

SWEDISH MATCH RESULTS PRESENTATION

Q1 2019



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Q1 – HEADLINE BULLETS

- In local currencies, sales increased by 3 percent for the first quarter. Reported sales increased by 11 percent to 3,258 MSEK (2,941).
- In local currencies, operating profit from product segments¹⁾ increased by 7 percent for the first quarter. Reported operating profit from product segments increased by 15 percent to 1,238 MSEK (1,079).
- Operating profit amounted to 1,190 MSEK (1,047) for the first quarter.
- Profit after tax amounted to 880 MSEK (766) for the first quarter.
- Earnings per share increased by 19 percent to 5.17 SEK (4.36) for the first quarter.

1) Operating profit for Swedish Match product segments, which excludes Other operations.



Sales and profit growth driven by ZYN. Good financial result despite headwinds

- Sales comparison adversely impacted by new retailer merchandising program in the US. Adjusted for this, sales from products segments would have increased by 4 percent in local currencies.
- **Snus and moist snuff product segment sales up 5% in local currencies, operating profit up**
 - Sales growth driven by ZYN in the US. US manufacturing for ZYN up and running, national rollout beginning from April.
 - Scandinavian sales increased on higher pricing, with shipment volumes down, hampered by calendar effects (Easter).
 - Operating profit up 9%. Higher operating profit in local currencies in Scandinavia and in the US driven by snus/ZYN.
 - Moist snuff sales/volumes lower on promotional phasing.
- **OTP sales flat. Operating profit up in local currencies, driven by cigars**
 - Cigar volumes down 2% due to volume declines on rolled leaf cigars (supply constraints). Pricing positive.
 - US chewing tobacco own brands shipments down 8% following very strong Q4. Continued mix shift toward value.
 - Chewing tobacco volumes outside the US up due to the *Oliver Twist* acquisition.
- **Lights segment sales and operating profit up versus a weak Q1 2018**
 - Higher volumes for both matches and lighters.
 - Pressure on raw material input costs, most notably nylon for lighters.
 - Prior year included 12 MSEK in restructuring costs (Brazil).

SNUS AND MOIST SNUFF: Q1 COMMENTARY

Higher sales in the US, largely from rapid growth of ZYN, as well as in Scandinavia

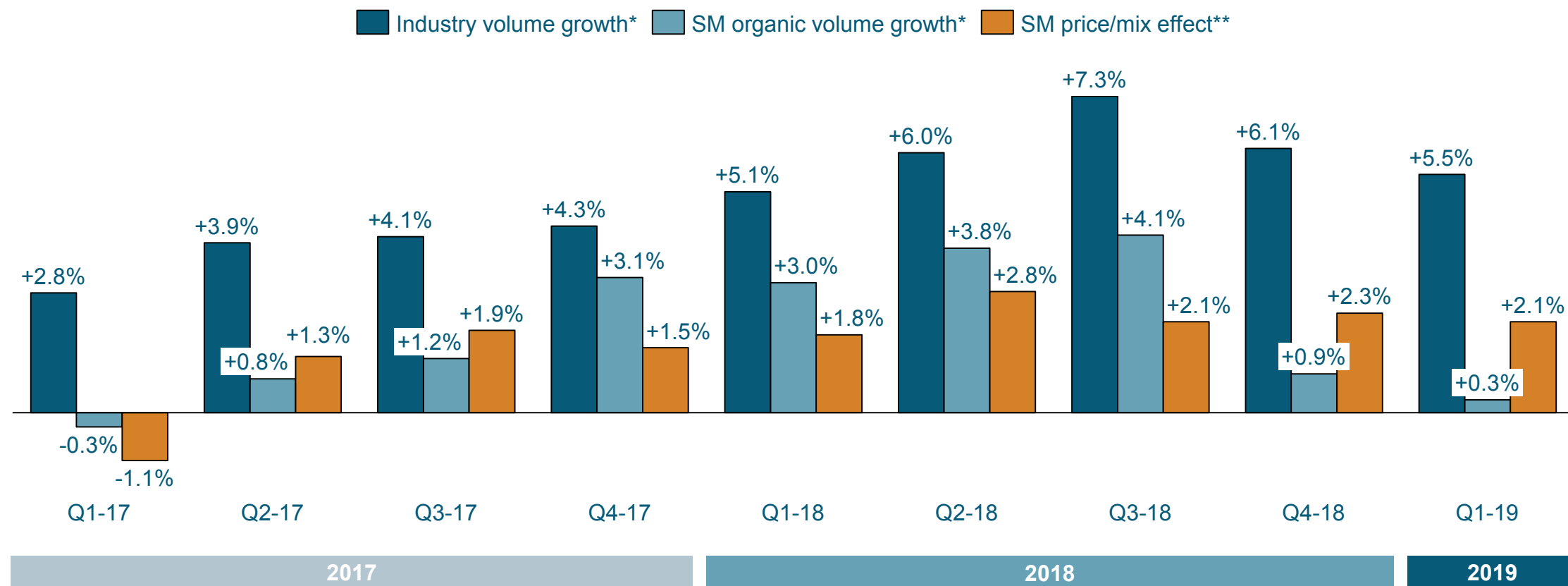
- Higher sales and operating profit in both Scandinavia and the US in local currencies
 - Sales and operating profit in Scandinavia up, primarily from higher pricing
 - Strong category growth but continued market share declines.
 - Positive contribution from Gotlandssnus acquisition while organic underlying volumes flat adjusted for calendar effects.
 - Higher average pricing on stronger NOK and price increases.
 - Continued strong growth for snus and nicotine pouches outside Scandinavia
 - ZYN volume growth in the US from faster velocity as well as higher store count (avg. 14,600 stores in quarter).
 - Volumes up slightly for snus in the US, despite reduced marketing support.
 - ZYN now also available in Denmark, Czech Republic, and online in the UK and Switzerland.
 - US moist snuff sales and operating profit lower on a local currency basis
 - Total category volumes lower. SM volumes also down, in large part due to promotional phasing.
 - Higher volumes for pouches and tubs more than offset by declines for traditional loose.
 - Operating profit and margin were adversely affected by a changed segment allocation methodology for shared operating expenses of our US business



	Q1-2019	Q1-2018	chg	April 2018-March 2019	Full year 2018	chg
Sales, MSEK	1,515	1,386	9	6,257	6,127	2
Operating profit, MSEK	676	623	9	2,844	2,791	2
Operating margin, %	44.6	45.0		45.2	45.6	

