

SWEDISH MATCH RESULTS PRESENTATION

Q1 2020



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Q1– HEADLINE BULLETS

- In local currencies, sales from product segments increased by 21 percent for the first quarter. Reported sales increased by 24 percent to 4,029 MSEK (3,258).
- In local currencies, operating profit from product segments¹⁾ increased by 30 percent for the first quarter. Reported operating profit from product segments increased by 34 percent to 1,652 MSEK (1,233).
- Operating profit amounted to 1,594 MSEK (1,190) for the first quarter.
- Profit after tax amounted to 1,161 MSEK (880) for the first quarter.
- Earnings per share increased by 38 percent to 7.14 SEK (5.17) for the first quarter.
- Net effect on revenue and results from COVID-19 impacts were positive in the first quarter but are expected to become negative in the second quarter. Guidance for Q2 2020 is provided on page 12 in the Q1 interim report.
- ZYN is now available in approximately 80,000 stores in the US, and average sales per store continued to increase sequentially.

1) Excluding Other operations and larger one-time items.



PRODUCT SEGMENTS AS OF JANUARY 1, 2020

Smokefree

Product segment includes:

- Snus
- Nicotine pouches
- Moist snuff
- US chewing tobacco
- Chew bags
- Tobacco bits



Cigars

Product segment includes:

- Cigars (substantially relating to US mass market cigars)



Lights

Product segment includes:

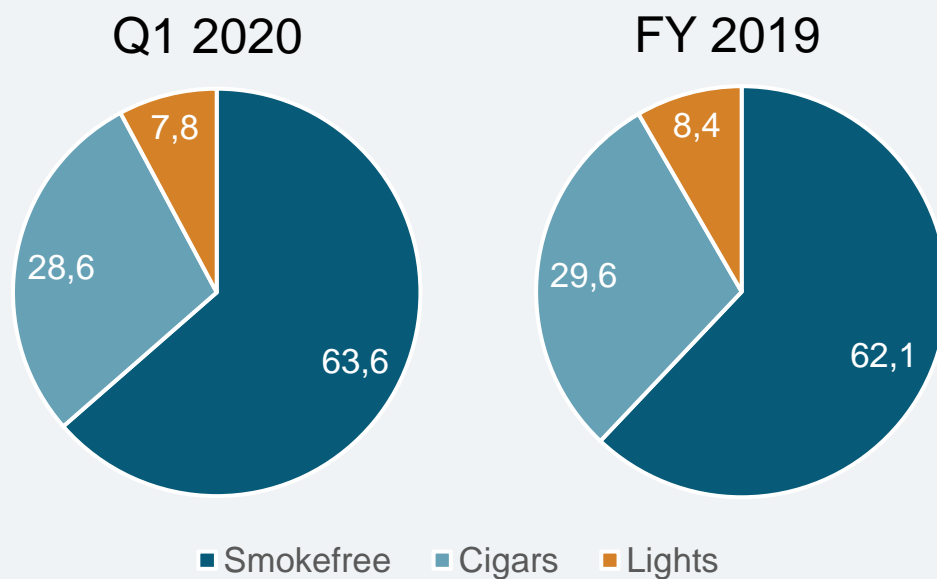
- Matches
- Lighters
- Complementary products



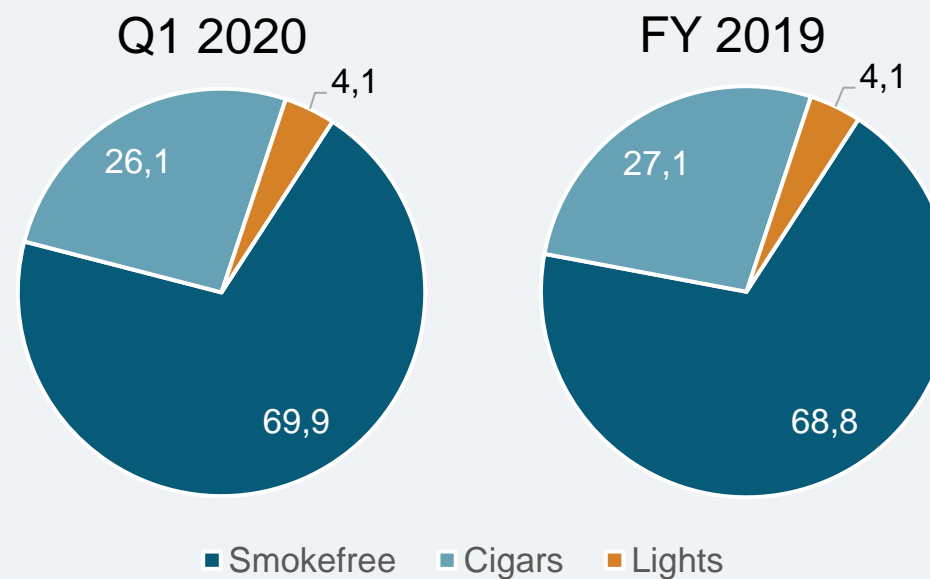
SALES AND EBIT SPLIT BY PRODUCT SEGMENT

Sales and EBIT split in percent, Q1 2020 versus FY 2019

Sales split



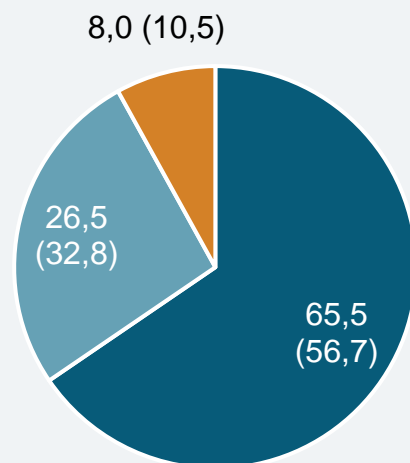
EBIT split



SALES SPLIT BY GEOGRAPHY AND PRODUCT SEGMENT

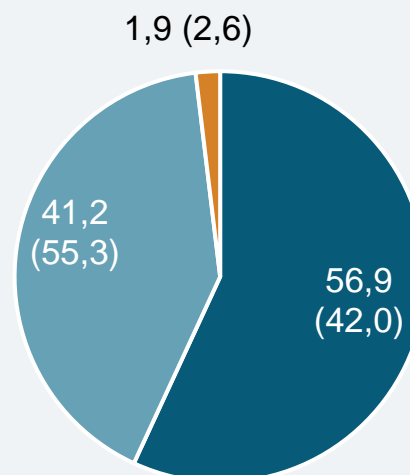
Sales split in percent, Q1 2020 versus prior year quarter

Sales split



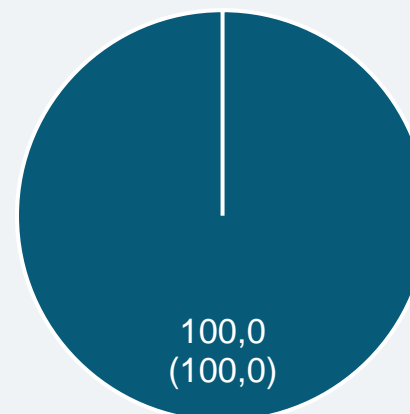
■ The US ■ Scandinavia ■ Other markets

Smokefree

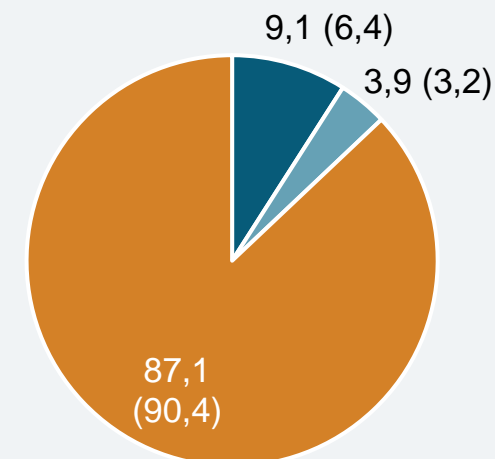


■ The US ■ Scandinavia ■ Other markets

Cigars



Lights



COVID-19:

Net positive financial impacts during the quarter – anticipated sales and earnings headwind in Q2

- Swedish Match complying with recommended protocols from governmental and local health care authorities.
- Hoarding positively impacted sales and volumes for both cigars and Smokefree products in the US, unwinding of this hoarding anticipated in Q2.
- Shipments to travel retail/border classes of trade virtually ceased during March in Scandinavia.
- Timing and execution of certain sales, marketing, and launch activities affected, notably for ZYN in markets outside of Scandinavia and the US.
- Manufacturing facilities relatively resilient to date. Product requirements following temporary production suspension in Dominican Republic, short stoppage in Owensboro, Kentucky, and very low production levels in the Philippines largely addressed with existing inventory.

FIRST QUARTER HIGHLIGHTS SUMMARY

Smokefree:

Higher sales and operating profit driven by a strong performance in the US

- Strong sequential growth for ZYN in the US from both existing stores and expanded distribution. PMTAs filed with FDA for ZYN.
- Scandinavian smokefree market continued robust growth driven by nicotine pouches.
- Swedish Match moist snuff shipment volumes in the US up sharply supported by simplified pricing promotion strategy for *Longhorn*.
- Outside of Scandinavia and the US, ZYN is now available in stores in 13 countries.

Cigars:

Volume and share growth in the growing natural leaf segment more than offset declines in the HTL segment

- Sales flat when adjusted for estimates of COVID-19 related hoarding effects in the US.

Lights:

Operating profit up despite lower volumes, on favorable market and portfolio mix

- Sales up for lighters. Sales down for matches and complementary products attributable to weakness in Brazilian real.
- Results positively impacted by decision in indirect tax disputes in Brazil.

