

Interim Report January – September 2020

Record sales and operating profit from product segments in Q3

- 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) Excludes Other operations and larger one-time items.



CEO Lars Dahlgren comments:

A record quarter, with strong underlying results from all product segments

Swedish Match delivered an outstanding performance during the third quarter. While we estimate that COVID-19 related effects had a notably positive net impact on group earnings, the underlying financial development across our product segments was strong. Impressive performance for ZYN in the US continued to be the key contributor to profit growth. For this quarter we also noted a significant upturn in operating profit for our US cigar business, as well as for our Scandinavian smokefree business – even when excluding COVID-19 related positive mix effects from increased domestic volumes in Norway that substituted deliveries to border trade and travel retail outlets.

A number of milestones were achieved during the third quarter, including a record financial result for our product segments, a new all-time high in ZYN nicotine pouch shipments, and the highest quarterly shipment volumes ever for cigars.

Like many businesses, our organization has had to continuously adjust and respond to the challenges and the changing operating environment brought on by COVID-19. Across our Group, precautionary protocols like social distancing measures have been maintained and refined, and our dedicated and focused employees have adjusted their ways of working in innovative ways with a view to ensure business continuity and the active pursuit of future growth. Our cigar operations in the Dominican Republic have faced the most concrete challenges. With over three thousand employees, it takes time to restore productivity and capacity while ensuring effective implementation of social distancing and other safe-guarding measures. We have made great progress toward those objectives during the quarter but producing at levels to fully meet consumer demand for our natural leaf varieties is likely to remain a challenge at least for the rest of this year.

Identifying and isolating COVID-19 related impacts on our financial performance is challenging. In summing up the performance for the first nine months, however, it seems clear that the net COVID-19 impact on our financial results have been meaningfully favorable, and that much of this effect occurred during the third quarter. Relative to historical consumption trends, we have noted an elevated demand for both cigars and traditional smokefree products in the US (moist snuff and chewing tobacco). In the Scandinavian smokefree business, overall demand has held up very well despite lower volumes supplied to Finnish consumers from border and travel retail outlets. Norwegians that have faced, and continue to face, travel restrictions have to a very large extent switched their purchases to the domestic Norwegian trade, including e-com. In Norway, there is no low-price segment, and the switch to domestic outlets has resulted in significant positive mix effects. Thanks to extraordinary efforts in our cigar factories, both in the US and the Dominican Republic, we have been able to take advantage of the very strong demand for cigars by sharply increasing output of the less labor-intensive HTL varieties. While we have incurred extra costs across our organization in implementing COVID-19 social distancing and safety protocols, this has been more than offset by savings from reduced travelling and the postponement or cancellation of marketing and other activities. New initiatives have not come to a complete halt however, and our smokefree operations in Other markets continued to invest for the future, including the introduction of ZYN into new geographies.

For ZYN in the US, we continued to capture the bulk of the growth in the nicotine pouch market, and we again experienced increased velocities at the retail level, despite expanded store distribution and significantly more aggressive promotional activity by our competitors. Our manufacturing operations in Owensboro continued to impress by managing to further increase utilization and efficiency from existing capacity while continuing to progress with the next phase of the capacity expansion according to plan.

Already in March, we submitted our PMTA applications to the US FDA for our range of ZYN nicotine pouches, and during the third quarter we actively engaged with the Agency as it commenced its scientific reviews. For cigars, our regulatory, scientific and production teams made an impressive effort to meet the September 9 deadline for substantial equivalence (SE) applications to the FDA, and I am pleased to note that we have now filed SE applications for our entire current cigar assortment.

I am very proud of the efforts of our entire team here at Swedish Match – whether in our factories, in the field, working from home, or in their offices – in maintaining a positive and focused approach, in demonstrating agility and innovation, and in helping in so many ways to build a strong and growing business.

Summary of consolidated income statement

MSEK	July-September		Chg %	January-September		Chg %	Full year 2019
	2020	2019		2020	2019		
Sales	4,400	3,829	15	12,561	10,806	16	14,739
Sales from product segments ¹⁾	4,303	3,729	15	12,287	10,525	17	14,363
Operating profit from product segments ¹⁾	2,046	1,603	28	5,403	4,292	26	5,812
Operating profit, excl. larger one-time items ²⁾	2,019	1,586	27	5,279	4,209	25	5,675
Operating profit	2,019	1,586	27	5,279	4,209	25	5,307
Profit before income tax	1,914	1,526	25	5,012	4,021	25	5,060
Profit for the period	1,193	1,180	1	3,581	3,140	14	3,896
Operating margin from product segments, % ¹⁾	47.6	43.0		44.0	40.8		40.5
Earnings per share, basic and diluted, SEK	7.44	7.04		22.18	18.60		23.22
Adjusted earnings per share, basic and diluted, SEK ²⁾³⁾	9.21	7.04		23.95	18.60		25.41

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

2) Excluding a larger one-time item during the fourth quarter 2019, which pertains to a non-cash impairment charge for the European chewing tobacco business, see Note 5.

3) Adjusted earnings per share in 2020 excludes a tax charge including interest of 286 MSEK related to adverse ruling in a tax case in Sweden recognized in the third quarter 2020, see Note 7.

The third quarter

(Note: Comments below refer to the comparison between the third quarter 2020 vs. the third quarter 2019).

Sales

Group sales and sales from product segments both increased by 15 percent to 4,400 MSEK (3,829) and 4,303 MSEK (3,729), respectively. In local currencies, sales increased for all product segments. Currency translation negatively affected the comparability of sales from product segments by 299 MSEK. While difficult to calculate with precision, COVID-19 is estimated to have had a notably positive effect on the sales development. Consumer demand for cigars, chewing tobacco and moist snuff in the US is estimated to have been elevated during the quarter, and in Scandinavia exceptionally strong volumes on the Norwegian domestic market resulted in favorable mix effects.

The Smokefree product segment was the largest contributor to sales growth due to the continued success of our ZYN nicotine pouch offerings, as well as strong sales development in the Scandinavian business. The Cigars product segment also delivered strong sales growth on record volumes. In the US, the sales development was driven by substantially higher volumes – with volumes more than doubling for ZYN, and with double digit volume growth for moist snuff and cigars. In Scandinavia, smokefree sales increased despite flat volumes and a weaker Norwegian krone (NOK) as a consequence of price increases and improved market mix as a consequence of the sharp increase in domestic sales in Norway that more than offset declines in sales to border trade and travel retail outlets. Reported sales for the Lights product segment declined as a result of the significant depreciation of the Brazilian real, but grew in local currencies.

Earnings

Operating profit from product segments increased by 28 percent to 2,046 MSEK (1,603). In local currencies, operating profit from product segments was up by 37 percent. Group operating profit amounted to 2,019 MSEK (1,586). Currency translation has affected the comparison of the operating profit negatively by 143 MSEK. The estimated COVID-19 related effects on sales also had a notably positive impact on the operating profit during the quarter. The increase in operating profit was attributable to both Smokefree and Cigars. Lights operating profit declined but demonstrated strong underlying growth when adjusting for currency translation effects and gains on sales of land and forestry assets in the third quarters of both 2019 and 2020.

The Group's net finance cost increased to 105 MSEK (60), due to higher average debt and reduced financial returns on surplus cash as well as interest costs of 16 MSEK relating to an adverse ruling in a tax case in Sweden in August 2020 (see Note 7). The income tax expense amounted to 721 MSEK (346), corresponding to a corporate tax rate of 37.6 percent (22.7). The extraordinarily high tax rate for the Group resulted from an additional income tax expense of 270 MSEK relating to the above mentioned tax case, as well as the continued increase in the relative contribution to earnings from our US businesses, which is taxed at a higher effective tax rate compared to the average Group tax rate.

The Group's profit for the period amounted to 1,193 MSEK (1,180).

Earnings per share (EPS) for the third quarter amounted to 7.44 SEK (7.04). Adjusted EPS increased by 31 percent to 9.21 SEK (7.04) for the third quarter.

The first nine months

(Note: Comments below refer to the comparison between the first nine months 2020 vs. the first nine months 2019).

Sales

Group sales increased by 16 percent to 12,561 MSEK (10,806). Currency translation affected the sales comparison negatively by 198 MSEK. In local currencies, sales from product segments increased by 19 percent with increases across all three product segments. It is estimated that year-to-date volume and sales performance benefitted from the net effects of COVID-19 related impacts on consumer purchasing and consumption patterns, most notably for chewing tobacco and cigars in the US, as well as the shift in purchases by Norwegians to the local Norwegian market from Swedish border shops and travel retail outlets.

Earnings

Operating profit from product segments amounted to 5,403 MSEK (4,292). In local currencies the operating profit from product segments increased by 29 percent and increased for all product segments. COVID-19 related effects are estimated to have had a net favorable impact on earnings for the year-to-date period.

Group operating profit amounted to 5,279 MSEK (4,209). Currency translation has affected the comparison of the operating profit negatively by 120 MSEK.

The Group's net finance cost amounted to 267 MSEK (188) reflecting increased average debt and lower financial returns on surplus cash as well as interest costs of 16 MSEK related to the above-mentioned tax case. Income tax expense amounted to 1,430 MSEK (881), corresponding to a tax rate of 28.5 percent (21.9). The extraordinarily high tax rate for the Group resulted from the incremental income tax expense of 270 MSEK relating to the Swedish tax case, as well as the continued increase in the relative contribution to earnings from our US businesses.

