market activities for snus in Canada, in St. Petersburg, Russia and in Malaysia. During the third quarter, a new test market in Israel was initiated.

The operating profit for the product area includes investments behind Swedish snus internationally, which increased by approximately 100 MSEK for 2012 compared to 2011.

*General*, *Ettan* and *Göteborgs Rapé* are some of Scandinavia's most popular snus brands. *Nick* and *Johnny* snus has been available on the Norwegian market for a number of years but is now also available in Sweden. *Longhorn* is one of the Company's best known brands of moist snuff and Swedish Match has during the year for its pouched moist snuff products introduced a disposal lid – a first in the US.



## US MASS MARKET CIGARS AND CHEWING TOBACCO

# OTHER TOBACCO PRODUCTS



The Swedish Match mass market cigar portfolio includes the well known brand *Game by Garcia y Vega*. The cigars are presented in FoilFresh® packaging which guarantees freshness. *Game Black* is one of the newest additions to the *Game* assortment. The *Red Man* family of chewing tobacco is the best selling chewing tobacco brand in the US.

The product area Other tobacco products consists of US mass market cigars and chewing tobacco. Swedish Match is a major player in the US mass market cigar market, with such well known brands as *White Owl*, *Garcia y Vega*, and *Game by Garcia y Vega*. Swedish Match offers a wide range of sizes, styles, and price points for US mass market cigars. Swedish Match is the leading producer of chewing tobacco in the US where the product is mainly sold in the southern states of the country. Well known brands include *Red Man* and *Southern Pride*. The market for chewing tobacco shows a declining trend.

### The fourth quarter

During the fourth quarter, sales for the product area Other tobacco products increased by 6 percent in local currency compared to the same period of the previous year, and operating profit was flat. Reported sales for the product area amounted to 601 MSEK (578) and reported operating profit was 248 MSEK (255). The operating margin was 41.2 percent (44.1). The decline in operating margin was attributable to mass market cigars, which

### Other tobacco products

Sales

**2,661** MSEK

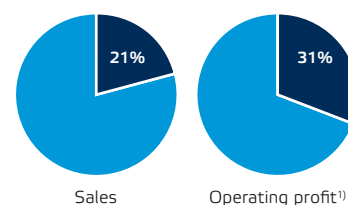
Operating profit

**1,161** MSEK

Key data, MSEK	October–December		Full year	
	2012	2011	2012	2011
Sales	601	578	2,661	2,388
Operating profit	248	255	1,161	1,049
Operating margin, %	41.2	44.1	43.6	44.0

### January–December

Share of Group total



<sup>1)</sup> Excluding Other operations, share of net profit in STG and larger one time items.

showed unusually high margins in the fourth quarter of the prior year mainly owing to a favorable product mix.

During the fourth quarter, US mass market cigar volumes grew by 16 percent and sales increased by 8 percent in local currency compared to the same period in the previous year. The growth for US mass market cigars was attributable to the continued success of recent product introductions, including *White Owl Silver* and *White Owl Black*, as well as *Game Silver* and *Game Black* cigars.

US chewing tobacco sales in the fourth quarter were up by 3 percent in local currency. Shipment volumes were flat versus prior year, with somewhat higher contract manufacturing volumes offsetting a slight decline for own brands.

#### The full year

Sales for the product area for the full year increased to 2,661 MSEK (2,388) while operating profit increased to 1,161 MSEK (1,049). In local currency, sales for the year were up 7 percent, while operating profit was up by 6 percent. Sales and operating profit were higher for cigars, and were down slightly for chewing tobacco. US mass market cigar volumes grew by 18 percent for the full year compared to the year before. Operating margin for the product area was 43.6 percent (44.0).

## MATCHES AND LIGHTERS

# LIGHTS

Swedish Match is the market leader in a number of markets for matches. The match brands are mostly local, with leading positions in their home countries. Larger brands include *Solstickan*, *Fiat Lux*, *Swan*, *Tres Estrellas*, *Feudor*, and *Redheads*. The Group's main brand for disposable lighters is *Cricket*. Swedish Match's largest market for lighters is Russia.

#### The fourth quarter

During the fourth quarter the Lights product area delivered the best quarterly result in 2012, but did not reach the operating profit of the strong fourth quarter of 2011. Sales for the product area amounted to 341 MSEK (364). Currency translation effects have affected the sales comparison negatively by 22 MSEK and in local currencies, sales were flat. Operating profit amounted to 61 MSEK (80) and the operating margin was 17.9 percent (21.9). In local currencies, operating profit declined by 19 percent. For lighters, sales in local currencies were up slightly compared to the fourth quarter of the prior year while operating profit declined somewhat. For matches, sales and operating profit declined in local currencies as a result of negative currency transaction effects, a negative country mix and increased raw material costs.

#### The full year

Sales for the product area for the full year amounted to 1,339 MSEK (1,346), and operating profit was 222 MSEK (240). Compared to 2011, sales and operating profit increased for lighters and declined for matches. Operating margin was 16.6 percent (17.9).



Swedish Match sells matches on many markets in the world. *Fiat Lux* is a very well known match brand in Brazil. *Cricket*, one of the best known brand for quality disposable lighters, is popular in Europe, Russia, Brazil, and Malaysia, among other markets.

