

SWEDISH MATCH RESULTS PRESENTATION

Q3 2019



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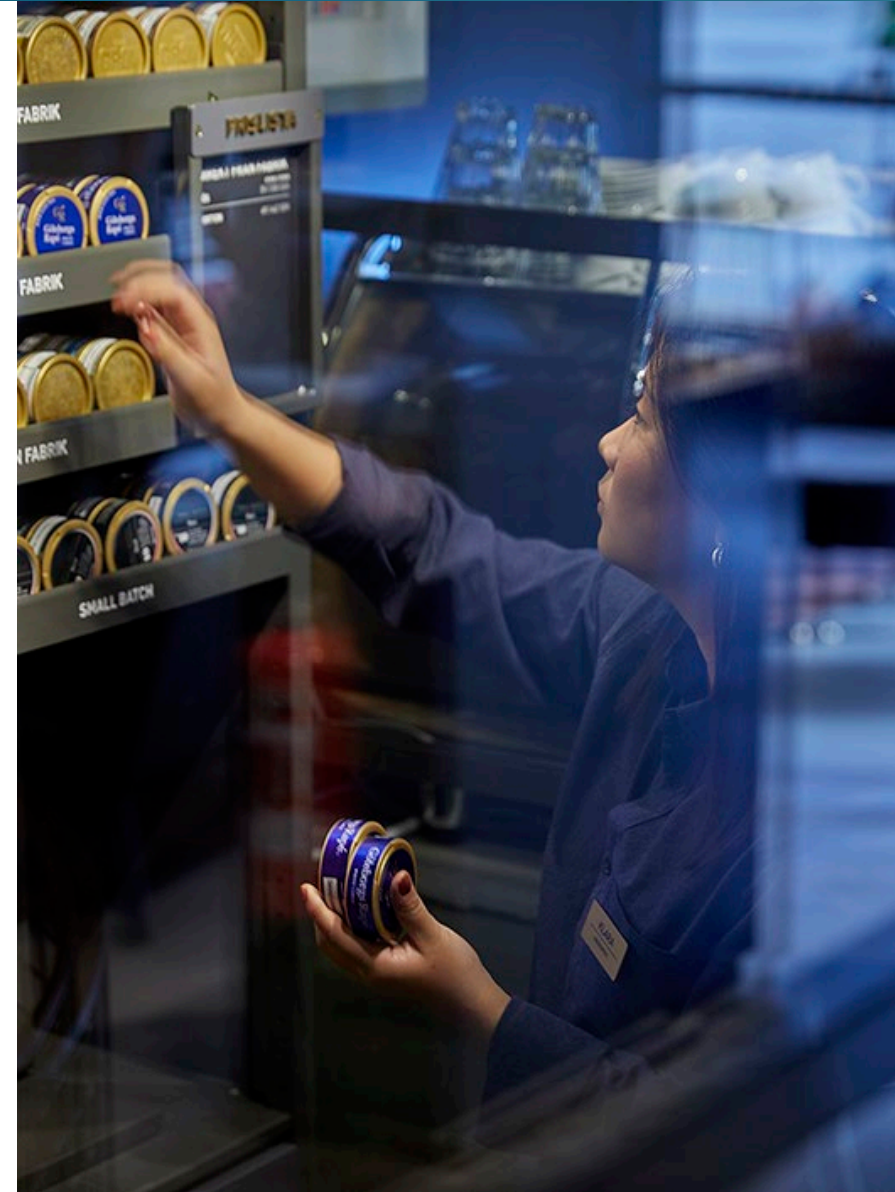
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Q3 – HEADLINE BULLETS

- In local currencies, sales increased by 8 percent for the third quarter. Reported sales increased by 13 percent to 3,829 MSEK (3,388).
- In local currencies, operating profit from product segments¹⁾ increased by 17 percent for the third quarter. Reported operating profit from product segments increased by 22 percent to 1,607 MSEK (1,317).
- Operating profit amounted to 1,586 MSEK (1,305) for the third quarter.
- Profit after tax amounted to 1,180 MSEK (959) for the third quarter.
- Earnings per share increased by 27 percent to 7.04 SEK (5.55) for the third quarter.
- ZYN in more than 60,000 stores in the US, and average sales per store continued to increase.
- Lights operating profit benefited from land and forestry asset sales.
- On October 22, 2019, the US FDA authorized modified risk tobacco status for eight *General* snus varieties.

1) Excluding Other operations.



THIRD QUARTER IN SUMMARY

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

- ZYN continued to deliver strong growth in both the western region and national launch markets. Initial store velocities in markets outside the western region consistent with or better than performance of western region stores based on comparable time in market.
- Combined Scandinavian snus and nicotine pouch market continued to exhibit impressive volume and value growth despite a challenging comparable period. Continued market share pressures in Sweden snus category with growth being led by products in the Premium 2 segment. The Norwegian snus market declined while Swedish Match improved its market share position. Scandinavian nicotine pouch market continued to grow at a rapid pace with Swedish Match gaining some share in Sweden while losing share in Norway.
- Outside of Sweden and the US, ZYN is now available in stores in eight countries.

OTP financial performance up versus Q3 prior year on volume growth for cigars and pricing for US chewing tobacco

- In local currency, sales and operating profit increased for both cigars and US chewing tobacco. Sales of chewing products outside of the US flat on an underlying basis.
- Continued softness in the HTL segment of the US cigar category more than offset growth in the natural leaf segments. Swedish Match cigar shipment volumes up by 1% versus the prior year. Raw material shortage situation for our rolled leaf cigars continued to improve.
- Our US chewing tobacco business continued to effectively navigate overall category declines and market shifts to more value priced products.

Improved year-on-year and sequential performance for Lights product segment

- Excluding gains on asset sales, operating profit increased for matches and lighters, but declined for complementary products.

SNUS AND MOIST SNUFF: Q3 COMMENTARY

Sales for product segment increased 18% in local currencies, operating profit up sharply

Higher sales and operating profit in both Scandinavia and the US in local currencies

Sales and operating profit in Scandinavia up

- Strong combined category growth for snus and nicotine pouches; market share pressures continued.
 - Nicotine pouches accounted for all of the growth in Norway, and a significant portion of the growth in Sweden.
- Underlying Swedish Match snus and nicotine pouch volumes up less than 1% (excluding Gotlandssnus and adjusted for calendar effects).
- Higher average pricing in both Sweden and Norway on price increases and favorable mix shifts.

Continued strong growth for snus and nicotine pouches outside Scandinavia

- Strong volume growth for ZYN in the US from increased distribution (close to 62,000 stores at end of quarter) and higher velocities in existing stores.
- ZYN is now available in stores in Austria, Czech Republic, Denmark, Croatia, Germany, Russia, Slovenia, and the UK.

US moist snuff reported sales down in local currencies, operating profit improved