The Group's profit for the period amounted to 3,581 MSEK (3,140).

EPS for the first nine months amounted to 22.18 SEK (18.60). Adjusted EPS increased by 29 percent to 23.95 SEK (18.60) for the first nine months.

ZYN

In the US, Swedish Match has expanded the availability for the ZYN nicotine pouch varieties Smooth, Chill and Citrus which are now sold nationwide. Prior to the expansion, these varieties had primarily been available only in a number of areas in the western US. All ZYN products sold in the US are available in both 3mg and 6mg strength.



Smokefree

Third quarter highlights:

- 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



Key data

MSEK	July-September			January-September			Full year 2019
	2020	2019	Chg %	2020	2019	Chg %	
Sales	2,842	2,315	23	8,045	6,439	25	8,914
Operating profit	1,519	1,093	39	3,974	2,937	35	3,997
Operating margin, %	53.5	47.2		49.4	45.6		44.8
EBITDA	1,617	1,185	36	4,270	3,194	34	4,353
EBITDA margin, %	56.9	51.2		53.1	49.6		48.8
Depreciation, amortization and impairment	-98	-92		-296	-257		-356
Capital expenditures	207	155	33	665	442	50	593

The third quarter

(Note: Comments below refer to the comparison between the third quarter 2020 vs. the third quarter 2019).

In local currencies, sales for the Smokefree product segment increased by 30 percent, with growth coming from both the US and Scandinavia. Currency translation affected the sales comparison negatively by 162 MSEK resulting from a stronger SEK relative to the USD and the NOK. Increased shipment volumes for ZYN in the US was the main contributor to sales growth. In the US, sales in local currency also grew for moist snuff and chewing tobacco. In Scandinavia, sales grew sharply for nicotine pouches and also increased for snus. In other markets outside of Scandinavia and the US, sales declined.

Operating profit in local currencies improved in both the US and Scandinavia. Operating profit in other markets outside of the US and Scandinavia declined principally as a result of expansion costs for nicotine pouches.

Scandinavia

Scandinavia refers to Sweden, Norway, and Denmark.

Key data

	July-September			January-September			Full year 2019
	2020	2019	Chg %	2020	2019	Chg %	
Financials							
Sales, MSEK	1,240	1,166	6	3,458	3,374	2	4,624
Operating profit, MSEK	735	637	15	1,850	1,794	3	2,432
Operating margin, %	59.2	54.6		53.5	53.2		52.6
Shipment volumes							
Snus, million cans	63.9	66.0	-3	180.8	191.2	-5	260.2
Nicotine pouches, million cans	3.7	2.2	67	9.7	5.9	63	8.6

Market shares¹⁾

Percent	July-September		Chg ppts	January-September		Chg ppts	Full year 2019
	2020	2019		2020	2019		
Snus, Sweden	60.2	61.3	-1.2	60.5	61.6	-1.0	61.5
Snus, Norway	59.4	55.7	3.8	58.6	55.2	3.4	55.5
Nicotine pouches, Sweden	24.9	25.9	-1.0	25.4	25.6	-0.2	25.8
Nicotine pouches, Norway ²⁾	13.8	15.1	-1.3	14.0	15.9	-2.0	15.4

1) Based on Nielsen data (excluding tobacconists and e-commerce): 13 weeks and YTD to September 27, 2020 and September 29, 2019, respectively. All figures for the Swedish market have been restated to reflect changes in Nielsen store measurements.

2) Nicotine pouches in Norway contain a small amount of tobacco for regulatory reasons.

Getting an accurate read on market dynamics within Scandinavia (Sweden, Norway, and Denmark) for the combined snus and nicotine pouch categories remains challenging due to COVID-19 effects. However, Swedish Match estimates that the smokefree category continued to grow at a good pace in volume terms during the quarter, with increased consumption in all geographies.

Swedish Match's reported shipment volumes in Scandinavia were flat in the quarter compared to the prior year as the negative impacts of travel restrictions and disrupted deliveries to the border trade and travel retail channels were offset by strong deliveries to the Norwegian domestic market.

Sales increased despite flat volumes and a weaker NOK as a consequence of implemented price changes and improved mix primarily reflecting the sharp increase in Norwegian domestic volumes.

Operating profit increased more than sales on positive price/mix effects and unusually low operating expenses.

In Sweden, Swedish Match's market share in the rapidly growing nicotine pouch category declined somewhat when compared to both the third quarter of the prior year and the second quarter of 2020. The market share for snus was virtually unchanged compared to the second quarter of 2020 but declined when compared to the third quarter of the prior year.

In Norway, Swedish Match's market share within the conventional snus category improved markedly when compared to the prior year and also increased sequentially when compared to the second quarter. Within the nicotine pouch category, Swedish Match's market share declined when compared to both the third quarter of the prior year and the second quarter of 2020.

The US

Key data

	July-September		Chg %	January-September		Chg %	Full year 2019
	2020	2019		2020	2019		
Financials							
Sales, MSEK	1,566	1,096	43	4,457	2,907	53	4,082
Operating profit, MSEK	816	444	84	2,187	1,092	100	1,534
Operating margin, %	52.1	40.5		49.1	37.5		37.6
Shipment volumes							
Moist snuff, million cans	36.2	31.2	16	103.6	93.6	11	124.0
Nicotine pouches, million cans	32.3	13.5	140	83.2	31.0	168	50.4
Chewing tobacco, thousands of pounds (excluding contract manufacturing volumes)	1,480	1,477	0	4,450	4,421	1	5,681

Market shares¹⁾

Percent	July-September		Chg ppts	January-September		Chg ppts	Full year 2019
	2020	2019		2020	2019		
Moist snuff	9.1	8.2	0.9	8.7	8.2	0.6	8.2
Nicotine pouches	73.7	79.8	-6.1	74.9	88.2	-13.2	83.5
Chewing tobacco (excluding contract manufacturing volumes)	40.8	39.2	1.5	40.9	40.1	0.8	40.4

1) Based on MSA distributor shipments: 13 weeks and YTD to September 27, 2020 and September 29, 2019 respectively.

In local currency, US sales for smokefree products grew by 53 percent, while operating profit grew by 96 percent. ZYN in the US continued to be a key driver of the year-on-year increase in sales and operating profit, but sales and operating profit also grew for moist snuff, snus, and chewing tobacco. It is estimated that COVID-19 related changes to consumer consumption patterns positively affected demand for chewing tobacco and moist snuff.

ZYN sales continued to show rapid year-on-year and quarterly sequential volume growth, with shipment volumes reaching 32 million cans during the quarter. Volumes benefitted from strong underlying demand, the national expansion of the Smooth, Chill, and Citrus varieties as well as increased store distribution. The sequential growth in shipment volumes also benefitted from increases to minimum stock levels at one of our larger distributors as well as one extra shipping day compared to the second quarter of 2020. The fourth quarter of 2020 will have three fewer shipping days than the third quarter.

Based on data that measures distributor shipments to retail, volumes of ZYN grew by 20 percent on a sequential basis from the second to the third quarter, largely driven by increased velocities at retail. As ZYN participates in a rapidly expanding market and is no longer the only participant in many states, attractive volume growth may be achieved concurrent with market share declines. Based on the measure of distributor shipments to retail, ZYN remains the largest participant in the market with more than a 70 percent share of the nicotine pouch category.

For our US moist snuff business, shipment volumes were up by 16 percent with strong volume gains across loose, tub and pouch formats for the *Longhorn* brand more than offsetting volume declines for our other brands. Sales grew at a slower rate than volume due to adverse portfolio mix, and operating profit grew modestly. Swedish Match continued to gain market share in the attractive moist snuff pouch segment in the quarter, and also in the loose segment, leading to share gains within the total moist snuff category.

Chewing tobacco shipments in the US (excluding contract manufacturing volumes) during the quarter were higher than the prior year on continued strength of the chewing tobacco category relative to the long-term declining trend. Shipment volumes for traditional premium varieties declined, while they grew for value brands. Both sales and operating profit grew as a result of improved pricing and production efficiencies.

Other markets

Key data

	July-September			January-September			Full year 2019
	2020	2019	Chg %	2020	2019	Chg %	
Sales, MSEK	36	53	-32	130	158	-17	208
Operating profit, MSEK	-31	12	-369	-63	52	-221	32
Operating margin, %	-87.4	22.0		-48.0	32.7		15.2
Shipment volumes, million cans ¹⁾	1.8	2.7	-33	6.5	8.4	-22	10.9

1) Total shipment volumes for snus, nicotine pouches, chew bags, and tobacco bits.

In other markets outside of the US and Scandinavia, sales and operating profit declined in both reported and local currencies. The decline in volumes, driven by chewing tobacco, resulted in declines in both sales and operating profit. Sales were higher for nicotine pouches and flat for snus. For nicotine pouches, investments tied to product launches continued in a number of countries, primarily in Europe. In addition, investments are being made to strengthen support behind future growth activities. The current situation with regard to COVID-19 is adversely impacting certain marketing and launch activities.

The first nine months

(Note: Comments below refer to the comparison between the first nine months 2020 vs. the first nine months 2019).

In local currencies, sales for the Smokefree product segment increased by 27 percent. Increased shipment volumes for ZYN in the US were the key contributor to sales growth for the segment. In the US, sales in local currency also grew for moist snuff and chewing tobacco. In Scandinavia, volumes declined but sales increased as a consequence of price increases and improved market mix effects that more than offset the effects of the volume declines and the weaker NOK. In other markets outside of the US and Scandinavia, sales declined. Operating profit was substantially higher in the US, while also somewhat higher in Scandinavia. Operating profit declined in other markets outside of the US and Scandinavia compared to the prior year.