#### Lights

##### Sales

**1,339** MSEK

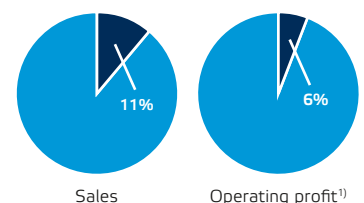
##### Operating profit

**222** MSEK

Key data, MSEK	October–December		Full year	
	2012	2011	2012	2011
Sales	341	364	1,339	1,346
Operating profit	61	80	222	240
Operating margin, %	17.9	21.9	16.6	17.9

#### January–December

##### Share of Group total



<sup>1)</sup> Excluding Other operations, share of net profit in STG and larger one time items.

### Other operations

Other operations are primarily the distribution of tobacco products on the Swedish market, and corporate overhead costs.

#### *The fourth quarter*

Sales in Other operations for the fourth quarter amounted to 926 MSEK (856). Operating loss for Other operations was 18 MSEK (18).

#### *The full year*

Sales for the full year amounted to 3,437 MSEK (3,206). Operating loss for the full year was 65 MSEK (105). In 2011 the operating loss included redundancy costs following an organizational change.

### Scandinavian Tobacco Group

Scandinavian Tobacco Group (STG) was established on October 1, 2010, following a merger between the tobacco activities in Scandinavian Tobacco Group A/S and the European mass market cigar, US premium cigar and pipe tobacco businesses of Swedish Match. The Danish company Skandinavisk Holding A/S holds 51 percent of the shares in STG, and the remaining 49 percent are held by Swedish Match. STG is the world's largest manufacturer of cigars, a world leader in pipe tobacco, and holds a strong position within fine cut tobacco in Scandinavia and the US. STG's leading brands include Café Crème, La Paz, Henri Wintermans, Macanudo, CAO, Partagas (USA), Cohiba (USA), Erinmore, Borkum Riff, Colts and Tiedemanns. On March 1, 2011, STG acquired Lane Limited in the US (Lane) from Reynolds American Inc. Lane produces pipe tobacco, fine cut tobacco and little cigars.

Please see Note 3 for a summary of the STG consolidated income statement.

The STG result, and consequently the Swedish Match reported share of the net result in STG, may for some reporting periods be partly based on estimates due to differences in reporting time schedules. Any differences between such estimates and the actual result of STG for the period, are adjusted in the following reporting period.

#### *The fourth quarter*

Sales for STG in the fourth quarter amounted to 1,623 MDKK (1,401). Reported EBITDA increased by 6 percent to 381 MDKK (360). In local currencies and excluding one time items in the prior year, EBITDA increased by 18 percent.

Sales and EBITDA in the fourth quarter have been positively affected by a recovery from the previously recognized backlog situation and delivery problems related to an ERP system installation in the European cigar operations.

For premium cigars, both sales and EBITDA were up on higher shipment volumes driven by a strong performance in the mail order and Internet channels.

For mass market cigars excluding Lane, volumes increased significantly, with a large part of the volume increase being related to the recovery from the backlog situation. A strong mix impact in the quarter made sales increase more than volumes and EBITDA was up. The increase in EBITDA was somewhat negatively impacted by higher operating expenses.

Excluding Lane, pipe tobacco/fine cut sales and EBITDA were up largely as a result of an improved product mix and lower operating expenses.

For Lane, sales in local currencies were slightly down in the quarter, while EBITDA improved somewhat.

Net profit for the period amounted to 183 MDKK (176).

The Swedish Match share of net profit in STG for the fourth quarter, after adjustments, amounted to 103 MSEK (124). The reported share of net profit from STG in the fourth quarter of 2011 was positively impacted by the reversal of a previously recognized provision as well as a difference between the estimate and the actual result for the third quarter of 2011. Excluding these items the share of net profit from STG improved in the fourth quarter of 2012 compared to the same period of the previous year.

#### *The full year*

Total STG sales for the full year amounted to 5,978 MDKK (5,471). In local currencies, adjusting for the acquisition of Lane in March 2011 and the divestment of certain brands in Australia in early 2011, sales increased by 4 percent. EBITDA for the full year amounted to 1,307 MDKK (1,178). On a comparable basis (excluding currency translation effects, restructuring costs in the prior year and after adjusting for Lane being acquired on March 1, 2011), EBITDA increased by 1 percent for total STG.

For premium cigars, sales in local currency increased versus the prior year. Volumes through mail order and Internet channels in particular showed a strong performance. The increase in EBITDA, driven by

the strong volume performance, was partly offset by increased operating expenses.

For mass market cigars excluding Lane, volumes for the full year declined, partly explained by the delivery problems in the European cigar operations not being fully recovered throughout the year. An improved mix impact however compensated for the lower volumes and sales for the full year increased. EBITDA was up, positively impacted by the increase in sales.

Excluding Lane, pipe tobacco/fine cut sales were slightly down while EBITDA increased. The increase in EBITDA was positively impacted by a mix shift towards higher priced markets.

For Lane, during the March–December period (Lane was acquired in March 2011) sales and EBITDA declined compared to the prior year, primarily as a result of country mix and higher operating expenses in the US market.