Sales for product segment increased 29% in local currencies, operating profit up sharply

	Q1-2020	Q1-2019	chg	April 2019 - March 2020	Full year 2019	chg
Sales, MSEK	2,508	1,863	35	9,559	8,914	7
Operating profit, MSEK	1,154	805	43	4,346	3,997	9
Operating margin, %	46.0	43.2		45.5	44.8	

Snus and nicotine pouches

- **Continued strong growth ZYN nicotine pouches in the US**
 - Strong volume growth for ZYN in the US as velocities continued to grow sequentially on a per store basis, and from increased distribution (ZYN is available in approximately 80,000 stores, of which 13,000 added in Q1).
- **Scandinavian* snus shipment volumes down due to disrupted deliveries, nicotine pouch volumes up**
 - Strong growth for combined snus and nicotine pouch market. Underlying growth estimated at more than 8%.
 - Underlying Swedish Match smokefree volumes up by more than 3% (adjusted for COVID-19 effects on travel retail and border trade channels, and inventory adjustments).
 - Operating profit in Scandinavia increased somewhat on an underlying basis, but declined as reported.
- **Outside Scandinavia/US, ZYN is also available in selected stores in 13 countries**
 - Activities negatively impacted by COVID-19 related restrictions.



* Sweden, Norway and Denmark.

US moist snuff

- **Volumes, sales, and operating profit higher**
 - Positive reception to simplified pricing promotion strategy for the *Longhorn* brand.
 - Shipment volumes increased sharply, with volume gains across loose, tub and pouch formats.
 - COVID-19 related hoarding towards the end of the quarter.



US chewing tobacco

- **Shipment volumes (own brands) flat, sales and operating profit grew in local currency**
 - Volumes for traditional premium varieties declined but grew for value brands.
 - While year on year volumes for this segment are volatile, COVID-19 related hoarding towards the end of the quarter contributed to volumes being stronger than what the long-term downward trend would have implied.

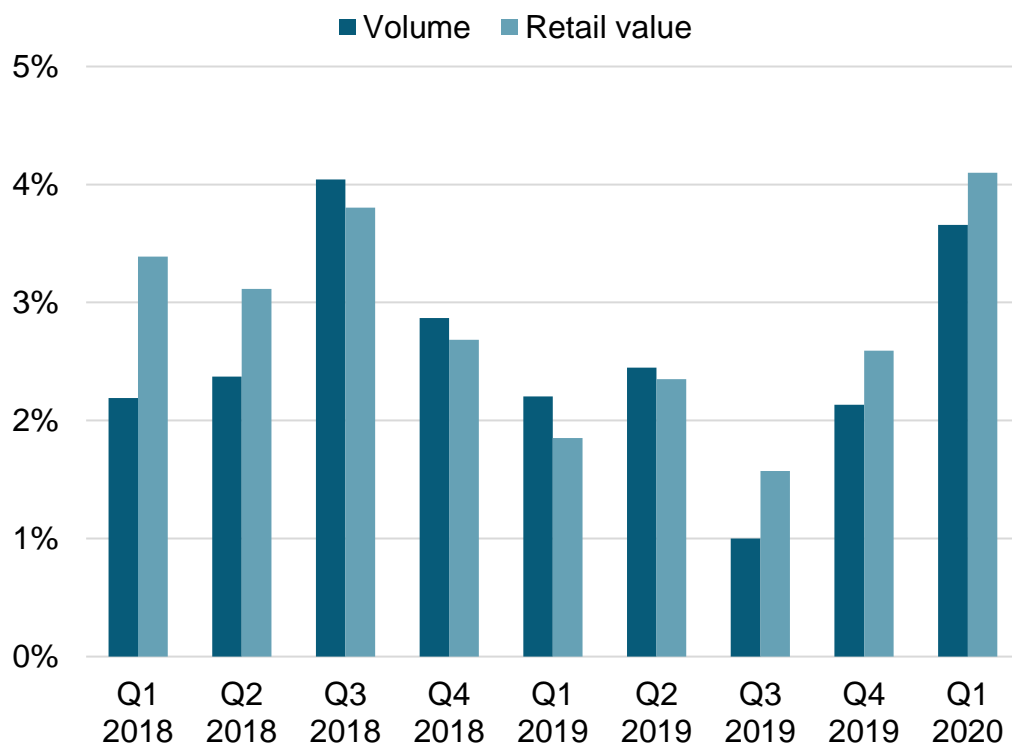
Chewing tobacco outside the US

- **Sales and operating profit down on lower shipments to several European markets**

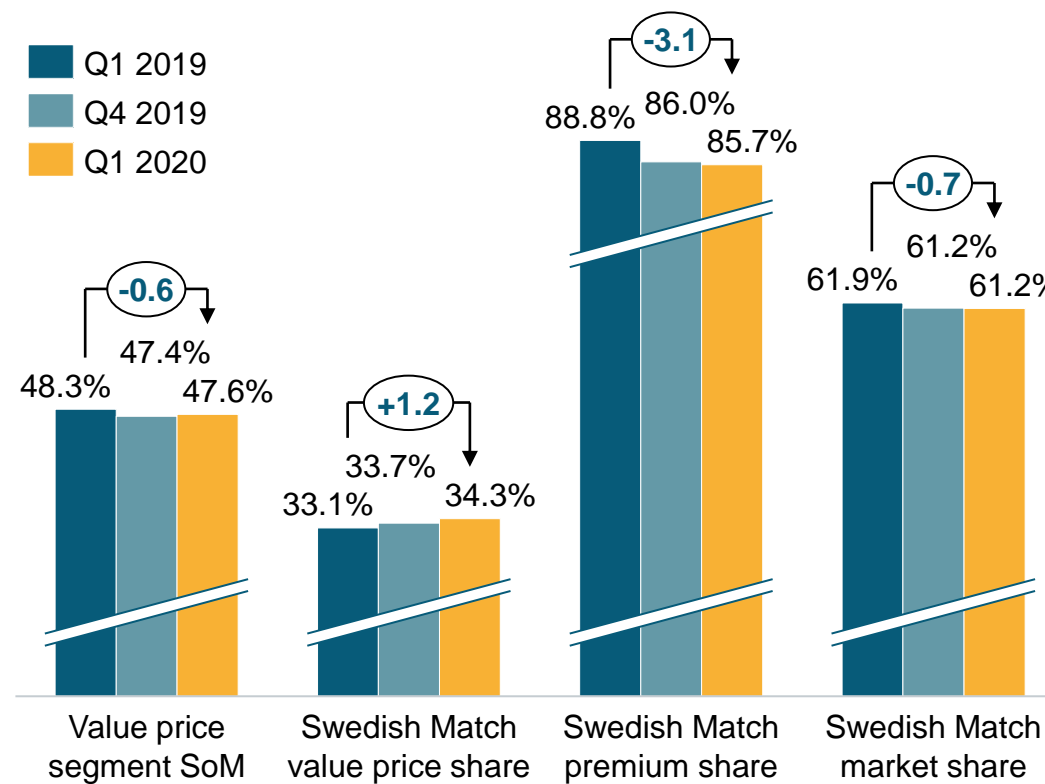


SWEDEN – SNUS CATEGORY

Category volume and retail value growth, year-on-year



Volume share dynamics, by quarter

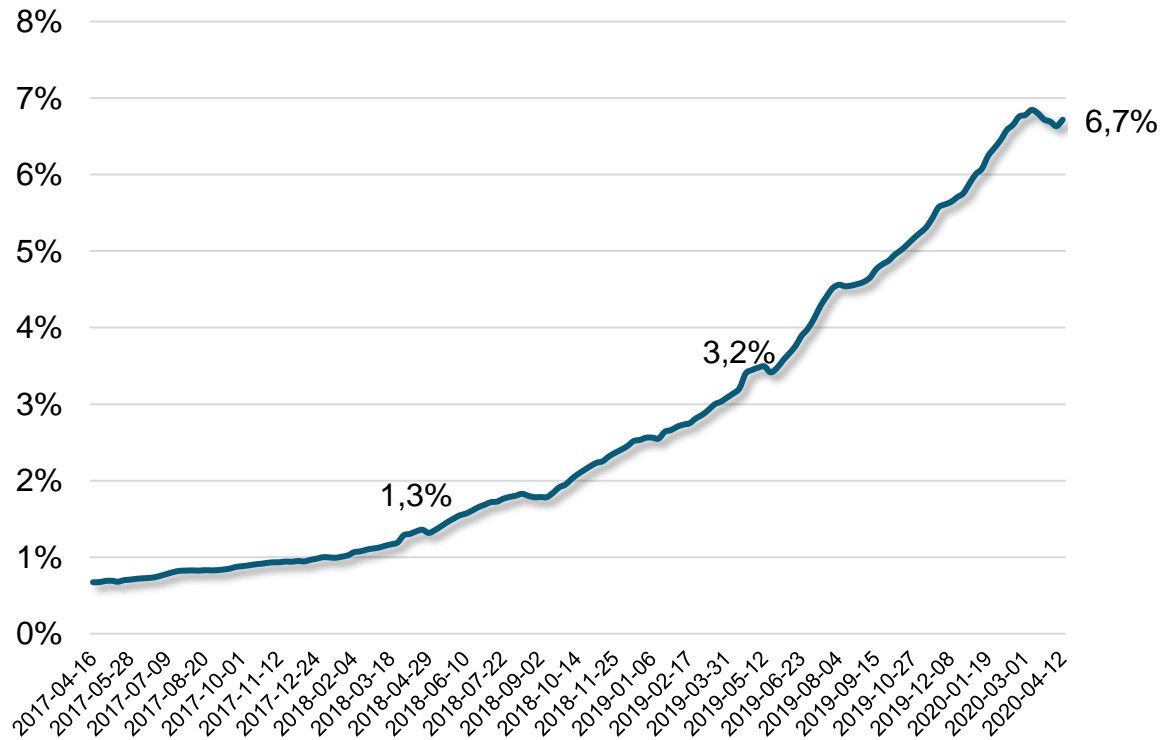


Source: Nielsen, DVH+SVH excl. tobaccoists (including nicotine free). Please note that the data above excludes nicotine pouches.

