

Interim Report January – March 2021

Impressive Q1 performance across all product segments

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

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



CEO Lars Dahlgren comments:

Impressive underlying performance in all product segments

Swedish Match delivered an impressive financial performance in the first quarter. We remain encouraged by the strong market growth for the nicotine pouch category as consumers continue to seek satisfying alternatives to cigarettes and other traditional tobacco products, and we are excited to be well positioned to participate in this market dynamic. For our ZYN business in the US, shipment volumes increased markedly on a sequential basis even as competitors expanded distribution while simultaneously employing aggressive promotional pricing as a means to drive trial. Still, our own velocity rates measured on a cans per store per week basis continued to grow, remaining notably higher than competitive brands.

In Scandinavia, we reported unusually strong results in the quarter, especially in Norway. In January, the excise tax on snus and nicotine pouches in Norway was reduced by more than 20 percent, resulting in distributor and retail destocking in late 2020. Higher than normal shipment levels due to the replenishment of Norwegian inventories at the beginning of the year, strong underlying demand across Scandinavia as well as extra deliveries ahead of the Easter holidays coupled with a favorable price/mix collectively resulted in a very positive performance for our Scandinavian smokefree business.

For nicotine pouches in the US, Scandinavia, and in other markets, we will be stepping up our marketing activities over the course of 2021 from what were rather modest levels during the first quarter, not only in terms of heightened consumer engagement and loyalty programs, but also in terms of expanded product range availability, product visibility at retail, and a broadening of our brand portfolio. In the US, in addition to notable increases in trade and consumer activities, we will be expanding the availability of ZYN Chill and ZYN Menthol, building on the success of our non-flavored and mint varieties. We believe that ZYN Menthol will be an attractive offering for consumers wishing to migrate from menthol smoking products. In Scandinavia, activities will include line extensions under existing brands as well as the introduction of nicotine pouches under differentiated brands to help broaden our presence and appeal to different consumer groups. We will also continue to invest behind our long-term efforts to build a presence for nicotine pouches outside of the US and Scandinavia.

Our US cigar business also delivered an outstanding performance in the quarter, driven by heightened demand for both our HTL and natural leaf varieties resulting in another record quarter. The financial performance also benefited from an increase to our *White Owl* list price in January of this year. We note that while it is likely that COVID-19 effects have increased consumer usage occasions in the US, underlying demand is nonetheless very strong. With our broad portfolio, we are well positioned to easily adapt to changes in consumer preferences and regulatory dynamics.

The performance of our lights business was also solid with volume growth for both matches and lighters, and impressive underlying profit growth.

At the most recent AGM, the shareholders approved all Swedish Match proposals including a dividend of 15 SEK per share, as well as a 10-for-1 stock split, which should provide opportunities to more people to take an ownership stake through a more affordable share price.

I am very pleased with our first quarter performance and look forward to the opportunities and challenges facing Swedish Match with confidence. I am also hopeful that we are beginning to see a bit of light at the end of the COVID tunnel, and wish our employees, shareholders, customers, and consumers continued strength and good health during the remainder of 2021.

Summary of consolidated income statement

MSEK	January-March		Chg %	Full year 2020
	2021	Restated 2020 ⁴⁾		
Sales	4,455	4,029	11	16,698
Sales from product segments ¹⁾	4,376	3,945	11	16,332
Operating profit from product segments ¹⁾	2,092	1,659	26	7,160
Operating profit, excl. larger one-time items ²⁾	2,054	1,601	28	6,991
Operating profit	2,354	1,601	47	6,991
Profit before income tax	2,265	1,523	49	6,644
Profit for the period	1,780	1,168	52	4,888
Operating margin from product segments, % ¹⁾	47.8	42.1		43.8
Earnings per share, basic and diluted, SEK	11.25	7.18		30.38
Adjusted earnings per share, basic and diluted, SEK ³⁾	9.74	7.18		32.16

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

2) Excluding a larger one-time item during the first quarter 2021, relating to a settlement income of 300 MSEK.

3) Adjusted earnings per share in 2021 excludes settlement income of 300 MSEK (238 MSEK net of tax). 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 6.

4) Operating profit for the Group and for the Cigars product segment has been restated for the first quarter 2020 following an accounting error that has been corrected, see Note 1.

The first quarter

(Note: Comments below refer to the comparison between the first quarter 2021 vs. the first quarter 2020).

Sales

Group sales and sales from product segments increased by 11 percent to 4,455 MSEK (4,029) and 4,376 MSEK (3,945), respectively. In local currencies, sales from product segments increased by 23 percent, with all product segments contributing to the growth. Currency translation negatively affected the comparability of sales from product segments by 493 MSEK.

The Smokefree product segment was the largest contributor to sales growth, with impressive contributions from both the US and the Scandinavian smokefree businesses. The Cigars product segment also delivered outstanding sales growth, driven by increased shipment volumes combined with improved pricing. For Lights, sales grew when adjusted for currency translation, from both higher volumes and positive price/mix effects.

Earnings

Operating profit from product segments increased by 26 percent to 2,092 MSEK (1,659). In local currencies, operating profit from product segments was up by 40 percent. During the quarter, a settlement income of 300 MSEK, relating to a previously ongoing arbitration concerning nicotine pouches was recognized as a larger one-time item. Group operating profit, including larger one-time items, increased to 2,354 MSEK (1,601). Currency translation has affected the comparison of the operating profit negatively by 238 MSEK.

On a constant currency basis, all product segments reported strong earnings growth, with the Smokefree product segment accounting for the largest portion of this growth, sourced from both the US and Scandinavia. Cigars exhibited robust earnings growth, driven by the higher sales. Excluding adverse currency translation effects, the operating profit for the Lights product segment was up sharply.

The Group's net finance cost increased to 89 MSEK (78) primarily due to reduced financial returns on surplus cash and costs related to early repayment of short-term bond loans. The income tax expense amounted to 485 MSEK (354) and the reported corporate tax rate was 21.4 percent (23.3). The lower corporate tax rate is mainly a consequence of a revaluation of deferred tax liabilities following an enacted state tax decrease in Alabama coupled with a lower corporate income tax rate in Sweden as from January 1, 2021. The corporate tax rate, excluding associated companies and non-recurring tax items, was 22.8 percent (22.8).

