

## Interim Report January – March 2019

### Solid financial result. Startup of ZYN production in the US

- 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 segments<sup>1)</sup> 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.



## CEO Lars Dahlgren comments:

### Good financial result despite volume challenges in key segments

The first quarter financial performance showed the importance of our strategy of prioritizing market segments that present the greatest opportunity for long term profitable growth. In local currencies, sales increased by 3 percent and operating profit from product segments increased by 7 percent. Growth in the quarter was hampered by calendar shipment effects in our Scandinavian snus business and continued shortages of tobacco leaf supplies in our cigar business. We anticipate that the timing of the Easter holiday this year will benefit our Scandinavian snus volumes in Q2. Alternative sources of cigar tobacco leaf have been secured and we expect rolled leaf shipment volumes to return to year on year growth in the second half of 2019. Our positioning within segments that have attractive growth or profitability profiles coupled with investments that we have made behind growth opportunities for snus and nicotine pouches outside Scandinavia enabled Swedish Match to report sales and profit growth in the quarter despite these volume challenges for our larger base businesses.

Our growth in reported sales and operating profit benefited from favorable currency developments, most notably the strengthening of the US dollar relative to the Swedish krona compared to the prior year. On a local currency basis, operating profit growth during the quarter principally resulted from the continued impressive growth for ZYN – our nicotine pouch product without tobacco – in the US and from pricing actions taken in the second quarter of last year for rolled leaf cigars.

At the start of the second quarter, ZYN was launched nationally in the US supported by our newly commissioned ZYN production lines at our Owensboro, Kentucky facility. New distribution to retailers will be added over the course of 2019 and we expect ZYN to be available in approximately 60,000 stores in the US by the end of the year.

Within our Snus and moist snuff product segment, shipment volumes in the quarter for our snus business in Scandinavia were down by more than 1 percent compared to the prior year reflecting the adverse calendar effects while the underlying organic volume performance was essentially flat. Overall market growth in Scandinavia remained strong and we estimate underlying market growth in the quarter at more than 5 percent. Our slower volume growth relative to the market, resulted from share losses in both Sweden and Norway, especially in the second half of 2018. Capturing a greater percentage of the growth in the faster growing segments in Scandinavia remains a top priority. After a strong fourth quarter in 2018, shipment volumes for US moist snuff were down sharply in the first quarter principally as a result of promotional phasing. Volume growth for snus and nicotine pouches outside Scandinavia remained robust in the quarter with ZYN shipments benefiting from both store distribution build in the western region of the US as well as increased average sales volumes per store.

Within our product segment Other tobacco products, cigar shipment volumes were down by 2 percent. Based on our measure of distributor shipments to retailers, the US mass market cigar category declined a little less than 1 percent in the quarter most notably impacted by declines within the HTL segment. While Swedish Match shipment volumes for our rolled leaf assortment rebounded from a weak fourth quarter, limited leaf supplies resulted in a volume decline versus the prior year quarter. Despite the slight overall volume decline, cigar profit grew at a healthy pace primarily due to improved pricing. US chewing tobacco volumes for Swedish Match brands were down 8 percent in the quarter, reflecting overall category declines but also negatively impacted by promotional phasing.

The Lights product segment reported good growth in both sales and operating profit in the quarter compared to an unusually weak performance in the first quarter of the prior year.

Several of our markets remain fiercely competitive with a heightened concentration of new product introductions and promotional activities in increasingly attractive growth segments. Swedish Match's broad and innovative product portfolio positions us well to adapt to the dynamic expectations of the consumer and to rise to the competitive demands in our markets as we pursue our vision of a world without cigarettes.

## Summary of consolidated income statement

MSEK	January-March		Chg %	Full year 2018
	2019	2018		
Sales	3,258	2,941	11	12,966
Sales from product segments <sup>1)</sup>	3,174	2,860	11	12,612
Operating profit from product segments <sup>1)</sup>	1,238	1,079	15	4,936
Operating profit	1,190	1,047	14	4,812
Profit before income tax	1,121	974	15	4,531
Profit for the period	880	766	15	3,578
Operating margin from product segments, % <sup>1)</sup>	39.0	37.7		39.1
Earnings per share, basic and diluted, SEK	5.17	4.36		20.63

1) Excluding Other operations.

## The first quarter

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

### Sales

Group sales and sales from product segments both increased by 11 percent to 3,258 MSEK (2,941) and 3,174 MSEK (2,860), respectively. Currency translation positively affected the comparability of sales from product segments by 221 MSEK, and in local currencies, sales from product segments increased by 3 percent. While sales in local currencies were higher for all product segments, the Snus and moist snuff product segment was the principal contributor to sales growth during the quarter. Sales development for the Snus and moist snuff and Other tobacco products segments has been adversely impacted by the implementation of a new retailer merchandising program beginning January 1, 2019 that incorporates all of our US businesses. The retailer merchandising program is designed to expand product distribution across our US portfolio and results in certain program costs which were previously classified as marketing expense to be reported as a reduction to sales. Adjusted for this retailer merchandising program, sales from products segments would have increased by 4 percent in local currencies.

### Earnings

Operating profit from product segments increased by 15 percent to 1,238 MSEK (1,079). In local currencies, operating profit from product segments was up by 7 percent. All product segments delivered higher operating profit, led by the Snus and moist snuff and Other tobacco products segments.

Group operating profit amounted to 1,190 MSEK (1,047). Currency translation has affected the comparison of the operating profit positively by 84 MSEK.

The Group's net finance cost amounted to 69 MSEK (73). The income tax expense amounted to 242 MSEK (208) and the effective corporate tax rate was 21.5 percent (21.4). The effective corporate tax rate, excluding associated companies and non-recurring tax items, was 22.0 percent (21.4).

The Group's profit for the period amounted to 880 MSEK (766).

Earnings per share for the first quarter increased by 19 percent to 5.17 SEK (4.36).

The implementation of IFRS 16 has had an immaterial effect on the Group's net result, see Note 1.

