

Q3 2015

Interim Report JANUARY – SEPTEMBER 2015

- Sales for the third quarter increased by 10 percent to 3,756 MSEK (3,416). In local currencies, sales were up 4 percent, with increases across all product areas.
- Operating profit from product areas¹⁾ for the third quarter increased by 12 percent to 979 MSEK (874). In local currencies operating profit from product areas¹⁾ was up by 4 percent.
- Operating profit²⁾ amounted to 1,065 MSEK (989) for the third quarter, negatively impacted by restructuring costs in Swedish Match's share of net profit from associated companies.
- EPS (basic) for the third quarter amounted to 3.84 SEK (3.50).

1) Operating profit for Swedish Match product areas, which excludes share of net profit in STG.

2) Operating profit for the Group includes share of net profit in STG. Share of profit in STG includes restructuring costs of 45 MSEK.



CEO Lars Dahlgren comments:

The Scandinavian snus market remains highly competitive, but with the steps we have taken we continued to deliver on our strategy to defend and develop our market positions and to lead the development of the category. In each of the last two quarters, our market share in volume terms for snus in Sweden grew sequentially versus the preceding quarter. Our share gains and volume growth can be attributed to a number of factors – the positive reception to the *XRANGE* assortment of products, the price repositioning of our *Kronan* brand, and continued focus on quality and product innovation.

Launched in April, the *XRANGE* premium range have now reached a 5 percent share of the total Swedish snus market, with volumes sourced from both lower and higher priced products. Within the value segment, we estimate our share to be up by more than two percentage points versus last year's third quarter and, late in the third quarter, we added a new brand to our value priced portfolio – *Mustang*. Priced somewhat higher than our other value brands, *Mustang* offers a rich and bold character with fuller pouches than most varieties. The Swedish snus category, after a slower start of the year, exhibited strong volume growth in the quarter.

In Norway, the snus category also continued its solid growth in the quarter. We continued to lose share in that market, an issue that we are addressing through the introduction of new and innovative products. Our modern *General G.3* snus-series continued its positive momentum and during the third quarter we also launched new varieties under our *Lab* series product range on the Norwegian market.

In this past quarter our US businesses again achieved outstanding results in local currency and growth was further enhanced by the stronger US dollar. Cigars in the US demonstrated both volume growth and a favorable product mix. Chewing tobacco volumes declined at a faster pace than experienced earlier in the year, but our year to date volume declines were well in line with recent history. The excellent result development in our Other tobacco products segment was also favorably impacted by the expiration of tobacco quota buy-out costs that were paid through the third quarter of 2014. The US moist snuff business showed continued growth for pouches and tubs in line with the strategy to strengthen our market position in faster growing segments. Swedish snus in the US again registered higher volumes and a reduced operating loss. With regard to the FDA, we are still waiting for a response to our modified risk tobacco products application for *General* snus.

Our Lights business showed a marked improvement from the unusually weak second quarter, as volumes for lighters picked up significantly.

In summary, I am very pleased by the developments during the third quarter – particularly by the market share gains for snus in Sweden, the growing volumes for snus and the continued growth for cigars in the US.

Summary of consolidated income statement

MSEK	July-September		Chg %	January-September		Chg %	Full year 2014
	2015	2014		2015	2014		
Sales	3,756	3,416	10	10,767	9,769	10	13,305
Operating profit from product areas ¹⁾	979	874	12	2,782	2,546	9	3,446
Operating profit ²⁾	1,065	989	8	3,100	2,788	11	3,780
Profit before income tax	960	862	11	2,765	2,409	15	3,270
Profit for the period	741	695	7	2,167	1,926	13	2,626
Operating margin from product areas ¹⁾ , %	26.1	25.6		25.8	26.1		25.9
Operating margin ²⁾ , %	28.4	29.0		28.8	28.5		28.4
Earnings per share, basic, SEK	3.84	3.50	10	11.14	9.68	15	13.23
Earnings per share, adjusted, basic, SEK ³⁾	3.84	3.50	10	11.02	9.68	14	13.23

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

2) Including larger one-time items and share of net profit in STG. Swedish Match's share of net profit in STG for the first nine months of 2015 includes an adjustment of 56 MSEK relating to 2014 due to a reassessment of useful lives of certain intangible and tangible assets. See Note 3.

3) The first nine months 2015 are adjusted for a Swedish Match larger one-time item (negative 33 MSEK after tax) and the above-mentioned STG reassessment of useful lives.

The third quarter

(Note: Comments below refer to the comparison between the third quarter 2015 vs. the third quarter prior year).

Sales

Sales grew by 10 percent to 3,756 MSEK (3,416). Currency translation has affected the sales comparison positively by 204 MSEK. In local currencies, sales increased by 4 percent with increases in all product areas.

Earnings

Operating profit from product areas increased by 12 percent to 979 MSEK (874). In local currencies, operating profit from product areas grew by 4 percent. In local currencies, operating profit increased for Other tobacco products, but was lower for Snus and moist snuff as well as for Lights. The reported share of net profit in STG, after interest and tax, amounted to 87 MSEK (115). Operating profit, including the share of net profit in STG, increased by 8 percent to 1,065 MSEK (989). The share of net profit in STG includes restructuring costs of 45 MSEK after tax. Currency translation has affected the comparison of the operating profit, including the net profit of STG, positively by 74 MSEK.

The Group's net finance cost amounted to 106 MSEK (127) and income tax expense amounted to 219 MSEK (167), corresponding to a reported tax rate of 22.8 percent (19.4).

Profit for the period increased by 7 percent to 741 MSEK (695).

Basic earnings per share (EPS) for the third quarter increased to 3.84 SEK (3.50), despite being negatively impacted by restructuring costs at STG, and diluted EPS increased to 3.84 SEK (3.49).

The first nine months

(Note: Comments below refer to the comparison between the first nine months 2015 vs. the first nine months prior year).

Sales

Sales increased by 10 percent to 10,767 MSEK (9,769). Currency translation affected the sales comparison positively by 808 MSEK. In local currencies, sales increased by 2 percent. Trade destocking in Scandinavia following the excise tax increase on January 1st is estimated to have impacted sales negatively by approximately 1 percent.

Earnings

Operating profit from product areas amounted to 2,782 MSEK (2,546). In local currencies the operating profit from product areas was down by 1 percent, negatively affected by the trade destocking in Scandinavia at the beginning of the year.

The share of net profit in STG, after interest and tax, amounted to 360 MSEK (242) and was positively affected by a reassessment of useful lives of primarily trademarks, but negatively affected by restructuring costs. Operating profit, including share of net profit in STG and larger one-time items, amounted to 3,100 MSEK (2,788). Currency translation has affected the operating profit comparison positively by 277 MSEK.

The Group's net finance cost amounted to 335 MSEK (378) and income tax expense amounted to 598 MSEK (484), corresponding to a reported tax rate of 21.6 percent (20.1).

Profit for the period increased by 13 percent to 2,167 MSEK (1,926).

Basic EPS for the first nine months increased to 11.14 SEK (9.68) and diluted EPS increased to 11.14 SEK (9.67). Basic EPS for the first nine months, adjusted for a larger one-time item and the reassessment of useful lives in STG, increased to 11.02 SEK (9.68), while diluted EPS, similarly adjusted, increased to 11.02 SEK (9.67).

