

Q1 2015

Investor Kit
January – March 2015



Summary and Overview

Q1: Headline numbers

- **Sales increased by 12% to 3,368 MSEK (3,014). In local currencies, sales increased by 1%.**
- **Operating profit from product areas* increased by 7% to 866 MSEK (809). In local currencies operating profit from product areas* (excluding STG) declined by 4%.**
- **Sales and operating profit from product areas were negatively impacted by trade destocking of snus in Scandinavia following excise tax increases on January 1st.**
- **Operating profit (including STG) amounted to 1,014 MSEK (858). The operating profit for the quarter was positively affected by an adjustment of the share of net profit in STG of 56 MSEK relating to a reassessment of useful lives primarily of trademarks in STG.**
- **EPS (basic) amounted to 3.68 SEK (2.91). EPS (basic) excluding the STG adjustment amounted to 3.40 SEK (2.91).**

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

Q1: Strong growth in sales and operating profit

- **Growth driven by solid performance in US, and stronger USD**
 - Stronger USD increases relative size of US business on a reported basis.
- **Active engagement in Scandinavian snus**
 - Scandinavian snus market continued to grow.
 - Swedish Match increased market share in growing value segment in Sweden.
 - Several ongoing product initiatives for the Scandinavian snus market.
 - Results in Scandinavian snus lower than prior year.
 - Negative impacts from trade destocking and price/mix as anticipated.
- **Outstanding results across *all* of the US business segments**
 - Record results in local currency for the Other tobacco products product area.
 - Sales up 5% in local currency.
 - Operating profit up 15% in local currency.
 - US cigar business had record volumes with higher sales and operating profit in USD.
 - Chewing tobacco volumes declined but higher prices and low overhead costs resulted in a good performance.
 - Volume increases for both snus and moist snuff.

Modified Risk Tobacco Products (MRTP) application

- **Modified Risk Tobacco Products (MRTP) application process continues**
 - Tobacco Products Scientific Advisory Committee (TPSAC) hearings in the US.
 - Part of a normal process.
 - TPSAC critically assesses different aspects of the application which may be taken into account by the FDA.
 - FDA conducted a detailed inspection of Swedish Match production facilities in Sweden, helping them to gain further insight into Swedish Match snus operations.
 - Swedish Match expects to hear back from FDA in the coming months, and is confident that applications provide all necessary support for our modified risk status for *General* snus.

Q1: Price/Mix and destock/Easter impact Scandinavian snus

■ Scandinavian snus volumes

- Market growth driven by Swedish value segment, more than offsetting declines in premium segment.
- Underlying Scandinavian market growth of slightly less than 3%.
- Norway market growth at faster pace than in Sweden.
- Shipment volumes were essentially flat when excluding trade destocking and calendar/Easter effects.

■ Price/mix effects reduce average selling price and margins, as expected

- Market share gains in the growing value segment for snus in Sweden (SM now approx. 40% of value segment).
- Premium segment in Sweden declined in volume and share of market.
- *Kronan* price reduction.
- Sales adjusted for trade destocking and Easter effects estimated to have declined slightly reflecting mix shifts.
- Negative price/mix effects likely to continue in coming quarters.

■ April *XRANGE* launch

- A range of five varieties of premium brands at competitive price point.
- Innovative – longer lasting flavor and better moisture retention, 4 of the 5 varieties use fiber technology.
- Part of longer term strategy to strengthen Swedish Match's share across all price segments in the market.

■ Implementing a series of initiatives to address the share erosion in Norway

- *General G3* has continued share growth, particularly interesting within targeted consumer groups.
- G3 range currently extended with four new and modern varieties.

- **Discussions on plain packaging and other restrictions in Scandinavia**
 - In Norway the ministry of Health and Care Services has submitted a proposal for standardization of *packaging* for all tobacco products.
 - Proposal now in public consultation and commentary period until end of June.
 - Proposed inclusion of snus under the same strict regulation as cigarettes has continued to cause a vocal debate in Norway.
 - *IF* standardized packaging implemented in Norway, might be during 2017.
 - In Sweden a committee of inquiry instructed by minister of Health to evaluate tobacco control.
 - Tobacco control measures under evaluation include standardized packaging and display ban.
 - Report from committee due in March 2016.
- **Performance in the Lights product area was good despite challenging market conditions, particularly in Russia – an important lighter market**
 - Lights in total grew as good match performance more than offset soft lighter performance.
 - Matches grew -- price increases and positive currency effects.
 - Lighter volumes declined, with lower sales and operating profit.

Detail information and Financials

Sales performance for Q1

■ Increased sales

- Sales increased by 12% to 3,368 MSEK (3,014) and up by 1% in local currencies.

■ Snus and moist snuff product area: sales up

- Sales up 3%. In local currencies, adjusted for trade destocking and timing of Easter, sales estimated to have been slightly down.
- Scandinavian sales down, negatively affected by trade destocking in the first quarter as well as price/mix effects.
- US sales up for both moist snuff and snus.
 - Higher volumes for moist snuff pouches and tubs.
 - *General* snus sales significantly higher due to both volume and price/mix effects.

■ Other tobacco products product area: sales up

- Sales up by 36%, and up by 5% in local currency.
- Cigars: Sales increase on 5% higher volumes.
- Chewing tobacco: Higher prices and mix effects partially offset volume declines.

■ Lights product area: sales up

- Sales up 5%.
- Sales up for matches despite modest volume declines from better pricing and positive currency effects.
- Sales slightly down for lighters despite positive currency translation, driven by lower shipment volumes.



Operating profit performance for Q1

- **Operating profit from product areas* increased by 7% to 866 MSEK (809)**
 - In local currencies, operating profit from product areas declined by 4%.
- **Snus and moist snuff : operating profit down**
 - Negatively affected by trade destocking effects in Scandinavia following the January 1st excise tax increases only partially offset by positive calendar effects relating to the timing of Easter.
 - Sweden affected by mix shift toward value priced products in portfolio, and *Kronan* price reduction.
 - Higher operating profit for US moist snuff and snus in USD.
- **Other tobacco products: operating profit up**
 - Operating profit up 44%, up 15% in local currency, primarily from cigars.
- **Lights: operating profit up in SEK, down in local currencies**
 - Operating profit down 8% in local currencies, from a weaker performance for lighters.
- **The reported share of net profit in STG, after interest and tax, amounted to 148 MSEK (49)**
 - Positively affected by a reassessment of useful lives primarily of trademarks. Adjusted for this reassessment, the comparable share of net profit in STG amounted to 91 MSEK (62).
- **Operating profit, including share of net profit in STG, increased by 18% to 1,014 MSEK (858)**
- **Currency translation has affected the comparison of the operating profit, including the net profit of STG, positively by 95 MSEK**

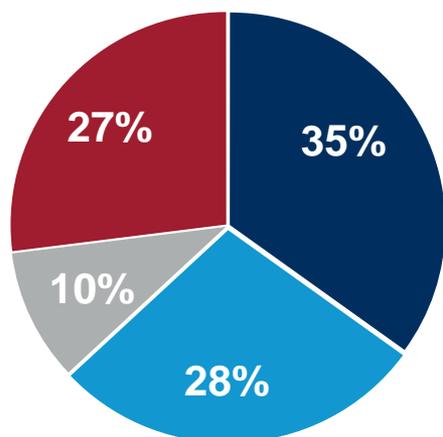
* Operating profit for Swedish Match product areas, which excludes share of net profit in STG.

