

Lars Dahlgren
President and CEO



2016 A YEAR WITH STRONG GROWTH

- **Strong financial results.**
- **Growing market for snus in Sweden and Norway.**
- **Intense competition in Sweden.**
- **Slowdown of market share loss in Norway.**
- **Record level for cigar volumes in the US.**
- **IPO of STG and further selldown of our shareholding.**
- **Significant regulatory development.**
- **Sustainability issues high on the agenda for the Group Management Team.**

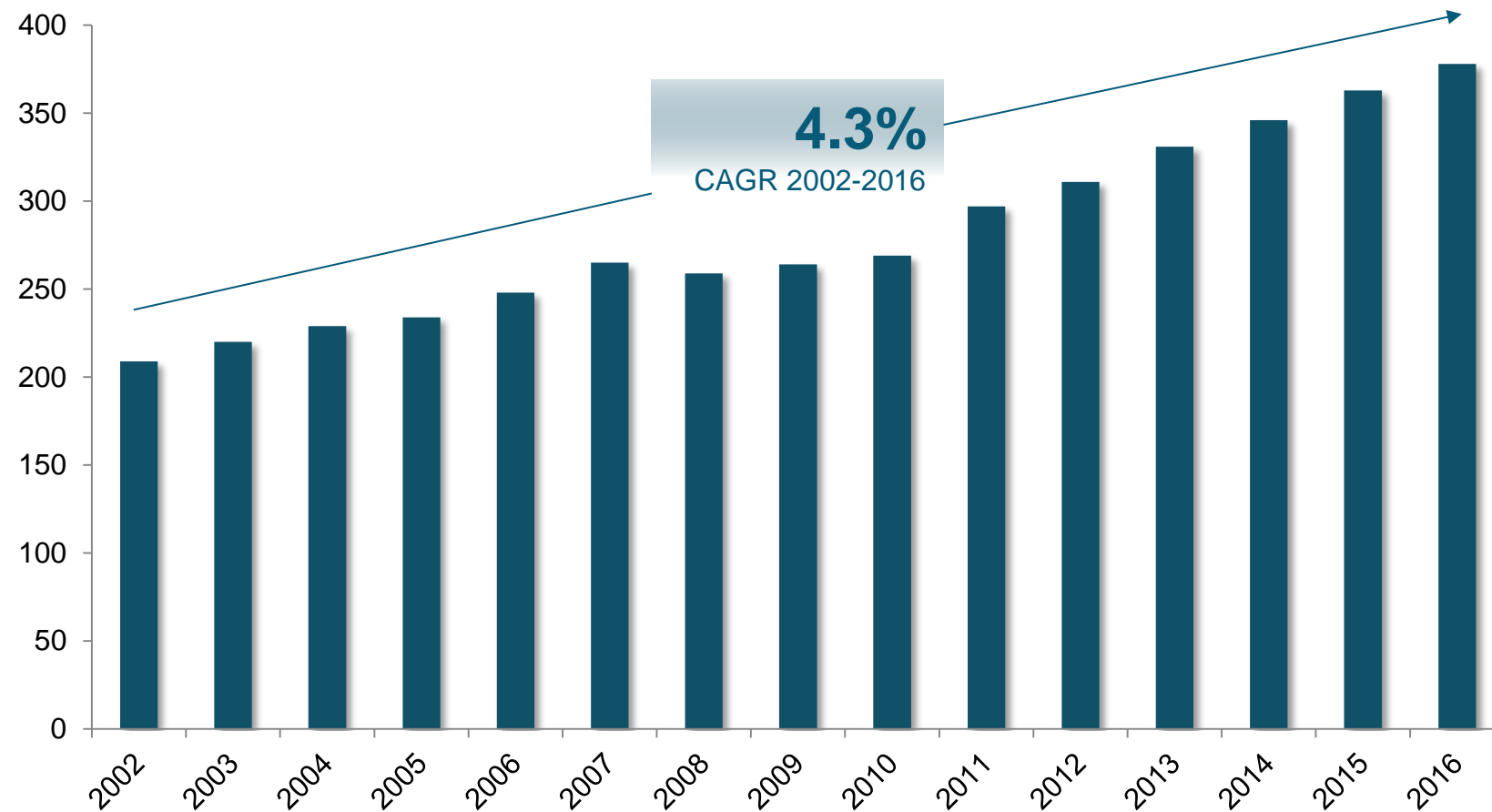


SNUS IN SCANDINAVIA IS A GROWING CATEGORY



Estimated market volume

Million cans



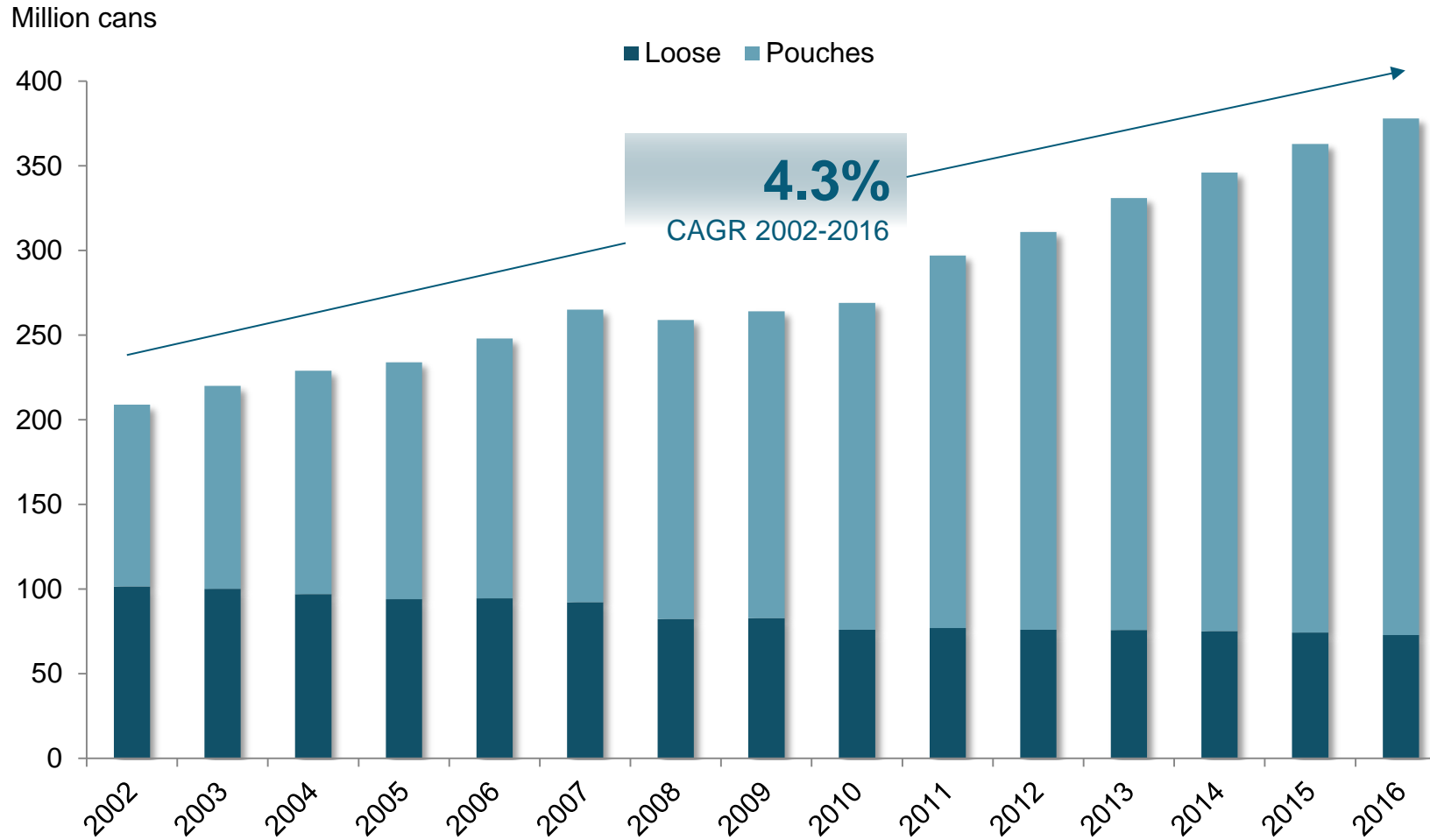
Source: Swedish Match and industry estimates.



