

SWEDISH MATCH INVESTOR KIT

Q2 2016



A look at the quarter

Q2 HEADLINE BULLETS

- Sales increased by 8 percent to 3,920 MSEK (3,644) for the second quarter. In local currencies, sales increased by 10 percent.
- Operating profit from product areas¹⁾ increased by 8 percent to 1,008 MSEK (937) for the second quarter. In local currencies, operating profit from product areas¹⁾ increased by 11 percent.
- Growth of sales and operating profit from product areas¹⁾ was positively affected by calendar effects in Scandinavia (timing of Easter and differences in number of delivery days).
- Operating profit²⁾ amounted to 1,061 MSEK (1,021) for the second quarter.
- Earnings per share amounted to 4.01 SEK (3.62) for the second quarter. Adjusted earnings per share³⁾ amounted to 4.01 SEK (3.79).
- The outlook has been updated based on the developments during the first six months, but remains broadly the same as the previous outlook for the full year.

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

2) 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 second quarter 2016, Swedish Match's reported share of STG's net profit represents 31.1 percent of STG's first quarter 2016 net profit.

3) Adjusted for Swedish Match's larger one-time items in 2015.

KEY DEVELOPMENTS IN THE SECOND QUARTER

- Sales grew in local currencies in all product areas.
- Operating profit in local currencies grew in all product areas except Other operations.
- Continued market growth for snus in Scandinavia and the US, moist snuff in the US and for cigars in the US.
- Swedish Match volume growth (supported by calendar effects) and improved net pricing in local currencies for all markets for Snus and moist snuff.
- Continued strong momentum for cigars but a relatively soft quarter for chewing tobacco.
- Marked improvement for Lights, driven by strong volumes for lighters.
- Several new product initiatives and expanded distribution of existing product innovations.
- EU Tobacco Products Directive in force in Sweden.
- Standardized packaging for tobacco products proposed in Norway.
- FDA regulation of cigars published.
- Swedish Match has initiated legal proceedings to challenge the EU snus ban in the UK.

Overview by product area

SNUS AND MOIST SNUFF: Q2 COMMENTARY

Growth in both sales and operating profit and higher operating margin

- **Strong Scandinavia market growth – both in Sweden and Norway.**
 - Some slowdown in market growth in Sweden toward the latter part of the quarter.
- **Strong shipment volumes in Scandinavia positively affected by calendar effects.**
 - Swedish Match’s underlying volumes up by 3%.
 - Sales growth in line with volume development (positive pricing offset by weaker NOK and mix effects).
- **US moist snuff sales up.**
 - Volumes up, more promotional activity than in prior year.
 - The average price for moist snuff was higher. List price increases in May 2016 and December 2015.
- **Continued investment behind snus outside Scandinavia.**
 - Snus sales in the US up on higher volumes and better realized pricing.
 - ZYN now in about 2,000 stores.
- **Operating profit and operating margin higher.**
 - Operating profit increased in both Scandinavia and the US on higher sales.
 - Net operating loss for snus outside Scandinavia was 55 MSEK (70).



MSEK	Q2-2016	Q2-2015	chg	H1-2016	H1-2015	chg	July 2015- June 2016	Full year 2015	chg
Sales	1,338	1,271	5	2,584	2,461	5	5,213	5,090	2
Operating profit	557	514	8	1,078	970	11	2,180	2,071	5
Operating margin, %	41.7	40.5		41.7	39.4		41.8	40.7	

SNUS AND MOIST SNUFF

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

	April-June			January-June			Full year 2015
	2016	2015	chg %	2016	2015	chg %	
Snus, million of cans, Scandinavia	62.1	58.4	6*	118.4	110.7	7*	237.9
Moist snuff, millions of cans, US	34.0	33.2	2	68.5	68.7	0	132.1

* Underlying shipments up 3% Q2 and up by more than 3% in H1.



Source: Swedish Match and industry estimates.

SCANDINAVIAN MARKET GROWTH AND SHARE ESTIMATES

- **Scandinavian snus market up by 5% in volume in Q2 on an underlying basis*.**
 - Norwegian market grew at a faster pace than the Swedish market, which showed signs of slower growth during Q2.
 - Continued share gains for *XRANGE* in Sweden and *General G.3* in Norway.
 - Strong initial trial for *General G.3* Super Slim Mint.
 - Swedish Match's market share in Sweden was down primarily due to share loss in value segment.
 - The value segment's share of the market was only slightly higher than a year ago.
 - Swedish Match's market share in Norway continued to decline.

Swedish Match's market shares**

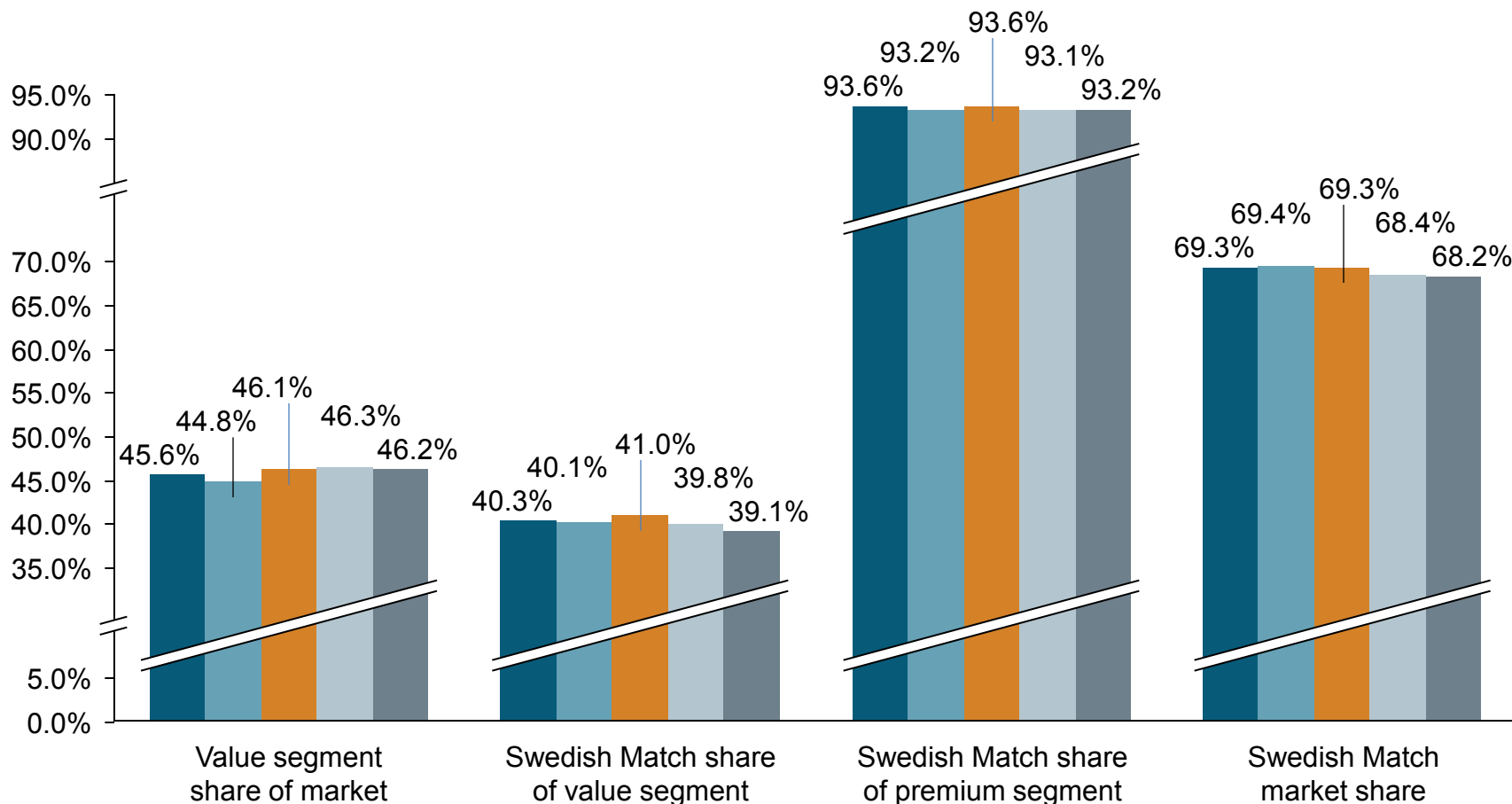
Percent	April-June		chg ppts	January-June		chg ppts	Full year 2015
	2016	2015		2016	2015		
Snus, Sweden, total	68.2	69.3	-1.0	68.3	69.1	-0.8	69.2
Snus, Sweden, premium	93.2	93.6	-0.3	93.2	93.7	-0.5	93.5
Snus, Sweden, value	39.1	40.3	-1.2	39.4	39.9	-0.4	40.2
Snus, Norway, total	53.6	56.8	-3.3	54.1	57.6	-3.5	56.7

