

## Making strides toward our vision

## WHO WE ARE, WHAT WE DO

**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 the majority of Company sales coming from Scandinavia and the US.

Some of Swedish Match's brands include: General (snus), Longhorn (moist snuff), ZYN (nicotine pouches without tobacco), Onico (pouch products with neither nicotine nor tobacco), White Owl (homogenized tobacco leaf cigars), Game (natural leaf cigars), Red Man (chewing tobacco), Thunder (chew bags), Oliver Twist (tobacco bits), Fiat Lux (matches), and Cricket (lighters).

The Swedish Match share is listed on Nasdaq Stockholm (SWMA).





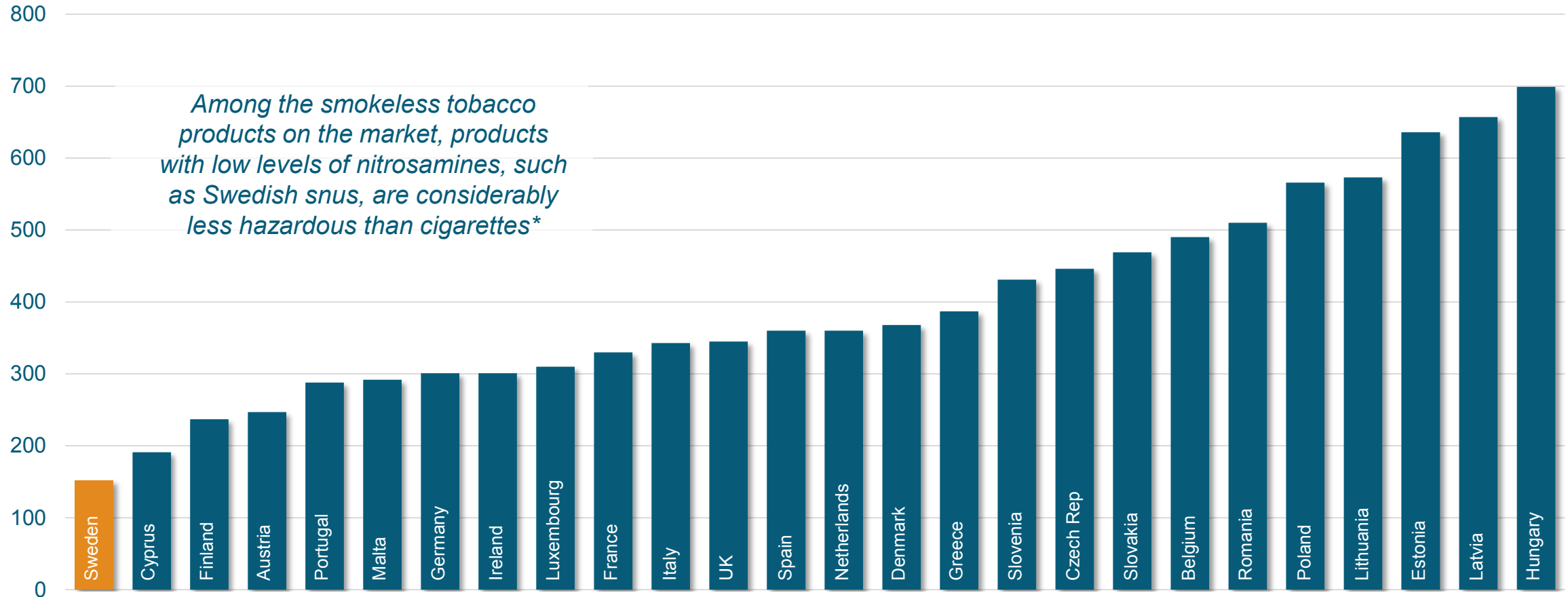
## A WORLD WITHOUT CIGARETTES

We create shareholder value by offering consumers enjoyable nicotine-containing products of superior quality in a responsible way. By providing products that are recognized as safer alternatives to cigarettes, we can contribute significantly to improved public health.



# A VISION THAT CONTRIBUTES TO SOCIETY

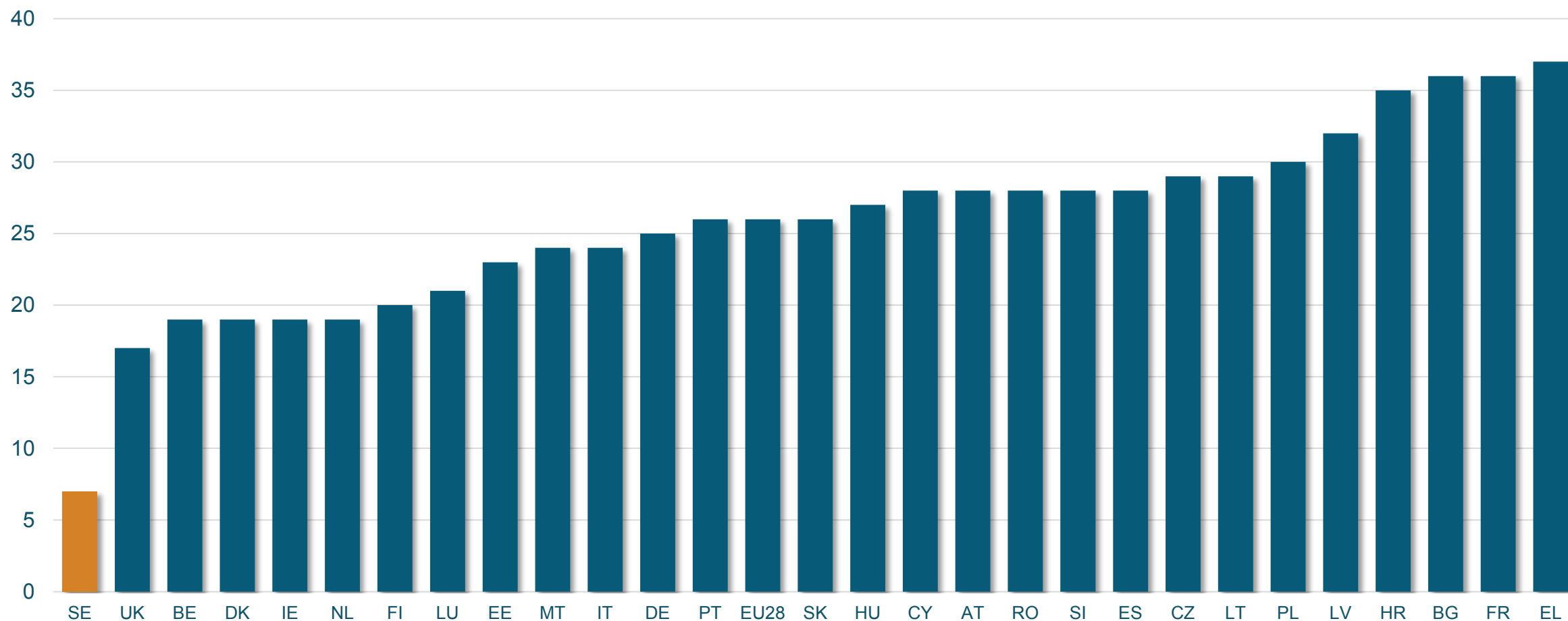
## Mortality attributable to tobacco, men per 100,000 (WHO 2012)



