

# Q3 2014

## Interim Report

### JANUARY – SEPTEMBER 2014

- Sales for the third quarter increased by 6 percent to 3,416 MSEK (3,230). In local currencies, sales increased by 3 percent.
- Operating profit from product areas<sup>1)</sup> for the third quarter increased by 5 percent to 874 MSEK (836) and by 2 percent in local currencies.
- Operating profit from product areas<sup>1)</sup> was also up by 2 percent in local currencies when adjusted for increased costs related to international snus and restructuring charges in 2013.
- Operating profit<sup>2)</sup> amounted to 989 MSEK (924) for the third quarter.
- EPS (basic) for the third quarter increased by 11 percent to 3.50 SEK (3.15).

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

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



## CEO LARS DAHLGREN COMMENTS:

### A world without cigarettes

The availability and accessibility of our high quality snus explains the uniquely low cigarette consumption in Sweden. In Norway, we are now witnessing a similar trend of migration from cigarettes to snus. With our heritage and deep experience and expertise in developing, producing and marketing quality products, Swedish Match is distinctly positioned to compete in and further develop the growing snus category while contributing significantly to improved public health. To further emphasize the Company strategy and prospects we have during the quarter reformulated our vision. Our new company vision is “A world without cigarettes”. We create shareholder value by offering tobacco consumers enjoyable products of superior quality in a responsible way. By providing products that are recognized as safer alternatives to cigarettes, we can contribute significantly to improved public health.

### Growing sales and profits

Swedish Match reported increased sales and operating profit in the third quarter compared to the prior year. The strongest growth came from the product area Other tobacco products, which includes cigars and chewing tobacco. We also reported sales and operating profit growth within our Snus and moist snuff product area. For Snus and moist snuff, the operating profit comparison benefits from the non-recurrence of restructuring costs charged in the prior year’s third quarter. Underlying operating profit in local currencies also increased when excluding the effects of last year’s restructuring charges and international snus investments from both years.

### Solid snus market growth in Scandinavia

Measured in number of cans, the Scandinavian snus market continued to show solid growth, with the Norwegian market grow-

ing by about 8 percent in the quarter. In Sweden, the market growth rate appears to be slowing marginally, but the market was still up an estimated 4 percent from last year. In Sweden, where the market remains highly competitive, the value segment continues to outpace the overall market growth and we are pleased to see that our share in the value end of the market has been increasing since the start of the year. In January 2015 taxes for snus will most likely be increasing, which could cause a change in consumer behavior. Although we do not know for certain what the new tax will be, the current budget proposal is to increase taxes by 12 percent for snus, compared with only 6 percent for cigarettes. In Norway, there is work to be done to stabilize our market share, and we are taking concrete steps on the product front to actively address this issue. In its budget proposal for 2015, the Norwegian government has proposed an excise tax increase of 2 percent for both snus and cigarettes.

### Growth in the US, some weakness in Lights

For *General* snus in the US we maintained our focused efforts to grow the brand and the snus category with our consumer engagement activities, and our spending levels were higher than last year. These efforts are resulting in improved selling rates and increased market shares. Compared to the second quarter, there was only a small increase in the number of stores that carry *General*, but volumes of snus in the US grew compared to both the preceding quarter and the comparable quarter of the prior year. For moist snuff in the US, volumes grew, due in part to promotional phasing, but also due to continued growth from our pouch and tub offerings.

Within Other tobacco products, we experienced increased sales and operating profits for both cigars and chewing tobacco,

while we should note that for cigars, our year on year volume growth was exceptionally strong due to an unusually low volume level last year.

Our Lights product area showed a softer performance during the quarter, with declines in sales and profits. For lighters there was a relatively sharp volume decline, in part due to a challenging comparison from the prior year. Operating profit declined for lighters but increased slightly for matches.

### Scandinavian Tobacco Group improved performance

Scandinavian Tobacco Group (49 percent owned by Swedish Match) made a strong contribution in the quarter with our share of net profit increasing by 30 percent. EBITDA for the business through September is now well ahead of last year on an underlying basis in spite of a difficult first half. The improvement in the quarter is attributable to both top line growth and lower costs.

### FDA announced that Swedish Match’s MRTP applications complete

On August 25, the US Food and Drug Administration (FDA) announced that Swedish Match’s Modified Risk Tobacco Product (MRTP) applications for the General snus line of products sold in the US were “complete” and they were made publicly available for comments. Swedish Match thereby became the first company to have an MRTP application accepted as complete by the FDA.

*In summary*, I am pleased with our third quarter performance, and especially with our improving position in the growing value priced snus segment in Sweden which contributed to a more stable market share development in that market. We continue to focus our efforts on building our snus business long term, striving toward our vision of a world without cigarettes.

#### January–September

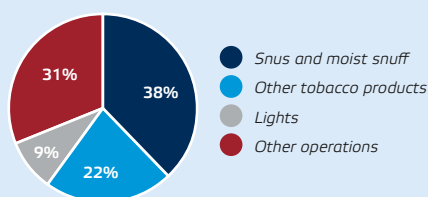
Sales

9,769 MSEK

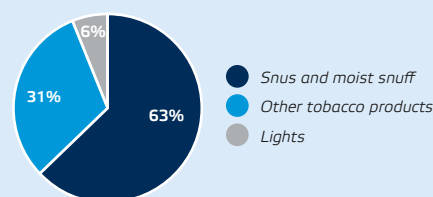
Operating profit

2,546 MSEK

Sales by product area



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



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

# FINANCIAL SUMMARY

## Summary of consolidated income statement

MSEK	July–September		Change %	January–September		Change %	Full year 2013
	2014	2013		2014	2013		
Sales	3,416	3,230	6	9,769	9,432	4	12,610
Operating profit from product areas <sup>1)</sup>	874	836	5	2,546	2,539	0	3,375
Operating profit <sup>2)</sup>	989	924	7	2,788	2,923	-5	3,855
Profit before income tax	862	782	10	2,409	2,507	-4	3,310
Profit for the period	695	628	11	1,926	2,035	-5	2,711
Operating margin from product areas <sup>1)</sup> ,%	25.6	25.9		26.1	26.9		26.8
Operating margin <sup>3)</sup> ,%	29.0	28.6		28.5	29.3		29.3
Earnings per share, basic, SEK	3.50	3.15	11	9.68	10.20	-5	13.63
Earnings per share, excl. larger one-time items, basic, SEK	3.50	3.15	11	9.68	9.39	3	12.82

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

<sup>2)</sup> Including share of net profit in STG and larger one-time items.

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

Data per product area is presented on page 9 in this report.

### The third quarter

(Note: Comments below refer to the comparison between third quarter 2014 vs. third quarter prior year).

#### Sales

Sales increased by 6 percent to 3,416 MSEK (3,230). Currency translation has affected the sales comparison positively by 77 MSEK. In local currencies, sales increased by 3 percent.

#### Earnings

Operating profit from product areas increased by 5 percent to 874 MSEK (836). In local currencies, the operating profit increased by 2 percent. Operating profit in

the third quarter of 2013 included restructuring charges of 28 MSEK. The share of net profit in STG, after interest and tax, amounted to 115 MSEK (88). Operating profit increased by 7 percent to 989 MSEK (924). Currency translation has affected the operating profit comparison positively by 24 MSEK.