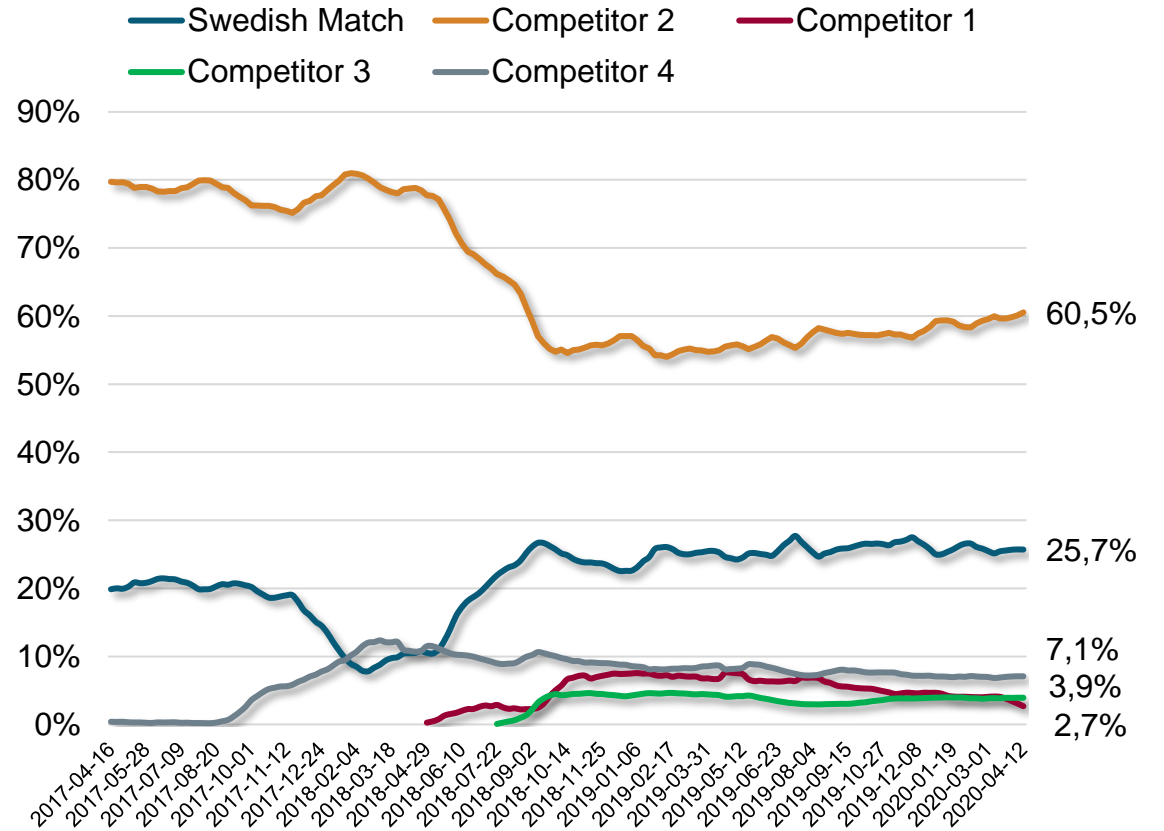
SWEDEN – NICOTINE POUCH CATEGORY

Volume share development, 4-weeks rolling

Nicotine pouch category size relative to the snus category



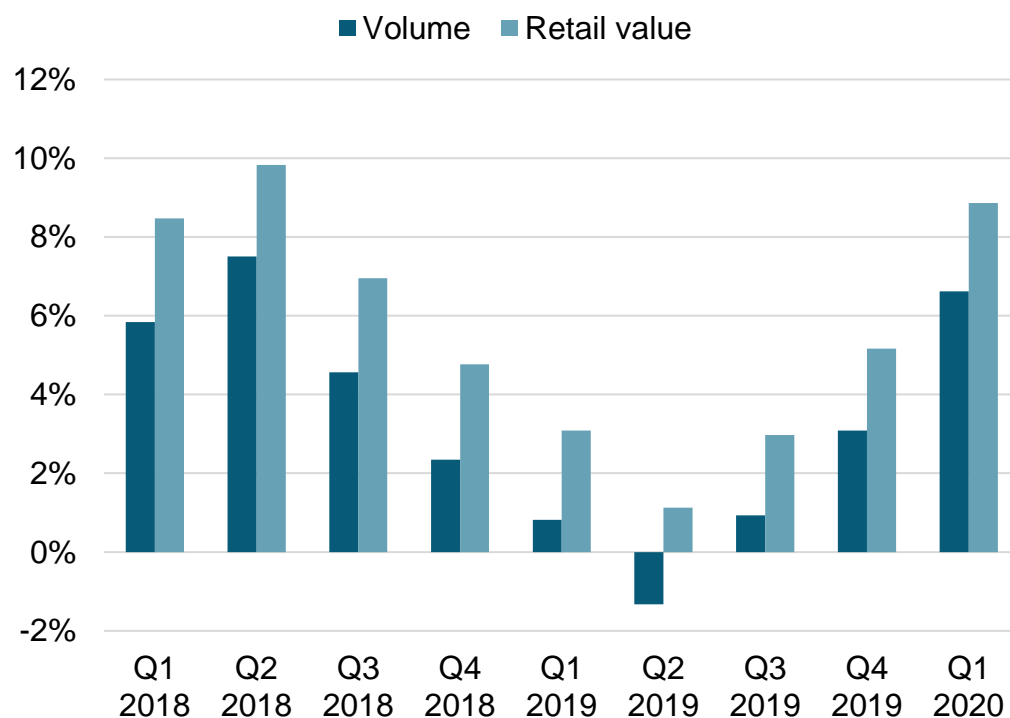
Manufacturer volume shares, nicotine pouch category



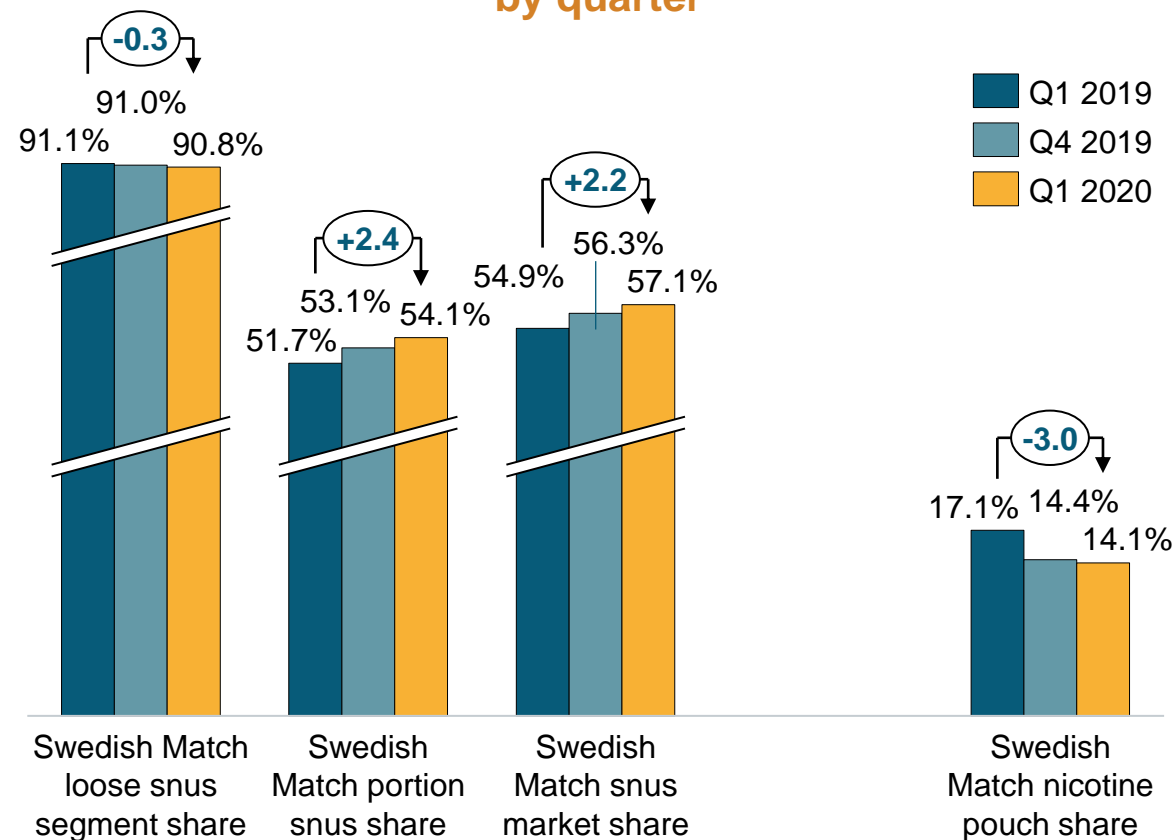
Source: Nielsen, DVH+SVH excl. tobaccoconists. The snus category base includes nicotine free.