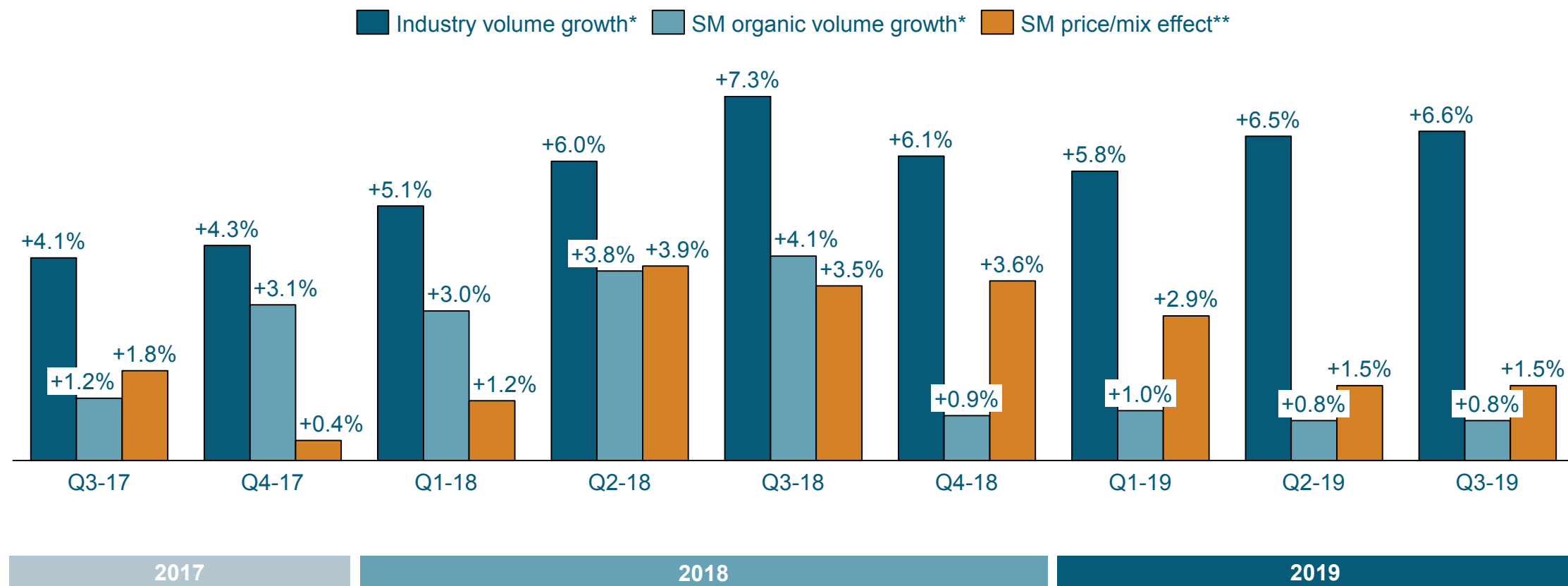
- Adjusted for accounting effects of new retail merchandising program, sales essentially flat.
- Average price up but slight volume declines due to category softness as well as promotional phasing.



	Q3-2019	Q3-2018	chg	9m-2019	9m-2018	chg	Oct 2018 - Sep 2019	Full year 2018	chg
Sales, MSEK	1,935	1,601	21	5,327	4,495	19	6,959	6,127	14
Operating profit, MSEK	940	752	25	2,491	2,066	21	3,215	2,791	15
Operating margin, %	48.6	47.0		46.8	46.0		46.2	45.6	

SCANDINAVIA – UNDERLYING VOLUMES AND SWEDISH MATCH PRICE/MIX EFFECT

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



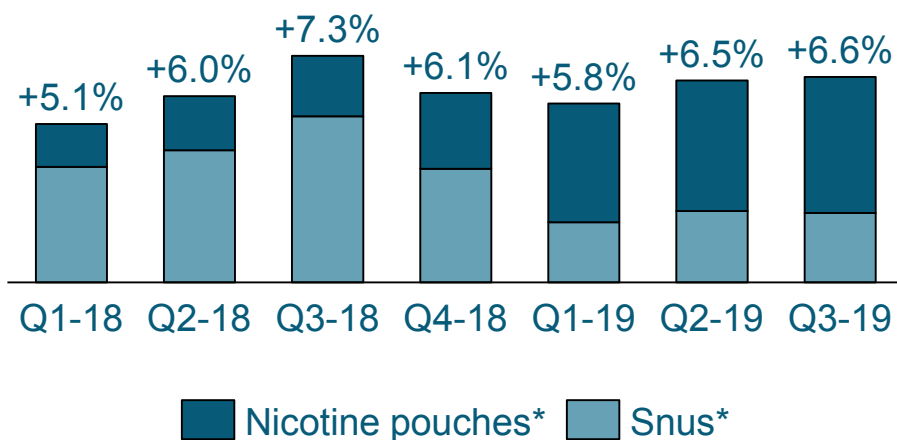
* Based on Nielsen and Swedish Match estimates (adjusted for hoarding).

** Not adjusted for currency effects.

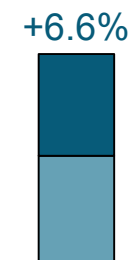
SCANDINAVIA – UNDERLYING VOLUME GROWTH DRIVEN BY NICOTINE POUCHES

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

Scandinavian volume growth breakdown, snus and nicotine pouches



Sweden YTD growth



Norway YTD growth

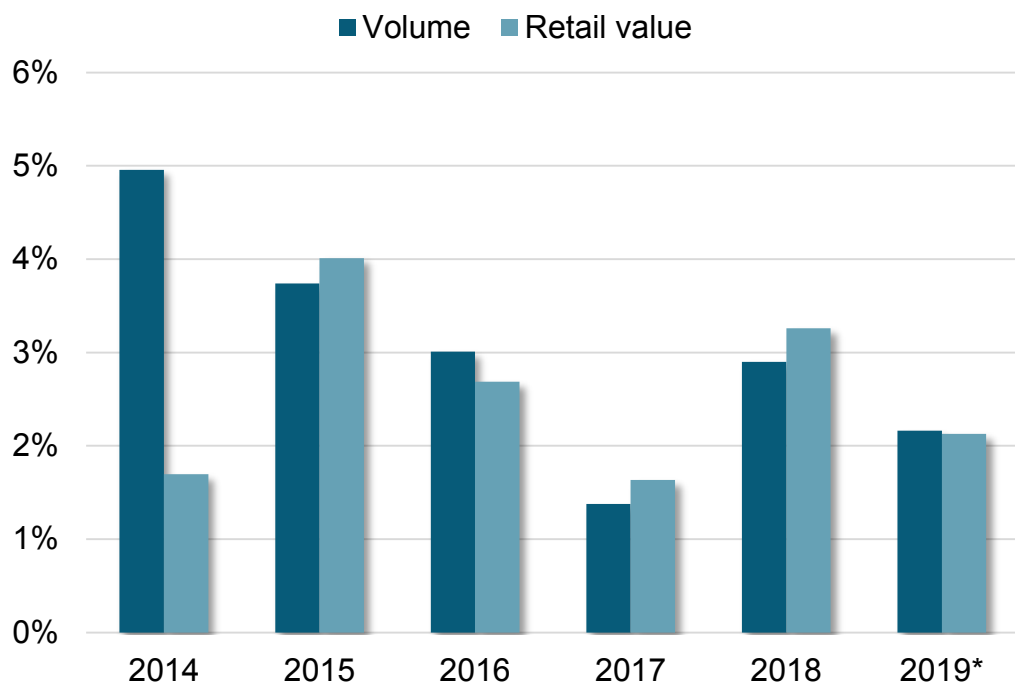


* Based on Nielsen and Swedish Match estimates (adjusted for hoarding).

