

SWEDISH MATCH RESULTS PRESENTATION

Q3 2018



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Q3 – HEADLINE BULLETS

- In local currencies, sales increased by 10 percent for the third quarter. Reported sales increased by 16 percent to 3,388 MSEK (2,915).
- In local currencies, operating profit from product segments¹⁾ increased by 13 percent for the third quarter. Reported operating profit from product segments increased by 19 percent to 1,317 MSEK (1,104).
- Operating profit amounted to 1,305 MSEK (1,088) for the third quarter.
- Profit after tax amounted to 959 MSEK (753) for the third quarter.
- Earnings per share increased by 32 percent to 5.55 SEK (4.22) for the third quarter.

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



HIGHLIGHTS IN THE QUARTER

Sales and operating profit in local currencies increased for our largest product segments

- **Snus and moist snuff product segment sales up 12% and operating profit up 17% in local currencies**
 - Strong performances from both Scandinavian snus and snus/nicotine pouches outside Scandinavia.
 - Robust growth in both the Swedish and Norwegian markets, with higher underlying organic volumes for Swedish Match in both Sweden and Norway.
 - Second consecutive quarter with positive profit for snus and nicotine pouches outside Scandinavia.
 - Improvement driven primarily by growth for ZYN as well as more efficient marketing spending for snus in the US.
 - Gotlands Snus AB acquired. Both Gotlandssnus and V2 Tobacco acquisitions contributed to volume growth.
- **OTP growth driven by US cigars, more than offsetting declines in US chewing tobacco**
 - Growth for cigars driven by strong volumes for natural rolled leaf cigars and improved price/mix.
 - Price increases for US chewing tobacco did not compensate fully for volume declines and negative mix.
 - Acquired businesses (V2 and Oliver Twist) contributed to sales and operating profit growth.
- **Lights segment sales and operating profit similar to prior quarter and prior year levels**
 - Favorable price/mix for lighters but increasing pressure on raw material input costs.
 - Sales for matches slightly down, with stronger match volumes offset by currency translation effects.

SNUS AND MOIST SNUFF: Q3 COMMENTARY

Strong market growth in Scandinavia, with Swedish Match volumes up in both Sweden and Norway

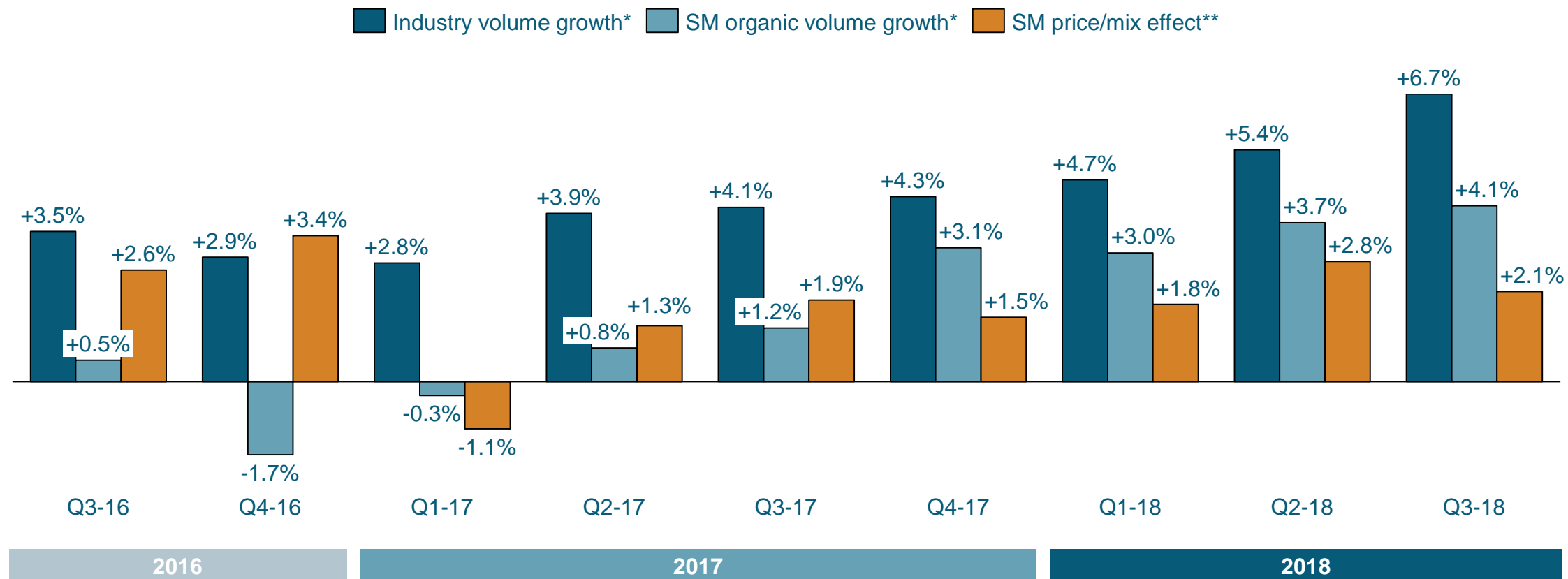
- Higher sales in local currencies for snus in Scandinavia and for snus and nicotine pouches outside Scandinavia
 - Sales and gross profits in Scandinavia up on higher volumes and higher realized pricing
 - Strong category growth in Scandinavia (high competitive activity and favorable weather).
 - Swedish Match shipment volumes (including V2 and Gotlandssnus) up more than 7%. Organic shipment volumes up 5%. Estimated underlying volumes up 4%.
 - Higher average pricing, stronger NOK and price increases partially offset by negative mix.
 - Snus and nicotine pouches outside Scandinavia continued a strong growth trajectory
 - ZYN volume growth from faster velocity as well as higher store count (~13,000 stores in the US).
 - Limited launch of *Thunder Xtreme* in the US drawing from acquired V2 portfolio.
- US moist snuff sales flat and operating profit down (local currency basis)
 - Volumes up for pouches, more than offset by declines for loose products.
- Gotlands Snus AB acquired on August 22, 2018



	Q3-2018	Q3-2017	chg	9m-2018	9m-2017	chg	Oct 2017- Sep 2018	Full year 2017	chg
Sales, MSEK	1,601	1,377	16	4,495	4,078	10	5,902	5,484	8
Operating profit, MSEK	752	622	21	2,066	1,746	18	2,678	2,358	14
Operating margin, %	47.0	45.2		46.0	42.8		46.0	43.0	

