

SWEDISH MATCH RESULTS PRESENTATION

Q4 2017



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Q4 – HEADLINE BULLETS

- **In local currencies, sales increased by 6 percent for the fourth quarter and by 3 percent for the full year.**
 - Reported sales increased by 2 percent to 4,044 MSEK (3,957) for the fourth quarter and by 4 percent to 16,101 MSEK (15,551) for the full year.
- **In local currencies, operating profit from product areas¹⁾ increased by 15 percent for the fourth quarter and by 5 percent for the full year.**
 - Reported operating profit from product areas increased by 9 percent to 1,044 MSEK (954) for the fourth quarter and by 6 percent to 4,218 MSEK (3,990) for the full year.
- **Operating profit amounted to 1,179 MSEK (954) for the fourth quarter and to 4,591 MSEK (6,420) for the full year²⁾.**
- **Profit after tax amounted to 904 MSEK (662) for the fourth quarter and to 3,400 MSEK (5,123) for the full year.**

1) Operating profit for Swedish Match product areas, which excludes larger one-time items and share of net profit in STG in 2016.

2) The full year 2017 includes larger one-time items of 373 MSEK relating to capital gains from the sale of STG shares and from the sale of a parcel of land as well as an income from a defined benefit plan amendment. Previous full year included larger one-time items of 2,254 MSEK relating to capital gains from the partial divestments of STG and an unrealized gain from revaluing Swedish Match's then remaining shareholding in STG to market value as well as a capital gain from the sale of a distribution center. The fourth quarter of 2017 includes larger one-time items of 135 MSEK relating to a capital gain from the sale of STG shares and an income from a defined benefit plan amendment.



Q4 – HEADLINE BULLETS

- Earnings per share amounted to 5.10 SEK (3.61) for the fourth quarter and to 18.88 SEK (27.38) for the full year. Earnings per share excluding both larger one-time items, dividends from STG in 2017 and share of net profit in STG in 2016 increased by 17 percent to 4.24 SEK (3.61) for the fourth quarter and by 14 percent to 16.39 SEK (14.39) for the full year.
- In November, Swedish Match completed the divestment of its remaining shareholding in STG.
- During 2017, Swedish Match distributed 5,498 MSEK to its shareholders in the form of an ordinary dividend, a special dividend and share repurchases.
- The Board proposes a dividend of 16.60 SEK per share consisting of an increased ordinary dividend of 9.20 SEK (8.50) and a special dividend of 7.40 SEK, following the final sale of shares in STG.
- As of January 1, 2018, Swedish Match will apply the new revenue recognition standard, IFRS 15. While not impacting profit, this implementation will have a significant effect on the recognition of net sales. Further information is given in Note 1, Accounting principles in the full year 2017 report.



HIGHLIGHTS IN THE QUARTER

- **Sales were higher in both reported and local currencies for both Snus and moist snuff and Other tobacco products. For Lights, sales were down slightly in SEK, but up in local currencies.**
- **Operating profits were up for all product areas, except for Other operations.**
- **Snus and moist snuff: Sales growth in all geographies, good share trends in Norway.**
 - Scandinavia: Sales growth in both Sweden and Norway in local currencies on higher volumes and pricing.
 - US: Sales and volumes were higher for moist snuff, snus, and ZYN.
 - Decision to further increase capacity in the US for ZYN.
- **Other tobacco products: Another strong quarter for cigars, V2 positive contributor.**
 - Cigars: Higher volumes, sales, and operating profit in local currency, volumes up for both natural leaf and HTL.
 - US chewing tobacco: Sales and operating profit declined in line with the full year performance.
 - V2 acquisition, with chew bags contributing to both sales and operating profit.
- **Lights: Volumes down for lighters and matches, but operating profits held up well.**
 - Operating profit was higher aided by lower overhead costs, and complementary products.
- **Regulatory changes:**
 - Norway plain packaging. Hearing on ECJ ban (Jan). New tobacco control measures proposed in Sweden (Jan).
- **Remaining STG shares sold, cash to be returned to shareholders.**

SNUS AND MOIST SNUFF: Q4 COMMENTARY

Growth in both sales and operating profit

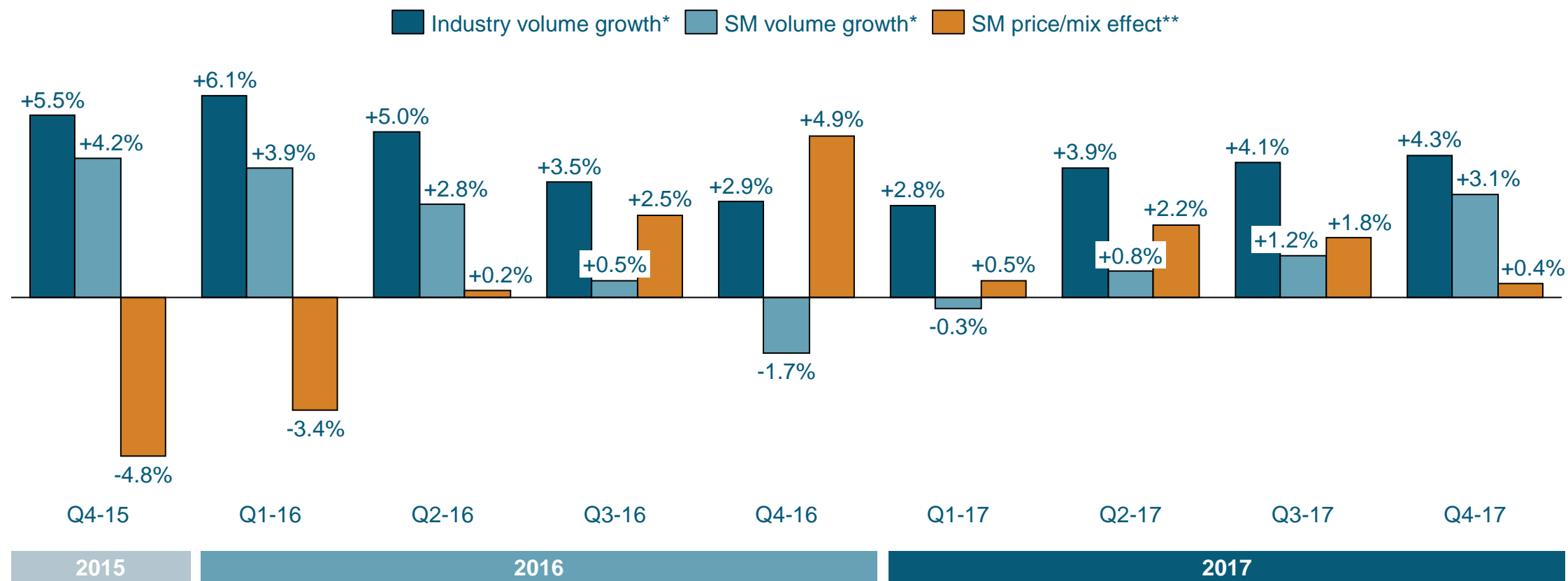
- **Underlying Scandinavian shipment volumes estimated to be up by 3 percent**
 - Volumes up in both Sweden and Norway.
 - Market growth in the range of 4 percent.
 - Share trends in Norway continued to improve.
- **Scandinavia snus sales and operating profit up**
 - Average selling prices in line with prior year with price increases being offset by negative mix effects and negative currency effects.
 - Lower operating expenses.
- **US moist snuff volumes grew on strong growth for both pouches and tubs**
 - Sales grew less than volumes due to mix effects and a higher level of promotions.
 - Operating profit increased, driven by low overhead costs for the quarter.
- **Lower operating loss for snus and nicotine pouches outside Scandinavia**
 - Snus/ZYN sales (primarily in the US) up on higher volumes and higher realized pricing.
 - Solid sequential volume growth for ZYN in the US on increased velocity and store expansion (now in 9,000 stores).



	Q4-2017	Q4-2016	chg	Full year 2017	Full year 2016	chg
Sales, MSEK	1,407	1,356	4	5,483	5,277	4
Operating profit, MSEK	613	542	13	2,357	2,197	7
Operating margin, %	43.6	40.0		43.0	41.6	

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).

** Not adjusted for currency effects.

SCANDINAVIAN NEW PRODUCT ACTIVITY

Sweden

- *General One* and *Göteborgs Rapé One* in full distribution in September.
- ZYN expansion from Swedish Match snus stores, now also in convenience stores.
- New limited edition variants, *General Hernö* and *Small Batch*.



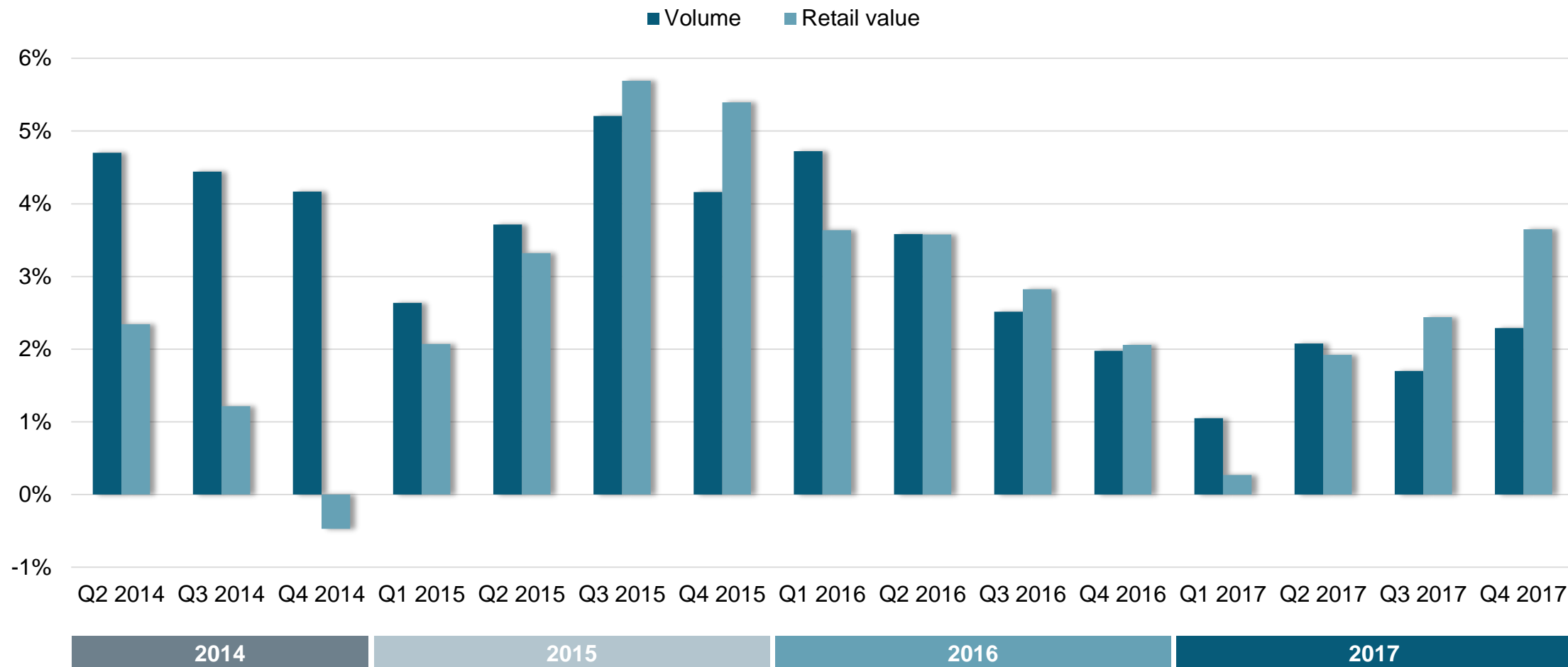
Norway

- *G.3 Wire Super Strong* in stores from September, follows *G.3 Volt* launch in March 2017.
- *G.4 Blizzard* in stores from October, extending scope of earlier launch of *G.4* regular strength in May 2017.