* 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 June 26, 2016. All figures for the Swedish market have been restated to include nicotine free products (i.e. Onico etc.).

SWEDEN – MARKET SHARE DYNAMICS – VOLUME SHARES

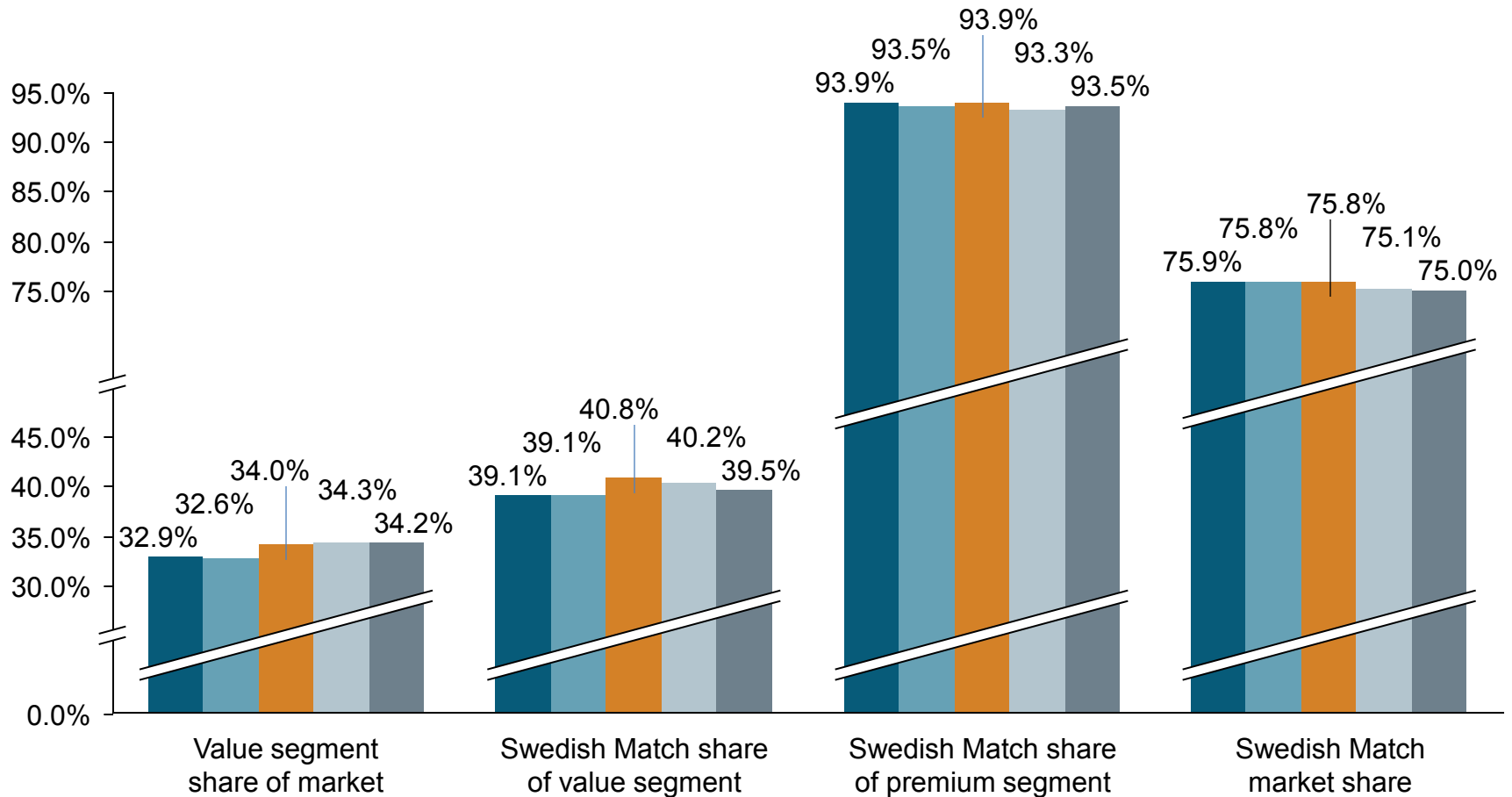
■ Q2 2015
 ■ Q3 2015
 ■ Q4 2015
 ■ Q1 2016
 ■ Q2 2016



Source: Nielsen DVH+SVH excluding tobaccoconists.

SWEDEN – MARKET SHARE DYNAMICS – SEK SHARES

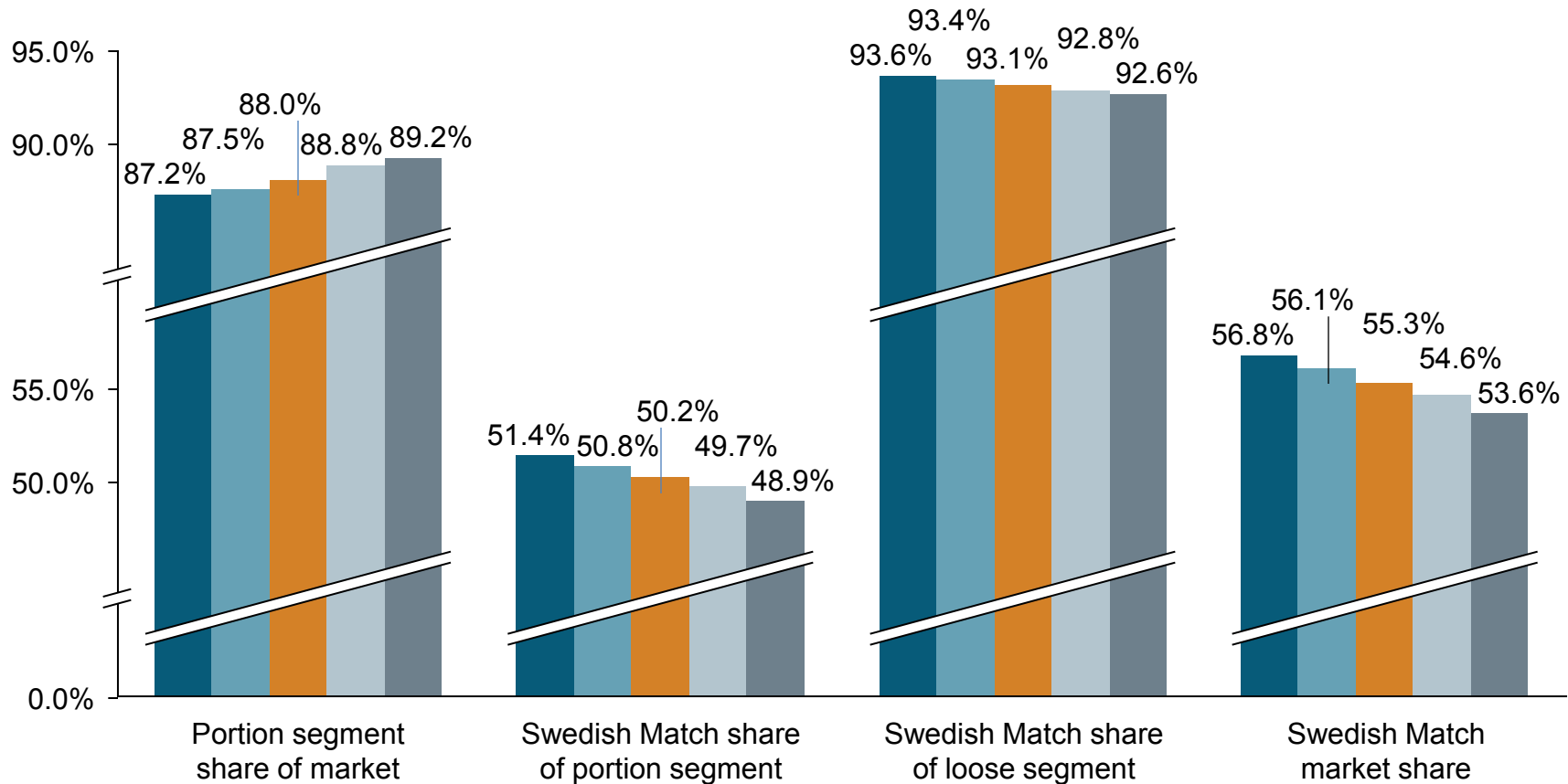
■ Q2 2015 ■ Q3 2015 ■ Q4 2015 ■ Q1 2016 ■ Q2 2016



