Swedish Match

Q4 2019

Full Year Report
January – December 2019

Record year for sales and operating profit from product segments

- **In local currencies, sales increased by 15 percent for the fourth quarter and by 8 percent for the full year. Reported sales increased by 19 percent to 3,933 MSEK (3,301) for the fourth quarter and by 14 percent to 14,739 MSEK (12,966) for the full year.**
- **In local currencies, operating profit from product segments[1)] increased by 18 percent for the fourth quarter and by 13 percent for the full year. Reported operating profit from product segments increased by 22 percent to 1,525 MSEK (1,246) for the fourth quarter and by 18 percent to 5,828 MSEK (4,936) for the full year.**
- **Operating profit, which includes a non-cash impairment charge of 367 MSEK related to the European chewing tobacco business (see Note 5), amounted to 1,098 MSEK (1,196) for the fourth quarter and to 5,307 MSEK (4,812) for the full year.**
- **Profit after tax amounted to 756 MSEK (925) for the fourth quarter and to 3,896 MSEK (3,578) for the full year.**
- **Earnings per share amounted to 4.62 SEK (5.41) for the fourth quarter and to 23.22 SEK (20.63) for the full year. Adjusted earnings per share increased by 26 percent to 6.81 SEK (5.41) for the fourth quarter and by 23 percent to 25.41 SEK (20.63) for the full year.**
- ***ZYN* available in approximately 67,000 stores in the US, and average sales per store continued to increase sequentially.**
- **The Board proposes an increased dividend of 12.50 SEK per share.**
- **The outlook for 2020 can be found on page 13.**

1) Excludes Other operations and larger one-time items.

CEO Lars Dahlgren comments:

2019 - A year of transformation, aligned with our vision

In many respects, 2019 will stand out as a transformational year for Swedish Match – a year in which we not only delivered record sales and operating profit from product segments, but also where the Company, aligned with our vision, established itself as the clear market leader for nicotine pouches in the United States and began offering nicotine pouches to markets outside of our core Scandinavian and US markets. Twenty years ago, Swedish Match embarked on a journey toward a world without cigarettes by divesting its cigarette business and choosing to expand its footprint with other products over a broad geography. Later, the Company divested its pipe tobacco businesses as well as its US premium and European cigar businesses, and instead concentrated its focus on smokefree products. Throughout this journey, Swedish Match has dedicated its efforts through research and development, product innovation, regulatory engagement and market insight in pursuit of our vision benefiting our shareholders as well as society as a whole.

Much like our vision, Swedish Match's strategy for sustainability is a long-term journey. Our approach to sustainability is not to attempt to cater to broadly defined, and at times, ideological demands of others. Rather, our compass is set strategically on specific areas where we believe Swedish Match has the potential to directly or indirectly influence meaningful outcomes or where the issue has the potential to impact the long-term viability of our businesses. Beyond the many successful sustainability initiatives implemented by our businesses during the year, we were particularly pleased to see that our greenhouse gas emission reduction targets were approved by the Science Based Targets initiative in March of 2019.

The trend shift in global consumption of nicotine products away from traditional combustible cigarettes is accelerating. As nicotine markets evolve, producers, governments and regulators must work to achieve the societal benefits of harm reduction grounded in science while limiting unintended negative consequences like youth adoption. The global regulatory regimes are dynamic and divergent, and 2019 was a uniquely turbulent year. As an example of this regulatory divergence, within a period of ten months, the European Court of Justice ruled that Swedish snus will continue to be excluded from the EU internal market while Swedish Match became the first company to be granted Modified Risk Tobacco Product (MRTP) designations by the US FDA for our *General* snus offerings. We firmly believe that the best and most proven alternatives to cigarettes lie in smokefree nicotine products that do not require inhalation and we will continue to advocate for rational and science-based regulatory frameworks that will permit Swedish Match to responsibly market our products to adult consumers as a safer alternative to combustible cigarettes.

Over the past several years, we have invested in the long-term strength and geographical reach of the Group. Our *ZYN* factory expansion projects in the US have progressed very well, and following the success of our 2019 national rollout of *ZYN*, we have once again taken a decision to further expand our manufacturing capacity in support of future growth. The opportunity for *ZYN* extends beyond the US and Sweden/Norway and *ZYN* is now available on a limited scale in a number of European countries, and markets as far away from Stockholm as New Zealand. In addition to investments in our existing business, we have also worked to build from our recent acquisitions of V2 Tobacco, Oliver Twist and Gotlandssnus - smokefree tobacco companies that complement our product portfolio and provide opportunities for a more flexible and adaptive portfolio under changing market and regulatory conditions.

The Group's outstanding financial performance in 2019 further reflects our commitment to our vision as the Snus and moist snuff product segment accounted for essentially all of our growth in sales and operating profit from product segments in local currencies.

In Scandinavia, cigarette smoking continued to decline and market growth for smokefree alternatives was robust during the year. As nicotine pouches became more widely accepted in both Sweden and Norway, dynamics within the smokefree markets have changed. In Norway, market volumes for conventional snus declined as consumers rapidly migrated to nicotine pouches. In Sweden, market growth accelerated during 2019, driven by nicotine pouches, which generally are priced higher than snus offerings, and by premium snus brands which are offered at somewhat lower price points than the traditional range of premium products. Our own volume growth was slower than the overall market growth for the combined snus and nicotine pouch categories in these markets, and we remain committed to actively competing in the attractive growing segments while balancing profit growth. Swedish Match's market share is particularly strong within the traditional range of premium snus products, and structural declines within this segment contributed to the market share declines for our total portfolio.

In the US, we noted slowdowns in growth within both the moist snuff and the snus category, impacted, in part, by the rapid growth of nicotine pouches, particularly for our own *ZYN* product assortment. For moist snuff, we continue to focus on the faster growing segments of the market, and it is encouraging to see that we once again outperformed the market growth rate in the moist snuff pouch segment. Volume growth for *ZYN* was extraordinary during 2019 benefitting from the national launch in the second quarter as well as increased sequential growth in velocities on a per store basis following the launch. Profitability for *ZYN* was also sharply higher as a result of volume growth and more cost-efficient local production.

Within Other tobacco products, cigars faced changed market conditions as market volumes contracted, and Swedish Match's shipment volumes similarly declined slightly compared to 2018 levels. While our shipment volumes declined in the HTL (homogenized tobacco leaf) segment, the impact of these declines on profit was more than offset by volume growth in the growing natural leaf segment resulting in an improved operating profit on a local currency basis. Growth for our natural rolled leaf cigars particularly in the earlier part of the year was constrained by a shortage of cigar wrapper supplies. In May of 2020, it is anticipated that we will be required to file substantial equivalence applications to the FDA for our cigar portfolio, and we are well advanced in this process. For chewing tobacco, the US market declined in line with the historical trend and the shift toward value priced offerings continued. Once again, Swedish Match experienced share growth in both the premium and value priced segment, helping to mitigate the impacts of general category declines and enabling the delivery of stable operating profit. In Europe, the chew bag market had a turbulent year, impacted by regulatory rulings, but also by the increased availability of alternative products. As a result of these uncertainties, we recorded a non-cash impairment charge related to our European chewing tobacco business in the fourth quarter.

Our Lights business had a difficult year with increased raw material costs and soft volumes. However, for both lighters and matches, portfolio price/mix effects were favorable which helped to offset the effects of lower volumes. In our continuing efforts to align the scale of our operations to market opportunities, we implemented restructuring activities during 2019, which have been fully funded through timber and land sales.

During the year, we distributed strong cash returns to our shareholders through dividends and share repurchases. We paid 1,777 MSEK in dividends and repurchased shares for 2,989 MSEK. At the upcoming Annual General Meeting, the Board of Directors will be proposing a 19 percent increase in the dividend to 12.50 SEK.

In summary, 2019 was a truly outstanding year for Swedish Match. As a pioneer in a dynamic and evolving industry landscape, we were able to both deliver a record financial performance and make substantial investments in the long-term strength of the Group. Our successful strategy has not only benefitted shareholders but also contributed to improved public health. As we enter 2020, we will continue making strides toward our vision of a world without cigarettes.

Summary of consolidated income statement

MSEK	October-December 2019	2018	Chg %	Full year 2019	2018	Chg %
Sales	3,933	3,301	19	14,739	12,966	14
Sales from product segments[1)]	3,838	3,214	19	14,363	12,612	14
Operating profit from product segments[1)]	1,525	1,246	22	5,828	4,936	18
Operating profit	1,098	1,196	-8	5,307	4,812	10
Profit before income tax	1,039	1,134	-8	5,060	4,531	12
Profit for the period	756	925	-18	3,896	3,578	9
Operating margin from product segments, %[1)]	39.7	38.8		40.6	39.1	
Earnings per share, basic and diluted, SEK	4.62	5.41		23.22	20.63	
Adjusted earnings per share, basic and diluted, SEK[2)]	6.81	5.41		25.41	20.63	

1) Excluding Other operations and larger one-time items.
2) Excluding larger one-time items, which pertain to a non-cash impairment charge for the European chewing tobacco business during the fourth quarter 2019, see Note 5.

The fourth quarter

(Note: Comments below refer to the comparison between the fourth quarter 2019 vs. the fourth quarter 2018).

Sales

Group sales and sales from product segments both increased by 19 percent to 3,933 MSEK (3,301) and 3,838 MSEK (3,214), respectively. Currency translation positively affected the comparability of sales from product segments by 140 MSEK, and in local currencies, sales from product segments increased by 15 percent. The Snus and moist snuff product segment, and specifically nicotine pouches in the US, was the key source of sales growth during the quarter. In local currencies, sales also increased for the Other tobacco product segment while declining for the Lights product segment. The accounting consequences of an enhanced retailer merchandising program in the US beginning January 1, 2019 negatively impacted the reported sales development of our US businesses. Adjusted for this retailer merchandising program, sales from product segments would have increased by 16 percent in local currencies.

