

SWEDISH MATCH INVESTOR KIT

Q1 2016



A look at the quarter

KEY DEVELOPMENTS IN THE QUARTER

- **Strong growth in sales and operating profit from product areas.**
- **Successfully launched the IPO of STG.**
- **Completed the consolidation of distribution centers in Sweden according to schedule.**
- **Closed the sale of the former distribution real estate in Solna, Sweden.**
- **Active in new products with introductions into existing and new markets.**
- **Continued market growth for Scandinavian snus and cigars in the US and strong volume growth for Swedish Match in both categories.**
 - For snus in Scandinavia, the underlying market growth in number of cans was estimated to have been above 5% in the quarter, with the strongest growth in Norway.
 - Growth of Swedish Match's shipment volumes of snus in Scandinavia was positively affected by year on year destocking effects.
 - US cigars market grew around 2%, with higher growth for natural cigars.
 - Swedish Match continued to gain share for cigars, and shipments were up more than the market.

COMPETITIVE ACTIVITY IN SWEDEN

- The competitive activity in the Swedish snus market increased after year-end with several new product initiatives and design changes from competition.
- Swedish Match raised prices for *Kronan*, *Kaliber* and the *XRANGE* series of products, as well as for all loose products, at the beginning of the year.
- Consumer price increases on some competitors' value priced products have recently been noted in the trade.

- **The Swedish Parliament on April 6 adopted the new tobacco legislation that implements the revised European Tobacco Directive into Swedish law.**
 - For snus the most notable changes are a somewhat more strictly worded warning label that will have to be put on two sides of the can as well as some new reporting requirements.
 - Products produced after August 30 can only be sold at retail if fulfilling the new packaging requirements.
- **Committee of enquiry in Sweden presented its recommendations in March on more tobacco control measures.**
 - The committee's proposal is out for public commentary.
 - The committee proposes a retail display ban for tobacco products.
 - On the issue of plain packaging the committee concludes that such a measure would require a change to the Swedish constitution.
- **The final bill in Norway relating to the implementation of the Tobacco Product Directive expected before the summer.**
 - No more clarity expected on the final proposal relating to the initiative to require plain packaging for tobacco products until the bill has been presented.
- **In the US, no notification on when to expect the ruling on MRTP applications for *General* snus, and the final deeming regulations that will apply to cigars have not been published.**

SALES AND OPERATING PROFIT GROWTH

- **Sales and operating profit grew in both Scandinavia and in the US for snus and moist snuff on an underlying basis.**
- **Timing effects on volumes due to lower trade destocking.**
 - Scandinavia year-end hoarding was higher in 2014 than in 2015, and consequently the negative effect from the unwinding of the hoarding was bigger in the first quarter of 2015 than in the first quarter of 2016.
- **Snus and moist snuff operating profit and operating margin affected by lower operating loss for snus outside Scandinavia, partly due to timing.**
 - Operating loss for international snus expansion was significantly lower than in the prior year. Lower marketing costs than normal due to timing and improved gross profit for snus in the US.
- **A notable negative currency effect for Snus and moist snuff product area from a weaker NOK.**
- **For Other tobacco products a solid performance for cigars more than offset a rather weak quarter for chewing tobacco.**
- **Lights had a soft quarter from lower volumes and certain costs of a temporary nature.**

Q1 HEADLINE NUMBERS

- Sales increased by 6% to 3,557 MSEK (3,368), in local currencies by 7%.
- Operating profit from product areas* increased by 8% to 939 MSEK (866), in local currencies by 10%.
- Operating profit** (including share of STG's net profit and larger one-time items) amounted to 1,711 MSEK (1,014).
- Larger one-time items of 704 MSEK related to capital gains from partial divestment of STG and divestment of distribution center real estate.
- The reported share of net profit in STG, after interest and tax, amounted to 68 MSEK (148).
 - Swedish Match's reported share of net profit represents 31.1% of STG's fourth quarter 2015 net profit due to lag reporting. Prior year included a positive adjustment of 56 MSEK related to reassessment of useful lives of certain assets (primarily trademarks).
- EPS (basic) amounted to 7.44 SEK (3.68) and excluding larger one-time items to 3.71 SEK (3.40).
- The Annual General meeting of shareholders approved a dividend of 20.00 SEK per share consisting of an increased ordinary dividend of 8.00 SEK (7.50) and a special dividend of 12.00 SEK.

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

** Operating profit for the Group includes larger one-time items and share of net profit in STG. Swedish Match's share of net profit in STG is reported with a one quarter lag. For the first quarter 2016, Swedish Match's reported share of STG's net profit represents 31.1 percent of STG's fourth quarter 2015 net profit.

Overview by product area

SNUS AND MOIST SNUFF: Q1 COMMENTARY

Growth in both sales and operating profit and higher operating margin

- **Strong Scandinavia market growth – both in Sweden and Norway.**
- **Strong shipment volumes in Scandinavia positively affected by lower trade destocking but underlying sales and operating profit also grew.**
 - Swedish Match’s underlying volumes up close to 4% in Scandinavia adjusted for destocking.
 - Some positive price effects in both Sweden and Norway but continued net negative price/mix effects.
 - Negative currency effect from the weaker NOK.
- **US moist snuff/snus sales up.**
 - Volumes for moist snuff were down due to lower promotional activities in the quarter.
 - The average price for moist snuff was higher due to list price increases in 2015 and the lower promotional activities.
 - Snus sales in the US up on higher volumes and better realized pricing.
 - Operating loss for US snus significantly improved driven by lower spending than normal in the quarter but also higher gross profit.
- **Continued investment behind snus outside Scandinavia.**
 - Net operating loss for snus expansion outside Scandinavia was 49 MSEK (80), driven by performance of US snus (lower marketing spending than normal partly due to timing and higher gross profit).
- **Operating margin higher.**
 - Driven by lower level of operating loss for snus outside of Scandinavia.



MSEK	Q1-2016	Q1-2015	chg	April 2015-March 2016	Full year 2015	chg
Sales	1,245	1,191	5	5,145	5,090	1
Operating profit	521	455	14	2,136	2,071	3
Operating margin, %	41.8	38.2		41.5	40.7	

SNUS AND MOIST SNUFF

Swedish Match's shipment volumes for snus and moist snuff (not adjusted for destocking effects)

	January-March	chg	Full year
	2016	2015 %	2015
Snus, million of cans, Scandinavia	56.3	52.3 8	237.9
Moist snuff, millions of cans, US	34.5	35.4 -3	132.1



Source: Swedish Match and industry estimates.

