

SWEDISH MATCH RESULTS PRESENTATION

Q4 2020



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FY/Q4 – HEADLINE BULLETS

- Record sales and operating profit for the year driven by strong traction for ZYN nicotine pouches in the US. Double-digit operating profit growth in local currencies for the Smokefree and Cigar product segments in both the full year and the fourth quarter.
- COVID-19 related effects are estimated to have elevated sales and operating profit for the full year as well as in the fourth quarter.
- In local currencies, sales increased by 15 percent for the fourth quarter and by 17 percent for the full year. Reported sales increased by 5 percent to 4,136 MSEK (3,933) for the fourth quarter and by 13 percent to 16,698 MSEK (14,739) for the full year despite significant strengthening of the Swedish krona during the year versus the US dollar, the Norwegian krona and the Brazilian real.
- In local currencies, operating profit from product segments¹⁾ increased by 23 percent for the fourth quarter and by 28 percent for the full year. Reported operating profit from product segments increased by 12 percent to 1,695 MSEK (1,520) for the fourth quarter and by 23 percent to 7,160 MSEK (5,812) for the full year.
- Operating profit amounted to 1,650 MSEK (1,098) for the fourth quarter and to 6,991 MSEK (5,307) for the full year. The fourth quarter of 2019 included a non-cash impairment charge of 367 MSEK related to the European chewing tobacco business.
- Profit after tax amounted to 1,244 MSEK (756) for the fourth quarter and to 4,888 MSEK (3,896) for the full year. The full year 2020 includes a charge of 286 MSEK following an adverse ruling in a tax case.
- Adjusted earnings per share increased by 15 percent to 7.82 SEK (6.81) for the fourth quarter and by 27 percent to 32.16 SEK (25.41) for the full year. Earnings per share amounted to 7.82 SEK (4.62) for the fourth quarter and to 30.38 SEK (23.22) for the full year.
- The Board proposes an increased dividend to 15.00 SEK per share. The Board also proposes a 10:1 split of the Swedish Match share.
- The outlook for 2021 can be found on page 14 in the Q4 interim report.

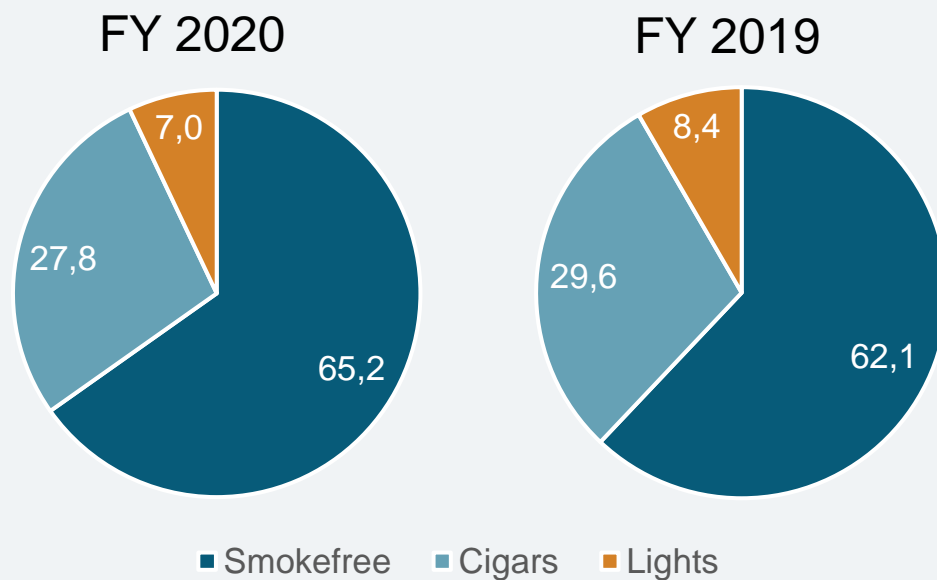
1) Excluding Other operations and larger one-time items.



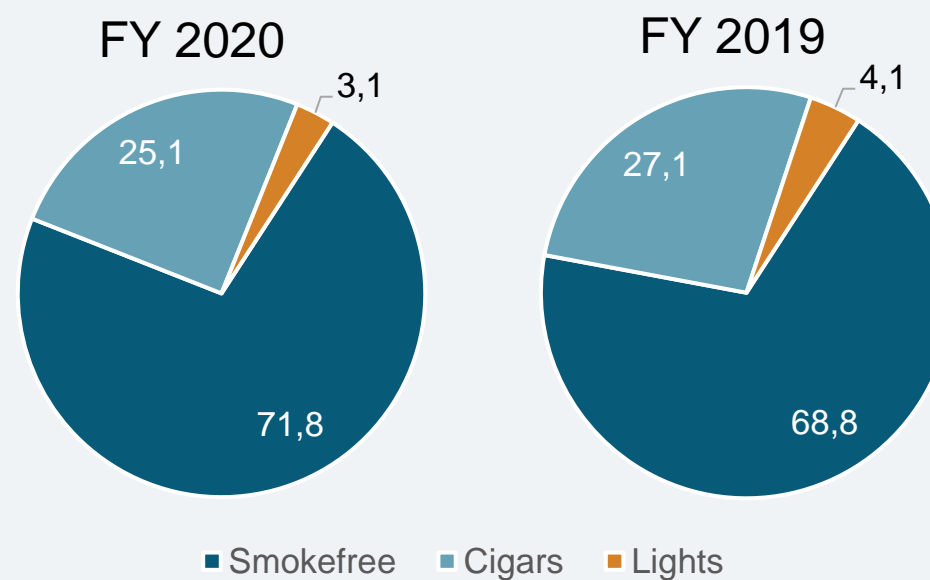
SALES AND EBIT SPLIT BY PRODUCT SEGMENT

Sales and EBIT split in percent, full year 2020 versus full year 2019

Sales split

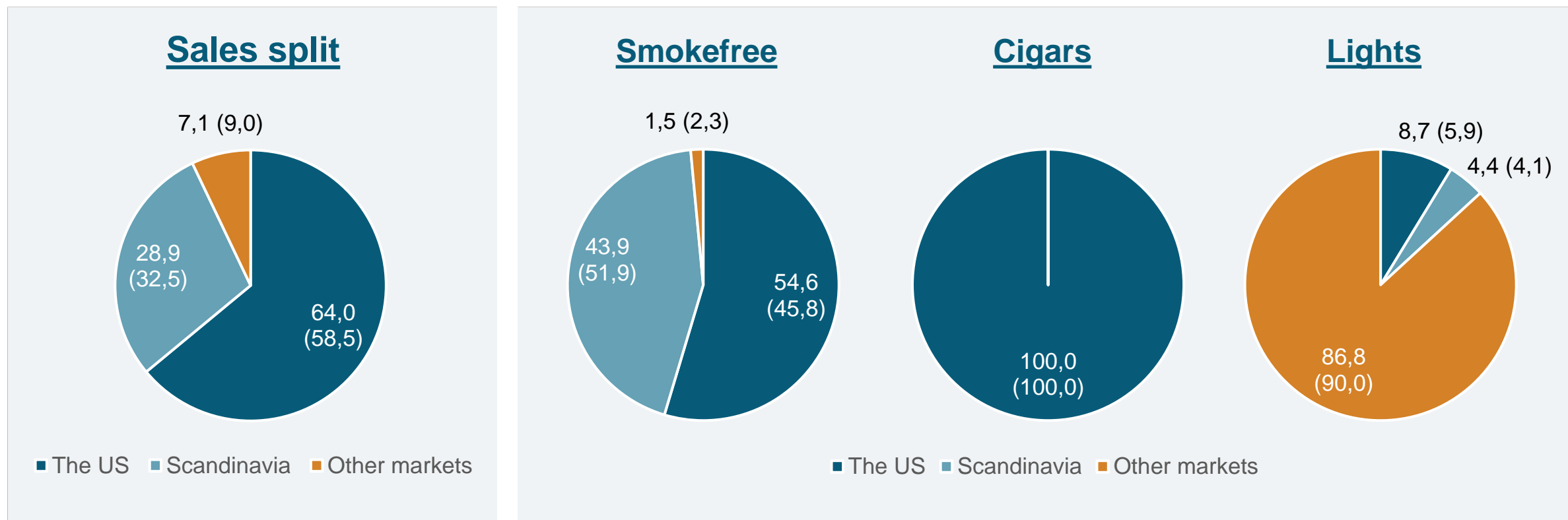


EBIT split



SALES SPLIT BY GEOGRAPHY AND PRODUCT SEGMENT

Sales split in percent, full year 2020 versus full year 2019



Q4 HIGHLIGHTS SUMMARY

Strong finish to the year with top-line growth across all product segments

- Operating profit growth in local currencies in excess of 20% for both the Smokefree and Cigar product segments.
- No major operational COVID-19 related disruptions, and the effect on consumer demand for traditional US smokefree products and cigars estimated to have been positive also in the fourth quarter.

Smokefree:

- Sales and operating profit growth driven by continued strong performance for ZYN in the US.
- Strong underlying quarter in Scandinavia but significant destocking effects affecting shipments to Norway ahead of excise tax decrease effective January 1, 2021.

Cigars:

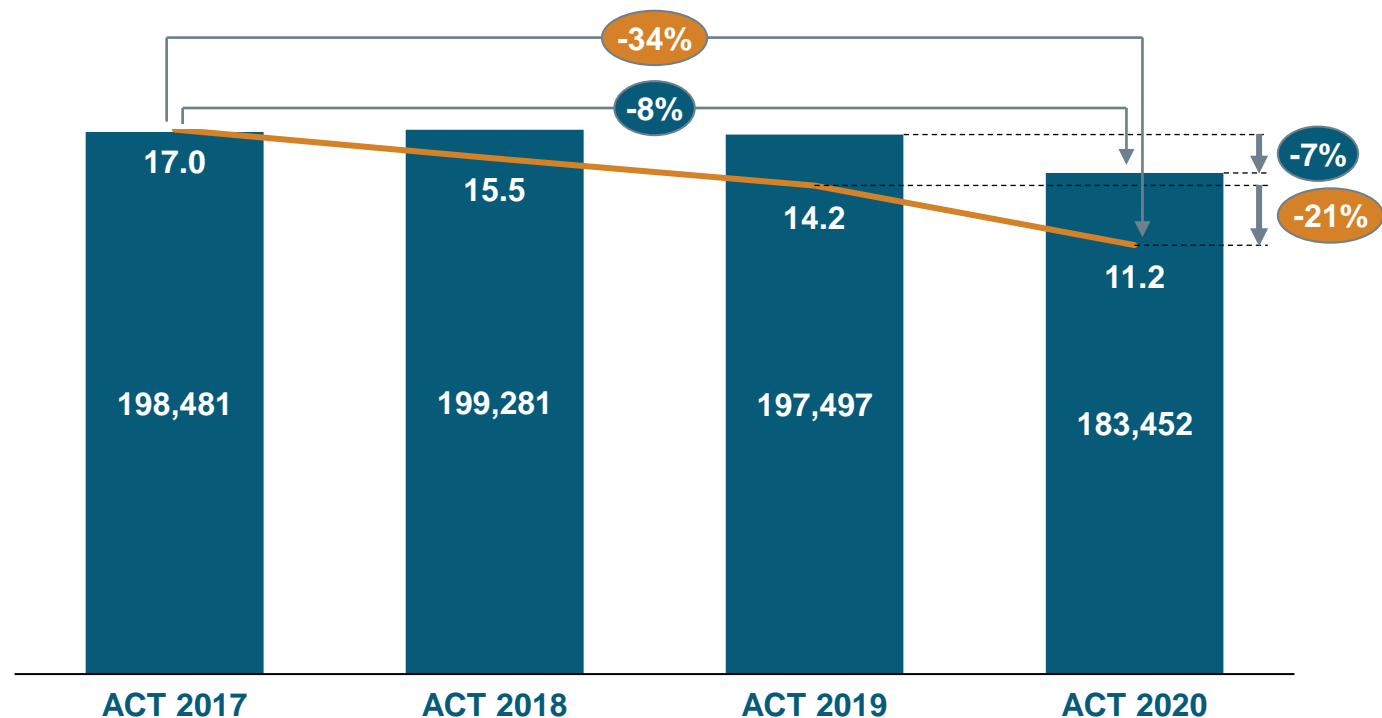
- Strong double-digit growth of sales and operating profit in local currency driven by another impressive quarter for HTL cigars.
- Continued productivity gains in the Dominican Republic resulted in year-on-year and sequential growth for natural leaf cigars.