Sales and operating profit

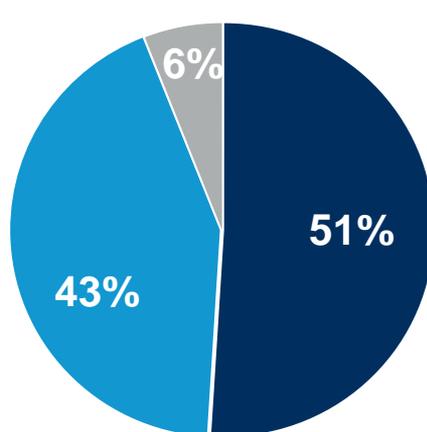
Sales and operating profit by product area

Q1 2015

Sales, SEK



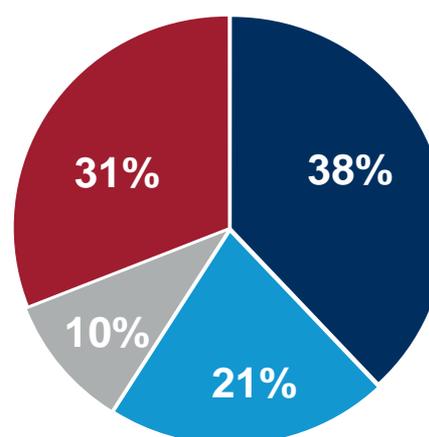
Operating profit*, SEK



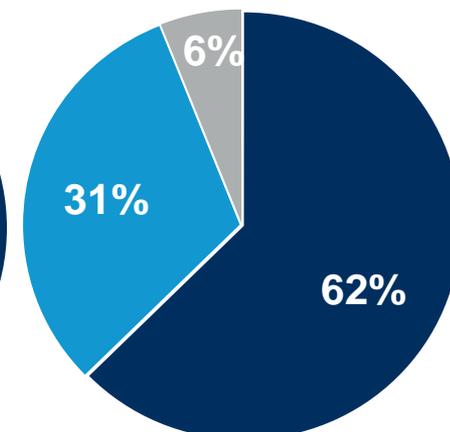
- Snus and moist snuff
- Other tobacco products
- Lights
- Other operations

Full year 2014

Sales, SEK



Operating profit*, SEK



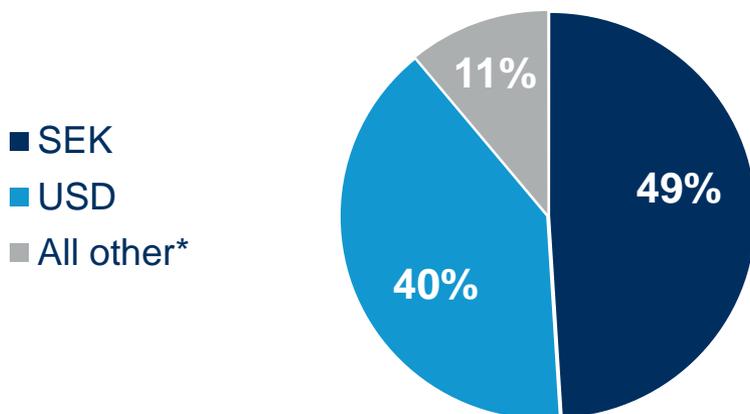
- Snus and moist snuff
- Other tobacco products
- Lights
- Other operations

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

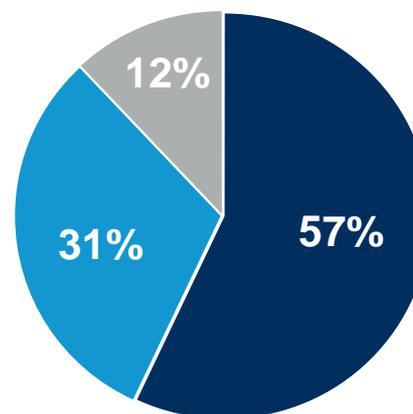
Sales by currency block

Percent of sales, MSEK

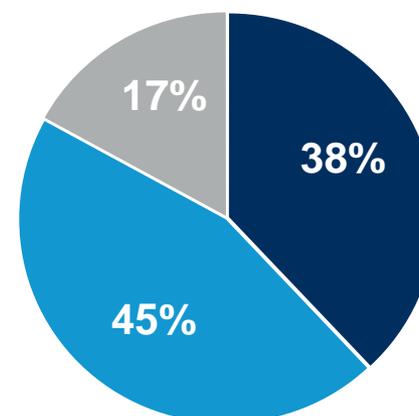
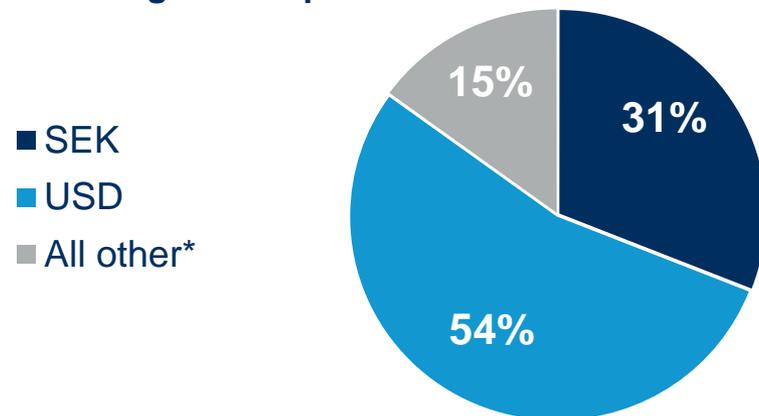
Q1 2015



Full year 2014



Excluding Other operations



* Primarily NOK and BRL.

Snus and moist snuff

- Leading position for snus in **Scandinavia**
- The third largest producer of moist snuff in **the US**
- **General** is the second largest and fastest growing snus brand in **the US**
- Production in **Sweden** and **the US**
- Joint venture with Philip Morris International for markets **outside Scandinavia and the US**



Snus and moist snuff (Q1 commentary)

Destocking in Scandinavia, and growing share in Swedish value segment

■ Scandinavia snus sales and profits down on 3% lower volumes

- Continued growth of the Scandinavian snus market in volume terms.
- Gaining share of growing Swedish value segment*.
- Volumes affected negatively by destocking partially offset by Easter effects.
- Underlying Swedish Match volumes estimated to be flat.
- Underlying sales down on lower average portfolio pricing, stemming from higher proportion of value priced products and price reduction on *Kronan*.
- Operating profit lower when excluding net destocking/calendar effects due to price/mix.

■ US moist snuff sales and operating profit up

- Moist snuff sales and operating profit in USD were up on higher volumes.
- Continued good growth for pouches and tubs.

■ Continued investment behind snus outside Scandinavia

- Snus sales in the US were up, both on higher year on year shipment volumes and on price/mix.
- In total, net costs for snus expansion outside Scandinavia was 86 MSEK (78), impacted by the stronger USD.



* Price segmentation using Swedish Match estimates.

MSEK	Q1-2015	Q1-2014	chg	April 2014 – March 2015	Full year 2014	chg
Sales	1,191	1,154	3	5,037	5,001	1
Operating profit	455	505	-10	2,157	2,207	-2
Operating margin, %	38.2	43.8		42.8	44.1	

Scandinavian market growth and share estimates

- **Scandinavian snus market up slightly less than 3% in volume on an underlying basis***
 - Slight slowdown from recent quarters.
 - Norwegian market grew at a faster pace than the Swedish market.