Net finance cost for the full year amounted to 98 MDKK (47). The net finance cost in the prior year was positively impacted by significant currency gains. The reported tax rate for the full year was 26.1 percent (26.1). Net profit for the period amounted to 622 MDKK (578).

The Swedish Match share of net profit in STG for the full year, after adjustments, amounted to 366 MSEK (337).

### Taxes

For the full year the reported tax expense amounted to 604 MSEK (642), corresponding to a tax rate of 17.2 percent (20.2). The reported tax rate, excluding one time tax items, associated companies and joint ventures, was 22 percent (22). One time tax items relate to the net deferred tax impact of the reduced corporate tax rate in Sweden from 26.3 percent to 22 percent and positive settlements of tax disputes in foreign jurisdictions.

### Earnings per share

Basic earnings per share (EPS) for the fourth quarter amounted to 3.93 SEK (3.42), while diluted EPS was 3.91 SEK (3.40).

Basic EPS for the full year amounted to 14.33 SEK (12.14), while diluted EPS was 14.25 SEK (12.07).

### Proposed dividend per share

The Board of Directors proposes an increased dividend to 7.30 SEK (6.50), equivalent to 51 percent (54) of the earnings per share for the year. The proposed divi-



dend amounts to 1,456 MSEK (1,334) based on the 199.4 million shares outstanding at the end of the year.

### Depreciation and amortization

In the fourth quarter, total depreciation and amortization amounted to 69 MSEK (78), of which depreciation on property, plant and equipment amounted to 62 MSEK (64) and amortization of intangible assets amounted to 7 MSEK (15).

In the full year, total depreciation and amortization amounted to 296 MSEK (290), of which depreciation on property plant and equipment amounted to 246 MSEK (233) and amortization of intangible assets amounted to 50 MSEK (57).

### Financing and cash flow

Cash flow from operating activities for the full year amounted to 2,805 MSEK compared with 2,608 MSEK for the same period of the previous year. The cash flow from operations increased compared to the same period previous year as a result of improved EBITDA, lower taxes paid and dividends received 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.

Investments in property, plant and equipment during the year amounted to 251 MSEK (245).

Net finance cost for the year increased to 551 MSEK (523), mainly due to increased average debt.

The net debt as per December 31, 2012 amounted to 9,289 MSEK compared to 8,886 MSEK at December 31, 2011.

In the year, Swedish Match paid dividends totaling 1,334 MSEK and made share repurchases, net of options redeemed, of 1,532 MSEK. During the year, new bond loans of 2,045 MSEK were issued. Repayment of loans for the same period amounted to 1,315 MSEK. As of December 31, 2012 Swedish Match had 10,796 MSEK of interest bearing debt excluding retirement benefit obligations compared to 10,038 MSEK at December 31, 2011. During 2013, 1,191 MSEK of this debt falls due for payment. Swedish Match plans to meet its payback obligations during 2013 from internally generated funds from operations and available cash.

As of December 31, 2012, Swedish Match had 1,373 MSEK in unutilized committed credit lines.

Cash and cash equivalents amounted to 2,824 MSEK at the end of the period, com-

pared with 2,533 MSEK at the beginning of 2012.

### Average number of employees

The average number of employees in the Group during the full year 2012 was 3,848 compared with 3,880 for the full year 2011.

### Share structure

During the year, Swedish Match repurchased 7.4 million shares for 1,946 MSEK at an average price of 261.61 SEK, following authorizations from the Annual General Meetings held in 2011 and 2012. Total shares bought back by Swedish Match since the buyback program started have been repurchased at an average price of 105.37 SEK.

During the year the Company sold 2.7 million treasury shares at an average price of 154.80 SEK, totaling 414 MSEK, as a result of option holders exercising options.

In accordance with the resolution at the Annual General Meeting on May 2, 2012, 7 million shares held in treasury have been cancelled. The total number of registered shares in the Company after the cancellation of shares is 206.0 million.

As per December 31, 2012 Swedish Match held 6.6 million shares, corresponding to 3.20 percent of the total number of shares. The number of shares outstanding, net as per December 31, 2012, amounted to 199.4 million. The Company has issued call options of which an amount corresponding to 2.3 million shares exercisable in gradual stages from 2013–2015 were outstanding as of December 31, 2012.

In January 2013, a further 303,500 shares have been repurchased for 69 MSEK at an average price of 228.35 SEK.

The Board will propose to the Annual General Meeting in April 2013 a renewed mandate to repurchase shares up to a total holding in treasury not exceeding 10 percent of the number of registered shares in the Company until next Annual General Meeting in 2014.

### Events following the close of the reporting period

Swedish Match sold a parcel of land adjacent to the old headquarter building in Stockholm in 2007, for which the final purchase price was subject to the approval of a changed city plan. This approval has been received in January 2013, and Swedish Match will as a result receive an additional payment of approximately 150 MSEK in the first half of 2013.

### Outlook

We expect both the Scandinavian snus market and the US market for moist snuff to continue to grow in volume terms in 2013.

For the full year of 2013 we anticipate higher sales and operating profit for US mass market cigars, driven by strong volume growth.

During the year we will continue to invest for growth for snus internationally, particularly in the US, and also increase spending in order to drive share growth in the fast growing pouch segment of the US moist snuff market.

