

SWEDISH MATCH RESULTS PRESENTATION

Q1 2021



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Q1 – HEADLINE BULLETS

- Double-digit sales and operating profit growth across all product segments in local currencies.
- For the Smokefree product segment, continued momentum for ZYN drove strong US performance and in Scandinavia good underlying development was further enhanced by timing effects on shipments and COVID-19 related channel mix effects.
- For Cigars, record volumes, sales and operating profit on the back of strong category growth and improved price mix.
- No major operational COVID-19 related disruptions and COVID-19 related effects in aggregate are estimated to have elevated the reported financial performance.
- In local currencies, sales increased by 23 percent for the first quarter. Reported sales increased by 11 percent to 4,455 MSEK (4,029).
- In local currencies, operating profit from product segments¹⁾ increased by 40 percent for the first quarter. Reported operating profit from product segments increased by 26 percent to 2,092 MSEK (1,659).
- Operating profit, which includes a settlement income of 300 MSEK related to a previously ongoing arbitration concerning nicotine pouches, amounted to 2,354 MSEK (1,601) for the first quarter.
- Profit after tax amounted to 1,780 MSEK (1,168) for the first quarter.
- Earnings per share increased by 57 percent to 11.25 SEK (7.18) for the first quarter. Adjusted earnings per share²⁾ increased by 36 percent to 9.74 SEK (7.18) for the first quarter.

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

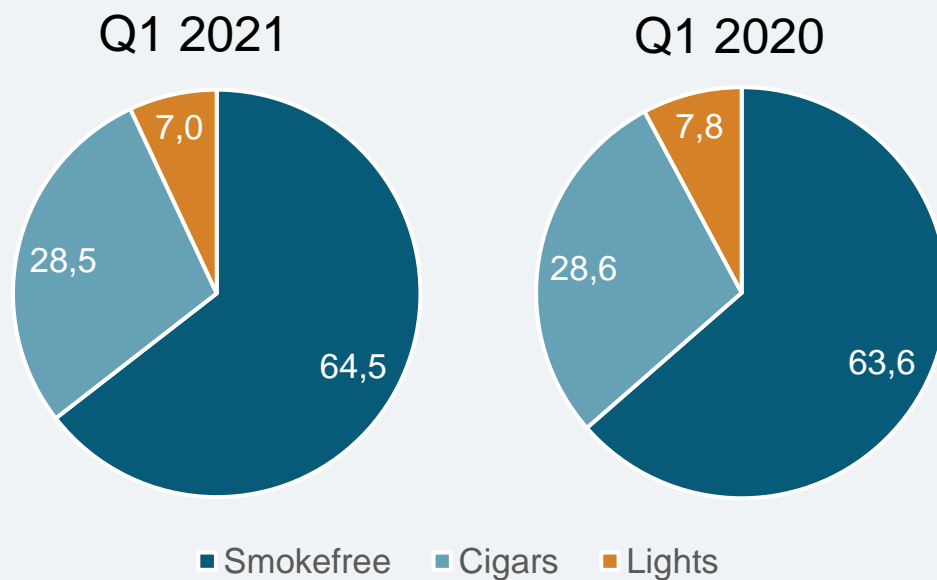
2) Excludes larger one-time items net of tax.



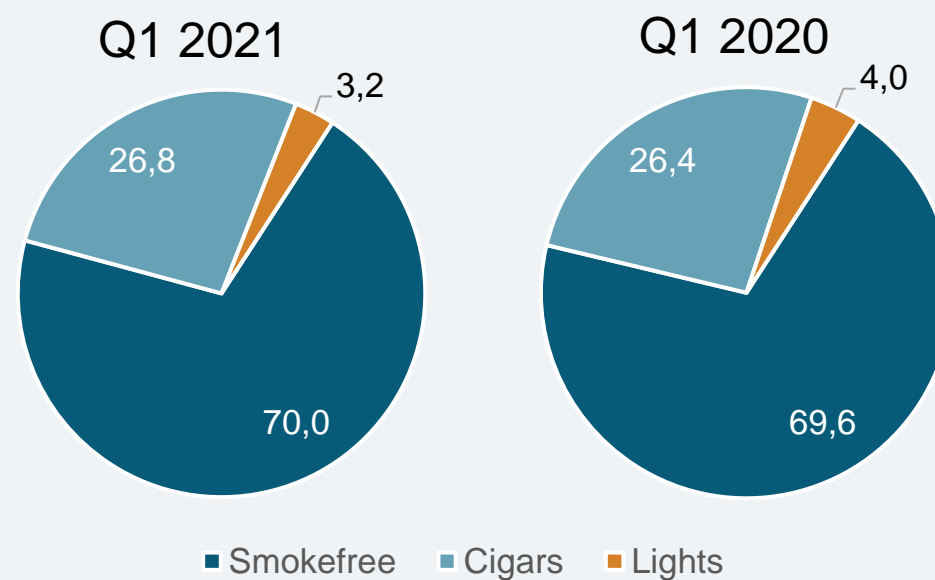
SALES AND EBIT SPLIT BY PRODUCT SEGMENT

Sales and EBIT split in percent, Q1 2021 versus Q1 2020

Sales split

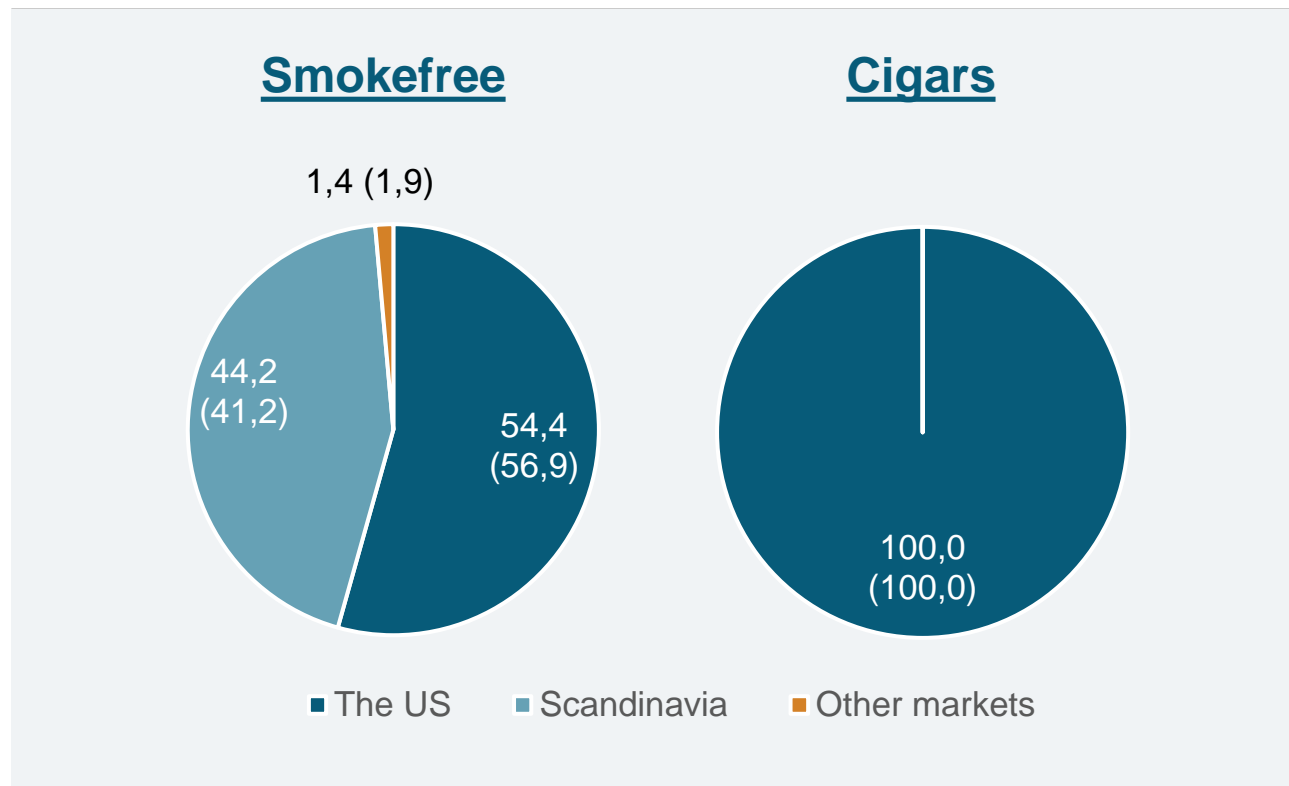
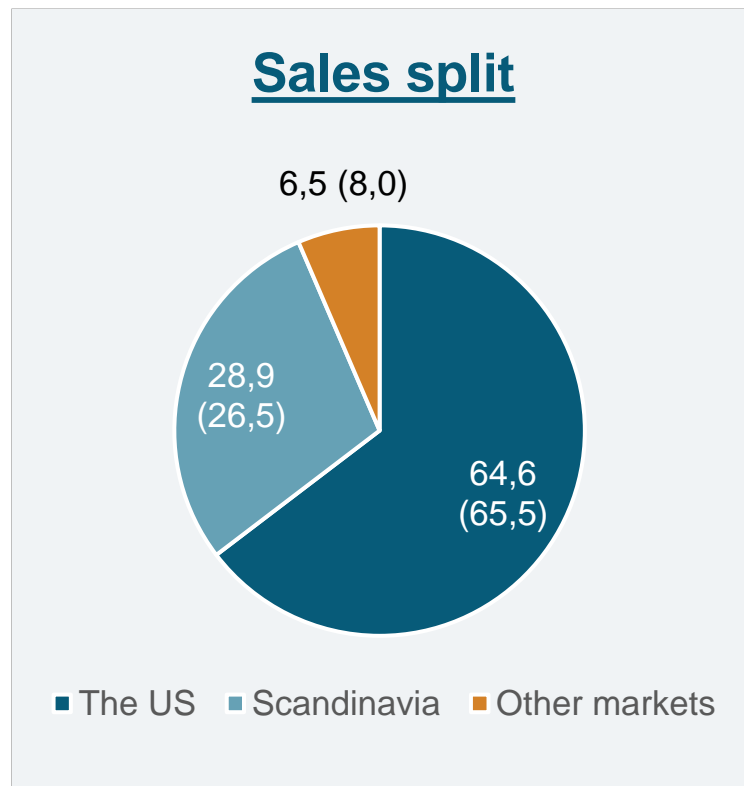


EBIT split



SALES SPLIT BY GEOGRAPHY AND PRODUCT SEGMENT

Sales split in percent, Q1 2021 versus Q1 2020



Q1 HIGHLIGHTS SUMMARY

Strong start of the year with impressive performance across all product segments

- Double-digit sales and operating profit growth across all product segments in local currencies.
- No major operational COVID-19 related disruptions but demand for cigars continued to exceed production capabilities.
- COVID-related effects in aggregate estimated to have elevated the reported financial performance.

