

# SWEDISH MATCH INVESTOR KIT

## Q3 2016



# A look at the quarter

## Q3 HEADLINE BULLETS

- Sales increased by 10 percent to 4,118 MSEK (3,756) for the third quarter. In local currencies, sales increased by 9 percent.
- Operating profit from product areas<sup>1)</sup> increased by 11 percent to 1,089 MSEK (979) for the third quarter. In local currencies, operating profit from product areas<sup>1)</sup> also increased by 11 percent.
- Operating profit<sup>2)</sup> amounted to 2,694 MSEK (1,065) for the third quarter, including larger one-time items of 1,550 MSEK relating to a capital gain from the partial divestment of STG and an unrealized gain from revaluing Swedish Match's remaining shareholding in STG to market value.
- Earnings per share amounted to 12.32 SEK (3.84) for the third quarter. Earnings per share, excluding STG and adjusted for larger one-time items amounted to 3.76 SEK (3.39).
- In September, Swedish Match reduced its ownership in STG from 31.1 percent to 18.1 percent. The Board of Directors propose to distribute the proceeds from this sale as a special dividend of 9.50 SEK per share subject to approval by an extraordinary shareholders' meeting on December 15.
- In September, a public bond of 300 MEUR was issued with the primary purpose of refinancing a larger bond maturity falling due in November 2017.

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. The third quarter only includes Swedish Match's share of STG's net profit until the date of partial divestment in September 2016, thereafter, the shareholding in STG has been reclassified as a financial asset.

## KEY DEVELOPMENTS IN THE THIRD QUARTER

- **A new record operating profit from product areas.**
- **Sales grew for all product areas and operating profit grew for all product areas except for Other operations.**
- **Continued market growth for snus in Scandinavia and the US, moist snuff in the US and for cigars in the US.**
  - Somewhat slower growth for snus in Scandinavia compared to previous quarters of the year.
- **Swedish Match's Scandinavian shipment volumes for snus down but consumption estimated to be up slightly when excluding calendar effects.**
- **Positive net pricing for snus in Scandinavia as a result of modest price increases in the beginning of the year which more than offsets limited negative mix effects.**
- **Volume growth for moist snuff with strong growth for both pouches and tubs.**
- **Very strong performance for cigars with volume growth across the portfolio and a record quarter for cigars.**
- **Continued soft volumes for US chewing tobacco, sales and profits up slightly in the US. Total chewing tobacco profits down slightly from non-US investments.**
- **Strong performance for Lights, driven by lighters and complementary products.**
- **FDA deeming regulations for cigars in force from August 8.**
- **Successful placement of shares in STG.**
- **Refinancing of 2017 bond maturity at record low interest rates for Swedish Match.**

# Overview by product area

# SNUS AND MOIST SNUFF: Q3 COMMENTARY

## Growth in both sales and operating profit and higher operating margin

- **Continued Scandinavia market growth, albeit at a somewhat slower rate.**
  - Market growth somewhat slower following anniversary of the introduction of *XRANGE*.
- **Shipment volumes in Scandinavia negatively affected by calendar effects.**
  - Swedish Match's underlying volumes up slightly.
  - Sales growth stronger than volume development as a result of positive net pricing.
- **US moist snuff sales up.**
  - Volumes up, more promotional activity than in prior year period.
  - The average price for moist snuff was largely flat year on year (pricing offset by mix and promotions)
- **Lower operating loss for snus and nicotine pouches outside Scandinavia.**
  - Snus sales in the US up on higher volumes and better realized pricing.
  - ZYN now in close to 3,000 stores.
  - Reduced operation loss for snus and nicotine pouches outside Scandinavia on increased gross profit and lower costs.
- **Operating profit and operating margin higher.**
  - Operating profit increased driven by reduced operating loss for snus and nicotine pouches outside Scandinavia.



MSEK	Q3-2016	Q3-2015	chg	9m-2016	9m-2015	chg	Oct 2015- Sep 2016	Full year 2015	chg
Sales	1,338	1,311	2	3,922	3,773	4	5,239	5,090	3
Operating profit	577	556	4	1,656	1,525	9	2,201	2,071	6
Operating margin, %	43.1	42.4		42.2	40.4		42.0	40.7	

# SNUS AND MOIST SNUFF

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

	July-September			January-September			Full year 2015
	2016	2015	chg %	2016	2015	chg %	
Snus, million of cans, Scandinavia	60.5	61.2	-1*	179.0	171.8	4*	237.9
Moist snuff, millions of cans, US	35.9	34.7	3	104.4	103.4	1	132.1

\* Underlying shipments up slightly in Q3, up by less than 3% YTD.



Source: Swedish Match and industry estimates.

# SCANDINAVIAN MARKET GROWTH AND SHARE ESTIMATES

- **Scandinavian snus market up by 3% in volume terms in Q3\*.**
  - The Scandinavian market continued to grow but at a slower rate than in previous quarters in 2016.
  - Continued share gains for *XRANGE* in Sweden and *General G.3* in Norway.
    - *General G.3* Super Slim Mint adding to share gains for *General G.3* range in Norway.
  - Swedish Match's market share in Sweden was down primarily due to share loss in the value segment.
    - The value segment's share of the market was only slightly higher than a year ago and slightly below previous quarter.
  - Swedish Match's market share in Norway continued to decline.
    - Contraction of loose segment contributed to overall market share erosion.

## Swedish Match's market shares\*\*

Percent	July-September			January-September			Full year 2015
	2016	2015	chg ppts	2016	2015	chg ppts	
Snus, Sweden, total	67.4	69.3	-1.9	67.8	69.0	-1.2	69.1
Snus, Sweden, premium	92.4	93.2	-0.8	92.9	93.5	-0.6	93.5
Snus, Sweden, value	37.8	39.8	-2.1	38.6	39.7	-1.0	39.9
Snus, Norway, total	53.2	56.1	-2.9	53.8	57.1	-3.3	56.7

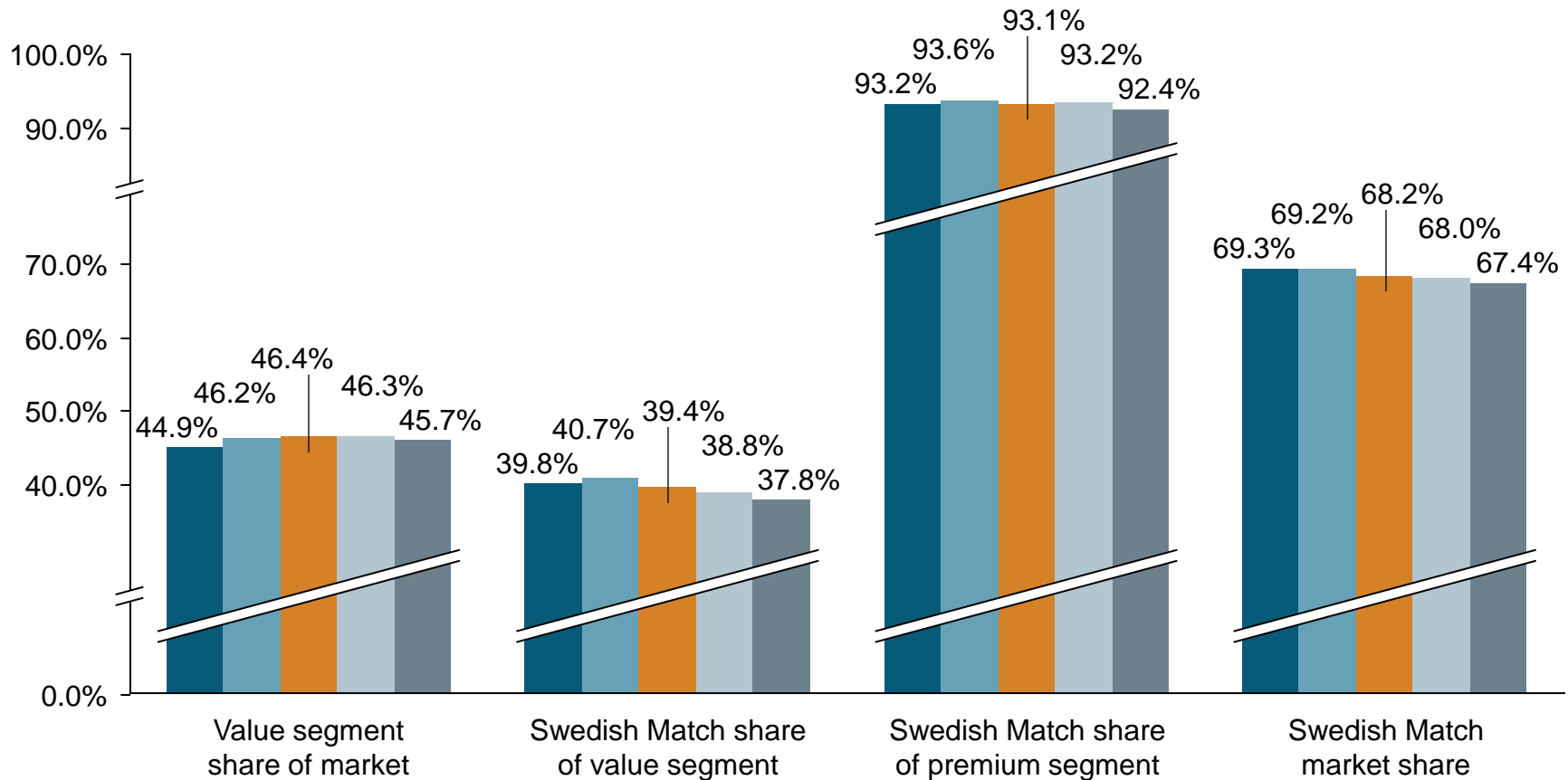
\* Source: Swedish Match estimates.

