

Q4 2015

Full Year Report JANUARY – DECEMBER 2015

- Sales for the full year increased by 9 percent to 14,486 MSEK (13,305) and for the fourth quarter by 5 percent to 3,719 MSEK (3,536). In local currencies, sales increased by 2 percent for both the full year and for the fourth quarter.
- Operating profit from product areas¹⁾ for the full year increased by 7 percent to 3,690 MSEK (3,446) and for the fourth quarter by 1 percent to 908 MSEK (900). In local currencies, operating profit from product areas¹⁾ declined by 2 percent for the full year and declined by 4 percent for the fourth quarter.
- Swedish Match has, beginning this reporting period, started reporting its share of STG's net profit with a one quarter lag, due to differences in reporting schedules between Swedish Match and STG. Due to this, no net profit from STG was recognized for the October-December 2015 period.
- Operating profit²⁾ (excluding share of STG's net profit for the fourth quarter 2015 due to changed reporting) amounted to 4,008 MSEK (3,780) for the full year and to 908 MSEK (992) for the fourth quarter.
- EPS (basic) for the full year amounted to 14.48 SEK (13.23) and to 3.34 SEK (3.55 including 0.47 from share of net profit in STG) for the fourth quarter. The decline in EPS for the fourth quarter was fully attributable to the changed reporting relating to STG.
- The Board of Directors proposes a dividend of 20.00 SEK per share consisting of an increased ordinary dividend of 8.00 SEK (7.50) and a special dividend of 12.00 SEK, following Swedish Match's partial divestment of STG in conjunction with the listing of STG on Nasdaq Copenhagen.
- Following the close of the period STG was listed on Nasdaq Copenhagen and Swedish Match reduced its ownership from 49 percent to 31.2 percent.

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

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



CEO Lars Dahlgren comments:

2015 – A year of progress

Looking back at this past year, I am proud to report that we have made good progress in many areas, especially related to those businesses that account for the greatest portion of our sales and operating profit. We are also a stronger and more focused organization, having taken concrete steps in line with our vision and strategic direction toward a world without cigarettes. Our vision has not only elevated the awareness of the substantially lower health risk of snus versus cigarettes but has also strengthened our corporate culture.

In 2014 we submitted our applications to the US Food and Drug Administration (FDA) for a Modified Risk Tobacco Product (MRTP) classification for *General* snus. While we still await a final decision on this classification, we were encouraged by the FDA approval of modifications of our snus through the premarket approvals process – becoming the first and only tobacco company in the US to have such an approval. In the US market *General* snus continued to develop well – the US snus market is growing, and Swedish Match volumes grew at double digit levels. In the Swedish snus market our efforts toward a more stable share position have proven to be effective in 2015, and we ended the year with the same volume market share as we recorded in January. Not only was there more stability in our premium snus business (due to the successful launch of the *XRANGE* assortment of products), but also good volume growth and share gains for our value priced products. In Norway our sales in Norwegian krone were only up marginally as improved pricing and strong market growth were offset by share declines.

Within Other tobacco products (cigars and chewing tobacco) we had another outstanding year for cigars, in terms of volume growth and growth in sales and operating profit in local currency. Cigar volumes once again reached record levels. For chewing tobacco we continued with our longstanding track record of substantially offsetting volume declines through prudent price increases. Our Lights business delivered a good performance despite challenging macro-economic conditions in key markets and sharp currency fluctuations.

Following the close of the year we achieved another milestone as Scandinavian Tobacco Group (STG) was successfully listed on the Nasdaq Copenhagen stock exchange on February 10, 2016. Swedish Match now owns 31.2 percent of STG and I am convinced that the listing of STG will provide tangible benefits for STG as well as for the shareholders of Swedish Match.

Comments to the fourth quarter

Swedish Match ended 2015 with another quarter of solid performance, driven by continued impressive results for the cigar business, and strong volume development for snus. While Scandinavian snus volumes were on par with the fourth quarter of 2014, this was very positive as year-end hoarding in 2014 was unusually high. The good volume performance for snus in Sweden was attributable to the successful launch of the new *Mustang* value priced brand, continued growth of our other value priced brands, and further share and volume growth for *XRANGE*. The total Scandinavian snus market, measured in number of cans, continued to grow in the fourth quarter at a robust pace in both Sweden and Norway. For *General* snus in the US we continued to see good traction in the quarter. Sales were significantly higher than in the prior year due to both higher volumes and improved pricing. US moist snuff sales also increased in local currency.

The Other tobacco products area (cigars and chewing tobacco) again delivered strong year-on-year growth in both sales and earnings in the quarter. The growth was once more led by cigars as we continued to gain market share in a growing market. Within our Lights product area, some of our key markets such as Russia and Brazil faced challenging conditions, but the operating profit held up well although it did not reach the prior year's high level.

In summary, I am pleased with both our fourth quarter and full year performance, and especially with our stable share performance for snus in Sweden and our outstanding performance for Other tobacco products. We continue to focus our efforts on building our snus business long term, striving toward our vision of a world without cigarettes.

Summary of consolidated income statement

MSEK	October-December		Chg %	Full year		Chg %
	2015	2014		2015	2014	
Sales	3,719	3,536	5	14,486	13,305	9
Operating profit from product areas ¹⁾	908	900	1	3,690	3,446	7
Operating profit ²⁾	908	992	-8	4,008	3,780	6
Profit before income tax	780	861	-9	3,545	3,270	8
Profit for the period	636	700	-9	2,803	2,626	7
Operating margin from product areas ¹⁾ , %	24.4	25.5		25.5	25.9	
Operating margin ²⁾ , %	24.4	28.1		27.7	28.4	
Earnings per share, basic, SEK	3.34	3.55	-6	14.48	13.23	9
Earnings per share, adjusted, basic, SEK ³⁾	3.34	3.55	-6	14.36	13.23	9

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. 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, see Note 3.

3) Full year 2015 (excluding share of STG's net profit for the fourth quarter 2015 due to changed reporting) is adjusted for a Swedish Match larger one-time item of negative 42 MSEK (negative 33 MSEK after tax) and the above-mentioned STG reassessment of useful lives.

The fourth quarter

(Note: Comments below refer to the comparison between the fourth quarter 2015 vs. the fourth quarter prior year).

Sales

Sales grew by 5 percent to 3,719 MSEK (3,536). Currency translation has affected the sales comparison positively by 121 MSEK. In local currencies, sales increased by 2 percent. Trade hoarding in Scandinavia (for the product areas Snus and moist snuff and Other operations) was stronger in December 2014 than in December 2015 which negatively impacted the net sales comparison between the fourth quarters by approximately 2 percent.

Earnings

Operating profit from product areas increased by 1 percent to 908 MSEK (900). In local currencies, operating profit from product areas declined by 4 percent. In local currencies, operating profit increased for Other tobacco products, but was lower for Snus and moist snuff as well as for Lights.

The share of net profit in STG, after interest and tax, has not been reported for the fourth quarter as from this reporting period Swedish Match has started to report its share of STG's net profit with a one quarter lag. Operating profit, including the share of net profit in STG for the fourth quarter 2014 but not for the fourth quarter 2015, amounted to 908 MSEK (992). For comparison, the reported share of net profit in STG for the fourth quarter 2014 amounted to 92 MSEK. Currency translation has affected the comparison of the operating profit positively by 45 MSEK.

