

SWEDISH MATCH RESULTS PRESENTATION

Q2 2018



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Q2 – HEADLINE BULLETS

- In local currencies, sales increased by 10 percent for the second quarter. Reported sales increased by 9 percent to 3,336 MSEK (3,053).
- In local currencies, operating profit from product segments¹⁾ increased by 16 percent for the second quarter. Reported operating profit from product segments increased by 15 percent to 1,293 MSEK (1,123).
- Operating profit amounted to 1,263 MSEK (1,091) for the second quarter.
- Profit after tax amounted to 928 MSEK (812) for the second quarter.
- Earnings per share amounted to 5.31 SEK (4.48) for the second quarter. Adjusted earnings per share²⁾ increased by 27 percent to 5.31 SEK (4.17).
- The outlook statement on page 10 in the half year report has been modified with regard to snus and nicotine pouches outside Scandinavia.

1) Operating profit for Swedish Match product segments, which excludes Other operations and larger one-time items.

2) Earnings per share adjusted to exclude income from Scandinavian Tobacco Group (STG) and larger one-time items.



HIGHLIGHTS IN THE QUARTER

Sales and operating profit in local currencies increased across all product segments

- **Snus and moist snuff as well Other tobacco products reported record sales and operating profit**
- **Snus and moist snuff product segment sales up 7% and operating profit up 16% in local currencies**
 - Strong performances from both Scandinavian snus and snus/nicotine pouches outside Scandinavia.
 - Continued strong growth of both the Swedish and Norwegian markets, with higher underlying organic volumes for Swedish Match in both Sweden and Norway.
 - Improvement for snus and nicotine pouches outside Scandinavia driven by growth for ZYN and more efficient marketing spending for snus in the US.
- **OTP growth driven by US cigars, and good financial performance for chewing tobacco**
 - Record volumes and improved pricing for cigars.
 - Operating profit growth from chewing tobacco with stable result in the US and profit contribution from the recent acquisitions of V2/Oliver Twist.
- **Lights segment improved versus the prior year's soft second quarter with better mix for lighters, and higher match volumes**
 - Matches, lighters and complementary products each had a stronger performance versus the first quarter on a sequential basis, despite soft BRL and challenging market conditions in certain key markets.

SNUS AND MOIST SNUFF: Q2 COMMENTARY

Higher volumes, sales and operating profit in both Scandinavia and the US in local currencies

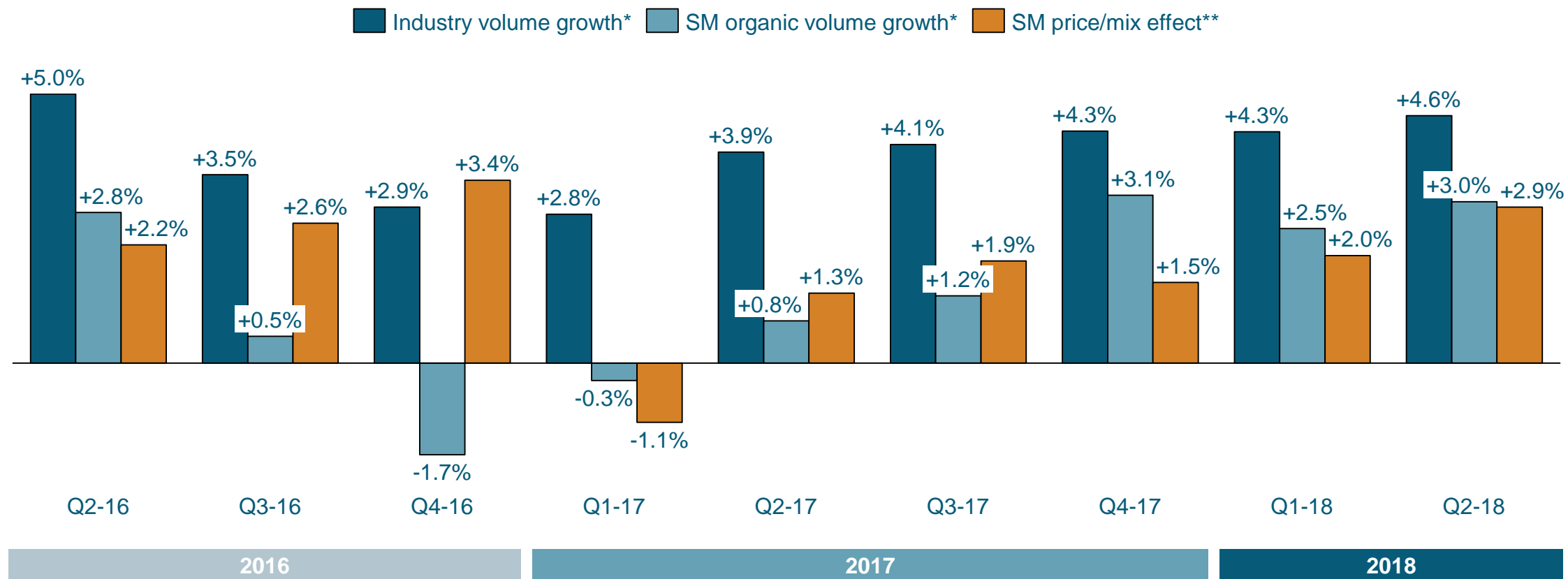
- In local currencies, sales improved for snus in Scandinavia, and for snus and nicotine pouches outside Scandinavia
 - Sales and gross profits in Scandinavia up on higher volumes and higher realized pricing
 - Swedish Match shipment volumes incl. V2 up close to 4%.
 - Estimated underlying organic volumes (excl. V2 and calendar effects) up 3%.
 - Higher average pricing, stronger NOK and price increases partially offset by negative mix.
 - Smooth transition to plain packaging in Norway.
 - Strong volume growth and improved profitability for snus and nicotine pouches outside Scandinavia
 - ZYN now in 12,000 stores in the US.
 - Velocities continued to increase for snus in US and especially for ZYN.
- US moist snuff sales down marginally, operating profit was flat (local currency basis)
 - Volumes up for pouches and tubs, more than offset by declines in traditional loose portfolio.