The Group's net finance cost amounted to 127 MSEK (142) and income tax expense amounted to 167 MSEK (154), corresponding to a tax rate of 19.4 percent (19.7).

Profit for the period increased by 11 percent to 695 MSEK (628) and basic earnings per share (EPS) also increased by 11 percent to 3.50 SEK (3.15).

### The first nine months

(Note: Comments below refer to the comparison between nine months of 2014 vs. nine months prior year).

#### Sales

Sales increased by 4 percent to 9,769 MSEK (9,432). Currency translation has affected the sales comparison positively by 44 MSEK. In local currencies, sales increased by 3 percent.

#### Earnings

Operating profit from product areas amounted to 2,546 MSEK (2,539). In local currencies, and excluding prior year restructuring charges of 28 MSEK, the operating profit was down by 2 percent.

The share of net profit in STG, after interest and tax, amounted to 242 MSEK (222). During the first nine months of 2013, Swedish Match recognized an additional capital gain of 161 MSEK related to a sale of a parcel of land in 2007 which was reported under larger one-time items. Operating profit, including share of net profit in STG and larger one-time items, amounted to 2,788 MSEK (2,923). Currency translation has affected the operating profit comparison positively by 30 MSEK.

The Group's net finance cost amounted to 378 MSEK (416) and income tax expense amounted to 484 MSEK (471), corresponding to a tax rate of 20.1 percent (18.8).

Profit for the period declined by 5 percent to 1,926 MSEK (2,035). Basic earnings per share (EPS) excluding larger one-time items increased by 3 percent to 9.68 SEK (9.39) and diluted EPS excluding larger one-time items increased by 3 percent to 9.67 SEK (9.38).

## NICK & JOHNNY

Nick & Johnny was launched in Norway 2006 and is today the fourth largest snus brand in the country.

Nick & Johnny offers strong portion snus in seven varieties, including two White varieties. The brand has recently been redesigned with a fresh new logotype, and include varieties which have been improved to better meet consumer desires.

In Sweden, Nick & Johnny is available in four different varieties.

Nick & Johnny's different varieties include Portion, White, Crushed Ice, Crushed Ice White, Americana, Desert Green and Red Hot.



### Swedish Match interim reports will cease being printed from January 2015

Swedish Match interim reports will cease being printed from January 2015 and will only be distributed electronically. Those who wish will receive the reports via e-mail. Interim reports are also available on [www.swedishmatch.com](http://www.swedishmatch.com). The shareholders of Swedish Match affected by this will receive additional information by mail.

# SNUS AND MOIST SNUFF

## Third quarter highlights:

- Stable snus volumes in Scandinavia, with growth in Norway
- Swedish Match's share of the value segment of the Swedish market continues to grow and is now more than 38 percent of the segment
- US moist snuff and snus shipment volumes were higher than prior year

## The third quarter

(Note: Comments below refer to the comparison between third quarter 2014 vs. third quarter prior year).

In local currencies, Snus and moist snuff sales increased by 2 percent. Operating profit increased by 2 percent to 562 MSEK (553) and includes net costs for snus expansion outside Scandinavia amounting to 91 MSEK (64). The third quarter of 2013 included restructuring costs in the Scandinavian operations of 28 MSEK. Operating profit in local currencies increased slightly when excluding international snus investments and this restructuring charge. The operating margin for the product area was 44.8 percent (45.4).

In Scandinavia, shipment volumes measured in number of cans, were virtually unchanged. Volumes increased in Norway and were slightly lower in the Sweden/Travel Retail markets combined.

The Swedish market continues to demonstrate vitality, and Swedish Match estimates the total market to have grown by more than 4 percent in volume, led by value priced products which more than offset some declines for premium products. Value priced products comprise approximately 44 percent of the Swedish market in volume terms. Swedish Match actively participates in the growth of the value segment, and its market share within this segment has increased both compared to the second quarter and to third quarter of the prior year.

The Norwegian market is estimated to have increased by more than 8 percent, with strong growth for pouch products. Swedish Match estimates that the total Scandinavian snus market (including Norway, Sweden, and Travel Retail) increased by approximately 4 percent in volume terms.

Sales for Swedish Match in Scandinavia were flat as slight price increases for most

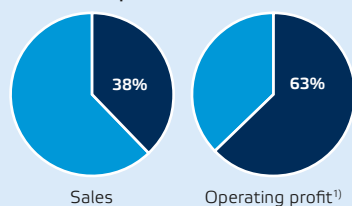
products and a stronger Norwegian krona compensated for negative mix effects and a price repositioning of the *Kronan* brand in Sweden. Operating profit and operating margin, adjusted for prior year restructuring charges, declined slightly as operating expenses were higher than in the prior year.

For *General* snus in the US, investments have been increasingly directed at brand development and consumer engagement activities. Shipment trends have been positive over the course of the year, the market share has increased, and selling rates in stores have improved.

For the US moist snuff business, volume measured in number of can equivalents was up 4 percent in the quarter, in part due to phased timing of promotions, but also due to continued solid volume growth for pouch and tub products. Sales and operating profit in local currency grew at a faster pace than shipment volumes due to improved pricing.

## Snus and moist snuff January–September

### Share of Group total



### Key data

MSEK	July–September		Change %	January–September		Change %	Full year 2013
	2014	2013		2014	2013		
Sales	1,257	1,217	3	3,678	3,620	2	4,868
Operating profit	562	553	2	1,630	1,632	0	2,195
Operating margin, %	44.8	45.4		44.3	45.1		45.1
EBITDA	608	592	3	1,757	1,751	0	2,358
EBITDA margin, %	48.3	48.6		47.8	48.4		48.4

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

## The first nine months

(Note: Comments below refer to the comparison between nine months of 2014 vs. nine months prior year).

Sales for the product area increased to 3,678 MSEK (3,620). Operating profit amounted to 1,630 MSEK (1,632), and included an operating loss for international snus expansion in the US and through SMPM International amounting to 242 MSEK (209). The operating margin for the product area was 44.3 percent (45.1).

In Scandinavia, sales revenues increased by 1 percent, while shipment volumes increased by 2 percent. Swedish Match estimates that its underlying volumes on the Scandinavian market increased by approximately 1 percent for the first nine months. In the US, sales revenues in local currency for moist snuff were up slightly on marginally lower volumes. Operating profit grew in local currency for moist snuff in the US and declined slightly for snus in Scandinavia when adjusting for the 28 MSEK restructuring charges included in the prior year.

## Shipment volumes

	July–September		Change %	January–September		Change %
	2014	2013		2014	2013	
Snus, millions of cans, Scandinavia	58.5	58.5	0	172.2	169.1	2
Moist snuff, millions of cans, US	35.6	34.1	4	102.9	104.2	-1

## Market shares<sup>1)</sup>

Percent	July–September		Change %	January–September		Change %
	2014	2013		2014	2013	
Snus, Sweden, total	69.8	72.0	-2.2	70.0	72.6	-2.6
Snus, Sweden, premium	93.8	95.0	-1.2	94.0	95.4	-1.4
Snus, Sweden, value	38.4	37.2	1.2	37.7	37.0	0.7
Snus, Norway, total	59.2	63.1	-3.9	60.5	64.0	-3.5

<sup>1)</sup> Swedish Match estimates using Nielsen data (excluding tobacconists due to small sample of tobacconists in Nielsen data) with price segmentation according to Swedish Match's definitions.