GROWTH FOR SNUS IN SCANDINAVIA IS DRIVEN BY POUCHES



Estimated market volume by product format



7.7%
CAGR 2002-2016
POUCHES

-2.3%
CAGR 2002-2016
LOOSE



Source: Swedish Match and industry estimates.

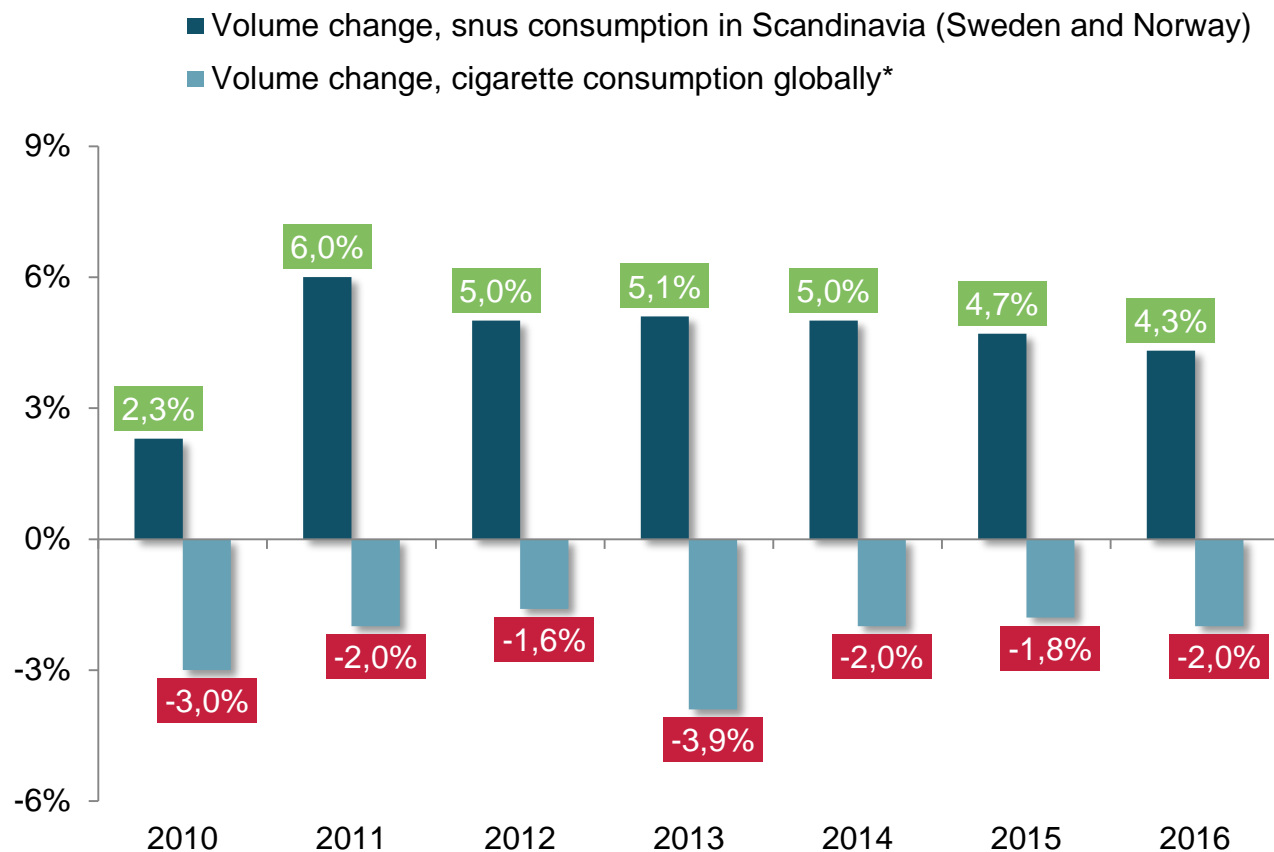
THE DEVELOPMENT OF SMOKELESS PRODUCTS IN SCANDINAVIA



THE SCANDINAVIAN SNUS CATEGORY IS ATTRACTIVE



Positive growth for the category every year, in contrast to the cigarette category globally



IMPERIAL BRANDS

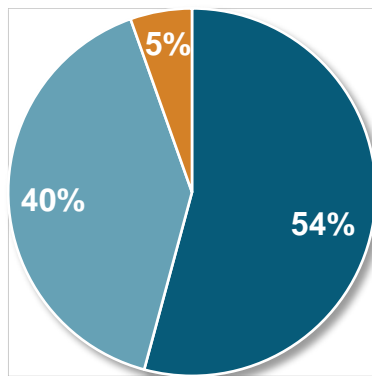
Source: Euromonitor and Swedish Match estimates based on Nielsen.
* Excluding China.

THE SHARE OF LOWER PRICED PRODUCTS IN SWEDEN HAS INCREASED

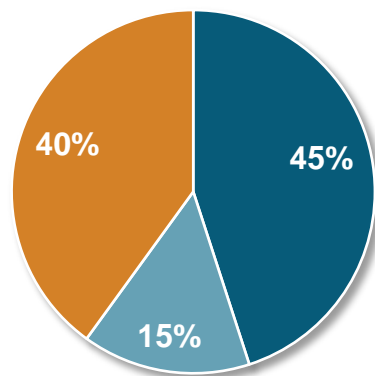


Share of products on the market by different price intervals*

2010



2016



- Price over 40 SEK per can
- Price 30-40 SEK per can
- Price under 30 SEK per can