MUSTANG

The snus brand *Mustang* was recently launched on the Swedish market. *Mustang* offers consumers a robust snus. To produce *Mustang*, a new manufacturing process has been developed which produces a fuller pouch compared to regular pouches. *Mustang* is available in three varieties – white portion, original portion and loose.

Swedish Match's snus is manufactured according to the quality standard GOTHIA TEK® which provides a guarantee that Swedish Match's snus undergoes controls to maintain the highest quality from tobacco plant to end consumers. The standard includes requirements on maximum permitted levels of undesired constituents that occur naturally in tobacco, as well as requirements on raw material, the manufacturing process, and product information to consumers.





Snus and moist snuff

Third quarter highlights:

- Swedish Match's share of the Swedish market grew sequentially for the second quarter in a row
- Scandinavian shipment volumes increased by close to 5 percent
- Sales and operating profit grew in the US in local currency

Key data

MSEK	July-September			January-September			Full year
	2015	2014	Chg %	2015	2014	Chg %	
Sales	1,311	1,257	4	3,773	3,678	3	5,001
Operating profit	556	562	-1	1,525	1,630	-6	2,207
Operating margin, %	42.4	44.8		40.4	44.3		44.1
EBITDA	600	608	-1	1,659	1,757	-6	2,380
EBITDA margin, %	45.7	48.3		44.0	47.8		47.6

The third quarter

(Note: Comments below refer to the comparison between the third quarter 2015 vs. the third quarter prior year).

Sales for Snus and moist snuff were up by 4 percent, positively impacted by a stronger US dollar. Operating profit was negatively affected by currency effects due to the weakening of the Norwegian krona. The higher relative share of sales from the US business, along with somewhat lower operating margin in Scandinavia and higher costs for snus expansion outside Scandinavia resulted in a lower operating margin. The total net operating costs for snus expansion outside Scandinavia amounted to 100 MSEK (91), negatively impacted by the stronger US dollar and costs for the unwinding of the SMPM International joint venture.

In Scandinavia, shipment volumes measured in number of cans were up by close to 5 percent. While quarterly market growth rates fluctuate, both the Swedish and Norwegian markets grew strongly in the quarter. Swedish Match estimates that the total Scandinavian market grew by more than 5 percent.

In Sweden, Swedish Match's market share has increased sequentially over the past two quarters and reached 69.3 percent in volume terms for the third quarter. In April, Swedish Match successfully launched an assortment of competitively priced premium products under the innovative XRANGE snus series in Sweden. The success of XRANGE and a more stable premium segment contributed to Swedish Match's positive market share development. While the value segment has increased its share of the Swedish snus market on a year on year basis, it has been relatively stable during the last three quarters at around 46 percent of the total market. Swedish Match's market share in this segment grew by more than two percentage points compared to the third quarter of the prior year.

In Norway, while the modern General G.3-series product line continued to gain share in the third quarter, Swedish Match's total market share declined both compared to the second quarter of 2015 and the prior year.

Sales for Swedish Match in Scandinavia declined slightly as higher volumes did not fully compensate for negative currency effects from the weaker Norwegian krona and negative portfolio price/mix effects. Over the course of the past twelve months Swedish Match has taken important steps to strengthen its long term

position on the Swedish market. The increased market share within the growing value segment, the price repositioning of the *Kronan* brand in Sweden during 2014, the launch of the *XRANGE* snus series in Sweden as well as the recent sharp weakening of the Norwegian krona are factors that have contributed to a lower average selling price per can. Reported operating profit and operating margin for snus in Scandinavia declined somewhat despite the higher volumes due to the lower average net sales price per can.

For *General* snus in the US, sales were higher due to higher volumes and better realized pricing. Operating loss in US dollars improved, due to somewhat reduced marketing spending and higher gross profit.

For the US moist snuff business, volumes measured in number of can equivalents continued to grow for pouches and tubs but declined for loose varieties. Total shipment volumes declined by 2 percent. Sales declined slightly while operating profit in US dollars increased, partly as a result of a somewhat higher average net sales price per can. The US moist snuff market continued to grow in volume terms.

The first nine months

(Note: Comments below refer to the comparison between the first nine months 2015 vs. the first nine months prior year).

Sales for the product area declined by 3 percent in local currencies negatively impacted by trade destocking related to a substantial tax increase on snus in Sweden from January 1, 2015, as well as portfolio price/mix shifts. The operating profit included net costs for Swedish snus expansion outside Scandinavia amounting to 262 MSEK (243).

In Scandinavia, shipment volumes declined by less than 1 percent, with value priced products comprising a larger share of the product portfolio. Swedish Match estimates that its underlying volumes (excluding destocking and calendar effects) on the Scandinavian market increased by close to 2 percent and that the total market grew by more than 4 percent on an underlying basis. Sales in Scandinavia declined more than shipments in percentage terms. Operating profit for snus in Scandinavia declined due to destocking effects and portfolio price/mix effects.

In the US, sales revenues in local currency for moist snuff increased on both marginally higher volumes and a slightly higher average price per can. Operating profit also grew in local currency for moist snuff in the US. For *General* snus in the US, marketing spending was lower and sales and gross profit improved.

Swedish Match shipment volumes

	July-September		Chg %	January-September		Chg %	Full year 2014
	2015	2014		2015	2014		
Snus, millions of cans, Scandinavia	61.2	58.5	5	171.8	172.2	0	238.1
Moist snuff, millions of cans, US	34.7	35.6	-2	103.4	102.9	0	132.6

Swedish Match Scandinavian snus market shares¹⁾

Percent	July-September		Chg ppts	January-September		Chg ppts	Full year 2014
	2015	2014		2015	2014		
Snus, Sweden, total	69.3	69.9	-0.6	69.0	70.0	-1.0	69.9
Snus, Sweden, premium	93.1	93.7	-0.6	93.4	94.0	-0.6	94.0
Snus, Sweden, value	40.6	38.3	2.3	40.4	37.7	2.7	38.1
Snus, Norway, total	56.0	59.3	-3.3	57.1	60.5	-3.4	60.1

1) Swedish Match estimates using Nielsen data (excluding tobaccoconists): 13 weeks and YTD to September 27, 2015.



Other tobacco products (cigars and chewing tobacco)

Third quarter highlights:

- Higher sales and operating profit in local currency from strong cigar performance
- Cigar volumes increased by 14 percent
- The strong US dollar continued to result in even stronger growth in reported sales and operating profit

Key data

MSEK	July-September			January-September			Full year
	2015	2014	Chg %	2015	2014	Chg %	
Sales	958	724	32	2,873	2,109	36	2,832
Operating profit	390	276	41	1,188	821	45	1,109
Operating margin, %	40.7	38.1		41.3	38.9		39.2
EBITDA	404	289	40	1,232	859	43	1,161
EBITDA margin, %	42.2	40.0		42.9	40.7		41.0

The third quarter

(Note: Comments below refer to the comparison between the third quarter 2015 vs. the third quarter prior year).

Sales and operating profit for Other tobacco products grew both as reported and in local currency. In local currency, sales increased by 9 percent and operating profit increased by 16 percent. Operating profit was positively affected by the absence of tobacco quota buy-out program fees (approximately 2 MUSD per quarter) which expired on October 1, 2014.