The Group's profit for the period amounted to 1,780 MSEK (1,168), including the after tax effect of the reported larger one-time item amounting to 238 MSEK.

Smokefree

First quarter highlights:

- Operating profit growth of 39 percent 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.



Key data

MSEK	January-March		Chg %	Full year 2020
	2021	2020		
Sales	2,823	2,508	13	10,651
Operating profit	1,465	1,154	27	5,142
Operating margin, %	51.9	46.0		48.3
EBITDA	1,561	1,252	25	5,539
EBITDA margin, %	55.3	49.9		52.0
Depreciation, amortization and impairment	-96	-98		-397
Capital expenditures	246	155	58	1,003

The first quarter

(Note: Comments below refer to the comparison between the first quarter 2021 vs. the first quarter 2020).

In local currencies, sales for the Smokefree product segment increased by 23 percent. Currency translation affected the sales comparison negatively by 252 MSEK. Operating profit in local currencies increased by 39 percent with currency translation effects amounting to -140 MSEK. Sales and operating profit in local currencies increased sharply in both the US and in Scandinavia. For Other markets, sales declined as a consequence of lower chewing tobacco volumes and increased investments relating to nicotine pouches weighed on operating profit.

The US

Key data

	January-March		Chg %	Full year 2020
	2021	2020		
Financials, MSEK				
Sales	1,535	1,427	8	5,818
Operating profit	793	671	18	2,802
Operating margin, %	51.7	47.0		48.2
Financials, MUSD				
Sales	183	148	24	632
Operating profit	94	69	36	304
Operating margin, %	51.7	47.0		48.2
Shipment volumes				
Moist snuff, million cans	34.0	35.2	-4	133.3
Nicotine pouches, million cans	36.9	24.9	49	114.1
Chewing tobacco, thousands of pounds (excluding contract manufacturing volumes)	1,351	1,440	-6	5,687

Market shares¹⁾

Percent	January-March		Chg ppts	Full year 2020
	2021	2020		
Nicotine pouches	64.9	74.1	-9.2	74.8
Moist snuff	8.8	8.8	0.0	8.8
Chewing tobacco (excluding contract manufacturing volumes)	41.4	40.2	1.2	40.5

1) Based on MSA distributor shipments: 13 weeks to March 28, 2021 and March 29, 2020, respectively. Figures for 2020 have been restated to reflect changes in MSA store measurements.

The sales growth in local currency of 24 percent was driven by ZYN, which saw shipments increase to a record level of nearly 37 million cans. Sales grew for moist snuff on improved pricing while sales for chewing tobacco declined marginally due to lower volumes.

ZYN experienced increased store velocities despite intense promotional activities and expanded distribution by competition. Store count distribution also increased somewhat during the quarter. For moist snuff, shipment volumes for *Longhorn* were essentially flat, while overall volumes declined due to both prior year hoarding as well as SKU rationalizations/discontinuations. Sales for moist snuff increased as a result of improved average pricing despite the modest volume declines. Chewing tobacco sales declined as upward price adjustments were more than offset by volume declines and a continued mix shift toward value brands.

Operating profit in local currency increased by 36 percent driven by higher volumes for ZYN. Operating profit also increased for moist snuff and chewing tobacco, favorably impacted by improved pricing. First quarter spending behind brand building and other marketing related activities for ZYN, were exceptionally low due to planned calendar phasing of various programs and continued COVID-19 restrictions that limited certain activities.

According to MSA data that measures shipments from distributors to retail, ZYN experienced market share declines driven by the aggressive distribution build and heavy price promotions by competition. Despite the intense competitive activity, based on the same MSA data, ZYN velocities continued to grow, both in the western US where ZYN was originally launched in 2016, as well as in the rest of the US where ZYN was introduced during 2019.

Scandinavia

Scandinavia refers to Sweden, Norway, and Denmark.

Key data

	January-March		Chg %	Full year 2020
	2021	2020		
Financials				
Sales, MSEK	1,249	1,033	21	4,675
Operating profit, MSEK	720	496	45	2,465
Operating margin, %	57.6	48.0		52.7
Shipment volumes				
Snus, million cans	60.9	56.5	8	243.6
Nicotine pouches, million cans	4.4	2.8	56	13.1
Chew bags and tobacco bits, million cans	1.0	1.1	-9	4.4

Market shares, Scandinavia¹⁾

Percent	January-March		Chg ppts	Full year 2020
	2021	2020		
Snus ²⁾	59.8	60.2	-0.4	60.0
Nicotine pouches ³⁾	16.2	16.6	-0.4	16.0
Total⁴⁾	51.9	55.0	-3.0	53.5

1) Based on Nielsen data (excluding tobacconists and e-commerce): 13 weeks to March 28, 2021 and March 29, 2020 respectively. All figures have been restated to reflect changes in Nielsen store measurements.

2) Includes snus in Sweden and Norway. Snus is not allowed to be sold in Denmark.

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

4) Includes snus in Sweden and Norway, chew bags in Denmark, and nicotine pouches in all three countries.

In local currencies sales and operating profit for Smokefree in Scandinavia grew by 23 and 49 percent, respectively. The increase in local currency sales resulted from higher shipment volumes, effected price increases as well as positive product and channel mix effects. Shipment volumes benefitted from timing effects, including replenishment of trade inventories in Norway following the 1st of January excise tax decrease as well as high purchases by the trade ahead of Easter holidays. In addition to the strong increase in sales, the operating profit development benefitted from unusually low administrative expenses, due to certain income of a one-time nature.

Due to COVID-19 related travel restrictions and channel shifts, it remains a challenge to get an accurate read of the underlying growth of the Scandinavian smokefree market, especially for shorter periods. Swedish Match estimates that the category continued to grow during the first quarter on an underlying basis in all geographies (Sweden, Norway, and Denmark), with the most rapid growth in percentage terms being Denmark. Swedish Match estimates that the Scandinavian smokefree category grew by close to 7 percent in volume terms.