## ZYN

### Nicotine pouches without tobacco

- ZYN Slim Ginger Blood Orange, one of the varieties recently introduced on the Swedish market.
- Manufacturing of ZYN in the Owensboro factory for the US market has begun, helping to supply the national rollout in the US.
- ZYN products are now available in the US and Sweden, on a limited basis in Denmark and the Czech Republic, and online in both Switzerland and the UK, among other markets.





## Snus and moist snuff

### First quarter highlights:

- Higher sales and operating profit in both Scandinavia and the US in local currencies
- Calendar effects negatively impacted shipment volume comparisons in Scandinavia. Underlying Scandinavian shipment volumes were essentially flat
- Strong growth from our portfolio of snus and ZYN nicotine pouches outside Scandinavia
- US moist snuff sales and volumes down due to promotional phasing and overall category declines

### Key data

MSEK	January-March		Chg %	Full year 2018
	2019	2018		
Sales	1,515	1,386	9	6,127
Operating profit	676	623	9	2,791
Operating margin, %	44.6	45.0		45.6
EBITDA	745	675	10	3,025
EBITDA margin, %	49.1	48.7		49.4

### The first quarter

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

Sales for Snus and moist snuff were up 9 percent. In local currencies, sales increased by 5 percent, driven by snus and nicotine pouches outside of Scandinavia. Sales also grew in Scandinavia but moist snuff sales in the US declined. Operating profit in local currencies improved in both Scandinavia and the US. The operating margin was somewhat lower than in the first quarter of 2018, due in part to currency/country mix. In the US, operating profit and margin were adversely affected by a changed segment allocation methodology for shared operating expenses of our US business. The change recognizes the designation of ZYN as a more established business within our US portfolio. Under the 2018 allocation methodology Snus and moist snuff expenses would have been 16 MSEK lower and Other tobacco products expenses would have been higher by the same amount.

In Scandinavia, the Swedish and Norwegian markets demonstrated continued volume growth, with the total Scandinavian market estimated to have grown by more than 5 percent on an underlying basis. Swedish Match shipment volumes, including Gotlandssnus, acquired in the third quarter 2018, declined by more than 1 percent, with the decline attributable to calendar effects (primarily Easter). Swedish Match estimates that its underlying organic volumes (excluding Gotlandssnus and calendar effects) were essentially flat. Average selling prices increased as a result of price increases as well as a stronger NOK. Sales and gross profit in Scandinavia increased on higher realized pricing, partially offset by increased manufacturing costs.

In Sweden, competitive activity has been intense both within the premium and value segments and Swedish Match's market share declined in both segments. In Norway, Swedish Match's total market share was down

from the prior year period, from both a continued decline of the loose snus segment as a share of the total market, and from rapid growth of the nicotine pouch segment where Swedish Match's segment share remained below its overall market share.

For our US moist snuff business, volumes declined in large part due to promotional phasing. Both sales and operating profit were lower on a local currency basis reflecting the volume decline following an unusually strong performance in the previous quarter. Volumes for snus and nicotine pouches outside Scandinavia increased sharply, stemming primarily from ZYN in the US, further supported by higher snus volumes in the US, and nicotine pouches in certain other markets. The distribution of ZYN in the US grew sequentially and was available in close to 15,000 stores by the end of the quarter, with the majority of the stores in the western region of the US. Average sales volume per store for ZYN in the US continued to increase. During the quarter, inventory and marketing preparations were being made in advance of the US national rollout on April 1, with product sourcing from the US production facility, supplemented by production in Sweden.

### Swedish Match shipment volumes

<i>Millions of cans</i>	January-March		Chg %	Full year 2018
	2019	2018		
Snus, Scandinavia <sup>1)</sup>	60.7	61.5	-1	263.4
Moist snuff, US	30.3	34.0	-11	126.3
Snus and nicotine pouches, outside Scandinavia <sup>1)</sup>	9.0	4.8	87	25.2

1) Includes snus volumes for Gotlandssnus from acquisition date, August 22, 2018.

### Swedish Match Scandinavian snus market shares<sup>1)</sup>

<i>Percent</i>	January-March		Chg ppts	Full year 2018
	2019	2018		
Snus, Sweden, total	60.8	64.4	-3.6	63.4
Snus, Sweden, premium	85.4	89.8	-4.4	88.4
Snus, Sweden, value	33.0	35.5	-2.4	34.7
Snus, Norway, total	50.3	52.2	-1.9	51.3

1) Swedish Match estimates using Nielsen data (excluding tobaccoists and e-commerce): 13 weeks to March 31, 2019 and April 1, 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.



## Other tobacco products

### First quarter highlights:

- Sales flat and operating profit up in local currencies
- US cigar shipment volumes down 2 percent on shortage of cigar leaf for rolled leaf cigars
- Price increases offset volume declines for US cigars

### Key data

MSEK	January-March		Chg %	Full year 2018
	2019	2018		
Sales	1,344	1,190	13	5,240
Operating profit	518	425	22	1,956
Operating margin, %	38.6	35.7		37.3
EBITDA	550	446	23	2,046
EBITDA margin, %	40.9	37.5		39.0

### The first quarter

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

Sales for Other tobacco products were up by 13 percent. In local currencies, sales for Other tobacco products were flat, while operating profit was higher. In local currency, sales were flat for cigars and were down for US chewing tobacco. Sales of chewing products outside of the US grew, due to the acquisition of Oliver Twist tobacco bits. Operating profit grew for cigars and was flat for US chewing tobacco in local currency. Sales and operating profit for cigars were positively impacted by pricing actions predominantly taken in the second quarter of the prior year. In the US, operating profit and operating margin benefited 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 16 MSEK higher and Snus and moist snuff expenses would have been lower by the same amount.

Cigar volumes declined by 2 percent (down 3 percent on a constant trading day basis), due primarily to volume declines for natural rolled leaf varieties. Volumes for natural leaf cigars, excluding rolled leaf varieties, grew. For rolled leaf varieties, Swedish Match shipment volumes declined by more than 20 percent versus the same period prior year. As previously indicated, leaf shortages for rolled leaf cigars have severely constrained our production capacity for this format. The availability of cigar leaf for rolled leaf cigars is expected to improve with the next crop which is anticipated to be available to production during the second quarter. Based on our measure of distributor shipments to retail, total cigar category volumes declined in the quarter, most notably within the HTL small and HTL value segments, while Swedish Match volumes were up slightly due to our portfolio positioning within natural leaf cigars as well as market share gains within the declining HTL segment.