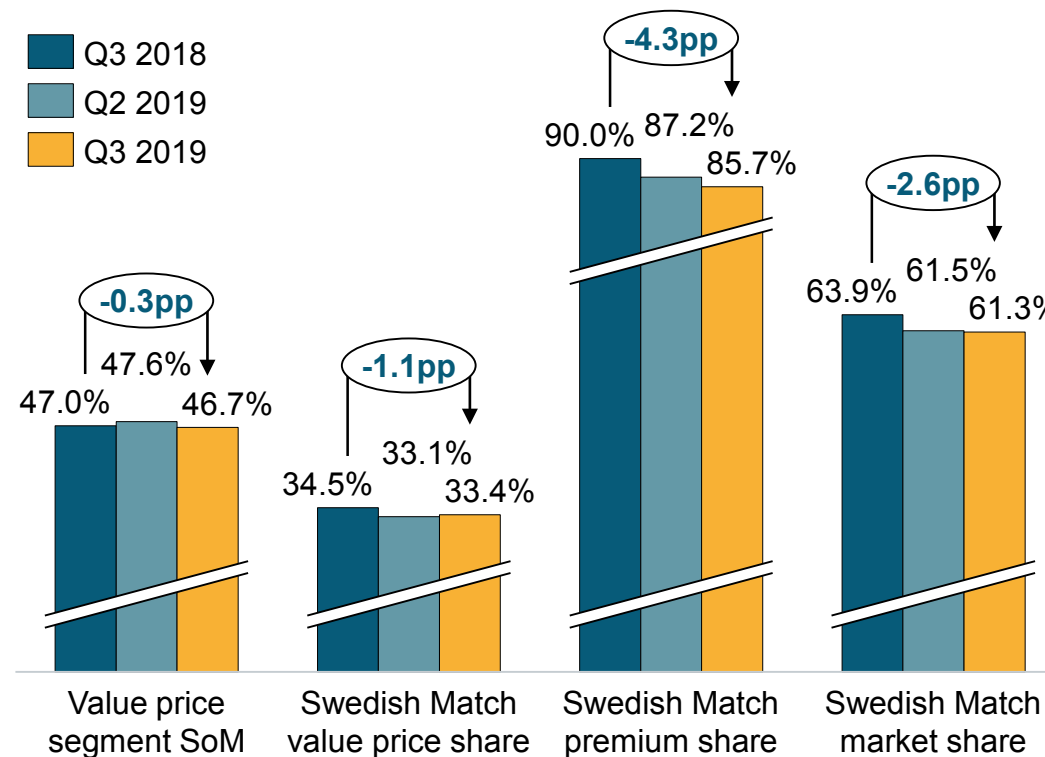


SWEDEN – SNUS CATEGORY DEVELOPMENT AND MARKET SHARE DYNAMICS

Snus volume and retail value year-on-year growth (Nielsen)



Snus market share dynamics (volume shares)



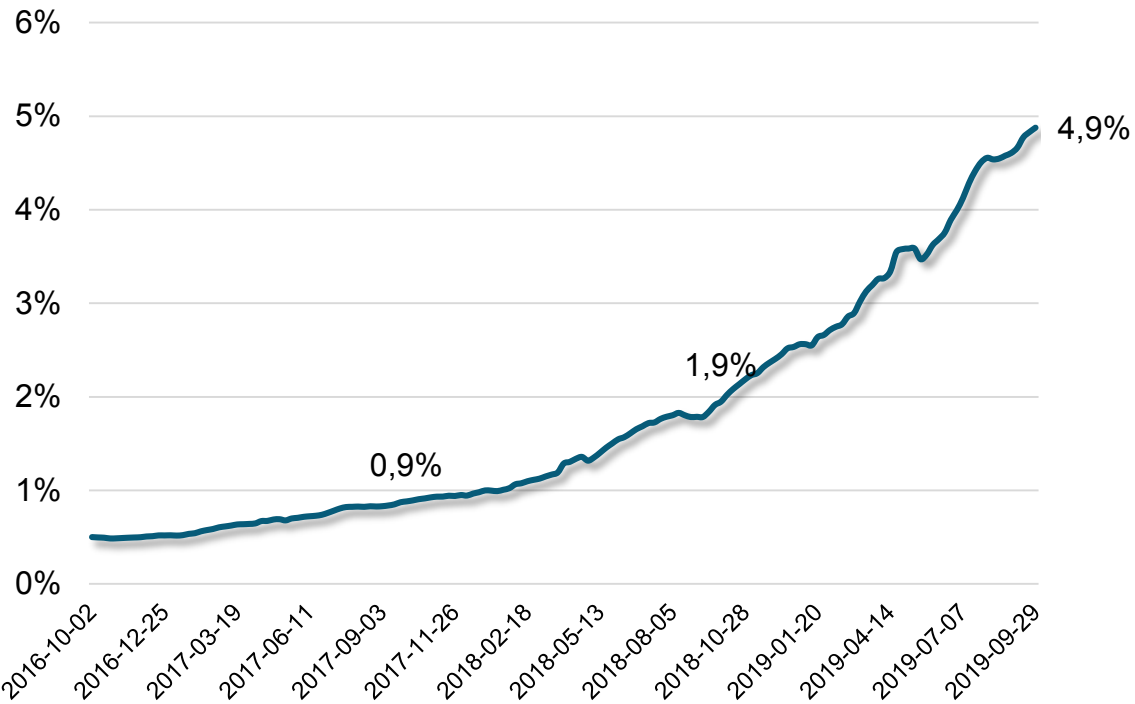
* Rolling 12-months to September 2019.

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

SWEDEN – NICOTINE POUCH CATEGORY GROWING

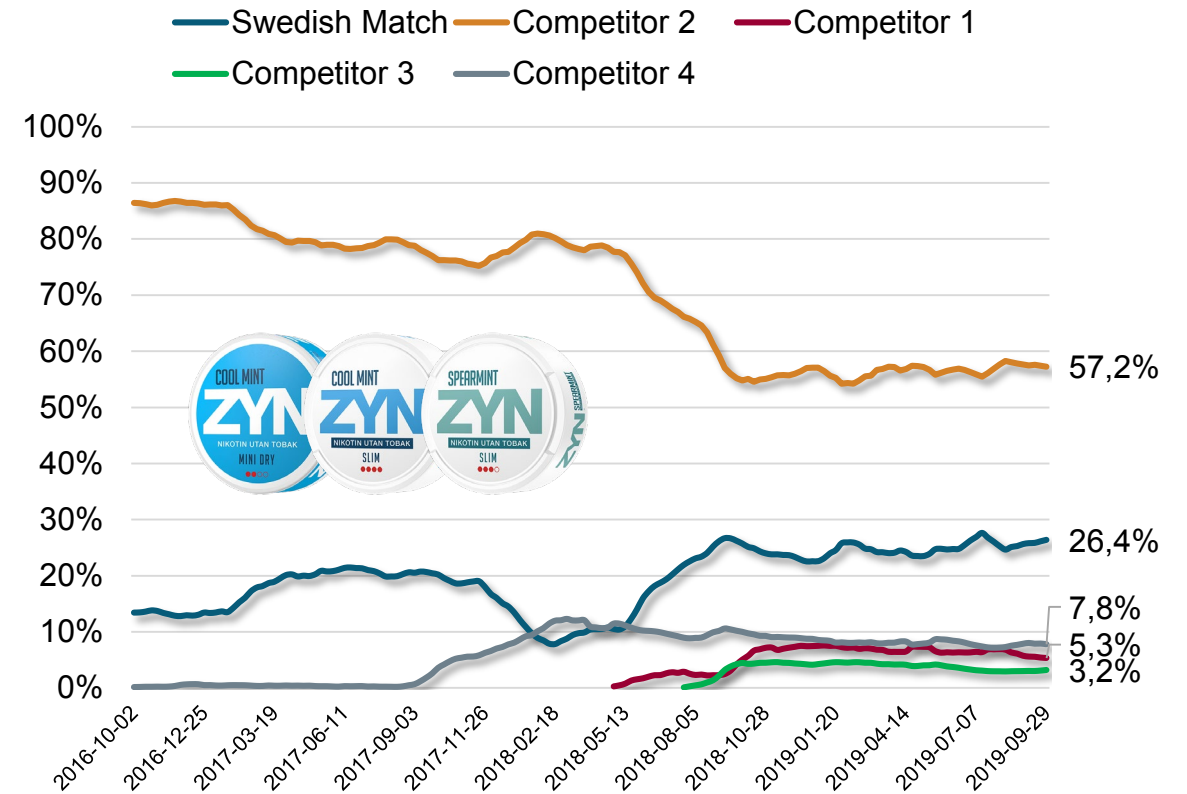
Volume share development, 4-weeks rolling