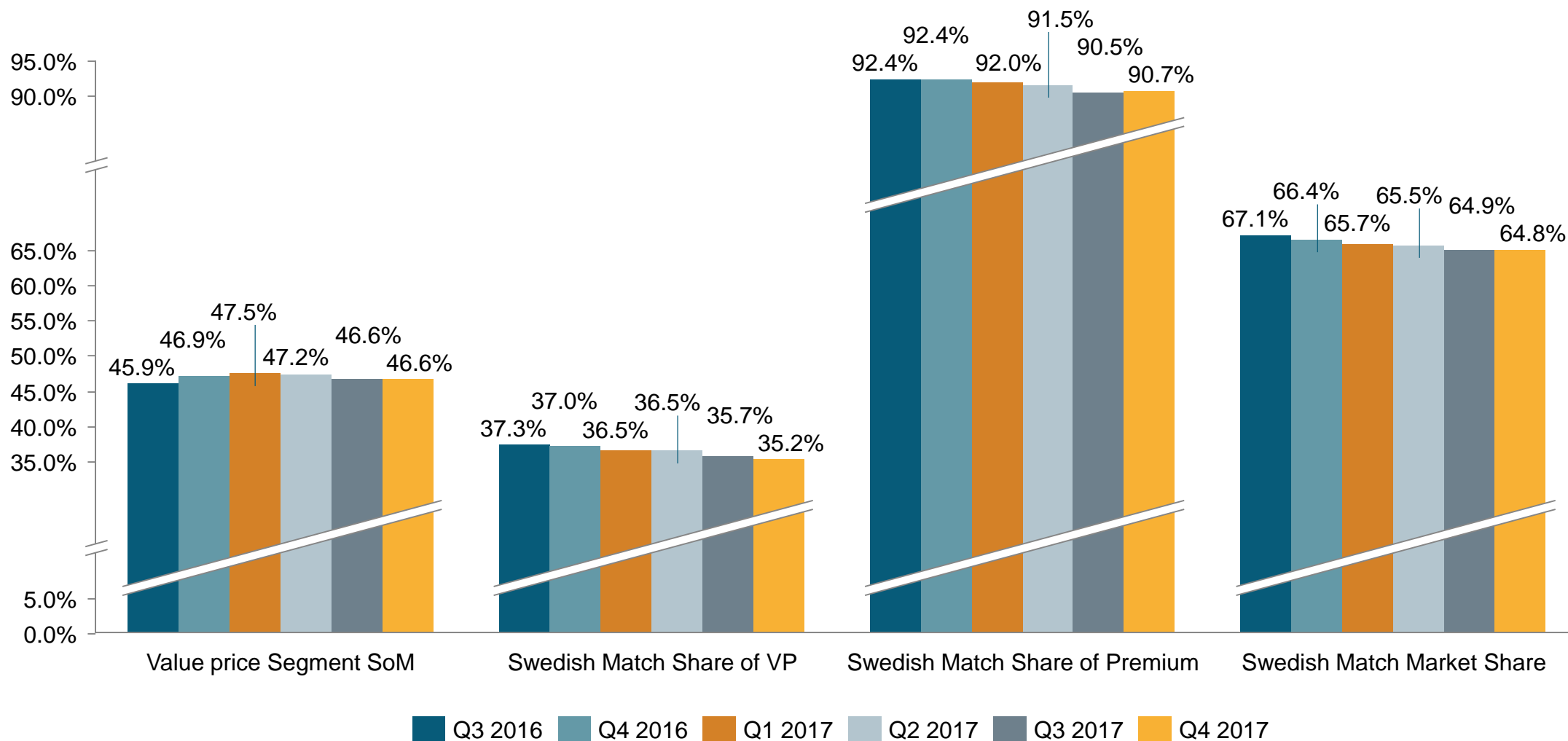
SWEDEN – CATEGORY DEVELOPMENT

Volume and retail value y-o-y growth (Nielsen)



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

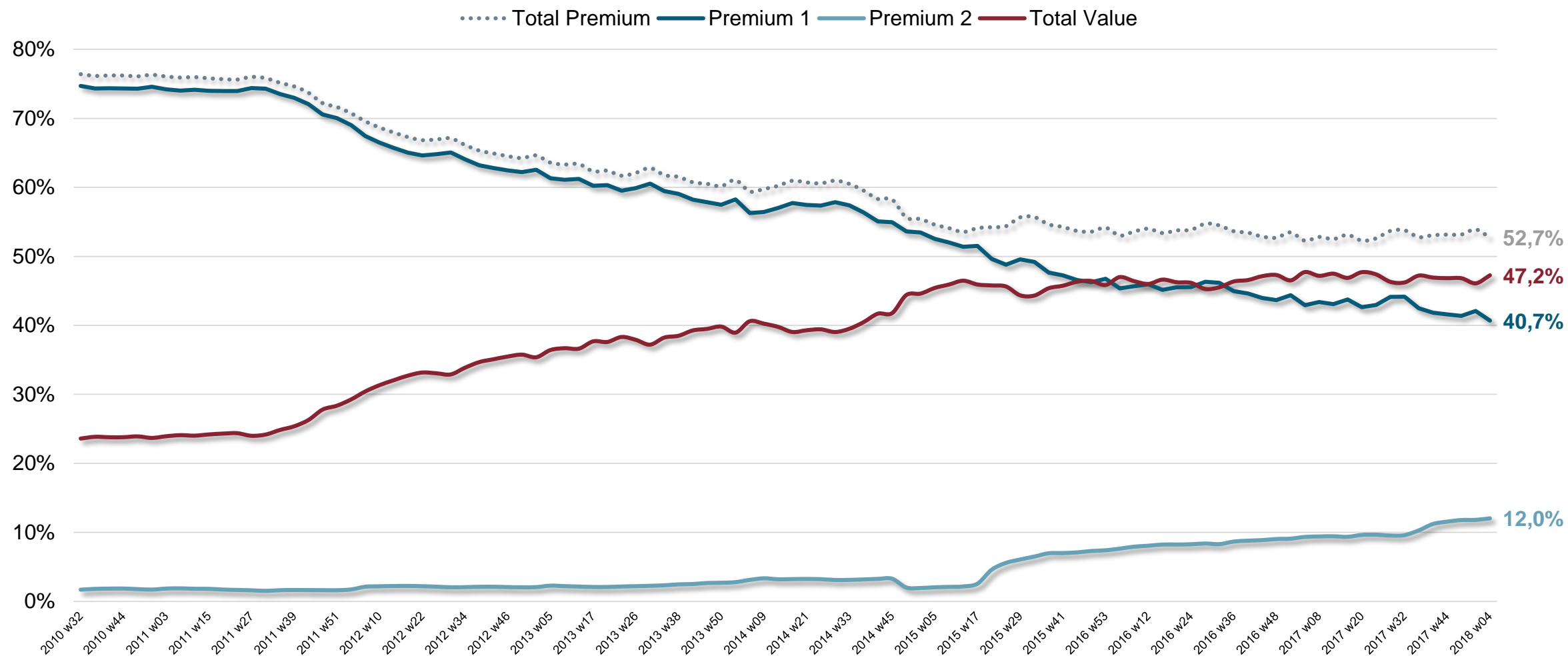
SWEDEN – MARKET SHARE DYNAMICS – VOLUME SHARES



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

SWEDEN – SEGMENT SHARES OF SNUS MARKET, VOLUME (TOTAL MARKET)

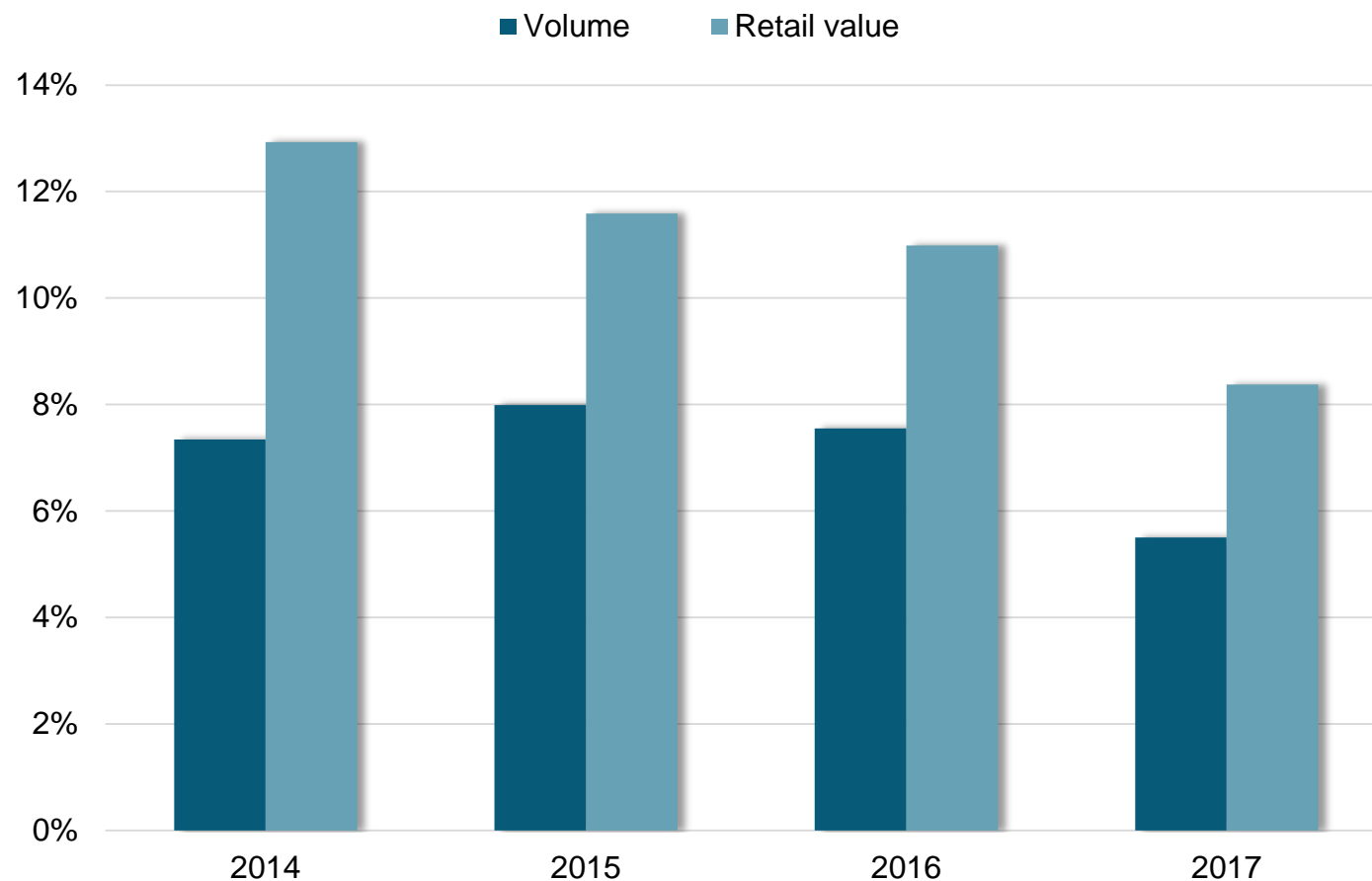
Volume share development, 4-weeks rolling