Earnings

Operating profit from product segments increased by 22 percent to 1,525 MSEK (1,246). In local currencies, operating profit from product segments was up by 18 percent with increases for the Snus and moist snuff as well as the Lights product segments but declines for Other tobacco products. Operating profit for the Lights product segment benefitted from the favorable resolutions of indirect tax disputes in Brazil (see Note 7). During the fourth quarter, a non-cash impairment charge for the European chewing tobacco business of 367 MSEK was recognized as a larger one-time item (see Note 5) following the judgement by the Bavarian Administrative Court and changed market conditions.

Group operating profit, including larger one-time items, amounted to 1,098 MSEK (1,196). Currency translation has affected the comparison of the operating profit positively by 34 MSEK.

The Group’s net finance cost amounted to 59 MSEK (62). The income tax expense amounted to 283 MSEK (209) corresponding to a corporate tax rate 27.2 percent (18.5). The higher tax rate in 2019 has been negatively impacted by the non tax-deductible impairment charge.

The Group’s profit for the period amounted to 756 MSEK (925).

Earnings per share (EPS) for the fourth quarter amounted to 4.62 SEK (5.41). Adjusted EPS increased by 26 percent to 6.81 SEK (5.41).

The full year

(Note: Comments below refer to the comparison between full year 2019 vs. full year 2018).

Sales

Group sales and sales from product segments both increased by 14 percent to 14,739 MSEK (12,966) and 14,363 MSEK (12,612), respectively. Currency translation positively affected the comparability of sales from product segments by 711 MSEK and in local currencies, sales from product segments increased by 8 percent. Adjusted for the above-mentioned retailer merchandising program in the US, sales from product segments would have increased by 9 percent in local currencies.

Earnings

Operating profit from product segments increased by 18 percent to 5,828 MSEK (4,936). In local currencies the operating profit from product segments increased by 13 percent with increases for the Snus and moist snuff and Lights product segments, and a slight decline for the Other tobacco products segment.

Group operating profit, including larger one-time items, amounted to 5,307 MSEK (4,812). Currency translation favorably affected the comparison of the operating profit by 251 MSEK. The larger one-time item in the fourth quarter pertains to the above-mentioned impairment charge for the European chewing tobacco business.

The Group's net finance cost amounted to 247 MSEK (281). Income tax expense amounted to 1,165 MSEK (953), corresponding to a corporate tax rate of 23.0 percent (21.0). When adjusted for the impairment charge and non-recurring tax items the underlying tax rate was 21.8 percent (21.7).

The Group's profit for the period amounted to 3,896 MSEK (3,578).

EPS for the full year amounted to 23.22 SEK (20.63). Adjusted EPS increased by 23 percent to 25.41 SEK (20.63).

GENERAL

General snus, launched in 1866 in Sweden, blends notes of tea, hay and leather with an underlying spiced tobacco flavor. A drop of bergamot oil, from the citrus fruit bergamot that mainly grows in Italy and northern Africa, gives *General* its signature taste. We have developed new products from this legacy, and now offer a wide range of *General* products in both loose and pouch formats. One interpretation is *G.3* – a stronger snus in a slimmer pouch, designed to offer less drip and fit perfectly under the lip. *General One* is another – an attractively priced product with a full sized and soft pouch that is moist on the surface for a quick and strong flavor release.

Snus and moist snuff

Fourth quarter highlights:

- Higher sales and operating profit in both Scandinavia and the US in local currencies
- Underlying Scandinavian shipment volumes were up by more than 2 percent, with gains in both Sweden and Norway
- Strong sequential growth for *ZYN* in the US from both existing stores and expanded distribution

Key data

MSEK	October-December		Chg	Full year		Chg
	2019	**2018**	**%**	**2019**	**2018**	**%**
Sales	2,156	1,632	32	7,484	6,127	22
Operating profit	987	725	36	3,477	2,791	25
Operating margin, %	45.8	44.4		46.5	45.6	
EBITDA	1,064	795	34	3,776	3,025	25
EBITDA margin, %	49.4	48.7		50.5	49.4	

The fourth quarter

(Note: Comments below refer to the comparison between the fourth quarter 2019 vs. the fourth quarter 2018).

In local currencies, sales for the Snus and moist snuff product segment increased by 29 percent, driven by nicotine pouches in the US. Sales in local currencies grew for snus and nicotine pouches in Scandinavia but declined for moist snuff in the US (negatively impacted by the aforementioned retailer merchandising program as well as the effects of modifications to pricing/promotional programs implemented in December 2019). Operating profit in local currencies improved in both Scandinavia and the US. In the US, operating profit and operating margin grew despite the adverse effects of a changed segment allocation methodology for shared operating expenses of our US business. The change recognizes the designation of nicotine pouches (*ZYN)* as a more established business within our US portfolio. Under the 2018 allocation methodology Snus and moist snuff expenses would have been 15 MSEK lower and Other tobacco products expenses would have been higher by the same amount.

In Scandinavia, the Swedish and Norwegian markets continued to demonstrate strong volume growth during the quarter, led by rapid gains for nicotine pouches in both countries, as well as continued growth for snus in Sweden. The total Scandinavian market (including Sweden, Norway, and Denmark) for the combined snus and nicotine pouch segments is estimated to have grown in volume terms by more than 8 percent on an underlying basis (adjusted for inventory fluctuations and calendar effects). Swedish Match snus and nicotine pouch shipment volumes grew by close to 3 percent, led by nicotine pouches. Swedish Match estimates that its underlying snus and nicotine pouch volumes were up by more than 2 percent. Average selling prices were higher than the prior year quarter primarily as a result of price increases in both Sweden and Norway. Sales and gross profit in Scandinavia increased on higher volumes and higher realized pricing, partially offset by increased manufacturing costs.

In Sweden, Swedish Match was successful in improving its market share in the rapidly growing nicotine pouch category but its market share of the snus category declined compared to the prior year. In Norway, Swedish Match's market share within the conventional snus category improved compared to the prior year but declined in the nicotine pouch category.

For our US moist snuff business volumes grew, with declines in loose cans more than offset by gains for pouches and tubs. Sales declined, impacted by both the merchandising program as well as changes in price/promotional activities and product mix. Operating profit was also lower. Swedish Match continued to gain market share in the attractive moist snuff pouch segment in the quarter.

Volumes for snus and nicotine pouches outside Scandinavia increased sharply, reflecting the market success of *ZYN* in the US. The distribution of *ZYN* in the US grew sequentially with presence in approximately 67,000 stores at the end of the quarter. The sharp year-on-year increase in *ZYN* volumes was attributable to both increasing velocities (measured on a cans per store per week basis) for stores where *ZYN* was in place before the national rollout in April 2019, and growing store velocities for stores that have been added with the national launch.

The full year

(Note: Comments below refer to the comparison between full year 2019 vs. full year 2018).

In local currencies, sales for the product segment grew by 18 percent and operating profit was higher for snus and nicotine pouches in Scandinavia and for snus and nicotine pouches outside of Scandinavia (primarily *ZYN* in the US). Moist snuff operating profit declined in local currency.

In Scandinavia, shipment volumes grew by close to 2 percent. Swedish Match estimates that its underlying organic Scandinavian snus and nicotine pouch volumes (excluding Gotlandssnus acquired in August 2018 and adjusted for calendar effects) increased by approximately 1 percent. Operating profit for snus and nicotine pouches in Scandinavia grew on higher sales.

In the US, sales for moist snuff in local currency declined as a consequence of the accounting effects of the new retailer merchandising program as well as from effects relating to changes in pricing/promotional programs. For snus and nicotine pouches outside Scandinavia, the favorable financial development resulted from higher volumes, improved pricing, and lower manufacturing costs, partially offset by increased marketing expenses and sales allowances tied to the national rollout of *ZYN* in the US. Shipments of *ZYN* in the US amounted to 50.4 million cans for the year, up from 12.7 million cans in the prior year.

The second phase of our broader US manufacturing capacity plan for *ZYN* was completed in the fourth quarter of 2019. In early 2021, we expect to complete the third phase of the project, effectively doubling currently installed capacity and bringing total US-based manufacturing capacity to somewhat more than 150 million cans annually. Given the market success of *ZYN*, we have recently decided to once again expand capacity. The fourth phase, which is planned to be completed in 2022, will involve building expansion as well as processing and packaging lines that will increase annualized installed capacity to more than 200 million cans.

Swedish Match shipment volumes

Millions of cans	October-December		Chg	Full year		Chg
	2019	**2018**	**%**	**2019**	**2018**	**%**
Snus and nicotine pouches, Scandinavia[1)]	71.7	69.7	3	268.9	263.6	2
Moist snuff, US	30.4	29.6	3	124.0	126.3	-2
Snus and nicotine pouches, outside Scandinavia	22.5	7.9	183	62.8	25.3	149

1) Includes snus volumes for Gotlandssnus from acquisition date, August 22, 2018. Scandinavia refers to Sweden, Norway, and Denmark.

