

SWEDISH MATCH RESULTS PRESENTATION

Q3 2020



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Q3 – HEADLINE BULLETS

- Sales and operating profit increased for the Smokefree product segment in both the US and Scandinavia, as well as for cigars. Sales and operating profit elevated by COVID-19 related effects on consumer demand and channel shifts.
- In local currencies, sales increased by 23 percent for the third quarter. Reported sales increased by 15 percent to 4,400 MSEK (3,829).
- In local currencies, operating profit from product segments¹⁾ increased by 37 percent for the third quarter. Reported operating profit from product segments increased by 28 percent to 2,046 MSEK (1,603).
- Operating profit amounted to 2,019 MSEK (1,586) for the third quarter.
- Profit after tax, which includes a charge of 286 MSEK following adverse ruling in a tax case, amounted to 1,193 MSEK (1,180) for the third quarter.
- Adjusted earnings per share increased by 31 percent to 9.21 SEK (7.04) for the third quarter. Earnings per share increased by 6 percent to 7.44 SEK (7.04).
- Revised outlook provided on page 12 to reflect higher expected underlying corporate tax rate for the year 2020 as a consequence of a stronger than previously anticipated result development for the business in the US.

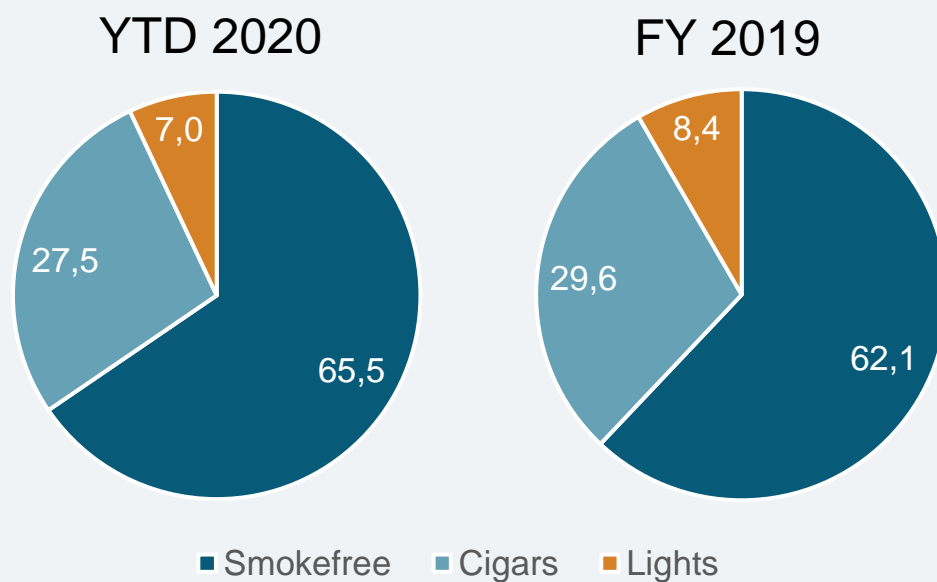
1) Excluding Other operations and larger one-time items.



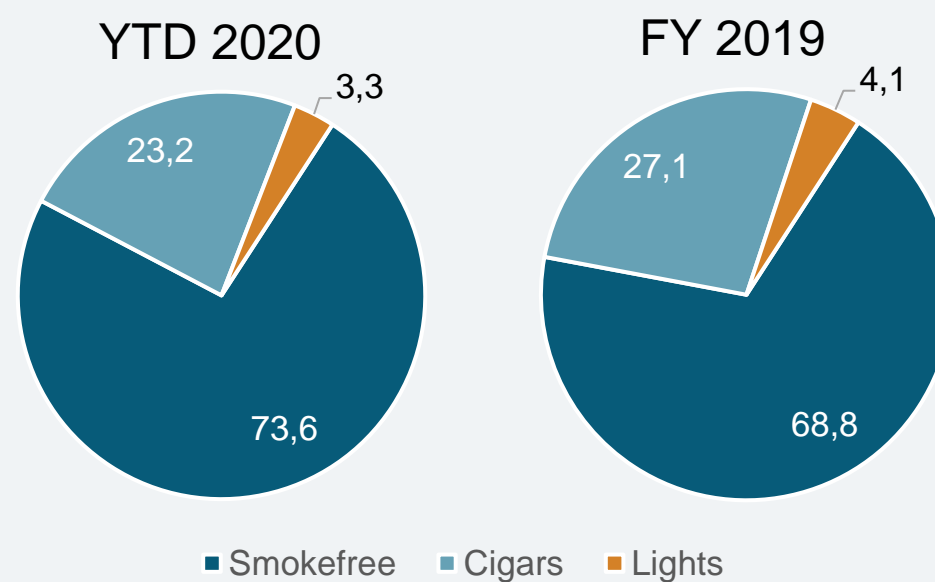
SALES AND EBIT SPLIT BY PRODUCT SEGMENT

Sales and EBIT split in percent, YTD 2020 (Jan-Sep) versus full year 2019

Sales split

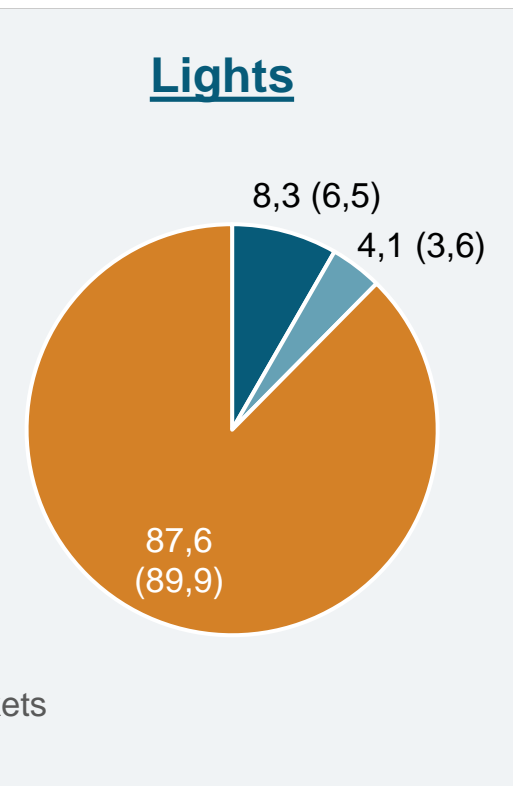
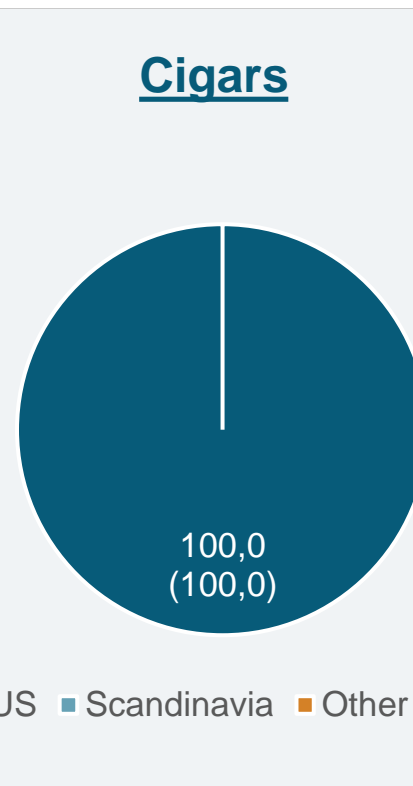
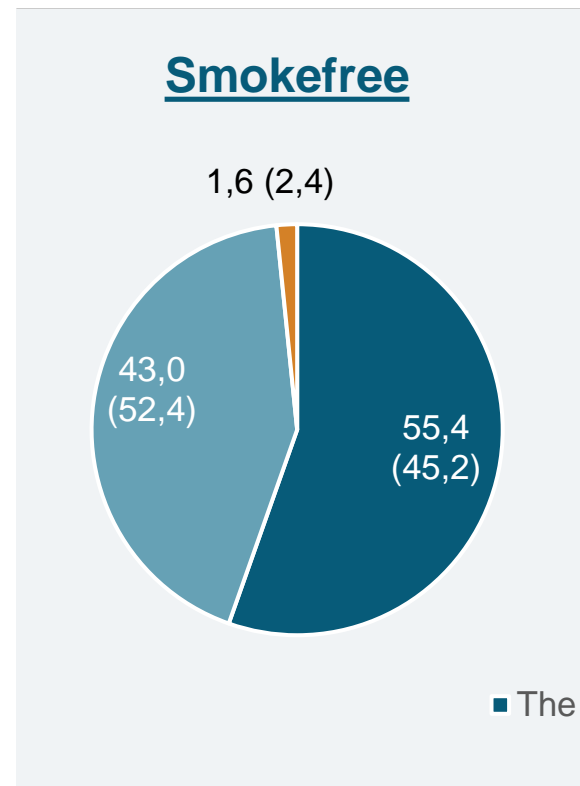
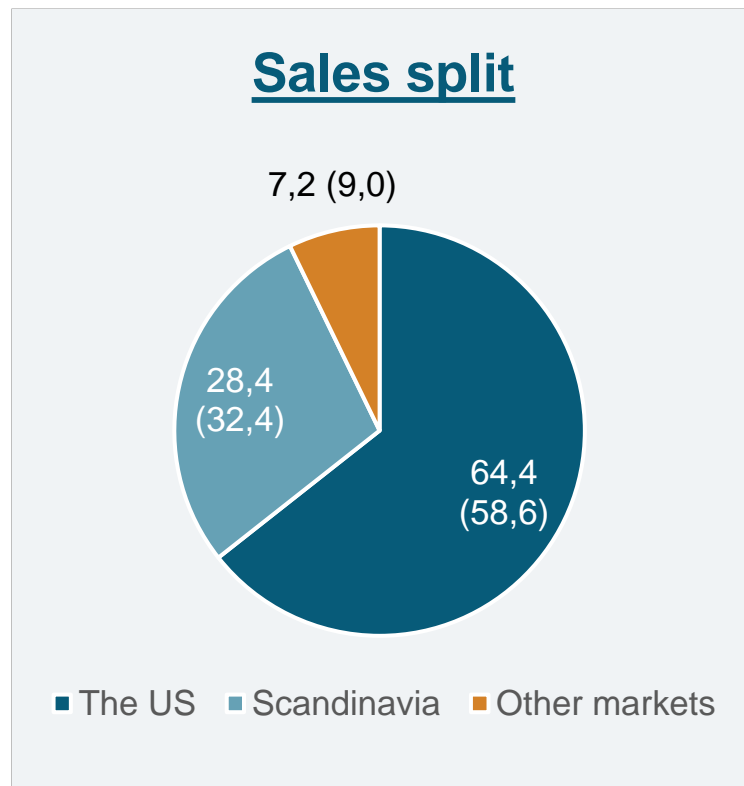


EBIT split



SALES SPLIT BY GEOGRAPHY AND PRODUCT SEGMENT

Sales split in percent, YTD 2020 versus YTD 2019 (Jan-Sep)



Q3 HIGHLIGHTS SUMMARY

Record quarter driven by ZYN in the US as well as strong developments for smokefree Scandinavia and cigars

- Strong underlying growth in sales and operating profit. Net COVID-19 related effects estimated to have been favorable to sales and operating profit developments primarily for Smokefree and Cigars.
- Organization has adapted well to new operating challenges presented by COVID-19.