General, Catch, and Nick & Johnny are some of Scandinavia's most popular snus brands. In the US, Longhorn is one of the Company's best known moist snuff brands while General is increasing its presence in the small but growing snus category.



## CIGARS AND CHEWING TOBACCO

## OTHER TOBACCO PRODUCTS

## Third quarter highlights:

- Strong volume growth for cigars, led by natural leaf varieties
- Higher sales and operating profit for both cigars and chewing tobacco

## The third quarter

(Note: Comments below refer to the comparison between third quarter 2014 vs. third quarter prior year).

Reported sales and operating profit for the product area Other tobacco products were favorably impacted by the strengthening of the US dollar. In local currency, sales were 9 percent higher and the operating profit increased by 6 percent.

Cigar volumes increased sharply due, in part, to the unusually soft performance in the prior year period. The promotional mix continued to be unfavorable to prior year due to an aggressive response to competitive pricing activities over the past twelve months. Growth within Swedish Match natural leaf varieties was particularly strong. Both sales and operating profit increased in local currency, but at a lower rate than volume growth. Chewing tobacco shipments (excluding contract manufacturing volumes) were down by 4 percent. Sales and operating profit were slightly higher in local currency due to favorable pricing.

## The first nine months

(Note: Comments below refer to the comparison between nine months of 2014 vs. nine months prior year).

In local currency, sales for the first nine months were up by 4 percent, while operating profit was marginally higher.

Sales in local currency were higher for cigars, while operating profit declined due to Swedish Match's response to competitor pricing activities. The increased sales for cigars were a result of 11 percent higher volumes partially offset by a more promotional mix.

For chewing tobacco, sales in local currency were slightly higher as higher pricing compensated for a modest volume decline. Operating profit for chewing tobacco in local currency increased.



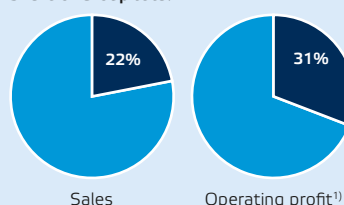
## Shipment volumes

	July–September		Change %	January–September		Change %
	2014	2013		2014	2013	
Cigars, millions of sticks	272.3	224.0	22	860.9	773.6	11
Chewing tobacco, thousands of pounds (excluding contract manufacturing volume)	2,033	2,127	-4	6,124	6,330	-3

The Swedish Match cigar portfolio on the US market for mass market cigars includes the well known brand *White Owl*. The cigars are presented in FoilFresh® packaging which guarantees freshness. *White Owl Blue* is one of the newest additions to the *White Owl* assortment. The *Red Man* family of chewing tobacco is the best selling chewing tobacco brand in the US.

Other tobacco products  
January–September

## Share of Group total



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

## Key data

	July–September		Change %	January–September		Change %	Full year 2013
	2014	2013		2014	2013		
MSEK							
Sales	724	622	16	2,109	1,974	7	2,564
Operating profit	276	246	12	821	801	2	1,029
Operating margin, %	38.1	39.6		38.9	40.6		40.1
EBITDA	289	259	12	859	839	2	1,081
EBITDA margin, %	40.0	41.6		40.7	42.5		42.2

## MATCHES, LIGHTERS AND COMPLEMENTARY PRODUCTS

# LIGHTS

### Third quarter highlights:

- Sales and operating profit lower for lighters as a result of volume declines
- Flat sales for matches in local currencies, slight increase in operating profit

#### The third quarter

(Note: Comments below refer to the comparison between third quarter 2014 vs. third quarter prior year).

Sales for the Lights product area declined to 319 MSEK (332). Currency translation effects have affected the sales comparison positively by 14 MSEK. In local currencies, operating profit declined by 14 percent.

Sales and operating profit were lower for lighters as a consequence of lower shipment volumes, in part due to difficult comparisons in the third quarter of the prior year. For matches sales were flat as higher prices and a more favorable currency situation compensated for lower volumes. Operating profit for matches increased slightly in local currencies. Complementary products (branded razors, batteries, high efficiency light bulbs, and tooth picks) on the Brazilian market developed well and sales increased.

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



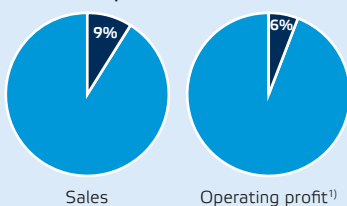
#### Shipment volumes

	July–September			January–September		
	2014	2013	Change %	2014	2013	Change %
Matches, billion sticks	19.3	20.8	-7	59.7	66.2	-10
Lighters, million	93.8	126.3	-26	313.9	351.2	-11

#### Lights

##### January–September

#### Share of Group total



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

#### The first nine months

(Note: Comments below refer to the comparison between nine months of 2014 vs. nine months prior year).

Sales for the product area for the first nine months amounted to 934 MSEK (986), and operating profit amounted to 155 MSEK (167). In local currencies sales as well as operating profit declined versus the prior year. Operating profit was flat for lighters and decreased for matches. Operating margin for the product area was 16.6 percent (17.0).

## 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 1,117 MSEK (1,058). Operating loss for Other operations was 15 MSEK (19).

#### The first nine months

Sales for the first nine months amounted to 3,048 MSEK (2,851). Operating loss for the first nine months was 61 MSEK (62).

## SCANDINAVIAN TOBACCO GROUP

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

#### The third quarter

(Note: Comments below refer to the comparison between third quarter 2014 vs. third quarter prior year).

STG's sales increased by 4 percent to 1,649 MDKK (1,590), and in local currencies the sales increase was 3 percent. EBITDA increased to 364 MDKK (335) as a result of positive development within handmade cigars, pipe tobacco, and fine cut tobacco. Both sales and EBITDA marginally benefitted from the acquisition of Verellen, a Belgian cigar producer, effective from September 1, 2014. Underlying EBITDA adjusted for currency, the Verellen acquisition and one-time items, increased by 9 percent.

Sales for machine made cigars in local currencies increased driven by higher volumes partly offset by negative mix effects. The gross profit from machine made cigars was down, negatively affected by product mix effects.

#### Key data

MSEK	July–September			January–September			Full year 2013
	2014	2013	Change %	2014	2013	Change %	
Sales	319	332	-4	934	986	-5	1,332
Operating profit	51	56	-9	155	167	-7	230
Operating margin, %	16.0	16.8		16.6	17.0		17.3
EBITDA	59	64	-7	180	192	-6	263
EBITDA margin, %	18.6	19.3		19.3	19.5		19.8

For handmade cigars, both sales and gross profit in local currencies were up compared to the third quarter of the prior year, driven by a strong volume development in the US.

For the fine cut tobacco business, sales declined while gross profit increased with lower volumes more than offset by positive mix effects. Sales for the pipe tobacco business were down mainly due to lower volumes. Gross profit increased, however, driven by lower production costs.