SCANDINAVIA – UNDERLYING VOLUMES AND SWEDISH MATCH PRICE/MIX EFFECT

Total Scandinavian snus by quarter versus same quarter prior year

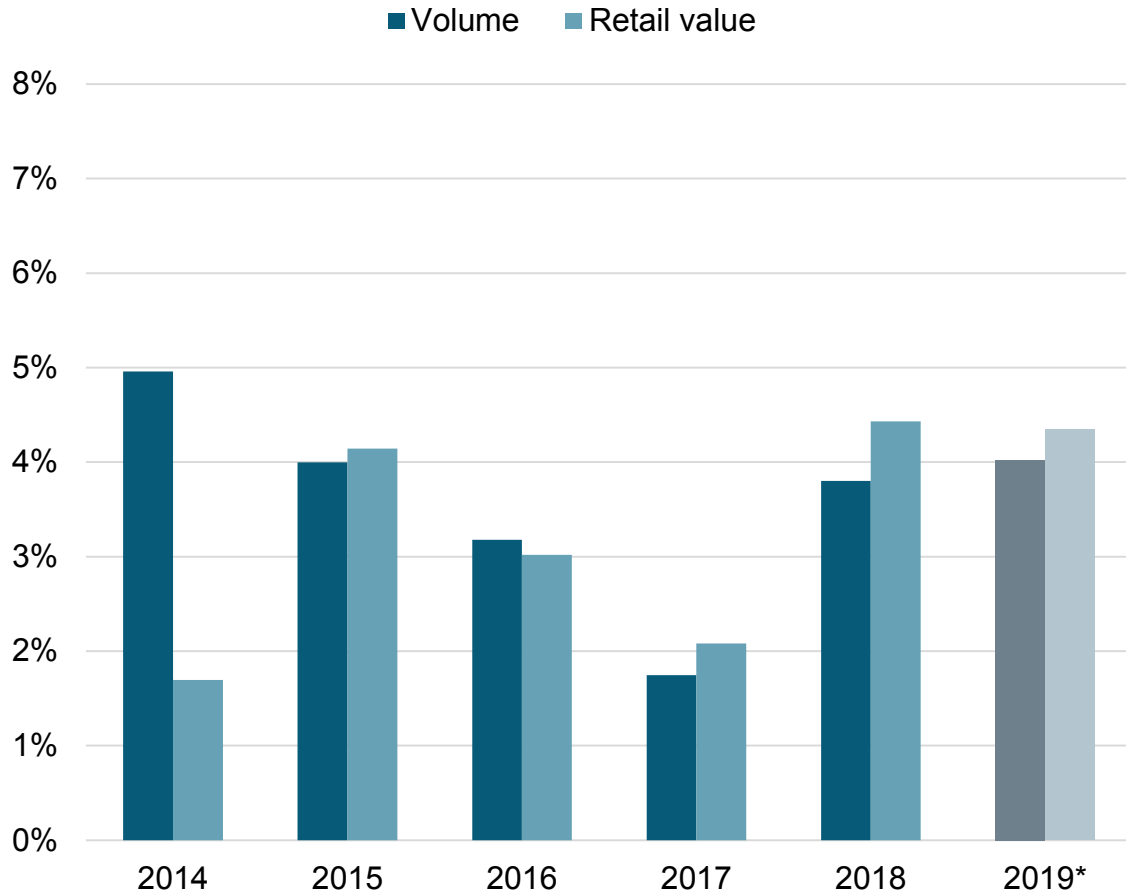


* Based on Nielsen and Swedish Match estimates (adjusted for hoarding).

** Adjusted for currency effects.

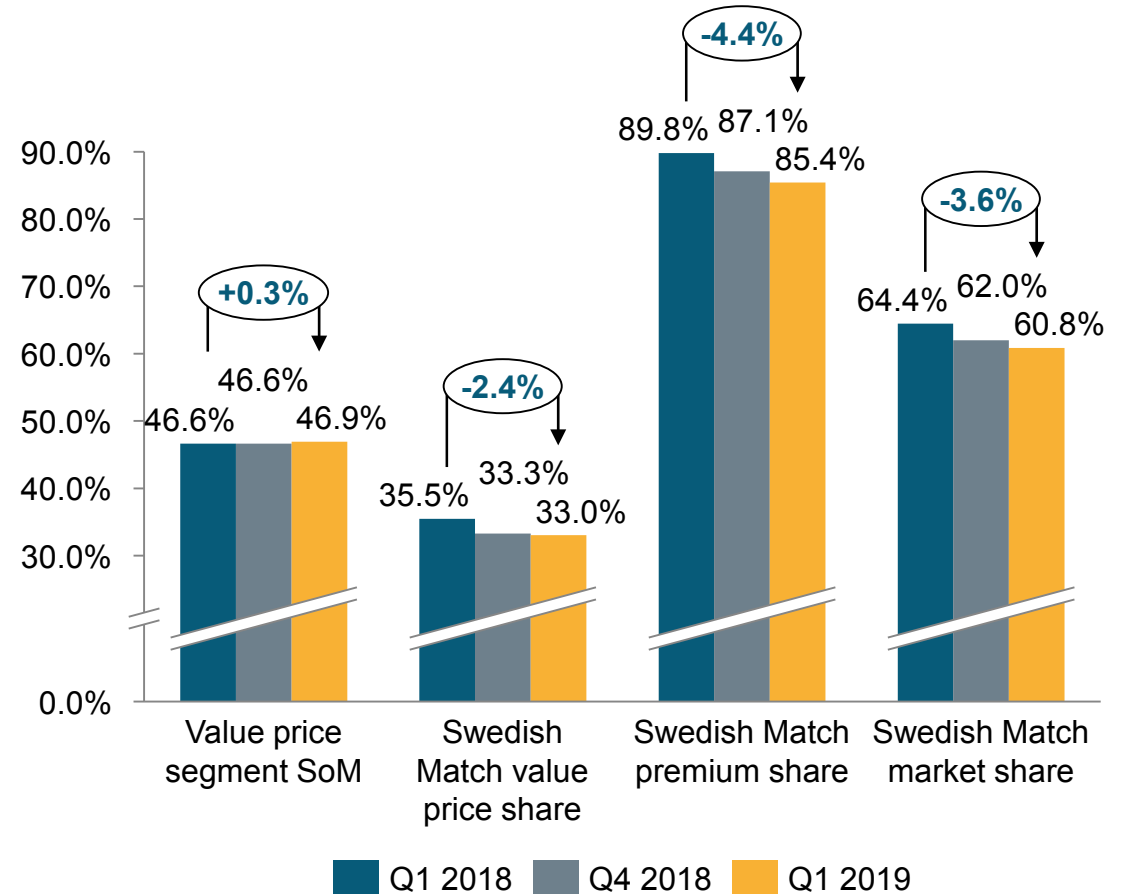
SWEDEN – CATEGORY DEVELOPMENT AND MARKET SHARE DYNAMICS

Volume and retail value year-on-year growth (Nielsen)



*12 months rolling ending March 31, 2019.
Source: Nielsen, DVH+SVH.

