

Half Year Report January – June 2022

Highlights for the second quarter

- Group sales and operating profit increased strongly on the back of continued solid momentum for the US smokefree business and currency tailwind.
- Group sales increased by 23 percent to 5,561 MSEK (4,505). In local currencies, Group sales increased by 11 percent for the second quarter.
- Group operating profit increased to 2,227 MSEK (1,956).
- Operating profit from product segments increased by 14 percent to 2,271 MSEK (1,988). In local currencies, operating profit from product segments¹⁾ increased by 1 percent for the second quarter.
- In local currencies, operating profit grew by 14 percent for the Smokefree product segment despite higher market investments across geographies to support future growth. For the Cigars product segment, operating profit declined, impacted by lower volumes. For Lights, underlying operating profit increased, but items of temporary nature drove a decline in reported operating profit.
- Profit after tax increased to 1,624 MSEK (1,441).
- Earnings per share increased by 17 percent to 1.07 SEK (0.92).
- The full year outlook for 2022, found on page 14, has been updated based on developments during the first six months.

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



CEO Lars Dahlgren comments: Another quarter with progress towards our Vision

The second quarter continued to demonstrate the attractive prospects of our business in several ways. Our smokefree business delivered double-digit revenue growth in local currencies and outstanding results despite significant investments to support future growth. The key contributor to the enhanced earnings for Smokefree was the solid performance for ZYN in the US, but moist snuff in the US also delivered respectable profit growth.

The continued impressive volume trajectory for ZYN in the US resulted, once again, from the combination of increased velocities and an expansion of the store base – in the west where the product was initially launched, as well as in expansion markets outside the west. We are further encouraged by the market share resilience of ZYN in the current competitive environment. We continued to increase our investments in brand-building, but our consumer price promotions were less pronounced in the second quarter compared to the first. Despite this, ZYN's volume market share, according to MSA data, held up well versus the first quarter and remained above the level recorded in the second quarter of the prior year. The strength of the ZYN franchise is even better reflected by the market share in retail value terms. According to IRI data, ZYN represented more than three quarters of the retail sales value of the US nicotine pouch category during the second quarter.

In Scandinavia, the smokefree category is exhibiting double-digit growth in volume terms, and what is particularly encouraging is the fact that while the accelerated category growth is being driven by increased penetration and consumption of nicotine pouches, snus consumption has also held up well. Swedish Match's market share is significantly higher within snus in Scandinavia, but important steps have been taken and will continue to be taken to improve our position within the nicotine pouch market. During the quarter we introduced several innovative new nicotine pouch offerings and product enhancements. We are particularly excited about the introduction of the patent-pending PEARLS technology, with the VOLT brand in Sweden being the first to benefit from extensions based on this exciting innovation. While still early to draw conclusions, initial interest from consumers and the trade has been strong and the VOLT brand range continued to gain share in Sweden during the quarter. Our smokefree volumes and sales in Scandinavia both grew by 6 percent compared to the prior year's second quarter, while operating profit declined, reflecting the higher market



investments, product cost inflation, as well as negative channel mix effects.

Our cigar business has faced operational challenges for some time, and while shipment volumes and the operating profit were well below the prior year second quarter, we are hopeful that we will be able to deliver improvements going forward. Our supply chain organization has made good progress in production levels of natural leaf varieties, and though demand in the overall cigar category was notably lower than prior year's elevated level, we are encouraged by our share gains within the more attractive natural leaf segment, resulting in Swedish Match regaining the number two position in the US mass market cigar category (excluding little cigars), according to MSA data. For HTL cigars, limitations of certain input materials hampered our ability to fulfill demand, but our expectation is that we will be able to increase HTL output to some extent going forward. From a financial perspective, Cigars reported relatively steep earnings contraction as the adverse effects from lower sales were aggravated by inflationary cost pressures.

The war in Ukraine is truly tragic and our hearts go out to those suffering from this senseless invasion. We have suspended our lighter sales to Russia which weighed on our results for Lights, but on an underlying basis (also adjusting for significant income of a temporary nature in the prior year period), our Lights business continued to deliver a solid result despite increasingly challenging market conditions.

During the quarter, our Board of Directors issued its recommendation to shareholders to accept the public cash offer by Philip Morris International. My focus continues to be on ensuring that our business grows stronger and plays a leading role in shaping a future in line with our vision of *A World Without Cigarettes*.

