

Q3 2015

Investor Kit
January – September 2015



Summary and Overview

Q3: Headline numbers

- 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 areas* for the third quarter increased by 12 percent to 979 MSEK (874). In local currencies operating profit from product areas* was up by 4 percent.
- Operating profit** 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).



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

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

Q3: Developments in the Scandinavian snus business

- **Scandinavian market remains highly competitive. Swedish Match's market share in Sweden slightly up compared to Q2.**
 - **Scandinavian snus market grew at a solid pace**
 - Scandinavian market growth of more than 5%.
 - Estimated underlying YTD growth of 4%.
 - Norwegian market growing somewhat faster than the Swedish market.
 - Swedish Match's Scandinavian shipment volumes up by close to 5%.
 - Underlying YTD growth of 2%.
 - **Swedish Match's volume share of the total market increased sequentially in Sweden**
 - Share growth in each of the past two quarters, and is now at 69.3%.
 - Share down 0.6 percentage points from prior year's third quarter.
 - **Year on year market share gains in the growing value segment for snus in Sweden**
 - Swedish Match has close to 41% of value segment*, in line with Q2.
 - **Continued market share declines in Norway but good performance from more recently added products**
 - Share gains for *General G.3* pouch products could not compensate for challenging trends for some of the Company's other products and overall market shares continued to decline.
- **Price/mix effects in Sweden and a weaker Norwegian krona (NOK) reduced average selling price per can**
 - Successful launch of *XRANGE* and higher share of value priced products in the portfolio.
 - *Kronan* price reduction versus prior year (price cut for pouches in April '14 and for loose in Sept '14).

* Swedish Match estimates extrapolated from Nielsen data.

Q3: Scandinavian product launches drove volume

■ April *XRANGE* launch in Sweden

- Very positive reception of *XRANGE*, now with more than 5% of the market.
- Volumes for *XRANGE* sourced from both lower and higher priced products.
- Contributed to a more stable premium segment.
- Part of longer term strategy to strengthen Swedish Match's share across all price segments.

■ Other launches, Sweden

- *Mustang*, priced at the upper end of the value segment introduced in three varieties in September.
- *Göteborgs Rapé* pouches introduced in original format in September.

■ Norway

- *G.3* range extended in May to include four new varieties.
- New products in *The Lab* and *Nick & Johnny* series recently launched.



Q3: Continued strong growth in the US

- **Growth driven by solid underlying performance in US, and stronger USD**
- **Strong results for Other tobacco products, driven by cigars**
 - Other tobacco products (OTP) product area continued its strong growth.
 - OTP sales up 9% in local currency.
 - OTP operating profit up 16% in local currency.
 - Cigar sales up, in line with volume growth.
 - Cigar volumes exceeded 300 million sticks (up 14%) with higher operating profit in USD.
 - Chewing tobacco volumes and operating profit in local currency declined.
- **Snus and moist snuff revenues in the US grew**
 - Sales and operating profit increased in USD.
 - Volume increases for snus.
 - Moist snuff volumes down, with pouches and tubs delivering higher volumes.



■ Regulatory developments and proposed excise taxes in Scandinavia

- Norway has a proposal for further restrictions on snus, including standardized packaging.
- In Sweden the Minister of Health has instructed a committee of inquiry to evaluate additional tobacco control measures.
 - Measures under evaluation include standardized packaging and display ban, with a report from committee due in March 2016.
- In Sweden, snus excise taxes are proposed to remain virtually unchanged.
- In Norway, snus excise taxes are proposed to increase by 2%.

■ FDA oversight of cigars set to begin

- The Food and Drug Administration has submitted its final ruling of the Family Smoking Prevention and Tobacco Control Act for review. Timing of implementation dependent on Office of Management and Budget review, likely in 2016. When implemented, FDA fees will be incurred (estimated to be approximately 2 MUSD per quarter).

■ Modified Risk Tobacco Products (MRTP) application process in the US

- Swedish Match expects to hear back from FDA soon, and is confident that applications provide all necessary support for the Company's modified risk status for *General* snus.

Detail information and Financials

Sales performance for Q3

■ Increased sales

- Sales increased by 10% to 3,756 MSEK (3,416) and up by 4% in local currencies.

■ Snus and moist snuff product area: sales up

- Sales up 4%, and up 1% in local currencies.
- Scandinavian sales down slightly, from portfolio price/mix and weaker NOK.
- US sales up for snus, marginally down for moist snuff in local currency.
 - *General* snus sales higher due to both volume and better realized pricing.
 - Higher volumes for moist snuff pouches and tubs, partly offsetting declines in loose.

■ Other tobacco products product area: sales up

- Sales up by 32%, and up by 9% in local currency.
- Sales increase for cigars on 14% higher volumes.
- Favorable pricing partially offset volume declines for chewing tobacco.

■ Lights product area: sales down by 2%

- Lighter sales and volumes were up.
- Match sales and volumes declined.



Operating profit performance for Q3

- **Operating profit from product areas* increased by 12% to 979 MSEK (874)**
 - In local currencies, operating profit from product areas increased by 4%.
- **Snus and moist snuff: operating profit down 1%**
 - Price/mix and weaker NOK in Scandinavia.
 - Operating profit up in the US for both snus and moist snuff.
- **Other tobacco products: operating profit up**
 - Operating profit up 41%, up 16% in local currency, driven by cigars.
- **Lights: operating profit down, but up from a weak second quarter**
 - Good profit performance for matches, higher selling related expenses for lighters.
- **The reported share of net profit in STG, affected by restructuring costs of 45 MSEK (after tax), amounted to 87 MSEK (115)**
 - Underlying EBITDA marginally higher than prior year.
- **Operating profit increased by 8% to 1,065 MSEK (989)**
- **Currency translation has affected the comparison of the operating profit positively by 74 MSEK**

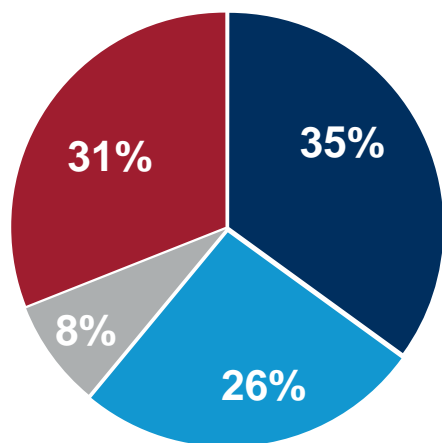
* Operating profit for Swedish Match product areas, which excludes larger one-time items and share of net profit in STG.