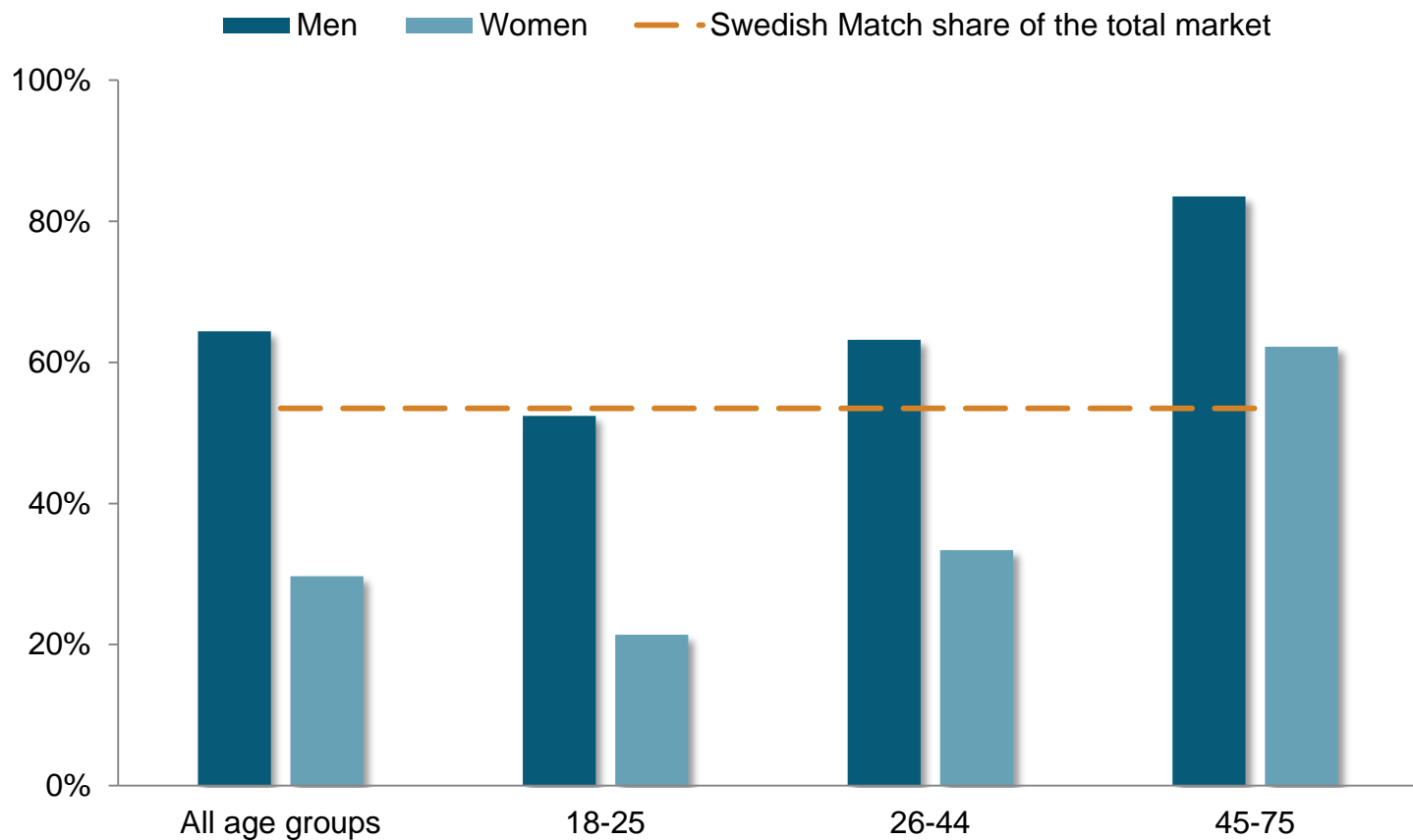


Source: Nielsen. Totals may not add up due to rounding.
* Prices are adjusted for inflation.

IN NORWAY, SWEDISH MATCH'S BRANDS HAVE ATTRACTED OLDER CONSUMERS



Swedish Match market share by age and gender



Source: Ipsos Market Report 2016 and Nielsen (full year 2016).





Uncompromising quality on our snus products

Swedish Match unique quality standard

Selected types of tobacco and selected growers

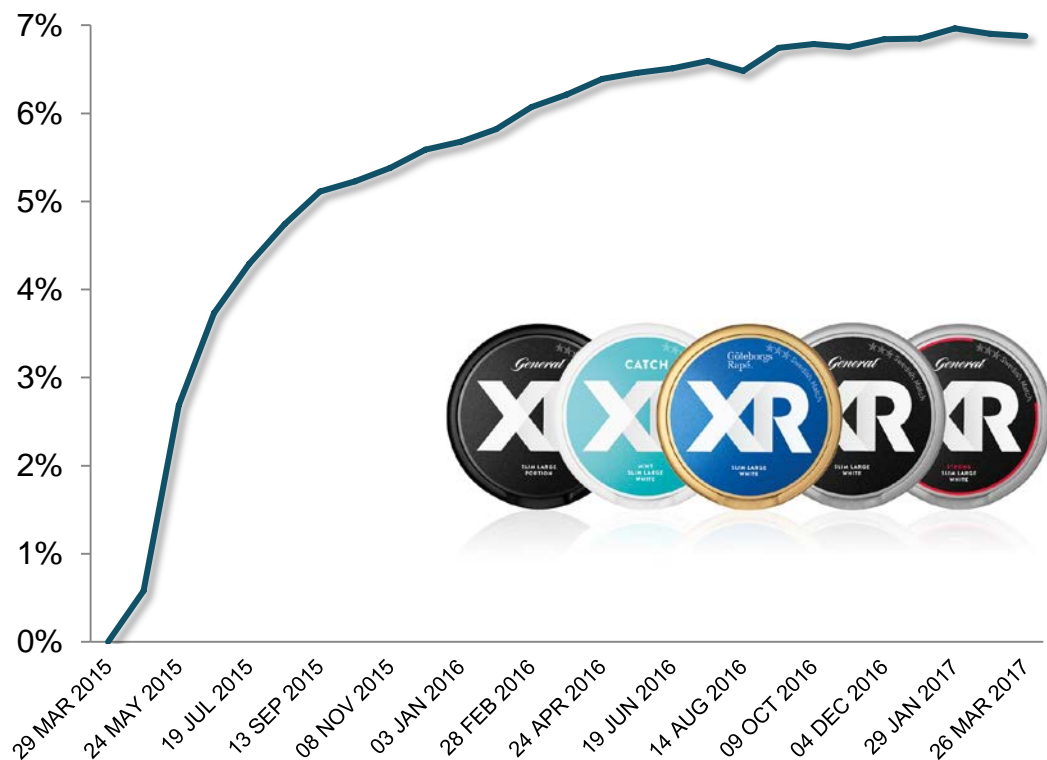
Maximum permissible levels of unwanted constituents