Source: Nielsen DVH+SVH excluding tobaccoconists.

NORWAY – MARKET SHARE DYNAMICS – VOLUME SHARES

■ Q2 2015 ■ Q3 2015 ■ Q4 2015 ■ Q1 2016 ■ Q2 2016



Source: Nielsen DVH+KBS.

Q2: SCANDINAVIAN PRODUCT LAUNCHES CONTINUED TO DRIVE VOLUME

- **XRANGE in Sweden**

- Continued share growth for *XRANGE*, with more than 6.5% of the market.
- Contributed to growth of premium brands and a more stable premium segment.

- **OMNI in Sweden**

- All white portion snus.
- Still in very limited distribution.

- **Norway**

- *General G.3* range continued to gain share in the second quarter, with more than 8% of market.
- New super slim pouch products for *General G.3* recently launched.



MOIST SNUFF MARKET GROWTH AND SHARE ESTIMATE

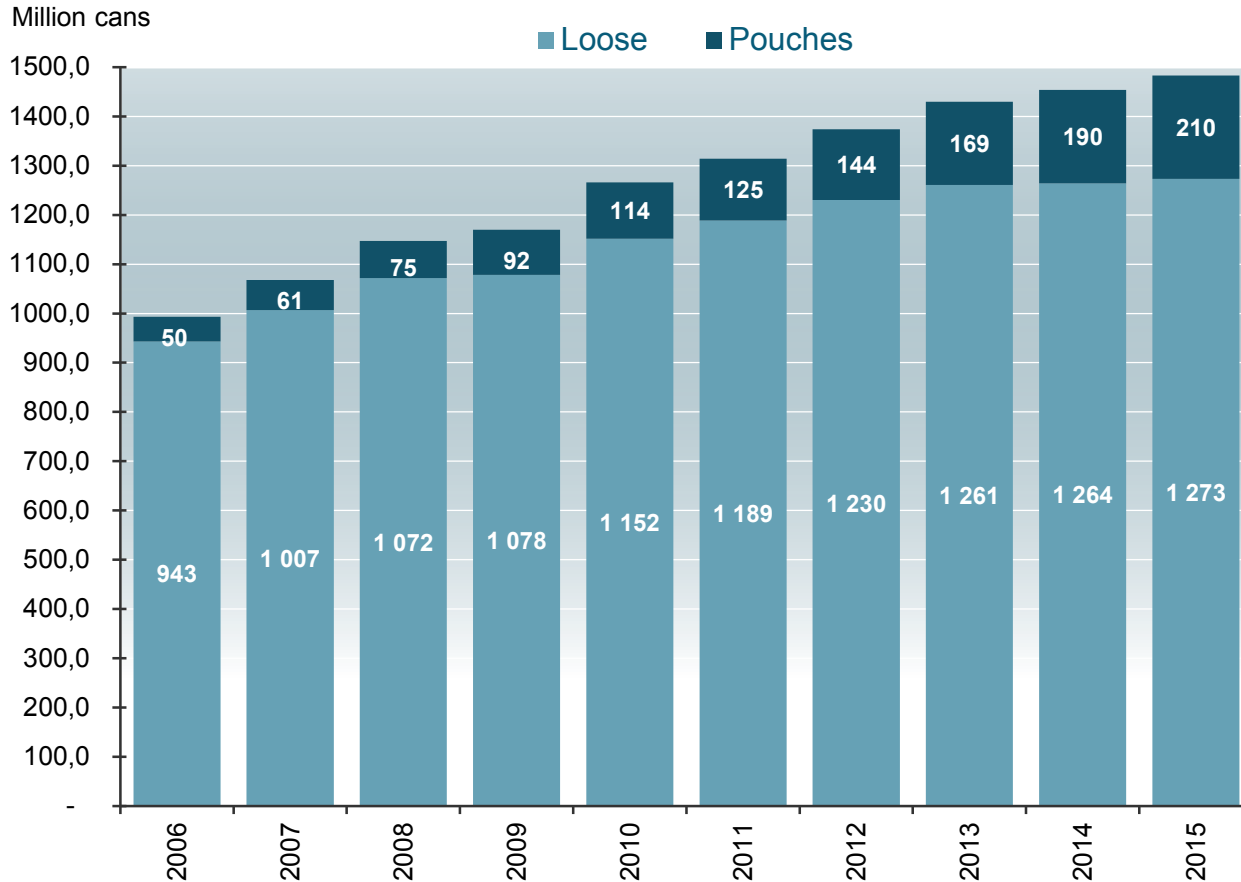
- **US moist snuff market volume estimated to be up by approximately 3% for the second quarter.**
 - Category growth continues to be driven by pouches.
- **Swedish Match estimates its moist snuff volume market share at 9%.**
 - Growing share in pouches



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



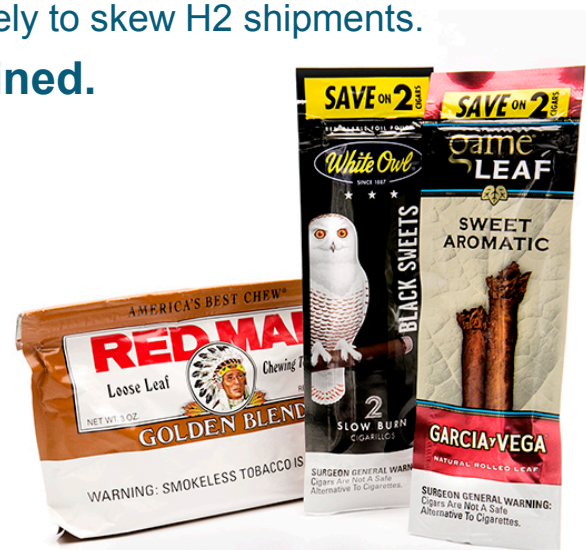
Source: Swedish Match and industry estimates.