Swedish Match Scandinavian snus and nicotine pouches market shares[1)]

Percent	October-December		Chg	Full year		Chg
	2019	**2018**	**ppts**	**2019**	**2018**	**ppts**
Snus, Sweden	61.2	63.0	-1.8	61.5	64.2	-2.7
Snus, Norway	56.3	54.4	1.9	55.5	54.6	0.9
Nicotine pouches, Sweden	26.3	23.3	3.0	25.8	19.7	6.1
Nicotine pouches, Norway[2)]	14.4	18.1	-3.7	15.4	17.6	-2.2

1) Swedish Match estimates using Nielsen data (excluding tobacconists and e-commerce): 13 weeks to December 29, 2019 and December 30, 2018, respectively. All figures for the Swedish market have been restated to reflect changes in Nielsen store measurements. Data for both the current and prior year periods include brands acquired in 2018.
2) Nicotine pouches in Norway contain a small amount of tobacco for regulatory reasons.

Other tobacco products

Fourth quarter highlights:

- Swedish Match cigar shipment volumes up 7 percent with gains in natural leaf varieties offsetting declines for HTL
- Market declines for HTL cigars continued, as well as for US chewing tobacco
- Impairment charge in the European chewing tobacco business of 367 MSEK

Key data

MSEK	October-December 2019	2018	Chg %	Full year 2019	2018	Chg %
Sales	1,359	1,233	10	5,679	5,240	8
Operating profit	437	456	-4	2,113	1,956	8
Operating margin, %	32.2	37.0		37.2	37.3	
EBITDA	481	480	0	2,254	2,046	10
EBITDA margin, %	35.4	38.9		39.7	39.0	

The fourth quarter

(Note: Comments below refer to the comparison between the fourth quarter 2019 vs. the fourth quarter 2018).

In local currencies, sales for Other tobacco products were up by 4 percent, while operating profit declined by 10 percent. In local currency, sales and operating profit increased for cigars, but declined for US chewing tobacco. Sales and operating profit for chewing tobacco products outside of the US (chew bags and tobacco bits) declined, partly as a result of inventory adjustments. In the US, operating profit and operating margin benefitted from the aforementioned changed segment allocation methodology for shared operating expenses of our US business. Under the 2018 allocation methodology Other tobacco products expenses would have been 15 MSEK higher and Snus and moist snuff expenses would have been lower by the same amount.

Swedish Match's cigar shipment volumes were notably higher in the quarter versus prior year as volume growth for both natural leaf small and rolled leaf varieties more than offset volume declines for homogenized tobacco leaf (HTL) varieties. Since the third quarter Swedish Match utilizes the externally developed MSA data set that is also used by most of our major US competitors, replacing our previous proprietary data set in order to track distributor shipments to the trade. Based on this new measure of distributor shipments to retail, total cigar category volumes declined by less than 1 percent in the quarter, most notably within the HTL segment. Under this new measure, Swedish Match volumes grew, owing to our portfolio positioning skewed toward natural leaf cigars.

Chewing tobacco shipments in the US (excluding contract manufacturing volumes) during the quarter declined 7 percent. Volumes for traditional premium varieties declined, while they grew for value brands. Based on distributor shipments to retail, Swedish Match's volumes declined at a more modest pace than the overall category resulting in market share gains in both the premium segment and the value segment. Sales declined in line with volume declines, as price increases were offset by adverse mix effects of the category shift to value products. Operating profit for US chewing tobacco declined at a more rapid pace than sales due to product mix and higher production costs. For chewing tobacco outside of the US (chew bags and tobacco bits) volumes declined, partly due to inventory adjustments. Operating profit also declined. Swedish Match's largest market for chewing tobacco outside the US (chew bags and tobacco bits) is Germany. Following the recent judgements by the Bavarian Administrative Court as well as changed market dynamics, management has assessed the future potential of chew bags in their current form resulting in an non-cash impairment charge of 367 MSEK for Swedish Match's European chewing tobacco business (please refer to Note 5 for further information).

The full year

(Note: Comments below refer to the comparison between full year 2019 vs. full year 2018).

In local currencies, sales for Other tobacco products were flat, while operating profit declined by 1 percent, attributable in large part to chew bags.

Cigar shipment volumes declined by 1 percent and reported sales in US dollars were flat. Average prices improved, but reported sales were negatively impacted by the aforementioned retailer merchandising program in the US, and operating profit for cigars grew in local currency.

For chewing tobacco, sales in local currencies were down for US chewing tobacco and chew bags in Europe. These declines were partially offset by additional revenue for Oliver Twist tobacco bits which was acquired in the second quarter of 2018. Operating profit in local currencies was lower, mainly due to declines for chew bags in Europe.

Swedish Match US shipment volumes

	October-December		Chg	Full year		Chg
	2019	**2018**	**%**	**2019**	**2018**	**%**
Cigars, millions of sticks	408	383	7	1,692	1,703	-1
Chewing tobacco, thousands of pounds (excluding contract manufacturing volumes)	1,260	1,349	-7	5,681	6,093	-7

Lights

Fourth quarter highlights:

- Sales growth for matches, declines for complementary products and lighters on challenging comparisons
- Strong underlying result for matches as positive mix more than offset effects of lower volumes
- Decision in tax disputes in Brazil positively impacted results by 37 MSEK

Key data

MSEK	October-December 2019	2018	Chg %	Full year 2019	2018	Chg %
Sales	323	349	-8	1,200	1,246	-4
Operating profit	100	66	52	238	189	26
Operating margin, %	31.1	18.9		19.8	15.2	
EBITDA	111	76	45	282	230	23
EBITDA margin, %	34.3	21.8		23.5	18.4	

The fourth quarter

(Note: Comments below refer to the comparison between the fourth quarter 2019 vs. the fourth quarter 2018).

Sales for Lights declined by 8 percent, with increases for matches on improved format and market mix but declines for complementary products and lighters. Timing of shipments impacted the comparison for lighters and the fourth quarter of the prior year was the strongest quarter in 2018. Improved mix partially offset the effect of lower volumes on sales for lighters.

Operating profit grew for matches on a reported basis, and also when adjusting for the benefit from a positive resolution of disputes over indirect taxes (principally value added tax) in Brazil amounting to 37 MSEK (see Note 7). Operating profit declined for complementary products on notably lower sales in Brazil. Operating profit also declined for lighters, due to the lower sales coupled with higher raw material costs (nylon). As the balance between supply and demand for nylon is improving, the price for nylon gradually came down during the fourth quarter.

The full year

(Note: Comments below refer to the comparison between full year 2019 vs. full year 2018).

Sales declined by 4 percent, primarily as a result of the weak development for matches during the second quarter and for complementary products over the last three quarters. Lighter sales increased despite lower volumes as a result of favorable market and format mix. Operating profit declined for lighters on higher nylon costs and for complementary products on lower sales. Operating profit for matches increased benefiting from forestry and asset sales during the third quarter amounting to 34 MSEK, as well as to the income relating to favorable resolution to indirect tax disputes in the fourth quarter. Absent these gains, operating profit for matches declined somewhat year on year. The operating profit in the prior year included restructuring costs in Brazil of approximately 12 MSEK during the first quarter, while restructuring charges of a similar magnitude were incurred during the second quarter of 2019.

Swedish Match shipment volumes, worldwide

	October-December 2019	2018	Chg %	Full year 2019	2018	Chg %
Matches, billion sticks	14.5	18.1	-20	54.3	64.5	-16
Lighters, million units	76.4	93.9	-19	304.5	333.9	-9

Cash flow and financing

Cash flow from operating activities for the full year 2019 amounted to 5,080 MSEK (3,707). The increase was driven by the stronger EBITDA development from product segments, timing of income tax payments and improved cash flow from working capital.

Investments in property, plant and equipment increased to 720 MSEK (649). During the third quarter of 2019, Swedish Match made a 49 percent investment in a newly established distribution company, which in turn acquired two distribution companies in Eastern Europe. These acquisitions have been financed by a loan from Swedish Match of 58 MSEK (see Note 6).

Net finance cost for the year declined to 247 MSEK (281). This improvement is mainly related to lower interest rates on debt and improved returns on excess cash which were partly offset by higher interest cost from increased average debt levels compared to 2018.

During 2019, new bond loans of 999 MSEK were issued and bond loans, including loan hedge derivatives, amounting to 1,092 MSEK have been repaid. As of December 31, 2019, Swedish Match had 12,935 MSEK of interest-bearing debt excluding retirement benefit obligations but including the recognition of lease liabilities from the adoption of IFRS 16 of 253 MSEK. The Group's interest-bearing debt, excluding retirement benefit obligations at December 31, 2018 amounted to 12,705 MSEK. During 2020, 1,300 MSEK of the bond debt falls due for payment. For further detail on the maturity profile of the debt portfolio, please see Swedish Match's website. Net retirement benefit obligations increased to 1,360 MSEK as of December 31, 2019, from 1,024 MSEK at December 31, 2018 mainly due to decreases in discount rates.

As of December 31, 2019, Swedish Match had 1,500 MSEK in unutilized committed credit lines. Cash and cash equivalents amounted to 2,370 MSEK at the end of the period, compared to 2,886 MSEK at December 31, 2018.

The net debt as of December 31, 2019 amounted to 11,925 MSEK compared to 10,843 MSEK at December 31, 2018.

Shareholder distributions and the share

In 2019, Swedish Match paid dividends of 1,777 MSEK to its shareholders. During the year, Swedish Match repurchased 7.0 million shares for 2,989 MSEK at an average price of 428.03 SEK, following authorization from the Annual General Meetings held in 2018 and 2019. Total shares bought back by Swedish Match since the buyback program started have been repurchased at an average price of 138.74 SEK. As per December 31, 2019 Swedish Match held 6.7 million shares, corresponding to 3.96 percent of the total number of shares. The number of shares outstanding, net, as per December 31, 2019, amounted to 163.2 million. In January 2020, a further 0.2 million shares have been repurchased for 100 MSEK at an average price of 523.38 SEK.