The Group's net finance cost amounted to 128 MSEK (132) and income tax expense amounted to 145 MSEK (161), corresponding to a reported tax rate of 18.5 percent (18.7).

Profit for the period declined by 9 percent to 636 MSEK (700), negatively affected by the absence of the share of net profit in STG for the fourth quarter 2015.

Basic and diluted earnings per share (EPS) for the fourth quarter amounted to 3.34 SEK (3.55 including 0.47 from share of net profit in STG), negatively affected by the absence of the share of net profit in STG for the fourth quarter 2015.

The full year

(Note: Comments below refer to the comparison between full year 2015 vs. full year 2014).

Sales

Sales increased by 9 percent to 14,486 MSEK (13,305). Currency translation affected the sales comparison positively by 929 MSEK. In local currencies, sales increased by 2 percent. Trade destocking during the first

quarter of 2015 in Scandinavia following the excise tax increase in January, as well as lower fourth quarter trade hoarding effects in 2015, are estimated to have impacted sales development negatively by approximately 1 percent.

Earnings

Operating profit from product areas amounted to 3,690 MSEK (3,446). In local currencies the operating profit from product areas was down by 2 percent, negatively affected by the trade destocking in Scandinavia at the beginning of the year, as well as lower trade hoarding effects in Scandinavia in the fourth quarter vs. prior year's fourth quarter.

The share of net profit in STG, after interest and tax, has not been reported for the fourth quarter as from this reporting period Swedish Match has started to report its share of STG's net profit with a one quarter lag. The reported share of net profit in STG, after interest and tax, (including only the first nine months in 2015 but twelve months in 2014) amounted to 360 MSEK (334) and was positively affected by a reassessment of useful lives of primarily trademarks, but negatively affected by restructuring costs.

Operating profit for the full year included a larger one-time charge of 42 MSEK relating to the relocation of distribution facilities in Sweden. Operating profit, including share of net profit in STG and larger one-time items, amounted to 4,008 MSEK (3,780). Currency translation has affected the operating profit comparison positively by 322 MSEK.

The Group's net finance cost amounted to 463 MSEK (510) and income tax expense amounted to 742 MSEK (644), corresponding to a reported tax rate of 20.9 percent (19.7).

Profit for the period increased by 7 percent to 2,803 MSEK (2,626).

EPS for the year was negatively affected by the absence of the share of net profit in STG for the fourth quarter. As reported, basic EPS for the year increased to 14.48 SEK (13.23) and diluted EPS increased to 14.48 SEK (13.22). Basic EPS for the year, adjusted for a larger one-time item and the reassessment of useful lives in STG, increased to 14.36 SEK (13.23), while diluted EPS, similarly adjusted, increased to 14.36 SEK (13.22).

General Kardus Fäviken 2016

A special limited edition of Kardus, an exclusive snus, is offered each year in Sweden. In December 2015 the newest offering, General Kardus Fäviken 2016 became available. Inspiration for this offering came from the creation of perfectionist Johan A Boman in 1866, and which has now been interpreted some 150 years later by the award-winning chef of northern Sweden's Fäviken Magasinet – Magnus Nilsson.

Chef Magnus Nilsson's interest in Sweden's culture and traditions led him to snus and its cultural significance in Sweden. Inspired by previous limited edition offerings of Kardus, Nilsson started experimenting to develop a very special snus with a unique character in tobacco, consistency, and flavor. Now, a few years later, General Kardus Fäviken 2016 was introduced, developed in collaboration between Magnus Nilsson and Swedish Match - two experts, from two diverse industries, with the common goal of creating a new snus.

The restaurant Fäviken Magasinet is ranked 25th among the best restaurants in the world and is a winner of the Global Gastronomy Award from the esteemed White Guide. The tobacco blend of General Kardus Fäviken 2016 has been specially developed and comprises tobacco grown in Fäviken combined with carefully selected tobaccos from plantations in Argentina, the US, India and Guatemala.

After production, General Kardus Fäviken 2016 continues to mature in its can – an exclusive hand-made pewter container. Optimal flavor is achieved after about 8 to 12 weeks.

General Kardus Fäviken 2016 - a launching pad for General's 150th anniversary 2016.





Snus and moist snuff

Fourth quarter highlights:

- Swedish Match's share of the Swedish market at year-end was virtually unchanged versus year-end 2014
- Scandinavian snus volumes increased by 4 percent when adjusting for hoarding effects
- US snus and moist snuff sales increased, and snus shipment volumes increased

Key data

MSEK	October-December		Chg %	Full year		Chg %
	2015	2014		2015	2014	
Sales	1,318	1,323	0	5,090	5,001	2
Operating profit	545	577	-5	2,071	2,207	-6
Operating margin, %	41.4	43.6		40.7	44.1	
EBITDA	588	623	-6	2,247	2,380	-6
EBITDA margin, %	44.6	47.1		44.1	47.6	

The fourth quarter

(Note: Comments below refer to the comparison between the fourth quarter 2015 vs. the fourth quarter prior year).

Reported sales for Snus and moist snuff were virtually unchanged but declined by 2 percent in local currencies. The sales comparison between the quarters was negatively impacted by unusually high levels of trade hoarding during the fourth quarter of prior year in anticipation of tax increases in January 2015. Operating profit was negatively affected by currency effects due to the weakening of the Norwegian krone as well as negative price/mix effects in Scandinavia. The higher relative share of sales from the US business and a somewhat lower operating margin in Scandinavia resulted in an overall lower operating margin for the product area. The total net operating costs for snus expansion outside Scandinavia amounted to 90 MSEK (100).

In Scandinavia, shipment volumes measured in number of cans were flat year on year, but up by 4 percent when adjusted for trade hoarding effects. While quarterly market growth rates fluctuate, both the Swedish and Norwegian markets grew strongly in the quarter. Swedish Match estimates that the total Scandinavian market grew by somewhat more than 5 percent.

In Sweden, Swedish Match's volume market share declined slightly after two quarters of sequential growth. The year on year share decline however, further narrowed, and at 69.3 percent in volume terms at the end of the year, was 0.3 percentage points below prior year level. Swedish Match continued to grow share and volume for its competitively priced premium products under the innovative XRANGE snus series in Sweden. The success of XRANGE has resulted in a more stable premium segment. Swedish Match's market share in the value segment grew by approximately 2 percentage points compared to the fourth quarter of the prior year.

In Norway, while the modern General G.3-series product line continued to gain share in the fourth quarter, Swedish Match's total market share declined both compared to the third quarter of 2015 and the prior year. Nielsen data indicates however, that consumption growth for Swedish Match's snus during the fourth quarter year on year was stronger than during the first three quarters.

Reported sales for Swedish Match in Scandinavia declined, but were flat year on year when adjusting for year-end hoarding effects and currency translation effects stemming from the weaker Norwegian krone. Reported operating profit and operating margin for snus in Scandinavia declined somewhat due to the lower average net sales price per can.

For *General* snus in the US, sales continued to increase due to both higher volumes and better realized pricing. Operating loss in US dollars was on par with prior year levels.

For the US moist snuff business, volumes measured in number of can equivalents continued to grow for tubs but declined for the remaining assortment. Higher average prices compensated for the volume decline and sales grew slightly in local currency. Operating profit in US dollars declined due to higher costs for the quarter. The US moist snuff market continued to grow in volume terms.

The full year

(Note: Comments below refer to the comparison between full year 2015 vs. full year 2014).