- **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.
- **Norwegian Ministry for Health and Care Services published legislative proposal on June 10.**
 - Requirement for standardized packaging, among other items.
 - Parliamentary vote expected before yearend.
 - Transition period for full implementation likely.
- **Swedish Match filed legal challenge in UK concerning EU ban on July 1.**
 - Intention is that the UK court shall refer case to ECJ.
 - Indeterminant timing.

OTHER TOBACCO PRODUCTS (OTP): Q2 COMMENTARY

Cigar volumes reached a record level

- In local currency, OTP sales were up 8% and operating profit was up 5%.
- Sales, operating profit, and volumes up for cigars.
 - Operating profit increased on higher cigar volumes.
 - Cigar volume growth of 15% from continued strong volume development of *Game by Garcia y Vega* and *1882* natural leaf cigars, as well as volume growth for the *Jackpot* brand.
 - Planned factory downtime for cigars in Q4 around Christmas likely to skew H2 shipments.
- Chewing tobacco sales lower, operating profit declined.
 - Positive pricing partially offset volume declines.
 - Volume declined by 8% for own brands in quarter.
- US FDA deeming regulations effective August 8.
 - Fees from October 1, 2016.



MSEK	Q2-2016	Q2-2015	chg	H1-2016	H1-2015	chg	July 2015- June 2016	Full year 2015	chg
Sales	1,031	982	5	2,026	1,915	6	3,939	3,829	3
Operating profit	425	414	3	825	798	3	1,580	1,554	2
Operating margin, %	41.2	42.2		40.7	41.7		40.1	40.6	

OTHER TOBACCO PRODUCTS

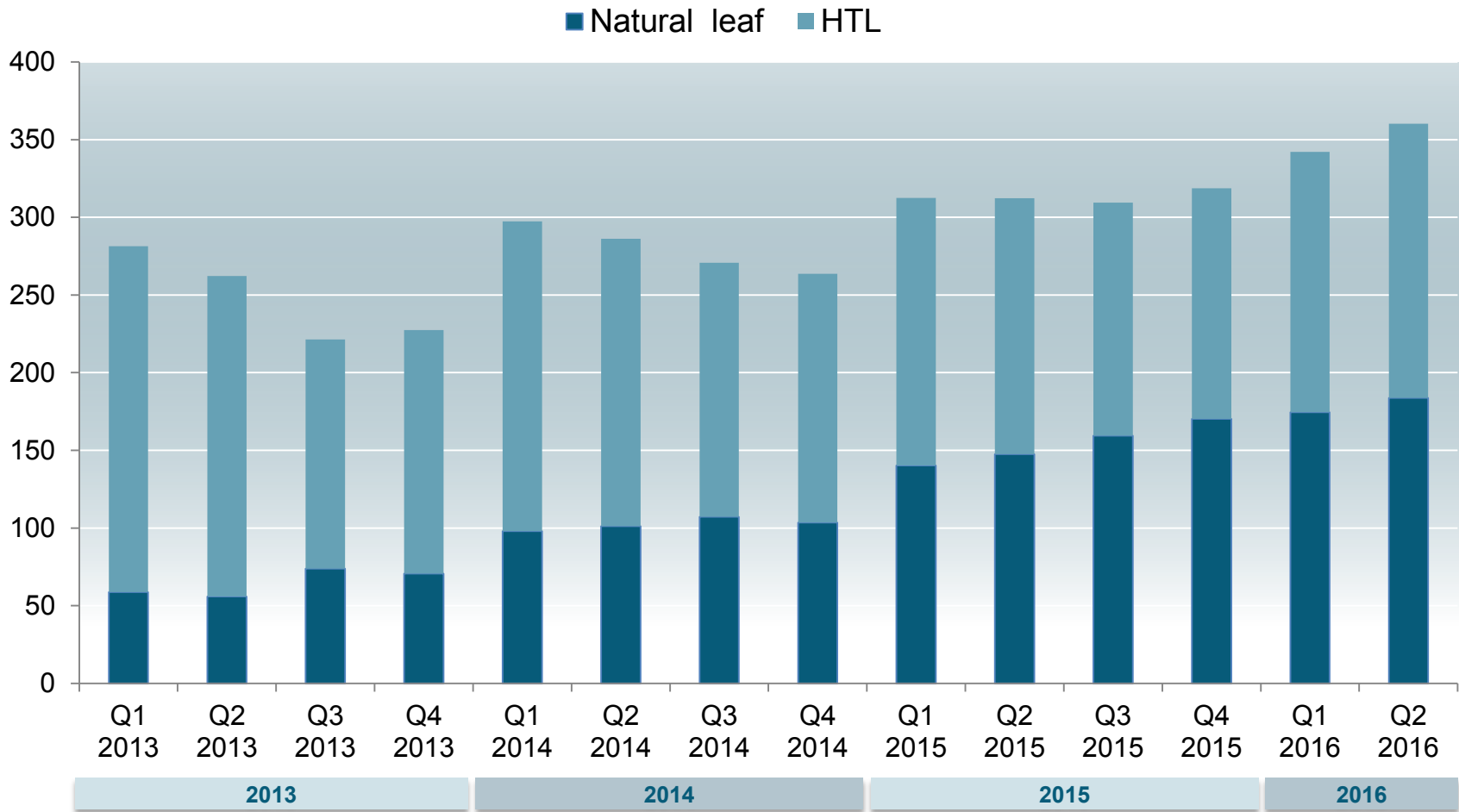
Swedish Match's shipment volumes for cigars and chewing tobacco

	April-June			January-June			Full year
	2016	2015	chg %	2016	2015	chg %	2015
Cigars, millions of sticks	361	314	15	703	626	12	1,256
Chewing tobacco, thousands of pounds (excl. contract manufacturing)	1,857	2,028	-8	3,534	3,863	-9	7,390



MASS MARKET CIGAR VOLUMES BY QUARTER AND FORMAT

Mass market cigar shipment (million sticks)



- **US FDA published deeming regulation of cigars on May 5.**
 - Effective from August 8, 2016.
 - Substantial equivalence filings within 18 months.
 - New product introductions after August 8 will require either a pre-approved substantial equivalence application or a pre-approved new product application.
 - Warning label changes, ban on sampling.
 - User fees from October 1, 2016 of approximately 2 MUSD in the fourth quarter.

Strong volume growth for lighters and moderating declines for matches

- **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**

- **Flat sales.**
 - Lighter sales up on 11% higher volumes.
 - Match volume declines moderated, down only 4 percent. Sales down somewhat.
- **Operating profit notably higher.**
 - Higher lighter volumes.
 - Reduced OPEX.



MSEK	Q2-2016	Q2-2015	chg	H1-2016	H1-2015	chg	July 2015- June 2016	Full year 2015	chg
Sales	318	318	0	621	649	-4	1,267	1,295	-2
Operating profit	54	36	50	96	93	3	193	190	2
Operating margin, %	17.0	11.4		15.5	14.3		15.2	14.7	

Overview of tax, cash flow and financing

TAX, CASH FLOW AND FINANCING (FIRST SIX MONTHS)

- The tax rate, excluding associated companies and joint ventures and non-taxable one-time items was 24%.
- **Cash flow**
 - Cash flow from operating activities for the first six months was 1,872 MSEK (1,741). A dividend received from STG of 191 MSEK (261).
 - Increased investments in property, plant and equipment driven primarily by Other tobacco products.
 - Full year investments in property, plant and equipment expected to be in line with prior year.
 - Investments in patent rights for nicotine pouch without tobacco reported as part of investments for intangible assets.
 - 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 distributed to shareholders**
 - Share repurchases of 1.6 million shares for 449 MSEK.
 - Dividend of 3,764 MSEK, consisting of an ordinary dividend of 1,506 MSEK and a special dividend of 2,258 MSEK due to partial divestment of STG shares.

