September 21, 2022

Dear Friends of Swedish Match,

I am writing to you on behalf of Framtiden Management Company LLC and our affiliates (together "Framtiden" or "we"). Framtiden owns over 14.5 million shares of Swedish Match AB ("SM"), about 1% of the total outstanding.

I currently serve on the SM Nominating Committee ("Nom Com") for a third term, this year as Chairman. The Nom Com is a preparatory body external to the company board. It consists of representatives of the four largest shareholders who accept the position and is responsible for nominating board members and proposing board compensation for the annual general meeting.

My investment in SM began over 19 years ago (first buy February 13, 2003) and has been continuous since then with nearly no sales. As my understanding of the special qualities of SM and the attractive nature of its markets deepened, I bought more stock opportunistically. Throughout my long ownership, I have had the good fortune of getting to know management, who I admire for their thoughtful and prudent leadership of the firm (please see Appendix C for a past letter from CEO Lars Dahlgren reflecting the nature of our relationship).

Today, SM is Framtiden's largest position and constitutes over 30% of my personal net worth. **With the take-over offer by Philip Morris International, Inc. ("PMI") before us, my partner Chris Anderson and I ask you to consider this white paper, which explains why we will *not tender* our shares in PMI's offer.**

We believe SM is an extraordinary business at a pivotal moment in its evolution, and shareholders would be forfeiting an exceptional long-term compounding opportunity by selling now to PMI.

The document is divided into three parts:

1) Fundamentals – We outline a rough possible trajectory of future earnings based upon a review of SM's history, competitive position, growth prospects, and risks.
2) Valuation – We estimate present value with what we believe is a conservative discounted cash flow model, and we offer historical and contemporary analogs to contextualize PMI's offer price.
3) Tender Offer Dynamics – We look at Swedish takeover law and address an assortment of deal-specific considerations.

I believe this is the most important analysis I have written in my career, bar none.

Thank you for taking the time to read it.

Respectfully,

Dan Juran
Managing Member
Framtiden Management Company LLC

Contact: info@framtidenholdings.com

Legal

Shareholders' Rights in Sweden

As a Sweden domiciled company listed solely on the NASDAQ Stockholm exchange, Swedish law governs PMI's tender offer and the associated rights of SM shareholders. In Sweden, a tender offer is considered a matter between the owners (shareholders) and the bidder. The target company is required to remain neutral; its only obligation is that the Board issue an opinion of the offer. Short of an oral, written, or tacit agreement, shareholders have wide latitude to act according to their best interests. In practical terms, shareholders are free to exchange their views with other shareholders in general, and more germanely in the context of a public takeover offer.

This white paper is intended for SM shareholders and investors who may be interested in becoming shareholders. It represents the opinion of a long-term shareholder and is not an offer to buy or sell shares. It is not investment advice. Information referring to past events is based entirely on public information (mostly from SM-issued results and presentations). Future projections are a good faith effort based on the experience and judgment of a longstanding shareholder but are inherently subject to uncertainties and may be incorrect. Shareholders are advised to rely on their own advisers and analysis when making investment decisions.

Important Information

This white paper has been prepared by Framtiden Management Company LLC ("FMC") and its affiliates (together "Framtiden") in their capacity as shareholders in SM and shall not be regarded as investment advice. FMC is a relying adviser under Rings Capital Management LLC ("Rings"). Rings is the investment adviser to Framtiden LP and First Framtiden LP; FMC is the investment adviser to Framtiden Holdings LP. The purpose of this paper is solely to provide information to shareholders of SM regarding Framtiden's view on the current public takeover offer for all shares in SM by PMI, which shall be evaluated independently by the shareholders of SM. Framtiden has no intentions to directly or indirectly, alone or together with someone else, exert any kind of control over SM or its operations.

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This presentation contains forward-looking information based on the current expectations of Framtiden. Although Framtiden 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 SM'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. Framtiden undertakes no obligation to update such forward-looking statements. This paper contains market data and industry forecasts, including information related to the sizes of the markets in which SM and its subsidiaries participates. The information has been extracted from a number of sources. Unless a specific source is referenced, all market share information/data is based on Framtiden's estimates. Although Framtiden regards these sources as reliable, the information contained in them has not been independently verified and therefore no assurance can be given that this information is accurate and complete. In addition to the above, certain data in the presentation is also derived from estimates made by Framtiden. The information and opinions contained in this presentation are provided as at the date of this presentation and are subject to change without notice.

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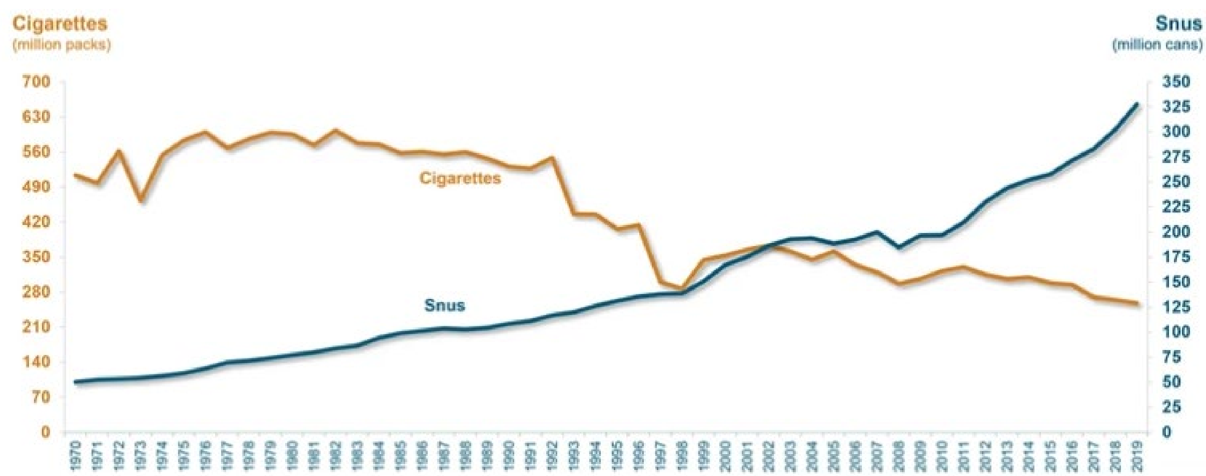
Fundamentals

When I began buying SM in early 2003, my original thesis was that SM's existing businesses, as described in the SM 2002 Annual Report, were likely to generate satisfactory returns. SM had a near monopoly in smokefree tobacco in Scandinavia and was #3 in the U.S. and growing rapidly in the value segment (*Timber Wolf*). The company also had global cigar, matches and lighters, and pipe tobacco businesses.

I also thought that if SM could replicate the *Swedish Experience* (multi-decade trend of Swedes migrating from cigarettes to smokefree products per exhibit below) in the much larger U.S. market, something extraordinary was possible. My hopes were fanned by the launch of *General* snus in New York and Washington, D.C. in 2002.

Exhibit 1 – Sweden: volume changes of snus and cigarettes, 1970-2019



Source: Swedish Match

During my first 16 years of ownership, the extraordinary scenario did not play out. In fact, by some measures, SM did poorly. *General* snus did not gain traction in America. In Sweden, the company lost huge share in snus as large industry players entered the market. In the U.S., moist snuff share growth was halted by a competitor's *Grizzly* discount brand.

Nevertheless, my appreciation for the attractive nature of the smokefree markets continued to increase. Despite headwinds, volumes grew due to strong category volume growth. Pricing power also contributed to operating income growth. Management returned capital not needed in operations to shareholders through dividends and buybacks. Low capital intensity and no share-based compensation after 2010 contributed to share reductions. The net result for shareholders between 2003 and 2018 was a compounded total return in the low teens – totally satisfactory.

In 2016, SM introduced *ZYN*, a non-tobacco nicotine pouch product, into the western region of the U.S. It grew rapidly. SM built U.S. manufacturing capacity, and in 2019, launched a national rollout that drove spectacular growth and stellar returns. My dream of successfully tapping the massive U.S. market was beginning to come to fruition, not with snus, but with an innovative category-creating product. From 2019 to 2021, shareholders have enjoyed a compounded total return of over 30%.

The following pages highlight SM's fundamentals Pre-*ZYN* and Post-*ZYN*.

Fundamentals

Exhibit 2 – Fundamentals Pre- and Post-ZYN

Million cans **Smokefree Market***	2002	2018	Pre-ZYN 16-Yr CAGR 2003 - 2018	2021	Post-ZYN 3-Yr CAGR 2019 - 2021
Scandinavia	209	430	4.6%	540	7.9%
US	835	1,500	3.7%	1,853	7.3%
Total	1,044	1,930	**3.9%**	2,393	**7.4%**
Swedish Match					
Scandinavia**	205	263	1.3%	273	1.2%
US	76	151	4.4%	308	26.8%
Total	281	414	**2.2%**	581	**12.0%**

Swedish Match Smokefree Share	2002	2018	2021
Scandinavia	98.0%	61.2%	50.6%
US	9.1%	10.1%	16.6%
Total	26.9%	21.5%	24.3%

Swedish Match (SEK)	2002	2018	Pre-ZYN 2003 - 2018	2021	Post-ZYN 2019 - 2021
Revenue (MSEK)	13,643	12,996	-0.3%	18,489	12.4%
Operating Income (MSEK)***	2,698	4,812	3.7%	7,986	18.4%
Shares (million, year-end)	3,509	1,734	-4.3%	1,565	-3.4%
EPS***	0.42	2.06	**10.4%**	3.82	**22.9%**
P/E	16.2	16.9		18.8	
Share Price	6.9	34.9	10.7%	72.0	27.3%
Period Dividends/Share		10.6		4.6	
Total Return****		45.5	**12.6%**	76.6	**30.0%**

*Snus, snuff, nicotine pouches
**2002 Scandinavia volume is estimate based on ~98% share in 2003
***2002 adjusted for amortization of intangible assets and 2021 for settlement income
****Cumulative dividends added to ending share price; understates actual returns
Note: The Pre-ZYN revenue and operating income CAGRs are dampened by business disposals (premium cigars and pipe tobacco)

Fundamentals

Percentage of Total Swedish Match

Operating Income	2002	2018	2021
Smokefree*	47%	67%	74%
Cigars**	42%	29%	23%
Lights	11%	4%	4%

Revenue	2002***	2018	2021
Scandinavia	35%	37%	30%
U.S.	34%	52%	63%
Other	30%	10%	7%

*Includes chewing tobacco (grouped in OTP category in 2002)
**In 2002, includes chewing tobacco and pipe tobacco and accessories
***Scandinavia is only Sweden, and Other includes Scandinavia ex Sweden

The first and most arresting fact is that SM generated such a strong total return CAGR over the first sixteen years while losing share in its largest market (Scandinavia), holding share in its growth market (U.S.), and *without a hit product like ZYN*. SM achieved this return with a near constant capitalization ratio (P/E); i.e., returns were not flattered by a depressed share price relative to earnings at the start or an inflated one at the end.[1]

To appreciate the game-changer nature of the *ZYN* product, let us examine the most recent history of SM's smokefree performance in the United States.