Operating expenses were lower as a result of cost savings in most functions and net finance costs for the quarter decreased to 18 MDKK (24), driven by realized gains on financial instruments this quarter.

Net profit for the period amounted to 192 MDKK (155) and the Swedish Match reported share of net profit in STG amounted to 115 MSEK (88).

### The first nine months

*(Note: Comments below refer to the comparison between nine months of 2014 vs. nine months prior year).*

Reported sales for STG during the first nine months were 4,496 MDKK (4,447). In local currencies, sales increased by 3 percent with improvements mainly within handmade cigars and fine cut tobacco. EBITDA amounted to 871 MDKK (891), but underlying EBITDA, adjusted for currency effects and costs of a temporary nature, increased by 3 percent.

For machine made cigars, sales in local currencies were in line with the prior year. Volume increases compensated for negative product mix effects on sales, but gross profit declined.

For handmade cigars, sales and gross profit increased in local currencies on higher volumes and slightly higher prices.

For the fine cut tobacco business sales and gross profit increased as a result of higher volumes and improved prices. For the pipe tobacco business higher volumes more than compensated for slight negative mix effects and sales and gross profit also increased.

Operating expenses were lower despite the fact that the company incurred costs of a temporary nature of about 16 MDKK in 2014, including rationalization costs relating to the ongoing supply chain optimization program.

Net finance costs decreased to 54 MDKK (74), due to exchange losses in 2013, lower interest expenses and higher gains on financial instruments this year.

The Swedish Match share of net profit in STG amounted to 242 MSEK (222).

On March 26, 2014, Swedish Match received a dividend from STG of 223 MSEK (224).

## OTHER INFORMATION

### Taxes

For the first nine months of the year, the reported tax expense amounted to 484 MSEK (471), corresponding to a tax rate of 20.1 percent (18.8). The low reported tax rate for the first nine months of 2013 is explained by a non-taxable additional capital gain from the sale of a parcel of land. The reported tax rate, excluding one-time items, associated companies and joint ventures, was 22 percent (22). 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 amounted to 3.50 SEK (3.15) and diluted EPS was 3.49 SEK (3.14).

Basic EPS for the first nine months amounted to 9.68 SEK (10.20) and diluted EPS was 9.67 SEK (10.18). Basic EPS, excluding larger one-time items, amounted to 9.68 SEK (9.39) while diluted EPS, excluding larger one-time items, was 9.67 SEK (9.38).

### Financing and cash flow

Cash flow from operating activities for the first nine months amounted to 2,537 MSEK (2,100). The cash flow from operations increased compared to the prior year mainly as a result of improved cash flow from changes in working capital and lower tax payments mainly due to timing. Cash flow from changes in working capital benefited from timing effects in the first nine months of 2014 and was negatively affected in the first nine months of 2013.

Investments in property, plant and equipment during the first nine months amounted to 167 MSEK (232). Net cash used in investing activities amounted to 212 MSEK (135). Prior year's net cash flow from investing activities was positively affected by additional purchase price payments relating to the parcel of land sold in 2007 and the divestment of Swedish Match UK in 2008, in total 166 MSEK.

Net finance cost for the first nine months decreased to 378 MSEK (416), mainly due to decreased debt.

The net debt as of September 30, 2014 amounted to 7,906 MSEK compared to 8,388 MSEK at December 31, 2013.

During the first nine months no new bond loans were issued. Repayments of bond loans for the same period amounted to 715 MSEK. As of September 30, 2014 Swedish Match had 9,793 MSEK of interest bearing debt excluding retirement benefit obligations compared to 10,508 MSEK at December 31, 2013. During the remainder of 2014, 230 MSEK of this debt falls due for payment.

As of September 30, 2014, Swedish Match had 1,463 MSEK in unutilized committed credit lines.

Cash and cash equivalents amounted to 3,220 MSEK at the end of the period, compared to 3,164 MSEK at December 31, 2013.

### Number of shares

During the first nine months, Swedish Match repurchased 1.3 million shares for 299 MSEK at an average price of 224.98 SEK, following authorization from the Annual General Meetings held in 2013 and 2014. Total shares bought back by Swedish Match since the buyback program started have been repurchased at an average price of 106.94 SEK.

During the first nine months, the Company sold 0.4 million treasury shares at an average price of 141.52 SEK, totaling 53 MSEK, as a result of option holders exercising options.

In accordance with the resolution at the Annual General Meeting on May 7, 2014, 1.5 million shares held in treasury have been cancelled. The total number of outstanding shares in the Company, including treasury shares, after the cancellation amount to 200.5 million.

As per September 30, 2014, Swedish Match held 2.4 million shares, corresponding to 1.20 percent of the total number of shares. The number of shares outstanding, net, as per September 30, 2014, amounted to 198.1 million. As of September 30, 2014, the Company has outstanding call options corresponding to 0.7 million shares that expire in February 2015.

### Other events

In accordance with the instructions adopted by the Annual General Meeting 2014, 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), Adam Nysström (Didner & Gerge Funds), and William von Mueffling (Cantillon Capital Management) have been appointed members of the Nominating Committee.

### Outlook

We expect both the Scandinavian snus market and the US market for moist snuff and snus to continue to grow in volume terms in 2014. 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 is likely to imply some negative mix effects.

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

For cigars in the US, Swedish Match expects the market to remain highly competitive during the rest of 2014.

The tax rate for 2014, excluding one-time items as well as associated companies and joint ventures, is expected to be around 22 percent.

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

### Risk factors

Swedish Match faces intense competition in all of its markets and for each of its products and such competition may increase in the future. In order to be successful the Group must 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 as well as in Brazil, Norway and EMU member countries. Consequently, changes in exchange rates of the euro, Norwegian krona, Brazilian real and in particular the US dollar may adversely affect the Group's results of operations, cash flow, financial condition or relative price competitiveness in the future. Such effects may occur both in local currencies and when such local currencies are translated into Swedish currency for purposes of financial reporting.

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

For a further description of risk factors affecting Swedish Match, see the Report of the Board of Directors in the published Swedish Match annual report for 2013.

### 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.

## DATA PER PRODUCT AREA

### Sales by product area

MSEK	July–September			January–September			Full year
	2014	2013	Change %	2014	2013	Change %	
Snus and moist snuff	1,257	1,217	3	3,678	3,620	2	4,868
Other tobacco products	724	622	16	2,109	1,974	7	2,564
Lights	319	332	-4	934	986	-5	1,332
Other operations	1,117	1,058	6	3,048	2,851	7	3,847
<b>Sales</b>	<b>3,416</b>	<b>3,230</b>	<b>6</b>	<b>9,769</b>	<b>9,432</b>	<b>4</b>	<b>12,610</b>