Swedish Match's market shares**

Percent	January-March		Chg ppts	Full year 2014
	2015	2014		
Snus, Sweden, total	68.8	70.2	-1.4	69.9
Snus, Sweden, premium	93.6	94.3	-0.7	94.0
Snus, Sweden, value	39.8	37.3	2.5	38.1
Snus, Norway, total	58.4	61.7	-3.3	60.1

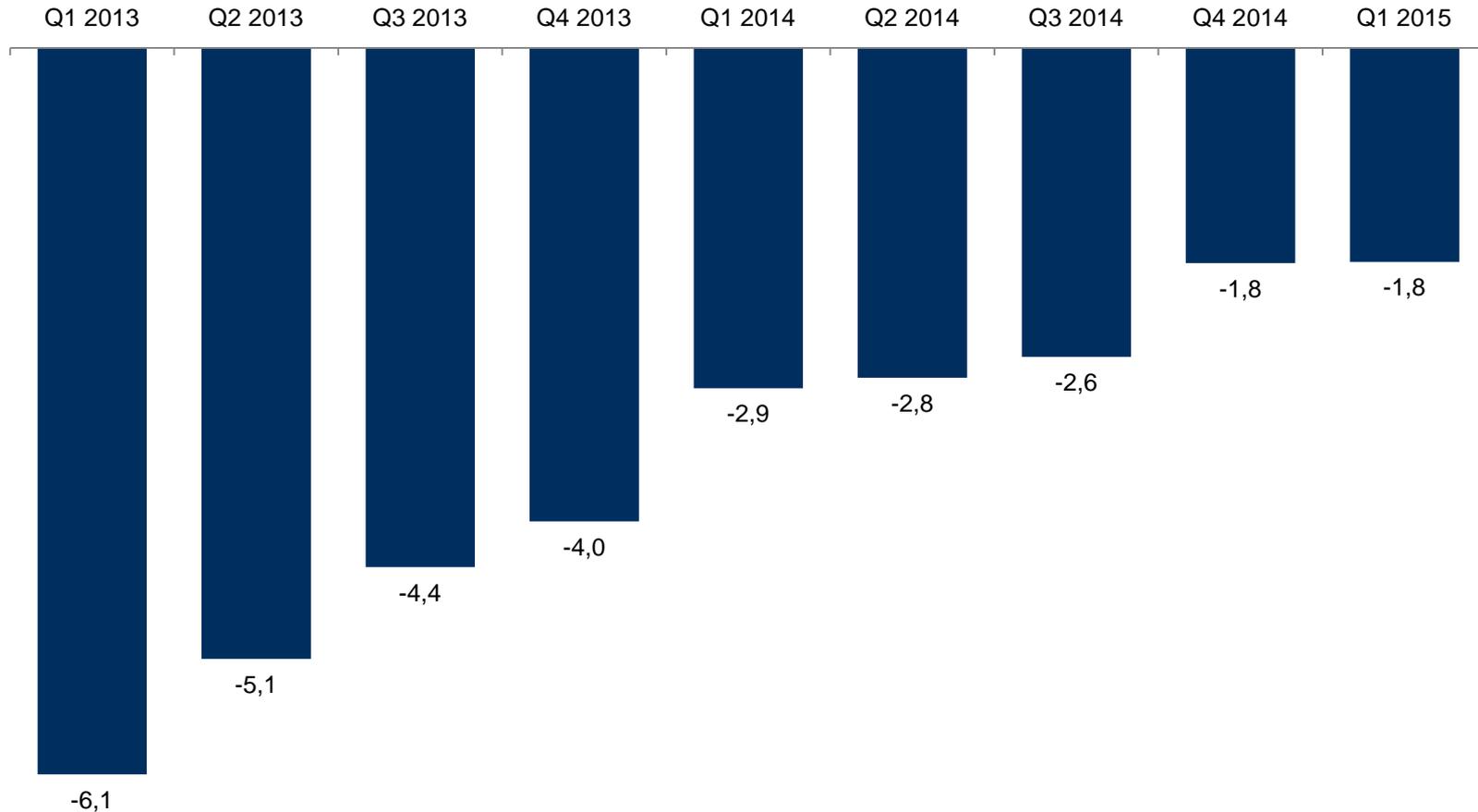


* Source: Swedish Match estimates.

** Swedish Match estimates using Nielsen data (excl. tobacconists due to small sample of tobacconists in Nielsen data).13 weeks to March 29, 2015.

SM Sweden and Norway market share y-o-y development (weighted)

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



Source: Nielsen DVH+SVH excluding tobacconists, ending March 29, 2015.
Adjusted for more representative weight on Nielsen coverage in Norway vs Sweden.

Moist snuff market growth and share estimate

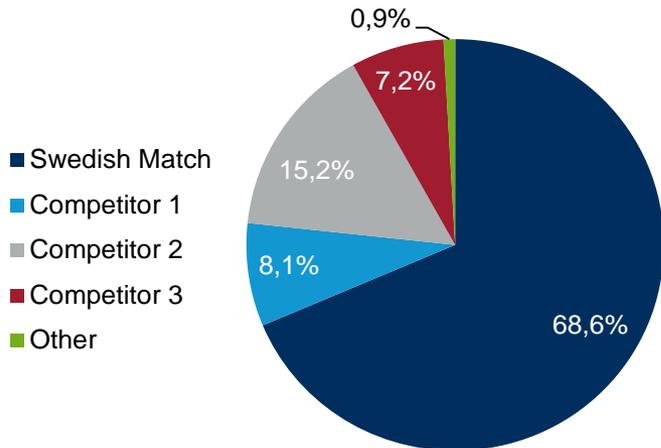
- **US moist snuff market volume up by 1-2% versus year ago***
 - Some slowdown in growth in recent months.
 - Category growth continues to be driven by the value segment and pouches.
- **Swedish Match moist snuff market share in the US**
 - Swedish Match estimates its market share based on industry shipments to be approximately 9%.



* Source: Swedish Match and industry estimates.

Manufacturer share by price segment to April 19, Sweden

Total volume shares



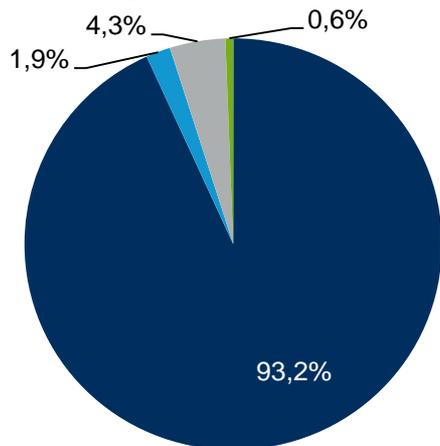
19 April 2015 (4 weeks ending),
Swedish Match share of:

Premium segment was: 92.8%

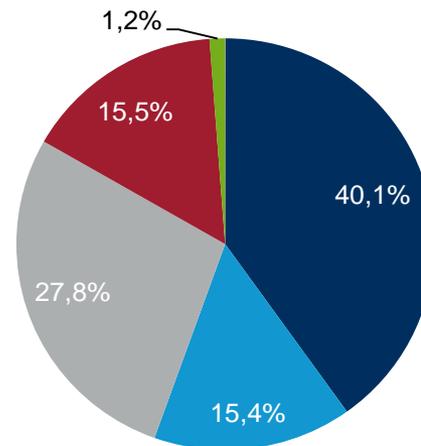
Value segment was: 40.3%

Total market was: 68.5%

Share of premium segment



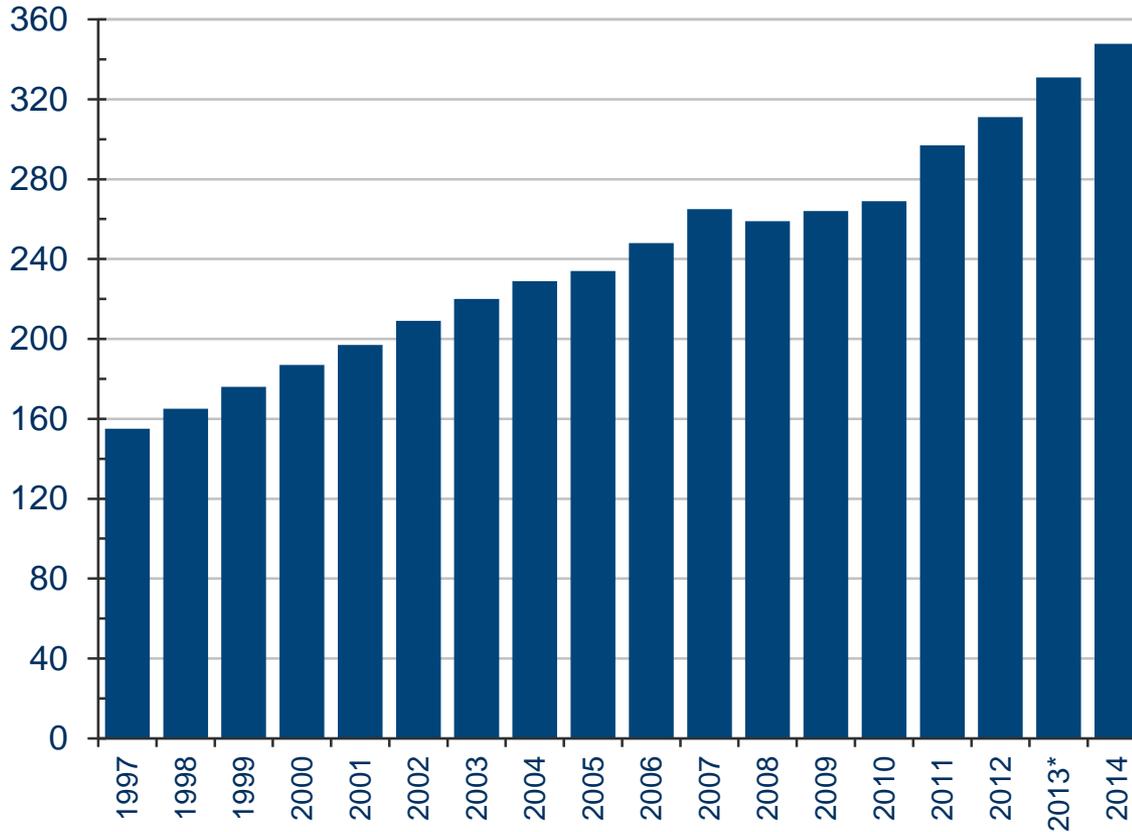
Share of value segment



Source: Nielsen (excluding tobacconists), 12 weeks ending 19 April 2015.

Estimated snus consumption, Scandinavia

Million cans

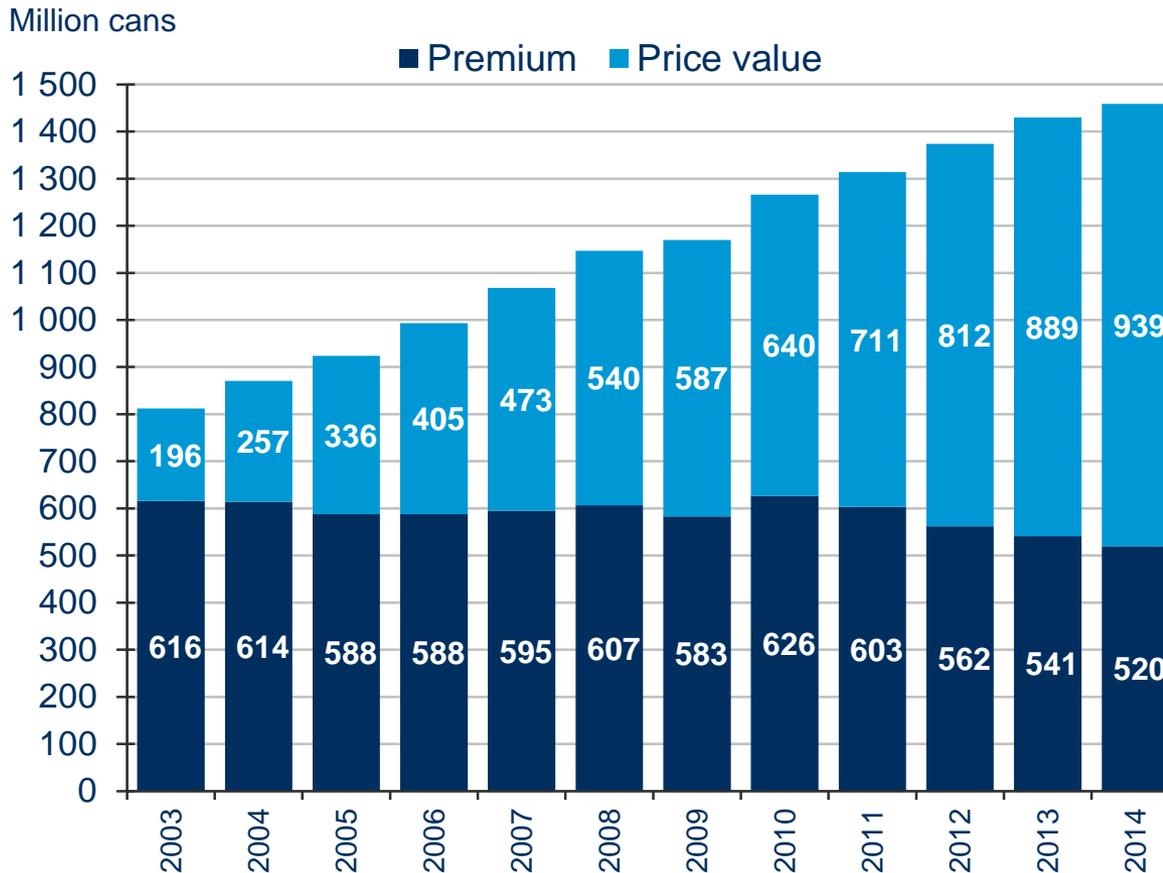


Source: Swedish Match estimates, adjusted for hoarding in Sweden.

* 2013 figure rebased.