SCANDINAVIAN MARKET GROWTH AND SHARE ESTIMATES

- **Scandinavian snus market up by more than 5% in volume in Q1* underlying.**
 - Norwegian market grew at a faster pace than the Swedish market.
 - Continued share gains for *XRANGE* in Sweden and *General G.3* in Norway.
 - Swedish Match's market share in Sweden was relatively stable during 2015 and on a quarter to quarter comparison down 0.6 percentage points.
 - The value segment's share of the market was modestly larger than one year ago.
 - Swedish Match's share of the value segment slightly increased but the Company's share of the premium segment slightly declined.
 - Compared to the fourth quarter 2015 Swedish Match lost some total market share as both the Company's market share within the value and premium segments declined somewhat.
 - Swedish Match's market share in Norway continued to decline.

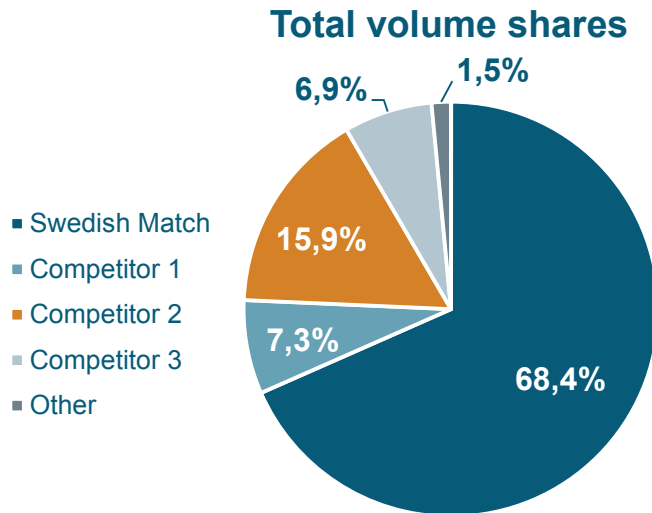
Swedish Match's market shares**

Percent	January-March		Chg ppts	Full year 2015
	2016	2015		
Snus, Sweden, total	68.4	69.0	-0.6	69.3
Snus, Sweden, premium	93.2	93.8	-0.7	93.6
Snus, Sweden, value	39.9	39.6	0.3	40.3
Snus, Norway, total	54.5	58.3	-3.8	56.6

* Source: Swedish Match estimates.

** Swedish Match estimates using Nielsen data (excl. tobaccoists due to small sample of tobaccoists in Nielsen data). 13 weeks to March 27, 2016. All figures for the Swedish market have been restated to include nicotine free products (i.e. Onico etc.).

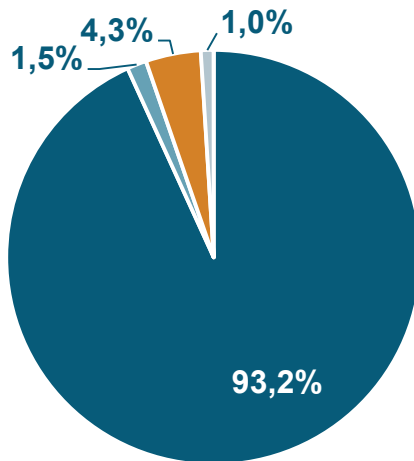
MANUFACTURER SHARE BY PRICE SEGMENT, SWEDEN



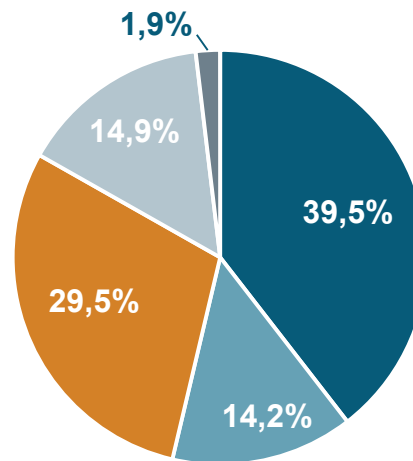
**27 March 2016
(4 weeks ending),
Swedish Match share of:**

Premium segment: 92.6%
Value segment: 39.3%
Total market: 68.1%

Share of premium segment

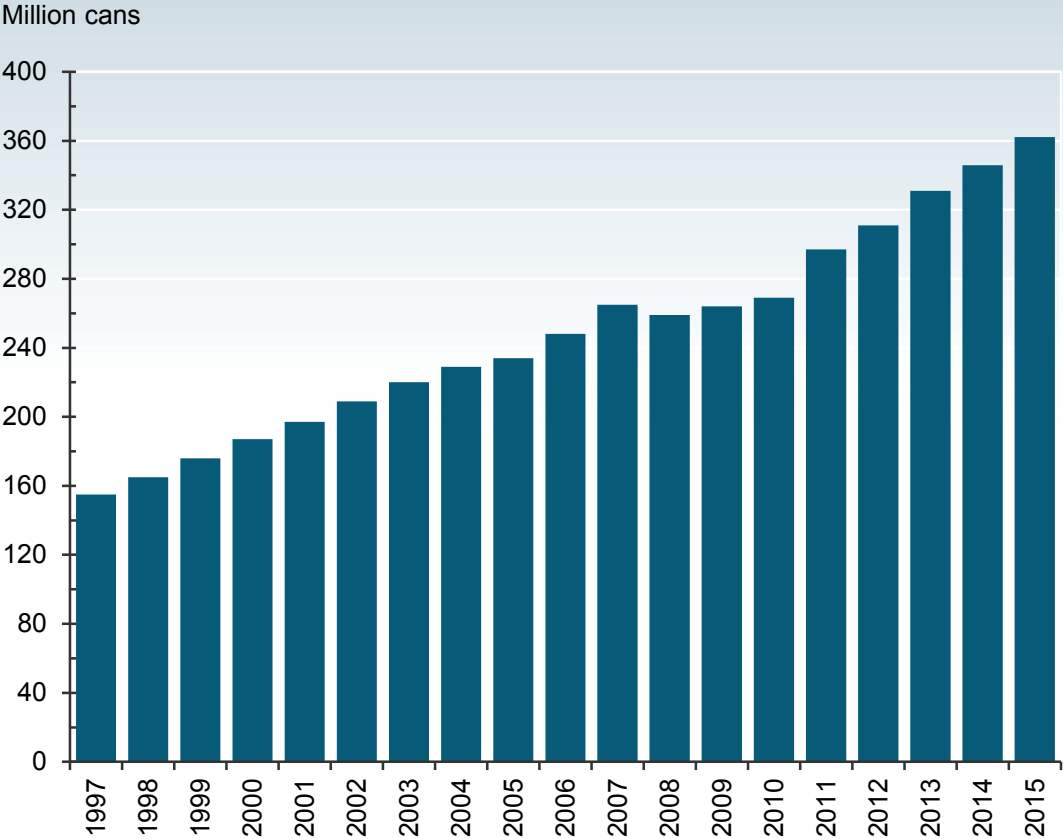


Share of value segment



Source: Swedish Match estimates based on Nielsen (excluding tobaccoconists), 13 weeks ending March 27, 2016.
All figures for the Swedish market have been restated to include nicotine free products (i.e. Onico etc.).

