

SWEDISH MATCH RESULTS PRESENTATION

Q2 2019



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Q2 – HEADLINE BULLETS

- In local currencies, sales increased by 6 percent for the second quarter. Reported sales increased by 12 percent to 3,719 MSEK (3,336).
- In local currencies, operating profit from product segments¹⁾ increased by 7 percent for the second quarter. Reported operating profit from product segments increased by 13 percent to 1,458 MSEK (1,293).
- Operating profit amounted to 1,434 MSEK (1,263) for the second quarter.
- Profit after tax amounted to 1,080 MSEK (928) for the second quarter.
- Earnings per share increased by 20 percent to 6.39 SEK (5.31) for the second quarter.
- The outlook statement on page 11 in the half year report has been modified with regard to expected growth of the US cigar market.
- **ZYN** in more than 50,000 stores in the US.

1) Excluding Other operations.



SECOND QUARTER IN SUMMARY

The Snus and moist snuff product segment, and particularly the strong result from ZYN nicotine pouches in the US, drove the improvements in sales and operating profit for the Group.

- Expanded distribution presence for ZYN nationally in the US. Positive reception from trade/consumers in new US launch markets. Continued strong performance of ZYN in the western region with increased store velocities.
- Scandinavian snus market: strong quarter-on-quarter growth, particularly in Sweden. Our market share performance in the fastest growing segments was disappointing. Swedish Match remains focused on implementing initiatives aimed at improving the trends in key segments.
- The US moist snuff category continued to experience volume declines. Swedish Match shipment volumes during the quarter increased due to promotional phasing and our focus on the growing pouch segment.

OTP financial performance down versus a record level in Q2 prior year, but shipment volumes were up versus Q1.

- The rate of volume decline in the US mass market cigar category accelerated during Q2, impacted by sharper decline within HTL segment.
- Swedish Match cigar shipment volumes were up from the first quarter on a sequential basis, but declined 5 percent on a constant trading day basis during the quarter versus the prior year due to difficult comps and general category softness. Good progress in easing the shortage of tobacco leaf supply for rolled leaf cigars.
- Our US chewing tobacco business effectively navigated overall category declines and market shifts to more value priced products.

The Lights product segment financial performance was unusually weak due to number of concurrent factors.

- Trade destocking in Brazil adversely impacted matches and complementary products. Lighter sales up but nylon prices continued to impact the profitability.
- In Brazil, we are currently taking steps to address the cost structure. Second quarter results included restructuring charges of 12 MSEK.

SNUS AND MOIST SNUFF: Q2 COMMENTARY

Record sales for product segment, up 20% in local currencies. Rapid store expansion for ZYN.

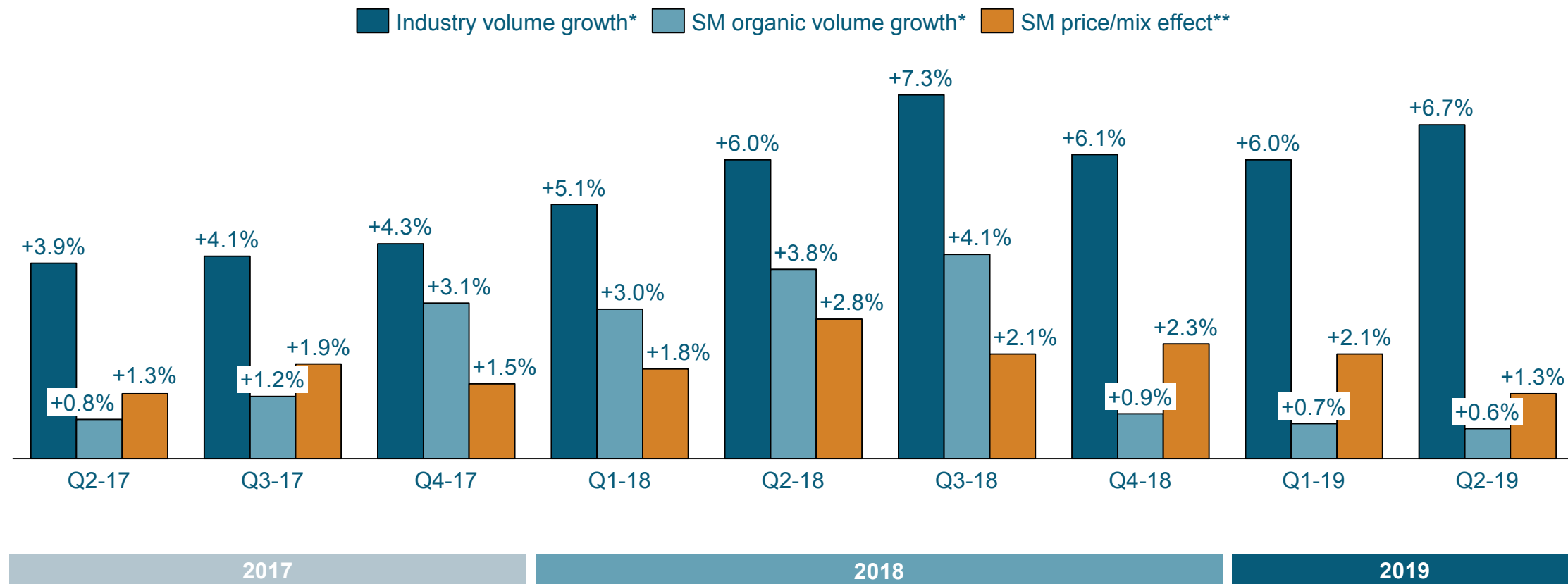
- **Higher sales and operating profit in both Scandinavia and the US in local currencies**
 - **Sales and operating profit in Scandinavia up, helped by calendar effects**
 - Strong category growth but continued market share declines.
 - Contribution from Gotlandssnus acquisition. Organic underlying volumes up <1% when adjusted for calendar effects.
 - Higher average pricing, with price increases partially offset by mix shifts and trade activities in Sweden.
 - **Continued strong growth for snus and nicotine pouches outside Scandinavia**
 - Strong volume growth for ZYN in the US from increased distribution (51,000 stores at end of quarter) and higher velocities in existing stores.
 - ZYN available in Denmark, Czech Republic, online in the UK and Switzerland, and soon in UK shops.
 - **US moist snuff sales and operating profit higher on a local currency basis**
 - Moist snuff category *volumes* slightly down year on year, while *value* of market showed solid growth.
 - Promotional phasing drove increased Swedish Match shipment volumes and pricing was up.