Smokefree:

- Higher sales and operating profit in both US and Scandinavia, driven by nicotine pouches.
- Estimated COVID-19 related effects positively impacted sales and operating profit in Scandinavia and the US.
- Sequential growth in shipment volumes for ZYN in the US fueled by strong demand and increased production efficiencies.

Cigars:

- Strong growth in the cigar category (likely impacted by COVID-19) and Swedish Match achieved record cigar shipments, up 19%.
- Year-on-year HTL volumes up by more than 60%, while volumes for natural leaf cigars were modestly lower due to COVID-19 production constraints.
- Consistent improvement in staffing and production levels in the Dominican Republic throughout the quarter.
- Higher operating profit and operating margin from strong volumes and improved production efficiencies.

Lights:

- Sales adjusted for currency translation grew, but a weaker BRL severely impacted reported sales.
- Operating profit up when adjusted for currency translation and asset sales in Q3 2019 and Q3 2020.
- Good underlying performance for both matches and lighters.

Sales for product segment increased 30% in local currencies, operating profit up

	Q3-2020	Q3-2019	chg	9m-2020	9m-2019	chg	Oct 2019-Sep 2020	Full year 2019	chg
Sales, MSEK	2,842	2,315	23	8,045	6,439	25	10,520	8,914	18
Operating profit, MSEK	1,519	1,093	39	3,974	2,937	35	5,034	3,997	26
Operating margin, %	53.5	47.2		49.4	45.6		47.9	44.8	

Snus and nicotine pouches

- **ZYN shipments in the US reached 32 million cans in the quarter, bringing the rolling 12-month delivery volume to over 100 million cans**
 - Volume growth driven by increased velocities and store count as well as the national expansion of Smooth, Chill and Citrus varieties. Shipment volumes further benefitted from inventory adjustments at a larger distributor.
 - Strong sales development, high production efficiencies and curtailed marketing initiatives (COVID-19) drove increased operating margin.
 - ZYN market share relatively resilient, despite increasing store presence and intensified promotional activities from competition.
- **Sales and operating margin in Scandinavia* up on positive price/mix despite flat volumes and weaker NOK**
 - Increased consumption in all countries resulted in good category growth, especially for nicotine pouches.
 - Exceptional growth in Norwegian outlets offset declines in border/travel retail, resulting in positive price/mix.
 - Operating expenses below prior year as a consequence of cost control and some COVID-19 impacts.
 - Swedish Match market share for snus unchanged sequentially from Q2, down slightly for nicotine pouches.
 - Rapid growth in number of competitive nicotine pouch offerings on the market.



* Sweden, Norway and Denmark.

SMOKEFREE: Q3 COMMENTARY

US moist snuff

- **Swedish Match volume growth outpacing the category, driven by the *Longhorn* brand**
 - Category growth estimated at 3% for the YTD period*; pouch and tub segment growth continue to outpace the category. COVID-19 likely to have impacted consumer demand.
 - *Longhorn* share gains both within loose and pouches more than offset declines for other brands.
 - Sales in local currency up with price/mix effects partly offsetting double-digit volume gains.
 - Operating profit up slightly in local currency.



US chewing tobacco

- **Strong category volume development relative historical trend (likely impacted by COVID-19)**
 - Shipments of Swedish Match brands flat in the quarter, up versus prior year for the YTD period.
 - Decline for premium offerings offset by strong growth for price brands.
 - Sales and operating profit grew as a result of improved pricing and production efficiencies, despite negative mix from higher portfolio share for price brands.



International smokefree products in other markets

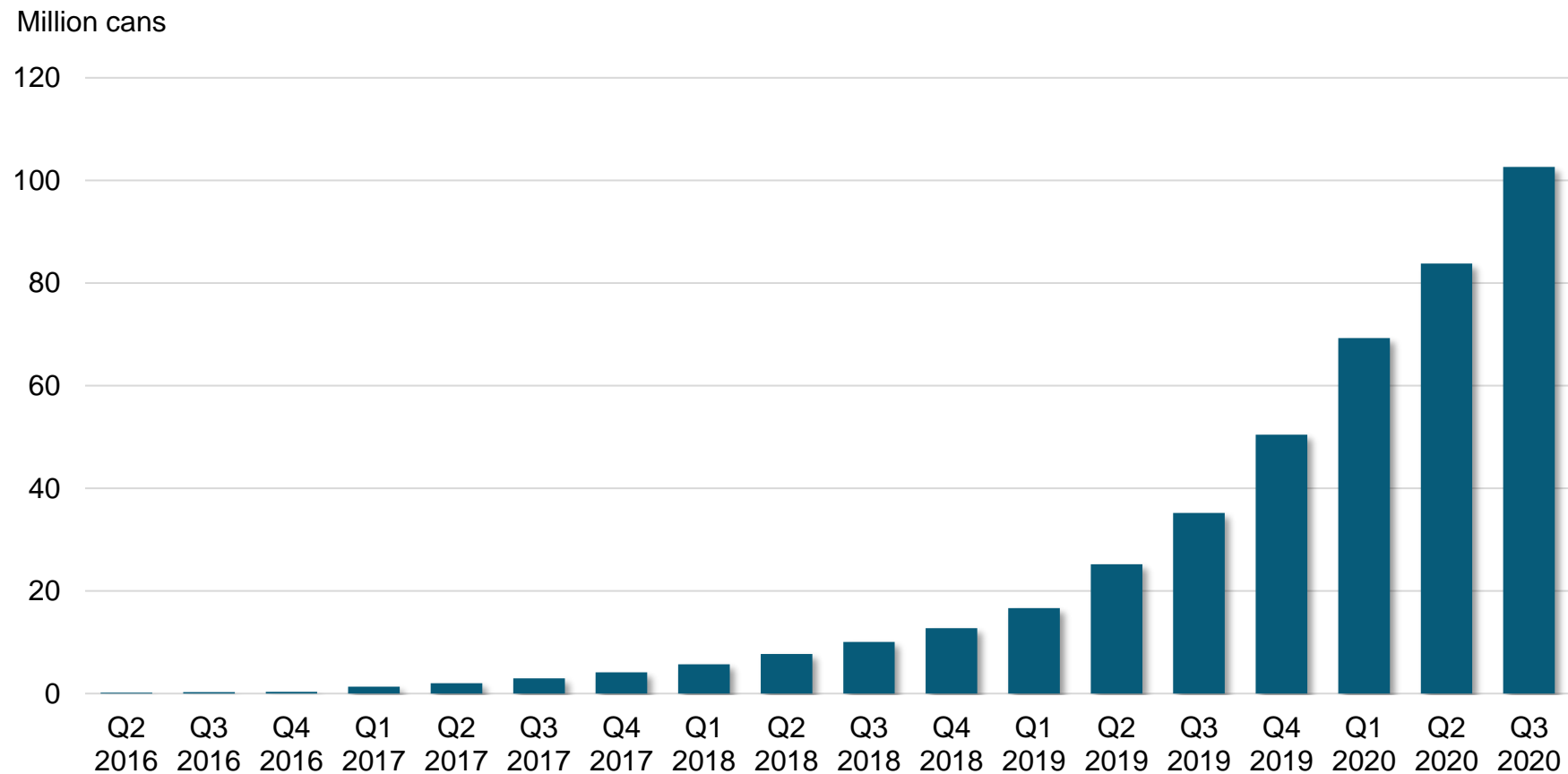
- **Sales and volumes up for nicotine pouches but down in total, driven by chewing tobacco**
 - Strong sales growth for nicotine pouches off a relatively low base, more than offset by steep decline for chewing tobacco shipments to Germany.
 - Continued investments for future growth in several countries, despite challenging COVID-19 impacted environment.



* Based on MSA distributor shipments

US – ZYN DEVELOPMENT IN THE US

ZYN shipment volumes in the US, 12 months rolling

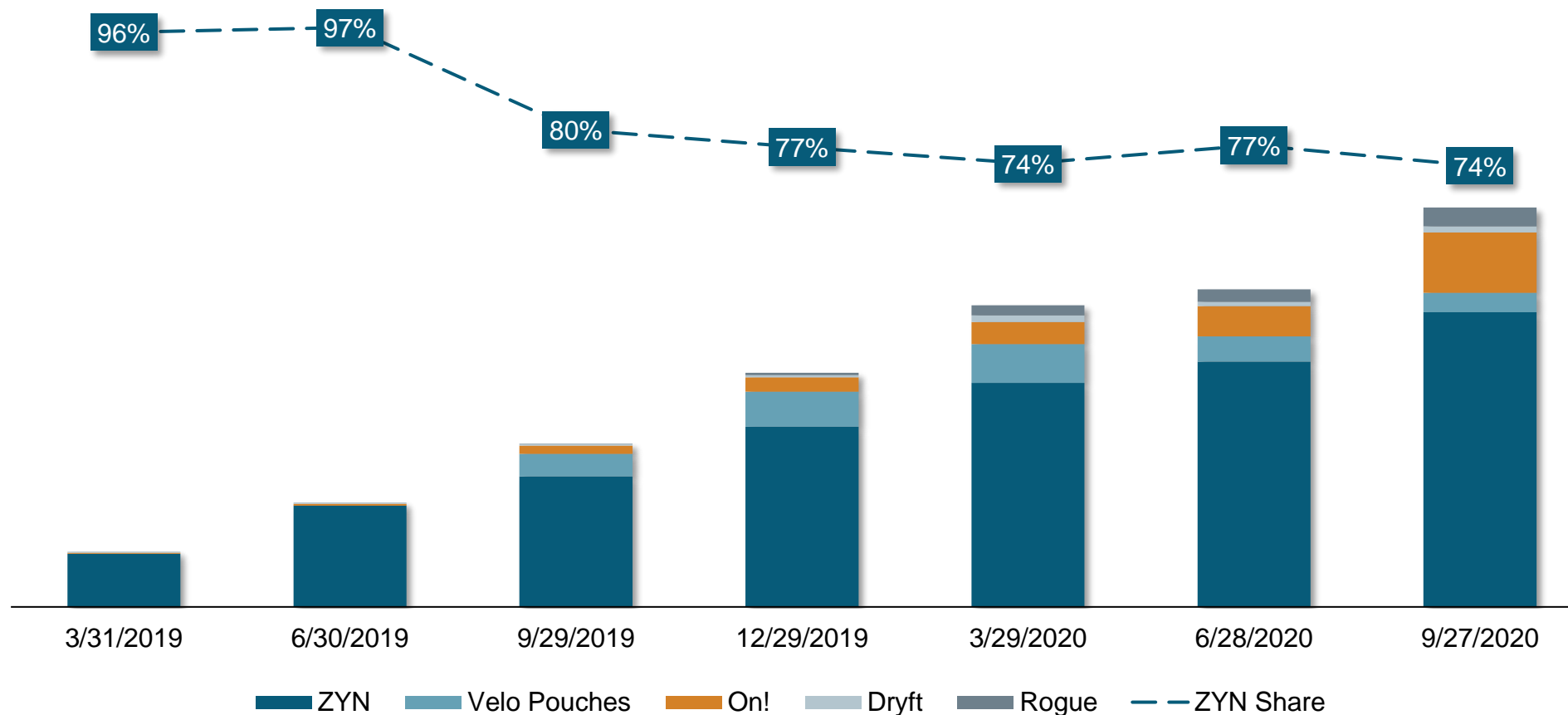


Source: Swedish Match direct sales.