SCANDINAVIA – UNDERLYING VOLUMES AND SWEDISH MATCH PRICE/MIX EFFECT

Total Scandinavian snus by quarter versus same quarter prior year

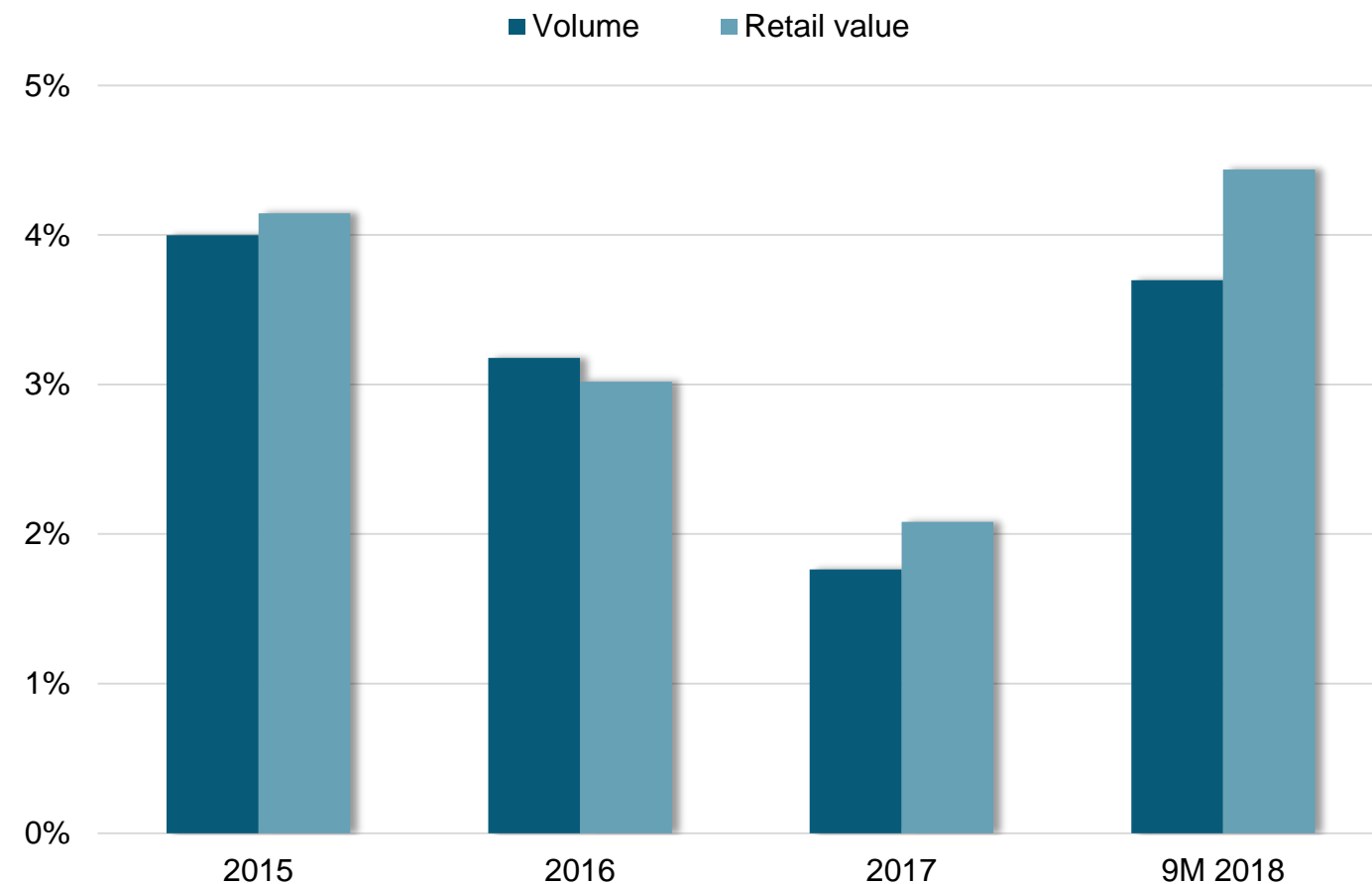


* Based on Nielsen and Swedish Match estimates (adjusted for hoarding).

** Adjusted for currency effects.

SWEDEN – CATEGORY DEVELOPMENT

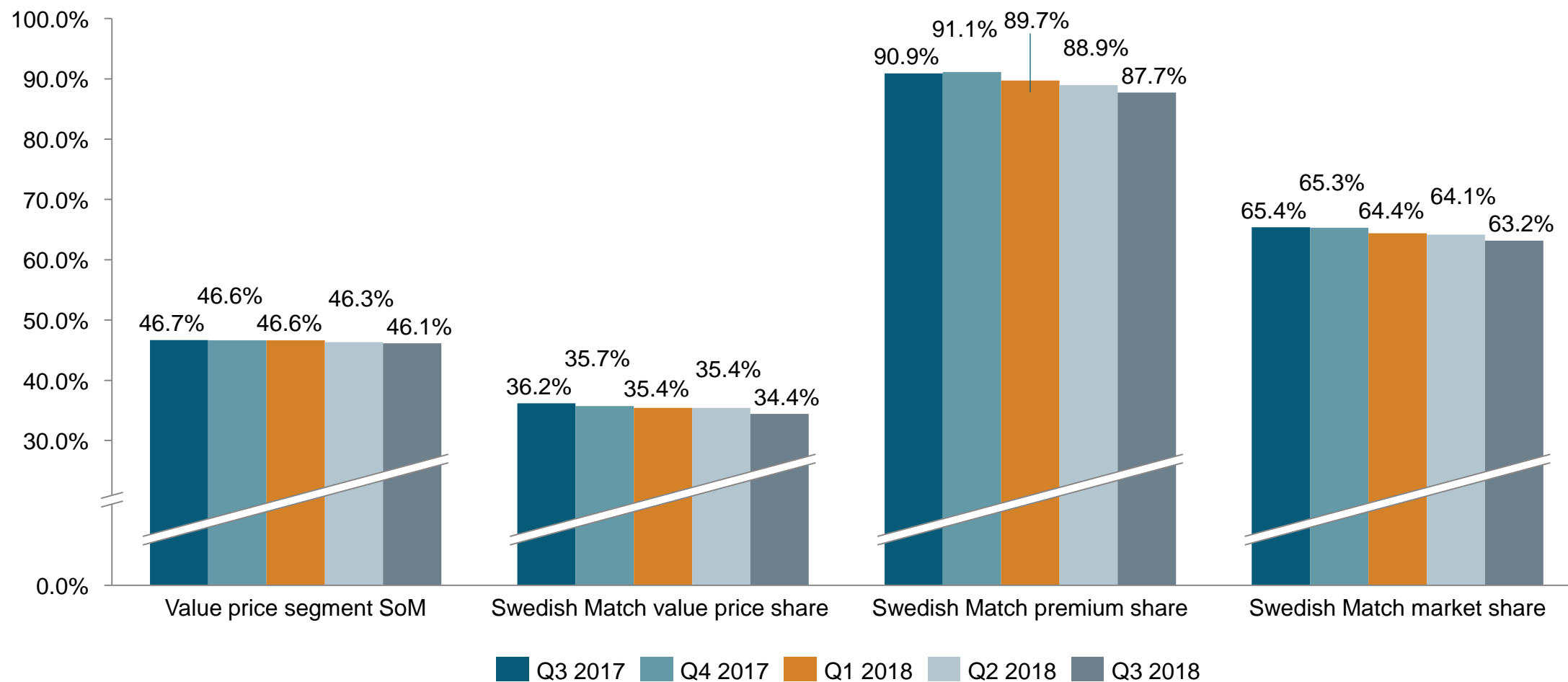
Volume and retail value year-on-year growth (Nielsen)