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

NORWAY – CATEGORY DEVELOPMENT

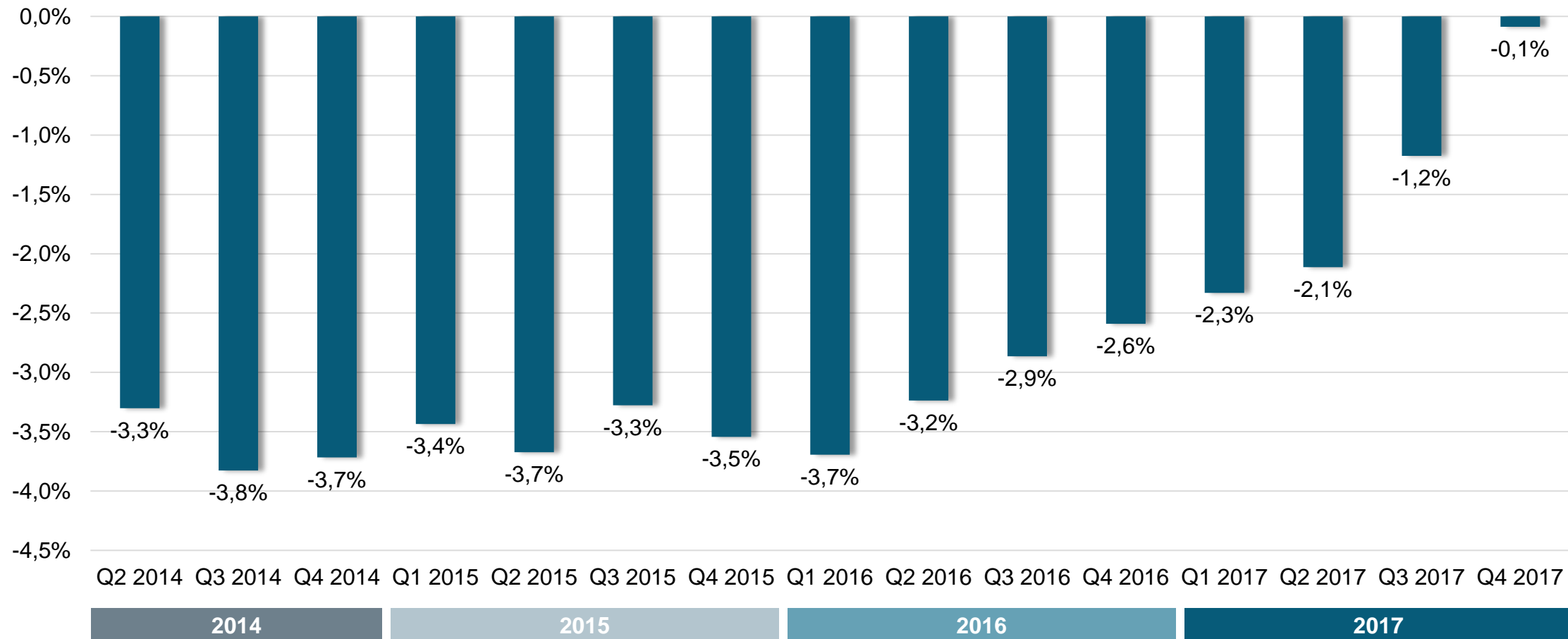
Volume and retail value year-on-year growth (Nielsen)



Source: Nielsen, DVH+KBS.

NORWAY – SWEDISH MATCH MARKET SHARE DEVELOPMENT

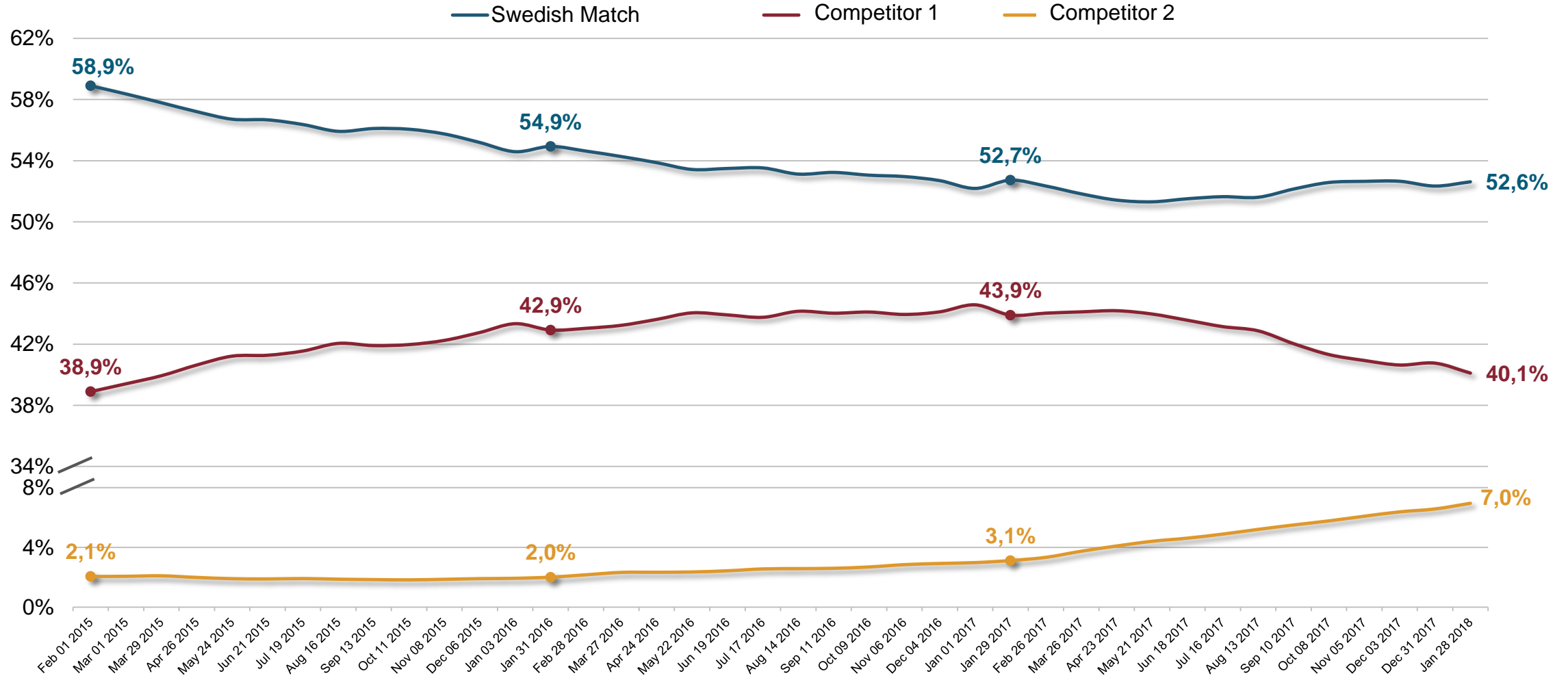
Change in Swedish Match volume market share y-o-y; percentage points of total market



Source: Nielsen, DVH+KBS.

NORWAY – TOTAL VOLUME SHARES

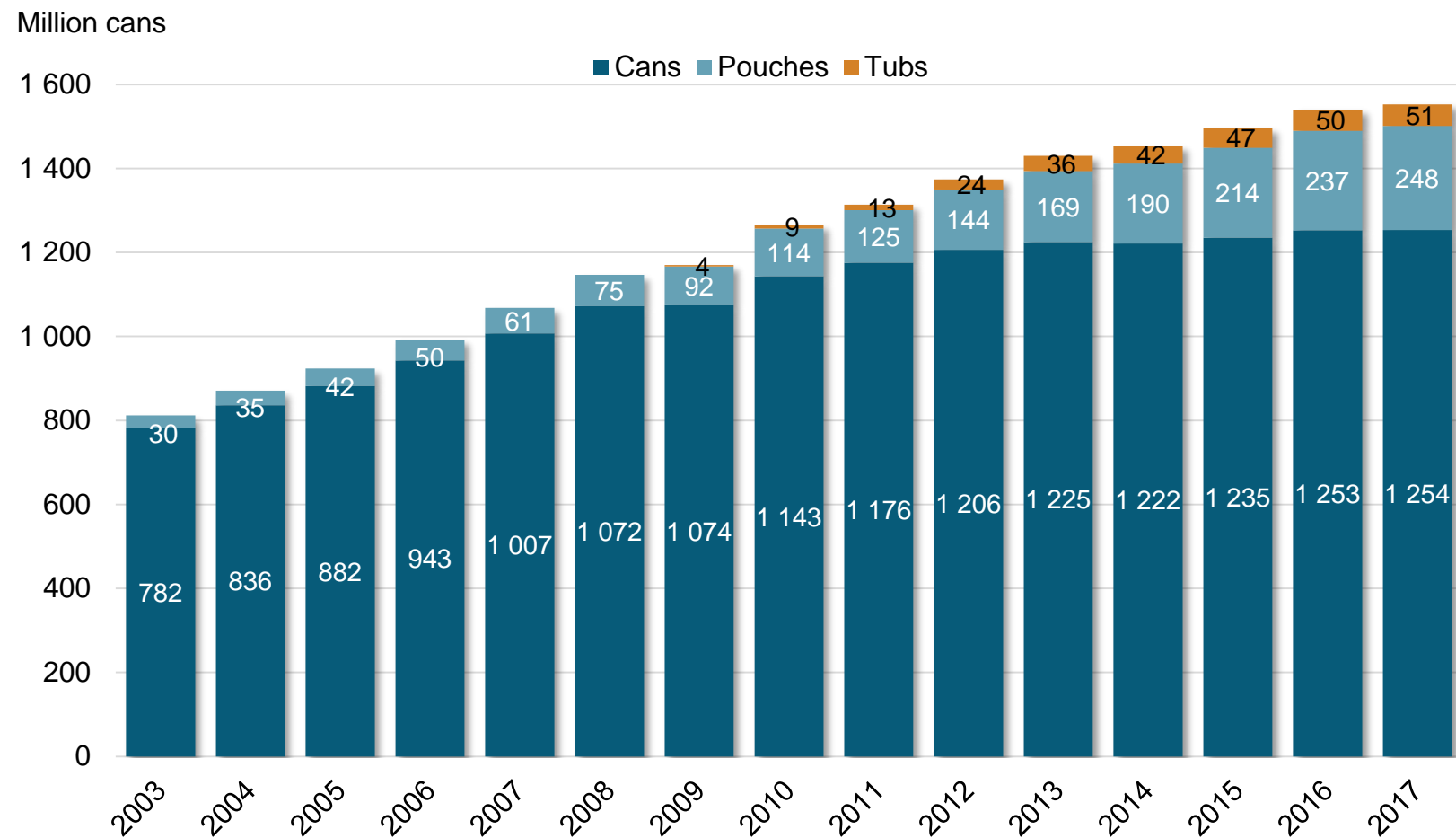
Volume share development, 4-weeks isolated



Source: Nielsen, 4-week data, DVH+KBS.