Cigar volumes were up by 14 percent. The US cigar market remained highly competitive but Swedish Match has strengthened its presence within the natural leaf segment and in the value segment. Swedish Match's *Game* and *Jackpot* brands both continued to show strong growth. Higher volumes and an improved mix contributed to growth in both sales and operating profit in local currency. The operating profit and operating profit margin comparison was also positively affected by the absence of the tobacco quota buy-out fees in 2015. On October 19, 2015, FDA submitted its proposal for regulation that will cover cigars to the Office of Management and Budget (OMB). The details of the proposed regulation have not been made official and the implementation date depends on the outcome of the review by the OMB. Upon the effective date of the regulation Swedish Match expects to start paying user fees relating to its cigar business to the FDA of approximately 8 MUSD annually.

Chewing tobacco shipments (excluding contract manufacturing volumes) were down by 9 percent. Sales and operating profit in US dollars were down by less in percentage terms than volumes as favorable pricing partly compensated for the volume decline.

The first nine months

(Note: Comments below refer to the comparison between the first nine months 2015 vs. the first nine months prior year).

In local currency, sales were up by 8 percent, while operating profit was up by 15 percent, attributable to strong performance for US cigars. The operating margin of 42 percent was positively impacted by the absence of the tobacco quota buy-out fees of approximately 7 MUSD.

Cigar volumes increased by 9 percent while sales increased at a faster rate due to a somewhat higher average price per cigar related to portfolio mix shifts. Operating profit in local currency was also higher.

For chewing tobacco, sales in local currency were down somewhat with higher prices substantially compensating for the decline in volumes. Operating profit for chewing tobacco in local currency declined.

Swedish Match US shipment volumes

	July-September		Chg	January-September		Chg	Full year
	2015	2014	%	2015	2014	%	2014
Cigars, millions of sticks	311	272	14	937	860	9	1,125
Chewing tobacco, thousands of pounds (excluding contract manufacturing volume)	1,857	2,033	-9	5,720	6,124	-7	7,856

Lights (matches, lighters and complementary products)

Third quarter highlights:

- Improved performance for lighters following a weak second quarter
- Good result for matches despite lower volumes



Key data

MSEK	July-September		Chg	January-September		Chg	Full year
	2015	2014	%	2015	2014	%	2014
Sales	312	319	-2	961	934	3	1,295
Operating profit	47	51	-7	140	155	-10	218
Operating margin, %	15.2	16.0		14.6	16.6		16.8
EBITDA	57	59	-5	169	180	-6	252
EBITDA margin, %	18.2	18.6		17.6	19.3		19.5

The third quarter

(Note: Comments below refer to the comparison between the third quarter 2015 vs. the third quarter prior year).

Adjusted for currency translation effects, sales grew by 2 percent while operating profit declined by 8 percent. The Lights business rebounded from the unusually weak second quarter as volumes for lighters picked up significantly. A substantially weaker Brazilian real reduced reported sales and operating profit in Swedish kronor from the Latin American lights businesses.

For lighters, sales grew due to increased volumes. Operating profit declined primarily due to higher marketing costs and lower prices in invoiced currency in certain markets.

For matches reported sales declined as a consequence of the steep depreciation of the Brazilian real and lower volumes. Operating profit grew as a result of positive realized pricing.

Sales and operating profit from complementary products (mainly branded razors, batteries, high efficiency light bulbs, and tooth picks for the Brazilian market) declined.

The first nine months

(Note: Comments below refer to the comparison between the first nine months 2015 vs. the first nine months prior year).

Adjusted for currency translation effects, sales were flat, while operating profit for the product area declined by 15 percent, mainly as a consequence of weaker performance for lighters in Eastern Europe. Operating profit was up for matches but declined for lighters.

Swedish Match shipment volumes, worldwide

	July-September		Chg %	January-September		Chg %	Full year 2014
	2015	2014		2015	2014		
Matches, billion sticks	16.5	19.3	-15	55.7	59.7	-7	81.5
Lighters, million units	102.6	93.8	9	291.3	313.9	-7	422.5

Other operations

Other operations consist of the distribution of tobacco products on the Swedish market and corporate overhead costs.

The third quarter

Sales in Other operations for the third quarter amounted to 1,174 MSEK (1,117). Operating loss for Other operations was 14 MSEK (15).

The first nine months

Sales for the first nine months amounted to 3,160 MSEK (3,048). Operating loss for the first nine months was 71 MSEK (61).

Scandinavian Tobacco Group

Swedish Match owns 49 percent of Scandinavian Tobacco Group (STG), a world leading manufacturer of cigars and pipe tobacco. Please see Note 3 for a summary of the STG consolidated income statement.

As previously communicated STG has performed a strategic review that identified several opportunities in its operations with a focus to increase profitability and capital efficiency.

During the year, and most notably during the third quarter, STG took concrete steps and implemented several actions to increase productivity and build a stronger company for the future. Key elements included a detailed plan to rationalize the product portfolio and the number of stock keeping units, coupled with the announcement of a sizeable reduction of the workforce in the supply chain. Portfolio rationalization is also an important component of the preparations for the revised European Tobacco Products Directive (to be implemented in May 2016). These steps have resulted in total restructuring costs of 123 MDKK for the nine month period, of which 98 MDKK have been recognized in the third quarter.

The third quarter

(Note: Comments below refer to the comparison between the third quarter 2015 vs. the third quarter prior year). The useful lives of certain intangible and tangible assets were reassessed by STG's management in the financials for 2014. The comments on STG's performance below refer to the results of STG including the positive effect of the above-mentioned reassessment in the 2014 comparable figures. Please see Note 3 for more information).

STG performance

Sales for STG increased by 5 percent to 1,741 MDKK (1,651). Adjusted for currency translation, sales were in line with prior year. Sales in local currencies continued to grow for handmade cigars, while sales declined primarily for contract manufactured volumes. Reported EBITDA for the period amounted to 307 MDKK (364), significantly impacted by the above-mentioned restructuring costs. Underlying EBITDA was marginally higher than in the prior year due to positive price effects and improved production efficiencies.

For machine made cigars, when adjusted for currency effects, sales were somewhat lower. Favorable pricing and an improved market mix largely compensated for lower volumes. Gross profit on an underlying basis increased somewhat, driven by higher average prices.

For handmade cigars, sales were up in local currencies, reflecting continued strong volume development and higher average prices in the US. Gross profit also improved.

For the pipe tobacco business, sales in local currencies were down affected by negative volume development while gross profit was up as a result of higher prices and lower production costs.

For the fine-cut tobacco business, sales in local currencies increased despite the termination of a distribution agreement for third party products in late 2014. Gross profit also increased driven by the improved sales and higher productivity.

Operating expenses during the quarter increased primarily as a result of the above mentioned restructuring costs, coupled with currency translation effects.

Net financial costs for the quarter increased to 32 MDKK (18) reflecting higher interest costs on pensions and lower realized gains from financial instruments compared to the prior year period.

Net profit for the quarter amounted to 139 MDKK (200) reflecting the significant adverse effects of the above-mentioned restructuring charges.

On September 30, 2015, Swedish Match received an extra dividend from STG of 555 MSEK.

Swedish Match's share of net profit in STG

Swedish Match's reported share of net profit in STG amounted to 87 MSEK (115). Adjusted to reflect the positive effect of the reassessment of useful lives of certain tangible and intangible assets in the 2014 comparable figures, Swedish Match's share of net profit would have amounted to 129 MSEK for the third quarter 2014. Due to the restructuring costs of 45 MSEK, after tax, recognized in the third quarter 2015, Swedish Match's share of net profit in STG was lower than for the same period prior year.