	Q2-2018	Q2-2017	chg	H1-2018	H1-2017	chg	July 2017- June 2018	Full year 2017	chg
Sales, MSEK	1,509	1,405	7	2,894	2,701	7	5,677	5,484	4
Operating profit, MSEK	691	590	17	1,314	1,124	17	2,548	2,358	8
Operating margin, %	45.8	42.0		45.4	41.6		44.9	43.0	

SCANDINAVIA – UNDERLYING VOLUMES AND SWEDISH MATCH PRICE/MIX EFFECT

Total Scandinavian snus by quarter versus same quarter prior year

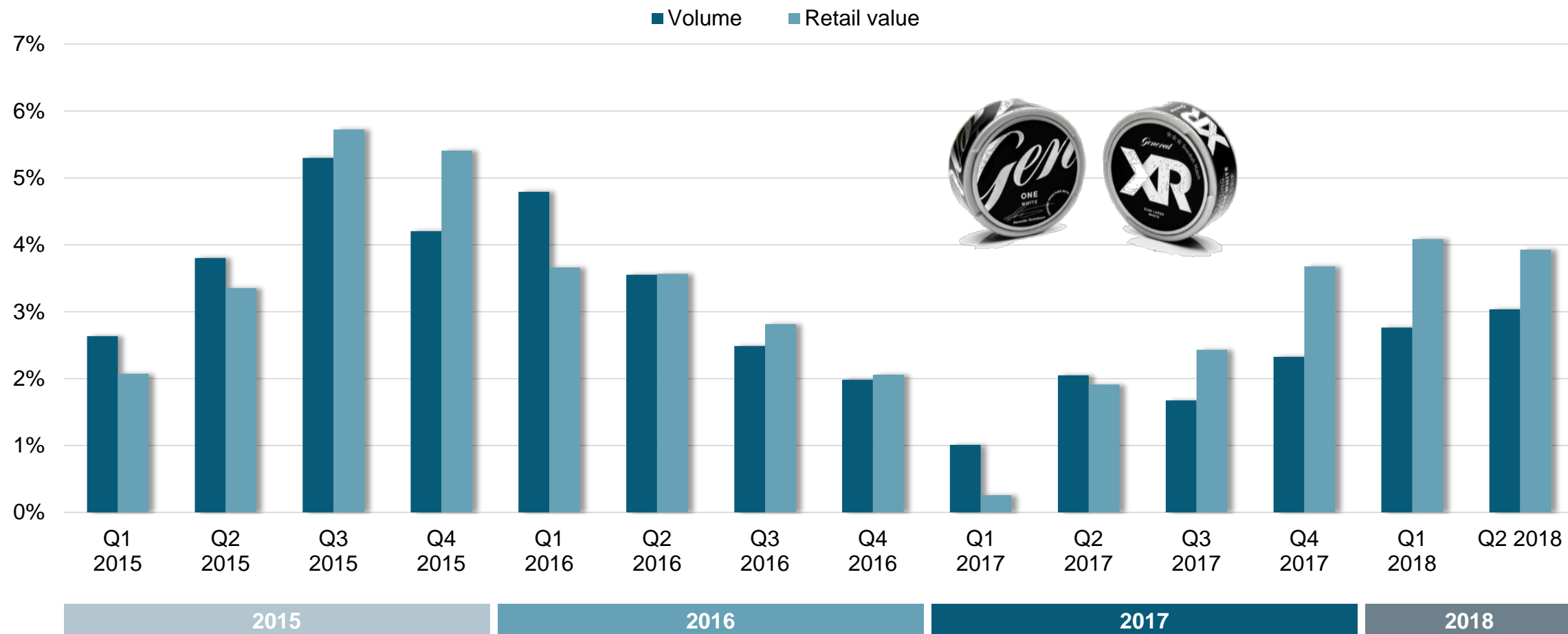


* Based on Nielsen and Swedish Match estimates (adjusted for hoarding).