Lights:

- Lights performance largely in line with prior year on an underlying basis.
- One-time income in the prior year period and negative currency translation effects impacted the reported development in SEK.

GROUP GREENHOUSE GAS (GHG) EMISSIONS DEVELOPMENT

To reach our commitment set out in the Science Based Targets initiative (SBTi), our annual ambition in reductions is raised from 4% to 5%



■ Total GHG emissions (metric tons CO2e)
— GHG emissions per unit of net sales



Sales and operating profit in local currencies up by 13% and 21% respectively

	Q4-2020	Q4-2019	chg	Full year 2020	Full year 2019	chg
Sales, MSEK	2,606	2,475	5	10,651	8,914	19
Operating profit, MSEK	1,168	1,060	10	5,142	3,997	29
Operating margin, %	44.8	42.8		48.3	44.8	

Snus and nicotine pouches

- **ZYN shipments in the US reached 31 million cans in the quarter, bringing the rolling 12-month delivery volume to 114 million cans**
 - Volume growth driven by increased velocities and broader distribution. ZYN is now available in about 100,000 stores.
 - Strong sales development in local currency coupled with modest growth in operating expenses drove enhanced operating margin y-o-y.
 - Marketing initiatives to some extent still adapted to COVID-19 circumstances, but investments in marketing up versus both the prior year and sequentially compared to the third quarter.
 - Resilient ZYN market share, despite continued intense competition.
- **Despite destocking in Norway (timing), sales and operating profit in Scandinavia* in line with prior year on a local currency basis**
 - Estimated underlying category consumption growth of 4% despite negative effects from COVID-19 travel restrictions.
 - Significant decline in shipments to Norway ahead of January 2021 tax decrease drove Swedish Match volume decline of 7%.
 - Positive price/mix due to the combination of price increases, market mix and portfolio shifts affected by continued travel restrictions.
 - Gross profit down but operating profit in local currencies flat on lower operating expenses.



* Sweden, Norway and Denmark.

SMOKEFREE: Q4 COMMENTARY

US moist snuff

- **Longhorn performance remained strong with volume growth* outpacing the category**
 - Category growth estimated at 2% for the quarter and close to 3% for the full year.*
 - Continued market share gains for Swedish Match*, but slight decline in shipment volumes as the discontinuation of *Red Man* moist snuff and declining *Timber Wolf* volumes more than offset *Longhorn* growth.
 - Sales and operating profit up in local currency despite volume decline, driven by improved pricing.



US chewing tobacco

- **Category volume development continued to show resilience during the quarter**
 - Total Swedish Match shipment volumes down by 1.9% in the quarter but showed slight growth for the full year.
 - Continued decline for premium offerings was partly offset by the growth of price brands.
 - Sales and operating profit grew in local currency as a result of improved pricing, despite negative mix from higher portfolio share for price brands.



International smokefree products in other markets

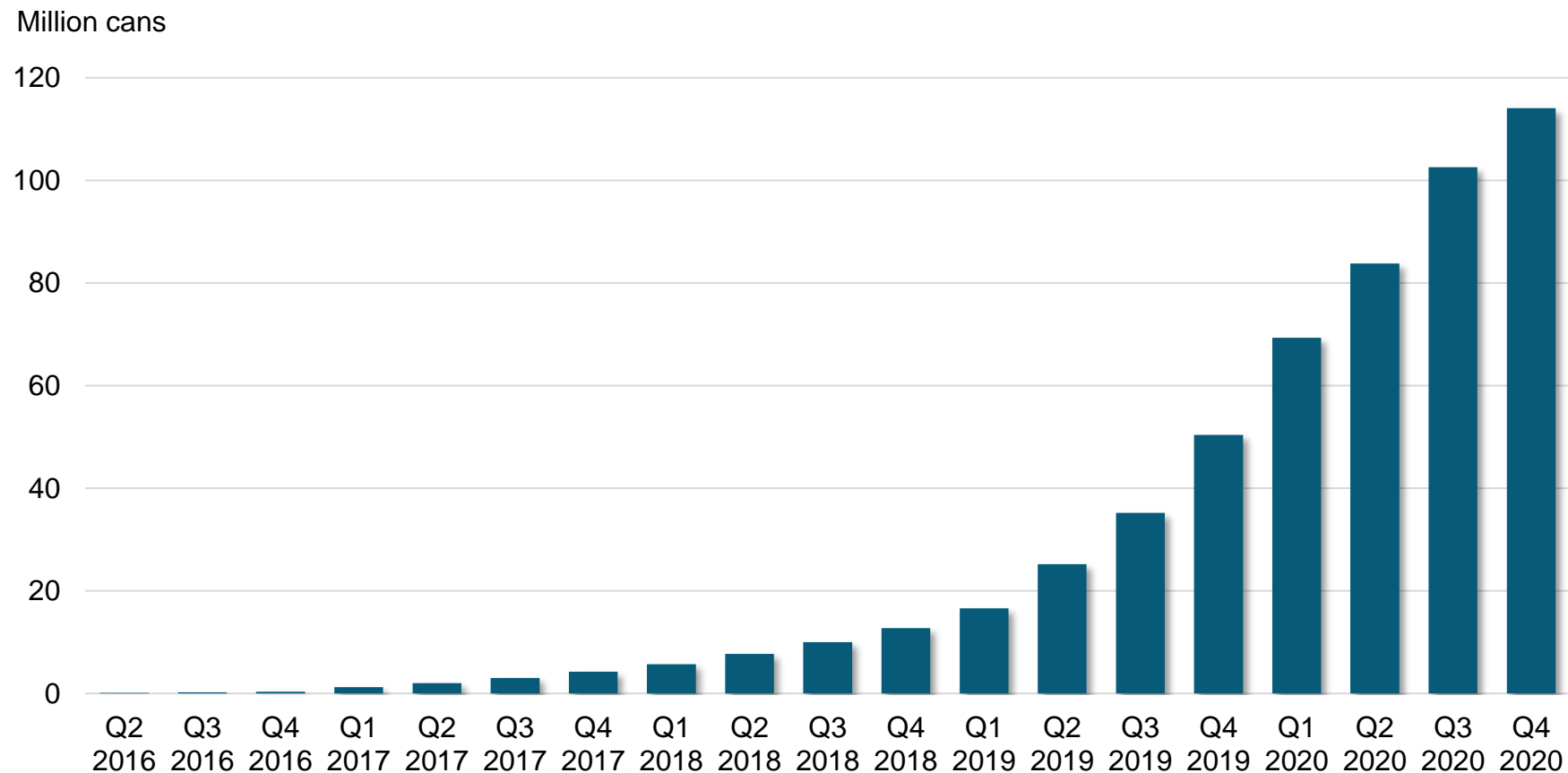
- **Sales and volumes up for nicotine pouches but down in total, driven by chewing tobacco**
 - Strong local currency sales growth for nicotine pouches off a relatively low base, more than offset by steep decline for chewing tobacco shipments to Germany.
 - Continued investments for future growth in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



* Based on MSA distributor shipments.

US – ZYN DEVELOPMENT IN THE US

ZYN shipment volumes in the US, 12 months rolling

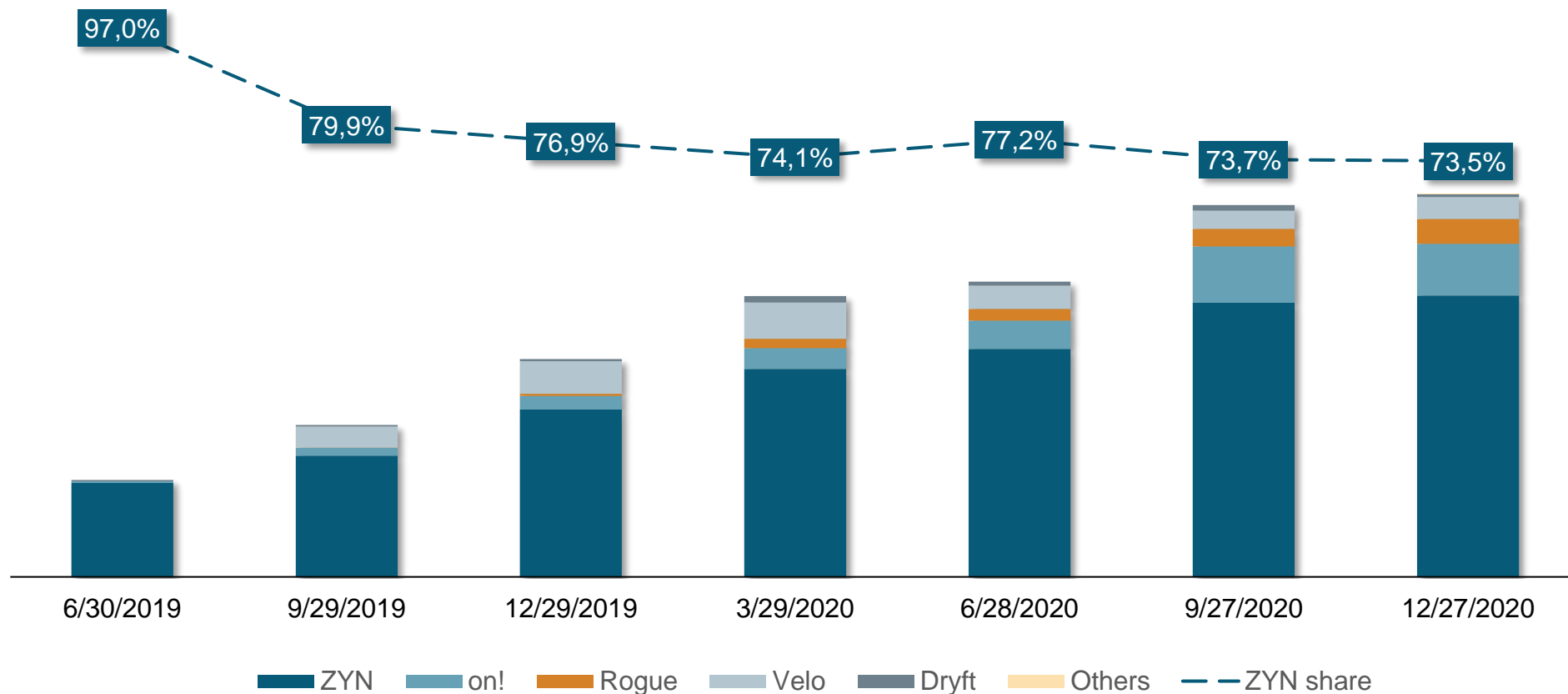


Source: Swedish Match reported shipments.