According to Nielsen, on a sequential basis relative to the fourth quarter of 2020, Swedish Match's market share of the Scandinavian smokefree category declined by less than 1 percentage point in the first quarter. Swedish Match marginally gained market share on a sequential basis within nicotine pouches, marginally lost market share within snus and the main driver for the overall share decline was segment mix effects. Segment mix effects was also the main reason behind the 3 percentage point share decline on a year-on-year basis.

Other markets

Key data

	January-March		Chg	Full year
	2021	2020	%	2020
Sales, MSEK	40	48	-17	158
Operating profit, MSEK	-48	-13		-125
Operating margin, %	-120.5	-27.2		-79.1
Shipment volumes, million cans ¹⁾	2.0	2.3	-14	7.9

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

For Smokefree in Other markets, sales declined principally due to steep declines for chewing tobacco shipments to Germany following the adverse ruling in the Bavarian Administrative Court specifying that certain chewing tobacco products shall be considered oral tobacco and therefore be subject to the ban on sales of snus in the EU outside Sweden. The decline in sales for chewing tobacco was partially offset by strong growth in sales of nicotine pouches in Europe from a low base. In addition to the effects of the decline in sales, the reported operating loss reflected continued investments to support future growth in several markets.

Cigars

First quarter highlights:

- 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.



Key data

MSEK	January-March		Chg %	Full year 2020
	2021	Restated 2020 ¹⁾		
Sales	1,249	1,128	11	4,533
Operating profit	560	438	28	1,796
Operating margin, %	44.8	38.8		39.6
EBITDA	581	460	26	1,883
EBITDA margin, %	46.5	40.8		41.5
Depreciation, amortization and impairment	-21	-22		-87
Capital expenditures	18	24	-23	74

1) Restated to reflect a correction of an accounting error relating to elimination of internal profits in inventory that understated the previously reported operating profit for the Group and for the Cigars product segment, see Note 1.

Key data

MUSD	January-March		Chg %	Full year 2020
	2021	Restated 2020 ¹⁾		
Sales	149	117	27	493
Operating profit	67	45	47	195
Operating margin, %	44.8	38.8		39.6
EBITDA	69	48	45	205
EBITDA margin, %	46.5	40.8		41.5
Depreciation, amortization and impairment	-3	-2		-9
Capital expenditures	2	2	-12	8

1) Restated to reflect a correction of an accounting error relating to elimination of internal profits in inventory that understated the previously reported operating profit for the Group and for the Cigars product segment, see Note 1.

The first quarter

(Note: Comments below refer to the comparison between the first quarter 2021 vs. the first quarter 2020).

The Cigars product segment derives its sales and profit almost exclusively from the US operations. The 27 percent increase in local currency sales was sourced from strong volume development as well as improved price/mix. The volume performance was driven by continued impressive performance for Homogenized Tobacco Leaf (HTL) cigars, fueled by increased velocity for the *White Owl* brand, as well as a modest increase of natural leaf cigars driven by rolled leaf. Despite the strong volume development, marketing and distribution costs increased moderately contributing to the 47 percent increase in operating profit and the improved operating margin.

Swedish Match manufactures its more labor-intensive natural leaf varieties exclusively in its Dominican Republic facility and COVID-19 related operational and staffing challenges have adversely affected production levels. Following a temporary shut-down of the operations in the spring of 2020, capacity has continuously increased and reached pre-COVID levels during the first quarter. However, the demand for natural leaf cigars has grown sharply over the past year resulting in Swedish Match not fully being able to meet market demand for its natural leaf varieties in the quarter.

Based on MSA measures of distributor shipments to retail, total mass market cigar category volumes (excluding little cigars) increased by close to 20 percent in the quarter versus the prior year period. The category growth for natural leaf cigars exceeded that of HTL cigars in the quarter. Swedish Match experienced market share declines according to this measure, as share gains within the HTL segment were not sufficient to offset declines within the rapidly growing natural leaf segment.

US shipment volumes

	January-March		Chg %	Full year 2020
	2021	2020		
Homogenized tobacco leaf (HTL) cigars, million sticks	252	166	52	838
Natural leaf cigars, million sticks	297	286	4	1,065
Cigars total	549	452	21	1,903

Market shares¹⁾

Percent	January-March		Chg ppts	Full year 2020
	2021	2020		
Homogenized tobacco leaf (HTL) cigars	16.3	13.0	3.3	15.3
Natural leaf cigars	34.1	44.9	-10.8	37.7
Cigars total	22.9	23.7	-0.8	22.9

1) Based on MSA distributor shipments: Mass market cigars (excluding little cigars) 13 weeks to March 28, 2021 and March 29, 2020, respectively. Figures for 2020 have been restated to reflect changes in MSA store measurements.

Lights

First quarter highlights:

- 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.



Key data

MSEK	January-March		Chg %	Full year 2020
	2021	2020		
Sales	305	309	-1	1,149
Operating profit	67	67	0	222
Operating margin, %	22.0	21.7		19.3
EBITDA	77	78	-1	261
EBITDA margin, %	25.3	25.2		22.7
Depreciation, amortization and impairment	-10	-11		-39
Capital expenditures	9	8	11	29

The first quarter

(Note: Comments below refer to the comparison between the first quarter 2021 vs. the first quarter 2020).

Excluding currency translation effects, sales increased by 16 percent. Sales increased for lighters from a combination of higher volumes and a positive price/portfolio mix. For matches, both improved pricing and higher volumes contributed to the higher sales when adjusting for currency translation (most notably the weaker Brazilian real).

Operating profit in the prior year period included a 16 MSEK income resulting from favorable resolutions relating to indirect tax disputes 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 sharply for both lighters and matches on the back of the robust top-line development. Despite higher sales in local currency, adverse currency transaction effects resulted in a lower operating profit for complementary products.

Shipment volumes, worldwide

	January-March		Chg %	Full year 2020
	2021	2020		
Matches, billion sticks	15.7	15.1	4	57.3
Lighters, million units	78.5	72.9	8	293.4

Cash flow and financing

Cash flow from operating activities for the first quarter of 2021 amounted to 1,579 MSEK (1,227). The improved cash flow was driven by the stronger EBITDA development, the above-mentioned settlement income of 300 MSEK and lower tax payments, partly offset by negative changes in cash flow from working capital, mainly due to timing effects.