ESTIMATED SNUS CONSUMPTION IN SCANDINAVIA



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



Q1: SCANDINAVIAN PRODUCT LAUNCHES CONTINUED TO DRIVE VOLUME

- **XRANGE in Sweden**

- Continued share growth for *XRANGE*, with more than 6% of the market.
- Contributed to growth of premium brands and a more stable premium segment.

- **Other launches, Sweden**

- *Mustang* introduced in three varieties in September 2015.
- *General Mackmyra* recently launched.

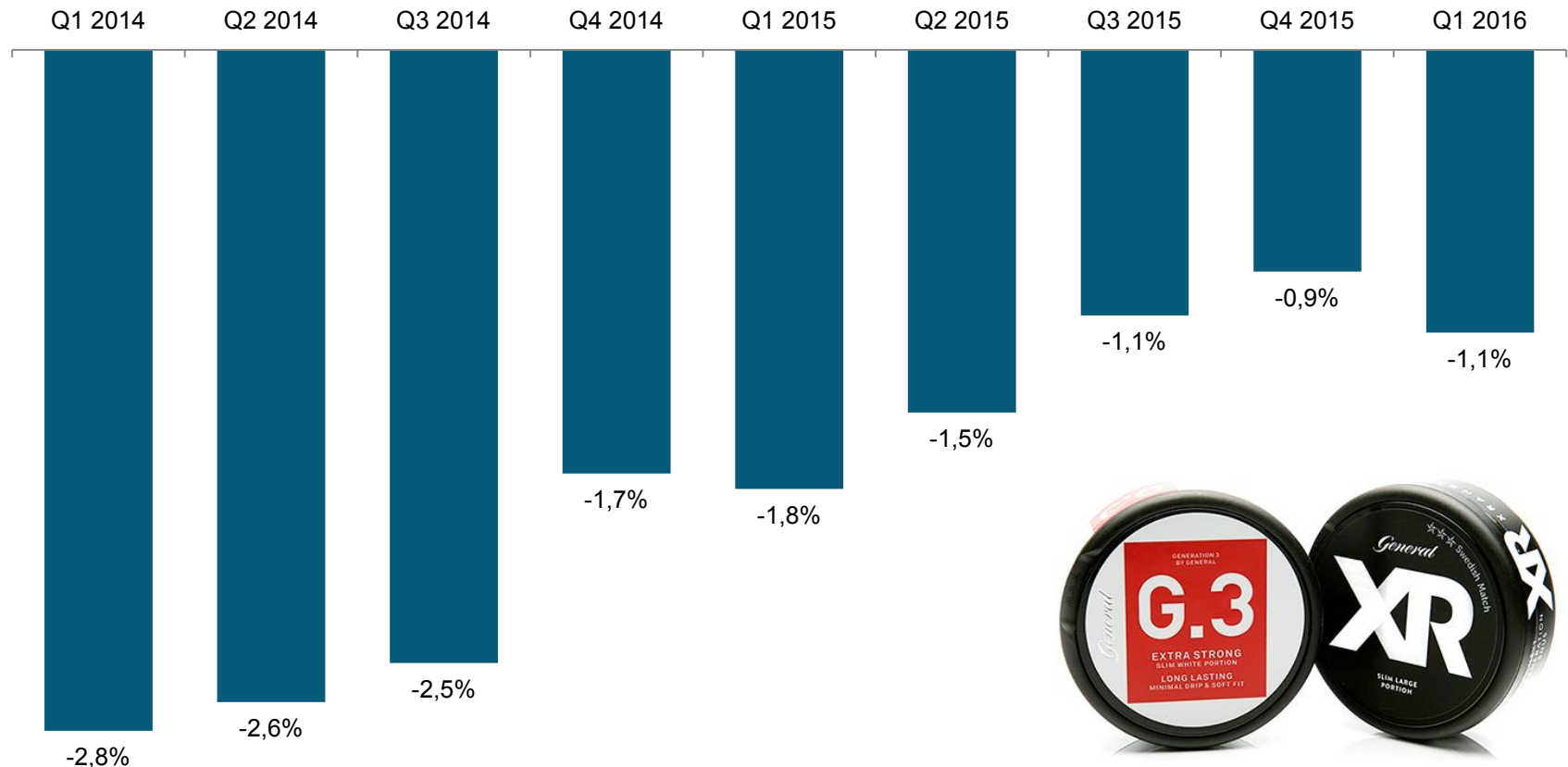
- **Norway**

- *General G.3* range continued to gain share in the first quarter.
- New super slim pouch products for *General G.3* recently launched.



MARKET SHARE DEVELOPMENT IN SCANDINAVIA

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



Source: Nielsen DVH+SVH excluding tobaccoists.
Adjusted for more representative weight on Nielsen coverage in Norway vs. Sweden.

MOIST SNUFF MARKET GROWTH AND SHARE ESTIMATE

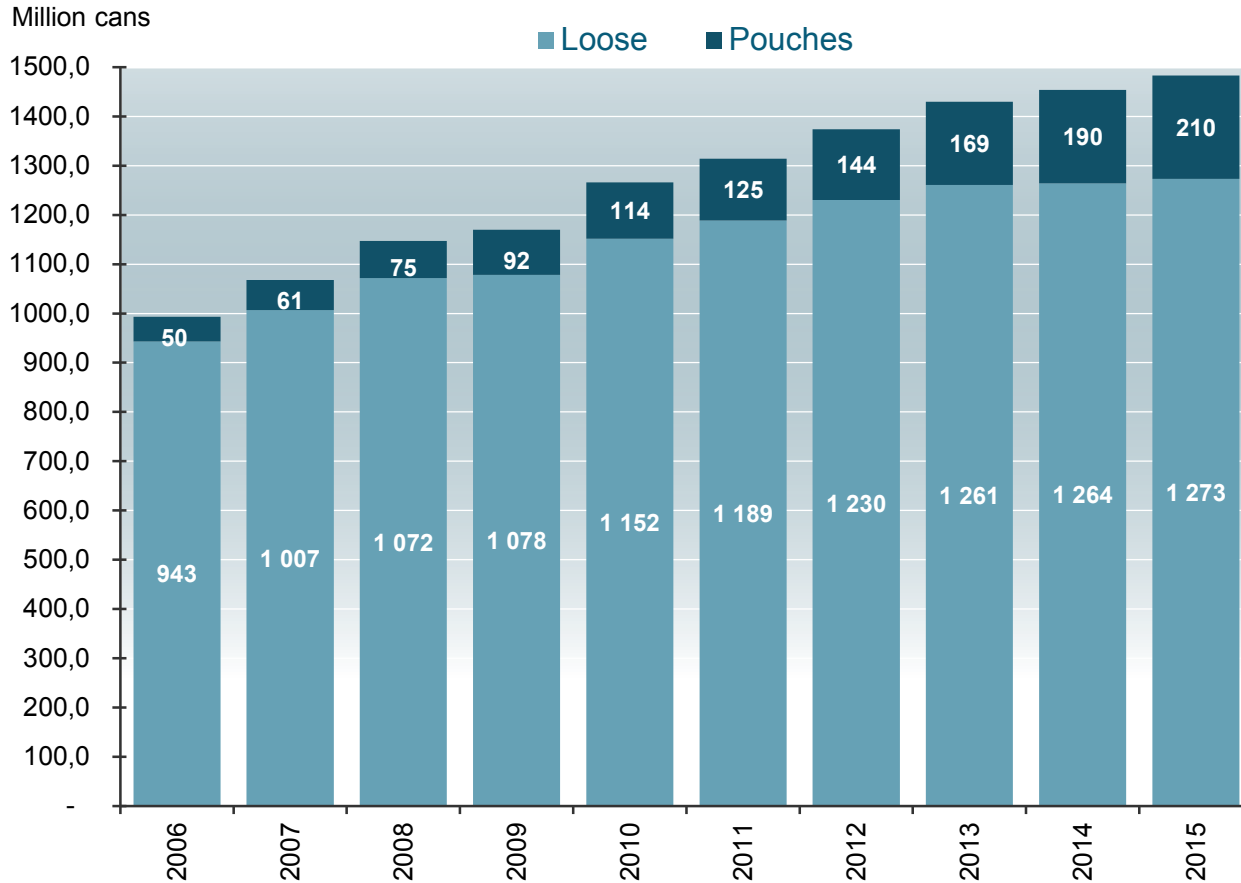
- **US moist snuff market volume estimated to be up by 3-4% for the first quarter.**
 - Category growth continues to be driven by pouches.
- **Swedish Match estimates its moist snuff volume market share at 9%.**