	Q2-2019	Q2-2018	chg	H1-2019	H1-2018	chg	July 2018-June 2019	Full year 2018	chg
Sales, MSEK	1,876	1,509	24	3,392	2,894	17	6,625	6,127	8
Operating profit, MSEK	874	691	26	1,550	1,314	18	3,027	2,791	8
Operating margin, %	46.6	45.8		45.7	45.4		45.7	45.6	

SCANDINAVIA – UNDERLYING VOLUMES AND SWEDISH MATCH PRICE/MIX EFFECT

Total Scandinavian snus by quarter versus same quarter prior year

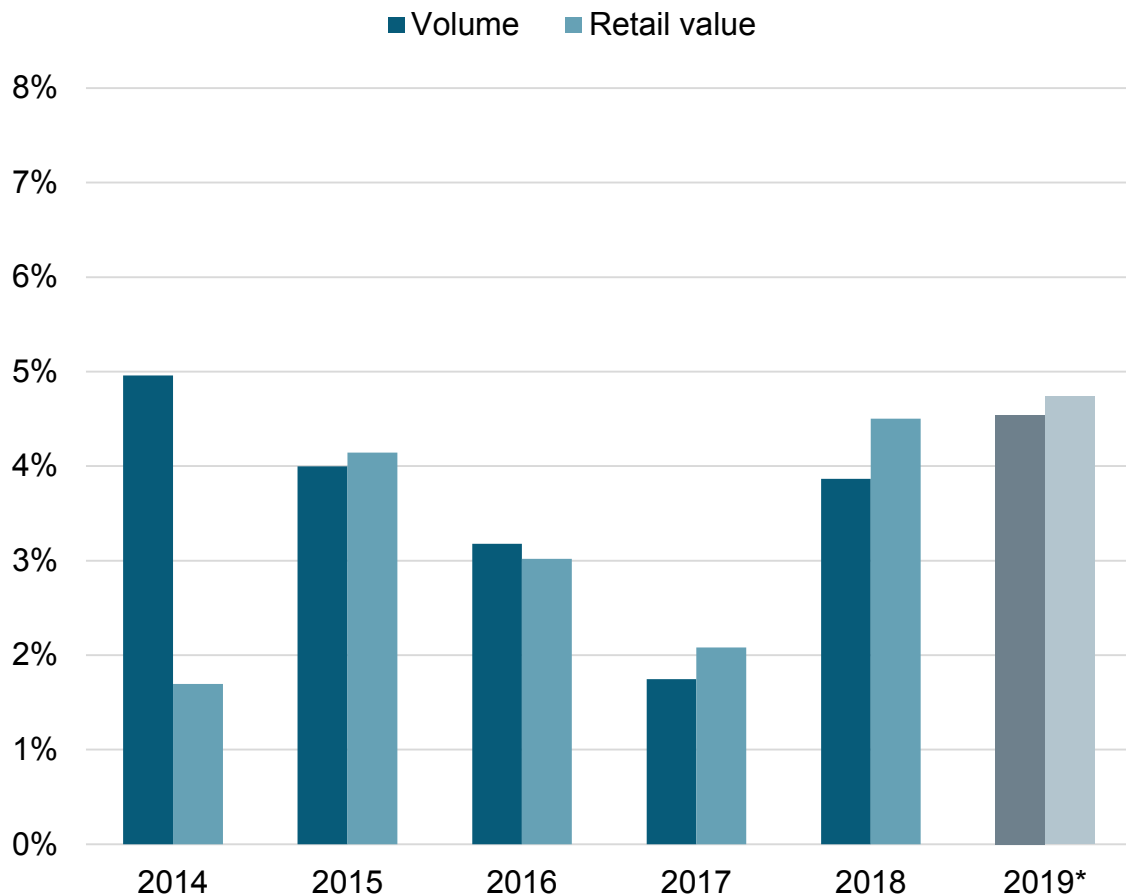


* Based on Nielsen and Swedish Match estimates (adjusted for hoarding).

** Adjusted for currency effects.

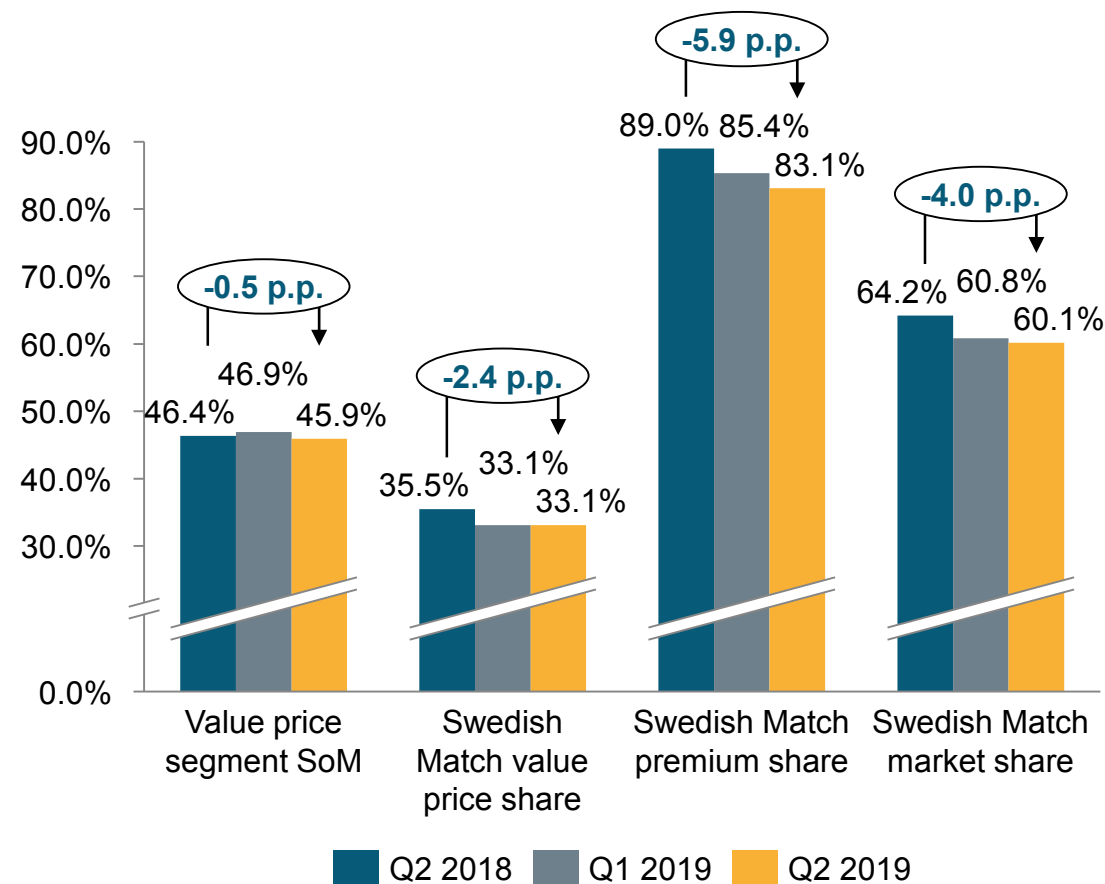
SWEDEN – CATEGORY DEVELOPMENT AND MARKET SHARE DYNAMICS

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



*12 months rolling ending Jun 30, 2019.
Source: Nielsen, DVH+SVH.