US – MOIST SNUFF CATEGORY DEVELOPMENT

Category by segment – cans, pouches and tubs

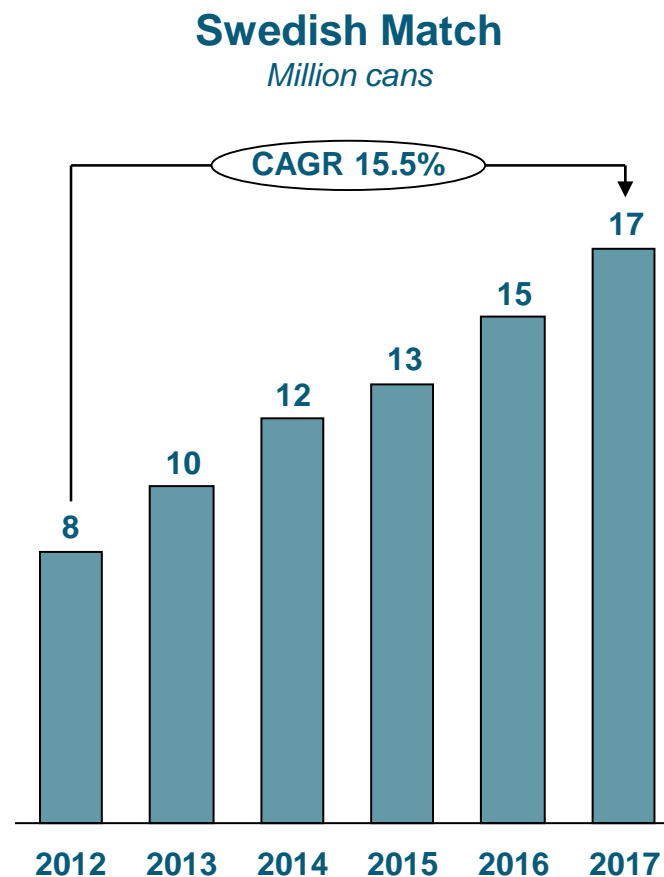
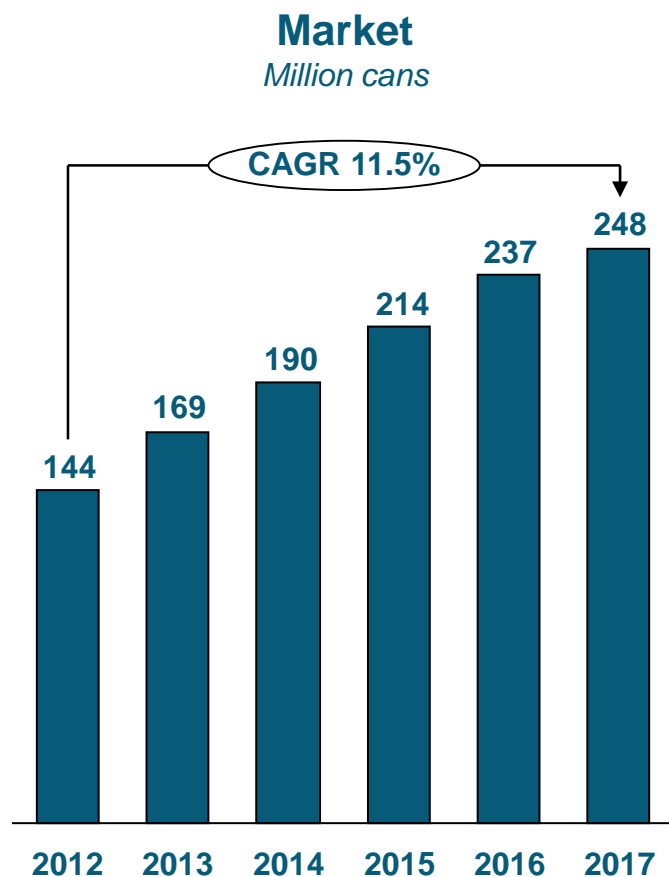


Source: RAI and Altria quarterly reports, Swedish Match direct sales, and CMPP data.



US – MOIST SNUFF POUCHES

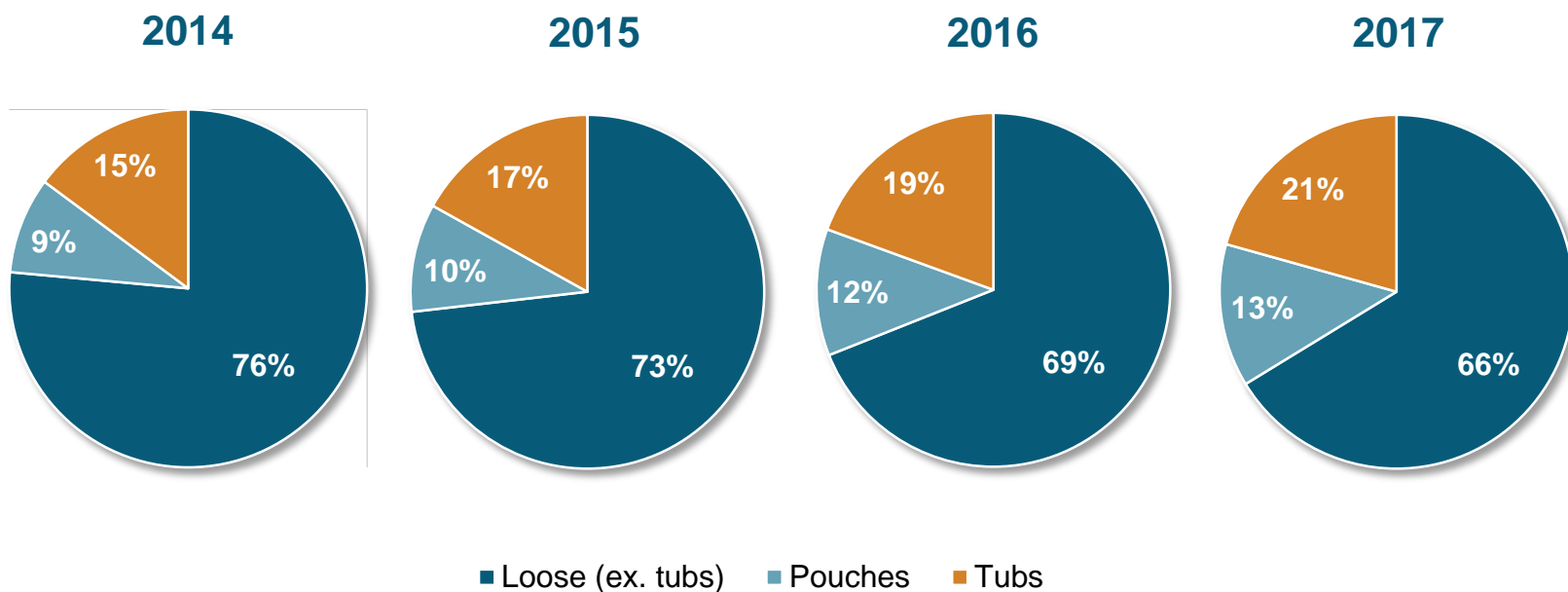
Swedish Match's pouch volumes have outperformed the category



Source: RAI and Altria quarterly reports, Swedish Match direct sales, and CMPP.

US – SWEDISH MATCH MOIST SNUFF PORTFOLIO

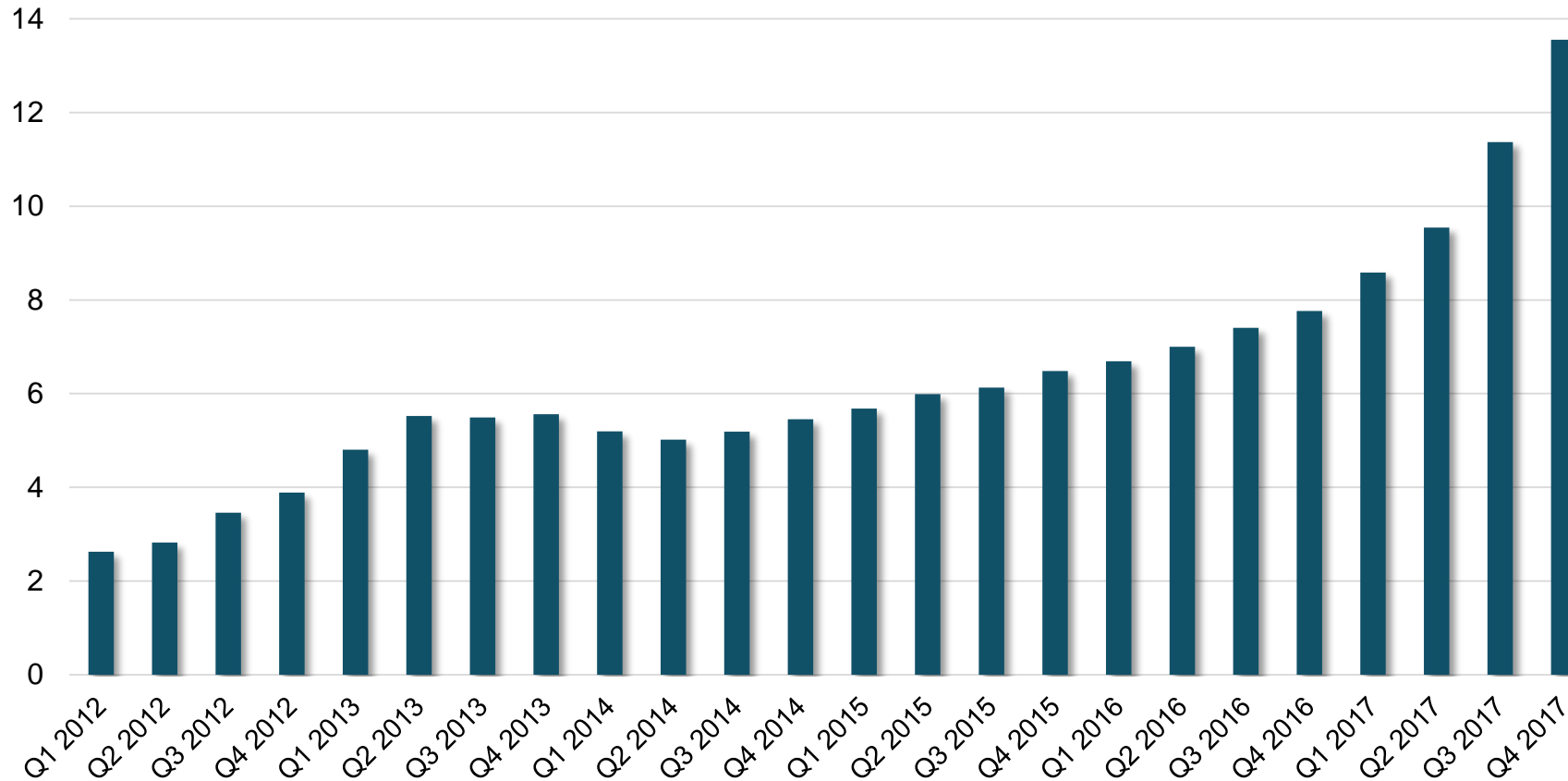
Breakdown of Swedish Match's moist snuff portfolio, volume



