

Interim Report JANUARY – MARCH 2016

- Sales increased by 6 percent to 3,557 MSEK (3,368) for the first quarter. In local currencies, sales increased by 7 percent.
- Operating profit from product areas¹⁾ increased by 8 percent to 939 MSEK (866) for the first quarter. In local currencies, operating profit from product areas¹⁾ increased by 10 percent.
- Growth of sales and operating profit from product areas¹⁾ was positively affected by lower trade destocking in Scandinavia in 2016 than in 2015.
- Operating profit²⁾ amounted to 1,711 MSEK (1,014) for the first quarter, including larger one-time items of 704 MSEK relating to the capital gains of the previously announced partial divestment of STG and the divestment of distribution center real estate.
- Earnings per share amounted to 7.44 SEK (3.68) for the first quarter. Adjusted earnings per share increased by 9 percent to 3.71 SEK (3.40)³⁾.
- As previously announced, STG was listed on Nasdaq Copenhagen during the first quarter and in connection with the listing, Swedish Match reduced its ownership in STG from 49 percent to 31.1 percent.

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

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

3) Adjusted for Swedish Match's larger one-time items in 2016 and the adjustment of share of profit in STG for the reassessment of useful lives of certain assets (primarily trademarks) in the first quarter 2015.



CEO Lars Dahlgren comments:

Solid growth in our two largest product areas

Swedish Match made a good start to 2016 and several of the positive trends that we saw during 2015 have continued. In Scandinavia, the snus market demonstrated strong volume growth, and despite a market share loss of about one percentage point, Swedish Match's volumes grew at a healthy rate on an underlying basis. In the US, the cigar market continued to grow, and once again Swedish Match delivered growth well in excess of the category.

With the completion of the IPO of Scandinavian Tobacco Group (STG), we increased focus on our core and generated substantial cash proceeds which will be paid out to our shareholders by means of an extra dividend. During the quarter we completed a small acquisition of patent rights to a nicotine pouch product without tobacco that we have been test marketing under license on a small scale with promising results in the US. In March we also began our first new international smokeless initiative following the dissolution of the SMPM International joint venture, as we selectively launched a modern form of chewing tobacco under the *General* brand name in Switzerland. In February we inaugurated our new distribution center in Kungsängen outside Stockholm. The two former distribution centers have been closed and the building in Solna has been sold.

Our reported growth in sales and operating profit was very strong, but it should be noted that the comparability of our financial results has been affected by several items of a non-recurring or temporary nature. The STG IPO and the sale of the Solna building generated tax exempt capital gains, which have been recorded as larger one-time items. Within operating profit from product areas, Snus and moist snuff particularly benefitted from certain timing effects. In Scandinavia, the unwinding of year-end hoarding in the trade has negatively affected shipment volumes to a larger extent in the first quarter of 2015, and the operating loss for snus outside Scandinavia was lower in the first quarter of 2016 than our expected run-rate for the remainder of the year. On the other hand, currency translation effects were negative for both sales and operating profit as the marginally stronger USD had a limited positive effect which was more than offset by negative effects from the weaker Norwegian krone and the weaker Brazilian real.

On an underlying basis (adjusted for currency translation and items of a temporary nature) operating profit grew for all product areas except for Lights. For Snus and moist snuff there was an underlying improvement of the results for both Scandinavia and the US. For Other tobacco products the continued strong momentum for cigars more than compensated for a relatively weak quarter for chewing tobacco. For Lights the decline in underlying operating profit was driven by poor volumes for matches.

In summary, the first quarter marks a promising start for 2016, and I look forward to continued progress for the remainder of the year and beyond.

Summary of consolidated income statement

MSEK	January-March 2016	January-March 2015	Chg %	Full year 2015
Sales	3,557	3,368	6	14,486
Operating profit from product areas ¹⁾	939	866	8	3,690
Operating profit ²⁾	1,711	1,014	69	4,008
Profit before income tax	1,604	900	78	3,545
Profit for the period	1,404	721	95	2,803
Operating margin from product areas ¹⁾ , %	26.4	25.7		25.5
Operating margin ²⁾ , %	48.1	30.1		27.7
Earnings per share, basic, SEK	7.44	3.68	102	14.48
Earnings per share, adjusted, basic, SEK ³⁾	3.71	3.40	9	14.36

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

2) Including larger one-time items and share of net profit in STG. Larger one-time items for 2016 include the net proceeds from the sale of shares in STG of 560 MSEK and proceeds from the sale of a distribution facility of 145 MSEK. The first quarter 2016 share of net profit in STG is reported on a one quarter lag. Larger one-time items for 2015 include costs of 42 MSEK (33 MSEK after tax) on the relocation of distribution facilities. The full year 2015 includes only the first nine months of net profit in STG due to transition to a one quarter lag reporting. Swedish Match's share of net profit in STG for the first nine months of 2015 includes an adjustment of 56 MSEK relating to 2014 due to a reassessment of useful lives of certain intangible and tangible assets (primarily trademarks). See Note 3.

3) First quarter 2016 is adjusted for Swedish Match larger one-time items. First quarter 2015 is adjusted for the above-mentioned STG reassessment of useful lives. Full year 2015 (excluding share of STG's net profit for the fourth quarter 2015 due to changed reporting) is adjusted for the above-mentioned larger one-time items and STG reassessment of useful lives.

The first quarter

(Note: Comments below refer to the comparison between the first quarter 2016 vs. the first quarter prior year).

Sales

Sales grew by 6 percent to 3,557 MSEK (3,368). Currency translation has affected the sales comparison negatively by 32 MSEK. Sales increased for all product areas except for Lights. In local currencies, sales increased by 7 percent. For Snus and moist snuff and Other operations, growth in sales was positively affected by lower trade destocking in Scandinavia in 2016 than in 2015. Adjusted for trade destocking in Scandinavia and currency translation, total Group sales increased by more than 4 percent.