Investments in property, plant and equipment increased to 277 MSEK (192) principally benefitting the Smokefree product segment. Cash flow used in investing activities reflects an acquisition of a small European manufacturer of sustainable firelighters and related products (see Note 5).

Net finance cost for the first quarter increased to 89 MSEK (78). The increase mainly relates to reduced financial returns on surplus cash due to lower interest rates and costs for early repayment of short-term bond loans.

During the quarter, new bond loans of 798 MSEK were issued, repayments of maturing bond loans amounted to 750 MSEK, and early repayment of short-term bond loans amounted to 716 MSEK. As of March 31, 2021, Swedish Match had 14,527 MSEK of interest-bearing debt excluding retirement benefit obligations but including the recognition of lease liabilities of 295 MSEK. The Group's interest-bearing debt at December 31, 2020 amounted to 15,523 MSEK and 15,912 MSEK at March 31, 2020. During the remainder of 2021, 803 MSEK of the bond debt falls due for payment. For further detail on the maturity profile of the debt portfolio, please see Swedish Match's website. Net retirement benefit obligations decreased to 1,169 MSEK as of March 31, 2021, from 1,411 MSEK at December 31, 2020, due to positive remeasurements effects from higher discount rates.

As of March 31, 2021, Swedish Match had 1,500 MSEK in an unutilized revolving credit facility (RCF). Cash and cash equivalents amounted to 3,732 MSEK at the end of the period, compared to 3,411 MSEK at December 31, 2020.

The net debt as of March 31, 2021 amounted to 11,964 MSEK compared to 13,523 MSEK at December 31, 2020 and 11,986 MSEK at March 31, 2020.

Shareholder distributions and the share

In April 2021, Swedish Match paid dividends of 2,369 MSEK to its shareholders, corresponding to 15.00 SEK per share.

During the first quarter, Swedish Match repurchased 0.5 million shares for 300 MSEK at an average price of 611.15 SEK, following authorization from the Annual General Meeting held in 2020. Total shares bought back by Swedish Match since the buyback program started have been repurchased at an average price of 148.95 SEK. As per March 31, 2021 Swedish Match held 4.3 million shares, corresponding to 2.64 percent of the total number of shares. The number of shares outstanding, net, as per March 31, 2021, amounted to 157.9 million.

As proposed by the Board of Directors, the Annual General Meeting resolved to split the share of the Company, whereby each existing share shall be split into ten shares of the same class of shares (10:1 share split). The record date for the share split is May 10, 2021.

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, similar to the full year 2020, COVID-19 related changes to consumer demand and purchases have contributed to increased sales for several of its businesses. For cigars, while strong consumer demand is estimated to have been further elevated due to COVID-19, resulting in particularly strong Swedish Match volume development for HTL cigars, COVID-19 related production constraints have continued to limit Swedish Match's ability to fully meet the demand for natural leaf varieties in the first quarter of 2021. For the Smokefree product segment, sales and operating profit in the first quarter of 2021 has benefitted from channel mix effects that have been brought on by COVID-19 restrictions related to travel.

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. No material governmental subsidies or concessions related to COVID-19 have been sought or received by Swedish Match during the first quarter.

Financial position and liquidity

During the quarter, Swedish Match issued a five-year bond loan of 798 MSEK at a fixed annual coupon of 139.5 bps. At the end of the first quarter of 2021, we held 3,732 MSEK in cash and cash equivalents, and a net debt position of 11,964 MSEK corresponding to a leverage of 1.6 in relation to EBITA.

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. In the beginning of 2020, the Group's pension assets experienced losses due to the COVID-19 outbreak, which recovered during the remainder of 2020. Updated actuarial assumptions at March 31, 2021 used in the measurement of our defined post-employment benefit obligations including a rise in discount rates have decreased the reported value of the Group's defined post-employment benefit obligations. As at March 31, 2021 the Group's net defined post-employment benefit obligations decreased by 242 MSEK compared to December 2020, mainly as a result of positive remeasurement effects from higher discount rates. Upon consolidation, the reported Group net post-employment liability was also impacted by negative currency translation effects relative to December 2020 mainly due to the stronger US dollar versus the Swedish krona.

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

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.

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. In addition, 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.

Events after the reporting period

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.

Annual General Meeting and repurchase of own shares

The Annual General Meeting held on April 13, 2021, re-elected Charles A. Blixt, Andrew Cripps, Jacqueline Hoogerbrugge, Conny Karlsson, Alexander Lacik, Pauline Lindwall, Wenche Rolfsen and Joakim Westh as members of Swedish Match's Board of Directors. Conny Karlsson was re-elected Chairman of the Board and Andrew Cripps was re-elected Deputy Chairman of the Board.

The Annual General Meeting approved the Board's proposal of a dividend of 15.00 SEK per share. The dividend amounted to 2,369 MSEK and was paid to the shareholders in April. In addition, the Meeting resolved to reduce the share capital by means of withdrawal of 4,200,000 shares held in treasury with a simultaneous bonus issue, without issuing any new shares, of a corresponding amount to restore the Company's share capital. As per April 30, 2021, the total number of registered shares in the Company is 158,000,000 and the number of treasury shares amounts to 83,628.

The 2021 Annual General Meeting further authorized the Board of Directors to acquire the Company's own shares, including the possibility to implement a repurchase program in accordance with the Market Abuse Regulation (EU) No 596/2014 ("MAR") and the Commission Delegated Regulation (EU) No 2016/1052 (the "Safe Harbour Regulation"), a mandate which the Board now utilizes. The purpose of the repurchasing right is to enable Swedish Match to adapt its capital structure to its capital needs over time, and thereby contribute to an increased shareholder value.

The Annual General Meeting authorized the Board of Directors to resolve on transfer of the Company's own shares, on one or several occasions prior to the next Annual General Meeting. The shares may only be transferred in conjunction with the financing of company acquisitions and other types of strategic investments and acquisitions, and the transfers may not exceed the maximum number of treasury shares held by the Company at any given time. Transfer of own shares shall be made either on Nasdaq Stockholm or in another manner.