Exhibit 3 – Swedish Match U.S. Smokefree Fundamentals, 2019-2021

SM's Total U.S. Smokefree*	2019	2020	2021
Sales (MUSD)	431	632	787
YOY Growth		47%	25%
Operating Income (MUSD)	162	304	391
YOY Growth		88%	29%
Operating Margin	37.6%	48.1%	49.7%
***ZYN* in U.S.**			
Volume (million cans)	50	114	174
YOY Growth		128%	53%
Stores (SM estimate)	67,000	100,000	120,000
YOY Growth		49%	20%

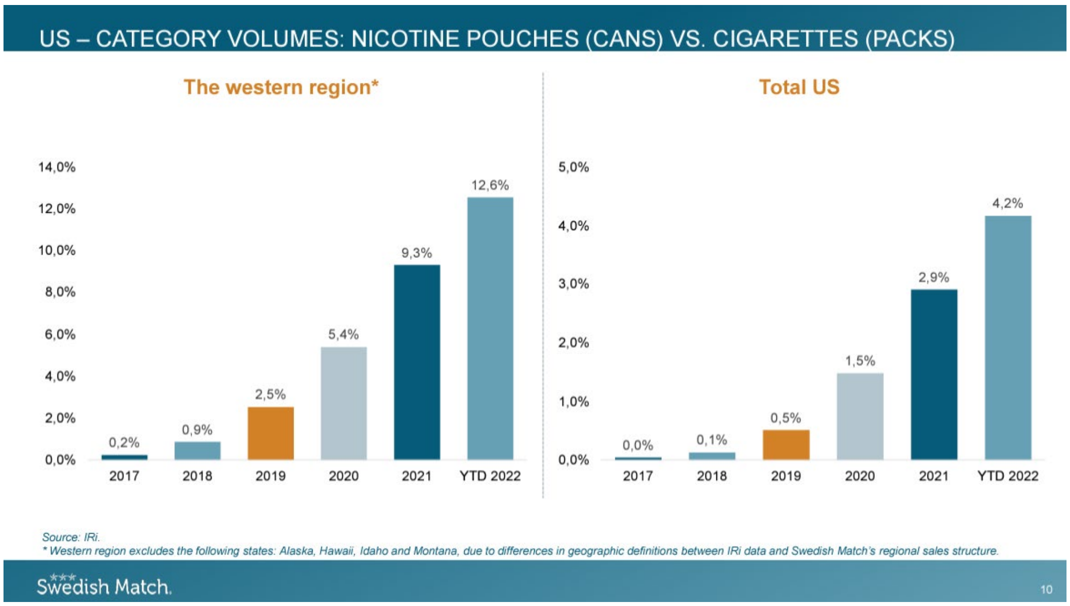
*Nicotine pouches, snuff, chewing tobacco

[1] When CEOs boast about returns and are extravagantly compensated for them (an American disease), check the starting price. This is one of several reasons to look askance at compensation structures based on shareholder return (another American disease).

Fundamentals

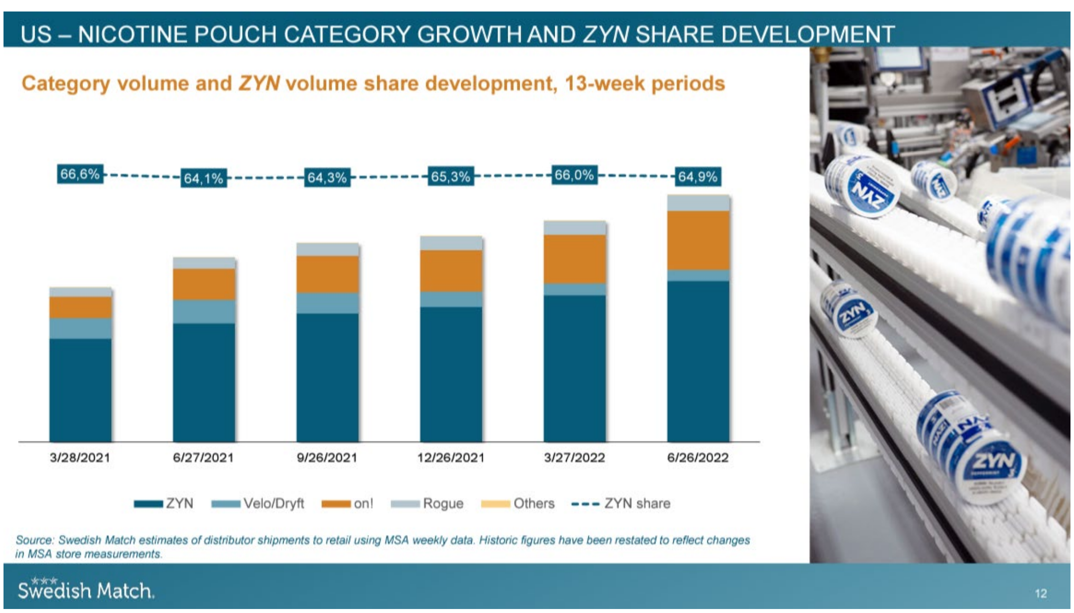
ZYN is a premium-priced product that is attracting not only smokefree (snuff) users, but smokers and vapers. Per below, sales in the western region continue to grow seven years after launch. Management often reiterates that growth in early markets has been driven by same-store sales rather than store count. Remarkably, in Q2 2022 *ZYN* passed perennial #1 moist snuff product *Copenhagen* (a 200-year-old brand) in the west. The data (and management) suggest newer regions are following a similar growth trajectory.

Exhibit 4 – ZYN versus Cigarettes by Region



With growth comes competition. Despite intense competitor promotional activity, *ZYN*'s market share has remained roughly constant. Altria's product *on!* has gained traction, while BAT's *Velo*/*Dryft* has lost share. *ZYN* has been the stable #1.

Exhibit 5 – *ZYN* Market Share and Segment Growth



Fundamentals

All of this historical context goes to show: Swedish Match was a superior business before *ZYN* and now possesses the leading product in the fastest growing, still small segment of an enormous market. What might the future hold?

Chris and I believe developments to date and the market context suggest *ZYN* growth is sustainable, and the probable impact on SM and its shareholders, should we retain independence, profound.

1. Favorable market conditions – Consumers (snuff users, smokers, and vapers) are shifting to lower risk nicotine products and demonstrating receptiveness to using nicotine in a new form. *ZYN* is attracting nicotine consumers from all segments, and many are becoming repeat customers.

2. Multi-year profitable fast growth – Rising same-store sales and increased distribution have propelled *ZYN* sales; the former suggests brand loyalty and network effects. Regions outside the western launch one are following the same growth pattern (per Exhibit 4). Critically, the growth has been profitable – anyone can achieve massive revenue growth with even more massive spending; what is remarkable is high growth that is immediately and significantly profitable.

3. Success from underdog position – *ZYN* growth began when SM was a distant #3 in U.S. smokefree volume share. Retail power (shelf space and product placement) likely resides more with the market leaders (Altria & BAT) than with SM, yet SM *still* established the segment leader. If *ZYN* continues its present trajectory, any retail disadvantages are likely to flip to advantages.

4. Stable dominant market share – Exhibit 5 shows the resilience of *ZYN*'s volume share. SM estimates value share exceeds 75%. I believe the combination of brand equity, consumer momentum, and marketing restrictions make the odds low that competitors will dislodge *ZYN*. In Sweden and Norway where the shoe is on the other foot (BAT leads the nicotine pouch market with roughly 60% share), SM has been unable to materially gain ground and diminish BAT. Studies have shown that nicotine products generally exhibit unusually high brand loyalty.

5. Fast-growing market – Nicotine pouch category volumes are growing over thirty percent.

6. Small share of addressable market – SM smokefree profits are less than 2% of the U.S. nicotine profit pool (see Exhibit 6 below) leaving a long runway ahead if *ZYN* continues to attract smokers.

7. Relative price advantage – U.S. national average retail prices for cigarettes and nicotine pouches are $7 and $5 respectively (*Google* search). The average masks large regional differences. At my local 7-11 in Chicago, for example, *Marlboro* is $15, while *ZYN* is not much over $5.

8. Favorable growth math – In 2021, U.S. *ZYN* sales accounted for 29% of SM's total revenue and a larger percentage of profits. If the growth pattern of recent years continues (high for *ZYN* and low for U.S. snuff and Scandinavia snus), the gap between *ZYN*'s growth rate and the total company rate will narrow over time (SM's planned cigar spin-off will accelerate this dynamic).

Fundamentals

The exhibit below touches on some of the points above and also highlights the power of *ZYN* within an independent SM versus the much larger PMI.

Exhibit 6 – SM U.S. Smokefree Operating Income as a % of Larger Profit Pools

SM U.S. Smokefree (% of Operating Income)	2021
Swedish Match	42%
Swedish Match ex Cigars	55%
PMI	<3%
U.S. Nicotine Profit Pool*	<2%

*Altria, BAT, Imperial & SM (company reports, F/X translated to USD as of 12.31.21)

Based on the pre-*ZYN* experience, the *ZYN* takeoff, and the size of the U.S. nicotine profit pool, we believe the odds are high that SM can achieve 15-20% EPS growth over the next decade.[2] The following assumptions underpin our analysis.

Smokefree		
	Revenue	U.S. 20% CAGR | Scandinavia 4% CAGR
	Margins	U.S. 50% (rising 1% point per year, plateau at 60%) | Scandinavia 50%
Cigars		
	Revenue	4% CAGR
	Margins	40%
Leverage		Debt to Operating Income Ratio: 3:1 | Net Debt to Operating Income Ratio: 2.5:1 Interest Rate 5% | Cash Interest Rate 2%
Capital Return		50% Dividend Payout | Buybacks – 25% of Earnings plus Cash from Leverage

Most figures are loosely derived from historical numbers. Key estimates are U.S. smokefree revenue growth and margins. Revenue assumes 15% volume and 5% pricing (recall from Exhibit 3, *ZYN* volume growth in 2021 was 53%; also recall Exhibit 4 on rollout trajectory). The forecast margin may prove low – the margin on incremental U.S. smokefree revenue growth during the post-*ZYN* period (probably mostly *ZYN* sales) ranged from ~60% to 70%+. Altria's smokefree portfolio has an operating margin over 70%. The model also does not include any smokefree sales outside of the U.S. and Scandinavia, despite enormous potential in Europe (see Appendix D).

The plain truth is that it is impossible to know how quickly *ZYN* grows and at what margin. The more salient point is - how many established companies, with longstanding operations in a massive mature market that is not technological in nature, can reasonably project a sustained 20% CAGR for a revenue stream that accounts for over forty percent of total company revenue?

In Swedish Match, we own a business with an uncommon combination of virtues – the resilience of an established global consumer staples company, the rapid growth of an early-stage tech company, and the margins of a monopolistic scaled subscription software enterprise. We believe the odds of long-term superior growth are high.

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[2] Blended effect of Smokefree and Cigars, whether part of one company or split into two (as planned) and considered together.

Fundamentals

Before we leave the Fundamentals section, we would be remiss not to address important risks. The traditional bogeymen when it comes to nicotine are regulators and legislators (excise taxes). This is murky and difficult terrain to forecast. My take on the positives and negatives in order of importance are below.

