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In local currencies, sales increased by 7 percent for the fourth quarter and by 9 percent for the full year.

- Reported sales increased by 12 percent to 3,301 MSEK (2,951) for the fourth quarter and by 10 percent to 12,966 MSEK (11,751) for the full year.

In local currencies, operating profit from product segments\(^1\) increased by 8 percent for the fourth quarter and by 12 percent for the full year.

- Reported operating profit from product segments increased by 14 percent to 1,246 MSEK (1,096) for the fourth quarter and by 14 percent to 4,936 MSEK (4,345) for the full year.

Operating profit amounted to 1,196 MSEK (1,178) for the fourth quarter and to 4,812 MSEK (4,592) for the full year.\(^2\)

Profit after tax amounted to 925 MSEK (904) for the fourth quarter and to 3,578 MSEK (3,400) for the full year.

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

\(^2\) The full year 2017 included 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. The fourth quarter of 2017 included 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/FY – HEADLINE BULLETS

- Earnings per share increased by 6 percent to 5.41 SEK (5.10) for the fourth quarter and by 9 percent to 20.63 SEK (18.88) for the full year. Adjusted earnings per share\(^1\) increased by 28 percent to 5.41 SEK (4.24) for the fourth quarter and by 26 percent to 20.63 SEK (16.40) for the full year.

- During 2018, Swedish Match distributed 5,423 MSEK to its shareholders in the form of an ordinary dividend, a special dividend and share repurchases.

- The Board proposes an increased dividend of 10.50 SEK per share.

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\(^1\) Earnings per share adjusted to exclude income from STG 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% in local currencies**
  - Sales growth driven by a balance of both Scandinavian snus and snus/nicotine pouches outside Scandinavia.
  - Sales grew for moist snuff in local currency with volume growth for pouches, tubs, and loose products.
  - Operating profit up 18%. Higher operating profit in local currencies in both Scandinavia and the US.
  - Solid volume growth for ZYN, with faster turns, some added stores.

- **OTP sales and operating profit flat in local currencies**
  - Cigar volumes down 4% due to volume declines on rolled leaf cigars (down 30%) caused by production constraint from lack of adequate rolled leaf supply. Pricing and positive mix offset volume shortfall.
  - Good quarter for US chewing tobacco shipments, which were in line with prior year, continued mix shift toward value.
  - Chewing tobacco outside the US incurred costs in relation to establishment of own sales force in Denmark.

- **Lights segment sales and operating profit similar to prior quarter and prior year levels**
  - Pressure on raw material input costs, most notably nylon for lighters.
  - Mixed sales result, with lighters and complementary products higher, while lower sales for matches on product/price mix.
Volume growth in Scandinavia, for US moist snuff, and for ZYN/snus outside Scandinavia

- Higher volumes, sales and operating profit in both Scandinavia and the US in local currencies
  - Sales and operating profit in Scandinavia up on higher shipments and better realized pricing
    - Strong category growth in Scandinavia, albeit at a slower pace than the unusually strong third quarter.
    - Swedish Match shipment volumes (including Gotlandssnus) up by close to 5%. Organic underlying volumes up 1%.
    - Higher average pricing on stronger NOK and price increases, partially offset by negative mix.
    - Higher production costs impacted by portfolio mix.
- **Continued strong growth for snus and nicotine pouches outside Scandinavia**
  - ZYN volume growth in the US from faster velocity as well as higher store count (~13,500 stores).
  - Volumes up for General snus in the US despite significant reduction in marketing spending.
- **US moist snuff sales and operating profit higher on a local currency basis**
  - Volumes up across all formats, in large part due to promotional phasing.
  - Improved pricing, price increases only partially offset by negative mix.

<table>
<thead>
<tr>
<th></th>
<th>Q4-2018</th>
<th>Q4-2017</th>
<th>chg</th>
<th>Full year 2018</th>
<th>Full year 2017</th>
<th>chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales, MSEK</td>
<td>1,632</td>
<td>1,407</td>
<td>16</td>
<td>6,127</td>
<td>5,484</td>
<td>12</td>
</tr>
<tr>
<td>Operating profit, MSEK</td>
<td>725</td>
<td>612</td>
<td>18</td>
<td>2,791</td>
<td>2,358</td>
<td>18</td>
</tr>
<tr>
<td>Operating margin, %</td>
<td>44.4</td>
<td>43.5</td>
<td></td>
<td>45.6</td>
<td>43.0</td>
<td></td>
</tr>
</tbody>
</table>
Total Scandinavian snus by quarter versus same quarter prior year

* Based on Nielsen and Swedish Match estimates (adjusted for hoarding).
** Adjusted for currency effects.
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).
RECENT SNUS PRODUCT ACTIVITY

Scandinavia
- *G.4 Blush* Slim All-White from February 2019

Limited editions in Sweden
Sold in Swedish Match’s stores & e-com
- *Small Batch #6*
- *Mörkbrunt snus* (not manufactured in the last 20 yrs). First product in a series of historical brands. Sales also in selected stores.
- *Small Batch #7*
- *General Kardus Winter 2018* (Gastronomy Series)