\* WHO Tob. Reg. Report 951, Scientific Basis of Tobacco Product Regulation 2008.

# SMOKERS IN THE EUROPEAN UNION – MEN AND WOMEN

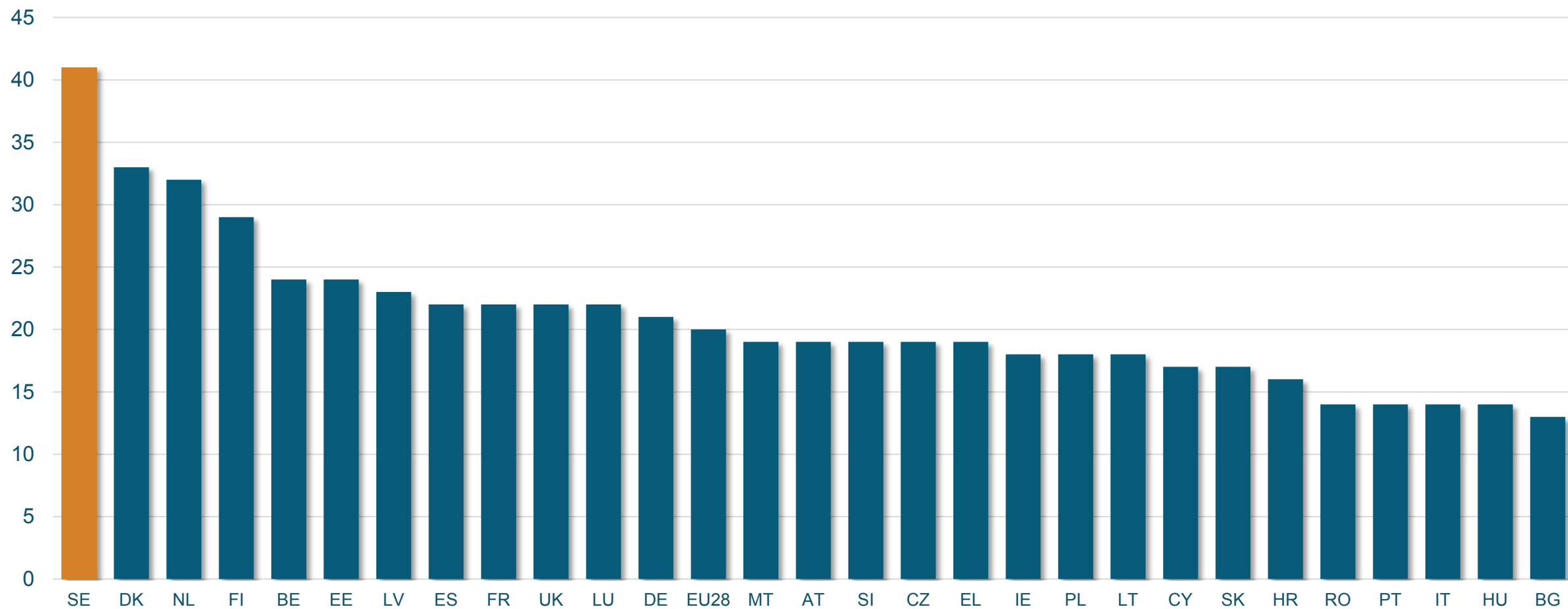
## Smoking prevalence in the EU (%)



Source: Eurobarometer 458, May 2017.