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



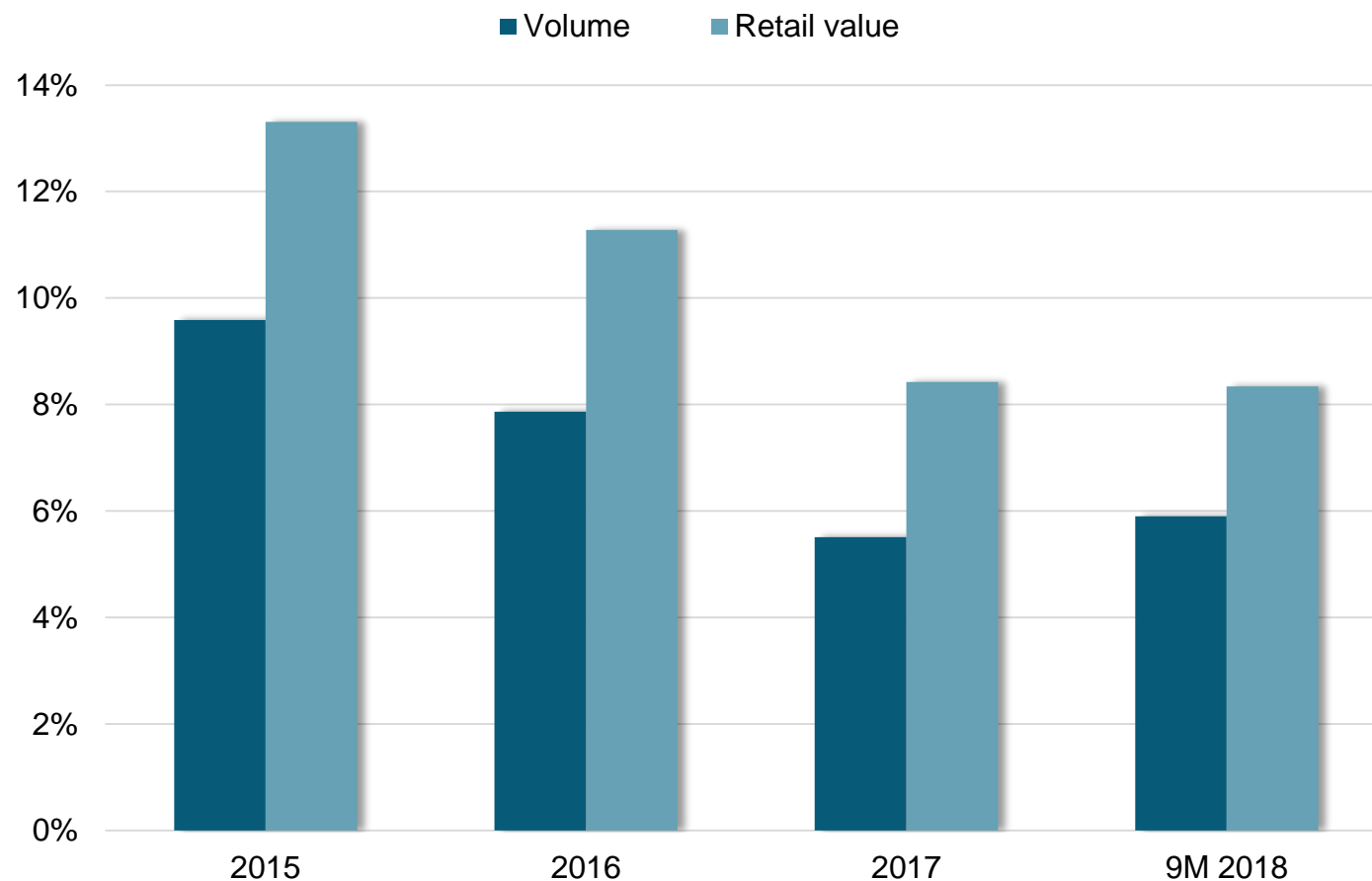
SWEDEN – MARKET SHARE DYNAMICS – VOLUME SHARES



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

NORWAY – CATEGORY DEVELOPMENT

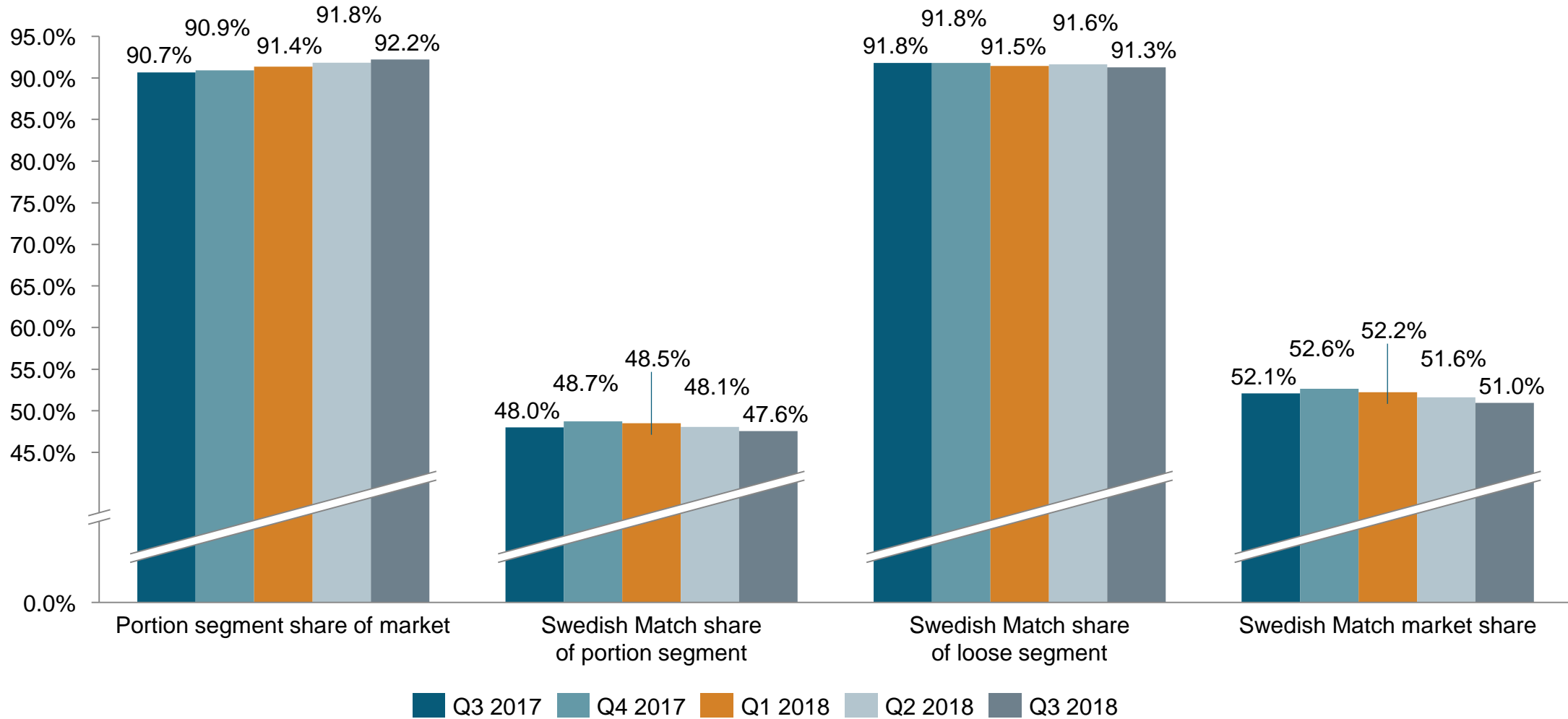
Volume and retail value year-on-year growth (Nielsen)



Source: Nielsen, DVH+KBS.