The Board of Directors will propose to the Annual General Meeting in April 2020 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 the Annual General Meeting in 2021.

Proposed dividend per share

The Board of Directors proposes to the Annual General Meeting an increased dividend, amounting to 12.50 SEK per share (10.50). The proposed dividend is in line with Swedish Match's ambition to continually grow dividend per share with a payout ratio normally within 40-60 percent of earnings per share, subject to adjustment for larger one-time items. The proposed dividend represents an increase of 19 percent from the prior year's dividend, and equals a payout ratio of 49 percent (51) of the adjusted earnings per share for the year. The proposed dividend amounts to 2,040 MSEK based on the 163.2 million shares outstanding at the end of the year.

Other events during the quarter

FDA grants modified risk tobacco product (MRTP) designations for *General* snus in the US

On October 22, 2019 the FDA granted Swedish Match an order designating eight *General* snus varieties, including its Mint and Wintergreen varieties, as modified risk tobacco products. In reaching its conclusion, the FDA found that the designated *General* snus products, as actually used by consumers, will significantly reduce harm and the risk of tobacco-related disease to individual tobacco users and benefit the health of the population as a whole taking into account both users of tobacco products and persons who do not currently use tobacco products. The MRTP designation will allow Swedish Match to market the products with the following modified risk description – "Using *General* Snus instead of cigarettes puts you at a lower risk of mouth cancer, heart disease, lung cancer, stroke, emphysema, and chronic bronchitis" – along with standard health warning statements required of all smokeless tobacco products. The MRTP order is valid for five years from the date of issue, and before expiry Swedish Match may file a request for renewal. The order is also subject to postmarket surveillance and record retention obligations on the part of Swedish Match.

The Bavarian Administrative Court in Germany has ruled on chewing tobacco

The Bavarian Administrative Court (BAC) in Germany presented its judgements in the chewing tobacco cases on November 28, 2019, concluding that certain of V2 Tobacco's Thunder chew bag products as well as loose chew products sold in Germany are to be regarded as oral tobacco not intended for chewing under the EU Tobacco Directive (Directive 2014/40/EU), and therefore, not allowed to be sold under German tobacco legislation. The BAC refers to the European Court of Justice's (ECJ) ruling of October 17, 2018 on the definition of chewing tobacco, which specified that only products which can be consumed in the proper sense only by chewing, i.e. products which can release their essential ingredients in the mouth only by chewing, may be classified as chewing tobacco. The ECJ noted that the final determination of whether products can be consumed in the proper sense only by chewing is to be made by the national courts taking into account all relevant objective characteristics of the products. The BAC concluded with regard to the specific Thunder chew bags and loose chew products, that because the products can release essential ingredients when only being held in the mouth, these products do not qualify as chewing tobacco. The judgements of the BAC have been appealed to the Federal Administrative Court in Germany. The Federal Administrative Court is expected to decide by mid 2020 whether to allow the appeals.

As Swedish Match has communicated previously, negative rulings in national courts related to chew bags could restrict Swedish Match from distributing and selling chew bags in their present form in certain EU markets thereby negatively impacting the carrying value of Swedish Match's reported intangibles from the September 2017 acquisition of V2 Tobacco. For the full year 2019, chew bag sales amounted to 165 MSEK (1.1 percent of total company sales). Approximately half of Swedish Match's chew bag sales were in Germany. During the fourth quarter, a non-cash impairment charge for the European chewing tobacco business was recognized (see Note 5).

Agreed action on tobacco control policies in Denmark

On December 18, the Danish government announced that an agreement on an action plan against smoking among children and youth had been reached by parties representing a broad parliamentary majority. The plan includes a number of legal initiatives against smoking but also some initiatives related to smokefree products. Under the proposed plan, all tobacco products and all non-pharma nicotine products will be subject to a display ban at retail, an age limit of 18 and certain marketing restrictions. Chewing tobacco will be subject to a flavor ban (other than menthol and tobacco) and will also have to be sold in standardized packaging. The provisions on flavors and packaging will also apply to e-cigarettes but nicotine pouches have explicitly been excluded from these provisions. Final legislation according to the action plan is expected to be adopted during 2020 with implementation during 2021.

US legislation on minimum age for tobacco purchases

In December 2019, the US congress passed legislation raising the minimum age of the purchase for all tobacco products, including smoking tobacco, smokeless tobacco, e-vapor products and nicotine pouches to age 21.

Nominating Committee

In accordance with the instructions adopted by the Annual General Meeting 2019, a Nominating Committee has been appointed. In addition to Conny Karlsson (Chairman of the Board), Filippa Gerstädt (Nordea Funds), Hans Ek (SEB Investment Management AB), Will James (Standard Life Aberdeen PLC), and David

Pawelkowski (Zadig Gestion (Luxembourg) S.A.) have been appointed members of the Nominating Committee. Filippa Gerstädt serves as Chairman of the Nominating Committee.

Events after the reporting period

FDA guidance on flavors

In January 2020, the US FDA issued guidance stating that the FDA intends to take enforcement action against flavored cartridge-based electronic cigarettes (other than a tobacco- or menthol-flavored) and against other electronic cigarettes that are targeted to minors or where manufacturers have failed to take adequate measures to prevent access by minors. In relation to flavored cigars, the FDA stated that it still intends to issue a regulation that would ban the use of characterizing flavors in cigars, and that FDA is working towards that proposed rule. The FDA further indicated that it intends to defer regulatory actions against cigars until May 2020 at which time substantial equivalence or new product application filings are due for products that were not in the market on February 15, 2007.

Outlook

Swedish Match expects that the trend of increased interest from consumers, industry participants and regulators in less harmful alternatives to cigarettes will continue. Our ambition is to create value for both shareholders and society by providing products that are recognized as safer alternatives to cigarettes.

For 2020, Swedish Match expects continued market growth in global markets for smokefree nicotine products, most notably driven by rapid growth of nicotine pouches (both without tobacco and with small amounts of tobacco).

During 2020, Swedish Match expects to increase its investments in marketing, distribution and sales efforts in both existing and new markets to actively participate in growth opportunities. Continued capital investments by Swedish Match to further expand *ZYN* production capacity are expected to result in capital expenditures in 2020 considerably above the 2019 level.

The effective corporate tax rate in 2020, excluding associated companies and larger one-time items, is expected to be in the 22 percent to 23 percent range.

The Company remains 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. To remain 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 any 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 substantial sales in the US, with products sourced from local US production facilities and imports from Swedish Match's production facilities in the Dominican Republic and in Sweden. Swedish Match also has operations in Brazil, Denmark, Norway, the Philippines and EMU member countries. Consequently, changes in import duties as well as in exchange rates of the euro, Norwegian krone, Danish 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 developments and fiscal changes related to tobacco and other nicotine products, corporate income and other taxes, as well as to the marketing, sale and consumption of tobacco products and other products containing nicotine 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 Swedish Match annual report for 2018, available on swedishmatch.com.

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 2019 amounted to 42 MSEK (48). Profit before income tax amounted to 1,872 MSEK (1,706) and net profit for the year amounted to 1,485 MSEK (1,328). The increase in profit before income tax for the year mainly pertains to contributions from Group companies. Net Group contributions of 2,870 MSEK (2,663) were received during 2019. During the year, the Parent Company also received dividends of 97 MSEK (1,246). In the prior year, in addition to the dividends received, an impairment loss on shares in subsidiaries amounting to 1,247 MSEK was recognized which was primarily attributable to reduced equity in the subsidiaries following the payment of dividends from such subsidiaries. Also, in the prior year, capital contributions of 114 MSEK were made to subsidiaries.

The reported increase in administrative expenses is mainly related to higher pension costs due to a change in the assumption of the discount rate in a pension trust for former employees in the divested Swedish Match UK Ltd.

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. Substantially all of these loans have fixed interest rates.

Repayment of bond loans, including loan hedge derivatives, amounted to 1,092 MSEK during the year and new bond loans of 999 MSEK were issued.

During the year, the Parent Company made share repurchases of 7.0 million (5.7) shares for 2,989 MSEK (2,512).

A dividend of 1,777 MSEK (2,911) has been paid during the year.

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 fluctuations in exchange rates.

Additional information

This report has not been reviewed by the Company's auditors. The annual report for 2019 is expected to be published in early March and will be available on the Company's website swedishmatch.com and at Swedish Match's headquarters, Sveavägen 44, Stockholm. The Annual General Meeting will be held on April 2, 2020 in Stockholm, Sweden. The January-March 2020 report will be released on April 27, 2020.