Chewing tobacco shipments in the US (excluding contract manufacturing volumes) during the quarter were down. 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 and value segment. Sales and operating profit for US chewing tobacco benefited from price increases, partly offset by adverse mix effects given the category shift to value products. Chewing tobacco outside the US (chew bags and tobacco bits), sold primarily in Europe, contributed positively to the sales development stemming from the acquisition of Oliver Twist. Operating profit for chewing tobacco outside the US was burdened during the quarter with costs of establishing our own sales force in Denmark. The largest market for chew bags is Germany, where there are ongoing court proceedings in the Bavarian Administrative Court relating to the legality of V2 Tobacco's chewing tobacco assortment.

### Swedish Match US shipment volumes

	January-March 2019	January-March 2018	Chg %	Full year 2018
Cigars, millions of sticks	422	429	-2	1,703
Chewing tobacco, thousands of pounds (excluding contract manufacturing volumes)	1,446	1,568	-8	6,093



## Lights

### First quarter highlights:

- Higher sales for both lighters and complementary products, while match sales were flat
- Volume growth for lighters, but increased nylon costs burdened operating profit
- Profit comparison benefits from prior year restructuring charges

### Key data

MSEK	January-March 2019	January-March 2018	Chg %	Full year 2018
Sales	314	285	10	1,246
Operating profit	43	31	40	189
Operating margin, %	13.8	10.9		15.2
EBITDA	55	41	33	230
EBITDA margin, %	17.4	14.4		18.4

### The first quarter

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

Sales were higher, driven by both lighters and complementary products. Sales were flat for matches. Sales for both matches and lighters benefited from higher volumes.

Operating profit grew for both matches and lighters, while for complementary products operating profit was in line with prior year. Lighters benefited from higher volumes and positive currency effects, partially offset by

significantly higher costs of goods sold, with higher nylon pricing being a major contributing factor. The operating profit in the prior year included restructuring costs in Brazil of approximately 12 MSEK.

### Swedish Match shipment volumes, worldwide

	January-March 2019	January-March 2018	Chg %	Full year 2018
Matches, billion sticks	16.1	15.8	2	64.5
Lighters, million units	78.9	73.1	8	333.9

### Financing and cash flow

Cash flow from operating activities for the first quarter amounted to 972 MSEK (899). The stronger EBITDA development from product segments was partly offset by timing of income tax payments relative to the first quarter of the prior year.

Investments in property, plant and equipment increased to 180 MSEK (115).

Net finance cost for the first quarter declined to 69 MSEK (73). Lower average interest rate on debt was offset by higher interest costs from increased debt levels.

During the quarter, new bond loans of 999 MSEK were issued and repayments of bond loans amounted to 200 MSEK. As of March 31, 2019, Swedish Match had 13,832 MSEK of interest-bearing debt excluding retirement benefit obligations, but including the recognition of lease liabilities of 269 MSEK from the adoption of IFRS 16. The Group's interest-bearing debt at December 31, 2018 amounted to 12,705 MSEK and 11,802 MSEK at March 31, 2018. During the remainder of 2019, 1,048 MSEK of this debt falls due for payment. For further detail on the maturity profile of the debt portfolio, please see the Company's website.

As of March 31, 2019, Swedish Match had 1,500 MSEK in unutilized committed credit lines. Cash and cash equivalents amounted to 4,175 MSEK at the end of the period, compared to 2,886 MSEK at December 31, 2018. The higher cash position preceded the April dividend payment.

The net debt as of March 31, 2019 amounted to 10,785 MSEK compared to 10,843 MSEK at December 31, 2018 and 7,478 MSEK at March 31, 2018. The net debt as of March 31, 2019, included lease liabilities of 269 MSEK following the adoption of IFRS 16.

### Shareholder distributions and the share

In April 2019, Swedish Match paid dividends of 1,777 MSEK to its shareholders.

During the first quarter, Swedish Match repurchased 1.0 million shares for 449 MSEK at an average price of 463.12 SEK, following authorization from the Annual General Meeting held in 2018. Total shares bought back by Swedish Match since the buyback program started have been repurchased at an average price of 131.90 SEK.

As per March 31, 2019 Swedish Match held 6.7 million shares, corresponding to 3.81 percent of the total number of shares. The number of shares outstanding, net, as per March 31, 2019, amounted to 169.2 million.

### Other events during the quarter

#### 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.



## Events after the reporting period

### Annual General Meeting and repurchase of own shares

The Annual General Meeting held on April 9, 2019, re-elected Charles A. Blixt, Andrew Cripps, Jacqueline Hoogerbrugge, Conny Karlsson, Pauline Lindwall, Wenche Rolfsen, and Joakim Westh as members of Swedish Match's Board of Directors. Conny Karlsson was re-elected Chairman of the Board and Andrew Cripps was re-elected Deputy Chairman of the Board.

The Annual General Meeting approved the Board's proposal of a dividend of 10.50 SEK per share. The dividend amounted to 1,777 MSEK and was paid to the shareholders in April. In addition, the Meeting resolved to reduce the share capital by means of withdrawal of 6,000,000 shares in the Company, held in treasury, with a simultaneous bonus issue, without issuing any new shares, of a corresponding amount to restore the share capital. As per May 9, 2019, the total number of registered shares in the Company is 169,950,000 and the number of treasury shares amounts to 709,295.

The 2019 Annual General Meeting further authorized the Board of Directors to acquire the Company's own shares, including the possibility to implement a repurchase program in accordance with the Market Abuse Regulation (EU) No 596/2014 ("MAR") and the Commission Delegated Regulation (EU) No 2016/1052 (the "Safe Harbour Regulation"), a mandate which the Board now utilizes. The purpose of the repurchasing right is to enable Swedish Match to adapt its capital structure to its capital needs over time, and thereby contribute to an increased shareholder value.