** Adjusted for currency effects.

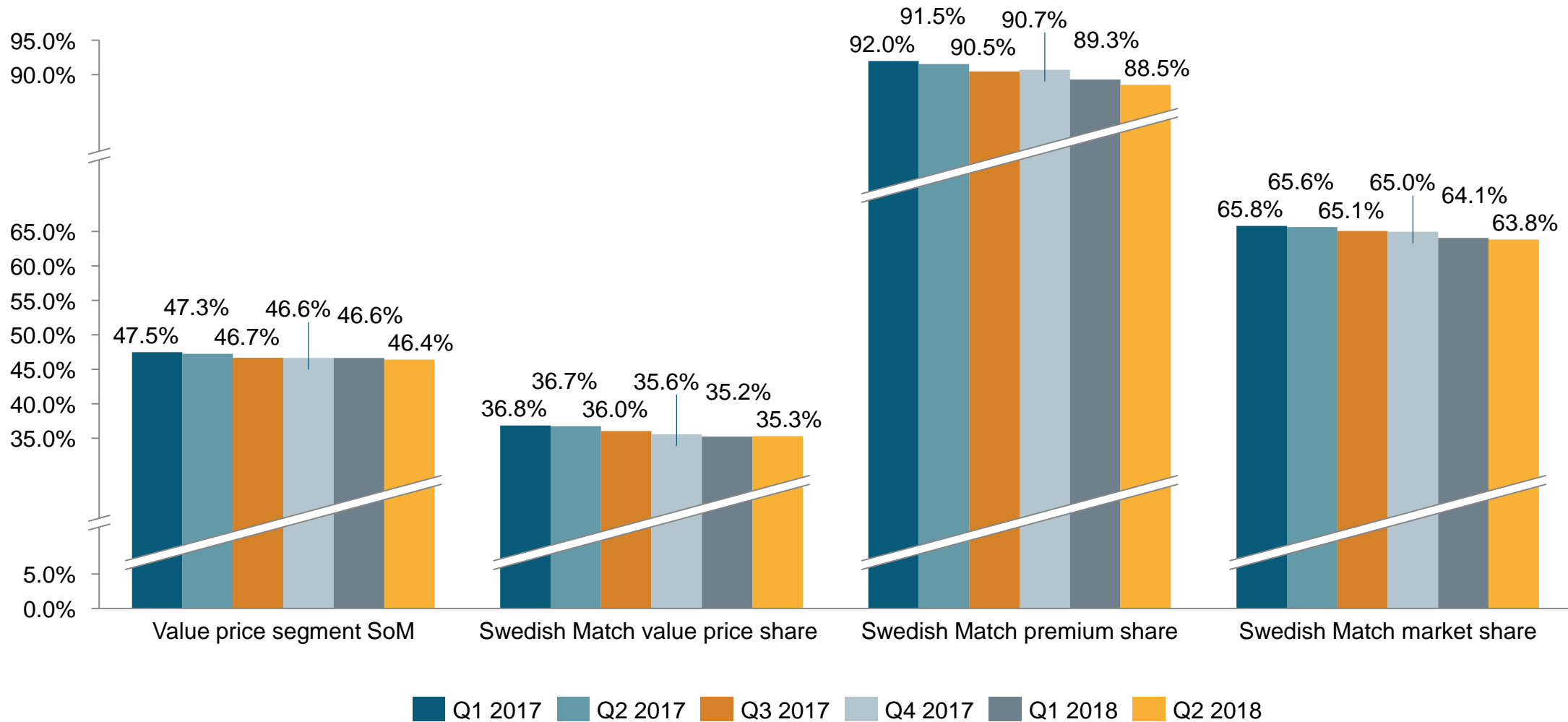
SWEDEN – CATEGORY DEVELOPMENT

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



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

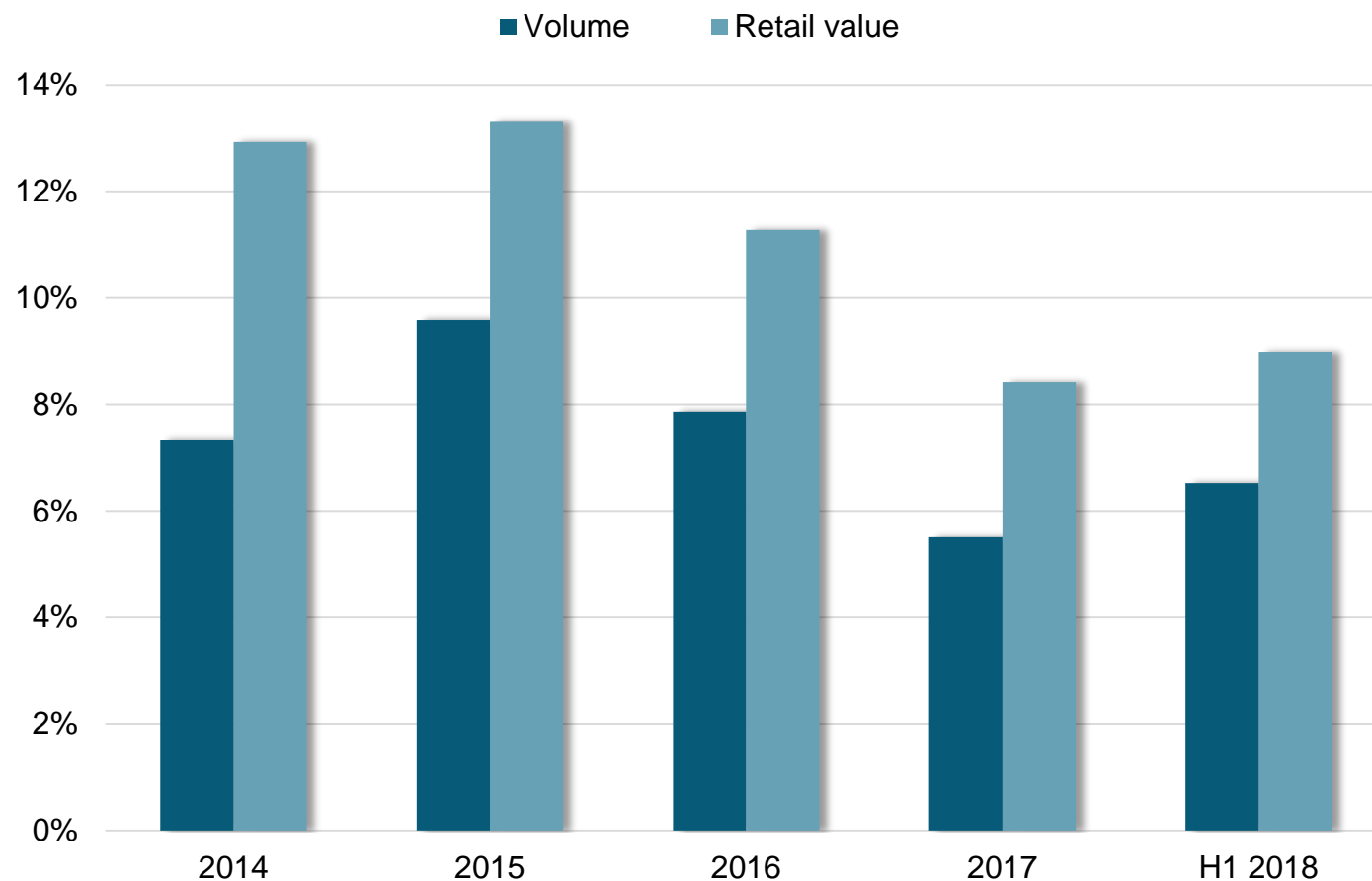
SWEDEN – MARKET SHARE DYNAMICS – VOLUME SHARES