NORWAY – COMBINED SNUS AND NICOTINE POUCH CATEGORY

Category volume and retail value growth, year-on-year



Volume share dynamics, by quarter

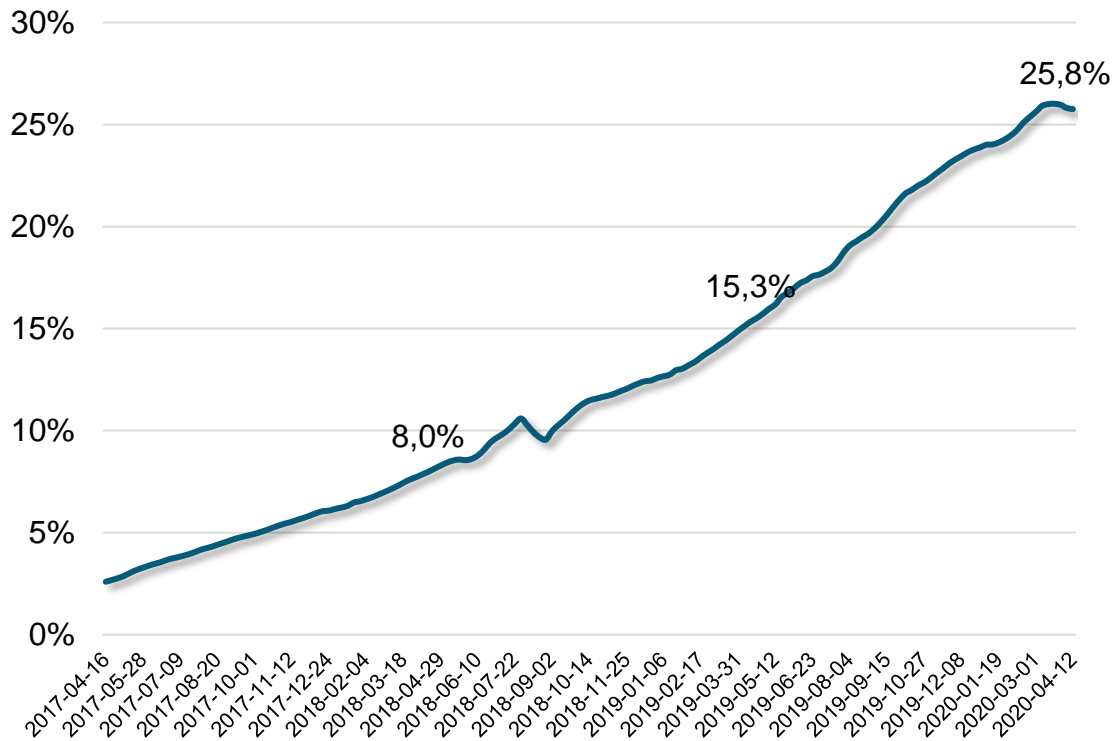


Source: Nielsen, DVH+KBS.

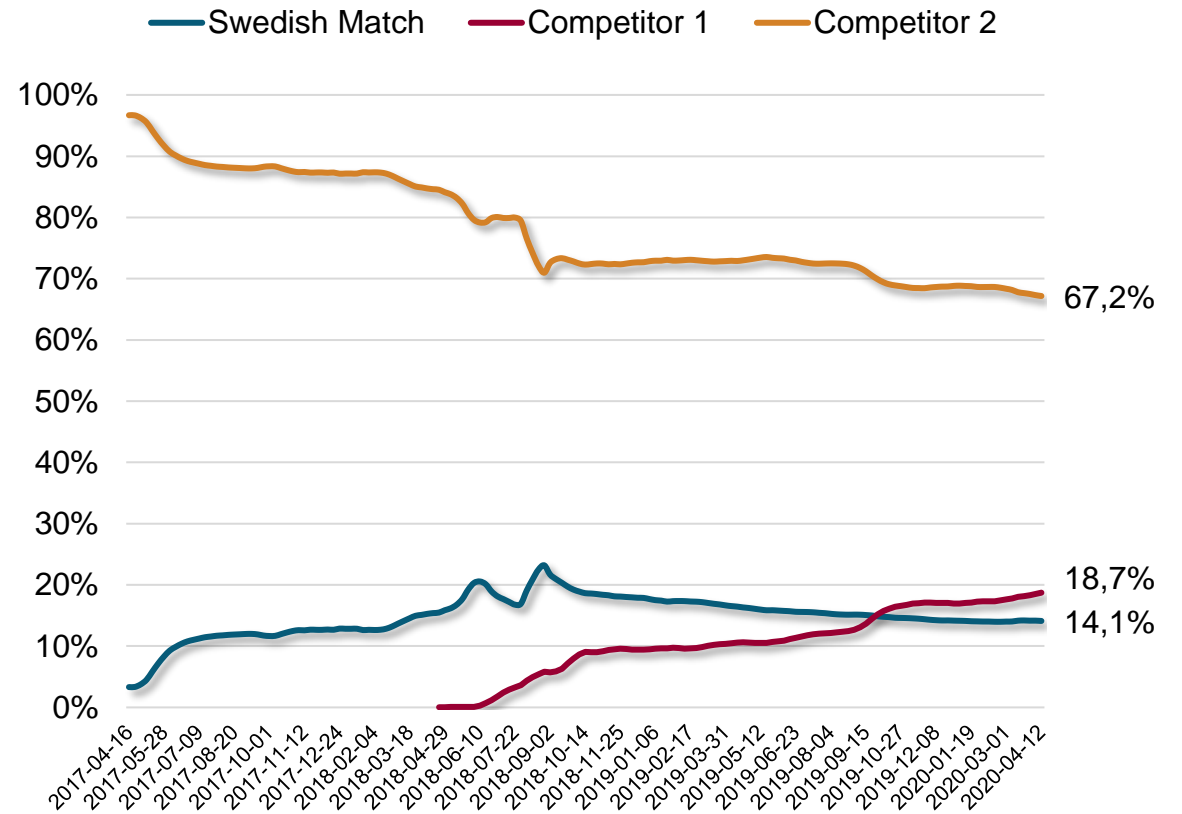
NORWAY – NICOTINE POUCH CATEGORY

Volume share development, 4-weeks rolling

Nicotine pouch category size relative to the snus category



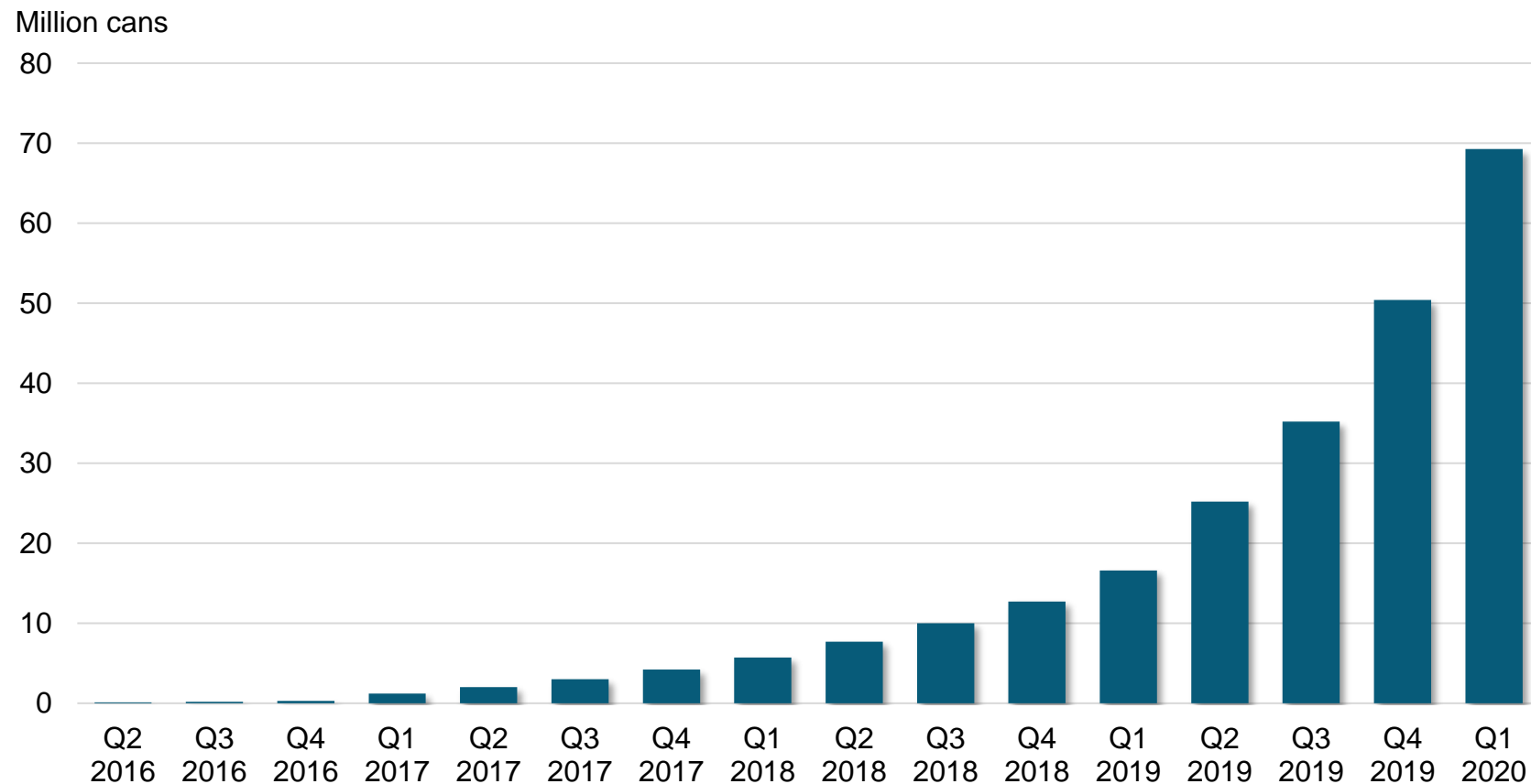
Manufacturer volume shares, nicotine pouch category



Source: Nielsen, 4-week data, DVH+KBS. The snus category base includes nicotine free.