Positives

1. Altria Smokefree Advocate – Based on public pronouncements, it appears Altria, the largest tobacco company in the U.S., believes smokefree is the future of nicotine. If this assessment is correct, I believe it is significant. Altria lobbying regulators and legislators for the favorable treatment of smokefree products is powerful and positive.
2. *General* Template – In 2019, eight SM *General* brand snus varieties (including mint, Nordic mint, and wintergreen) were the first nicotine products in the U.S. to obtain the U.S. Food and Drug Administration's ("FDA") modified risk tobacco product ("MRTP") designation. The MRTP designation allows product marketing that claims lower health risks than cigarettes. Two reasons were given for approval – clear evidence of lower health risks (including lower levels of two carcinogens) and insignificant youth nicotine initiation using *General*. The release also noted that the MRTP designation did not affect youth initiation intentions (I recall no change in *General* sales trends post approval). Like *General*, based on company data, *ZYN* appears to have an equal, if not greater, claim to lowering health risks (Appendix D). I found no data on *ZYN* youth usage or initiation.
3. *Verve* PMTA Success – The premarket tobacco product application ("PMTA") for *Verve* discs (four varieties, all mint flavored), a new oral nicotine (derived from tobacco but not containing actual tobacco) product, was approved by the FDA in October 2021. The FDA cited lower health risks than cigarettes and a low likelihood that youth or nonsmokers would initiate tobacco use with *Verve*.
4. *ZYN* PMTA – Submitted in March 2020, SM cited almost no harmful components, studies showing little interest among non-tobacco consumers, and the potential to attract existing tobacco users.
5. Reputation – Former CFO Marlene Forsell once said the company has a "conservative banking culture." My guess is the FDA considers SM reputable as evidenced by the successful *General* MRTP authorization, reinforced by my general impression of management over the years.

Negatives

1. *ZYN* PMTA Undecided – The FDA has not yet ruled on the PMTA for *ZYN* or other oral nicotine pouch products. In March 2022, a National Institute of Health ("NIH") research grant was awarded to Johns Hopkins University for the purpose of describing *nicotine pouch product features and marketing tactics that may drive initiation and continued use among smokers and non-nicotine users, including youth*. The study will specifically examine use intentions among 2,500 adult (ages 21+) smokers and 2,500 youth (ages 13 – 20) non-nicotine users.
2. Federal Excise Taxes – With growth will likely come Federal excise taxes in the future (none now).

Overall, I believe *General*, *Verve*, and very low levels of harmful components bode well for *ZYN*'s PMTA. Rising popularity is problematic if it leads to significant youth initiation. Anecdotally it appears the risk is low (youth vaping being much more prevalent). Excise taxes seem inevitable and are a sign of market success. If public health improves with adoption, the risk of disproportionate taxation should decline.

***

Valuation

Given the fundamental assumptions in the previous section, which we believe are conservative, what is a reasonable price for SM? A simple discounted cash flow analysis reveals an approximate fair value. Assume: SM spins off the Cigars business (as planned); Exit multiple on the Smokefree business is 20x P/E; Exit multiple on the Cigars business is 12x P/E; Discount rate of 10% (market return).

Our fundamental assumptions yield a 2031 EPS for the Smokefree business of roughly SEK 20-21 / share. With a 20x P/E, that gives a price of SEK 400-420. Total dividends over the period would equate to SEK ~50, which for simplicity we will add to the final share price (understating actual returns). Discounting the SEK 450-470 at a 10% rate over 10 years gets to a present value of SEK ~170-190 per share.

EPS of the Cigars business in 2031 would be SEK 2-3 / share. With a 12x P/E, that gives a price of SEK 24-36. Total dividends over the period would equate to SEK ~9 / share, which again we will just add to the final price for conservatism. Discounting the SEK 33-45 at a 10% rate over 10 years gets to a rough present value between SEK 10 and 20 (nominal compared to the value of the Smokefree business).

In sum, we would find it hard to justify parting with the extraordinary asset that is Swedish Match for much less than SEK 200 / share. PMI's offer price of SEK 106 / share, considered in this longer-term context, is alarmingly low. Four additional prisms help contextualize the offer.

1) UST Takeover

In the U.S., the last major smokefree deal was Altria's acquisition of UST (leading U.S. snuff company) in January 2009. The terms were agreed upon in September 2008, so 2007 financials are the baseline.

UST (USD)	2004	2007	3-Yr CAGR
Revenue (MUSD)	1,838.2	1,950.8	2.0%
Operating Income (MUSD)*	912.6	885.6	-1.0%
Shares (million, avg diluted)	166.6	159.3	-1.5%
EPS*	3.19	3.46	**2.7%**
P/E	15.1	15.8	
Share Price	48.11	54.80	4.4%
Period Dividends/Share		6.88	
Total Return**		61.68	**8.6%**

*2007 - excluding litigation charge and net gain on sale of HQ
**Cumulative dividends added to ending share price, understates actual return

Altria paid $69.50/share, 20x trailing earnings, for a business with stagnating operating income. If SM compounds EPS at 15%, an undemanding expectation in our view based on current smokefree market dynamics, PMI's offer is a similar multiple to the UST deal on 2023 EPS. Does this make any sense given the performance and growth opportunities for SM versus UST?

Valuation

2) Analog – Cloud

One doesn't often conflate tobacco with tech, and while I have a longstanding Microsoft investment (a dirt-cheap stable business play in 2012 that transformed into a fast-growing one to my amazement), no one would accuse me of being a tech expert. Nevertheless, some aspects of the long-running Cloud phenomena remind me of *ZYN*'s potential power to radically change nicotine use.

Cloud growth has been fueled by the shift from a *massive installed base* to a cheaper and more effective form factor transforming the fortunes of the innovator Amazon (*AWS*) and the incumbent Microsoft (*Azure*). Nicotine pouches (*ZYN*) show early signs of being the new form factor for a massive installed base (smokers) looking for a better solution (lower health risks and no smoke). SM resembles Amazon as disrupter and Microsoft as incumbent (without the burden of an incumbents' installed base).

3) Analog – Philip Morris

Post-WWII, *Marlboro*'s global spread drove fantastic long-term returns for Philip Morris (predecessor company to Altria and PMI) shareholders. I believe *ZYN* has *Marlboro*-like potential.

Philip Morris (USD)	1959	2000	40-Yr CAGR 1960 – 2000
Revenue (MUSD)	460.5	80,356.0	13.8%
Operating Income (MUSD)*	45.6	15,270.0	15.6%
Shares (million, avg diluted)	3,740.2	2,272.0	-1.2%
EPS	0.0043	3.75	**18.4%**
P/E**	12.1	11.7	
Share Price***	0.052	44.00	18.4%
Period Dividends/Share		15.87	
Total Return****		59.87	**19.3%**

*1959 - op income margin x revenue (VL), 2000 adjusted for goodwill amortization

**1959 - average annual (VL), 2000 - year-end share price / EPS

***1959 - EPS x P/E (average annual) (VL), 2000 - year-end

****Cumulative dividends added to ending share price, understates actual return

Over the forty-year period ending 2000, PM investors multiplied their original investment about 1,150x. To understand the enormity of what it means to deliver a sustainable 19.3% CAGR over shorter periods, here are returns as a multiple of original investment: 10-years – 5.8x, 15-years – 14.1x, 20-years – 34.1x. I find the last number alluring. It's not so far away. At the historical PM total return CAGR, our ~$150 million SM investment would be worth ~$5 billion at the end of 2042.

4) Reverse

Imagine a hypothetical reverse scenario in which SM (excluding the cigar business) is a PMI subsidiary.

Headline: PMI proposes spin-off of fast-growing smokefree subsidiary Swedish Match

PMI CEO: We believe the future of nicotine use is smokefree. As a standalone company, our subsidiary SM is the premier global smokefree company. It owns many of the most valuable brands in the U.S. and Scandinavian markets including *ZYN*, the leader in the rapidly expanding U.S. nicotine pouch market. *ZYN*'s extraordinary growth over multiple years, sourcing consumers from smokers and vapers (as well as smokefree users), demonstrates SM's potential to replicate the longstanding migration of smokers to smokefree in Sweden in the rest of the world.

In addition to the enormous commercial opportunities, SM is positioned to make a significant contribution to world health as it pursues its vision of *A World without Cigarettes*. The company's GOTHIATEK® quality standard has led to the reduction, and in the case of *ZYN*, elimination of many of the harmful biproducts of processing nicotine (see Appendix D). As a *pure* smokefree company, we believe SM will enjoy significant advantages with regulators, legislators, and the public.

We believe the SM spin-off will create value for PMI shareholders as SM's growth profile, unmatched in the consumer staples universe but previously masked by our cigarette business, becomes manifest to the market. The attachment to this press release contains historical *pro forma* financial data for SM as a separate company (includes cigar business sold earlier this year) and comparable figures for many of the world's leading staples companies (**see Appendix E**). SM is *sui generis*.

We may explore avenues to collaborate with our former colleagues (assuming spin-off is approved), for example, utilizing our distribution and marketing assets in Europe. We will only do so in a way that does not compromise SM's status as a smokefree company and does not dilute its growth trajectory. SM owns an excellent U.S. distribution and marketing platform and can fully execute its U.S. strategy as an independent company.

In this scenario, what would dual PMI and SM owners who own the "parent company" (PMI) and the independent "subsidiary" (SM) think about re-merging the two companies?

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Hopefully, our discounted cash flow analysis and the four additional prisms for considering PMI's offer reveal the gross inadequacy of PMI's SEK 106 / share tender offer. In Appendix F, we explore why SM's Board may have made their recommendation in support of the offer. To close this section, though, we include the pristine statement from the one SM Board member, a union rep, who dissented:

Pär-Ola Olausson is of the view that Swedish Match has the competence and the experience to remain independent in the long term and that the terms of the Offer do not reflect the long-term fundamental value of the Company.

Mr. Olausson demonstrated the perspective of a *long-term owner* that his peers lacked. We applaud him.

Tender Offer Dynamics

Action / Outcome

After consulting with experienced Swedish legal counsel, we believe the probable outcomes of tendering versus not tendering during the tender period ending October 21st are as follows:

	Action	Outcome
1.	Tender (over 90% tender)	Receive SEK 106
2.	Tender (less than 90% tender)	Receive SEK 106 (PMI waives 90%)
3.	Tender (less than 90% tender)	No change from pre-offer status (PMI retracts offer)
4.	Don't tender (over 90% tender)	Receive SEK 106 (squeezed out, shares delisted)
5.	Don't tender (less than 90% tender)	Minority shareholder listed shares (PMI waives 90%)
6.	**Don't tender (less than 90% tender)**	**No change from pre-offer status (PMI retracts offer)**

Given where SM is in its lifecycle, we believe the long-term opportunity cost of losing SM as an independent public company is enormous. We will not tender, and our preferred outcome is #6.

We don't know what percentage of shareholders not tendering their shares impels PMI to retract the offer. Therefore, Chris and I will share our views with as many fellow shareholders as possible.

After the tender period ends, we are also inclined to not accept higher offers of a magnitude that may persuade other shareholders. This inclination stems from our belief in the long-term potential of SM as an independent public company as outlined in this white paper.

If fewer than 90% accept and PMI does not retract the tender offer, by default we will become minority shareholders (#5). It is our understanding that Swedish law provides minority shareholders with formidable protections against the majority owner acting in a way detrimental to minority interests. If SM's business progresses as we expect, we believe these protections are sufficient to enable minority shareholders to realize value commensurate with the development of the business.

We believe non-tendering owners are likely to realize greater value than the tender offer in either scenario #5 or #6.