\*\* Swedish Match estimates using Nielsen data (excl. tobacconists due to small sample of tobacconists in Nielsen data). 13 weeks and YTD to September 25, 2016. All figures for the Swedish market have been restated to include nicotine free products (i.e. Onico etc.), as well as changes in Nielsen store measurement.



# SWEDEN – MARKET SHARE DYNAMICS – VOLUME SHARES

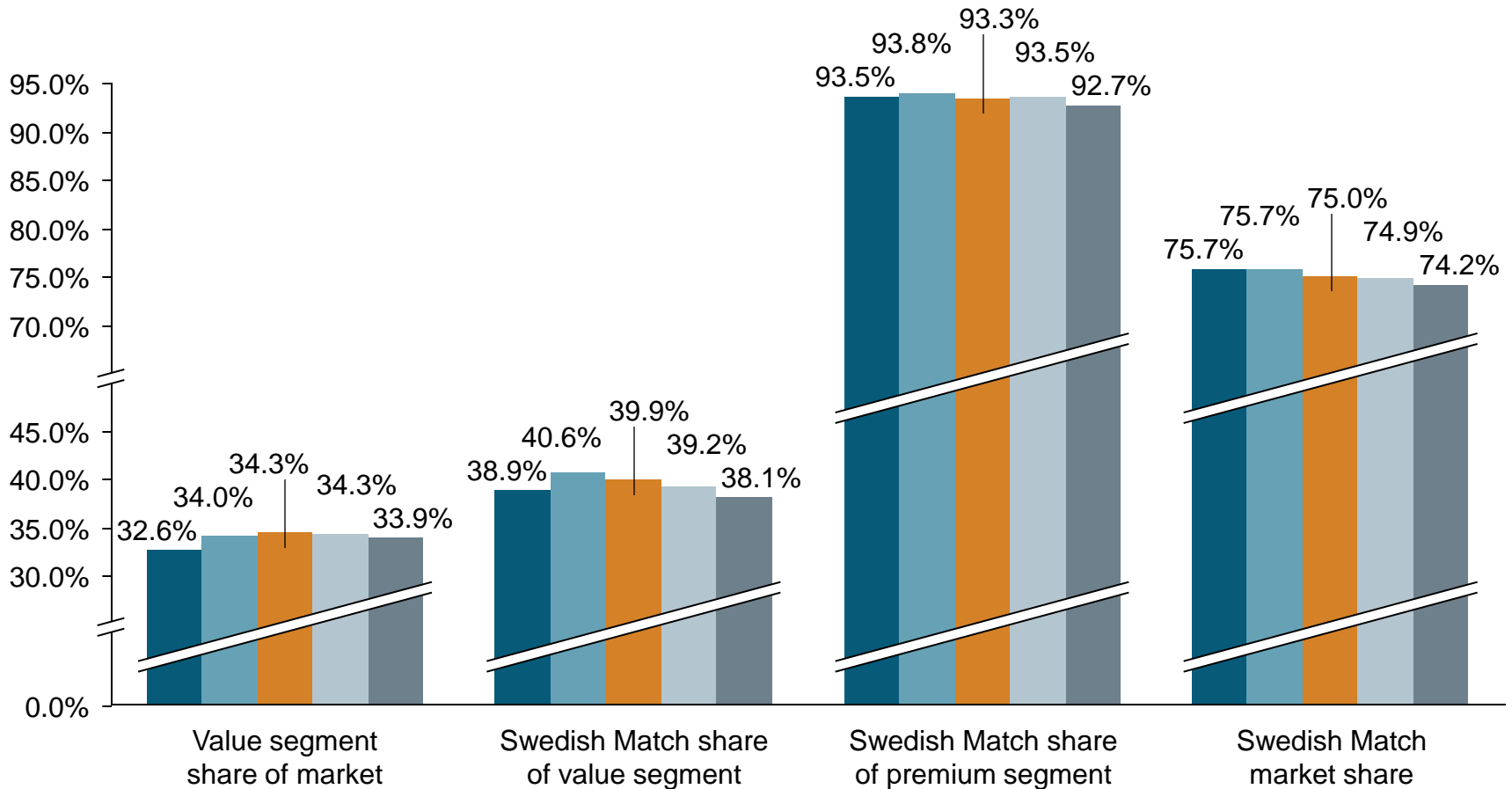
■ Q3 2015 
 ■ Q4 2015 
 ■ Q1 2016 
 ■ Q2 2016 
 ■ Q3 2016



Source: Nielsen DVH+SVH excluding tobaccoconists. Segmentation by Swedish Match. Numbers restated due to changes in Nielsen store measurement.