Summary of consolidated income statement

MSEK	April-June		Chg %	January-June		Chg %	Full year 2021
	2022	2021		2022	2021		
Sales	5,561	4,505	23	10,454	8,960	17	18,489
Sales from product segments ¹⁾	5,461	4,414	24	10,268	8,791	17	18,145
Operating profit from product segments ¹⁾	2,271	1,988	14	4,386	4,080	7	8,136
Operating profit, excl. larger one-time items ²⁾	2,227	1,956	14	4,251	4,011	6	7,986
Operating profit	2,227	1,956	14	4,251	4,310	-1	8,286
Profit before income tax	2,145	1,871	15	4,082	4,136	-1	7,941
Profit for the period	1,624	1,441	13	3,117	3,221	-3	6,218
Operating margin from product segments, % ¹⁾	41.6	45.0		42.7	46.4		44.8
Earnings per share, basic and diluted, SEK	1.07	0.92		2.04	2.04		3.97
Adjusted earnings per share, basic and diluted, SEK ²⁾³⁾	1.07	0.92		2.04	1.89		3.82

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

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

3) Adjusted earnings per share in 2021 excludes settlement income of 300 MSEK (238 MSEK net of tax) recognized in the first quarter 2021.

The second quarter

(Note: Comments below refer to the comparison between the second quarter 2022 vs. the second quarter 2021).

Sales

Group sales increased by 23 percent to 5,561 MSEK (4,505) and sales from product segments increased by 24 percent to 5,461 MSEK (4,414). In local currencies, sales from product segments increased by 11 percent with increased sales for the Smokefree and Lights product segments, while sales for Cigars declined. Currency translation positively affected the comparability of sales from product segments by 571 MSEK.

Earnings

Group operating profit amounted to 2,227 MSEK (1,956). Operating profit from product segments increased by 14 percent to 2,271 MSEK (1,988). In local currencies, operating profit from product segments was up by 1 percent. On a constant currency basis, operating profit increased by 14 percent for the Smokefree segment while earnings were down for the Cigars and Lights segments. Currency translation has positively impacted the comparison of the operating profit from product segments by 256 MSEK.

Net finance costs and tax

The Group's net finance cost improved slightly to 83 MSEK (85) reflecting higher financial returns on surplus cash and decreased average debt levels. The income tax expense amounted to 521 MSEK (430), corresponding to a corporate tax rate of 24.3 percent (23.0)

Profit

The Group's profit for the period amounted to 1,624 MSEK (1,441).

The first six months

(Note: Comments below refer to the comparison between the first six months 2022 vs. the first six months 2021).

Sales

Group sales and sales from product segments increased by 17 percent to 10,454 MSEK (8,960) and 10,268 MSEK (8,791), respectively. In local currencies, sales from product segments increased by 6 percent, with increased sales for the Smokefree and Lights segments, while sales for Cigars declined. Currency translation positively impacted the comparability of sales from product segments by 931 MSEK.

Earnings

Group operating profit, including larger one-time items, declined by 1 percent to 4,251 MSEK (4,310). The prior year period included a settlement income of 300 MSEK relating to a previously ongoing arbitration. Operating profit from product segments increased by 7 percent to 4,386 MSEK (4,080). In local currencies, operating profit from product segments was down by 3 percent. Currency translation has positively impacted the comparison of the operating profit by 428 MSEK.

Net finance costs and tax

The Group's net finance cost decreased to 169 MSEK (174) on higher financial returns on surplus cash, lower average debt levels, and the prior year period being affected by costs for early repayment of short-term bond loans. Income tax expense amounted to 965 MSEK (915), corresponding to a tax rate of 23.6 percent (22.1). The increase in the tax rate is principally due to a stronger USD along with continued strong earnings growth in the US, as well as a revaluation of deferred state tax liabilities in the US in the prior year period. When adjusted for associated companies and non-recurring items the underlying tax rate was 23.7 percent (22.9).

Profit and earnings per share

The Group's profit for the period amounted to 3,117 MSEK (3,221). Earnings per share for the first six months amounted to 2.04 SEK (2.04). Adjusted earnings per share amounted to 2.04 SEK (1.89).

Smokefree

Second quarter highlights:

- Impressive sales growth with operating profit up sharply despite increased market investments across geographies.
- For US Smokefree, continued strong momentum for ZYN was the key contributor to the strong double-digit sales and earnings growth.
- Volume growth for both nicotine pouches and snus drove increased sales in Scandinavia. Nicotine pouch portfolio strengthened with several innovative product introductions and enhancements.
- Nicotine pouches main contributor to sales growth in Other markets. Continued market investments to support future growth.