Source: Swedish Match and industry estimates.

US MOIST SNUFF CATEGORY DEVELOPMENT

Category by segment: loose vs. pouches



13.0%
CAGR 2010-2015
POUCHES

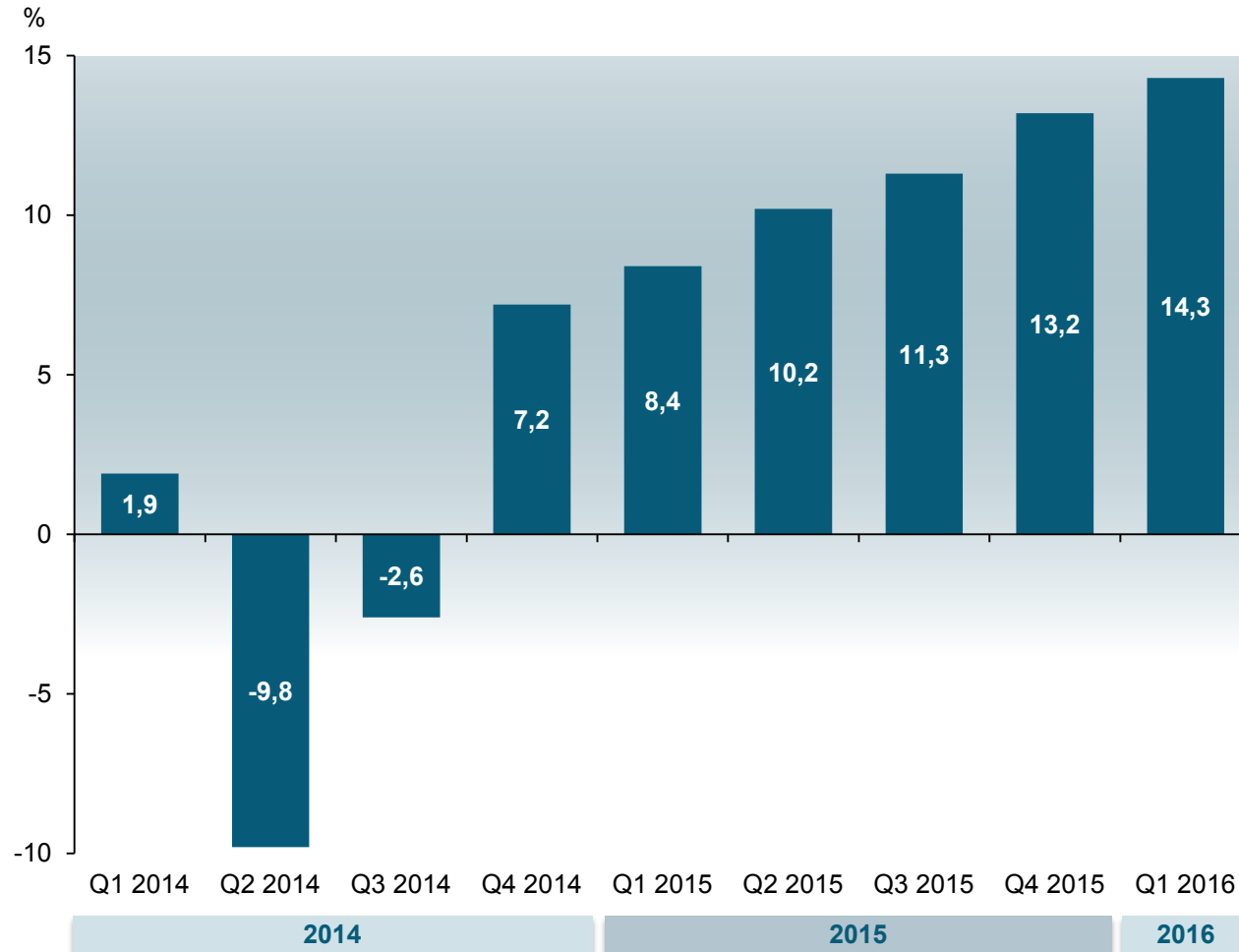
2.0%
CAGR 2010-2015
LOOSE



Source: Swedish Match and industry estimates.

US SNUS CATEGORY DEVELOPMENT

Total category shipment growth compared to prior year quarter



Source: Industry estimates.

OTHER TOBACCO PRODUCTS: Q1 COMMENTARY

Cigar volume growth, driven by natural leaf cigars and *Jackpot*

- In local currency, sales were up 5% and operating profit was up 3%.
- Sales, operating profit, and volumes up for cigars.
 - Operating profit increased on higher volumes.
 - Cigar volume growth of 10% from continued strong volume development of *Game by Garcia y Vega* and *1882* natural leaf cigars. Volume growth for the *Jackpot* brand.
 - New design for *White Owl* cigars launched during the quarter.
 - New *Night Owl* pipe tobacco cigars in test launch.
- Chewing tobacco sales lower, operating profit declined.
 - Positive pricing partially offset volume declines.
 - Volume declined by 9% for own brands in quarter.
 - This followed on a modest year on year decline in Q4 2015.