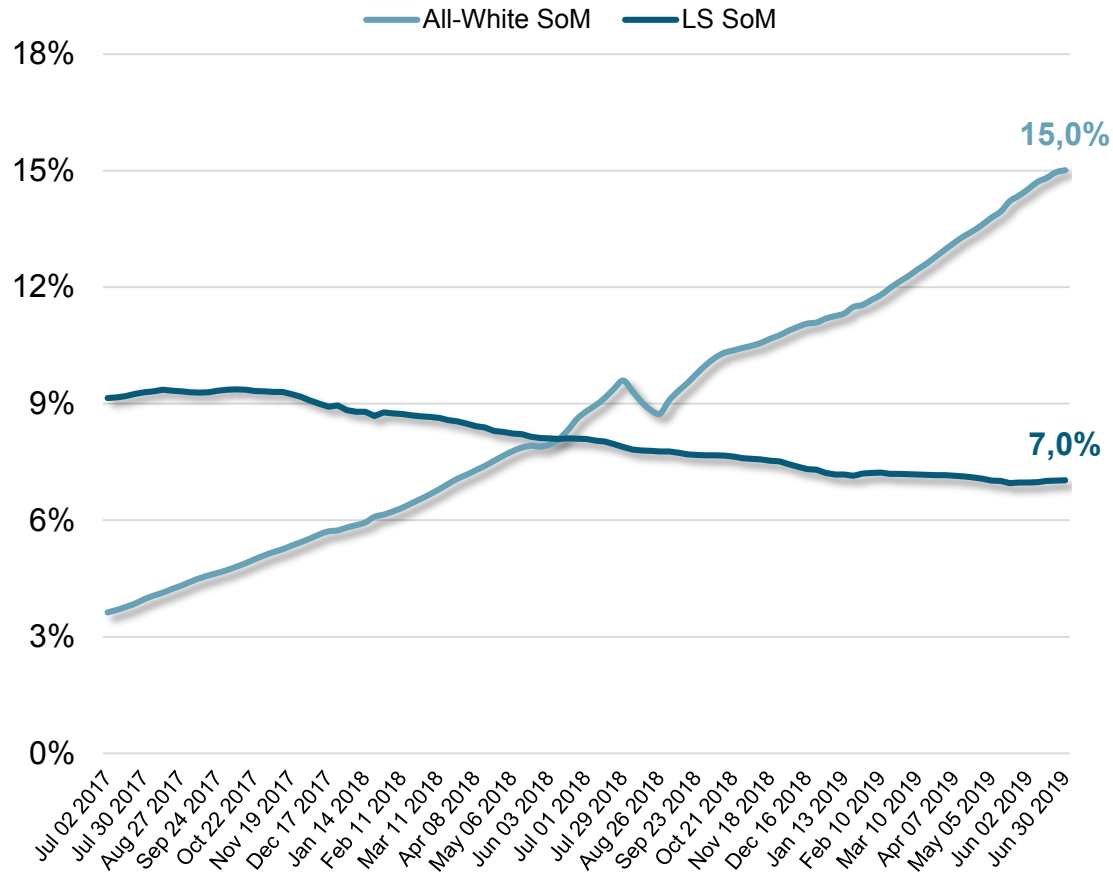
Market share dynamics (volume shares)



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

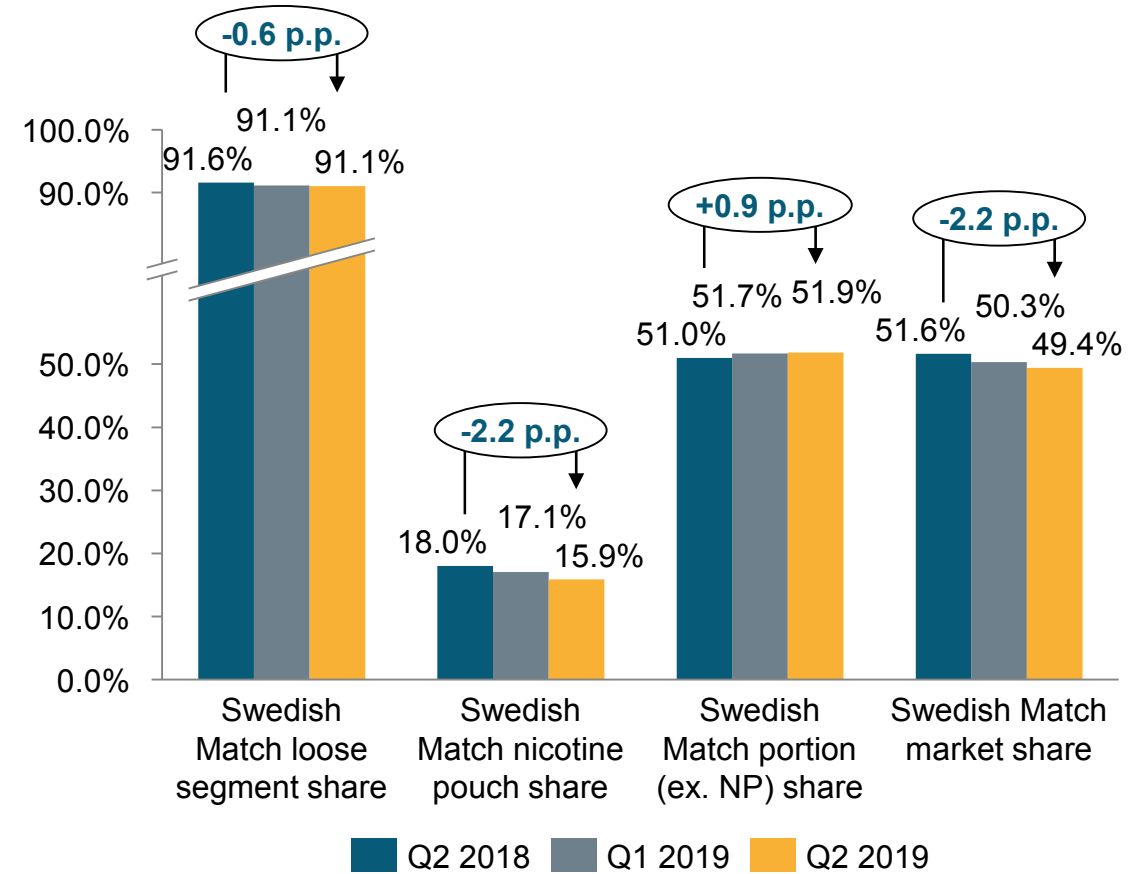
NORWAY – ALL WHITE GROWTH AND NEW AND IMPROVED DYNAMICS

All-white and loose segment volume share of total market (Nielsen)



Source: Nielsen, 4-week data, DVH+KBS (excluding Esso).