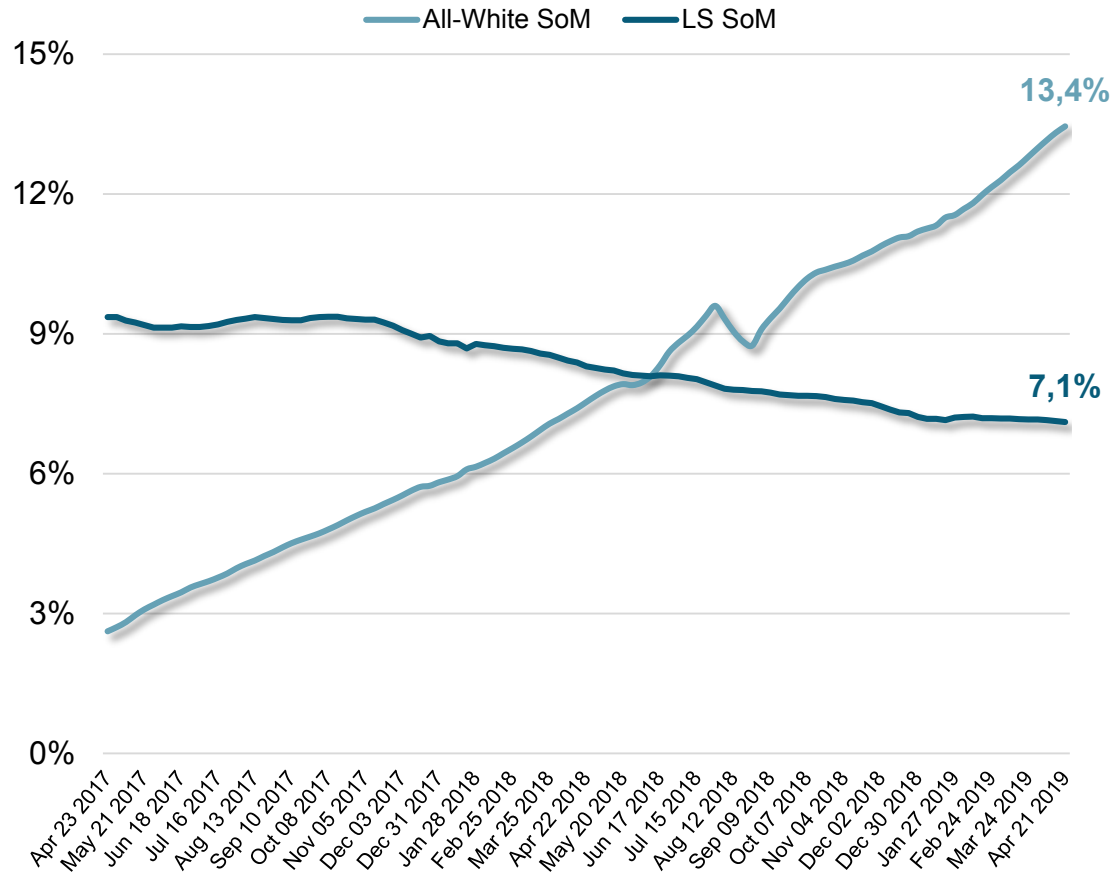
Market share dynamics (volume shares)



Source: Nielsen, DVH+SVH excl. tobaccoconists (including nicotine free).

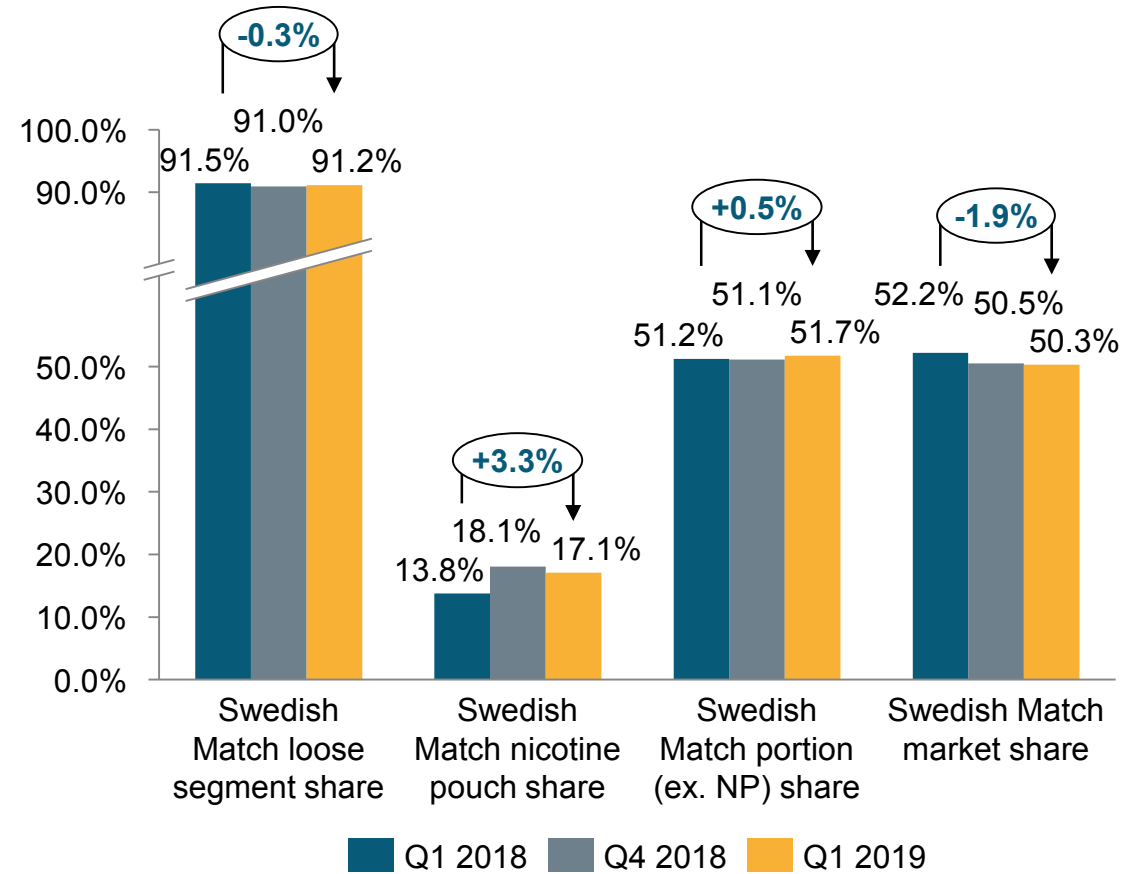
NORWAY – ALL WHITE GROWTH AND NEW AND IMPROVED DYNAMICS

All-white and loose segment volume share of total market (Nielsen)



Source: Nielsen, 4-week data, DVH+KBS (excluding Esso).

Market share dynamics (volume shares)



Source: Nielsen, DVH+KBS.