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

NORWAY – CATEGORY DEVELOPMENT

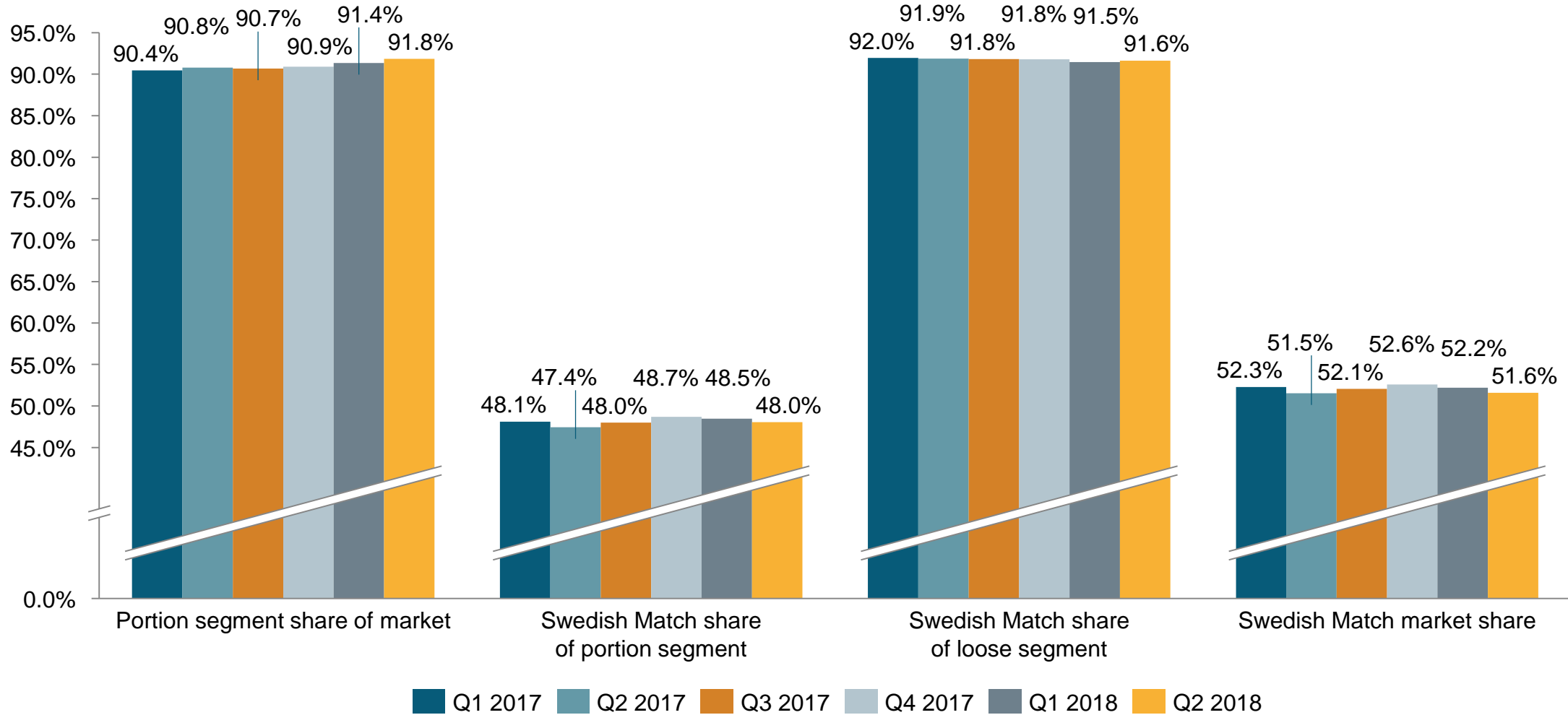
Volume and retail value year-on-year growth (Nielsen)



Source: Nielsen, DVH+KBS.



NORWAY – MARKET SHARE DYNAMICS – VOLUME SHARES



Source: Nielsen, DVH+KBS.

SCANDINAVIAN NEW PRODUCT ACTIVITY

Sweden

- ZYN Slim - three new additions to the ZYN portfolio, in full distribution early May.
- Limited editions:
Small Batch #3 in April.
Göteborgs Rapé Ltd. Ed. 2018 and
General Gastronomy Series Summer 2018 in May.
Small Batch #4 in June.