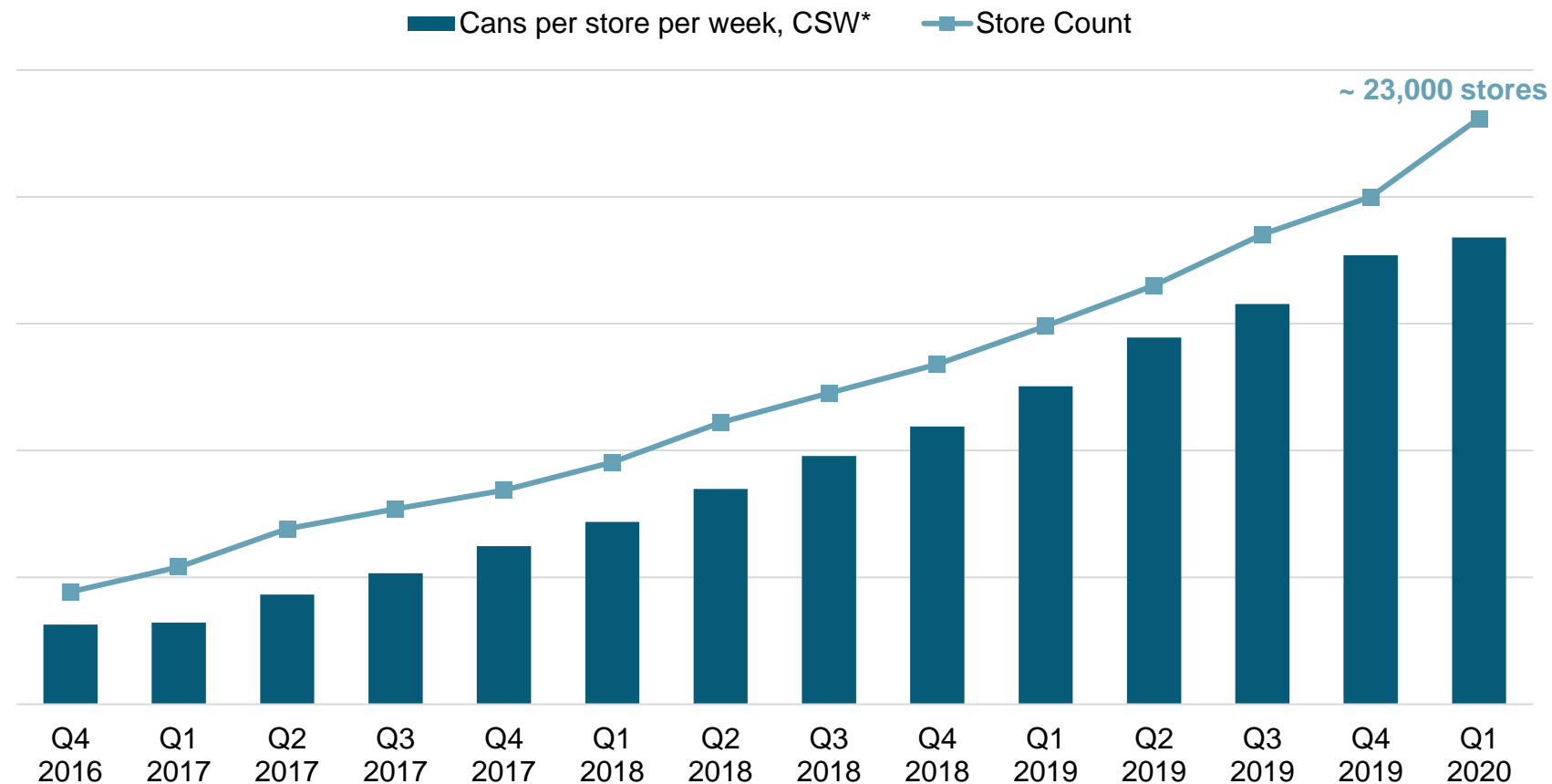
US – ZYN DEVELOPMENT IN THE US

ZYN shipment volumes in the US, 12 months rolling



US – ZYN VELOCITY AND DISTRIBUTION

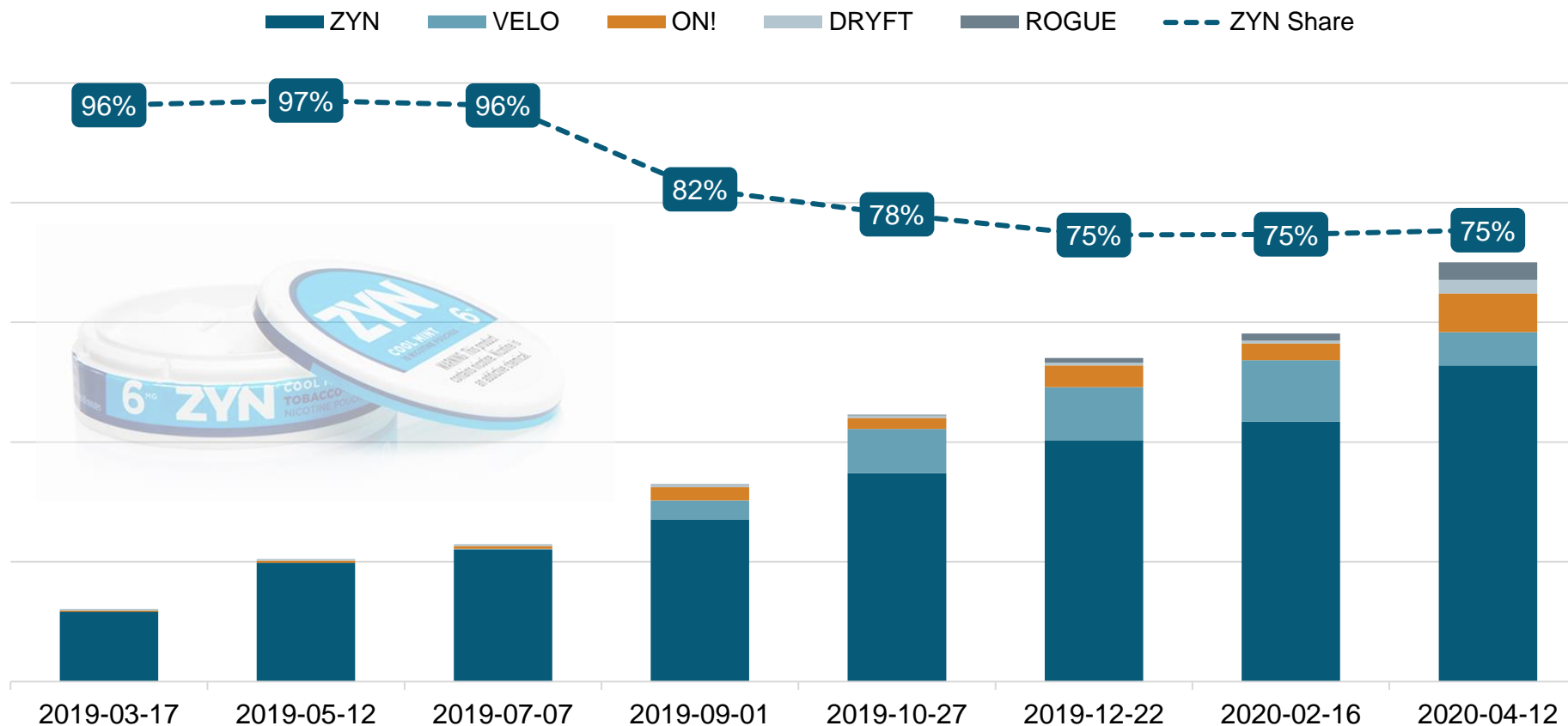
Increase in quarterly average velocity and increased number of stores in geographies entered prior to the national launch



* Cans per store per week are based on distributor to retail shipments for stores installed through Q4 2019.

US – NICOTINE POUCH CATEGORY GROWTH AND ZYN SHARE DEVELOPMENT

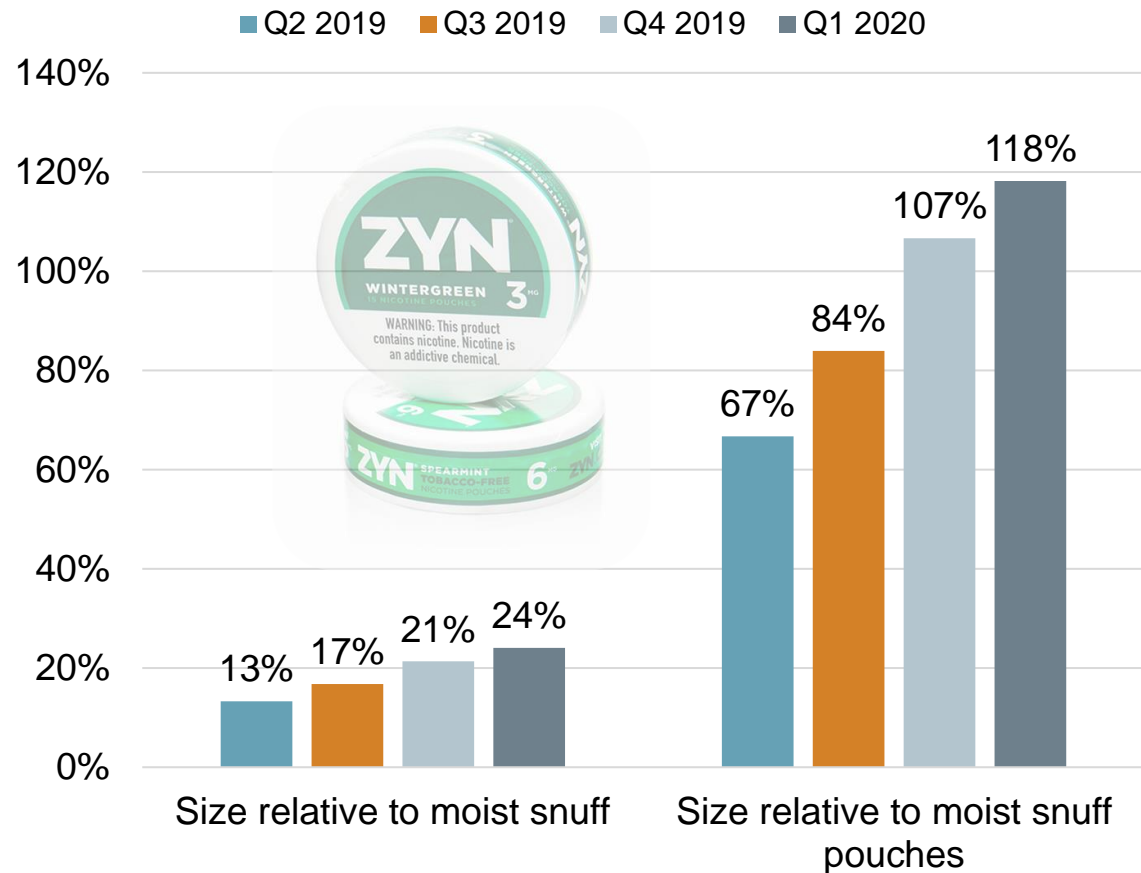
Category volume and ZYN share development, 8-week periods