Shorter Term

Failed Offer (Action / Outcome #6)

We have assessed the merits of the tender offer from the perspective of a long-term owner. We are, however, mindful of the downside concerns of some shareholders should the tender offer fail and SM remain a public company. The shorter-term pressures of our trade are legion; for many of you (as for us), SM is a shining star in a period of broad market declines.

While we are willing to take a short-term hit for what we believe will be a long-term bonanza, and we're generally loath to speculate on shorter-term price action (those who know me well have long tired of my joke that the only sure way to make money investing is to short what I am buying), there are several reasons why we believe a share price decline after a failed tender offer, if any, may be short-lived. In other words, opting for the long-term play may entail less short-term pain than anticipated.

1. Low forward multiple – If the fundamental analysis in this white paper is ballpark accurate, or if EPS simply compounds at 15% (putting the offer at 21x 2023 EPS), a valuation at the offer price would make sense in early 2024 (in not much over a year).
2. Cigar spin-off – While delayed, SM has indicated it still plans to spin off its cigar business. It's a guess, but a failed tender deal may bring forward the spin-off date. The separation of the cigar business will make SM a pure smokeless enterprise and increase the proportional contribution of *ZYN,* likely causing a material acceleration in the company's growth rate. We believe both factors raise the probability of a material re-rating of the company's earnings multiple.
3. Significant untapped leverage – Current net debt is very low (1.5x EBITA), well below the company's usual level and stated maximum of 3x.[3] SM has ample room to increase leverage and return capital to shareholders while still preserving a conservative balance sheet.
4. Market signal – I am going against my usual grain speculating in this manner, but a rejection of the tender offer may itself shift market perceptions of SM. Market participants may focus more on the fundamental story if an anticipated successful deal crumbles.

We believe taking chips off the table or withholding incremental capital from scaling up the SM position in an attempt to time an entry after a PMI retracted offer (to avoid a possible short-term price decline), increases the risk of losing a spectacular winner. Any serious investor should be prepared to endure – dare I say welcome – a short-term price decline should it increase the likelihood of retaining an extraordinary long-term compounder. Moreover, there is of course the possibility that PMI completes the deal at a price higher (or much higher) than SEK 106 and shares never trade below their current level. Tactical behavior, something we try to avoid in any situation, is especially silly here.

Chris and I walk the talk. We have been scaling up our SM position with incremental funds raised since the tender offer, and we intend to continue to do so. Our compensation is heavily weighted to performance, and we would happily forgo our 2022 incentive allocation if it meant PMI withdrawing and SM remaining independent. If we are even roughly right about SM's prospects, such an outcome means we and our limited partners are richer not poorer under outcome #6, regardless of short-term price action.

Minority Owner (Action / Outcome #5)

If less than 90% of shareholders accept the tender offer and PMI buys the tendered shares (waiving the 90% threshold), we will become minority shareholders and SM will remain listed. PMI cannot make a higher offer to the remaining shareholders (or make open market purchases above the offer price) for six months unless it offers the same amount to those who originally tendered.

[3] Notice that SM uses EBITA rather than EBITDA in their leverage ratio. The latter excludes depreciation (generally a real economic cost given its connection to capital expenditure) and therefore makes the debt ratio look lower (larger denominator). We admire the use of the more conservative figure and believe it's a subtle but meaningful sign of a high-integrity corporate culture.

Tender Offer Dynamics

Minority protections include:

- Related Party Transactions: If the company is listed on a regulated market, all material transactions (if the value of the transaction, itself or together with other transactions carried out during the latest year amounts to at least MSEK 1 and corresponds to at least 1% of the company's market cap) between the company and a majority shareholder shall be resolved at a general meeting and the majority shareholder cannot vote.
- Minority shareholders owning at least 10% of shares (alone or collectively) may: demand limited distribution of profits (50% of the annual profit); demand appointment of an extra auditor or special examiner; request, at any time, that an extraordinary shareholders' meeting be held for a specific purpose.
- Squeeze-out Rules: If the squeeze-out lacks connection to the offer (normally 6 months following the completion of the offer), the price shall correspond to the price that could be expected in a transaction carried out under normal circumstances. If the company is still listed and the trading in the share is not distorted (e.g. by lack of sufficient liquidity), the main rule is that the price in the offer shall correspond to the market price at the time when the squeeze-out is instigated. If the trading price is not a reliable reference (e.g. due to lack of sufficient liquidity), the value of the shares are normally valued by use of generally accepted valuation methods. **The majority shareholder that has instigated the squeeze-out carries all costs for the proceeding including the minority shareholders costs for valuations and legal fees.**

There are other protections as well, but we regard these as the most pertinent. We would be happy to furnish a more comprehensive list.

If we become minority owners in SM, our general view is that the higher the percentage of shareholders who do not tender, the better off we are. A larger percentage of holdouts likely means more time required for PMI to execute a squeeze-out (which means more time for SM fundamentals to develop and likely a higher, or much higher, takeout price).

***

Tender Offer Dynamics

Flight 1549

Any American who was at least ten years old on January 15, 2009, will probably remember the unlikely story of the landing of U.S. Airways Flight 1549 in the Hudson River by Midtown Manhattan. For the many non-U.S. SM shareholders, I apologize for using a U.S. culture specific reference; it is too good to pass up.

Captain Chelsey "Sully" Sullenberger and co-pilot Jeffrey Skiles managed to land the plane on the river after losing thrust in both engines due to a bird strike. Their teamwork, along with the flight attendants, saved 155 lives against incredible odds. At the time of the landing, 57-year-old Sully and 49-year-old Jeffrey had roughly 20,000 total flight hours each. Sully, a former fighter pilot, was also a glider pilot and an aviation safety expert.

Sully described the experience ten years later: https://www.youtube.com/watch?v=w6EblErBJqw

After watching the video, my bet is you share my awe at the power of focus, leadership, teamwork, communication, and most importantly experience, to pull victory from the jaws of the myriad of forces usually leading to defeat. You will also feel the force of fate, the sense that everything that came before in the lives of Sully and Jeffrey, prepared them for the moment thrust was lost in both engines.

We, the captains of SM, have been hit by a strike. A *Marlboro*-smoking dragon (PMI) is behind the attack, aided by a shift in the wind (SM Board). The wind has been revealed to be fickle, perhaps not even fully believing its new direction but not trusting the captains to stay the course with the constant threat of uncertainty. As our plane struggles, we are trying to recover beset not only by the dragon but by airline rules that may not make sense (short-term performance pressures, liquidity constraints, etc.).

I have been investing for nearly 25 years and owned Swedish Match for over 19 of them. By not tendering, I believe my partner Chris and I are defending the interests of our passengers, those who have entrusted us with their savings. I believe we are protecting our claim to the extraordinary compounding power of an iconic company. I believe we are demonstrating what it means to be long-term investors.

We hope that you too see the merits of keeping Swedish Match as an independent listed company and abstain from tendering your shares.

Guide to Appendices

Appendix A: Framtiden - History

Framtiden began in 1999, when Dan Juran founded two investment vehicles, Framtiden LP and First Framtiden LP (together "the Legacy Partnerships"). The two vehicles share the same investment strategy and holdings but have distinct fee structures due to different investor types (qualified versus non-qualified). The core characteristics of the approach have remained unchanged since inception: fundamental, focused, long-term, long only, global public equity; no leverage or derivatives.

Framtiden LP ("FLP") – Serves *qualified* investors on a pure performance fee basis (25% of the net return over the 1-year risk-free rate of return subject to a high-water mark).

First Framtiden LP ("FFLP") – Serves *non-qualified* investors on a management fee basis (1%).

Legacy Partnerships' Performance vs. the S&P 500[4]

	Annual Percentage Change			
Year	FLP gross	FLP net	FFLP net	S&P 500
1999	(32.4)	(32.4)	(31.4)	21.0
2000	71.8	69.2	65.6	(9.1)
2001	22.8	18.7	20.4	(11.9)
2002	5.8	4.9	4.6	(22.1)
2003	34.5	26.2	33.6	28.7
2004	24.5	18.8	19.5	10.9
2005	16.8	13.2	15.7	4.9
2006	21.4	17.2	20.1	15.8
2007	(7.2)	(7.2)	(6.3)	5.5
2008	(33.9)	(33.9)	(34.7)	(37.0)
2009	52.1	51.7	51.6	26.5
2010	17.3	16.9	16.8	15.1
2011	18.2	14.1	17.6	2.1
2012	34.1	25.2	30.2	16.0
2013	31.7	23.2	27.6	32.4
2014	15.5	11.5	14.0	13.7
2015	11.7	8.9	11.5	1.4
2016	(0.2)	(0.2)	(1.3)	12.0
2017	43.8	32.2	40.8	21.8
2018	(3.9)	(3.9)	(5.2)	(4.4)
2019	53.1	42.1	50.4	31.5
2020	29.5	22.6	28.1	18.4
2021	27.5	20.7	25.6	28.7
Compounded Annual Gain – 2017-2021	28.4%	21.7%	26.4%	18.5%
Compounded Annual Gain – 2012-2021	23.0%	17.5%	21.0%	16.6%
Compounded Annual Gain – 2007-2021	16.8%	12.9%	15.4%	10.7%
Compounded Annual Gain – 1999-2021	17.0%	13.3%	15.5%	8.1%
Overall Gain – 1999-2021	3,578.9%	1,654.2%	2,623.6%	498.0%

[4] Aggregate basis – Individual LP returns may differ due to contribution timing; partnership financial statements have been audited since inception, but all performance tables are unaudited; the S&P 500 returns include dividends.

Appendix A: Framtiden - History

In July of 2019, Mr. Juran, with a partner, Chris Anderson, launched Framtiden Holdings LP ("FHLP"). FHLP serves the institutional market, employing the same investment strategy as the Legacy Partnerships. FHLP has a 0.2% annual management fee and a 25% performance fee on excess performance above the S&P 500 total return (only assessed when LP returns are positive).

Framtiden Holdings LP Performance vs. the S&P 500[5]

Year	FHLP net	S&P 500
2019 H2	16.0%	10.9%
2020	24.0%	18.4%
2021	17.1%	28.7%
2022 H1	2.0%	-20.0%
Compounded Annual Gain	**19.7%**	**10.6%**
Overall Gain	**71.7%**	**35.3%**

Principals

Dan Juran is the sole founder and managing manager of the investment adviser and general partner to the Legacy Partnerships. He is the co-founder and managing member of the investment adviser and general partner to FHLP. Prior to founding the Legacy Partnerships, Dan was a Merrill Lynch retail stockbroker, a BMW motorcycle mechanic, a financial analyst at an American Express joint venture in Tokyo, and an English teacher in a coastal town in Japan. He grew up in a suburb of New Orleans and is a graduate of Amherst College.

Chris Anderson is the co-founder and member of the investment adviser and general partner to FHLP. Prior to co-founding FHLP, Chris was an associate at the investment firm Sansome Partners, a business analyst at McKinsey & Company, and a teacher in Chicago Public Schools with Teach for America. He grew up in a suburb of Chicago and is a graduate of Amherst College.

Fun Facts – Dan's mother is a native of Göteborg, Sweden. He drove a Toyota pickup with no A/C for seventeen years and enjoys sailing on Lake Michigan. Chris is a descendent of James Fenimore Cooper, author of *Last of the Mohicans*. He enjoys hiking in the mountains and Green Bay Packers football.