Norway

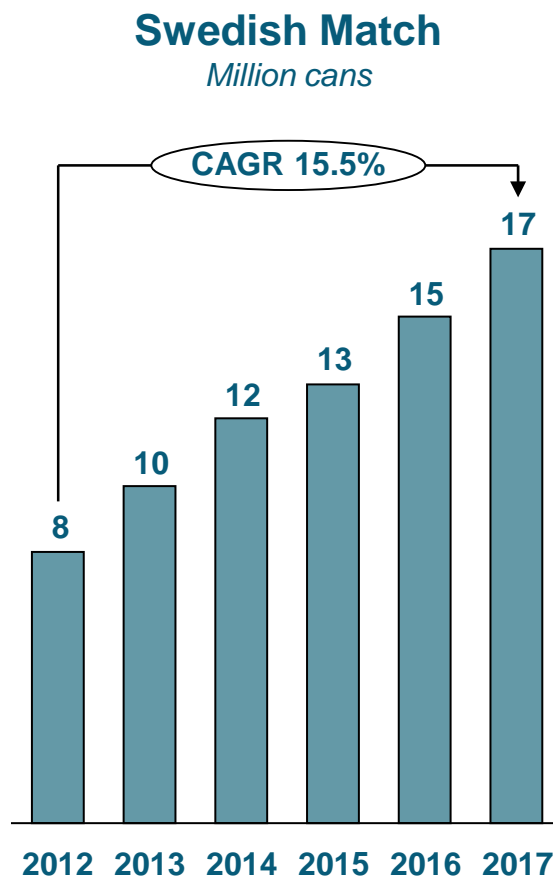
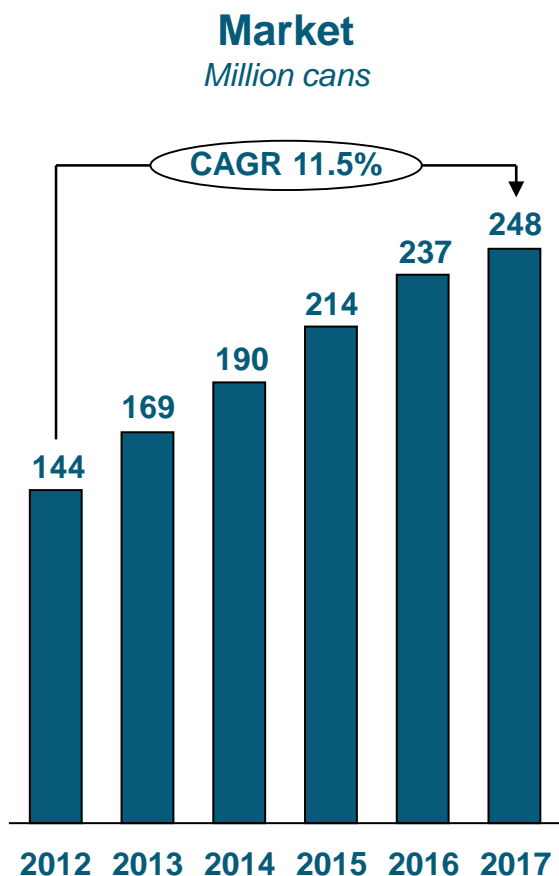
- G.3 Load Super Strong in stores from March. First product in plain packaging.
- G.4 CRYO All White Super Strong in April.
- G.3 T.N.T Slim White Dry Super Strong in June.



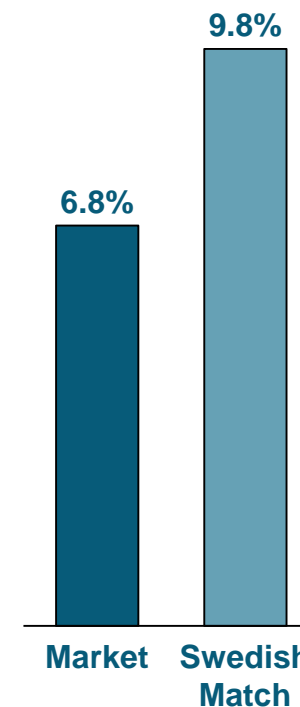
Can design for the Swedish market.
Plain packaging in Norway.