Cigars

Third quarter highlights:

- Strong growth in the cigar category (likely impacted by COVID-19) and Swedish Match achieved record cigar shipments, up 19 percent
- Year-on-year HTL volumes up by more than 60 percent, 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



Key data

MSEK	July-September			January-September			Full year 2019
	2020	2019	Chg %	2020	2019	Chg %	
Sales	1,184	1,117	6	3,381	3,208	5	4,249
Operating profit	471	423	11	1,253	1,218	3	1,577
Operating margin, %	39.7	37.9		37.1	38.0		37.1
EBITDA	491	444	11	1,318	1,281	3	1,662
EBITDA margin, %	41.5	39.8		39.0	39.9		39.1
Depreciation, amortization and impairment	-21	-21		-65	-63		-85
Capital expenditures	15	14	6	49	40	20	52

The third quarter

(Note: Comments below refer to the comparison between the third quarter 2020 vs. the third quarter 2019).

The Cigars product segment derives its sales and profit almost exclusively from the US operations. In local currency, sales were up by 14 percent, while operating profit growth was more pronounced due to lower costs in relation to sales.

Swedish Match's cigar shipment volumes were 19 percent higher versus prior year from robust volume growth for HTL varieties. Natural leaf shipment volumes declined modestly due to production constraints in Swedish Match's Dominican facility. While shipment volumes for natural leaf varieties were notably higher than in the second quarter, continued COVID-19 related hygiene and social distancing measures coupled with a planned factory shut-down over the Christmas period is expected to constrain shipments of natural leaf varieties also in the fourth quarter. Our cigar business's sequential performance in the fourth quarter of 2020 will also be impacted by three fewer trading days when compared to the third quarter.

Based on MSA measures of distributor shipments to retail, total mass market cigar category volumes (excluding little cigars) increased by 21 percent in the third quarter, likely benefitting from COVID-19 related impacts on retail and consumer purchase patterns. Based on that same measure, Swedish Match gained market share, driven by gains within the HTL segment, partly offset by market share losses within the natural leaf segment, impacted by our inability to fully supply market demand.

US shipment volumes

	July-September			January-September			Full year 2019
	2020	2019	Chg %	2020	2019	Chg %	
Homogenized tobacco leaf (HTL) cigars, million sticks	238	146	63	617	481	28	625
Natural leaf cigars, million sticks	272	283	-4	788	803	-2	1,067
Cigars total	509	429	19	1,405	1,284	9	1,692

Market shares¹⁾

Percent	July-September		Chg ppts	January-September		Chg ppts	Full year 2019
	2020	2019		2020	2019		
Homogenized tobacco leaf (HTL) cigars	16.9	11.7	5.2	14.4	12.0	2.4	12.3
Natural leaf cigars	34.5	42.7	-8.2	37.7	42.3	-4.6	45.1
Cigars total	22.8	21.4	1.4	22.1	21.2	0.9	22.5

1) Based on MSA distributor shipments: Mass market cigars (excluding little cigars) 13 weeks and YTD to September 27, 2020 and September 29, 2019 respectively.

The first nine months

(Note: Comments below refer to the comparison between the first nine months 2020 vs. the first nine months 2019).

In local currency, sales for the Cigar product segment increased by 5 percent. The sales development was influenced by COVID-19 related consumption and trade flow effects, as well as the mix shift toward HTL cigars due to COVID-19 related supply constraints for natural leaf varieties from our Dominican Republic manufacturing facility. Operating profit in local currency grew by 3 percent, influenced by shifts in portfolio mix as well as certain COVID-19 related costs incurred at production facilities, most notably in the second quarter.

Lights

Third quarter highlights:

- 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



Key data

MSEK	July-September		Chg %	January-September		Chg %	Full year 2019
	2020	2019		2020	2019		
Sales	277	298	-7	861	878	-2	1,200
Operating profit	57	88	-35	176	137	28	238
Operating margin, %	20.5	29.4		20.4	15.6		19.8
EBITDA	67	99	-33	207	171	21	282
EBITDA margin, %	24.1	33.3		24.1	19.5		23.5
Depreciation, amortization and impairment	-10	-11		-31	-34		-44
Capital expenditures	7	12	-46	20	33	-39	43

The third quarter

(Note: Comments below refer to the comparison between the third quarter 2020 vs. the third quarter 2019).

Sales for the Lights product segment declined by 7 percent. Sales development faced significant headwinds due to a sharp decline in the value of the Brazilian real versus the SEK.

Volumes for matches were higher during the quarter and sales increased when adjusted for currency translation effects. For lighters, COVID-19 related effects have adversely impacted shipment volumes, but improved mix resulted in increased sales when adjusted for currency translation effects.

Operating profit declined for matches on a reported basis, but registered solid growth in local currencies when excluding gains on timber and farm asset sales in the third quarters of 2019 (34 MSEK) and 2020 (11 MSEK).

For lighters, operating profit excluding currency translation effects increased slightly despite the modestly lower volumes as the result benefitted from an improved mix, lower indirect costs and lower nylon pricing.

For complementary products, both sales and operating profit increased in local currency as consumer demand was strong in the Brazilian market.

Shipment volumes, worldwide

	July-September		Chg	January-September		Chg	Full year
	2020	2019	%	2020	2019	%	2019
Matches, billion sticks	13.0	12.7	2	43.0	39.8	8	54.3
Lighters, million units	77.9	78.7	-1	213.0	228.2	-7	304.5

The first nine months

(Note: Comments below refer to the comparison between the first nine months 2020 vs. the first nine months 2019).

Reported sales declined by 2 percent, but excluding currency translation effects, sales grew by 8 percent. Excluding currency translation, sales increased for matches and complementary products but declined slightly for lighters as COVID-19 related effects negatively impacted the volume development.

Operating profit grew for both matches and lighters, both as reported and excluding currency translation effects. For complementary products, operating profit increased when excluding currency translation effects. Operating profit for lighters benefitted from cost controls, reduced raw materials pricing (primarily nylon) and portfolio mix. Operating profit for matches benefitted from higher volumes and price/mix effects. The operating profit in the current year included income related to the favorable resolution of indirect tax disputes (see Note 7) as well as a capital gain from land sale aggregating 30 MSEK while the prior year's first nine months' result included restructuring costs, as well as asset sales which combined provided a net benefit of 27 MSEK.

Cash flow and financing

Cash flow from operating activities for the first nine months of 2020 amounted to 4,220 MSEK (3,764). The increase was driven by the stronger EBITDA development and improved cash flow from working capital but was negatively impacted by higher tax payments. Higher tax payments primarily pertain to timing of corporate tax payments in Sweden relating to income taxes on prior fiscal years, the adverse ruling in a tax case in Sweden (see note 7), as well as higher tax payments due to continued increase in earnings from the US operations. Operating cash flows in the third quarter reflect payments for income and other indirect taxes in the US of 475 MSEK that were deferred from the second quarter pursuant to governmentally mandated payment postponement measures.

Investments in property, plant and equipment increased to 747 MSEK (548). During the first quarter of 2020, Swedish Match also paid the remaining consideration related to the acquisition of Gotlandssnus in 2018 of 32 MSEK. During the third quarter of 2019, Swedish Match made a 49 percent investment in a newly established distribution company, which in turn acquired two distribution businesses in central Europe. These acquisitions were financed by a loan from Swedish Match of 58 MSEK, which has been partly repaid during 2020.

Net finance cost for the first nine months increased to 267 MSEK (188), due to higher average debt and a one-time interest cost of 16 MSEK relating to the adverse ruling in a tax case (see Note 7), as well as reduced financial return on surplus cash due to lower interest rates.

During the first nine months, new bond loans of 3,175 MSEK were issued and repayments of bond loans amounted to 500 MSEK. As of September 30, 2020, Swedish Match had 15,485 MSEK of interest-bearing debt excluding retirement benefit obligations but including the recognition of lease liabilities of 289 MSEK. The Group's interest-bearing debt, excluding retirement benefit obligations at December 31, 2019 amounted to 12,935. During the remainder of 2020, 800 MSEK of this debt falls due for payment. For further detail on the maturity profile of the debt portfolio, please see the Company's website. Net retirement benefit obligations increased to 1,622 MSEK as of September 30, 2020, from 1,360 MSEK at December 31, 2019, mainly due to decreases in discount rates which was partly offset by returns on plan assets.

As of September 30, 2020, Swedish Match had 1,500 MSEK in unutilized committed credit lines. Cash and cash equivalents amounted to 3,760 MSEK at the end of the period, compared to 2,370 MSEK at December 31, 2019.

The net debt as of September 30, 2020 amounted to 13,346 MSEK compared to 11,925 MSEK at December 31, 2019.

Shareholder distributions and the share

In the first nine months of 2020, Swedish Match paid dividends of 2,020 MSEK to its shareholders. During the same period, Swedish Match repurchased 3.5 million shares for 2,183 MSEK at an average price of 625.33 SEK, following authorization from the Annual General Meetings held in 2019 and 2020. Total shares bought back by Swedish Match since the buyback program started have been repurchased at an average price of 145.30 SEK. As per September 30, 2020 Swedish Match held 2.5 million shares, corresponding to 1.52 percent of the total number of shares. The number of shares outstanding, net, as per September 30, 2020, amounted to 159.7 million.