In Scandinavia, we will increase investments behind new market initiatives, particularly in Sweden, which has been negatively impacted by portfolio mix shifts. In view of the competitive pricing environment in the Swedish market, we have decided to make necessary pricing adjustments to our low priced portfolio in order to compete more effectively.

As a consequence of the increased market investments in the US and the competitive situation in Sweden, it is likely that the operating profit from the Snus and snuff product area for the full year 2013 will be lower than in 2012.

The tax rate for 2013, excluding one time items as well as associated companies and joint ventures, is expected to be between 22 and 23 percent.

The Company maintains its long term financial strategy and dividend policy, and we remain committed to returning cash not needed in operations to shareholders.

### Risk factors

Swedish Match faces intense competition in all of its markets and for each of its products and such competition may increase in the future. In order to be successful the Group must price and promote its brands competitively and anticipate and respond to new consumer trends. Restrictions on advertising and promotion may, however, make it more difficult to counteract loss of consumer loyalty. Competitors may develop and promote new products which could be successful, and could thereby have an adverse effect on Swedish Match results of operations.

Swedish Match has a substantial part of its production and sales in the US as well as in Brazil, Norway and EMU member countries. Consequently, changes in exchange rates of euro, Norwegian krona, Brazilian real and in particular the US dollar may

adversely affect the Group's results of operations, cash flow, financial condition or relative price competitiveness in the future. Such effects may occur both in local currencies and when such local currencies are translated into Swedish currency for purposes of financial reporting.

Regulatory and fiscal changes related to tobacco and other taxes, as well as to the marketing, sale and consumption of tobacco products, in the countries where the Group is operating may have an adverse effect on Swedish Match results of operations.

For a further description of risk factors affecting Swedish Match, see the Report of the Board of Directors in the published Swedish Match annual report for 2011.

### Swedish Match AB (publ)

Swedish Match AB (publ) is the Parent Company of the Swedish Match Group.

Sales in the Parent Company, for the full year amounted to 87 MSEK (51). Profit before income tax amounted to 4,681 MSEK (1,526) and net profit for the year amounted to 4,586 MSEK (1,419).

The main sources of income for the Parent Company are dividends and Group contributions from subsidiaries. During the period the Parent Company received dividends amounting to 4,333 MSEK (2,492) and net Group contributions amounting to 2,071 MSEK (1,839). During 2011, an impairment loss on shares in subsidiaries of 1,241 MSEK was recognized as a result of dividends paid out of retained earnings from subsidiaries.

Part of the Group's treasury operations are within the operations of the Parent Company including the major part of the Group's external borrowings. The majority of these loans have fixed interest rates and hence any changes in interest rates would have an immaterial impact on the result of the Parent Company.

No capital expenditures on tangible fixed assets have been recognized during 2012, nor during 2011. During the year 44 MSEK (22) have been capitalized in intangible assets as an investment in software development for an ERP system for the Group.

During the year, a shareholder contribution was provided to a Group company, in the amount of 2,025 MSEK.

The total cash flow for the period was zero (0) as the Parent Company does not hold any cash and bank balances.

During the year, new bond loans of 2,045 MSEK were issued and repayment of loans amounted to 1,315 MSEK. During the period the Parent Company made share repurchases of 7.4 million (11.1) shares for 1,946 MSEK (2,371) and sold 2.7 million (0.5) treasury shares for 414 MSEK (67).

The annual dividend of 1,334 MSEK (1,152) has been paid during the period.

### Forward-looking information

This report contains forward-looking information based on the current expectation of the Swedish Match Group's management. Although management deems that the expectations presented by such forward-looking information are reasonable, no

guarantee can be given that these expectations will prove correct. Accordingly, the actual future outcome could vary considerably compared to what is stated in the forward-looking information, due to such factors as changed market conditions for Swedish Match's products and more general conditions regarding business cycles, market and competition, changes in legal requirements and other political measures, and fluctuation in exchange rates.

### Additional information

This report has not been reviewed by the Company's auditors. The annual report for 2012 is expected to be distributed at the end of March and will at the same time be available on the Company's website [www.swedishmatch.com](http://www.swedishmatch.com) and at the Swedish Match headquarters, Västra Trädgårdsgatan 15, Stockholm. The Annual General Meeting will be held on April 25, 2013 in Stockholm, Sweden. The January–March 2013 report will be released on April 29, 2013.

Stockholm, February 20, 2013

Lars Dahlgren  
President and CEO

## Key data

	Full year	
	2012	2011
<i>All key data, with the exception of share data, have been calculated excluding larger one time items.</i>		
Operating margin, %	32.3	31.7
Operating capital, MSEK	7,253	7,224
Return on operating capital, %	55.7	51.7
EBITDA, MSEK <sup>1)</sup>	4,328	3,992
EBITA, MSEK <sup>2)</sup>	4,082	3,759
Net debt, MSEK	9,289	8,886
Net debt/EBITA <sup>2)</sup>	2.3	2.4
Investments in property, plant and equipment, MSEK <sup>3)</sup>	251	245
EBITA interest cover	7.6	7.4
<i>Excluding share of net profit in STG</i>		
EBITA, MSEK <sup>2)</sup>	3,716	3,422
Net debt/EBITA <sup>2)</sup>	2.5	2.6
<i>Share data</i>		
Earnings per share, basic, SEK	14.33	12.14
Earnings per share, diluted, SEK	14.25	12.07
Number of shares outstanding at end of period	199,408,335	204,172,141
Average number of shares outstanding, basic	202,888,955	209,001,190
Average number of shares outstanding, diluted	203,995,039	210,296,918

<sup>1)</sup> Operating profit adjusted for depreciation, amortization and write-downs of tangible and intangible assets.