- **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*.

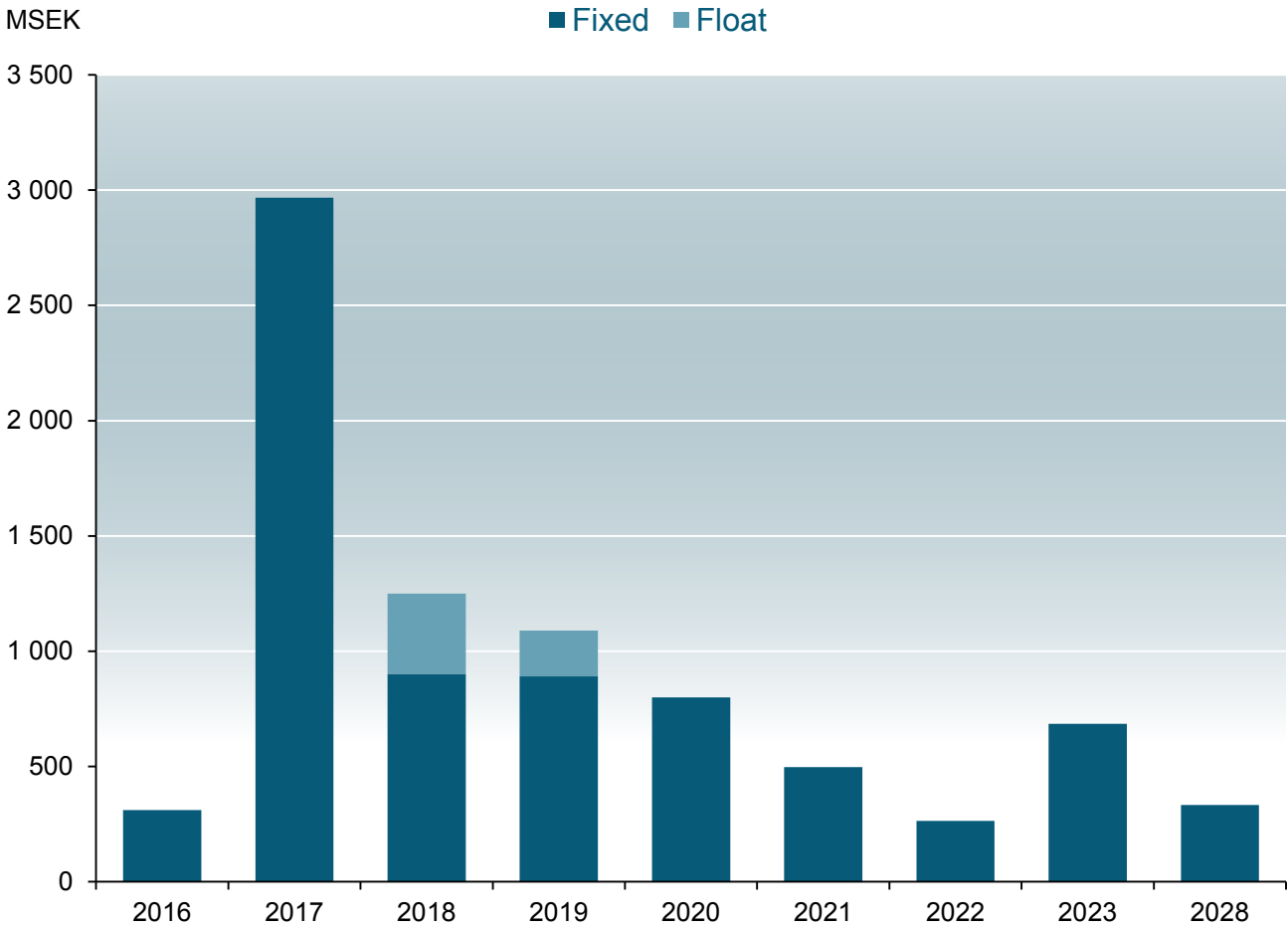
- **Financing**

- The net finance cost for the first six months declined to 197 MSEK (230), due to decreased average debt and lower interest rates.
- During the first six months new bond loans of 497 MSEK were issued.
- Repayments of bond loans for the same period amounted to 363 MSEK.
- As of June 30, 2016 Swedish Match had 8,199 MSEK of interest bearing debt excluding retirement benefit obligations compared to 8,064 MSEK at December 31, 2015.
- In December 2016, 310 MSEK of debt falls due for payment.
- Defined pension and benefit obligations increased to 2,033 MSEK as of June 30, 2016, from 1,591 MSEK at December 31, 2015, due primarily to lower discount rates.
- Cash and cash equivalents amounted to 1,475 MSEK at the end of the period, compared to 1,732 MSEK at December 31, 2015.
- Net debt/EBITA* per June 30 was at 2.3 compared to 2.1 at December 31, 2015.

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

MATURITY PROFILE OF INTEREST BEARING LIABILITIES

Debt as of June 30, 2016



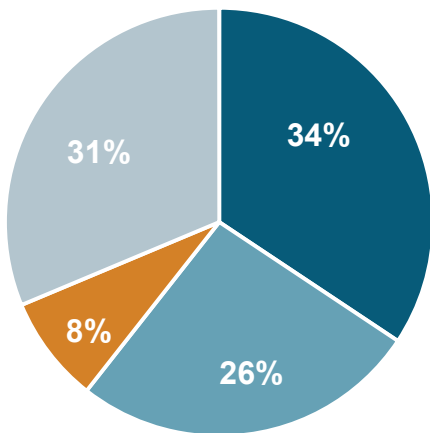
Financials

SALES AND OPERATING PROFIT

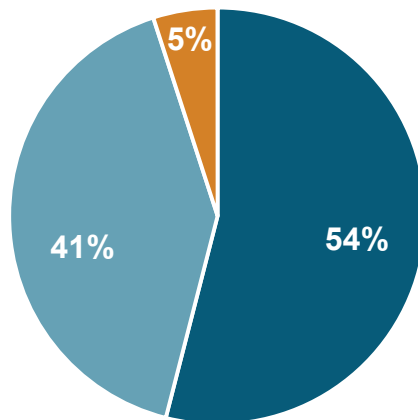
Sales and operating profit by product area

Q2 2016

Sales, SEK



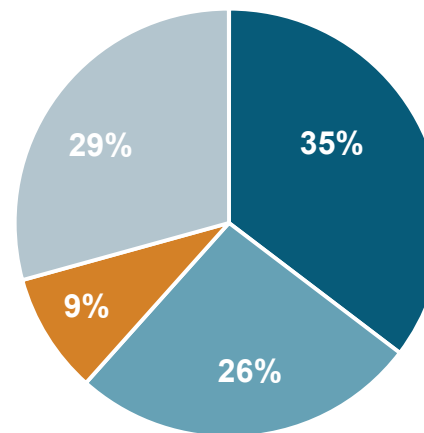
Operating profit*, SEK



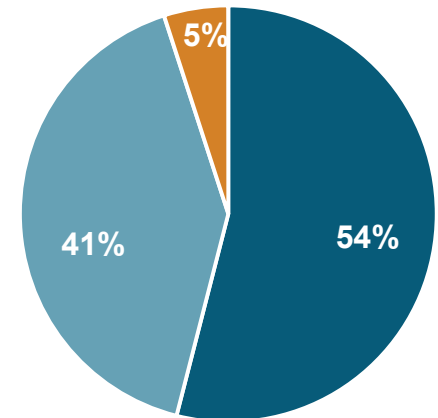
- Snus and moist snuff
- Other tobacco products
- Lights
- Other operations