Earnings

Operating profit from product areas increased by 8 percent to 939 MSEK (866). Operating profit increased for Snus and moist snuff and Other tobacco products but declined for Lights. In local currencies, operating profit from product areas increased by 10 percent. Growth in operating profit was affected by the above mentioned lower trade destocking in Scandinavia.

Operating profit, including the share of net profit in STG on a one quarter lag and larger one-time items amounted to 1,711 MSEK (1,014). During the quarter, the non-taxable capital gains on the partial sale of STG in conjunction with the IPO and the previously announced sale of distribution real estate in Sweden were recognized as larger one-time items of 560 MSEK and 145 MSEK, respectively. Currency translation has affected the comparison of the operating profit negatively by 11 MSEK.

The Group's net finance cost amounted to 107 MSEK (114) and income tax expense amounted to 200 MSEK (179), corresponding to a reported tax rate of 12.5 percent (19.8). The tax rate, excluding associated companies and joint ventures and non-taxable larger one-time items, was 24.0 percent (23.5).

Profit for the period amounted to 1,404 MSEK (721).

Earnings per share (EPS) for the first quarter amounted to 7.44 SEK (3.68). EPS increased by 9 percent to 3.71 SEK (3.40) when adjusted for the larger one-time items in 2016 as well as the adjustment in 2015 for the STG reassessment of useful lives of certain assets (primarily trademarks).



General celebrates 150 years

The history of the General snus brand goes back to 1866 when entrepreneur Johan A. Boman started searching for what he called the “the perfect snus”. It took him four years of development before he was satisfied with his recipe. This was the start of the history of a snus brand which still lives on today.

At a fine dinner party Johan A. Boman was said to have expressed his struggle for perfection: “I can’t settle for anything second-rate. I wish I could, life would be much easier if I could. But second-rate quality takes all the pleasure away from me”.

When Boman couldn’t find a snus that lived up to his personal standards, he took things into his own hands. He travelled around the world collecting the best tobacco leaves he could find and began experimenting with various recipe combinations. He even considered the production process.

In 1866, after four years of experimenting to develop the taste he wanted, he finally found a recipe that he was satisfied with – a blend of 22 different tobaccos topped with a drop of bergamot oil.

With the heritage of Johan A. Boman’s General snus as a base the brand continues to develop and is available today in different varieties both on the Swedish market and internationally. The flavor is spicy with its touch of pepper, and also contains a hint of citrus which originates from the careful seasoning that includes natural citrus oils.





Snus and moist snuff

First quarter highlights:

- Strong market growth and underlying volume development in Scandinavia
- Sales growth in Scandinavia positively affected by differences in trade destocking
- Negative currency impact from the weakened Norwegian krone
- Reduced operating loss for snus expansion outside Scandinavia

Key data

MSEK	January-March		Chg %	Full year 2015
	2016	2015		
Sales	1,245	1,191	5	5,090
Operating profit	521	455	14	2,071
Operating margin, %	41.8	38.2		40.7
EBITDA	563	500	13	2,247
EBITDA margin, %	45.2	42.0		44.1

The first quarter

(Note: Comments below refer to the comparison between the first quarter 2016 vs. the first quarter prior year).

Reported sales for Snus and moist snuff increased by 5 percent, and by 6 percent in local currencies. The sales growth was positively impacted by lower trade destocking in 2016 than in 2015. Underlying sales grew both in Scandinavia and the US. Operating profit growth was also positively affected by destocking effects, as well as a reduced loss for international snus expansion, but negatively affected by the weakened Norwegian krone. Operating profit grew, adjusted for the aforementioned effects. The underlying growth in operating profit was primarily driven by higher volumes in Scandinavia and a higher net average sales price in the US. The total net operating loss for snus expansion outside Scandinavia amounted to 49 MSEK (80) and the reduction of the operating loss was the result of lower marketing spending and improved gross profit. The reduction in marketing spending was partly due to timing. The lower operating loss related to the international snus expansion was the main driver behind the higher operating margin for the product area.

In Scandinavia, both the Swedish and Norwegian markets grew strongly in the quarter. Swedish Match estimates that the total Scandinavian market grew by more than 5 percent on an underlying basis. Swedish Match's shipment volumes measured in number of cans were up 8 percent, and are estimated to have been up by close to 4 percent on an underlying basis. Swedish Match continued to grow share and volume for its X RANGE snus series and also gained market share within the value price segment compared to the prior year period. In Sweden, Swedish Match's volume market share was somewhat down both compared to previous quarter and prior year period. The value segment's share of the market was in line with the previous quarter but slightly up versus the prior year period. In Norway, Swedish Match lost market share both compared to the previous quarter and the prior year's first quarter. Underlying sales in Scandinavia (adjusted for trade destocking and currency translation) increased at a somewhat slower pace than the volume

development as negative mix effects were only partially offset by strong volumes and list price increases. The increase in operating profit was driven by the same parameters as sales.

For *General* snus in the US, sales continued to increase due to a combination of higher volumes and better realized pricing. Operating loss in US dollars was lower due to the improved gross profit and to significantly lower marketing spending for the quarter mainly due to timing effects.

For the US moist snuff business, there were fewer promotions than in the prior year, which negatively impacted the volume development but, along with list price increases, contributed to a notably higher average selling price. Sales and operating profit grew in local currency.

Swedish Match shipment volumes

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

Swedish Match Scandinavian snus market shares¹⁾

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

1) Swedish Match estimates using Nielsen data (excluding tobaccoists): 13 weeks to March 27, 2016. All figures for the Swedish market have been restated to include nicotine free products (i.e. *Onico* etc.).



Other tobacco products (cigars and chewing tobacco)

First quarter highlights:

- Continued good performance for cigars
- Large volume declines in chewing tobacco for the quarter
- Minimal positive currency effects on reported sales and operating profit

Key data

MSEK	January-March		Chg %	Full year 2015
	2016	2015		
Sales	994	933	7	3,829
Operating profit	400	384	4	1,554
Operating margin, %	40.2	41.1		40.6
EBITDA	415	399	4	1,613
EBITDA margin, %	41.8	42.7		42.1

The first quarter

(Note: Comments below refer to the comparison between the first quarter 2016 vs. the first quarter prior year).