US – NICOTINE POUCH CATEGORY GROWTH AND ZYN SHARE DEVELOPMENT

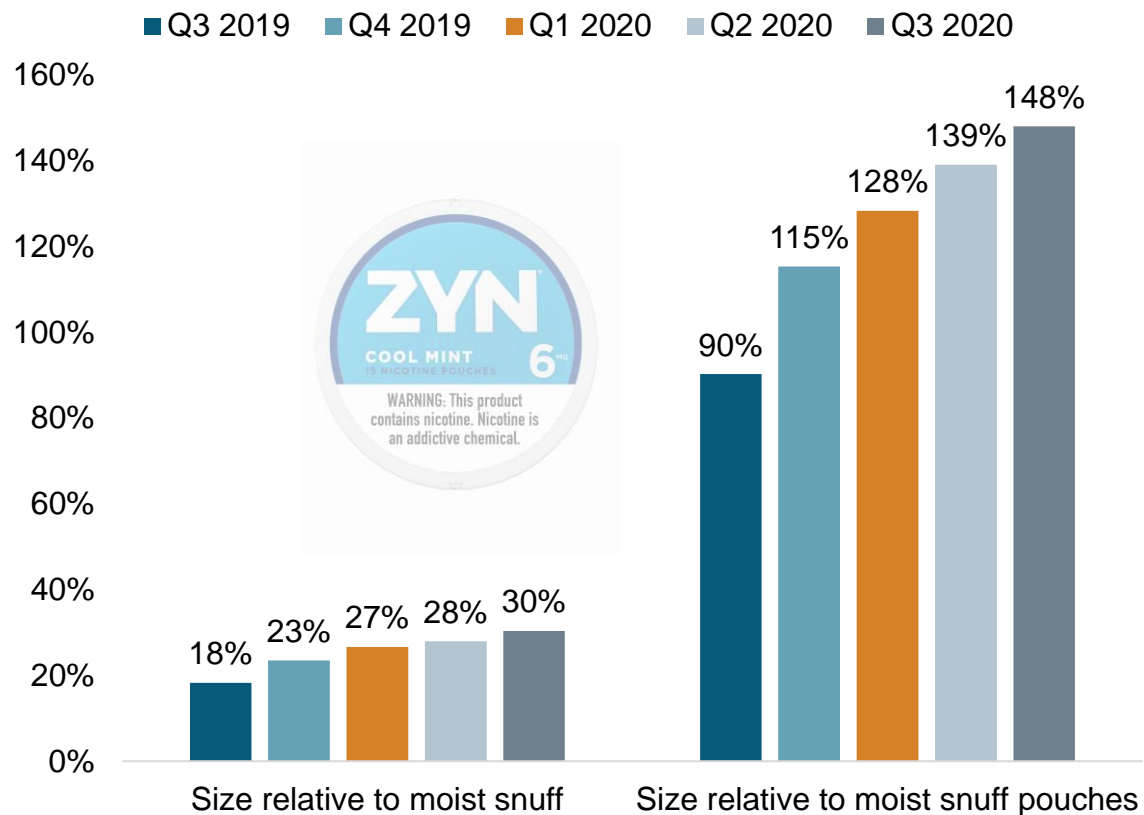
Category volume and ZYN share development, 13-week periods



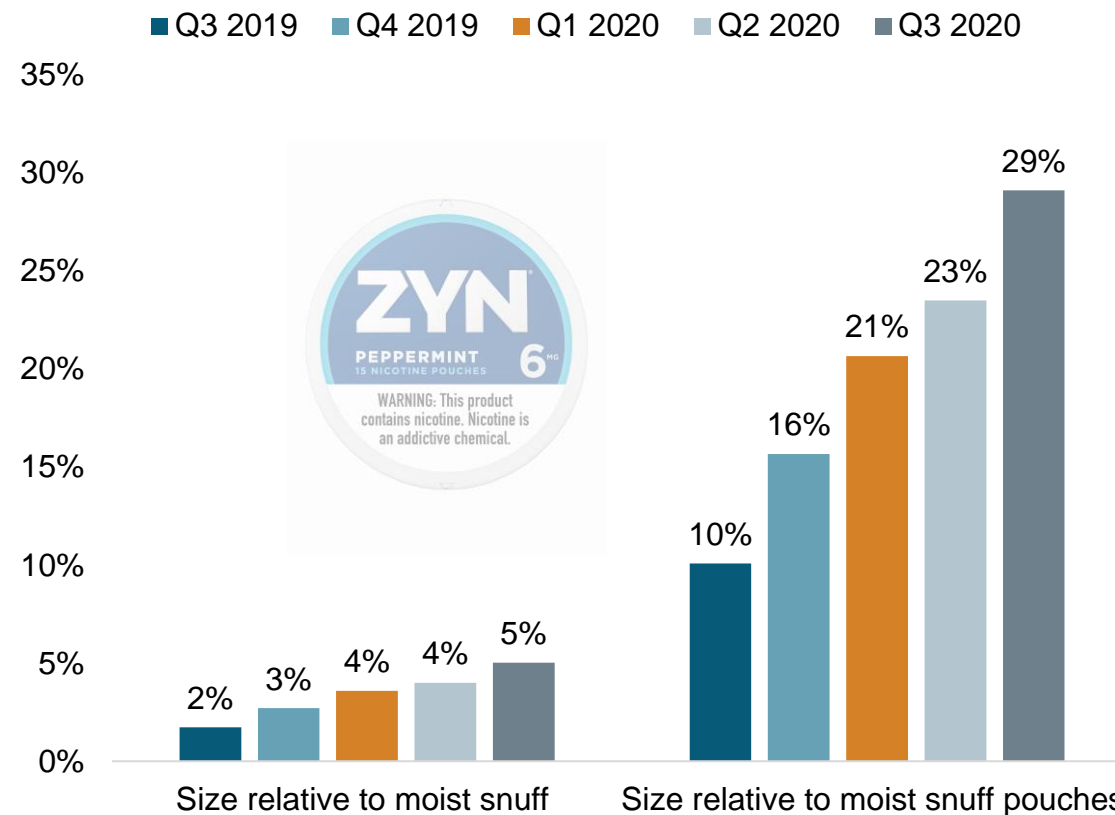
Source: MSA, weekly data.

US – ZYN BENCHMARKS

The western region*



Regions outside of the west**

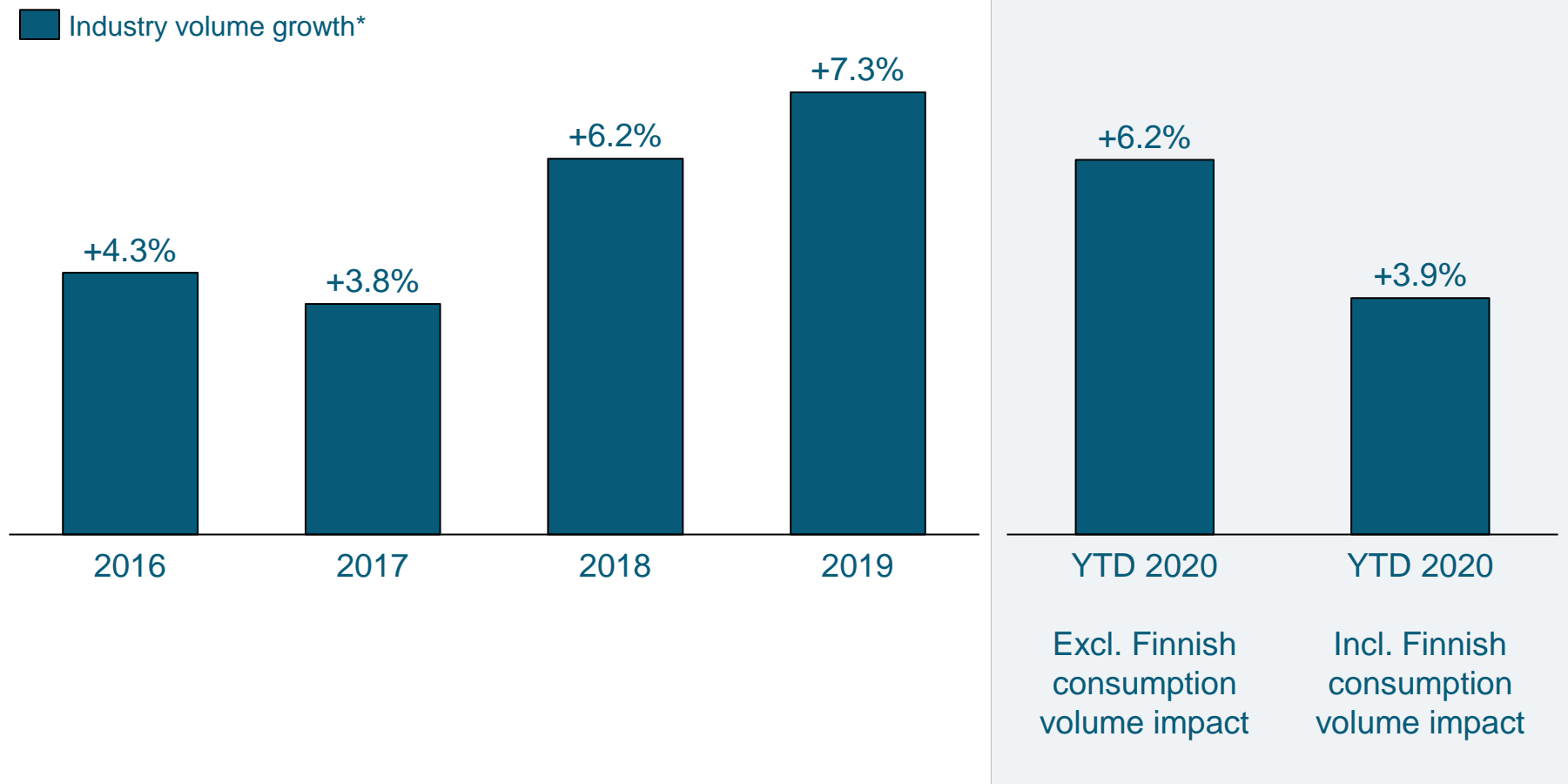


Source: MSA. * Initial launch date June 2016.