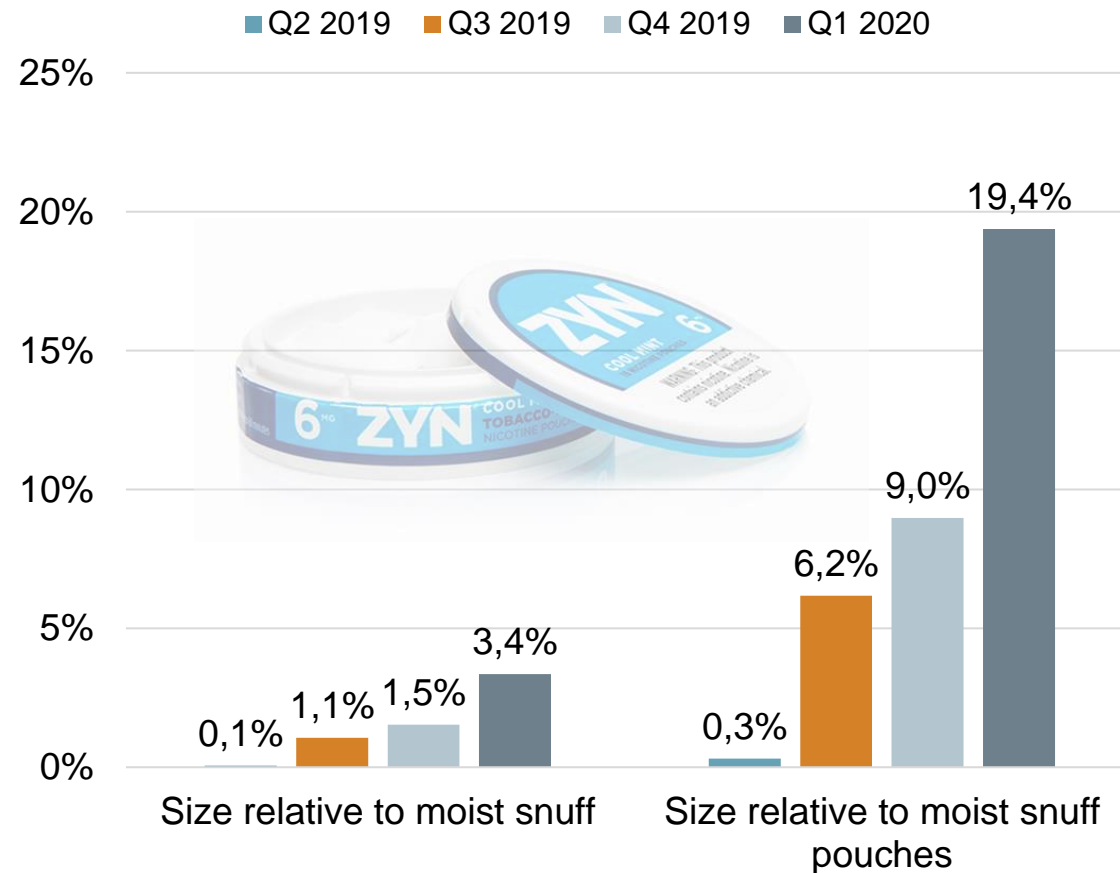
Source: MSA.

US – ZYN BENCHMARKS

The western region*



Regions outside of the west**



Source: MSA. *Initial launch date June 2016. ** National launch initiated in April 2019.

PRESENCE IN 18 MARKETS WITH NICOTINE POUCHES

ZYN and G.4 presence



- The US
- Greenland



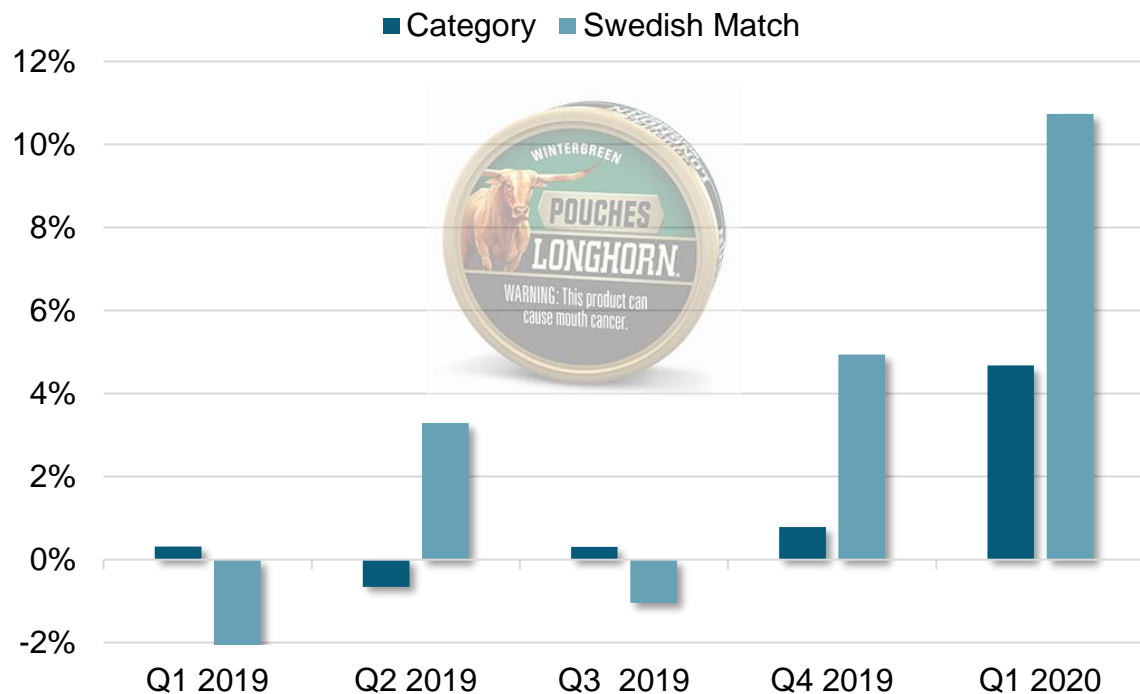
- Austria
- Croatia
- Czech Republic
- Denmark
- Estonia
- Germany
- Iceland
- Latvia
- Lithuania
- Norway (G.4)
- Slovakia
- Slovenia
- Sweden
- Switzerland (G.4)
- United Kingdom



- New Zealand

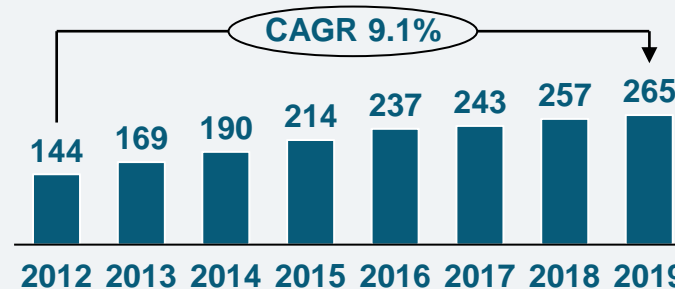
Positive category growth, Swedish Match's volumes have outperformed the category