Furthermore, the Annual General Meeting approved the Board of Directors' proposal that it be authorized, for the period until the end of the next Annual General Meeting, to issue new ordinary shares on one or more occasions, with or without deviation from shareholders' preferential rights and against payment in cash, in kind or by set-off. The number of shares that may be issued may not exceed a maximum dilution effect of 10 percent of the share capital and votes at the time of the Annual General Meeting 2021.

The Annual General Meeting resolved, as proposed by the Board of Directors, to amend the Articles of Association, primarily as regards the stipulation on minimum and maximum number of shares and share capital due to the proposed share split (see below), but also by introducing the possibility of postal voting to facilitate and increase flexibility in the conduct of General Meetings.

The Annual General Meeting resolved, as proposed by the Board of Directors, to split the share of the Company, whereby each existing share shall be split into ten shares of the same class of shares (10:1 share split). The Board of Directors was mandated to decide on the record date for the share split, which subsequently was decided to May 10, 2021.

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.

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 financial results.

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 2020, 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 quarter 2021 amounted to 8 MSEK (2). Loss before income tax amounted to -138 MSEK (-173) and net loss for the quarter amounted to -108 MSEK (-136). The lower loss before income tax compared to previous year was primarily related to increased sales of services to subsidiaries and lower administrative expenses.

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 amounted to 1,467 MSEK during the first quarter and new bond loans of 798 MSEK were issued.

During the first quarter, the Parent Company made share repurchases of 0.5 million (1.6) shares for 300 MSEK (935).

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 January-June 2021 report will be released on July 20, 2021.

Stockholm, April 30, 2021

Lars Dahlgren
President and CEO

Product segments summary and key ratios

Sales

MSEK	January-March		Chg %	Full year 2020
	2021	2020		
Smokefree	2,823	2,508	13	10,651
Cigars	1,249	1,128	11	4,533
Lights	305	309	-1	1,149
Sales from product segments	4,376	3,945	11	16,332
Other operations	78	84	-7	366
Sales	4,455	4,029	11	16,698

Operating profit

MSEK	January-March		Chg %	Full year 2020
	2021	Restated 2020		
Smokefree	1,465	1,154	27	5,142
Cigars	560	438	28	1,796
Lights	67	67	0	222
Operating profit from product segments	2,092	1,659	26	7,160
Other operations	-37	-58		-169
Settlement income	300	-		-
Operating profit	2,354	1,601	47	6,991

Operating margin by product segment

Percent	January-March		Full year 2020
	2021	Restated 2020	
Smokefree	51.9	46.0	48.3
Cigars	44.8	38.8	39.6
Lights	22.0	21.7	19.3
Operating margin from product segments	47.8	42.1	43.8

EBITDA by product segment

MSEK	January-March		Chg %	Full year 2020
	2021	Restated 2020		
Smokefree	1,561	1,252	25	5,539
Cigars	581	460	26	1,883
Lights	77	78	-1	261
EBITDA from product segments	2,219	1,790	24	7,684

EBITDA margin by product segment

Percent	January-March		Full year 2020
	2021	Restated 2020	
Smokefree	55.3	49.9	52.0
Cigars	46.5	40.8	41.5
Lights	25.3	25.2	22.7
EBITDA margin from product segments	50.7	45.4	47.0

Key ratios

	2021	January-March Restated 2020	12 months ended March 31, 2021 restated	Full year 2020
Operating margin from product segments, %	47.8	42.1	45.3	43.8
Operating margin, excl. larger one-time items, %	46.1	39.7	43.5	41.9
Net debt, MSEK	11,964	11,986	11,964	13,523
Investments in property, plant and equipment, MSEK	277	192	1,211	1,126
Depreciation, amortization and impairments, MSEK	142	148	582	588
EBITA, MSEK	2,073	1,622	7,520	7,068
EBITA interest cover	25.1	28.4	21.2	21.4
Net debt/EBITA	-	-	1.6	1.9
Adjusted earnings per share, basic and diluted, SEK ¹⁾	9.74	7.18	-	32.16
<i>Share data</i>				
Number of shares outstanding at end of period	157,916,372	161,592,234	157,916,372	158,407,083
Average number of shares outstanding	158,209,684	162,597,883	159,769,488	160,866,537

1) Adjusted earnings per share in 2021 excludes settlement income of 300 MSEK (238 MSEK net of tax). Adjusted earnings per share in 2020 excludes a tax charge including interest of 286 MSEK related to an adverse ruling in a tax case in Sweden recognized in the third quarter 2020.

Financial statements

Condensed consolidated income statement

MSEK	Note	January-March Restated 2021	2020	Chg %	Full year 2020
Sales, including tobacco tax		5,383	4,846		20,451
Less tobacco tax		-928	-816		-3,753
Sales	2	4,455	4,029	11	16,698
Cost of goods sold		-1,469	-1,422		-5,751
Gross profit		2,986	2,607	15	10,947
Selling and admin. expenses		-933	-1,009		-3,968
Share of profit/loss in associated companies		2	3		13
Settlement income		300	-		-
Operating profit		2,354	1,601	47	6,991
Finance income		11	30		49
Finance costs		-100	-108		-396
Net finance cost		-89	-78		-347
Profit before income tax		2,265	1,523	49	6,644
Income tax expense		-485	-354		-1,756
Profit for the period		1,780	1,168	52	4,888
<i>Attributable to:</i>					
Equity holders of the Parent		1,779	1,168		4,888
Non-controlling interests		0	0		1
Profit for the period		1,780	1,168	52	4,888
Earnings per share, basic and diluted, SEK	4	11.25	7.18		30.38

Condensed consolidated statement of comprehensive income

MSEK	January-March		Full year
	2021	Restated 2020	2020
Profit for the period	1,780	1,168	4,888
<i>Other comprehensive income that may be reclassified to the income statement</i>			
Translation differences related to foreign operations	454	492	-1,120
Effective portion of changes in fair value of cash flow hedges	27	45	-51
Income tax relating to reclassifiable components of other comprehensive income	-6	-9	11
Sub-total, net of tax for the period	475	527	-1,160
<i>Other comprehensive income that will not be reclassified to the income statement</i>			
Actuarial gains/losses attributable to pensions, incl. payroll tax	351	-339	-132
Income tax relating to non-reclassifiable components of other comprehensive income	-86	88	33
Sub-total, net of tax for the period	265	-250	-99
Total comprehensive income for the period	2,520	1,445	3,629
<i>Attributable to:</i>			
Equity holders of the Parent	2,520	1,445	3,628
Non-controlling interests	0	0	0
Total comprehensive income for the period	2,520	1,445	3,629