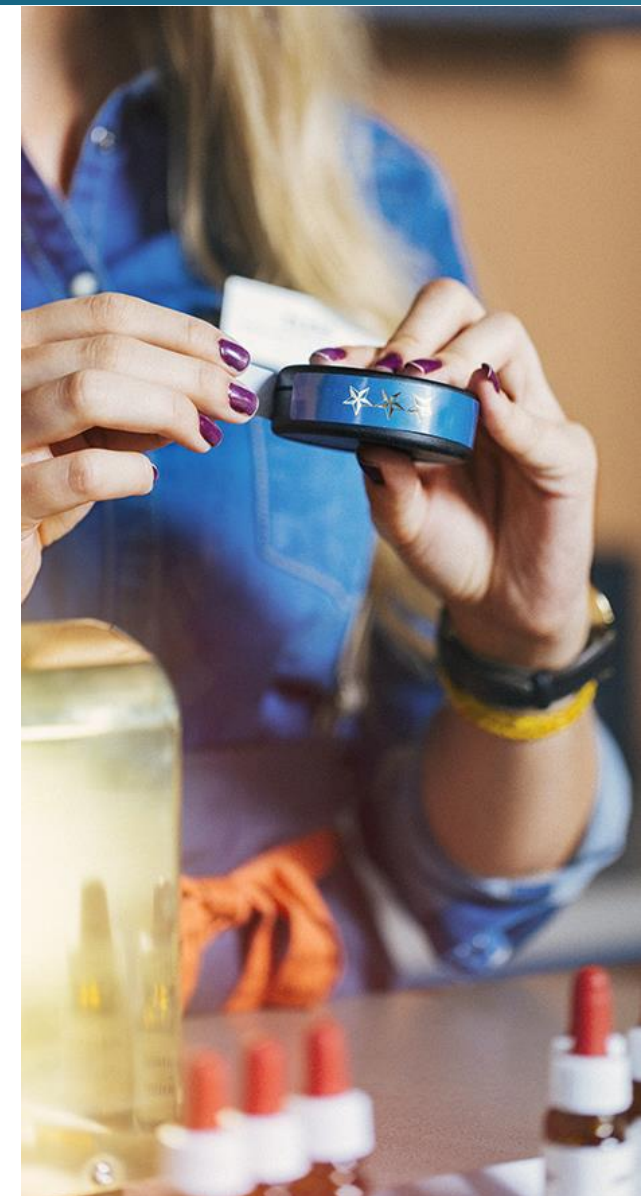
Source: MSA. ** National launch initiated in April 2019.

SCANDINAVIA – UNDERLYING VOLUMES

Total underlying Scandinavian snus and nicotine pouches versus same prior year time period

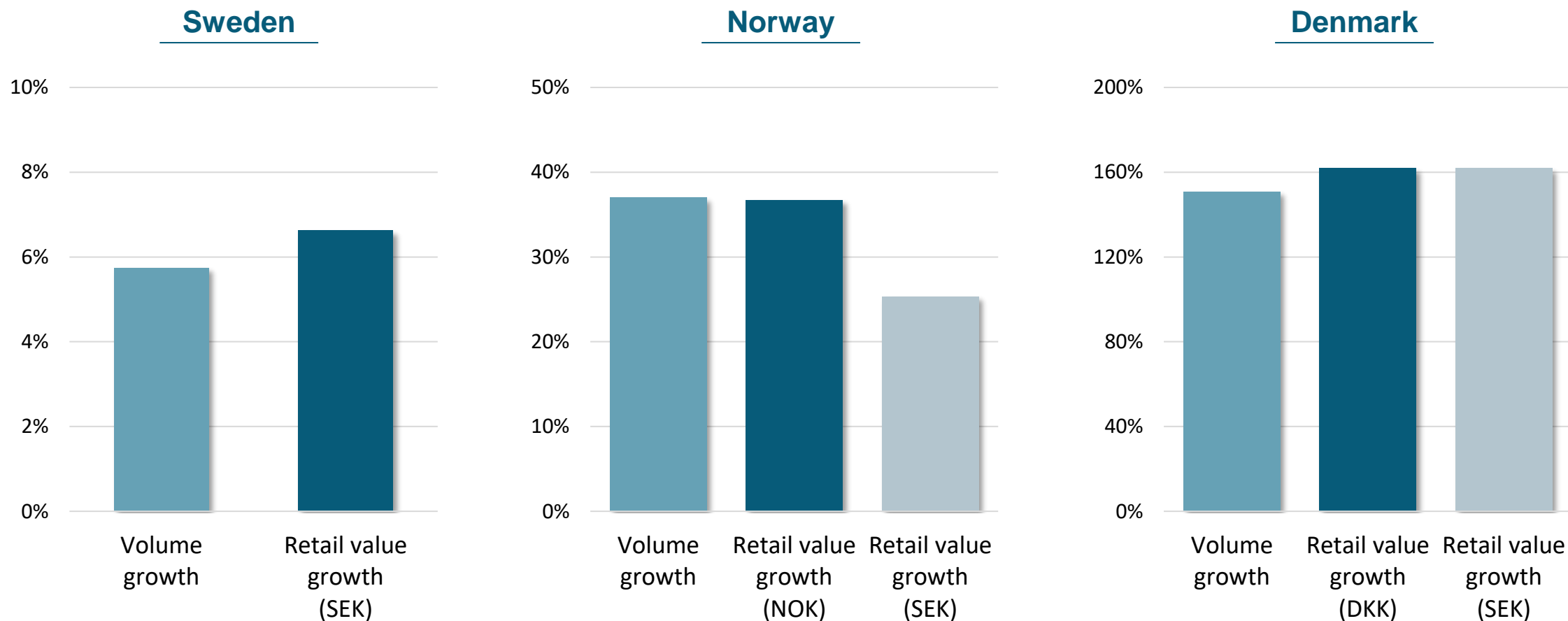


* Based on Nielsen and Swedish Match estimates (adjusted for hoarding).



SCANDINAVIA – SMOKEFREE CATEGORY DEVELOPMENT

Volume and retail value growth year-on-year for the total smokefree category* by country (YTD 2020)

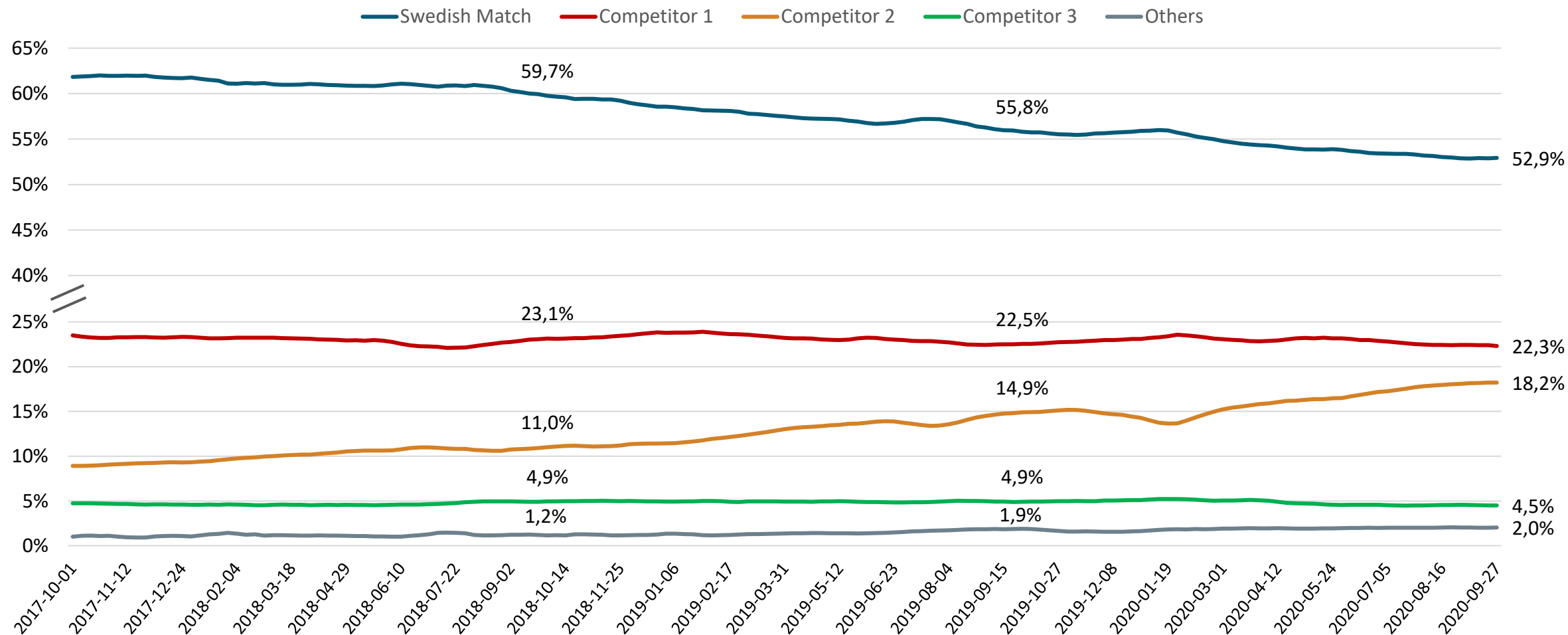


Source: Nielsen Sweden, DVH+SVH/Nielsen Norway, DVH+KBS/Nielsen Denmark, DVH/Convenience.

*Including snus, nicotine pouches and chew bags. Chew bags are only sold in Denmark.