# SWEDEN – MARKET SHARE DYNAMICS – SEK SHARES

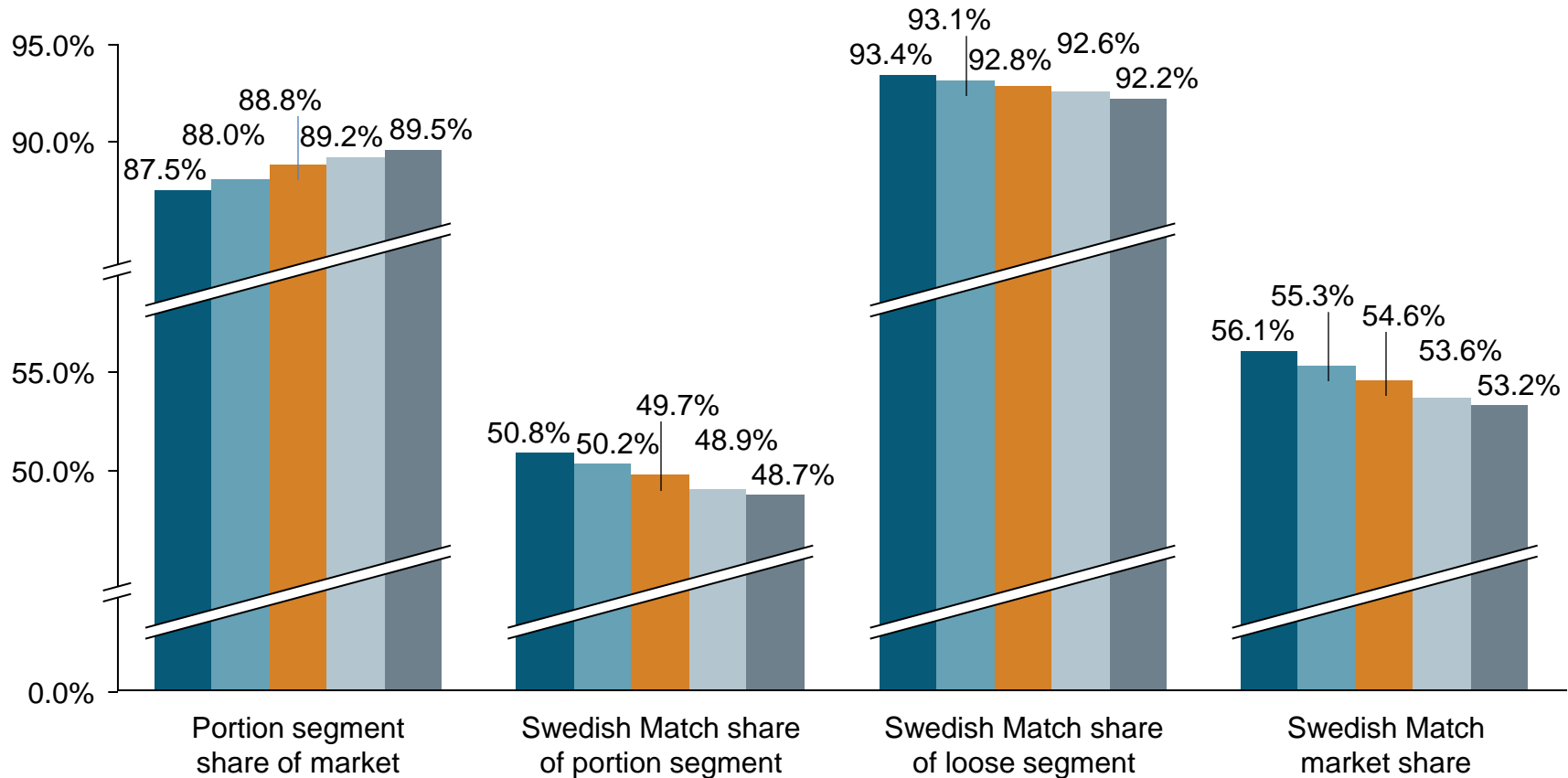
■ Q3 2015 ■ Q4 2015 ■ Q1 2016 ■ Q2 2016 ■ Q3 2016



Source: Nielsen DVH+SVH excluding tobaccoconists. Segmentation by Swedish Match. Numbers restated due to changes in Nielsen store measurement.

# NORWAY – MARKET SHARE DYNAMICS – VOLUME SHARES

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



Source: Nielsen DVH+SVH excluding tobaccoconists.

# SCANDINAVIAN PRODUCT LAUNCHES SUPPORT VOLUME

- **XRANGE in Sweden**

- Continued share growth for *XRANGE*, now with 6.8% of the market.
- Contributed to more stable premium segment.

- **OMNI in Sweden**

- All white portion snus.
- In limited distribution.

- **Norway**

- *General G.3* range continued to gain share in the third quarter, with more than 9% of market, and more than 10% of pouch segment.
- New super slim pouch product for *General G.3* shows good share development.



# US SNUS AND MOIST SNUFF MARKET GROWTH AND SHARE ESTIMATE

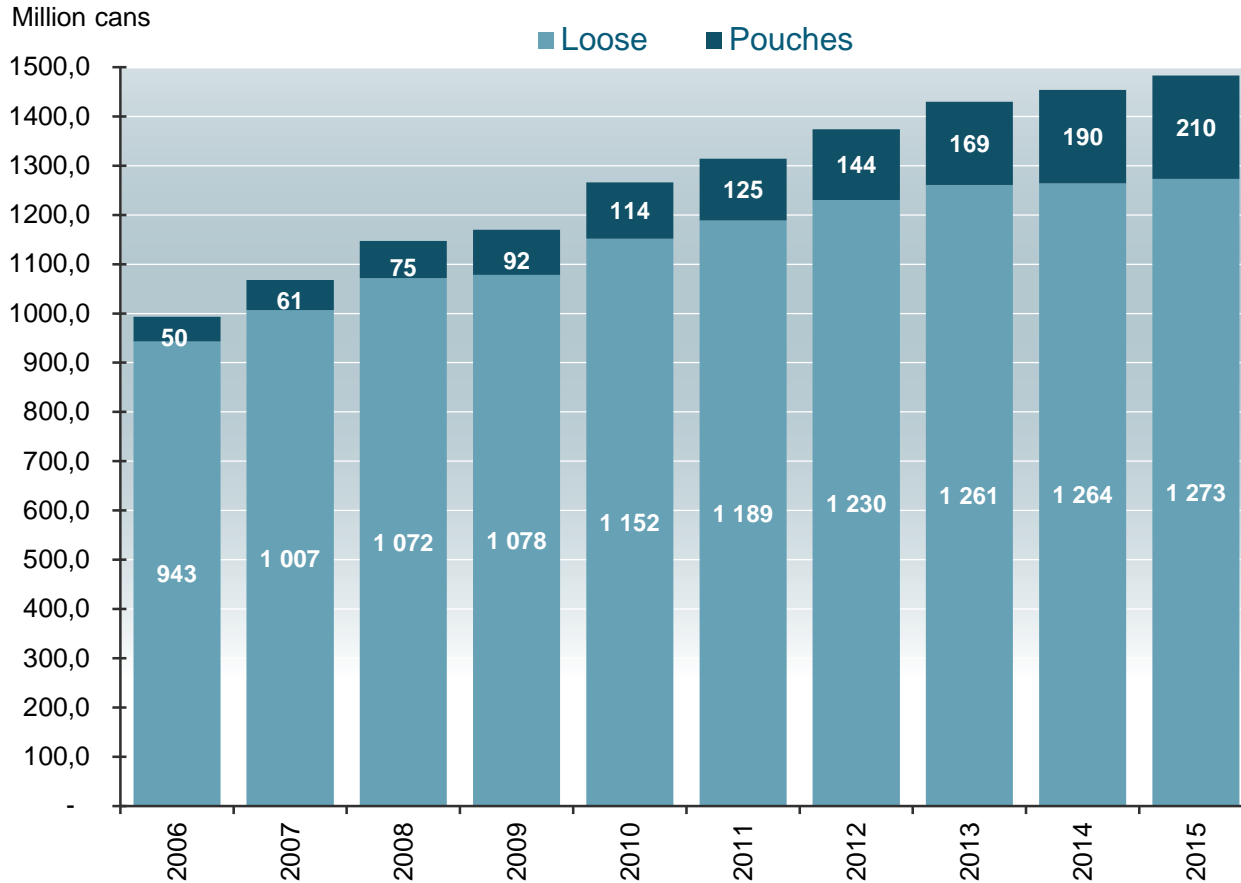
- **US moist snuff market volume estimated to be up by slightly more than 3% for the third quarter.**
  - Category growth continues to be driven by pouches.
- **Swedish Match estimates its moist snuff volume market share at 8-9%.**
  - Share of pouch segment on par with prior year.
- **US snus market volume estimated to be up by approximately 10% YTD.**
  - *General snus share of snus market in the range of 10%.*