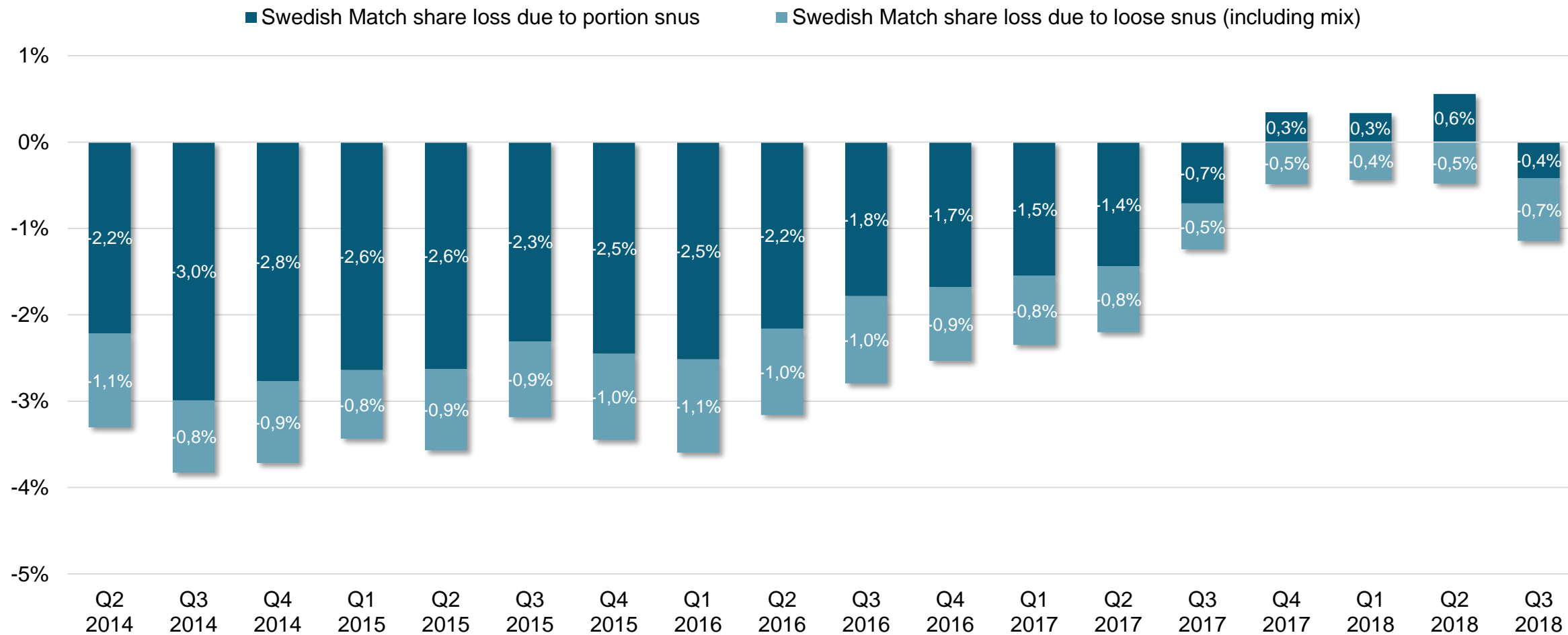
NORWAY – MARKET SHARE DYNAMICS – VOLUME SHARES



Source: Nielsen, DVH+KBS.

NORWAY – SWEDISH MATCH MARKET SHARE DEVELOPMENT

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



Source: Nielsen, DVH+KBS.

SCANDINAVIAN NEW PRODUCT ACTIVITY

Sweden

- **XR Göteborgs Rapé Slim White Portion Strong in August.**
- **Kaliber and Kaliber Plus – new product formulas and design.**
- **Limited editions: Small Batch #5 and Ettan Jakt in August.**

Norway

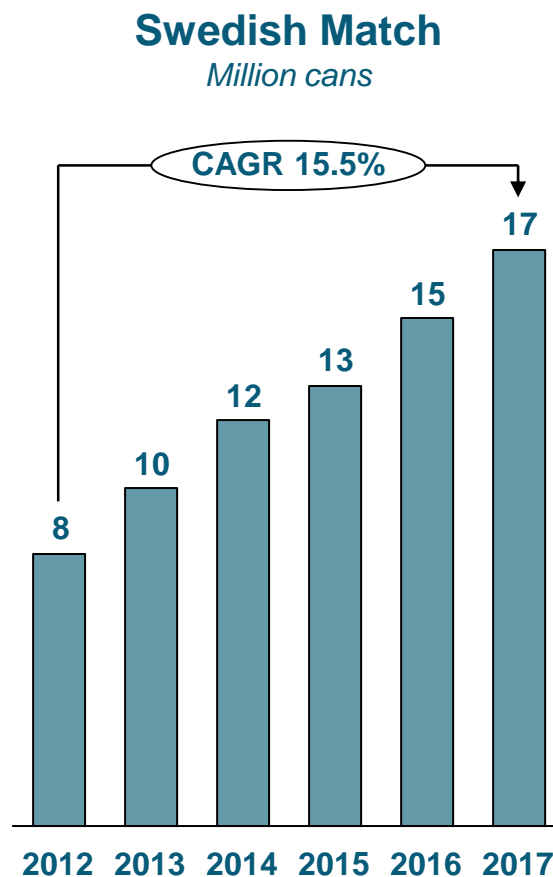
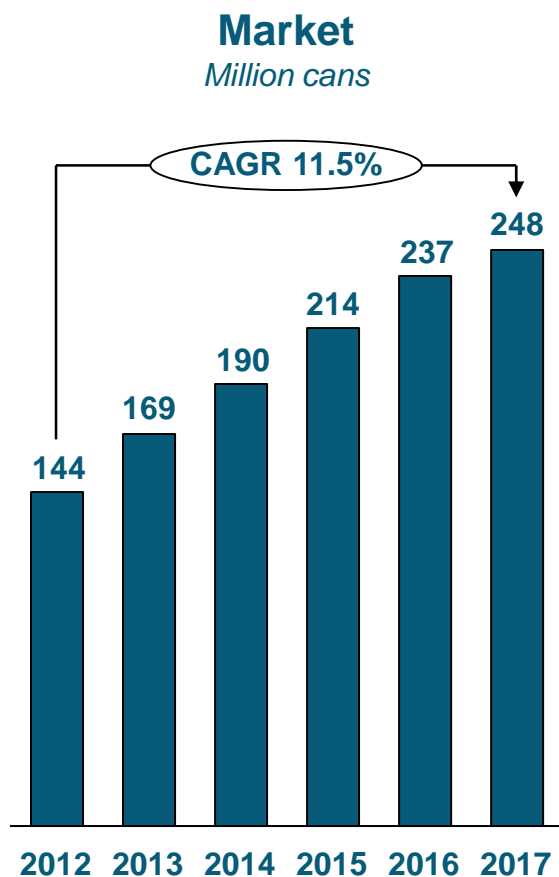
- **G.3 Load Super Strong in stores from March. First product in plain packaging.**
- **G.4 CRYO All White Super Strong in April.**
- **G.3 T.N.T Slim White Dry Super Strong in June.**