Condensed consolidated balance sheet

MSEK	Note	March 31, 2021	December 31, 2020
Intangible assets		2,313	2,237
Property, plant and equipment		3,914	3,633
Right-of-use assets		287	278
Investments in associated companies		44	42
Other non-current assets and operating receivables		19	20
Other non-current financial assets and receivables	3,7	1,665	1,556
Total non-current assets		8,242	7,765
Other current financial receivables	3,7	271	219
Current operating assets and receivables	3	4,347	3,732
Cash and cash equivalents	3	3,732	3,411
Total current assets		8,349	7,362
Assets held for sale ¹⁾		38	28
Total assets		16,629	15,155
Equity attributable to equity holders of the Parent		-5,595	-7,814
Non-controlling interests		17	16
Total equity		-5,578	-7,798
Non-current financial provisions		1,279	1,268
Non-current loans	3	13,789	13,514
Other non-current financial liabilities	3,7	1,621	1,926
Other non-current operating liabilities	3	508	485
Total non-current liabilities		17,198	17,194
Current loans	3	1,113	1,850
Other current financial liabilities	3,7	585	653
Other current operating liabilities	3	3,311	3,257
Total current liabilities		5,009	5,759
Total liabilities		22,207	22,953
Total equity and liabilities		16,629	15,155

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-March	
	2021	Restated 2020
<i>Operating activities</i>		
Profit before income taxes	2,265	1,523
Share of profit/loss in associated companies	-2	-3
Dividend received from associated companies	-	10
Adjustments for non-cash items etc. ¹⁾	11	140
Income tax paid	-208	-394
Cash flow from operating activities before changes in working capital	2,066	1,276
Changes in working capital	-486	-50
Net cash generated from operating activities	1,579	1,227
<i>Investing activities</i>		
Purchase of property, plant and equipment	-277	-192
Proceeds from sale of property, plant and equipment	10	7
Purchase of intangible assets	-2	-6
Acquisition of subsidiaries ²⁾	-39	-32
Changes in financial receivables etc.	-3	0
Net cash used in investing activities	-311	-223
<i>Financing activities</i>		
Proceeds from borrowings	798	3,175
Repayment of borrowings	-1,467	-100
Repurchase of own shares	-300	-935
Lease payments	-21	-21
Realized exchange gain/losses on financial instruments	-121	49
Other	2	-
Net cash used in/from financing activities	-1,109	2,168
Net increase in cash and cash equivalents	159	3,171
Cash and cash equivalents at the beginning of the period	3,411	2,370
Effect of exchange rate fluctuations on cash and cash equivalents	161	238
Cash and cash equivalents at the end of the period	3,732	5,779

1) Non-cash items etc. mainly refer to depreciation, amortization and accrued interest.

2) Acquisition of subsidiaries in 2021 includes consideration paid relating to the acquisition of Fire-Up International B.V. (see Note 5) and in 2020 refers to the 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, 2020	-6,324	16	-6,308
Profit for the period	1,168	0	1,168
Other comprehensive income, net of tax for the period	277	0	277
Total comprehensive income for the period	1,445	0	1,445
Repurchase of own shares	-935	-	-935
Restated equity at March 31, 2020	-5,814	16	-5,798
Equity at January 1, 2021	-7,814	16	-7,798
Profit for the period	1,779	0	1,780
Other comprehensive income, net of tax for the period	740	0	740
Total comprehensive income for the period	2,520	0	2,520
Repurchase of own shares	-300	-	-300
Equity at March 31, 2021	-5,595	17	-5,578

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 March 31, 2021 amounted to 11,457 MSEK and distributable earnings amounted to 11,068 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 to maintain 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-March	
	2021	2020
Sales	8	2
Administrative expenses	-56	-90
Operating loss	-49	-88
Finance income	0	0
Finance costs	-89	-84
Net finance cost	-89	-84
Loss before income tax	-138	-173
Income tax	30	36
Loss for the period	-108	-136

Condensed Parent Company statement of comprehensive income

MSEK	January-March	
	2021	2020
Loss for the period	-108	-136
<i>Other comprehensive income that may be reclassified to the income statement</i>		
Effective portion of changes in fair value of cash flow hedges	27	45
Income tax relating to components of other comprehensive income	-6	-9
Other comprehensive income, net of tax for the period	21	36
Total comprehensive income for the period	-86	-101

Condensed Parent Company balance sheet

MSEK	March 31, 2021	March 31, 2020	December 31, 2020
Intangible and tangible assets	0	0	0
Non-current financial assets	31,782	32,611	31,675
Current assets	356	170	2,555
Cash and other current deposits	1	1	250
Total assets	32,139	32,781	34,481
Equity	11,457	10,934	11,843
Untaxed reserves	2,675	2,325	2,675
Provisions	83	108	93
Non-current liabilities	13,924	15,178	13,726
Current liabilities	4,000	4,235	6,143
Total liabilities	18,006	19,522	19,962
Total equity and liabilities	32,139	32,781	34,481

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.

There are no changes to IFRS standards, amendments and interpretations of existing standards applicable as of January 1, 2021 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 2020.

Restatement of prior period financial information

During 2020, COVID-19-related implications on the cigar supply chain resulted in unusually low inventory levels of cigars manufactured and shipped from the production facility in the Dominican Republic. In conjunction with the 2020 year end reconciliation processes, an accounting error relating to elimination of internal profits in inventory that understated the previously reported operating profit for the Group and for the product segment Cigars amounting to 63 MSEK (7 MUSD) for the first nine months of 2020 was discovered and corrected. Operating profits for the Group and for the product segment Cigars have been restated for Q1 through Q3 2020 and the corrected operating profits exceeded the previously reported levels by 7 MSEK for the first quarter, by 26 MSEK for the second quarter and by 30 MSEK for the third quarter. Periods before 2020 were not affected by the accounting error and consequently have not been restated. Restated quarterly financials affected by the adjustments are presented on pages 27-28 in this report.