# EX-SMOKERS IN THE EUROPEAN UNION – MEN AND WOMEN

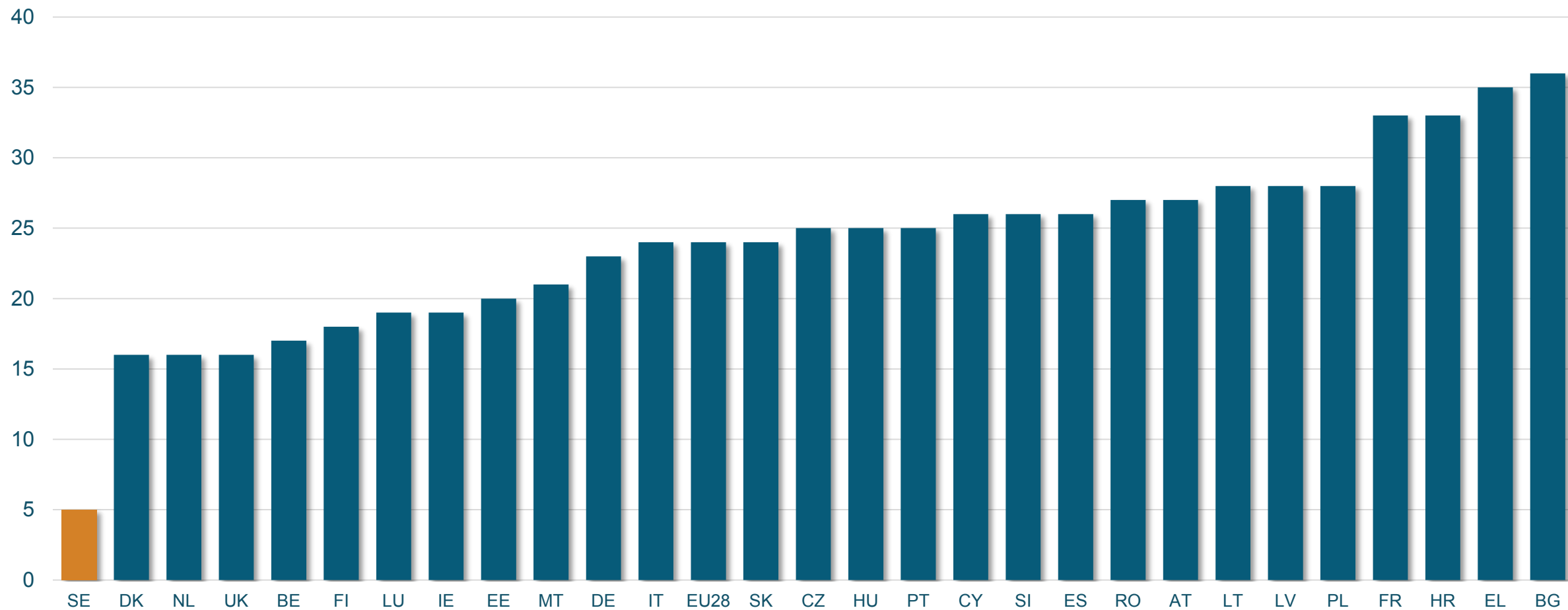
## Prevalence of ex-smokers in the EU (%)



Source: Eurobarometer 458, May 2017.

# DAILY SMOKERS IN THE EUROPEAN UNION – MEN AND WOMEN

## Prevalence of daily smokers in the EU (%)



Source: Eurobarometer 458, May 2017.

# OPERATING LOCATIONS

## USA

- Production of moist snuff, cigars, chewing tobacco
- Sales offices
- 990 employees