Market share dynamics (volume shares)



Source: Nielsen, DVH+KBS.

RECENT NEW PRODUCT ACTIVITY

Norway and Sweden

- **G.4 TACT Super Slim All White** (May)
- **G.4 FIZZY Slim All White** (SE-June, NO-Sep)



Sweden

- **ZYN Spearmint Mini Dry** (May)
- **Onyx** – new price level (July)
- **XR Göteborgs Rapé Sparkling Slim White** (April)
– celebrating Göteborg Rapé's 100 year anniversary
- **Wisby White Portion** - two varieties (June)



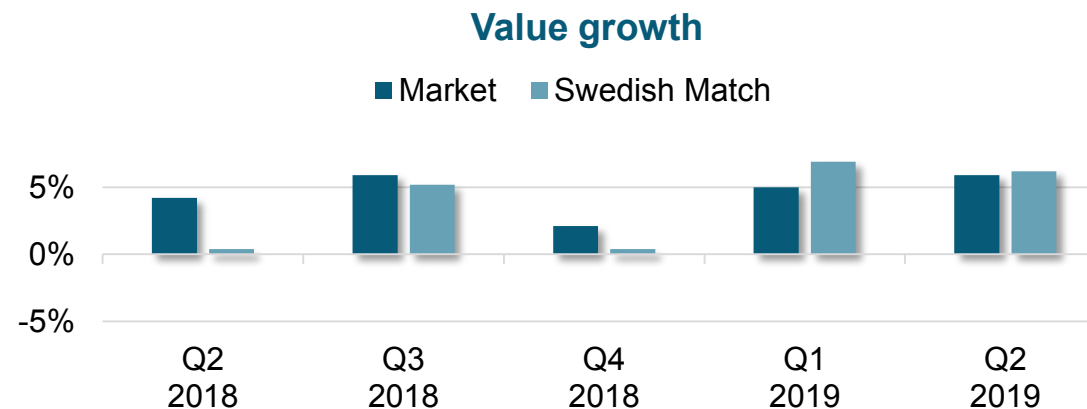
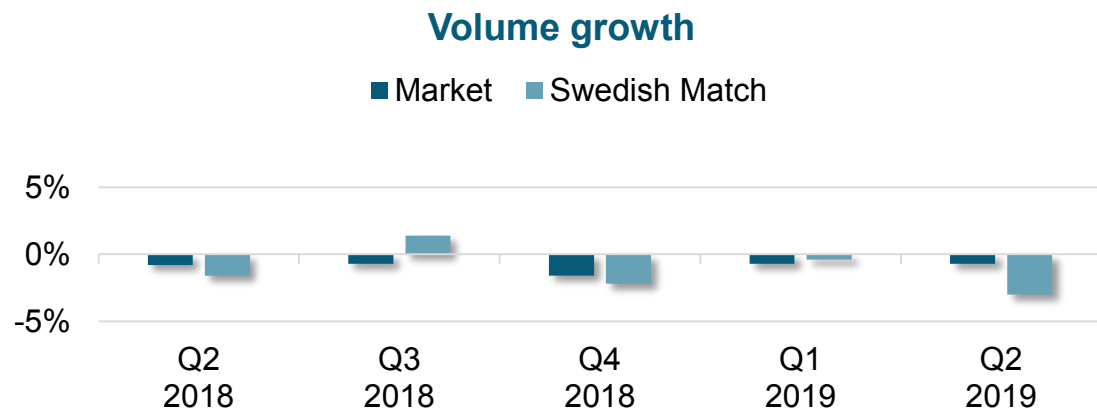
Limited editions:

- **Henrik Jacobssons Vinbär Special** (April)
- **Rallarsnus** - historical brands series (April)
- **Small Batch #10** (June)

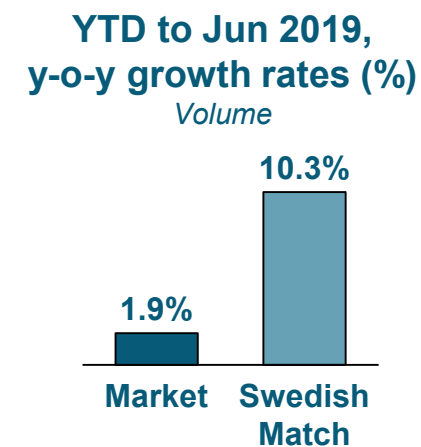
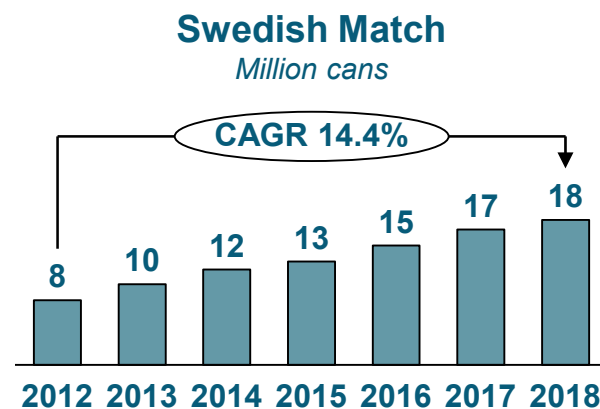
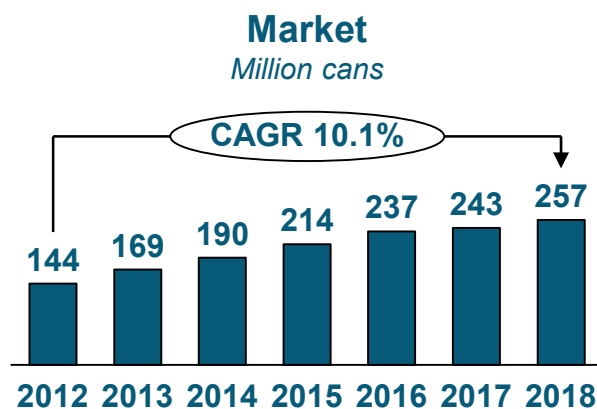