Key data

MSEK	April-June		Chg %	January-June		Chg %	Full year 2021
	2022	2021		2022	2021		
Sales	3,825	2,955	29	7,087	5,778	23	12,120
Operating profit	1,817	1,428	27	3,430	2,893	19	5,998
Operating margin, %	47.5	48.3		48.4	50.1		49.5
EBITDA	1,947	1,532	27	3,684	3,093	19	6,423
EBITDA margin, %	50.9	51.8		52.0	53.5		53.0
Depreciation, amortization and impairment	-130	-104		-253	-200		-425
Capital expenditures	208	255	-18	410	501	-18	1,000

The second quarter

(Note: Comments below refer to the comparison between the second quarter 2022 vs. the second quarter 2021).

Sales and earnings

In local currencies, sales for the Smokefree product segment increased by 17 percent. Currency translation positively impacted the sales comparison by 358 MSEK.

Operating profit in local currencies increased by 14 percent with positive currency translation effects amounting to 189 MSEK. The increases in sales and operating profit were driven by the US smokefree business and especially the continued momentum for ZYN nicotine pouches.

In Scandinavia, sales increased driven by strong volume development, while operating profit declined as a result of elevated brand investments and higher production costs.

In Other markets, sales grew, driven by the development for nicotine pouches.

The US

Key data

	April-June		Chg	January-June		Chg	Full year
	2022	2021	%	2022	2021	%	2021
Financials, MSEK							
Sales	2,437	1,657	47	4,372	3,191	37	6,754
Operating profit	1,246	827	51	2,221	1,620	37	3,352
Operating margin, %	51.1	49.9		50.8	50.8		49.6
Financials, MUSD							
Sales	249	197	26	456	380	20	787
Operating profit	127	98	30	232	193	20	391
Operating margin, %	51.1	49.9		50.8	50.8		49.6
Shipment volumes							
Moist snuff, million cans	34.1	33.9	1	68.3	67.9	1	129.6
Nicotine pouches, million cans	58.7	42.5	38	108.6	79.5	37	173.9
Chewing tobacco, thousands of pounds ¹⁾	1,203	1,402	-14	2,407	2,753	-13	5,244

1) Excluding contract manufacturing volumes.

Market shares¹⁾

Percent	April-June		Chg	January-June		Chg	Full year
	2022	2021	ppts	2022	2021	ppts	2021
Nicotine pouches	64.9	64.1	0.8	65.4	65.2	0.2	65.0
Moist snuff	9.6	9.1	0.5	9.7	9.0	0.7	8.9
Chewing tobacco ²⁾	40.9	38.8	2.1	41.0	39.6	1.4	39.8

1) Based on MSA distributor shipments: 13 weeks to June 26, 2022, and June 27, 2021, respectively, in volume terms. Figures for 2021 have been restated to reflect changes in MSA store measurements.

2) Excluding contract manufacturing volumes.

Sales and earnings

The double-digit sales and earnings developments in local currency were driven by continued momentum for ZYN nicotine pouches. For traditional smokefree products (moist snuff, chewing tobacco, and snus), sales were flat while operating profit declined, driven by weaker earnings for chewing tobacco.

Traditional smokefree

For the portfolio of traditional smokefree products, moist snuff grew both sales and earnings on the back of increased market share and shipment volumes for the *Longhorn* brand, along with improved pricing across the portfolio. For chewing tobacco, price increases could not fully compensate for the relatively steep volume decline, adverse mix effects and higher product costs. Sales and operating profit for snus increased.

ZYN nicotine pouches

For ZYN, despite significantly higher brand and trade loyalty investments, the strong volume performance and slightly enhanced average price

resulted in significant increases in sales and operating profit. The volume growth of 38 percent was driven by higher velocities, an expansion of the store base, as well as extra high purchases by certain distributors towards the end of the quarter in anticipation of communicated third quarter retail promotional programs. Velocities for ZYN continued to increase in both the western region (where the brand was initially launched in 2016) and in expansion markets (where the brand was marketed in a broader scale from April 2019).

Despite continued aggressive and widespread price promotions from a large competitor and a lighter promotional schedule for ZYN in the second quarter compared to the first, ZYN's market share only declined by around 1 percentage point on a sequential basis. Compared to the second quarter of the prior year, the market share for ZYN increased, driven by strong performance in expansion markets. According to IRI data, ZYN represented more than three quarters of the nicotine pouch category retail sales value during the second quarter.

Scandinavia

Scandinavia refers to Sweden, Norway, and Denmark.