Sales and operating profit

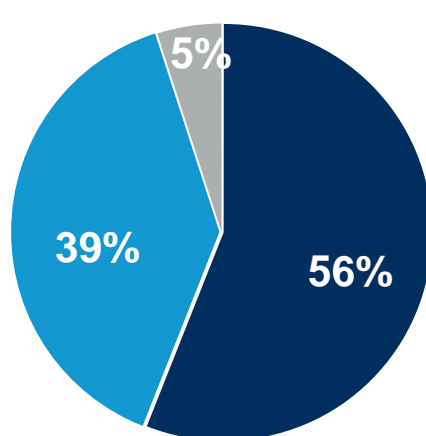
Sales and operating profit by product area

Q3 2015

Sales, SEK



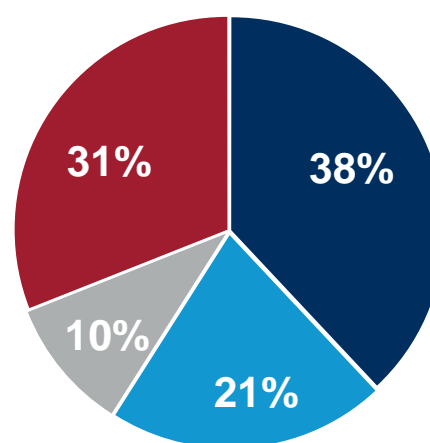
Operating profit*, SEK



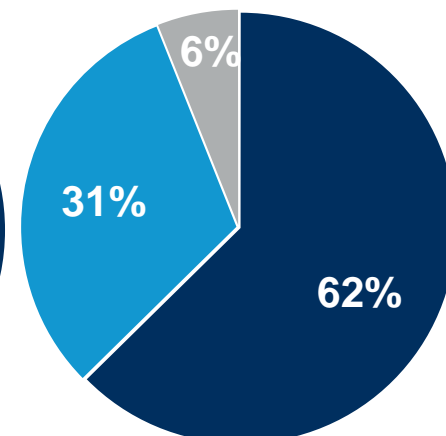
- Snus and moist snuff
- Other tobacco products
- Lights
- Other operations

Full year 2014

Sales, SEK



Operating profit*, SEK



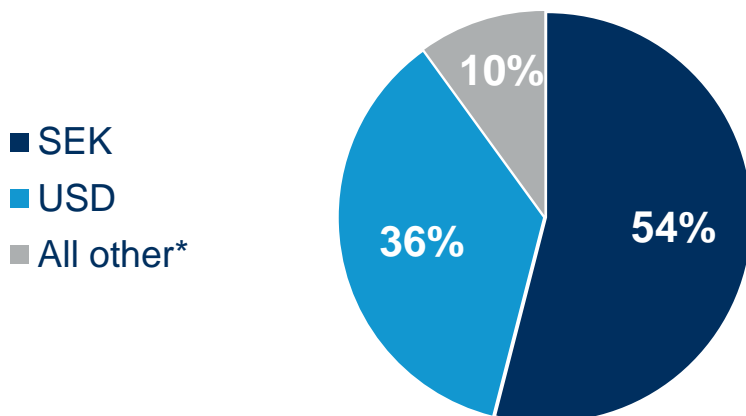
- Snus and moist snuff
- Other tobacco products
- Lights
- Other operations

* Excluding Other operations, share of net profit in STG. Totals may not add up due to rounding.

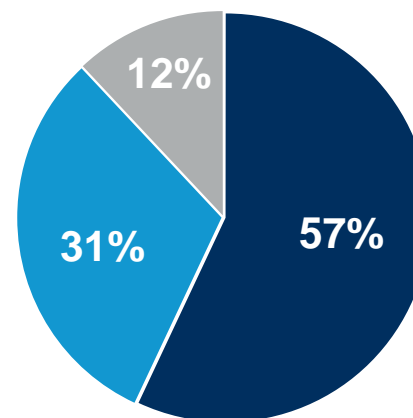
Sales by currency block

Percent of sales, MSEK

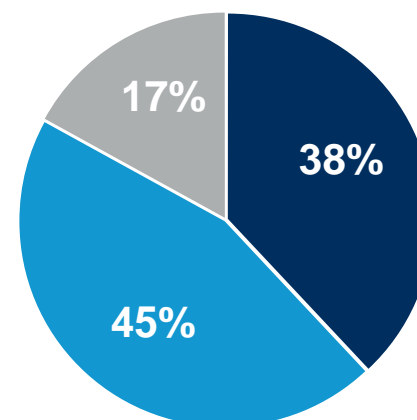
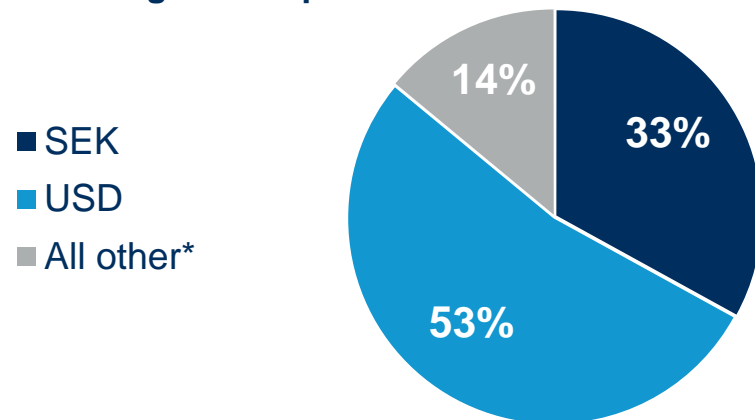
Q3 2015



Full year 2014



Excluding Other operations



* Primarily NOK and BRL.

Snus and moist snuff

- Leading position for snus in **Scandinavia**
- The third largest producer of moist snuff in **the US**
- **General** is the second largest and fastest growing snus brand in **the US**
- Production in **Sweden** and **the US**



Snus and moist snuff (Q3 commentary)

Progress in defending and developing market positions

- **Swedish Match Scandinavia snus volumes up with sales and profit slightly lower**
 - Volumes up by close to 5% in Q3, with underlying volumes up 2% YTD.
 - Strong share progression for *XRANGE* and positive initial feedback from *Mustang*.
 - Sales and operating profit lower due to price/mix and currency (NOK).
- **US moist snuff/snus sales and operating profit up**
 - Continued volume growth for moist snuff pouches and tubs.
 - Snus volumes up, sales up, net losses in USD reduced.
- **Continued investment behind snus outside Scandinavia**
 - In total, net costs for snus expansion outside Scandinavia (primarily US) were 100 MSEK (91), impacted by the stronger USD and the unwinding of the SMPM International joint venture.
- **Operating margin lower from higher relative share of US business, higher international snus investments, and lower margin in Scandinavia**



MSEK	Q3-2015	Q3-2014	chg	9m-2015	9m-2014	chg	Oct 2014- Sep 2015	Full year 2014	chg
Sales	1,311	1,257	4	3,773	3,678	3	5,095	5,001	2
Operating profit	556	562	-1	1,525	1,630	-6	2,102	2,207	-5
Operating margin, %	42.4	44.8		40.4	44.3		41.3	44.1	

Scandinavian market growth and share estimates

- **Scandinavian snus market up by more than 5% in volume in Q3***
 - Scandinavian snus market development varies from quarter to quarter and in Q3 grew at a faster pace than in Q1 and Q2.
 - YTD underlying market growth rate estimated to be more than 4%.
 - Swedish Match maintains strong market share in growing value segment* in Sweden.
 - Swedish Match market share in Sweden increased sequentially since Q1.
 - Norwegian market grew at a somewhat faster pace than the Swedish market.
 - Share gains for *General G.3* could not compensate for challenging trends for some of the Company's other products (including loose snus) and overall market share continued to decline.