The Annual General Meeting authorized the Board of Directors to resolve on transfer of the Company's own shares, on one or several occasions prior to the next Annual General Meeting. The shares may only be transferred in conjunction with the financing of company acquisitions and other types of strategic investments and acquisitions, and the transfers may not exceed the maximum number of treasury shares held by the Company at any given time. Transfer of own shares shall be made either on Nasdaq Stockholm or in another manner.

Furthermore, the Annual General Meeting approved the Board of Directors' proposal that it be authorized to, for the period until the end of the next Annual General Meeting, to issue new ordinary shares on one or more occasions, with or without deviation from shareholders' preferential rights and against payment in cash, in kind or by set-off. The number of shares that may be issued may not exceed a maximum dilution effect of 10 percent of the share capital and votes at the time of the Annual General Meeting 2019.

### 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.

## Outlook

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.

## 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](http://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 first quarter amounted to 10 MSEK (12). Loss before income tax amounted to -151 MSEK (-27) and net loss for the quarter amounted to -122 MSEK (-0). The higher loss before income tax compared to previous year is primarily related to timing effects of dividend income received from 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 during the first quarter amounted to 200 MSEK and new bond loans of 999 MSEK were issued.

During the first quarter, the Parent Company made share repurchases of 1.0 million (0.5) shares for 449 MSEK (200).

## 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 January-June 2019 report will be released on July 18, 2019.

Stockholm, May 9, 2019

Lars Dahlgren  
President and CEO

## Product segments summary and key ratios

### Sales

MSEK	January-March		Chg %	Full year 2018
	2019	2018		
Snus and moist snuff	1,515	1,386	9	6,127
Other tobacco products	1,344	1,190	13	5,240
Lights	314	285	10	1,246
<b>Sales from product segments</b>	<b>3,174</b>	<b>2,860</b>	<b>11</b>	<b>12,612</b>
Other operations	84	81	5	353
<b>Sales</b>	<b>3,258</b>	<b>2,941</b>	<b>11</b>	<b>12,966</b>

### Operating profit

MSEK	January-March		Chg %	Full year 2018
	2019	2018		
Snus and moist snuff	676	623	9	2,791
Other tobacco products	518	425	22	1,956
Lights	43	31	40	189
<b>Operating profit from product segments</b>	<b>1,238</b>	<b>1,079</b>	<b>15</b>	<b>4,936</b>
Other operations	-48	-31		-124
<b>Operating profit</b>	<b>1,190</b>	<b>1,047</b>	<b>14</b>	<b>4,812</b>

### Operating margin by product segment

Percent	January-March		Full year 2018
	2019	2018	
Snus and moist snuff	44.6	45.0	45.6
Other tobacco products	38.6	35.7	37.3
Lights	13.8	10.9	15.2
<b>Operating margin from product segments</b>	<b>39.0</b>	<b>37.7</b>	<b>39.1</b>

### EBITDA by product segment

MSEK	January-March		Chg %	Full year 2018
	2019	2018		
Snus and moist snuff	745	675	10	3,025
Other tobacco products	550	446	23	2,046
Lights	55	41	33	230
<b>EBITDA from product segments</b>	<b>1,349</b>	<b>1,162</b>	<b>16</b>	<b>5,301</b>

### EBITDA margin by product segment

Percent	January-March		Full year 2018
	2019	2018	
Snus and moist snuff	49.1	48.7	49.4
Other tobacco products	40.9	37.5	39.0
Lights	17.4	14.4	18.4
<b>EBITDA margin from product segments</b>	<b>42.5</b>	<b>40.6</b>	<b>42.0</b>

## Key ratios

	2019	January-March	12 months ended	Full year
		2018	March 31, 2019	2018
Operating margin from product segments, %	39.0	37.7	39.4	39.1
Operating margin, %	36.5	35.6	37.3	37.1
Net debt, MSEK <sup>1)</sup>	10,785	7,478	10,785	10,843
Investments in property, plant and equipment, MSEK	180	115	714	649
Depreciation, amortization and impairments, MSEK <sup>2)</sup>	126	97	444	415
EBITA, MSEK	1,206	1,063	5,018	4,875
EBITA interest cover	18.3	14.7	18.4	17.5
Net debt/EBITA	-	-	2.1	2.2
<i>Share data</i>				
Number of shares outstanding at end of period	169,240,705	175,362,538	169,240,705	170,210,705
Average number of shares outstanding	170,092,016	175,841,864	172,008,078	173,445,540

1) 2019 includes lease liabilities of 269 MSEK following the adoption of IFRS 16.

2) 2019 includes depreciations relating to right-of-use assets of 21 MSEK following the adoption of IFRS 16.

## Financial statements

### Condensed consolidated income statement

MSEK	Note	January-March	Chg	Full year	
		2019	2018	%	2018
Sales, including tobacco tax		4,069	3,750		16,335
Less tobacco tax		-811	-810		-3,369
<b>Sales</b>		<b>3,258</b>	<b>2,941</b>	<b>11</b>	<b>12,966</b>
Cost of goods sold		-1,234	-1,107		-4,832
<b>Gross profit</b>		<b>2,023</b>	<b>1,834</b>	<b>10</b>	<b>8,133</b>
Selling and admin. expenses		-834	-786		-3,324
Share of profit/loss in associated companies		1	-1		3
<b>Operating profit</b>		<b>1,190</b>	<b>1,047</b>	<b>14</b>	<b>4,812</b>
Finance income		24	14		65
Finance costs		-93	-87		-346
Net finance cost		-69	-73		-281
<b>Profit before income tax</b>		<b>1,121</b>	<b>974</b>	<b>15</b>	<b>4,531</b>
Income tax expense		-242	-208		-953
<b>Profit for the period</b>		<b>880</b>	<b>766</b>	<b>15</b>	<b>3,578</b>
<i>Attributable to:</i>					
Equity holders of the Parent		880	766		3,578
Non-controlling interests		0	0		0
<b>Profit for the period</b>		<b>880</b>	<b>766</b>	<b>15</b>	<b>3,578</b>
Earnings per share, basic and diluted, SEK	4	5.17	4.36		20.63