RECENT NEW PRODUCT ACTIVITY

Norway and Sweden

- **G.4 Blush Slim All White** (February)
- **Onico Pure White Slim** (March)
- pouches with neither nicotine nor tobacco



Sweden

- **ZYN Slim nicotine pouches: Apple Mint and Ginger Blood Orange** (February)
- **XR Göteborgs Rapé Sparkling Slim White** (April) – celebrating Göteborg Rapé's 100 year anniversary

Limited editions:

- **Small Batch #8** (February)
- **Henrik Jacobssons Vinbär Special** (April)
- **Small Batch #9** (April)



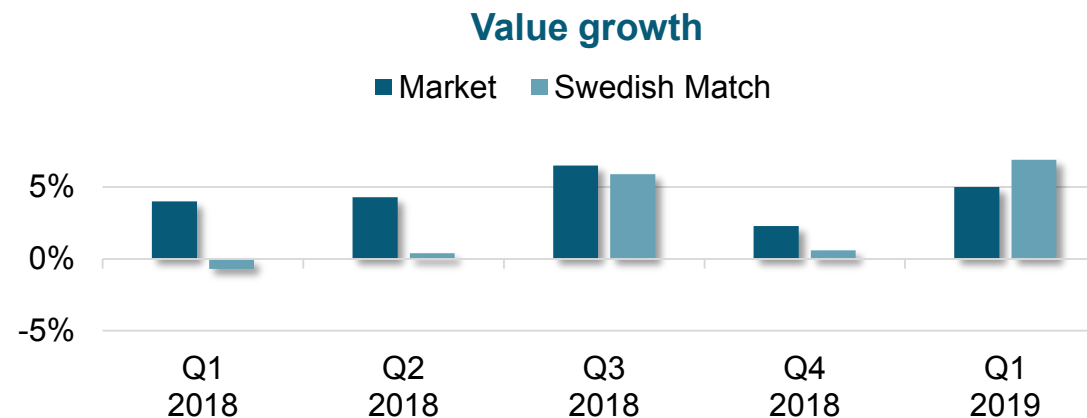
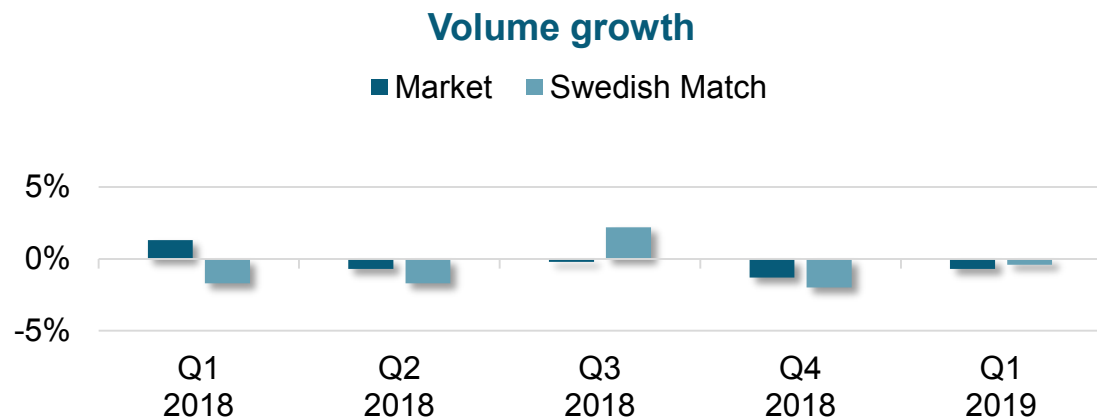
Outside Scandinavia

- **ZYN Slim & ZYN Dry/Mini nicotine pouches, Czech Republic** (late 2018) and **Denmark** (early 2019)

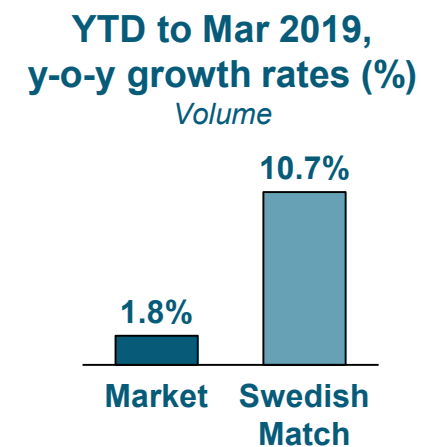
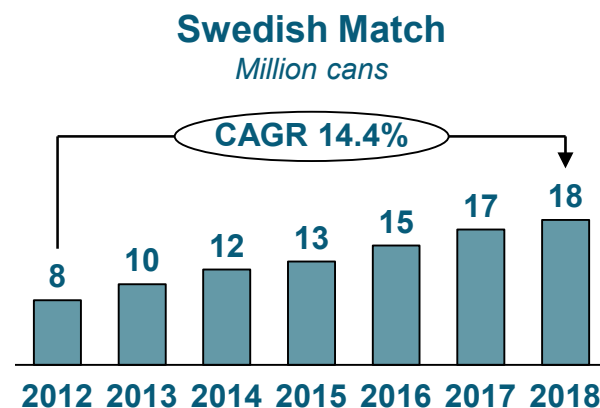
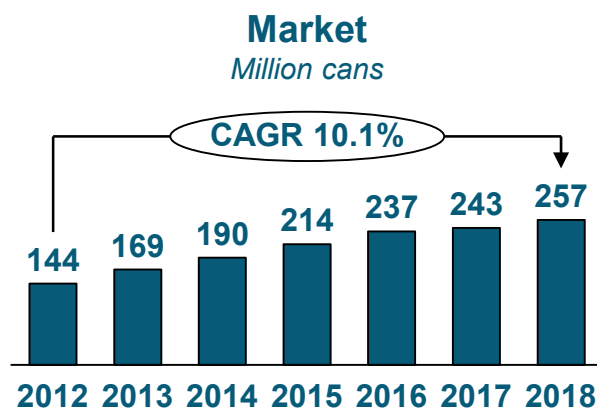