US – MOIST SNUFF

Value growth outpacing volume growth



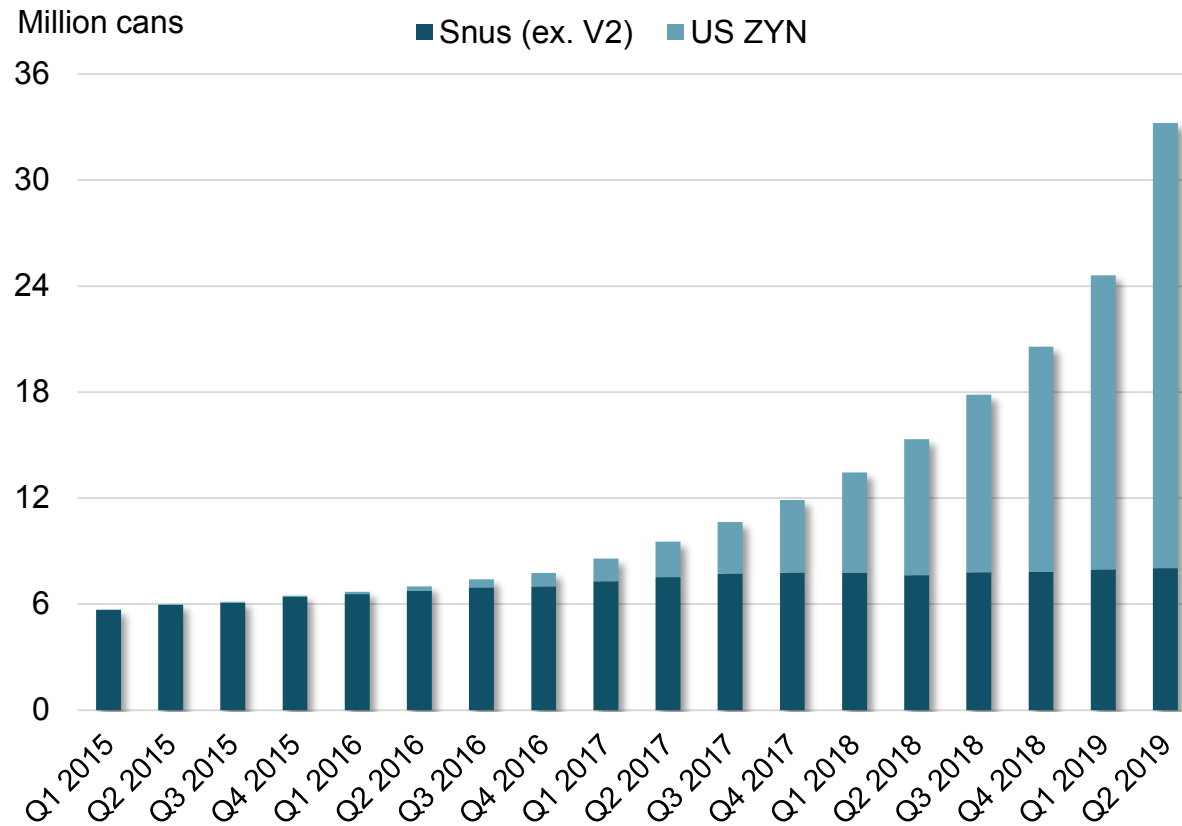
Swedish Match's pouch volumes have outperformed the category



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

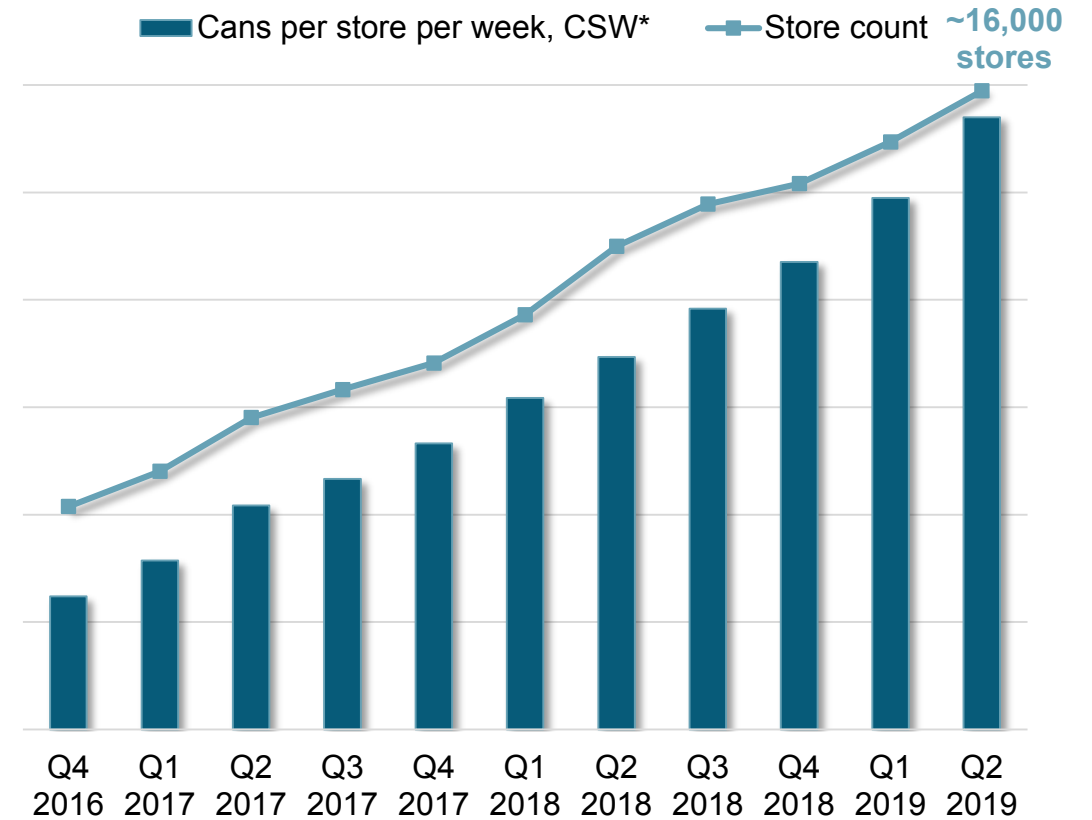
SNUS AND NICOTINE POUCH VOLUMES OUTSIDE SCANDINAVIA

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



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

ZYN markets prior to national launch: Increase in quarterly average velocity and increased number of stores**



**Cans per store per week are based on distributor to retail shipments for stores installed through Mar. 31, 2019. Q2 average store count: ~16,000. End of quarter store count ~16,600 stores.