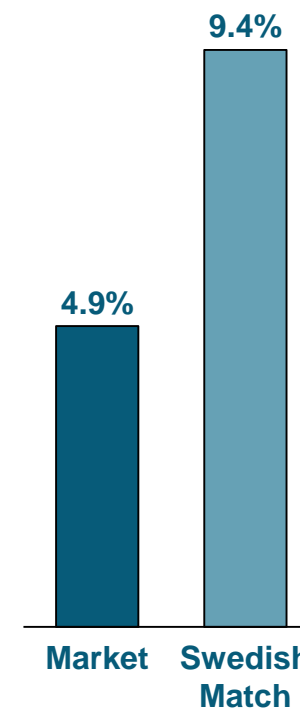
Can design for the Swedish market.
Plain packaging in Norway.

US – MOIST SNUFF POUCHES

Swedish Match's pouch volumes have outperformed the category



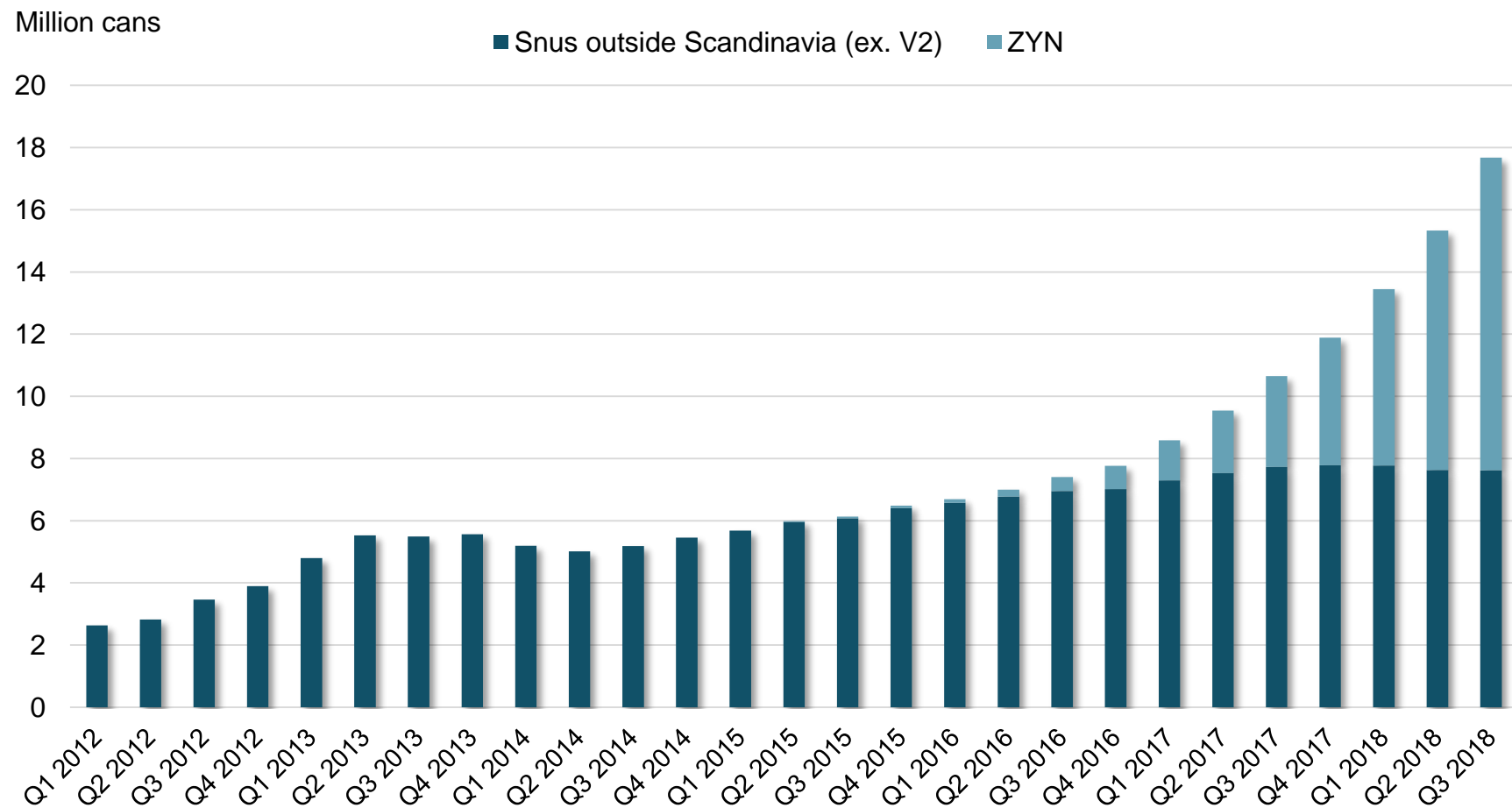
YTD to Sep 2018,
y-o-y growth rates (%)
Volume



Source: Industry estimates, Swedish Match direct sales, and Swedish Match estimates of distributor shipments to retail using CMPP data.

SNUS AND NICOTINE POUCH VOLUMES OUTSIDE SCANDINAVIA

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



* Excludes V2 snus. Shipments refer to the US and all other non-Scandinavian markets.

OTHER TOBACCO PRODUCTS (OTP): Q3 COMMENTARY

Continued strong growth for cigars, Q3 OTP operating margin in line with first half