Swedish Match's market shares**

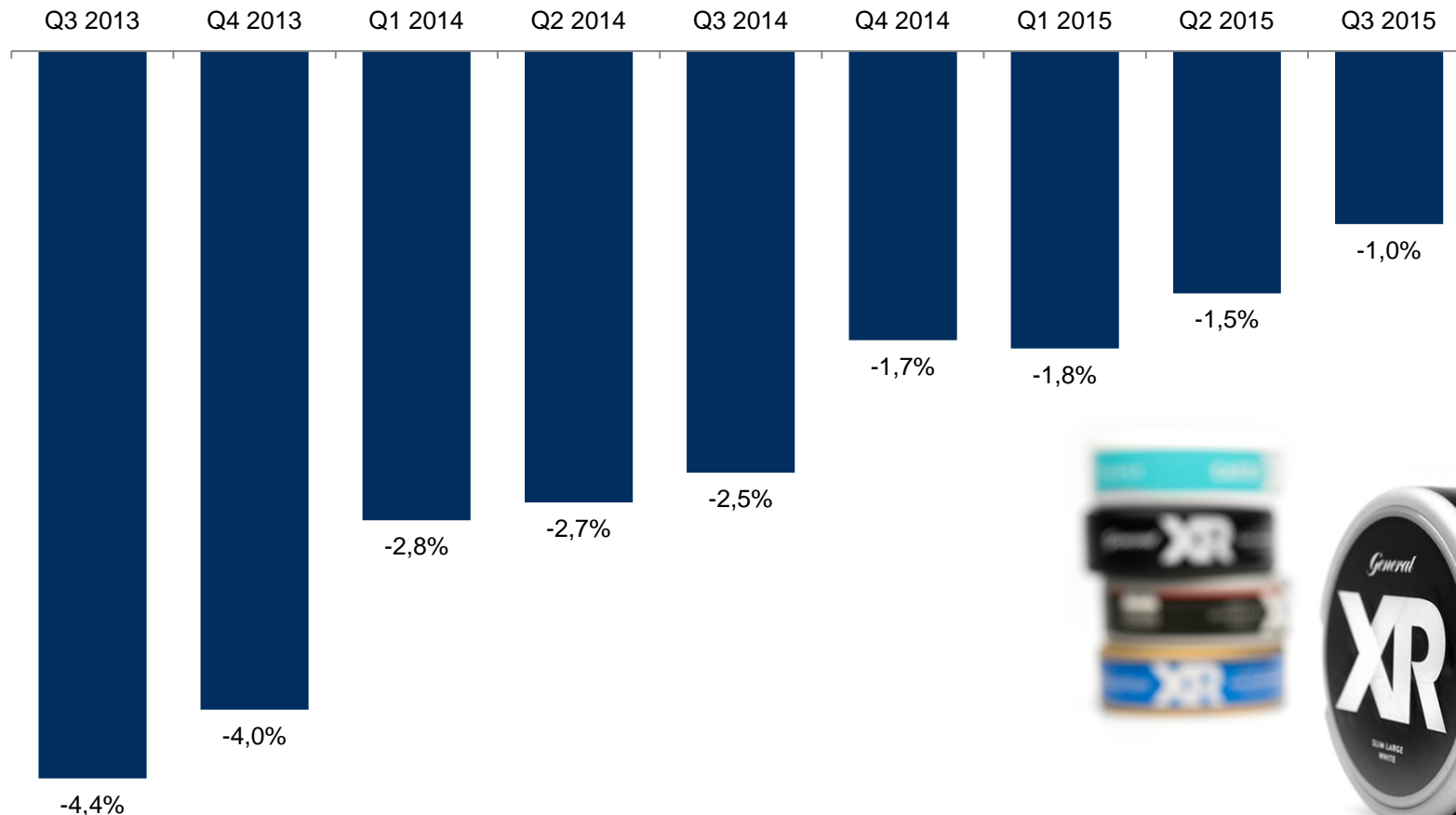
Percent	July-September		Chg ppts	January-September		Chg ppts	Full year 2014
	2015	2014		2015	2014		
Snus, Sweden, total	69.3	69.9	-0.6	69.0	70.0	-1.0	69.9
Snus, Sweden, premium	93.1	93.7	-0.6	93.4	94.0	-0.6	94.0
Snus, Sweden, value	40.6	38.3	2.3	40.4	37.7	2.7	38.1
Snus, Norway, total	56.0	59.3	-3.3	57.1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

* Source: Swedish Match estimates.

** Swedish Match estimates using Nielsen data (excl. tobacconists due to small sample of tobacconists in Nielsen data). 13 weeks and YTD to September 27, 2015.

Swedish Match's market share development, Sweden and Norway

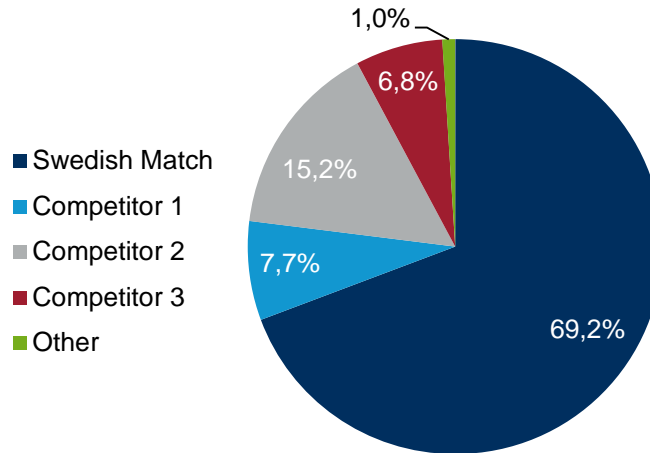
Change in Swedish Match volume market share year on year;
percentage points of total market Sweden and Norway



Source: Nielsen DVH+SVH excluding tobacconists, ending September 27, 2015.
Adjusted for more representative weight on Nielsen coverage in Norway vs. Sweden.