SCANDINAVIA – SMOKEFREE CATEGORY VOLUME SHARES BY MANUFACTURER

Volume share development within the total smokefree category*, 4-weeks rolling

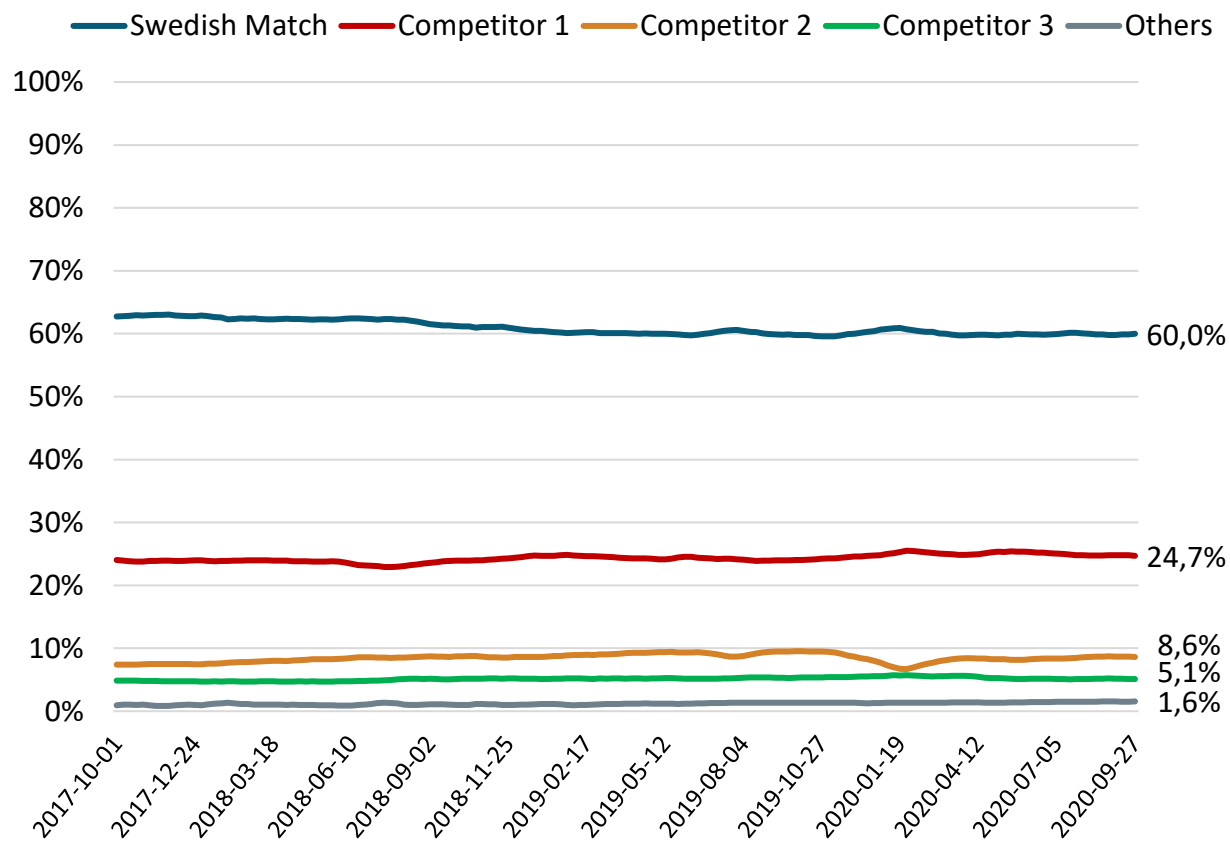


Source: Nielsen Sweden, DVH+SVH/Nielsen Norway, DVH+KBS/Nielsen Denmark, DVH/Convenience. *Including snus, nicotine pouches and chew bags. Chew bags are only sold in Denmark.

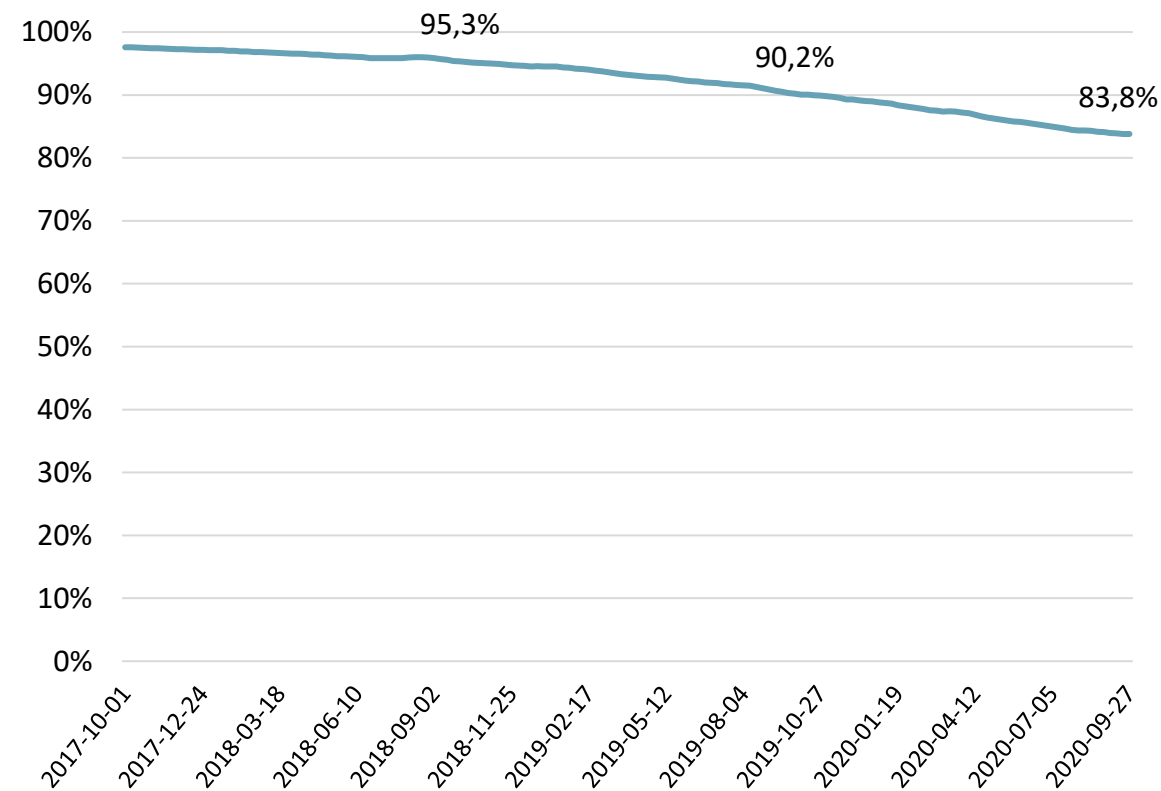
SCANDINAVIA – SNUS CATEGORY DEVELOPMENT

Volume share development, 4-weeks rolling

Manufacturer volume shares within the snus category in Sweden and Norway



Snus share of the total smokefree category*

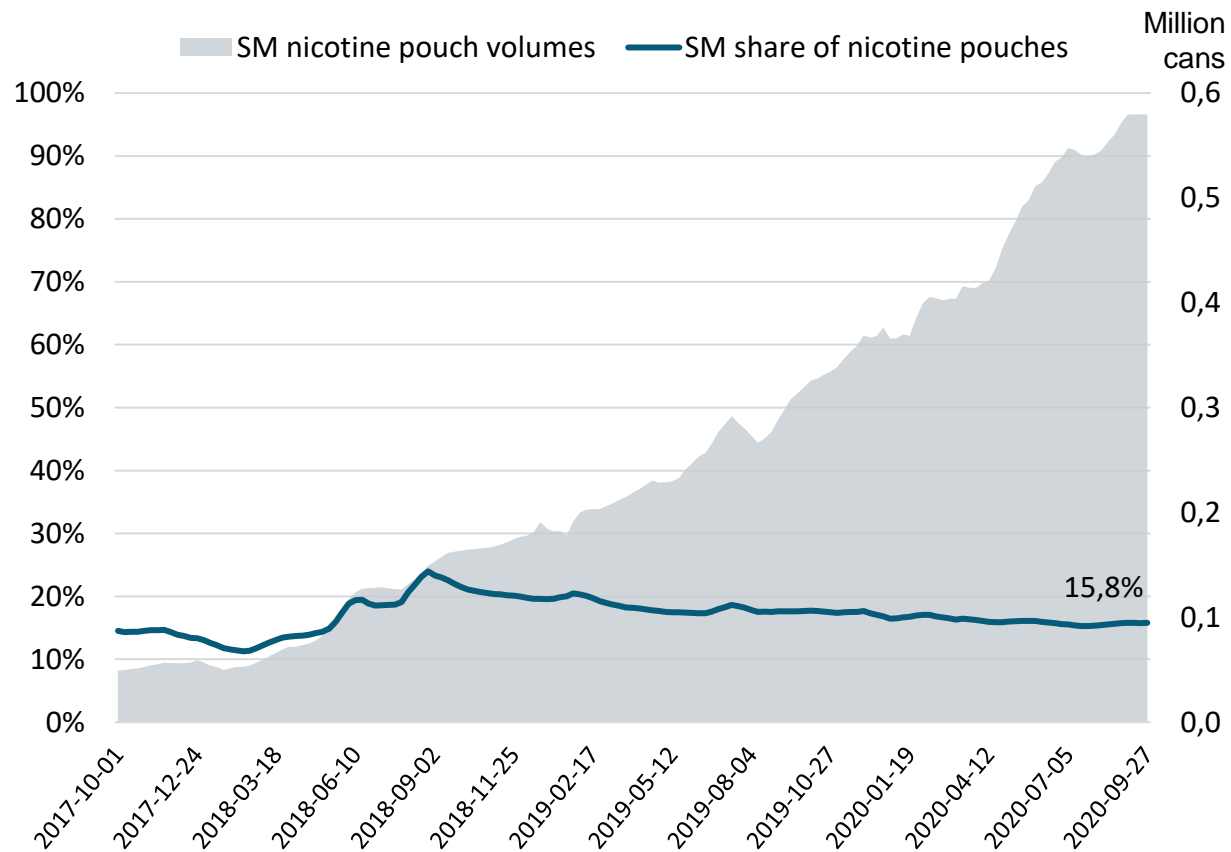


Source: Nielsen Sweden, DVH+SVH/Nielsen Norway, DVH+KBS/Nielsen Denmark, DVH/Convenience. *Including snus, nicotine pouches and chew bags. Chew bags are only sold in Denmark.