SNUS AND NICOTINE POUCH VOLUMES OUTSIDE SCANDINAVIA

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

Million cans



- **New tobacco control measures to be proposed in Sweden (effective date January 1, 2019)**
 - Smoking ban in certain public places (including outdoor restaurants and areas used for public transport).
 - Ban on self-service at point of sale.
 - Ban on in-store signage (specialty tobacco shops are exempt and price lists are allowed in all shops).
 - No product pictures in internet shops.
 - Minimum 20 snus pouches per can.
 - No ban on snus flavors or flavor designations on cans.
 - Licensing required for tobacco retailers and wholesalers.
- **Norway – plain packaging**
 - Effective July 1, 2017 for all new products launched after that date and for all other products from July 1, 2018.
 - Swedish Match request for preliminary injunction rejected by court of first instance in November.
 - Decision has been appealed and ruling is expected in first half of the year.
- **Hearing on the ECJ challenge to EU snus ban on January 25 with ruling expected in Q2 or Q3 this year**

OTHER TOBACCO PRODUCTS (OTP): Q4 COMMENTARY

Continued strong volume growth for cigars, US chewing volumes down

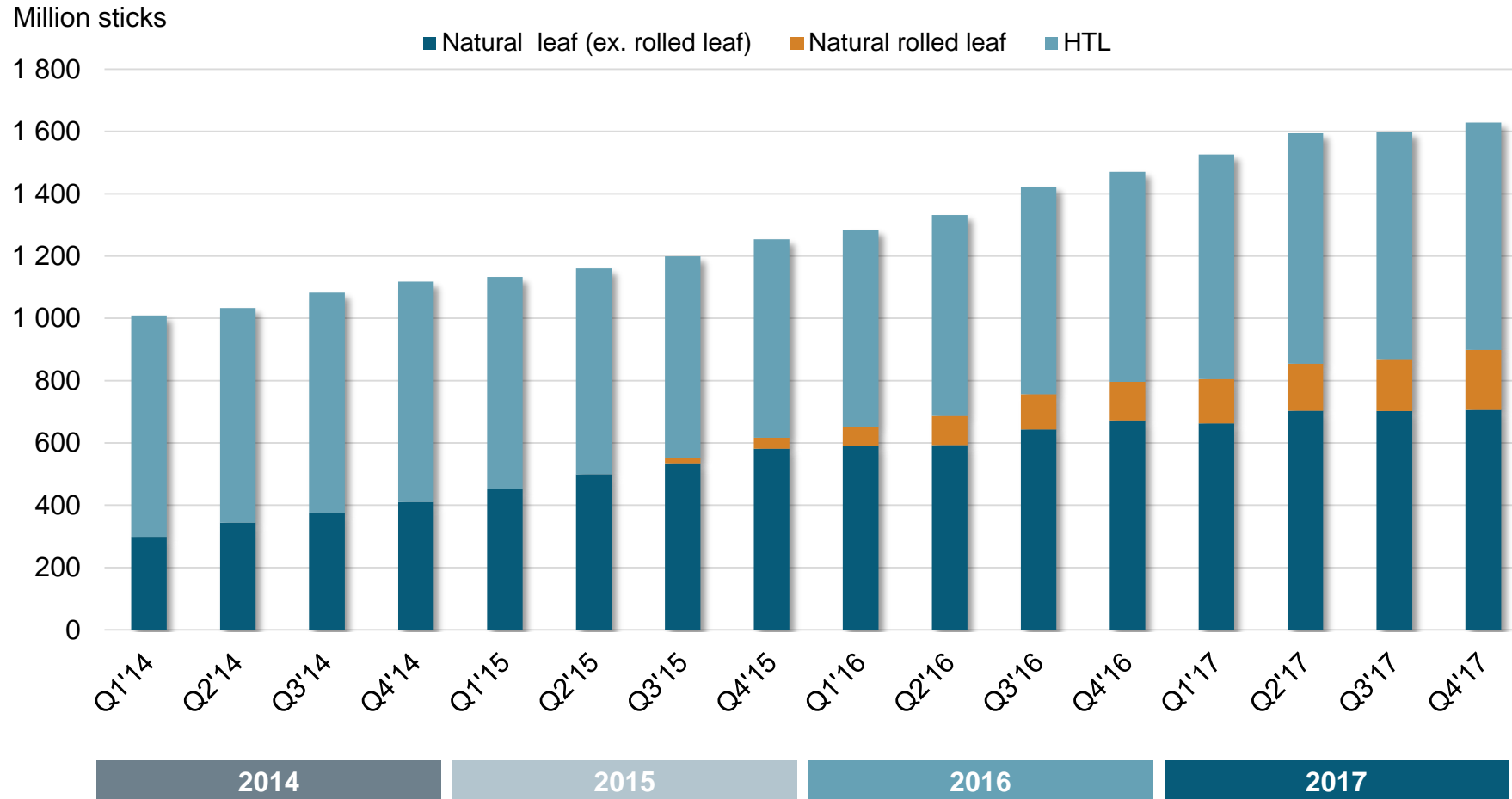
- **Higher volumes, sales and operating profit for US cigars**
 - Cigar volumes grew by 8 percent driven by strong growth for natural leaf cigars.
 - Sales in US dollars grew somewhat stronger than volumes due to portfolio mix.
 - Operating profit also grew but was impacted by higher cost of goods sold.
- **Volumes and sales for US chewing tobacco down**
 - Chewing tobacco shipments in the US (excl. contract manufacturing) down by 6 percent.
 - Volumes for traditional premium varieties declined, while they grew for value brands. Higher list prices were offset by negative mix.
- **Chew bags contributed positively to both sales and operating profit**
 - First full quarter which includes V2.
 - Chew bags growing in several European countries.



	Q4-2017	Q4-2016	chg	Full year 2017	Full year 2016	chg
Sales, MSEK	1,120	1,092	3	4,634	4,283	8
Operating profit, MSEK	417	395	5	1,776	1,705	4
Operating margin, %	37.2	36.2		38.3	39.8	