Sales for the product area declined by 2 percent in local currencies as growth in the US only partially offset a decline in Scandinavia. The sales development in Scandinavia was negatively impacted by trade destocking in 2015 following significant trade hoarding in the fourth quarter 2014. Further, the net effect of trade hoarding between the fourth quarters of 2014 and 2015 was negative and the average price per can was negatively impacted by price/mix effects in the Scandinavian portfolio. Net costs for Swedish snus expansion outside Scandinavia were down in local currencies but increased somewhat as reported in Swedish kronor and amounted to 352 MSEK (341).

In Scandinavia, shipment volumes were flat. Swedish Match estimates that its underlying volumes (excluding trade destocking/hoarding and calendar effects) on the Scandinavian market increased by more than 2 percent and that the total market grew by more than 4 percent on an underlying basis. Sales in Scandinavia adjusted for destocking/hoarding effects and negative currency translation effects stemming from the weaker Norwegian krone, declined somewhat as increased volumes did not fully compensate for negative price/mix impacts. Over the course of the past twelve months Swedish Match has taken important steps to strengthen its long term position on the Swedish market. The increased market share within the growing value segment, the price repositioning of the *Kronan* brand in Sweden during 2014, the launch of the *XRANGE* snus series in Sweden as well as the sharp weakening of the Norwegian krone are factors that have contributed to a lower average selling price per can. Operating profit for snus in Scandinavia declined, affected by the same parameters as sales.

In the US, sales in local currency for moist snuff increased due to a somewhat higher average price per can and volumes were in line with prior year. Operating profit also grew in local currency for moist snuff in the US. For *General* snus in the US, marketing spending in local currency was lower and sales and gross profit improved.

Swedish Match shipment volumes

	October-December		Chg	Full year		Chg
	2015	2014	%	2015	2014	%
Snus, millions of cans, Scandinavia	65.0	64.8	0	237.9	238.1	0
Moist snuff, millions of cans, US	28.7	29.7	-3	132.1	132.6	0

Swedish Match Scandinavian snus market shares¹⁾

Percent	October-December		Chg	Full year		Chg
	2015	2014	ppts	2015	2014	ppts
Snus, Sweden, total	69.3	69.7	-0.3	69.3	70.5	-1.2
Snus, Sweden, premium	93.7	94.2	-0.5	94.2	94.9	-0.7
Snus, Sweden, value	41.0	38.7	2.3	39.1	36.3	2.8
Snus, Norway, total	55.3	58.7	-3.5	56.6	60.1	-3.5

1) Swedish Match estimates using Nielsen data (excluding tobaccoconists): 13 weeks and YTD to December 27, 2015. 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)

Fourth quarter highlights:

- Higher sales and operating profit in local currency from strong cigar performance
- Chewing tobacco sales increased slightly
- Positive currency effects from a stronger US dollar

Key data

MSEK	October-December		Chg %	Full year		Chg %
	2015	2014		2015	2014	
Sales	955	723	32	3,829	2,832	35
Operating profit	366	288	27	1,554	1,109	40
Operating margin, %	38.3	39.8		40.6	39.2	
EBITDA	382	302	26	1,613	1,161	39
EBITDA margin, %	39.9	41.8		42.1	41.0	

The fourth quarter

(Note: Comments below refer to the comparison between the fourth quarter 2015 vs. the fourth 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 15 percent and operating profit increased by 11 percent. The operating profit comparison continued to be positively affected by the absence of tobacco quota buy-out program fees (approximately 1 MUSD year on year benefit in the fourth quarter) which have expired.

Cigar volumes continued to grow strongly and were up by 20 percent in the quarter. 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 showed especially strong growth in the quarter. Higher volumes and an improved mix contributed to growth in both sales and operating profit in local currency. The operating profit was also positively affected by the absence of the tobacco quota buy-out fees in 2015 and negatively affected by somewhat higher operating costs for the quarter. On October 19, 2015, the FDA submitted its proposal for regulation of cigars to the Office of Management and Budget (OMB). The proposed regulation has not yet been passed. Upon the effective date of the regulation Swedish Match expects to incur cigar-related user fees (based on volumes) to the FDA of approximately 8 MUSD annually.

Chewing tobacco shipments (excluding contract manufacturing volumes) were down by 4 percent. Sales were slightly higher in US dollars, while operating profit declined as operating costs were higher.

The full year

(Note: Comments below refer to the comparison between full year 2015 vs. full year 2014).

In local currency, sales were up by 10 percent, while operating profit was up by 14 percent, attributable to strong performance for US cigars. The operating margin of 40.6 percent was positively impacted by the absence of the tobacco quota buy-out fees of approximately 8 MUSD.

Cigar volumes increased by 12 percent while sales in local currency increased at a faster rate as favorable portfolio mix shifts yielded a somewhat higher average price per cigar. Operating profit in local currency was also higher.

For chewing tobacco, sales in local currency were down slightly with higher prices substantially compensating for the decline in volumes. Operating profit for chewing tobacco in local currency declined.

Swedish Match US shipment volumes

	October-December		Chg %	Full year		Chg %
	2015	2014		2015	2014	
Cigars, millions of sticks	319	266	20	1,256	1,125	12
Chewing tobacco, thousands of pounds (excluding contract manufacturing volume)	1,670	1,732	-4	7,390	7,856	-6

Lights (matches, lighters and complementary products)

Fourth quarter highlights:

- Low volumes for matches and negative effects from a weak Brazilian real
- Continued weak performance in East Europe for lighters



Key data

MSEK	October-December		Chg %	Full year		Chg %
	2015	2014		2015	2014	
Sales	334	362	-8	1,295	1,295	0
Operating profit	50	63	-20	190	218	-13
Operating margin, %	14.9	17.3		14.7	16.8	
EBITDA	59	72	-17	228	252	-9
EBITDA margin, %	17.8	19.8		17.6	19.5	

The fourth quarter

(Note: Comments below refer to the comparison between the fourth quarter 2015 vs. the fourth quarter prior year).

Sales were down primarily due to the substantially weaker Brazilian real and lower volumes for matches. Operating profit declined due to the same parameters as well as a weak performance in Eastern Europe for lighters.

For lighters, sales declined slightly on lower volumes. Operating profit declined primarily due to higher market support and lower prices in invoiced currency in certain markets.

For matches, reported sales and operating profit declined as a consequence of the steep depreciation of the Brazilian real and unusually low shipments for the quarter.

Reported sales for complementary products (mainly branded razors, batteries, high efficiency light bulbs, and tooth picks for the Brazilian market) were flat and were negatively affected by the decline of the Brazilian real.

The full year

(Note: Comments below refer to the comparison between full year 2015 vs. full year 2014).

Adjusted for currency translation effects, sales were flat, while operating profit for the product area declined by 17 percent, mainly as a consequence of weaker performance for lighters in Eastern Europe. Net realized pricing compensated for lower match volumes in many markets whereas lighters were negatively affected by both lower volumes and higher market support.

Swedish Match shipment volumes, worldwide

	October-December		Chg %	Full year		Chg %
	2015	2014		2015	2014	
Matches, billion sticks	17.4	21.7	-20	73.1	81.5	-10
Lighters, million units	103.6	108.6	-5	394.9	422.5	-7

Other operations

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

The fourth quarter

Sales in Other operations for the fourth quarter amounted to 1,112 MSEK (1,129). Operating loss for Other operations was 53 MSEK (27). Operating loss for Other operations was negatively impacted by costs of a one-time nature, including a capital contribution to an associated company providing transportation services to SMD Logistics AB, as well as higher costs related to the start-up of the new distribution facility in Kungsängen.