Stockholm, February 12, 2020

Lars Dahlgren
President and CEO

Product segments summary and key ratios

Sales

MSEK	October-December 2019	October-December 2018	Chg %	Full year 2019	Full year 2018	Chg %
Snus and moist snuff	2,156	1,632	32	7,484	6,127	22
Other tobacco products	1,359	1,233	10	5,679	5,240	8
Lights	323	349	-8	1,200	1,246	-4
Sales from product segments	**3,838**	**3,214**	**19**	**14,363**	**12,612**	**14**
Other operations	95	87	8	376	353	6
Sales	**3,933**	**3,301**	**19**	**14,739**	**12,966**	**14**

Operating profit

MSEK	Note	October-December 2019	October-December 2018	Chg %	Full year 2019	Full year 2018	Chg %
Snus and moist snuff		987	725	36	3,477	2,791	25
Other tobacco products		437	456	-4	2,113	1,956	8
Lights		100	66	52	238	189	26
Operating profit from product segments		**1,525**	**1,246**	**22**	**5,828**	**4,936**	**18**
Other operations		-59	-50		-153	-124	
Impairment charge - European chewing tobacco business	5	-367	-		-367	-	
Operating profit		**1,098**	**1,196**	**-8**	**5,307**	**4,812**	**10**

Operating margin by product segment

Percent	October-December 2019	October-December 2018	Full year 2019	Full year 2018
Snus and moist snuff	45.8	44.4	46.5	45.6
Other tobacco products	32.2	37.0	37.2	37.3
Lights	31.1	18.9	19.8	15.2
Operating margin from product segments	**39.7**	**38.8**	**40.6**	**39.1**

EBITDA by product segment

MSEK	October-December 2019	October-December 2018	Chg %	Full year 2019	Full year 2018	Chg %
Snus and moist snuff	1,064	795	34	3,776	3,025	25
Other tobacco products	481	480	0	2,254	2,046	10
Lights	111	76	45	282	230	23
EBITDA from product segments	**1,656**	**1,351**	**23**	**6,312**	**5,301**	**19**

EBITDA margin by product segment

Percent	October-December 2019	October-December 2018	Full year 2019	Full year 2018
Snus and moist snuff	49.4	48.7	50.5	49.4
Other tobacco products	35.4	38.9	39.7	39.0
Lights	34.3	21.8	23.5	18.4
EBITDA margin from product segments	**43.1**	**42.0**	**43.9**	**42.0**

Key ratios

	Full year 2019	Full year 2018
Operating margin from product segments, %	40.6	39.1
Operating margin, %	36.0	37.1
Net debt, MSEK[1)]	11,925	10,843
Investments in property, plant and equipment, MSEK	720	649
Depreciation, amortization and impairments, MSEK[2)]	548	415
EBITA, MSEK	5,742	4,875
EBITA interest cover	23.4	17.5
Net debt/EBITA	2.1	2.2
Share data		
Number of shares outstanding at end of period	163,228,313	170,210,705
Average number of shares outstanding	167,779,742	173,445,540

1) 2019 includes lease liabilities of 253 MSEK following the adoption of IFRS 16.
2) 2019 includes depreciations relating to right-of-use assets of 87 MSEK following the adoption of IFRS 16.

Financial statements

Condensed consolidated income statement

MSEK	Note	October-December 2019	October-December 2018	Chg %	Full year 2019	Full year 2018	Chg %
Sales, including tobacco tax		4,877	4,189		18,222	16,335	
Less tobacco tax		-944	-888		-3,483	-3,369	
Sales	2	**3,933**	**3,301**	**19**	**14,739**	**12,966**	**14**
Cost of goods sold		-1,451	-1,244		-5,376	-4,832	
Gross profit		**2,482**	**2,057**	**21**	**9,363**	**8,133**	**15**
Selling and admin. expenses		-1,020	-862		-3,694	-3,324	
Share of profit/loss in associated companies		4	1		5	3	
Impairment charge – European chewing tobacco business	5	-367	-		-367	-	
Operating profit		**1,098**	**1,196**	**-8**	**5,307**	**4,812**	**10**
Finance income		25	21		95	65	
Finance costs		-83	-83		-343	-346	
Net finance cost		-59	-62		-247	-281	
Profit before income tax		**1,039**	**1,134**	**-8**	**5,060**	**4,531**	**12**
Income tax expense		-283	-209		-1,165	-953	
Profit for the period		**756**	**925**	**-18**	**3,896**	**3,578**	**9**
Attributable to:							
Equity holders of the Parent		756	925		3,895	3,578	
Non-controlling interests		0	0		0	0	
Profit for the period		**756**	**925**	**-18**	**3,896**	**3,578**	**9**
Earnings per share, basic and diluted, SEK	4	4.62	5.41		23.22	20.63	

Condensed consolidated statement of comprehensive income

MSEK	October-December		Full year	
	2019	2018	2019	2018
Profit for the period	**756**	**925**	**3,896**	**3,578**
Other comprehensive income that may be reclassified to the income statement				
Translation differences related to foreign operations	-342	50	191	331
Translation differences included in profit and loss	-	0	-	-2
Effective portion of changes in fair value of cash flow hedges	20	55	122	39
Income tax relating to reclassifiable components of other comprehensive income	-4	-11	-25	-11
Sub-total, net of tax for the period	**-327**	**94**	**288**	**356**
Other comprehensive income that will not be reclassified to the income statement				
Actuarial gains/losses attributable to pensions, incl. payroll tax	143	-131	-168	118
Income tax relating to non-reclassifiable components of other comprehensive income	-31	29	38	-38
Sub-total, net of tax for the period	**111**	**-102**	**-130**	**80**
Total comprehensive income for the period	**540**	**916**	**4,054**	**4,014**
Attributable to:				
Equity holders of the Parent	540	916	4,053	4,014
Non-controlling interests	0	0	0	0
Total comprehensive income for the period	**540**	**916**	**4,054**	**4,014**

Condensed consolidated balance sheet

MSEK	Note	December 31, 2019	December 31, 2018
Intangible assets	5	2,355	2,708
Property, plant and equipment		3,255	2,941
Right-of-use assets	1	255	-
Investments in associated companies		42	24
Other non-current assets and operating receivables	3	18	19
Other non-current financial assets and receivables	3,8	1,826	1,420
Total non-current assets		**7,750**	**7,113**
Other current financial receivables	3,8	195	226
Current operating assets and receivables	3	3,905	3,762
Cash and cash equivalents	3	2,370	2,886
Total current assets		**6,471**	**6,874**
Assets held for sale[1)]		16	-
Total assets		**14,237**	**13,987**
Equity attributable to equity holders of the Parent		-6,324	-5,611
Non-controlling interests		16	16
Total equity		**-6,308**	**-5,595**
Non-current financial provisions		1,310	1,186
Non-current loans	3	12,130	12,282
Other non-current financial liabilities	1,3,8	1,626	1,140
Other non-current operating liabilities	3	434	415
Total non-current liabilities		**15,499**	**15,024**
Current loans	3	1,300	1,229
Other current financial liabilities	1,3,8	633	245
Other current operating liabilities	3	3,112	3,085
Total current liabilities		**5,045**	**4,559**
Total liabilities		**20,544**	**19,582**
Total equity and liabilities		**14,237**	**13,987**

1) Assets held for sale refers to land and forestry assets. The fair value less costs to sell are not expected to be lower than the carrying value.

Condensed consolidated cash flow statement

MSEK	Note	January-December 2019	2018
Operating activities			
Profit before income taxes		**5,060**	**4,531**
Share of profit/loss in associated companies		-5	-3
Dividend received from associated companies		1	3
Other non-cash items etc.		938	376
Income tax paid		-888	-958
Cash flow from operating activities before changes in working capital		**5,106**	**3,949**
Changes in working capital		-26	-242
Net cash generated from operating activities		**5,080**	**3,707**
Investing activities			
Purchase of property, plant and equipment		-720	-649
Proceeds from sale of property, plant and equipment		10	3
Purchase of intangible assets		-33	-19
Acquisition of subsidiaries[1)]		-	-541
Investments in associated companies		-13	-
Changes in financial receivables from associated companies		-58	-
Changes in financial receivables etc.		0	0
Net cash used in investing activities		**-815**	**-1,206**
Financing activities			
Proceeds from borrowings		999	2,846
Repayment of borrowings		-1,092	-1,252
Dividend paid to equity holders of the Parent		-1,777	-2,911
Lease payments	1	-94	-
Repurchase of own shares		-2,989	-2,512
Realized exchange gain/losses on financial instruments		156	136
Other		-7	-3
Net cash used in financing activities		**-4,804**	**-3,697**
Net decrease in cash and cash equivalents		**-539**	**-1,195**
Cash and cash equivalents at the beginning of the period		2,886	3,998
Effect of exchange rate fluctuations on cash and cash equivalents		23	83
Cash and cash equivalents at the end of the period		**2,370**	**2,886**

1) Acquisition of subsidiaries in 2018 refer to the acquisitions of House of Oliver Twist and Gotlandssnus. For further disclosures regarding the acquisition, see Note 4 Business combinations in the annual report for 2018.

Condensed consolidated statement of changes in equity

MSEK	Equity attributable to holders of the Parent	Non-controlling interests	Total equity
Equity at January 1, 2018	**-4,202**	**1**	**-4,201**
Profit for the period	3,578	0	3,578
Other comprehensive income, net of tax for the period	436	0	436
Total comprehensive income for the period	**4,014**	**0**	**4,014**
Dividend	-2,911	0	-2,911
Repurchase of own shares	-2,512	-	-2,512
Cancellation of shares	-13	-	-13
Bonus issue	13	-	13
Acquisition of non-controlling interests	-	15	15
Equity at December 31, 2018	**-5,611**	**16**	**-5,595**
Equity at January 1, 2019	**-5,611**	**16**	**-5,595**
Profit for the period	3,895	0	3,896
Other comprehensive income, net of tax for the period	158	0	158
Total comprehensive income for the period	**4,053**	**0**	**4,054**
Dividend	-1,777	0	-1,777
Repurchase of own shares	-2,989	-	-2,989
Cancellation of shares	-13	-	-13
Bonus issue	13	-	13
Equity at December 31, 2019	**-6,324**	**16**	**-6,308**

Swedish Match

Condensed Parent Company income statement

MSEK	January-December 2019	2018
Sales	42	48
Administrative expenses	-303	-249
Operating loss	**-261**	**-201**
Result from participation in Group companies	97	-2
Finance income	0	-
Finance costs	-293	-299
Net finance cost	-293	-299
Loss after financial items	**-458**	**-502**
Appropriations[1)]	2,330	2,208
Profit before income tax	**1,872**	**1,706**
Income tax	-387	-378
Profit for the period	**1,485**	**1,328**

1) Appropriations consists of tax allocation reserve and Group contributions.