### Condensed consolidated statement of comprehensive income

MSEK	January-March		Full year
	2019	2018	2018
<b>Profit for the period</b>	<b>880</b>	<b>766</b>	<b>3,578</b>
<i>Other comprehensive income that may be reclassified to the income statement</i>			
Translation differences related to foreign operations	191	129	331
Translation differences included in profit and loss	-	-	-2
Effective portion of changes in fair value of cash flow hedges	49	-34	39
Income tax relating to reclassifiable components of other comprehensive income	-10	7	-11
<b>Sub-total, net of tax for the period</b>	<b>229</b>	<b>102</b>	<b>356</b>
<i>Other comprehensive income that will not be reclassified to the income statement</i>			
Actuarial gains/losses attributable to pensions, incl. payroll tax	-51	91	118
Income tax relating to non-reclassifiable components of other comprehensive income	11	-23	-38
<b>Sub-total, net of tax for the period</b>	<b>-40</b>	<b>68</b>	<b>80</b>
<b>Total comprehensive income for the period</b>	<b>1,069</b>	<b>937</b>	<b>4,014</b>
<i>Attributable to:</i>			
Equity holders of the Parent	1,069	937	4,014
Non-controlling interests	0	0	0
<b>Total comprehensive income for the period</b>	<b>1,069</b>	<b>937</b>	<b>4,014</b>

### Condensed consolidated balance sheet

MSEK	Note	March 31, 2019	December 31, 2018
Intangible assets		2,742	2,708
Property, plant and equipment		3,071	2,941
Right-of-use assets	1	275	-
Investments in associated companies		24	24
Other non-current assets and operating receivables	3	20	19
Other non-current financial assets and receivables	3,6	1,631	1,420
<b>Total non-current assets</b>		<b>7,763</b>	<b>7,113</b>
Other current financial receivables	3,6	252	226
Current operating assets and receivables	3	3,482	3,762
Cash and cash equivalents	3	4,175	2,886
<b>Total current assets</b>		<b>7,909</b>	<b>6,874</b>
Assets held for sale <sup>1)</sup>		6	-
<b>Total assets</b>		<b>15,678</b>	<b>13,987</b>
Equity attributable to equity holders of the Parent		-4,992	-5,611
Non-controlling interests		16	16
<b>Total equity</b>		<b>-4,976</b>	<b>-5,595</b>
Non-current financial provisions		1,194	1,186
Non-current loans	3	13,396	12,282
Other non-current financial liabilities	1,3,6	1,407	1,140
Other non-current operating liabilities	3	403	415
<b>Total non-current liabilities</b>		<b>16,399</b>	<b>15,024</b>
Current loans	3	1,121	1,229
Other current financial liabilities	1,3,6	447	245
Other current operating liabilities	3	2,687	3,085
<b>Total current liabilities</b>		<b>4,255</b>	<b>4,559</b>
<b>Total liabilities</b>		<b>20,654</b>	<b>19,582</b>
<b>Total equity and liabilities</b>		<b>15,678</b>	<b>13,987</b>

1) Assets held for sale refers to land. The fair value less costs to sell are expected to be higher than the carrying value.

## Condensed consolidated cash flow statement

MSEK	Note	January-March	
		2019	2018
<i>Operating activities</i>			
<b>Profit before income taxes</b>		<b>1,121</b>	<b>974</b>
Share of profit/loss in associated companies		-1	1
Other non-cash items etc.		134	141
Income tax paid		-170	-98
<b>Cash flow from operating activities before changes in working capital</b>		<b>1,085</b>	<b>1,018</b>
Changes in working capital		-113	-118
<b>Net cash generated from operating activities</b>		<b>972</b>	<b>899</b>
<i>Investing activities</i>			
Purchase of property, plant and equipment		-180	-115
Proceeds from sale of property, plant and equipment		0	0
Purchase of intangible assets		-11	-1
Changes in financial receivables etc.		0	0
<b>Net cash used in/from investing activities</b>		<b>-190</b>	<b>-116</b>
<i>Financing activities</i>			
Proceeds from borrowings		999	1,248
Repayment of borrowings		-200	-500
Lease payments	1	-22	-
Repurchase of own shares		-449	-200
Realized exchange gain/losses on financial instruments		139	-30
Other		3	-1
<b>Net cash generated from financing activities</b>		<b>469</b>	<b>517</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,251</b>	<b>1,300</b>
Cash and cash equivalents at the beginning of the period		2,886	3,998
Effect of exchange rate fluctuations on cash and cash equivalents		39	29
<b>Cash and cash equivalents at the end of the period</b>		<b>4,175</b>	<b>5,327</b>

## Condensed consolidated statement of changes in equity

MSEK	Equity attributable to holders of the Parent	Non-controlling interests	Total equity
<b>Equity at January 1, 2018</b>	<b>-4,202</b>	<b>1</b>	<b>-4,201</b>
Profit for the period	766	0	766
Other comprehensive income, net of tax for the period	170	0	170
<b>Total comprehensive income for the period</b>	<b>937</b>	<b>0</b>	<b>937</b>
Repurchase of own shares	-200	-	-200
<b>Equity at March 31, 2018</b>	<b>-3,466</b>	<b>1</b>	<b>-3,465</b>
<b>Equity at January 1, 2019</b>	<b>-5,611</b>	<b>16</b>	<b>-5,595</b>
Profit for the period	880	0	880
Other comprehensive income, net of tax for the period	189	0	189
<b>Total comprehensive income for the period</b>	<b>1,069</b>	<b>0</b>	<b>1,069</b>
Dividend	-	0	0
Repurchase of own shares	-449	-	-449
<b>Equity at March 31, 2019</b>	<b>-4,992</b>	<b>16</b>	<b>-4,976</b>

### Condensed Parent Company income statement

MSEK	January-March	
	2019	2018
Sales	10	12
Administrative expenses	-82	-59
<b>Operating loss</b>	<b>-72</b>	<b>-47</b>
Result from participation in Group companies	-	96
Finance income	0	0
Finance costs	-79	-76
Net finance cost	-79	-76
<b>Loss before income tax</b>	<b>-151</b>	<b>-27</b>
Income tax	29	27
<b>Loss for the period</b>	<b>-122</b>	<b>-0</b>