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**

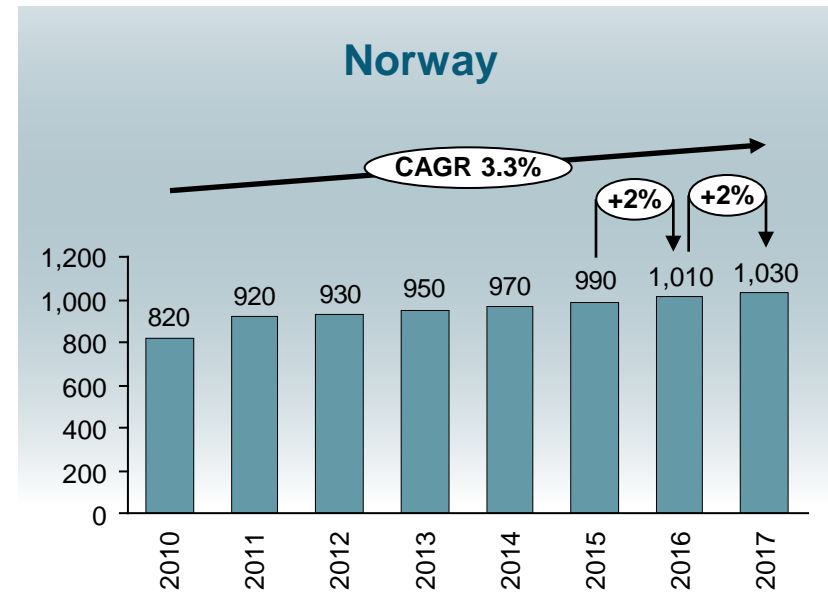
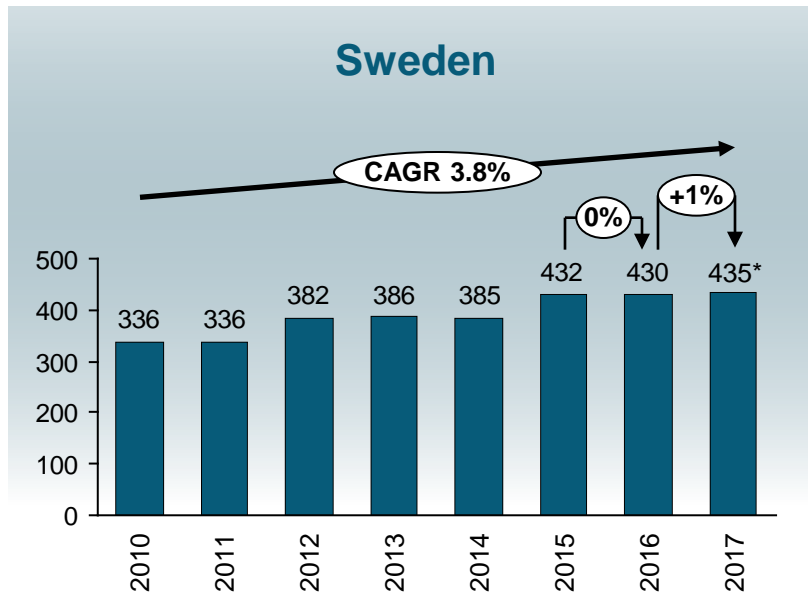


Source: Swedish Match and industry estimates.

## ● Tobacco tax in Sweden and Norway

- Excise tax increase in Sweden anticipated\* to be in effect from January 1, 2017.
  - Tax increase expected to go from 430 SEK/kg to 435 SEK/kg.
- Excise tax increase announced in Norway, to be in effect from January 1, 2017.
  - Tax increase from 1,010 NOK/kg to 1,030 NOK/kg.

### Excise tax per kg of snus in Sweden and Norway



\*Pending formal decision by parliament in November.

# OTHER TOBACCO PRODUCTS (OTP): Q3 COMMENTARY

## Cigar volumes reached a record level

- **Strong growth in both sales and operating profit for the product area.**
- **Sales, operating profit, and volumes up for cigars.**
  - Operating profit increased on record high cigar volumes.
  - Cigar volume growth of 29% from continued strong volume development of natural leaf cigars, as well as volume growth for HTL cigars.
  - Planned factory downtime for cigars in Q4 likely to negatively impact Q4 shipments.
- **Chewing tobacco sales increased, operating profit declined.**
  - US chewing tobacco sales and operating profit up slightly
    - Volumes declined by 7% for own brands in the quarter.
    - Volume decline offset by positive pricing and contribution from higher contract manufacturing shipments.
  - Chewing tobacco profit down somewhat on costs for introduction of chew bags outside of the US.



MSEK	Q3-2016	Q3-2015	chg	9m-2016	9m-2015	chg	Oct 2015- Sep 2016	Full year 2015	chg
Sales	1,166	958	22	3,192	2,873	11	4,147	3,829	8
Operating profit	486	390	25	1,310	1,188	10	1,676	1,554	8
Operating margin, %	41.6	40.7		41.1	41.3		40.4	40.6	



# OTHER TOBACCO PRODUCTS

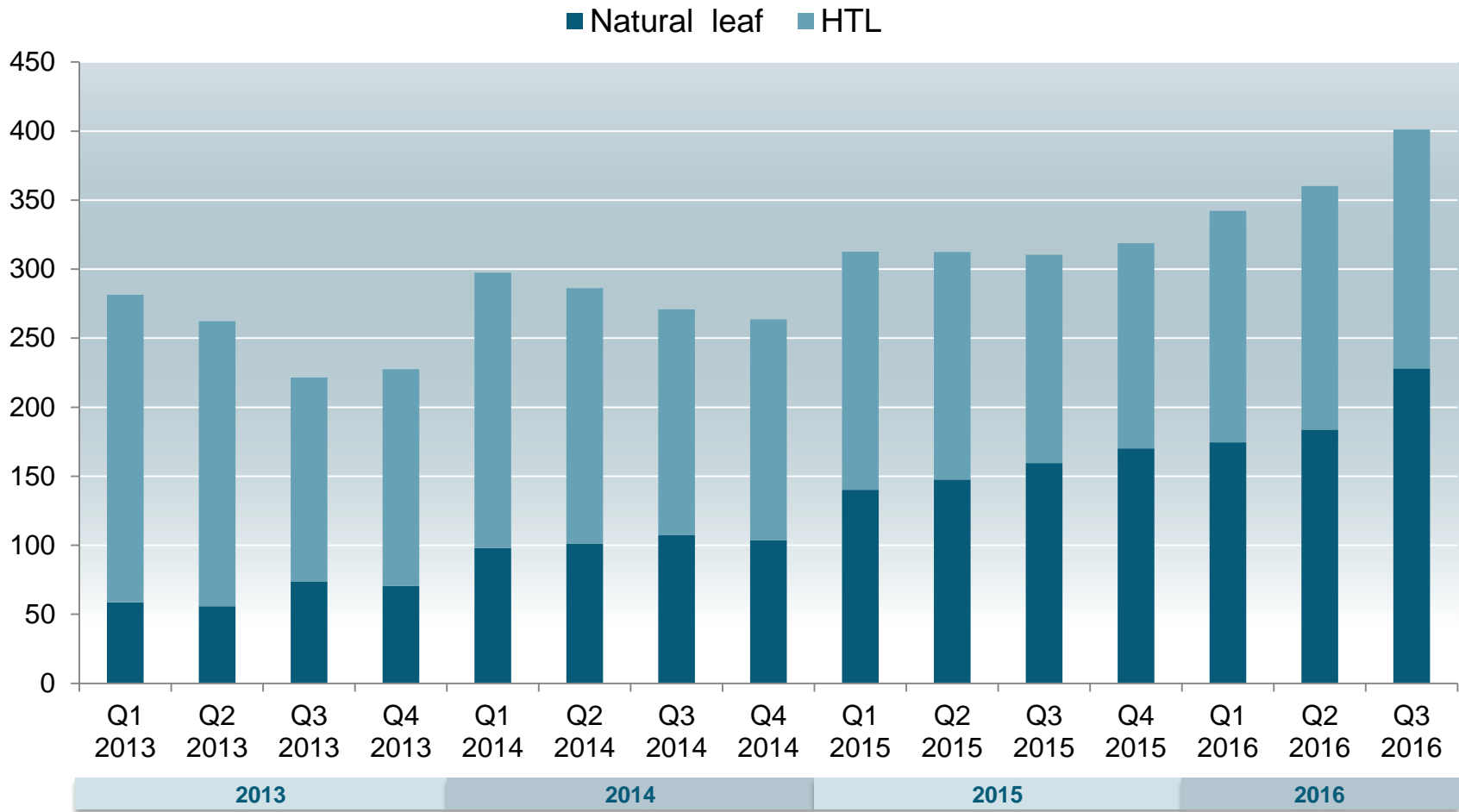
## Swedish Match US shipment volumes for cigars and chewing tobacco

	July-September			January-September			Full year
	2016	2015	chg %	2016	2015	chg %	
Cigars, millions of sticks	402	311	29	1,105	937	18	1,256
Chewing tobacco, thousands of pounds (excl. contract manufacturing)	1,735	1,857	-7	5,269	5,720	-8	7,390



# MASS MARKET CIGAR VOLUMES BY QUARTER AND FORMAT

## Mass market cigar shipments (million sticks)



- **US FDA deeming regulations for cigars in force from August 8**
  - 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 per quarter for Swedish Match.
- **Pennsylvania implementation of excise tax on chewing tobacco.**
  - Likely to have a notable negative impact on chewing tobacco shipments.
  - Pennsylvania currently more than 6% of Swedish Match chewing tobacco shipments.
  - Retail price estimated to go up by more than 2 USD per pouch (tax increase of \$0.55 per ounce, or \$1.65 per pouch).
- **Chew bags in Switzerland**
  - Authorities issued an order with the aim to clarify the distinction between chewing tobacco and other smokeless products (i.e. snus).