Condensed Parent Company statement of comprehensive income

MSEK	January-December 2019	2018
Profit for the period	**1,485**	**1,328**
Other comprehensive income that may be reclassified to the income statement		
Effective portion of changes in fair value of cash flow hedges	122	39
Income tax relating to components of other comprehensive income	-25	-11
Other comprehensive income, net of tax for the period	**97**	**28**
Total comprehensive income for the period	**1,582**	**1,356**

Condensed Parent Company balance sheet

MSEK	December 31, 2019	December 31, 2018
Intangible and tangible assets	1	1
Non-current financial assets	31,952	31,701
Current assets	2,980	2,886
Cash and other current deposits	400	1,000
Total assets	**35,332**	**35,588**
Equity	**11,970**	**15,154**
Untaxed reserves	**2,325**	**1,785**
Provisions	98	78
Non-current liabilities	12,132	12,280
Current liabilities	8,807	6,290
Total liabilities	**21,037**	**18,649**
Total equity and liabilities	**35,332**	**35,588**

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.

With effect from January 1, 2019, Swedish Match applies the new accounting standard IFRS 16 Leases. Other changes to IFRS standards, amendments and interpretations of existing standards applicable as of January 1, 2019 did not have an effect on the Group's financial result or position. In all other aspects, the accounting principles and basis of calculation in this report are the same as in the annual report for 2018. As of January 2020, Swedish Match has changed the composition of the Group's reportable product segments. For more information, see below section "Change in the Group's reportable segments as of January 1, 2020".

The nature and effect of the change from the adoption of IFRS 16

The new accounting standard IFRS 16 replaced IAS 17 Leases and its related interpretations requiring that most of the Group's lease contracts be recognized in the balance sheet as right-of-use assets and lease liabilities measured as the present value of future lease payments. In the Income statement, costs of leases are recognized as depreciation expense for the right-of-use assets and as interest expense on the lease liabilities rather than as lease expense when paid as was the case under IAS 17.

Real estate leases, such as rental of office and factory premises, warehouses and storages, represent the major part of the total value of leases within the Group. The duration of real estate leases is typically 3-5 years, excluding assessments of the likelihood of utilizing extension and termination options.

Swedish Match applied the cumulative catch-up method in transitioning to IFRS 16, which means that IFRS 16 is applied to the financial statements prospectively as per January 1, 2019. Consequently, comparable information in this report has not been restated. For further information on the effect on the Group's balance sheet from the transition to IFRS 16, see the reconciliation table below.

The Group's net profit for the full year 2019 was reduced by an immaterial amount, mainly relating to higher interest costs on lease liabilities. The Group's EBITDA for the full year 2019 improved by 99 MSEK as lease payments recognized as operating costs when incurred under the previous accounting standard are replaced by depreciation costs on the right-of-use assets and interest expense on the related lease liabilities. The Group's net debt as per January 1, 2019 increased by 272 MSEK as lease liabilities are classified as financial liabilities. The impacts to net debt/EBITA ratio and other key ratios of implementing IFRS 16 were immaterial.

The carrying values of the Group's right-of-use assets are reported in the balance sheet under a new asset category defined as right-of-use assets. Lease liabilities are reported in the balance sheet as *Other non-current financial liabilities* and *Other current financial liabilities* depending on the timing of the payments under the lease contracts. For information on the amounts reported at the end of the period for the Group's lease liabilities, see Note 8 in this report.

The new standard for the accounting of lease contracts is dependent on management judgements and estimates of certain variables which have a direct impact on the reported balances. The most relevant assumption is the discount rates applied in the measurement of the lease liabilities and the corresponding right-of-use assets. Judgements on the likelihood of exercising or not exercising extension and termination options in lease contracts may also have an impact on the reported lease obligation and right-of-use asset. For further information on the accounting principles for IFRS 16, see Note 1 in the annual report for 2018.

Summary of the effects from the adoption of IFRS 16 on the opening balance at January 1, 2019

Condensed consolidated balance sheet

MSEK		**IFRS 16 transition effects adjustments**		
	Dec 31, 2018	Recognition opening balance right-of-use assets and lease liabilities	Reclassification prepaid lease expense included in right-of-use assets	**Adjusted Jan 1, 2019**
Total non-current assets	7,113	279	-	7,392
Total current assets	6,874	-	-6	6,868
Total assets	**13,987**	**279**	**-6**	**14,260**
Equity attributable to equity holders of the Parent	-5,611	6	-6	-5,611
Non-controlling interests	16	-	-	16
Total equity	**-5,595**	**6**	**-6**	**-5,595**
Total non-current liabilities	15,024	199	-	15,223
Total current liabilities	4,559	73	-	4,632
Total liabilities	**19,582**	**272**	**-**	**19,854**
Total equity and liabilities	**13,987**	**279**	**-6**	**14,260**

Change in the Group's reportable segments as of January 1, 2020

As of January 1, 2020, Swedish Match has changed the internal reporting structure to improve alignment of monitoring the performance and financial reporting with the Group's strategy and product portfolio. Significant investments in smokefree products, including the development of nicotine pouch products and recent business acquisitions, have driven a change in management's evaluation of product segment performance and allocation of resources to operations. Consequently, the composition of the Group's reportable product segments has changed. The Group's new reportable segments which are expected to better reflect the performance of Swedish Match's different product categories are as follows: Smokefree, Cigars and Lights. The new product segment Smokefree represents an aggregation of the Group's entire Smokefree operations, i.e. snus, moist snuff and nicotine pouches (previously reported under the product segment Snus and moist snuff) as well as all chewing tobacco operations - US chewing tobacco, chew bags and tobacco bits (previously reported under the product segment Other tobacco products). The new product segment Cigars represents the cigar operations, substantially relating to US mass market cigars. In addition, as of January 1, 2020, a new allocation model has been implemented relating to certain central establishment costs for new businesses to be absorbed by product segments. This change will positively affect the result of Other operations and consequently negatively affect the result from relevant product segments. In Swedish Match's future financial reports, the financial information of prior periods that are affected by the implementation of the new product segments and the new allocation model of certain central costs will be restated accordingly.

Restated summary of new product segments

Sales

MSEK	October-December		Chg	Full year		Chg
	2019	**2018**	**%**	**2019**	**2018**	**%**
Smokefree	2,475	1,955	27	8,914	7,477	19
Cigars	1,040	910	14	4,249	3,890	9
Lights	323	349	-8	1,200	1,246	-4
Sales from product segments	**3,838**	**3,214**	**19**	**14,363**	**12,612**	**14**
Other operations	95	87	8	376	353	6
Sales	**3,933**	**3,301**	**19**	**14,739**	**12,966**	**14**

Operating profit

MSEK	October-December		Chg	Full year		Chg
	2019	**2018**	**%**	**2019**	**2018**	**%**
Smokefree	1,060	845	25	3,997	3,317	20
Cigars	359	332	8	1,577	1,412	12
Lights	100	66	52	238	189	26
Operating profit from product segments	**1,520**	**1,243**	**22**	**5,812**	**4,918**	**18**
Other operations	-54	-47		-137	-106	
Impairment charge – European chewing tobacco business	-367	-		-367	-	
Operating profit	**1,098**	**1,196**	**-8**	**5,307**	**4,812**	**10**

Operating margin by product segment

Percent	October-December		Full year	
	2019	**2018**	**2019**	**2018**
Smokefree	42.8	43.3	44.8	44.4
Cigars	34.5	36.4	37.1	36.3
Lights	31.1	18.9	19.8	15.2
Operating margin from product segments	**39.6**	**38.7**	**40.5**	**39.0**

Note 2 – Disaggregation of revenue

The main revenue streams for the Swedish Match Group arise from sale of goods manufactured by the Group. Within Lights, a small portion of the revenue also pertains to the distribution of third party products. Revenue within Other operations mainly pertains to income from logistics services for delivery of third party products to retail customers. Revenue for the sale of goods and logistics services are recognized at the point when the control of the promised good or service is transferred to the customer at the expected consideration to be received for such delivery. The expected consideration recognized reflects estimates of potential outcome of variable considerations as well as expected reimbursements for product returns.

Sales – October to December

MSEK	Segments											
	Snus and moist snuff		Other tobacco products		Lights		Total segments		Other operations		Group	
Primary geographical markets	**Oct-Dec 2019**	**2018**	**Oct-Dec 2019**	**2018**	**Oct-Dec 2019**	**2018**	**Oct-Dec 2019**	**2018**	**Oct-Dec 2019**	**2018**	**Oct-Dec 2019**	**2018**
Scandinavia	1,236	1,157	26	18	18	17	1,281	1,192	95	87	1,375	1,280
The US	911	465	1,303	1,176	13	15	2,228	1,655	-	-	2,228	1,655
Other markets	9	10	29	39	291	317	330	366	-	-	330	366
Total sales	**2,156**	**1,632**	**1,359**	**1,233**	**323**	**349**	**3,838**	**3,214**	**95**	**87**	**3,933**	**3,301**

Sales – January to December

MSEK	Segments											
	Snus and moist snuff		Other tobacco products		Lights		Total segments		Other operations		Group	
Primary geographical markets	**Jan-Dec 2019**	**2018**	**Jan-Dec 2019**	**2018**	**Jan-Dec 2019**	**2018**	**Jan-Dec 2019**	**2018**	**Jan-Dec 2019**	**2018**	**Jan-Dec 2019**	**2018**
Scandinavia	4,555	4,343	105	75	49	51	4,710	4,469	376	353	5,086	4,822
The US	2,898	1,752	5,426	5,007	68	45	8,393	6,803	-	-	8,393	6,803
Other markets	30	32	148	158	1,082	1,150	1,260	1,340	-	-	1,260	1,340
Total sales	**7,484**	**6,127**	**5,679**	**5,240**	**1,200**	**1,246**	**14,363**	**12,612**	**376**	**353**	**14,739**	**12,966**

Note 3 – Carrying value and fair value

Swedish Match applies IFRS 9 to classify and measure financial instruments.