Smokefree:

- Operating profit growth of 39% in local currencies driven by continued momentum for US Smokefree and unusually strong development in Scandinavia.
- Continued momentum for ZYN drove US performance while Scandinavia benefitted from timing effect on shipments and COVID-19 related channel mix effects.
- Increased investments in Other markets weighed on operating profit.

Cigars:

- Record volumes, sales and operating profit on the back of strong category growth and improved price mix.
- Swedish Match's market share declined somewhat year-on-year, with gains in HTL-cigars only partially offsetting share losses for natural leaf; impacted by production constraints.
- Production volume in the Dominican facility exceeded pre-Covid levels. However, this was not sufficient to fully meet heightened demand for natural leaf cigars.

Lights:

- Excluding currency translation effects, sales increased for lighters, matches as well as complementary products in Brazil.
- Strong underlying operating profit growth driven by both matches and lighters.

Sales and operating profit in local currencies up by 23% and 39% respectively

	Q1-2021	Q1-2020	chg	April 2020 - March 2021	Full year 2020	chg
Sales, MSEK	2,823	2,508	13	10,966	10,651	3
Operating profit, MSEK	1,465	1,154	27	5,454	5,142	6
Operating margin, %	51.9	46.0		49.7	48.3	



The US*

○ Robust operating profit growth of 36%

- Sales growth driven by a 49% increase in ZYN shipments to 36.9 million cans. Sales also grew for moist snuff on improved pricing but declined marginally for chewing tobacco due to lower volumes.
- Operating profit up sharply for ZYN. Operating profit also up for moist snuff and chewing tobacco.
- Velocities for ZYN continued to grow despite both intense promotional activities and expanded distribution by competition.
- Quarterly marketing expenses for ZYN were very low due to phasing of activities and COVID-19 related restrictions.

Scandinavia

○ Operating profit growth of 45% driven by elevated shipments and positive price/mix

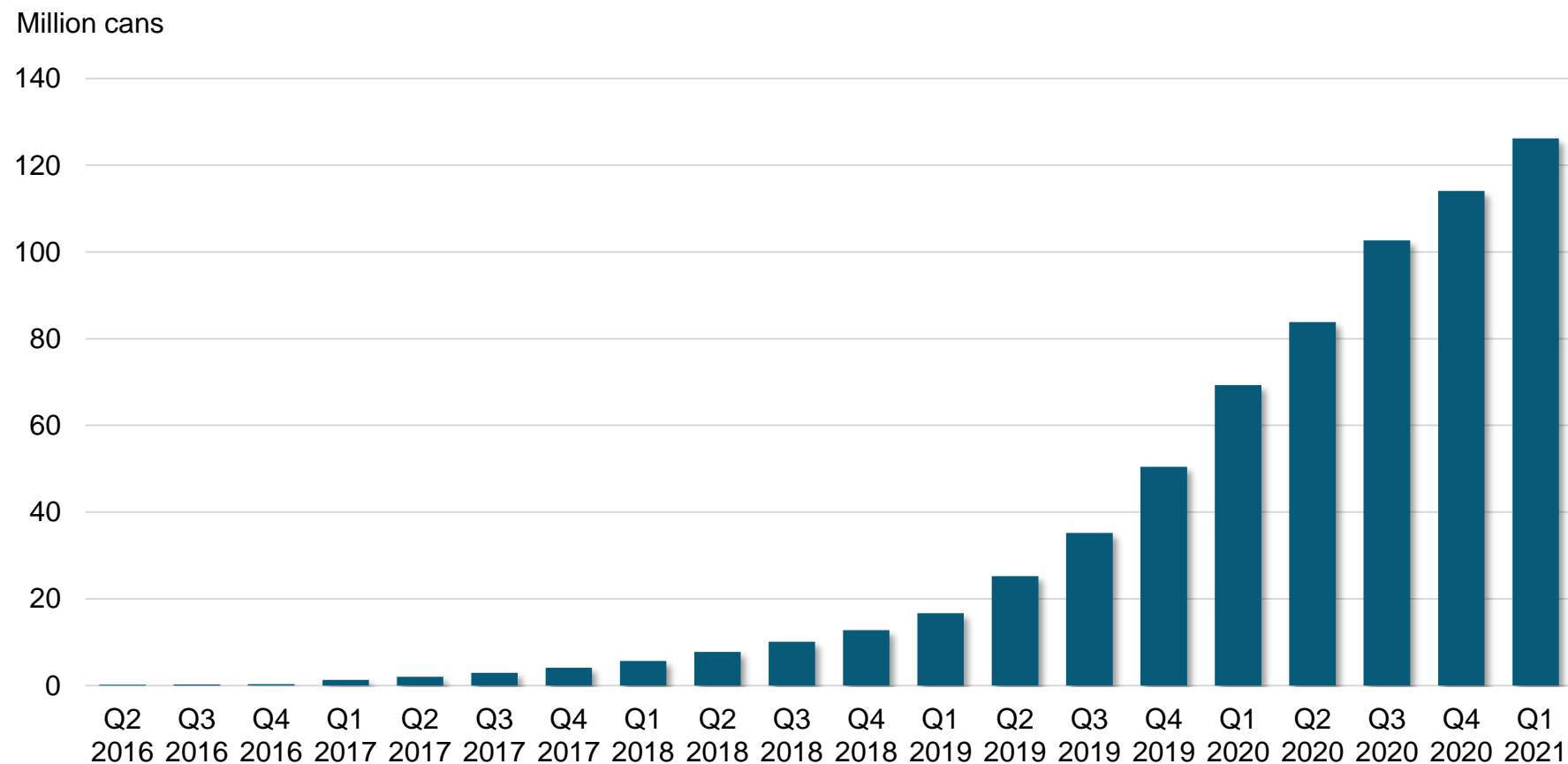
- Swedish Match shipments up by 8% despite continued market share decline on the back of strong category growth and timing effects. Strong Easter sales and replenishment of trade inventories in Norway at the beginning of the year following decreased excise tax.
- Sales further benefitted from price increases and favorable product and channel mix effects (partly COVID-19 related).
- Operating profit growth driven by the higher sales and unusually low administrative expenses due to certain income of a one-time nature.

Other markets

- Growth for nicotine pouches with operating profit burdened by investments as well as declines in sales for chew bags (mainly Germany).

US – ZYN DEVELOPMENT IN THE US

ZYN shipment volumes in the US, 12 months rolling

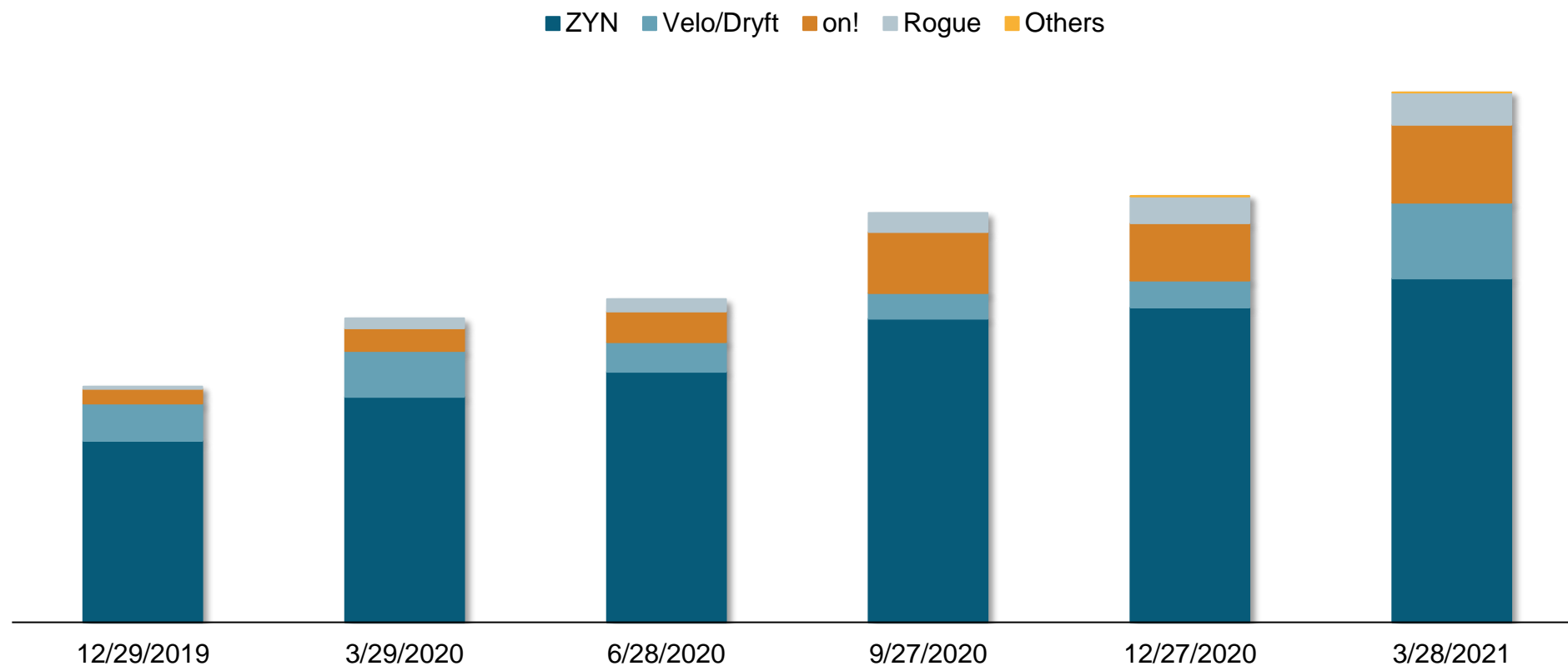


Source: Swedish Match reported shipments.