OTHER TOBACCO PRODUCTS (OTP): Q2 COMMENTARY

Cigar volumes down year on year on difficult comparison, but up from Q1 levels

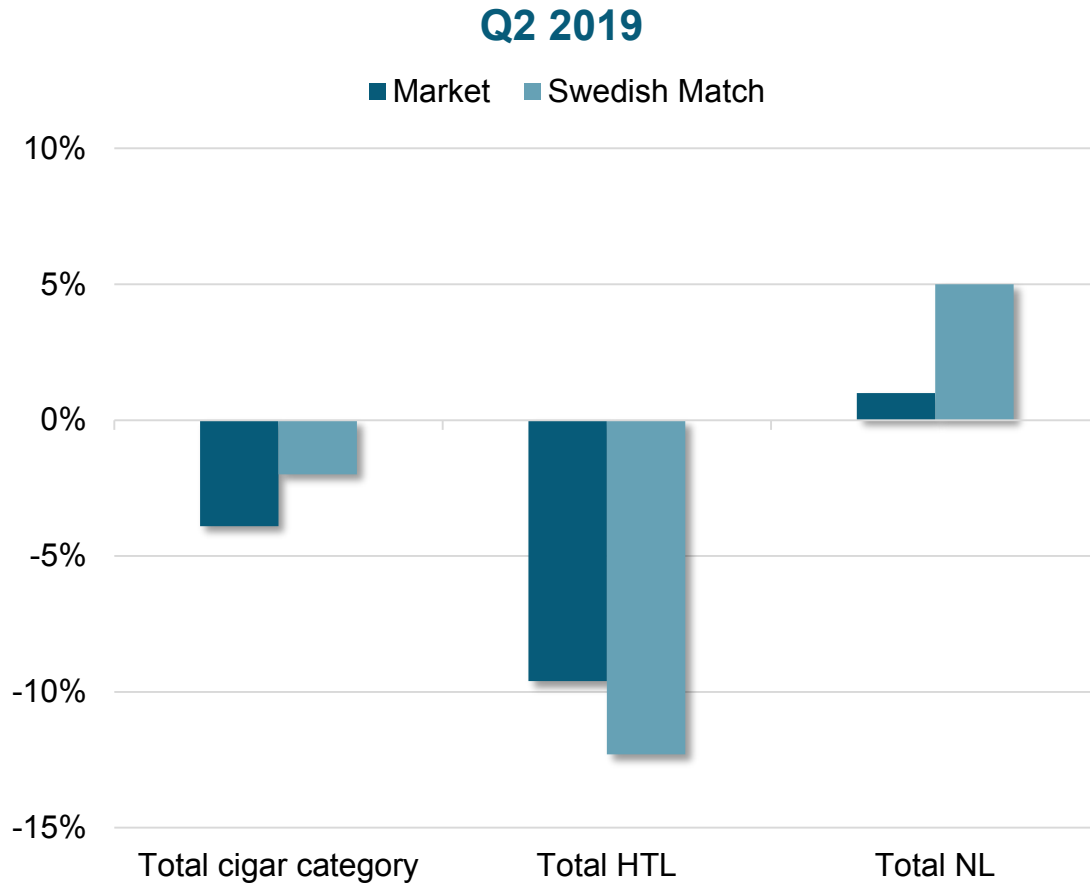
Sales comparison adversely impacted by new US retailer merchandising program. Adjusted for this, sales in local currencies were down by 4%.

- **Sales in local currencies down 5%, operating profit down in line with sales**
 - **US cigar sales down 6% in local currency, on lower volumes (-7% reported, -5% in constant trading days)**
 - US cigar market volumes declined in Q2 compared to prior year, due to HTL products.
 - Prior year Q2 Swedish Match had high level of promotions for HTL and natural leaf varieties.
 - Shipment volume declines mainly from HTL varieties, while own rolled leaf volumes in line with prior year.
 - **US chewing tobacco volumes (own brands) down 9% reported (-8% in constant trading days)**
 - Volumes for traditional premium varieties declined, but grew for value brands.
 - Sales down on lower volumes, while price increases were partially offset by mix shift toward value brands.
 - Distributor shipments to retail indicate share gains in both premium and value segments.
 - **Chewing tobacco outside the US: Sales and operating profit up**
 - Sales growth driven by *Oliver Twist* tobacco bits.
 - Increase in operating profit partially offset by temporary factors relating to establishment of DK sales force.

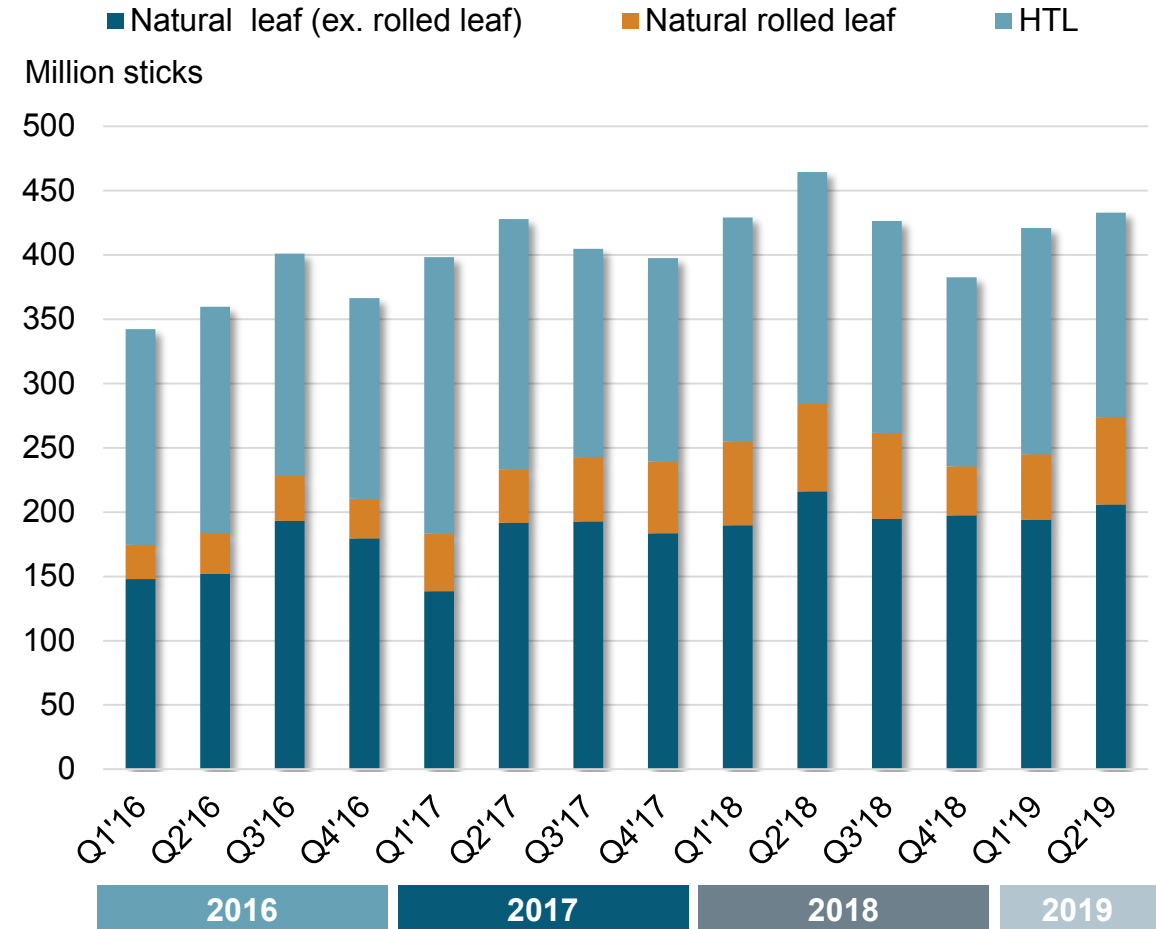


	Q2-2019	Q2-2018	chg	H1-2019	H1-2018	chg	July 2018-June 2019	Full year 2018	chg
Sales, MSEK	1,480	1,433	3	2,824	2,623	8	5,440	5,240	4
Operating profit, MSEK	578	557	4	1,096	981	12	2,071	1,956	6
Operating margin, %	39.1	38.8		38.8	37.4		38.1	37.3	