US moist snuff category development

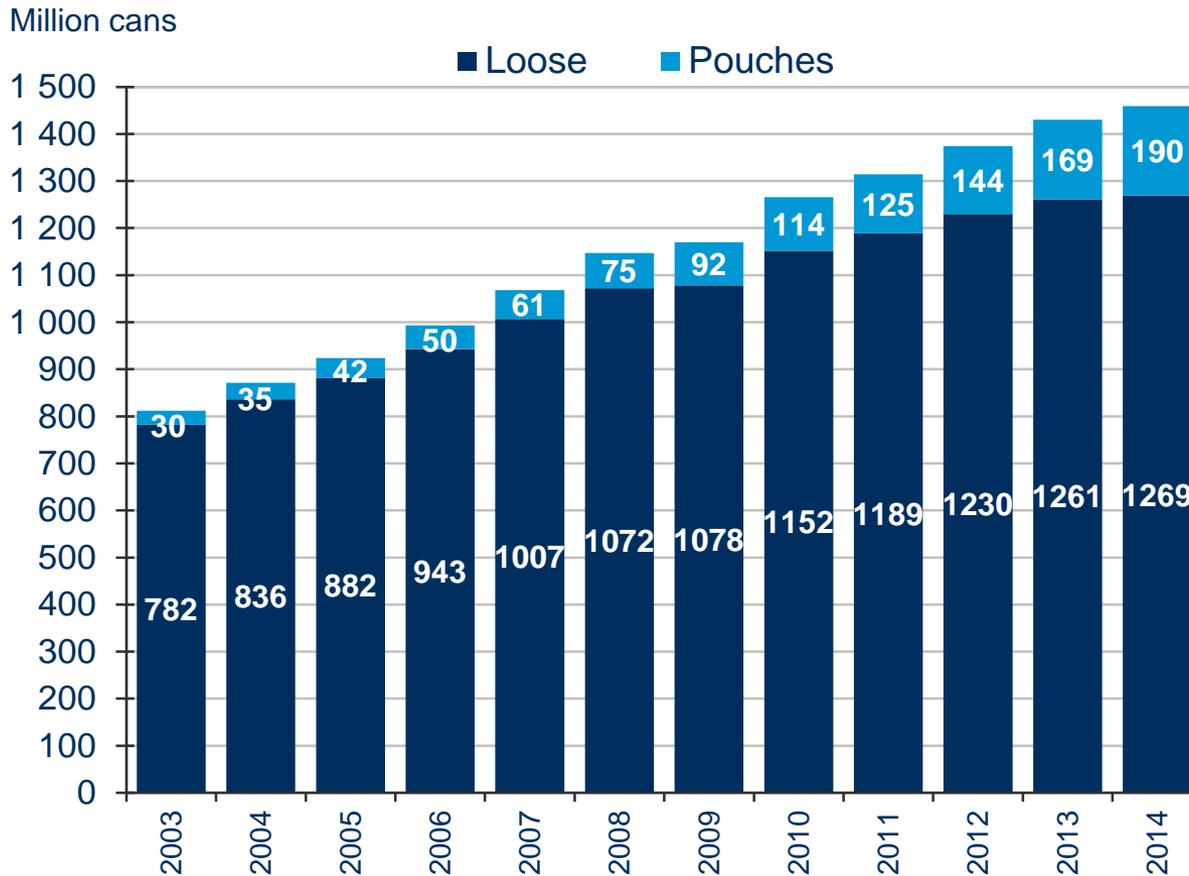
Category by segment*: premium vs. value



* Estimates have been restated by Swedish Match using industry reports and distributor shipments to retail.

US moist snuff category development

Category by segment*: loose vs. pouches



* Estimates have been restated by Swedish Match using industry reports and distributor shipments to retail.

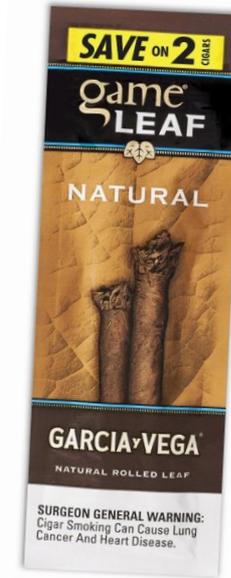
Other tobacco products

US cigars

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

Chewing tobacco

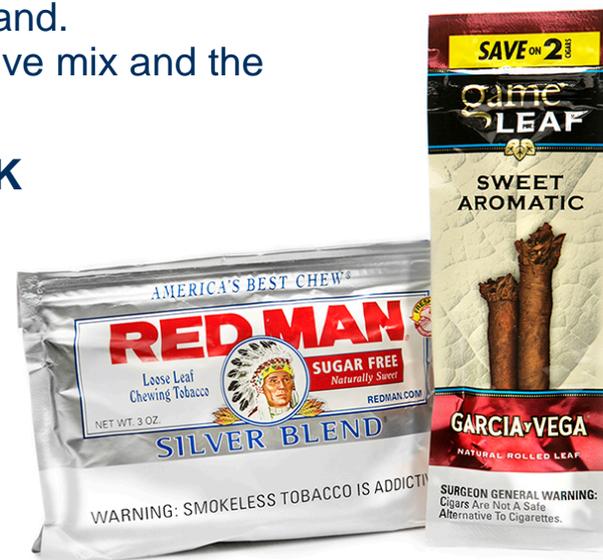
- Nearly all chewing tobacco sales are in the **US**. Swedish Match is the largest producer and production takes place in **Owensboro, Kentucky**



Other tobacco products (with Q1 commentary)

Cigar volume growth, driven by natural leaf cigars

- In local currency, sales were up 5% while operating profit was up 15%
- Sales, operating profit, and volumes up for cigars
 - Cigar volumes up 5% - resulting in a new record quarter for cigar volumes.
 - Continued strong volume development of *Game by Garcia y Vega* natural leaf cigars. Volume growth also for our *Jackpot* brand.
 - Operating profit increased on higher volumes, some positive mix and the absence of tobacco buy-out quota fee.
- Chewing tobacco sales and operating profit up in SEK
 - Volume declined by 8% for own brands compared to a particularly strong prior year period.
 - Positive pricing largely offset volume declines.
 - In US dollars, operating profit up but sales decreased slightly.

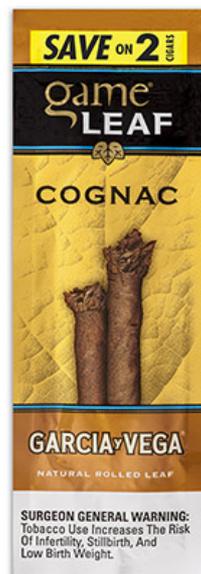


MSEK	Q1-2015	Q1-2014	chg	April 2014 – March 2015	Full year 2014	chg
Sales	933	687	36	3,078	2,832	9
Operating profit	384	267	44	1,226	1,109	11
Operating margin, %	41.1	38.8		39.8	39.2	

Other tobacco products

US shipment volumes for cigars and chewing tobacco

	January-March		chg	Full year
	2015	2014	%	2014
Cigars, millions of sticks	313	299	5	1,125
Chewing tobacco, thousands of pounds (excl. contract manufacturing)	1,835	1,992	-8	7,856



Strong performance for matches, lighter volume weakness

- 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 up and operating profit up, helped by currencies
- Lower lighter volumes
- Improved performance for matches
 - Modest volume declines compensated by price increases and positive currency effects.



MSEK	Q1-2015	Q1-2014	chg	April 2014 – March 2015	Full year 2014	chg
Sales	331	315	5	1,311	1,295	1
Operating profit	57	55	2	219	218	1
Operating margin, %	17.1	17.6		16.7	16.8	

Scandinavian Tobacco Group (STG) – first quarter

- **STG sales up 13%**
 - Adjusted for currency translation effects and the Verellen acquisition, sales were marginally higher.
- **Gross profit up in local currencies driven by higher result from all product areas except for pipe tobacco**
 - Machine made cigar sales and gross profit slightly up on positive country mix and somewhat higher volumes.
 - Handmade cigar sales and gross profit up on strong volume development and positive mix effects.
 - Fine cut tobacco sales down on lower volumes but gross profit up driven by lower production costs.
 - Pipe tobacco sales and gross profit down on lower volumes partly affected by timing.
- **Operating expenses increased largely as a result of currency translation effects**
 - Prior year was negatively affected by costs of a temporary nature of about 20 MDKK.
- **Reported EBITDA amounted to 263 MDKK (221)**
- **Total STG net finance income amounted to 4 MDKK (reflecting exchange gains on the strengthening of the US dollar) compared to a net finance cost of 25 MDKK in 2014**
- **Net profit for STG amounted to 148 MDKK (99)**
- **Swedish Match reported share of net profit in STG amounted to 148 MSEK (49)**
 - Positively affected in the quarter by a reassessment of useful lives of certain assets, primarily of trademarks.
 - Adjusting the comparable figures for this effect, Swedish Match share of net profit amounted to 91 MSEK (62).
- **On March 25, 2015, Swedish Match received a dividend from STG of 261 MSEK (223).**



- **Tax rate for the Group was 19.8%**

- Includes profit and loss impact from associated companies.
- The reported tax rate, excluding associated companies and joint ventures, was 23.5% (22).

- **Cash flow**

- Cash flow from operating activities was 963 MSEK (1,027), negatively affected by timing of cash flow from changes in working capital.
- Net cash used in investing activities amounted to 67 MSEK (56).

- **Cash distributed to shareholders**

- During the first quarter, Swedish Match made share repurchases of 298 MSEK.
- During the same period the Company sold treasury shares of 141 MSEK as a result of option holders exercising options.