US – NICOTINE POUCH CATEGORY GROWTH AND ZYN SHARE DEVELOPMENT

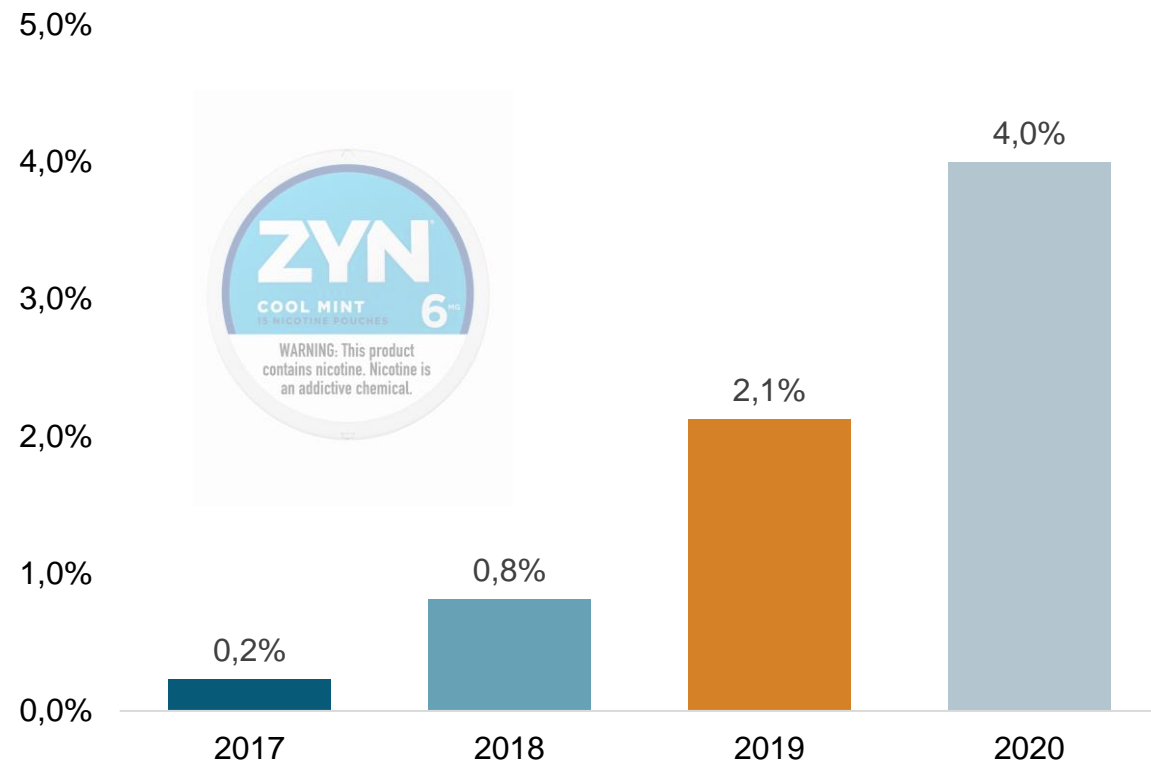
Category volume and ZYN share development, 13-week periods



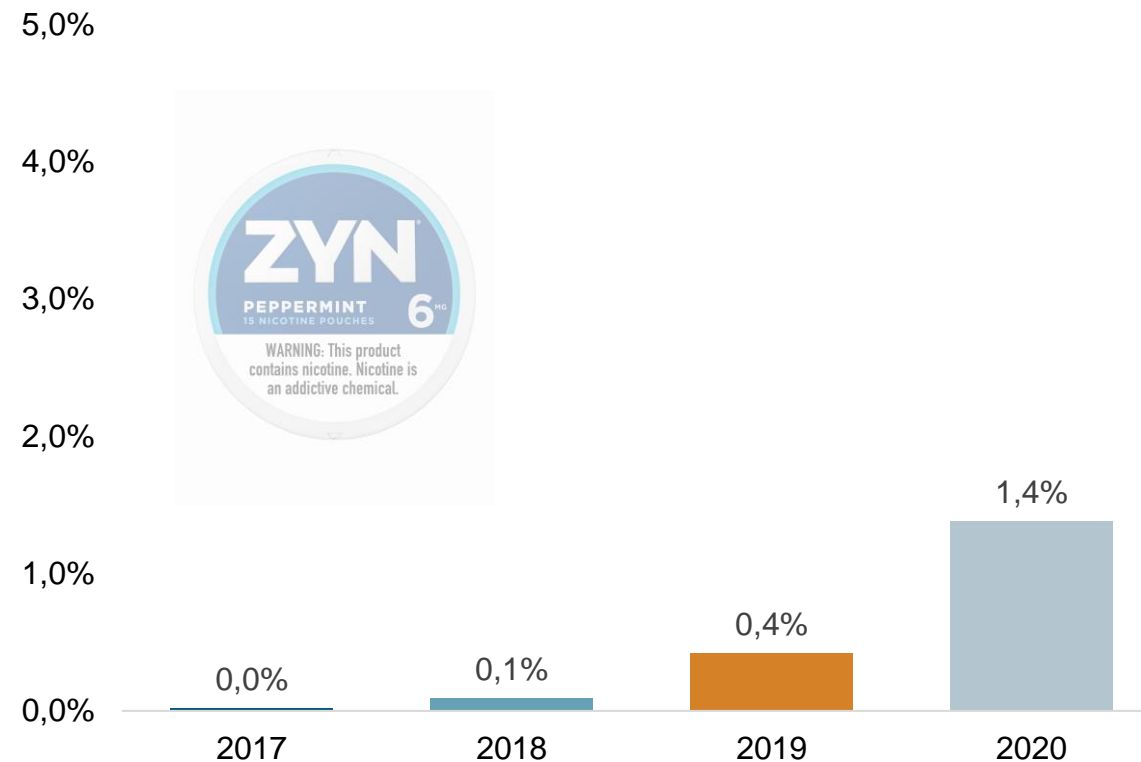
Source: MSA, weekly data.

US – NICOTINE POUCH CATEGORY VERSUS THE CIGARETTE CATEGORY

The western region*



Total US**

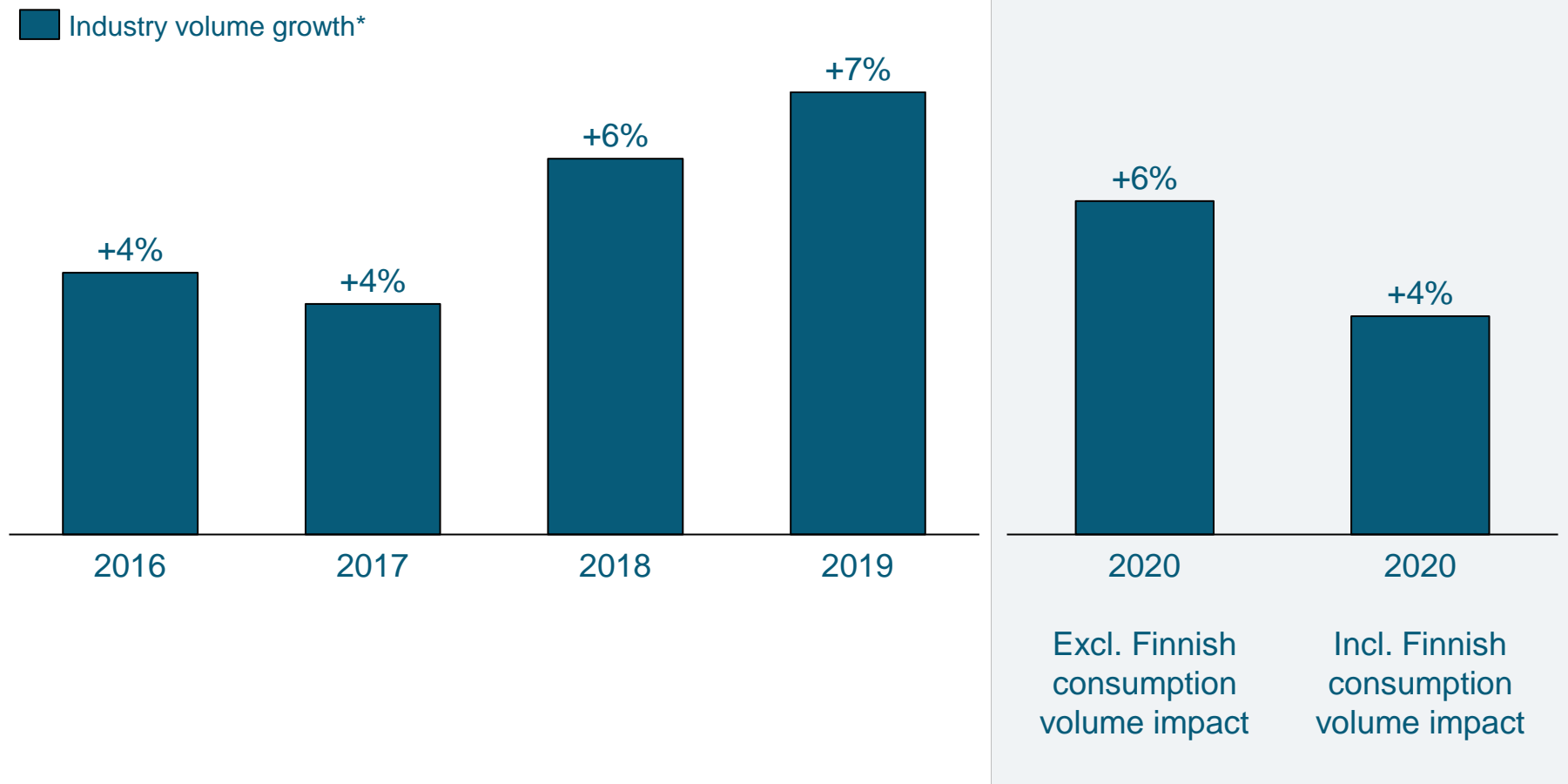


*Initial ZYN launch: June 2016, **National expansion beyond the western region for ZYN from April 2019.