Nicotine pouch segment size relative to the snus category



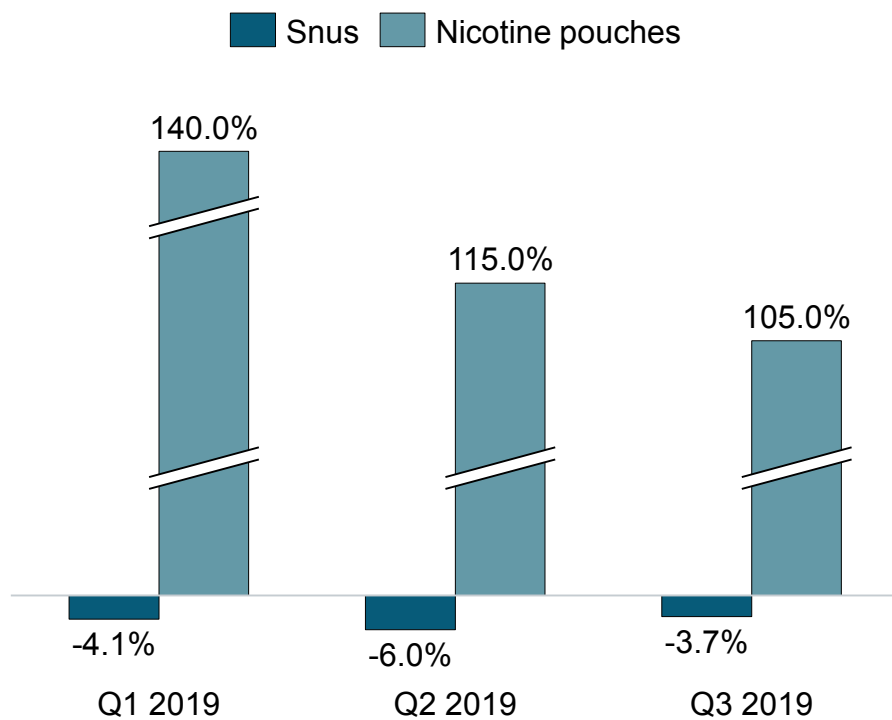
Source: Nielsen, DVH+SVH excl. tobaccoists. The snus market base includes nicotine free.

Manufacturer volume shares, nicotine pouch category

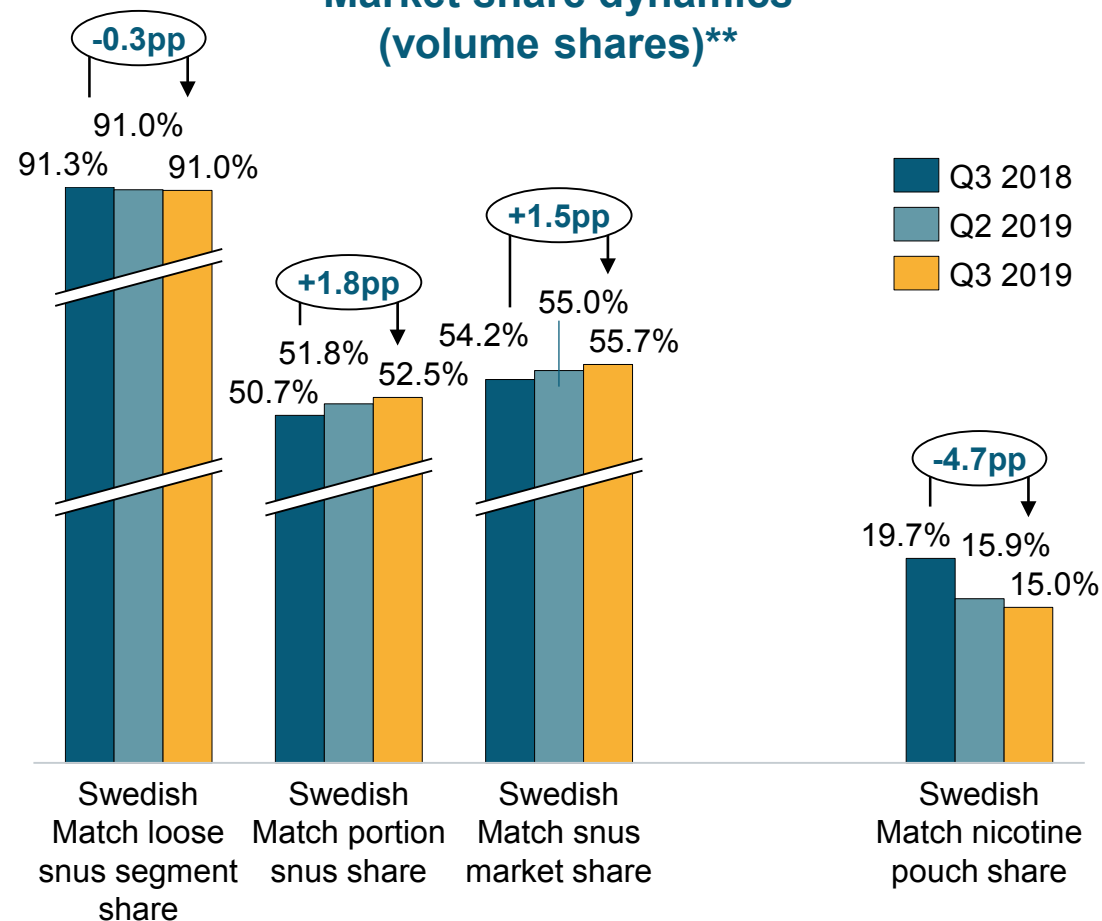


NORWAY – CATEGORY DEVELOPMENT AND MARKET SHARE DYNAMICS

Estimated underlying volume year-on-year growth for snus and nicotine pouches*



Market share dynamics (volume shares)**

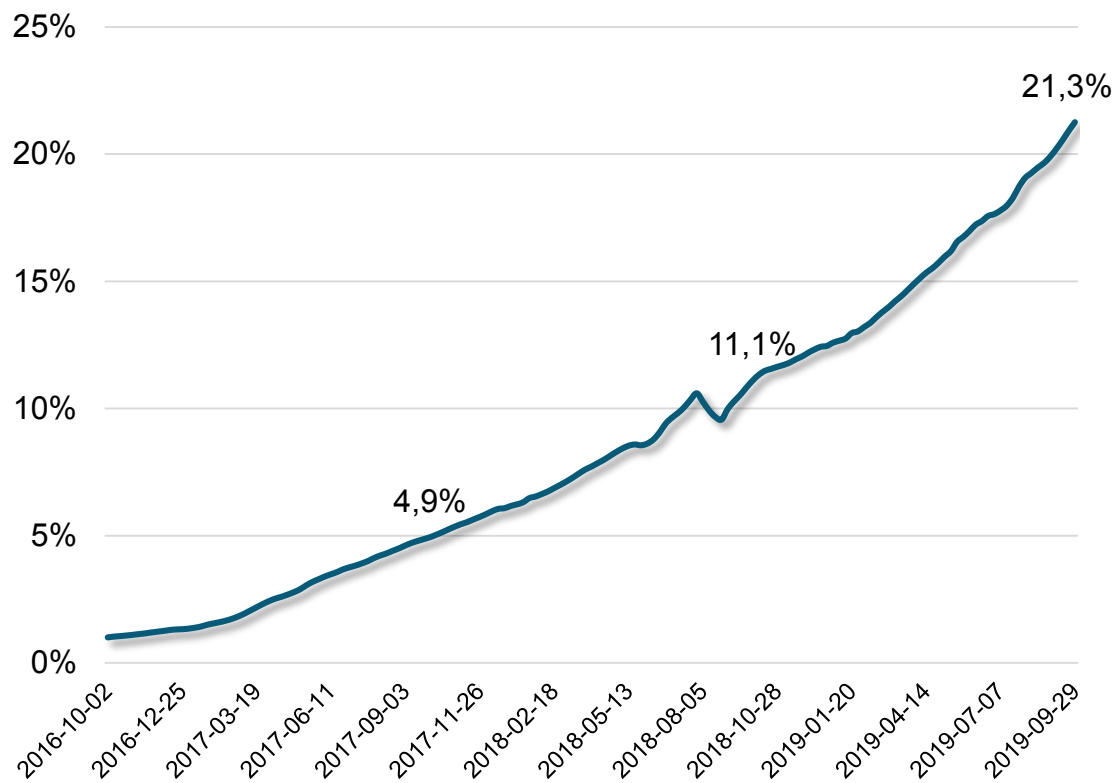


* Based on Nielsen and Swedish Match estimates (adjusted for hoarding). ** Source: Nielsen, DVH+KBS.