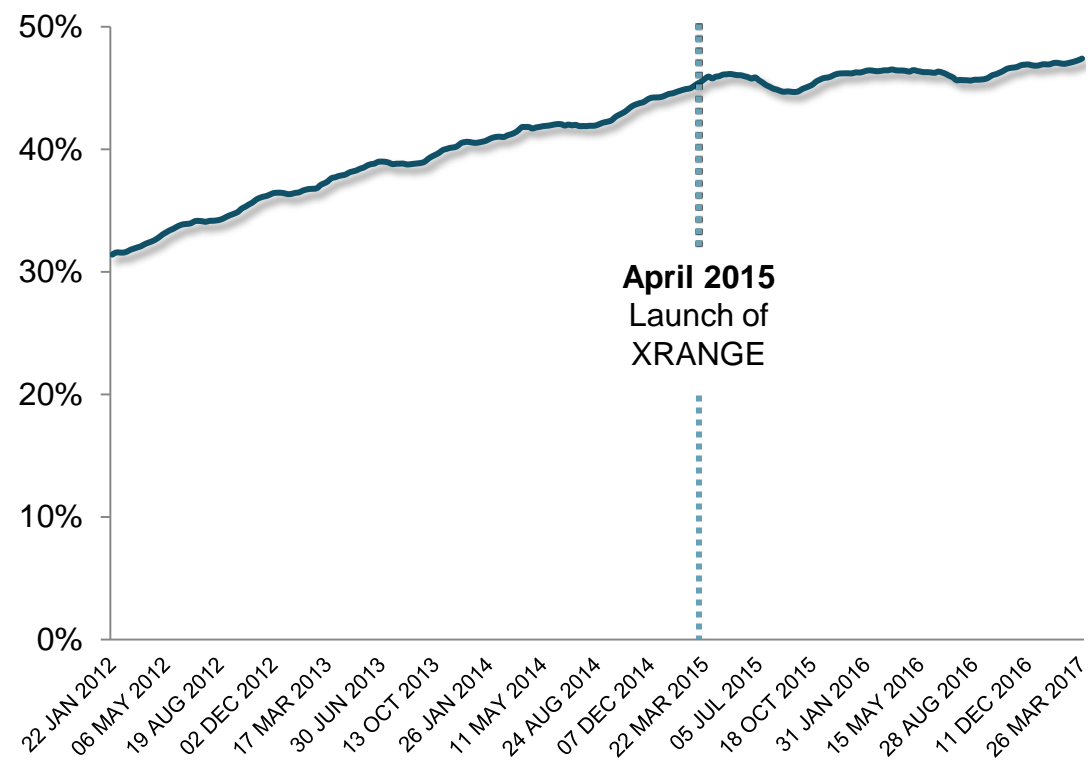
XRANGE HAVE SLOWED THE VALUE PRICE SEGMENT'S DEVELOPMENT IN SWEDEN



Market share for XRANGE, rolling 4 weeks (volume)



Value price segment's share of the total market, rolling 12 weeks (volume)



Source: Nielsen



High quality

Fuller pouches

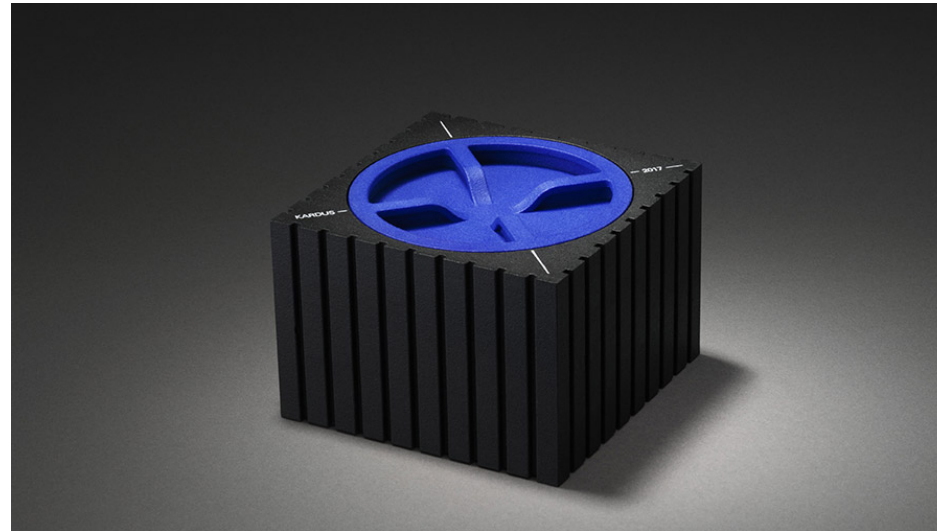
Upgraded packaging for pouch products

Stronger flavor release





General



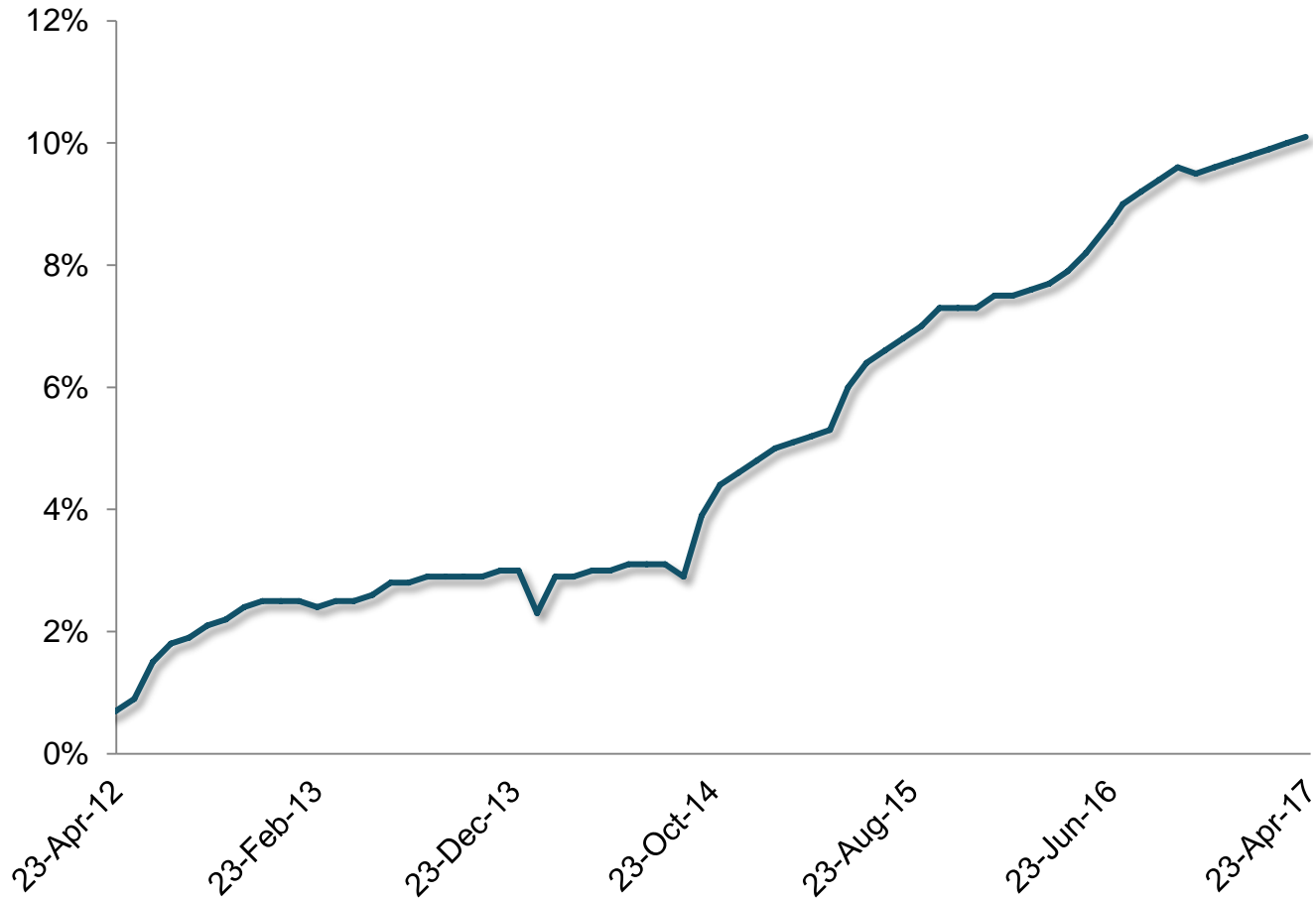
General Kardus 2017



General Mackmyra



Market share for G.3, volume (rolling 4 weeks)