Effects from the coronavirus (COVID-19)

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, acknowledging the global scale of the impact of COVID-19 on people's health, families and communities. While longer-term effects from the pandemic are uncertain, the negative commercial, operational and financial consequences to Swedish Match have thus far been limited. On the contrary, Swedish Match estimates that, thus far and for the nine-month period through September 30, COVID-19 related changes to consumer demand and purchase patterns have positively impacted sales for several of its businesses. For cigars, while consumer demand is estimated to have been elevated due to COVID-19, resulting in particularly strong Swedish Match volume development for HTL cigars, COVID-19 related production constraints have limited Swedish Match's ability to fully meet the demand for natural leaf varieties. Swedish Match is closely monitoring the current situation including governmental guidelines and advice from public health authorities in every country where we operate. We are proactively taking the steps that we believe are appropriate to mitigate potential impacts to our employees, our customers and our business, as well as to society. To date, other than the governmentally imposed deferral by the US of certain tax payments in the second quarter, which were paid during the third quarter, no material governmental subsidies or concessions related to COVID-19 have been sought or received by Swedish Match.

Financial position and liquidity

In February 2020, Swedish Match issued a seven-year 300 MEUR bond (3,175 MSEK) at a fixed annual coupon of 87.5 bps. For the remainder of the year, 800 MSEK of bond maturities remain. At the end of the third quarter of 2020, we held 3,760 MSEK in cash and cash equivalents, and a net debt position of 13,346 MSEK corresponding to a leverage of 2.0 in relation to EBITA. During the first nine months, an ordinary dividend for the financial year 2019 of 2,020 MSEK, was paid out to shareholders on April 9. Ahead of the dividend payment, management performed extensive liquidity stress testing, reconfirming our financial strength.

Accounting implications

Management has reviewed significant assumptions and other facts and circumstances having an implication on the reported balances in accordance with IFRS. At this point, there are no indications that the COVID-19 pandemic will affect the long-term performance of the business such that valuation of company assets is significantly impacted.

Credit risks are regularly reviewed, with no indications of any significant changes in customers' credit terms or to customers' ability to pay outstanding invoices when they fall due.

Financial assets in several countries, particularly debt and equity securities, have been impacted by the uncertainty surrounding COVID-19 leading to valuation volatility. Some of the Group's post-employment benefit plans hold equities, whose growth is expected to outpace liabilities over the long term while providing volatility and risk in the short term. During the second and the third quarters, pension assets have recovered the losses that were experienced in the first quarter of 2020. Updated assumptions have led to declines in discount rates used to measure our defined benefit plans, which have increased the reported value of the Group's defined post-employment benefit obligations. As per September 30, 2020 the Group's net defined post-employment benefit obligations increased by 262 MSEK compared to December 2019, mainly as a result of negative remeasurement effects from lower discount rates, which was partly offset by returns on plan assets.

The Group's derivatives and deposits are with banks backed by sound ratings. The credit risk of financial counterparties is monitored daily. Management has further assessed that there is no change in the underlying risk affecting the classification of financial instruments reported in the balance sheet. For more information on the reported balances see Note 3 – Carrying value and fair value of financial assets and liabilities.

Other events during the quarter

Nominating Committee

In accordance with the instructions adopted by the Annual General Meeting 2020, a Nominating Committee has been appointed. In addition to Conny Karlsson (Chairman of the Board), Filippa Gerstädt (Nordea Funds), Roseanna Ivory (Aberdeen Standard Investments), Dan Juran (Framtiden Management Company, LLC), and David Pawelkowski (Zadig Asset Management S.A.) have been appointed members of the Nominating Committee. Filippa Gerstädt serves as Chairman of the Nominating Committee.

Ban on flavored tobacco products in California

In late August, the State of California approved legislation banning retailers in the state from selling tobacco products with characterizing flavors (other than tobacco). The legislation exempts premium cigars, hookah and pipe tobacco, but will apply to the retail sale of flavored products that contain nicotine derived from tobacco, including e-cigarettes as well as nicotine pouches. The ban is scheduled to come into force on January 1, 2021, absent a successful legal action to forestall enforcement of the legislation.

Full Year 2020 Outlook

The outlook included in the second quarter report stated that “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 revised outlook below notes a higher expected underlying corporate tax rate. This is due to the increase in the relative contribution to earnings from our US businesses, which is taxed at a higher effective rate than the Group average and hence increases the Group tax rate. The remaining points of the previous outlook statement remain 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 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.

Risk factors

Swedish Match faces intense competition in all of its markets and for each of its products and such competition may increase in the future. To remain successful, the Group must develop products and brands that resonate with changing consumer trends, and price and promote its brands competitively. Restrictions on advertising and promotion may, however, make it more difficult to counteract any loss of consumer loyalty. Competitors may develop and promote new products which could be successful, and could thereby have an adverse effect on Swedish Match results of operations.

Swedish Match has substantial sales in the US, with products sourced from local US production facilities and imports from Swedish Match's production facilities in the Dominican Republic and in Sweden. Swedish Match also has operations in Brazil, Denmark, Norway, the Philippines and EMU member countries. Consequently, changes in import duties as well as in exchange rates of the euro, Norwegian krone, Danish krone, Brazilian

real, the Dominican peso and in particular the US dollar may adversely affect the Group's results of operations, cash flow, financial condition or relative price competitiveness in the future. Such effects may occur both in local currencies and when such local currencies are translated into Swedish currency for purposes of financial reporting.

Regulatory developments and fiscal changes related to tobacco and other nicotine products, corporate income and other taxes, as well as to the marketing, sale and consumption of tobacco products and other products containing nicotine in the countries where the Group is operating may have an adverse effect on Swedish Match results of operations.

For a further description of risk factors affecting Swedish Match, see the Effects from the corona virus (COVID-19) above as well as Risk and risk management section in the Report of the Board of Directors in the Swedish Match annual report for 2019, available on swedishmatch.com.

Swedish Match AB (publ)

Swedish Match AB (publ) is the Parent Company of the Swedish Match Group. The main sources of income for the Parent Company are dividends and Group contributions from subsidiaries.

Revenue from the Parent Company for the first nine months 2020 amounted to 19 MSEK (31). Profit before income tax amounted to 2,075 MSEK (-340) and net profit for the first nine months amounted to 2,169 MSEK (-258). The higher profit before income tax compared to previous year mainly pertains to higher dividends from Group companies. The decrease in revenue compared to previous year is primarily related to reduced sales of services to Group companies. Following the adverse tax ruling explained in Note 7, a capital contribution of 287 MSEK to a subsidiary was made and an impairment loss on shares in subsidiaries corresponding to the same amount was recognized.

Part of the Group's treasury operations are within the operations of the Parent Company, including the major part of the Group's external borrowings. Substantially all of these loans have been hedged to fixed interest rates.

Repayment of bond loans, including loan hedge derivatives, amounted to 500 MSEK during the first nine months and new bond loans of 3,175 MSEK were issued.

During the first nine months, the Parent Company made share repurchases of 3.5 million (4.5) shares for 2,183 MSEK (1,875).

A dividend of 2,020 MSEK (1,777) has been paid during the period.

Forward-looking information

This report contains forward-looking information based on the current expectation of the Swedish Match Group's management. Although management deems that the expectations presented by such forward-looking information are reasonable, no guarantee can be given that these expectations will prove correct. Accordingly, the actual future outcome could vary considerably compared to that stated in the forward-looking information, due to such factors as changed market conditions for Swedish Match's products and more general factors such as business cycles, markets and competition, unforeseen commercial or operational implications attributable to COVID-19, changes in legal requirements or other political measures, and fluctuations in exchange rates.

Additional information

This report has not been reviewed by the Company's auditors. The full year 2020 report will be released on February 5, 2021.

Stockholm, October 27, 2020

Lars Dahlgren
President and CEO

Product segments summary and key ratios

Sales

MSEK	July-September			January-September			Full year
	2020	2019	Chg %	2020	2019	Chg %	
Smokefree	2,842	2,315	23	8,045	6,439	25	8,914
Cigars	1,184	1,117	6	3,381	3,208	5	4,249
Lights	277	298	-7	861	878	-2	1,200
Sales from product segments	4,303	3,729	15	12,287	10,525	17	14,363
Other operations	97	100	-3	275	281	-2	376
Sales	4,400	3,829	15	12,561	10,806	16	14,739

Operating profit

MSEK	Note	July-September			January-September			Full year
		2020	2019	Chg %	2020	2019	Chg %	
Smokefree		1,519	1,093	39	3,974	2,937	35	3,997
Cigars		471	423	11	1,253	1,218	3	1,577
Lights		57	88	-35	176	137	28	238
Operating profit from product segments		2,046	1,603	28	5,403	4,292	26	5,812
Other operations		-28	-18		-124	-83		-137
Impairment charge - European chewing tobacco business	5	-	-		-	-		-367
Operating profit		2,019	1,586	27	5,279	4,209	25	5,307

Operating margin by product segment

Percent	July-September		January-September		Full year
	2020	2019	2020	2019	
Smokefree	53.5	47.2	49.4	45.6	44.8
Cigars	39.7	37.9	37.1	38.0	37.1
Lights	20.5	29.4	20.4	15.6	19.8
Operating margin from product segments	47.6	43.0	44.0	40.8	40.5