## Volume growth for lighters and 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**

- **Higher sales for all products**
  - Growth for lighters, matches as well as complementary products.
- **Operating profit up from strong results for lighters and complementary products**
  - Positive portfolio mix for lighters.
  - Low production and marketing costs for lighters.



MSEK	Q3-2016	Q3-2015	chg	9m-2016	9m-2015	chg	Oct 2015- Sep 2016	Full year 2015	chg
Sales	346	312	11	967	961	1	1,301	1,295	0
Operating profit	61	47	29	157	140	12	207	190	9
Operating margin, %	17.6	15.2		16.2	14.6		15.9	14.7	

# Overview of tax, cash flow and financing

## TAX, CASH FLOW AND FINANCING (FIRST NINE MONTHS)

- **A reported tax rate of 12.9 percent**
  - Reported tax rate impacted by tax exempt larger one-time items.
  - The tax rate excluding larger one-time items and income from associated companies amounted to 24.5 percent (24.5).
- **Net finance cost increased to 346 MSEK (335) affected by costs of temporary nature**
  - Costs of 67 MSEK included in net finance cost from repurchase of bond maturities.
  - Excluding these costs, the net finance cost was lower on lower average interest rates.

## TAX, CASH FLOW AND FINANCING (FIRST NINE MONTHS)

### ● **Strong cash flow including proceeds from divestments**

- Cash flow from operating activities for the first nine months was 2,559 MSEK (3,199) including a dividend received from STG of 191 MSEK (816: 261 ordinary plus 555 special dividend).
- Positive net cash flow from investing activities as a result of the partial divestment of STG in two tranches (3,923 MSEK) and the sale of a distribution center building (145 MSEK).
- Investments in property, plant and equipment increased to 373 MSEK (218), from increased capital investments primarily in the snus and cigar businesses. Investments in intangible assets increased to 125 MSEK (7), affected by an investment in patent rights for a nicotine pouch product without tobacco.
- Full year investments in property, plant and equipment are expected to be in line with prior year.

### ● **High shareholder returns with share buybacks and both ordinary and special dividends**

- Share repurchases of 3.4 million shares for 999 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.
- Excess cash to be returned to shareholders.
- Net debt not to exceed 3 times EBITA\*.
- Proposed special dividend of 9.50 SEK per share or approximately 1,763 MSEK, following the partial divestment of STG in September.

## ● Financing and liquidity

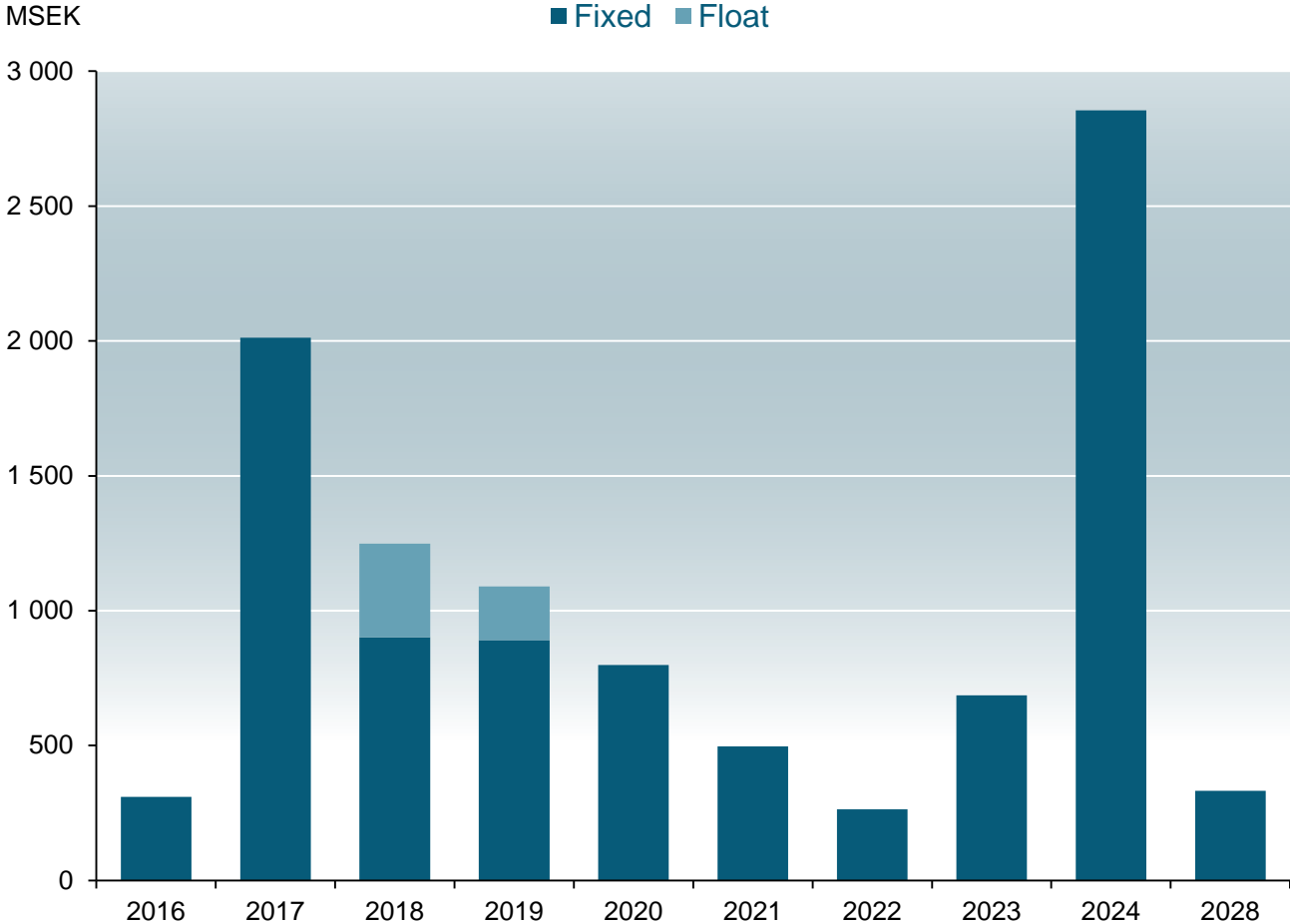
- Public bond issuance (300 MEUR with maturity in 2024) at record low interest rate of 2.1%.
- Primary purpose of public bond issuance to ensure refinancing of large bond maturity in 2017.
- Repurchase of 100 MEUR of the 2017 bond maturity via a public tender.
- The net finance cost for the quarter included costs of 67 MSEK for the repurchase of the 2017 bond maturity.
- Excluding bond repurchase, interest costs have decreased due primarily to lower interest rates.
- Cash and cash equivalents per September 30 amounted to 5,199 MSEK including the proceeds from the partial divestment of STG in September and the proceeds from the public bond issuance net repurchased bond maturity.
- Net debt/EBITA\* per September 30 was at 1.7x, reflecting the proceeds received from the partial divestment of STG in September, compared to 2.1x 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 September 30, 2016



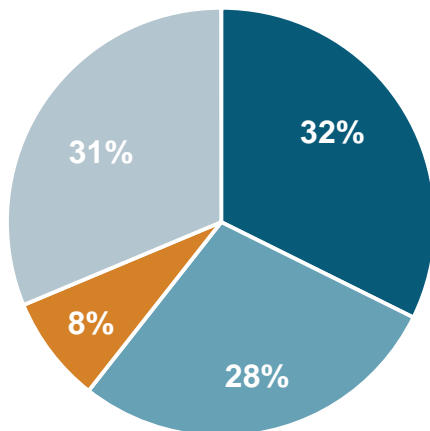
# Financials

# SALES AND OPERATING PROFIT

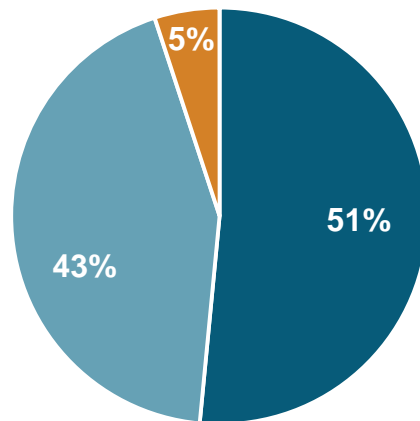
## Sales and operating profit by product area