Tax, cash flow and financing

■ Financial policy

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

■ Financing

- The net finance cost decreased to 114 MSEK (126), mainly due to lower average interest bearing debt.
- During the first quarter no new bond loans were issued.
- Repayments of bond loans amounted to 139 MSEK.
- As of March 31, 2015 Swedish Match had 8,563 MSEK of interest bearing debt excluding retirement benefit obligations compared to 8,703 MSEK at December 31, 2014.
- During 2015, 1,000 MSEK of this debt falls due for payment.
- Cash and cash equivalents amounted to 3,080 MSEK at the end of the period, compared to 2,312 MSEK at December 31, 2014.
- Net debt/EBITA per December 31, 2014 was at 2.3* (2.1* for 12 months to March 31).



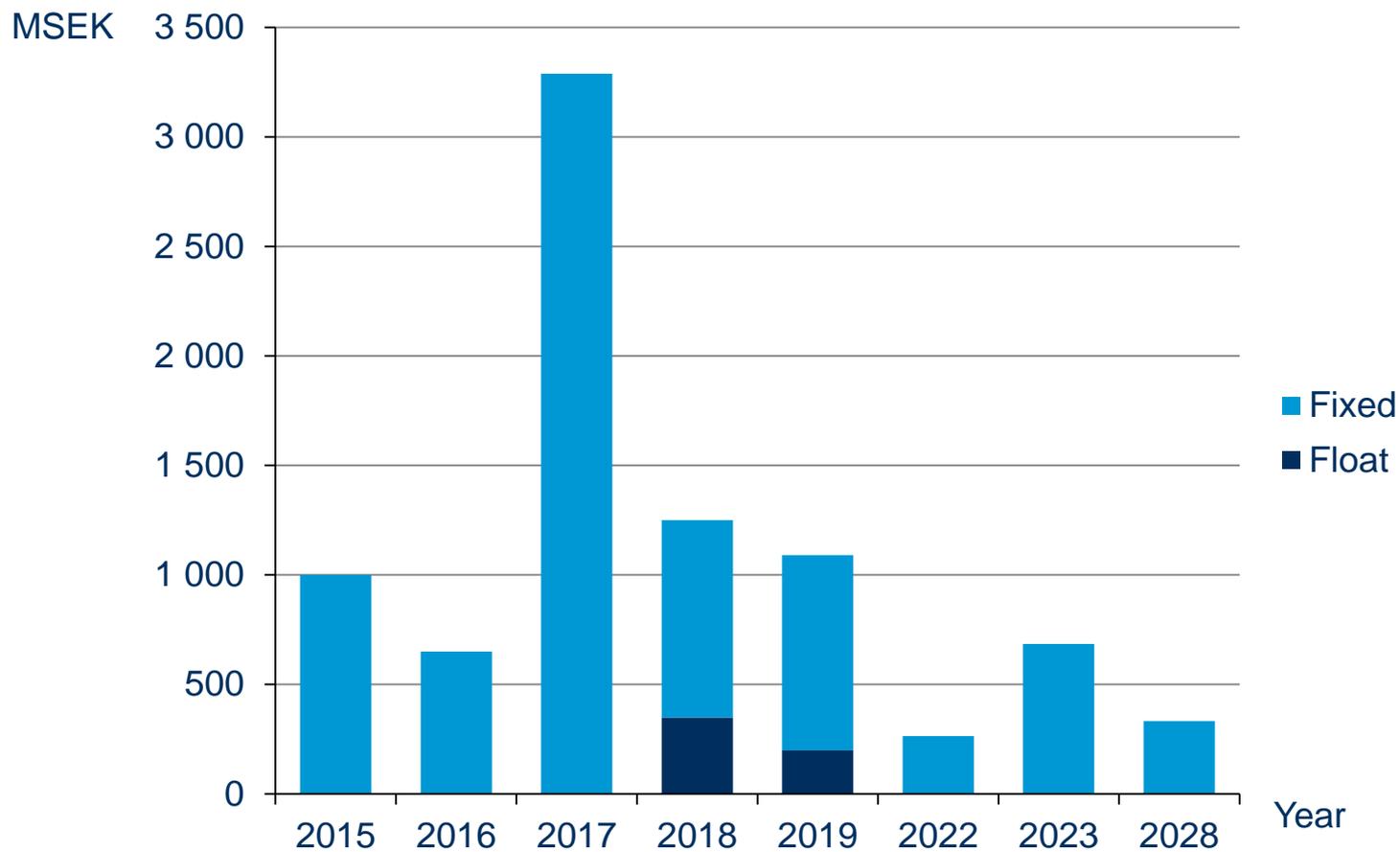
* Excluding share of net profit in STG. Operating profit adjusted for amortization and write-downs of intangible assets.

Other events and events after the reporting period

- **SMD Logistics AB has on April 27, 2015 reached an agreement to sell its distribution facility in Solna, Sweden, and at the same time reached an agreement to acquire a new distribution center located in Upplands-Bro, Sweden**
 - The agreements form part of a strategic decision to modernize the distribution business to better accommodate current and future demands from customers and suppliers. The new facility will provide several improvements including a strategic geographical location and an increased cold-storage capacity.
 - The new distribution center, which is being developed, is planned to be taken into operation during the first quarter of 2016. At the same time, SMD Logistics AB's current distribution center in Hisings Backa will be consolidated into the new distribution center.
 - The sale of the distribution center in Solna is planned to be closed at the end of the first quarter 2016 at which time a capital gain estimated to be in excess of 140 MSEK will be recognized. The plan is also to divest the Hisings Backa distribution facility in the future.
 - The investment in the new distribution center is estimated at approximately 150 MSEK and is expected to be paid in the fourth quarter of 2015. The project will also incur costs for restructuring estimated at approximately 50 MSEK.

Maturity profile of interest bearing liabilities

As of March 31, 2015



P&L in summary

MSEK	Q1-2015	Q1-2014	Chg %	April 2014- March 2015	Full year 2014	Chg %
Sales	3,368	3,014	12	13,659	13,305	3
Cost of goods sold	-1,752	-1,561		-7,299	-7,109	
Gross profit	1,615	1,452	11	6,360	6,197	3
Selling and administrative expenses	-741	-637		-2,807	-2,703	
Share of profit/loss in associated companies and joint ventures*	140	43		383	285	
Operating profit*	1,014	858	18	3,936	3,780	4
Finance income	4	8		23	27	
Finance costs	-118	-134		-521	-537	
Net finance cost	-114	-126		-498	-510	
Profit before income tax	900	732	23	3,438	3,270	5
Income tax expense	-179	-152		-671	-644	
Profit for the period*	721	580	24	2,767	2,626	5
<i>EPS, basic, SEK</i>						
Including STG adjustment*	3.68	2.91		14.00	13.23	
Excluding STG adjustment	3.40	2.91		13.71	13.23	
<i>EPS, diluted, SEK*</i>						
Including STG adjustment*	3.68	2.91		13.99	13.22	
Excluding STG adjustment	3.39	2.91		13.71	13.22	

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

Balance sheet in summary

MSEK	March 31, 2015	December 31, 2014
Intangible assets	1,085	1,030
Property, plant and equipment	2,089	2,074
Investments in associated companies and joint ventures	5,413	5,233
Other non-current financial receivables*	1,866	1,669
Current operating assets	3,608	4,255
Cash and cash equivalents	3,080	2,312
Total assets	17,140	16,573
Equity attributable to equity holders of the Parent	1,279	277
Non-controlling interests	1	1
Total equity	1,280	279
Non-current provisions	1,163	1,081
Non-current loans	7,601	7,803
Other non-current financial liabilities*	2,401	2,063
Current provisions	110	98
Current loans	1,255	1,141
Other current liabilities	3,330	4,109
Total equity and liabilities	17,140	16,573