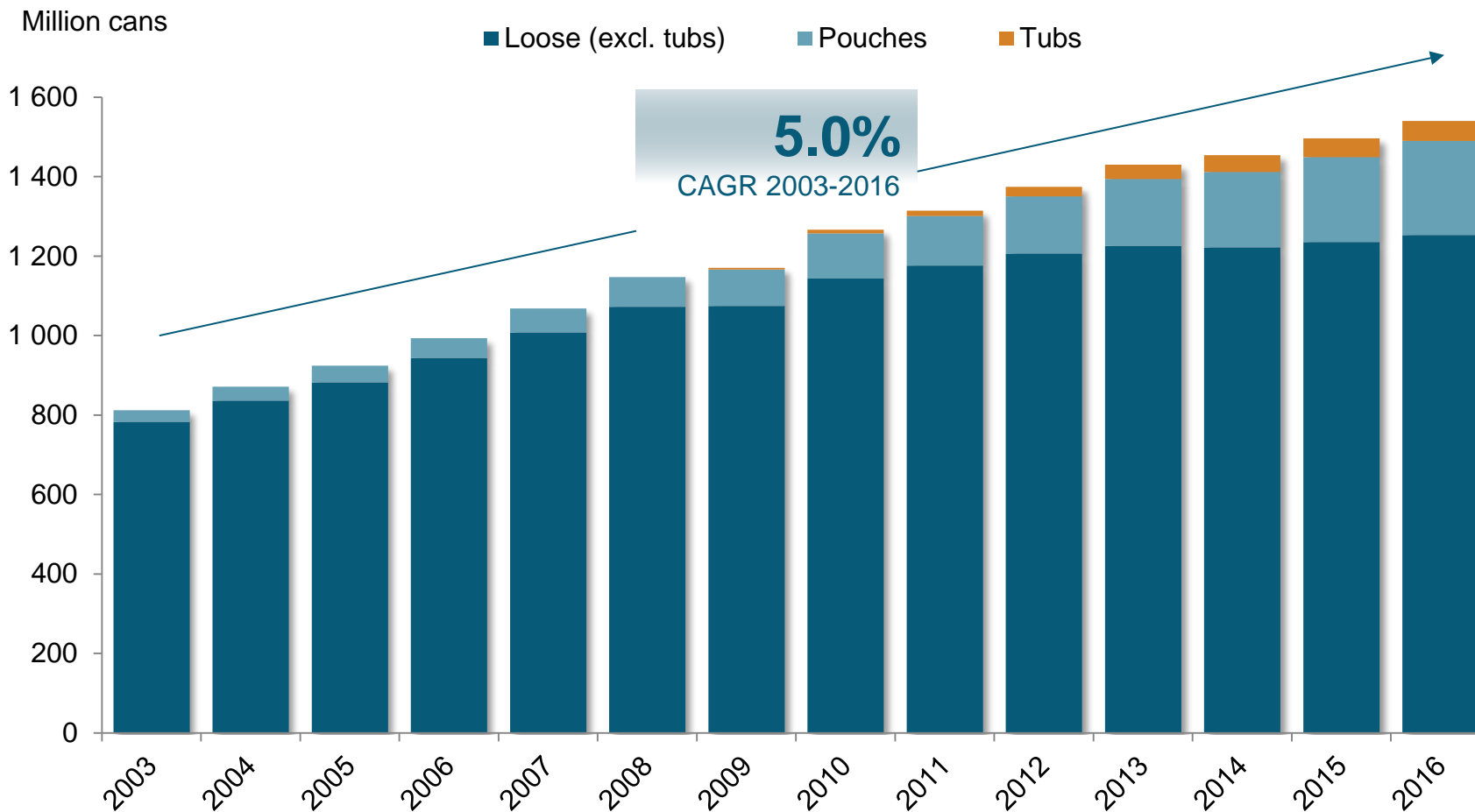


Source: Nielsen

GROWTH IN THE MOIST SNUFF CATEGORY IN THE US



Annual volume by product format



4.0%
CAGR 2003-2016
LOOSE (INCL. TUBS)

17.2%
CAGR 2003-2016
POUCHES



Source: Swedish Match and industry estimates.