### Q3 2016

Sales, SEK



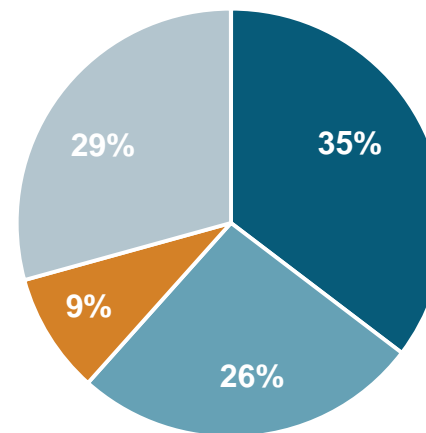
Operating profit\*, SEK



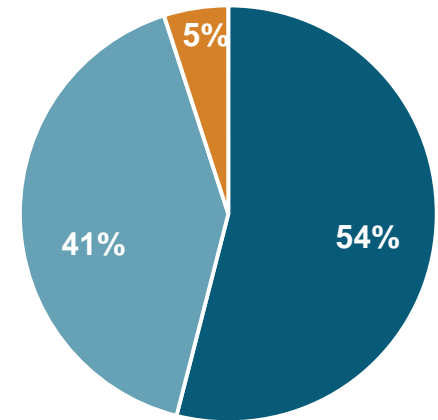
- Snus and moist snuff
- Other tobacco products
- Lights
- Other operations

### Full year 2015

Sales, SEK



Operating profit\*, SEK

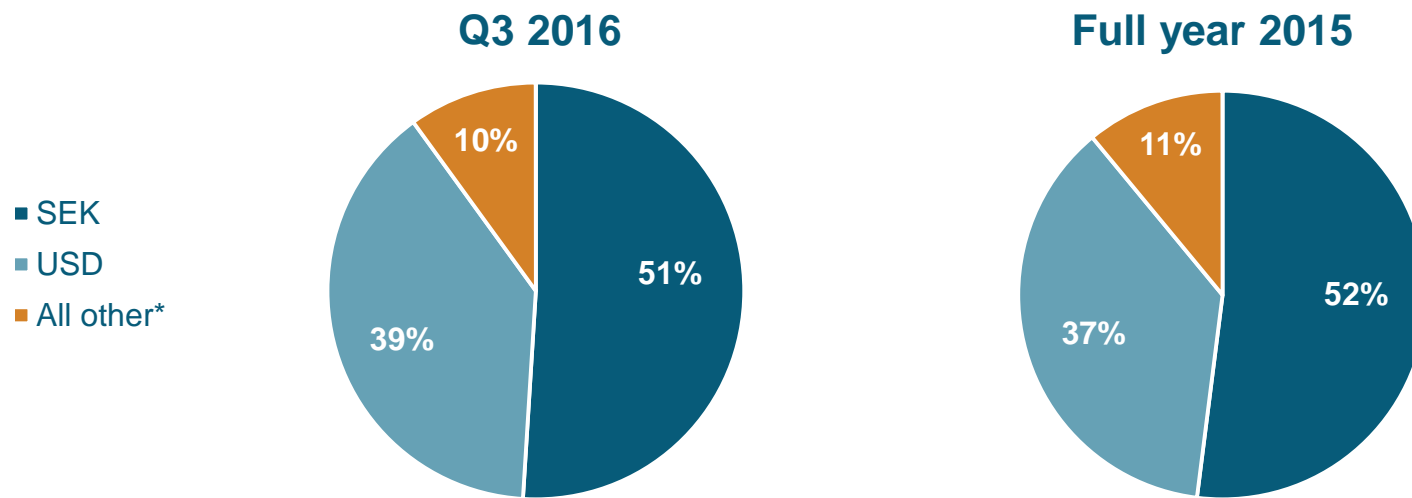


- Snus and moist snuff
- Other tobacco products
- Lights
- Other operations

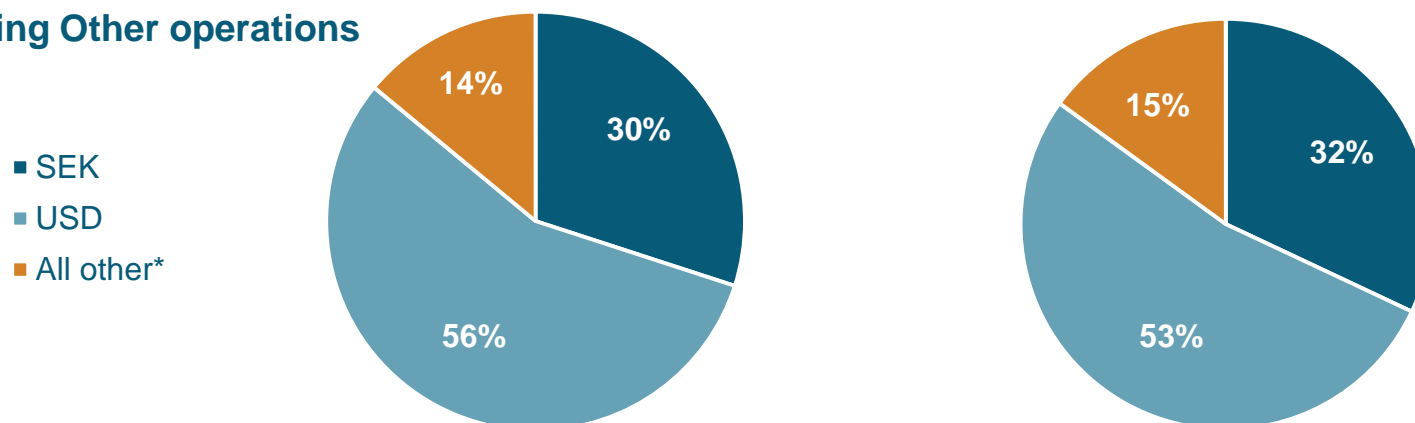
\* Excluding Other operations, share of net profit in STG. Totals may not add up due to rounding.

# 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	Q3-2016	Q3-2015	chg %	9m-2016	9m-2015	chg %	Oct 2015- Sep 2016	Full year 2015	chg %
<b>Sales</b>	<b>4,118</b>	<b>3,756</b>	<b>10</b>	<b>11,594</b>	<b>10,767</b>	<b>8</b>	<b>15,313</b>	<b>14,486</b>	<b>6</b>
Cost of goods sold	-2,222	-2,011		-6,209	-5,692		-8,214	-7,697	
<b>Gross profit</b>	<b>1,896</b>	<b>-1,745</b>	<b>9</b>	<b>5,385</b>	<b>5,075</b>	<b>6</b>	<b>7,099</b>	<b>6,789</b>	<b>5</b>
Selling and administrative expenses	-808	-745		-2,351	-2,258		-3,158	-3,065	
Share of profit/loss in associated companies and joint ventures*	56	66		177	325		180	327	
Sale of STG shares	648	-		1,208	-		1,208	-	
Gain on fair value of STG shares	902	-		902	-		902	-	
Sale of distribution facility	-	-		145	-		145	-	
Relocation of distribution facilities	-	-		-	-42		-	-42	
<b>Operating profit*</b>	<b>2,694</b>	<b>1,065</b>	<b>153</b>	<b>5,466</b>	<b>3,100</b>	<b>76</b>	<b>6,374</b>	<b>4,008</b>	<b>59</b>
Finance income	15	6		29	14		38	22	
Finance costs	-165	-111		-375	-349		-512	-486	
Net finance cost	-149	-106		-346	-335		-474	-463	
<b>Profit before income tax*</b>	<b>2,545</b>	<b>960</b>	<b>165</b>	<b>5,120</b>	<b>2,765</b>	<b>85</b>	<b>5,901</b>	<b>3,545</b>	<b>66</b>
Income tax expense	-239	-219		-659	-598		-803	-742	
<b>Profit for the period*</b>	<b>2,306</b>	<b>741</b>	<b>211</b>	<b>4,461</b>	<b>2,167</b>	<b>106</b>	<b>5,097</b>	<b>2,803</b>	<b>82</b>
Earnings per share, basic, SEK	12.32	3.84		23.77	11.14		27.05	14.48	
Earnings per share, excl. STG, basic, SEK	12.03	3.39		22.83	9.29		26.12	12.62	
Earnings per share, excl. STG, adjusted, basic, SEK*	3.76	3.39		10.82	9.46		14.16	12.79	