US – MOIST SNUFF

Value growth outpacing volume growth



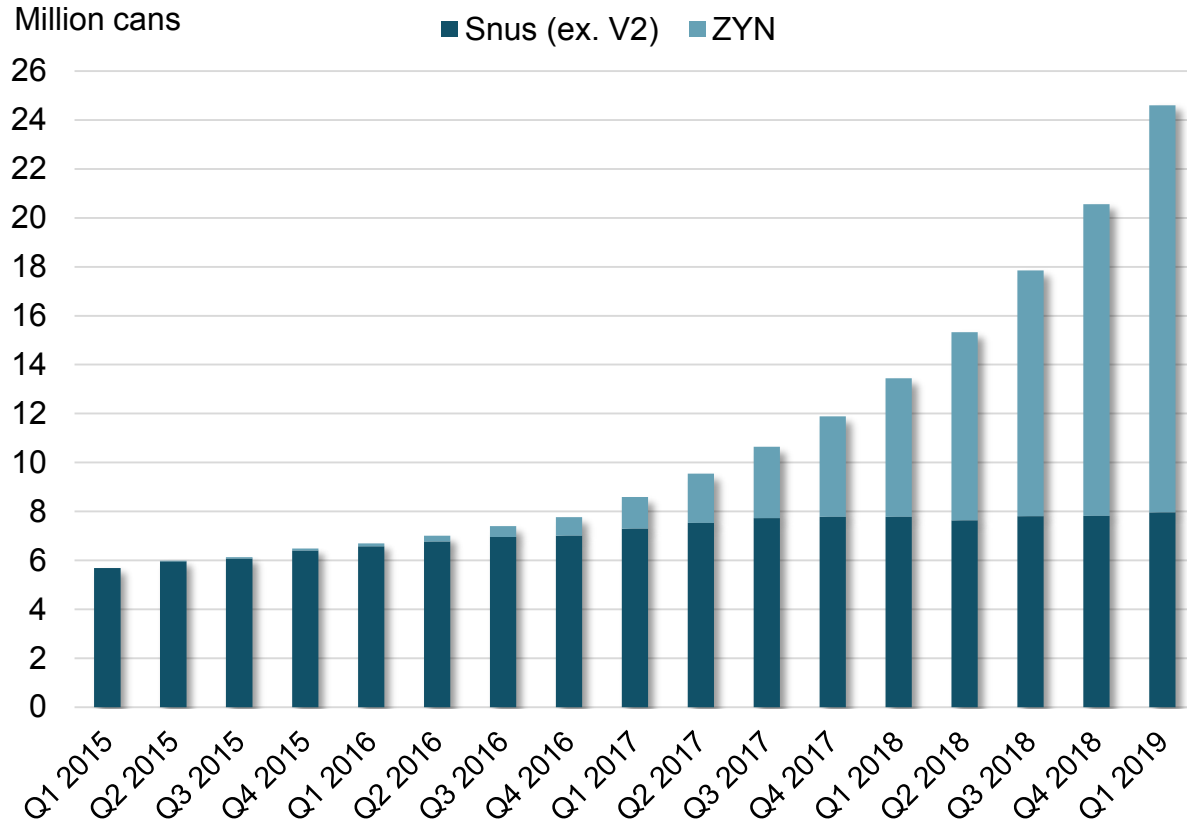
Swedish Match's pouch volumes have outperformed the category



Source: Industry estimates, Swedish Match direct sales, and CMPP.

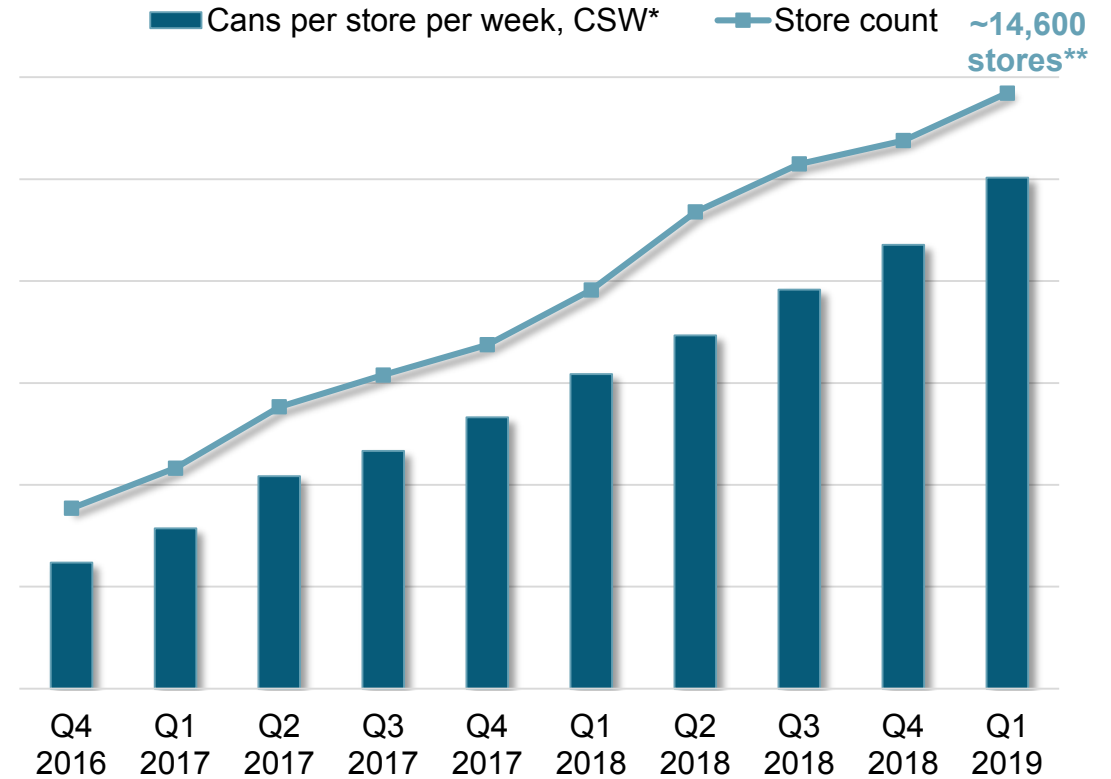
SNUS AND NICOTINE POUCH VOLUMES OUTSIDE SCANDINAVIA

Swedish Match's shipments of snus and nicotine pouches outside of Scandinavia by rolling four quarters*



* Excludes V2 snus. Shipments refer to the US and other all other non-Scandinavian markets.

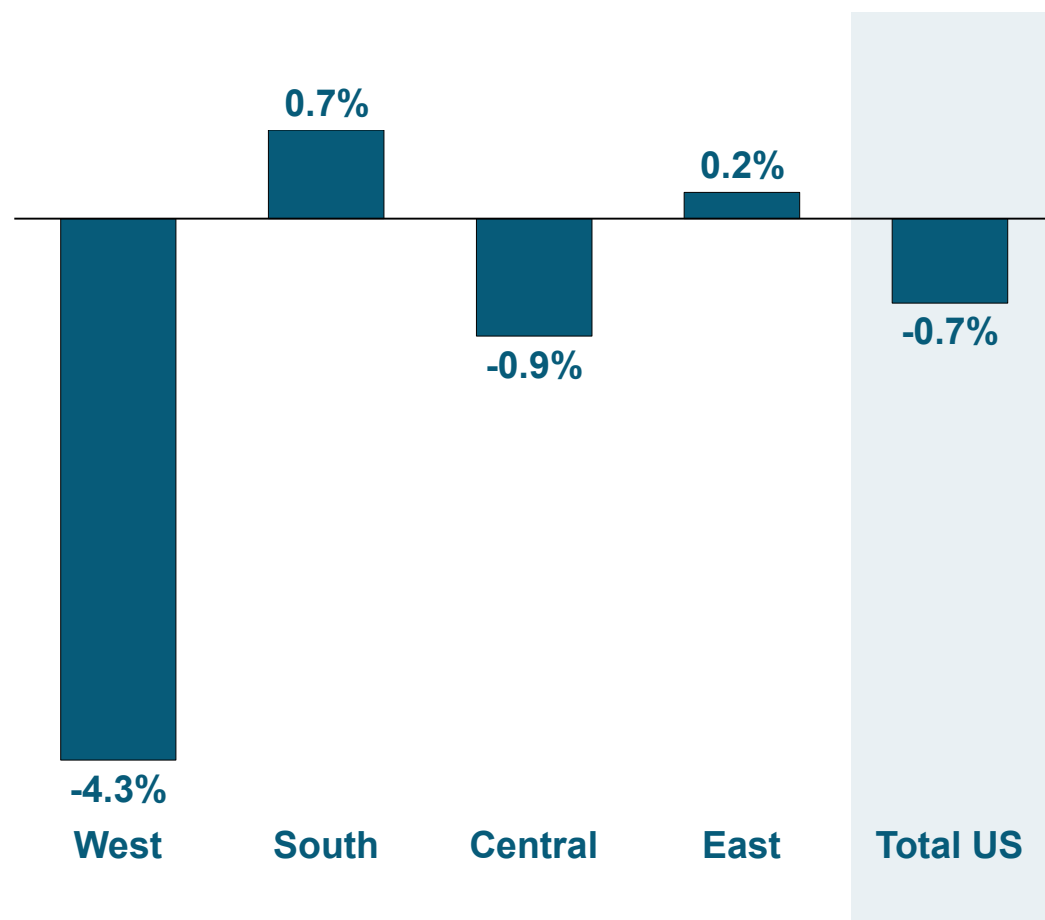
ZYN: Increase in quarterly average velocity and increased number of stores**