The first nine months

(Note: Comments below refer to the comparison between the first nine months 2015 vs. the first nine months prior year. The useful lives of certain intangible and tangible assets were reassessed by STG's management in the financials for 2014. The comments on STG's performance below refer to the results of STG including the positive effect of the above-mentioned reassessment in the 2014 comparable figures. Please see Note 3 for more information).

STG performance

Sales for STG increased by 10 percent to 4,966 MDKK (4,496). Adjusted for currency translation effects and the acquisition of Verellen, sales were slightly lower than in the prior year. Reported EBITDA increased to 946 MDKK (871) affected by positive currency effects, but negatively affected by the above-mentioned restructuring costs. Underlying EBITDA showed a marked improvement, driven by increased productivity and realized synergies from the Verellen acquisition.

For machine made cigars, sales increased in local currencies on higher volumes with contribution from Verellen. Gross profit in local currencies also improved as a result of the Verellen acquisition and increased production efficiencies.

For handmade cigars, both sales and gross profit in local currencies were up, driven by strong volume development and higher average prices.

For the pipe tobacco business, sales in local currencies decreased on lower volumes. Gross profit in local currencies increased slightly compared to the prior year as higher average prices compensated for the lower volumes.

For the fine cut tobacco business, both sales and gross profit improved in local currencies driven by higher volumes and lower production costs.

Operating expenses increased as a result of the restructuring costs incurred, currency translation effects as well as the acquisition of Verellen.

Net financial costs increased to 60 MDKK (54), negatively impacted by higher interest costs for pension obligations.

Net profit for the period amounted to 493 MDKK (462).

Swedish Match's share of net profit in STG

Swedish Match's reported share of net profit in STG amounted to 360 MSEK (242), which included a positive adjustment of 56 MSEK relating to the reassessment of useful lives primarily for trademarks. If adjusted to reflect the positive effect of the reassessment of useful lives of certain tangible and intangible assets in the 2014 comparable figures, Swedish Match's share of net profit would have amounted to 304 MSEK (283). Swedish Match's share of net profit in STG was also impacted by restructuring costs of 57 MSEK, after tax.

On March 25, 2015, Swedish Match received a dividend from STG of 261 MSEK (223). On September 30, 2015, an extra dividend of 555 MSEK was received.

Taxes

For the first nine months of the year the reported tax expense amounted to 598 MSEK (484), corresponding to a reported tax rate of 21.6 percent (20.1). Excluding associated companies and joint ventures, the tax rate was 24.5 percent (22.0). The tax rate in 2015 has been affected by the stronger US dollar and earnings growth in the US which have resulted in a higher proportion of income being taxed at the higher relative US corporate tax rate. The earnings from associated companies and joint ventures are reported net after tax, and relate mainly to the share of earnings from STG.

Earnings per share

Basic earnings per share (EPS) for the third quarter increased to 3.84 SEK (3.50) and diluted EPS increased to 3.84 SEK (3.49).

Basic EPS for the first nine months increased to 11.14 SEK (9.68) and diluted EPS increased to 11.14 SEK (9.67). Basic EPS for the first nine months, adjusted for a larger one-time item and the reassessment of useful lives in STG, increased to 11.02 SEK (9.68), while diluted EPS, similarly adjusted, increased to 11.02 SEK (9.67).

Financing and cash flow

Cash flow from operating activities for the first nine months amounted to 3,199 MSEK (2,537). The cash flow from operations increased compared to the prior year as a result of improved EBITDA and dividends received from associated companies, including an extra dividend of 555 MSEK from STG, partly offset by lower cash flow from changes in working capital, primarily relating to timing effects.

Investments in property, plant and equipment during the first nine months amounted to 218 MSEK (167). Net cash used in investing activities amounted to 249 MSEK (212).

Net finance cost for the first nine months declined to 335 MSEK (378), mainly due to decreased average debt compared to the same period of the prior year.

The net debt as of September 30, 2015 amounted to 7,820 MSEK compared to 8,126 MSEK at December 31, 2014.

During the first nine months new bond loans of 498 MSEK were issued. Repayments of bond loans for the same period amounted to 1,139 MSEK. As of September 30, 2015 Swedish Match had 8,081 MSEK of interest bearing debt excluding retirement benefit obligations compared to 8,703 MSEK at December 31, 2014. During the coming twelve months, 254 MSEK of this debt falls due for payment.

As of September 30, 2015, Swedish Match had 1,500 MSEK in unutilized committed credit lines. Cash and cash equivalents amounted to 2,172 MSEK at the end of the period, compared to 2,312 MSEK at December 31, 2014.

In the first nine months, Swedish Match paid a dividend totaling 1,464 MSEK and made share repurchases of 1,244 MSEK. During the same period the Company sold treasury shares of 141 MSEK as a result of option holders exercising options.

Number of shares

During the first nine months, Swedish Match repurchased 4.9 million shares for 1,244 MSEK at an average price of 253.96 SEK, following authorization from the Annual General Meetings held in 2014 and 2015. Total shares bought back by Swedish Match since the buyback program started have been repurchased at an average price of 111.57 SEK.

During the first quarter, the Company sold 0.7 million treasury shares at an average price of 197.45 SEK, totaling 141 MSEK, as a result of option holders exercising options. During the first quarter, all remaining options issued by Swedish Match, as part of its former option program, have been exercised and no further options are outstanding.

In accordance with the resolution at the Annual General Meeting on April 23, 2015, Swedish Match has cancelled 4 million repurchased treasury shares. The total number of outstanding shares in the Company, including treasury shares, after the cancellation amount to 196.5 million.

As per September 30, 2015 Swedish Match held 5.0 million shares, corresponding to 2.55 percent of the total number of shares. The number of shares outstanding, net, as per September 30, 2015, amounted to 191.5 million.

In October 2015, a further 56,000 shares have been repurchased for 14 MSEK at an average price of 254.53 SEK.

Other events

In accordance with the instructions adopted by the Annual General Meeting 2015, a Nominating Committee has been appointed. In addition to Conny Karlsson (Chairman of the Board), Mark Husson (Cedar Rock Capital), Karim Ladha (Independent Franchise Partners), John Hernander (Nordea Asset Management), and Johan Strandberg (SEB Investment Management) have been appointed members of the Nominating Committee. Johan Strandberg has been appointed chairman of the Nominating Committee.

SMD Logistics AB, a subsidiary of Swedish Match AB, has on April 27, 2015 reached an agreement to sell its distribution facility in Solna, Sweden, and at the same time reached an agreement to acquire a new distribution center located in Upplands-Bro, Sweden. The agreements form part of a strategic decision to modernize the distribution business to better accommodate current and future demands from customers and suppliers. The new facility will provide several improvements including a strategic geographical location and an increased cold-storage capacity.

The new distribution center, which is being developed, is planned to be taken into operation during the first quarter of 2016. At the same time, SMD Logistics AB's current distribution center in Hisings Backa will be consolidated into the new distribution center. The sale of the distribution center in Solna is planned to be closed at the end of the first quarter 2016 for approximately 150 MSEK at which time a capital gain estimated to be in excess of 140 MSEK will be recognized. The plan is to also divest the Hisings Backa distribution facility in the future. The investment in the new distribution center amounts to approximately 150 MSEK and was paid in October, 2015. Restructuring costs of 42 MSEK related to the relocation project were recognized as a larger one-time item during the second quarter.