The following valuation techniques of the fair value hierarchy are used in determining the fair values of the financial instruments:

Level 1 - Quoted prices (unadjusted) in active markets
Level 2 - Inputs other than quoted prices included within level 1 that are observable, either directly or indirectly
Level 3 - Inputs that are not based on observable market data

The following table shows carrying value and fair value for financial instruments per December 31, 2019.

Carrying value and fair value

MSEK	Financial instruments measured at FVTPL	Financial assets measured at amortized cost	Other financial liabilities	Cash flow hedges measured at FVOCI	Other receivables and liabilities	Total carrying value	Estimated fair value
Trade receivables	-	1,719	-	-	-	1,719	1,719
Other non-current financial receivables	-	20	-	756	475	1,251	1,251
Other current assets and financial receivables	-	91	-	-	284	375	375
Prepaid expenses and accrued income1)	-	-	-	2	108	110	110
Cash and cash equivalents	-	2,370	-	-	-	2,370	2,370
Total assets	**-**	**4,200**	**-**	**758**	**867**	**5,825**	**5,825**
Loans and borrowings	-	-	13,430	-	-	13,430	13,661
Other non-current financial liabilities	-	-	172	2	50	224	224
Other current liabilities	91	-	113	-	1,654	1,859	1,859
Accrued expenses and deferred income1)	-	-	106	19	800	926	926
Trade payables	-	-	365	-	-	365	365
Total liabilities	**91**	**-**	**14,186**	**21**	**2,504**	**16,804**	**17,035**

1) Accrued interest income on cash flow hedges is reported in the balance sheet as *Prepaid expenses and accrued income* and accrued interest expense on cash flow hedges is reported as *Accrued expenses and deferred income*.

Fair value measurement by level

MSEK	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	758	-	758
Derivative financial liabilities	-	112	-	112

The following table shows carrying value and fair value for financial instruments per December 31, 2018.

Carrying value and fair value

MSEK	Financial instruments measured at FVTPL	Financial assets measured at amortized cost	Other financial liabilities	Cash flow hedges measured at FVOCI	Other receivables and liabilities	Total carrying value	Estimated fair value
Trade receivables	-	1,636	-	-	-	1,636	1,636
Other non-current financial receivables	-	-	-	485	424	910	910
Other current assets and financial receivables	1	13	-	134	414	562	562
Prepaid expenses and accrued income1)	-	-	-	2	118	119	119
Cash and cash equivalents	-	2,886	-	-	-	2,886	2,886
Total assets	**1**	**4,535**	**-**	**621**	**956**	**6,113**	**6,113**
Loans and borrowings	-	-	13,511	-	-	13,511	13,439
Other non-current financial liabilities	-	-	31	2	59	93	93
Other current liabilities	20	-	-	-	1,806	1,826	1,826
Accrued expenses and deferred income1)	-	-	104	25	809	938	938
Trade payables	-	-	371	-	-	371	371
Total liabilities	**20**	**-**	**14,017**	**27**	**2,674**	**16,739**	**16,667**

1) Accrued interest income on cash flow hedges is reported in the balance sheet as *Prepaid expenses and accrued income* and accrued interest expense on cash flow hedges is reported as *Accrued expenses and deferred income*.

Fair value measurement by level

MSEK	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	622	-	622
Derivative financial liabilities	-	47	-	47

No transfer in or out of level 2 has been made during 2019. The recognized amounts are regarded as reasonable estimates for all items measured at carrying value in the balance sheet, except for loans and borrowings, as these amounts have a long time to maturity. The fair value of loans and borrowings differ from their carrying value as a consequence of changes in the market interest rates. Items not valued at fair value in the balance sheet are measured at amortized cost. The total nominal amount of outstanding derivatives is 9,602 MSEK (9,570) of which 6,304 MSEK (7,196) is in cash flow hedges consisting of cross currency and interest rate swaps related to bond loans. The remaining 3,298 MSEK (2,374) consist of currency swaps related to the conversion of surplus cash in US dollars to Swedish kronor. Methodologies utilized in the valuation of financial instruments can be found in Note 1 in the annual report for 2018.

Note 4 – Earnings per share

The following table provides the components used in calculating earnings per share. The quarterly earnings per share are calculated from the current period's year to date earnings per share by deducting the year to date earnings per share for the preceding reporting period.

Earnings per share

Basic and diluted	**October-December**		**Full year**	
	2019	**2018**	**2019**	**2018**
Profit for the period attributable to equity holders of the Parent, MSEK	756	925	3,895	3,578
Profit for the period attributable to equity holders of the Parent, excl. larger one-time items, MSEK	1,123	925	4,263	3,528
Weighted average number of shares outstanding	164,651,651	170,770,196	167,779,742	173,445,540
Earnings per share, SEK	4.62	5.41	23.22	20.63
Adjusted earnings per share, SEK	6.81	5.41	25.41	20.63

Note 5 – Impairment charge – European chewing tobacco business

On November 28, 2019, the Bavarian Administrative Court in Germany announced its judgements in relation to the legality of certain of V2 Tobacco's Thunder chew bag products and loose chew products sold in Germany. In the court's opinion these products are to be regarded as oral tobacco not intended for chewing under the EU Tobacco Directive (Directive 2014/40/EU), and therefore, not allowed to be sold under German tobacco legislation. The court made a narrow interpretation of the previous ruling by the European Court of Justice of October 17, 2018 on the definition of chewing tobacco and concluded that only products exclusively intended to be chewed and which can release their essential ingredients in the mouth only by chewing, may be classified as chewing tobacco. Under this definition, the court concluded that the Thunder chew bag products and loose chew products in question do not qualify as chewing tobacco as they can release essential ingredients only by being held in the mouth. The decisions have been appealed to the Federal Administrative Court with V2 Tobacco A/S accepted as an intervener in the cases. Further proceedings are subject to the Federal Administrative Court's decision to grant a leave to appeal.

The Group's goodwill and trademarks with indefinite useful life are tested for impairment on an annual basis or whenever there is an indication of impairment. The carrying values of the assets relating to respective cash generating unit (CGU) are compared to the recoverable amount for the CGU. If the carrying value is higher, the difference will be recognized in the income statement as an impairment charge. An impairment test is based on a number of different assumptions regarding the future performance of the operations. Such assumptions are always associated with uncertainties. Following the recent judgement by the Bavarian Administrative Court and in view of changed market dynamics in certain markets, management has assessed the future potential of chew bags in its current form. The updated assumptions in the impairment testing resulted in an impairment charge of 259 MDKK, corresponding to 367 MSEK, for Swedish Match's European chewing tobacco business.

For more information on the Group's accounting principles and methodology for impairment testing, see Note 1 in the annual report for 2018.

Note 6 – Related party transactions

During the third quarter 2019, Swedish Match invested in a 49 percent ownership interest in a newly established tobacco distribution company in Slovenia, OTP d.o.o (OTP). Also during the third quarter, OTP acquired two distribution companies, STG Slovenia and STG Croatia. The acquisitions have been financed by a loan from Swedish Match. As per December 31, 2019, the loan to OTP amounted to 58 MSEK.

No other material transactions with related parties have occurred during the period.

Note 7 – Tax related contingencies

Tax audits in Sweden

During 2017, the Swedish Tax Agency performed tax audits of a number of Swedish Match's Swedish group companies. After completing the audits, the Swedish Tax Agency decided to deny certain cost deductions in two cases. Swedish Match does not agree with the Tax Agency's assessment and filed appeals to the Tax Agency's decisions in March 2018. In April 2019, Swedish Match received a new proposal to deny the same kind of deduction as in one of the cases but for a subsequent year not included in the Tax Audit. The Tax Agency, following the final decisions, is claiming total income tax and surcharges of 320 MSEK excluding interest charges. Both cases have been ruled in favor of the Tax Agency by the County Administrative Court in Stockholm in May 2019 and January 2020 respectively. Swedish Match still believes in positive outcomes and has appealed the cases to the Administrative Court of Appeal. Based on management's interpretation of applicable tax regulations, expert advice taking into account the merits in our cases and developments in and distinctions to similar case rulings, no provision has been recognized for potential losses associated with these cases.

Resolution of indirect tax disputes in Brazil

During the fourth quarter, Swedish Match received a favorable decision on three court-cases pertaining to indirect taxes (principally valued added taxes) in Brazil. Swedish Match has assessed its recovery rights for duplicative indirect taxes under the court's decision and methodology prescribed by the Brazilian tax authority to 37 MSEK (25 MSEK, net of taxes on income) which has been recognized as operating income in the Lights product segment in the fourth quarter. Under the existing disputes, Swedish Match may be entitled to incremental recoveries aggregating 58 MSEK (38 MSEK, net of taxes on income) that is dependent on the final ruling by the Brazilian Supreme court, which is expected sometime during 2020.

Note 8 – Alternative performance measures

Swedish Match presents several financial measures that are outside IFRS definitions (Alternative performance measures, according to ESMA's guidelines) with the aim of enabling effective evaluation of the Group's financial position and performance for investors and for the Group's management. This means that these measures are not always comparable with measures used by other companies and shall therefore be considered as a complement to measures defined according to IFRS. Swedish Match applies these alternative key ratios consistently over time. The key ratios are alternative performance measures according to ESMA guidelines unless otherwise stated.