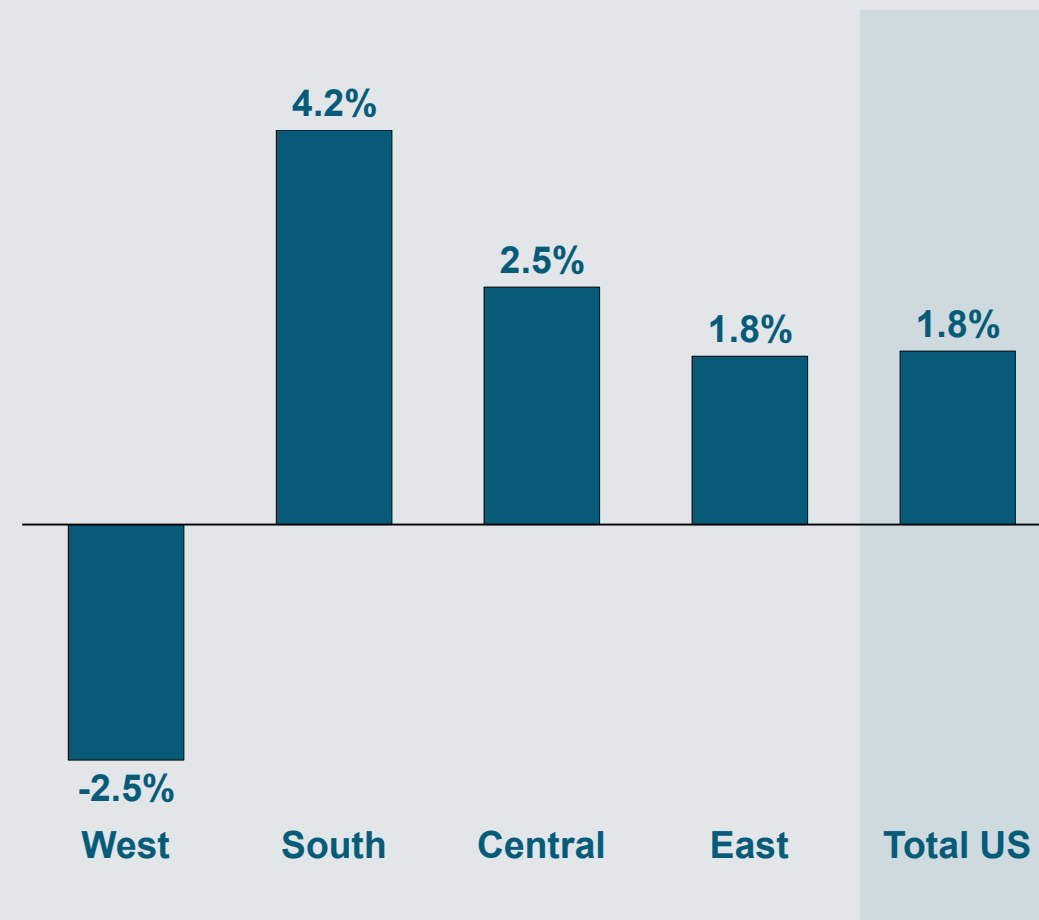
**Cans per store per week are based on distributor to retail shipments for stores installed through Dec. 30, 2018. Q1 average store count: ~14,600. End of quarter store count ~15,000 stores.

Q1 US MOIST SNUFF CATEGORY GROWTH Y-O-Y

Total moist snuff market



Moist snuff pouches



Source: CMPP 13w ending March 17 based on Swedish Match regional designation by state.

OTHER TOBACCO PRODUCTS (OTP): Q1 COMMENTARY

Strong financial performance for cigars, despite volume constraints for rolled leaf varieties

○ Sales flat, operating profit up in local currencies

- Cigar sales flat despite volume declines. Benefited from rolled leaf price increase in 2018

- Cigar volumes down 2% largely attributable to shortage of cigar leaf for rolled leaf cigars.
- Rolled leaf volumes down more than 20% vs. prior year on production constraints/leaf shortage.
- Operating profit benefited from higher average pricing.

- Soft quarter for US chewing tobacco following a strong Q4

- Volumes (excl. contract manufacturing) down 8% compared to the prior year.
- Volumes for traditional premium varieties declined, but grew for value brands.
- Price increases partially offset by mix shift toward value brands.

- Chewing tobacco outside the US: Sales up, profits down

- Positive contribution to sales from the acquisition of *Oliver Twist*.
- Sales and operating profit burdened by temporary factors relating to establishment of DK sales force.

- Operating profit and margin were positively affected by a changed segment allocation methodology for shared operating expenses of our US business