### Condensed Parent Company statement of comprehensive income

MSEK	January-March	
	2019	2018
<b>Loss for the period</b>	<b>-122</b>	<b>-0</b>
<i>Other comprehensive income that may be reclassified to the income statement</i>		
Effective portion of changes in fair value of cash flow hedges	49	-34
Income tax relating to components of other comprehensive income	-10	7
<b>Other comprehensive income, net of tax for the period</b>	<b>39</b>	<b>-26</b>
<b>Total comprehensive income for the period</b>	<b>-84</b>	<b>-27</b>

### Condensed Parent Company balance sheet

MSEK	March 31, 2019	March 31, 2018	December 31, 2018
Intangible and tangible assets	1	1	1
Non-current financial assets	31,856	32,221	31,701
Current assets	1,526	3,137	4,161
<b>Total assets</b>	<b>33,383</b>	<b>35,359</b>	<b>35,863</b>
<b>Equity</b>	<b>14,621</b>	<b>18,994</b>	<b>15,154</b>
<b>Untaxed reserves</b>	<b>1,785</b>	<b>1,330</b>	<b>1,785</b>
Provisions	86	67	78
Non-current liabilities	13,396	11,644	12,280
Current liabilities	3,495	3,323	6,566
<b>Total liabilities</b>	<b>16,977</b>	<b>15,035</b>	<b>18,924</b>
<b>Total equity and liabilities</b>	<b>33,383</b>	<b>35,359</b>	<b>35,863</b>

#### 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.

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

The new accounting standard IFRS 16 replaces IAS 17 Leases and its related interpretations. The new standard has the effect that most of the Group's lease contracts are 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 approximately 70 percent 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. The Group also has some lease contracts for machinery, equipment and vehicles.

For the transition to IFRS 16, Swedish Match has chosen to apply the cumulative catch-up method in accordance with IFRS 16.C5(b). The adoption of IFRS 16 has increased the Group's reported assets and liabilities due to the recognition of right-of-use assets and lease liabilities on the balance sheet. On the grounds of materiality, in the accounting for right-of-use assets and lease liabilities, Swedish Match has chosen to apply the practical expedients in IFRS 16 for short-term leases (contracts with a lease term of 12 months or less) and leases for which the underlying asset is of low value. Such lease contracts are not recognized on the balance sheet. The reported opening balances for the Group's lease liabilities and right-of-use assets as per January 1, 2019 amounted to 272 MSEK and 279 MSEK respectively. In the measurement of the opening balance for the Group's lease liabilities, the weighted average discount rate applied was 4.4 percent and the average duration of the lease term was 2.3 years, including assessments of the likelihood of utilizing extension and termination options. The transition to IFRS 16 did not result in an adjustment to the opening balance of retained earnings of the annual reporting period commencing January 1, 2019. The transition method also 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 is estimated to be reduced by an immaterial amount, mainly relating to higher interest costs on lease liabilities. The Group's EBITDA for the full year 2019 is estimated to improve by approximately 84 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 has increased by 272 MSEK as lease liabilities are classified as financial liabilities. The impacts to net debt/EBITA ratio and other key ratios are 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 6 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	Dec 31, 2018	IFRS 16 transition effects adjustments		Adjusted Jan 1, 2019
		Recognition opening balance right-of-use assets and lease liabilities	Reclassification prepaid lease expense included in right-of-use assets	
Total non-current assets	7,113	279	-	7,392
Total current assets	6,874	-	-6	6,868
<b>Total assets</b>	<b>13,987</b>	<b>279</b>	<b>-6</b>	<b>14,260</b>
Equity attributable to equity holders of the Parent	-5,611	6	-6	-5,611
Non-controlling interests	16	-	-	16
<b>Total equity</b>	<b>-5,595</b>	<b>6</b>	<b>-6</b>	<b>-5,595</b>
Total non-current liabilities	15,024	199	-	15,223
Total current liabilities	4,559	73	-	4,632
<b>Total liabilities</b>	<b>19,582</b>	<b>272</b>	<b>-</b>	<b>19,854</b>
<b>Total equity and liabilities</b>	<b>13,987</b>	<b>279</b>	<b>-6</b>	<b>14,260</b>

### 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 – January to March

MSEK	Segments								Other operations		Group	
	Snus and moist snuff		Other tobacco products		Lights		Total segments					
	Jan-Mar 2019	2018	Jan-Mar 2019	2018	Jan-Mar 2019	2018	Jan-Mar 2019	2018	Jan-Mar 2019	2018	Jan-Mar 2019	2018
Scandinavia	1,014	987	25	7	10	13	1,049	1,007	84	81	1,133	1,088
The US	496	392	1,283	1,143	20	8	1,799	1,543	-	-	1,799	1,543
Other markets	6	6	36	40	284	264	326	310	-	-	326	310
<b>Total sales</b>	<b>1,515</b>	<b>1,386</b>	<b>1,344</b>	<b>1,190</b>	<b>314</b>	<b>285</b>	<b>3,174</b>	<b>2,860</b>	<b>84</b>	<b>81</b>	<b>3,258</b>	<b>2,941</b>

### 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 March 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	-	1,448	-	-	-	1,448	1,448
Other non-current financial receivables	-	-	-	649	459	1,108	1,108
Other current assets and financial receivables	3	13	-	150	195	361	361
Prepaid expenses and accrued income <sup>1)</sup>	-	-	-	3	117	120	120
Cash and cash equivalents	-	4,175	-	-	-	4,175	4,175
<b>Total assets</b>	<b>3</b>	<b>5,636</b>	<b>-</b>	<b>802</b>	<b>771</b>	<b>7,212</b>	<b>7,212</b>
Loans and borrowings	-	-	14,517	-	0	14,517	14,570
Other non-current financial liabilities	-	-	192	3	60	255	255
Other current liabilities	4	-	108	-	1,480	1,592	1,592
Accrued expenses and deferred income <sup>1)</sup>	-	-	123	38	782	943	943
Trade payables	-	-	329	-	-	329	329
<b>Total liabilities</b>	<b>4</b>	<b>-</b>	<b>15,269</b>	<b>41</b>	<b>2,322</b>	<b>17,636</b>	<b>17,689</b>