KEY RATIO	DEFINITION/CALCULATION	PURPOSE
SALES FROM PRODUCT SEGMENTS	Sales from reportable segments, which excludes Other operations	Used as a measure of sales performance of the core commercial businesses of Swedish Match, excluding the impact of Other operations (incl. Swedish distribution function).
OPERATING PROFIT/LOSS (EBIT) FROM PRODUCT SEGMENTS	Operating profit from reportable segments, excluding Other operations and larger one-time items	Used as a measure of operating performance of the core commercial businesses of Swedish Match, excluding the impact of Other operations (incl. Swedish distribution function) and items which impact comparability between periods
OPERATING MARGIN FROM PRODUCT SEGMENTS (%)	100 × Operating profit from product segments ÷ Sales from product segments	Used as a measure of operational profitability of the core commercial businesses of Swedish Match excluding the impact of Other operations (incl. Swedish distribution function).
LARGER ONE-TIME ITEMS	Larger one-time items are separately disclosed non-recurring income and cost which usually refer to larger capital gains or losses on divestments, larger asset impairments and restructuring costs and other larger non-recurring income and costs recognized during the period	Used to provide information regarding items which impact comparability between periods.
EBITDA	Profit for the period excluding larger one-time items, net finance cost, income tax, depreciation, amortization and impairments of tangible and intangible assets	Used as an alternative measure of operating performance that is not impacted by historical investments and the related accounting treatment of such investments as well as items which impact comparability between periods.
EBITDA FROM PRODUCT SEGMENTS	Operating profit from product segments excluding depreciation, amortization and impairments of tangible and intangible assets	Used as an alternative measure of operating performance for the core commercial businesses of Swedish Match, that is not impacted by historical investments and the related accounting treatment of such investments as well as items which impact comparability between periods.
EBITDA MARGIN (%)	100 × EBITDA ÷ Sales	Used as an alternative measure of operating profitability.
EBITDA MARGIN FROM PRODUCT SEGMENTS (%)	100 × EBITDA from product segments ÷ Sales from product segments	Used as an alternative measure of operating profitability for the core commercial businesses of Swedish Match.
PROFIT FOR THE PERIOD EXCLUDING LARGER ONE-TIME ITEMS	Profit for the period excluding larger one-time items	Used as an alternative measure of profit for the period of the ongoing business which is not affected by items which impact comparability between periods.
EBITA	Profit for the period excluding larger one-time items, net finance cost, tax, amortization and impairments of intangible assets	Used as a measure of operating performance relative to the financial obligations of the Group.
EBITA INTEREST COVER	EBITA ÷ (Interest expense - interest income)	Used as a measure of the ability to fund interest expenses.
NET DEBT	Current and non-current loans, adjusted for hedges relating to these loans + net provisions for pensions and similar obligations – cash and cash equivalents and other short-term investments	Used as a measure of net financial obligations.
NET DEBT/EBITA	Net debt ÷ EBITA	Used as an indication of the duration (in years) required to fund existing net financial obligations with free cash flows from the ongoing business.
ADJUSTED EARNINGS PER SHARE	Profit for the period excluding larger one-time items ÷ Average number of shares outstanding	Used as an alternative measure of earnings per share which is not affected by items which impact comparability between periods.

Larger one-time items

MSEK	Full year 2019	2018
Impairment charge – European chewing tobacco business	-367	-
Total larger one-time items in operating profit	**-367**	**-**

Net debt

MSEK	Full year 2019	2018
Non-current loans	12,130	12,282
Current loans	1,300	1,229
Components of derivatives (liabilities)[1)]	91	20
Components of derivatives (assets)[2)]	-839	-826
Non-current lease liabilities[3)]	172	-
Current lease liabilities[4)]	81	-
Net provision for pensions and similar obligations[3)]	1,451	1,106
Net asset for pensions and similar receivables[5)]	-91	-83
Cash and cash equivalents	-2,370	-2,886
Net debt	**11,925**	**10,843**

1) Included in *Other non-current financial liabilities* and *Other current financial liabilities* in the condensed consolidated balance sheet.
2) Included in *Other non-current financial assets and receivables* and *Other current financial receivables* in the condensed consolidated balance sheet.
3) Included in *Other non-current financial liabilities* in the condensed consolidated balance sheet.
4) Included in *Other current financial liabilities* in the condensed consolidated balance sheet.
5) Included in *Other non-current financial assets and receivables* in the condensed consolidated balance sheet.

Currency components of derivatives included in the net debt are recognized in the condensed consolidated balance sheet based on the total value of all components in the financial instrument, i.e. if the total value of the financial instrument is an asset, but includes a negative derivative component, that derivative component is recognized as a negative asset in the condensed consolidated balance sheet and vice versa.

Quarterly data

Consolidated income statement in summary

MSEK	Note	Q4/19	Q3/19	Q2/19	Q1/19	Q4/18
Sales, including tobacco tax		4,877	4,685	4,591	4,069	4,189
Less tobacco tax		-944	-856	-872	-811	-888
Sales		**3,933**	**3,829**	**3,719**	**3,258**	**3,301**
Cost of goods sold		-1,451	-1,340	-1,350	-1,234	-1,244
Gross profit		**2,482**	**2,489**	**2,369**	**2,023**	**2,057**
Selling and administrative expenses		-1,020	-904	-936	-834	-862
Share of net profit/loss in associated companies		4	1	0	1	1
Impairment charge – European chewing tobacco business	5	-367	-	-	-	-
Operating profit		**1,098**	**1,586**	**1,434**	**1,190**	**1,196**
Finance income		25	23	28	24	21
Finance costs		-83	-83	-87	-93	-83
Net finance cost		-59	-60	-60	-69	-62
Profit before income tax		**1,039**	**1,526**	**1,374**	**1,121**	**1,134**
Income tax expense		-283	-346	-294	-242	-209
Profit for the period		**756**	**1,180**	**1,080**	**880**	**925**
Attributable to:						
Equity holders of the Parent		756	1,180	1,080	880	925
Non-controlling interests		0	0	0	0	0
Profit for the period		**756**	**1,180**	**1,080**	**880**	**925**

Quarterly data by product segment

Sales

MSEK	Q4/19	Q3/19	Q2/19	Q1/19	Q4/18
Snus and moist snuff	2,156	1,935	1,876	1,515	1,632
Other tobacco products	1,359	1,496	1,480	1,344	1,233
Lights	323	298	266	314	349
Sales from product segments	**3,838**	**3,729**	**3,622**	**3,174**	**3,214**
Other operations	95	100	98	84	87
Sales	**3,933**	**3,829**	**3,719**	**3,258**	**3,301**

Operating profit

MSEK	Note	Q4/19	Q3/19	Q2/19	Q1/19	Q4/18
Snus and moist snuff		987	940	874	676	725
Other tobacco products		437	579	578	518	456
Lights		100	88	6	43	66
Operating profit from product segments		**1,525**	**1,607**	**1,458**	**1,238**	**1,246**
Other operations		-59	-21	-25	-48	-50
Impairment charge – European chewing tobacco business	5	-367	-	-	-	-
Operating profit		**1,098**	**1,586**	**1,434**	**1,190**	**1,196**

Operating margin by product segment

Percent	Q4/19	Q3/19	Q2/19	Q1/19	Q4/18
Snus and moist snuff	45.8	48.6	46.6	44.6	44.4
Other tobacco products	32.2	38.7	39.1	38.6	37.0
Lights	31.1	29.4	2.3	13.8	18.9
Operating margin from product segments	**39.7**	**43.1**	**40.3**	**39.0**	**38.8**

EBITDA by product segment

MSEK	Q4/19	Q3/19	Q2/19	Q1/19	Q4/18
Snus and moist snuff	1,064	1,020	947	745	795
Other tobacco products	481	612	611	550	480
Lights	111	99	17	55	76
EBITDA from product segments	**1,656**	**1,731**	**1,576**	**1,349**	**1,351**

EBITDA margin by product segment

Percent	Q4/19	Q3/19	Q2/19	Q1/19	Q4/18
Snus and moist snuff	49.4	52.7	50.5	49.1	48.7
Other tobacco products	35.4	40.9	41.3	40.9	38.9
Lights	34.3	33.3	6.5	17.4	21.8
EBITDA margin from product segments	**43.1**	**46.4**	**43.5**	**42.5**	**42.0**

Additional quarterly data

Depreciation, amortization and impairments

MSEK	Q4/19	Q3/19	Q2/19	Q1/19	Q4/18
Property, plant and equipment	108	101	95	89	102
Right-of-use assets	23	22	21	21	-
Intangible assets[1)]	19	16	16	16	16
Total	**150**	**140**	**133**	**126**	**117**

1) Excluding an impairment charge on goodwill in the European chewing tobacco business of 367 MSEK reported as a larger one-time item in the fourth quarter 2019.

Net finance cost

MSEK	Q4/19	Q3/19	Q2/19	Q1/19	Q4/18
Interest income	17	21	28	24	15
Interest expense	-82	-82	-82	-90	-81
Net interest expense	**-64**	**-60**	**-55**	**-66**	**-66**
Other finance costs, net	6	0	-5	-3	4
Total net finance cost	**-59**	**-60**	**-60**	**-69**	**-62**

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Swedish Match develops, manufactures, and sells quality products with market-leading brands in the product segments Snus and moist snuff, Other tobacco products, and Lights. Production is located in seven 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, ZYN, Game, Red Man, Fiat Lux,* and *Cricket*.

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