Sales and operating profit for Other tobacco products grew both as reported and in local currency. In local currency, sales increased by 5 percent and operating profit increased by 3 percent. The currency effects were only slightly positive as the US dollar average exchange rate was almost on par with the prior year period.

Cigar volumes continued to grow and were up by 10 percent. The US cigar market remained highly competitive but Swedish Match continued to strengthen its presence within the natural leaf segment and in the value segment. Swedish Match's *Game* and *1882* natural rolled leaf brands as well as the value brand *Jackpot* showed especially strong growth in the quarter. Sales and operating profit in local currency increased in line with volume development as positive mix effects partially offset negative price effects.

Chewing tobacco shipments (excluding contract manufacturing volumes) were down by 9 percent and year on year price increases could not fully offset this volume decline. Operating profit in local currency declined due to the lower volumes and somewhat higher operating costs and included a minor operating loss for sales of chew bags in Switzerland.

Swedish Match US shipment volumes

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



Lights (matches, lighters and complementary products)

First quarter highlights:

- Continued negative effects from a weak Brazilian real and lower volumes for matches
- Relatively low lighter volumes but strong mix

Key data

MSEK	January-March		Chg %	Full year 2015
	2016	2015		
Sales	303	331	-9	1,295
Operating profit	42	57	-26	190
Operating margin, %	13.8	17.1		14.7
EBITDA	51	66	-23	228
EBITDA margin, %	16.9	20.0		17.6

The first quarter

(Note: Comments below refer to the comparison between the first quarter 2016 vs. the first quarter prior year).

Sales were down primarily due to lower volumes for matches on a relatively strong prior year period and the substantially weaker Brazilian real. Sales for lighters were slightly down, as lower volumes were largely compensated by a strong mix, and sales for complementary products were up. Operating profit declined due to the lower volumes and higher production costs for matches as well as some costs of a temporary nature for matches.

Swedish Match shipment volumes, worldwide

	January-March		Chg %	Full year 2015
	2016	2015		
Matches, billion sticks	17.7	20.2	-12	73.1
Lighters, million units	92.8	100.6	-8	394.9

Other operations

Other operations consist of the distribution of tobacco products on the Swedish market and corporate overhead costs.

The first quarter

Sales in Other operations for the first quarter amounted to 1,014 MSEK (912). Operating loss for Other operations was 24 MSEK (29). Sales in Other operations for prior year period were negatively affected by destocking following hoarding at the end of 2014.

The new distribution center was opened according to plan in the quarter and the two former distribution centers have been closed. At the end of March, the previously announced sale of the Solna distribution center was closed and a non-taxable capital gain of 145 MSEK was recognized as a larger one-time item.

Scandinavian Tobacco Group

Scandinavian Tobacco Group (STG) is a world leading manufacturer of cigars and pipe tobacco. Through February 9, 2016, Swedish Match owned 49 percent (49 million shares) of STG. On February 10, 2016, STG was listed on Nasdaq Copenhagen and in conjunction with the listing Swedish Match sold 17.9 million shares including a partial exercise of an over-allotment option, which resulted in that Swedish Match now holds 31.1 million shares and the ownership in STG amounts to 31.1 percent. According to the IPO underwriting agreement, there is a lock-in period for the selling shareholders which expires on August 8, 2016.

The final offer price in the IPO was set at 100 DKK per share corresponded to a market capitalization of STG of DKK 10 billion. Swedish Match's proceeds, net of transaction costs, from the sale of STG shares in the IPO amounted to 2,172 MSEK. The proceeds will be distributed to Swedish Match's shareholders in the form of a special dividend of 12.00 SEK per share (2,258 MSEK based on the number of outstanding shares per March 31, 2016). The tax-free capital gain from the partial divestment of STG in conjunction with the IPO amounted to 560 MSEK and was recognized as a larger one-time item in the first quarter 2016.

Swedish Match has, from the reporting period ending December 31, 2015, started to report its share of STG's net profit as well as its share of equity with a one quarter lag. For the first quarter 2016, Swedish Match's reported share of STG's net profit amounted to 68 MSEK (148). For the first quarter 2016, Swedish Match's reported share of net profit in STG represented a 31.1 percent share of STG's net profit for the fourth quarter 2015. For the comparison period, Swedish Match's reported share of net profit in STG represented a 49 percent share of STG's net profit for the first quarter 2015 and also included a positive adjustment of 56 MSEK for a reassessment of useful lives of certain assets (primarily trademarks) relating to 2014. The decrease in reported share of net profit in STG is a result of the decreased ownership and the comparison period being affected by a positive adjustment. STG's reported fourth quarter 2015 EBITDA and net profit was in line with the fourth quarter 2014 but the underlying EBITDA and net profit improved.

Please see Note 3 for information on Swedish Match's reporting of STG.

Financing and cash flow

Cash flow from operating activities for the first quarter amounted to 792 MSEK (963). The cash flow from operations decreased due to the timing of dividend received from STG. A dividend from STG of 156 MDKK will be received during the second quarter (based on a 31.1 percent ownership) whereas a dividend from STG of 209 MDKK, corresponding to 261 MSEK, was received during the first quarter in 2015 (based on a 49 percent ownership).

During the first quarter, Swedish Match had a positive net cash flow from investing activities. Swedish Match received 2,172 MSEK from the partial divestment of STG in conjunction with the IPO and another 145 MSEK from the sale of a distribution center. Investments in property, plant and equipment as well as in intangible assets increased to 202 MSEK (57), affected by an investment in patent rights for a nicotine pouch product without tobacco. For the full year, investments in property, plant and equipment are expected to be in line with prior year.

Net finance cost for the first quarter declined to 107 MSEK (114), mainly due to lower interest rate on debt.