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

Cash flow in summary

MSEK	Jan-Mar 2015	Jan-Mar 2014
Cash flow from operating activities before changes in working capital	1,154	958
Cash flow from changes in working capital	-191	69
Net cash from operating activities	963	1,027
Purchase of property, plant and equipment*	-52	-56
Proceeds from sale of property, plant and equipment	0	0
Purchase of intangible assets	-6	-
Investments in associated companies and joint ventures*	-10	-
Changes in financial receivables etc.	-	0
Net cash used in investing activities	-67	-56
Changes in loans	-140	-485
Repurchase of own shares	-298	-68
Stock options exercised	141	53
Other	8	0
Net cash used in financing activities	-289	-501
Net increase in cash and cash equivalents	608	470
Cash and cash equivalents at the beginning of the period	2,312	3,164
Effect of exchange rate fluctuations on cash and cash equivalents	161	5
Cash and cash equivalents at the end of the period	3,080	3,640

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

Key ratios

MSEK	Jan-Mar 2015	Jan-Mar 2014
Operating margin, %	30.1	28.5
Operating capital, MSEK	8,806	7,490
Return on operating capital, % (12 months ended March 31, 2015)	48.3	
EBITDA, MSEK*	1,093	930
EBITA, MSEK*	1,025	868
Net debt, MSEK	7,548	7,533
Investments in property, plant and equipment, MSEK*	52	56
EBITA interest cover	9.0	7.0
<i>Excluding share of net profit in STG</i>		
EBITA, MSEK*	877	820
Net debt/EBITA* (12 months ended March 31, 2015)	2.1	
Share data		
Shares outstanding, end of period (Mio)	195.2	199.1
Average number of shares outstanding, basic (Mio)	195.8	199.1

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

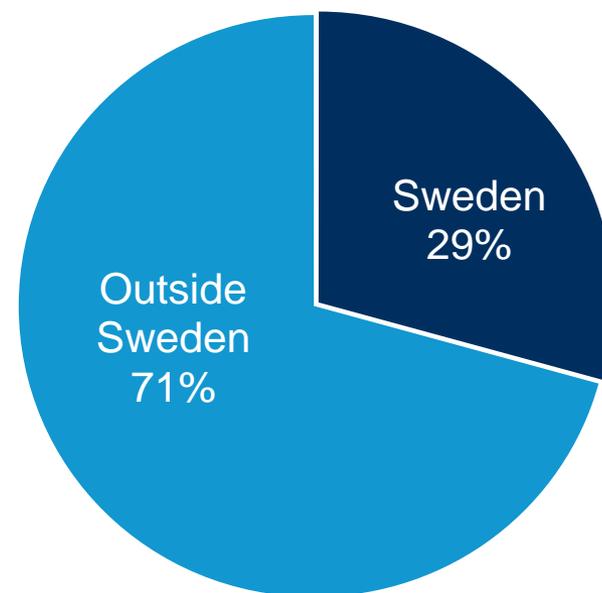
Largest shareholders*

As per March 31, 2015

Largest shareholders

Standard Life Investment Funds	3.2%
Nordea Funds	3.1%
Didner & Gerge Funds	2.9%
Second Swedish National Pension Fund	2.3%
SEB Funds	2.2%
SHB Funds	1.3%
Fourth Swedish National Pension Fund	1.2%
Invesco Funds	1.2%
UBS (Lux) Funds	1.2%
First Swedish National Pension Fund	1.0%
	<hr/>
	19.6%

47,442 shareholders



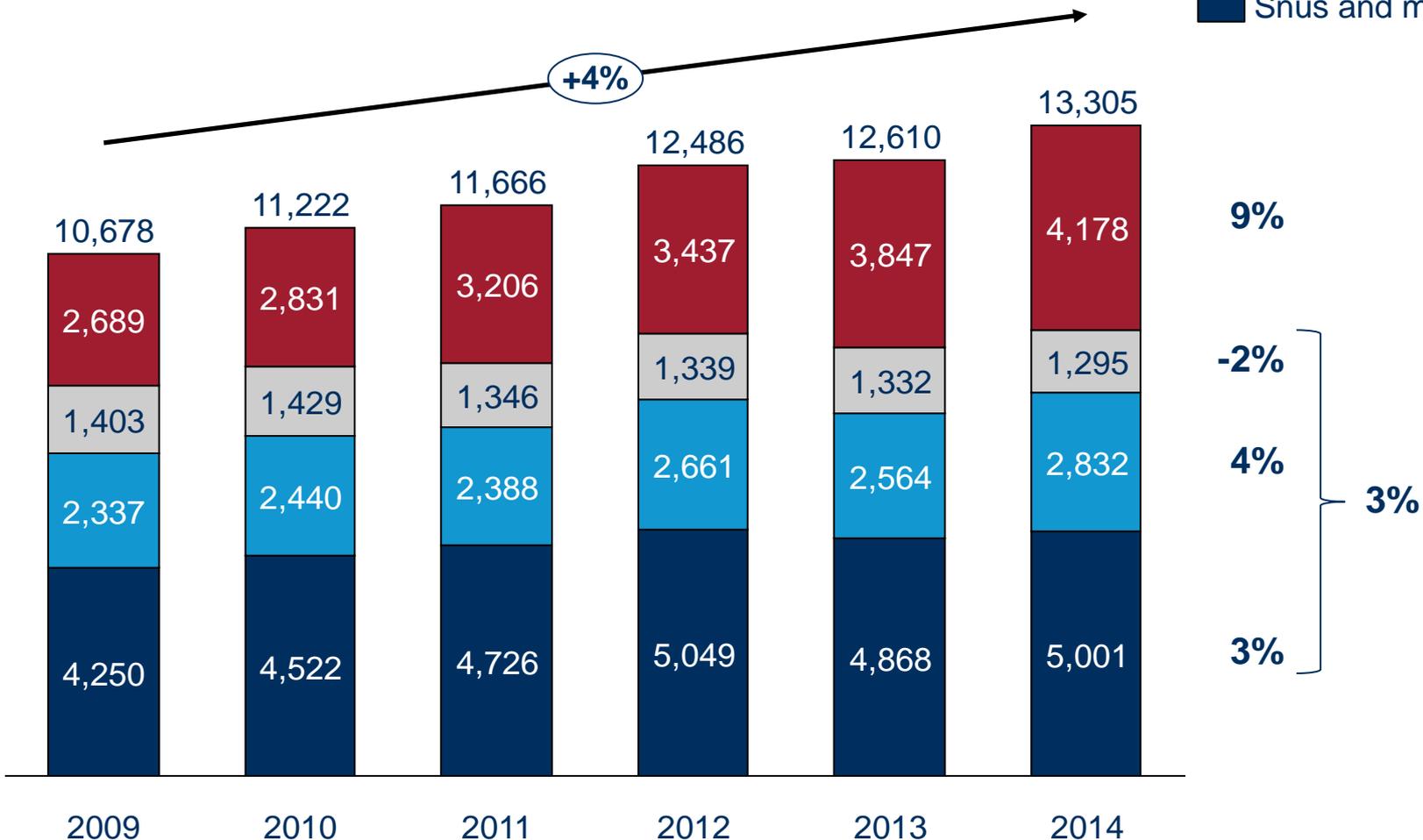
Source: Euroclear, official registry and SIS Ägaranalys.