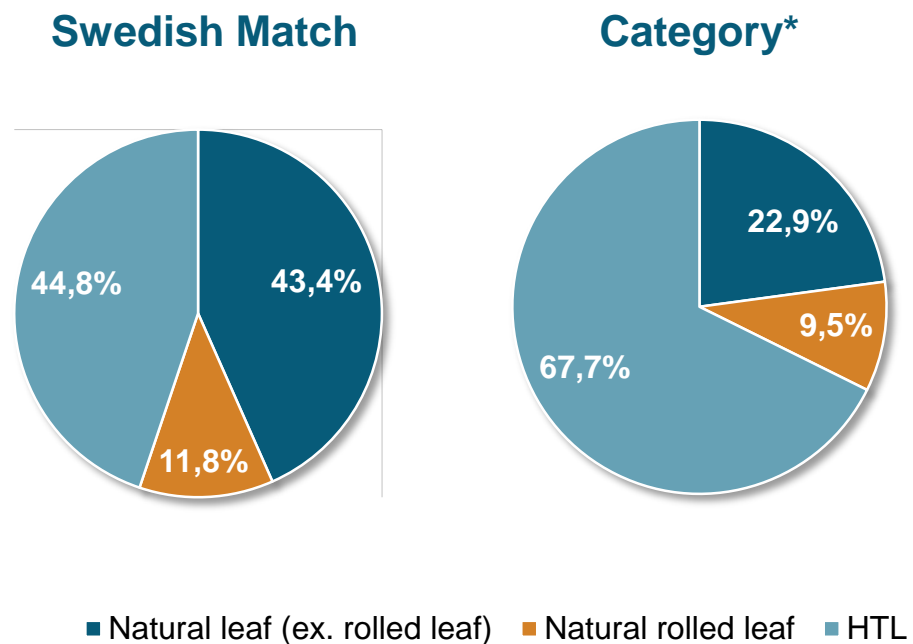
US – SWEDISH MATCH'S CIGAR VOLUMES

Mass market cigar shipments by quarter, 12 months rolling



US – CIGAR VOLUMES BY MARKET SEGMENT

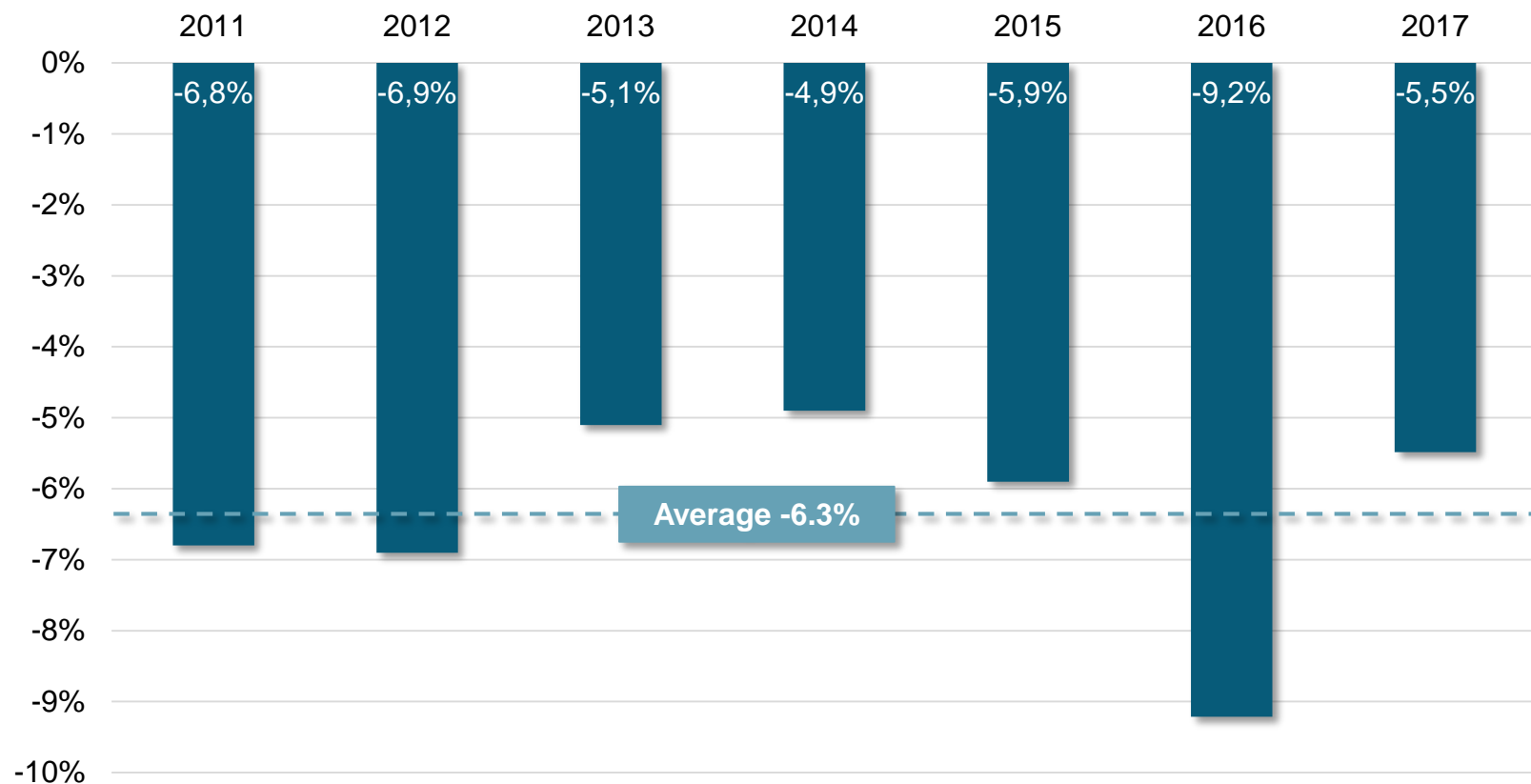
Breakdown of Swedish Match's cigar volumes by segment compared to the addressed market*



* Excluding segment for pipe cigars and 'other'.
Source: CMPP.

US – DEVELOPMENT OF SWEDISH MATCH CHEWING TOBACCO VOLUMES

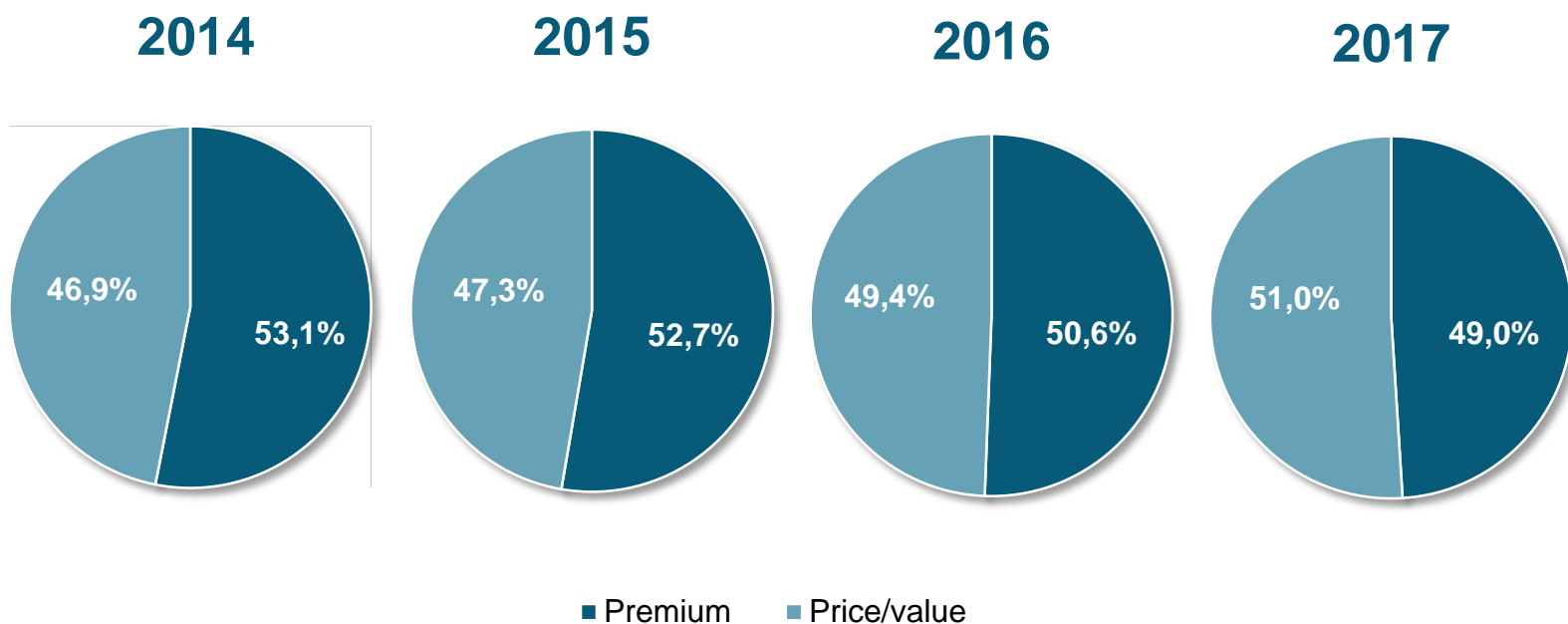
Shipment volume percentage change year on year, Swedish Match brands*



* On reported basis. Excludes Co-Pack volumes.

US – THE CHEWING TOBACCO MARKET

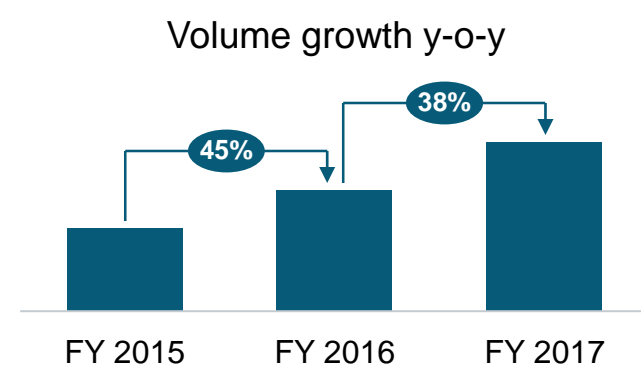
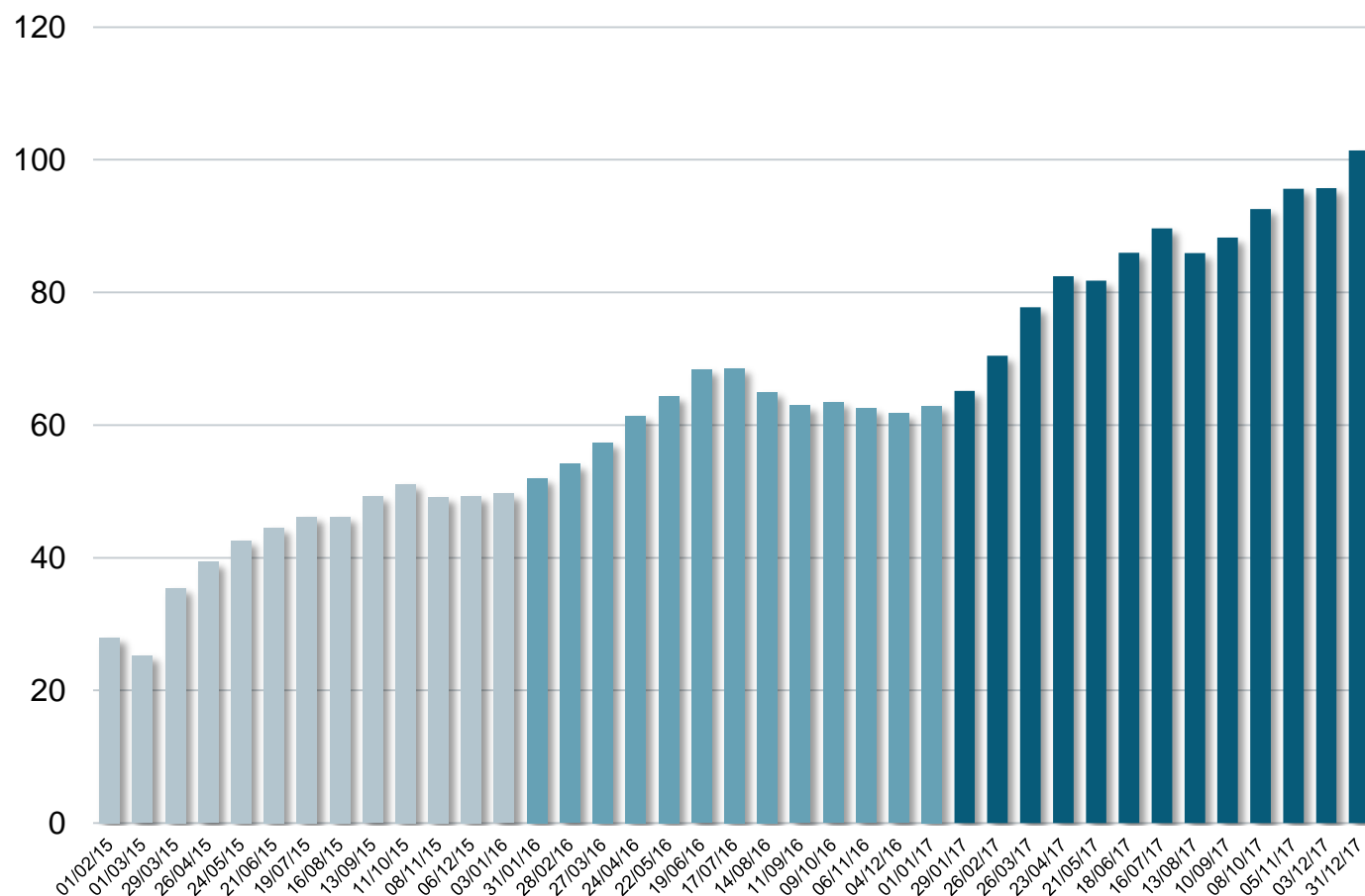
Breakdown of the chewing tobacco market by segment (volume)



Source: CMPP.