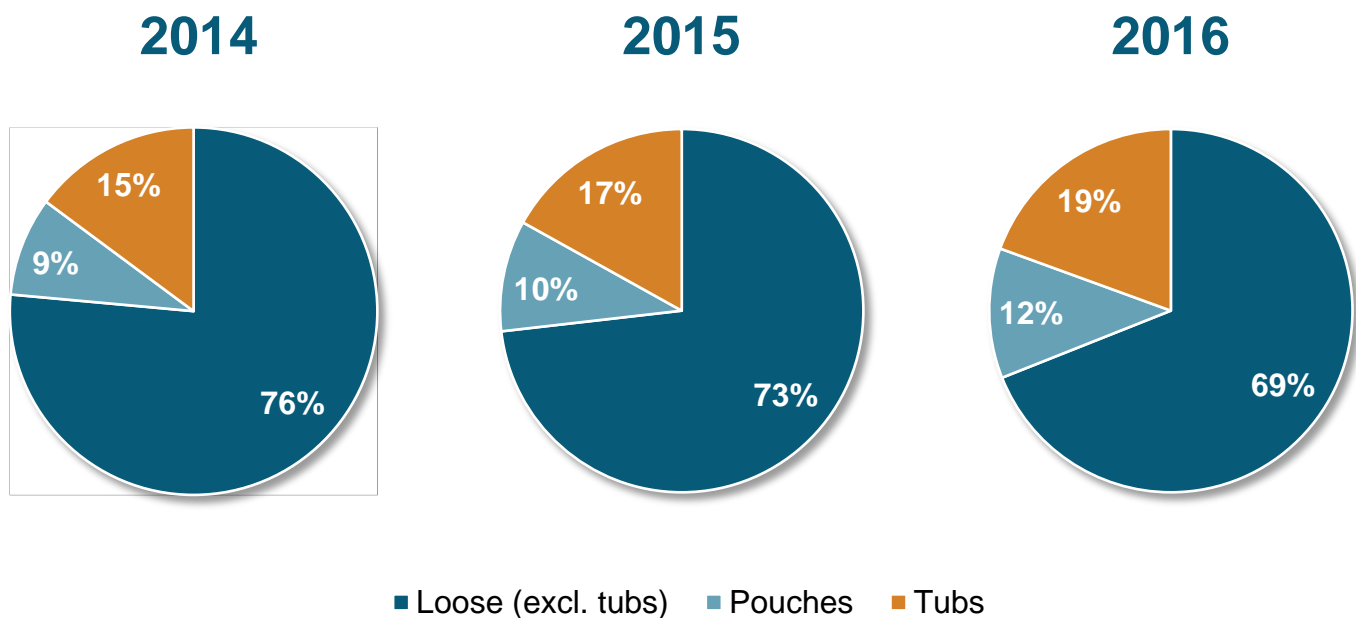
THE DEVELOPMENT OF SMOKELESS PRODUCTS IN THE US



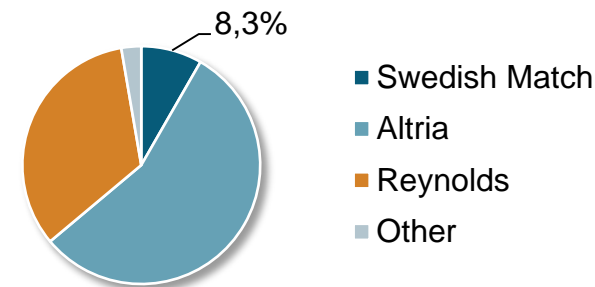
SWEDISH MATCH MOIST SNUFF PRODUCT PORTFOLIO IN THE US



Annual volume by product format



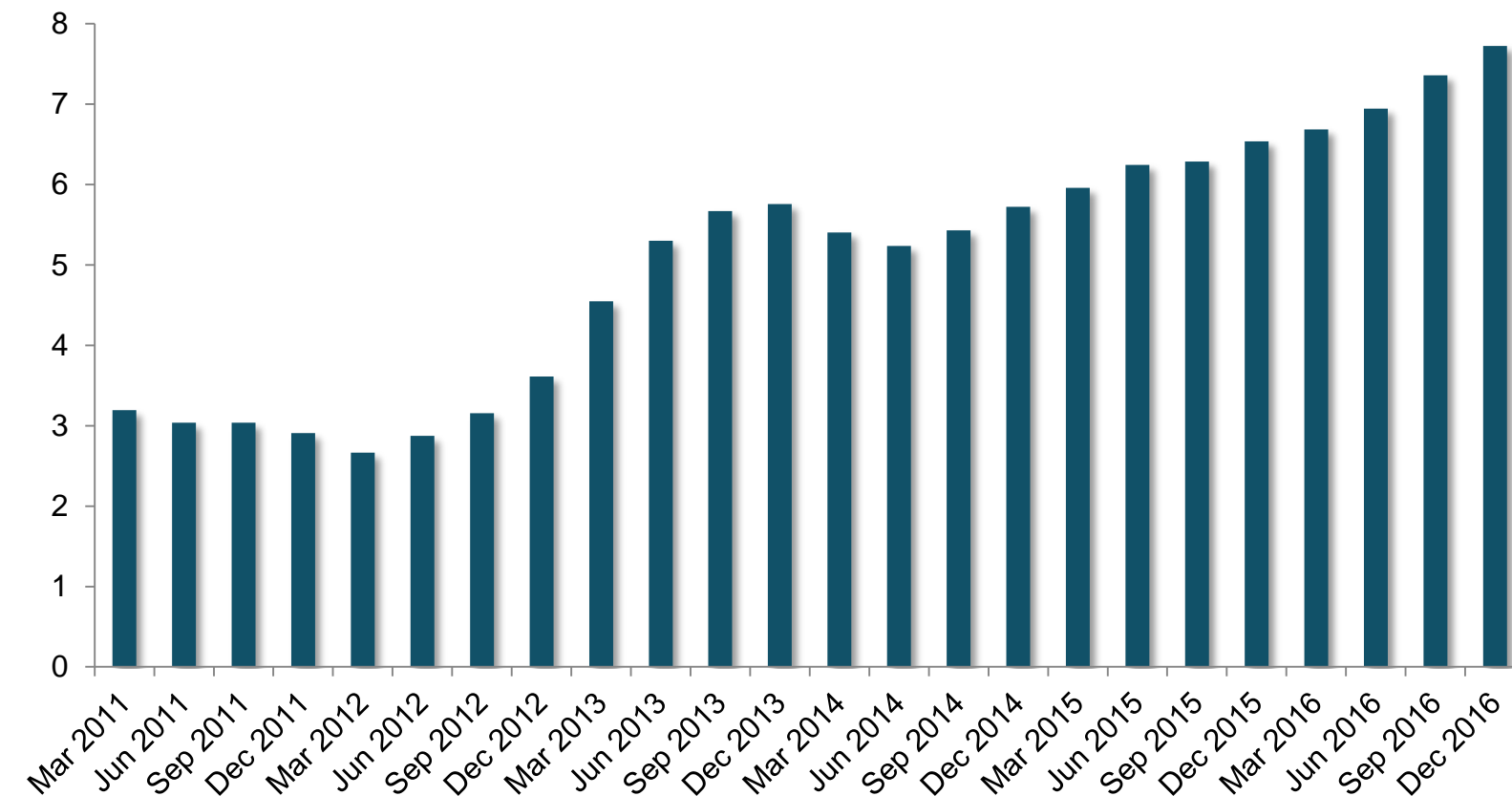
Moist snuff competition in the US, 2016