<sup>2)</sup> Operating profit adjusted for amortization and write-downs of intangible assets.

<sup>3)</sup> Including investments in forest plantations of 25 MSEK (24).

## Consolidated income statement in summary

MSEK	October–December		Change %	Full year		Change %
	2012	2011		2012	2011	
Sales, including tobacco tax	6,461	6,262		25,449	23,662	
Less tobacco tax	-3,313	-3,198		-12,963	-11,997	
<b>Sales</b>	<b>3,148</b>	<b>3,064</b>	<b>3</b>	<b>12,486</b>	<b>11,666</b>	<b>7</b>
Cost of goods sold	-1,586	-1,515		-6,138	-5,774	
<b>Gross profit</b>	<b>1,562</b>	<b>1,549</b>	<b>1</b>	<b>6,349</b>	<b>5,892</b>	<b>8</b>
Selling and administrative expenses	-667	-648		-2,653	-2,516	
Share of profit/loss in associated companies and joint ventures	91	120		337	327	
Adjustment to capital gain from transfer of businesses to STG	-	-		30	-	
<b>Operating profit</b>	<b>986</b>	<b>1,022</b>	<b>-4</b>	<b>4,062</b>	<b>3,702</b>	<b>10</b>
Finance income	10	8		38	37	
Finance costs	-146	-142		-589	-560	
Net finance cost	-137	-134		-551	-523	
<b>Profit before income tax</b>	<b>850</b>	<b>888</b>	<b>-4</b>	<b>3,511</b>	<b>3,180</b>	<b>10</b>
Income tax expense	-63	-183		-604	-642	
<b>Profit for the period</b>	<b>787</b>	<b>705</b>	<b>12</b>	<b>2,907</b>	<b>2,538</b>	<b>15</b>
<i>Attributable to:</i>						
Equity holders of the Parent	787	705		2,906	2,538	
Non-controlling interests	0	0		0	1	
<b>Profit for the period</b>	<b>787</b>	<b>705</b>	<b>12</b>	<b>2,907</b>	<b>2,538</b>	<b>15</b>
Earnings per share, basic, SEK	3.93	3.42		14.33	12.14	
Earnings per share, diluted, SEK	3.91	3.40		14.25	12.07	

## Consolidated statement of comprehensive income

MSEK	October–December		Full year	
	2012	2011	2012	2011
<b>Profit for the period</b>	<b>787</b>	<b>705</b>	<b>2,907</b>	<b>2,538</b>
<i>Other comprehensive income</i>				
Translation differences related to foreign operations	83	-193	-365	-57
Translation differences included in profit and loss	-3	-	-3	0
Effective portion of changes in fair value of cash flow hedges	9	69	-16	-22
Reclassification adjustments for gains/losses on cash flow hedges included in profit and loss	-	-	-	0
Actuarial gains and losses attributable to pensions, including payroll tax	45	-46	-25	-353
Share of other comprehensive income in associated companies and joint ventures	-67	213	-90	90
Income tax relating to components of other comprehensive income	-26	-2	8	143
<b>Other comprehensive income, net of tax for the period</b>	<b>41</b>	<b>42</b>	<b>-492</b>	<b>-199</b>
<b>Total comprehensive income for the period</b>	<b>828</b>	<b>748</b>	<b>2,415</b>	<b>2,340</b>
<i>Attributable to:</i>				
Equity holders of the Parent	828	747	2,415	2,339
Non-controlling interests	0	0	0	1
<b>Total comprehensive income for the period</b>	<b>828</b>	<b>748</b>	<b>2,415</b>	<b>2,340</b>

## Consolidated balance sheet in summary

MSEK	December 31, 2012	December 31, 2011
Intangible assets	962	992
Property, plant and equipment	2,010	2,076
Investments in associated companies and joint ventures	4,354	4,481
Other non-current financial receivables <sup>1)</sup>	1,140	1,395
Current operating assets	3,080	3,031
Other current investments and current financial assets	-	0
Cash and cash equivalents	2,824	2,533
<b>Total assets</b>	<b>14,371</b>	<b>14,507</b>
Equity attributable to equity holders of the Parent	-2,053	-1,602
Non-controlling interests	2	2
<b>Total equity</b>	<b>-2,051</b>	<b>-1,599</b>
Non-current provisions	1,009	1,070
Non-current loans	9,238	8,535
Other non-current financial liabilities <sup>2)</sup>	1,870	1,787
Current provisions	102	84
Current loans	1,119	1,283
Other current liabilities <sup>3)</sup>	3,084	3,347
<b>Total equity and liabilities</b>	<b>14,371</b>	<b>14,507</b>

<sup>1)</sup> Includes pension assets of 65 MSEK (67) and derivative financial instruments of 32 MSEK (62) used to hedge the Parent Company's bond loans denominated in euro.