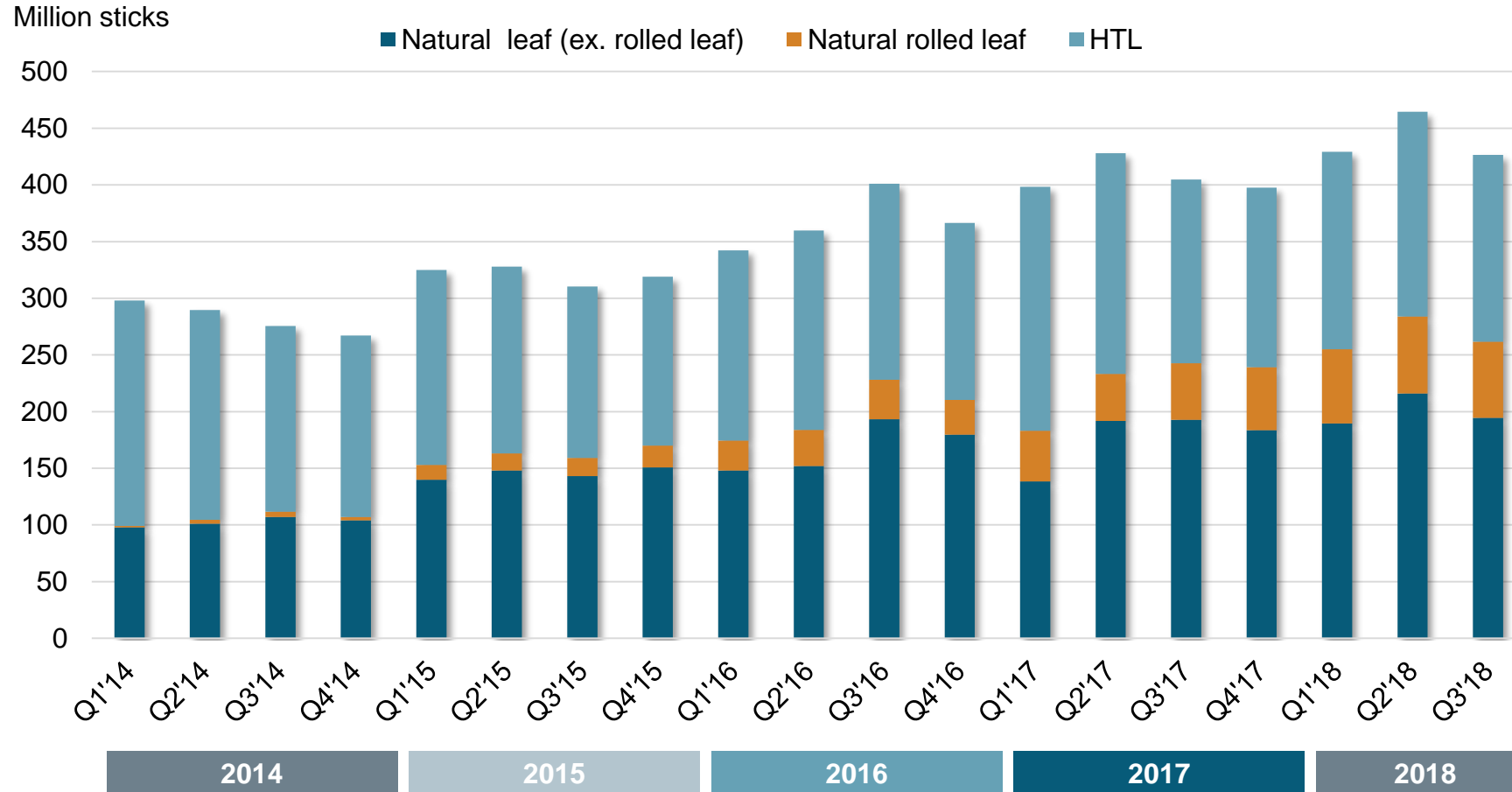
- Sales up 9% and operating profit up 7% in local currencies
 - Cigar sales and operating profit grew in US dollars on higher volumes and improved price/mix
 - Cigar volumes up 5 percent driven by natural rolled leaf varieties.
 - Higher average pricing from product mix and the price increase during the spring on the rolled leaf assortment.
 - US chewing tobacco volumes (excl. contract manufacturing) down 7%
 - Volumes for traditional premium varieties declined, and grew for value brands.
 - Sales and operating profit declined 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.
 - Largest chew bag markets for Swedish Match are in Germany, Denmark and Slovenia.



	Q3-2018	Q3-2017	chg	9m-2018	9m-2017	chg	Oct 2017- Sep 2018	Full year 2017	chg
Sales, MSEK	1,384	1,142	21	4,007	3,514	14	5,127	4,634	11
Operating profit, MSEK	519	436	19	1,501	1,359	10	1,917	1,776	8
Operating margin, %	37.5	38.2		37.4	38.7		37.1	38.3	

US – SWEDISH MATCH'S CIGAR VOLUMES

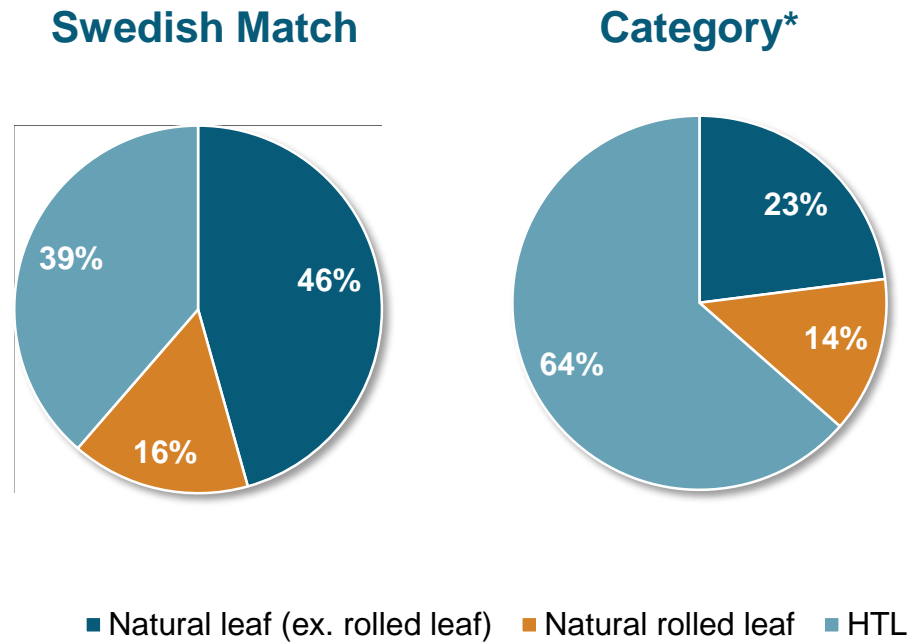
Mass market cigar shipments by quarter and format