Full year 2015

Sales, SEK



Operating profit*, SEK

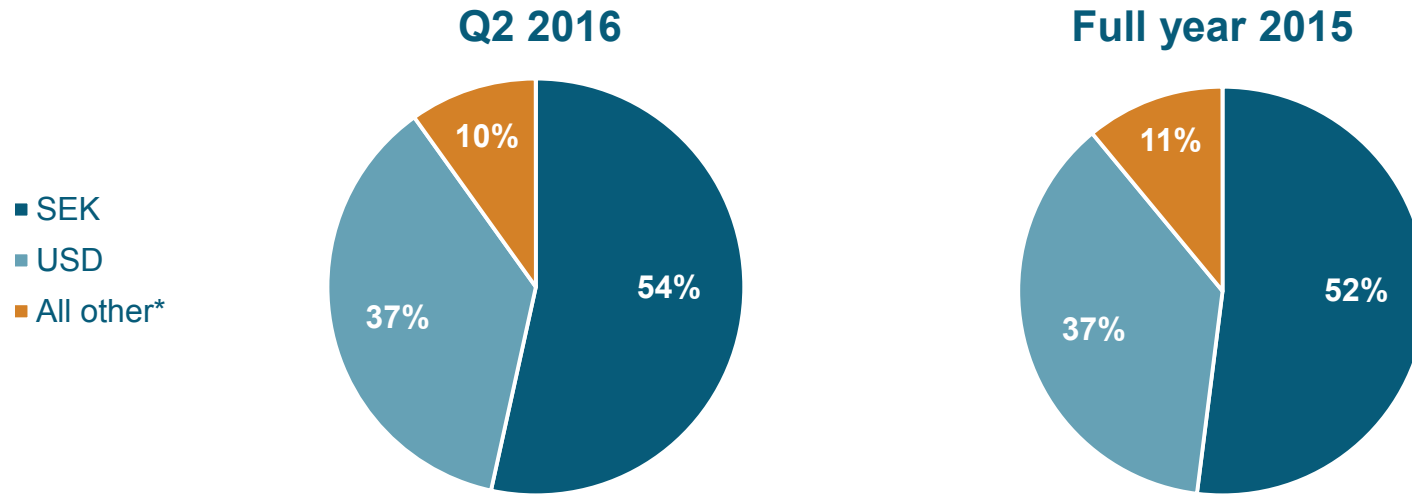


- Snus and moist snuff
- Other tobacco products
- Lights
- Other operations

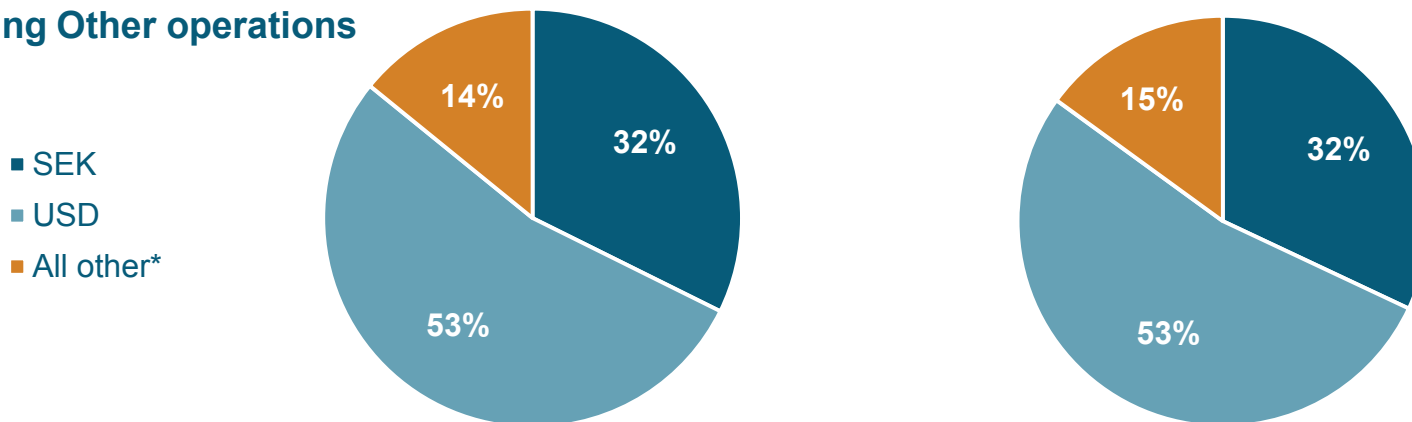
* Excluding Other operations, share of net profit in STG. Totals may not add up due to rounding.

SALES BY CURRENCY BLOCK

Percent of sales, MSEK



Excluding Other operations



* Primarily NOK and BRL. Totals may not add up due to rounding.

P&L IN SUMMARY

MSEK	Q2-2016	Q2-2015	chg %	H1-2016	H1-2015	chg %	July 2015- June 2016	Full year 2015	chg %
Sales	3,920	3,644	8	7,477	7,011	7	14,951	14,486	3
Cost of goods sold	-2,115	-1,929		-3,987	-3,681		-8,004	-7,697	
Gross profit	1,804	1,715	5	3,489	3,330	5	6,947	6,789	2
Selling and administrative expenses	-798	-771		-1,543	-1,512		-3,096	-3,065	
Share of profit/loss in associated companies and joint ventures*	55	119		122	259		190	327	
Sale of STG shares	-	-		560	-		560	-	
Sale of distribution facility	-	-		145	-		145	-	
Relocation of distribution facilities	-	-42		-	-42		-	-42	
Operating profit*	1,061	1,021	4	2,772	2,035	36	4,746	4,008	18
Finance income	10	4		18	8		32	22	
Finance costs	-100	-119		-215	-238		-436	-486	
Net finance cost	-90	-115		-197	-230		-431	-463	
Profit before income tax	971	906	7	2,575	1,805	43	4,315	3,545	22
Income tax expense	-220	-200		-420	-379		-783	-742	
Profit for the period*	752	705	7	2,155	1,426	51	3,532	2,803	26
Earnings per share, basic, SEK	4.01	3.62		11.45	7.31		18.59	14.48	
Earnings per share, adjusted, basic, SEK*	4.01	3.79		7.71	7.19		14.88	14.36	

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

BALANCE SHEET IN SUMMARY

MSEK	June 30, 2016	December 31, 2015
Intangible assets	1,176	1,048
Property, plant and equipment	2,365	2,240
Investments in associated companies and joint ventures	3,148	4,845
Other non-current financial receivables*	1,967	1,739
Current operating assets	3,659	3,220
Cash and cash equivalents	1,475	1,732
Total assets	13,791	14,824
Equity attributable to equity holders of the Parent	-2,002	251
Non-controlling interests	1	1
Total equity	-2,001	252
Non-current provisions	1,334	1,223
Non-current loans	8,214	7,613
Other non-current financial liabilities*	2,266	1,882
Current provisions	122	147
Current loans	315	653
Other current liabilities	3,542	3,054
Total equity and liabilities	13,791	14,824