### Operating profit by product area

MSEK	July–September			January–September			Full year
	2014	2013	Change %	2014	2013	Change %	
Snus and moist snuff	562	553	2	1,630	1,632	0	2,195
Other tobacco products	276	246	12	821	801	2	1,029
Lights	51	56	-9	155	167	-7	230
Other operations	-15	-19		-61	-62		-80
<b>Operating profit from product areas</b>	<b>874</b>	<b>836</b>	<b>5</b>	<b>2,546</b>	<b>2,539</b>	<b>0</b>	<b>3,375</b>
Share of net profit in STG	115	88	30	242	222	9	319
<b>Subtotal</b>	<b>989</b>	<b>924</b>	<b>7</b>	<b>2,788</b>	<b>2,761</b>	<b>1</b>	<b>3,693</b>
Capital gain from sale of land	-	-		-	161		161
<b>Total larger one-time items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>161</b>	<b>-</b>	<b>161</b>
<b>Operating profit</b>	<b>989</b>	<b>924</b>	<b>7</b>	<b>2,788</b>	<b>2,923</b>	<b>-5</b>	<b>3,855</b>
Net finance cost	-127	-142		-378	-416		-544
<b>Profit before income tax</b>	<b>862</b>	<b>782</b>	<b>10</b>	<b>2,409</b>	<b>2,507</b>	<b>-4</b>	<b>3,310</b>

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

Percent	July–September		January–September		Full year
	2014	2013	2014	2013	
Snus and moist snuff	44.8	45.4	44.3	45.1	45.1
Other tobacco products	38.1	39.6	38.9	40.6	40.1
Lights	16.0	16.8	16.6	17.0	17.3
<b>Operating margin from product areas<sup>2)</sup></b>	<b>25.6</b>	<b>25.9</b>	<b>26.1</b>	<b>26.9</b>	<b>26.8</b>
<b>Operating margin<sup>3)</sup></b>	<b>29.0</b>	<b>28.6</b>	<b>28.5</b>	<b>29.3</b>	<b>29.3</b>

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

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

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

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

MSEK	July–September			January–September			Full year
	2014	2013	Change %	2014	2013	Change %	
Snus and moist snuff	608	592	3	1,757	1,751	0	2,358
Other tobacco products	289	259	12	859	839	2	1,081
Lights	59	64	-7	180	192	-6	263
Other operations	-5	-13		-29	-45		-52
<b>EBITDA from product areas</b>	<b>952</b>	<b>902</b>	<b>6</b>	<b>2,767</b>	<b>2,737</b>	<b>1</b>	<b>3,650</b>
Share of net profit in STG	115	88	30	242	222	9	319
<b>EBITDA<sup>2)</sup></b>	<b>1,067</b>	<b>990</b>	<b>8</b>	<b>3,009</b>	<b>2,959</b>	<b>2</b>	<b>3,968</b>

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

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

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

Percent	July–September		January–September		Full year
	2014	2013	2014	2013	
Snus and moist snuff	48.3	48.6	47.8	48.4	48.4
Other tobacco products	40.0	41.6	40.7	42.5	42.2
Lights	18.6	19.3	19.3	19.5	19.8
<b>EBITDA margin from product areas<sup>2)</sup></b>	<b>27.9</b>	<b>27.9</b>	<b>28.3</b>	<b>29.0</b>	<b>28.9</b>
<b>EBITDA margin<sup>3)</sup></b>	<b>31.2</b>	<b>30.6</b>	<b>30.8</b>	<b>31.4</b>	<b>31.5</b>

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

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

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

Sales in the Parent Company for the first nine months amounted to 35 MSEK (33). Loss before income tax amounted to 175 MSEK (profit 1,251) and net profit for the first nine months amounted to 17 MSEK (1,473). The lower net profit for the first nine months of 2014 mainly pertains to lower dividends from subsidiaries compared to the previous year. In addition, previous year's first nine months included a gain on sale of a subsidiary amounting to 757 MSEK and additional proceeds of 161 MSEK relating to a parcel of land adjacent to the old headquarters building in Stockholm.

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

No capital expenditures on tangible and intangible fixed assets have been recognized during the first nine months of 2014. Dur-

ing prior year's first nine months, a minor amount was capitalized as tangible fixed asset.

During the third quarter, a transfer of a subsidiary from a Group company to the Parent Company increased both assets and liabilities in the Parent Company by 18,875 MSEK.

During the first nine months no new bond loans were issued and repayments of bond loans amounted to 715 MSEK. During the period, the Parent Company made share repurchases of 1.3 million (1.3) shares for 299 MSEK (302) and sold 0.4 million (1.1) treasury shares for 53 MSEK (165).

A dividend of 1,453 MSEK (1,459) 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 expecta-

tions 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 conditions regarding business cycles, market and competition, changes in legal requirements and other political measures, and fluctuation in exchange rates.

#### Additional information

This report has not been reviewed by the Company's auditors. The full year 2014 report will be released on February 18, 2015.

As of 2015, Swedish Match's interim reports will only be distributed electronically.

Stockholm, October 24, 2014

Lars Dahlgren  
President and CEO

## FINANCIAL STATEMENTS

### Key ratios

All key ratios have been calculated excluding larger one-time items, unless otherwise stated.

	January–September		12 months ended	Full year
	2014	2013	Sep 30, 2014	2013
Operating margin, %	28.5	29.3	28.7	29.3
Operating capital, MSEK	8,076	7,337	8,076	7,729
Return on operating capital, %			48.3	49.3
EBITDA, MSEK <sup>1)</sup>	3,009	2,959	4,018	3,968
EBITA, MSEK <sup>2)</sup>	2,818	2,781	3,762	3,725
Net debt, MSEK	7,906	8,598	7,906	8,388
Net debt/EBITA <sup>2)</sup>			2.1	2.3
Investments in property, plant and equipment, MSEK <sup>3)</sup>	167	232	241	306
EBITA interest cover	7.5	6.8	7.5	7.0
<i>Excluding share of net profit in STG</i>				
EBITA, MSEK <sup>2)</sup>	2,576	2,559	3,423	3,406
Net debt/EBITA <sup>2)</sup>			2.3	2.5
<i>Share data</i>				
Number of shares outstanding at end of period	198,094,603	199,135,300	198,094,603	199,045,521
Average number of shares outstanding, basic	198,959,303	199,567,519	199,027,164	198,930,422
Average number of shares outstanding, diluted	199,057,555	199,970,931	199,147,264	199,274,054

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

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

<sup>3)</sup> Including investments in forest plantations of 13 MSEK (16).