MSEK	Q1-2016	Q1-2015	chg	April 2015-March 2016	Full year 2015	chg
Sales	994	933	7	3,890	3,829	2
Operating profit	400	384	4	1,570	1,554	1
Operating margin, %	40.2	41.1		40.4	40.6	

OTHER TOBACCO PRODUCTS

Swedish Match's shipment volumes for cigars and chewing tobacco

	January-March		chg	Full year
	2016	2015	%	2015
Cigars, millions of sticks	343	313	10	1,256
Chewing tobacco, thousands of pounds (excl. contract manufacturing)	1,677	1,835	-9	7,390



Lower volumes and operating profit down

- 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

- Sales down driven by lower volumes for matches and a weaker Brazilian real.
 - Volumes of matches relatively strong in prior year period.
 - Lighter volumes down but partly compensated by relatively strong mix.
 - Sales for complementary products were up.
- Operating profit down.
 - Lower volumes and higher production costs for matches.
 - Some higher costs of a temporary nature.



MSEK	Q1-2016	Q1-2015	chg	April 2015-March 2016	Full year 2015	chg
Sales	303	331	-9	1,266	1,295	-2
Operating profit	42	57	-26	175	190	-8
Operating margin, %	13.8	17.1		13.8	14.7	

Overview of tax, cash flow and financing

TAX, CASH FLOW AND FINANCING

- **Tax rate for the Group was 12.5% for the first quarter.**
 - Includes profit and loss impact from associated companies and non-taxable larger one-time items.
 - The tax rate, excluding associated companies and joint ventures and non-taxable one-time items was 24%.
- **Cash flow**
 - Swedish Match received 2,172 MSEK from the sales of share in STG in conjunction with the IPO and another 145 MSEK from the sale of a distribution center.
 - Cash flow from operating activities for the first quarter was 792 MSEK (963) negatively affected by timing of dividend from STG. A dividend from STG of 156 MDKK will be received during the second quarter.
 - Net cash from investing activities amounted to 2,110 MSEK (-67) for the first quarter.
 - Investments in property, plant and equipment as well as intangible assets increased to 202 MSEK (57), affected by an investment in patent rights for a nicotine pouch product without tobacco.
- **Cash distributed to shareholders**
 - During the first quarter, Swedish Match repurchased 0.7 million shares for 199 MSEK and will be paying a dividend of 3,764 MSEK on May 6.

- **Financial policy**

- Dividend policy: 40-60% of earnings per share.
- 2015 dividend: ordinary dividend of 8.00 SEK per share (7.50) and special dividend of 12.00 SEK per share, in total 20.00 SEK per share.
- Net debt not to exceed 3 times EBITA*.

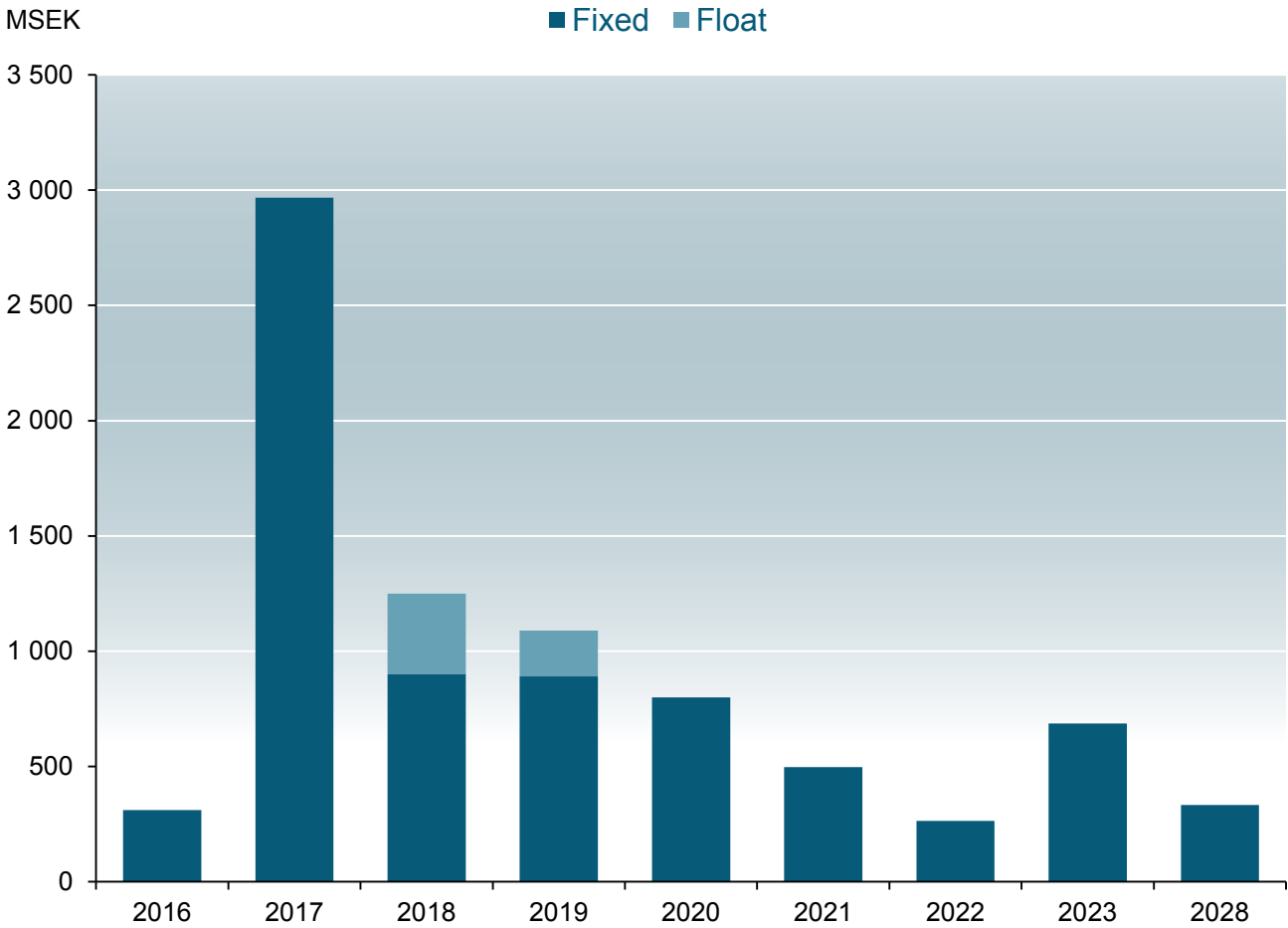
- **Financing**

- The net finance cost for the first quarter declined to 107 MSEK (114), mainly due to lower interest rate on debt.
- During the first quarter new bond loans of 497 MSEK were issued.
- Repayments of bond loans for the same period amounted to 363 MSEK.
- As of March 31, 2016 Swedish Match had 8,198 MSEK of interest bearing debt excluding retirement benefit obligations compared to 8,064 MSEK at December 31, 2015.
- During the remainder of the year, 310 MSEK of debt falls due for payment.
- Cash and cash equivalents amounted to 4,441 MSEK at the end of the period, compared to 1,732 MSEK at December 31, 2015.
- Net debt/EBITA per March 31 was at 1.5* compared to 2.1* at December 31, 2015.