The full year

Sales for the year amounted to 4,272 MSEK (4,178). Operating loss for the year was 124 MSEK (88).

Scandinavian Tobacco Group

Scandinavian Tobacco Group (STG) is a world leading manufacturer of cigars and pipe tobacco. During the full year 2015 and 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 17.8 million shares. Immediately after the listing, Swedish Match's ownership amounted to 31.2 percent. In connection with the offering, the Managers (JP Morgan, Deutsche Bank, Nordea, Carnegie) have been granted an overallotment option. If this overallotment option is exercised in full, Swedish Match ownership will be reduced to 29.0 percent.

Please see Note 3 for information on Swedish Match's reporting of STG and a summary of the STG consolidated income statement.

The fourth quarter

Swedish Match, in releasing its 2015 full year report prior to the release of STG's full year results, 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. As a consequence of transitioning to a one quarter lag reporting, Swedish Match has not included any result from its ownership in STG for the fourth quarter 2015. Instead, Swedish Match will include its share of STG's net profit for the fourth quarter 2015 in Swedish Match's financial statements for the first quarter 2016. STG has announced that its 2015 full year report will be released on March 10, 2016. Future reporting release dates are also anticipated to deviate.

The full year

Swedish Match's reported share of STG's net profit for the full year amounted to 360 MSEK (334) but only included Swedish Match's share of STG's net profit for the first nine months of 2015, as explained above.

On a first nine months comparison, Swedish Match's share of STG's net profit amounted to 360 MSEK (242), which included a positive adjustment of 56 MSEK relating to the reassessment of useful lives primarily for trademarks (see Note 3 for more information). Besides the positive adjustment of 56 MSEK, Swedish Match's share of STG's net profit for the first nine months was positively affected by currency effects but negatively affected by restructuring charges at STG with a negative impact of 57 MSEK, after tax.

If adjusted to reflect the positive effect of the reassessment of useful lives of certain tangible and intangible assets in the 2014 comparable figures, Swedish Match's share of STG's net profit for the first nine months would have amounted to 304 MSEK (283).

STG's reported EBITDA for the first nine months increased to 946 MDKK (871) affected by positive currency effects, but negatively affected by restructuring costs. The restructuring costs were incurred by concrete steps to increase productivity and build a stronger company, including a detailed plan to rationalize the product portfolio and the number of stock keeping units coupled with the announcement of a sizeable reduction of the workforce in the supply chain. Underlying EBITDA showed a marked improvement, driven by increased productivity and synergies realized from the Verellen acquisition.

On March 25, 2015, Swedish Match received a dividend from STG of 261 MSEK (223). On September 30, 2015, an extra dividend of 555 MSEK was received.

Taxes

For the full year the reported tax expense amounted to 742 MSEK (644), corresponding to a tax rate of 20.9 percent (19.7). The tax rate, excluding associated companies and joint ventures, was 23.1 percent (21.6). The tax rate in 2015 has increased affected by the stronger US dollar and earnings growth in the US which have resulted in a higher proportion of income being taxed at the higher relative US corporate tax rate. The increase is partially offset by the net effect of items of a temporary nature. The earnings from associated companies and joint ventures are reported net after tax, and relate mainly to the share of earnings from STG.

Earnings per share

Basic and diluted earnings per share (EPS) for the fourth quarter amounted to 3.34 SEK (3.55 including 0.47 from share of net profit in STG), negatively affected by the absence of the share of net profit in STG for the fourth quarter 2015. EPS for the year was also negatively affected by the absence of the share of net profit in STG for the fourth quarter. Basic EPS for the year increased to 14.48 SEK (13.23) and diluted EPS increased to 14.48 SEK (13.22). Basic EPS for the year, adjusted for a larger one-time item and the reassessment of useful lives in STG, increased to 14.36 SEK (13.23), while diluted EPS, similarly adjusted, increased to 14.36 SEK (13.22).

Proposed dividend per share

The Board of Directors proposes a total dividend of 20.00 SEK per share consisting of an increased ordinary dividend per share of 8.00 SEK (7.50) and a special dividend of 12.00 SEK. The proposed increased ordinary dividend of 8.00 SEK (7.50) is equivalent to 55 percent (57) of the earnings per share for the year, excluding larger one-time items. The special dividend of 12.00 SEK is proposed in accordance with Swedish Match's financial policy of returning excess cash to its shareholders and following the partial divestment of STG in conjunction with the listing of STG on Nasdaq Copenhagen. The proposed ordinary and special dividend together amounts to 3,778 MSEK (1,464) based on the 188.9 million shares outstanding at the end of the year.

Financing and cash flow

Cash flow from operating activities for the year amounted to 3,768 MSEK (3,276). The cash flow from operations increased compared to the prior year as a result of improved EBITDA and dividends received from associated companies, including an extra dividend of 555 MSEK from STG, partly offset by lower cash flow from changes in working capital, primarily relating to timing effects, and some increased payments of income taxes.

Investments in property, plant and equipment during the year amounted to 491 MSEK (223) and net cash used in investing activities amounted to 513 MSEK (274). The investments in property, plant and equipment were especially high due to the investment in a new distribution center in Sweden of approximately 150

MSEK. The sale of the old distribution center will be closed at the end of the first quarter 2016 at a price of approximately 150 MSEK.

Net finance cost for the year declined to 463 MSEK (510). The underlying decline in the finance cost was mainly a result of lower average interest bearing debt excluding retirement benefit obligations.

The net debt as of December 31, 2015 amounted to 7,922 MSEK compared to 8,126 MSEK at December 31, 2014.

During the year new bond loans of 798 MSEK were issued. Repayments of bond loans for the same period amounted to 1,435 MSEK, including the repurchase of bond loans of 296 MSEK with shorter maturities. As of December 31, 2015 Swedish Match had 8,064 MSEK of interest bearing debt excluding retirement benefit obligations compared to 8,703 MSEK at December 31, 2014. During 2016, 650 MSEK of this debt falls due for payment.

As of December 31, 2015, Swedish Match had 1,500 MSEK in unutilized committed credit lines. Cash and cash equivalents amounted to 1,732 MSEK at the end of the period, compared to 2,312 MSEK at December 31, 2014.

During the year, Swedish Match paid a dividend totaling 1,464 MSEK and made share repurchases of 1,995 MSEK. During the same period the Company sold treasury shares of 141 MSEK as a result of option holders exercising options.

Number of shares

During the year, Swedish Match repurchased 7.5 million shares for 1,995 MSEK at an average price of 266.91 SEK, following authorization from the Annual General Meetings held in 2014 and 2015. Total shares bought back by Swedish Match since the buyback program started have been repurchased at an average price of 113.59 SEK.

During the first quarter, the Company sold 0.7 million treasury shares at an average price of 197.45 SEK, totaling 141 MSEK, as a result of option holders exercising options. During the first quarter, all remaining options issued by Swedish Match, as part of its former option program, have been exercised and no further options are outstanding.

In accordance with the resolution at the Annual General Meeting on April 23, 2015, Swedish Match has cancelled 4 million repurchased treasury shares. The total number of outstanding shares in the Company, including treasury shares, after the cancellation amount to 196.5 million.