US – MOIST SNUFF POUCHES

Swedish Match's pouch volumes have outperformed the category



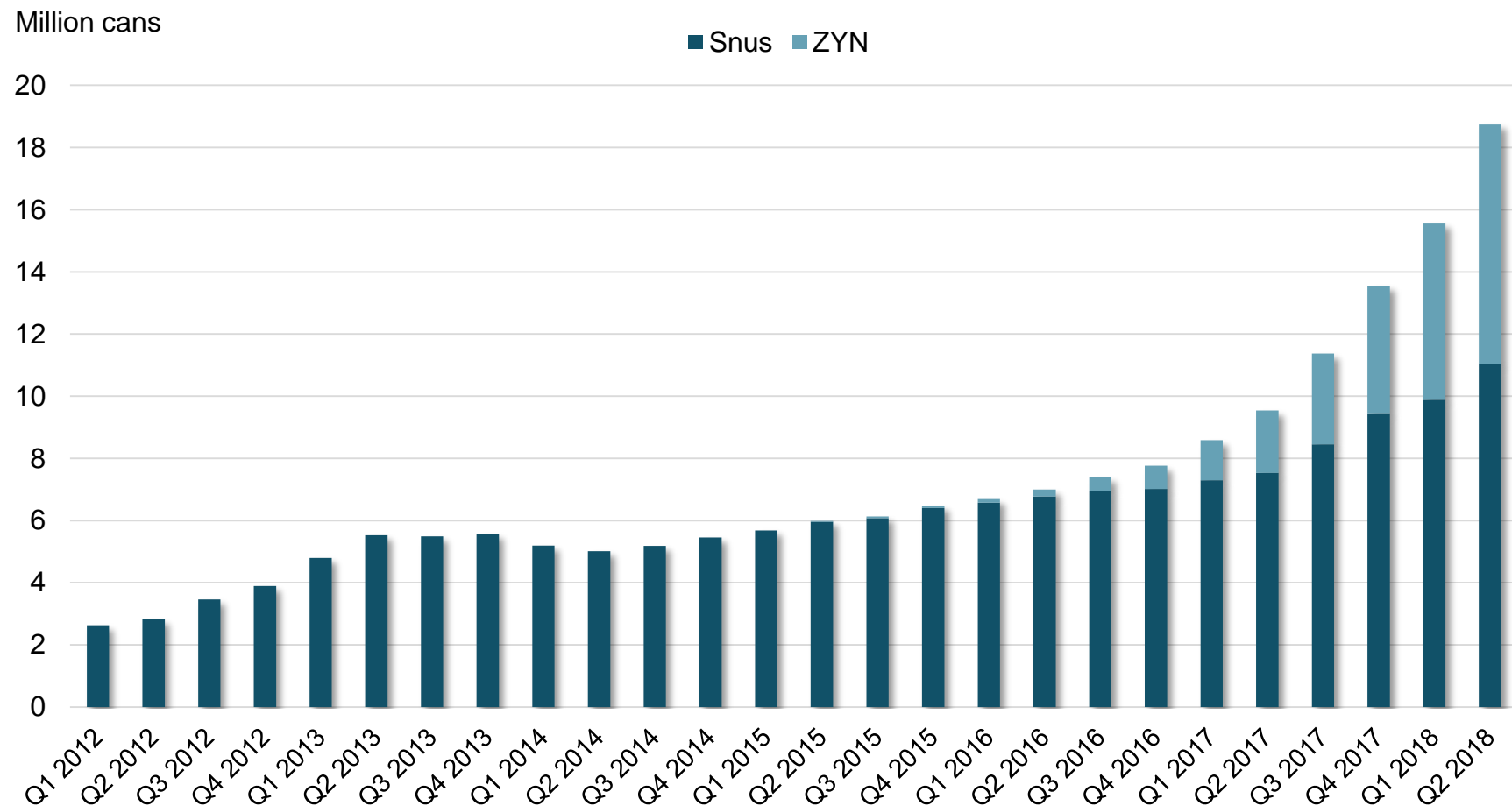
YTD to June 2018,
y-o-y growth rates (%)
Volume



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

SNUS AND NICOTINE POUCH VOLUMES OUTSIDE SCANDINAVIA

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



* Includes V2 snus from September 2017. Shipments refer to the US and other all other non-Scandinavian markets.

OTHER TOBACCO PRODUCTS (OTP): Q2 COMMENTARY

Continued strong growth for cigars, chewing tobacco benefitted from acquisitions

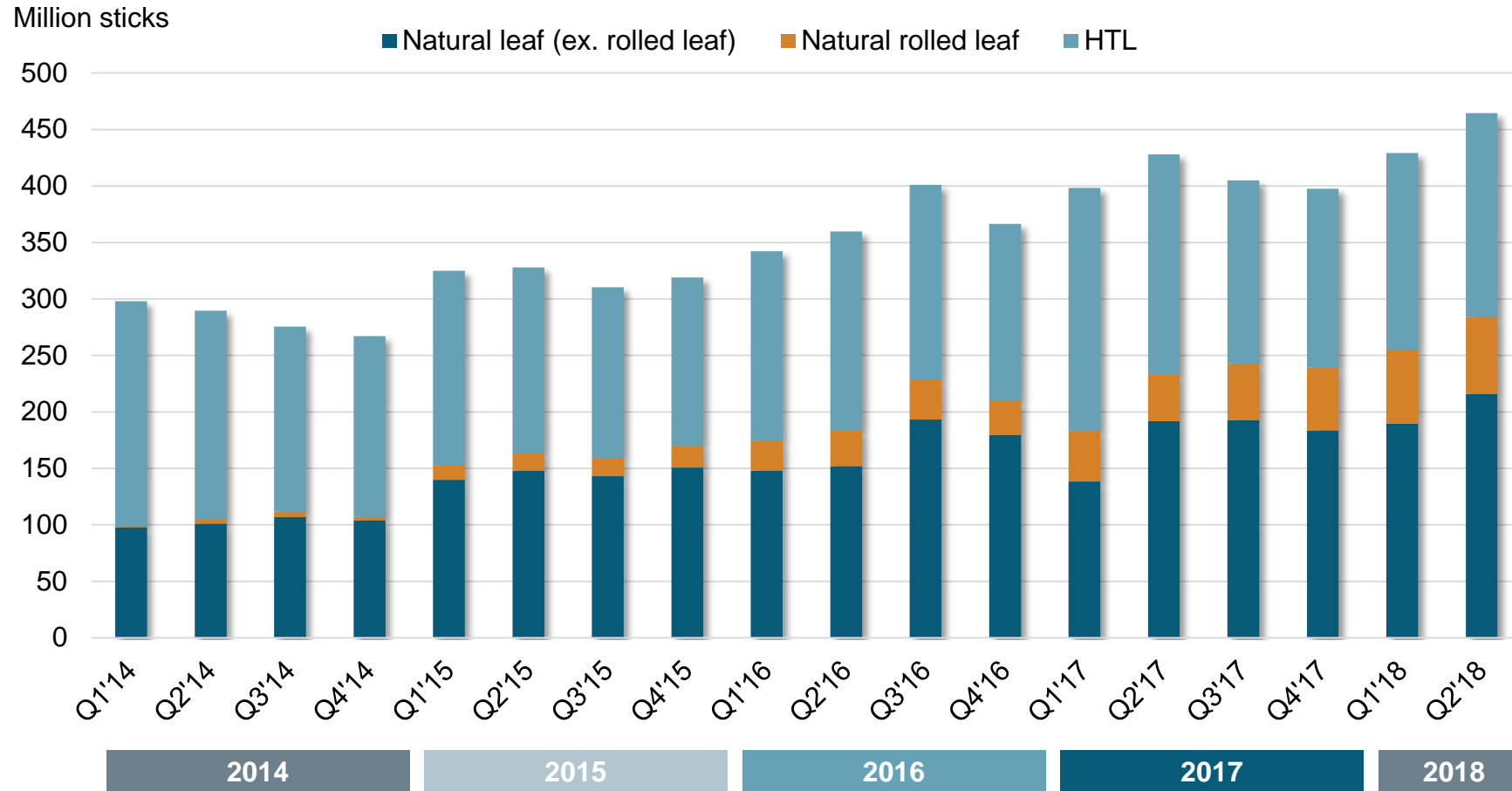
- Sales up 17% and operating profit up 14% in local currencies
 - Cigar sales and operating profit grew in US dollars to record levels on higher volumes and improved price/mix
 - Cigar volumes up 7% (constant trading day basis) driven by natural leaf varieties.
 - Price increases effected on rolled leaf assortment.
 - US chewing tobacco volumes (excl. contract manufacturing) down 4% (constant trading day basis), a rate less than overall category
 - Volumes for traditional premium varieties declined, and grew for value brands.
 - Sales grew marginally, while operating profit was flat in US dollars.
 - Chew bags and tobacco bits accretive to both sales and operating profit
 - Swedish Match acquired V2 (chew bags) in Q3 2017, and House of Oliver Twist (tobacco bits) in Q2 2018.