EBITDA by product segment

MSEK	July-September			January-September			Full year
	2020	2019	Chg %	2020	2019	Chg %	
Smokefree	1,617	1,185	36	4,270	3,194	34	4,353
Cigars	491	444	11	1,318	1,281	3	1,662
Lights	67	99	-33	207	171	21	282
EBITDA from product segments	2,175	1,728	26	5,795	4,646	25	6,296

EBITDA margin by product segment

Percent	July-September		January-September		Full year
	2020	2019	2020	2019	
Smokefree	56.9	51.2	53.1	49.6	48.8
Cigars	41.5	39.8	39.0	39.9	39.1
Lights	24.1	33.3	24.1	19.5	23.5
EBITDA margin from product segments	50.5	46.3	47.2	44.1	43.8

Key ratios

	January- 2020	September 2019	12 months ended Sep 30, 2020	Full year 2019
Operating margin from product segments, %	44.0	40.8	42.9	40.5
Operating margin, % ¹⁾	42.0	39.0	38.7	36.0
Net debt, MSEK	13,346	11,834	13,346	11,925
Investments in property, plant and equipment, MSEK	747	548	920	720
Depreciation, amortization and impairments, MSEK ¹⁾	442	398	959	915
EBITA, MSEK	5,338	4,258	6,823	5,742
EBITA interest cover	21.9	23.5	22.1	23.4
Net debt/EBITA	-	-	2.0	2.1
Adjusted earnings per share, basic and diluted, SEK ²⁾	23.95	18.60	-	25.41
<i>Share data</i>				
Number of shares outstanding at end of period	159,737,141	165,671,405	159,737,141	163,228,313
Average number of shares outstanding	161,461,756	168,822,439	162,259,230	167,779,742

1) Including a non-cash impairment charge for the European chewing tobacco business of 367 MSEK recognized as a larger one-time item during the fourth quarter 2019, see Note 5.

2) Adjusted earnings per share in 2020 excludes a tax charge including interest of 286 MSEK related to adverse ruling in a tax case in Sweden recognized in the third quarter 2020. Adjusted earnings per share in 2019 excludes a larger one-time item during the fourth quarter 2019, which pertains to a non-cash impairment charge for the European chewing tobacco business.

Financial statements

Condensed consolidated income statement

MSEK	Note	Jul-Sep 2020	Chg 2019 %	Jan-Sep 2020	Chg 2019 %	Full year 2019
Sales, including tobacco tax		5,389	4,685	15,352	13,345	18,222
Less tobacco tax		-989	-856	-2,791	-2,539	-3,483
Sales	2	4,400	3,829	12,561	10,806	14,739
Cost of goods sold		-1,438	-1,340	-4,354	-3,925	-5,376
Gross profit		2,962	2,489	8,207	6,882	9,363
Selling and admin. expenses		-946	-904	-2,937	-2,674	-3,694
Share of profit/loss in associated companies		4	1	8	1	5
Impairment charge – European chewing tobacco business	5	-	-	-	-	-367
Operating profit		2,019	1,586	5,279	4,209	5,307
Finance income		7	23	44	73	95
Finance costs		-112	-83	-311	-262	-343
Net finance cost		-105	-60	-267	-188	-247
Profit before income tax		1,914	1,526	5,012	4,021	5,060
Income tax expense		-721	-346	-1,430	-881	-1,165
Profit for the period		1,193	1,180	3,581	3,140	3,896
<i>Attributable to:</i>						
Equity holders of the Parent		1,193	1,180	3,581	3,139	3,895
Non-controlling interests		0	0	1	0	0
Profit for the period		1,193	1,180	3,581	3,140	3,896
Earnings per share, basic and diluted, SEK	4	7.44	7.04	22.18	18.60	23.22

Condensed consolidated statement of comprehensive income

MSEK	Jul-Sep		Jan-Sep		Full year 2019
	2020	2019	2020	2019	
Profit for the period	1,193	1,180	3,581	3,140	3,896
<i>Other comprehensive income that may be reclassified to the income statement</i>					
Translation differences related to foreign operations	-266	295	-398	533	191
Effective portion of changes in fair value of cash flow hedges	6	38	-32	102	122
Income tax relating to reclassifiable components of other comprehensive income	-1	-8	7	-21	-25
Sub-total, net of tax for the period	-261	325	-423	615	288
<i>Other comprehensive income that will not be reclassified to the income statement</i>					
Actuarial gains/losses attributable to pensions, incl. payroll tax	162	-155	-256	-310	-168
Income tax relating to non-reclassifiable components of other comprehensive income	-41	37	60	69	38
Sub-total, net of tax for the period	122	-118	-196	-241	-130
Total comprehensive income for the period	1,054	1,387	2,962	3,513	4,054
<i>Attributable to:</i>					
Equity holders of the Parent	1,053	1,387	2,962	3,513	4,053
Non-controlling interests	0	0	0	0	0
Total comprehensive income for the period	1,054	1,387	2,962	3,513	4,054

Condensed consolidated balance sheet

MSEK	Note	September 30, 2020	December 31, 2019
Intangible assets		2,324	2,355
Property, plant and equipment		3,574	3,255
Right-of-use assets		284	255
Investments in associated companies		38	42
Other non-current assets and operating receivables		17	18
Other non-current financial assets and receivables	3,8	1,981	1,826
Total non-current assets		8,218	7,750
Other current financial receivables	3,8	220	195
Current operating assets and receivables	3	3,773	3,905
Cash and cash equivalents	3	3,760	2,370
Total current assets		7,753	6,471
Assets held for sale ¹⁾		9	16
Total assets		15,981	14,237
Equity attributable to equity holders of the Parent		-7,565	-6,324
Non-controlling interests		16	16
Total equity		-7,549	-6,308
Non-current financial provisions		1,244	1,310
Non-current loans	3	13,504	12,130
Other non-current financial liabilities	3,8	1,981	1,626
Other non-current operating liabilities	3	469	434
Total non-current liabilities		17,198	15,499
Current loans	3	2,649	1,300
Other current financial liabilities	3,8	493	633
Other current operating liabilities	3	3,190	3,112
Total current liabilities		6,331	5,045
Total liabilities		23,529	20,544
Total equity and liabilities		15,981	14,237

1) Assets held for sale refers to land and forestry assets. The fair value less costs to sell are not expected to be lower than the carrying value.

Condensed consolidated cash flow statement

MSEK	January-September	
	2020	2019
<i>Operating activities</i>		
Profit before income taxes	5,012	4,021
Share of profit/loss in associated companies	-8	-1
Dividend received from associated companies	10	1
Other non-cash items etc ¹⁾	511	348
Income tax paid	-1,524	-584
Cash flow from operating activities before changes in working capital	4,000	3,785
Changes in working capital	220	-21
Net cash generated from operating activities	4,220	3,764
<i>Investing activities</i>		
Purchase of property, plant and equipment	-747	-548
Proceeds from sale of property, plant and equipment	20	10
Purchase of intangible assets	-39	-23
Acquisition of subsidiaries ²⁾	-32	-
Investments in associated companies	-	-1
Changes in financial receivables in associated companies	9	-58
Changes in financial receivables etc.	0	0
Net cash used in investing activities	-789	-620
<i>Financing activities</i>		
Proceeds from borrowings	3,175	999
Repayment of borrowings	-500	-1,092
Dividend paid to equity holders of the Parent	-2,020	-1,777
Repurchase of own shares	-2,183	-1,875
Lease payments	-61	-69
Realized exchange gain/losses on financial instruments	-318	190
Other	-	-2
Net cash used in financing activities	-1,906	-3,627
Net increase (decrease) in cash and cash equivalents	1,524	-483
Cash and cash equivalents at the beginning of the period	2,370	2,886
Effect of exchange rate fluctuations on cash and cash equivalents	-134	86
Cash and cash equivalents at the end of the period	3,760	2,489

1) Non-cash items etc. mainly pertain to depreciation, amortization, accrued interest and change in pension provisions.

2) Refers to remaining consideration related to the acquisition of Gotlandssnus in 2018.

Condensed consolidated statement of changes in equity

MSEK	Equity attributable to holders of the Parent	Non- controlling interests	Total equity
Equity at January 1, 2019	-5,611	16	-5,595
Profit for the period	3,139	0	3,140
Other comprehensive income, net of tax for the period	373	0	373
Total comprehensive income for the period	3,513	0	3,513
Dividend	-1,777	0	-1,777
Repurchase of own shares	-1,875	-	-1,875
Cancellation of shares	-13	-	-13
Bonus issues	13	-	13
Equity at September 30, 2019	-5,751	16	-5,735
Equity at January 1, 2020	-6,324	16	-6,308
Profit for the period	3,581	1	3,581
Other comprehensive income, net of tax for the period	-619	0	-619
Total comprehensive income for the period	2,962	0	2,962
Dividend	-2,020	0	-2,020
Repurchase of own shares	-2,183	-	-2,183
Cancellation of shares	-18	-	-18
Bonus issues	18	-	18
Equity at September 30, 2020	-7,565	16	-7,549

Objectives, policies and processes for managing capital

The basis for determining dividends and repurchasing of own shares is the equity of the Parent Company. Total equity in the Parent Company as per September 30, 2020 amounted to 9,910 MSEK and distributable earnings amounted to 9,521 MSEK.