## The Dominican Republic

- Production of cigars
- 2,481 employees

## Brazil

- Production of matches, lighters
- Sales offices
- 503 employees

## Norway

- Sales offices
- 45 employees

## Sweden

- Head office
- Production of snus, matches
- Sales offices
- 1,242 employees

## Denmark

- Production of chew bags, tobacco bits, snus
- Sales offices
- 95 employees

## Belgium

- Public Affairs office
- 2 employees

## The Netherlands

- Production of lighters
- 97 employees

## Switzerland

- Treasury office
- 2 employees

## Turkey

- Sales offices
- 14 employees

## The Philippines

- Production of lighters
- Sales offices
- 191 employees

COUNTRIES

11

FACTORIES

13

EMPLOYEES

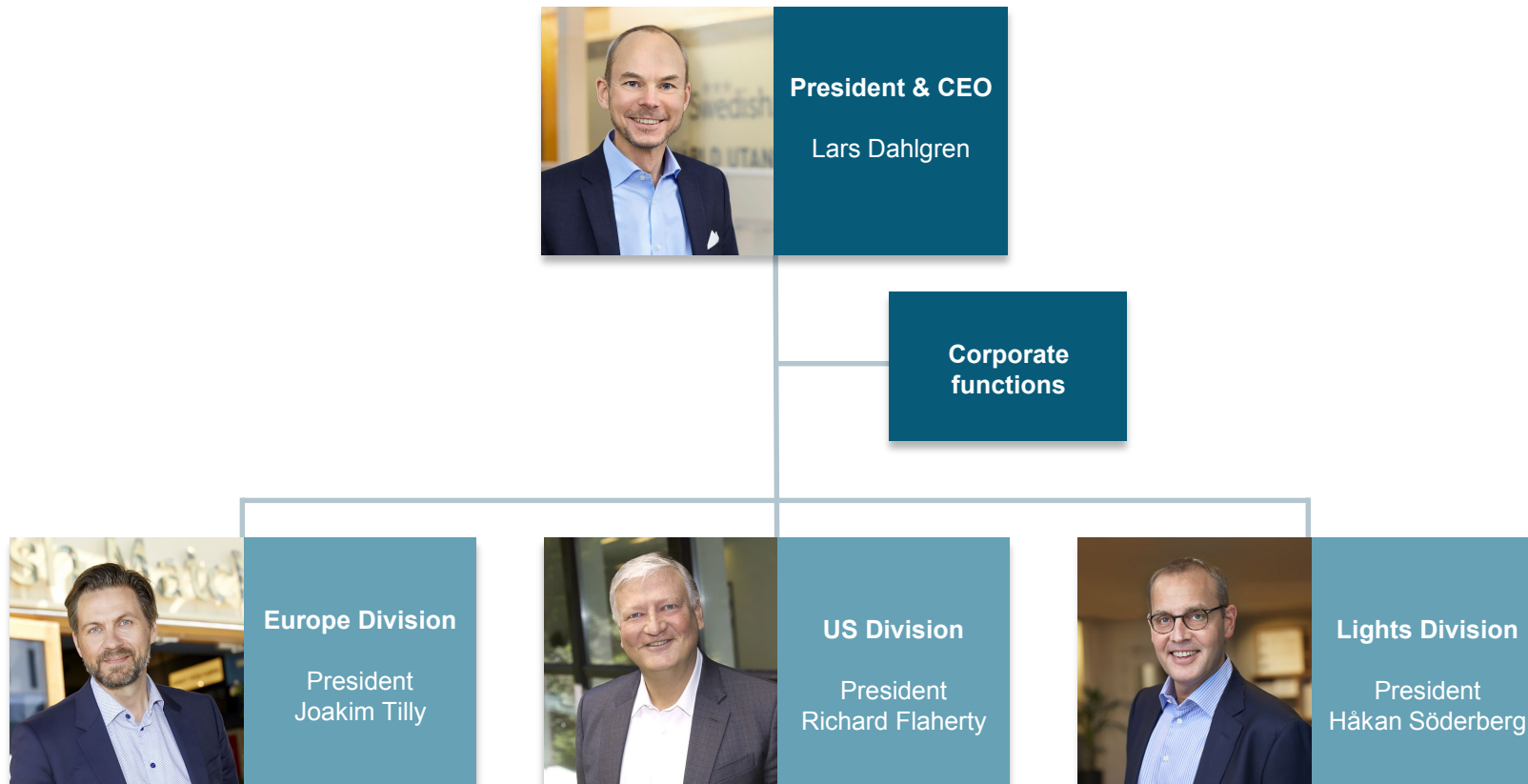
5,662

As of December 31, 2018.



# ORGANIZATION

**Swedish Match's organization** is made up of three divisions as well as Corporate functions.



## HIGHLIGHTS IN SWEDISH MATCH'S HISTORY

- 1996** Listed on Nasdaq Stockholm
- 1999** Divested cigarette operations  
Acquired General Cigar's operations of machine made cigars in the US
- 2008** Manufacturing agreement with National Tobacco for chewing tobacco in the US
- 2010** Creation of new STG: cigars, pipe tobacco, fine cut tobacco (49% ownership), and simultaneous divestment of Swedish Match premium cigar, European cigar, and pipe tobacco businesses
- 2014** New Company vision: A world without cigarettes
- 2016** Reduced its shareholding in STG in connection with the listing of STG on Nasdaq Copenhagen and sold the final remaining shareholding in STG in 2017
- 2017** Acquired V2 Tobacco (chewing tobacco and snus business)
- 2018** Acquired Oliver Twist (chewing tobacco business) and 95% of the shareholding in Gotlandssnus (snus business)

*For more information on Swedish Match's history, please visit the Company website.*

# SWEDISH MATCH TODAY

- The largest snus manufacturer in Scandinavia, number one position.
- The third largest moist snuff manufacturer in the US.
- A significant player in the US snus market.
- The largest player in the US non-tobacco nicotine pouch market.
- The largest manufacturer of US chewing tobacco.
- The number two player in the US (mass market) cigar market.<sup>1)</sup>
- A leading manufacturer and distributor of matches and lighters with a strong brand portfolio across the globe.
- A distribution function being the leading distributor of tobacco products on the Swedish market.

1) Swedish Match estimates based on actual shipments, excluding little cigars.

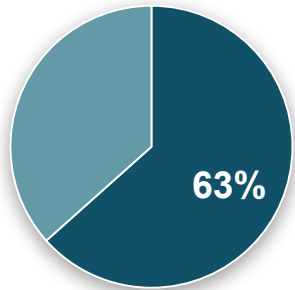


# STRONG MARKET POSITIONS

## SNUS AND MOIST SNUFF

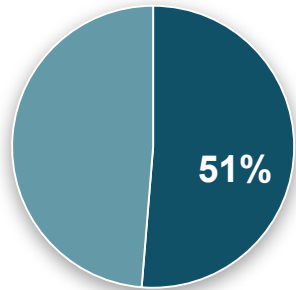
Snus  
Sweden

# #1



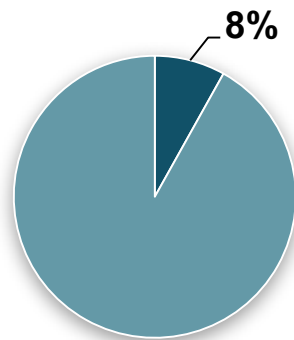
Snus  
Norway

# #1



Moist snuff  
The US

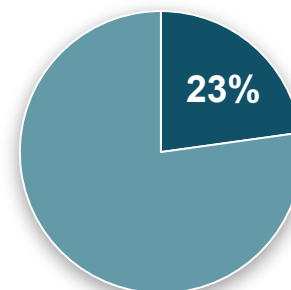
# #3



## OTHER TOBACCO PRODUCTS

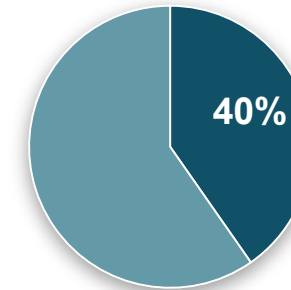
Cigars  
The US

# #2



Chewing tobacco  
The US

# #1



Source: Swedish Match estimates based on different sources, including Nielsen, CMPP, and reported industry shipments. All figures refer to the full year 2018.



**GOTHIATEK®** is the world-unique quality standard pursued by Swedish Match since 2000.

The uncompromising requirements that GOTHIATEK® imposes on the company's snus products are based on decades of research and development, with product safety and consumer protection as the key targets.