	Q2-2018	Q2-2017	chg	H1-2018	H1-2017	chg	July 2017- June 2018	Full year 2017	chg
Sales, MSEK	1,433	1,252	14	2,623	2,373	11	4,885	4,634	5
Operating profit, MSEK	557	496	12	981	923	6	1,834	1,776	3
Operating margin, %	38.8	39.6		37.4	38.9		37.5	38.3	

US – SWEDISH MATCH'S CIGAR VOLUMES

Mass market cigar shipments by quarter and format



1882 brand launched in 2014, Game rolled leaf brand launched in 2015.

Improved performance following an unusually weak first quarter

- **Sales were flat, with modest sales growth for matches and complementary products offsetting sales declines for lighters**
 - Match volume up 4%, lighter volume down 10%.
 - Price/mix effects were favorable for both matches and lighters while net currency transaction/translation impacts were negative.
- **Operating profits grew for both matches and lighters, more than offsetting declines for complementary products**
 - Profit growth from both higher gross profits with an improved price/mix, as well as lower operating expenses.
 - Operating margin up vs. Q1 2018 and Q2 2017.
 - Last year's *second* quarter operating profit was negatively impacted by certain restructuring costs, while this year's *first* quarter included restructuring costs amounting to approximately 12 MSEK in Brazil.



	Q2-2018	Q2-2017	chg	H1-2018	H1-2017	chg	July 2017- June 2018	Full year 2017	chg
Sales, MSEK	302	302	0	587	642	-9	1,236	1,291	-4
Operating profit, MSEK	46	37	24	77	97	-21	191	211	-10
Operating margin, %	15.1	12.2		13.1	15.1		15.4	16.4	

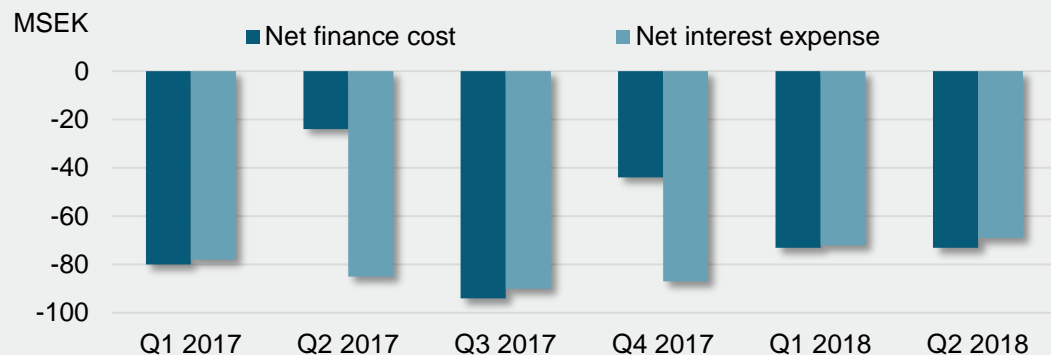
CORPORATE ACTIVITY AND REGULATORY EVENTS