## Consolidated income statement in summary

MSEK	July–September		Change %	January–September		Change %	12 months ended Sep 30, 2014	Full year 2013	Change %
	2014	2013		2014	2013				
Sales, including tobacco tax	6,768	6,518		19,068	18,707		25,352	24,991	
Less tobacco tax	-3,351	-3,288		-9,299	-9,275		-12,405	-12,381	
<b>Sales</b>	<b>3,416</b>	<b>3,230</b>	<b>6</b>	<b>9,769</b>	<b>9,432</b>	<b>4</b>	<b>12,947</b>	<b>12,610</b>	<b>3</b>
Cost of goods sold	-1,853	-1,749		-5,199	-4,950		-6,897	-6,647	
<b>Gross profit</b>	<b>1,563</b>	<b>1,481</b>	<b>6</b>	<b>4,570</b>	<b>4,482</b>	<b>2</b>	<b>6,051</b>	<b>5,963</b>	<b>1</b>
Selling and adm. expenses	-675	-638		-1,993	-1,924		-2,626	-2,556	
Share of profit/loss in associated companies and joint ventures	101	81		210	203		294	287	
Capital gain from sale of land	-	-		-	161		-	161	
<b>Operating profit</b>	<b>989</b>	<b>924</b>	<b>7</b>	<b>2,788</b>	<b>2,923</b>	<b>-5</b>	<b>3,719</b>	<b>3,855</b>	<b>-4</b>
Finance income	7	9		23	25		31	34	
Finance costs	-134	-151		-401	-441		-538	-578	
Net finance cost	-127	-142		-378	-416		-506	-544	
<b>Profit before income tax</b>	<b>862</b>	<b>782</b>	<b>10</b>	<b>2,409</b>	<b>2,507</b>	<b>-4</b>	<b>3,213</b>	<b>3,310</b>	<b>-3</b>
Income tax expense	-167	-154		-484	-471		-612	-600	
<b>Profit for the period</b>	<b>695</b>	<b>628</b>	<b>11</b>	<b>1,926</b>	<b>2,035</b>	<b>-5</b>	<b>2,601</b>	<b>2,711</b>	<b>-4</b>
<i>Attributable to:</i>									
Equity holders of the Parent	695	629		1,925	2,036		2,601	2,712	
Non-controlling interests	0	-1		0	-1		0	-1	
<b>Profit for the period</b>	<b>695</b>	<b>628</b>	<b>11</b>	<b>1,926</b>	<b>2,035</b>	<b>-5</b>	<b>2,601</b>	<b>2,711</b>	<b>-4</b>
Earnings per share, basic, SEK									
Including larger one-time items	3.50	3.15		9.68	10.20		13.07	13.63	
Excluding larger one-time items	3.50	3.15		9.68	9.39		13.07	12.82	
Earnings per share, diluted, SEK									
Including larger one-time items	3.49	3.14		9.67	10.18		13.06	13.61	
Excluding larger one-time items	3.49	3.14		9.67	9.38		13.06	12.80	

## Consolidated statement of comprehensive income

MSEK	July–September		January–September		12 months ended Sep 30, 2014	Full year 2013
	2014	2013	2014	2013		
<b>Profit for the period</b>	<b>695</b>	<b>628</b>	<b>1,926</b>	<b>2,035</b>	<b>2,601</b>	<b>2,711</b>
<i>Other comprehensive income that have or will be reclassified to the income statement</i>						
Translation differences related to foreign operations	141	-189	398	-44	569	127
Translation differences included in profit and loss	-	-	-	-	0	0
Effective portion of changes in fair value of cash flow hedges	-19	-16	-33	18	-79	-28
Share of other comprehensive income in associated companies and joint ventures	216	-85	235	-76	164	-147
Income tax relating to reclassifiable components of other comprehensive income	4	4	7	-4	17	6
<b>Subtotal, net of tax for the period</b>	<b>343</b>	<b>-287</b>	<b>607</b>	<b>-107</b>	<b>672</b>	<b>-42</b>
<i>Other comprehensive income that will not be reclassified to the income statement</i>						
Actuarial gains and losses attributable to pensions, incl. payroll tax	-55	29	-143	412	-196	359
Share of other comprehensive income in associated companies and joint ventures	-	-	0	-	5	5
Income tax relating to non-reclassifiable components of other comprehensive income	19	-10	54	-164	74	-144
<b>Subtotal, net of tax for the period</b>	<b>-37</b>	<b>19</b>	<b>-89</b>	<b>248</b>	<b>-116</b>	<b>221</b>
<b>Total comprehensive income for the period</b>	<b>1,001</b>	<b>360</b>	<b>2,444</b>	<b>2,177</b>	<b>3,156</b>	<b>2,889</b>
<i>Attributable to:</i>						
Equity holders of the Parent	1,001	361	2,443	2,178	3,156	2,890
Non-controlling interests	0	-1	0	-1	0	-1
<b>Total comprehensive income for the period</b>	<b>1,001</b>	<b>360</b>	<b>2,444</b>	<b>2,177</b>	<b>3,156</b>	<b>2,889</b>

**Consolidated balance sheet in summary**

MSEK	September 30, 2014	December 31, 2013
Intangible assets	999	973
Property, plant and equipment	2,061	2,027
Investments in associated companies and joint ventures	4,899	4,506
Other non-current financial receivables <sup>1)</sup>	1,388	1,165
Current operating assets	2,928	3,038
Other current investments and current financial assets <sup>2)</sup>	1	8
Cash and cash equivalents	3,220	3,164
<b>Total assets</b>	<b>15,497</b>	<b>14,881</b>
Equity attributable to equity holders of the Parent	-41	-786
Non-controlling interests	1	1
<b>Total equity</b>	<b>-40</b>	<b>-785</b>
Non-current provisions	1,050	1,031
Non-current loans	7,591	9,420
Other non-current financial liabilities <sup>3)</sup>	1,692	1,440
Current provisions	95	103
Current loans	2,228	920
Other current liabilities <sup>4)</sup>	2,881	2,751
<b>Total equity and liabilities</b>	<b>15,497</b>	<b>14,881</b>

<sup>1)</sup> Includes pension assets of 86 MSEK (84) and derivative financial instruments of 144 MSEK (55) used to hedge the Parent Company's bond loans denominated in currencies other than Swedish kronor.

<sup>2)</sup> Financial derivatives of 1 MSEK (8) used to hedge the Parent Company's bond loans.

<sup>3)</sup> Includes pension liabilities of 1,419 MSEK (1,128) and derivative financial instruments of 117 MSEK (202) used to hedge the Parent Company's bond loans denominated in currencies other than Swedish kronor.

<sup>4)</sup> Includes current financial derivatives of 2 MSEK (29) 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	
	2014	2013
<i>Operating activities</i>		
<b>Profit before income taxes</b>	<b>2,409</b>	<b>2,507</b>
Share of profit/loss in associated companies and joint ventures	-210	-203
Dividend received from associated companies	233	234
Other non-cash items and other	308	191
Income tax paid	-387	-491
<b>Cash flow from operating activities before changes in working capital</b>	<b>2,353</b>	<b>2,238</b>
Cash flow from changes in working capital	184	-138
<b>Net cash from operating activities</b>	<b>2,537</b>	<b>2,100</b>
<i>Investing activities</i>		
Purchase of property, plant and equipment	-167	-232
Proceeds from sale of property, plant and equipment	1	1
Purchase of intangible assets	-1	-30
Investments in associated companies and joint ventures	-45	-43
Proceeds from sale of subsidiaries, net of cash disposed of <sup>1)</sup>	-	168
Changes in financial receivables etc.	0	0
<b>Net cash used in investing activities</b>	<b>-212</b>	<b>-135</b>
<i>Financing activities</i>		
Changes in loans	-713	-278
Dividend paid to equity holders of the Parent	-1,453	-1,459
Repurchase of own shares	-299	-302
Stock options exercised	53	165
Other	-1	-13
<b>Net cash used in financing activities</b>	<b>-2,413</b>	<b>-1,887</b>
<b>Net decrease in cash and cash equivalents</b>	<b>-89</b>	<b>78</b>
Cash and cash equivalents at the beginning of the period	3,164	2,824
Effect of exchange rate fluctuations on cash and cash equivalents	145	-23
<b>Cash and cash equivalents at the end of the period</b>	<b>3,220</b>	<b>2,880</b>

<sup>1)</sup> The cash flow from sale of subsidiaries in 2013 is related to the final payment on the sale of land in 2007 and additional payment relating to the divestment of Swedish Match UK sold in 2008.