CONTINUED EFFORTS WITH SWEDISH SNUS AND ZYN IN THE US AND INTERNATIONALLY

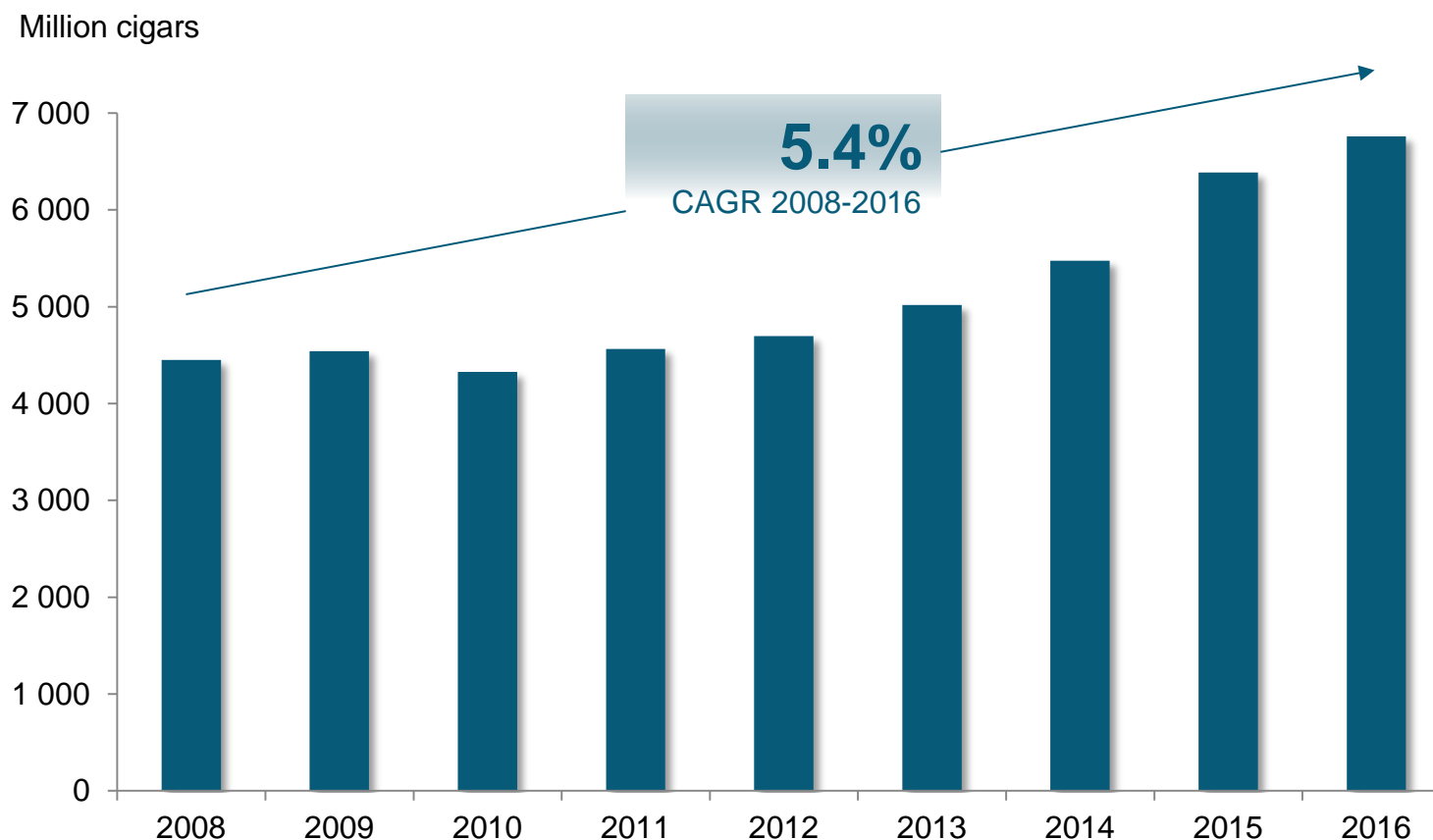
Swedish Match volume of snus and nicotine pouches outside Scandinavia, rolling 12 months

Million cans





Cigar volumes by year

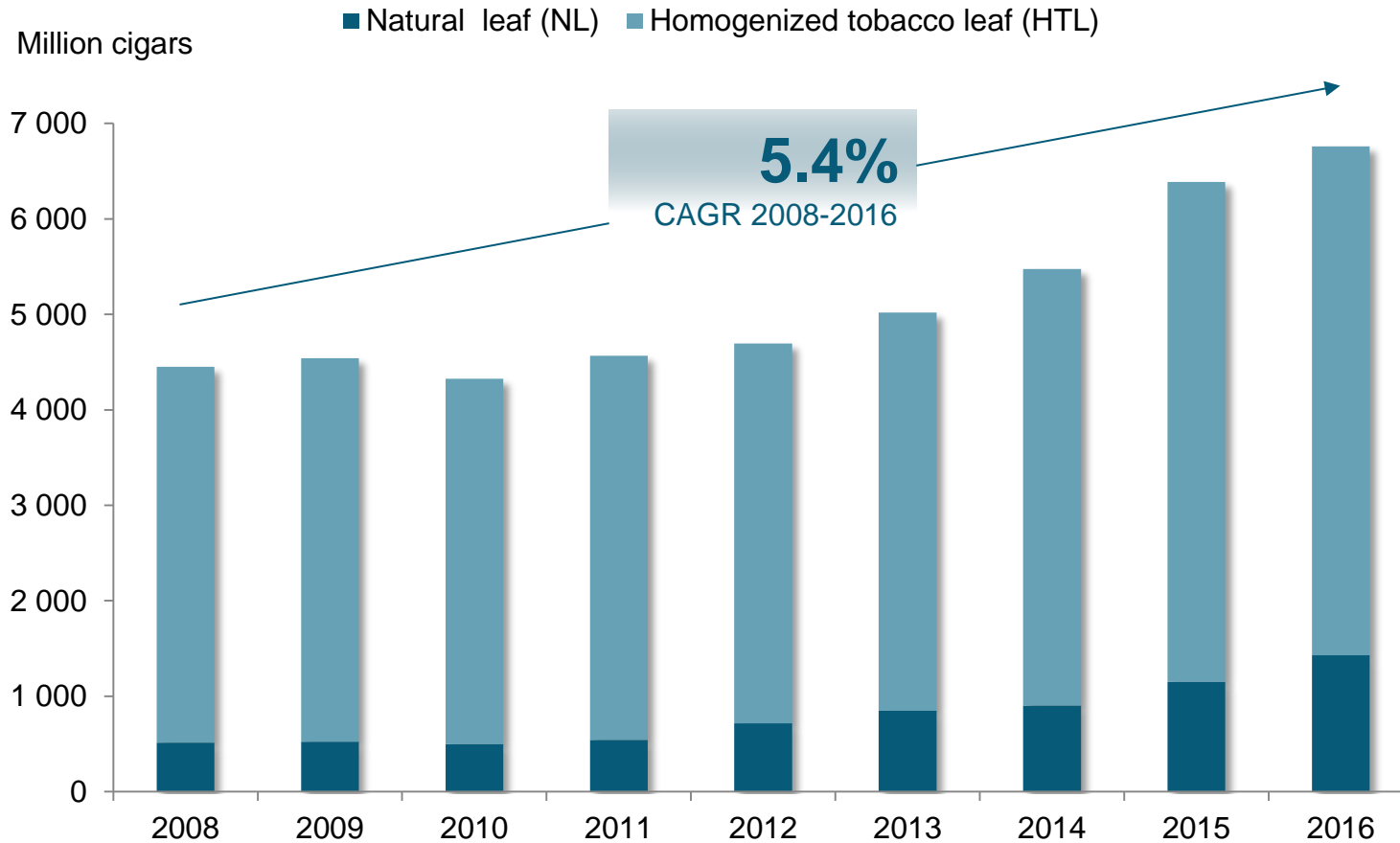


Source: Swedish Match and industry estimates.