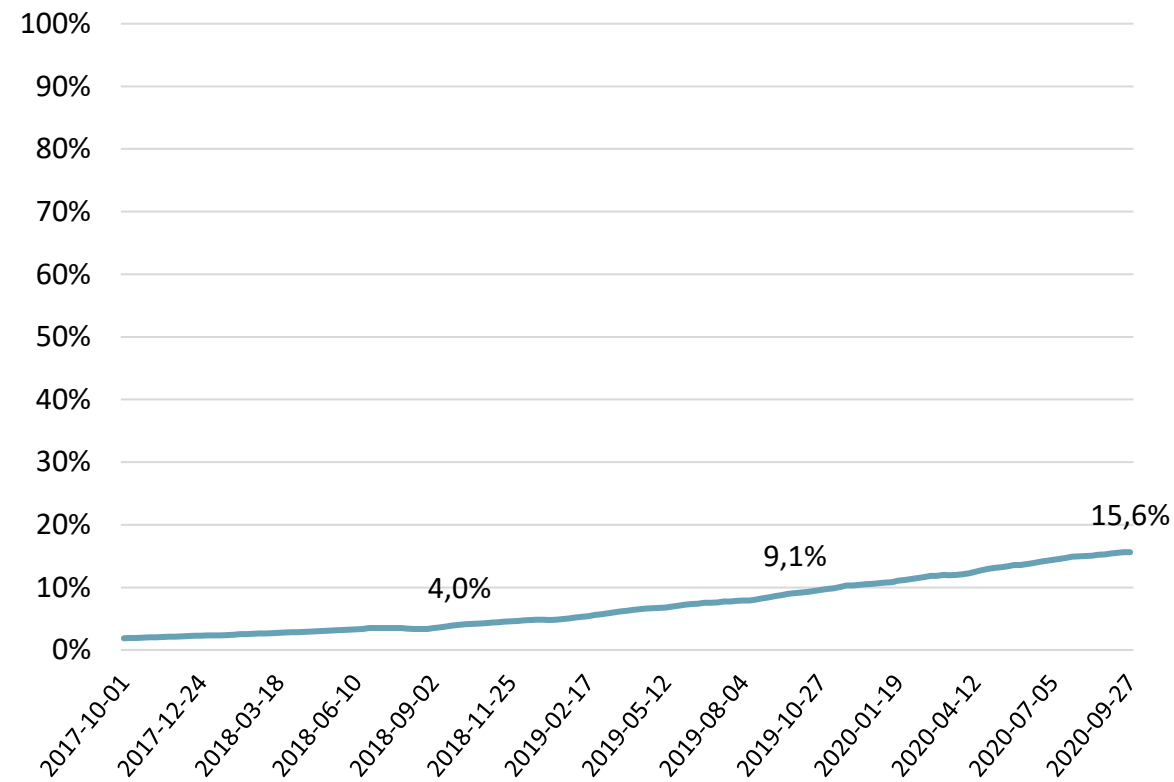
SCANDINAVIA – NICOTINE POUCH CATEGORY

Volume share and volume development, 4-weeks rolling

Swedish Match's (SM) nicotine pouch volumes and share of nicotine pouches



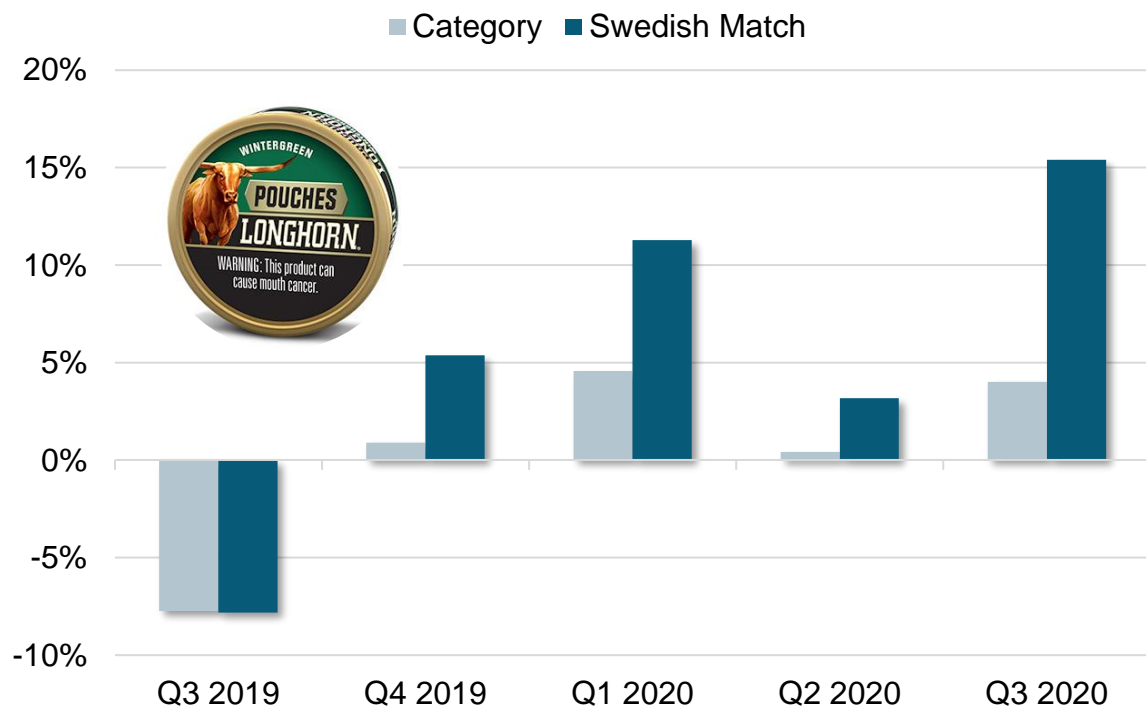
Nicotine pouches as a share of the total smokefree category*



Source: Nielsen Sweden, DVH+SVH/Nielsen Norway, DVH+KBS/Nielsen Denmark, DVH/Convenience. *Including snus, nicotine pouches and chew bags. Chew bags are only sold in Denmark.

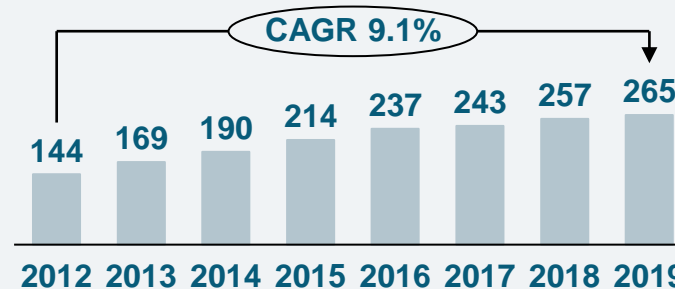
Positive category growth, Swedish Match's volumes have outperformed the category

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



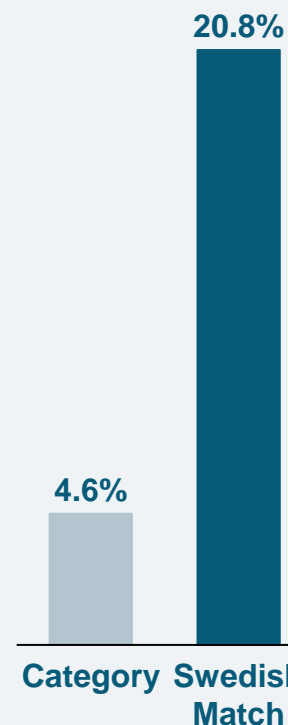
Pouches, category

Million cans



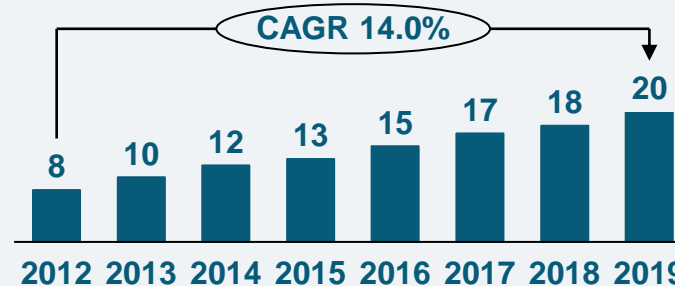
Volume growth pouches YTD 2020

Year-on-year



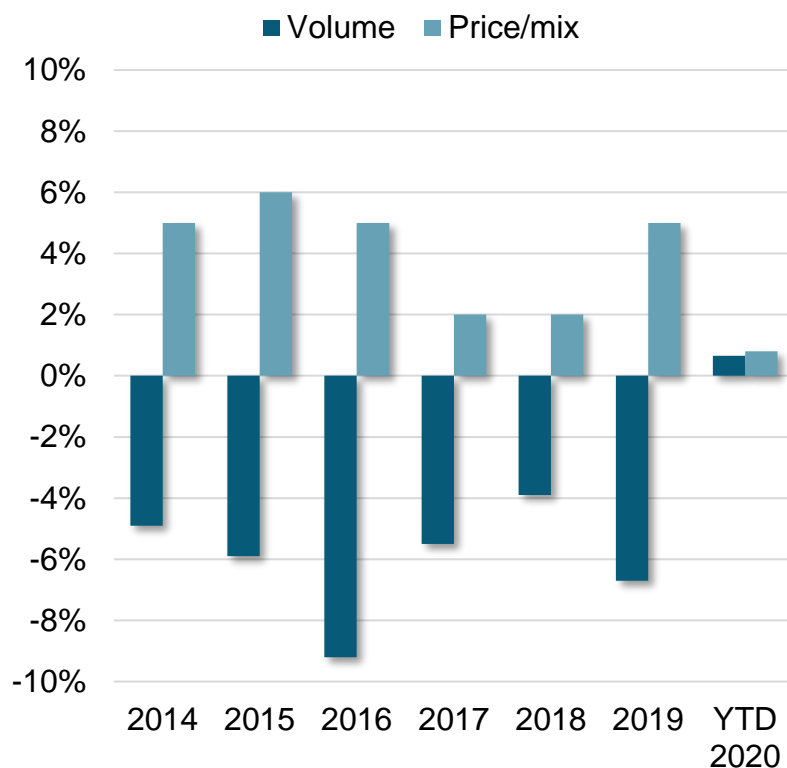
Pouches, Swedish Match

Million cans shipped



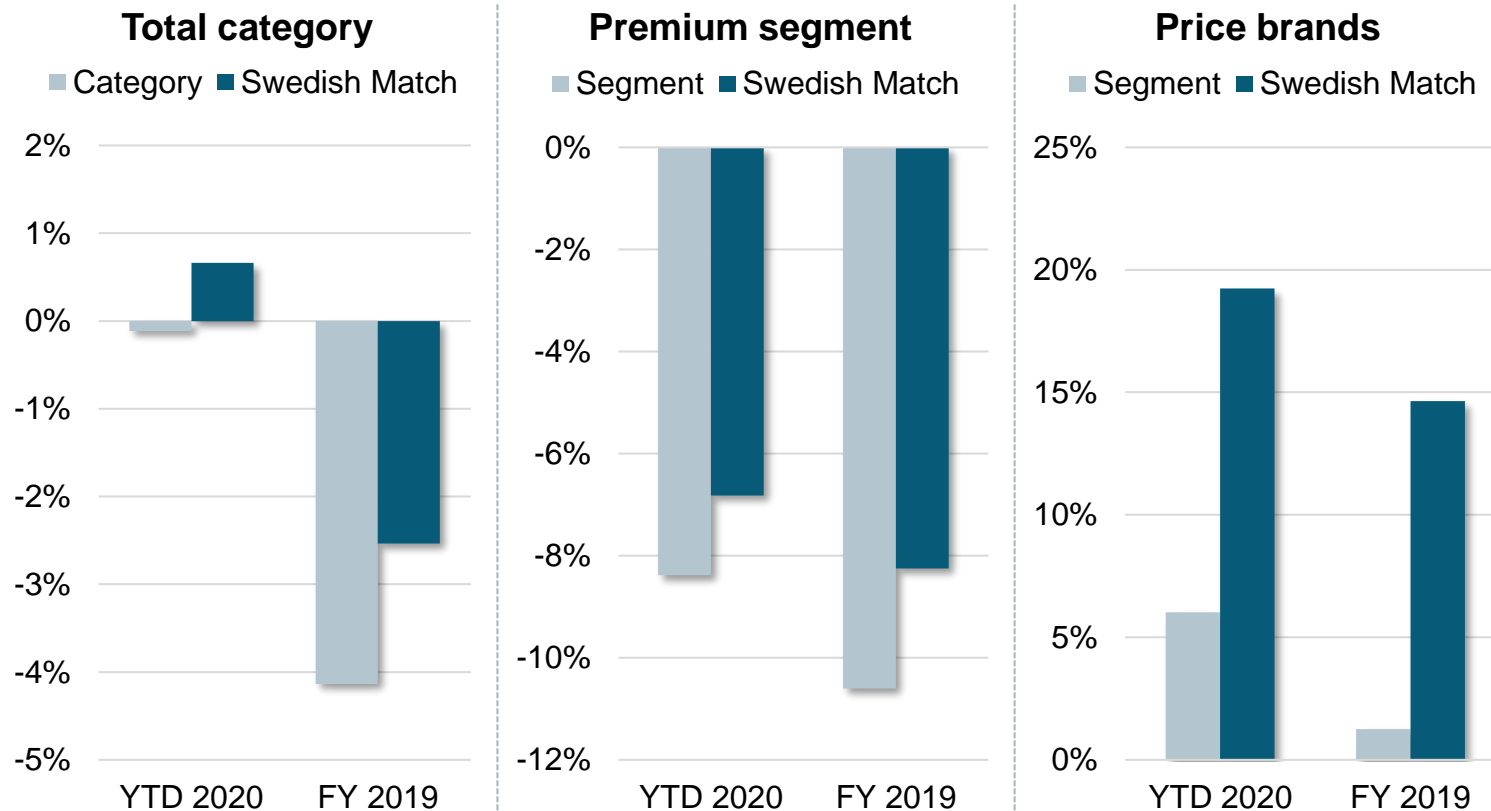
Source: Industry estimates, Swedish Match direct sales, and MSA.