The net debt as of March 31, 2016 amounted to 5,522 MSEK compared to 7,548 MSEK at March 31, 2015 and 7,922 MSEK at December 31, 2015. The decrease in the net debt is due to the inflow of the proceeds of 2,172 MSEK from the partial sale of STG which during the second quarter will be paid to Swedish Match's shareholders in the form of a special dividend of 12.00 SEK per share (2,258 MSEK based on the number of outstanding shares per March 31, 2016).

During the first quarter, new bond loans of 497 MSEK were issued. Repayments of bond loans for the same period amounted to 363 MSEK. As of March 31, 2016 Swedish Match had 8,198 MSEK of interest bearing debt excluding retirement benefit obligations compared to 8,064 MSEK at December 31, 2015 and 8,563 MSEK at March 31, 2015. During the remainder of 2016, 310 MSEK of this debt falls due for payment.

As of March 31, 2016, Swedish Match had 1,500 MSEK in unutilized committed credit lines. Cash and cash equivalents amounted to 4,441 MSEK at the end of the period, compared to 1,732 MSEK at December 31, 2015.

During the first quarter, Swedish Match made share repurchases of 199 MSEK.

Number of shares

During the first quarter, Swedish Match repurchased 0.7 million shares for 199 MSEK at an average price of 280.33 SEK, following authorization from the Annual General Meeting held in 2015. Total shares bought back by Swedish Match since the buyback program started have been repurchased at an average price of 114.10 SEK.

As per March 31, 2016 Swedish Match held 8.3 million shares, corresponding to 4.22 percent of the total number of shares. The number of shares outstanding, net, as per March 31, 2016, amounted to 188.2 million.

During the first quarter 2015, all remaining options issued by Swedish Match, as part of its former option program, were exercised and no further options are outstanding.

Annual General Meeting and repurchase of own shares

The Annual General Meeting held on April 28, 2016, re-elected Charles A. Blixt, Andrew Cripps, Jacqueline Hoogerbrugge, Conny Karlsson, Wenche Rolfsen, Meg Tivéus and Joakim Westh as Board members. Conny Karlsson was re-elected Chairman of the Board and Andrew Cripps was re-elected Deputy Chairman of the Board.

The Annual General Meeting approved the Board's proposal of an ordinary dividend in the amount of 8.00 SEK per share and a special dividend of 12.00 SEK per share, in total 20.00 SEK per share, to be paid to the shareholders, in a total amount of 3,764 MSEK, based on the number of outstanding shares as per March 31, 2016. In addition, the Meeting resolved to reduce the share capital by means of withdrawal of 7,750,000 shares in the Company, held in treasury, with a simultaneous bonus issue, without issuing any new shares, of a corresponding amount to restore the share capital. The total number of registered shares in the Company before the withdrawal of shares was 196.5 million.

The 2016 Annual General Meeting further authorized the Board of Directors to acquire the Company's own shares, including the possibility to implement a repurchase program in accordance with the Commission Regulation (EC) No 2273/2003 of December 22, 2003 ("EC-Regulation"), a mandate which the Board now utilizes. The repurchase of own shares shall meet the following conditions. The shares shall be acquired on Nasdaq Stockholm in accordance with the rules regarding purchase of own shares as set out in the EC-Regulation and the Nasdaq Stockholm's Rule Book for Issuers. Further, the shares may be acquired on one or several occasions from May 6, 2016 up until the next Annual General Meeting, provided that the Company's holding does not at any time exceed 10 percent of all shares in the Company. In one day, a maximum of 25 percent of the average daily volume may be purchased. Repurchases shall be made at a price within the price interval registered at any given time, i.e. the interval between the highest bid price and lowest selling price. The price may not exceed the higher of the price of the last independent trade and the highest current independent bid price. Payment for the shares shall be in cash. As per May 4, 2016, Swedish Match holds 8,295,632 treasury shares.

The purpose of the repurchasing right is primarily to enable Swedish Match to adapt its capital structure to its capital needs over time, and thereby contribute to an increased shareholder value.

Other event

On April 6, the Swedish Parliament adopted a government bill for transposing of the EU tobacco products directive (TPD) into Swedish law with the effective date May 20, 2016. For snus the new law includes the requirement of two warning labels instead of one, as today. The new warning labels will include the text: "This product harms your health and is addictive". The Public Health Agency of Sweden has communicated that a transition period shall apply and that the date after which snus cans with the current warning label may no longer be manufactured shall be August 31. In addition to changed warning labels for snus, the new law among other requirements stipulates some increased reporting requirements to authorities for snus manufacturers.

Outlook

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

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

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

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

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

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

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 and also operations in Brazil, the Dominican Republic, Norway and EMU member countries. Consequently, changes in exchange rates of the euro, Norwegian krone, Brazilian real, the Dominican peso 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 2015.

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.

Sales in the Parent Company for the first quarter amounted to 12 MSEK (13). Profit before income tax amounted to 641 MSEK (loss 198) and net profit for the quarter amounted to 684 MSEK (loss 144). The higher net profit for the first quarter mainly pertains to timing differences in dividends from subsidiaries compared to previous year.

During the period, the Parent Company received dividends of 856 MSEK (83).

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.

During the first quarter repayments of bond loans amounted to 363 MSEK and new bond loans of 497 MSEK were issued. During the period, the Parent Company made share repurchases of 0.7 million (1.1) shares for 199 MSEK (298). During the first quarter of the prior year, 0.7 million treasury shares were sold for 141 MSEK.

No capital expenditures on tangible assets have been recognized during the period. During prior year's first quarter, 1 MSEK was capitalized as tangible fixed assets.

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 expectations 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 factors such as business cycles, markets and competition, changes in legal requirements or other political measures, and fluctuation in exchange rates.

Additional information

This report has not been reviewed by the Company's auditors. The January-June 2016 report will be released on July 22, 2016.