On July 16, it was announced that Swedish Match and Philip Morris International (PMI) have mutually agreed to dissolve the joint venture SMPM International. Swedish Match and PMI will now focus on independent strategies for the commercialization of snus in the former joint venture territory. Trademark licenses will revert to the original owners, and separate transitional agreements have been signed whereby Swedish Match will supply snus products to PMI for certain markets and PMI will perform distribution services on behalf of Swedish Match in Canada and in Russia.

Outlook

Swedish Match generates a substantial share of its sales and operating profit in the US. Based on current exchange rates and particularly the stronger US dollar, currency translation effects on sales and operating profit in 2015 are expected to be positive.

For 2015, on a full year basis, we expect Scandinavian snus consumption to continue to grow as measured in number of cans, although at a somewhat slower pace than in 2014. Shipment volumes in Scandinavia during 2015 are negatively affected by destocking following the 2014 year-end trade hoarding. In Sweden as well as in the US moist snuff market, we expect value priced products to grow faster than the overall market. In the US moist snuff market, Swedish Match's product portfolio is exclusively positioned in the value segment. In Sweden, Swedish Match competes in all price segments of the market with a particularly strong position in the premium segment. The expected faster growth of value priced products in Sweden, the price repositioning of the *Kronan* snus brand and the absence of price increases since 2013 are likely to imply negative mix effects.

During the year we will continue to invest in growth for snus internationally, particularly in the US. In Sweden and Norway, we will work hard to defend our market share.

For cigars in the US, Swedish Match expects the market to remain highly competitive during 2015. The US Food and Drug Administration (FDA) is expected to begin regulating cigars and in conjunction with this Swedish Match, like the rest of the cigar industry, will be subject to user fees to the FDA.

Due to the relatively high corporate income tax rate in the US, the strengthening of the US dollar is likely to put upward pressure on the effective corporate tax rate of the Group in 2015 compared to 2014.

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 develop products and brands that resonate with changing consumer trends, and price and promote its brands competitively. 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 and also operations in Brazil, the Dominican Republic, Norway and EMU member countries. Consequently, changes in exchange rates of the euro, Norwegian krona, Brazilian real, the Dominican peso 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 2014.

Swedish Match AB (publ)

Swedish Match AB (publ) is the Parent Company of the Swedish Match Group. The main sources of income for the Parent Company are dividends and Group contributions from subsidiaries.

Sales in the Parent Company for the first nine months amounted to 28 MSEK (35). Profit before income tax amounted to 511 MSEK (loss 175) and net profit for the first nine months amounted to 664 MSEK (17). The higher net profit for the first nine months of 2015 mainly pertains to lower interest expenses due to lower average interest bearing debts and higher dividends from subsidiaries compared to previous year.

Dividends of 1,245 MSEK (705) have been received during the period.

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.

During the first nine months repayments of bond loans amounted to 1,139 MSEK and new bond loans of 498 MSEK were issued. During the period, the Parent Company made share repurchases of 4.9 million (1.3) shares for 1,244 MSEK (299) and sold 0.7 million (0.4) treasury shares for 141 MSEK (53).

Capital expenditures on tangible assets for the period amounted to 2 MSEK (-). There were no capital expenditures of intangible assets during the first nine months of 2015 or 2014.

A dividend of 1,464 MSEK (1,453) 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 that stated in the forward-looking information, due to such factors as changed market conditions for Swedish Match's products and more general factors such as business cycles, markets and competition, changes in legal requirements or other political measures, and fluctuation in exchange rates.

Additional information

This report has not been reviewed by the Company's auditors. The full year 2015 report will be released on February 19, 2016.

Stockholm, November 4, 2015

Lars Dahlgren
President and CEO

Financial statements

Sales by product area

MSEK	July-September			January-September			Full year 2014
	2015	2014	Chg %	2015	2014	Chg %	
Snus and moist snuff	1,311	1,257	4	3,773	3,678	3	5,001
Other tobacco products	958	724	32	2,873	2,109	36	2,832
Lights	312	319	-2	961	934	3	1,295
Other operations	1,174	1,117	5	3,160	3,048	4	4,178
Sales	3,756	3,416	10	10,767	9,769	10	13,305

Operating profit by product area

MSEK	July-September			January-September			Full year 2014
	2015	2014	Chg %	2015	2014	Chg %	
Snus and moist snuff	556	562	-1	1,525	1,630	-6	2,207
Other tobacco products	390	276	41	1,188	821	45	1,109
Lights	47	51	-7	140	155	-10	218
Other operations	-14	-15	-1	-71	-61	-10	-88
Operating profit from product areas	979	874	12	2,782	2,546	9	3,446
Share of net profit in STG ¹⁾	87	115	-25	360	242	49	334
Subtotal	1,065	989	8	3,142	2,788	13	3,780
Relocation of distribution facilities	-	-	-	-42	-	-	-
Total larger one-time items	-	-	-	-42	-	-	-
Operating profit	1,065	989	8	3,100	2,788	11	3,780
Net finance cost	-106	-127	19	-335	-378	11	-510
Profit before income tax	960	862	11	2,765	2,409	15	3,270

1) Swedish Match's share of net profit in STG for the first nine months of 2015 includes an adjustment of 56 MSEK relating to 2014 due to a reassessment of useful lives of certain intangible and tangible assets. See Note 3.

Operating margin by product area¹⁾

Percent	July-September		January-September		Full year 2014
	2015	2014	2015	2014	
Snus and moist snuff	42.4	44.8	40.4	44.3	44.1
Other tobacco products	40.7	38.1	41.3	38.9	39.2
Lights	15.2	16.0	14.6	16.6	16.8
Operating margin from product areas²⁾	26.1	25.6	25.8	26.1	25.9
Operating margin³⁾	28.4	29.0	29.2	28.5	28.4

1) Excluding larger one-time items.

2) Excluding share of net profit in STG.

3) Including share of net profit in STG.

EBITDA by product area¹⁾

MSEK	July-September			January-September			Full year 2014
	2015	2014	Chg %	2015	2014	Chg %	
Snus and moist snuff	600	608	-1	1,659	1,757	-6	2,380
Other tobacco products	404	289	40	1,232	859	43	1,161
Lights	57	59	-5	169	180	-6	252
Other operations	-3	-5	33	-39	-29	-33	-45
EBITDA from product areas	1,058	952	11	3,020	2,767	9	3,749
Share of net profit in STG ²⁾	87	115	-25	360	242	49	334
EBITDA	1,144	1,067	7	3,380	3,009	12	4,083

1) Excluding larger one-time items.

2) Swedish Match's share of net profit in STG for the first nine months of 2015 includes an adjustment of 56 MSEK relating to 2014 due to a reassessment of useful lives of certain intangible and tangible assets. See Note 3.

EBITDA margin by product area¹⁾

Percent	July-September		January-September		Full year 2014
	2015	2014	2015	2014	
Snus and moist snuff	45.7	48.3	44.0	47.8	47.6
Other tobacco products	42.2	40.0	42.9	40.7	41.0
Lights	18.2	18.6	17.6	19.3	19.5
EBITDA margin from product areas²⁾	28.2	27.9	28.1	28.3	28.2
EBITDA margin³⁾	30.5	31.2	31.4	30.8	30.7

1) Excluding larger one-time items.