US – NICOTINE POUCH CATEGORY GROWTH

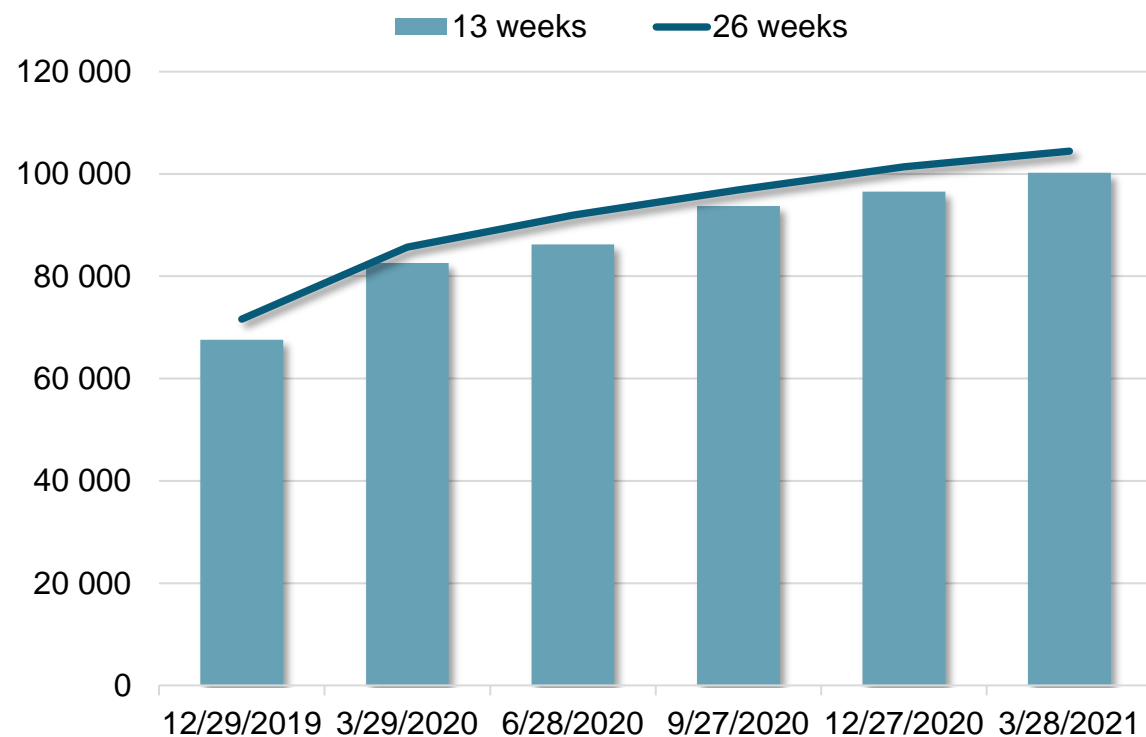
Category volume development, 13-week periods



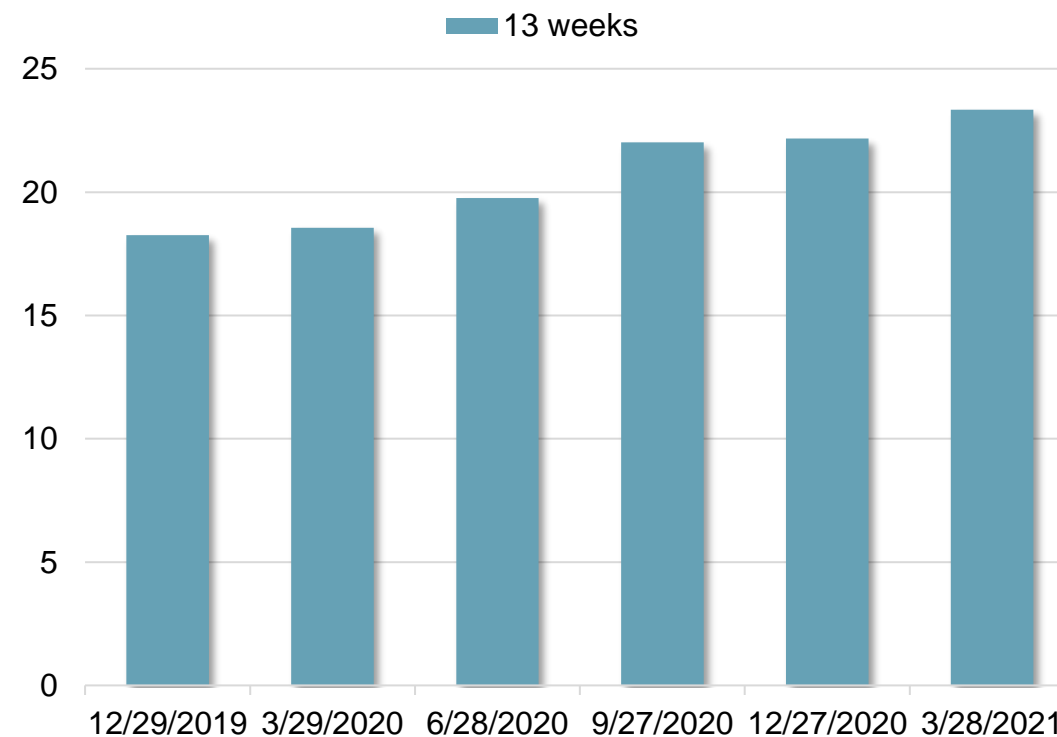
Source: MSA, weekly data.

US – ZYN STORE COUNT AND VELOCITY

Distribution reach, total US (store count)



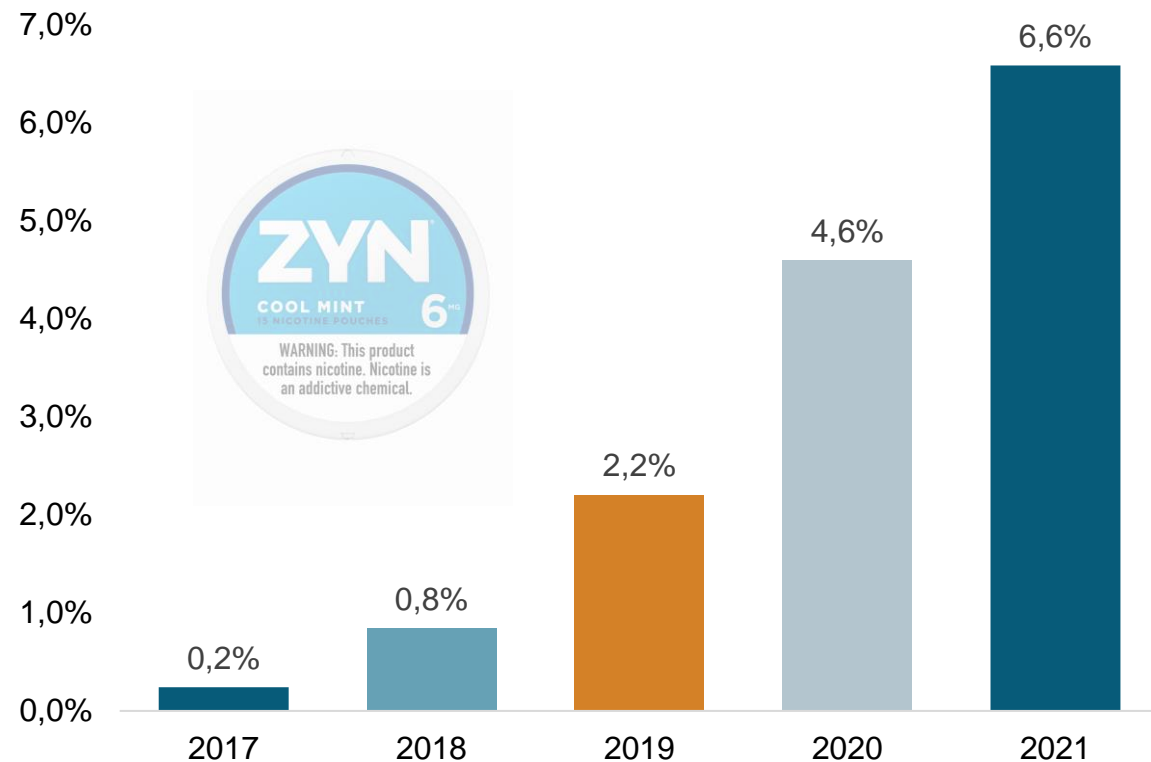
Velocity, total US (cans/store/week)



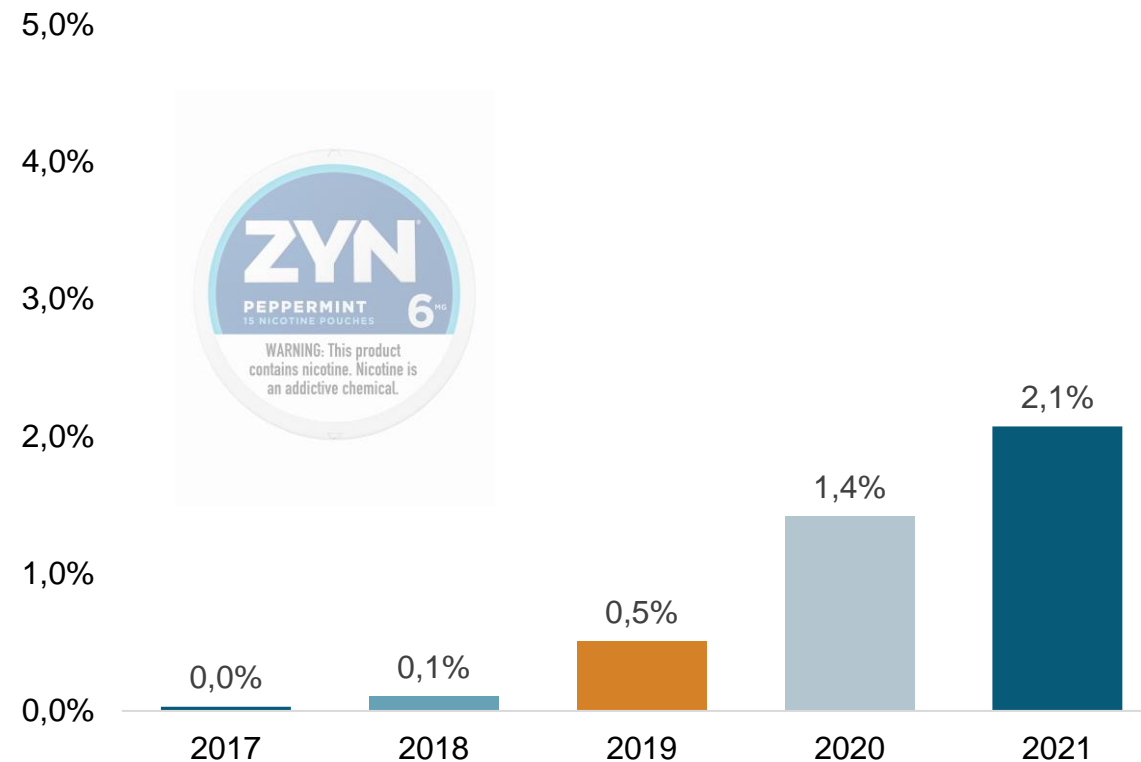
Source: MSA, weekly data. Distribution based on stores ordering ZYN over the past 13w/26w period. Velocity measured in periods of 13w.