Source: Category est. (cans) using annualized distributor data (MSA through 12/27/2020) as a % of cigarette volume (packs) for the 2019 fiscal year ending June 30 (cigarette data provided by BofA).

SCANDINAVIA – UNDERLYING VOLUMES

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

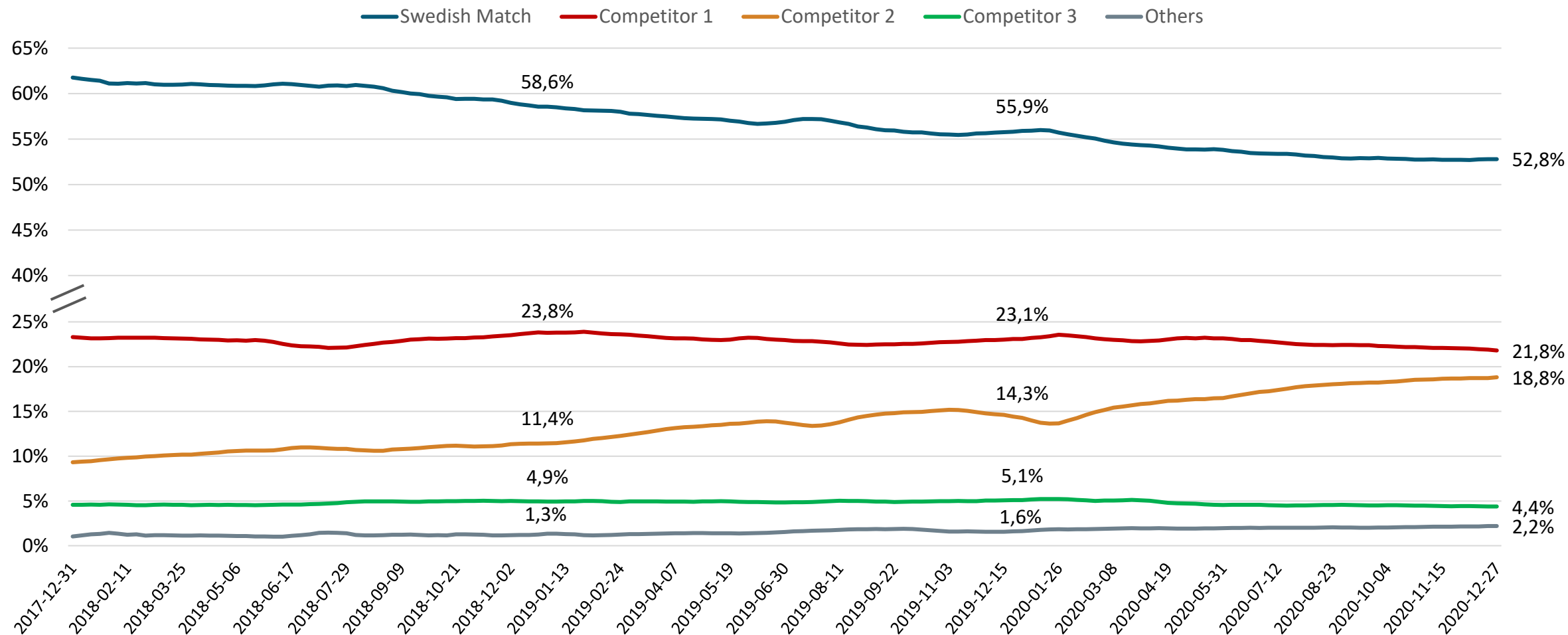


* Based on Nielsen and Swedish Match estimates (adjusted for hoarding).



SCANDINAVIA – SMOKEFREE CATEGORY VOLUME SHARES BY MANUFACTURER

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

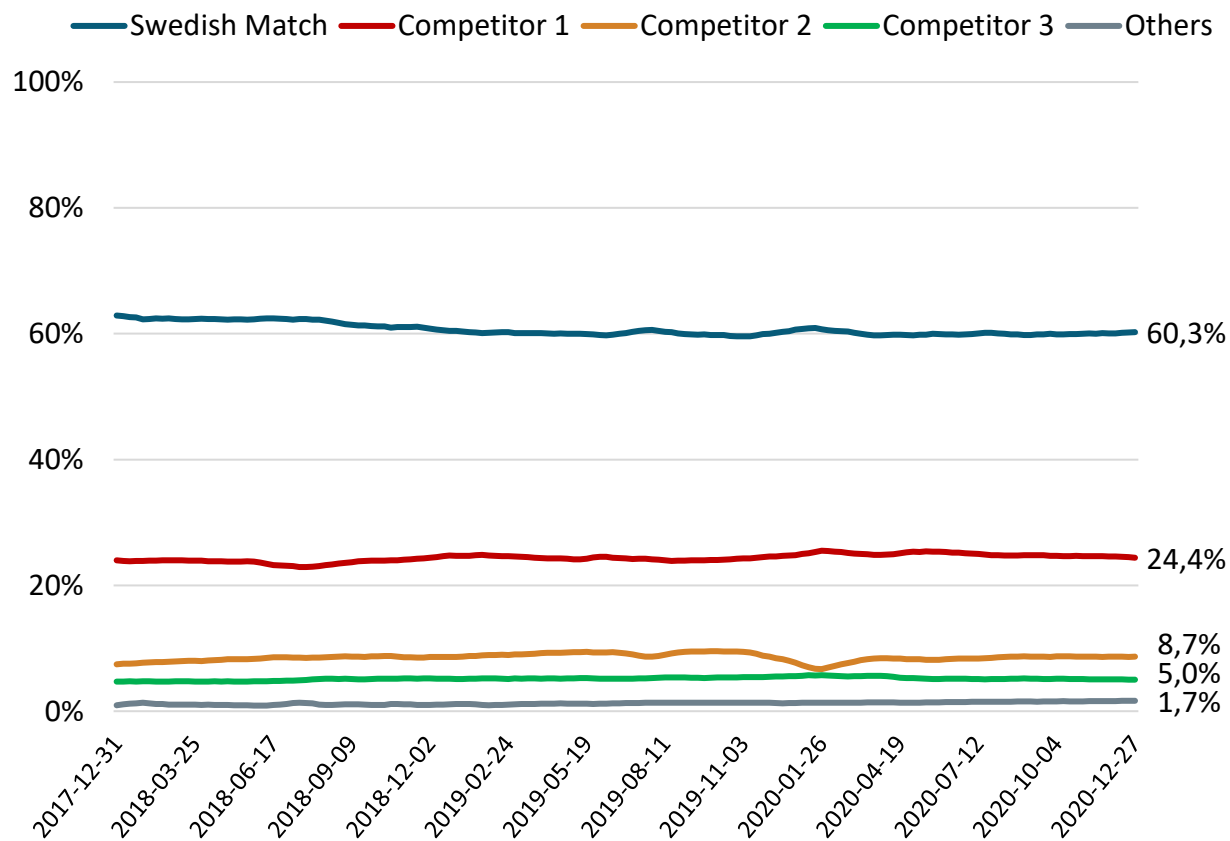


Source: Nielsen Sweden, DVH+SVH/Nielsen Norway, DVH+KBS/Nielsen Denmark, DVH/Convenience. *Including snus, nicotine pouches and chew bags. Chew bags are only sold in Denmark.