[5] Aggregate basis – Individual LP returns may differ due to contribution timing; partnership financial statements have been audited since inception, but all performance tables are unaudited; the S&P 500 returns include dividends.

Appendix B: Magical – Celebrating 15 Years of Ownership

The following note was written to limited partners of Framtiden LP in 2018 upon the 15th anniversary of the partnership's first purchase of Swedish Match.

***

Framtiden LP's association with Swedish Match AB ("SM") began magically and has been so ever since.

We recently passed the fifteenth-year anniversary of our first purchase (25,000 shares for $180,250 or $7.21/share on February 13, 2003) so indulge me as I recount some highlights.

<u>Sven's Book</u> 2002

I searched my records but was unable to find a copy of my first interaction with SM so precise dates are unknown but the broad outline is well remembered.

The company caught my attention sometime after UST (US snuff market share leader, now part of Altria) became our largest investment in 2000. It's basic business sense to keep an eye on competitors so I looked at SM (third largest player in US snuff market).

I liked what I saw. Reading the company's annual reports, "clean" is the word that comes to mind. The reports described clearly and comprehensibly a business with a long history, strong existing competitive positions, exciting growth potential and common-sense shareholder focused treatment of profits.

Green and inexperienced, I sweated the details. I had a technical question so I emailed then CFO Sven Hindrikes.

Then began the magic.

Sven sent me a book, a book with a blue cover and yellow letters (the Swedish flag is blue and yellow), titled "Swedish Companies Act 1975 – a translation of Aktiebolagslagen (1975:1385)." Paper clipped to the book was Sven's business card with a note scribbled on the card with the page number where to find the answer to my question.

To understand how sweet a moment this was when I got that book one must understand the times. Total capital under management (two partnerships) was roughly $5 million. I was scraping by. To pay rent and get health insurance, I worked twenty hours a week at Tulane University's architecture library. I lived in a dump (down the road from Ralph's on the Park). I was alone – totally alone.

The book was talismanic – evidence that someone high up cared; someone took me seriously and took the time to educate me. It sits on my bookshelf, business card still attached.

<u>Investment</u> 2003

By the end of 2003, SM had become our single largest investment – 120,000 shares accounting for over twenty percent of total capital.

Taking the Train 2004

In March 2004, Sven become CEO. In August, I met with him at the Stockholm headquarters. An innocent moment cemented my faith in his leadership.

In keeping with our frugal culture, I took the bus from Göteborg (where I was visiting relatives) to Stockholm followed by a subway ride to the headquarters. At the end of our meeting, Sven graciously accompanied me down to the reception desk. He asked if I would like him to have the receptionist call a taxi for me to the airport.

Without mentioning that my immediate destination was the bus station, I said no taxi was needed as I would be taking the subway.

Sven did not skip a beat – "I take the subway too. Faster and cheaper."

Lars and Joakim 2011

In 2008, Sven retired.

Lars Dahlgren (37), CFO under Sven, became CEO. Joakim Tilly (38) became CFO.

I worried. So young! While there was nothing concrete to point at (besides a relatively short duration bond structure versus US companies), youth and relative inexperience sometimes portend excessive risk appetites. With only a select few investments, we cannot afford risky behavior.

In October 2011, my way paved by Sven's earlier introduction to Lars, I trekked to Stockholm to meet with Lars and Joakim. After explaining the nature of the Swedish bond market, the following exchange occurred (recorded in a December 2011 missive) –

Lars: "Do you know what the average fixed term of Swedish mortgages is?"

Dan: "No."

Lars (smiling): "Five years and Swedes don't think that is risky."

Truth be told, I could have walked out right then for with that simple statement and smile I knew that the goal of the 4,000 miles plus mission had been accomplished. Lars revealed an instinctive understanding and aversion to risk.

When the Partnership accepts your hard-earned savings and passes it on to others, it strives to identify stewards like Lars. His attitude, fully shared by Joakim, is priceless. We can rest easy with 25% of our money in Stockholm.

Hanna the Great 2002 – 2018

No treatment of our history with SM can go without mention of Hanna Erlandson. Hanna works in SM's investor relations department. From the start, Hanna has been there for us.

No matter what I asked, large or small, Hanna did her best to help me out. From arranging calls and meetings with upper managers, to sending SM products to give out as party favors at the Partners' Dinner, she has been great. We owe her a big thank you!

Continuity 2018

Without going into details, SM's prospects are even brighter today than they were in 2003.

People wise, Lars remains CEO. He has grown into a formidable business leader – confident and focused. Joakim moved to operations. He heads SM's most important division, Scandinavia snus. Hanna can still be counted on at investor relations.

As for us, fifteen years of engagement and opportunistic share purchases have built an investment of 436,000 shares worth over $18,000,000. Our shares account for 0.25% of outstanding shares. The combined shareholding of the two partnerships equals nearly ½ of one percent of all shares (0.45%). Persistence and time can yield wonders.

Kiosks and Mopeds 1970s

Full confession, the magic began earlier in childhood memories.

My Swedish maternal grandmother, Dagny Gunilla Margareta Petersson Johansson, ran a kiosk selling tobacco, candy, newspapers and magazines.

When we visited Sweden during the US ban on Cuban cigars, it was my grandmother's proud duty to procure *H. Upmann* cigars for us to bring back to New York for my paternal grandfather and cigar lover, Morris Wolf Juran.

There's a more direct connection. One summer, during my early teenage years, an older Swedish girl, Katarina, took me for rides on her moped. It was pure bliss wrapping my arms around her waist as her hair flew in my face.

She once offered me some snus to try. When an older beautiful girl offers a teenage boy something, you can guess the outcome.

I puked.

Dan Juran February 20, 2018

Managing Member Chicago, Illinois

Appendix C: Letter from SM CEO Lars Dahlgren

Swedish Match

August 12, 2019

To Whom It May Concern,

I first learned of the Framtiden Partnerships and Dan Juran in 2005. At the time I was the CFO of Swedish Match. Then CEO Sven Hindrikes was the one who made the introduction and he explained how he had gotten to know Mr. Juran and how he gradually had understood the unique characteristics of Mr. Juran as an investor.

In 2011, we met for the first time at our headquarters in Stockholm. At first, I was a bit puzzled by the breadth of topics of his questions, but later I have understood how he truly wants to understand the reasoning of the persons in managerial positions. What struck me as our conversation evolved, besides Dan's height and shared Swedish heritage (and some speaking ability!), was that he was unusually informed about our company and exceptionally long-term oriented.

Those original impressions have been reinforced time and time again over the years through periodic conversations and visits. To my knowledge, the Framtiden Partnerships have not sold a share since their initial investment in 2003 (and in fact have added to their holdings at various points). While I believe Swedish Match is worthy of such a long-term commitment, one cannot deny its rarity.

Dan recently contacted me to talk about the latest developments at our company and broad industry trends. As usual, he zeroed in on core issues. He also shared with me the news of the formation of Framtiden Holdings LP, a new entity for institutional investors. Dan said he intended to make a material investment in Swedish Match through Framtiden Holdings, contingent on raising capital and attractive prices.

Dan asked me to write a letter so investors can better understand the relationship between Swedish Match and the Framtiden Partnerships and our attitude towards Framtiden Holdings LP becoming a major shareholder. As I trust is evident from this letter, I am pleased to say we would very much welcome it.

If you have any questions regarding Swedish Match and the relationship between our Company and the Framtiden partnerships, please do not hesitate to contact me.

Regards

Lars Dahlgren
President & CEO
Lars.dahlgren@swedishmatch.com
+46 70 9580441

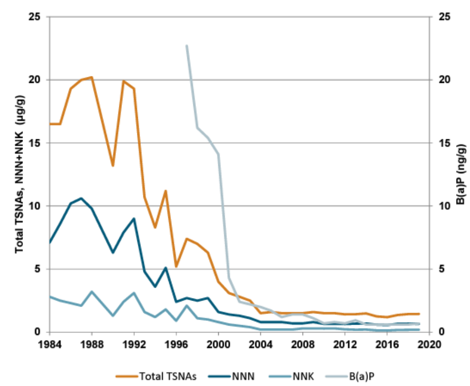
Appendix D: Harm Reduction Statistics and European Opportunity

DRAMATIC REDUCTION IN UNDESIRED CONSTITUENTS IN SNUS

GOTHIATEK® STANDARD – Maximum levels for selected constituents

GOTHIATEK® requires that finished products shall not exceed the maximum allowable levels of certain harmful and potential harmful constituents. These constituents originate from the environment or from the tobacco plant

The maximum levels for NNN+NNK and B(a)P are currently lower than the limits recommended by *WHO Tob. Reg. for Smokefree Tobacco Products as well as the limits prescribed by the Swedish Food Authority



*WHO Tob. Reg. Report 955, Scientific Basis of Tobacco Product Regulation 2010

ZYN® :RADICAL INNOVATION

FROM LOW LEVELS OF NITROSAMINES TO **ZERO**

	ZYN Mini Dry*	ZYN Slim*	Snus*	India oral tobacco**	US Moist Snuff*
Nicotine mg/g	11,4	12,6	11,6	0,9 - 30,4	12
pH	8,2	8,5	8,3	5,2 – 10,1	7,7
NNN µg/g	<LOQ	<LOQ	0,38	ND – 18,6	1,1
NNK µg/g	<LOQ	<LOQ	0,10	ND – 4,9	0,41
B(a)P µg/g	<LOQ	<LOQ	<LOQ	<0,1–940	41
Arsenic µg/g	<LOQ	<LOQ	0,06	0,07-1,53	0,07
Cadmium µg/g	<LOQ	<LOQ	0,27	0,03-0,5	0,57

The ZYN products have been tested at Swedish Match laboratory which is accredited in accordance with the International Standard ISO/IEC 17025:2005

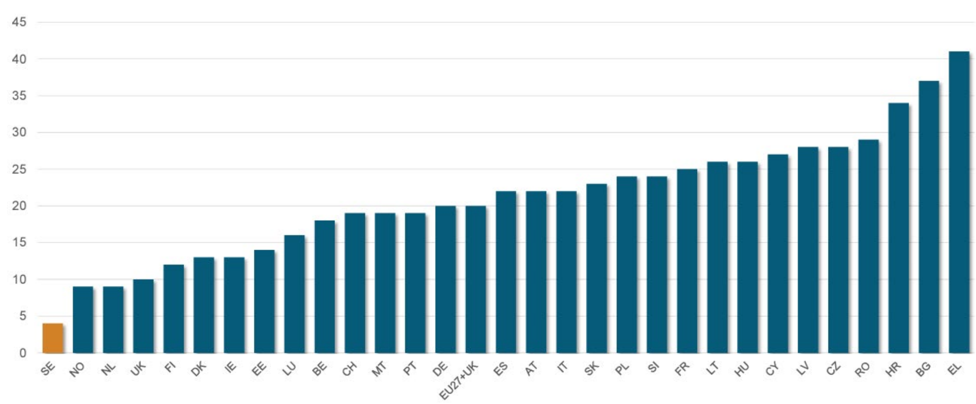
LOQ: Limit of quantification is a term used to describe the smallest concentration of a measurand that can be measured by an analytical procedure.
Wet weight basis

LOQ NNN = 0.015 µg/g
LOQ NNK = 0.015 µg/g
LOQ Benzo(a)Pyrene = 0.6 ng/g

* Data on file, Swedish Match, **IARC Monographs on the Evaluation of Carcinogenic Risks to Humans, No. 89, Gupta 2004, Global surveillance of oral tobacco products: total nicotine, unionized nicotine and tobacco-specific N-nitrosamines, Stanfill SB, Tobacco Control 2011; May 20

DAILY SMOKERS IN THE EUROPEAN UNION – MEN AND WOMEN

Prevalence of daily tobacco smokers – EU27, UK, Norway and Switzerland (%)



Source: Eurobarometer 506, February 2021. Central Bureau of Statistics Norway, chart 05307, 2019. The Federal Office of Public Health Switzerland 2017.