US – NICOTINE POUCH CATEGORY VERSUS THE CIGARETTE CATEGORY

The western region*



Total US**

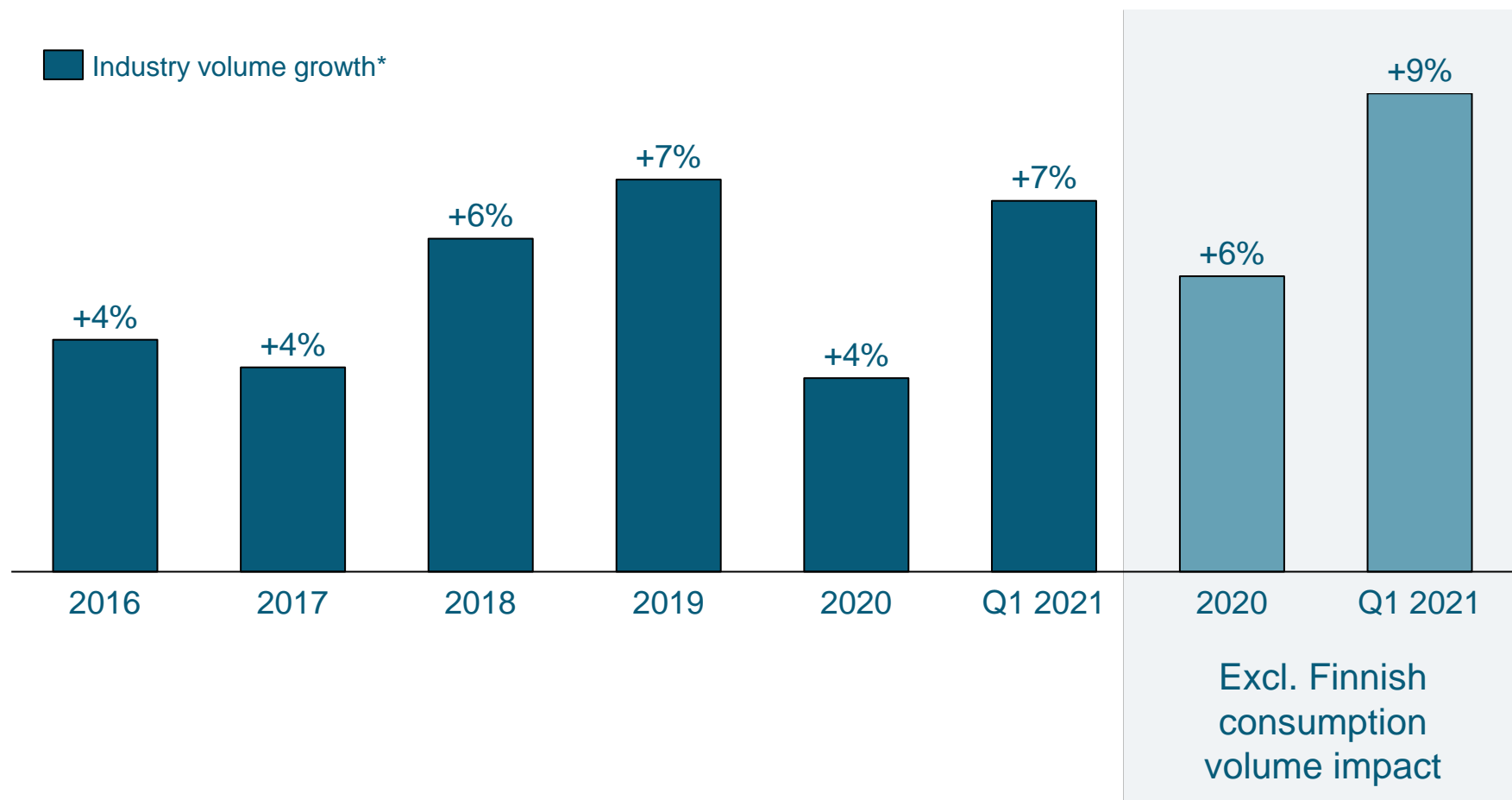


*Initial ZYN launch: June 2016, **National expansion of ZYN in April 2019.

Source: Category estimates (cans) using annualized distributor data (MSA through 3/28/2021) as a % of cigarette volume (packs) for the 2020 fiscal year ending June 30 (cigarette data provided by BofA).

SCANDINAVIA – UNDERLYING VOLUMES

Total underlying Scandinavian volume growth

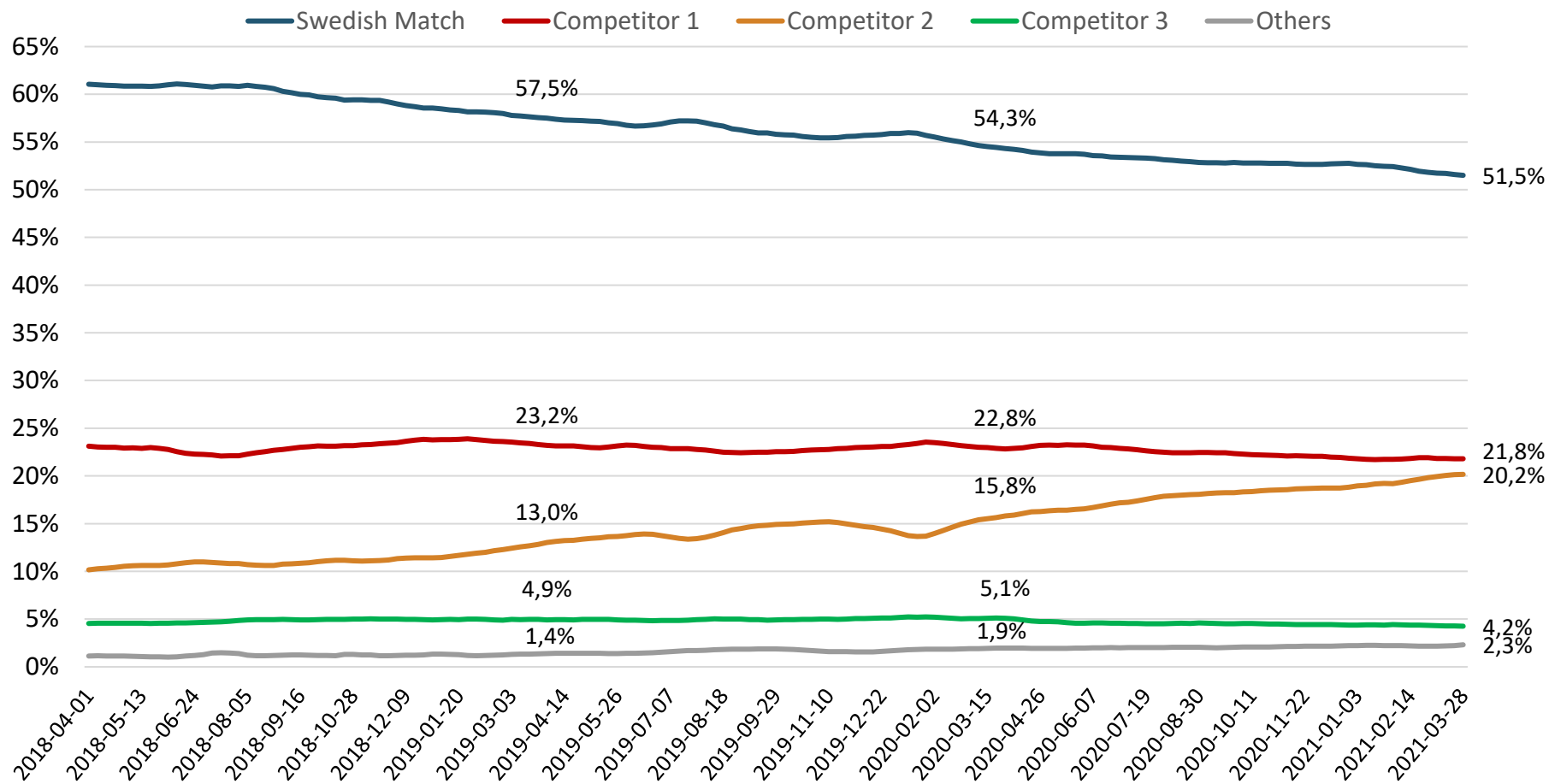


* Based on Nielsen and Swedish Match estimates (adjusted for hoarding).



SCANDINAVIA – SMOKEFREE CATEGORY VOLUME SHARES BY MANUFACTURER

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

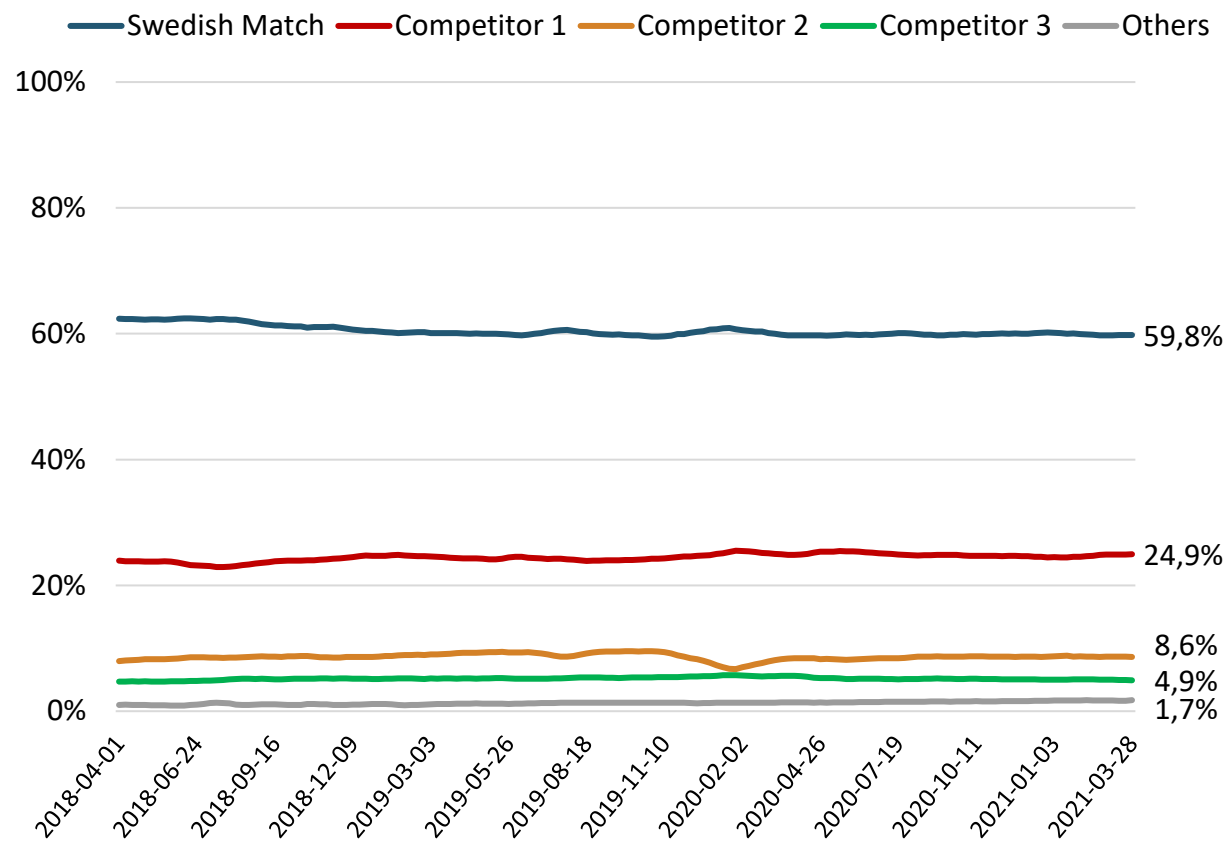


Source: Nielsen Sweden, DVH+SVH/Nielsen Norway, DVH+KBS/Nielsen Denmark, DVH/Convenience. *Including snus, nicotine pouches and chew bags.