Stockholm, May 4, 2016

Lars Dahlgren
President and CEO

Product area summary and key ratios

Sales by product area

MSEK	January-March		Chg %	Full year 2015
	2016	2015		
Snus and moist snuff	1,245	1,191	5	5,090
Other tobacco products	994	933	7	3,829
Lights	303	331	-9	1,295
Other operations	1,014	912	11	4,272
Sales	3,557	3,368	6	14,486

Operating profit by product area

MSEK	January-March		Chg %	Full year 2015
	2016	2015		
Snus and moist snuff	521	455	14	2,071
Other tobacco products	400	384	4	1,554
Lights	42	57	-26	190
Other operations	-24	-29		-124
Operating profit from product areas	939	866	8	3,690
Share of net profit in STG ¹⁾	68	148	-54	360
Subtotal	1,007	1,014	-1	4,050
<i>Larger one-time items</i>				
Sale of STG shares	560	-		-
Sale of distribution facility	145	-		-
Relocation of distribution facilities	-	-		-42
Total larger one-time items	704	-		-42
Operating profit	1,711	1,014	69	4,008
Net finance cost	-107	-114		-463
Profit before income tax	1,604	900	78	3,545

1) Swedish Match's share of net profit in STG for the first quarter 2016 is reported on a one quarter lag. For the first quarter 2015, Swedish Match's reported share of net profit in STG included an adjustment of 56 MSEK relating to 2014 due to a reassessment of useful lives of certain intangible and tangible assets. Swedish Match's share of net profit in STG for the full year 2015 includes only the first nine months of net profit in STG due to transition to a one quarter lag reporting. See Note 3.

Operating margin by product area¹⁾

Percent	January-March		Full year 2015
	2016	2015	
Snus and moist snuff	41.8	38.2	40.7
Other tobacco products	40.2	41.1	40.6
Lights	13.8	17.1	14.7
Operating margin from product areas²⁾	26.4	25.7	25.5
Operating margin³⁾	28.3	30.1	28.0

1) Excluding larger one-time items.

2) Excluding share of net profit in STG.

3) Including share of net profit in STG.

EBITDA by product area¹⁾

MSEK	January-March		Chg %	Full year 2015
	2016	2015		
Snus and moist snuff	563	500	13	2,247
Other tobacco products	415	399	4	1,613
Lights	51	66	-23	228
Other operations	-12	-19		-81
EBITDA from product areas	1,018	946	8	4,008
Share of net profit in STG ²⁾	68	148	-54	360
EBITDA	1,085	1,093	-1	4,368

1) Excluding larger one-time items.

2) Swedish Match's share of net profit in STG for the first quarter 2016 is reported on a one quarter lag. For the first quarter 2015, Swedish Match's reported share of net profit in STG included an adjustment of 56 MSEK relating to 2014 due to a reassessment of useful lives of certain intangible and tangible assets. Swedish Match's share of net profit in STG for the full year 2015 includes only the first nine months of net profit in STG due to transition to a one quarter lag reporting. See Note 3.

EBITDA margin by product area¹⁾

Percent	January-March		Full year 2015
	2016	2015	
Snus and moist snuff	45.2	42.0	44.1
Other tobacco products	41.8	42.7	42.1
Lights	16.9	20.0	17.6
EBITDA margin from product areas²⁾	28.6	28.1	27.7
EBITDA margin³⁾	30.5	32.5	30.2

1) Excluding larger one-time items.

2) Excluding share of net profit in STG.

3) Including share of net profit in STG.

Key ratios

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

	January-March		12 months ended	Full year 2015
	2016	2015	March 31, 2016	
Operating margin, %	28.3	30.1	27.6	28.0
Operating capital, MSEK	6,693	8,806	6,693	8,030
Return on operating capital, %			52.2	49.6
EBITDA, MSEK ¹⁾	1,085	1,093	4,360	4,368
EBITA, MSEK ²⁾	1,018	1,025	4,087	4,094
Net debt, MSEK	5,522	7,548	5,522	7,922
Investments in property, plant and equipment, MSEK ³⁾	81	52	520	491
EBITA interest cover	10.2	9.0	9.2	8.9
<i>Excluding share of net profit in STG</i>				
EBITA, MSEK ²⁾	950	877	3,807	3,734
Net debt/EBITA ²⁾			1.5	2.1
<i>Share data</i>				
Number of shares outstanding at end of period	188,204,368	195,246,521	188,204,368	188,915,791
Average number of shares outstanding, basic	188,608,217	195,763,142	191,717,815	193,506,546
Average number of shares outstanding, diluted	188,608,217	195,856,580	191,717,815	193,530,266

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

2) Operating profit adjusted for amortization and write-downs of intangible assets.

3) Including investments in forest plantations of 4 MSEK (5).

Financial statements

Consolidated income statement in summary

MSEK	January-March		Chg %	12 months	Full year	Chg %
	2016	2015		ended March 31, 2016		
Sales, including tobacco tax	6,452	6,190		27,700	27,438	
Less tobacco tax	-2,895	-2,822		-13,025	-12,952	
Sales	3,557	3,368	6	14,675	14,486	1
Cost of goods sold	-1,872	-1,752		-7,817	-7,697	
Gross profit	1,685	1,615	4	6,858	6,789	1
Selling and admin. expenses	-745	-741		-3,069	-3,065	
Share of profit/loss in associated companies and joint ventures ¹⁾	66	140		254	327	
Sale of STG shares	560	-		560	-	
Sale of distribution facility	145	-		145	-	
Relocation of distribution facilities	-	-		-42	-42	
Operating profit¹⁾	1,711	1,014	69	4,705	4,008	17
Finance income	9	4		28	22	
Finance costs	-116	-118		-484	-486	
Net finance cost	-107	-114		-456	-463	
Profit before income tax	1,604	900	78	4,250	3,545	20
Income tax expense	-200	-179		-764	-742	
Profit for the period¹⁾	1,404	721	95	3,486	2,803	24
<i>Attributable to:</i>						
Equity holders of the Parent	1,404	721		3,486	2,803	
Non-controlling interests	0	0		0	0	
Profit for the period¹⁾	1,404	721	95	3,486	2,803	24
Earnings per share, basic, SEK	7.44	3.68		18.18	14.48	
Earnings per share, adjusted, basic, SEK ²⁾	3.71	3.40		14.68	14.36	

1) Swedish Match's share of net profit in STG for the first quarter 2016 is reported on a one quarter lag. For the first quarter 2015, Swedish Match's reported share of net profit in STG included an adjustment of 56 MSEK relating to 2014 due to a reassessment of useful lives of certain intangible and tangible assets. Swedish Match's share of net profit in STG for the full year 2015 includes only the first nine months of net profit in STG due to transition to a one quarter lag reporting. See Note 3.