In addition, before any distribution of capital to shareholders is determined, the financial position of the Group is carefully analyzed. As part of this analysis, the Board of Directors of Swedish Match has adopted certain financial guidelines and risk management procedures to ensure that the Parent Company and the Group maintain adequate liquidity to meet reasonably foreseeable requirements taking into account the maturity profile of debt obligations.

The dividend policy of the Company is a pay-out ratio of 40 to 60 percent of the earnings per share, subject to adjustments for larger one-time items. The Board has further determined that the financial policy should be, for the Group, to strive maintaining a net debt that does not exceed 3 times EBITA. The Board continually reviews the financial position of the Company, and the actual level of net debt is assessed against anticipated future profitability and cash flow, investment and expansion plans, acquisition opportunities as well as the development of interest rates and credit markets. Excess funds are returned to shareholders through dividends and share repurchases. For further information on distribution of capital to the shareholders during the period see section *Shareholder distributions and the share*.

Condensed Parent Company income statement

MSEK	January-September	
	2020	2019
Sales	19	31
Administrative expenses	-235	-247
Operating loss	-216	-216
Result from participation in Group companies	2,550	97
Finance income	0	0
Finance costs	-258	-221
Net finance cost	-258	-221
Profit/Loss before income tax	2,075	-340
Income tax	93	82
Profit/Loss for the period	2,169	-258

Condensed Parent Company statement of comprehensive income

MSEK	January- September	
	2020	2019
Profit/Loss for the period	2,169	-258
<i>Other comprehensive income that may be reclassified to the income statement</i>		
Effective portion of changes in fair value of cash flow hedges	-32	102
Income tax relating to components of other comprehensive income	7	-21
Other comprehensive income/loss, net of tax for the period	-26	81
Total comprehensive income/loss for the period	2,143	-177

Condensed Parent Company balance sheet

MSEK	September 30, 2020	September 30, 2019	December 31, 2019
Intangible and tangible assets	0	1	1
Non-current financial assets	32,047	32,145	31,952
Current assets	493	365	2,980
Cash and other current deposits	0	600	400
Total assets	32,540	33,111	35,332
Equity	9,910	11,324	11,970
Untaxed reserves	2,325	1,785	2,325
Provisions	113	108	98
Non-current liabilities	13,570	13,145	12,132
Current liabilities	6,621	6,749	8,807
Total liabilities	20,305	20,002	21,037
Total equity and liabilities	32,540	33,111	35,332

Note 1 – Accounting principles

This report for the Group is prepared in accordance with the Accounting Standard IAS 34 Interim Financial Reporting and applicable rules in the Annual Accounts Act. The report for the Parent Company for the same period is prepared in accordance with the Annual Accounts Act, Chapter 9 and RFR 2. Additional disclosures as required under IAS 34.16A may be found within the financial statements and related notes and in the narrative text of the interim financial report.

As of January 2020, Swedish Match has changed the composition of the Group's reportable product segments. For more information, see below section "Change in the Group's reportable segments as of January 1, 2020".

There are no changes to IFRS standards, amendments and interpretations of existing standards applicable as of January 1, 2020 that have had an effect on the Group's financial result or position. The accounting principles and basis of calculation in this report are the same as in the annual report for 2019.

Change in the Group's reportable segments as of January 1, 2020

As of January 1, 2020, Swedish Match has changed the internal reporting structure to improve alignment of monitoring the performance and financial reporting with the Group's strategy and product portfolio. Significant investments in smokefree products, including the development of nicotine pouch products and recent business acquisitions, have driven a change in management's evaluation of product segment performance and allocation of resources to operations. Consequently, the composition of the Group's reportable product segments has changed. The Group's new reportable segments which are expected to better reflect the performance of Swedish Match's different product categories are as follows: Smokefree, Cigars and Lights. The new product segment Smokefree represents an aggregation of the Group's entire Smokefree operations, i.e. snus, moist snuff and nicotine pouches (previously reported under the product segment Snus and moist snuff) as well as all chewing tobacco operations - US chewing tobacco, chew bags and tobacco bits (previously reported under the product segment Other tobacco products). The new product segment Cigars represents the cigar operations, substantially relating to US mass market cigars. In addition, as of January 1, 2020, a new allocation model has been implemented relating to certain central establishment costs for new businesses to be absorbed by product segments. This change has positively affected the result of Other operations and consequently negatively affected the result from relevant product segments. In this report, the financial information of prior periods affected by the implementation of the new product segments and the new allocation model of certain central costs have been restated accordingly.

Note 2 – Disaggregation of revenue

The main revenue streams for the Swedish Match Group arise from sale of goods manufactured by the Group. Within Lights, a small portion of the revenue also pertains to the distribution of third party products. Revenue within Other operations mainly pertains to income from logistics services for delivery of third party products to retail customers. Revenue for the sale of goods and logistics services are recognized at the point when the control of the promised good or service is transferred to the customer at the expected consideration to be received for such delivery. The expected consideration recognized reflects estimates of potential outcome of variable considerations as well as expected reimbursements for product returns.

Sales – July to September

MSEK	Segments								Other operations		Group	
	Smokefree		Cigars		Lights		Total segments					
	Jul-Sep		Jul-Sep		Jul-Sep		Jul-Sep		Jul-Sep		Jul-Sep	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Scandinavia	1,240	1,166	-	-	13	13	1,254	1,179	97	100	1,350	1,278
The US	1,566	1,096	1,184	1,116	25	16	2,775	2,228	-	-	2,775	2,226
Other markets	36	53	-	0	239	269	275	322	-	-	275	325
Total sales	2,842	2,315	1,184	1,117	277	298	4,303	3,729	97	100	4,400	3,829

Sales – January to September

MSEK	Segments								Other operations		Group	
	Smokefree		Cigars		Lights		Total segments					
	Jan-Sep		Jan-Sep		Jan-Sep		Jan-Sep		Jan-Sep		Jan-Sep	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Scandinavia	3,458	3,374	-	-	35	32	3,492	3,405	275	281	3,767	3,687
The US	4,457	2,907	3,381	3,207	72	57	7,910	6,171	-	-	7,910	6,171
Other markets	130	158	-	1	754	789	885	948	-	-	885	948
Total sales	8,045	6,439	3,381	3,208	861	878	12,287	10,525	275	281	12,561	10,806

Note 3 – Carrying value and fair value of financial assets and liabilities

Swedish Match applies IFRS 9 to classify and measure financial instruments.

The following valuation techniques of the fair value hierarchy are used in determining the fair values of the financial instruments:

Level 1 - Quoted prices (unadjusted) in active markets

Level 2 - Inputs other than quoted prices included within level 1 that are observable, either directly or indirectly

Level 3 - Inputs that are not based on observable market data

The following table shows carrying value and fair value for financial instruments as of September 30, 2020.

Carrying value and fair value

MSEK	Financial instruments measured at FVTPL	Financial assets measured at amortized cost	Other financial liabilities	Cash flow hedges measured at FVOCI	Other receivables and liabilities	Total carrying value	Estimated fair value
Trade receivables	-	1,545	-	-	-	1,545	1,545
Other non-current financial receivables	-	11	-	835	466	1,311	1,311
Other current assets and financial receivables	72	67	-	-	343	482	482
Prepaid expenses and accrued income ¹⁾	-	-	-	1	158	159	159
Cash and cash equivalents	-	3,760	-	-	-	3,760	3,760
Total assets	72	5,383	-	836	967	7,257	7,257
Loans and borrowings	-	-	16,153	-	-	16,153	16,404
Other non-current financial liabilities	-	-	207	66	46	319	319
Other current liabilities	1	-	82	-	1,699	1,782	1,782
Accrued expenses and deferred income ¹⁾	-	-	106	39	769	914	914
Trade payables	-	-	396	-	-	396	396
Total liabilities	1	-	16,944	105	2,514	19,564	19,815

1) Accrued interest income on cash flow hedges is reported in the balance sheet as *Prepaid expenses and accrued income* and accrued interest expense on cash flow hedges is reported as *Accrued expenses and deferred income*.

Fair value measurement by level

MSEK	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	908	-	908
Derivative financial liabilities	-	106	-	106

The following table shows carrying value and fair value for financial instruments per December 31, 2019.

Carrying value and fair value

MSEK	Financial instruments measured at FVTPL	Financial assets measured at amortized cost	Other financial liabilities	Cash flow hedges measured at FVOCI	Other receivables and liabilities	Total carrying value	Estimated fair value
Trade receivables	-	1,719	-	-	-	1,719	1,719
Other non-current financial receivables	-	20	-	756	475	1,251	1,251
Other current assets and financial receivables	-	91	-	-	284	375	375
Prepaid expenses and accrued income ¹⁾	-	-	-	2	108	110	110
Cash and cash equivalents	-	2,370	-	-	-	2,370	2,370
Total assets	-	4,200	-	758	867	5,825	5,825
Loans and borrowings	-	-	13,430	-	-	13,430	13,661
Other non-current financial liabilities	-	-	172	2	50	224	224
Other current liabilities	91	-	113	-	1,654	1,859	1,859
Accrued expenses and deferred income ¹⁾	-	-	106	19	800	926	926
Trade payables	-	-	365	-	-	365	365
Total liabilities	91	-	14,186	21	2,504	16,804	17,035

1) Accrued interest income on cash flow hedges is reported in the balance sheet as *Prepaid expenses and accrued income* and accrued interest expense on cash flow hedges is reported as *Accrued expenses and deferred income*.