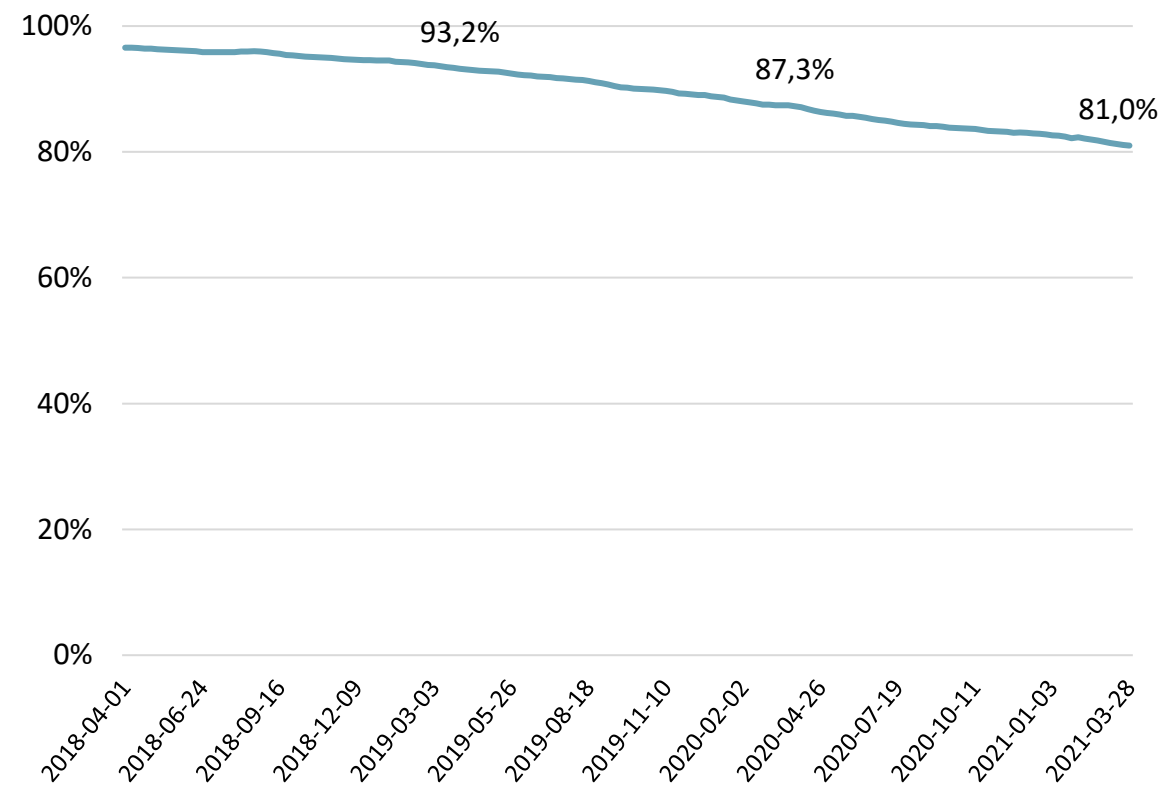
SCANDINAVIA – SNUS CATEGORY DEVELOPMENT

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*

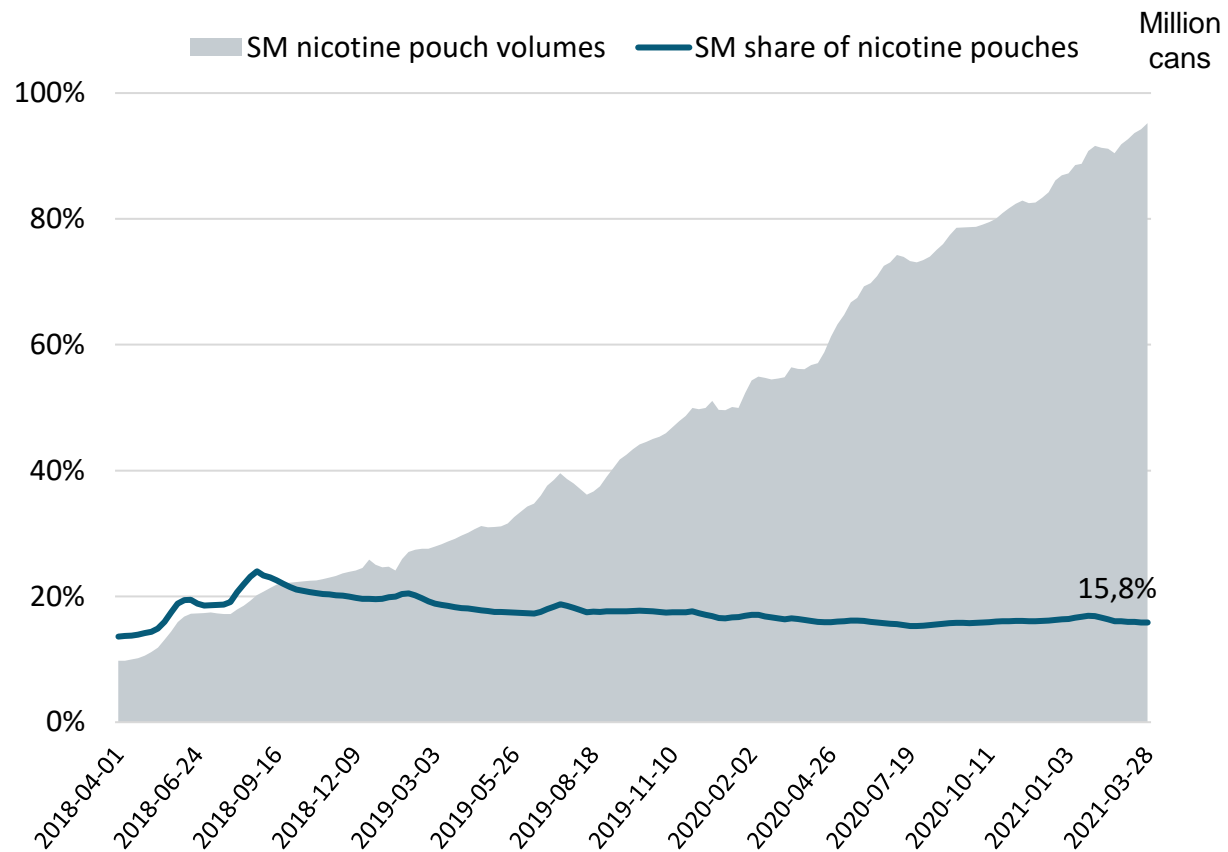


Source: Nielsen Sweden, DVH+SVH/Nielsen Norway, DVH+KBS/Nielsen Denmark, DVH/Convenience. *Including snus, nicotine pouches and chew bags.