Manufacturer share by price segment to October 4, Sweden

Total volume shares



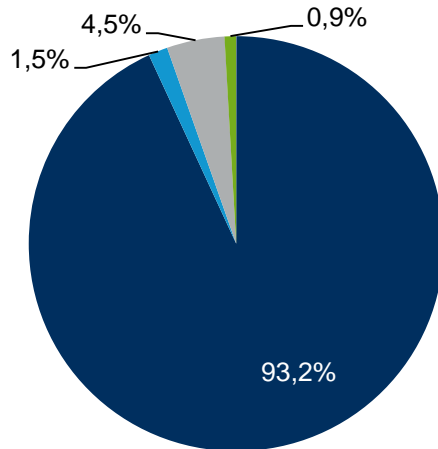
**4 October 2015 (4 weeks ending),
Swedish Match share of:**

Premium segment: 93.5%

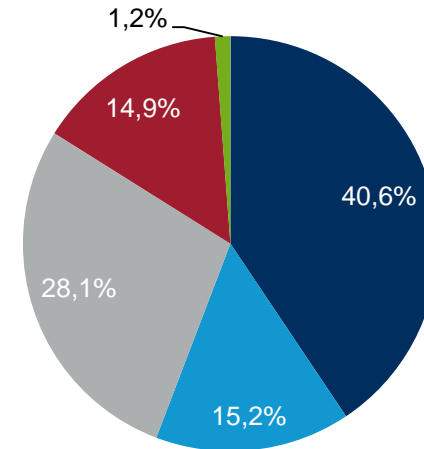
Value segment: 41.0%

Total market: 69.2%

Share of premium segment



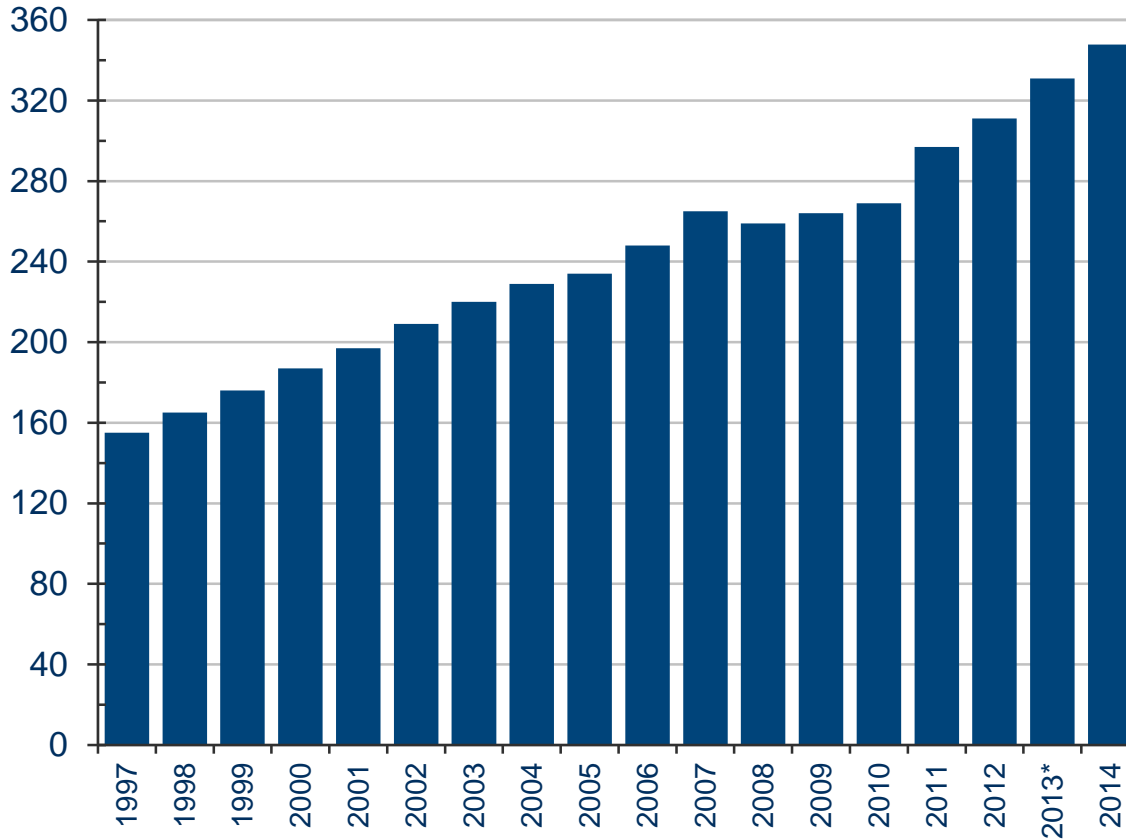
Share of value segment



Source: Nielsen (excluding tobacconists), 12 weeks ending October 4, 2015.

Estimated snus consumption, Scandinavia

Million cans



Source: Swedish Match estimates, adjusted for hoarding in Sweden.

* 2013 figure rebased.