2) Excluding share of net profit in STG.

3) Including share of net profit in STG.

Key ratios

All key ratios have been calculated excluding larger one-time items, unless otherwise stated.	January-September		12 months ended	Full year 2014
	2015	2014	Sep 30, 2015	
Operating margin, %	29.2	28.5	28.9	28.4
Operating capital, MSEK	8,034	8,076	8,034	8,314
Return on operating capital, %			51.3	47.1
EBITDA, MSEK ¹⁾	3,380	3,009	4,454	4,083
EBITA, MSEK ²⁾	3,175	2,818	4,178	3,821
Net debt, MSEK	7,820	7,906	7,820	8,126
Investments in property, plant and equipment, MSEK ³⁾	218	167	275	223
EBITA interest cover	9.6	7.5	9.1	7.6
<i>Excluding share of net profit in STG</i>				
EBITA, MSEK ²⁾	2,815	2,576	3,726	3,487
Net debt/EBITA ²⁾			2.1	2.3
<i>Share data</i>				
Number of shares outstanding at end of period	191,490,937	198,094,603	191,490,937	195,677,067
Average number of shares outstanding, basic	194,472,656	198,959,303	195,110,839	198,475,824
Average number of shares outstanding, diluted	194,501,879	199,057,555	195,170,164	198,583,328

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

2) Operating profit adjusted for amortization and write-downs of intangible assets.

3) Including investments in forest plantations of 13 MSEK (13).

Consolidated income statement in summary

MSEK

	July-September		Chg %	January-September		Chg %	12 months ended		Full year	Chg %
	2015	2014		2015	2014		Sep 30, 2015	2014		
Sales, including tobacco tax	7,275	6,768		20,372	19,068		27,212	25,908		
Less tobacco tax	-3,519	-3,351		-9,605	-9,299		-12,908	-12,603		
Sales	3,756	3,416	10	10,767	9,769	10	14,303	13,305	8	
Cost of goods sold	-2,011	-1,853		-5,692	-5,199		-7,602	-7,109		
Gross profit	1,745	1,563	12	5,075	4,570	11	6,701	6,197	8	
Selling and admin. expenses	-745	-675		-2,258	-1,993		-2,967	-2,703		
Share of profit/loss in associated companies and joint ventures ¹⁾	66	101		325	210		400	285		
Relocation of distribution facilities	-	-		-42	-		-42	-		
Operating profit¹⁾	1,065	989	8	3,100	2,788	11	4,092	3,780	8	
Finance income	6	7		14	23		18	27		
Finance costs	-111	-134		-349	-401		-485	-537		
Net finance cost	-106	-127		-335	-378		-467	-510		
Profit before income tax	960	862	11	2,765	2,409	15	3,625	3,270	11	
Income tax expense	-219	-167		-598	-484		-758	-644		
Profit for the period¹⁾	741	695	7	2,167	1,926	13	2,867	2,626	9	
<i>Attributable to:</i>										
Equity holders of the Parent	741	695		2,167	1,925		2,867	2,625		
Non-controlling interests	0	0		0	0		0	0		
Profit for the period¹⁾	741	695	7	2,167	1,926	13	2,867	2,626	9	
Earnings per share, basic, SEK	3.84	3.50		11.14	9.68		14.69	13.23		
Earnings per share, adjusted, basic, SEK ²⁾	3.84	3.50		11.02	9.68		14.57	13.23		
Earnings per share, diluted, SEK	3.84	3.49		11.14	9.67		14.69	13.22		
Earnings per share, adjusted, diluted, SEK ²⁾	3.84	3.49		11.02	9.67		14.57	13.22		

1) Swedish Match's share of net profit in STG for the first nine months 2015 includes an adjustment of 56 MSEK relating to 2014 due to a reassessment of useful lives of certain intangible and tangible assets. See Note 3.

2) The first nine months 2015 are adjusted for a Swedish Match larger one-time item (negative 33 MSEK after tax) and the above-mentioned STG reassessment of useful lives.

Consolidated statement of comprehensive income

MSEK	July-September		January-September		12 months	Full year
	2015	2014	2015	2014	ended Sep 30, 2015	2014
Profit for the period	741	695	2,167	1,926	2,867	2,626
<i>Other comprehensive income that may be reclassified to the income statement</i>						
Translation differences related to foreign operations	99	141	-8	398	327	732
Translation differences included in profit and loss	0	-	44	-	44	-
Effective portion of changes in fair value of cash flow hedges	16	-19	57	-33	33	-57
Share of other comprehensive income in associated companies and joint ventures	-33	216	261	235	347	322
Income tax relating to reclassifiable components of other comprehensive income	-4	4	-13	7	-7	13
Subtotal, net of tax for the period	79	343	341	607	743	1,009
<i>Other comprehensive income that will not be reclassified to the income statement</i>						
Actuarial gains/losses attributable to pensions, incl. payroll tax	-192	-55	28	-143	-239	-410
Share of other comprehensive income in associated companies and joint ventures	7	-	7	0	-18	-25
Income tax relating to non-reclassifiable components of other comprehensive income	69	19	-19	54	82	154
Subtotal, net of tax for the period	-116	-37	17	-89	-175	-281
Total comprehensive income for the period	703	1,001	2,526	2,444	3,435	3,353
<i>Attributable to:</i>						
Equity holders of the Parent	703	1,001	2,526	2,443	3,435	3,353
Non-controlling interests	0	0	0	0	0	0
Total comprehensive income for the period	703	1,001	2,526	2,444	3,435	3,353

Consolidated balance sheet in summary

MSEK	September 30, 2015	December 31, 2014
Intangible assets	1,050	1,030
Property, plant and equipment	2,050	2,074
Investments in associated companies and joint ventures	4,971	5,233
Other non-current financial receivables ¹⁾	1,782	1,669
Current operating assets	3,128	4,255
Cash and cash equivalents	2,172	2,312
Total assets	15,154	16,573
Equity attributable to equity holders of the Parent	236	277
Non-controlling interests	1	1
Total equity	236	279
Non-current provisions	1,126	1,081
Non-current loans	8,118	7,803
Other non-current financial liabilities ²⁾	2,206	2,063
Current provisions	147	98
Current loans	276	1,141
Other current liabilities	3,045	4,109
Total equity and liabilities	15,154	16,573

1) Includes pension assets of 97 MSEK (81) and currency component of derivatives of 377 MSEK (305) used to hedge the Parent Company's bond loans denominated in currencies other than Swedish kronor.

2) Includes pension liabilities of 2,008 MSEK (1,815) and currency component of derivatives of 64 MSEK (65) used to hedge the Parent Company's bond loans denominated in currencies other than Swedish kronor.