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

## BALANCE SHEET IN SUMMARY

MSEK	September 30, 2016	December 31, 2015
Intangible assets	1,177	1,048
Property, plant and equipment	2,459	2,240
Investments in associated companies and joint ventures	120	4,845
Other non-current financial receivables*	4,754	1,739
Current operating assets	3,522	3,220
Cash and cash equivalents	5,199	1,732
<b>Total assets</b>	<b>17,232</b>	<b>14,824</b>
Equity attributable to equity holders of the Parent	-576	251
Non-controlling interests	1	1
<b>Total equity</b>	<b>-575</b>	<b>252</b>
Non-current provisions	1,366	1,223
Non-current loans	10,228	7,613
Other non-current financial liabilities*	2,300	1,882
Current provisions	113	147
Current loans	315	653
Other current liabilities	3,485	3,054
<b>Total equity and liabilities</b>	<b>17,232</b>	<b>14,824</b>

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

## CASH FLOW IN SUMMARY

MSEK	Jan-Sep 2016	Jan-Sep 2015
<b>Cash flow from operating activities before changes in working capital</b>	<b>2,590</b>	<b>3,216</b>
Cash flow from changes in working capital	-31	-17
<b>Net cash from operating activities</b>	<b>2,559</b>	<b>3,199</b>
Purchase of property, plant and equipment*	-373	-218
Proceeds from sale of property, plant and equipment	145	2
Purchase of intangible assets	-125	-7
Divestments in associated companies and joint ventures*	3,908	-
Investments in associated companies and joint ventures*	-5	-25
Changes in financial receivables etc.	0	0
<b>Net cash from investing activities</b>	<b>3,550</b>	<b>-249</b>
Changes in loans	2,058	-639
Dividend paid to equity holders of the Parent	-3,764	-1,464
Repurchase of own shares	-999	-1,244
Stock options exercised	-	141
Other	25	33
<b>Net cash used in financing activities</b>	<b>-2,680</b>	<b>-3,173</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,429</b>	<b>-223</b>
Cash and cash equivalents at the beginning of the period	1,732	2,312
Effect of exchange rate fluctuations on cash and cash equivalents	38	84
<b>Cash and cash equivalents at the end of the period</b>	<b>5,199</b>	<b>2,172</b>

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

# KEY RATIOS

MSEK	Jan-Sep 2016	Jan-Sep 2015
Operating margin, %	27.7	29.2
Operating capital, MSEK	6,365	8,034
Return on operating capital, % (12 months ended September 30, 2016)	57.2	
EBITDA, MSEK*	3,460	3,380
EBITA, MSEK*	3,251	3,175
Net debt, MSEK	6,885	7,820
Investments in property, plant and equipment, MSEK*	373	218
EBITA interest cover	9.6	9.6
<i>Excluding share of net profit in STG</i>		
EBITA, MSEK*	3,075	2,815
Net debt/EBITA* (12 months ended September 30, 2016)	1.7	
<b>Share data</b>		
Shares outstanding, end of period (Mio)	185.5	191.5
Average number of shares outstanding, basic (Mio)	187.7	194.5

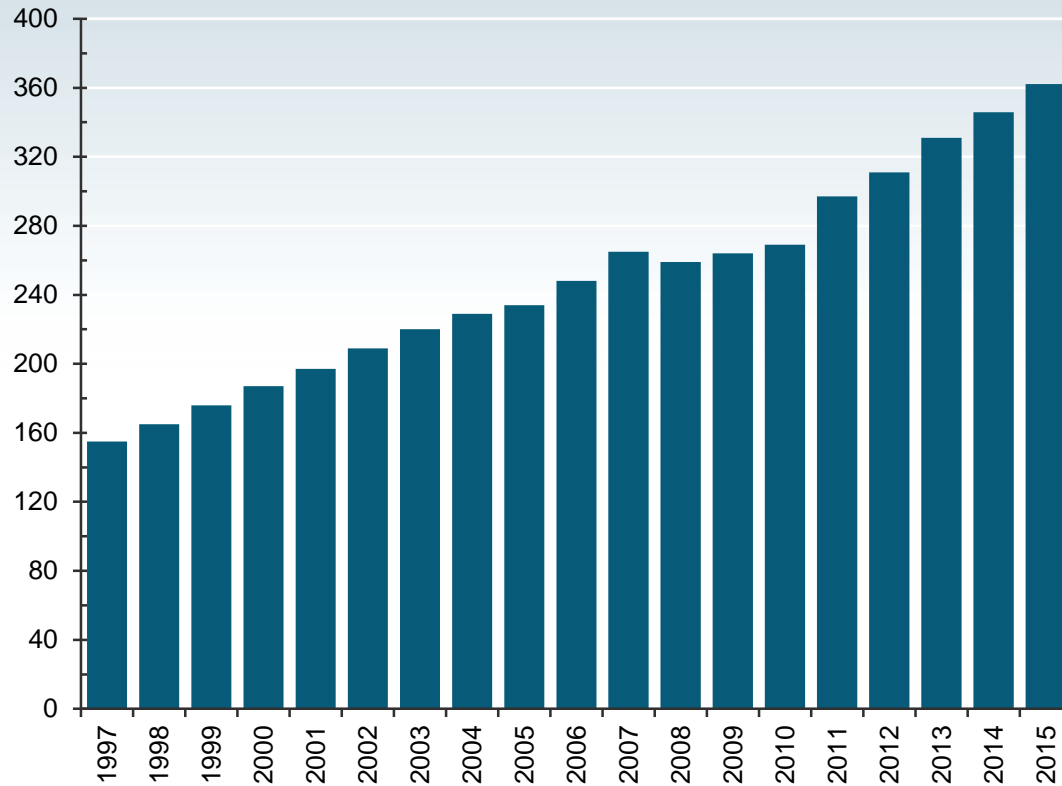
\* For full detail, please refer to notes in the January-September 2016 report.



# Further information

# ESTIMATED SNUS CONSUMPTION IN SCANDINAVIA

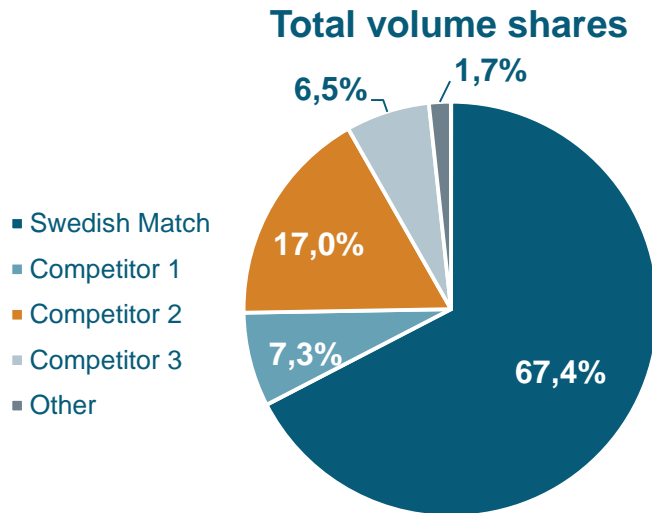
Million cans



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



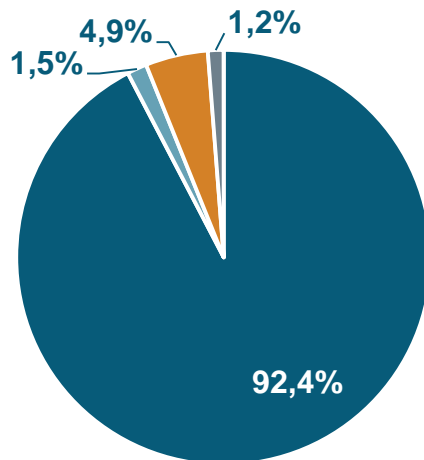
# MANUFACTURER SHARE BY PRICE SEGMENT, SWEDEN