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 – January to March

MSEK	Segments								Other operations		Group	
	Smokefree		Cigars		Lights		Total segments					
	Jan-Mar		Jan-Mar		Jan-Mar		Jan-Mar		Jan-Mar		Jan-Mar	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
The US	1,535	1,427	1,249	1,128	46	28	2,829	2,583	-	-	2,829	2,583
Scandinavia	1,249	1,033	-	-	16	12	1,265	1,045	78	84	1,343	1,129
Other markets	40	48	-	-	243	269	283	317	-	-	283	317
Total sales	2,823	2,508	1,249	1,128	305	309	4,376	3,945	78	84	4,455	4,029

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 March 31, 2021.

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	-	1,847	-	-	-	1,847	1,847
Other non-current financial receivables	-	8	-	569	514	1,091	1,091
Other current assets and financial receivables	84	100	-	43	301	529	529
Prepaid expenses and accrued income ¹⁾	-	-	-	3	111	113	113
Cash and cash equivalents	-	3,732	-	-	-	3,732	3,732
Total assets	84	5,687	-	615	926	7,312	7,312
Loans and borrowings	-	-	14,902	-	-	14,902	15,238
Other non-current financial liabilities	-	-	215	136	43	393	393
Other current liabilities	-	-	80	-	1,754	1,834	1,834
Accrued expenses and deferred income ¹⁾	-	-	78	35	690	803	803
Trade payables	-	-	517	-	-	517	517
Total liabilities	-	-	15,792	171	2,487	18,449	18,785

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	-	699	-	699
Derivative financial liabilities	-	171	-	171

The following table shows carrying value and fair value for financial instruments per December 31, 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	-	1,577	-	-	-	1,577	1,577
Other non-current financial receivables	-	3	-	459	473	935	935
Other current assets and financial receivables	1	69	-	-	246	315	315
Prepaid expenses and accrued income ¹⁾	-	-	-	1	115	117	117
Cash and cash equivalents	-	3,411	-	-	-	3,411	3,411
Total assets	1	5,060	-	460	834	6,355	6,355
Loans and borrowings	-	-	15,364	-	-	15,364	15,713
Other non-current financial liabilities	-	-	208	213	45	466	466
Other current liabilities	258	-	77	-	1,617	1,952	1,952
Accrued expenses and deferred income ¹⁾	-	-	122	46	850	1,018	1,018
Trade payables	-	-	409	-	-	409	409
Total liabilities	258	-	16,180	259	2,512	19,209	19,558

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	-	461	-	461
Derivative financial liabilities	-	517	-	517

No transfer in or out of level 2 has been made during the first quarter 2021. 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 13,367 MSEK (14,035) of which 9,991 MSEK (9,991) was in cash flow hedges consisting of cross currency and interest rate swaps related to bond loans. The remaining 3,376 MSEK (4,044) 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 2020.

Note 4 – Earnings per share

The following table provides the components used in calculating earnings per share.

Earnings per share

Basic and diluted	January-March		Full year
	2021	Restated 2020	2020
Profit for the period attributable to equity holders of the Parent, MSEK	1,779	1,168	4,888
Profit for the period attributable to equity holders of the Parent, excl. larger one-time items, MSEK	1,542	1,168	5,174
Weighted average number of shares outstanding	158,209,684	162,597,883	160,866,537
Earnings per share, SEK	11.25	7.18	30.38
Adjusted earnings per share, SEK ¹⁾	9.74	7.18	32.16

1) Adjusted earnings per share in 2021 excludes settlement income of 300 MSEK (238 MSEK net of tax). 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.

Note 5 – Business combinations

On February 3, 2021, Svenska Tändsticksbolaget Försäljningsaktiebolag (a subsidiary of Swedish Match AB) acquired 100 percent of the shares in Fire-Up International B.V., a Dutch company, which produces ecological firelighters (used for stoves, fireplaces, barbecues, etc.) and trades in a variety of fire-related products mainly in Europe. The company's annual revenues amounts to approximately 80 MSEK. The acquired net assets amounted to 14 MSEK and the preliminary acquisition fair value adjustments consisted of goodwill and trademarks.

Note 6 – 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 August 2020 one of the cases was ruled in favor of the Tax Agency by the Administrative Court of Appeals. Swedish Match has applied for leave to appeal that case to the Supreme Administrative Court and the tax charges of in total 270 MSEK and related interest costs of 16 MSEK has been paid and debited in the 2020 accounts. 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 value added taxes) in Brazil in 2019, further assessment of duplicative indirect taxes within the Brazilian operations have been made. During 2020, an operating gain of 16 MSEK (11 MSEK, net of taxes on income) pertaining to additional indirect tax recoveries was recognized within the Lights product segment. The tax credits related to purchases of certain manufacturing equipment, goods and services over the past 5 years. Under the existing disputes, Swedish Match may be entitled to additional incremental recoveries aggregating 58 MSEK (38 MSEK, net of taxes on income) that is dependent on the final ruling by the Brazilian Supreme court, which has been postponed due to the COVID-19 pandemic to sometime during 2021.

Note 7 – 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 expense.
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	January-March		12 months ended	Full year
	2021	Restated 2020	March 31, 2021 restated	2020
Profit for the period	1,779	1,168	5,499	4,888
Income tax expense	485	354	1,887	1,756
Net finance cost	89	78	357	347
Operating profit for the period	2,354	1,601	7,745	6,991
Less larger one-time items	-300	-	-300	-
Amortization and impairment of intangible assets	18	21	75	77
EBITA	2,073	1,622	7,520	7,068
Depreciation and impairment of tangible and right-of-use assets	124	127		511
EBITDA	2,197	1,749		7,580