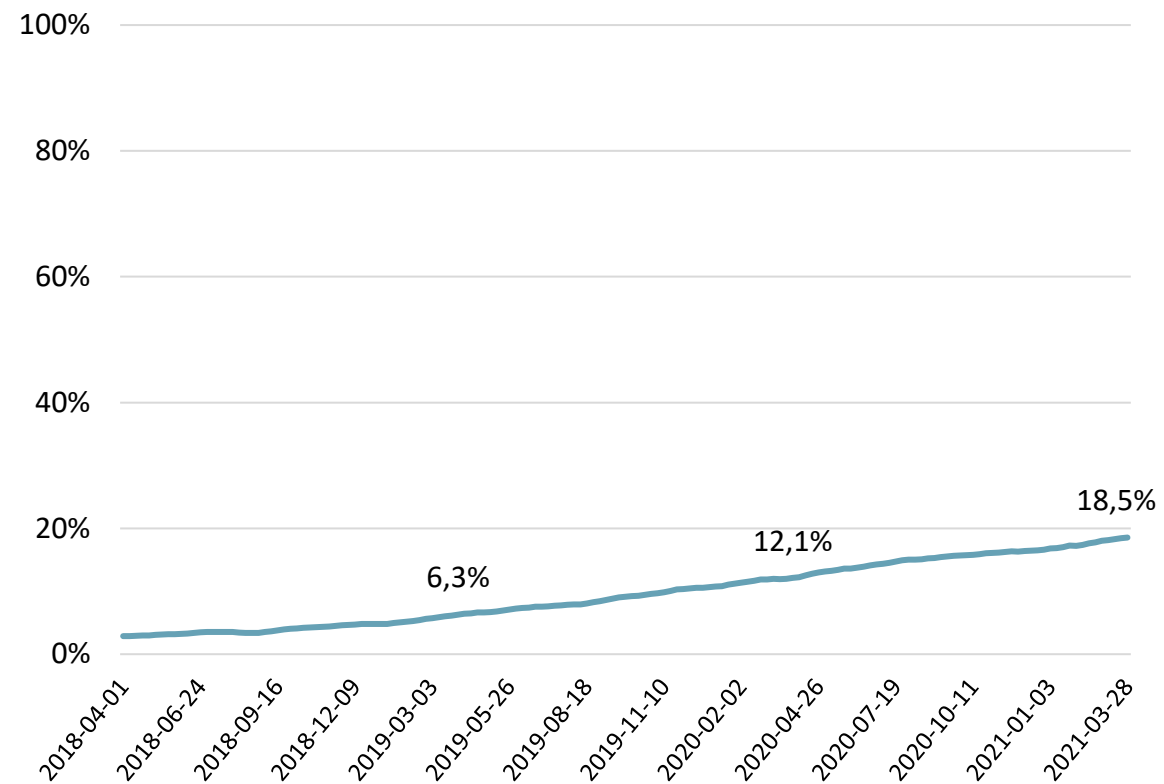
SCANDINAVIA – NICOTINE POUCH CATEGORY

Volume share and volume development, 4-weeks rolling

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

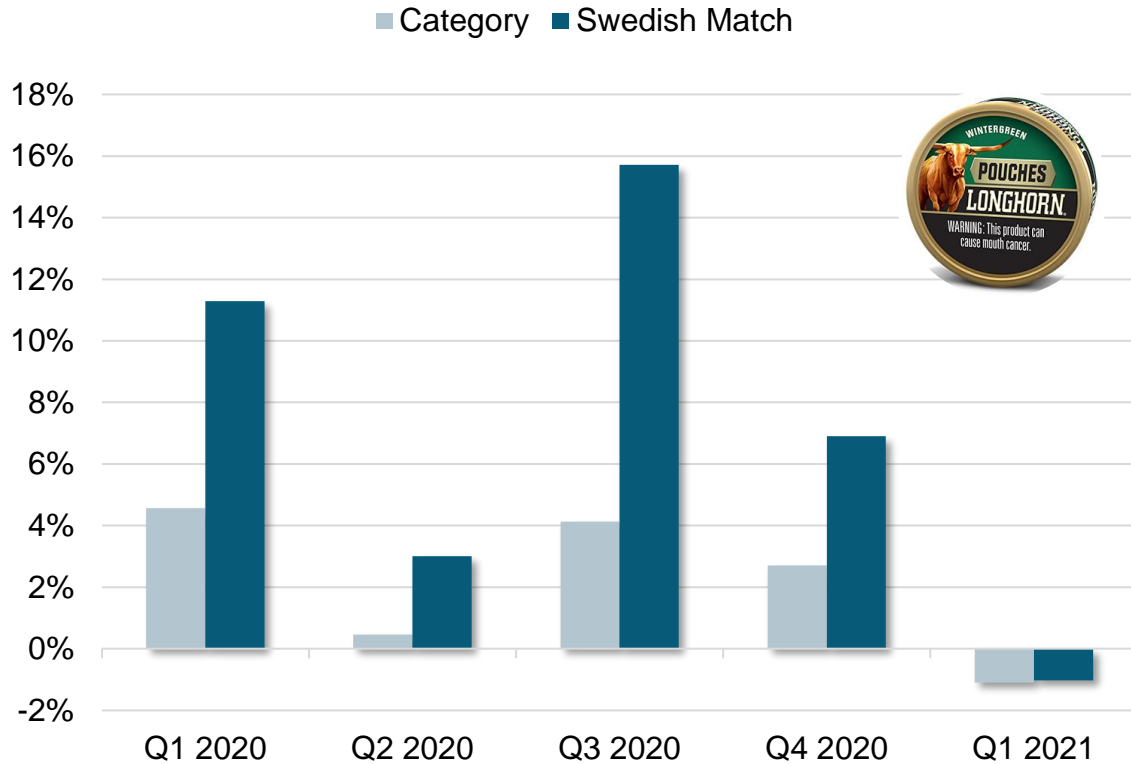


Nicotine pouches as a share of the total smokefree category*

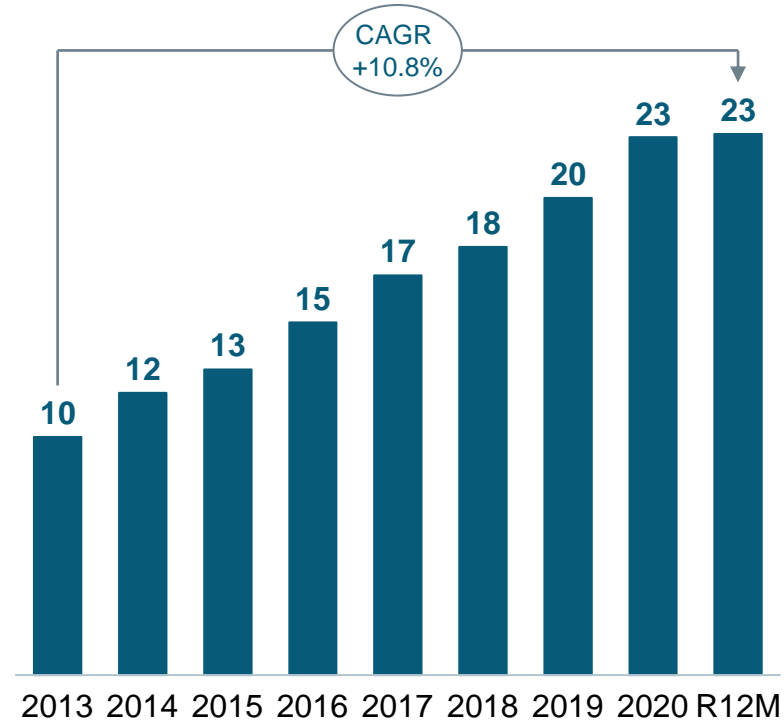


Source: Nielsen Sweden, DVH+SVH/Nielsen Norway, DVH+KBS/Nielsen Denmark, DVH/Convenience. *Including snus, nicotine pouches and chew bags.

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



Moist snuff pouches, Swedish Match Million cans shipped



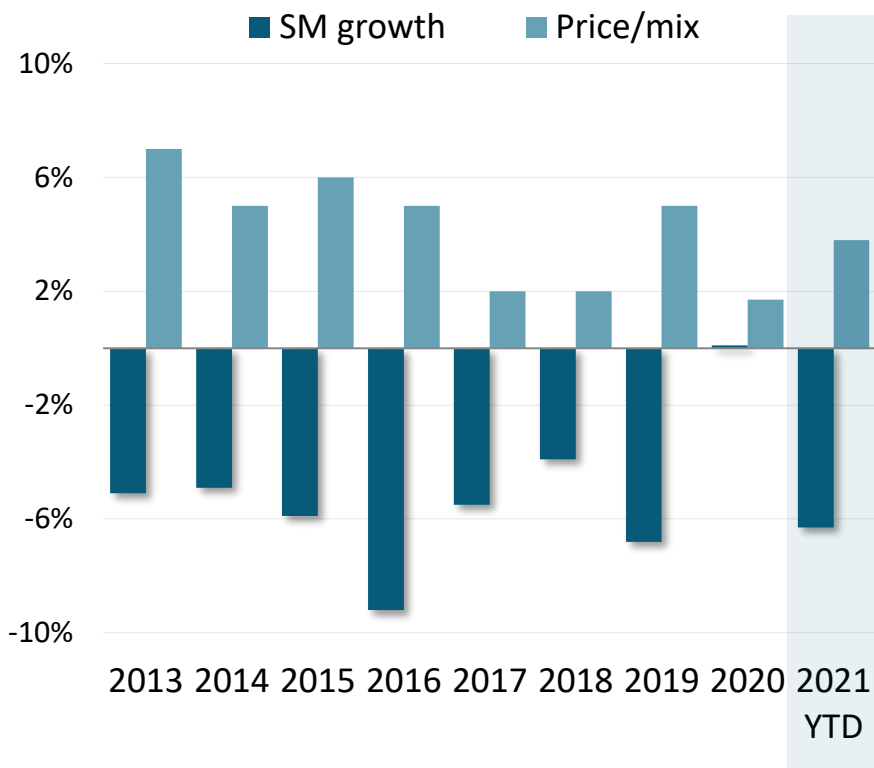
Volume growth pouches R12M Year-on-year



Pouches accounts for 17% of the total category volume.

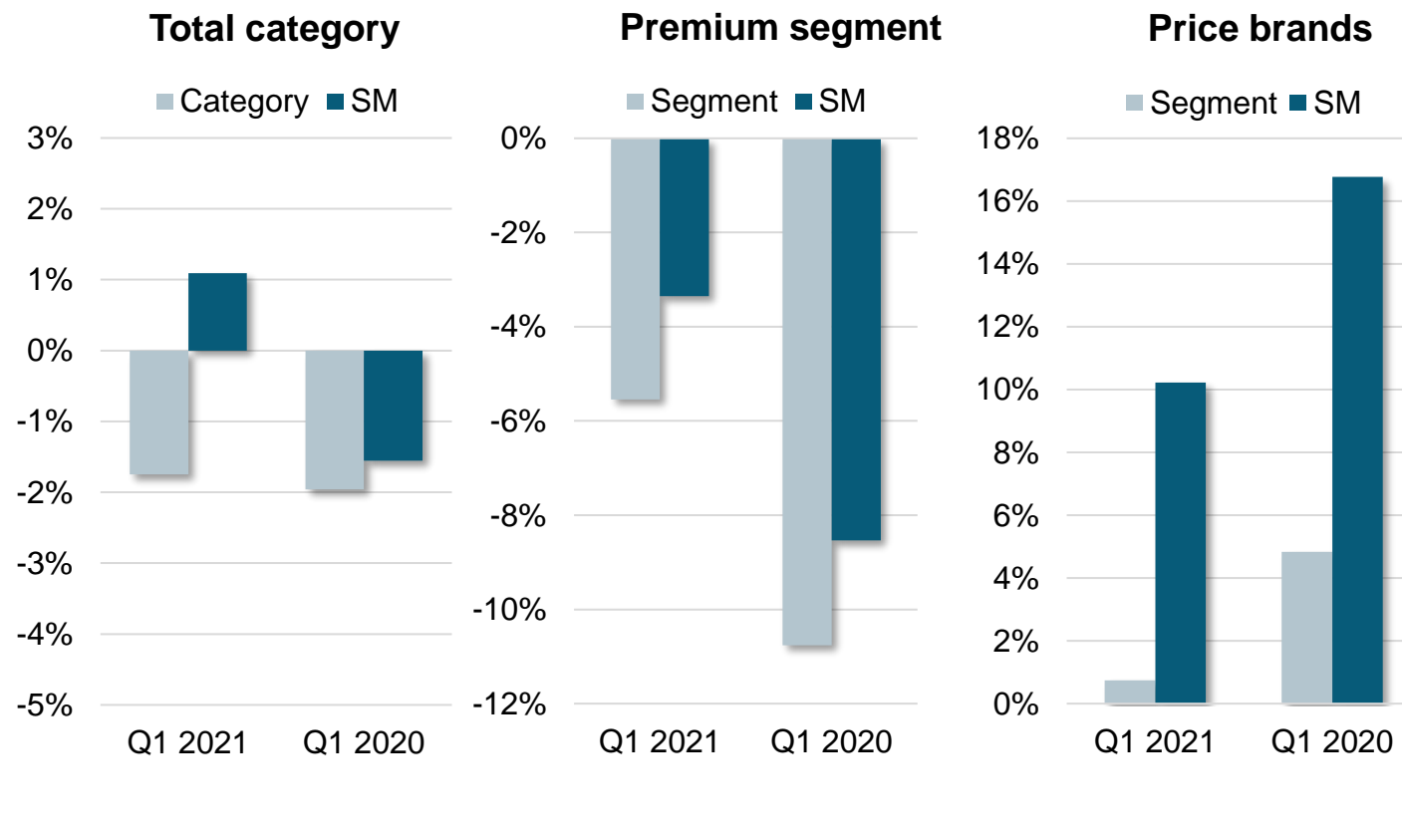
Source: Industry estimates, Swedish Match direct sales, and MSA.