2) Adjusted for Swedish Match's larger one-time items and the above mentioned reassessment of useful lives reported by Swedish Match in the first quarter 2015.

Consolidated statement of comprehensive income

MSEK	January-March		12 months	Full year
	2016	2015	ended March 31, 2016	2015
Profit for the period	1,404	721	3,486	2,803
<i>Other comprehensive income that may be reclassified to the income statement</i>				
Translation differences related to foreign operations	-264	79	-480	-137
Translation differences included in profit and loss	-6	-	38	44
Effective portion of changes in fair value of cash flow hedges	4	0	89	86
Reclassification for gains/losses on cash flow hedges included in profit and loss	0	-	8	8
Share of other comprehensive income in associated companies and joint ventures ¹⁾	54	430	-115	260
Income tax relating to reclassifiable components of other comprehensive income	-1	0	-21	-21
Subtotal, net of tax for the period	-213	508	-480	241
<i>Other comprehensive income that will not be reclassified to the income statement</i>				
Actuarial gains/losses attributable to pensions, incl. payroll tax	-211	-96	280	395
Share of other comprehensive income in associated companies and joint ventures ¹⁾	-2	-	5	7
Income tax relating to non-reclassifiable components of other comprehensive income	74	25	-106	-155
Subtotal, net of tax for the period	-139	-71	180	248
Total comprehensive income for the period	1,053	1,159	3,185	3,292
<i>Attributable to:</i>				
Equity holders of the Parent	1,053	1,159	3,185	3,292
Non-controlling interests	0	0	0	0
Total comprehensive income for the period	1,053	1,159	3,185	3,292

1) The first quarter 2016 includes other comprehensive income in STG on a one quarter lag and the full year 2015 includes only the first nine months of other comprehensive income in STG due to transition to a one quarter lag reporting.

Consolidated balance sheet in summary

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

1) Includes pension assets of 85 MSEK (91) and currency component of derivatives of 281 MSEK (297) used to hedge the Parent Company's bond loans denominated in currencies other than Swedish kronor.

2) Includes pension liabilities of 1,851 MSEK (1,682) and currency component of derivatives of 82 MSEK (94) used to hedge the Parent Company's bond loans denominated in currencies other than Swedish kronor.

Consolidated cash flow statement in summary

MSEK

	January-March	
	2016	2015
<i>Operating activities</i>		
Profit before income taxes	1,604	900
Share of profit/loss in associated companies and joint ventures	-66	-140
Dividend received from associated companies	-	261
Other non-cash items and other	-490	195
Income tax paid	-73	-62
Cash flow from operating activities before changes in working capital	975	1,154
Cash flow from changes in working capital	-182	-191
Net cash from operating activities	792	963
<i>Investing activities</i>		
Purchase of property, plant and equipment ¹⁾	-81	-52
Proceeds from sale of property, plant and equipment	145	0
Purchase of intangible assets	-121	-6
Divestments in associated companies and joint ventures ²⁾	2,172	-
Investments in associated companies and joint ventures ³⁾	-5	-10
Changes in financial receivables etc.	0	-
Net cash from investing activities	2,110	-67
<i>Financing activities</i>		
Changes in loans	134	-140
Repurchase of own shares	-199	-298
Stock options exercised	-	141
Other	-78	8
Net cash used in financing activities	-143	-289
Net increase in cash and cash equivalents	2,759	608
Cash and cash equivalents at the beginning of the period	1,732	2,312
Effect of exchange rate fluctuations on cash and cash equivalents	-50	161
Cash and cash equivalents at the end of the period	4,441	3,080

1) Including investments in forest plantations of 4 MSEK (5).

2) Divestments in associated companies and joint ventures pertain to sale of shares in STG.

3) Investments in associated companies and joint ventures pertain to additional investments in EB Road Cargo AB of 5 MSEK in 2016 and in SMPM International of 10 MSEK in 2015.

Change in shareholders' equity

MSEK

	Equity attributable to holders of the Parent	Non-controlling interests	Total equity
Equity at January 1, 2015	277	1	279
Profit for the period	721	0	721
Other comprehensive income, net of tax for the period	438	0	438
Total comprehensive income for the period	1,159	0	1,159
Repurchase of own shares	-298	-	-298
Stock options exercised	141	-	141
Equity at March 31, 2015	1,279	1	1,280
Equity at January 1, 2016	251	1	252
Profit for the period	1,404	0	1,404
Other comprehensive income, net of tax for the period	-351	0	-351
Total comprehensive income for the period	1,053	0	1,053
Repurchase of own shares	-199	-	-199
Equity at March 31, 2016	1,104	1	1,105

Parent Company income statement in summary

MSEK	January-March	
	2016	2015
Sales	12	13
Administrative expenses	-63	-86
Operating loss	-51	-72
Result from participation in Group companies	856	83
Net finance cost	-164	-209
Profit/Loss before income tax	641	-198
Income tax	42	53
Profit/Loss for the period	684	-144

Parent Company statement of comprehensive income

MSEK	January-March	
	2016	2015
Profit/Loss for the period	684	-144
<i>Other comprehensive income that may be reclassified to the income statement</i>		
Effective portion of changes in fair value of cash flow hedges	4	0
Reclassification for gains/losses on cash flow hedges included in profit and loss	0	-
Income tax relating to components of other comprehensive income	-1	0
Subtotal, net of tax for the period	3	0
Total comprehensive income for the period	687	-144

Parent Company balance sheet in summary

MSEK	March 31, 2016	March 31, 2015	December 31, 2015
Intangible and tangible assets	3	3	3
Non-current financial assets	49,722	51,365	48,883
Current assets	103	118	2,227
Total assets	49,828	51,486	51,113
Equity	21,703	20,545	21,215
Untaxed reserves	675	415	675
Provisions	61	77	48
Non-current liabilities	26,367	25,937	25,911
Current liabilities	1,022	4,512	3,263
Total liabilities	27,450	30,526	29,222
Total equity and liabilities	49,828	51,486	51,113

Note 1 – Accounting principles

This 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. Additional disclosures as required under IAS 34.16A may be found within the financial statements and related notes and in the narrative text of the interim financial report.