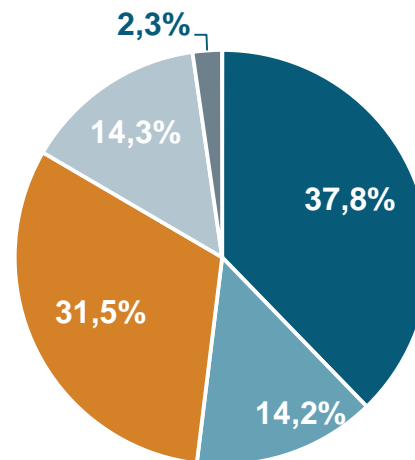
**25 September 2016  
(4 weeks ending),  
Swedish Match share of:**

Premium segment: 92.8%  
Value segment: 38.0%  
Total market: 67.4%

**Share of premium segment**



**Share of value segment**

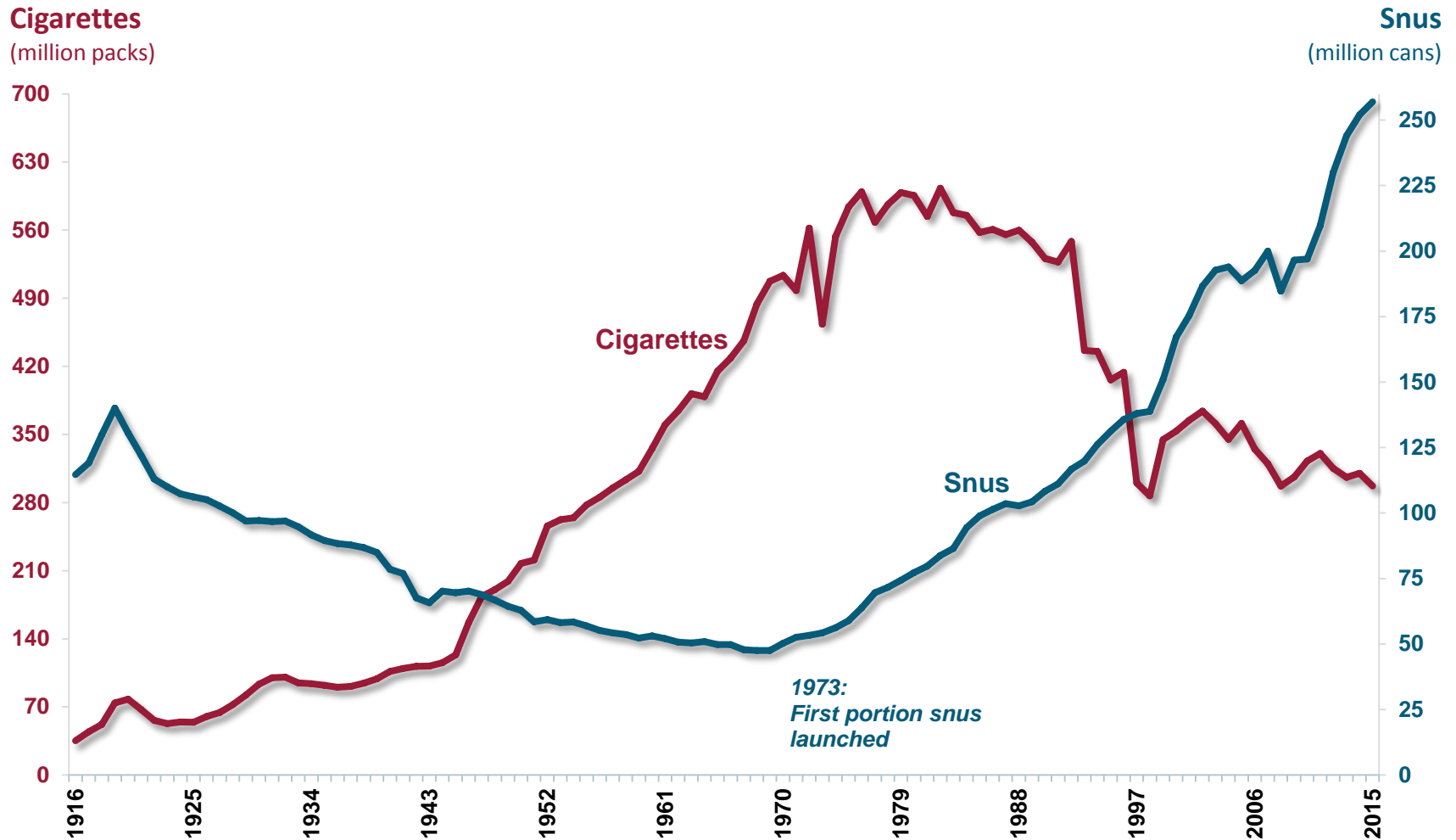


Source: Swedish Match estimates based on Nielsen (excluding tobaccoists), 13 weeks ending September 25, 2016.

All figures for the Swedish market have been restated to include nicotine free products (i.e. Onico etc.). Restatement for store measurement.

# 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)

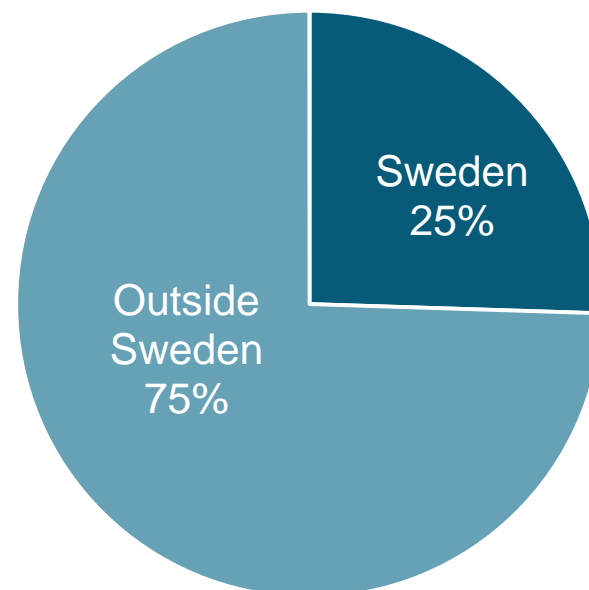
- **STG listed on Nasdaq Copenhagen on February 10 and Swedish Match sold 17.9 million shares, thereby holding 31.1 million shares corresponding to 31.1% of the total number of shares and votes in STG.**
- **Swedish Match divested another 13 million shares in STG on September 7 at a price of 106 DKK per share and Swedish Match's proceeds, net of transaction costs, from the 2nd sale amounted to 1,752 MSEK.**
- **Swedish Match now owns 18.1 million shares. The tax-free capital gain amounted to 648 MSEK, recognized as a larger one-time item in Q3.**
- **Equity accounting is no longer applicable. The shareholding has been reclassified to a financial asset.**
- **At time of reclassification a tax-free unrealized gain of 902 MSEK was recognized for the revaluation of the shareholding to market value. Following reclassification, shareholding will be valued at market value and the difference in market value will be recognized in other comprehensive income.**
- **Following reclassification, Swedish Match has ceased to recognize its share of net profit in STG in the profit and loss. The third quarter reporting only includes share of STG's net profit up until the 2nd divestment. The Q3 reporting includes Swedish Match's share (based on 31.1 percent) of 2/3 of STG's net profit for the 2nd quarter (based on one quarter lag reporting).**

# LARGEST SHAREHOLDERS

As of September 30, 2016

10 largest shareholders	
Standard Life Investment Funds	3.0%
Nordea Funds	2.3%
Second Swedish National Pension Fund	2.2%
First Swedish National Pension Fund	2.1%
Invesco Funds	1.8%
SEB Funds	1.7%
Vanguard Funds	1.1%
UBS Funds	1.1%
Third Swedish National Pension Fund	1.0%
Swedbank Robur Funds	0.9%
	17.2%

51,787 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 Q3 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 be 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 period. 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 for snus 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.