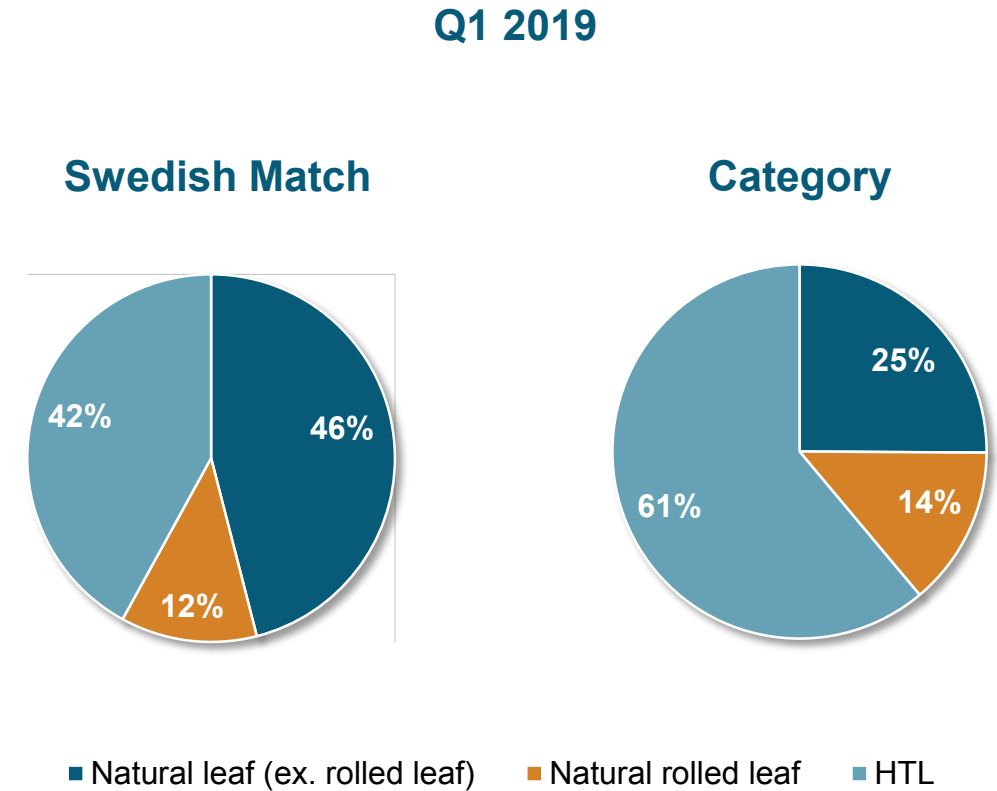
	Q1-2019	Q1-2018	chg	April 2018-March 2019	Full year 2018	chg
Sales, MSEK	1,344	1,190	13	5,394	5,240	3
Operating profit, MSEK	518	425	22	2,050	1,956	5
Operating margin, %	38.6	35.7		40.2	37.3	

Year on year volume growth



Source: CMPP.

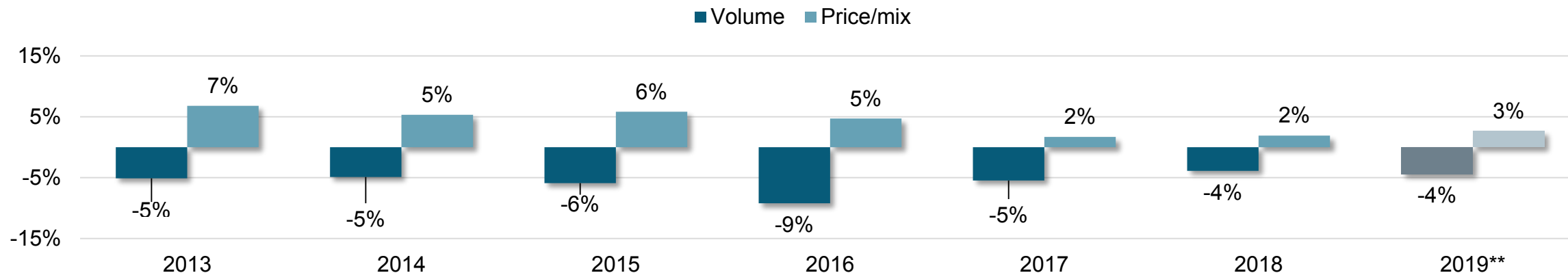
Breakdown of Swedish Match's cigar volumes by segment compared to the addressed market



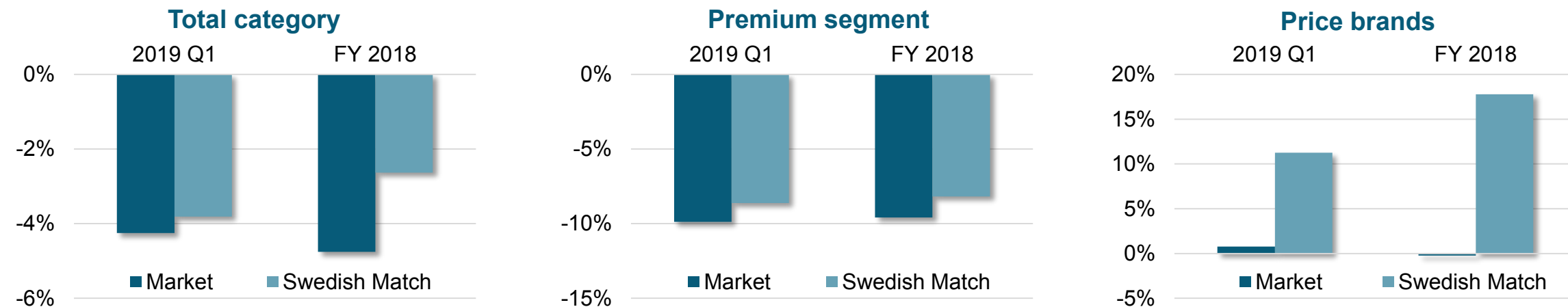
Source: Swedish Match estimates of distributor shipments to retail using CMPP data. Excluding segment for pipe cigars and 'other'.

US – CHEWING TOBACCO

Shipment volume and price/mix percentage change year on year, Swedish Match brands*



Chewing tobacco category (Swedish Match estimates) and Swedish Match volume change year-on-year (%)



*On reported basis. Excludes Co-Pack volumes. **12 months rolling ending March 31, 2019. Source: CMPP. Price brands = Price Large Segment + Price Small Segment.

Sales up on higher volumes. Prior year included 12 MSEK in restructuring charges

- **Sales up 10%, with sales growth driven by lighters and complementary products**
 - Sales for matches flat on 2% higher volumes.
 - Lighter volumes up 8% and favorable market mix.
 - Favorable currency effects.
- **Operating profit up slightly when adjusting for prior year restructuring**
 - For lighters, higher raw material costs (nylon) substantially offset benefit of stronger sales.
 - For matches, currency effects more than compensated for an otherwise weaker price/mix.
 - Operating profit for complementary products flat.



	Q1-2019	Q1-2018	chg	April 2018-March 2019	Full year 2018	chg
Sales, MSEK	314	285	10	1,275	1,246	2
Operating profit, MSEK	43	31	40	201	189	7
Operating margin, %	13.8	10.9		18.1	15.2	

- **Statement from FDA on flavored cigars**

On March 13, 2019, the FDA released a draft guidance document which includes the intent to move forward with a proposed rule to ban all flavors in cigars. It is further stated in this draft guidance document that flavored cigars should no longer be subject to the extended compliance date (August 2021) for substantial equivalence (SE) authorization – regardless of the location in which the products are sold. The original deferral of the compliance date acknowledged that the FDA had not provided sufficient guidance on SE filing requirements. Under the revised compliance policy, the draft guidance states that 30 days after the guidance is finalized, any flavored cigars (other than tobacco-flavored) that were on the market on August 8, 2016, and that meet the definition of a new tobacco product, would be subject to enforcement absent SE preauthorization. The draft guidance would make it impractical for manufacturers to comply with the accelerated SE authorization timeline and was subject to a comment period. The form of the final guidance as well as its implementation timeline remain uncertain.