The new amendments and interpretations to existing standards applicable as of January 1, 2016; IFRS 11 Joint Arrangements, IAS 1 Presentation of Financial Statements, IAS 16 Property, Plant and Equipment, IAS 19 Employee Benefits, IAS 27 Separate Financial Statements, IAS 38 Intangible Assets, and annual improvements to IFRS 2, IFRS 3, IFRS 5, IFRS 7, IFRS 8, IAS 16, IAS 19, IAS 24, IAS 34 and IAS 38 have not had a material effect 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 2015, 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 quarter 2016, receivables from these companies amounted to 30 MSEK (43) and total payables to these companies amounted to 8 MSEK (7). During the first quarter 2016, total sales to associated companies and joint ventures amounted to 46 MSEK (48) and total purchases from associated companies and joint ventures amounted to 15 MSEK (22).

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

Note 3 – Scandinavian Tobacco Group

Summary of STG net profit, as reported¹⁾²⁾

<i>MDKK</i>	January-March		Chg	Full year
	2016	2015	%	2015
Net profit	174	148	18	493
<i>MSEK</i>				
Swedish Match's share of net profit	68	91	-25	304
Change in estimate of useful lives	-	56		56
Swedish Match's reported share of net profit	68	148	-54	360

1) Swedish Match's share of STG's net profit in the first quarter 2016 is reported on a one quarter lag, as a consequence of STG becoming a publicly listed company.

2) Swedish Match's share of STG net profit for the full year 2015 includes only the first nine months of 2015, due to STG's full year report being released after Swedish Match released its 2015 full year report. Due to transition of reporting of Swedish Match's share of STG's net profit to a one quarter lag, no net profit from STG was recognized for the fourth quarter of 2015.

Swedish Match has, from the reporting period ending December 31, 2015, started to report its share of STG's net profit as well as its share of equity with a one quarter lag. Swedish Match's first quarter 2016 financial results thereby include its share of STG's fourth quarter 2015 net profit, based on the publicly issued 2015 full year results of STG. This share has been affected by a reduction in share ownership from 49.0 percent to 31.1 percent, as Swedish Match sold 17.9 million shares in conjunction with the listing of STG on Nasdaq Copenhagen.

For the first quarter 2016, Swedish Match's reported share of net profit in STG represented a 31.1 percent share of STG's net profit for the fourth quarter 2015. For the comparison period, Swedish Match's reported share of net profit in STG represented a 49 percent share of STG's net profit for the first quarter 2015 but also included a positive adjustment of 56 MSEK for a reassessment of useful lives of primarily trademarks relating to 2014. The decrease in reported share of net profit in STG is a result of the decreased ownership and the comparison period being affected by the positive adjustment.

For the full year 2015, Swedish Match's reported share of STG's net profit was affected by the absence of reporting of STG's net profit for the fourth quarter, due to transition to the one quarter lag reporting, as well as the adjustment relating to the above mentioned reassessment of useful lives.

Swedish Match reported, up until September 2015, its share of STG's net profit and equity based on STG's reporting for the same financial period. STG's result, on which Swedish Match has based its reporting, has for some reporting periods been partly based on estimates awaiting finalization. Any differences between such estimates and the actual result of STG for that period have been adjusted in the following reporting period.

STG's reported fourth quarter 2015 EBITDA and net profit was in line with the fourth quarter 2014 but the underlying EBITDA and net profit improved. See www.st-group.com for more information on STG's 2015 fourth quarter and full year results.

Note 4 – Carrying value and fair value

The following table shows carrying value and fair value for financial instruments per March 31, 2016.

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	-	1,369	-	-	1,369	1,369
Non-current receivables	-	-	-	311	311	311
Cash and cash equivalents	-	4,441	-	-	4,441	4,441
Total assets	-	5,810	-	311	6,121	6,121
Loans and borrowings	-	-	8,397	-	8,397	8,896
Other liabilities	23	-	-	184	207	207
Trade payables	-	-	514	-	514	514
Total liabilities	23	-	8,911	184	9,118	9,617

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 first quarter 2016.

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 5,148 MSEK, all in cash flow hedges.

Quarterly data

Consolidated income statement in summary

MSEK	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14
Sales, including tobacco tax	6,452	7,067	7,275	6,907	6,190	6,840	6,768	6,603	5,697
Less tobacco tax	-2,895	-3,348	-3,519	-3,263	-2,822	-3,304	-3,351	-3,264	-2,683
Sales	3,557	3,719	3,756	3,644	3,368	3,536	3,416	3,339	3,014
Cost of goods sold	-1,872	-2,005	-2,011	-1,929	-1,752	-1,910	-1,853	-1,784	-1,561
Gross profit	1,685	1,714	1,745	1,715	1,615	1,627	1,563	1,555	1,452
Selling and administrative expenses	-745	-808	-745	-771	-741	-710	-675	-681	-637
Share of net profit/loss in associated companies and joint ventures ¹⁾	66	2	66	119	140	75	101	67	43
	1,007	908	1,065	1,063	1,014	992	989	941	858
<i>Larger one-time items</i>									
Sale of STG shares	560	-	-	-	-	-	-	-	-
Sale of distribution facility	145	-	-	-	-	-	-	-	-
Relocation of distribution facilities	-	-	-	-42	-	-	-	-	-
Operating profit	1,711	908	1,065	1,021	1,014	992	989	941	858
Finance income	9	9	6	4	4	5	7	8	8
Finance costs	-116	-137	-111	-119	-118	-137	-134	-133	-134
Net finance cost	-107	-128	-106	-115	-114	-132	-127	-125	-126
Profit before income tax	1,604	780	960	906	900	861	862	816	732
Income tax expense	-200	-145	-219	-200	-179	-161	-167	-165	-152
Profit for the period	1,404	636	741	705	721	700	695	651	580
<i>Attributable to:</i>									
Equity holders of the Parent	1,404	636	741	705	721	700	695	651	580
Non-controlling interests	0	0	0	0	0	0	0	0	0
Profit for the period	1,404	636	741	705	721	700	695	651	580