<sup>2)</sup> Includes pension liabilities of 1,382 MSEK (1,449) and derivative financial instruments of 386 MSEK (247) used to hedge the Parent Company's bond loans denominated in euro.

<sup>3)</sup> Includes current financial derivatives of 85 MSEK (33) used to hedge the Parent Company's bond loans denominated in euro.



## Consolidated cash flow statement in summary

MSEK	January–December	
	2012	2011
<i>Operating activities</i>		
<b>Profit before income taxes</b>	<b>3,511</b>	<b>3,180</b>
Share of net profit/loss in associated companies and joint ventures	-337	-327
Dividends received from associated companies	218	14
Other non-cash items and other	264	240
Income tax paid	-563	-662
<b>Cash flow from operating activities before changes in working capital</b>	<b>3,093</b>	<b>2,445</b>
Cash flow from changes in working capital	-288	163
<b>Net cash from operating activities</b>	<b>2,805</b>	<b>2,608</b>
<i>Investing activities</i>		
Purchase of property, plant and equipment	-251	-245
Proceeds from sale of property, plant and equipment	6	3
Purchase of intangible assets	-48	-22
Investments in associated companies and joint ventures	-40	-28
Investments in other companies	-	-4
Proceeds from sale of subsidiaries, net of cash disposed of <sup>1)</sup>	9	143
Changes in financial receivables etc.	-	1
Changes in other current investments	-	1
<b>Net cash used in investing activities</b>	<b>-323</b>	<b>-151</b>
<i>Financing activities</i>		
Changes in loans	740	149
Dividend paid to equity holders of the Parent	-1,334	-1,152
Repurchase of own shares	-1,946	-2,371
Stock options exercised	414	67
Other	14	88
<b>Net cash used in financing activities</b>	<b>-2,112</b>	<b>-3,219</b>
<b>Net decrease in cash and cash equivalents</b>	<b>371</b>	<b>-763</b>
Cash and cash equivalents at the beginning of the period	2,533	3,275
Effect of exchange rate fluctuations on cash and cash equivalents	-79	21
<b>Cash and cash equivalents at the end of the period</b>	<b>2,824</b>	<b>2,533</b>

<sup>1)</sup> The cash flow from sale of subsidiaries during 2012 includes an additional payment of the purchase price of 5 MSEK relating to the divestment of Swedish Match UK during 2008 and 3 MSEK received in additional payment of the purchase price relating to the divestment of Swedish Match Plam Bulgaria DA during 2011. During 2011, 140 MSEK pertains to the closing settlement of the STG transaction and 3 MSEK to the divestment of Swedish Match Plam Bulgaria DA.

## Change in shareholders' equity

MSEK	Equity attributable to holders of the Parent	Non-controlling interests	Total equity
<b>Equity at January 1, 2011</b>	<b>-484</b>	<b>2</b>	<b>-482</b>
Profit for the period	2,538	1	2,538
Other comprehensive income, net of tax for the period	-199	0	-199
<b>Total comprehensive income for the period</b>	<b>2,339</b>	<b>1</b>	<b>2,340</b>
Dividend	-1,152	0	-1,152
Repurchase of own shares	-2,371	-	-2,371
Stock options exercised	67	-	67
Cancellation of shares	-30	-	-30
Bonus issue	30	-	30
<b>Equity at December 31, 2011</b>	<b>-1,602</b>	<b>2</b>	<b>-1,599</b>
<b>Equity at January 1, 2012</b>	<b>-1,602</b>	<b>2</b>	<b>-1,599</b>
Profit for the period	2,906	0	2,907
Other comprehensive income, net of tax for the period	-492	0	-492
<b>Total comprehensive income for the period</b>	<b>2,415</b>	<b>0</b>	<b>2,415</b>
Dividend	-1,334	0	-1,334
Repurchase of own shares	-1,946	-	-1,946
Stock options exercised	414	-	414
Cancellation of shares	-13	-	-13
Bonus issue	13	-	13
<b>Equity at December 31, 2012</b>	<b>-2,053</b>	<b>2</b>	<b>-2,051</b>

**Parent Company income statement in summary**

MSEK	January–December	
	2012	2011
Sales	87	51
Administrative expenses	-249	-166
<b>Operating loss</b>	<b>-162</b>	<b>-115</b>
Result from participation in Group companies	6,405	2,974
Result from participation in joint ventures	-	-12
Net finance cost	-1,427	-1,197
<b>Profit after financial items</b>	<b>4,817</b>	<b>1,650</b>
Appropriations	-136	-124
<b>Profit before income tax</b>	<b>4,681</b>	<b>1,526</b>
Income tax	-95	-107
<b>Profit for the period</b>	<b>4,586</b>	<b>1,419</b>

**Parent Company statement of comprehensive income**

MSEK	January–December	
	2012	2011
<b>Profit for the period</b>	<b>4,586</b>	<b>1,419</b>
<i>Other comprehensive income</i>		
Effective portion of changes in fair value of cash flow hedges	-16	-22
Reclassification adjustment for gains/losses on cash flow hedges included in profit and loss	-	0
Income tax relating to components of other comprehensive income	1	6
<b>Other comprehensive income, net of tax for the period</b>	<b>-16</b>	<b>-16</b>
<b>Total comprehensive income for the period</b>	<b>4,571</b>	<b>1,403</b>