GOTHIATEK® is based on three cornerstones:

- Consumer care – through uniquely low limits for undesirable substances
- Quality – through 100% control from seed to can
- Openness – through information about the company's products and research results

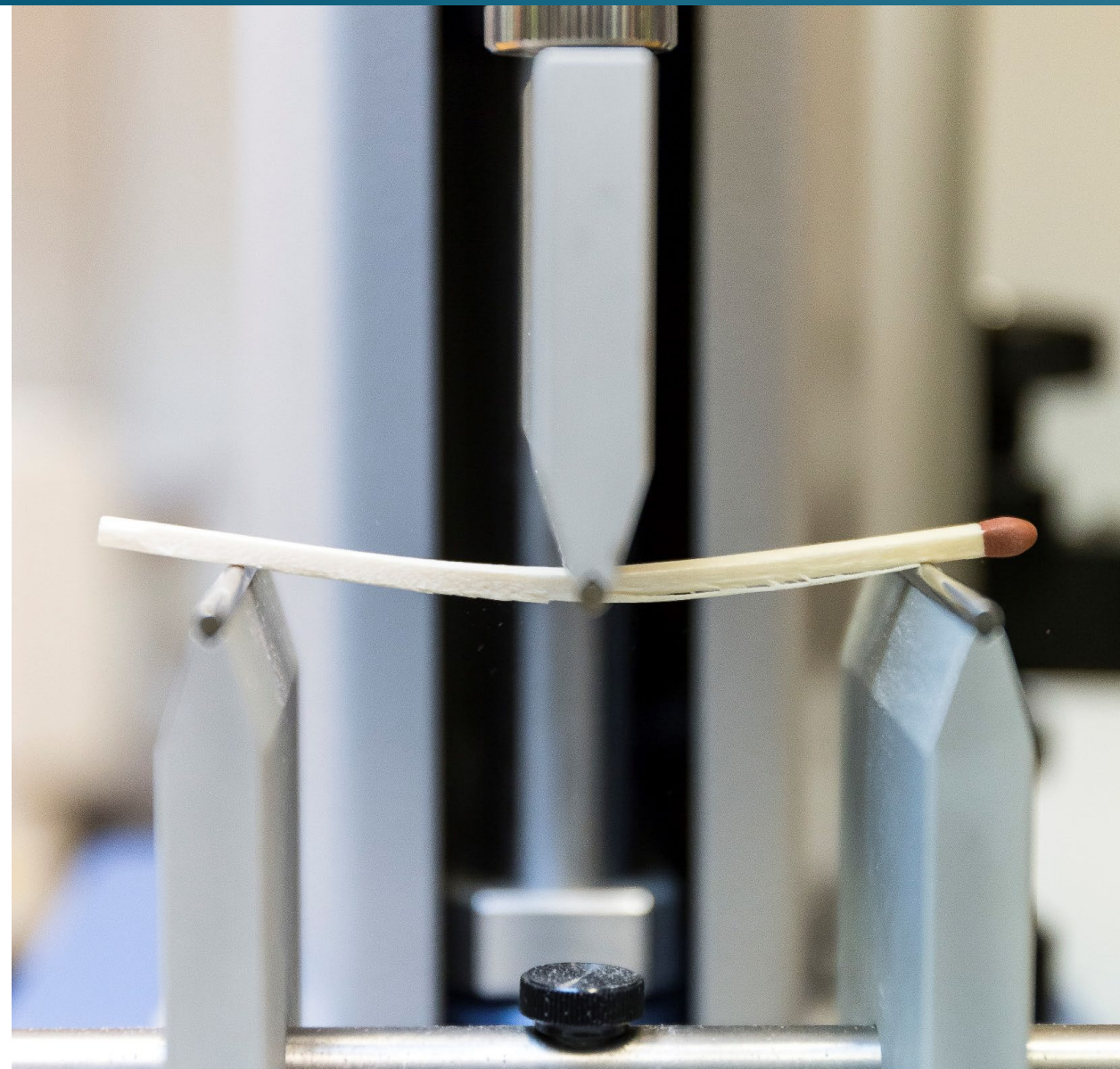




# MATCHTEK®

The Swedish matches we manufacture and sell meet the world's highest quality and safety requirements.

The **MATCHTEK®** standard is an extension of the existing European match standard EN 1783:1997 (performance requirements, safety and classification). The restrictions are stricter than those in the EN 1783:1997, and the methods for analysis and testing are more complex. Our complying with this standard means our matches have been subject to rigorous quality control tests.



# SWEDISH MATCH IN FIGURES 2018



- Profit before income tax: 4,531 MSEK
- Profit for the year: 3,578 MSEK
- EBITDA from product segments: 5,301 MSEK
- EPS: 20.63 SEK
- Cash returned to shareholders<sup>1)</sup>: 5,423 MSEK

1) Dividends plus share repurchases.





# PRODUCT SEGMENTS AND MAIN GEOGRAPHIES<sup>1)</sup>



## SNUS AND MOIST SNUFF

Snus (Scandinavia and US)

Moist snuff (US)

Nicotine pouches without tobacco (Sweden, US)



## OTHER TOBACCO PRODUCTS

Cigars (US)

Chewing tobacco (US, Europe)

Chew bags and tobacco bits (Europe)



## LIGHTS

Lighters (worldwide)

Matches (worldwide)

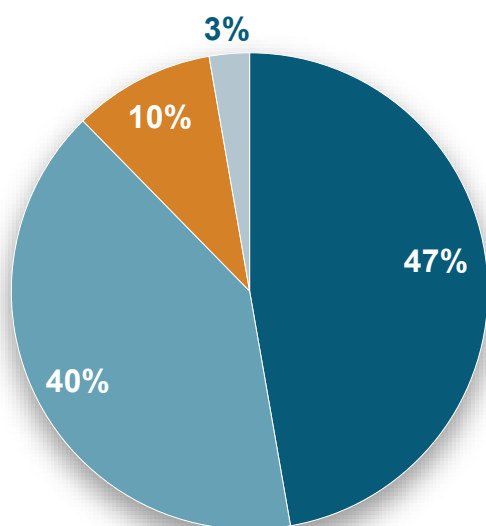
Complementary products (Brazil)

<sup>1)</sup> May exist in certain other areas other than those mentioned.