NORWAY – NICOTINE POUCH CATEGORY GROWING

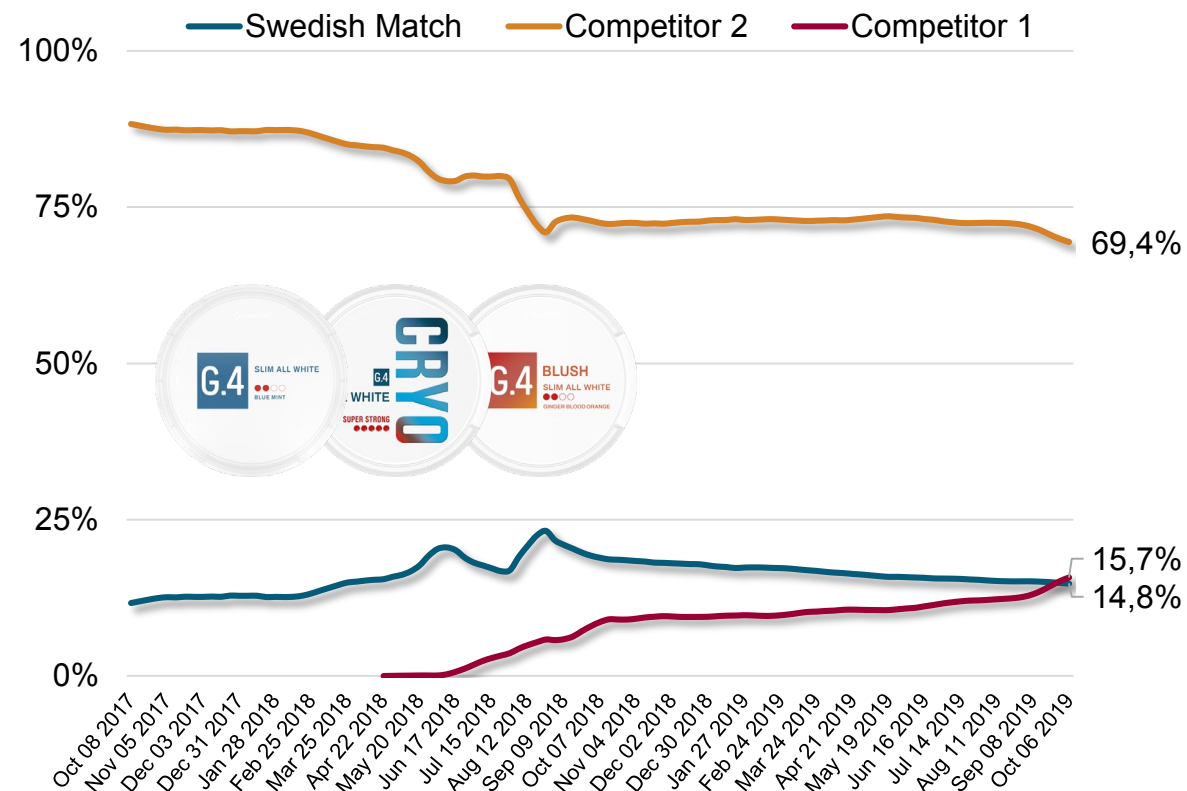
Volume share development, 4-weeks rolling

Nicotine pouch segment size relative to the snus category



Source: Nielsen, 4-week data, DVH+KBS.

Manufacturer volume shares, nicotine pouch segment



RECENT NEW PRODUCT ACTIVITY

Norway and Sweden

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



Sweden

- **Onyx – new price level (July) + new variety Onyx Gold (Sep)**
- **ZYN Espresso Mini Dry (Sep)**
- **ZYN Lemon Spritz Slim (Sep)**
- **XR Catch Raspberry & Licorice Slim White (Sep)**



Limited edition:

- **Small Batch #12** (Oct)



Other Europe

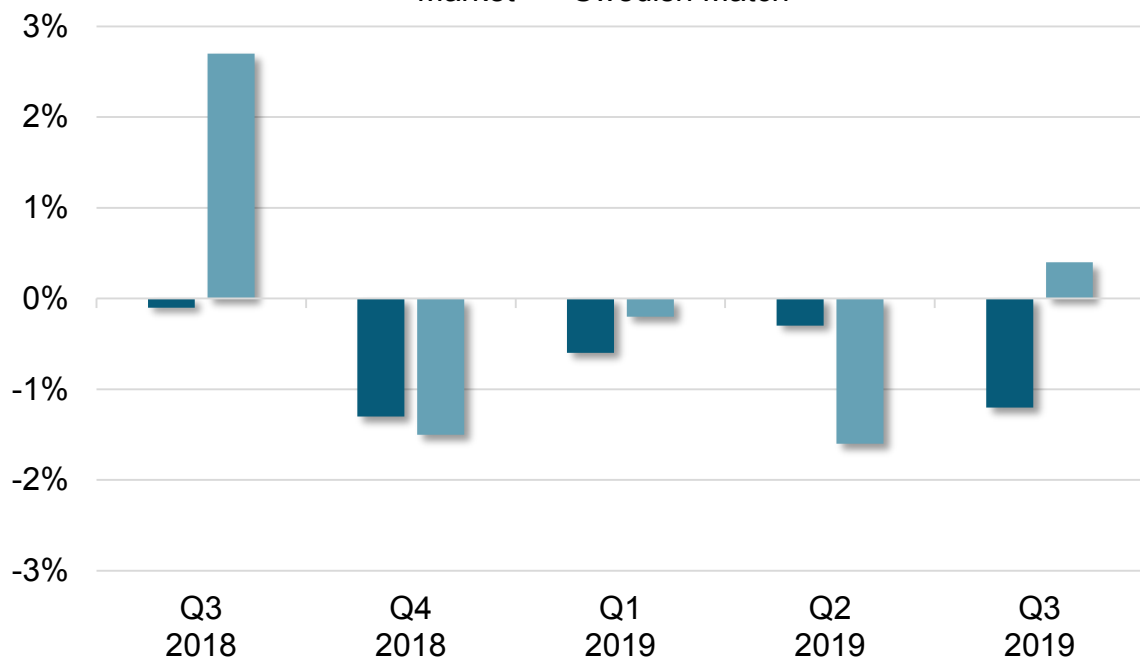
- **ZYN now available in stores in Austria, Croatia, Czech Republic, Denmark, Germany, Russia, Slovenia, and in the UK.**
- **Snus now available in Switzerland.**

Slight negative category growth, Swedish Match's pouch volumes have outperformed the category

Total moist snuff category and Swedish Match by quarter

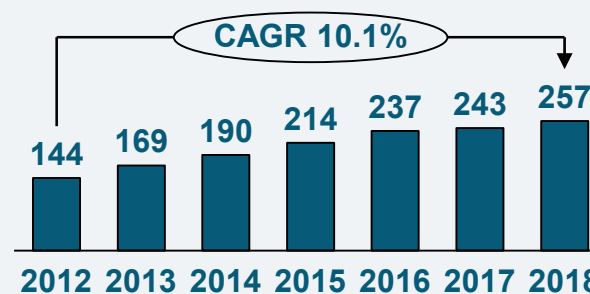
Growth, volume

■ Market ■ Swedish Match



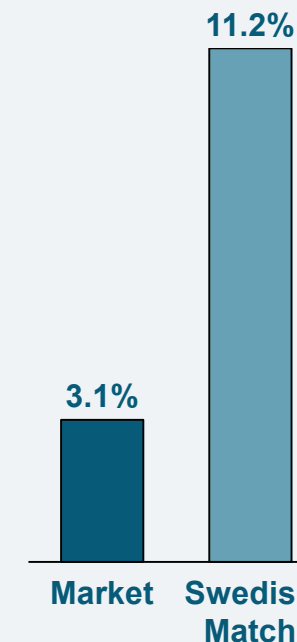
Pouches, market

Million cans



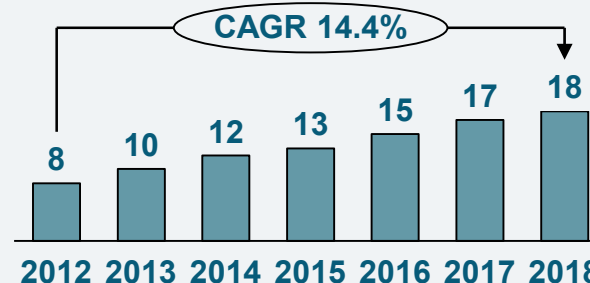
YTD to Sep 2019, y-o-y pouch growth rates (%)