Moist snuff market growth and share estimate

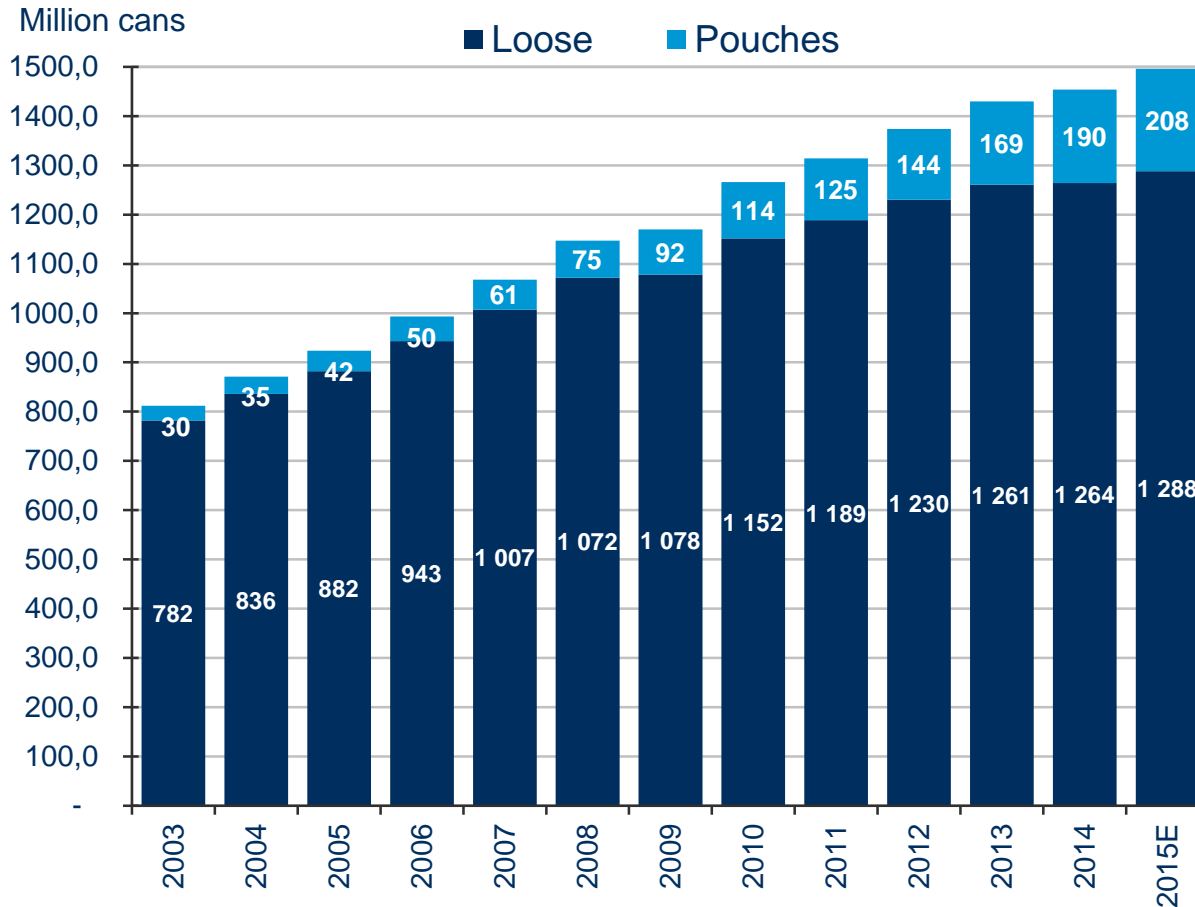
- **US moist snuff market volume up by 3% in Q3 versus year ago***
 - Category growth continues to be driven by pouches.
- **Swedish Match moist snuff market share in the US**
 - Swedish Match estimates its market share based on industry shipments to be 8-9%.



* Source: Swedish Match and industry estimates.

US moist snuff category development

Category by segment: loose vs. pouches



Estimates have been restated by Swedish Match.
Source: Swedish Match and industry estimates.

Other tobacco products

US cigars

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



Chewing tobacco

- Nearly all chewing tobacco sales are in the US. Swedish Match is the largest producer and production takes place in Owensboro, Kentucky



Other tobacco products (OTP), with Q3 commentary

Cigar volume growth, driven by natural leaf cigars

- In local currency, OTP sales were up 9% and operating profit was up 16%
- Sales, operating profit, and volumes up for cigars
 - Operating profit increased on higher volumes, positive mix and the absence of tobacco buy-out quota fee (ended on October 1, 2014).
 - Cigar volumes up 14%, and up 9% year to date.
 - Continued strong volume development of *Game by Garcia y Vega* and 1882 natural leaf cigars. Volume growth also for the *Jackpot* brand.
- Chewing tobacco sales and operating profit up in SEK
 - Positive pricing partially offset volume declines.
 - In US dollars, sales and operating profit down.
 - Volume declined by 9% for own brands in quarter.
 - Year to date volume down 7%.



MSEK	Q3-2015	Q3-2014	chg	9m-2015	9m-2014	chg	Oct 2014- Sep 2015	Full year 2014	chg
Sales	958	724	32	2,873	2,109	36	3,596	2,832	27
Operating profit	390	276	41	1,188	821	45	1,475	1,109	33
Operating margin, %	40.7	38.1		41.3	38.9		41.0	39.2	

Other tobacco products

US shipment volumes for cigars and chewing tobacco

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



Improved performance vs. Q2, especially for lighters

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

- Lighter volumes and sales picked up significantly from Q2**
 - Higher sales and shipment volumes than prior year.
 - Lower operating profit due to increased marketing support.
- Good performance for matches, despite lower sales**
 - Higher operating profit.
 - Negative impact in SEK from decline of Brazilian real.



MSEK	Q3-2015	Q3-2014	chg	9m-2015	9m-2014	chg	Oct 2014- Sep 2015	Full year 2014	chg
Sales	312	319	-2	961	934	3	1,323	1,295	2
Operating profit	47	51	-7	140	155	-10	203	218	-7
Operating margin, %	15.2	16.0		14.6	16.6		15.3	16.8	

Scandinavian Tobacco Group (STG) – third quarter

- **Restructuring costs of 98 MDKK incurred in the quarter, significantly affecting gross profit and EBITDA**
- **Reported sales up by 5%**
 - Adjusted for currency translation effects sales were in line with prior year, with growing handmade cigars offset by lower sales for third party contract manufactured volumes.
- **Sales and gross profit development adjusted for currency effects and one-off costs:**
 - Machine made cigars: Sales somewhat lower while gross profit up, driven by higher average prices.
 - Handmade cigars: Sales and gross profit up on strong volume development and higher average prices.
 - Pipe tobacco: Sales down on lower volumes, gross profit up driven by higher prices and lower product costs.
 - Fine-cut tobacco: Higher volumes/improved productivity contributed to increases in sales and gross profit.
- **Operating expenses increased primarily as a result of the above-mentioned restructuring costs coupled with currency translation effects**
- **Reported EBITDA amounted to 307 MDKK (364)**
 - Underlying EBITDA was marginally higher.
- **Net financial costs increased to 32 MDKK (18) reflecting higher interest costs on pensions and lower realized gains from financial instruments compared to prior year**
- **Net profit for the quarter amounted to 139 MDKK (200) significantly affected by the restructuring charges**
- **Swedish Match's reported share of net profit in STG amounted to 87 MSEK (115)**
 - Net profit for the third quarter 2015 includes 45 MSEK of restructuring costs.
 - Including the positive effect of the reassessment of useful lives in the 2014 comparable figures, Swedish Match's share of net profit would have amounted to 129 MSEK in 2014.
- **On September 30, 2015, Swedish Match received an extra dividend from STG of 555 MSEK**

Tax, cash flow and financing

- **Tax rate for the Group was 21.6% for the first nine months**
 - Includes profit and loss impact from associated companies.
 - The reported tax rate, excluding associated companies and joint ventures, was 24.5%.
- **Cash flow**
 - Cash flow from operating activities for the first nine months was 3,199 MSEK (2,537).
 - Improved EBITDA and dividends received from Associates.
 - Net cash used in investing activities amounted to 249 MSEK (212) during the first nine months.
- **Cash distributed to shareholders**
 - During the first nine months, Swedish Match 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 (all in Q1).



■ Financial policy

- Dividend policy: 40-60% of earnings per share.
- 2014 dividend: 7.50 SEK per share (7.30).
- Net debt not to exceed 3 times EBITA*.