**Parent Company balance sheet in summary**

MSEK	December 31, 2012	December 31, 2011
Intangible and tangible assets	96	60
Non-current financial assets	51,357	49,373
Current assets	2,332	2,172
<b>Total assets</b>	<b>53,784</b>	<b>51,605</b>
<b>Equity</b>	<b>21,230</b>	<b>19,525</b>
<b>Untaxed reserves</b>	<b>260</b>	<b>124</b>
Provisions	92	71
Non-current liabilities	27,814	26,960
Current liabilities	4,388	4,924
<b>Total liabilities</b>	<b>32,295</b>	<b>31,955</b>
<b>Total equity and liabilities</b>	<b>53,784</b>	<b>51,605</b>

**Note 1 – Accounting principles**

This report for the Group is prepared in accordance with the Accounting Standard IAS 34 Interim Financial Reporting and applicable rules in the Annual Accounts Act. The report for the Parent Company is prepared in accordance with the Annual Accounts Act, Chapter 9 and RFR 2.

The new or amended IFRS standards and IFRIC interpretations, which became effective January 1, 2012, have had no material effect on the consolidated financial statements. In all other aspects, the accounting principles and basis of calculations in this report are the same as in the annual report of 2011.

**Note 2 – Related parties transactions**

The Group's related parties include joint ventures, associated companies and key management personnel with significant influence over the Company. Key management personnel with significant influence over the Company are Swedish Match Board of Directors and members of the Group Management Team.

In the normal course of business, Swedish Match conducts various transactions with associated companies and joint ventures. Transactions are conducted at an arms-length basis. At the end of 2012, receivables from these companies amounted to 29 MSEK (35) and total payables to these companies amounted to 8 MSEK (30). During 2012, total sales to associated companies and joint ventures amounted to 181 MSEK (171) and total purchases from associated companies and joint ventures amounted to 78 MSEK (139).

No transactions with key management personnel besides normal remuneration have been conducted during the period.

**Note 3 – Scandinavian Tobacco Group****Summary of STG consolidated income statement**

MDKK	January–December		Change
	2012	2011	%
Sales	5,978	5,471	9
EBITDA (excluding one time items)	1,307	1,275	2
EBITDA	1,307	1,178	11
Operating profit	940	828	13
Net finance cost	-98	-47	
Income tax expense	-220	-204	
<b>Net profit for the period</b>	<b>622</b>	<b>578</b>	<b>8</b>
<b>MSEK</b>			
<b>Swedish Match's share of net profit</b>	<b>356</b>	<b>343</b>	<b>4</b>
Adjustment to estimate vs. actual	10	-6	
<b>Swedish Match's reported share of net profit</b>	<b>366</b>	<b>337</b>	<b>9</b>

## Quarterly data

MSEK	2012				2011				2010	
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	
Sales, including tobacco tax	6,461	6,651	6,568	5,769	6,262	6,208	6,033	5,158	5,471	
Less tobacco tax	-3,313	-3,443	-3,355	-2,852	-3,198	-3,198	-3,089	-2,512	-2,671	
<b>Sales</b>	<b>3,148</b>	<b>3,208</b>	<b>3,213</b>	<b>2,917</b>	<b>3,064</b>	<b>3,011</b>	<b>2,944</b>	<b>2,646</b>	<b>2,801</b>	
Cost of goods sold	-1,586	-1,617	-1,558	-1,376	-1,515	-1,495	-1,467	-1,298	-1,338	
<b>Gross profit</b>	<b>1,562</b>	<b>1,591</b>	<b>1,655</b>	<b>1,541</b>	<b>1,549</b>	<b>1,516</b>	<b>1,478</b>	<b>1,348</b>	<b>1,463</b>	
Selling and administrative expenses	-667	-640	-710	-635	-648	-604	-647	-617	-621	
Share of net profit/loss in associated companies and joint ventures	91	72	107	66	120	71	74	62	-65	
	<b>986</b>	<b>1,022</b>	<b>1,052</b>	<b>972</b>	<b>1,022</b>	<b>983</b>	<b>904</b>	<b>793</b>	<b>777</b>	
<i>Larger one time items</i>										
Capital gain from transfer of businesses to STG	-	-	30	-	-	-	-	-	585	
Net gain from pension settlements	-	-	-	-	-	-	-	-	59	
<b>Operating profit</b>	<b>986</b>	<b>1,022</b>	<b>1,082</b>	<b>972</b>	<b>1,022</b>	<b>983</b>	<b>904</b>	<b>793</b>	<b>1,421</b>	
Finance income	10	11	12	6	8	10	9	10	8	
Finance costs	-146	-152	-151	-140	-142	-140	-140	-138	-207	
Net finance cost	-137	-141	-140	-134	-134	-130	-131	-128	-199	
<b>Profit before income tax</b>	<b>850</b>	<b>881</b>	<b>942</b>	<b>838</b>	<b>888</b>	<b>853</b>	<b>773</b>	<b>665</b>	<b>1,221</b>	
Income tax expense	-63	-188	-183	-170	-183	-169	-157	-132	-148	
<b>Profit for the period</b>	<b>787</b>	<b>693</b>	<b>759</b>	<b>668</b>	<b>705</b>	<b>684</b>	<b>616</b>	<b>533</b>	<b>1,074</b>	
<i>Attributable to:</i>										
Equity holders of the Parent	787	693	759	667	705	684	615	533	1,073	
Non-controlling interests	0	0	0	0	0	0	0	0	0	
<b>Profit for the period</b>	<b>787</b>	<b>693</b>	<b>759</b>	<b>668</b>	<b>705</b>	<b>684</b>	<b>616</b>	<b>533</b>	<b>1,074</b>	