Volume



Pouches, Swedish Match

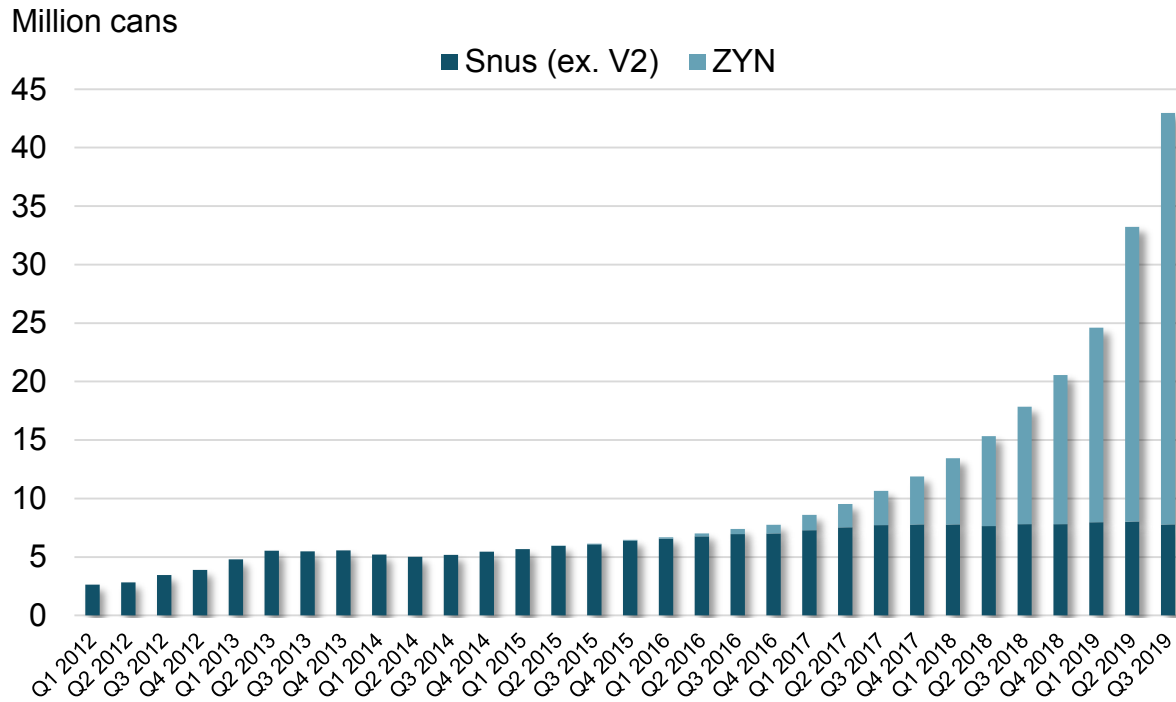
Million cans



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

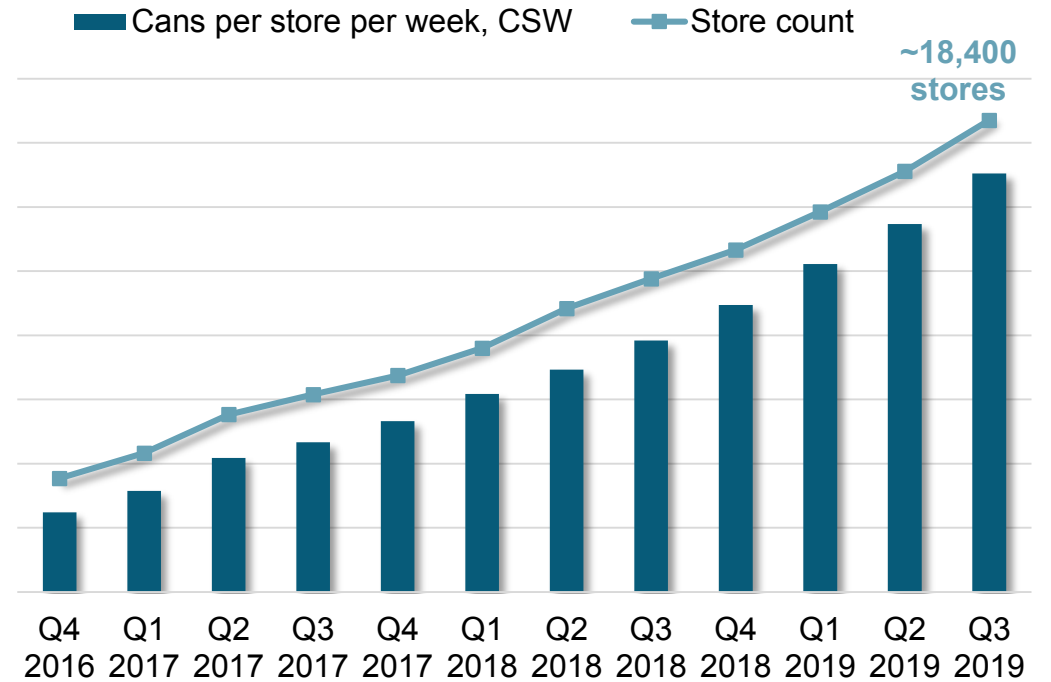
SNUS AND NICOTINE POUCH VOLUMES OUTSIDE SCANDINAVIA

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.

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 June 30, 2019.

OTHER TOBACCO PRODUCTS (OTP): Q3 COMMENTARY

Sales and operating profit growth from US businesses

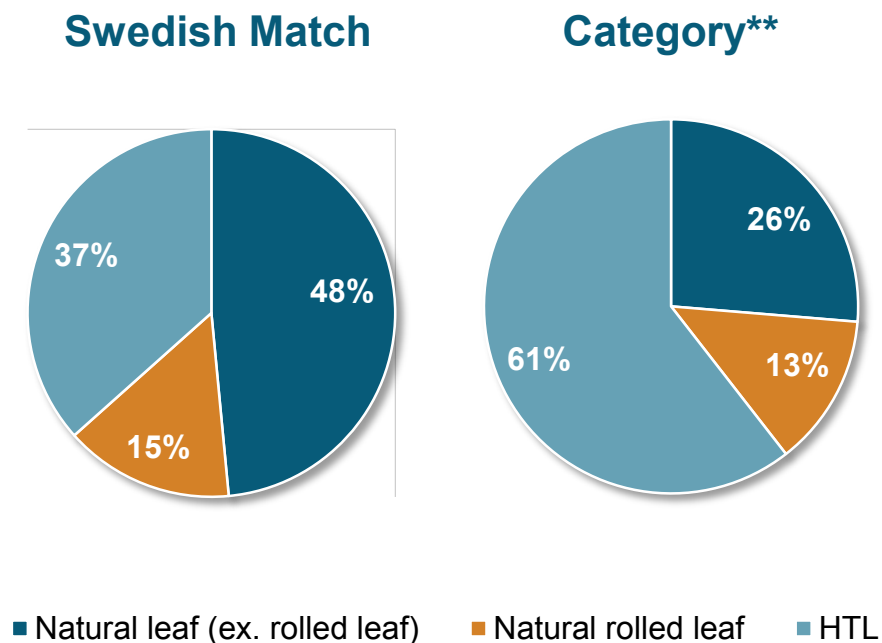
Sales and operating profit up in local currencies by 1% and 4% respectively

- **US cigar sales up in local currency, shipments up slightly**
 - Continued category softness driven by HTL varieties.
 - Growth in Swedish Match shipment volumes for natural leaf cigars more than offset declines for HTL.
- **US chewing tobacco shipment volumes (own brands) down 3%; down 5% on comparable trading day basis**
 - Volumes for traditional premium varieties declined but grew for value brands.
 - Sales up on higher pricing combined with modest volume declines, partially offset by negative mix effects.
 - Distributor shipments to retail indicate share gains in both premium and value segments.
- **Chewing tobacco outside the US: Sales flat on an underlying basis and operating profit down**
 - Sales growth for *Oliver Twist* tobacco bits, declines for chew bags.
 - In Switzerland, chew bag portfolio is being replaced with snus products.