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

US – CIGAR VOLUMES BY MARKET SEGMENT

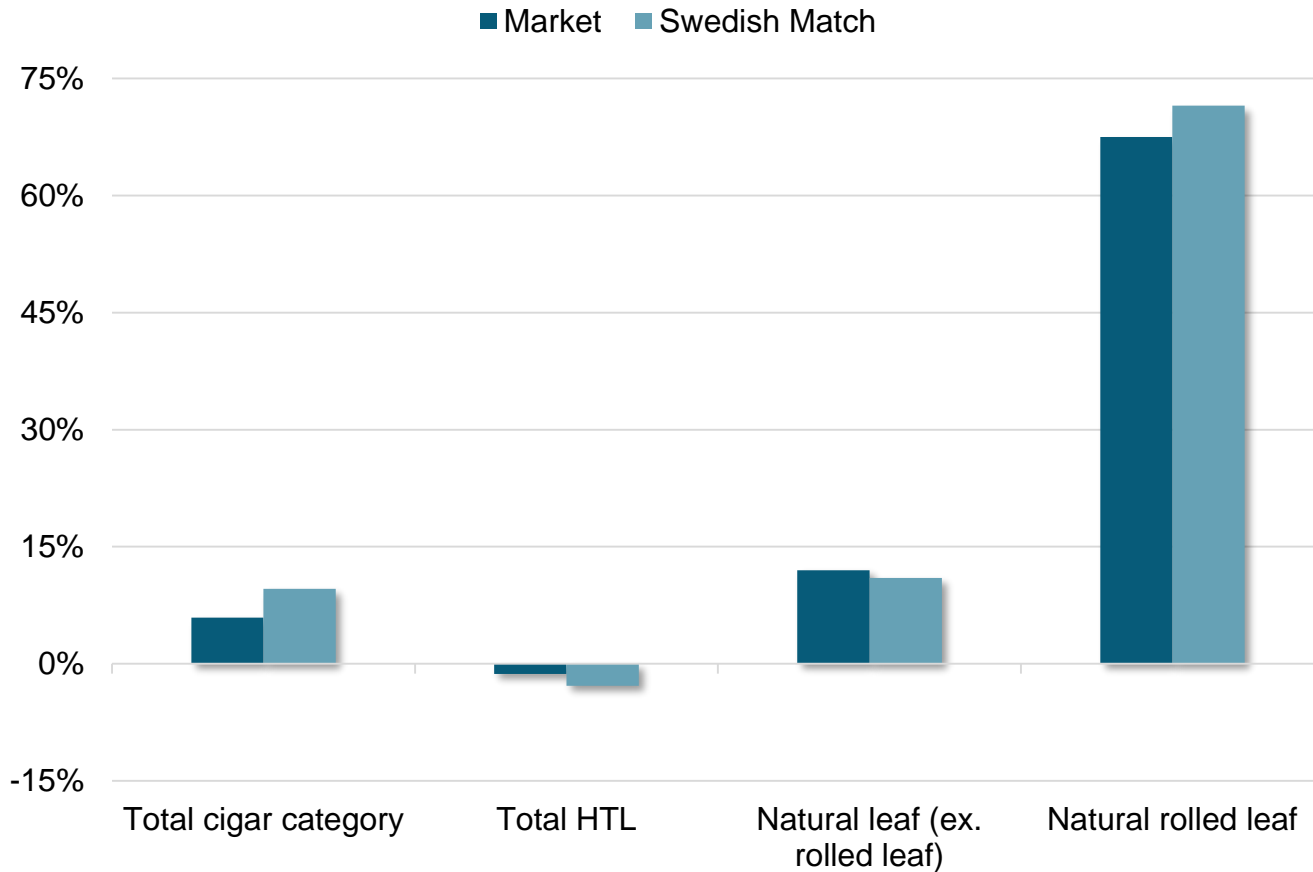
Breakdown of Swedish Match's Q3 cigar volumes by segment compared to the addressed market*



* Source: Swedish Match estimates of distributor shipments to retail using CMPP data, 13 weeks ending 6/17/2018. Excluding segment for pipe cigars and 'other'.

US – CIGAR GROWTH RATES BY SEGMENT

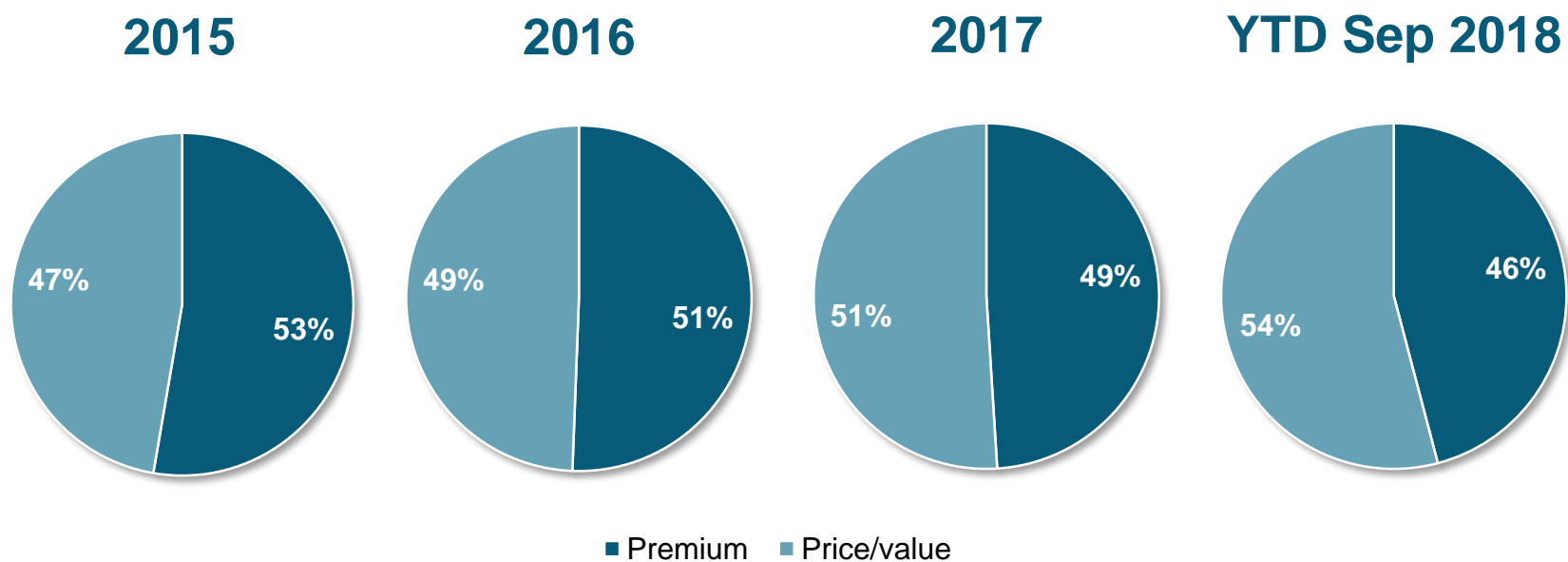
YTD to September 2018 year-on-year volume growth



Source: Swedish Match estimates of distributor shipments to retail using CMPP data.

US – THE CHEWING TOBACCO MARKET

Breakdown of the chewing tobacco market by segment (volume)



Source: Swedish Match estimates of distributor shipments to retail using CMPP data.

Sales and operating profits in line with prior year and in line with Q2

- **Sales were flat, with modest sales growth for lighters offsetting sales declines for matches and complementary products**
 - Match volume up 6%, lighter volume down 5%.
 - Price/mix effects were favorable for lighters.
 - Negative currency translation effects offset volume growth for matches.
- **Operating profits grew for both matches and lighters, substantially offsetting declines for complementary products**
 - Profit growth for matches and lighters due to improved price/mix for lighters, some foreign exchange transaction gains, and lower operating expenses.
 - Some cost pressure on raw material inputs (and notably nylon for lighters).



	Q3-2018	Q3-2017	chg	9m-2018	9m-2017	chg	Oct 2017- Sep 2018	Full year 2017	chg
Sales, MSEK	310	308	1	897	950	-6	1,238	1,291	-4
Operating profit, MSEK	46	46	0	123	143	-14	191	211	-10
Operating margin, %	14.9	15.1		13.7	15.1		15.0	16.4	



Gotlandssnus develops, produces, and sells snus, as well as pouch products with neither nicotine nor tobacco

The brand portfolio includes Jakobsson's and Qvitt

Production of approximately 4 million cans per year with annual sales of approximately 50 MSEK, 40 employees

Excellent complement to Swedish Match's portfolio, provides increased depth to the Company's offerings

CORPORATE ACTIVITY AND REGULATORY EVENTS

○ Acquisition of majority share in Gotlandssnus

- On August 22, Swedish Match acquired 95 percent of Gotlands Snus AB (Gotlandssnus), a Swedish company located in Romakloster, on the island of Gotland, Sweden. Gotlandssnus develops, produces and sells both snus and pouch products with neither nicotine nor tobacco. For further information, see Note 4 in the interim report.