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	-	805	-	805
Derivative financial liabilities	-	45	-	45

The following table shows carrying value and fair value for financial instruments per March 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	-	1,531	-	-	-	1,531	1,531
Other non-current financial receivables	-	-	-	484	431	915	915
Other current assets and financial receivables	31	-	-	-	191	223	223
Prepaid expenses and accrued income <sup>1)</sup>	-	-	-	2	78	80	80
Cash and cash equivalents	-	5,327	-	-	-	5,327	5,327
<b>Total assets</b>	<b>31</b>	<b>6,858</b>	<b>-</b>	<b>486</b>	<b>700</b>	<b>8,076</b>	<b>8,076</b>
Loans and borrowings	-	-	12,596	-	-	12,596	12,735
Other non-current financial liabilities	-	-	-	2	81	83	83
Other current liabilities	0	-	-	-	1,696	1,696	1,696
Accrued expenses and deferred income <sup>1)</sup>	-	-	126	40	613	779	779
Trade payables	-	-	-38	-	-	-38	-38
<b>Total liabilities</b>	<b>0</b>	<b>-</b>	<b>12,684</b>	<b>42</b>	<b>2,390</b>	<b>15,116</b>	<b>15,255</b>

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	-	517	-	517
Derivative financial liabilities	-	42	-	42

No transfer in or out of level 2 has been made during the first quarter of 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 10,074 MSEK (9,201) of which 7,196 MSEK (7,196) is in cash flow hedges consisting of cross currency and interest rate swaps related to bond loans. The remaining 2,878 MSEK (2,005) 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.

##### Earnings per share

<i>Basic and diluted</i>	January-March		Full year 2018
	2019	2018	
Profit for the period attributable to equity holders of the Parent, MSEK	880	766	3,578
Weighted average number of shares outstanding, basic and diluted	170,092,016	175,841,864	173,445,540

<i>Earnings per share, basic and diluted, SEK</i>	January-March		Full year 2018
	2019	2018	
Earnings per share	5.17	4.36	20.63

#### Note 5 – Tax related contingencies

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 new proposed decision, is claiming total income tax and penalties of approximately 350 MSEK excluding interest charges. Based on management's interpretation of applicable tax regulations, expert advice on the likely outcome and developments in similar case rulings, no provision has been recognized for potential losses associated with these cases.

### Note 6 – 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
<b>SALES FROM PRODUCT SEGMENTS</b>	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).
<b>OPERATING PROFIT/LOSS (EBIT) FROM PRODUCT SEGMENTS</b>	Operating profit from reportable segments, excluding Other operations, larger one-time items, net finance cost and income tax	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), items which impact comparability between periods, financing and corporate income tax.
<b>OPERATING MARGIN FROM PRODUCT SEGMENTS (%)</b>	$100 \times \text{Operating profit from product segments} \div \text{Sales from product segments}$	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).
<b>LARGER ONE-TIME ITEMS</b>	Larger one-time items are separately disclosed non-recurring income and cost which usually refer to larger capital gains or losses on divestments, larger 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.
<b>EBITDA</b>	Operating profit 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.
<b>EBITDA FROM PRODUCT SEGMENTS</b>	Operating profit from product segments, excluding Other operations, 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 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.
<b>EBITDA MARGIN (%)</b>	$100 \times \text{EBITDA} \div \text{Sales}$	Used as an alternative measure of operating profitability.
<b>EBITDA MARGIN FROM PRODUCT SEGMENTS (%)</b>	$100 \times \text{EBITDA from product segments} \div \text{Sales from product segments}$	Used as an alternative measure of operating profitability for the core commercial businesses of Swedish Match.
<b>PROFIT FOR THE PERIOD EXCLUDING LARGER ONE-TIME ITEMS</b>	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.
<b>EBITA</b>	Operating profit excluding larger one-time items, net finance cost, tax, amortization and impairments of intangible assets	Used as a proxy for the free cash flow of the ongoing business available for payment of financial obligations.
<b>EBITA INTEREST COVER</b>	$\text{EBITA} \div (\text{Interest expense} - \text{interest income})$	Used as a measure of the ability to fund interest expenses.
<b>NET DEBT</b>	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 investments	Used as a measure of net financial obligations.
<b>NET DEBT/EBITA</b>	$\text{Net debt} \div \text{EBITA}$	Used as an indication of the duration (in years) required to fund existing net financial obligations with free cash flows from the ongoing business.
<b>ADJUSTED EARNINGS PER SHARE</b>	$\text{Profit for the period excluding larger one-time items} \div \text{Average number of shares outstanding}$	Used as an alternative measure of earnings per share which is not affected by items which impact comparability between periods.

## Net debt

MSEK	January-March		Full year 2018
	2019	2018	
Non-current loans	13,396	11,643	12,282
Current loans	1,121	953	1,229
Components of derivatives (liabilities) <sup>1)</sup>	4	0	20
Components of derivatives (assets) <sup>2)</sup>	-958	-794	-826
Non-current lease liabilities <sup>3)</sup>	192	-	-
Current lease liabilities <sup>4)</sup>	77	-	-
Net provision for pensions and similar obligations <sup>3)</sup>	1,211	1,094	1,106
Net asset for pensions and similar receivables <sup>5)</sup>	-83	-91	-83
Cash and cash equivalents	-4,175	-5,327	-2,886
<b>Net debt</b>	<b>10,785</b>	<b>7,478</b>	<b>10,843</b>