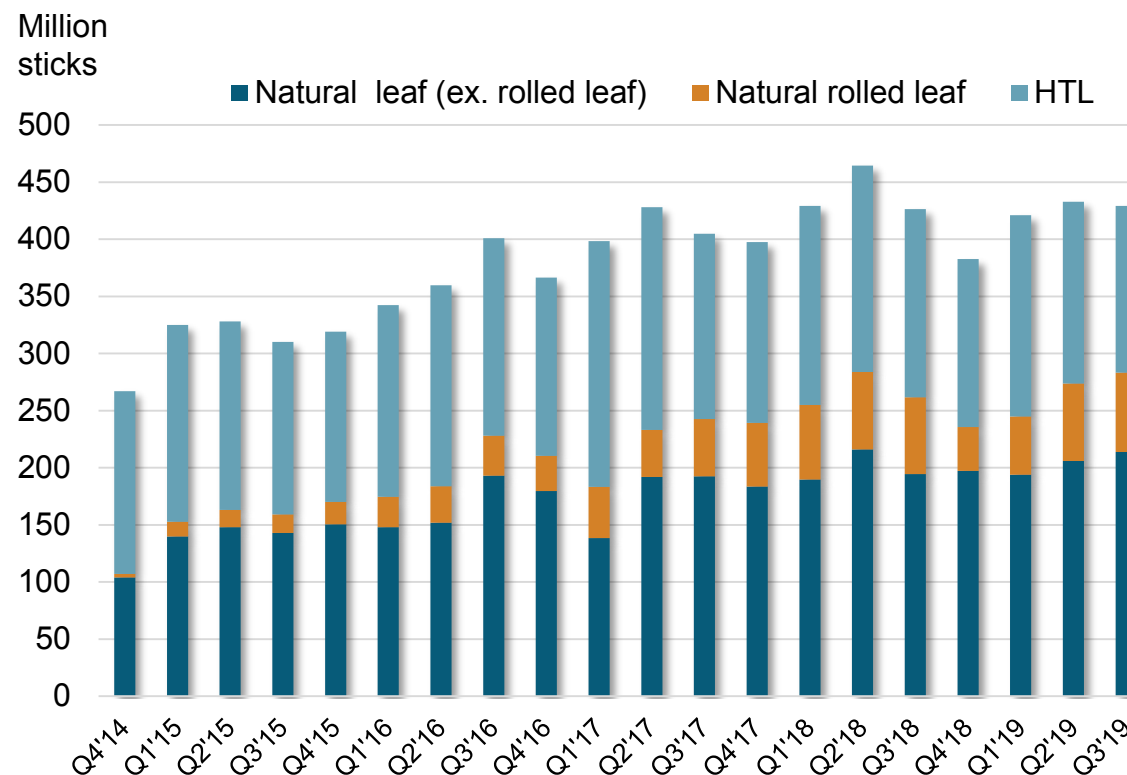


	Q3-2019	Q3-2018	chg	9m-2019	9m-2018	chg	Oct 2018 - Sep 2019	Full year 2018	chg
Sales, MSEK	1,496	1,384	8	4,320	4,007	8	5,553	5,240	6
Operating profit, MSEK	579	519	11	1,675	1,501	12	2,131	1,956	9
Operating margin, %	38.7	37.5		38.8	37.4		38.4	37.3	

Breakdown of Swedish Match's YTD 2019 cigar volumes by segment compared to the addressed market*

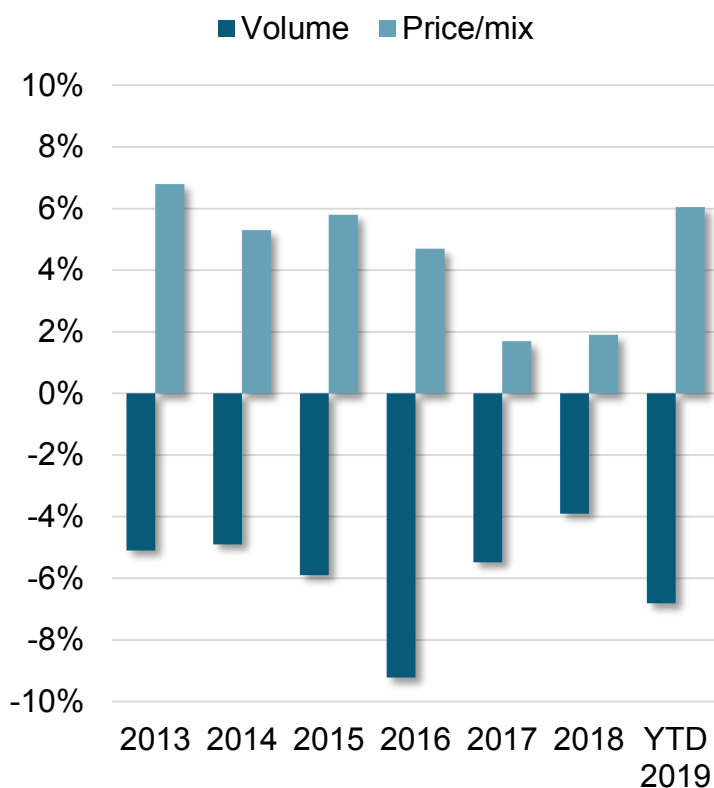


Swedish Match's reported cigar shipments by quarter and format

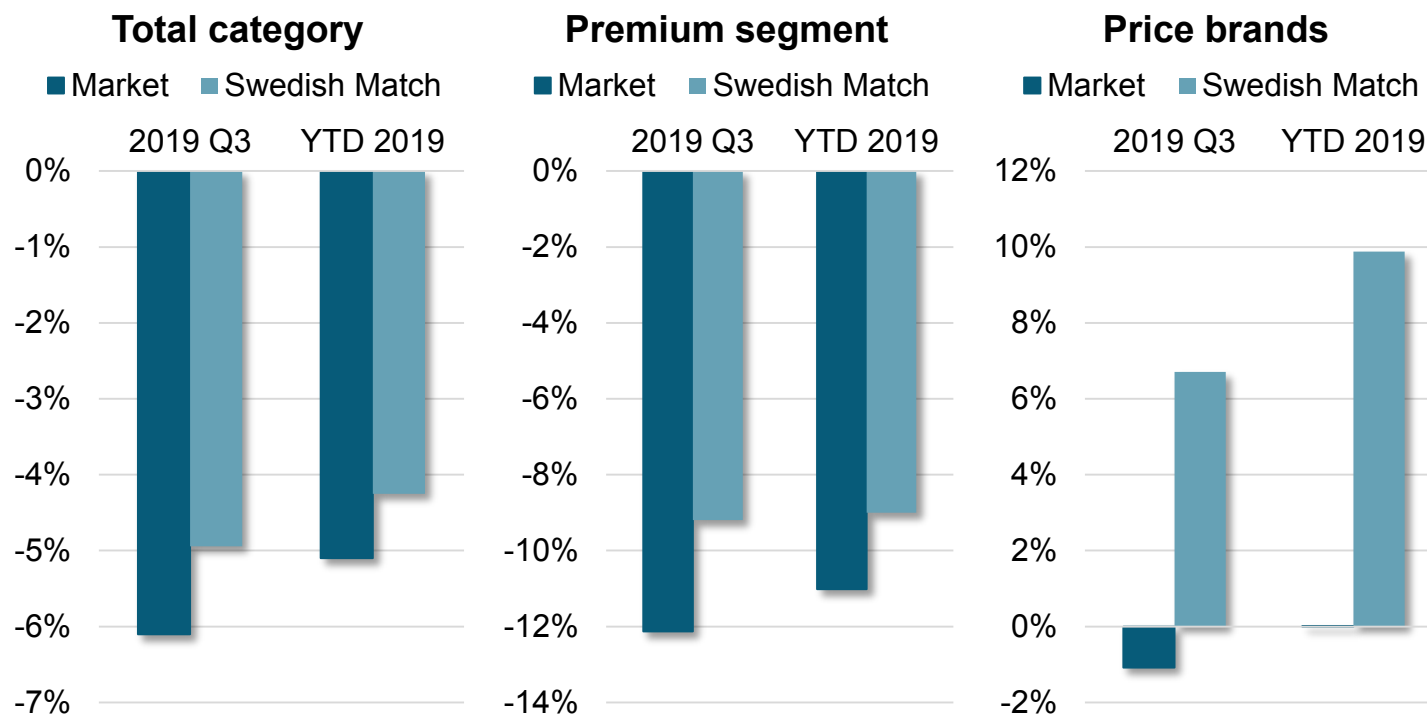


* Excluding segment for pipe cigars and 'other'. ** Source: Swedish Match estimates of distributor shipments to retail using MSA data.