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

Comparable sales

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

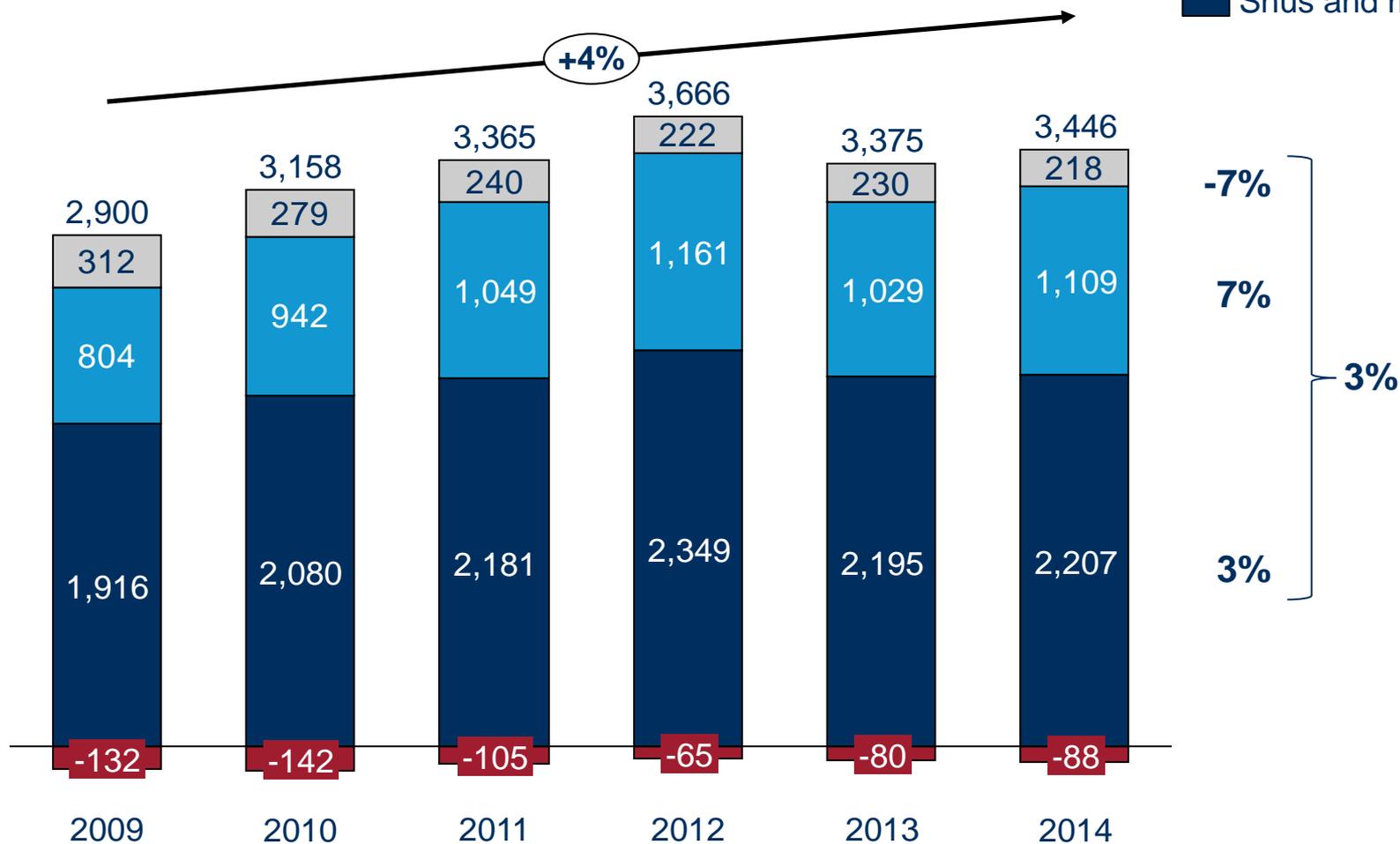
- Other operations
- Lights
- Other tobacco products
- Snus and moist snuff



Comparable operating profit

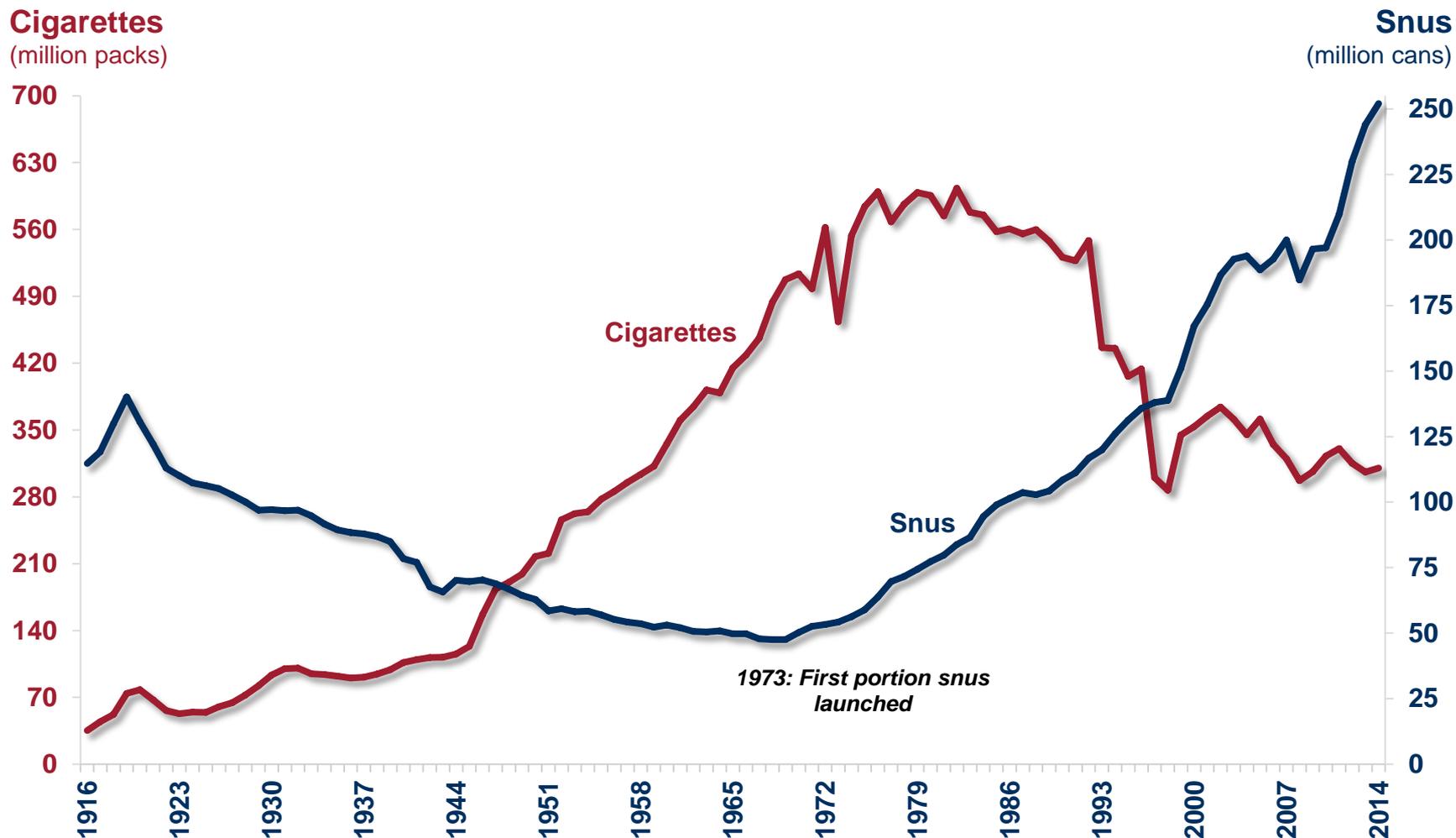
Excluding businesses transferred to STG (MSEK)
CAGR 09-14

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



Competing with cigarettes is not new to Swedish Match

Volume development for cigarettes and snus in Sweden since 1916



Source: Swedish Match estimates.