Appendix E: Additional Valuation Context – Other Consumer Staples

U.S. Dollar as of 12.31	3-Year CAGR (2019 - 2021) Revenue	Op Inc	Shares	EPS	2021 P/E
Nicotine					
Swedish Match	11.8%	17.7%	-3.4%	22.2%	18.8 (27.7)
British American Tobacco	3.6%	5.2%	0.1%	3.5%	8.3
Philip Morris International	2.0%	4.5%	0.1%	6.0%	15.6
Imperial Brands	3.6%	-1.6%	-0.3%	-2.0%	6.6
Japan Tobacco	0.0%	-0.8%	-0.3%	1.2%	9.1
Beer					
AB InBev	-0.2%	-6.8%	0.6%	-13.0%	21.0
Heineken	-1.1%	-4.3%	0.3%	-6.1%	27.9
Carlsberg	2.1%	5.1%	-1.9%	11.0%	23.4
Spirits					
Diageo	4.7%	3.7%	-1.4%	3.5%	23.3
Brown Foreman	5.8%	1.7%	-0.1%	0.2%	38.8
Non-Alcoholic					
Pepsico	7.1%	2.4%	-0.9%	3.4%	27.7
Coca-Cola	4.1%	4.0%	0.9%	3.7%	25.5
Food					
Nestle	0.9%	1.7%	-2.6%	5.9%	28.8
Unilever	0.7%	0.7%	-1.1%	3.3%	17.9
Mondelez International	3.5%	3.4%	-1.7%	5.7%	23.1
Hershey	4.8%	8.3%	-0.5%	10.3%	26.9
Staples					
Procter & Gamble	4.4%	9.5%	-0.7%	10.3%	28.9
Reckitt Benckiser	3.7%	-3.1%	0.2%	-3.4%	22.0
Colgate-Palmolive	3.9%	0.3%	-1.0%	2.6%	26.6

#1	#2	#3

Notes:

All calculations derived from company reports

Within each category, companies ordered by 2021 USD equivalent revenue except Swedish Match

Calendar years 2018 v. 2021 except Imperial (FY18 & FY21 end Sep), Diageo (FY19 & FY22 end Jun),
Brown Foreman (FY19 & FY22 end Apr), P&G (FY18 & FY21 end Jun)

All figures based on USD; non-USD at calendar year or fiscal year-end exchange rates

Operating Income and EPS are generally company-provided "adjusted" (non-GAAP) numbers

P/Es as of calendar or fiscal year-end; SM includes P/E on offer price in parentheses

Appendix F: Possible Explanations for SM Board's Recommendation to Sell

How did PMI's offer for SM at SEK 106 / share materialize, and why did SM's Board (with one notable dissent) recommend shareholders accept it? (See Appendix G for the SM Board's statement.)

From PMI's perspective, the reasoning is obvious: they believe acquiring fast-growing Swedish Match will create significant mid and long-term shareholder value (PMI presentation, May 2022); the deal will also accelerate their shift from cigarettes to what they call reduced risk products ("RRP"), an explicit goal of the company. With no presence in the largest nicotine profit pool in the world, PMI would get not only a U.S. smokefree portfolio including *ZYN* but also a marketing and distribution platform for PMI's other RRPs (not to mention a Scandinavian smokefree business and SM's smaller non-smokefree segments). PMI shareholders should be rejoicing at the prospect of buying SM at the offer price.

From the perspective of a SM shareholder, the SM Board's recommendation to accept the offer is very disappointing. The only numerical justification provided is the premium to the prior trading price. The "fairness opinions" are the same, almost nothing.

Price is the reference point for speculators, not investors. An investor cares about price *relative to current and future cash flows*. One must understand the business context in order to form an opinion on the magnitude of future cash flows and the probability of their realization. The Board says they have considered this but fail to provide any relevant evidence or context.

It's a shame that a company with a management that is so business focused, that presents itself almost entirely in business terms (no share price charts, etc.), that almost never refers to the share price, that is so remarkably non-promotional, that does not provide earnings guidance, and that is built so assiduously on sound principles, is flogged on speculative grounds.[6]

The Board statement of another great Swedish company, Scania AB, arguably the world's finest truck maker, in response to a takeover offer by MAN AG, offers perspective on what is missing. (Appendix H)

So we return to the question – why did the Board recommend the sale of Swedish Match? The best I can do is speculate given what I believe is a misguided decision. Here goes.

It's no secret that as a smaller niche player, SM has long been seen as an acquisition candidate in a consolidating industry. In recent years, the Board and management may have felt the company was increasingly vulnerable to a takeover as its growth rate accelerated and Swedish institutional ownership declined. When I invested in 2003, Swedish ownership was 39.3%, of which institutions and mutual funds accounted for 29.0%. In 2021, the numbers were 21.7% and 8.1% respectively.

The reasons are familiar to any institutional investor – ESG gone wild. Despite a strong claim to being a force for good in terms of public health, SM is based in a country where anything having to do with tobacco has gradually become verboten in the institutional investor world. It is also my understanding that the Swedish government does not champion the company. Without the protection of home country investors or the government, the Board may have felt extra exposed.

Given the sense of inevitability, perhaps the Board viewed PMI as the preferred acquirer. Altria, BAT, and Imperial, with their extensive operations in SM's main markets, would probably be precluded for anti-

[6] CEO Lars Dahlgren once made a marvelous comment along these lines, "Dan, I look at the share price only once a month." I try (unsuccessfully) to follow his example.

trust reasons. That leaves Japan Tobacco and PMI. SM and PMI management know one another from a prior (failed) joint venture to market snus outside of Scandinavia and the U.S., so perhaps relations were warm. PMI was also shrewd to reassure SM on retaining employees and facilities (although I would guess JT would act similarly).

In the Board statement, under the heading *The Board's evaluation of the Offer*, the first paragraph is a brief description of the business. *ZYN* gets one sentence (in the entire press release): "Swedish Match is the market leader in the U.S. nicotine pouch category with its ZYN branded offering." The second paragraph is devoted to the "risks and challenges associated with executing against these prospects." It is equal in length to the first paragraph.

I find it remarkable that risks get equal billing with the company's long-term growth prospects. My most charitable, albeit speculative, interpretation is that the Board was influenced by two recent scares.

Scare #1: A U.S. budget proposal put forth in September 2021 included a federal excise tax on nicotine pouches for the first time. According to an article (10.06.21) on *Snusforumet* (a site published and maintained by the Association of Swedish Snus Manufacturers), had the proposal become law the price of nicotine pouches in the U.S. could rise by 178%, making them more expensive than cigarettes. The proposal was later dropped but it highlighted excise tax risks.

Scare #2: In March 2022, roughly two months prior to the tender offer announcement, SM suspended preparations for the cigar spin-off due to regulatory uncertainties (denial of substantial equivalence designations for about 3% of 2021 cigar volume). In the same release, the company said it still has the strategic intent to separate the cigar business.

Risk perception is often a function of immediate past experience and can become exaggerated. As detailed in the *Fundamentals* section, on balance I believe regulatory and tax risks are manageable and unlikely to impact SM's long-term trajectory. Had I sold shares because of past short-term scares, we would have long ago ceased to be shareholders. Scares are often the best buying opportunities.

Whatever their reasons, I think the Board made a critical misjudgment in recommending the sale of SM. Fortunately, it is shareholders, not the Board, that will ultimately determine the fate of the company. In other words, it is up to us to behave as long-term owners and demonstrate the resolve that the Board lacked when making their recommendation.

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Appendix G: Swedish Match Board Statement re PMI Offer

Swedish Match

Press release

Nasdaq Stockholm: SWMA

May 11, 2022

Statement by the Board of Directors of Swedish Match AB in relation to the public cash offer by Philip Morris Holland Holdings B.V.

The Board of Directors of Swedish Match AB recommends that the shareholders of Swedish Match accept the offer

Background

This statement is made by the Board of Directors (the "**Board**") of Swedish Match AB (publ) ("**Swedish Match**" or the "**Company**") pursuant to Section II.19 of Nasdaq Stockholm's Takeover Rules (the "**Takeover Rules**").

Philip Morris Holland Holdings B.V. ("**PMHH**"), an indirect wholly-owned subsidiary of Philip Morris International Inc. ("**PMI**"), has today announced a public cash offer to Swedish Match's shareholders to transfer their shares in Swedish Match to PMHH (the "**Offer**"). Under the terms of the Offer, PMHH is offering SEK 106 per Swedish Match share in cash (the "**Offer Price**"), which values the issued share capital of Swedish Match at approximately SEK 161.2 billion.[1)] The Offer Price represents a premium of approximately:

- 39.4 percent compared to the closing share price of SEK 76.06 on May 9, 2022 (the last day of trading prior to market speculation regarding a potential public offer for the Company)[2)];
- 39.7 percent compared to the volume-weighted average trading price of SEK 75.86 for the shares during the last 30 trading days ended on May 9, 2022 (the last day of trading prior to market speculation regarding a potential public offer for the Company)[3)]; and
- 46.6 percent compared to the volume-weighted average trading price of SEK 72.33 for the shares during the last 90 trading days ended on May 9, 2022 (the last day of trading prior to market speculation regarding a potential public offer for the Company)[4)].

The acceptance period of the Offer is expected to commence on or around June 23, 2022 and expire on or around September 30, 2022, subject to any extensions.

Completion of the Offer is conditional upon, amongst other things, PMHH becoming the owner of more than 90 percent of the total number of shares in Swedish Match and the receipt of all necessary regulatory, governmental or similar clearances, approvals, decisions and other actions from authorities or similar, including from competition authorities, in each case on terms which, in PMHH's opinion, are acceptable. PMHH has reserved the right to waive these and other conditions for completion of the Offer. PMHH has also reserved the right to extend the acceptance period and, to the extent necessary and permissible, will do so in order for the acceptance period to cover applicable decision-making procedures at relevant authorities.

At the written request of PMHH, the Board has permitted PMHH to conduct a confirmatory due diligence review of Swedish Match in connection with the preparation of the Offer. In connection with such review, PMHH has received certain information concerning Swedish Match's financial performance for the first quarter 2022. Swedish Match will today announce this information through a separate press release. Except as set out above, PMHH has not received any inside information in connection with such review.

1) Based on all outstanding 1,520,714,190 shares in Swedish Match, i.e. excluding 4,285,810 shares held in treasury by Swedish Match.
2) Representing a premium of 11.6 percent compared to the closing price of SEK 95.00 on May 10, 2022 (the last day of trading prior to this announcement).
3) Representing a premium of 31.7 percent compared to the volume-weighted average trading price of SEK 80.51 during the last 30 trading days ended on May 10, 2022 (the last day of trading prior to this announcement).
4) Representing a premium of 43.4 percent compared to the volume-weighted average trading price of SEK 73.94 during the last 90 trading days ended on May 10, 2022 (the last day of trading prior to this announcement).