DENMARK – CHEW BAG MARKET GROWING

Volume development, 4-weeks rolling



Source: Nielsen Denmark 4-week data, DVH/Convenience incl. HD.

Sales down while operating profit up

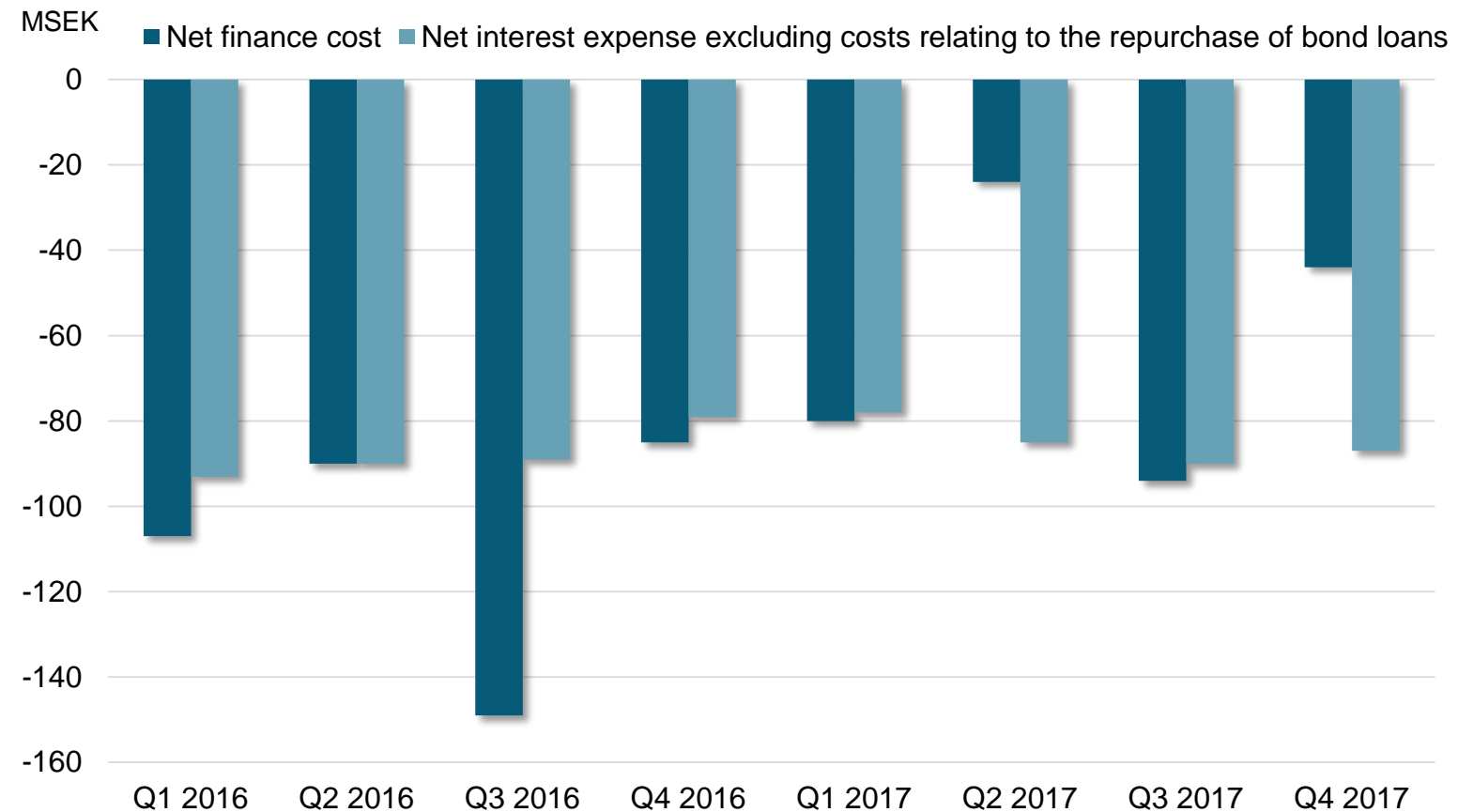
- **Lower sales for lighters and matches, higher sales for complementary products**
 - Volume declines for both matches (-5%) and lighters (-2%).
 - Affected by negative currency effects.
- **Growth in operating profit for all product categories**
 - Operating profit for lighters and matches grew, on improved average price and lower overhead costs, partly of temporary nature.
 - Operating profit for complementary products grew on higher sales.
- **Operating margins increased, aided by lower overhead costs, partly of a temporary nature**

	Q4-2017	Q4-2016	chg	Full year 2017	Full year 2016	chg
Sales, MSEK	341	347	-2	1,291	1,314	-2
Operating profit, MSEK	68	62	9	211	219	-4
Operating margin, %	19.9	17.9		16.4	16.7	