Year on year volume growth



Mass market cigar shipments by quarter and format*

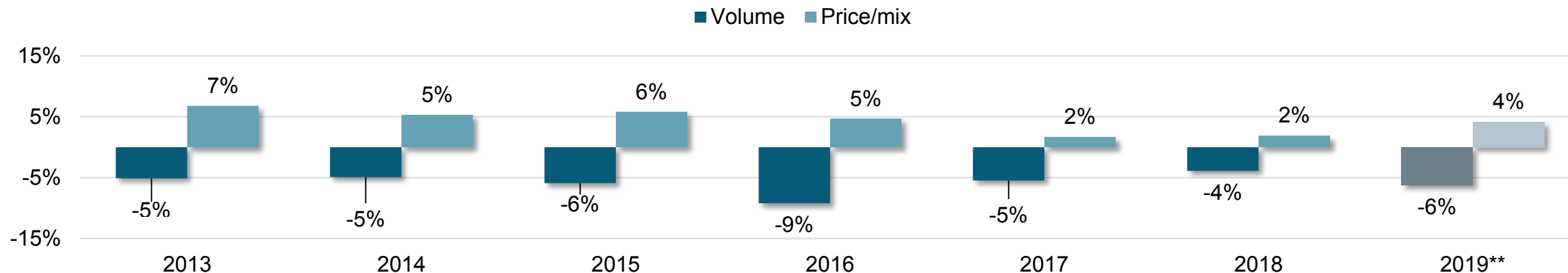


Source: CMPP.

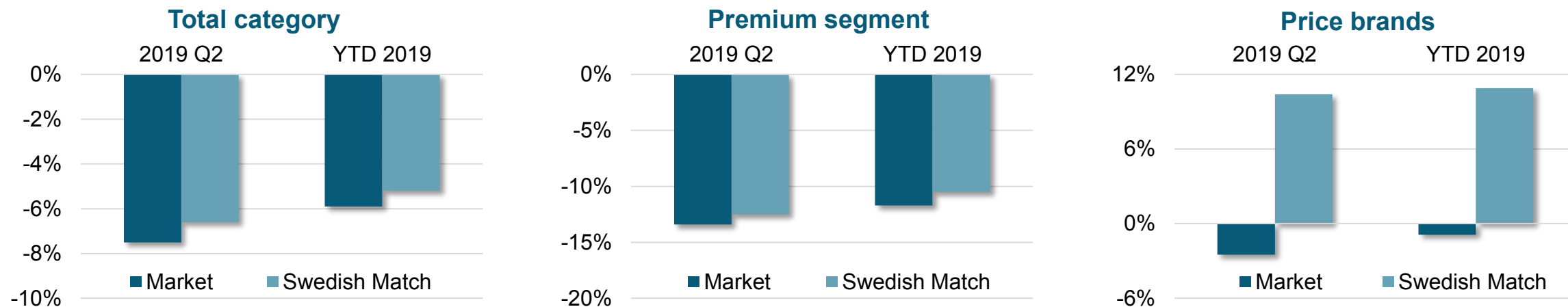
*As reported

US – CHEWING TOBACCO

Shipment volume and price/mix percentage change year on year, Swedish Match brands*



Chewing tobacco category (Swedish Match estimates) and Swedish Match volume change year-on-year (%)**



*On reported basis. Excludes Co-Pack volumes. **12 months rolling ending Jun 30, 2019.

**Source: CMPP. Price brands = Price Large Segment + Price Small Segment.

Sales and profits down on lower volumes, higher input costs, restructurings

- **Sales down 12%, with declines for matches and complementary products outpacing sales gains for lighters**
 - Sales for matches down 24% on 28% lower volumes.
 - Lighter volumes down 9%, but sales up on favorable price/mix.
 - Weak market sentiment in Brazil, with reduced orders/customer destocking.
- **Operating profit down significantly**
 - For lighters, higher raw material costs (nylon) substantially offset benefit of stronger sales.
 - Operating profit for matches and complementary products down on low volumes, customer destocking, and currency transaction impacts.
 - Restructuring charges of 12 MSEK, primarily relating to Brazil relocation/restructuring.
 - Anticipated gains from certain asset sales during H2.



	Q2-2019	Q2-2018	chg	H1-2019	H1-2018	chg	July 2018-June 2019	Full year 2018	chg
Sales, MSEK	266	302	-12	580	587	-1	1,239	1,246	-1
Operating profit, MSEK	6	46	-87	50	77	-35	162	189	-14
Operating margin, %	2.3	15.1		8.5	13.1		13.1	15.2	