CATEGORY DEVELOPMENT FOR CIGARS IN THE US



Cigar volumes by year and product format



13.6%
CAGR 2008-2016
NL CIGARS

3.9%
CAGR 2008-2016
HTL CIGARS

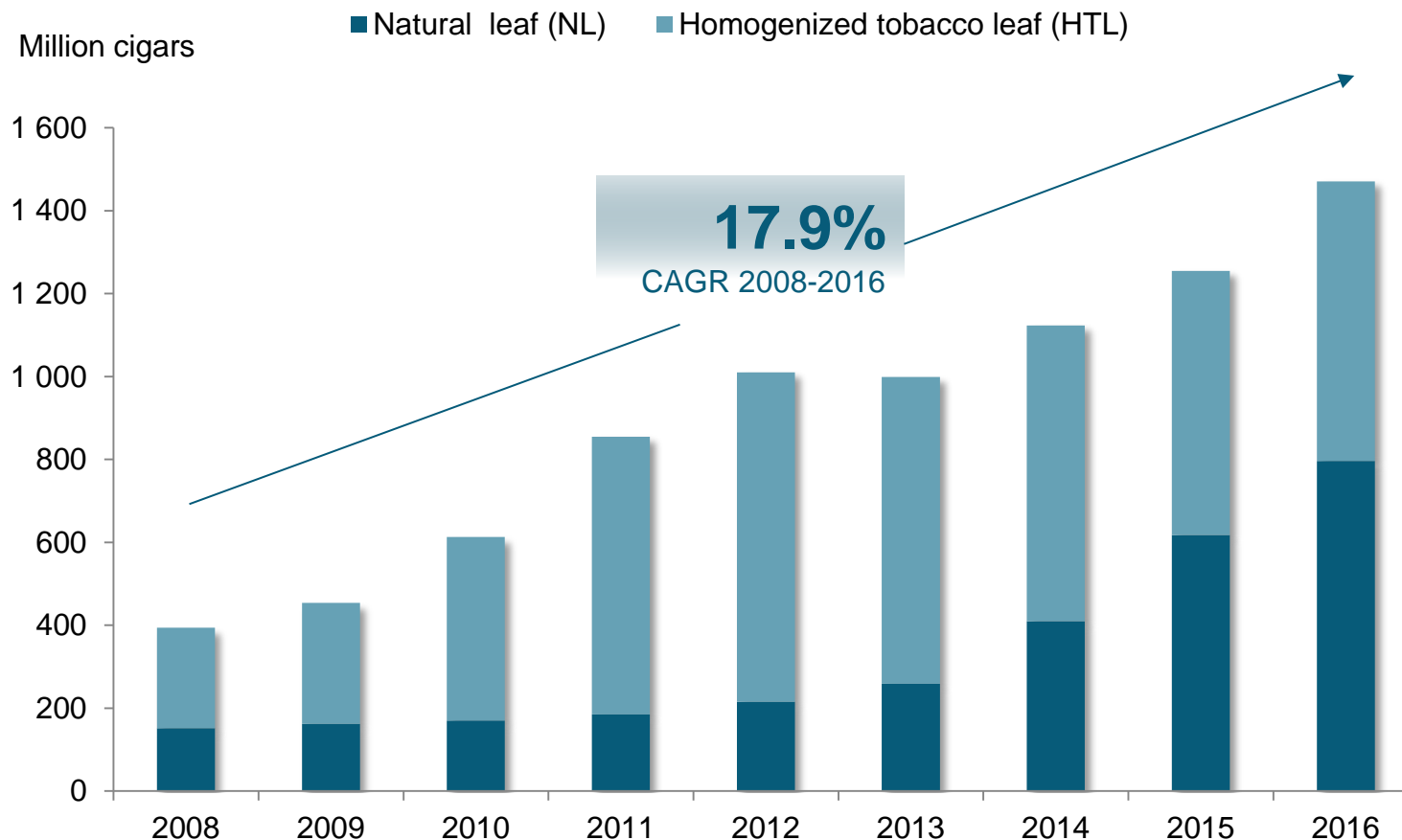


Source: Swedish Match and industry estimates.

CIGARS HIT A NEW VOLUME RECORD IN THE US



Shipment volumes by product format



Focus on products in growing segments

Competitive pricing

Efficient manufacturing

High level of innovation



EU's Tobacco Products Directive implemented in Sweden

Implementation of plain packaging in Norway probably during 2018

The dialogue with FDA on MRTP-status for snus in the US continues

New FDA regulation for cigars in the US

Challenge of the snus ban in the EU

CHALLENGE OF THE SNUS BAN IN THE EU



Article 19

Notification of novel tobacco products

1. Member States shall require manufacturers and importers of novel tobacco products to submit a notification to the competent authorities of Member States of any such product they intend to place on the national market concerned. The notification shall be submitted in electronic form six months before the intended placing on the market. It shall be accompanied by a detailed description of the novel tobacco product concerned as well as instructions for its use and information on ingredients and emissions in accordance with Article 5. The manufacturers and importers submitting a notification of a novel tobacco product shall also provide the competent authorities with:
 - (a) available scientific studies on toxicity, addictiveness and attractiveness of the novel tobacco product, in particular as regards its ingredients and emissions;
 - (b) available studies, executive summaries thereof and market research on the preferences of various consumer groups, including young people and current smokers;
 - (c) other available and relevant information, including a risk/benefit analysis of the product, its expected effects on cessation of tobacco consumption, its expected effects on initiation of tobacco consumption and predicted consumer perception.
2. Member States shall require manufacturers and importers of novel tobacco products to transmit to their competent authorities any new or updated information on the studies, research and other information referred to in points (a) to (c) of paragraph 1. Member States may require manufacturers or importers of novel tobacco products to carry out additional tests or submit additional information. Member States shall make all information received pursuant to this Article available to the Commission.
3. Member States may introduce a system for the authorisation of novel tobacco products. Member States may charge manufacturers and importers proportionate fees for that authorisation.
4. Novel tobacco products placed on the market shall respect the requirements of this Directive. Which of the provisions of this Directive apply to novel tobacco products depends on whether those products fall under the definition of a smokeless tobacco product or of a tobacco product for smoking.

A NEW SUSTAINABILITY STRATEGY

Step 1

Inspiration and understanding, 243 areas/topics were identified. Sources used include:

- UN Global Compact and the global goals for sustainable development (the Paris Agreement)
- UN Universal Declaration of Human Rights
- Global Reporting Initiative's (GRI) accounting framework
- Analysis of Swedish Match sector/industry

Step 2

A first review was made and the list was delimited to 49 potentially material areas/topics.

- Overlap between many of the initially identified areas/topics
- Certain initially identified areas/topics are not material for Swedish Match

Step 3

Quantitative survey, further discussions and materiality analysis based on:

- What does our stakeholders say about or sustainability efforts?
- What is our impact, both positive and negative?
- Within what areas can we have the most significant positive impact through our operations?
- Within what areas can we have the most significant positive impact through dialogue and activities in our value chain?
- How are we impacted?

Survey for management on sustainability and materiality

1. Name

Next

Powered by SurveyMonkey

2. How significant is the positive impact from our current operations/behaviors in terms of this issue?

No impact
 Low impact
 Medium impact
 High impact
 Not applicable
 Do not know

7. How would you rate the potential for us, in our extended value chain, to be able to influence the current negative impact or improve a positive impact in terms of this issue (regardless of current impact)?

No potential
 Low potential

OUR FOCUS AREAS



Improve public health. Our goal is to eliminate cigarette use and tobacco related morbidity and mortality by offering smokers attractive sources of nicotine for recreational use (such as Swedish snus and tobacco derived nicotine containing products like ZYN).



Ensure ethical business practices. At Swedish Match, we will take the necessary steps to ensure that ethical business practices are maintained within our own company and in our relationships with all outside parties.



Support equal opportunity. Our continuing objective is to be a truly open and inclusive employer. In this environment, with zero tolerance for discrimination, all employees have equal opportunity to achieve their full potential – resulting in a more diverse workplace.



Eliminate child labor. Our goal is the elimination of child labor in the Company's value chain.



Reduce greenhouse gases. Our goal is to reflect the commitments outlined in the Paris Agreement and thereby reduce emissions of greenhouse gases in our value chain.



Reduce waste and emissions. Our goal is to eliminate undesired emissions to air and water flows, as well as waste, from our production facilities.