Fair value measurement by level

MSEK	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	758	-	758
Derivative financial liabilities	-	112	-	112

No transfer in or out of level 2 has been made during the third quarter 2020. The recognized amounts are regarded as reasonable estimates for all items measured at carrying value in the balance sheet, except for loans and borrowings, as these amounts have a long time to maturity. The fair value of loans and borrowings differ from their carrying value as a consequence of changes in the market interest rates. Items not valued at fair value in the balance sheet are measured at amortized cost. The total nominal amount of outstanding derivatives was 12,808 MSEK (9,602) of which 9,478 MSEK (6,304) was in cash flow hedges consisting of cross currency and interest rate swaps related to bond loans. The remaining 3,330 MSEK (3,298) consisted of currency swaps related to the conversion of surplus cash in US dollars to Swedish kronor. Methodologies utilized in the valuation of financial instruments can be found in Note 1 in the annual report for 2019.

Note 4 – Earnings per share

The following table provides the components used in calculating earnings per share. The quarterly earnings per share are calculated by deducting the year to date earnings per share for the preceding reporting period from the current period's year to date earnings per share.

Earnings per share

Basic and diluted	July-September		January-September		Full year 2019
	2020	2019	2020	2019	
Profit for the period attributable to equity holders of the Parent, MSEK	1,193	1,180	3,581	3,139	3,895
Profit for the period attributable to equity holders of the Parent, excl. larger one-time items, MSEK	1,479	1,180	3,867	3,139	4,263
Weighted average number of shares outstanding	160,443,587	167,352,790	161,461,756	168,822,439	167,779,742
Earnings per share, SEK	7.44	7.04	22.18	18.60	23.22
Adjusted earnings per share, SEK ¹⁾	9.21	7.04	23.95	18.60	25.41

1) Adjusted earnings per share in 2020 excludes a tax charge including interest of 286 MSEK related to adverse ruling in a tax case in Sweden recognized in the third quarter 2020. Adjusted earnings per share in 2019 excludes a larger one-time item during the fourth quarter 2019, which pertains to a non-cash impairment charge for the European chewing tobacco business.

Note 5 – Impairment charge during 2019 in the European chewing tobacco business

Following the judgement by the Bavarian Administrative Court and in view of changed market dynamics in certain markets, management reassessed the future potential of chew bags in its current form. The updated assumptions in the impairment testing resulted in an impairment charge of 259 MDKK, corresponding to 367 MSEK, for Swedish Match's European chewing tobacco business. This impairment charge was recognized in the fourth quarter of 2019.

For more information on the impairment charge and the Group's accounting principles and methodology for impairment testing, see Note 1 and Note 12 in the annual report for 2019.

Note 6 – Change in expected useful life for trademark Thunder

Following the judgement in relation to the legality of certain V2 Tobacco's *Thunder* chew bag products by the Bavarian Administrative Court and in view of changed market dynamics in certain markets, Swedish Match has reassessed the estimated economic useful life of the *Thunder* trademark. The updated assessment indicated that the *Thunder* trademark's economical useful life has changed from indefinite to a definite economical useful life of 20 years. The revised assessment has been made to better reflect the estimated periods during which Swedish Match will benefit from the future cashflows from products under the *Thunder* trademark. The updated economic useful life of 20 years has been applied as of January 1, 2020. The effect from this change on Swedish Match's financial statements for the first nine months of 2020 was increased amortization expenses of 13 MSEK recognized in the Smokefree product segment.

Note 7 – Tax related contingencies

Tax audits in Sweden

During 2017, the Swedish Tax Agency performed tax audits in a number of Swedish Match's Swedish group companies. After completing the audits, the Swedish Tax Agency decided to deny certain cost deductions in two cases. Both cases were appealed by Swedish Match but the cases were ruled in favor of the Tax Agency by the County Administrative Court in Stockholm in May 2019 and January 2020 respectively. Swedish Match subsequently appealed to the Administrative Court of Appeals in both cases. In one of the cases, a Court judgment in August 2020 was in favor of the Tax Agency. Swedish Match has applied for leave to appeal that case to the Supreme Administrative Court but has meanwhile paid the tax charges of in total 270 MSEK and related interest costs of 16 MSEK. The Court of Appeal has, in the other case, decided to hold the judgment pending the judgment in a similar case which has been granted leave at the Supreme Administrative Court which may constitute a precedent to Swedish Match's case. The tax charge in this case amounts to 43 MSEK excluding interest.

Resolution of indirect tax disputes in Brazil

Following the favorable decision on the court-cases for the exclusion of duplicative indirect taxes (principally valued added taxes) in Brazil in 2019, further assessment of duplicative indirect taxes within the Brazilian operations have been made. During the first nine months 2020, an operating gain of 16 MSEK (11 MSEK, net of taxes on income) pertaining to additional indirect tax recoveries has been recognized within the Lights product segment. The tax credits relate to purchases of certain manufacturing equipment, goods and services over the past 5 years. Under the existing disputes, Swedish Match may be entitled to incremental recoveries aggregating 58 MSEK (38 MSEK, net of taxes on income) that is dependent on the final ruling by the Brazilian Supreme court. The court's decision has been postponed due to the COVID-19 pandemic and a new date for the resolution has not yet been announced.

Note 8 – Alternative performance measures

Swedish Match presents several financial measures that are outside IFRS definitions (Alternative performance measures, according to ESMA's guidelines) with the aim of enabling effective evaluation of the Group's financial position and performance for investors and for the Group's management. This means that these measures are not always comparable with measures used by other companies and shall therefore be considered as a complement to measures defined according to IFRS. Swedish Match applies these alternative key ratios consistently over time. The key ratios are alternative performance measures according to ESMA guidelines unless otherwise stated.

KEY RATIO	DEFINITION/CALCULATION	PURPOSE
SALES FROM PRODUCT SEGMENTS	Sales from reportable segments, which excludes Other operations	Used as a measure of sales performance of the core commercial businesses of Swedish Match, excluding the impact of Other operations (incl. Swedish distribution function).
OPERATING PROFIT/LOSS (EBIT) FROM PRODUCT SEGMENTS	Operating profit from reportable segments, excluding Other operations and larger one-time items	Used as a measure of operating performance of the core commercial businesses of Swedish Match, excluding the impact of Other operations (incl. Swedish distribution function) and items which impact comparability between periods
OPERATING MARGIN FROM PRODUCT SEGMENTS (%)	$100 \times \text{Operating profit from product segments} \div \text{Sales from product segments}$	Used as a measure of operational profitability of the core commercial businesses of Swedish Match excluding the impact of Other operations (incl. Swedish distribution function).
LARGER ONE-TIME ITEMS	Larger one-time items are separately disclosed non-recurring income and cost which usually refer to larger capital gains or losses on divestments, larger asset impairments and restructuring costs and other larger non-recurring income and costs recognized during the period	Used to provide information regarding items which impact comparability between periods.
EBITDA	Profit for the period excluding larger one-time items, net finance cost, income tax, depreciation, amortization and impairments of tangible, intangible and right-of-use assets	Used as an alternative measure of operating performance that is not impacted by historical investments and the related accounting treatment of such investments as well as items which impact comparability between periods.
EBITDA FROM PRODUCT SEGMENTS	Operating profit from product segments excluding depreciation, amortization and impairments of tangible, intangible and right-of-use assets	Used as an alternative measure of operating performance for the core commercial businesses of Swedish Match, that is not impacted by historical investments and the related accounting treatment of such investments as well as items which impact comparability between periods.
EBITDA MARGIN (%)	$100 \times \text{EBITDA} \div \text{Sales}$	Used as an alternative measure of operating profitability.
EBITDA MARGIN FROM PRODUCT SEGMENTS (%)	$100 \times \text{EBITDA from product segments} \div \text{Sales from product segments}$	Used as an alternative measure of operating profitability for the core commercial businesses of Swedish Match.
PROFIT FOR THE PERIOD EXCLUDING LARGER ONE-TIME ITEMS	Profit for the period excluding larger one-time items	Used as an alternative measure of profit for the period of the ongoing business which is not affected by items which impact comparability between periods.
EBITA	Profit for the period excluding larger one-time items, net finance cost, tax, amortization and impairments of intangible assets	Used as a measure of operating performance relative to the financial obligations of the Group.
EBITA 12 months rolling	The aggregated profit excluding larger one-time items, net finance cost, tax, amortization and impairments of intangible assets for the 12-month period preceding the closing date	Used as a measure of operating performance relative to the financial obligations of the Group.
EBITA INTEREST COVER	$\text{EBITA} \div (\text{Interest income} - \text{interest expense})$	Used as a measure of the ability to fund interest expenses.
NET DEBT	Current and non-current loans, adjusted for components of derivatives (assets and liabilities) relating to these loans + net provisions for pensions and similar obligations + current and non-current lease liabilities – cash and cash equivalents and other short-term investments	Used as a measure of net financial obligations.
NET DEBT/EBITA	$\text{Net debt} \div \text{EBITA 12 months rolling}$	Used as an indication of the duration (in years) required to fund existing net financial obligations with free cash flows from the ongoing business.
ADJUSTED EARNINGS PER SHARE	$\text{Profit for the period excluding larger one-time items net of tax} \div \text{Average number of shares outstanding}$	Used as an alternative measure of earnings per share which is not affected by items which impact comparability between periods.