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



On reported basis. Excludes Co-Pack volumes.

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

XR (Sweden)



G.3 (Sweden/Norway)



Swave (Sweden)



Volt (Denmark)



G.4 (Norway)



ZYN (Switzerland)



Snus

XR (Sweden):
Resizing to somewhat smaller cans
(same number of portions per can)



General Onyx (Sweden)



Small Batch No 18 & No 19 (Sweden)



Record quarter for Cigars

	Q1-2021	Q1-2020	chg	April 2020 - March 2021	Full year 2020	chg
Sales, MUSD	149	117	27	524	493	6
Operating profit, MUSD	67	45	47	216	195	11
Operating margin, %	44.8	38.8		41.3	39.6	

○ All time high cigar shipments driven by strong category growth and share gains within HTL

- Cigar shipments grew by 21% driven by a sharp increase for HTL cigars and a modest increase of natural leaf cigars driven by rolled leaf.
- Cigar category estimated to have grown by close to 20%* with natural leaf growth outpacing that of HTL.
- Swedish Match's overall category share declined somewhat with gains in HTL-cigars only partially offsetting share declines for natural leaf.

○ Sales up by 27% driven by volume gains

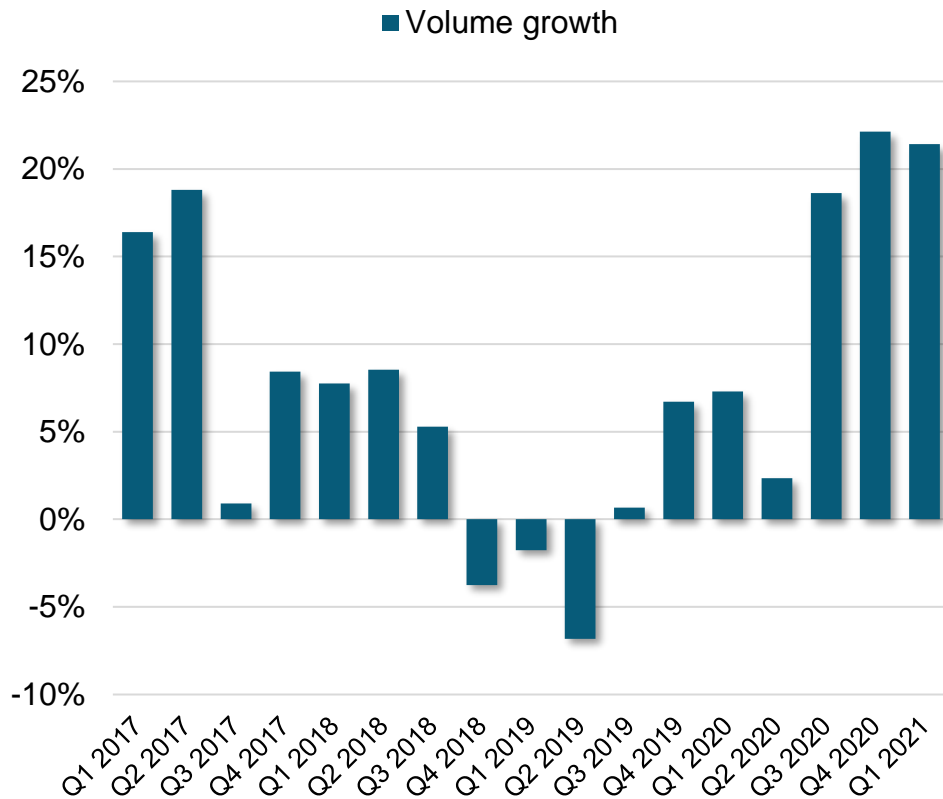
- In addition to the strong volumes, implemented price increases and a favorable portfolio mix benefitted the sales development.
- Production volume in the Dominican facility exceeded pre-Covid levels. However, this was not sufficient to fully meet heightened demand for natural leaf cigars.

○ Operating profit up by 47% driven by the strong sales and gross profit development coupled with limited increase in SG&A



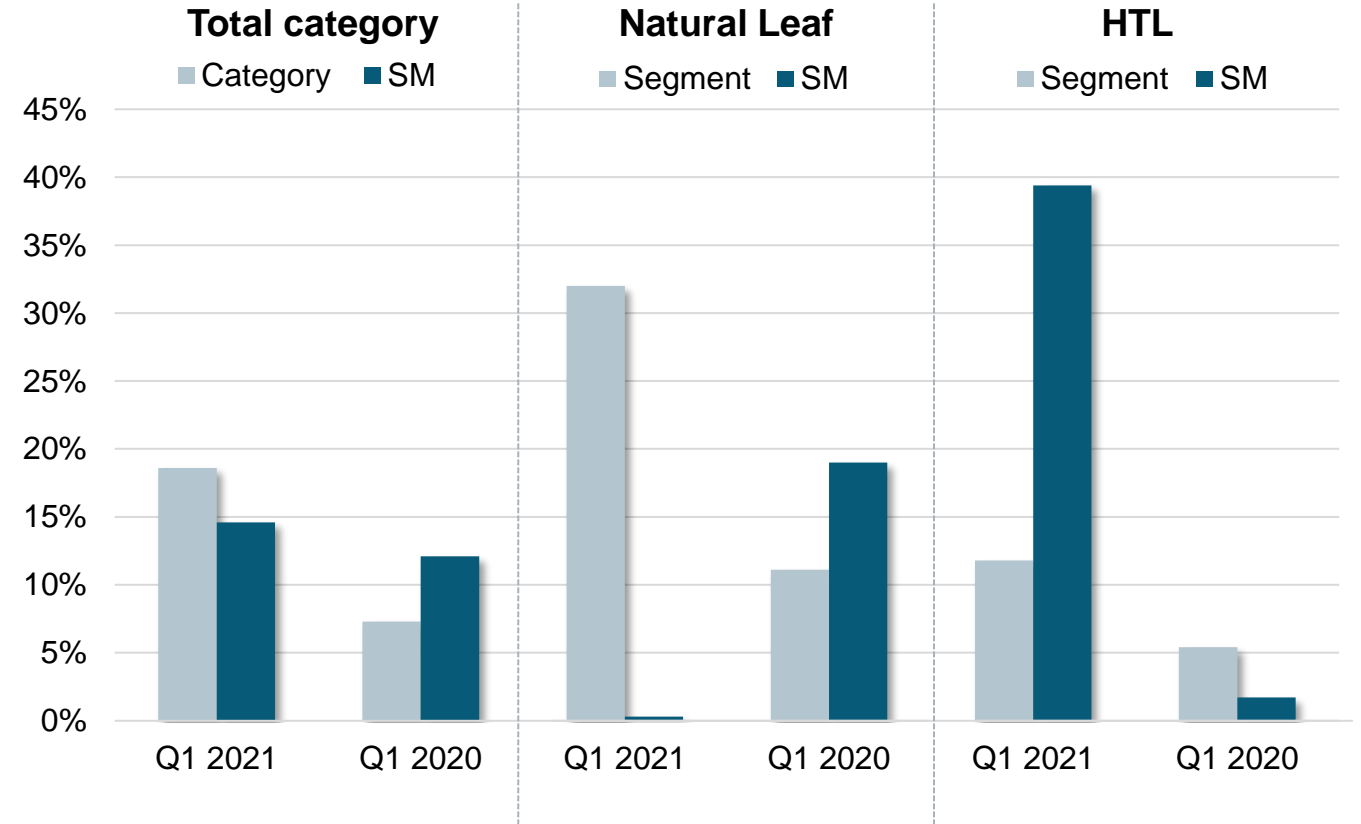
* Source: MSA through March 28, 2021.

Swedish Match shipment volume growth year-on-year



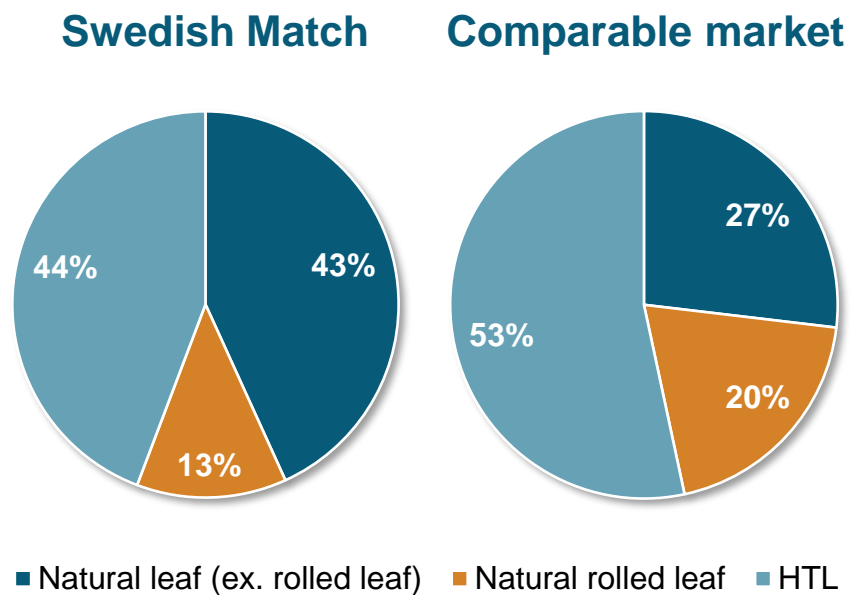
Source: Swedish Match reported shipments.