Shipment volume and price/mix percentage change y-o-y, Swedish Match brands*



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



* On reported basis. Excludes Co-Pack. ** Source: MSA. Price brands = Price Large Segment + Price Small Segment.

Sales down, operating profit up helped by asset sales, favorable market and portfolio mix

- **Sales down 4%, pulled down by weakness for complementary products**
 - Sales for matches down 2% on 16% lower volumes.
 - Sales for lighters down 1%, on 12% lower volumes.
 - Good country/portfolio mix for both matches and lighters.
- **Reported operating profit up significantly**
 - Realized gains from the sale of land and forestry assets of 34 MSEK.
 - Improvements in operating profit for lighters and matches when excluding asset gains.
 - For lighters, increased nylon costs continued to weigh on profitability but to a lesser extent.
 - Operating profit for complementary products down on low volumes, customer destocking, and currency transaction impacts.



	Q3-2019	Q3-2018	chg	9m-2019	9m-2018	chg	Oct 2018 - Sep 2019	Full year 2018	chg
Sales, MSEK	298	310	-4	878	897	-2	1,227	1,246	-2
Operating profit, MSEK	88	46	89	137	123	12	203	189	8
Operating margin, %	29.4	14.9		15.6	13.7		16.6	15.2	

REGULATORY TOPICS

- **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.
- **The Bavarian Administrative Court in Germany rules on chewing tobacco:** The Bavarian Administrative Court in Germany on October 14, 2019 issued a press release announcing that the court had found that certain of V2 Tobacco's Thunder chew bag products as well as the Thunder loose chew products sold in Germany are to be regarded as oral tobacco not intended for chewing. The Bavarian Administrative Court is expected to present its final judgement inclusive of the grounds for the court's decision in October/November 2019. As previously communicated, 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, negatively impacting the carrying value of Swedish Match's reported intangibles from the September 2017 acquisition of V2 Tobacco.
- **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 Electronic Nicotine Delivery Systems (ENDS) and cigars to remain on the market without filing of path to market application until 2021/2022. 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 the July 11th 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 Court order deadline will be subject to FDA enforcement actions, at the FDA's discretion. The FDA may also exempt new products from filing requirements for good cause on a case-by-case basis. Preparations are well underway to comply with the application filing date set forth in the court order for our more strategic products covered under the Deeming Rule.

REGULATORY TOPICS

- **FDA grants modified risk tobacco product (MRTP) designations for *General* snus in the US:**

On October 22, 2019, the FDA granted Swedish Match an order designating eight *General* snus varieties, including its Mint and Wintergreen varieties, as modified risk tobacco products. In reaching its conclusion, the FDA found that the designated *General* snus products, as actually used by consumers, will significantly reduce harm and the risk of tobacco-related disease to individual tobacco users and benefit the health of the population as a whole taking into account both users of tobacco products and persons who do not currently use tobacco products.

The MRTP designation will allow Swedish Match to market the products with the following modified risk description – “Using *General* Snus instead of cigarettes puts you at a lower risk of mouth cancer, heart disease, lung cancer, stroke, emphysema, and chronic bronchitis” – along with standard health warning statements required of all smokeless tobacco products.

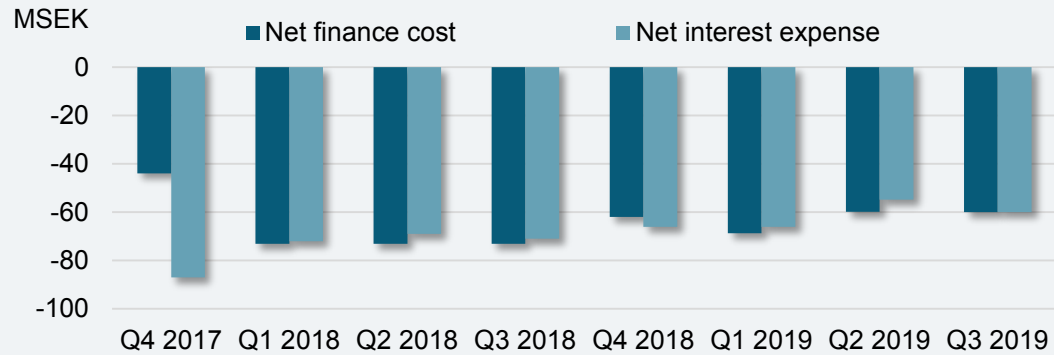
The MRTP order is valid for five years from the date of issue, and before expiry Swedish Match may file a request for renewal. The order is also subject to postmarket surveillance and record retention obligations on the part of Swedish Match.



FINANCE NET AND EPS

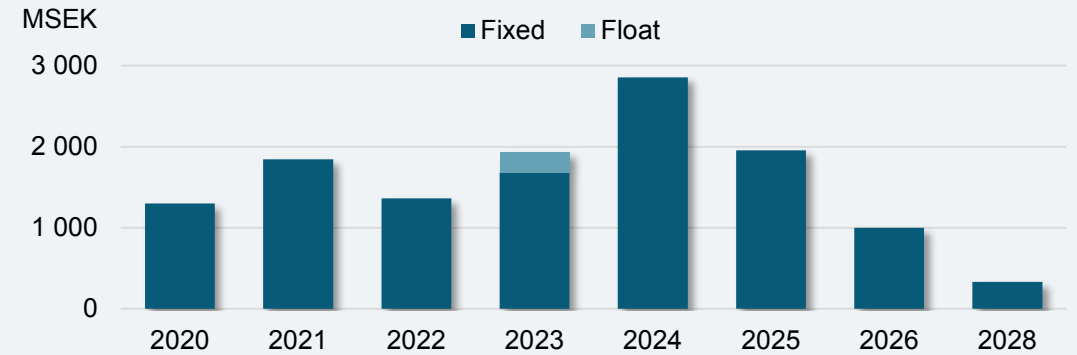
Development of the finance net

By quarter



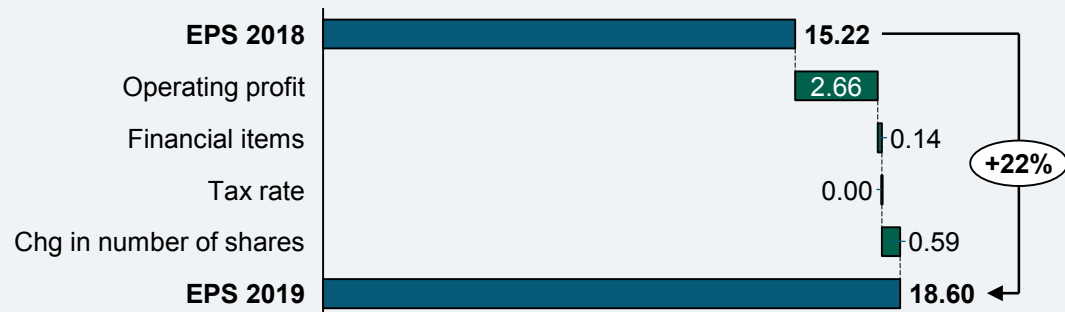
Maturity profile of interest bearing liabilities

Debt as of September 30, 2019



EPS bridge

9M 2019 vs 9M 2018 (SEK)



Net debt/EBITA