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	Q1/19	Q4/18	Q3/18	Q2/18	Q1/18
Sales, including tobacco tax	4,069	4,189	4,217	4,179	3,750
Less tobacco tax	-811	-888	-828	-844	-810
<b>Sales</b>	<b>3,258</b>	<b>3,301</b>	<b>3,388</b>	<b>3,336</b>	<b>2,941</b>
Cost of goods sold	-1,234	-1,244	-1,231	-1,251	-1,107
<b>Gross profit</b>	<b>2,023</b>	<b>2,057</b>	<b>2,157</b>	<b>2,085</b>	<b>1,834</b>
Selling and administrative expenses	-834	-862	-853	-823	-786
Share of net profit/loss in associated companies	1	1	1	1	-1
<b>Operating profit</b>	<b>1,190</b>	<b>1,196</b>	<b>1,305</b>	<b>1,263</b>	<b>1,047</b>
Finance income	24	21	16	17	14
Finance costs	-93	-83	-89	-90	-87
Net finance cost	-69	-62	-73	-73	-73
<b>Profit before income tax</b>	<b>1,121</b>	<b>1,134</b>	<b>1,232</b>	<b>1,190</b>	<b>974</b>
Income tax expense	-242	-209	-273	-263	-208
<b>Profit for the period</b>	<b>880</b>	<b>925</b>	<b>959</b>	<b>928</b>	<b>766</b>
<i>Attributable to:</i>					
Equity holders of the Parent	880	925	959	928	766
Non-controlling interests	0	0	0	0	0
<b>Profit for the period</b>	<b>880</b>	<b>925</b>	<b>959</b>	<b>928</b>	<b>766</b>

## Quarterly data by product segment

<b>Sales</b>					
<i>MSEK</i>	<b>Q1/19</b>	<b>Q4/18</b>	<b>Q3/18</b>	<b>Q2/18</b>	<b>Q1/18</b>
Snus and moist snuff	1,515	1,632	1,601	1,509	1,386
Other tobacco products	1,344	1,233	1,384	1,433	1,190
Lights	314	349	310	302	285
<b>Sales from product segments</b>	<b>3,174</b>	<b>3,214</b>	<b>3,295</b>	<b>3,244</b>	<b>2,860</b>
Other operations	84	87	93	92	81
<b>Sales</b>	<b>3,258</b>	<b>3,301</b>	<b>3,388</b>	<b>3,336</b>	<b>2,941</b>

<b>Operating profit</b>					
<i>MSEK</i>	<b>Q1/19</b>	<b>Q4/18</b>	<b>Q3/18</b>	<b>Q2/18</b>	<b>Q1/18</b>
Snus and moist snuff	676	725	752	691	623
Other tobacco products	518	456	519	557	425
Lights	43	66	46	46	31
<b>Operating profit from product segments</b>	<b>1,238</b>	<b>1,246</b>	<b>1,317</b>	<b>1,293</b>	<b>1,079</b>
Other operations	-48	-50	-12	-30	-31
<b>Operating profit</b>	<b>1,190</b>	<b>1,196</b>	<b>1,305</b>	<b>1,263</b>	<b>1,047</b>

<b>Operating margin by product segment</b>					
<i>Percent</i>	<b>Q1/19</b>	<b>Q4/18</b>	<b>Q3/18</b>	<b>Q2/18</b>	<b>Q1/18</b>
Snus and moist snuff	44.6	44.4	47.0	45.8	45.0
Other tobacco products	38.6	37.0	37.5	38.8	35.7
Lights	13.8	18.9	14.9	15.1	10.9
<b>Operating margin from product segments</b>	<b>39.0</b>	<b>38.8</b>	<b>40.0</b>	<b>39.9</b>	<b>37.7</b>

<b>EBITDA by product segment</b>					
<i>MSEK</i>	<b>Q1/19</b>	<b>Q4/18</b>	<b>Q3/18</b>	<b>Q2/18</b>	<b>Q1/18</b>
Snus and moist snuff	745	795	810	744	675
Other tobacco products	550	480	539	581	446
Lights	55	76	57	56	41
<b>EBITDA from product segments</b>	<b>1,349</b>	<b>1,351</b>	<b>1,406</b>	<b>1,381</b>	<b>1,162</b>

<b>EBITDA margin by product segment</b>					
<i>Percent</i>	<b>Q1/19</b>	<b>Q4/18</b>	<b>Q3/18</b>	<b>Q2/18</b>	<b>Q1/18</b>
Snus and moist snuff	49.1	48.7	50.6	49.3	48.7
Other tobacco products	40.9	38.9	39.0	40.5	37.5
Lights	17.4	21.8	18.2	18.5	14.4
<b>EBITDA margin from product segments</b>	<b>42.5</b>	<b>42.0</b>	<b>42.7</b>	<b>42.6</b>	<b>40.6</b>

## Additional quarterly data

<b>Depreciation, amortization and impairments</b>					
<i>MSEK</i>	<b>Q1/19</b>	<b>Q4/18</b>	<b>Q3/18</b>	<b>Q2/18</b>	<b>Q1/18</b>
Property, plant and equipment	89	102	85	84	81
Right-of-use assets	21	-	-	-	-
Intangible assets	16	16	16	16	16
<b>Total</b>	<b>126</b>	<b>117</b>	<b>101</b>	<b>100</b>	<b>97</b>

<b>Net finance cost</b>					
<i>MSEK</i>	<b>Q1/19</b>	<b>Q4/18</b>	<b>Q3/18</b>	<b>Q2/18</b>	<b>Q1/18</b>
Interest income	24	15	16	17	14
Interest expense	-90	-81	-87	-86	-86
<b>Net interest expense</b>	<b>-63</b>	<b>-66</b>	<b>-71</b>	<b>-69</b>	<b>-72</b>
Other finance costs, net	-3	4	-2	-4	-1
<b>Total net finance cost</b>	<b>-69</b>	<b>-62</b>	<b>-73</b>	<b>-73</b>	<b>-73</b>

---

Contacts:

Lars Dahlgren, President and Chief Executive Officer  
Office +46 8 658 0441

Thomas Hayes, Senior Vice President and Chief Financial Officer  
Office +46 8 658 0108

Emmett Harrison, Senior Vice President Investor Relations and Corporate Sustainability  
Office +46 8 658 0173

Richard Flaherty, President US Division, US Investor Relations contact  
Office +1 804 787 5130

---

This information is information that Swedish Match AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out above, at 08.15 a.m. CET on May 9, 2019.

---

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.*

---

Swedish Match AB (publ), SE-118 85 Stockholm, Sweden  
Visiting address: Sveavägen 44, 8<sup>th</sup> Floor. Telephone: +46 8 658 0200  
Corporate Identity Number: 556015-0756  
[swedishmatch.com](http://swedishmatch.com)