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

MATURITY PROFILE OF INTEREST BEARING LIABILITIES

Debt as of March 31, 2016



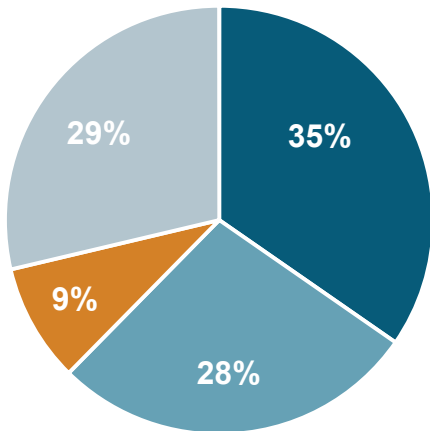
Financials

SALES AND OPERATING PROFIT

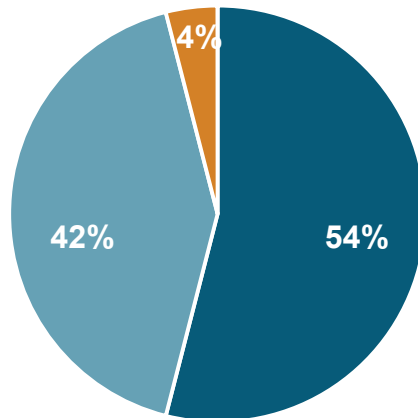
Sales and operating profit by product area

Q1 2016

Sales, SEK



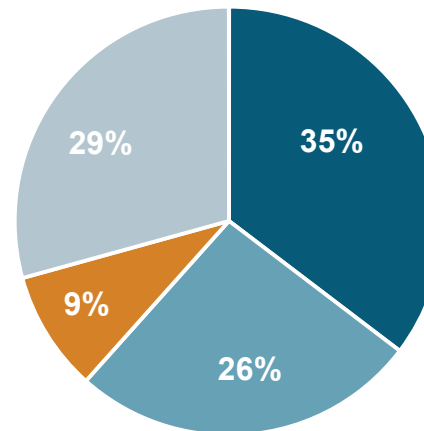
Operating profit*, SEK



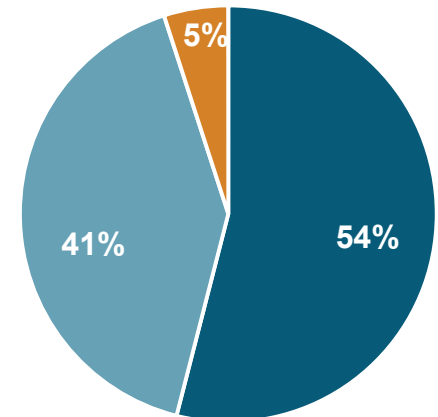
- Snus and moist snuff
- Other tobacco products
- Lights
- Other operations

Full year 2015

Sales, SEK



Operating profit*, SEK

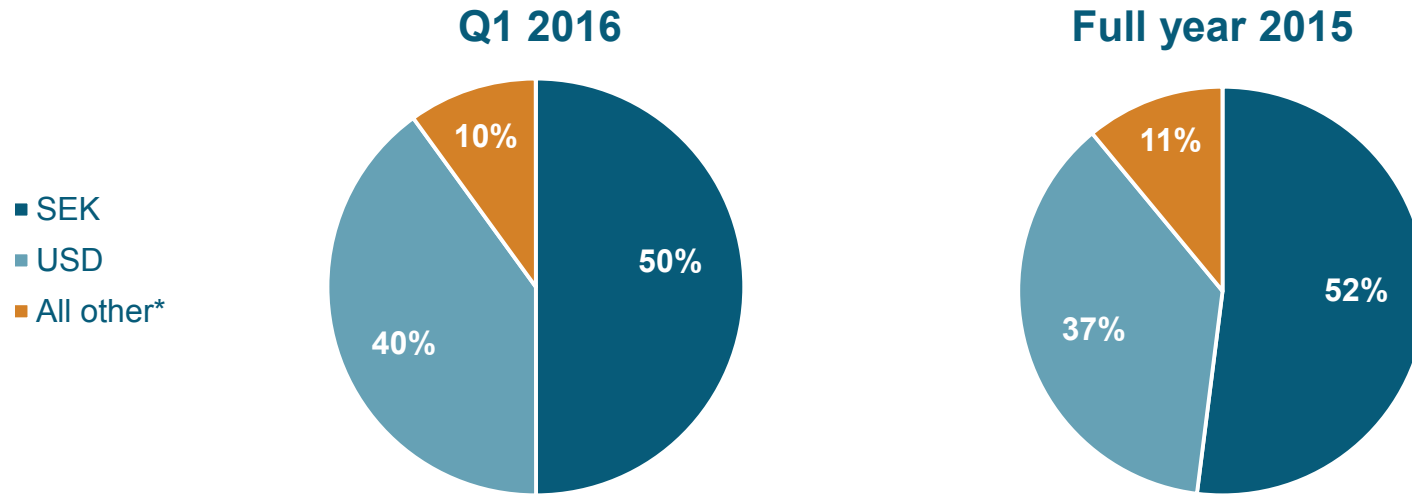


- Snus and moist snuff
- Other tobacco products
- Lights
- Other operations

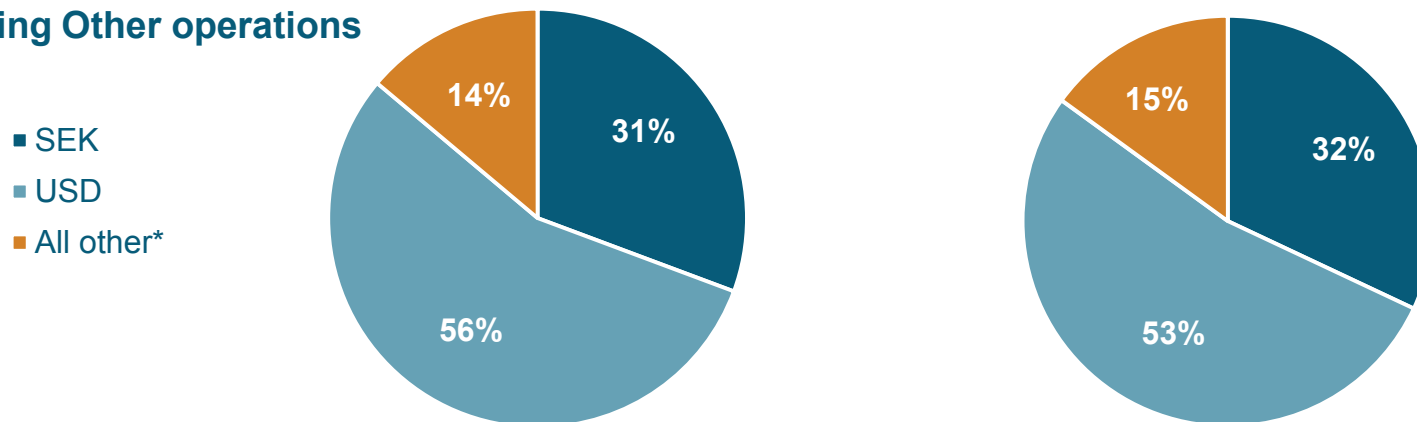
* Excluding Other operations, share of net profit in STG. Totals may not add up due to rounding.