1) The fourth quarter 2015 does not include any net profit in STG due to transition to a one quarter lag reporting. Swedish Match's share of net profit in STG for the first quarter of 2015 includes an adjustment of 56 MSEK relating to 2014 due to a reassessment of useful lives of certain intangible and tangible assets. See Note 3.

Sales by product area

MSEK	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14
Snus and moist snuff	1,245	1,318	1,311	1,271	1,191	1,323	1,257	1,267	1,154
Other tobacco products	994	955	958	982	933	723	724	699	687
Lights	303	334	312	318	331	362	319	299	315
Other operations	1,014	1,112	1,174	1,073	912	1,129	1,117	1,074	858
Sales	3,557	3,719	3,756	3,644	3,368	3,536	3,416	3,339	3,014

Operating profit by product area

MSEK	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14
Snus and moist snuff	521	545	556	514	455	577	562	562	505
Other tobacco products	400	366	390	414	384	288	276	279	267
Lights	42	50	47	36	57	63	51	49	55
Other operations	-24	-53	-14	-28	-29	-27	-15	-28	-18
Operating profit from product areas	939	908	979	937	866	900	874	862	809
Share of net profit in STG ¹⁾	68	-	87	126	148	92	115	78	49
Subtotal	1,007	908	1,065	1,063	1,014	992	989	941	858
Sale of STG shares	560	-	-	-	-	-	-	-	-
Sale of distribution facility	145	-	-	-	-	-	-	-	-
Relocation of distribution facilities	-	-	-	-42	-	-	-	-	-
Total larger one-time items	704	-	-	-42	-	-	-	-	-
Operating profit	1,711	908	1,065	1,021	1,014	992	989	941	858

1) In the fourth quarter 2015, Swedish Match did not report any share of net profit in STG due to transition to a one quarter lag reporting. Swedish Match's share of net profit in STG for the first quarter of 2015 includes an adjustment of 56 MSEK relating to 2014 due to a reassessment of useful lives of certain intangible and tangible assets. See Note 3.

Operating margin by product area¹⁾

Percent	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14
Snus and moist snuff	41.8	41.4	42.4	40.5	38.2	43.6	44.8	44.4	43.8
Other tobacco products	40.2	38.3	40.7	42.2	41.1	39.8	38.1	39.9	38.8
Lights	13.8	14.9	15.2	11.4	17.1	17.3	16.0	16.4	17.6
Operating margin from product areas²⁾	26.4	24.4	26.1	25.7	25.7	25.5	25.6	25.8	26.9
Operating margin³⁾	28.3	24.4	28.4	29.2	30.1	28.1	29.0	28.2	28.5

1) Excluding larger one-time items.

2) Excluding share of net profit in STG.

3) Including share of net profit in STG.

EBITDA by product area¹⁾

MSEK	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14
Snus and moist snuff	563	588	600	559	500	623	608	604	546
Other tobacco products	415	382	404	429	399	302	289	291	279
Lights	51	59	57	46	66	72	59	57	64
Other operations	-12	-42	-3	-17	-19	-16	-5	-17	-7
EBITDA from product areas	1,018	987	1,058	1,017	946	982	952	935	881
Share of net profit in STG ²⁾	68	-	87	126	148	92	115	78	49
EBITDA	1,085	987	1,144	1,143	1,093	1,074	1,067	1,013	930

1) Excluding larger one-time items.

2) In the fourth quarter 2015, Swedish Match did not report any share of net profit in STG due to transition to a one quarter lag reporting. Swedish Match's share of net profit in STG for the first quarter of 2015 includes an adjustment of 56 MSEK relating to 2014 due to a reassessment of useful lives of certain intangible and tangible assets. See Note 3.

EBITDA margin by product area¹⁾

Percent	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14
Snus and moist snuff	45.2	44.6	45.7	44.0	42.0	47.1	48.3	47.6	47.3
Other tobacco products	41.8	39.9	42.2	43.7	42.7	41.8	40.0	41.6	40.6
Lights	16.9	17.8	18.2	14.5	20.0	19.8	18.6	19.2	20.2
EBITDA margin from product areas²⁾	28.6	26.5	28.2	27.9	28.1	27.8	27.9	28.0	29.2
EBITDA margin³⁾	30.5	26.5	30.5	31.4	32.5	30.4	31.2	30.3	30.8

1) Excluding larger one-time items.

2) Excluding share of net profit in STG.

3) Including share of net profit in STG.

Depreciation, amortization and write-down

MSEK	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14
Property, plant and equipment	68	68	68	69	68	71	67	62	61
Intangible assets	11	11	11	11	11	10	10	10	10
Total	79	79	79	80	79	81	78	72	72

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The character of the information in this report is such that it shall be disclosed by Swedish Match AB (publ) in accordance with the Swedish Securities Markets Act. The information was disclosed to the media on May 4, 2016 at 08.15 a.m. (CET).

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, lighters, and complementary products). Production is located in six countries, with sales concentrated in Scandinavia and the US. The Swedish Match share is listed on Nasdaq Stockholm (SWMA).

Swedish Match's vision is a world without cigarettes. Some of its well-known brands include: *General, Longhorn, White Owl, Red Man, Fiat Lux, and Cricket.*

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