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



Source: On reported basis. Excludes Co-Pack.

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



The premium segment accounts for 42% of the category volume YTD 2020.

Source: MSA. Price brands = Price large bag segment + Price small pouch segment.

SNUS AND NICOTINE POUCHES: RECENT NEW PRODUCT AND NEW MARKET ACTIVITIES

Sweden

- Conversion from non-recyclable black plastic cans in Scandinavia
 - Example below: *General Original Portion*



- **Swave**: New brand for nicotine pouches in two varieties



Germany

- *Thunder* (nicotine pouches)



Switzerland

- *G.4 Green Flow* (CBD infused snus)



The US

Expanded availability of **ZYN** nicotine pouches varieties: Smooth, Chill and Citrus



Other markets outside the US and Scandinavia for ZYN

ZYN launched in a limited number of stores in Albania, Kosovo, Montenegro and Serbia

Volume growth due to very strong HTL shipments, offsetting modest declines for natural leaf cigars

	Q3-2020	Q3-2019	chg	9m-2020	9m-2019	chg	Oct 2019-Sep 2020	Full year 2019	chg
Sales, MSEK	1,184	1,117	6	3,381	3,208	5	4,421	4,249	4
Operating profit, MSEK	471	423	11	1,253	1,218	3	1,612	1,577	2
Operating margin, %	39.7	37.9		37.1	38.0		36.5	37.1	

○ Record shipment volumes for Swedish Match in the third quarter

- Strong category growth, likely impacted by COVID-19.
- Progress in abating production constraints for natural leaf cigars caused by social distancing and other precautionary measures, but demand exceeded available supply for the quarter.
- Swedish Match gained overall market share* within cigars, driven by very strong performance within the HTL segment.
- Volumes up by 19% versus prior year and up by 15% sequentially from Q2.

○ Sales up by 14% in local currency

- Strong volume gains, partially offset by unfavorable mix due to higher portfolio share of HTL.

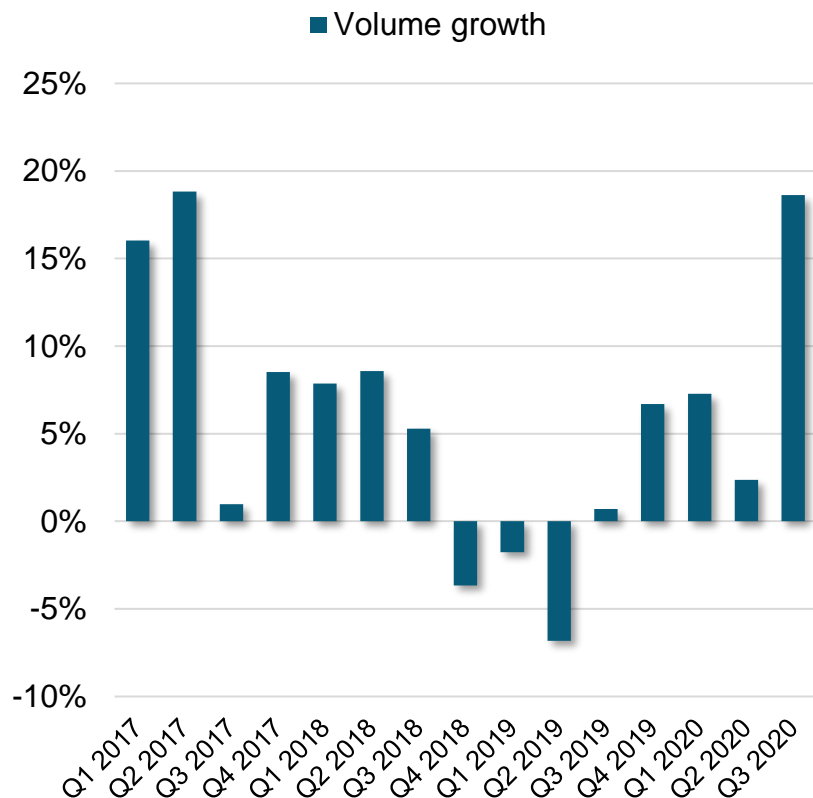
○ Operating profit up by 19% in local currency

- Operating profit growth, driven by strong sales development and lower costs in relation to sales.
- Cost of goods benefitted from product mix.



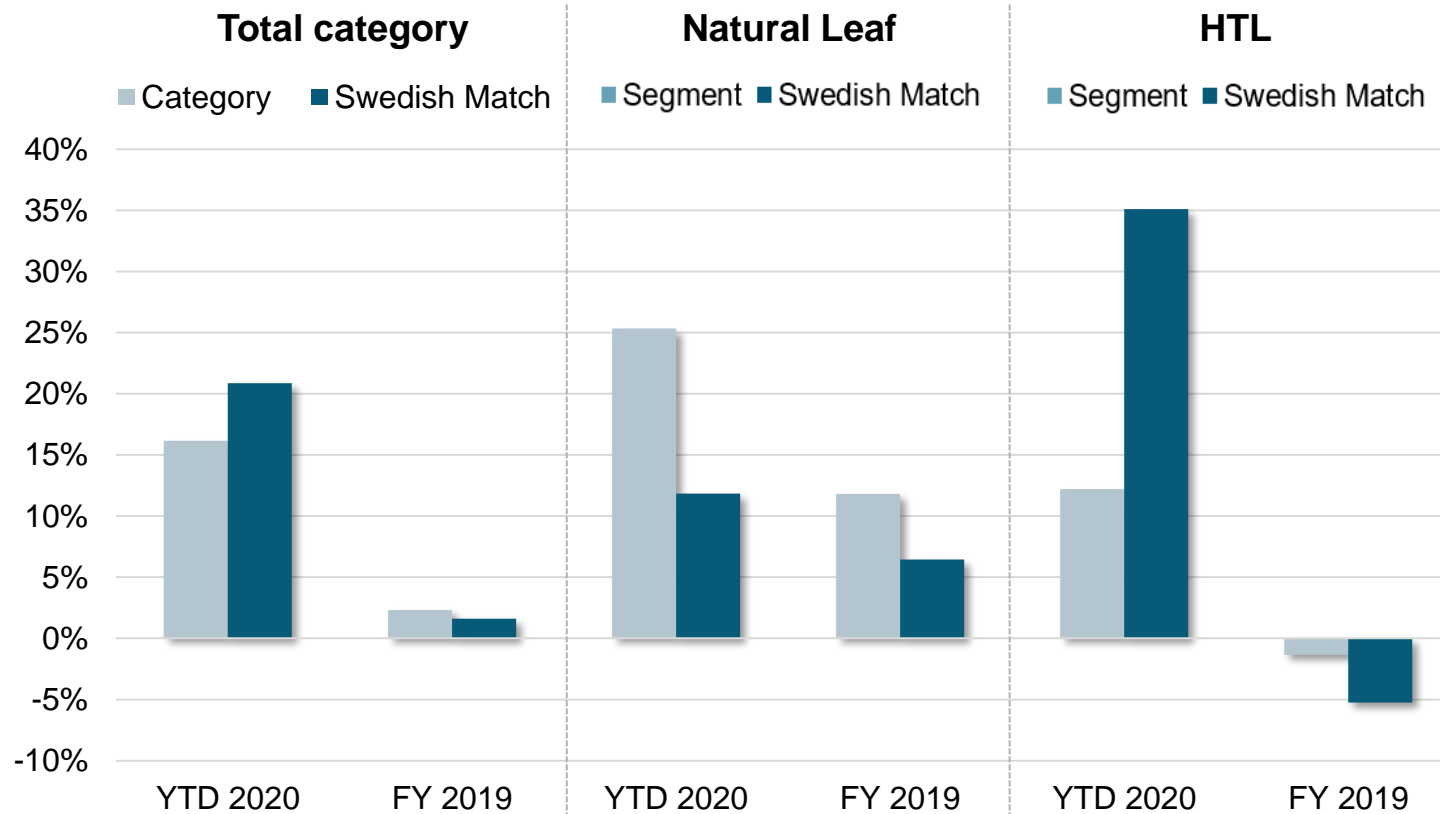
* Source: MSA through September 27, 2020.

Swedish Match shipment volume growth year-on-year



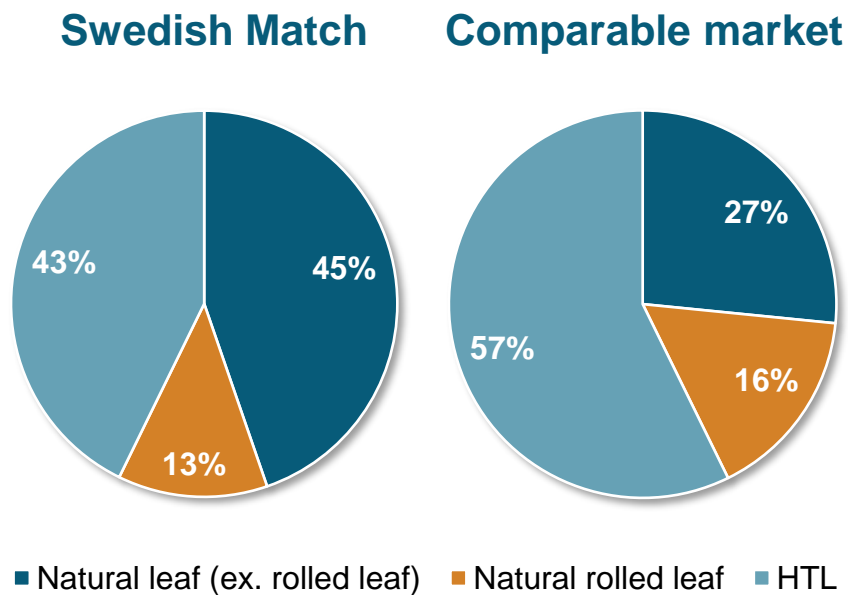
Source: Swedish Match direct sales.