EBITDA and EBITDA margin from product segments

MSEK	January-March		Full year
	2021	2020	2020
Operating profit for the period	2,354	1,601	6,991
Less operating loss from Other operations	37	58	169
Less larger one-time items	-300	-	-
Operating profit from product segments	2,092	1,659	7,160
Amortization, depreciation and impairment of intangible, tangible and right-of-use assets	142	148	588
Less amortization, depreciation and impairment of intangible, tangible and right-of-use assets for Other operations	-15	-17	-65
EBITDA from product segments	2,219	1,790	7,684
Sales from product segments	4,376	3,945	16,332
EBITDA margin from product segments, %	50.7	45.4	47.0

Larger one-time items

MSEK	January-March		Full year
	2021	2020	2020
Settlement income	300	-	-
Total larger one-time items in operating profit	300	-	-
Income tax expense on settlement income	-62	-	-
Tax charge including interest related to an adverse ruling in a tax case in Sweden	-	-	-286
Total larger one-time items in net profit	238	-	-286

Adjusted earnings per share

Basic and diluted	January-March		Full year
	2021	Restated 2020	2020
Profit for the period attributable to equity holders of the Parent, MSEK	1,779	1,168	4,888
Settlement income, net of tax, MSEK	-238	-	-
Tax charge including interest, MSEK	-	-	286
Profit for the period attributable to equity holders of the Parent, excl. larger one-time items, MSEK	1,542	1,168	5,174
Weighted average number of shares outstanding	158,209,684	162,597,883	160,866,537
Adjusted earnings per share, SEK	9.74	7.18	32.16

EBITA interest cover

MSEK	January-March 2021	Restated 2020	12 months ended March 31, 2021 restated	Full year 2020
EBITA	2,073	1,622	7,520	7,068
Interest income	11	30	30	49
Interest expense	-93	-87	-385	-379
EBITA interest cover	25.1	28.3	21.2	21.4

Net debt/EBITA

MSEK	12 months ended March 31, 2021 restated	Full year 2020
Net debt	11,964	13,523
EBITA 12 months rolling	7,520	7,068
Net debt/EBITA	1.6	1.9

Net debt

MSEK	January-March 2021	2020	Full year 2020
Non-current loans	13,789	15,175	13,514
Current loans	1,113	1,949	1,850
Components of derivatives (liabilities) ¹⁾	103	15	420
Components of derivatives (assets) ²⁾	-774	-1,475	-546
Non-current lease liabilities ³⁾	215	167	208
Current lease liabilities ⁴⁾	80	80	77
Net provision for pensions and similar obligations ³⁾	1,268	1,932	1,503
Net asset for pensions and similar receivables ⁵⁾	-99	-79	-92
Cash and cash equivalents	-3,732	-5,779	-3,411
Net debt	11,964	11,986	13,523

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

Quarterly data for the first, second and third quarters of 2020 have been restated (see Note 1).

Consolidated income statement in summary

MSEK	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20
Sales, including tobacco tax	5,383	5,099	5,389	5,118	4,846
Less tobacco tax	-928	-962	-989	-986	-816
Sales	4,455	4,136	4,400	4,133	4,029
Cost of goods sold	-1,469	-1,460	-1,409	-1,460	-1,422
Gross profit	2,986	2,677	2,990	2,672	2,607
Selling and administrative expenses	-933	-1,031	-946	-982	-1,009
Share of net profit/loss in associated companies	2	4	4	2	3
Settlement income	300	-	-	-	-
Operating profit	2,354	1,650	2,048	1,693	1,601
Finance income	11	13	7	10	30
Finance costs	-100	-92	-112	-94	-108
Net finance cost	-89	-80	-105	-84	-78
Profit before income tax	2,265	1,570	1,943	1,609	1,523
Income tax expense	-485	-326	-721	-355	-354
Profit for the period	1,780	1,244	1,222	1,254	1,168
<i>Attributable to:</i>					
Equity holders of the Parent	1,779	1,244	1,222	1,253	1,168
Non-controlling interests	0	0	0	0	0
Profit for the period	1,780	1,244	1,222	1,254	1,168

Quarterly data by product segment

Quarterly data by product segment for the first, second and third quarters of 2020 have been restated (see Note 1).

Sales

MSEK	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20
Smokefree	2,823	2,606	2,842	2,695	2,508
Cigars	1,249	1,152	1,184	1,069	1,128
Lights	305	288	277	275	309
Sales from product segments	4,376	4,045	4,303	4,039	3,945
Other operations	78	91	97	94	84
Sales	4,455	4,136	4,400	4,133	4,029

Operating profit

MSEK	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20
Smokefree	1,465	1,168	1,519	1,301	1,154
Cigars	560	481	499	378	438
Lights	67	46	57	52	67
Operating profit from product segments	2,092	1,695	2,075	1,731	1,659
Other operations	-37	-45	-28	-38	-58
Settlement income	300	-	-	-	-
Operating profit	2,354	1,650	2,048	1,693	1,601

Operating margin by product segment

Percent	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20
Smokefree	51.9	44.8	53.5	48.3	46.0
Cigars	44.8	41.7	42.2	35.4	38.8
Lights	22.0	16.0	20.5	18.9	21.7
Operating margin from product segments	47.8	41.9	48.2	42.9	42.1

EBITDA by product segment

<i>MSEK</i>	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20
Smokefree	1,561	1,269	1,617	1,401	1,252
Cigars	581	503	520	400	460
Lights	77	54	67	62	78
EBITDA from product segments	2,219	1,826	2,204	1,863	1,790

EBITDA margin by product segment

<i>Percent</i>	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20
Smokefree	55.3	48.7	56.9	52.0	49.9
Cigars	46.5	43.6	43.9	37.4	40.8
Lights	25.3	18.8	24.1	22.7	25.2
EBITDA margin from product segments	50.7	45.1	51.2	46.1	45.4

Additional quarterly data

Depreciation, amortization and impairments

<i>MSEK</i>	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20
Property, plant and equipment	101	105	103	106	105
Right-of-use assets	23	23	23	23	22
Intangible assets	18	18	19	20	21
Total	142	146	145	149	148

Net finance cost

<i>MSEK</i>	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20
Interest income	11	5	7	8	30
Interest expense	-93	-91	-109	-93	-87
Net interest expense	-83	-86	-102	-85	-57
Other finance costs/income, net	-6	6	-3	1	-21
Total net finance cost	-89	-80	-105	-84	-78

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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 the US and Scandinavia. 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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