### Change in shareholders' equity

MSEK	Equity attributable to holders of the Parent	Non-controlling interests	Total equity
<b>Equity at January 1, 2013</b>	<b>-2,053</b>	<b>2</b>	<b>-2,051</b>
Profit for the period	2,036	-1	2,035
Other comprehensive income, net of tax for the period	141	0	141
<b>Total comprehensive income for the period</b>	<b>2,178</b>	<b>-1</b>	<b>2,177</b>
Dividend	-1,459	-	-1,459
Repurchase of own shares	-302	-	-302
Stock options exercised	165	-	165
Cancellation of shares	-8	-	-8
Bonus issue	8	-	8
<b>Equity at September 30, 2013</b>	<b>-1,472</b>	<b>1</b>	<b>-1,470</b>
<b>Equity at January 1, 2014</b>	<b>-786</b>	<b>1</b>	<b>-785</b>
Profit for the period	1,925	0	1,926
Other comprehensive income, net of tax for the period	518	0	518
<b>Total comprehensive income for the period</b>	<b>2,443</b>	<b>0</b>	<b>2,444</b>
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
<b>Equity at September 30, 2014</b>	<b>-41</b>	<b>1</b>	<b>-40</b>

### Parent Company income statement in summary

MSEK	January–September	
	2014	2013
Sales	35	33
Administrative expenses	-139	-154
<b>Operating loss</b>	<b>-104</b>	<b>-122</b>
Result from participation in Group companies	705	2,262
Net finance cost	-776	-889
<b>Profit/Loss before income tax</b>	<b>-175</b>	<b>1,251</b>
Income tax	192	222
<b>Profit for the period</b>	<b>17</b>	<b>1,473</b>

### Parent Company statement of comprehensive income

MSEK	January–September	
	2014	2013
<b>Profit for the period</b>	<b>17</b>	<b>1,473</b>
<i>Other comprehensive income that have or will be reclassified to the income statement</i>		
Effective portion of changes in fair value of cash flow hedges	-33	18
Income tax relating to components of other comprehensive income	7	-4
<b>Subtotal, net of tax for the period</b>	<b>-26</b>	<b>14</b>
<b>Total comprehensive income for the period</b>	<b>-9</b>	<b>1,487</b>

### Parent Company balance sheet in summary

MSEK	September 30, 2014	September 30, 2013	December 31, 2013
Intangible and tangible assets	1	1	1
Non-current financial assets	70,062	51,056	51,092
Current assets	312	561	2,140
<b>Total assets</b>	<b>70,375</b>	<b>51,617</b>	<b>53,233</b>
<b>Equity</b>	<b>20,484</b>	<b>21,121</b>	<b>22,192</b>
<b>Untaxed reserves</b>	<b>290</b>	<b>260</b>	<b>290</b>
Provisions	68	73	77
Non-current liabilities	25,952	28,010	27,820
Current liabilities	23,580	2,154	2,853
<b>Total liabilities</b>	<b>49,600</b>	<b>30,237</b>	<b>30,750</b>
<b>Total equity and liabilities</b>	<b>70,375</b>	<b>51,617</b>	<b>53,233</b>

**Note 1 – Accounting principles**

This interim 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 accounting standards as well as amendments and interpretations to existing standards applicable as of January 1, 2014; *IFRS 10 Consolidated Financial Statements*, *IFRS 11 Joint Arrangements*, *IFRS 12 Disclosure of Interests in Other Entities*, amendments to *IAS 27 Separate Financial Statements*, amendments to *IAS 28 Investments in associates* and amendments to *IAS 32 Financial Instruments Presentation*, have not had any changes 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 2013, 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 2014, receivables from these companies amounted to 30 MSEK (31) and total payables to these companies amounted to 9 MSEK (4). During the first nine months 2014, total sales to associated companies and joint ventures amounted to 122 MSEK (136) and total purchases from associated companies and joint ventures amounted to 82 MSEK (64).

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

**Note 4 – Carrying value and fair value**

The following table shows carrying value and fair value for financial instruments per September 30, 2014.

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	–	1,252	–	–	1,252	1,252
Non-current receivables	–	–	–	144	144	144
Other receivables	1	–	–	–	1	1
Cash and cash equivalents	–	3,220	–	–	3,220	3,220
<b>Total assets</b>	<b>1</b>	<b>4,472</b>	<b>–</b>	<b>144</b>	<b>4,617</b>	<b>4,617</b>
Loans and borrowings	–	–	9,819	–	9,819	10,459
Other liabilities	–	–	–	264	264	264
Trade payables	–	–	506	–	506	506
<b>Total liabilities</b>	<b>–</b>	<b>–</b>	<b>10,325</b>	<b>264</b>	<b>10,589</b>	<b>11,229</b>

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 2014.

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 5,929 MSEK of which 5,700 MSEK is in cash flow hedges.

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

	January–September	Change	Full year
MDKK	2014	2013	% 2013
Sales	4,496	4,447	1
Gross profit	2,146	2,208	–3
Operating expenses	–1,568	–1,608	–2,134
Operating profit	579	600	–4
Net finance cost	–54	–74	–104
Income tax expense	–126	–129	–103
<b>Net profit for the period</b>	<b>398</b>	<b>397</b>	<b>0</b>
<b>EBITDA</b>	<b>871</b>	<b>891</b>	<b>–2</b>
<b>MSEK</b>			
<b>Swedish Match's share of net profit</b>	<b>237</b>	<b>224</b>	<b>6</b>
Adjustment to estimate vs. actual	5	–2	–7
<b>Swedish Match's reported share of net profit</b>	<b>242</b>	<b>222</b>	<b>9</b>

## QUARTERLY DATA

### Consolidated income statement in summary

MSEK	2014			2013			2012		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales, including tobacco tax	6,768	6,603	5,697	6,284	6,518	6,430	5,759	6,461	6,651
Less tobacco tax	-3,351	-3,264	-2,683	-3,106	-3,288	-3,210	-2,777	-3,313	-3,443
<b>Sales</b>	<b>3,416</b>	<b>3,339</b>	<b>3,014</b>	<b>3,178</b>	<b>3,230</b>	<b>3,220</b>	<b>2,982</b>	<b>3,148</b>	<b>3,208</b>
Cost of goods sold	-1,853	-1,784	-1,561	-1,698	-1,749	-1,673	-1,527	-1,586	-1,617
<b>Gross profit</b>	<b>1,563</b>	<b>1,555</b>	<b>1,452</b>	<b>1,481</b>	<b>1,481</b>	<b>1,546</b>	<b>1,455</b>	<b>1,562</b>	<b>1,591</b>
Selling and administrative expenses	-675	-681	-637	-633	-638	-668	-618	-667	-640
Share of net profit/loss in associated companies and joint ventures	101	67	43	84	81	87	35	91	72
	<b>989</b>	<b>941</b>	<b>858</b>	<b>932</b>	<b>924</b>	<b>966</b>	<b>872</b>	<b>986</b>	<b>1,022</b>
<i>Larger one-time items</i>									
Capital gain from sale of land	-	-	-	-	-	2	159	-	-
<b>Operating profit</b>	<b>989</b>	<b>941</b>	<b>858</b>	<b>932</b>	<b>924</b>	<b>968</b>	<b>1,031</b>	<b>986</b>	<b>1,022</b>
Finance income	7	8	8	9	9	8	8	10	11
Finance costs	-134	-133	-134	-137	-151	-146	-144	-146	-152
Net finance cost	-127	-125	-126	-128	-142	-138	-136	-137	-141
<b>Profit before income tax</b>	<b>862</b>	<b>816</b>	<b>732</b>	<b>804</b>	<b>782</b>	<b>830</b>	<b>895</b>	<b>850</b>	<b>881</b>
Income tax expense	-167	-165	-152	-128	-154	-163	-154	-63	-188
<b>Profit for the period</b>	<b>695</b>	<b>651</b>	<b>580</b>	<b>675</b>	<b>628</b>	<b>667</b>	<b>741</b>	<b>787</b>	<b>693</b>
<i>Attributable to:</i>									
Equity holders of the Parent	695	651	580	675	629	667	740	787	693
Non-controlling interests	0	0	0	0	-1	0	0	0	0
<b>Profit for the period</b>	<b>695</b>	<b>651</b>	<b>580</b>	<b>675</b>	<b>628</b>	<b>667</b>	<b>741</b>	<b>787</b>	<b>693</b>