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



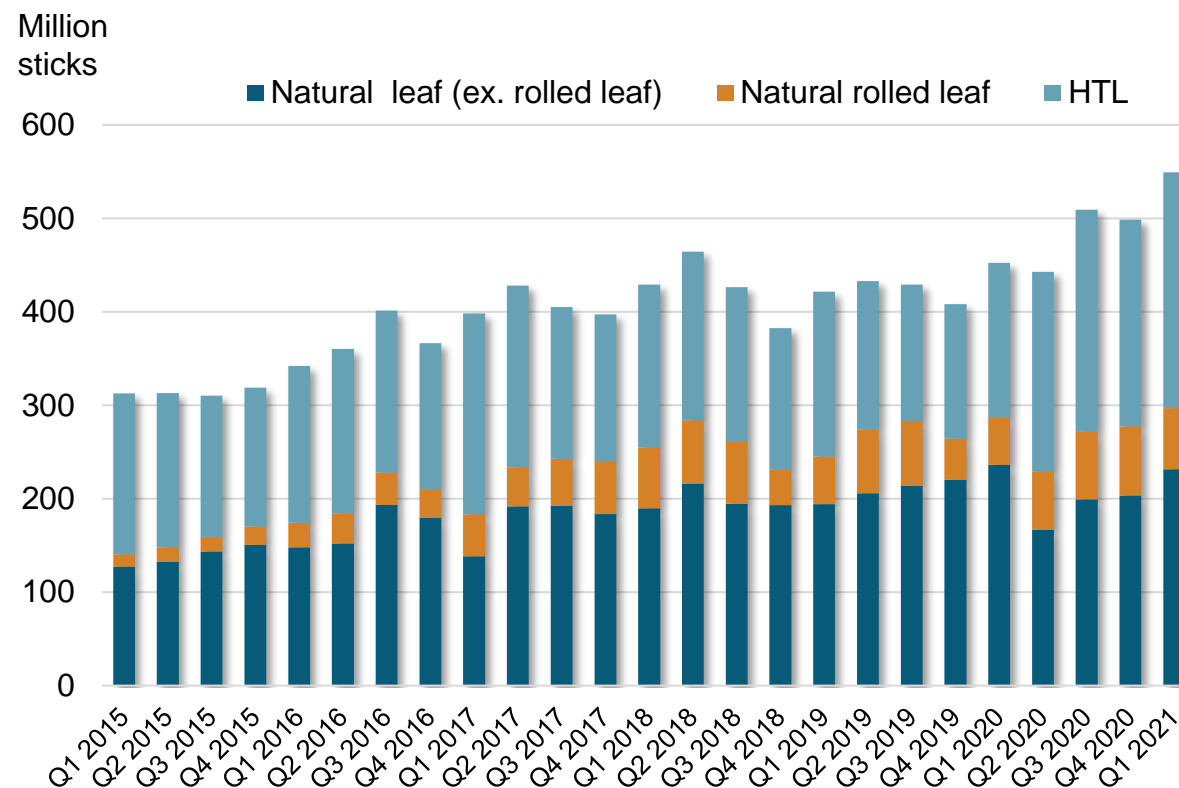
Source: MSA distributor shipments – mass market cigars excluding little cigars.

Split on cigar volumes by segment (Q1 2021)



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.

Strong start to the year across the portfolio hampered by currency headwinds

	Q1-2021	Q1-2020	chg	April 2020 - March 2021	Full year 2020	chg
Sales, MSEK	305	309	-1	1,144	1,149	0
Operating profit, MSEK	67	67	0	222	222	0
Operating margin, %	22.0	21.7		19.4	19.3	



- **Sales up 16% excluding currency translation effects**
 - Higher volumes for both lighters and matches.
 - Sales development also benefitted from product/market mix effects as well as implemented price increases.
 - Sales for complementary products in Brazil continued to grow in local currency.

- **Steady reported operating profit despite one-time income in the prior year and negative currency effects**
 - Operating profit in the prior year period included a 16 MSEK benefit from ruling in Brazil on tax dispute while this year's first quarter benefitted from capital gain of 5 MSEK relating to disposal of excess forestry assets.
 - Excluding currency translation effects and above-mentioned gains, operating profit increased by 22 MSEK on the back of the robust top-line development.

○ FDA

- Swedish Match filed PMTA applications for all its ZYN products presently on the US market well in advance of the deadline in September 2020. The applications are under scientific review and Swedish Match has submitted all additional information requested by the authority during the review. The FDA has not communicated when the scientific review will be finalized.
- Swedish Match has submitted substantial equivalence applications for all of its cigar products available on the US market, all of which have passed the initial FDA application review. Substantive review has commenced for at least 27 of these applications for which requests for additional information have been issued from the authority.
- On April 29th, the FDA announced that it is working toward issuing proposed product standards within the next year to ban all characterizing flavors (including menthol) in cigars. The intent to issue such a proposed rule is in line with previous announcements made by the agency since 2016. Any proposed rule will be open for public comments before a final rule is published.

REGULATORY EVENTS

○ Steps taken to regulate nicotine pouches in Europe

- In Denmark, a display ban for all tobacco products, as well as for nicotine pouches became effective April 1, 2021, and at the same time the sampling ban applicable on tobacco products also became applicable on nicotine pouches. Plain packaging will apply to chewing products (produced after July 1) but not to nicotine pouches.
- In Sweden, an official inquiry mandated by the Government has made a proposal for new legislation on nicotine pouches and has suggested that such legislation should become effective in July 2022. The proposed legislation largely reflects regulation for smokefree tobacco but with somewhat less restrictive rules on marketing.
- The Czech Republic and Iceland have passed specific regulations relating to nicotine pouches thus recognizing the product category.

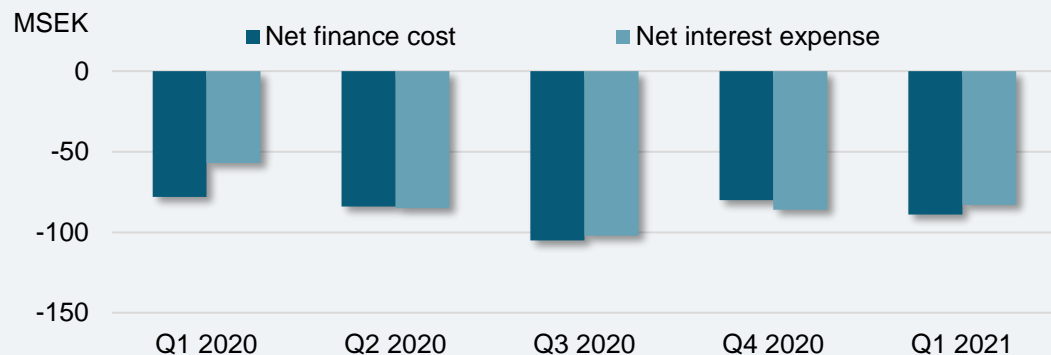
○ Germany/Italy

- A number of German local authorities have imposed sales bans on nicotine pouches with specific reference to food regulation. Swedish Match has halted sales pending regulatory clarity.
- In Italy, authorities are currently investigating the regulatory status for nicotine pouches and Swedish Match is currently not selling these products on the market.

FINANCE NET AND EPS

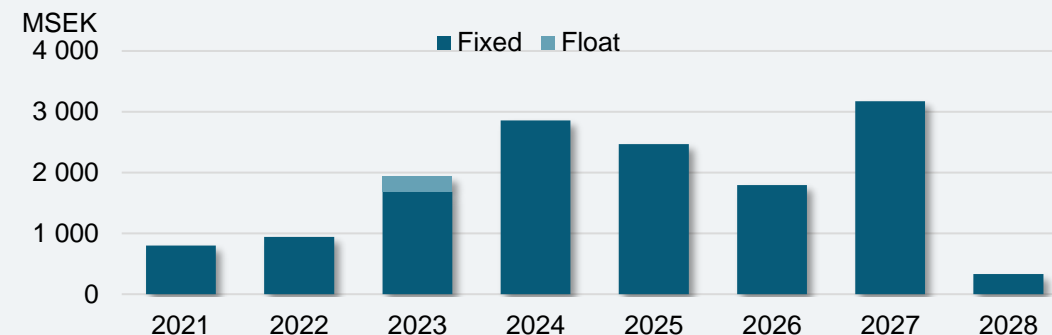
Development of the finance net

By quarter



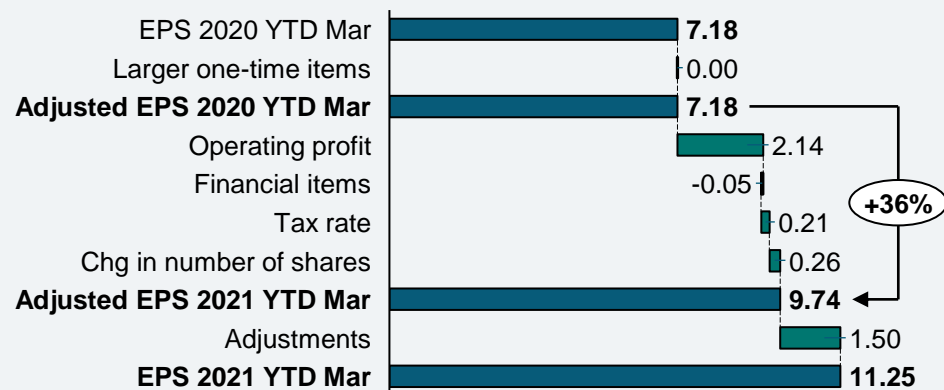
Maturity profile of interest bearing liabilities

Debt as of March 31, 2021

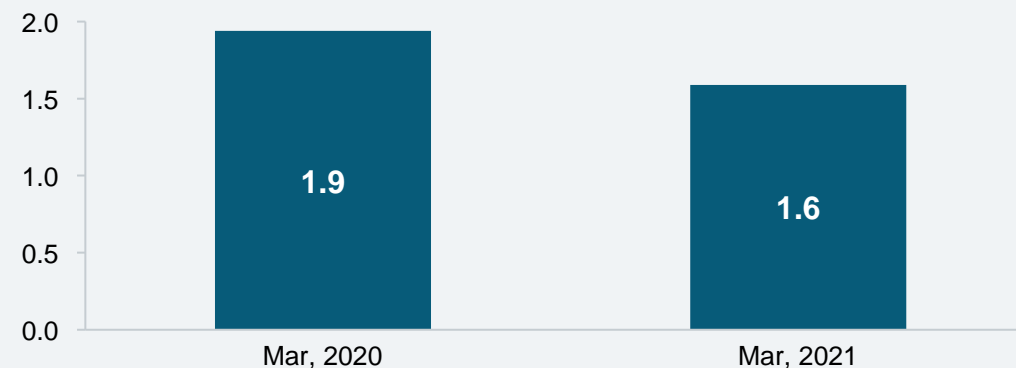


EPS bridge

YTD 2021 vs YTD 2020 (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.