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



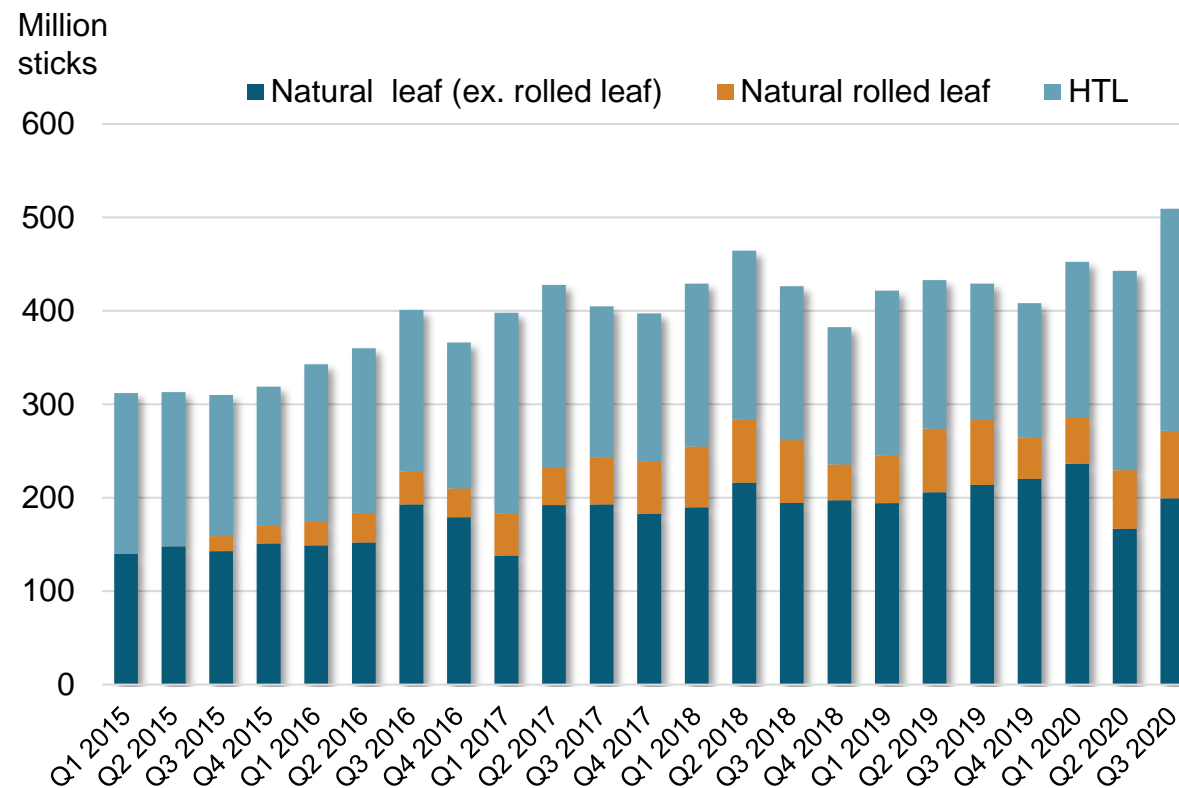
Source: MSA distributor shipments – mass market cigars excluding little cigars.

Split on cigar volumes by segment (YTD 2020)



Source: MSA distributor shipments, excluding segment for pipe cigars, littles, and 'other'.

Swedish Match's reported cigar shipments by quarter and segment



Source: Swedish Match direct sales.

Underlying sales and operating profit up, but weakened BRL weighed on results

	Q3-2020	Q3-2019	chg	9m-2020	9m-2019	chg	Oct 2019-Sep 2020	Full year 2019	chg
Sales, MSEK	277	298	-7	861	878	-2	1,183	1,200	-1
Operating profit, MSEK	57	88	-35	176	137	28	276	238	16
Operating margin, %	20.5	29.4		20.4	15.6		23.3	19.8	

- **Sales increased for both matches and lighters, excluding currency translation effects**
 - Increased volume for matches, driven by strong performance in Latin America.
 - Excluding currency translation effects, sales for matches were up in line with volume development.
 - Excluding currency translation effects, lighter sales increased on improved mix despite marginally lower volumes.
 - Solid growth for complementary products in Brazil.
- **Operating profit up, adjusted for currency translation and capital gains in both periods**
 - Strong operating result development for matches, excluding currency translation and capital gains.
 - Gains related to land and timber sales amounted to 11 MSEK in Q3 2020 and 34 MSEK in Q3 2019.
 - Lighters operating profit, excluding currency translation, increased despite negative currency impacts also on the transactional level.
 - Operating profit for lighters benefitted from improved mix and lower raw material and overhead cost.



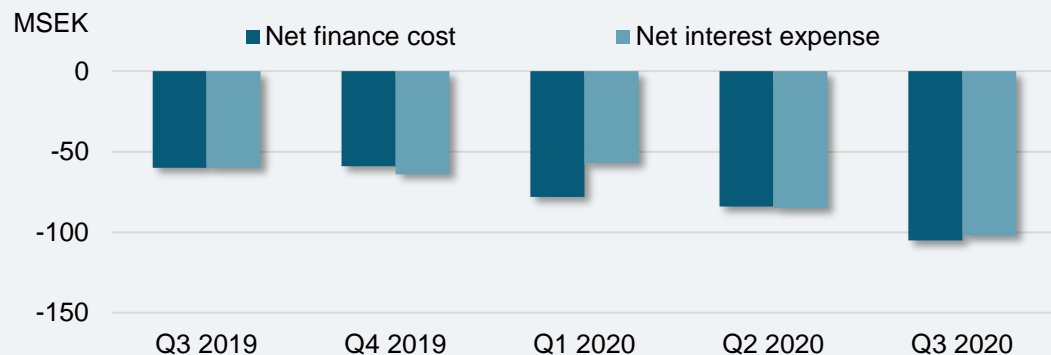
REGULATORY EVENTS

- **Swedish Match has filed substantial equivalence applications to the US FDA for its entire current cigar assortment**
- **Flavor ban for tobacco products in California**
 - Bill that bans tobacco products with characterizing flavors in California signed in late August.
 - Exemption for premium cigars, hookah and pipe tobacco.
 - ZYN (that contains nicotine derived from tobacco) affected by the ban which will be implemented January 1, 2021.
 - Two unflavored ZYN varieties are currently available in California.
- **Excise tax budget proposals in Sweden and Norway**
 - Norway: snus excise tax proposed increase of 3.7%, cigarettes at 3.4% for 2021.
 - Sweden: snus proposed excise tax adjustment expected to be less than 1% for 2021 (indexed based on inflation).
- **Denmark**
 - Amendments to the Danish Tobacco Act proposed in October.
 - Display ban for all tobacco products including nicotine pouches (effective April 1, 2021).
 - No plain packaging or flavor ban for nicotine pouches.
 - For chewing tobacco, plain packaging and proposed flavor ban (other than menthol and tobacco flavors). Effective date for plain packaging April 1, 2021. Implementation date of flavor ban not determined.

FINANCE NET AND EPS

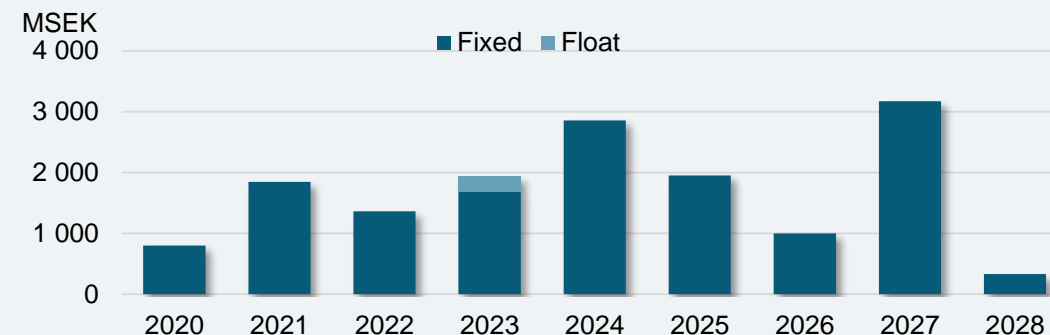
Development of the finance net

By quarter



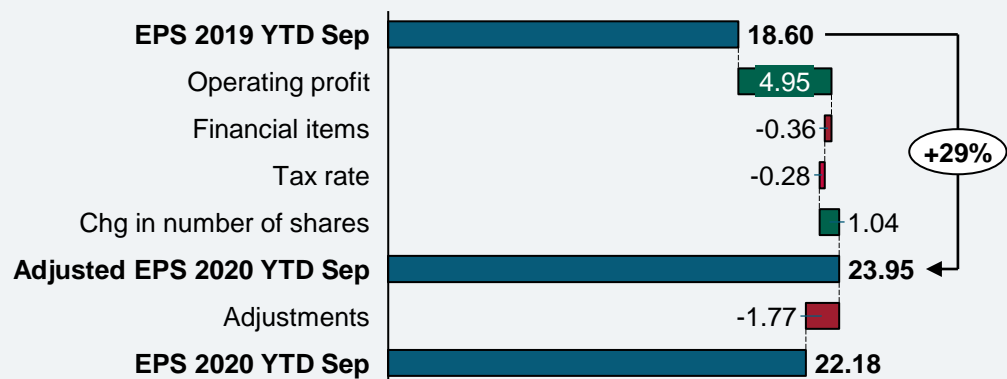
Maturity profile of interest bearing liabilities

Debt as of September 30, 2020

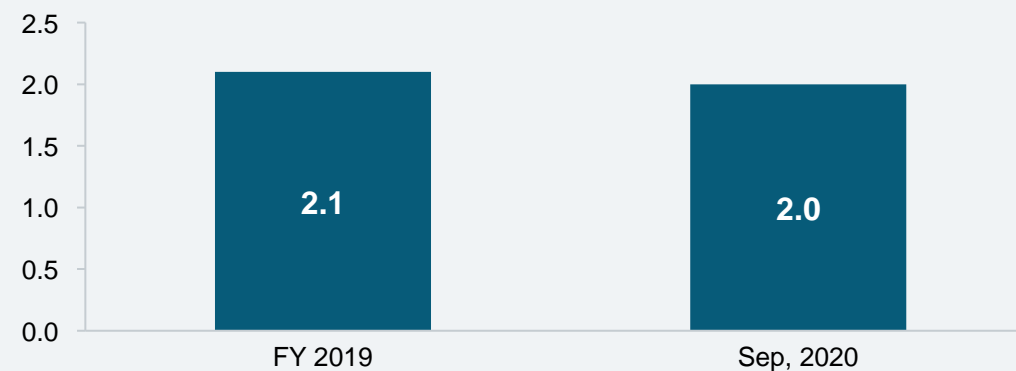


EPS bridge

YTD 2020 vs YTD 2019 (SEK)



Net debt/LTM EBITA



OUTLOOK (UPDATED WITH RESPECT TO UNDERLYING CORPORATE TAX RATE)

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 underlying corporate tax rate in 2020, excluding associated companies, is now expected to exceed 23 percent.

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