SALES BY CURRENCY BLOCK

Percent of sales, MSEK



Excluding Other operations



* Primarily NOK and BRL.

P&L IN SUMMARY

MSEK	Q1-2016	Q1-2015	Chg %	April 2015- March 2016	Full year 2015	Chg %
Sales	3,557	3,368	6	14,675	14,486	1
Cost of goods sold	-1,872	-1,752		-7,817	-7,697	
Gross profit	1,685	1,615	4	6,858	6,789	1
Selling and administrative expenses	-745	-741		-3,069	-3,065	
Share of profit/loss in associated companies and joint ventures*	66	140		254	327	
Sale of STG shares	560	-		560	-	
Sale of distribution facility	145	-		145	-	
Relocation of distribution facilities	-	-		-42	-42	
Operating profit*	1,711	1,014	69	4,705	4,008	17
Finance income	9	4		28	22	
Finance costs	-116	-118		-484	-486	
Net finance cost	-107	-114		-456	-463	
Profit before income tax	1,604	900	78	4,250	3,545	20
Income tax expense	-200	-179		-764	-742	
Profit for the period*	1,404	721	95	3,486	2,803	24
Earnings per share, basic, SEK	7.44	3.68		18.18	14.48	
Earnings per share, adjusted, basic, SEK*	3.71	3.40		14.68	14.36	

* For full detail, please refer to notes in the January-March 2016 report.

BALANCE SHEET IN SUMMARY

MSEK	March 31, 2016	December 31, 2015
Intangible assets	1,136	1,048
Property, plant and equipment	2,232	2,240
Investments in associated companies and joint ventures	3,261	4,845
Other non-current financial receivables*	1,747	1,739
Current operating assets	3,077	3,220
Cash and cash equivalents	4,441	1,732
Total assets	15,894	14,824
Equity attributable to equity holders of the Parent	1,104	251
Non-controlling interests	1	1
Total equity	1,105	252
Non-current provisions	1,268	1,223
Non-current loans	8,083	7,613
Other non-current financial liabilities*	2,036	1,882
Current provisions	132	147
Current loans	314	653
Other current liabilities	2,957	3,054
Total equity and liabilities	15,894	14,824

* For full detail, please refer to notes in the January-March 2016 report.

CASH FLOW IN SUMMARY

MSEK	Jan-Mar 2016	Jan-Mar 2015
Cash flow from operating activities before changes in working capital*	975	1,154
Cash flow from changes in working capital	-182	-191
Net cash from operating activities	792	963
Purchase of property, plant and equipment*	-81	-52
Proceeds from sale of property, plant and equipment	145	0
Purchase of intangible assets	-121	-6
Divestments in associated companies and joint ventures*	2,172	-
Investments in associated companies and joint ventures*	-5	-10
Changes in financial receivables etc.	0	-
Net cash from investing activities	2,110	-67
Changes in loans	134	-140
Repurchase of own shares	-199	-298
Stock options exercised	-	141
Other	-78	8
Net cash used in financing activities	-143	-289
Net increase in cash and cash equivalents	2,759	608
Cash and cash equivalents at the beginning of the period	1,732	2,312
Effect of exchange rate fluctuations on cash and cash equivalents	-50	161
Cash and cash equivalents at the end of the period	4,441	3,080

* For full detail, please refer to notes in the January-March 2016 report.

KEY RATIOS

MSEK	Jan-Mar 2016	Jan-Mar 2015
Operating margin, %	28.3	30.1
Operating capital, MSEK	6,693	8,806
Return on operating capital, % (12 months ended March 31, 2016)	52.2	
EBITDA, MSEK*	1,085	1,093
EBITA, MSEK*	1,018	1,025
Net debt, MSEK	5,522	7,548
Investments in property, plant and equipment, MSEK*	81	52
EBITA interest cover	10.2	9.0
<i>Excluding share of net profit in STG</i>		
EBITA, MSEK*	950	877
Net debt/EBITA* (12 months ended March 31, 2016)	1.5	
Share data		
Shares outstanding, end of period (Mio)	188,204,368	195,246,521
Average number of shares outstanding, basic (Mio)	188,608,217	195,763,142

* For full detail, please refer to notes in the January-March 2016 report.