Swedish Match has retained Goldman Sachs Bank Europe SE ("**Goldman Sachs**") as financial adviser and Mannheimer Swartling Advokatbyrå as legal adviser in relation to the Offer. KANTER Advokatbyrå has also assisted Swedish Match with certain legal advice related to the Offer.

Goldman Sachs has, in its capacity as financial adviser, provided an opinion to the Board that, as of May 11, 2022 and based upon and subject to the factors, limitations and assumptions set forth therein, the SEK 106 in cash per share to be paid to the shareholders of Swedish Match in the Offer is fair from a financial point of view to the shareholders of Swedish Match. The full text of the written opinion of Goldman Sachs, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached to this statement. Goldman Sachs provided its opinion and advice solely for the information and assistance of the Board in connection with its consideration of the Offer and not to the shareholders of Swedish Match. The Goldman Sachs opinion is not a recommendation as to whether any shareholder of Swedish Match should tender their shares in connection with the Offer or any other matter. Goldman Sachs's fee as financial adviser is contingent on the size of the Offer consideration and whether the Offer is completed.

In addition, SEB Corporate Finance, Skandinaviska Enskilda Banken AB (publ) ("**SEB Corporate Finance**") has also, at the request of the Board, provided an opinion according to which the Offer is fair to Swedish Match's shareholders from a financial point of view (subject to the assumptions and considerations set out in the opinion). The opinion is attached to this statement. SEB Corporate Finance will receive a fixed fee for providing the opinion, which is not contingent on the size of the Offer consideration, the acceptance level of the Offer or whether it is completed.

The Board's evaluation of the Offer

Since its listing in 1996, Swedish Match has created a growing business, through consistent execution and significant investments in its portfolio of products, brands, and markets. With a stated vision of "A world without cigarettes", Swedish Match's efforts in smokefree products have proven to resonate with consumers who are seeking attractive and less harmful alternatives to cigarettes. Swedish Match is the market leader in the U.S. nicotine pouch category with its ZYN branded offering. Swedish Match is investing for the future in support of the growth for its U.S. nicotine pouch business, as well as in nicotine pouches and other product categories across markets.

In assessing the merits of the Offer, the Board has considered the long-term growth prospects of the Company as described above as well as the risks and challenges associated with executing against these prospects. These risks include possible negative impacts on the Company and its business as a result of the highly competitive markets in which the Company operates as well as the constraints that existing and new regulation regarding, among other, things tobacco excise taxes, nicotine pouch federal (and further state) taxes, marketing, packaging, warning labels, ingredients, product approvals, and the introduction of new products may put on the Company and its business.

The Board has analysed the Offer using the methods normally used for evaluating public offers for listed companies, including Swedish Match's valuation in relation to comparable listed companies and comparable transactions, premiums in previous public offers, equity analysts' expectations regarding Swedish Match and the Board's view on Swedish Match's long-term value based on expected future cash flows. The Board has also taken into account that the Offer comprises cash consideration, which, subject to completion of the Offer, provides the Swedish Match shareholders with a de-risked opportunity to realise value from their investment in cash in the near future and at a meaningful premium to traded prices of the Swedish Match share.

Having concluded this assessment, the Board believes that the terms of the Offer recognise Swedish Match's long-term growth prospects, taking into account the risks associated with the realisation of those prospects.

Under the Takeover Rules the Board is required, on the basis of PMI's statements in the announcement of the Offer, to make public its opinion of the effects the implementation of the Offer may have on Swedish Match, specifically employment, and its views on PMI's strategic plans for Swedish Match and the effect these may be expected to have on employment and the places where Swedish Match carries on its business. PMI has in this respect stated that "*PMI recognizes that the employees and management team of Swedish Match have built a highly successful business with an excellent track record, and PMI has the utmost respect for them. PMI's current plans for the future business and general strategy, as described above, do not include any material changes with regard to Swedish Match's operational sites, or its management and employees, including their terms of employment. Swedish Match has a complementary organization with a talented, dedicated workforce, excellent culture and a strong base of skills in Sweden, the U.S. and across the world. PMI would intend to nurture this talent and provide additional opportunities as the companies grow together.*

Appendix G: Swedish Match Board Statement re PMI Offer

Importantly, PMI intends to provide compensation and benefits consistent with Swedish Match's current programs, including the Profit Sharing Foundation in Sweden. In addition, PMI intends to preserve and develop Swedish Match's operational presence in Sweden, where much of the Company's skills base is located, as well as in Richmond, Virginia, the site of the head office for Swedish Match's U.S. Division. PMI has no plans to divest the Lights business." The Board assumes that this description is accurate and has in the relevant aspects no reason to take a different view.

Based on the above, the Board recommends that Swedish Match's shareholders accept the Offer.

The resolution to make the above statement has been supported by all board members except for Pär-Ola Olausson (appointed by the union IF Metall).

Pär-Ola Olausson is of the view that Swedish Match has the competence and the experience to remain independent in the long-term and that the terms of the Offer do not reflect the long-term fundamental value of the Company.

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This statement shall in all respects be governed by and construed in accordance with substantive Swedish law. Disputes arising from this statement shall be settled exclusively by Swedish courts.

Stockholm, May 11, 2022

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For more information please contact:

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This information is information that Swedish Match AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 7.45 a.m. CET on May 11, 2022.

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SCANIA PRESS info

24 November 2006

Statement of the Board of Directors of Scania in relation to the unsolicited public offer by MAN

Background

This statement is issued by the Board of Directors (the "Board") of Scania AB ("Scania" or the "Company") pursuant to item II.14 of the Stockholm Stock Exchange Rules concerning Public Offers for the Acquisition of Shares (the "Takeover Rules").

MAN AG ("MAN") has on September 18 2006 announced a public unsolicited offer to the shareholders of Scania to acquire all outstanding shares in Scania (the "Offer"). The initial offer price was amended on October 12 2006 following market purchases of Scania shares. The Offer was rejected by the Board in its announcement of October 12 2006.

As set forth more fully in MAN's offer document published on November 16 2006 (the "Offer Document"), Scania's shareholders are being offered to tender their shares to MAN for the consideration of €51.29 per Scania A and B share (the "Offer Consideration"). The consideration offered per Scania share consists of either (a) a mixture of cash and new MAN ordinary shares, or (b) cash only. Under the cash and share alternative, MAN offers €41.12 in cash and 0.151 in new MAN shares per Scania share and under the cash only alternative MAN offers €51.29 in cash per Scania share. MAN also offers a cash alternative of SEK 475 for each Scania shareholder who holds in aggregate 100 or less Scania shares. Moreover, MAN offers a mix and match facility subject to a maximum of 26,686,493 new MAN ordinary shares under the mixture of cash and new MAN ordinary shares alternative.

According to the Offer Document the acceptance period will run from November 20 2006 to December 11 2006 subject to any extension.

The completion of the Offer is conditional upon, among other things, being accepted to such an extent that MAN becomes the owner of more than 90 percent of the total number of shares and votes in Scania. MAN has reserved the rights to waive this and other conditions of the Offer; to take actions in order to initiate implementation of a forced merger between MAN and Scania whether or not MAN reaches a 90% ownership in Scania; and to withdraw the Offer in the event that it is clear that any of its conditions are not fulfilled or cannot be fulfilled.

The Offer Document contains information to the effect that MAN holds shares representing 11.63% of the issued share capital and 14.54% of the votes in Scania.

Volkswagen AG, representing 34.00% of the votes in Scania, announced on November 17 2006 that it will offer its interest in Scania only if MAN has received commitments to tender representing at least 71.31% of Scania's capital and at least 56.01% of Scania's votes.

In a press announcement made public on October 12 2006, Investor AB rejected the Offer with reference to MAN's Offer not reflecting the value of Scania and the potential synergistic benefits of a combination of the two companies. On November 7 2006 Investor AB increased its holding in Scania to 20.01% of the voting rights. Following a dispensation from the mandatory offer rules granted by the Securities Council (AMN 2006:44), Investor AB and the Wallenberg Foundations on November 17 2006 entered into a co-operation agreement regarding their combined holding in Scania, which at present corresponds to 30.6% of the votes and 16.8% of the capital, as well as 33.7 % of all shares of class A issued by Scania. Thus, the avenue of forced merger between MAN and Scania is not achievable without the support of Investor AB and Wallenberg Foundations.

Scania's standalone growth prospects

Scania is and has for many years been the most successful and profitable company in the European truck industry and has excellent growth and earnings prospects as a standalone business.

Market outlook

In Western Europe, industrial growth is driving increased demand for transports. Additionally, increasing exports to Central and Eastern Europe and a shortage of transport capacity are expected to underpin the robust market dynamics. Orders from markets in the European Union have been less affected than previously anticipated by pre-buy effects in the run-up to the Euro 4 environmental regulation.

In Central & Eastern Europe and the CIS states, rapid economic expansion has led to significantly increased demand for freight services and trucks. Demand is supported by continued rapid economic growth, the adoption of western consumption patterns and relocation of Western European manufacturing. Ongoing infrastructure investments are expected to further increase freight volumes. Moreover, premium brand manufacturers are benefiting from eroding local competition.

Scania is also well positioned in other markets, such as South America, Far East, Asia and the Middle East where economic growth is expected to drive continued strong demand for heavy trucks and buses.

The heavy truck segment is the major beneficiary of increasing inter-regional trade and higher demand for long-haul freight. It is growing significantly faster than the segment for medium-sized trucks.

Scania is positioned for profitable growth

Scania is well positioned in the heavy commercial vehicles segment to benefit from the strong growth in its key markets:

- Scania focuses on the European markets including Central & Eastern Europe and the CIS states; as such it is well positioned to benefit and deliver sustainable profitable growth. Scania is not exposed to the more volatile North American market.

- Scania is well positioned with further potential for capacity expansion within the existing production structure. This will allow Scania to meet expected demand with the current structure and expand current capacity to 100,000 trucks by 2009/10 with limited additional capital expenditure.

- Scania has continually streamlined its production processes to improve its efficiency. Recent projects include rationalising the European axle and gearbox production structure. This project is expected to lead to savings of SEK 300 million per year starting in 2007.

- Scania's productivity track record can be illustrated by the number of vehicles manufactured per employee over time. In 1990 Scania manufactured 2.5 vehicles per employee, while it currently manufactures 6.1 vehicles per employee and targets to manufacture 10 vehicles per employee around 2010.

- Scania's premium brand strategy is supported by Scania's leading technology capabilities. Scania is well prepared for the future due to its cost effective modular product approach and its joint development programmes. Together with Cummins, the Company has already secured the technology required to meet Euro 6 environmental regulation. Strategic alliances where resources are pooled are an integral part of Scania's strategy.

- Scania's captive service network provides it with further growth opportunities. The Company will continue to benefit from increasing service revenues as a result of a substantial increase in the rolling fleet, increased outsourcing by fleet operators and an expanded service offering.

- Scania targets to reduce annual costs in the captive network by more than SEK 500 million per year through sharing of corporate functions (eg IS/IT systems, purchasing, centralised back office, marketing) across countries and regions. The benefits are expected to be fully realised by 2009.

- Scania offers customer finance services in all European markets and in an increasing number of emerging markets. In those markets, Scania maintains a market penetration of more than one third of new vehicle sales. During 2006, new operations were established in Turkey and Chile.