Key data

	April-June		Chg %	January-June		Chg %	Full year 2021
	2022	2021		2022	2021		
Financials							
Sales, MSEK	1,347	1,267	6	2,623	2,516	4	5,203
Operating profit, MSEK	627	649	-3	1,282	1,368	-6	2,813
Operating margin, %	46.6	51.2		48.9	54.4		54.1
Shipment volumes							
Snus, million cans	63.2	61.5	3	123.5	122.4	1	253.3
Nicotine pouches, million cans	7.2	4.9	47	12.9	9.2	39	20.3
Chew bags and tobacco bits, million cans	0.7	0.8	-6	1.6	1.8	-11	3.5
Total	71.1	67.2	6	137.9	133.5	3	277.1

Market shares, Scandinavia¹⁾²⁾

Percent	April-June		Chg ppts	January-June		Chg ppts	Full year 2021
	2022	2021		2022	2021		
Snus	58.6	59.7	-1.1	58.7	59.7	-1.0	59.5
Nicotine pouches	14.8	15.1	-0.4	14.8	15.7	-0.9	15.2
Total	47.2	50.6	-3.4	47.7	51.3	-3.6	50.2

1) Based on Nielsen data (excluding tobacconists and e-commerce): 13 weeks to June 26, 2022, and June 27, 2021, respectively, in volume terms. All figures have been restated to reflect changes in Nielsen store measurements.

2) Market shares refer to snus in Sweden and Norway, chew bags in Denmark, and nicotine pouches in all three countries. Nicotine pouches in Norway contain a small amount of tobacco for regulatory reasons.

Sales and earnings

In local currencies, sales for Smokefree in Scandinavia increased by 5 percent while operating profit declined by 5 percent.

During the quarter, a strong recovery in the border and travel retail classes of trade was noted, which contributed to the solid volume increase of 6 percent, while the average sales price per can was adversely impacted by mix effects.

Gross profit grew moderately as average unit production costs increased due to higher prices for raw material and product mix effects.

During the quarter, several innovative product offerings and enhancements within the nicotine pouch portfolio were introduced. Associated brand investments resulted in elevated expenses, causing the operating profit to decline.

Shipments

Swedish Match's shipment volumes grew by 6 percent, driven by higher volumes for both nicotine pouches and snus. Easter timing effects between the years as well as changes in trade inventory levels are estimated to have favorably impacted shipments to some extent.

Shipments to the domestic trade in Norway were down significantly due to the recoveries of the Swedish border trade and travel retail outlets.

Market data

The smokefree category in Scandinavia continued to exhibit strong growth in the second quarter. Nicotine pouches drove the development with strong double-digit growth in percentage terms, but consumption of snus also increased.

Based on Nielsen data, Swedish Match's market share of the Scandinavian smokefree category declined by less than 1 percentage point on a sequential basis relative to the first quarter of 2022. While a modest share decline was recorded for snus, the share within nicotine pouches remained stable relative to the first quarter of 2022.

With much of the market activity relating to new product offerings having occurred in channels not covered by Nielsen, Swedish Match estimates that its true market share within nicotine pouches grew slightly on a sequential basis during the quarter.

Other markets

Key data

	April-June		Chg %	January-June		Chg %	Full year 2021
	2022	2021		2022	2021		
Sales, MSEK	40	31	30	93	71	32	163
Operating profit, MSEK	-56	-48	-17	-72	-96	25	-167
Operating margin, %	-141.3	-155.7		-77.7	-135.9		-102.2
Shipment volumes, million cans ¹⁾	1.9	1.5	26	4.2	3.5	18	8.0

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

Sales and earnings

For Other markets, sales improved with higher shipment volumes for all product categories (nicotine pouches, snus and chewing tobacco) along with an overall improved average unit price. The operating profit development was adversely affected by continued investments to support future growth in several markets.

The first six months

(Note: Comments below refer to the comparison between the first six months 2022 vs. the first six months 2021).

Sales

In local currencies, sales for the Smokefree product segment grew by 13 percent. The main contributor to the strong sales development was the continued impressive performance in the US market where ZYN nicotine pouches grew by more than 30 percent and moist snuff also recorded double-digit sales growth. In Scandinavia, sales growth was up 3 percent in local currencies, despite adverse timing effects on shipments, and unfavorable price/mix, that resulted from several factors, including the replenishment of Norwegian trade inventories in the prior year following the sharp excise tax decrease on January 1, 2021. In Other markets sales increased for nicotine pouches and snus but was flat for chewing tobacco.

Earnings

In local currencies, operating profit for the Smokefree segment increased by 8 percent. Earnings grew strongly in the US but declined in Scandinavia as higher sales could not fully compensate for increased brand investments and higher production costs. In Other markets, operating profit improved, resulting from higher sales and a timing-driven decline in operating expenses.