As per December 31, 2015 Swedish Match held 7.6 million shares, corresponding to 3.86 percent of the total number of shares. The number of shares outstanding, net, as per December 31, 2015, amounted to 188.9 million. In January 2016, a further 201,623 shares have been repurchased for 60 MSEK at an average price of 297.51 SEK.

The Board will propose to the Annual General Meeting in April 2016 a renewed mandate to repurchase shares up to a total holding in treasury not exceeding 10 percent of the number of registered shares in the Company until next Annual General Meeting in 2017.

Other events and events after the reporting period

Nominating Committee

In accordance with the instructions adopted by the Annual General Meeting 2015, a Nominating Committee has been appointed. In addition to Conny Karlsson (Chairman of the Board), Mark Husson (Cedar Rock Capital), Karim Ladha (Independent Franchise Partners), John Hernander (Nordea Asset Management), and Johan Strandberg (SEB Investment Management) have been appointed members of the Nominating Committee. Johan Strandberg has been appointed chairman of the Nominating Committee.

Relocation and consolidation of distribution centers

SMD Logistics AB, a subsidiary of Swedish Match 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 Kungsängen, 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 was taken into operation in the beginning of 2016. At the same time, the operations of SMD Logistics AB's distribution center in Hisings Backa were 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 for approximately 150 MSEK at which time a capital gain estimated to be in excess of 140 MSEK will be recognized. The plan is to also divest the Hisings Backa distribution facility in the future. The investment in the new distribution center amounts to approximately 150 MSEK and was paid in October, 2015. Restructuring costs of 42 MSEK related to the relocation project were recognized as a larger one-time item during the second quarter.

Dissolution of joint venture SMPM International

On July 16, 2015, it was announced that Swedish Match and Philip Morris International (PMI) have mutually agreed to dissolve the joint venture SMPM International. Swedish Match and PMI will now focus on independent strategies for the commercialization of snus in the former joint venture territory. Trademark licenses have reverted to the original owners, and separate transitional agreements have been signed whereby Swedish Match will supply snus products to PMI for certain markets and PMI will perform distribution services on behalf of Swedish Match in Canada.

The transitional agreement with PMI covered Russia, however in late December 2015, the marketing and sales of snus was banned by the Russian Parliament (the Duma), effective January 10, 2016. Currently the ban does not have any implications on other markets within the Eurasian Customs Union (Kazakhstan, Belarus, Armenia and Kyrgyzstan), as the regulation governing this cooperation stipulates that smokefree tobacco shall be regulated on a national level. Swedish Match has previously sold snus on the Russian market through the recently dissolved joint venture with PMI. All Swedish Match produced products have been removed from the market as of the effective date of the ban without any material financial impact.

Initial Public Offering and listing on Nasdaq Copenhagen of STG

On January 14, 2016, Scandinavia Tobacco Group announced the intention to launch an Initial Public Offering (IPO or Offering) and listing of the company on Nasdaq Copenhagen and on January 28, an offering circular was published. The IPO consisted of a partial sale of existing shares by the STG shareholders, Swedish Match and Skandinavisk Holding II A/S. The shareholders offered to sell 35.6 percent in the offering with an overallotment option of another 4.4 percent. The IPO closed on February 9, 2016, and admission to trading and listing of the STG shares on Nasdaq Copenhagen took place on February 10, 2016. Swedish Match reduced its ownership in STG in the IPO from 49.0 percent (49.0 million shares) to 31.2 percent (31.2 million shares) at completion of the offering. Assuming full exercise of the overallotment option at a later date, Swedish Match will hold 29.0 percent of STG (29.0 million shares).

The final offer price of 100 DKK per share corresponds to a market capitalization of STG of DKK 10 billion. The proceeds from the STG shares sold by Swedish Match in the Offering are planned to be transferred to Swedish Match's shareholders. The Board of Directors of Swedish Match therefore intends to propose to the 2016 Swedish Match Annual General Meeting a special dividend of 12.00 SEK per share and an ordinary dividend of 8.00 SEK, in total 20.00 SEK. Swedish Match expects that the capital gain from the reduction of share ownership in STG will be in excess of 500 MSEK, not subject to taxation, and will be recognized in the financial statement for the first quarter of 2016.

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 and expects the US snus business to continue to grow and to deliver increased gross profit and reduced operating loss.

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, 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 2014.

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 full year amounted to 40 MSEK (48). Profit before income tax amounted to 3,794 MSEK (1,075) and net profit for the year amounted to 3,614 MSEK (989). The higher net profit for the year mainly pertains to higher dividends from subsidiaries compared to previous year and lower interest expenses due to lower average interest bearing debts.

During the period, the Parent Company received dividends of 2,983 MSEK (705), of which 1,739 MSEK relate to dividend in kind recognized at market value, and net Group contributions of 2,016 MSEK (1,708).

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 year repayments of bond loans amounted to 1,435 MSEK and new bond loans of 798 MSEK were issued. During the period, the Parent Company made share repurchases of 7.5 million (3.7) shares for 1,995 MSEK (890) and sold 0.7 million (0.4) treasury shares for 141 MSEK (53).

Capital expenditures on tangible assets for the period amounted to 2 MSEK (1).

A dividend of 1,464 MSEK (1,453) has been paid during the period.

Forward-looking information

This report contains forward-looking information based on the current expectation of the Swedish Match Group's management. Although management deems that the expectations presented by such forward-looking information are reasonable, no guarantee can be given that these 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 annual report for 2015 is expected to be distributed at the end of March and will at the same time be available on the Company's website www.swedishmatch.com and at Swedish Match's headquarters, Sveavägen 44, Stockholm. The Annual General Meeting will be held on April 28, 2016 in Stockholm, Sweden. The January-March 2016 report will be released on May 4, 2016.

Stockholm, February 19, 2016

Lars Dahlgren
President and CEO

Financial statements

Sales by product area

MSEK	October-December		Chg %	Full year		Chg %
	2015	2014		2015	2014	
Snus and moist snuff	1,318	1,323	0	5,090	5,001	2
Other tobacco products	955	723	32	3,829	2,832	35
Lights	334	362	-8	1,295	1,295	0
Other operations	1,112	1,129	-1	4,272	4,178	2
Sales	3,719	3,536	5	14,486	13,305	9

Operating profit by product area

MSEK	October-December		Chg %	Full year		Chg %
	2015	2014		2015	2014	
Snus and moist snuff	545	577	-5	2,071	2,207	-6
Other tobacco products	366	288	27	1,554	1,109	40
Lights	50	63	-20	190	218	-13
Other operations	-53	-27		-124	-88	
Operating profit from product areas	908	900	1	3,690	3,446	7
Share of net profit in STG ¹⁾	-	92		360	334	8
Subtotal	908	992	-8	4,050	3,780	7
Relocation of distribution facilities	-	-		-42	-	
Total larger one-time items	-	-		-42	-	
Operating profit	908	992	-8	4,008	3,780	6
Net finance cost	-128	-132		-463	-510	
Profit before income tax	780	861	-9	3,545	3,270	8

1) The fourth quarter 2015 does not include any net profit in STG and 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 full year 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	October-December		Full year	
	2015	2014	2015	2014
Snus and moist snuff	41.4	43.6	40.7	44.1
Other tobacco products	38.3	39.8	40.6	39.2
Lights	14.9	17.3	14.7	16.8
Operating margin from product areas²⁾	24.4	25.5	25.5	25.9
Operating margin³⁾	24.4	28.1	28.0	28.4

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	October-December		Chg %	Full year		Chg %
	2015	2014		2015	2014	
Snus and moist snuff	588	623	-6	2,247	2,380	-6
Other tobacco products	382	302	26	1,613	1,161	39
Lights	59	72	-17	228	252	-9
Other operations	-42	-16		-81	-45	
EBITDA from product areas	987	982	1	4,008	3,749	7
Share of net profit in STG ²⁾	-	92		360	334	8
EBITDA	987	1,074	-8	4,368	4,083	7

1) Excluding larger one-time items.