○ Nominating Committee

- In accordance with the instructions adopted by the Annual General Meeting 2018, a Nominating Committee has been appointed. In addition to Conny Karlsson (Chairman of the Board), Tal Klausner (GIC Asset Management Private Limited), Filippa Gerstädt (Nordea Funds), Johan Strandberg (SEB Investment Management AB) and Will James (Standard Life Aberdeen PLC), have been appointed members of the Nominating Committee.

○ 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.
- Swedish Match has now shifted to packaging and promotional materials with the new warning labels.

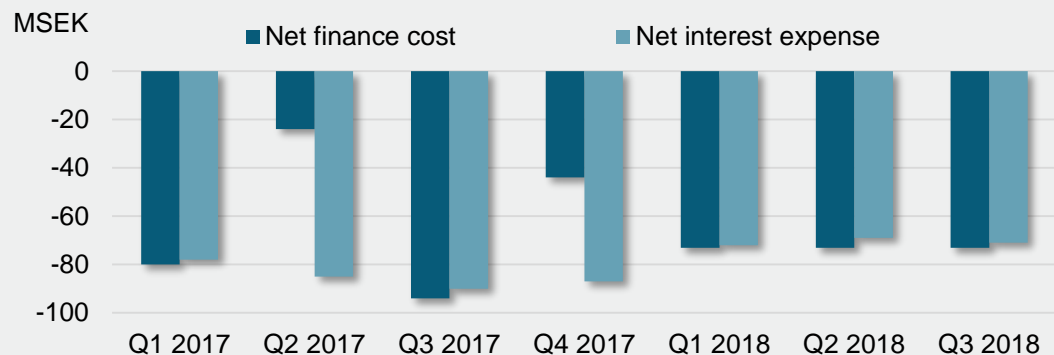
EVENTS AFTER THE REPORTING PERIOD

- **The European Court of Justice's ruling on chewing tobacco (October 17)**
 - In 2017, the Bavarian Administrative Court in Germany asked the ECJ to clarify the definition of chewing tobacco under the EU Tobacco Directive (Directive 2014/40/EU), including the meaning and definition of “intended to be chewed”.
 - The ECJ noted that the final determination of whether a product can be consumed in the proper sense (only by chewing) is to be made by the national courts taking into account all relevant objective characteristics of the products.
 - Based on this guidance, the Bavarian Administrative Court in Germany shall now assess if V2 Tobacco's Thunder chew bag products as well as the Thunder loose chew products sold in Germany are to be regarded as chewing tobacco or not.
 - It is at this point of time difficult to predict the outcome in the Bavarian court. As Swedish Match has communicated previously, negative rulings in national courts related to chew bags could restrict Swedish Match from distributing and selling chew bags in their present form in the EU markets thereby negatively impacting the carrying value of Swedish Match's reported intangibles from the September 2017 acquisition of V2 Tobacco.
 - For the nine months ending September 30, 2018, chew bag sales amounted to 136 MSEK (1.4% of total company sales) and chew bag operating profit amounted to 49 MSEK (1.4% of total company operating profit). Approximately half of Swedish Match's chew bag sales were in Germany.
- **The European Court of Justice's ruling on the legality of the ban for snus in the EU will be announced on November 22**

FINANCE NET AND EPS

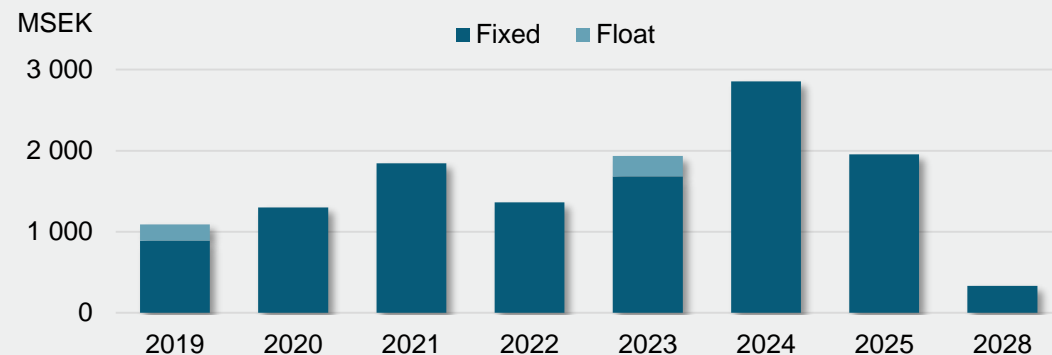
Development of the finance net

By quarter



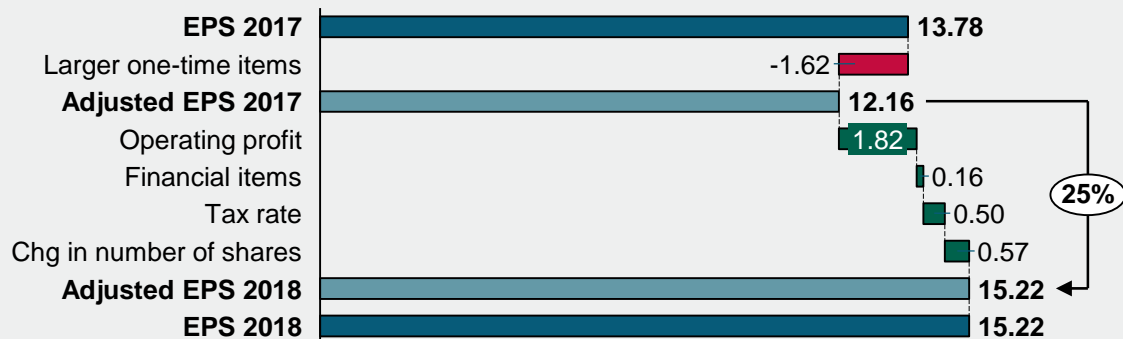
Maturity profile of interest bearing liabilities

Debt as of September 30, 2018

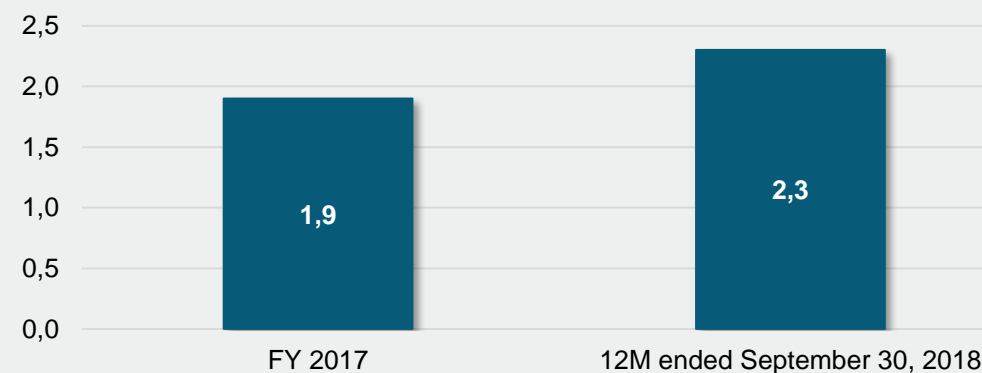


EPS bridge

9M 2018 vs 9M 2017 (SEK)



Net debt/EBITA



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 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.