■ Financing

- The net finance cost for the first nine months decreased to 335 MSEK (378), mainly due to decreased average debt.
- 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.
- Cash and cash equivalents amounted to 2,172 MSEK at the end of the period, compared to 2,312 MSEK at December 31, 2014.
- Net debt/EBITA per September 30 was at 2.1* (2.3* for 12 months to Dec. 31, 2014).



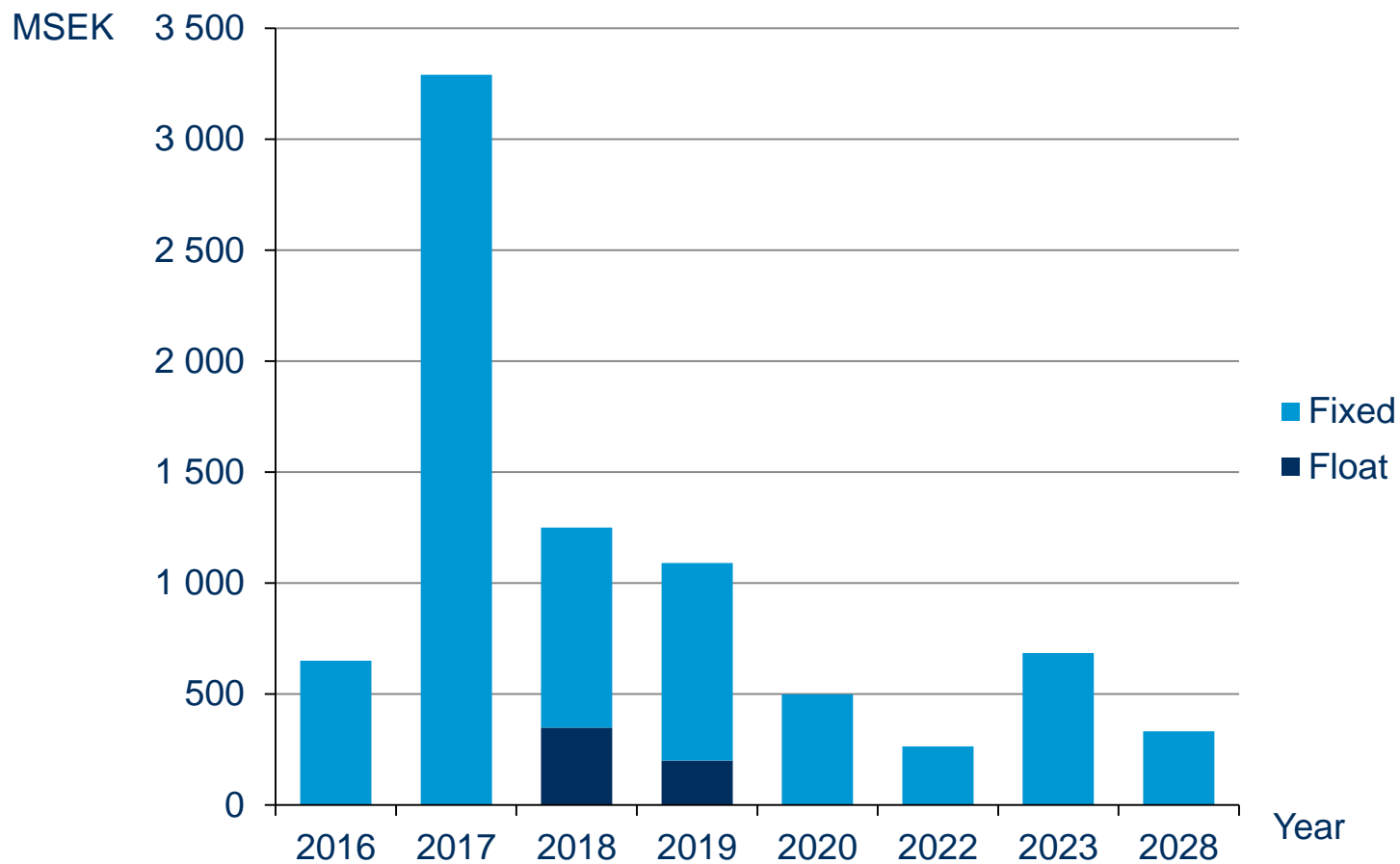
* Excluding share of net profit in STG. Operating profit adjusted for amortization and write-downs of intangible assets.

Other events and events after the reporting period

- **SMD Logistics AB reached an agreement to sell its distribution facility in Solna, Sweden, and reached an agreement to acquire a new distribution center located in Upplands-Bro, Sweden**
 - The new distribution center is planned to be taken into operation during the first quarter of 2016. At the same time, SMD Logistics AB's current distribution center will be consolidated into the new distribution center.
 - The sale of the distribution center in Solna is planned to be concluded 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.

Maturity profile of interest bearing liabilities

As of September 30, 2015



P&L in summary

MSEK	Q3-2015	Q3-2014	Chg %	9m-2015	9m-2014	Chg %	Oct 2014- Sep 2015	Full year 2014	Chg %
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 administrative expenses	-745	-675		-2,258	-1,993		-2,967	-2,703	
Share of profit/loss in associated companies and joint ventures*	66	101		325	210		400	285	
Relocation of distribution facilities	-	-		-42	-		-42	-	
Operating profit*	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 period*	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*	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*	3.84	3.49		11.02	9.67		14.57	13.22	

* For full detail, please refer to notes in the January-September 2015 report.

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	1,782	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*	2,206	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

* For full detail, please refer to notes in the January-September 2015 report.

Cash flow in summary

MSEK	Jan-Sep 2015	Jan-Sep 2014
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
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**	-25	-45
Changes in financial receivables etc.	0	0
Net cash used in investing activities	-249	-212
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

* Includes an extra dividend of 555 MSEK from STG on September 30, 2015.

** For full detail, please refer to notes in the January-September 2015 report.

Key ratios

MSEK	Jan-Sep 2015	Jan-Sep 2014
Operating margin, %	29.2	28.5
Operating capital, MSEK	8,034	8,076
Return on operating capital, % (12 months ended September 30, 2015)	51.3	
EBITDA, MSEK*	3,380	3,009
EBITA, MSEK*	3,175	2,818
Net debt, MSEK	7,820	7,906
Investments in property, plant and equipment, MSEK*	218	167
EBITA interest cover	9.6	7.5
<i>Excluding share of net profit in STG</i>		
EBITA, MSEK*	2,815	2,576
Net debt/EBITA* (12 months ended September 30, 2015)	2.1	
Share data		
Shares outstanding, end of period (Mio)	191.5	198.1
Average number of shares outstanding, basic (Mio)	194.5	199.0

* For full detail, please refer to notes in the January-September 2015 report.