### Sales by product area

MSEK	2014			2013			2012		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Snus and moist snuff	1,257	1,267	1,154	1,247	1,217	1,230	1,173	1,280	1,263
Other tobacco products	724	699	687	590	622	687	664	601	689
Lights	319	299	315	345	332	326	328	341	311
Other operations	1,117	1,074	858	996	1,058	976	816	926	944
<b>Sales</b>	<b>3,416</b>	<b>3,339</b>	<b>3,014</b>	<b>3,178</b>	<b>3,230</b>	<b>3,220</b>	<b>2,982</b>	<b>3,148</b>	<b>3,208</b>

### Operating profit by product area

MSEK	2014			2013			2012		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Snus and moist snuff	562	562	505	562	553	546	534	593	607
Other tobacco products	276	279	267	228	246	295	260	248	300
Lights	51	49	55	63	56	53	59	61	44
Other operations	-15	-28	-18	-18	-19	-22	-20	-18	-8
<b>Operating profit from product areas</b>	<b>874</b>	<b>862</b>	<b>809</b>	<b>835</b>	<b>836</b>	<b>871</b>	<b>832</b>	<b>883</b>	<b>942</b>
Share of net profit in STG	115	78	49	97	88	95	39	103	80
<b>Subtotal</b>	<b>989</b>	<b>941</b>	<b>858</b>	<b>932</b>	<b>924</b>	<b>966</b>	<b>872</b>	<b>986</b>	<b>1,022</b>
Capital gain from sale of land	-	-	-	-	-	2	159	-	-
<b>Total larger one-time items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>159</b>	<b>-</b>	<b>-</b>
<b>Operating profit</b>	<b>989</b>	<b>941</b>	<b>858</b>	<b>932</b>	<b>924</b>	<b>968</b>	<b>1,031</b>	<b>986</b>	<b>1,022</b>

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

Percent	2014			2013			2012		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Snus and moist snuff	44.8	44.4	43.8	45.1	45.4	44.4	45.5	46.3	48.0
Other tobacco products	38.1	39.9	38.8	38.6	39.6	42.9	39.2	41.2	43.5
Lights	16.0	16.4	17.6	18.1	16.8	16.2	17.8	17.9	14.0
<b>Operating margin from product areas<sup>2)</sup></b>	<b>25.6</b>	<b>25.8</b>	<b>26.9</b>	<b>26.3</b>	<b>25.9</b>	<b>27.1</b>	<b>27.9</b>	<b>28.0</b>	<b>29.4</b>
<b>Operating margin<sup>3)</sup></b>	<b>29.0</b>	<b>28.2</b>	<b>28.5</b>	<b>29.3</b>	<b>28.6</b>	<b>30.0</b>	<b>29.2</b>	<b>31.3</b>	<b>31.9</b>

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

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

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

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

MSEK	2014			2013			2012		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Snus and moist snuff	608	604	546	607	592	584	574	637	648
Other tobacco products	289	291	279	242	259	307	273	261	321
Lights	59	57	64	71	64	61	67	69	53
Other operations	-5	-17	-7	-7	-13	-16	-15	-15	-5
<b>EBITDA from product areas</b>	<b>952</b>	<b>935</b>	<b>881</b>	<b>913</b>	<b>902</b>	<b>937</b>	<b>899</b>	<b>952</b>	<b>1,017</b>
Share of net profit in STG	115	78	49	97	88	95	39	103	80
<b>EBITDA<sup>2)</sup></b>	<b>1,067</b>	<b>1,013</b>	<b>930</b>	<b>1,009</b>	<b>990</b>	<b>1,031</b>	<b>938</b>	<b>1,055</b>	<b>1,097</b>

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

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

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

Percent	2014			2013			2012		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Snus and moist snuff	48.3	47.6	47.3	48.7	48.6	47.5	49.0	49.7	51.3
Other tobacco products	40.0	41.6	40.6	41.0	41.6	44.7	41.1	43.4	46.6
Lights	18.6	19.2	20.2	20.5	19.3	18.8	20.4	20.4	16.9
<b>EBITDA margin from product areas<sup>2)</sup></b>	<b>27.9</b>	<b>28.0</b>	<b>29.2</b>	<b>28.7</b>	<b>27.9</b>	<b>29.1</b>	<b>30.1</b>	<b>30.2</b>	<b>31.7</b>
<b>EBITDA margin<sup>3)</sup></b>	<b>31.2</b>	<b>30.3</b>	<b>30.8</b>	<b>31.8</b>	<b>30.6</b>	<b>32.0</b>	<b>31.5</b>	<b>33.5</b>	<b>34.2</b>

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

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

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

## Depreciation, amortization and write-down

MSEK	2014			2013			2012		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Property, plant and equipment	67	62	61	66	59	59	60	62	61
Intangible assets	10	10	10	12	7	7	7	7	14
<b>Total</b>	<b>78</b>	<b>72</b>	<b>72</b>	<b>78</b>	<b>66</b>	<b>66</b>	<b>66</b>	<b>69</b>	<b>75</b>



### Swedish Match AB (publ)

Box 7179

SE-103 88 Stockholm, Sweden

Visiting address: Västra Trädgårdsgatan 15

Telephone: +46 8 658 02 00

Corporate Identity Number: 556015-0756

www.swedishmatch.com



## ABOUT SWEDISH MATCH

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 and lighters). Well known brands include *General* snus, *Longhorn* moist snuff, *White Owl* cigars, *Red Man* chewing tobacco, *Fiat Lux* matches, and *Cricket* lighters. The Group sells products across the globe, with production units in six countries. The Swedish Match share is listed on NASDAQ OMX Stockholm.

### Vision

Swedish Match's vision is a world without cigarettes.

We create shareholder value by offering tobacco consumers enjoyable products of superior quality in a responsible way. By providing products that are recognized as safer alternatives to cigarettes, we can contribute significantly to improved public health.