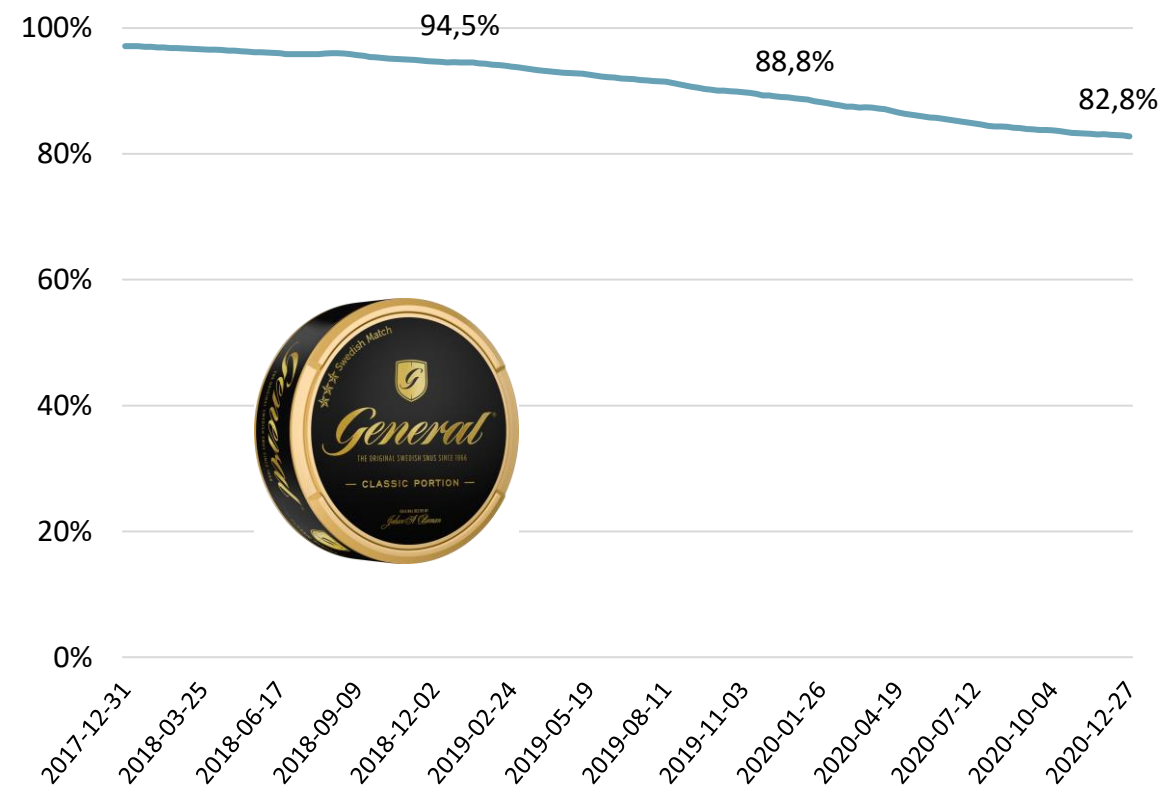
SCANDINAVIA – SNUS CATEGORY DEVELOPMENT

Volume share development, 4-weeks rolling

Manufacturer volume shares within the snus category in Sweden and Norway



Snus as a share of the total smokefree category*

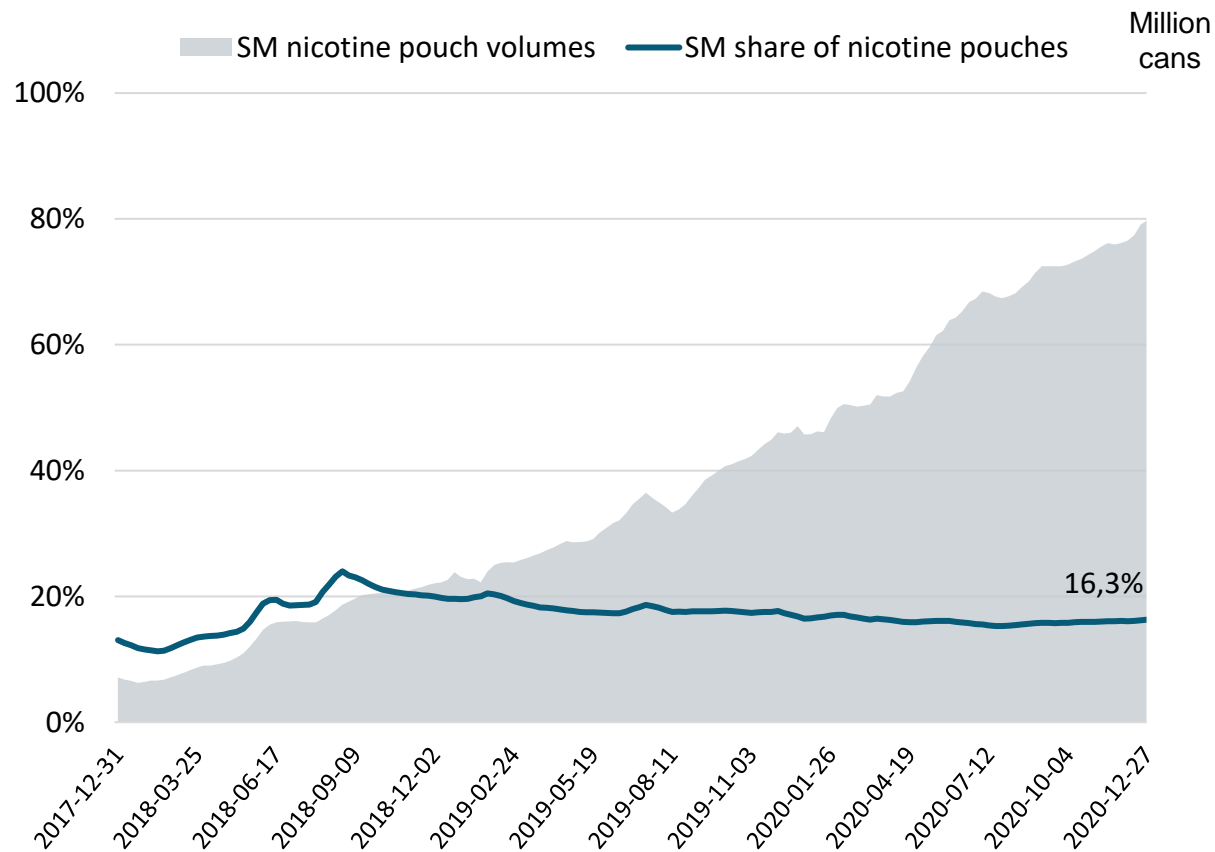


Source: Nielsen Sweden, DVH+SVH/Nielsen Norway, DVH+KBS/Nielsen Denmark, DVH/Convenience. *Including snus, nicotine pouches and chew bags. Chew bags are only sold in Denmark.

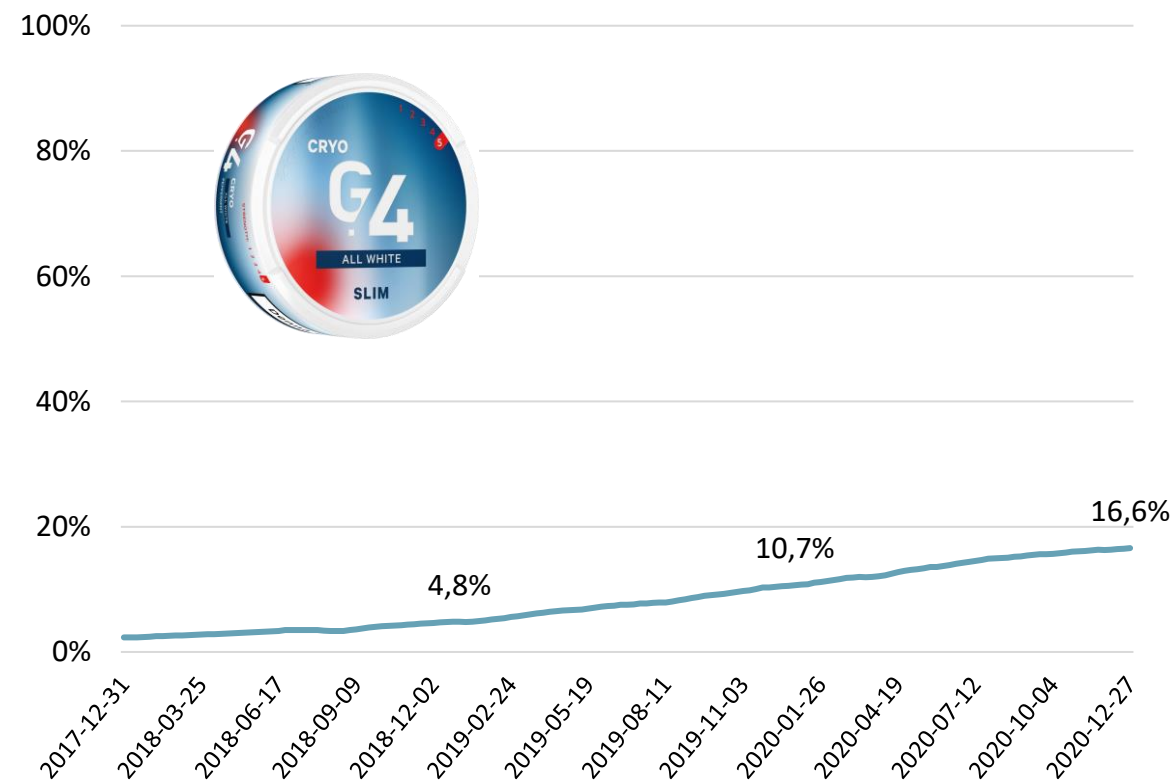
SCANDINAVIA – NICOTINE POUCH CATEGORY

Volume share and volume development, 4-weeks rolling

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

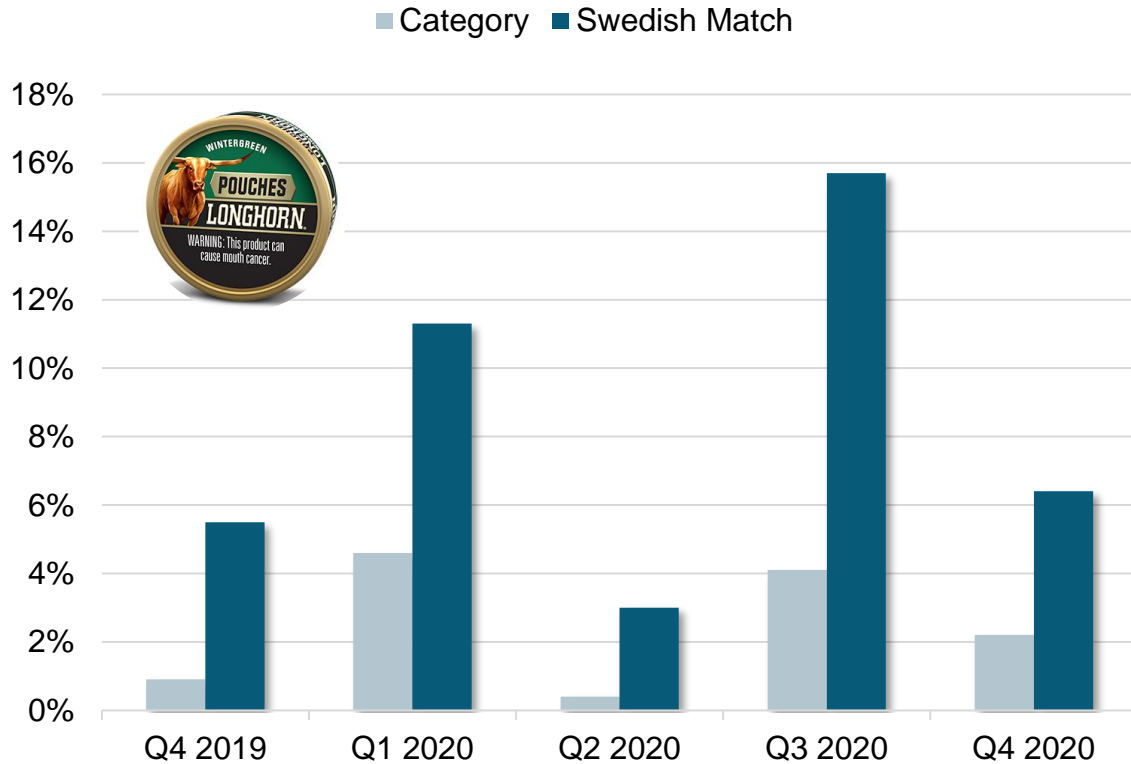


Nicotine pouches as a share of the total smokefree category*

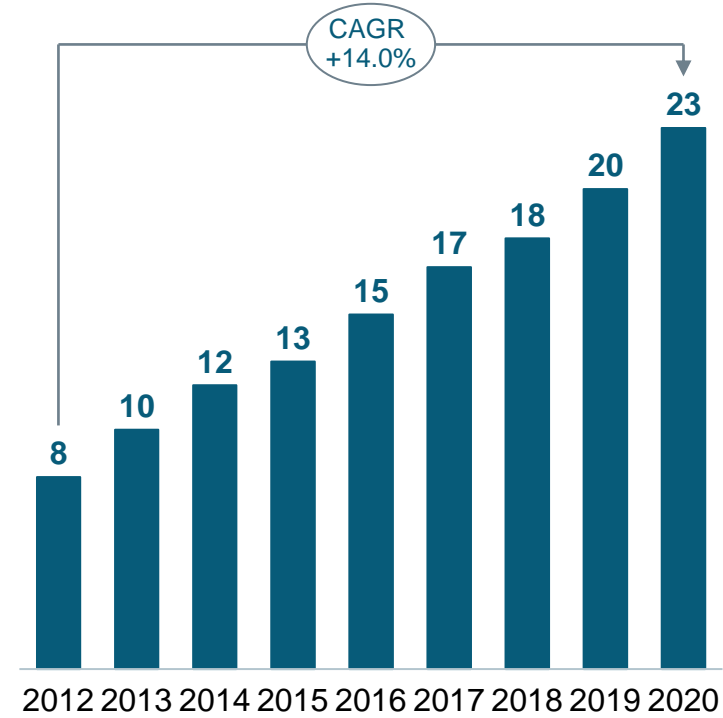


Source: Nielsen Sweden, DVH+SVH/Nielsen Norway, DVH+KBS/Nielsen Denmark, DVH/Convenience. *Including snus, nicotine pouches and chew bags. Chew bags are only sold in Denmark.