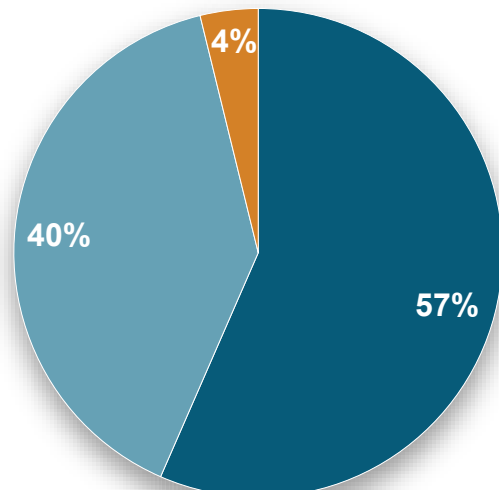
# SALES AND OPERATING PROFIT IN 2018

## Sales by product segment



- Snus and moist snuff
- Lights

## Operating profit<sup>1)</sup> by product segment



- Other tobacco products
- Other operations

1) Excluding Other operations.



# SNUS AND MOIST SNUFF

## Growth driven by innovative products and formats

- Leading position for snus in Scandinavia.
- A significant player for snus in the US.
- The third largest producer of moist snuff in the US.
- Production in Sweden (snus, nicotine pouches) and the US (moist snuff, nicotine pouches).

## Main brands

### Scandinavia

*Snus, Sweden:* General, Göteborgs Rapé, Kaliber, Kronan, Ettan, Grov, Catch

*Snus, Norway:* General, G.3, G.4, The Lab, Nick & Johnny

*Nicotine pouches without tobacco, Sweden:* ZYN

*Pouch products with neither nicotine nor tobacco:* Onico, Qvitt

### US

*Moist snuff:* Longhorn, Timber Wolf

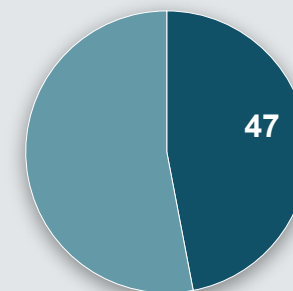
*Snus:* General

*Nicotine pouches without tobacco:* ZYN

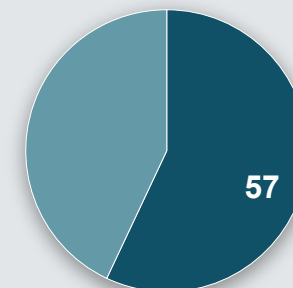


## Share of Group 2018 (%)

### Sales



### Operating profit<sup>1)</sup>



1) Excluding Other operations.

# OTHER TOBACCO PRODUCTS

## Strong player in US cigars and chewing tobacco

- The number two player in the US mass market cigar market.
- The largest manufacturer of US chewing tobacco.
- Production mainly in the US (cigars and chewing tobacco), the Dominican Republic (cigars), and Denmark (chew bags and tobacco bits).

## Main brands

*Cigars, the US:* Garcia y Vega, Game by Garcia y Vega, 1882, White Owl, Jackpot

*Chewing tobacco, the US:* Red Man

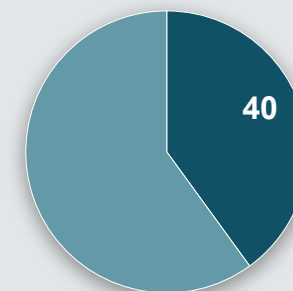
*Chew bags, Europe:* Thunder, General Cut

*Tobacco bits, Europe:* Oliver Twist

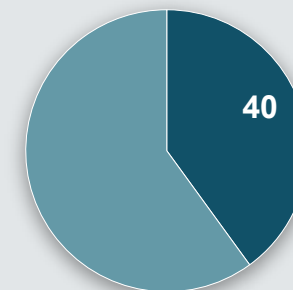


## Share of Group 2018 (%)

### Sales



### Operating profit<sup>1)</sup>



1) Excluding Other operations.



## Matches and lighters are sold across the globe

- Swedish Match is market leader in many markets. Match brands tend to be local and hold a strong position in their respective markets.
- Production in Brazil, the Netherlands, the Philippines, and Sweden.
- Strong presence in Latin America, especially for matches in Brazil, as well as in large parts of Europe and Asia Pacific.
- The Company also offers a portfolio of complementary products primarily in Brazil.

## Main brands

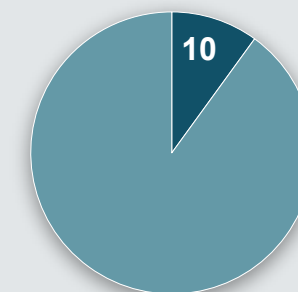
**Matches:** Solstickan (Sweden), Nitedals (Norway), Fiat Lux (Brazil), Redheads (Australia)

**Lighters:** Cricket (globally)

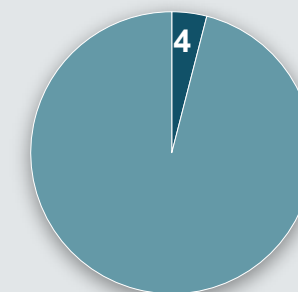


## Share of Group 2018 (%)

### Sales



### Operating profit<sup>1)</sup>



1) Excluding Other operations.



## OTHER OPERATIONS

**Other operations** consists of corporate functions providing services to the Swedish Match operating divisions. Services provided are in such areas as regulatory affairs, legal and financial services, and also includes a distribution function.

The distribution function provides services to Swedish Match in Sweden and Norway as well as to other manufacturers within the Swedish distribution network.