EBITA and EBITDA

MSEK	Jul-Sep		Jan-Sep		12 months ended	Full year 2019
	2020	2019	2020	2019	Sep 30, 2020	
Profit for the period	1,193	1,180	3,581	3,139	4,337	3,895
Income tax expense	721	346	1,430	881	1,713	1,165
Net finance cost	105	60	267	188	326	247
Operating profit for the period	2,019	1,586	5,279	4,209	6,377	5,307
Amortization and impairment of intangible assets ¹⁾	19	16	59	49	446	435
EBITA	2,038	1,602	5,338	4,258	6,823	5,742
Depreciation and impairment of tangible and right-of-use assets	126	123	382	350		480
EBITDA	2,164	1,725	5,721	4,608		6,222

1) Including a non-cash impairment charge on goodwill in the European chewing tobacco business of 367 MSEK reported as a larger one-time item in the fourth quarter 2019.

EBITDA and EBITDA margin from product segments

MSEK	Jul-Sep		Jan-Sep		Full year 2019
	2020	2019	2020	2019	
Operating profit for the period	2,019	1,586	5,279	4,209	5,307
Less operating loss from Other operations	28	18	124	83	137
Less larger one-time items	-	-	-	-	367
Operating profit from product segments	2,046	1,603	5,403	4,292	5,812
Amortization, depreciation and impairment of intangible, tangible and right-of-use assets ¹⁾	145	140	442	398	548
Less amortization, depreciation and impairment of intangible, tangible and right-of-use assets for Other operations	-16	-15	-50	-45	-64
EBITDA from product segments	2,175	1,728	5,795	4,646	6,296
Sales from product segments	4,303	3,729	12,287	10,525	14,363
EBITDA margin from product segments, %	50.5	46.3	47.2	44.1	43.8

1) Excluding a non-cash impairment charge on goodwill in the European chewing tobacco business of 367 MSEK reported as a larger one-time item in the fourth quarter 2019.

Larger one-time items

MSEK	Jul-Sep		Jan-Sep		Full year 2019
	2020	2019	2020	2019	
Impairment charge – European chewing tobacco business	-	-	-	-	-367
Total larger one-time items in operating profit	-	-	-	-	-367

Adjusted earnings per share

Basic and diluted	Jul-Sep		Jan-Sep		Full year 2019
	2020	2019	2020	2019	
Profit for the period attributable to equity holders of the Parent, MSEK	1,193	1,180	3,581	3,139	3,895
Impairment charge – European chewing tobacco business, MSEK	-	-	-	-	367
Tax charge including interest, MSEK	286	-	286	-	-
Profit for the period attributable to equity holders of the Parent, excl. larger one-time items, MSEK	1,479	1,180	3,867	3,139	4,263
Weighted average number of shares outstanding	160,443,587	167,352,790	161,461,756	168,822,439	167,779,742
Adjusted earnings per share, SEK	9.21	7.04	23.95	18.60	25.41

EBITA interest cover

MSEK	Jan-Sep		12 months	Full year
	2020	2019	ended Sep 30, 2020	
EBITA	5,338	4,258	6,823	5,742
Interest income	44	73	61	91
Interest expense	-288	-254	-370	-336
EBITA interest cover	21.9	23.5	22.1	23.4

Net debt/EBITA

MSEK	12 months	Full year
	ended Sep 30, 2020	
Net debt	13,346	11,925
EBITA 12 months rolling	6,823	5,742
Net debt/EBITA	2.0	2.1

Net debt

MSEK	Jan-Sep		Full year
	2020	2019	
Non-current loans	13,504	13,143	12,130
Current loans	2,649	502	1,300
Components of derivatives (liabilities) ¹⁾	13	-	91
Components of derivatives (assets) ²⁾	-971	-1,084	-839
Non-current lease liabilities ³⁾	207	184	172
Current lease liabilities ⁴⁾	82	83	81
Net provision for pensions and similar obligations ³⁾	1,706	1,584	1,451
Net asset for pensions and similar receivables ⁵⁾	-84	-88	-91
Cash and cash equivalents	-3,760	-2,489	-2,370
Net debt	13,346	11,834	11,925

1) Included in *Other non-current financial liabilities* and *Other current financial liabilities* in the condensed consolidated balance sheet.

2) Included in *Other non-current financial assets and receivables* and *Other current financial receivables* in the condensed consolidated balance sheet.

3) Included in *Other non-current financial liabilities* in the condensed consolidated balance sheet.

4) Included in *Other current financial liabilities* in the condensed consolidated balance sheet.

5) Included in *Other non-current financial assets and receivables* in the condensed consolidated balance sheet.

Currency components of derivatives included in the net debt are recognized in the condensed consolidated balance sheet based on the total value of all components in the financial instrument, i.e. if the total value of the financial instrument is an asset, but includes a negative derivative component, that derivative component is recognized as a negative asset in the condensed consolidated balance sheet and vice versa.

Quarterly data

Consolidated income statement in summary

MSEK	Note	Q3/20	Q2/20	Q1/20	Q4/19	Q3/19
Sales, including tobacco tax		5,389	5,118	4,846	4,877	4,685
Less tobacco tax		-989	-986	-816	-944	-856
Sales		4,400	4,133	4,029	3,933	3,829
Cost of goods sold		-1,438	-1,487	-1,429	-1,451	-1,340
Gross profit		2,962	2,646	2,600	2,482	2,489
Selling and administrative expenses		-946	-982	-1,009	-1,020	-904
Share of net profit/loss in associated companies		4	2	3	4	1
Impairment charge – European chewing tobacco business	5	-	-	-	-367	-
Operating profit		2,019	1,666	1,594	1,098	1,586
Finance income		7	10	30	25	23
Finance costs		-112	-94	-108	-83	-83
Net finance cost		-105	-84	-78	-59	-60
Profit before income tax		1,914	1,582	1,515	1,039	1,526
Income tax expense		-721	-355	-354	-283	-346
Profit for the period		1,193	1,227	1,161	756	1,180
<i>Attributable to:</i>						
Equity holders of the Parent		1,193	1,227	1,161	756	1,180
Non-controlling interests		0	0	0	0	0
Profit for the period		1,193	1,227	1,161	756	1,180

Quarterly data by product segment

Sales

MSEK	Q3/20	Q2/20	Q1/20	Q4/19	Q3/19
Smokefree	2,842	2,695	2,508	2,475	2,315
Cigars	1,184	1,069	1,128	1,040	1,117
Lights	277	275	309	323	298
Sales from product segments	4,303	4,039	3,945	3,838	3,729
Other operations	97	94	84	95	100
Sales	4,400	4,133	4,029	3,933	3,829

Operating profit

MSEK	Note	Q3/20	Q2/20	Q1/20	Q4/19	Q3/19
Smokefree		1,519	1,301	1,154	1,060	1,093
Cigars		471	351	431	359	423
Lights		57	52	67	100	88
Operating profit from product segments		2,046	1,704	1,652	1,520	1,603
Other operations		-28	-38	-58	-54	-18
Impairment charge – European chewing tobacco business	5	-	-	-	-367	-
Operating profit		2,019	1,666	1,594	1,098	1,586

Operating margin by product segment

Percent	Q3/20	Q2/20	Q1/20	Q4/19	Q3/19
Smokefree	53.5	48.3	46.0	42.8	47.2
Cigars	39.7	32.9	38.2	34.5	37.9
Lights	20.5	18.9	21.7	31.1	29.4
Operating margin from product segments	47.6	42.2	41.9	39.6	43.0

EBITDA by product segment

MSEK	Q3/20	Q2/20	Q1/20	Q4/19	Q3/19
Smokefree	1,617	1,401	1,252	1,159	1,185
Cigars	491	374	453	381	444
Lights	67	62	78	111	99
EBITDA from product segments	2,175	1,837	1,783	1,651	1,728

EBITDA margin by product segment

Percent	Q3/20	Q2/20	Q1/20	Q4/19	Q3/19
Smokefree	56.9	52.0	49.9	46.8	51.2
Cigars	41.5	35.0	40.1	36.6	39.8
Lights	24.1	22.7	25.2	34.3	33.3
EBITDA margin from product segments	50.5	45.5	45.2	43.0	46.3

Additional quarterly data

Depreciation, amortization and impairments

MSEK	Q3/20	Q2/20	Q1/20	Q4/19	Q3/19
Property, plant and equipment	103	106	105	108	101
Right-of-use assets	23	23	22	23	22
Intangible assets ¹⁾	19	20	21	19	16
Total	145	149	148	150	140

1) Excluding a non-cash impairment charge on goodwill in the European chewing tobacco business of 367 MSEK reported as a larger one-time item in the fourth quarter 2019.

Net finance cost

MSEK	Q3/20	Q2/20	Q1/20	Q4/19	Q3/19
Interest income	7	8	30	17	21
Interest expense	-109	-93	-87	-82	-82
Net interest expense	-102	-85	-57	-64	-60
Other finance costs, net	-3	1	-21	6	0
Total net finance cost	-105	-84	-78	-59	-60

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This information is information that Swedish Match AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out above, at 08.15 a.m. CET on October 27, 2020.

Swedish Match develops, manufactures, and sells quality products with market-leading brands in the product segments Smokefree, Cigars, and Lights. Production is located in seven countries, with sales concentrated in Scandinavia and the US. The Swedish Match share is listed on Nasdaq Stockholm (SWMA).

Swedish Match's vision is a world without cigarettes. Some of its well-known brands include: *General, Longhorn, ZYN, Game, Red Man, Fiat Lux, and Cricket.*

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