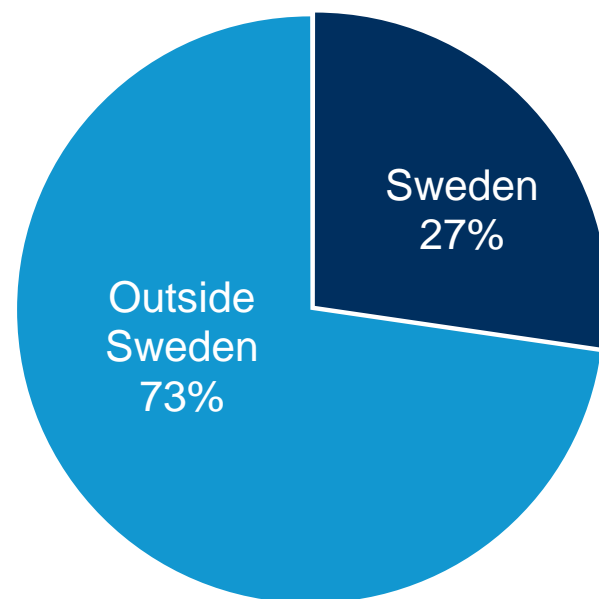
Largest shareholders*

As per September 30, 2015

Largest shareholders

Standard Life Investment Funds	3.6%
SEB Funds	3.4%
Nordea Funds	2.6%
Second Swedish National Pension Fund	2.2%
Invesco Funds	1.6%
Didner & Gerge Funds	1.4%
Fourth Swedish National Pension Fund	1.2%
First Swedish National Pension Fund	1.1%
SHB Funds	1.1%
Vanguard Funds	0.8%
	<hr/>
	19.0%

49,268 shareholders



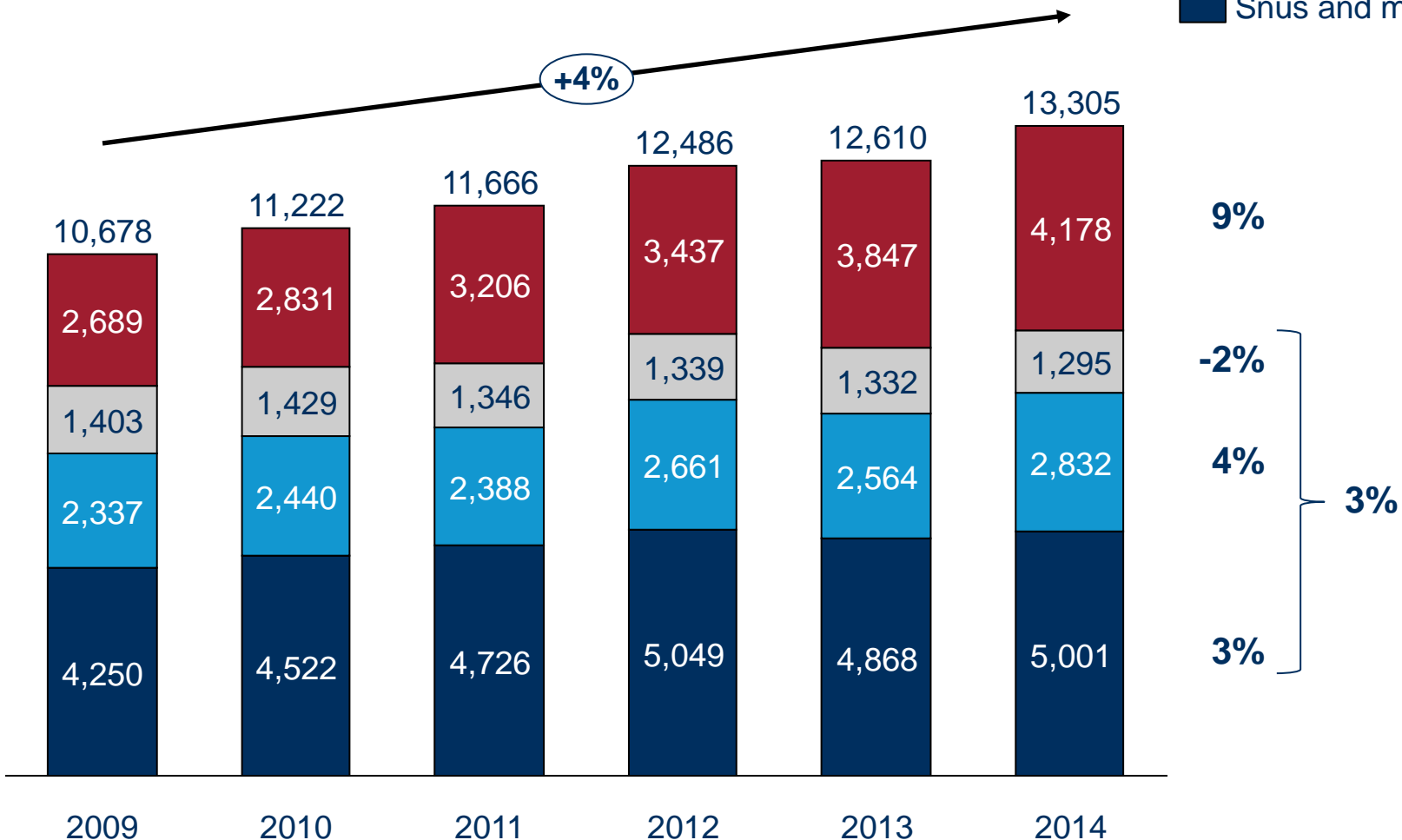
Source: Euroclear, official registry and SIS Ägaranalys.