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

CASH FLOW IN SUMMARY

MSEK	Jan-Jun 2016	Jan-Jun 2015
Cash flow from operating activities before changes in working capital*	1,884	1,844
Cash flow from changes in working capital	-12	-103
Net cash from operating activities	1,872	1,741
Purchase of property, plant and equipment*	-225	-139
Proceeds from sale of property, plant and equipment	145	1
Purchase of intangible assets	-122	-7
Divestments in associated companies and joint ventures*	2,172	-
Investments in associated companies and joint ventures*	-5	-10
Changes in financial receivables etc.	0	0
Net cash from investing activities	1,965	-155
Changes in loans	135	360
Dividend paid to equity holders of the Parent	-3,764	-1,464
Repurchase of own shares	-449	-659
Stock options exercised	-	141
Other	-28	-21
Net cash used in financing activities	-4,106	-1,644
Net decrease in cash and cash equivalents	-269	-57
Cash and cash equivalents at the beginning of the period	1,732	2,312
Effect of exchange rate fluctuations on cash and cash equivalents	12	89
Cash and cash equivalents at the end of the period	1,475	2,343

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

KEY RATIOS

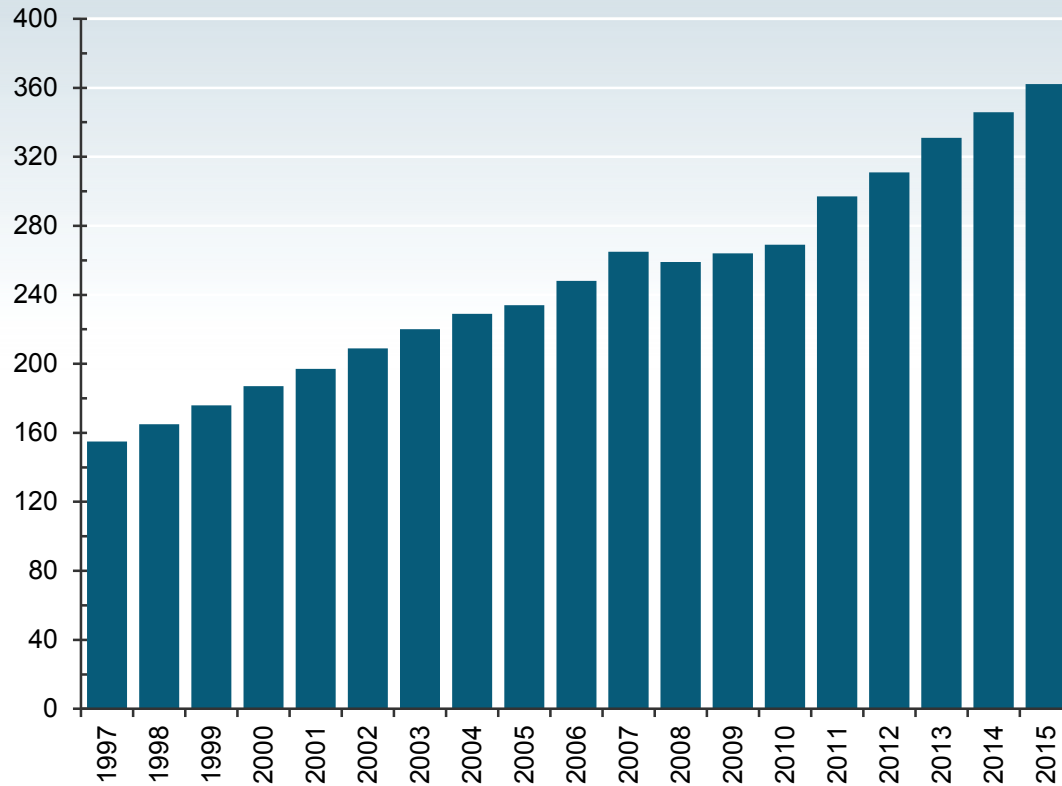
MSEK	Jan-Jun 2016	Jan-Jun 2015
Operating margin, %	27.7	29.6
Operating capital, MSEK	6,634	8,519
Return on operating capital, % (12 months ended June 30, 2016)	53.3	
EBITDA, MSEK*	2,230	2,236
EBITA, MSEK*	2,093	2,099
Net debt, MSEK	8,757	8,412
Investments in property, plant and equipment, MSEK*	225	139
EBITA interest cover	11.1	9.2
<i>Excluding share of net profit in STG</i>		
EBITA, MSEK*	1,972	1,825
Net debt/EBITA* (12 months ended June 30, 2016)	2.3	
Share data		
Shares outstanding, end of period (Mio)	187.3	193.8
Average number of shares outstanding, basic (Mio)	188.2	195.2

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

Further information

ESTIMATED SNUS CONSUMPTION IN SCANDINAVIA

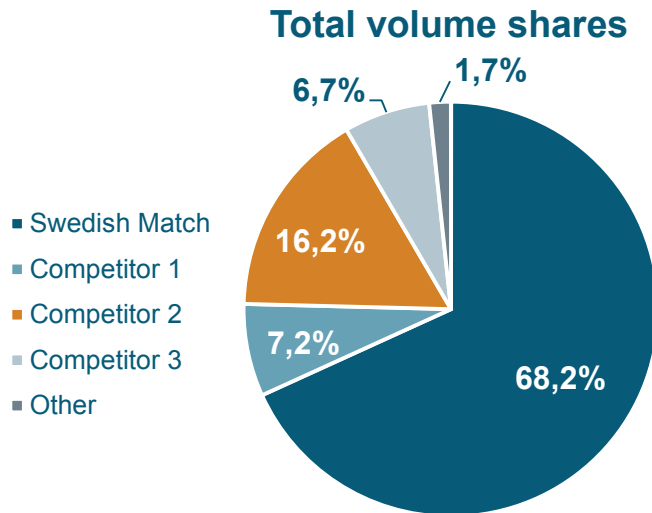
Million cans



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



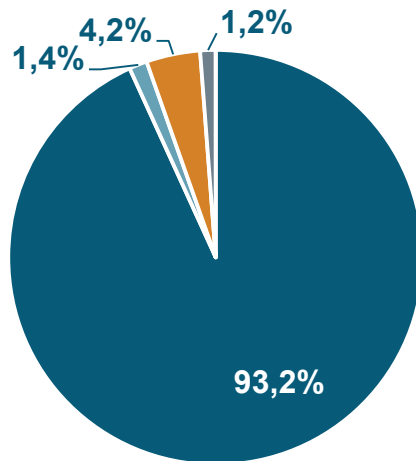
MANUFACTURER SHARE BY PRICE SEGMENT, SWEDEN



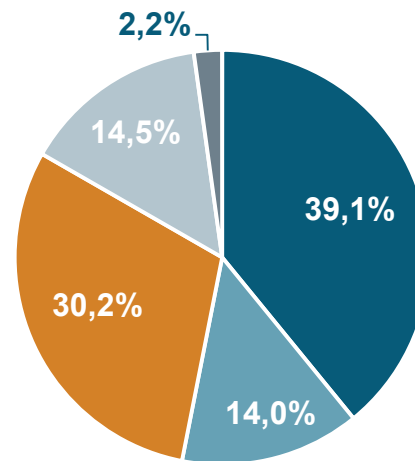
**26 June 2016
(4 weeks ending),
Swedish Match share of:**