- **Modified risk applications to the FDA**

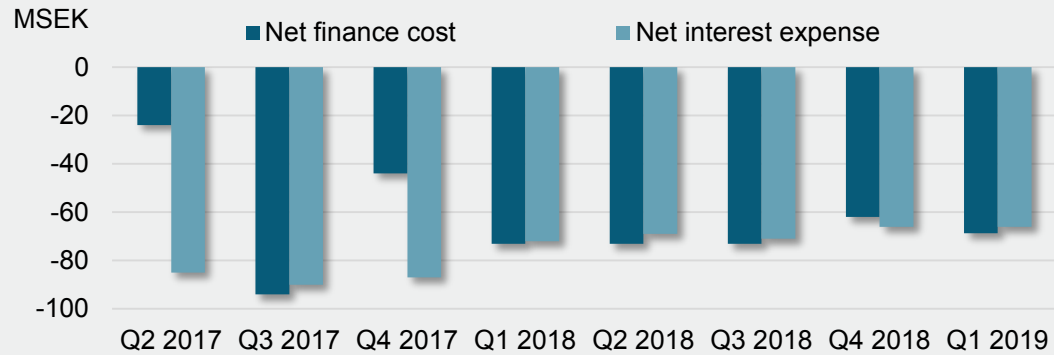
On February 1, the FDA posted the final amendment for the modified risk tobacco product (MRTP) applications for eight snus smokeless tobacco products submitted by Swedish Match USA, Inc.

On April 12, the FDA announced that any public comments on these applications must be submitted by May 13, 2019. The timing on any final decision by the FDA on MRTP has not been communicated.

FINANCE NET AND EPS

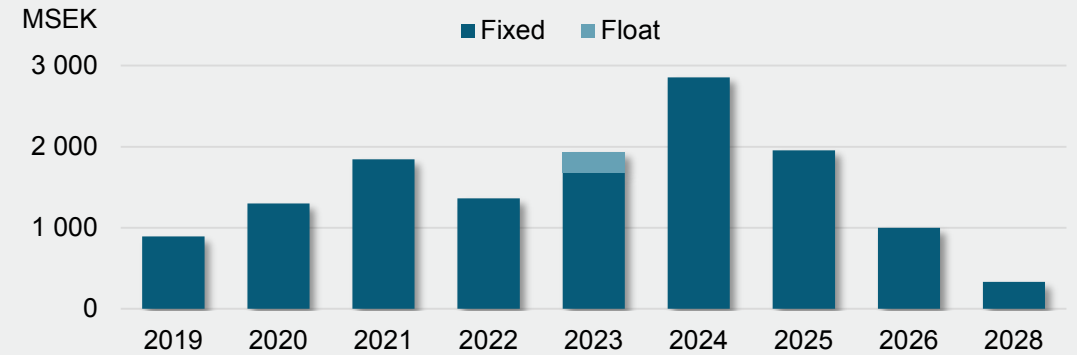
Development of the finance net

By quarter



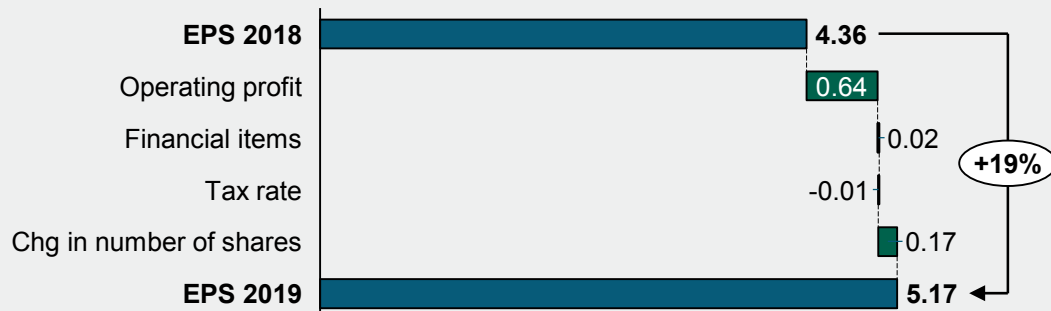
Maturity profile of interest bearing liabilities

Debt as of March 31, 2019

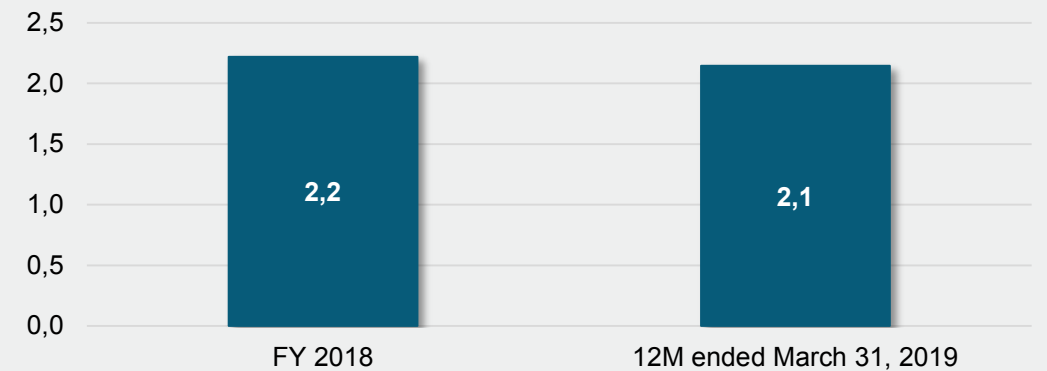


EPS bridge

3M 2019 vs 3M 2018 (SEK)



Net debt/EBITA



OUTLOOK STATEMENT

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

For 2019, on a full year basis, Swedish Match expects the Scandinavian snus market to continue to grow and to remain highly competitive. Swedish Match expects the US snus/nicotine pouch market to grow. In the US moist snuff market, we expect continued growth for pouches. For US chewing tobacco we expect continued market declines. In both Scandinavia and markets outside of Scandinavia, we expect segment growth and increased competitive activity for nicotine pouches (both without tobacco and with small amounts of tobacco).

We will continue to explore growth opportunities for smokeless tobacco and nicotine pouch products outside Scandinavia. In the US, we will broaden the distribution for ZYN, to make this popular nicotine pouch product available to consumers nationally. Further for ZYN, selected additional geographies outside the US will be considered. The decision to further scale up the investment in ZYN production capacity in the US is expected to result in increased capital expenditures in 2019 compared to 2018.

For the full year, Swedish Match anticipates modest growth in the US cigar market. Swedish Match expects the US cigar market to remain highly competitive.

The effective corporate tax rate in 2019, excluding associated companies and larger one-time items, is expected to be in the 22 percent to 23 percent range (21.7).

The Company remains committed to returning cash not needed in operations to shareholders.