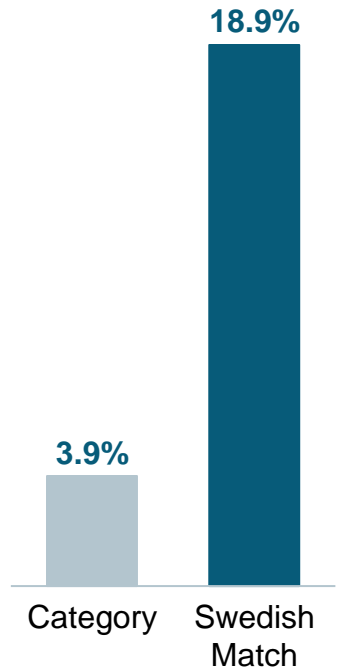
Moist snuff category and Swedish Match volume growth year-on-year



Moist snuff pouches, Swedish Match Million cans shipped



Volume growth pouches 2020 Year-on-year

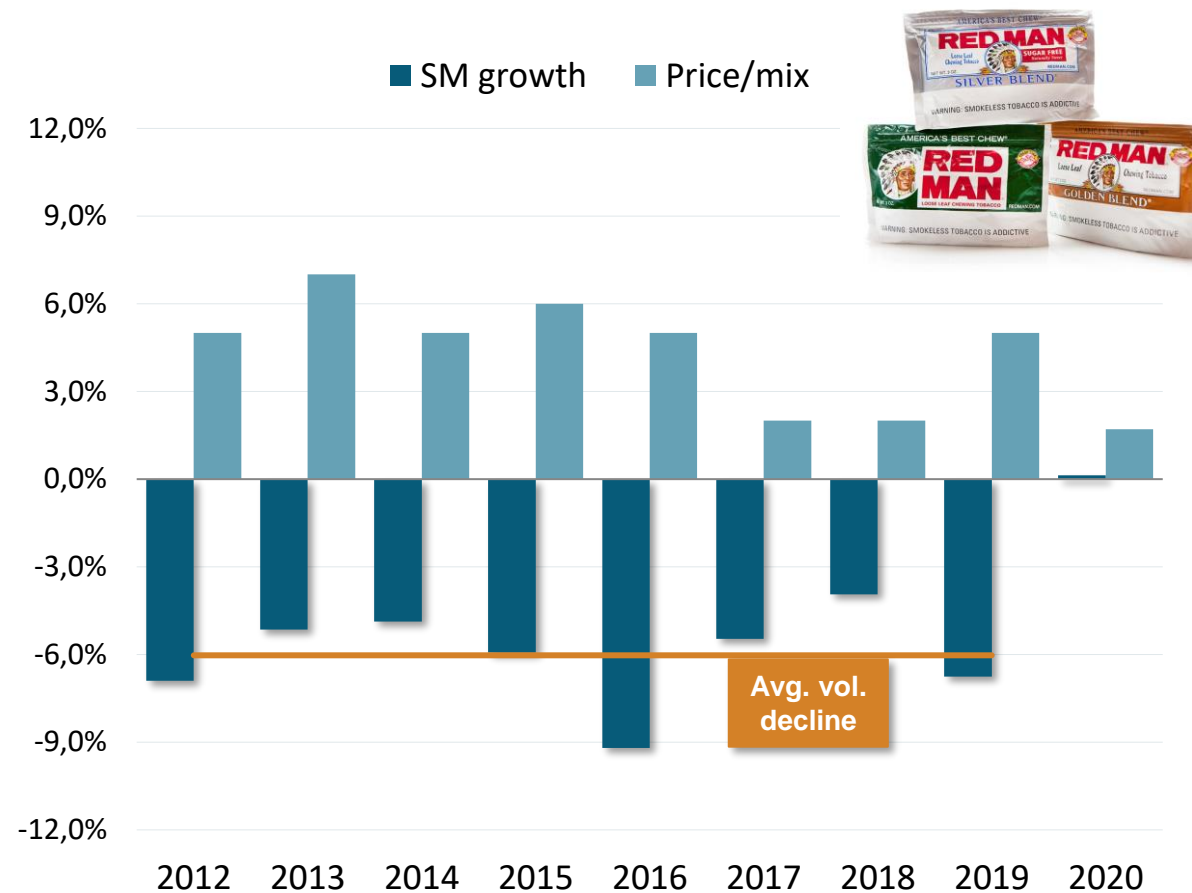
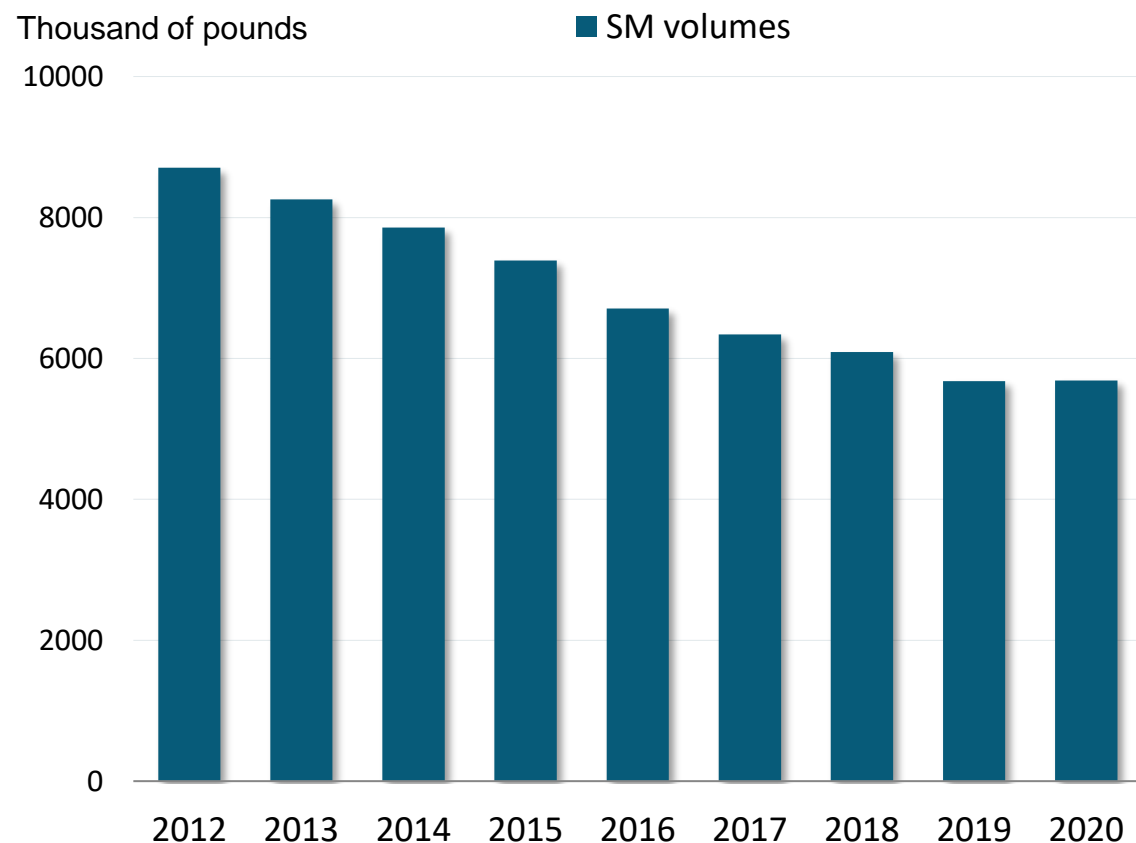


Pouches accounted for 17% of the total category volume (2020).

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

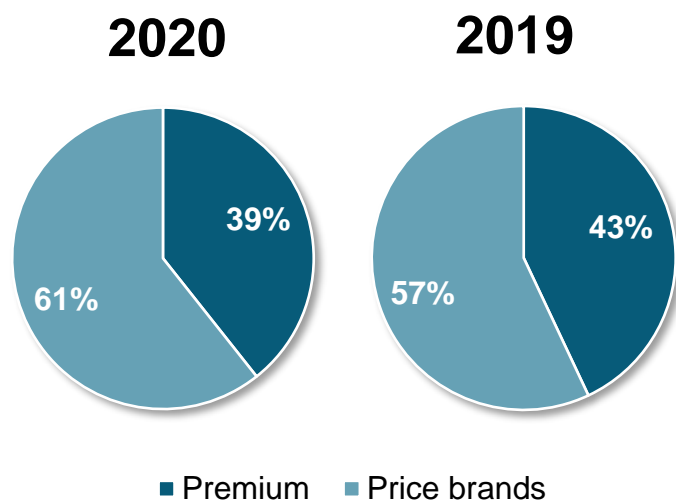
US –SWEDISH MATCH’S CHEWING TOBACCO VOLUMES AND PRICE/MIX

Shipment volume and price/mix percentage change year on year, Swedish Match (SM) brands*

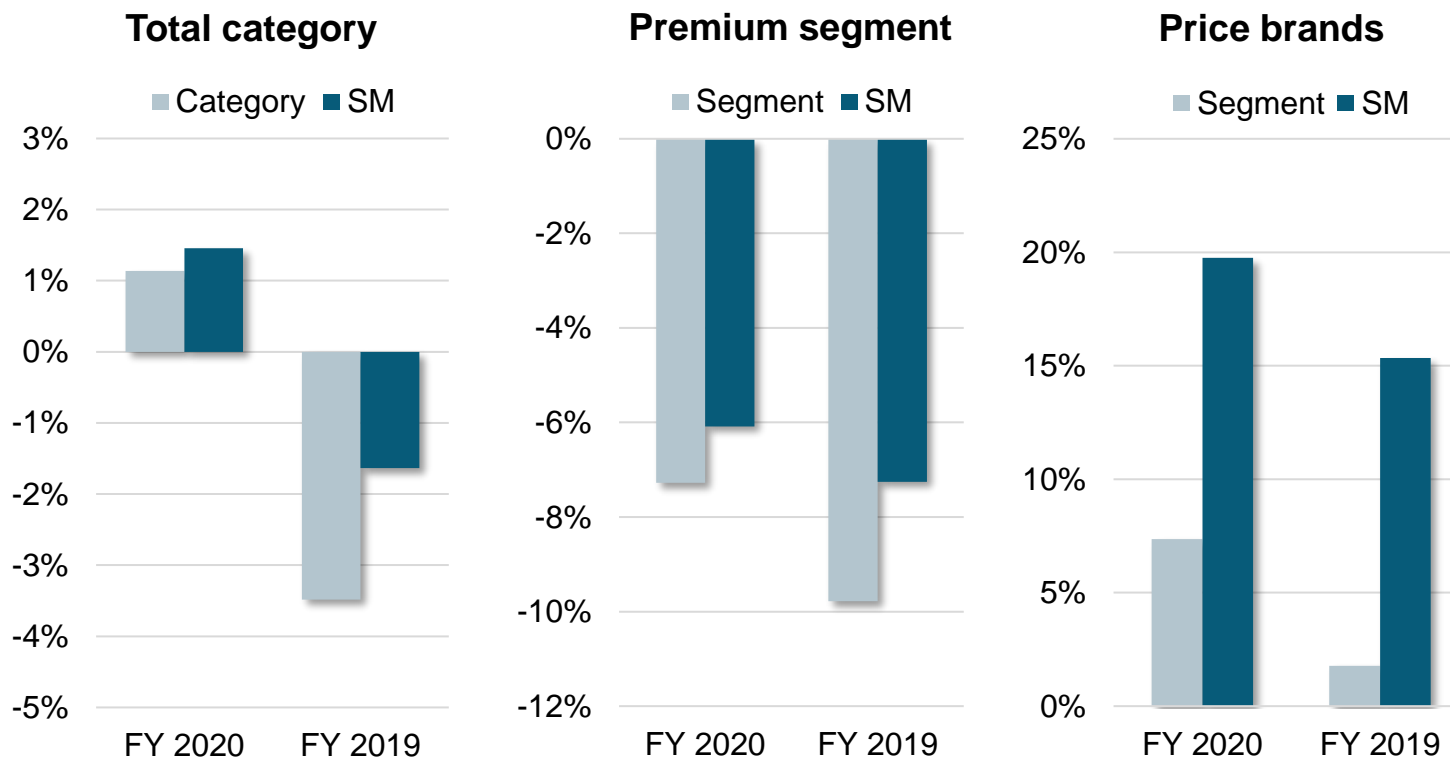


* On reported basis. Excludes Co-Pack volumes.