Premium segment: 93.0%
Value segment: 39.1%
Total market: 68.4%

Share of premium segment



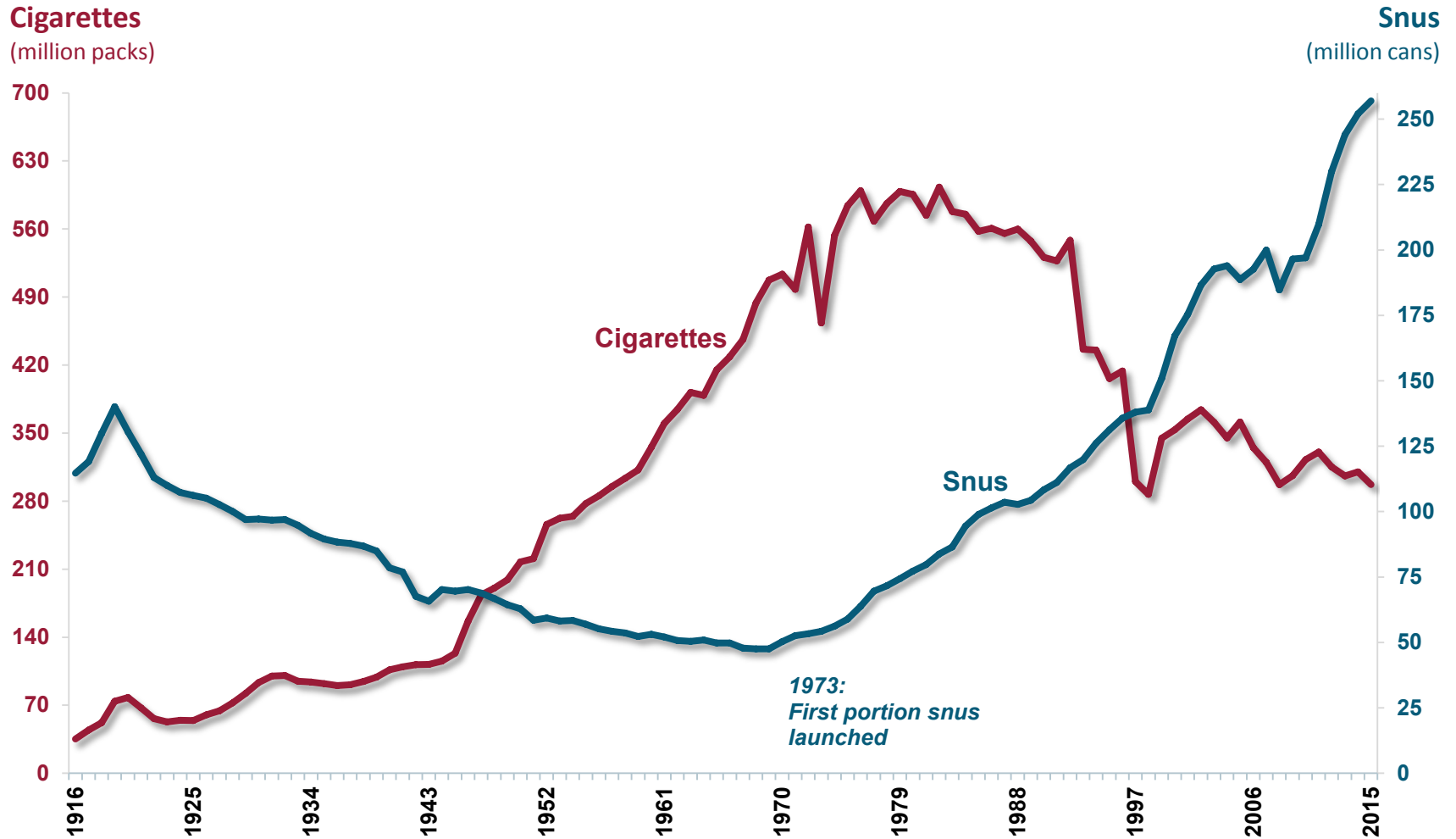
Share of value segment



Source: Swedish Match estimates based on Nielsen (excluding tobaccoists), 13 weeks ending June 26, 2016.
All figures for the Swedish market have been restated to include nicotine free products (i.e. Onico etc.).

COMPETING WITH CIGARETTES IS NOT NEW TO SWEDISH MATCH

Volume development for cigarettes and snus in Sweden since 1916



Source: Swedish Match estimates.

SCANDINAVIAN TOBACCO GROUP (STG)

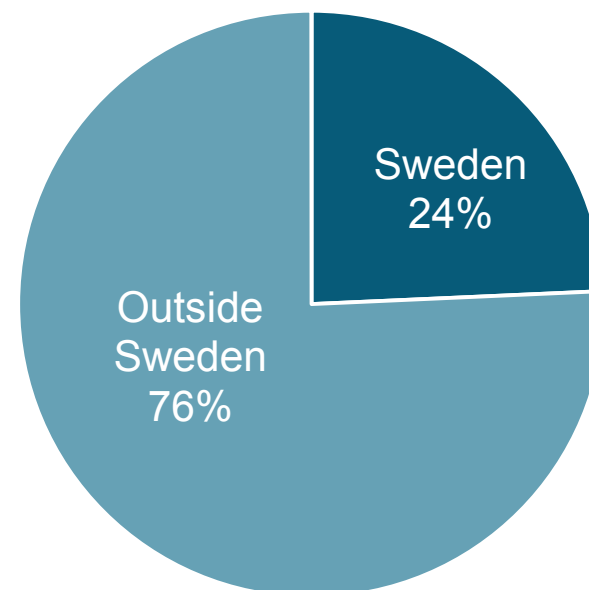
- **On February 10, 2016, STG began trading on Nasdaq Copenhagen.**
 - In conjunction with the listing, Swedish Match sold 17.9 million shares including a partial exercise of an overallotment option, resulting in an ownership in STG of 31.1 million shares.
- **Swedish Match has from the reporting period ending December 31, 2015 started to report its share of STG's net profit with a one quarter lag.**
 - Swedish Match's reported share in STG's net profit was 53 MSEK (126) for the second quarter and 121 MSEK (274) for the first six months.
 - For the second 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 first quarter 2016. For the first six months 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 2015 and the first quarter 2016.
 - For the first six months 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 191 MSEK was received during the second quarter.

LARGEST SHAREHOLDERS

As of June 30, 2016

10 largest shareholders	
Standard Life Investment Funds	3.3%
Nordea Funds	2.2%
Second Swedish National Pension Fund	2.2%
First Swedish National Pension Fund	2.0%
Invesco Funds	1.7%
SEB Funds	1.2%
Vanguard Funds	1.0%
UBS Funds	1.0%
Swedbank Robur Funds	0.9%
Third Swedish National Pension Fund	0.9%
	16.5%

50,766 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 Q2 REPORT OUTLOOK STATEMENT:

For 2016, on a full year basis, we expect Scandinavian snus as well as US moist snuff consumption to grow as measured in number of cans. In Scandinavia, we expect the market to continue to grow during the second half albeit at a more modest rate compared to the first half of the year, primarily as a result of lower growth in the Swedish market. Timing and calendar effects have favorably impacted the growth in Swedish Match's shipments in Scandinavia in the first half of the year. During the second half timing and calendar effects could negatively impact shipment growth.

In our Scandinavian snus business, the average net selling price per can during 2016 is now expected to be largely in line with 2015. We expect the competitive activity level in the Scandinavian snus market to continue to remain high for the remainder of the year. Swedish Match is working hard to defend its market shares for snus in Scandinavia and for moist snuff in the US. In Scandinavia costs related to market initiatives are expected to be higher than the previous year. For our US moist snuff business, we expect higher prices to more than compensate for negative mix effects during the year.

For cigars in the US, Swedish Match expects the market to continue to grow in 2016 but to remain highly competitive. The US Food and Drug Administration (FDA) has published the regulation of cigars and the cigar industry, including Swedish Match, will start paying volume based user fees to FDA from October 1, 2016. For Swedish Match, we estimate these fees to amount to approximately 2 MUSD for the fourth quarter. For our Other tobacco products area we expect sales and operating profit in local currency in the second half to be higher than in the prior year. Due to the FDA user fees, timing of promotions and some planned factory downtime, the performance for Other tobacco products is expected to be notably stronger in the third quarter than in the fourth quarter.

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.