Moist snuff category and Swedish Match volume growth year-on-year



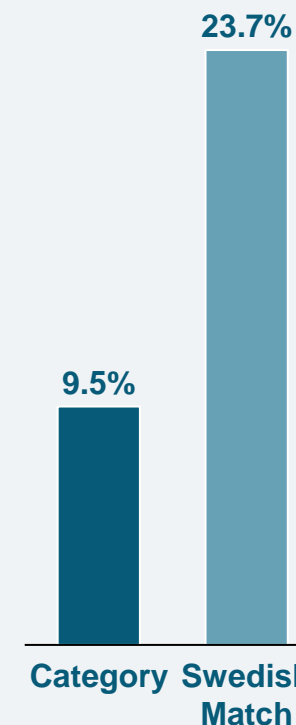
Pouches, category

Million cans



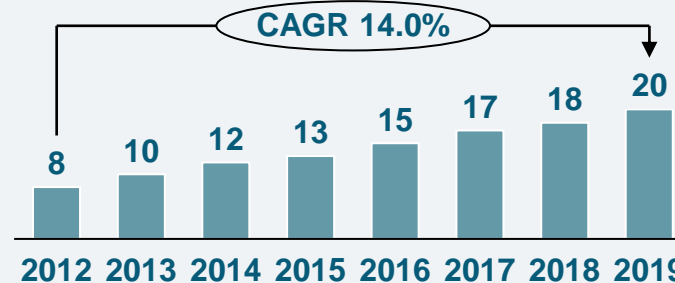
Volume growth pouches Q1 2020

Year-on-year



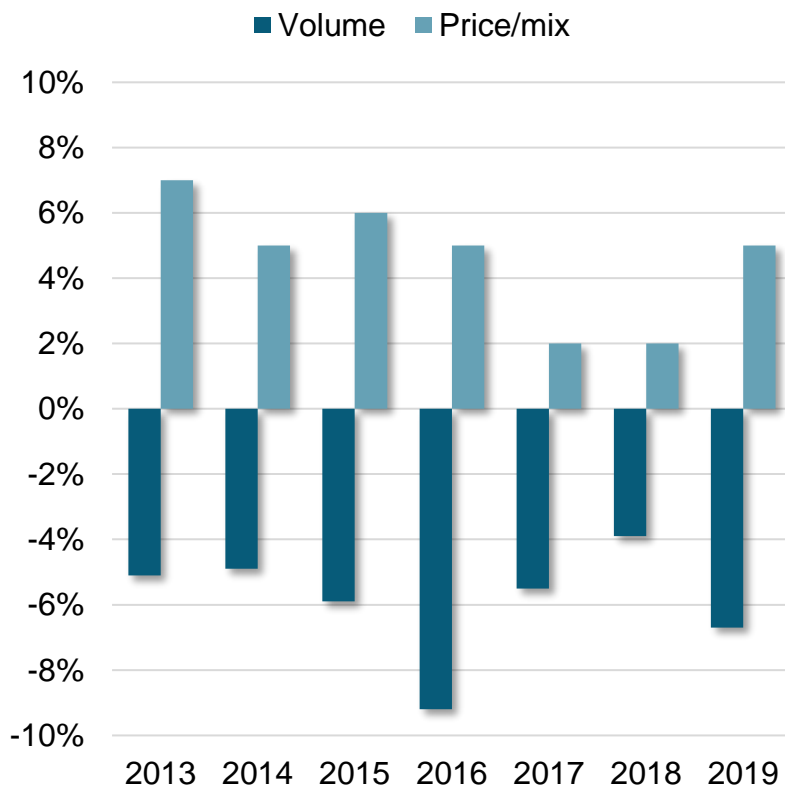
Pouches, Swedish Match

Million cans shipped

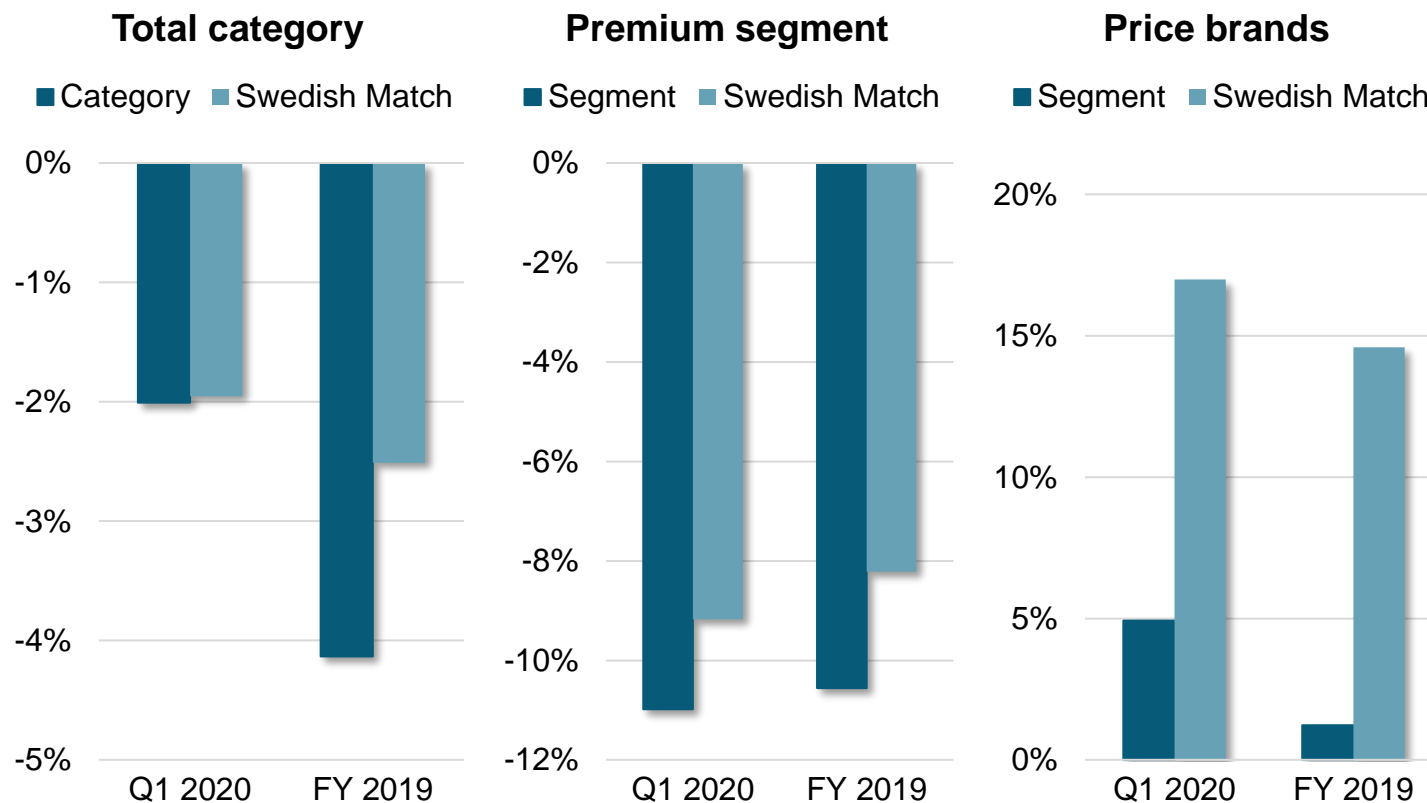


Source: Industry estimates, Swedish Match direct sales, and MSA.

Swedish Match shipment volume growth and price/mix percentage change year-on-year*



Chewing tobacco category and Swedish Match volume growth year-on-year**



* On reported basis. Excludes Co-Pack. ** Source: MSA. Price brands = Price large bag segment + Price small pouch segment.

CIGARS: Q1 COMMENTARY

Sales and operating profit growth

	Q1-2020	Q1-2019	chg	April 2019 - March 2020	Full year 2019	chg
Sales, MSEK	1,128	996	13	4,381	4,249	3
Operating profit, MSEK	431	384	12	1,624	1,577	3
Operating margin, %	38.2	38.6		37.1	37.1	

○ Sales up 13%, shipments up 7%

- Sales in local currency up 7%, but flat when adjusted for estimated COVID-19 hoarding.
- Growth in Swedish Match shipment volumes led by natural leaf varieties.
- Swedish Match HTL shipment volumes declined.
- No material impact on sales or volumes from temporary suspension of Dominican Republic operations.

○ Operating profit up 12%

- When adjusting for COVID-19 related estimated costs/hoarding effects operating profit was modestly lower in local currency.

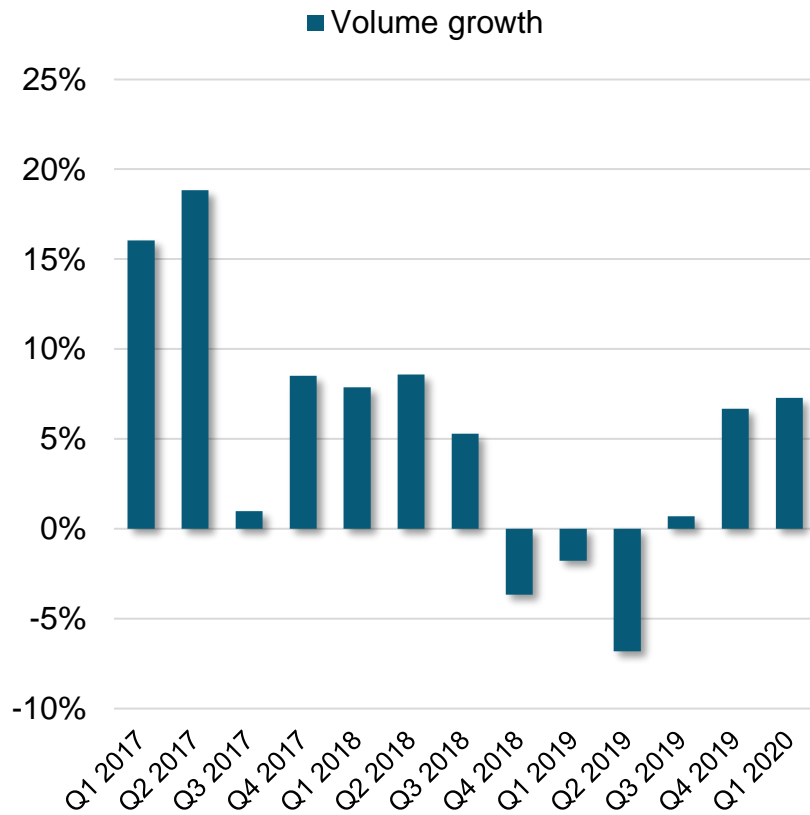
○ Market share growth*, driven by natural leaf varieties

- Market share grew for natural leaf cigars, more than offsetting share declines for HTL.

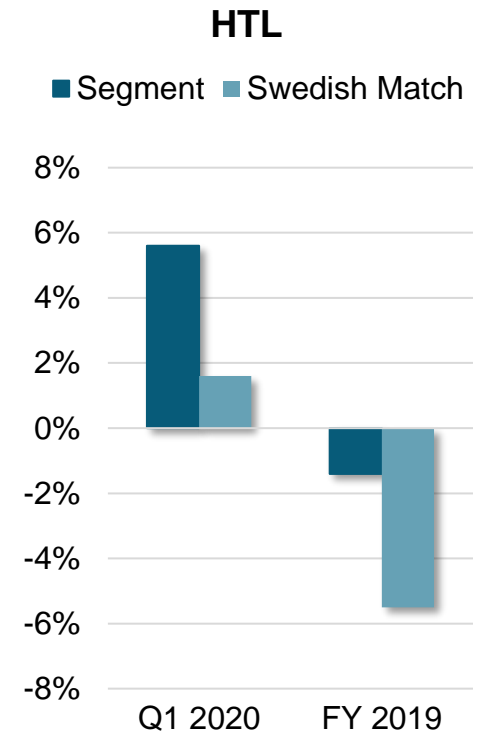
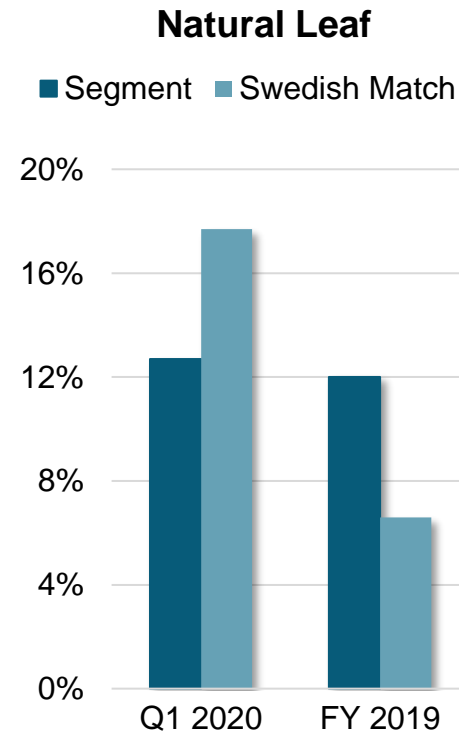
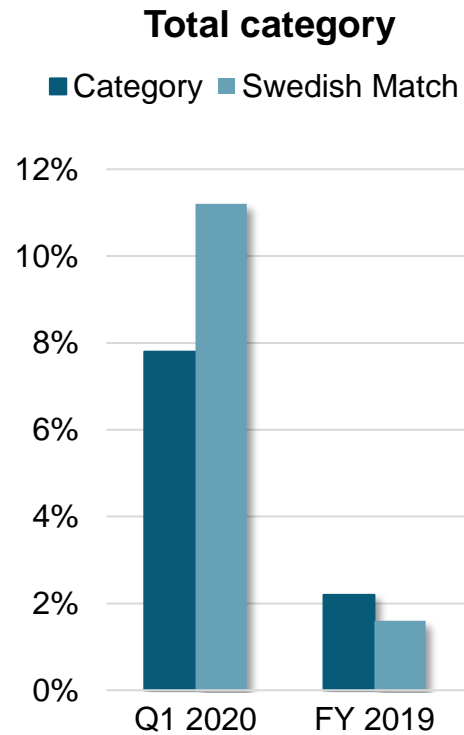


* Source: MSA through March 29.