Breakdown of the chewing tobacco category by segment (volume)



Chewing tobacco category and Swedish Match (SM) volume growth year-on-year



Source: Swedish Match estimates of distributor shipments to retail using CMPP & MSA data.

SNUS AND NICOTINE POUCHES PRODUCT AND NEW MARKET ACTIVITIES

Nicotine pouches

ZYN (Sweden)



G.4 (Norway)

Expanded availability of ZYN varieties (the US)



Thunder (Europe) Swave (Sweden)



Snus

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



G.4 Green Flow CBD infused snus (Switzerland)



Improved ONE (Sweden)



G.3 Sparkling Slim (Norway)



Jakobssons (Sweden)



ZYN
ZYN has been launched in several markets in Europe

Strong quarter with double digit sales and operating profit growth in both reported and local currency

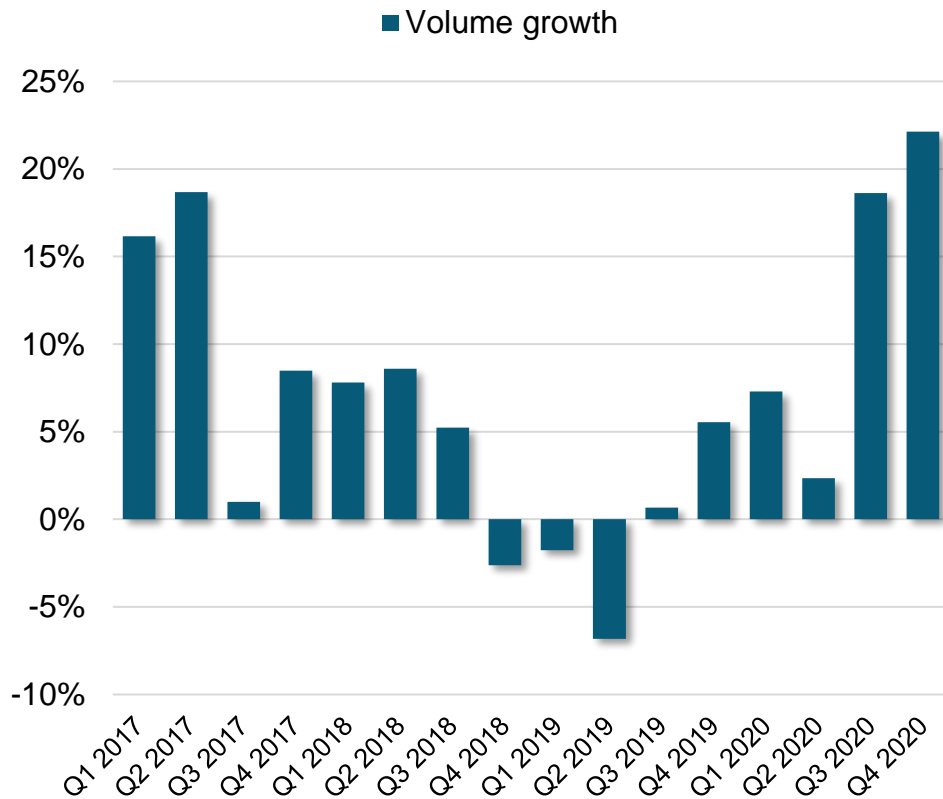
	Q4-2020	Q4-2019	chg	Full year 2020	Full year 2019	chg
Sales, MSEK	1,152	1,040	11	4,533	4,249	7
Operating profit, MSEK	481	359	34	1,796	1,577	14
Operating margin, %	41.7	34.5		39.6	37.1	

- **Swedish Match shipment volumes up by 22% year-on-year, driven by continued strong HTL performance**
 - Continued strong category growth in the quarter and market share gains for Swedish Match.*
 - Positive trend with increased productivity in the Dominican Republic continued and resulted in year-on-year, as well as sequential growth for natural leaf cigars.
- **Sales up by 23% versus prior year in local currency, driven by volume gains**
 - Growth in sales in local currency in both HTL and natural leaf cigars (latter driven by rolled leaf).
- **Operating profit up by 48% versus prior year in local currency**
 - Operating profit growth driven by strong sales development and lower costs in relation to sales, as well as a relatively weak comparison quarter in Q4 2019 due to leaf quality issues.
 - Cost of goods benefitted from product mix with more automated production.



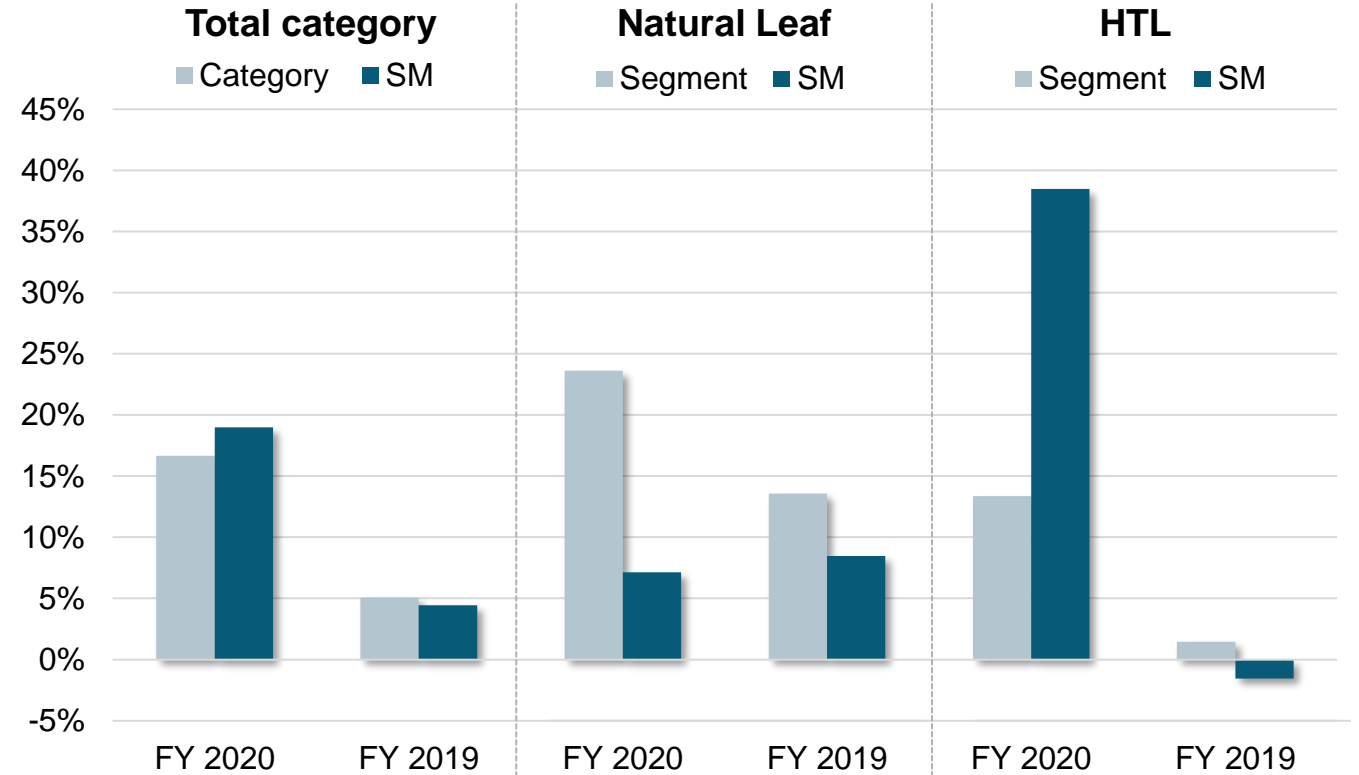
* Source: MSA through December 27, 2020.

Swedish Match shipment volume growth year-on-year



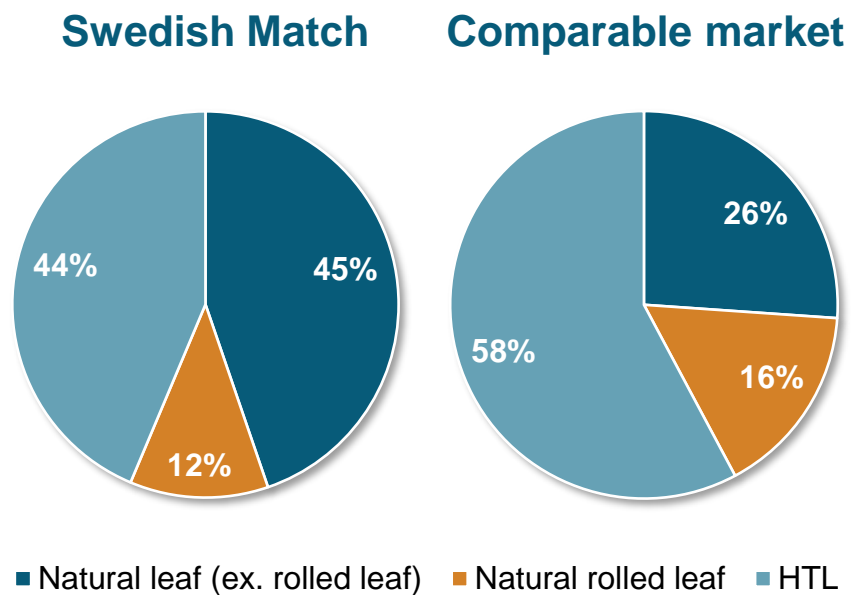
Source: Swedish Match reported shipments.