2) The fourth quarter 2015 does not include any net profit in STG and 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 full year 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	October-December		Full year	
	2015	2014	2015	2014
Snus and moist snuff	44.6	47.1	44.1	47.6
Other tobacco products	39.9	41.8	42.1	41.0
Lights	17.8	19.8	17.6	19.5
EBITDA margin from product areas²⁾	26.5	27.8	27.7	28.2
EBITDA margin³⁾	26.5	30.4	30.2	30.7

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.

	Full year	
	2015	2014
Operating margin, %	28.0	28.4
Operating capital, MSEK	8,030	8,314
Return on operating capital, %	49.6	47.1
EBITDA, MSEK ¹⁾	4,368	4,083
EBITA, MSEK ²⁾	4,094	3,821
Net debt, MSEK	7,922	8,126
Investments in property, plant and equipment, MSEK ³⁾	491	223
EBITA interest cover	8.9	7.6
<i>Excluding share of net profit in STG</i>		
EBITA, MSEK ²⁾	3,734	3,487
Net debt/EBITA ²⁾	2.1	2.3
<i>Share data</i>		
Number of shares outstanding at end of period	188,915,791	195,677,067
Average number of shares outstanding, basic	193,506,546	198,475,824
Average number of shares outstanding, diluted	193,530,266	198,583,328

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 17 MSEK (19).

Consolidated income statement in summary

MSEK	October-December		Chg %	Full year		Chg %
	2015	2014		2015	2014	
Sales, including tobacco tax	7,067	6,840		27,438	25,908	
Less tobacco tax	-3,348	-3,304		-12,952	-12,603	
Sales	3,719	3,536	5	14,486	13,305	9
Cost of goods sold	-2,005	-1,910		-7,697	-7,109	
Gross profit	1,714	1,627	5	6,789	6,197	10
Selling and admin. expenses	-808	-710		-3,065	-2,703	
Share of profit/loss in associated companies and joint ventures ¹⁾	2	75		327	285	
Relocation of distribution facilities	-	-		-42	-	
Operating profit¹⁾	908	992	-8	4,008	3,780	6
Finance income	9	5		22	27	
Finance costs	-137	-137		-486	-537	
Net finance cost	-128	-132		-463	-510	
Profit before income tax	780	861	-9	3,545	3,270	8
Income tax expense	-145	-161		-742	-644	
Profit for the period¹⁾	636	700	-9	2,803	2,626	7
<i>Attributable to:</i>						
Equity holders of the Parent	636	700		2,803	2,625	
Non-controlling interests	0	0		0	0	
Profit for the period¹⁾	636	700	-9	2,803	2,626	7
Earnings per share, basic, SEK	3.34	3.55		14.48	13.23	
Earnings per share, adjusted, basic, SEK ²⁾	3.34	3.55		14.36	13.23	
Earnings per share, diluted, SEK	3.34	3.55		14.48	13.22	
Earnings per share, adjusted, diluted, SEK ²⁾	3.34	3.55		14.36	13.22	

1) The fourth quarter 2015 does not include any net profit in STG and 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 full year 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.

2) Full year 2015 is adjusted for a Swedish Match larger one-time item of negative 42 MSEK (negative 33 MSEK after tax) and the above-mentioned STG reassessment of useful lives. Note also that the earnings per share for 2015 is negatively affected by the absence of reporting of net profit in STG for the fourth quarter 2015.

Consolidated statement of comprehensive income

MSEK	October-December		Full year	
	2015	2014	2015	2014
Profit for the period	636	700	2,803	2,626
<i>Other comprehensive income that may be reclassified to the income statement</i>				
Translation differences related to foreign operations	-129	334	-137	732
Translation differences included in profit and loss	0	-	44	-
Effective portion of changes in fair value of cash flow hedges	29	-24	86	-57
Reclassification for gains/losses on cash flow hedges included in profit and loss	8	-	8	-
Share of other comprehensive income in associated companies and joint ventures ¹⁾	-0	86	260	322
Income tax relating to reclassifiable components of other comprehensive income	-8	5	-21	13
Subtotal, net of tax for the period	-101	402	241	1,009
<i>Other comprehensive income that will not be reclassified to the income statement</i>				
Actuarial gains/losses attributable to pensions, incl. payroll tax	367	-267	395	-410
Share of other comprehensive income in associated companies and joint ventures ¹⁾	-0	-25	7	-25
Income tax relating to non-reclassifiable components of other comprehensive income	-136	100	-155	154
Subtotal, net of tax for the period	231	-193	248	-281
Total comprehensive income for the period	766	910	3,292	3,353
<i>Attributable to:</i>				
Equity holders of the Parent	766	910	3,292	3,353
Non-controlling interests	0	0	0	0
Total comprehensive income for the period	766	910	3,292	3,353

1) The fourth quarter 2015 does not include any other comprehensive income in STG 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	December 31, 2015	December 31, 2014
Intangible assets	1,048	1,030
Property, plant and equipment	2,240	2,074
Investments in associated companies and joint ventures	4,845	5,233
Other non-current financial receivables ¹⁾	1,739	1,669
Current operating assets	3,220	4,255
Cash and cash equivalents	1,732	2,312
Total assets	14,824	16,573
Equity attributable to equity holders of the Parent	251	277
Non-controlling interests	1	1
Total equity	252	279
Non-current provisions	1,223	1,081
Non-current loans	7,613	7,803
Other non-current financial liabilities ²⁾	1,882	2,063
Current provisions	147	98
Current loans	653	1,141
Other current liabilities	3,054	4,109
Total equity and liabilities	14,824	16,573

1) Includes pension assets of 91 MSEK (81) and currency component of derivatives of 297 MSEK (305) used to hedge the Parent Company's bond loans denominated in currencies other than Swedish kronor.

2) Includes pension liabilities of 1,682 MSEK (1,815) and currency component of derivatives of 94 MSEK (65) used to hedge the Parent Company's bond loans denominated in currencies other than Swedish kronor.