Swedish Match shipment volume growth year-on-year



Cigar category and Swedish Match volume growth year-on-year*



* Source: MSA Distributor Shipments – Mass Market Cigars excluding Little Cigars.

Operating profit up despite lower volumes, on favorable market and portfolio mix

	Q1-2020	Q1-2019	chg	April 2019 - March 2020	Full year 2019	chg
Sales, MSEK	309	314	-2	1,195	1,200	0
Operating profit, MSEK	67	43	55	261	238	10
Operating margin, %	21.7	13.8		21.9	19.8	

○ Sales down 2%, but essentially flat on a local currency basis, despite volume declines

- Sales for lighters up on a favorable format and market mix, while volumes were down.
- Decline in sales for matches and complementary products attributable to weakness of the Brazilian real.

○ Reported operating profit up significantly

- For lighters, benefit of favorable product mix, cost controls, and reduced raw materials pricing.
- 16 MSEK benefit from ruling in Brazil on tax dispute.
- Excluding effects of tax ruling, profits up for matches, lighters and complementary products.



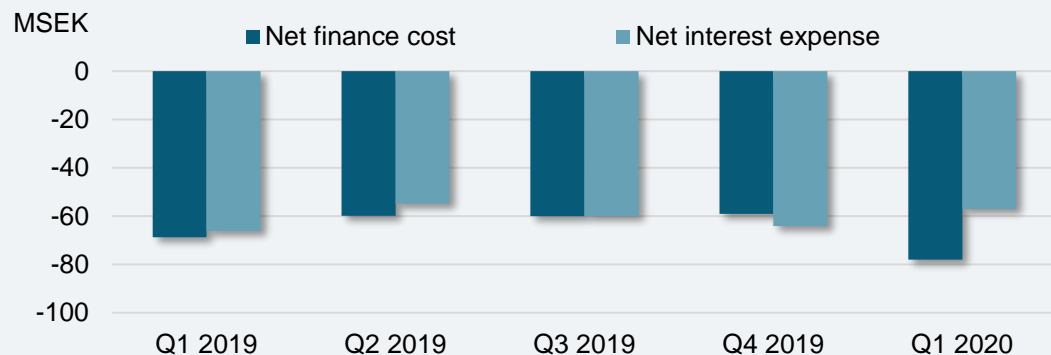
REGULATORY EVENTS: FDA UPDATE

- In relation to flavored cigars, the FDA stated that it still intends to issue a regulation that would ban the use of characterizing flavors in cigars, and that FDA is working towards that proposed rule. In January, the FDA further indicated that it intended to defer regulatory actions against cigars until May 12, 2020 at which time substantial equivalence or new product application filings were due for products that were not in the market on February 15, 2007.
- On March 30, the FDA filed a motion with the United States District Court for the District of Maryland requesting a 120-day extension of the May 12 deadline which would move it to September 9, 2020. On April 22, the court granted the requested extension.
- Swedish Match has now filed PMTA applications for its current portfolio of ZYN nicotine pouches with the FDA. On March 19th after preliminary review the FDA determined the applications met filing requirements for a new tobacco product seeking a marketing order.

FINANCE NET AND EPS

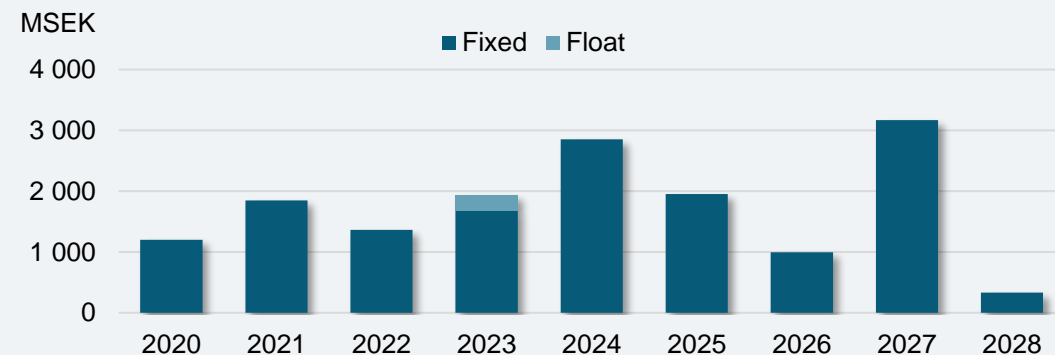
Development of the finance net

By quarter



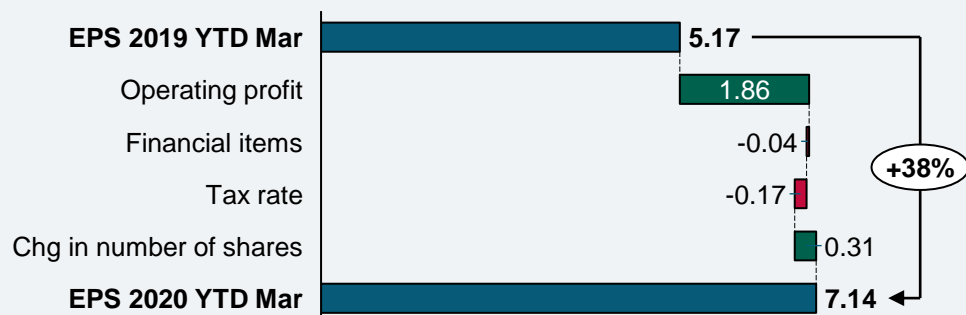
Maturity profile of interest bearing liabilities

Debt as of March 31, 2020

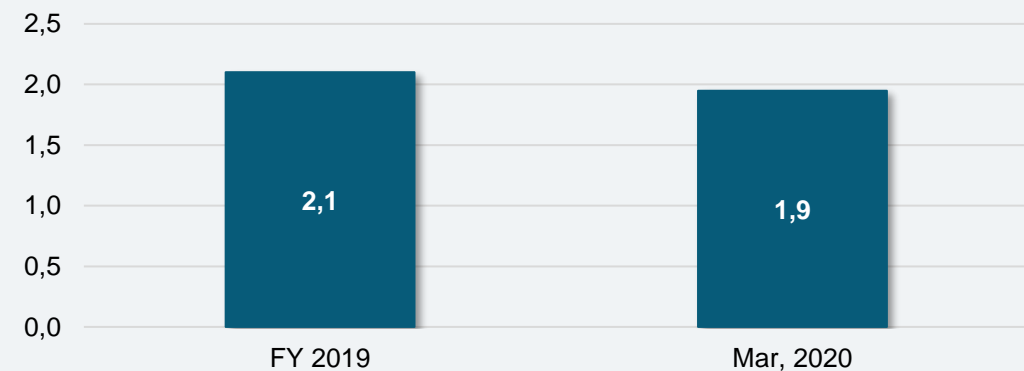


EPS bridge

YTD 2020 vs YTD 2019 (SEK)



Net debt/EBITA



GUIDANCE ON SECOND QUARTER 2020 WITH REGARD TO COVID-19

- While the COVID-19 effects on a net basis benefited sales and operating profit during the first quarter, at this point, we anticipate several areas that will negatively impact our second quarter financial results.
 - We expect that the hoarding of products in the US market will partially reverse as distributors become more confident of our ability to meet demand. Also, our expectation is that the border and travel retail classes of trade will remain closed for at least a portion of the quarter.
 - We also expect to incur additional manufacturing and operating expenses during the second quarter as we deal with the consequences of the pandemic that, due to the timing of the onset of COVID-19, only minimally impacted our first quarter result.
 - While difficult to estimate with a high degree of confidence, Swedish Match currently estimates that the combined COVID-19 negative consequences on operating profit during the second quarter could exceed the net benefits realized in the first quarter of 2020.

OUTLOOK (UNCHANGED)

Swedish Match expects that the trend of increased interest from consumers, industry participants and regulators in less harmful alternatives to cigarettes will continue. Our ambition is to create value for both shareholders and society by providing products that are recognized as safer alternatives to cigarettes.

For 2020, Swedish Match expects continued market growth in global markets for smokefree nicotine products, most notably driven by rapid growth of nicotine pouches (both without tobacco and with small amounts of tobacco).

During 2020, Swedish Match expects to increase its investments in marketing, distribution and sales efforts in both existing and new markets to actively participate in growth opportunities. Continued capital investments by Swedish Match to further expand ZYN production capacity are expected to result in capital expenditures in 2020 considerably above the 2019 level.

The effective corporate tax rate in 2020, excluding associated companies and larger one-time items, is expected to be in the 22 percent to 23 percent range.

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