Cigar category and Swedish Match (SM) volume growth year-on-year



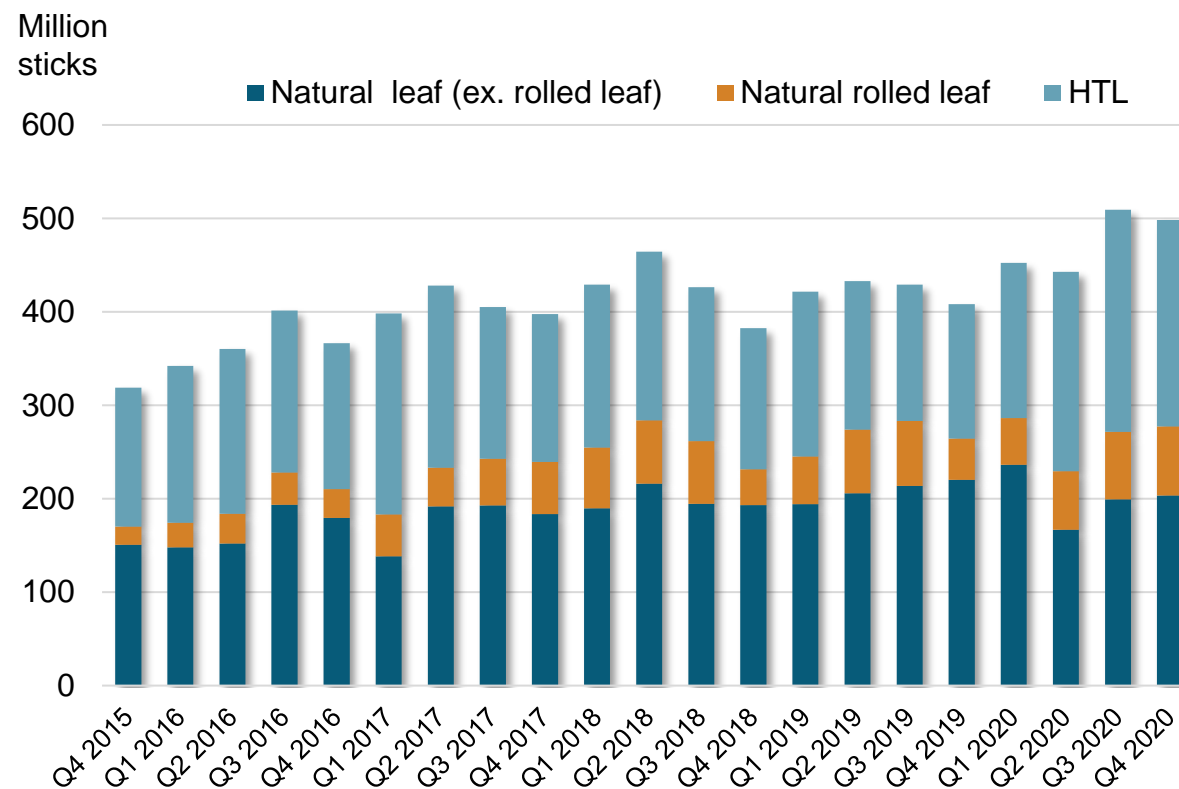
Source: MSA distributor shipments – mass market cigars excluding little cigars.

Split on cigar volumes by segment (FY 2020)



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

Swedish Match's reported cigar shipments by quarter and segment



Source: Swedish Match reported shipments.

Underlying sales up versus prior year, but weakened BRL weighed on results also in the fourth quarter

	Q4-2020	Q4-2019	chg	Full year 2020	Full year 2019	chg
Sales, MSEK	288	323	-11	1,149	1,200	-4
Operating profit, MSEK	46	100	-54	222	238	-7
Operating margin, %	16.0	31.1		19.3	19.8	

○ Sales up 4% excluding currency translation effects

- Improved sales for lighters and complementary products in local currencies, slight decline for matches.
- Increased volumes for lighters and improved pricing as a result of product mix effects.
- For matches sales in local currency declined in line with the slight volume decrease.
- Solid growth for complementary products in Brazil.

○ Decline in operating profit driven by one-time income in the prior year period and currency effects

- Operating profit for lighters, excluding currency translation, increased on the back of the volume increase, improved mix and good cost control.
- Operating profit for matches, excluding currency effects and adjusted for the one-time income of 37 MSEK in the prior year period, in line with the prior year period for the quarter and up significantly for the full year.



REGULATORY EVENTS

○ Flavor ban for tobacco products in California

- In December 2020, the Superior Court for the County of Sacramento issued an order to suspend the flavor ban for tobacco products in California (SB-793).
- As a result, SB-793 is suspended until the referendum vote in the November 2022 general election.

○ Norway, excise tax budget 2021

- Tax per kilo on snus reduced by 22% to 850 NOK (1090 NOK). The original Government proposal was an increase of 3.7%.
- Tax on cigarettes increased from 3.4% to 2.77 NOK per cigarette.

○ Denmark

- Amendments to the Danish Tobacco Act adopted by Parliament in December.
- Display and sampling ban for all tobacco products, as well as for nicotine pouches (effective April 1, 2021).
- Plain packaging on chewing tobacco products produced after July 1, 2021. No plain packaging for nicotine pouches.

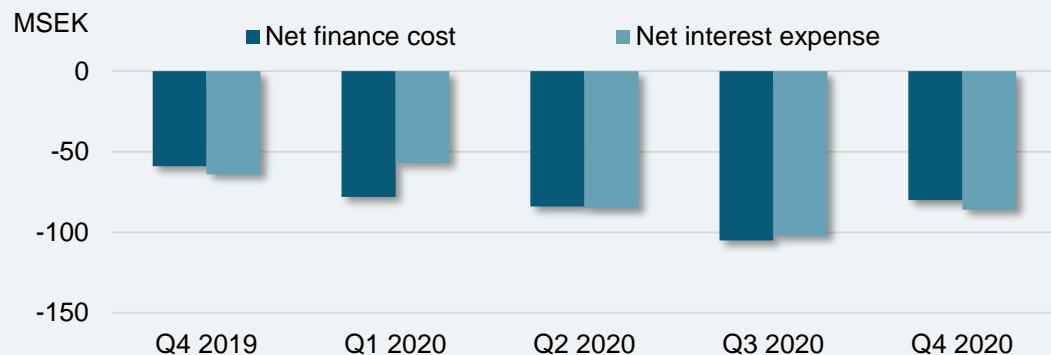
○ Germany

- A number of local authorities have imposed sales bans on nicotine pouches referring to food regulation.
- Decisions have been appealed.
- Swedish Match has halted sales pending legal review.

FINANCE NET AND EPS

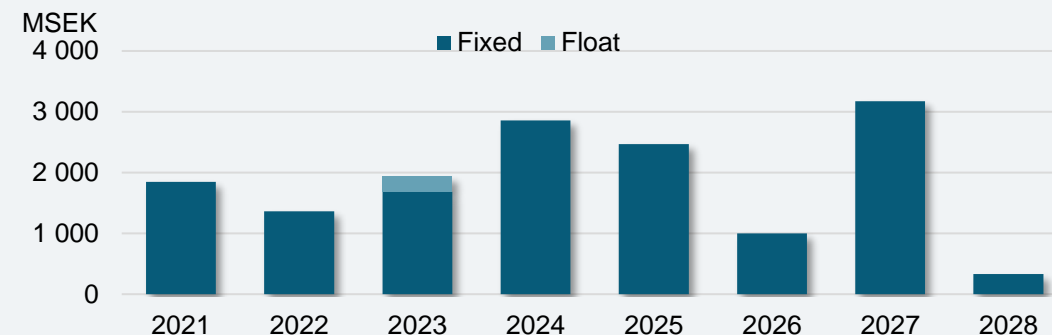
Development of the finance net

By quarter



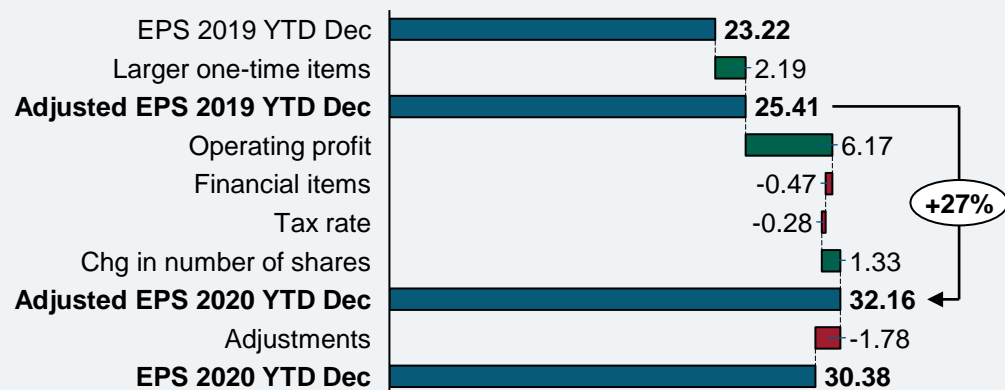
Maturity profile of interest bearing liabilities

Debt as of December 31, 2020

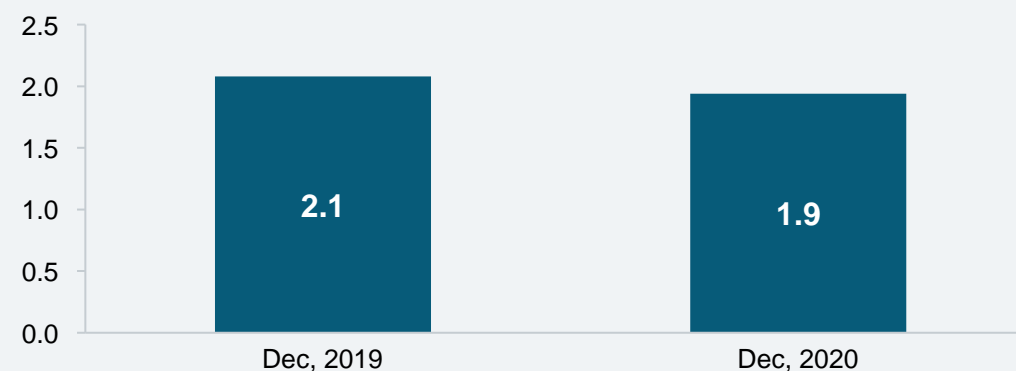


EPS bridge

YTD 2020 vs YTD 2019 (SEK)



Net debt/LTM EBITA



FULL YEAR 2021 OUTLOOK

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 2021, Swedish Match expects continued market growth for smokefree products, most notably driven by rapid growth of nicotine pouches. Swedish Match expects that the attractive prospects of the nicotine pouch category will further elevate competitive activity.

During 2021, 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 nicotine pouch production capacity are expected to result in capital expenditures in 2021 above the 2020 level.

While Swedish Match expects that the COVID-19 pandemic will remain a serious public health issue for a large part of 2021, Swedish Match expects its business to remain largely resilient to material negative COVID-19 related effects.

At least for the first half of 2021, Swedish Match expects a significant negative currency translation effect to affect the sales and earnings comparisons versus 2020.

The effective underlying corporate tax rate in 2021, excluding associated companies, is expected to be around 23 percent.

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