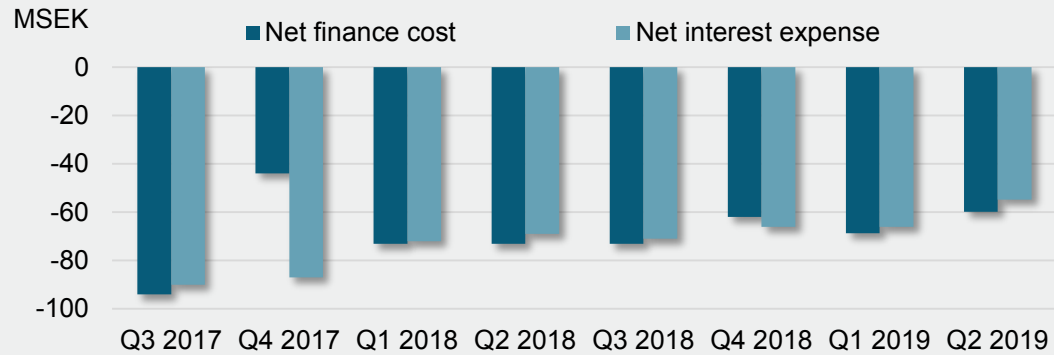
REGULATORY TOPICS

- **MRTP:** Docket closed for commentary May 13, 2019. The timing on any final decision by the FDA on the General snus MRTP has not been communicated.
- **FDA draft guidance on flavors in cigars:** The form of the final guidance as well as its implementation timeline remain uncertain. The comment period concluded at the end of April.
- **Swiss ruling on snus:** On June 11, the Federal Supreme Court of Switzerland ruled that the ban on snus, introduced in Switzerland in 1992, lacks judicial ground, and is illegal and unconstitutional. The court motivated their decision by saying that Swedish snus is less hazardous than other tobacco-based products allowed on the Swiss market today, and that Swedish snus should be considered as a stimulant that does not pose an immediate or unexpected risk to health when consumed as normal. The decision had immediate effect and snus can now be marketed in Switzerland.
- **Public Health Groups versus FDA in Maryland Federal Court:** Various public health groups challenged the FDA in a Federal District Court in Maryland regarding the FDA's decision to extend the compliance dates under the Deeming Rule to allow ENDS and cigars to remain on the market without filing of path to market application until 2021/2022. In May 2019, the Court found that the FDA's decision to extend the deadlines was a violation of the Tobacco Control Act. On July 11, 2019, the Court issued its final order specifying a ten-month path to market application filing deadline (May 11, 2020) for ENDS and cigar products subject to the Deeming Rule. Under this order, products that comply with the filing deadline may remain on the market without being subject to FDA enforcement actions for a period not to exceed one year from the date of application while the FDA considers the application. Products not complying with the deadline will be subject to FDA enforcement actions, in the FDA's discretion. The FDA may also exempt new products from filing requirements for good cause on a case-by-case basis.

FINANCE NET AND EPS

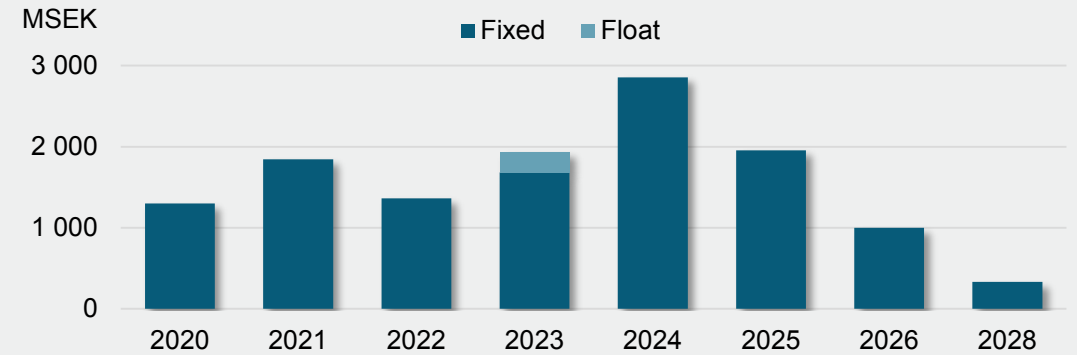
Development of the finance net

By quarter



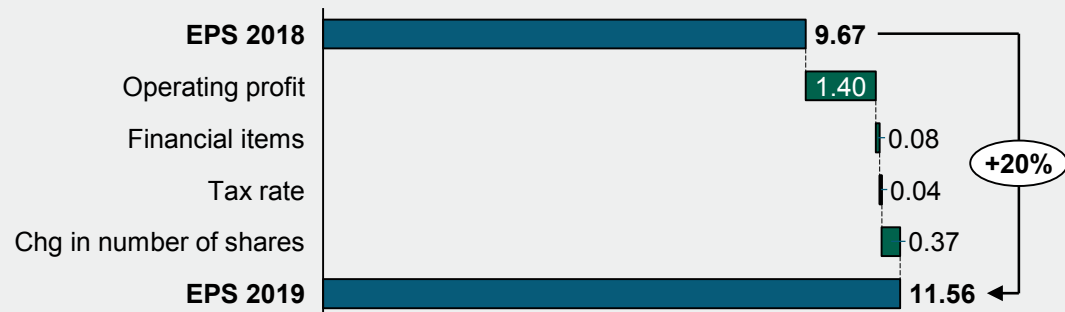
Maturity profile of interest bearing liabilities

Debt as of June 30, 2019

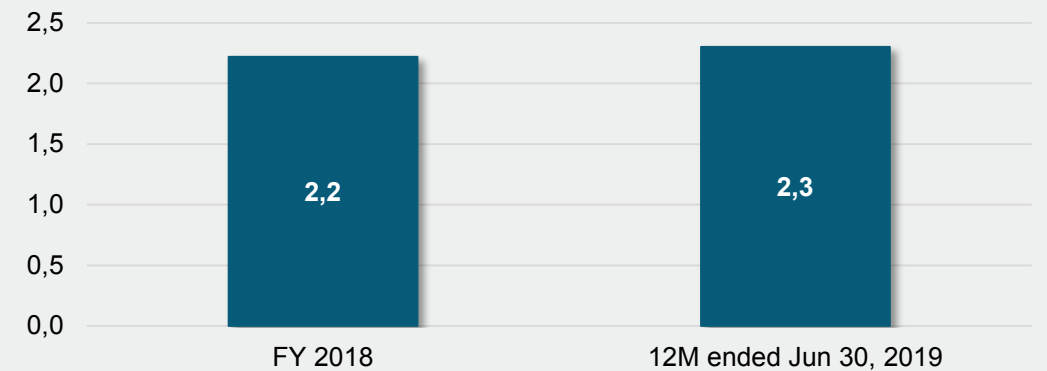


EPS bridge

6M 2019 vs 6M 2018 (SEK)



Net debt/EBITA



UPDATED OUTLOOK STATEMENT

The outlook included in the first quarter report stated that “For the full year, Swedish Match anticipates modest growth in the US cigar market.” This updated outlook has been revised to delete reference to anticipated modest growth in the US cigar market given overall category volume declines experienced in the first half of the year. Based on this development, we are no longer confident that the US cigar market will record volume growth for 2019. 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. By providing products that are recognized as safer alternatives to cigarettes, our ambition is to create value for both shareholders and society.

For 2019, on a full year basis, Swedish Match expects the Scandinavian snus market to continue to grow and to remain highly competitive. Swedish Match expects the US snus/nicotine pouch market to grow. In the US moist snuff market, we expect continued growth for pouches. For US chewing tobacco we expect continued market declines. In both Scandinavia and markets outside of Scandinavia, we expect segment growth and increased competitive activity for nicotine pouches (both without tobacco and with small amounts of tobacco).

We will continue to explore growth opportunities for smokeless tobacco and nicotine pouch products outside Scandinavia. In the US, we will broaden the distribution for ZYN, to make this popular nicotine pouch product available to consumers nationally. Further for ZYN, selected additional geographies outside the US will be considered. The decision to further scale up the investment in ZYN production capacity in the US is expected to result in increased capital expenditures in 2019 compared to 2018.

Swedish Match expects the US cigar market to remain highly competitive.

The effective corporate tax rate in 2019, excluding associated companies and larger one-time items, is expected to be in the 22 percent to 23 percent range (21.7).

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