## Swedish Match's operations are characterized by strong cash flows

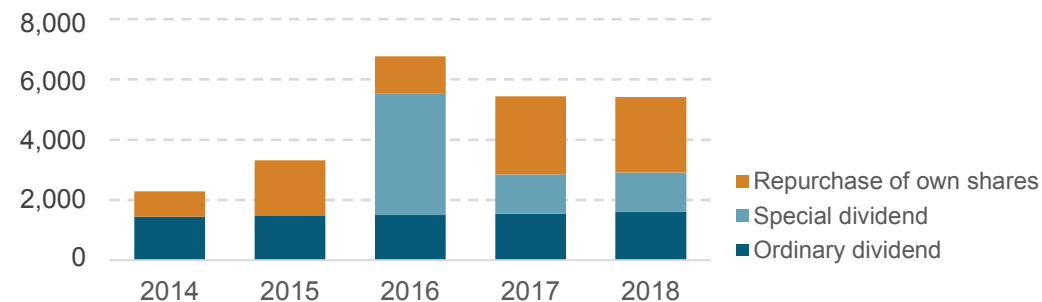
### ○ Financial strategy

- Optimize balance sheet
- Return excess funds to shareholders

### ○ Financial policy

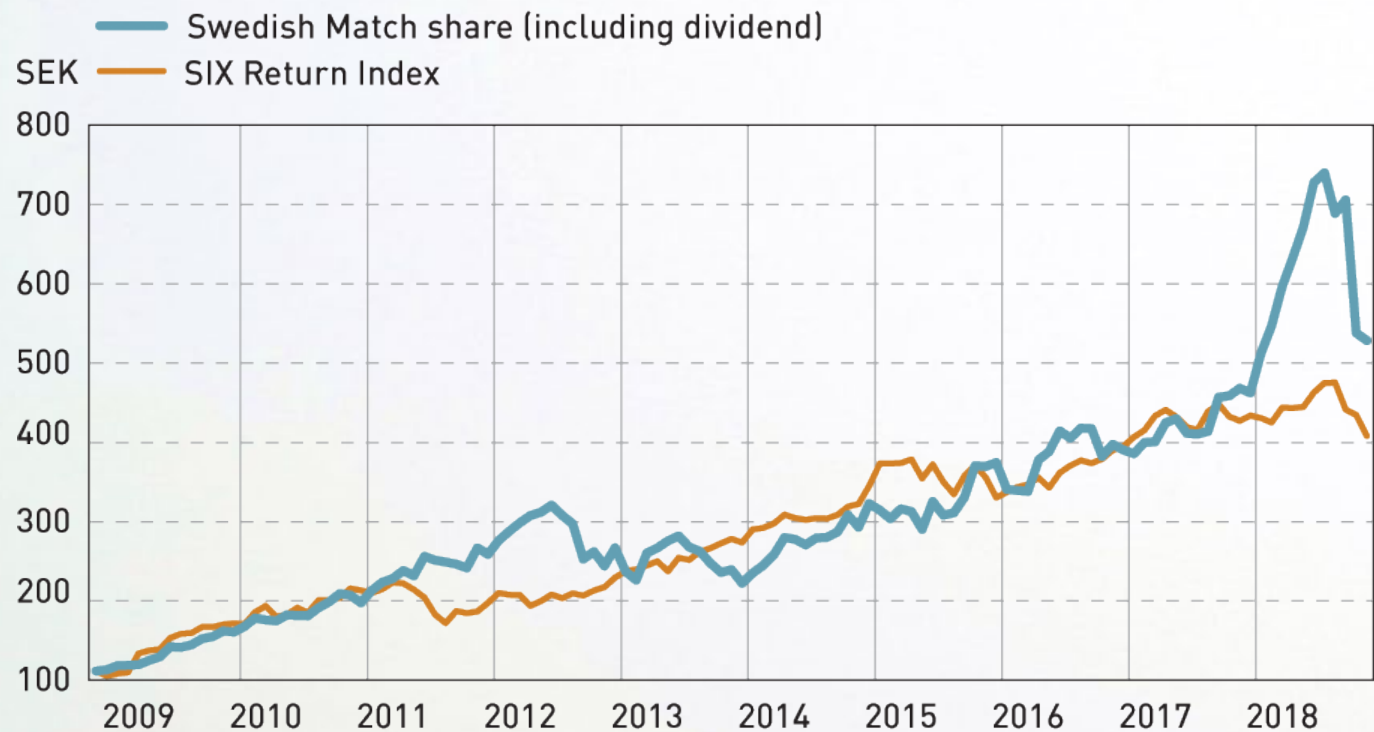
- Dividend policy: payout ratio of 40-60% of earnings per share
- Maintain a net debt that does not exceed 3 times EBITA
- Maintain a Standard & Poor's BBB and a Moody's Baa2 long term rating