Consolidated cash flow statement in summary

MSEK	January-December	
	2015	2014
<i>Operating activities</i>		
Profit before income taxes	3,545	3,270
Share of profit/loss in associated companies and joint ventures	-327	-285
Dividend received from associated companies	824	235
Other non-cash items and other	412	253
Income tax paid	-724	-580
Cash flow from operating activities before changes in working capital	3,730	2,893
Cash flow from changes in working capital	38	384
Net cash from operating activities	3,768	3,276
<i>Investing activities</i>		
Purchase of property, plant and equipment	-491	-223
Proceeds from sale of property, plant and equipment	17	2
Purchase of intangible assets	-14	-5
Acquisition of subsidiaries	-0	-2
Investments in associated companies and joint ventures ¹⁾	-25	-45
Changes in financial receivables etc.	0	0
Net cash used in investing activities	-513	-274
<i>Financing activities</i>		
Changes in loans	-637	-1,802
Dividend paid to equity holders of the Parent	-1,464	-1,453
Repurchase of own shares	-1,995	-890
Stock options exercised	141	53
Other	31	4
Net cash used in financing activities	-3,924	-4,088
Net decrease in cash and cash equivalents	-669	-1,085
Cash and cash equivalents at the beginning of the period	2,312	3,164
Effect of exchange rate fluctuations on cash and cash equivalents	90	232
Cash and cash equivalents at the end of the period	1,732	2,312

1) Investments in associated companies and joint ventures pertain to additional investments in SMPM International of 25 MSEK in 2015 and 35 MSEK in 2014. Additional investments in Road Cargo of 10 MSEK have been made in 2014.

Change in shareholders' equity

MSEK	Equity attributable to holders of the Parent			Non-controlling interests	Total equity
Equity at January 1, 2014	-786	1	-785		
Profit for the period	2,625	0	2,626		
Other comprehensive income, net of tax for the period	728	0	728		
Total comprehensive income for the period	3,353	0	3,353		
Dividend	-1,453	-	-1,453		
Repurchase of own shares	-890	-	-890		
Stock options exercised	53	-	53		
Cancellation of shares	-3	-	-3		
Bonus issue	3	-	3		
Equity at December 31, 2014	277	1	279		
Equity at January 1, 2015	277	1	279		
Profit for the period	2,803	0	2,803		
Other comprehensive income, net of tax for the period	489	0	489		
Total comprehensive income for the period	3,292	0	3,292		
Dividend	-1,464	-	-1,464		
Repurchase of own shares	-1,995	-	-1,995		
Stock options exercised	141	-	141		
Cancellation of shares	-8	-	-8		
Bonus issue	8	-	8		
Equity at December 31, 2015	251	1	252		

Parent Company income statement in summary

MSEK	January-December	
	2015	2014
Sales	40	48
Administrative expenses	-185	-203
Operating loss	-145	-154
Result from participation in Group companies	2,979	705
Net finance cost	-796	-1,059
Profit/Loss after financial items	2,038	-508
Appropriations	1,756	1,583
Profit before income tax	3,794	1,075
Income tax	-180	-86
Profit for the period	3,614	989

Parent Company statement of comprehensive income

MSEK	January-December	
	2015	2014
Profit for the period	3,614	989
<i>Other comprehensive income that may be reclassified to the income statement</i>		
Effective portion of changes in fair value of cash flow hedges	86	-57
Reclassification for gains/losses on cash flow hedges included in profit and loss	8	-
Income tax relating to components of other comprehensive income	-21	13
Subtotal, net of tax for the period	73	-45
Total comprehensive income for the period	3,687	944

Parent Company balance sheet in summary

MSEK	December 31, 2015	December 31, 2014
Intangible and tangible assets	3	2
Non-current financial assets	48,883	51,311
Current assets	2,227	1,977
Total assets	51,113	53,290
Equity	21,215	20,846
Untaxed reserves	675	415
Provisions	48	35
Non-current liabilities	25,911	26,137
Current liabilities	3,263	5,855
Total liabilities	29,222	32,027
Total equity and liabilities	51,113	53,290

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.

The new amendments and interpretations to existing standards applicable as of January 1, 2015; *IFRIC 21*, *Levies*, and annual improvements to *IFRS 3*, *IFRS 13*, and *IAS 40* 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 2014, 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 2015, receivables from these companies amounted to 27 MSEK (34) and total payables to these companies amounted to 10 MSEK (6). During 2015, total sales to associated companies and joint ventures amounted to 169 MSEK (170) and total purchases from associated companies and joint ventures amounted to 103 MSEK (108).

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

Note 3 – Scandinavian Tobacco Group

Summary of STG net profit¹⁾

<i>MDKK</i>	Oct-Dec		Chg %	Jan-Sep		Chg %	Jan-Dec 2014
	2015	2014		2015	2014		
Net profit	-	152	-100	493	398	24	550
<i>MSEK</i>							
Swedish Match's share of net profit	-	92	-100	304	237	28	329
Change in estimate of useful lives	-	-		56	-		-
Adjustment to estimate vs. actual	-	-		-	5		5
Swedish Match's reported share of net profit	-	92	-100	360	242	49	334

1) Due to transition of reporting of Swedish Match's share of STG's net profit to a one quarter lag, as a consequence of STG becoming a publicly listed company, no net profit from STG was recognized for the fourth quarter.

Swedish Match's share of STG's net profit has for the full year been affected by 1) the absence of reporting of the fourth quarter share of STG's net profit, due to transition to a one quarter lag reporting, 2) one-time costs in STG's reporting for the third quarter and 3) an adjustment, recognized in the first quarter, relating to a reassessment of useful lives primarily of trademarks.

- Swedish Match has up until September 2015, reported 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. With STG becoming a publicly listed company, Swedish Match's reporting of its share of STG's net profit and equity is restricted to STG's releases of financial results. As announced by STG, its 2015 full year report will be released March 10, 2016, which is after Swedish Match releases its 2015 full year report. Also future reporting release dates may deviate. According to International Financial Reporting Standards, when the reporting dates deviate, the owning entity shall base its reporting on the associated company's most recent financial statements. Therefore, 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. As a consequence of transiting to a one quarter lag reporting, Swedish Match has not included any result from its ownership in STG for the fourth quarter 2015. Instead, Swedish Match will include its share of STG's net profit for the fourth quarter 2015 in Swedish Match's financial statements for the first quarter 2016.
- During the first nine months, and most notably during the third quarter, STG implemented several actions to increase productivity and build a stronger company for the future. Key elements included a detailed plan to rationalize the product portfolio and the number of stock keeping units, coupled with the announcement of a sizeable reduction of the workforce in the supply chain. Portfolio rationalization is also an important component of the preparations for the revised European Tobacco Products Directive (to be implemented in May 2016). These steps resulted in total restructuring costs of 123 MDKK for the first nine months of 2015, of which 98 MDKK were recognized in the third quarter. Net of tax the one-time costs for the first nine months were 93 MDKK, of which Swedish Match's share amounted to 57 MSEK.

3) The useful lives of certain intangible and tangible assets were reassessed by STG's management in the financials for 2014. The net profit from STG recognized in Swedish Match's interim reports for 2014 and the annual report for 2014 were based on the 2013 assessment of useful lives. The reassessment led to a decrease in the amortization and depreciation costs on longer useful lives of approximately 127 MDKK and an increase in net profit of approximately 94 MDKK for the full year 2014, the majority of the effect relating to the reassessed useful lives of trademarks. The effect on Swedish Match's share of net profit in STG, relating to 2014, amounted to 56 MSEK and was recognized in Swedish Match's financial statements for the first quarter 2015. See adjusted financial statement for 2014 in the table below.