The US
- *Thunder Xtreme* in three different varieties from September
Category by format – cans, pouches and tubs

Source: Industry estimates, Swedish Match direct sales, and CMPP.
Swedish Match’s pouch volumes have outperformed the category

**Market**

<table>
<thead>
<tr>
<th>Year</th>
<th>Million cans</th>
<th>CAGR 10.1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>144</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>169</td>
<td></td>
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<tr>
<td>2014</td>
<td>190</td>
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<tr>
<td>2015</td>
<td>214</td>
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<tr>
<td>2016</td>
<td>237</td>
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<tr>
<td>2017</td>
<td>243</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>257</td>
<td></td>
</tr>
</tbody>
</table>

**Swedish Match**

<table>
<thead>
<tr>
<th>Year</th>
<th>Million cans</th>
<th>CAGR 14.4%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>18</td>
<td></td>
</tr>
</tbody>
</table>

**Full year 2018, y-o-y growth rates (%)**

- **Volume**
  - Market: 5.8%
  - Swedish Match: 9.3%

Source: Industry estimates, Swedish Match direct sales, and CMPP.
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.
Cigar growth constrained by leaf shortages for rolled leaf cigars

- **Sales and operating profit flat in local currencies**
  - Cigar sales marginally down, operating profits up in US dollars on improved pricing
    - Cigar volumes down 4% largely attributable to shortage of cigar leaf for rolled leaf cigars.
    - Rolled leaf volumes down 30% vs prior year, and 40% vs Q3 – production constraints/leaf shortage.
    - Higher average pricing from product mix and rolled leaf price increase earlier in the year.
  - **Solid quarter for US chewing tobacco**
    - Volumes (excl. contract manufacturing) flat compared to the prior year.
    - Volumes for traditional premium varieties declined, and grew for value brands.
    - Sales and operating profit up in US dollars.
  - **Operating profit for chewing tobacco outside the US largely flat**
    - Largest chew bag markets for Swedish Match are in Germany, Denmark and Slovenia.
    - Profitability burdened by costs to establish own sales force in Denmark.

### Q4-2018 vs Q4-2017

<table>
<thead>
<tr>
<th></th>
<th>Q4-2018</th>
<th>Q4-2017</th>
<th>chg</th>
<th>Full year 2018</th>
<th>Full year 2017</th>
<th>chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales, MSEK</td>
<td>1,233</td>
<td>1,120</td>
<td>10</td>
<td>5,240</td>
<td>4,634</td>
<td>13</td>
</tr>
<tr>
<td>Operating profit, MSEK</td>
<td>456</td>
<td>417</td>
<td>9</td>
<td>1,956</td>
<td>1,776</td>
<td>10</td>
</tr>
<tr>
<td>Operating margin, %</td>
<td>37.0</td>
<td>37.2</td>
<td></td>
<td>37.3</td>
<td>38.3</td>
<td></td>
</tr>
</tbody>
</table>
Category volumes for cigars in the US, million sticks (excluding littles)

- **Natural leaf (ex. rolled leaf)**
- **Natural rolled leaf**
- **HTL**

Source: Swedish Match estimates

**HTL CIGARS**
- **Growth 4%**
- **CAGR 8%**
- **5.6%**
- **CAGR 2011-2017**

**NL CIGARS**
- **-0.6%**
- **CAGR 2017-2018**
- **16.5%**
- **CAGR 2017-2018**
Mass market cigar shipments by year and format, million sticks

- **HTL CIGARS**
  - CAGR 2011-2017: 1.4%
  - CAGR 2017-2018: -8.7%

- **NL CIGARS**
  - CAGR 2011-2017: 30.1%
  - CAGR 2017-2018: 14.9%
Breakdown of Swedish Match’s cigar volumes by segment compared to the addressed market

FY 2018

Swedish Match

- Natural leaf (ex. rolled leaf): 43%
- Natural rolled leaf: 14%
- HTL: 44%

Category

- Natural leaf (ex. rolled leaf): 62%
- Natural rolled leaf: 14%
- HTL: 25%

Source: Swedish Match estimates of distributor shipments to retail using CMPP data. Excluding segment for pipe cigars and ‘other’.
US – SWEDISH MATCH’S CHEWING TOBACCO VOLUMES AND PRICE/MIX

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

* On reported basis. Excludes Co-Pack volumes.
Sales slightly higher, profits slightly lower with cost pressures on nylon for lighters

- **Sales up 2 percent, with sales growth for lighters and complementary products partially offset by sales declines for matches**
  - Higher volumes and improved price/mix for lighters.
  - Match volumes down slightly, with a less favorable market mix.
  - Favorable currency developments for lighters but adverse for both matches and complementary products.

- **Operating profit down for both matches and lighters, while for complementary products operating profit increased**
  - Cost pressure on raw material inputs, notably nylon for lighters.
  - Improved price/mix and positive currency effects for lighters more than offset by higher COGS.
  - Profit decline for matches in large part due to portfolio price/mix effects.