Transfer of capital, MSEK



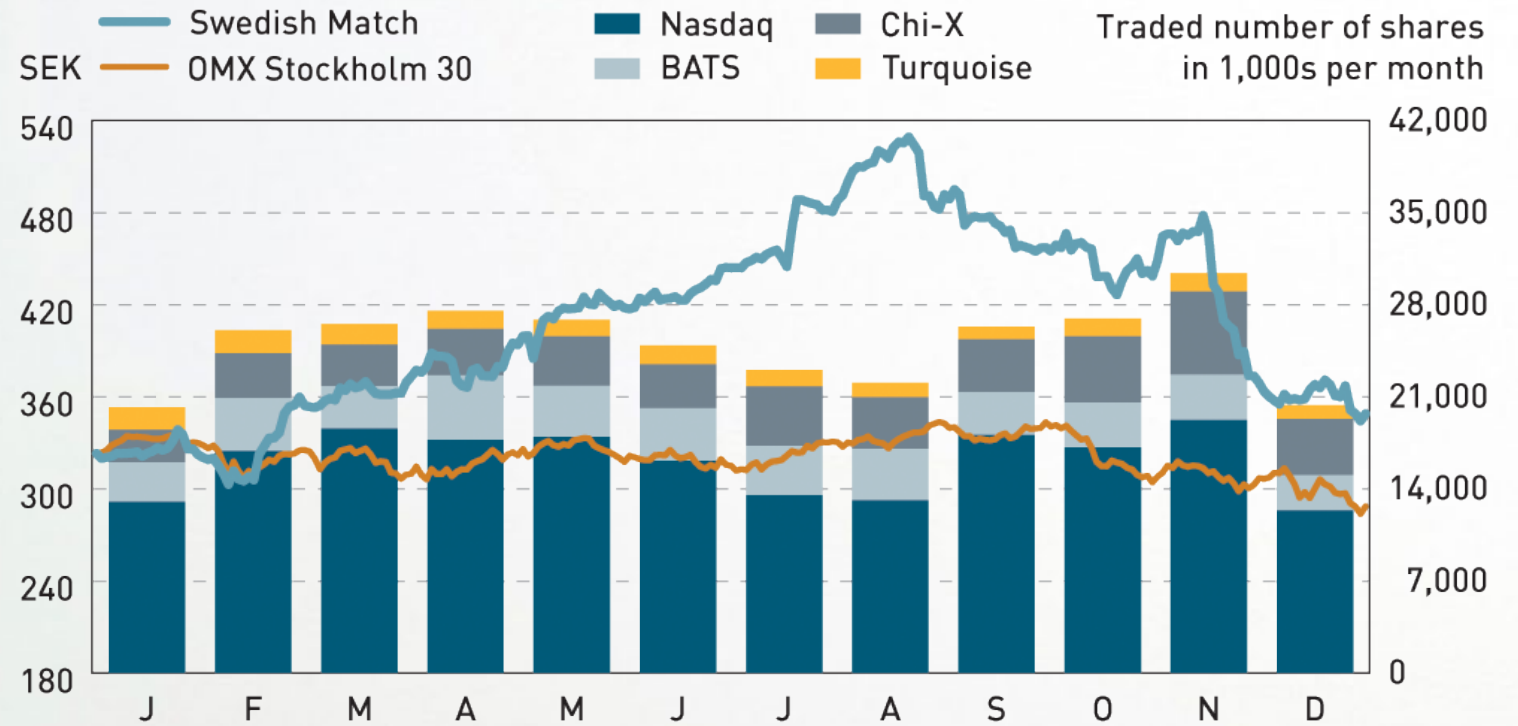


# TOTAL RETURN 2009-2018



Source: SIX & WebfinancialGroup

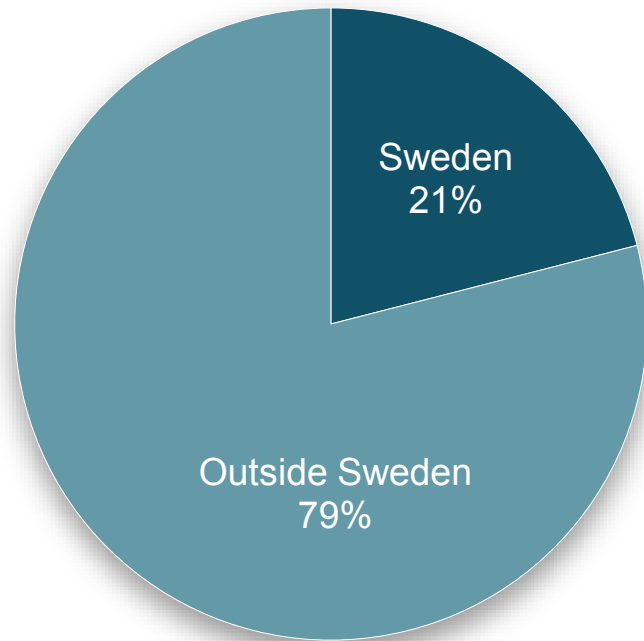
# SHARE PRICE AND TURNOVER 2018



Source: SIX & WebfinancialGroup



# SHARE HOLDINGS<sup>1)</sup>



Largest shareholders	Number of shares	Holding in percent	Votes in percent
BlackRock	9,947,174	5.7	5.8
Cedar Rock Capital	5,794,235	3.3	3.4
Vanguard	5,185,421	2.9	3.0
SEB Funds	4,575,628	2.6	2.7
Oppenheimer	4,345,000	2.5	2.6
Gabelli/GAMCO	3,901,600	2.2	2.3
Nordea Funds	3,760,245	2.1	2.2
JP Morgan Asset Management	3,585,430	2.0	2.1
Invesco	3,178,894	1.8	1.9
Fidelity International (FIL)	2,143,709	1.2	1.3
<b>Subtotal 10 owners</b>	<b>46,417,336</b>	<b>26.4</b>	<b>27.3</b>
Other	123,793,369	70.4	72.7
<b>Sub total</b>	<b>170,210,705</b>	<b>96.7</b>	<b>100.0</b>
Shares held by Swedish Match	5,739,295	3.3	0.0
<b>TOTAL</b>	<b>175,950,000</b>	<b>100.0</b>	<b>100.0</b>

1) Including shares held by Swedish Match. Registered direct ownership and ownership through trustees. Certain shareholders may, through custodial accounts, have had different holdings than are apparent from the shareholders' register. Totals may be affected by rounding.

Source: Monitor by Modular Finance AB, data derived from various sources including Euroclear Sweden AB and Morningstar, as of December 31, 2018.

# SUSTAINABILITY – OUR 6 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 other 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.



## 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

Our goal is to reduce waste generated at our own production facilities.



## Eliminate child labor

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

# CORE VALUES

**At Swedish Match**, we believe that the success of the Company is largely impacted by the success of our employees. We believe that amazing things happen when great people work for a great company, and when those people are developed, retained, engaged and become true ambassadors for Swedish Match. Everything we do in Human Resources and every decision we make is based on those core beliefs.

## *Passion, Ownership, Innovation, Quality*

Swedish Match's core values are central to the Company's business ethics and, as such, they are demonstrated in all relations with stakeholders and are a natural part of the way the Company conducts business.



PASSION



OWNERSHIP



INNOVATION



QUALITY