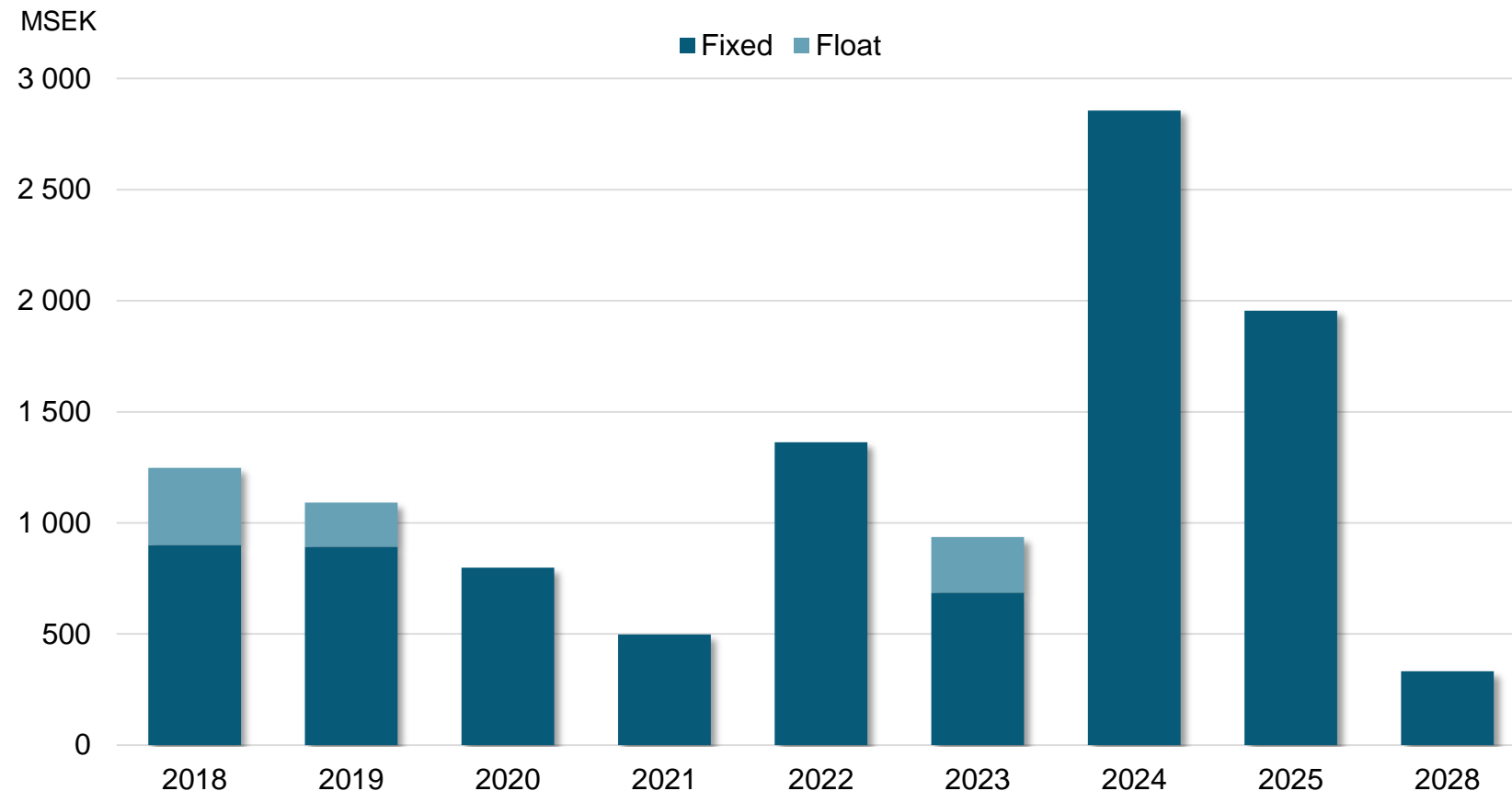
DEVELOPMENT OF THE FINANCE NET

Net finance cost by quarter



MATURITY PROFILE OF INTEREST BEARING LIABILITIES

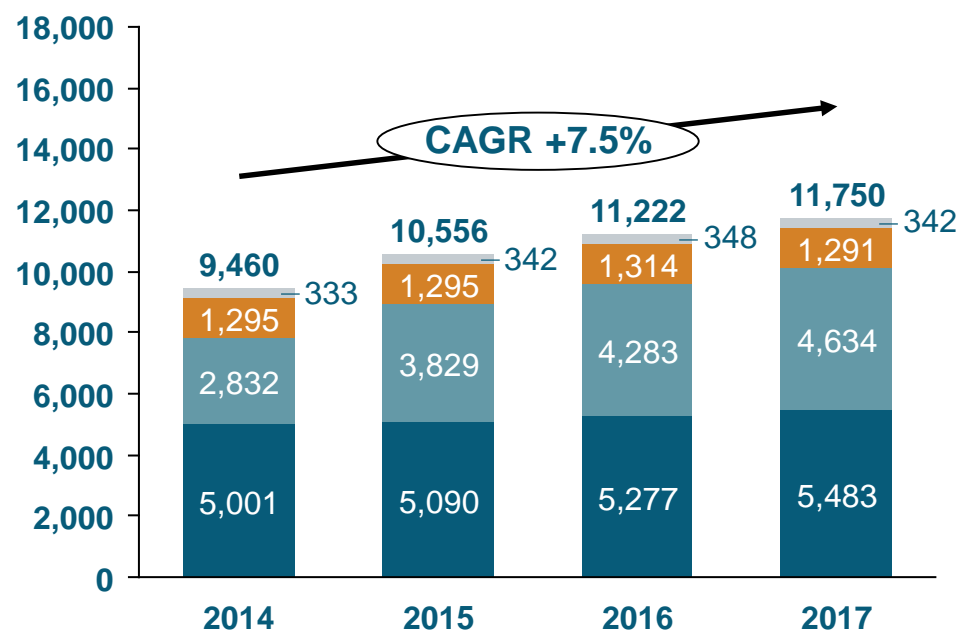
Debt as of December 31, 2017



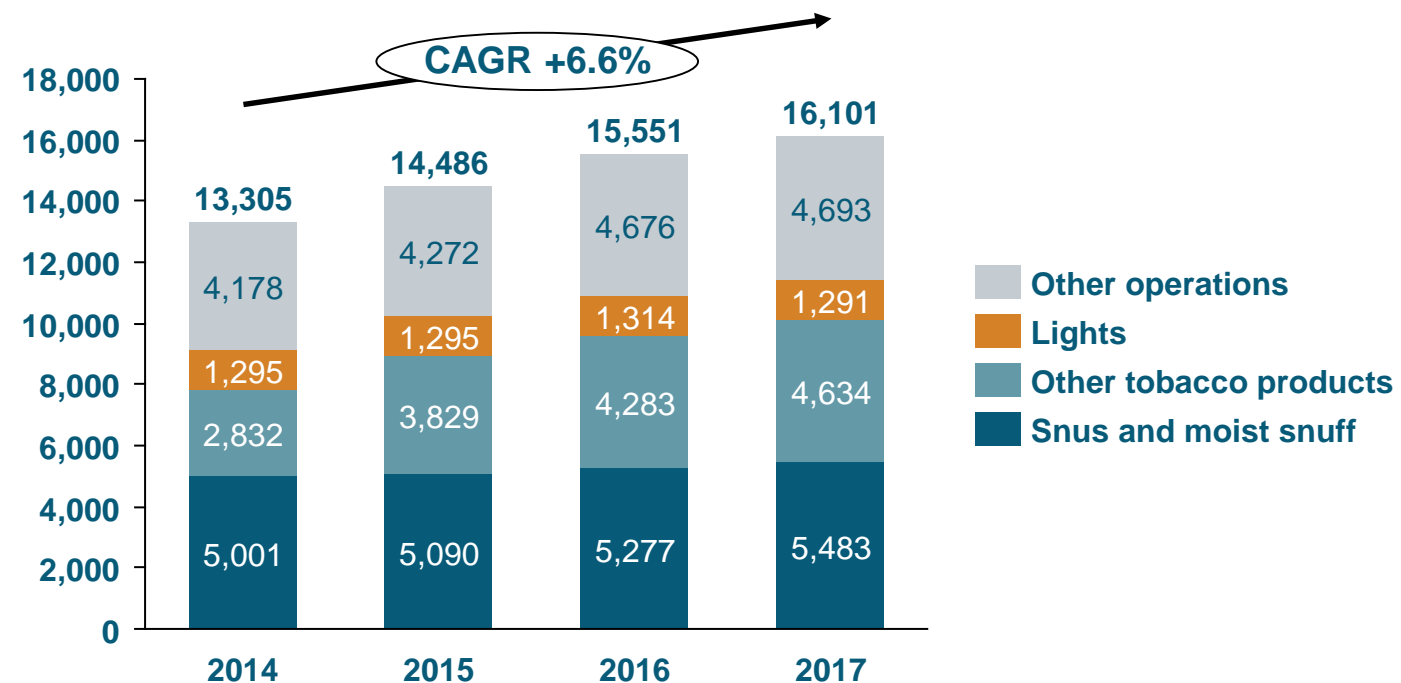
SALES RESTATED IN ACCORDANCE WITH IFRS 15

Sales restated in accordance with IFRS 15 agent accounting

Sales restated



Sales reported

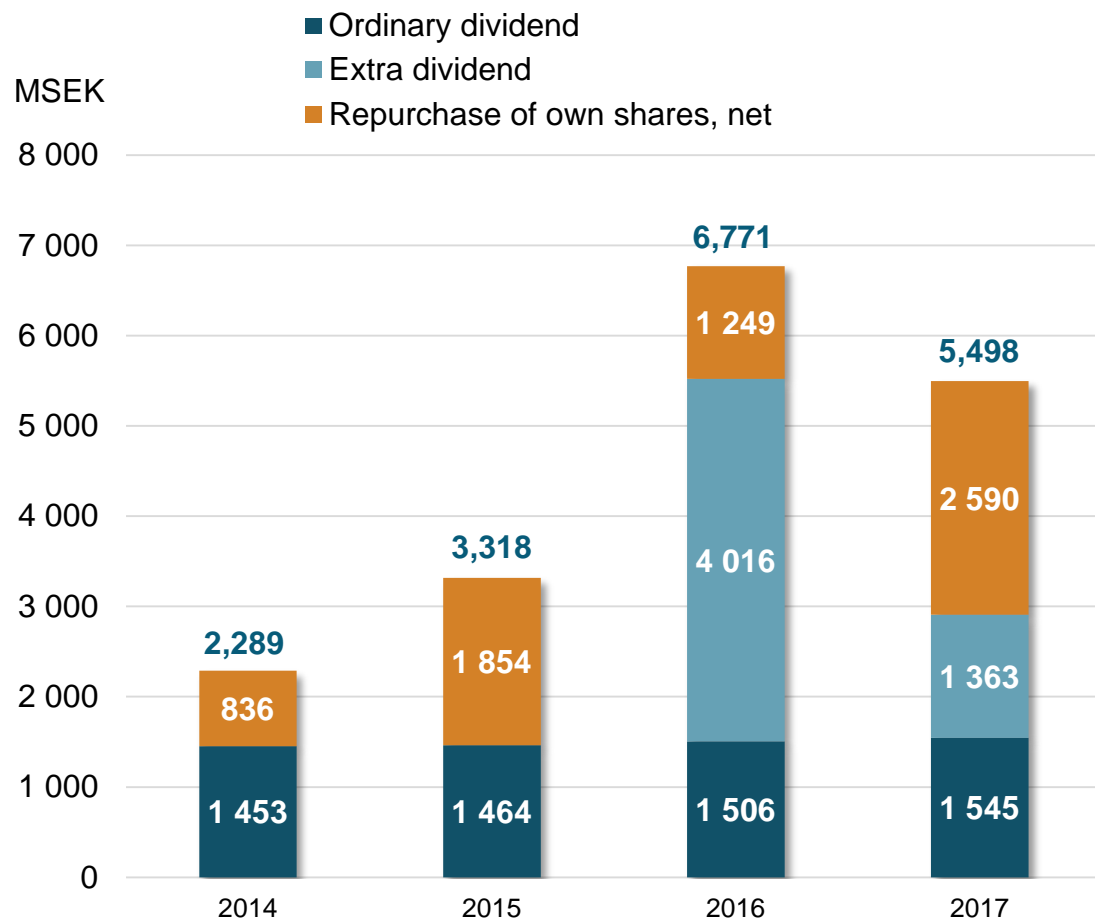


EBIT margin 36.4% 35.0% 35.5% 35.9%

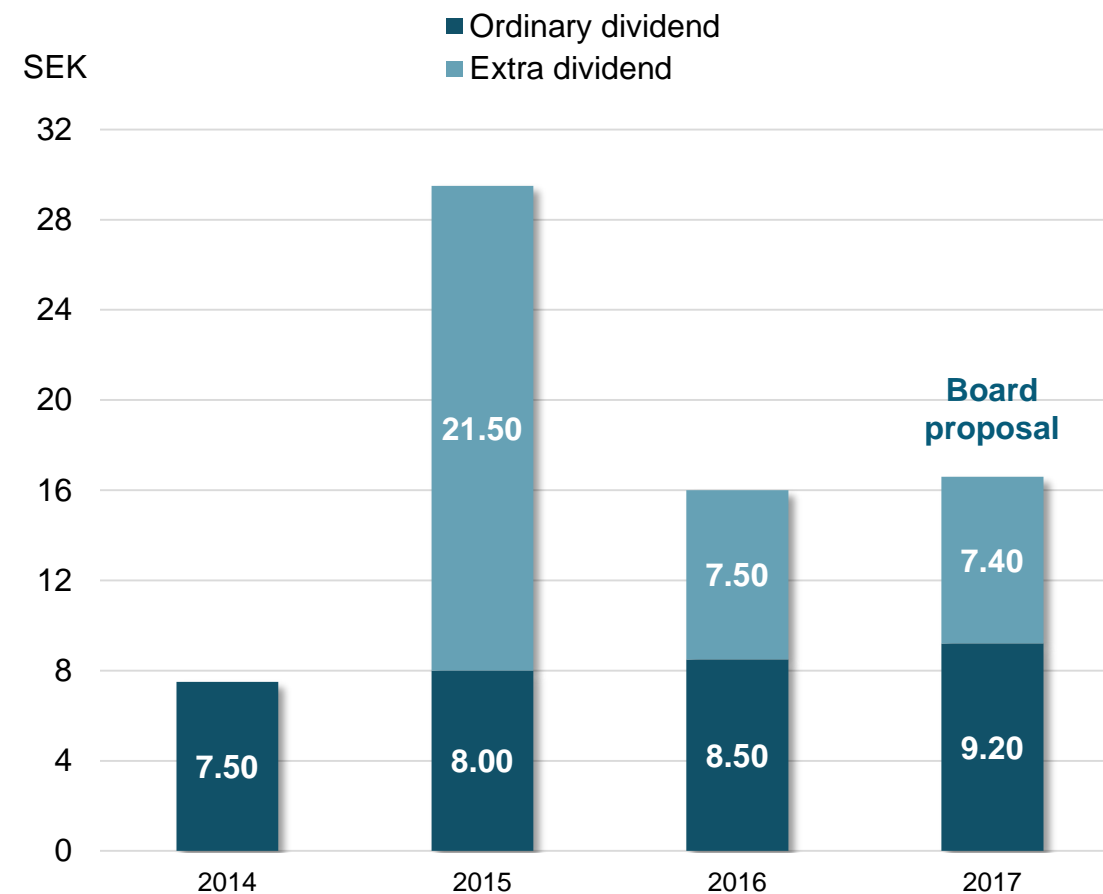
EBIT margin 25.9% 25.5% 25.7% 26.2%

SHAREHOLDER DISTRIBUTIONS

Transfer of capital to shareholders



Dividend per share



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. Swedish Match takes pride in paving the way with its vision of a world without cigarettes. By providing products that are recognized as safer alternatives to cigarettes, our ambition is to create value for both shareholders and the society.

For 2018, on a full year basis, Swedish Match expects the Scandinavian snus market to continue to grow and to remain highly competitive. In the US moist snuff market, we expect continued good growth for pouches. Swedish Match also expects the US snus/nicotine pouch market to grow. For US chewing tobacco we expect continued market declines, while for chew bags in Europe we expect continued market growth.

We will continue to invest in growth for snus and nicotine pouches outside Scandinavia. We will also increase the availability of nicotine pouches to Swedish consumers and explore new market opportunities for chew bags. The operating loss for snus and nicotine pouches outside Scandinavia is expected to be noticeably lower in 2018 than in 2017. The decision to invest in ZYN production capacity in the US will predominantly affect capital expenditures in 2018.

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

The effective corporate tax rate in 2018, excluding associated companies and any non-taxable larger one-time items, is expected to be around 21.5 percent (23.8). The expected reduction in tax rate is a consequence of the US corporate income tax reform effective January 1, 2018.

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