Summary of STG consolidated income statement, adjusted¹⁾

MDKK	Oct-Dec		Chg %	Jan-Sep		Chg %	Jan-Dec 2014
	2015	2014		2015	2014		
Sales	-	1,630	-100	4,966	4,496	10	6,126
Gross profit	-	801	-100	2,417	2,146	13	2,947
Operating expenses ²⁾	-	-561		-1,699	-1,473		-2,033
Operating profit ²⁾	-	240	-100	718	674	7	914
Net finance income/cost	-	-15		-60	-54		-68
Income tax expense ²⁾	-	-55		-164	-151		-206
Net profit²⁾	-	170	-100	493	469	5	640
EBITDA	-	312	-100	946	871	9	1,183
<i>MSEK</i>							
Swedish Match's share of adjusted net profit	-	104	-100	304	279	9	383
Adjustment to estimate vs. actual	-	-		-	5		5
Swedish Match's adjusted reported share of net profit	-	105	-100	304	283	7	388

1) The consolidated income statement of STG with the effect of the reassessment of useful lives included on comparable basis in both 2014 and 2015. Note that the 2014 summary of STG consolidated income statement presented in the Swedish Match 2014 interim and full year reports did not include the reassessment of the useful lives.

2) The operating expenses in 2014 (January-December) are adjusted by 127 MDKK and the income tax expense by 37 MDKK due to the lower amortization and depreciation.

Note 4 – Carrying value and fair value

The following table shows carrying value and fair value for financial instruments per December 31, 2015.

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	-	1,547	-	-	1,547	1,547
Non-current receivables	-	-	-	324	324	324
Cash and cash equivalents	-	1,732	-	-	1,732	1,732
Total assets	-	3,279	-	324	3,603	3,603
Loans and borrowings	-	-	8,266	-	8,266	8,713
Other liabilities	20	-	-	198	218	218
Trade payables	-	-	602	-	602	602
Total liabilities	20	-	8,868	198	9,086	9,533

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 fourth quarter 2015.

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 5,171 MSEK, all in cash flow hedges.

Note 5 – Derivatives under netting agreement

To reduce the credit risk in receivables from banks arising via derivative instruments, Swedish Match has entered into netting agreements, known as ISDA Master Agreements, with all of its counterparties. The following table shows the netted exposures per December 31, 2015. No collateral has been received or pledged.

Financial instruments under master netting agreements

<i>MSEK</i>	Gross amount for financial instruments	Amount netted in the balance sheet	Net amount in the balance sheet	Amounts of financial instruments not netted in the balance sheet, but subject to netting agreement	Net
Derivatives – assets	304	0	304	-131	173
Derivatives – liabilities	176	0	176	-131	45

Quarterly data

Consolidated income statement in summary

<i>MSEK</i>	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q4/13
Sales, including tobacco tax	7,067	7,275	6,907	6,190	6,840	6,768	6,603	5,697	6,284
Less tobacco tax	-3,348	-3,519	-3,263	-2,822	-3,304	-3,351	-3,264	-2,683	-3,106
Sales	3,719	3,756	3,644	3,368	3,536	3,416	3,339	3,014	3,178
Cost of goods sold	-2,005	-2,011	-1,929	-1,752	-1,910	-1,853	-1,784	-1,561	-1,698
Gross profit	1,714	1,745	1,715	1,615	1,627	1,563	1,555	1,452	1,481
Selling and administrative expenses	-808	-745	-771	-741	-710	-675	-681	-637	-633
Share of net profit/loss in associated companies and joint ventures ¹⁾	2	66	119	140	75	101	67	43	84
	908	1,065	1,063	1,014	992	989	941	858	932
<i>Larger one-time items</i>									
Relocation of distribution facilities	-	-	-42	-	-	-	-	-	-
Operating profit	908	1,065	1,021	1,014	992	989	941	858	932
Finance income	9	6	4	4	5	7	8	8	9
Finance costs	-137	-111	-119	-118	-137	-134	-133	-134	-137
Net finance cost	-128	-106	-115	-114	-132	-127	-125	-126	-128
Profit before income tax	780	960	906	900	861	862	816	732	804
Income tax expense	-145	-219	-200	-179	-161	-167	-165	-152	-128
Profit for the period	636	741	705	721	700	695	651	580	675
<i>Attributable to:</i>									
Equity holders of the Parent	636	741	705	721	700	695	651	580	675
Non-controlling interests	0	0	0	0	0	0	0	0	0
Profit for the period	636	741	705	721	700	695	651	580	675

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

<i>MSEK</i>	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q4/13
Snus and moist snuff	1,318	1,311	1,271	1,191	1,323	1,257	1,267	1,154	1,247
Other tobacco products	955	958	982	933	723	724	699	687	590
Lights	334	312	318	331	362	319	299	315	345
Other operations	1,112	1,174	1,073	912	1,129	1,117	1,074	858	996
Sales	3,719	3,756	3,644	3,368	3,536	3,416	3,339	3,014	3,178

Operating profit by product area

<i>MSEK</i>	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q4/13
Snus and moist snuff	545	556	514	455	577	562	562	505	562
Other tobacco products	366	390	414	384	288	276	279	267	228
Lights	50	47	36	57	63	51	49	55	63
Other operations	-53	-14	-28	-29	-27	-15	-28	-18	-18
Operating profit from product areas	908	979	937	866	900	874	862	809	835
Share of net profit in STG ¹⁾	-	87	126	148	92	115	78	49	97
Subtotal	908	1,065	1,063	1,014	992	989	941	858	932
Relocation of distribution facilities	-	-	-42	-	-	-	-	-	-
Total larger one-time items	-	-	-42	-	-	-	-	-	-
Operating profit	908	1,065	1,021	1,014	992	989	941	858	932

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.

Operating margin by product area¹⁾

<i>Percent</i>	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q4/13
Snus and moist snuff	41.4	42.4	40.5	38.2	43.6	44.8	44.4	43.8	45.1
Other tobacco products	38.3	40.7	42.2	41.1	39.8	38.1	39.9	38.8	38.6
Lights	14.9	15.2	11.4	17.1	17.3	16.0	16.4	17.6	18.1
Operating margin from product areas²⁾	24.4	26.1	25.7	25.7	25.5	25.6	25.8	26.9	26.3
Operating margin³⁾	24.4	28.4	29.2	30.1	28.1	29.0	28.2	28.5	29.3

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⁾

<i>MSEK</i>	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q4/13
Snus and moist snuff	588	600	559	500	623	608	604	546	607
Other tobacco products	382	404	429	399	302	289	291	279	242
Lights	59	57	46	66	72	59	57	64	71
Other operations	-42	-3	-17	-19	-16	-5	-17	-7	-7
EBITDA from product areas	987	1,058	1,017	946	982	952	935	881	913
Share of net profit in STG ²⁾	-	87	126	148	92	115	78	49	97
EBITDA	987	1,144	1,143	1,093	1,074	1,067	1,013	930	1,009

1) Excluding larger one-time items.

2) 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.

EBITDA margin by product area¹⁾

<i>Percent</i>	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q4/13
Snus and moist snuff	44.6	45.7	44.0	42.0	47.1	48.3	47.6	47.3	48.7
Other tobacco products	39.9	42.2	43.7	42.7	41.8	40.0	41.6	40.6	41.0
Lights	17.8	18.2	14.5	20.0	19.8	18.6	19.2	20.2	20.5
EBITDA margin from product areas²⁾	26.5	28.2	27.9	28.1	27.8	27.9	28.0	29.2	28.7
EBITDA margin³⁾	26.5	30.5	31.4	32.5	30.4	31.2	30.3	30.8	31.8

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	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q4/13
Property, plant and equipment	68	68	69	68	71	67	62	61	66
Intangible assets	11	11	11	11	10	10	10	10	12
Total	79	79	80	79	81	78	72	72	78

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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 February 19, 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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