### LIGHTS: Q4 COMMENTARY

<table>
<thead>
<tr>
<th></th>
<th>Q4-2018</th>
<th>Q4-2017</th>
<th>chg</th>
<th>Full year 2018</th>
<th>Full year 2017</th>
<th>chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales, MSEK</td>
<td>349</td>
<td>341</td>
<td>2</td>
<td>1,246</td>
<td>1,291</td>
<td>-4</td>
</tr>
<tr>
<td>Operating profit, MSEK</td>
<td>66</td>
<td>68</td>
<td>-3</td>
<td>189</td>
<td>211</td>
<td>-11</td>
</tr>
<tr>
<td>Operating margin, %</td>
<td>18.9</td>
<td>19.9</td>
<td></td>
<td>15.2</td>
<td>16.4</td>
<td></td>
</tr>
</tbody>
</table>
REGULATORY EVENTS

- **FDA/TPSAC**
  - On February 6, the FDA convened the Tobacco Products Scientific Advisory Committee (TPSAC) for a hearing on the Modified Risk Tobacco Product submission to the FDA for General snus products in the US. Timing for the final decision by the FDA has not been concluded.
  - Proposed modified risk claim: “Using General Snus instead of cigarettes puts you at a lower risk of mouth cancer, heart disease, lung cancer, stroke, emphysema, and chronic bronchitis.”

- **Statement from Scott Gottlieb, FDA Commissioner**
  - On November 15, the FDA Commissioner, Scott Gottlieb, released a communication in which he stated that the FDA intends to propose a product standard that would ban flavors in all cigars. It was further stated in his comment that he believes that flavored cigars should no longer be subject to the extended compliance date (August 2021) for substantial equivalence authorization – regardless of the location in which the products are sold. No timeline has been set for any possible change to the current rules and regulations.
The European Court of Justice’s ruling on the snus ban (November 22)
- The European Court of Justice (ECJ) published its judgment concerning the prohibition to sell Swedish snus to other EU member states. The court ruled that Swedish snus will continue to be excluded from the EU’s internal market.

Swedish regulation on tobacco and similar products (December)
- In December 2018, the Swedish Parliament adopted a proposal for new legislation on tobacco and similar products, which included the EU mandated track and trace system for tobacco products, an extended outdoor smoking ban to certain public places and restaurants, and for snus, a requirement on a minimum of 20 pouches per can. The previously discussed ban on marketing at point of sale, with only specialty tobacco shops exempted, and ban on consumer self-service for all tobacco products at point of sale was not part of the final legislation.
The European Court of Justice’s ruling on chewing tobacco (October 17)

- The ECJ noted that the final determination of whether products 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 such as their composition, consistency, method of dispensation and, where appropriate, their actual use by consumers.

- 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.

- 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.

- In 2018 chew bag sales amounted to 173 MSEK (1.3 percent of total Group sales) and chew bag operating profit amounted to 68 MSEK (1.4 percent of total Group operating profit). Approximately half of Swedish Match’s chew bag sales were in Germany.
**FINANCE NET AND EPS**

**Development of the finance net**

By quarter

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Net finance cost</th>
<th>Net interest expense</th>
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<tbody>
<tr>
<td>Q1 2017</td>
<td></td>
<td></td>
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<tr>
<td>Q2 2017</td>
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<td>Q3 2017</td>
<td></td>
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<tr>
<td>Q3 2018</td>
<td></td>
<td></td>
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<tr>
<td>Q4 2018</td>
<td></td>
<td></td>
</tr>
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**Maturity profile of interest bearing liabilities**

Debt as of December 31, 2018

<table>
<thead>
<tr>
<th>Year</th>
<th>Fixed</th>
<th>Float</th>
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</thead>
<tbody>
<tr>
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<td></td>
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<tr>
<td>2020</td>
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<td>2025</td>
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<td>2028</td>
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**EPS bridge**

FY 2018 vs FY 2017 (SEK)

<table>
<thead>
<tr>
<th>Component</th>
<th>FY 2017</th>
<th>Impact</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPS 2017</td>
<td></td>
<td>-2.48</td>
<td></td>
</tr>
<tr>
<td>Larger one-time items</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted EPS 2017</td>
<td></td>
<td>16.40</td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td></td>
<td>2.50</td>
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<tr>
<td>Financial items</td>
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<td>0.28</td>
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<td>Tax rate</td>
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<tr>
<td>Chg in number of shares</td>
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<td>0.76</td>
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<tr>
<td>Adjusted EPS 2018</td>
<td></td>
<td>20.63</td>
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</tr>
<tr>
<td>EPS 2018</td>
<td></td>
<td>20.63</td>
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</table>

**Net debt/EBITA**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2017</td>
<td>1.9</td>
</tr>
<tr>
<td>FY 2018</td>
<td>2.2</td>
</tr>
</tbody>
</table>
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. By providing products that are recognized as safer alternatives to cigarettes, our ambition is to create value for both shareholders and the 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.

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

Based on current exchange rates Swedish Match anticipates currency translation to have a positive impact on both sales and operating profit at the Group level for the first quarter of 2019.

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.