- **Acquisition of Oliver Twist**
 - On April 3, Swedish Match acquired House of Oliver Twist A/S, headquartered in Odense, Denmark. The company develops, produces and sells chewing tobacco (tobacco bits) under the brand Oliver Twist. Main markets are in Scandinavia and certain other EU countries. Its annual revenues amount to approximately 60 MDKK.
- **Ruling by the Swedish Patent and Market Court of Appeal**
 - On June 29, 2018, the Swedish Patent and Market Court of Appeal ruled that the uniform labelling system implemented for Swedish Match's and other manufacturers' products in Swedish Match's own snus coolers during parts of 2012 and 2013 was not in breach of the competition legislation. The court fully rejected the Competition Authority's complaint and changed the previous ruling of the Patent and Market Court and Swedish Match shall not pay the fine of 38 MSEK imposed by this court. Swedish Match will also be reimbursed for legal costs. The ruling cannot be appealed.
- **Swedish proposition on extended regulation on tobacco and similar products**
 - The Swedish Government on March 9 submitted a proposal to the Parliament for new legislation on tobacco and similar products (including outdoor smoking ban in public places, retail marketing restrictions and the EU mandated track and trace system). It is now expected that the proposal will not be addressed legislatively until after the Swedish elections in September.
- **Norway plain packaging fully implemented at retail from July 1, 2018**
- **New warning labels for cigars in the US, previously applicable from August 10, 2018, now deferred by court injunction**

FINANCE NET AND EPS

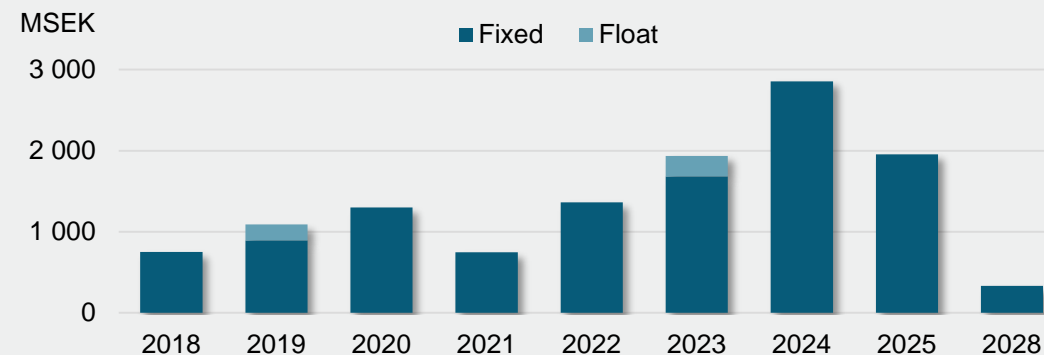
Development of the finance net

By quarter



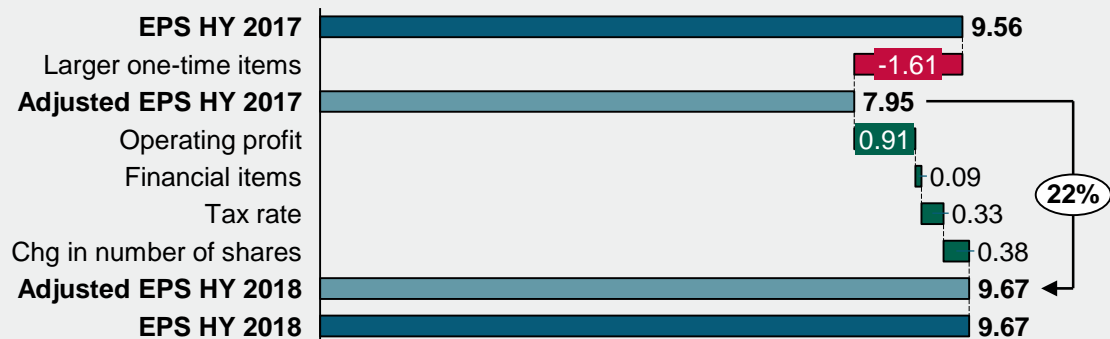
Maturity profile of interest bearing liabilities

Debt as of June 30, 2018



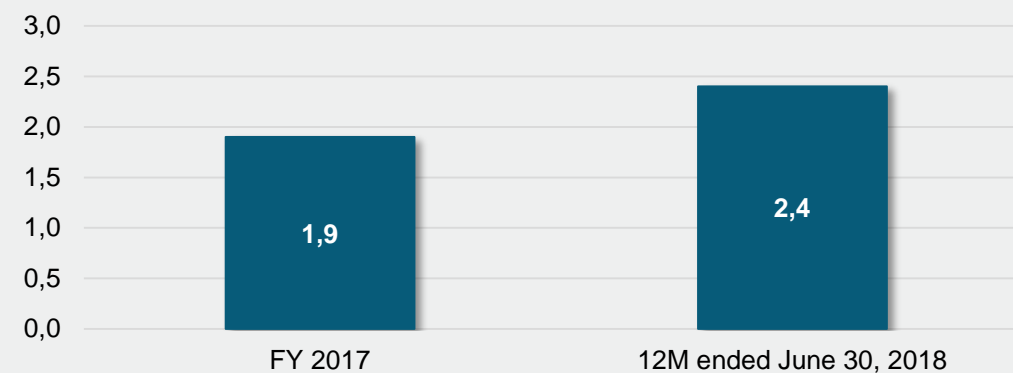
EPS bridge

HY 2018 vs HY 2017 (SEK)



Net debt/EBITA

By quarter



OUTLOOK STATEMENT

The outlook included in the first quarter report stated that “the operating loss for snus and nicotine pouches outside Scandinavia is expected to be noticeably lower in 2018 than in 2017.” This updated outlook has been revised to delete reference to operating loss for snus and nicotine pouches outside Scandinavia as we now anticipate that operating losses, if any, for snus and nicotine pouches outside Scandinavia will be nominal for the full year. The remaining points of the previous outlook statement remain unchanged.

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 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.