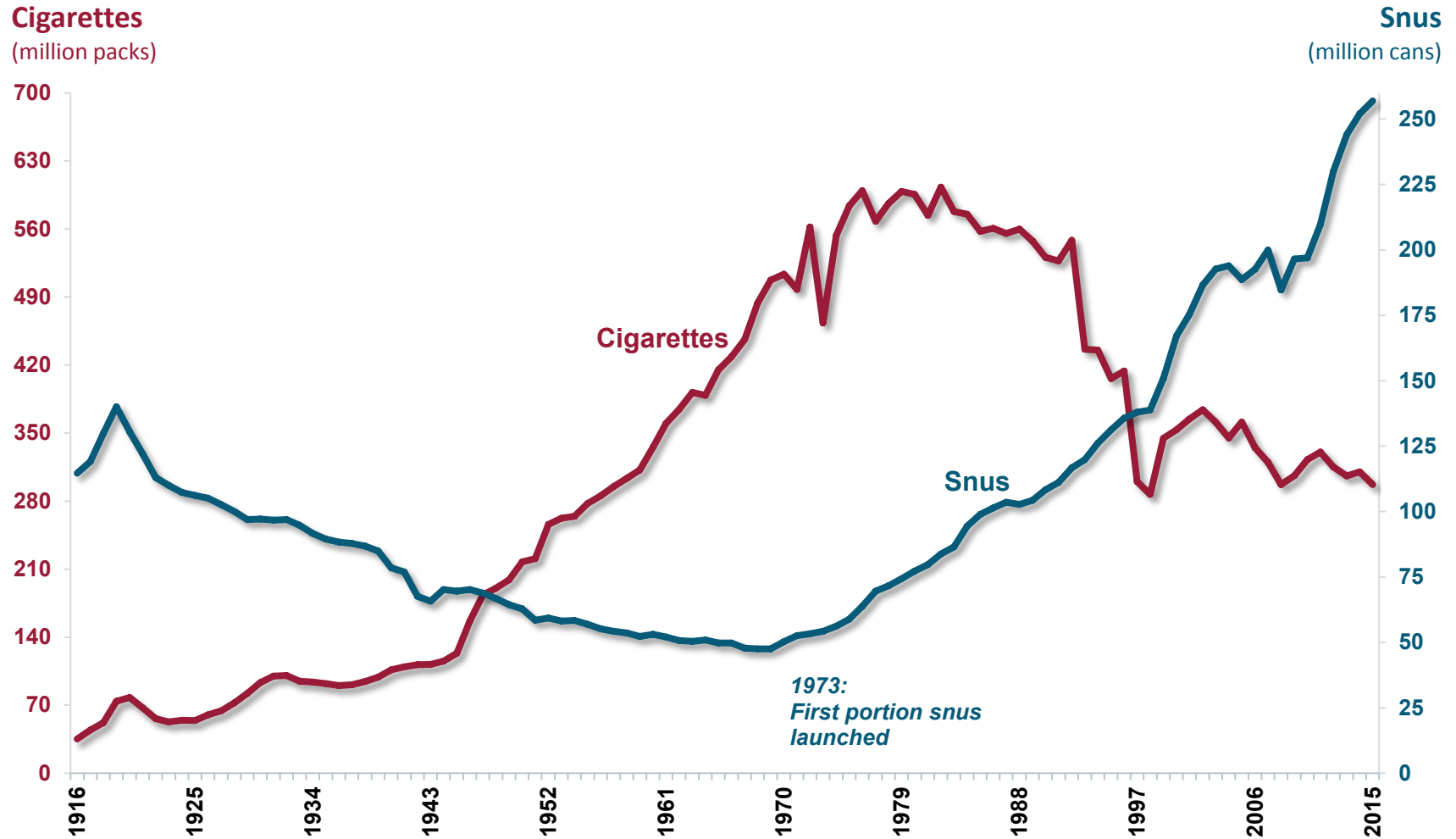
Further information

SCANDINAVIAN TOBACCO GROUP (STG)

- **On February 10, 2016, STG began trading on Nasdaq Copenhagen.**
 - In conjunction with the listing, Swedish Match sold 17.9 million shares including a partial exercise of an overallotment option, resulting in an ownership in STG of 31.1 million shares.
- **Swedish Match has from the reporting period ending December 31, 2015 started to report its share of STG's net profit with a one quarter lag.**
 - For the first quarter, Swedish Match's reported share in STG's net profit was 68 MSEK (148).
 - For the first quarter 2016, Swedish Match's reported share of net profit in STG represented a 31.1 percent share of STG's net profit for the fourth quarter.
 - For the first quarter 2015, Swedish Match's reported share of net profit in STG represented a 49 percent share and included a positive adjustment of 56 MSEK for a reassessment of useful lives of certain assets (primarily trademarks).
 - A tax-free capital gain of 560 MSEK from the partial divestment of STG was recognized as a larger one-time item in the first quarter of 2016.
 - A dividend from STG of 156 MDKK will be received during the second quarter.

COMPETING WITH CIGARETTES IS NOT NEW TO SWEDISH MATCH

Volume development for cigarettes and snus in Sweden since 1916



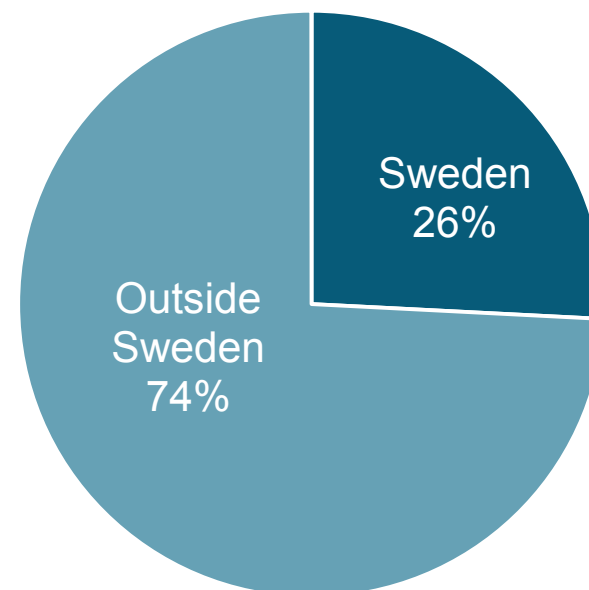
Source: Swedish Match estimates.

LARGEST SHAREHOLDERS

As of March 31, 2016

10 largest shareholders	
Standard Life Investment Funds	3.9%
Second Swedish National Pension Fund	2.4%
Nordea Funds	2.1%
First Swedish National Pension Fund	2.0%
Invesco Funds	1.8%
SEB Funds	1.6%
UBS Funds	1.1%
Fourth Swedish National Pension Fund	1.0%
Vanguard Funds	1.0%
Third Swedish National Pension Fund	0.9%
	17.7%

50,395 shareholders



Source: Modular Finance AB, data derived from Euroclear Sweden AB.

Percent split of share capital held, excluding Swedish Match shares held in treasury. Totals may be affected by rounding.

2016 Q1 REPORT OUTLOOK STATEMENT

For 2016, on a full year basis, we expect Scandinavian snus as well as US moist snuff consumption to continue to grow as measured in number of cans. In our Scandinavian snus business, the average net selling price per can is expected to decline slightly versus prior year as modest price increases are offset by the effect of the weakened Norwegian krone, mix effects attributable to the successful launch of XRANGE, and growth of the value segment. Since December 2015 the competitive activity level in the Swedish snus market has increased and we expect it to remain high for the remainder of the year. For our US moist snuff business, we expect higher prices to more than compensate for negative mix effects during the year. We will continue to work hard to defend our market shares in both Scandinavia and in the US.

For cigars in the US, Swedish Match expects the market to continue to grow in 2016 but to remain highly competitive. Swedish Match expects the US Food and Drug Administration (FDA) to begin regulating cigars during the year and in conjunction with this Swedish Match, like the rest of the cigar industry, will be subject to user fees to the FDA.

Swedish Match will continue to invest in growth outside Scandinavia in 2016. We expect a reduced operating loss as the SMPM International joint venture has been dissolved and the US snus business is expected to continue to grow and to deliver increased gross profit.

Swedish Match generates a substantial share of its sales and operating profit in the US. During 2015, the stronger US dollar compared to 2014 had a significant positive effect on both sales and operating profit growth. For 2016, Swedish Match expects a much less pronounced currency translation impact.

The effective corporate tax rate, excluding associated companies and non-taxable larger one-time items, is expected to be somewhat higher for 2016 than for 2015.

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