## Sales by product area

MSEK	2012				2011				2010	
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	
Snus and snuff	1,280	1,263	1,300	1,206	1,266	1,199	1,193	1,068	1,178	
Other tobacco products	601	689	696	675	578	613	613	583	557	
Lights	341	311	336	350	364	333	313	336	379	
Other operations	926	944	880	687	856	866	826	659	687	
<b>Sales</b>	<b>3,148</b>	<b>3,208</b>	<b>3,213</b>	<b>2,917</b>	<b>3,064</b>	<b>3,011</b>	<b>2,944</b>	<b>2,646</b>	<b>2,801</b>	

## Operating profit by product area

MSEK	2012				2011				2010	
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	
Snus and snuff	593	607	581	568	581	590	540	469	567	
Other tobacco products	248	300	316	297	255	278	272	245	208	
Lights	61	44	60	57	80	59	44	58	87	
Other operations	-18	-8	-20	-19	-18	-18	-26	-43	-26	
<b>Operating profit from product areas</b>	<b>883</b>	<b>942</b>	<b>938</b>	<b>903</b>	<b>898</b>	<b>909</b>	<b>829</b>	<b>729</b>	<b>836</b>	
Share of net profit/loss in STG	103	80	114	69	124	74	74	65	-60	
<b>Subtotal</b>	<b>986</b>	<b>1,022</b>	<b>1,052</b>	<b>972</b>	<b>1,022</b>	<b>983</b>	<b>904</b>	<b>793</b>	<b>777</b>	
Capital gain from transfer of businesses to STG	-	-	30	-	-	-	-	-	585	
Net gain from pension settlements	-	-	-	-	-	-	-	-	59	
<b>Total larger one time items</b>	<b>-</b>	<b>-</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>644</b>	
<b>Operating profit</b>	<b>986</b>	<b>1,022</b>	<b>1,082</b>	<b>972</b>	<b>1,022</b>	<b>983</b>	<b>904</b>	<b>793</b>	<b>1,421</b>	

## Operating margin by product area<sup>1)</sup>

Percent	2012				2011				2010	
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	
Snus and snuff	46.3	48.0	44.7	47.1	45.9	49.2	45.3	44.0	48.1	
Other tobacco products	41.2	43.5	45.4	44.0	44.1	45.3	44.4	41.9	37.4	
Lights	17.9	14.0	17.9	16.3	21.9	17.7	13.9	17.3	23.0	
<b>Operating margin from product areas<sup>2)</sup></b>	<b>28.0</b>	<b>29.4</b>	<b>29.2</b>	<b>31.0</b>	<b>29.3</b>	<b>30.2</b>	<b>28.2</b>	<b>27.5</b>	<b>29.9</b>	
<b>Operating margin<sup>3)</sup></b>	<b>31.3</b>	<b>31.9</b>	<b>32.7</b>	<b>33.3</b>	<b>33.4</b>	<b>32.7</b>	<b>30.7</b>	<b>30.0</b>	<b>27.7</b>	

<sup>1)</sup> Excluding larger one time items.

<sup>2)</sup> Excluding share of net profit/loss in STG.

<sup>3)</sup> Including share of net profit/loss in STG.

## CIGARS

# WHITE OWL & GAME GOLD

*White Owl and Game by Garcia y Vega announce the latest innovation in cigarillos, FoilFresh® Gold!*

Small HTL cigarillos constitute the largest segment in the cigar category and small natural leaf cigars make up the fastest growing segment in the cigar category.<sup>1)</sup> This latest offering is yet another response to consumer demand from *White Owl* and *Game*.

Each cigarillo is filled with finely blended tobaccos and have slow burning, smooth Gold wrappers.

FoilFresh® packaging guarantees that both *White Owl* and *Game* Gold cigarillos are as fresh as the day they were made.

<sup>1)</sup> Source: CMPP 2011 v 2012 Oct YTD.



Swedish Match develops, manufactures, and sells market-leading brands in the product areas Snus and snuff, Other tobacco products (US mass market cigars and chewing tobacco), and Lights (matches and lighters). Well known brands include *General* snus, *Longhorn* moist snuff, *Red Man* chewing tobacco, *White Owl* cigars, *Cricket* lighters, and *Fiat Lux* matches. The Group sells products across the globe, with production units in six countries. The Group also has an independent distribution company in Sweden. In addition, Swedish Match holds a 49 percent ownership interest in Scandinavian Tobacco Group (STG). Swedish Match also owns 50 percent of SMPM International (a joint venture with Philip Morris International). Snus and snuff account for more than a third of total company sales and more than half of the operating profit. The Swedish Match share is listed on the NASDAQ OMX Stockholm.



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