Strong current trading

In the first nine months of 2006, Scania reported record earnings and cash flow. As compared with the same period in 2005, revenues and operating income increased 15% and 31%, respectively. Earnings increased significantly year-on-year on the back of substantially higher volume and increased capacity utilisation.

Scania's deliveries are expected to total some 65,000 vehicles during 2006, an increase of approximately 11% over 2005, and operating income is expected to substantially exceed SEK 8.0 billion.

Order bookings for trucks rose by 12% during the first nine months of 2006. So far in the fourth quarter 2006, orders have been stronger than in the corresponding quarter in 2005. Based on current order bookings and a sizeable order backlog, Scania has decided to further increase the rate of production in the first quarter of 2007.

Excellent future prospects

In conjunction with its third quarter results released on October 16 2006, Scania management announced updated guidance to the market:

	2002-2005	2006	Outlook 2007-2009
Revenue, % growth per annum[1]	10.2	>12	~ 10
EBIT margin, % of revenues	**10.6**	**11-12**	**12-15**
Capex(incl. R&D[2]), % of revenues	9.0	~9	8-9
R&D[2], % of revenues	**4.1**	**4**	**<4**
EPS, % growth per annum[1]	17.0	>20	>17

Notes: (1) Compounded annual growth rate over the period
(2) Total R&D expenditures (capitalised and expensed)

Capital structure

Scania's balance sheet is well capitalised and provides further opportunities to enhance shareholder returns. Since 2002, Scania has on average delivered a dividend payout ratio in excess of 50%, with a current payout ratio of approximately 65%.

Following the capital review announced in July 2006, Scania's management concluded that the company would have the ability to make a special distribution of up to SEK 7,000 million, equivalent to SEK 35 per share, before the end of 2006.

In 2007, based on forecast strong earnings and cash flow, Scania's management is of the opinion that the company would be in the position to distribute an additional amount of up to SEK 10,000 million (including ordinary dividend),equivalent to SEK 50 per share, and still maintain an investment grade credit rating as a standalone company.

The Board will review the size and timing of such distributions to be proposed to a shareholders meeting for decision once the situation surrounding MAN's Offer has been resolved.

Synergies from a combination of Scania and MAN

The management of Scania has undertaken a detailed assessment of the synergy potential of a successful combination of Scania and MAN's commercial vehicle business and has identified specific economies of scale and economies of skill in areas such as production, sales and service, customer finance, sourcing and administration/IT. Due consideration has also been given to mitigating potential integration risks such as loss of market share, failure to safeguard brand differentiation, short term increased funding costs, failure to integrate cultures and focus on realising cost synergies instead of enhancing customer value.

If the integration plan is carefully managed and executed, Scania management has concluded that over the long term higher synergies than those announced by MAN are achievable. However, short term these synergies may be widely overstated. This is among other things due to the existing long term job protection agreements entered into between MAN and its German labour unions, restricting timely realisation of synergies.

Assessing the Offer by MAN

As a result of the movement in the SEK / Euro exchange rate, MAN's cash only alternative corresponds to SEK 465[1] ("Current Cash Offer"), whilst the highest price paid by MAN in the market for Scania shares is SEK 475. Additionally, based on the unaffected MAN share price of €59.3[2], MAN's cash and share alternative corresponds to SEK 454[2], or 4% below the highest price paid by MAN in the market for Scania shares.

The Board is of the opinion that MAN's Offer Document contains a number of possible breaches of the Takeover Rules, including the Offer Consideration not reflecting the highest price of SEK 475 paid by MAN in the market. The Board has filed a complaint with the Securities Council which is currently investigating these issues.

The Board believes that MAN's Offer and the higher prices it paid in the market for Scania shares substantially undervalue Scania on the basis that:

- the Offer was made at an opportunistic time when Scania trading was affected by the negative sentiment regarding prospects of the general truck market;
- the Offer shows little or no premium compared to Scania's trading benchmarks; and
- when compared to previous acquisition multiples offered for Scania, the Offer is at a substantial discount

Opportunistic timing

The timing of the Offer is opportunistic. When the Offer was announced, the trading of Scania was negatively affected due to (i) uncertainty regarding the impact of pre-buying on new Euro IV emission legislation, and (ii) the market was not anticipating the demonstrated sustained demand in the European heavy truck market that became apparent after the summer and in the third quarter results.

Furthermore, following the release of Scania's third quarter results and profit guidance on October 16 2006, research analyst estimates were significantly revised upwards.

Lack of control premium

When MAN's Offer is measured against the relevant Scania trading benchmarks, the Offer shows little or no premium for control and in certain cases represents a discount.

[1] Using the SEK / Euro exchange rate of 9.0615, derived from WM/Reuters as of 16:00 (London time) November 23 2006.
[2] Based on Datastream closing price on September 11 2006.

- Scania's average current year AV/ EBITDA (aggregate value/earnings before interest, tax, depreciation and amortisation) multiple across the cycle is 7.6x[3]. Mid-cycle multiple is a relevant trading benchmark given that Scania foresees continued sustained growth in the European heavy truck segment. The Current Cash Offer, at 8.1x[4] current year EBITDA represents a premium of 7% against this benchmark.

- Since 2000, Scania has traded on average at a 35% premium to its European truck manufacturer peer group[5]. Applying this premium to the current average AV/ EBITDA trading multiple of Scania's peer group results in a multiple of 8.9x[6]. The Current Cash Offer represents a discount of 9% against this benchmark.

- Historically, Scania has been trading more in-line with the Swedish capital goods companies than its European truck peers given its high margins. Currently, Swedish capital goods companies are trading at 9.1x[7] EBITDA - the Current Cash Offer is at 11% discount against this benchmark

Large discount to previous acquisition multiples offered to Scania

Furthermore, when compared to the previous acquisition multiples involving Scania, MAN's Offer is significantly lower. Volvo agreed to pay 11.4x AV/ EBITDA[8] in 1999 and Volkswagen agreed to pay 12.0x AV/ EBITDA in 2000[9], for a minority stake in Scania, implying share prices of SEK 639 and SEK 673, respectively if these multiples are applied to Scania's LTM EBITDA as of third quarter 2006. The Current Cash Offer multiple at 8.3x AV/ LTM EBITDA[9] represents 27% and 31% discount to both Volvo and Volkswagen's offer multiples, respectively.

[3] Based on arithmetic average of current year AV/ EBITDA multiples between January 1 2000 and September 11 2006. EBITDA estimates are based on consensus Reuters Estimates, equity values are based on FactSet and net debt figures, including pensions, are based on company filings.

[4] Based on MAN all cash offer price of SEK 465, Scania net debt including pensions as of third quarter 2006 and consensus 2006 EBITDA estimates as per Reuters Estimates; includes analyst estimates published following Scania's release of its third quarter 2006 results.

[5] European truck peer group includes Volvo, DaimlerChrysler and MAN. Based on arithmetic average of current year AV/ EBITDA multiples between January 1 2000 and September 11 2006. EBITDA estimates are based on consensus Reuters Estimates, equity values are based on FactSet and net debt figures, including pensions, are based on company filings.

[6] Based on arithmetic average of current year AV/ EBITDA multiples of Volvo, DaimlerChrysler and MAN of 6.6x as of November 23 2006. EBITDA estimates are based on consensus Reuters Estimates, equity values are based on FactSet and net debt figures, including pensions, are based on company filings.

[7] Swedish capital goods companies include ABB, Atlas Copco, Electrolux, Sandvik and SKF. Based on arithmetic average of current year AV/ EBITDA multiples as of November 23, 2006. EBITDA estimates are based on consensus Reuters Estimates, equity values are based on FactSet and net debt figures, including pensions, are based on company filings.

[8] Based on LTM actual EBITDA of Scania and net debt as of latest company filings including pensions at the time of the respective offers.

Recommendation by the Board of Directors

The Board of Directors has based its recommendation on an assessment of factors that the Board has deemed relevant in relation to the Offer, including, but not limited to assumptions regarding Scania's business and financials.

Under the Takeover Rules the Board of Scania is required, based on MAN's statements in the Offer Document, to express its views on the effects of the implementation of the Offer on Scania and specifically employment, and on MAN's strategic plans for Scania and their likely repercussions on employment and business locations.

MAN has stated in its Offer Document that *"As a general principle, MAN foresees a balanced approach to the distribution of component production between the two companies and is convinced that the combination can be achieved and the synergies that have been identified secured"*.

The Board of Scania has noted that MAN has entered into long term job protection agreements with its German labour unions, which in practice means that any headcount reduction will most likely be taken out of the more efficient Scania operations.

Scania's labour unions have jointly responded to the MAN Offer. On November 21 2006 representatives of Scania Metal Workers Union and SIF (white collar workers union) stated that MAN should withdraw its offer. The existence of job guarantees in Germany until 2012 evidently impairs the possibilities of an equitable and efficient combination. Scania and its employees will have to bear the entire burden of cost synergies or possible market downturns. The trade unions at Scania's manufacturing units outside Sweden stand behind the criticism against MAN's offer.

The Board is of the opinion that the structure of a combined company must be guided by commercial rationale and transparency.

The Board of Scania is of the firm view that the offer from MAN substantially undervalues Scania:

- Scania is the most successful and profitable company in the European truck industry and has excellent growth and earnings prospects as a standalone business.

- MAN's announced synergies underestimate the long term synergy potential of a carefully managed and executed combination of Scania and MAN. However, short term these synergies may be widely overstated.

The Board unanimously[9] recommends Scania shareholders **not to accept** the Offer as it substantially undervalues Scania. This recommendation is supported by opinions rendered by Deutsche Bank AG and Morgan Stanley & Co. Limited that were given to Scania's Board to the effect that, subject to the assumptions set out therein, the Offer Consideration is inadequate from a financial point of view to the shareholders of Scania other than MAN and its affiliates. The opinions are attached to this press release.

The Board unanimously recommends Scania shareholders not to accept the Offer as it substantially undervalues Scania

Södertälje, November 24, 2006

Scania AB (publ)

The Board of Directors

This announcement contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Such forward-looking statements involve risks and uncertainties that could significantly alter potential results. These statements are based on certain assumptions, including assumptions related to general economic and financial conditions in the company's markets and the level of demand for the company's products. This announcement does not imply that the company has undertaken to revise these forward-looking statements, beyond what is required under the company's registration contract with the Stockholm Stock Exchange, if and when circumstances arise that will lead to changes compared to the date when these statements were issued.

***Scania** is one of the world's leading manufacturers of trucks and buses for heavy transport applications, and of industrial and marine engines. A growing proportion of the company's operations consist of products and services in the financial and service sectors, assuring Scania customers of cost-effective transport solutions and maximum uptime. Employing 32,000 people, Scania operates in about 100 countries. Research and development activities are concentrated in Sweden, while production plants are located in Europe and South America, with facilities for the global exchange of both components and finished vehicles. In 2005, revenue totalled SEK 63.3 billion and net income amounted to SEK 4.7 billion.*

Scania's press releases are available on the INTERNET, www.scania.com

[N06047EN] Cecilia Edström

[9] Because of conflicts of interest, the representatives of Volkswagen AG on Scania's Board have and will abstain from participating in decisions regarding MAN, including this recommendation.

n06047en statement of the board of directors of scania in relation to the unsolicited public offer by man