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

Comparable sales

Excluding businesses transferred to STG (MSEK)
CAGR 09-14

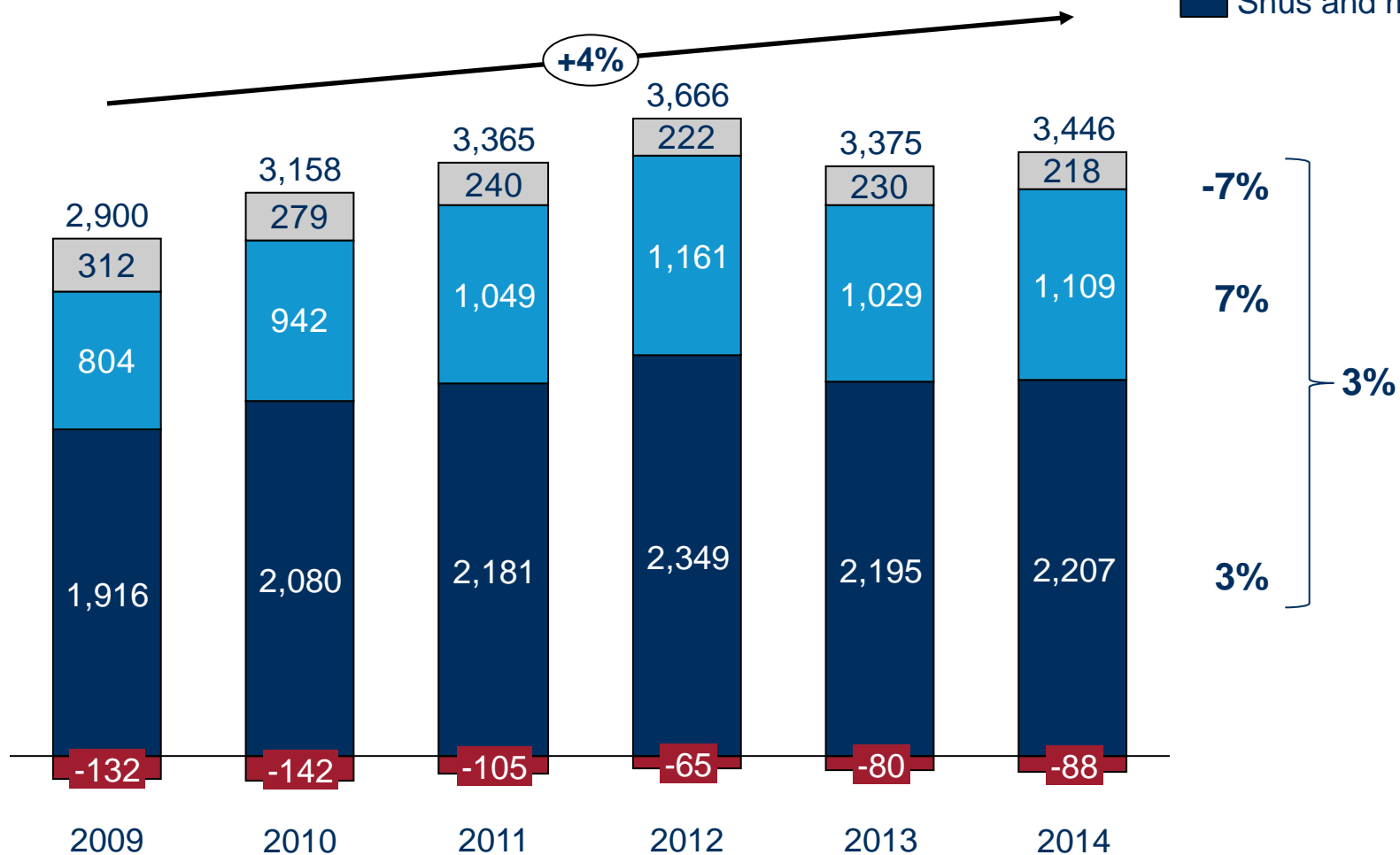
- Other operations
- Lights
- Other tobacco products
- Snus and moist snuff



Comparable operating profit

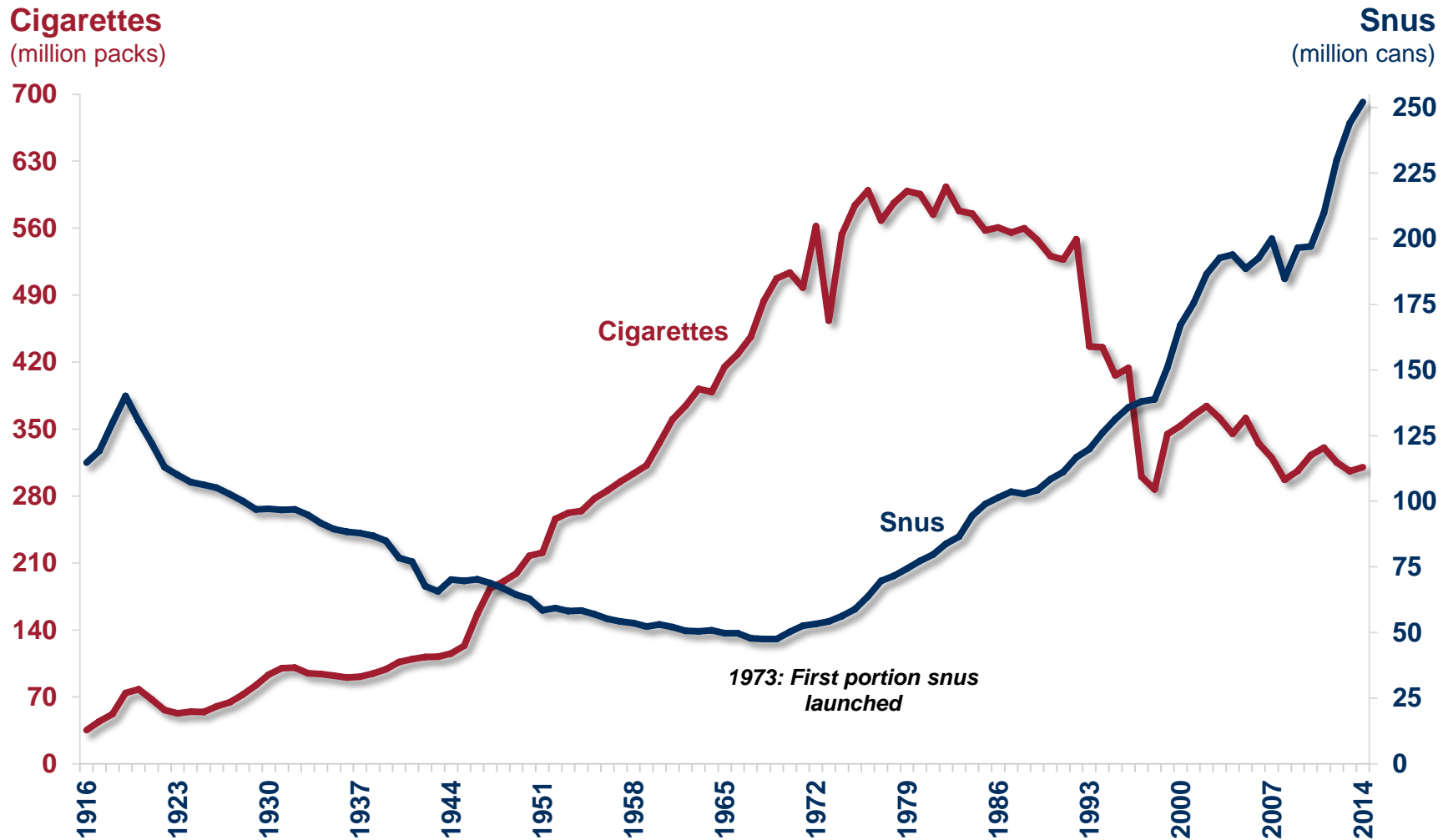
Excluding businesses transferred to STG (MSEK)
CAGR 09-14

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



Competing with cigarettes is not new to Swedish Match

Volume development for cigarettes and snus in Sweden since 1916



Source: Swedish Match estimates.