Consolidated cash flow statement in summary

MSEK	January-September	
	2015	2014
<i>Operating activities</i>		
Profit before income taxes	2,765	2,409
Share of profit/loss in associated companies and joint ventures	-325	-210
Dividend received from associated companies	822	233
Other non-cash items and other	409	308
Income tax paid	-455	-387
Cash flow from operating activities before changes in working capital	3,216	2,353
Cash flow from changes in working capital	-17	184
Net cash from operating activities	3,199	2,537
<i>Investing activities</i>		
Purchase of property, plant and equipment	-218	-167
Proceeds from sale of property, plant and equipment	2	1
Purchase of intangible assets	-7	-1
Investments in associated companies and joint ventures ¹⁾	-25	-45
Changes in financial receivables etc.	0	0
Net cash used in investing activities	-249	-212
<i>Financing activities</i>		
Changes in loans	-639	-713
Dividend paid to equity holders of the Parent	-1,464	-1,453
Repurchase of own shares	-1,244	-299
Stock options exercised	141	53
Other	33	-1
Net cash used in financing activities	-3,173	-2,413
Net decrease in cash and cash equivalents	-223	-89
Cash and cash equivalents at the beginning of the period	2,312	3,164
Effect of exchange rate fluctuations on cash and cash equivalents	84	145
Cash and cash equivalents at the end of the period	2,172	3,220

1) Investments in associated companies and joint ventures pertain to additional investments in SMPM International of 25 MSEK in 2015 and 40 MSEK in 2014. Additional investments in Road Cargo of 5 MSEK have been made in 2014.

Change in shareholders' equity

MSEK	Equity attributable to holders of the Parent	Non-controlling interests	Total equity
Equity at January 1, 2014	-786	1	-785
Profit for the period	1,925	0	1,926
Other comprehensive income, net of tax for the period	518	0	518
Total comprehensive income for the period	2,443	0	2,444
Dividend	-1,453	-	-1,453
Repurchase of own shares	-299	-	-299
Stock options exercised	53	-	53
Cancellation of shares	-3	-	-3
Bonus issue	3	-	3
Equity at September 30, 2014	-41	1	-40
Equity at January 1, 2015	277	1	279
Profit for the period	2,167	0	2,167
Other comprehensive income, net of tax for the period	359	0	359
Total comprehensive income for the period	2,526	0	2,526
Dividend	-1,464	-	-1,464
Repurchase of own shares	-1,244	-	-1,244
Stock options exercised	141	-	141
Cancellation of shares	-8	-	-8
Bonus issue	8	-	8
Equity at September 30, 2015	236	1	236

Parent Company income statement in summary

MSEK	January-September	
	2015	2014
Sales	28	35
Administrative expenses	-165	-139
Operating loss	-137	-104
Result from participation in Group companies	1,240	705
Net finance cost	-592	-776
Profit/Loss before income tax	511	-175
Income tax	153	192
Profit for the period	664	17

Parent Company statement of comprehensive income

MSEK	January-September	
	2015	2014
Profit for the period	664	17
<i>Other comprehensive income that may be reclassified to the income statement</i>		
Effective portion of changes in fair value of cash flow hedges	57	-33
Income tax relating to components of other comprehensive income	-13	7
Subtotal, net of tax for the period	45	-26
Total comprehensive income for the period	709	-9

Parent Company balance sheet in summary

MSEK	September 30, 2015	September 30, 2014	December 31, 2014
Intangible and tangible assets	3	1	2
Non-current financial assets ¹⁾	51,390	70,018	51,311
Current assets ¹⁾	319	310	1,977
Total assets	51,712	70,329	53,290
Equity	18,988	20,484	20,846
Untaxed reserves	415	290	415
Provisions ¹⁾	74	22	35
Non-current liabilities	26,416	25,952	26,137
Current liabilities	5,820	23,580	5,855
Total liabilities	32,309	49,554	32,027
Total equity and liabilities	51,712	70,329	53,290

1) Balances as of September 2014 related to endowment insurance policies pledged as securities for pension obligations of 46 MSEK have been reclassified and netted against the pension obligations in operating provisions in accordance with IAS 19.

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 for the same period is prepared in accordance with the Annual Accounts Act, Chapter 9 and RFR 2.

The new amendments and interpretations to existing standards applicable as of January 1, 2015; *IFRIC 21*, *Levies*, and annual improvements to *IFRS 3*, *IFRS 13*, and *IAS 40* have not had a material effect on the Group's financial result or position.

The accounting principles and basis of calculation in this report are the same as in the annual report for 2014, except as mentioned above.

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 the first nine months of

2015, receivables from these companies amounted to 24 MSEK (30) and total payables to these companies amounted to 15 MSEK (9). During the first nine months 2015, total sales to associated companies and joint ventures amounted to 131 MSEK (122) and total purchases from associated companies and joint ventures amounted to 75 MSEK (82).

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

Note 3 – Scandinavian Tobacco Group

Summary of STG net profit

<i>MDKK</i>	January-September 2015	2014	Chg %	Full year 2014
Net profit for the period	493	398	24	550
<i>MSEK</i>				
Swedish Match's share of net profit	304	237	28	329
Change in estimate of useful lives	56	-		-
Adjustment to estimate vs. actual	-	5		5
Swedish Match's reported share of net profit	360	242	49	334

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 STG result for the first nine months included the negative effect of one-time costs of 93 MDKK, net of tax, of which Swedish Match's share amounted to negative 57 MSEK.

The useful lives of certain intangible and tangible assets were reassessed by STG's management in the financials for 2014. The net profit from STG recognized in Swedish Match's interim reports for 2014 and the annual report for 2014 were based on the 2013 assessment of useful lives. The reassessment led to a decrease in the amortization and depreciation costs on longer useful lives of approximately 127 MDKK and an increase in net profit of approximately 94 MDKK for the full year 2014, the majority of the effect relating to the reassessed useful lives of trademarks. The effect on Swedish Match's share of net profit in STG, relating to 2014, amounted to 56 MSEK and was recognized in Swedish Match's financial statements for the first quarter 2015. See adjusted financial statement for 2014 in the table below.

Summary of STG consolidated income statement, adjusted¹⁾

<i>MDKK</i>	January-September 2015	2014	Chg %	Full year 2014
Sales	4,966	4,496	10	6,126
Gross profit	2,417	2,146	13	2,947
Operating expenses ²⁾	-1,699	-1,473		-2,033
Operating profit ²⁾	718	674	7	914
Net finance income/cost	-60	-54		-68
Income tax expense ²⁾	-164	-151		-206
Net profit for the period²⁾	493	469	5	640
EBITDA	946	871	9	1,183
<i>MSEK</i>				
Swedish Match's share of adjusted net profit	304	279	9	383
Adjustment to estimate vs. actual	-	5		5
Swedish Match's adjusted reported share of net profit	304	283	7	388

1) The consolidated income statement of STG with the effect of the reassessment of useful lives included on comparable basis in both 2014 and 2015. Note that the 2014 summary of STG consolidated income statement presented in the Swedish Match 2014 interim and full year reports did not include the reassessment of the useful lives.

2) The operating expenses in 2014 (January-September) are adjusted by 95 MDKK and the income tax expense by 25 MDKK due to the lower amortization and depreciation.

Note 4 – Carrying value and fair value

The following table shows carrying value and fair value for financial instruments per September 30, 2015.

Carrying value and fair value

MSEK	Items carried at fair value via the income statement	Loans and receivables	Other financial liabilities	Cash flow hedges	Total carrying value	Fair value
Trade receivables	-	1,311	-	-	1,311	1,311
Non-current receivables	-	-	-	397	397	397
Cash and cash equivalents	-	2,172	-	-	2,172	2,172
Total assets	-	3,483	-	397	3,880	3,880
Loans and borrowings	-	-	8,394	-	8,394	8,957
Other liabilities	1	-	-	197	198	198
Trade payables	-	-	570	-	570	570
Total liabilities	1	-	8,964	197	9,162	9,725

All items valued at fair value in the balance sheet are considered to be included in level 2 within the fair value hierarchy. No transfer in or out of level 2 has been made during the third quarter 2015.

The recognized amounts are regarded as reasonable estimates for all items measured at carrying value in the balance sheet, except for loans and borrowings, since these amounts have a long time to maturity. The fair value of loans and borrowings has been calculated by discounting future cash flow. Total nominal amount of outstanding derivatives (cross currency and interest rate swaps) is 5,472 MSEK, all in cash flow hedges.

Quarterly data

Consolidated income statement in summary

MSEK	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q4/13	Q3/13
Sales, including tobacco tax	7,275	6,907	6,190	6,840	6,768	6,603	5,697	6,284	6,518
Less tobacco tax	-3,519	-3,263	-2,822	-3,304	-3,351	-3,264	-2,683	-3,106	-3,288
Sales	3,756	3,644	3,368	3,536	3,416	3,339	3,014	3,178	3,230
Cost of goods sold	-2,011	-1,929	-1,752	-1,910	-1,853	-1,784	-1,561	-1,698	-1,749
Gross profit	1,745	1,715	1,615	1,627	1,563	1,555	1,452	1,481	1,481
Selling and administrative expenses	-745	-771	-741	-710	-675	-681	-637	-633	-638
Share of net profit/loss in associated companies and joint ventures	66	119	140	75	101	67	43	84	81
	1,065	1,063	1,014	992	989	941	858	932	924
<i>Larger one-time items</i>									
Relocation of distribution facilities	-	-42	-	-	-	-	-	-	-
Operating profit	1,065	1,021	1,014	992	989	941	858	932	924
Finance income	6	4	4	5	7	8	8	9	9
Finance costs	-111	-119	-118	-137	-134	-133	-134	-137	-151
Net finance cost	-106	-115	-114	-132	-127	-125	-126	-128	-142
Profit before income tax	960	906	900	861	862	816	732	804	782
Income tax expense	-219	-200	-179	-161	-167	-165	-152	-128	-154
Profit for the period	741	705	721	700	695	651	580	675	628
<i>Attributable to:</i>									
Equity holders of the Parent	741	705	721	700	695	651	580	675	629
Non-controlling interests	0	0	0	0	0	0	0	0	-1
Profit for the period	741	705	721	700	695	651	580	675	628

Sales by product area

MSEK	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q4/13	Q3/13
Snus and moist snuff	1,311	1,271	1,191	1,323	1,257	1,267	1,154	1,247	1,217
Other tobacco products	958	982	933	723	724	699	687	590	622
Lights	312	318	331	362	319	299	315	345	332
Other operations	1,174	1,073	912	1,129	1,117	1,074	858	996	1,058
Sales	3,756	3,644	3,368	3,536	3,416	3,339	3,014	3,178	3,230

Operating profit by product area

MSEK	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q4/13	Q3/13
Snus and moist snuff	556	514	455	577	562	562	505	562	553
Other tobacco products	390	414	384	288	276	279	267	228	246
Lights	47	36	57	63	51	49	55	63	56
Other operations	-14	-28	-29	-27	-15	-28	-18	-18	-19
Operating profit from product areas	979	937	866	900	874	862	809	835	836
Share of net profit in STG ¹⁾	87	126	148	92	115	78	49	97	88
Subtotal	1,065	1,063	1,014	992	989	941	858	932	924
Relocation of distribution facilities	-	-42	-	-	-	-	-	-	-
Total larger one-time items	-	-42	-	-	-	-	-	-	-
Operating profit	1,065	1,021	1,014	992	989	941	858	932	924

1) Swedish Match's share of net profit in STG for the first quarter of 2015 includes an adjustment of 56 MSEK relating to 2014 due to a reassessment of useful lives of certain intangible and tangible assets. See Note 3.

Operating margin by product area¹⁾

Percent	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q4/13	Q3/13
Snus and moist snuff	42.4	40.5	38.2	43.6	44.8	44.4	43.8	45.1	45.4
Other tobacco products	40.7	42.2	41.1	39.8	38.1	39.9	38.8	38.6	39.6
Lights	15.2	11.4	17.1	17.3	16.0	16.4	17.6	18.1	16.8
Operating margin from product areas²⁾	26.1	25.7	25.7	25.5	25.6	25.8	26.9	26.3	25.9
Operating margin³⁾	28.4	29.2	30.1	28.1	29.0	28.2	28.5	29.3	28.6

1) Excluding larger one-time items.

2) Excluding share of net profit in STG.

3) Including share of net profit in STG.

EBITDA by product area¹⁾

MSEK	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q4/13	Q3/13
Snus and moist snuff	600	559	500	623	608	604	546	607	592
Other tobacco products	404	429	399	302	289	291	279	242	259
Lights	57	46	66	72	59	57	64	71	64
Other operations	-3	-17	-19	-16	-5	-17	-7	-7	-13
EBITDA from product areas	1,058	1,017	946	982	952	935	881	913	902
Share of net profit in STG ²⁾	87	126	148	92	115	78	49	97	88
EBITDA	1,144	1,143	1,093	1,074	1,067	1,013	930	1,009	990

1) Excluding larger one-time items.

2) Swedish Match's share of net profit in STG for the first quarter of 2015 includes an adjustment of 56 MSEK relating to 2014 due to a reassessment of useful lives of certain intangible and tangible assets. See Note 3.

EBITDA margin by product area¹⁾

Percent	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q4/13	Q3/13
Snus and moist snuff	45.7	44.0	42.0	47.1	48.3	47.6	47.3	48.7	48.6
Other tobacco products	42.2	43.7	42.7	41.8	40.0	41.6	40.6	41.0	41.6
Lights	18.2	14.5	20.0	19.8	18.6	19.2	20.2	20.5	19.3
EBITDA margin from product areas²⁾	28.2	27.9	28.1	27.8	27.9	28.0	29.2	28.7	27.9
EBITDA margin³⁾	30.5	31.4	32.5	30.4	31.2	30.3	30.8	31.8	30.6

1) Excluding larger one-time items.

2) Excluding share of net profit in STG.

3) Including share of net profit in STG.

Depreciation, amortization and write-down

MSEK	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q4/13	Q3/13
Property, plant and equipment	68	69	68	71	67	62	61	66	59
Intangible assets	11	11	11	10	10	10	10	12	7
Total	79	80	79	81	78	72	72	78	66

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The character of the information in this report is such that it shall be disclosed by Swedish Match AB (publ) in accordance with the Swedish Securities Markets Act. The information was disclosed to the media on November 4, 2015 at 08.15 a.m. (CET).

Swedish Match develops, manufactures, and sells quality products with market-leading brands in the product areas Snus and moist snuff, Other tobacco products (cigars and chewing tobacco), and Lights (matches, lighters, and complementary products). Production is located in six countries, with sales concentrated in Scandinavia and the US. The Swedish Match share is listed on Nasdaq Stockholm (SWMA).

Swedish Match's vision is a world without cigarettes. Some of its well-known brands include: *General, Longhorn, White Owl, Red Man, Fiat Lux, and Cricket.*

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