Cigars

Second quarter highlights:

- Continued market share gains for Swedish Match in a cigar category that declined relative an unusually strong prior year period.
- The softer demand, as well as continued shortage on certain input materials, hampered volume development and resulted in lower sales in local currency.
- Operating profit development was burdened by the lower sales, inflationary cost pressure and increased marketing investments.



Key data

MSEK	April-June		Chg %	January-June		Chg %	Full year 2021
	2022	2021		2022	2021		
Sales	1,266	1,138	11	2,435	2,387	2	4,688
Operating profit	416	458	-9	861	1,018	-15	1,841
Operating margin, %	32.8	40.3		35.3	42.6		39.3
EBITDA	440	479	-8	907	1,060	-14	1,927
EBITDA margin, %	34.8	42.1		37.3	44.4		41.1
Depreciation, amortization and impairment	-24	-21		-47	-42		-86
Capital expenditures	38	20	85	54	39	40	94

Key data

MUSD	April-June		Chg %	January-June		Chg %	Full year 2021
	2022	2021		2022	2021		
Sales	129	135	-5	254	284	-11	546
Operating profit	42	54	-23	90	121	-26	215
Operating margin, %	32.7	40.2		35.3	42.6		39.3
EBITDA	45	57	-22	95	126	-25	225
EBITDA margin, %	34.6	42.1		37.3	44.4		41.1
Depreciation, amortization and impairment	-2	-3		-5	-5		-10
Capital expenditures	4	2	60	6	5	23	11

US shipment volumes

Million sticks	April-June		Chg %	January-June		Chg %	Full year 2021
	2022	2021		2022	2021		
Homogenized tobacco leaf (HTL) cigars	182	200	-9	352	452	-22	732
Natural leaf cigars	276	297	-7	563	594	-5	1,258
Cigars total	458	497	-8	915	1,046	-13	1,991

Market shares¹⁾

Percent	April-June		Chg ppts	January-June		Chg ppts	Full year 2021
	2022	2021		2022	2021		
Homogenized tobacco leaf (HTL) cigars	12.4	14.1	-1.7	12.6	14.5	-1.9	13.3
Natural leaf cigars	35.3	31.9	3.4	34.5	31.5	2.9	32.9
Cigars total	21.6	20.8	0.7	21.4	20.9	0.4	20.9

1) Based on MSA distributor shipments: Mass market cigars (excluding little cigars) 13 weeks to June 26, 2022, and June 27, 2021, respectively. Figures for 2021 have been restated to reflect changes in MSA store measurements.

The second quarter

(Note: Comments below refer to the comparison between the second quarter 2022 vs. the second quarter 2021).

The Cigars product segment derives its sales and profit almost exclusively from the US operations.

Sales and earnings

In local currency, sales declined by 5 percent with volumes being down by 8 percent. Price increases have been implemented across the assortment and product mix effects only had a nominal negative effect on the average price per cigar.

Operating margin was adversely impacted by inflationary pressure on transportation and input costs, along with unfavorable volume absorption effects. In addition, investments were increased in the existing consumer loyalty program.

Shipments

The volume decline versus the prior year period was most pronounced for HTL varieties. Limitations on certain input materials continued to restrict shipments for HTL varieties, but shipment volumes increased sequentially from the first quarter.

The volume decline for natural leaf varieties reflected a generally softer demand and timing effects of marketing initiatives.

Market data

Based on MSA measures of distributor shipments to retail, total mass market cigar category volumes (excluding little cigars) declined by 10 percent in the quarter, with less pronounced volume declines for natural leaf varieties. Consumer demand for cigars is however estimated to be well above pre-pandemic levels in 2019, and on a sequential basis relative to the first quarter, volumes are estimated to have grown slightly in the second quarter.

The slight increase in Swedish Match's market share year-on-year, according to MSA data, was attributable to improved market share within the more attractive natural leaf segment.

Also on a sequential basis, relative to the first quarter of 2022, Swedish Match's performance within natural leaf varieties resulted in increased market share in the cigar category according to MSA.

The first six months

(Note: Comments below refer to the comparison between the first six months 2022 vs. the first six months 2021).

Sales

For the six-month period, the 11 percent decline in local currency sales resulted from a 13 percent volume decline partially offset by a slightly higher average price per cigar.

Earnings

Operating profit declined by 26 percent in local currency, adversely affected by the decline in sales along with higher unit production and transportation costs, as well as increased marketing expenses.

Shipments and market data

The 13 percent volume decline was driven by a steep decline for HTL cigars where limitations on certain input materials and an unusually strong comparison period in the prior year were the main explanatory factors.

Based on MSA measures of distributor shipments to retail, total mass market cigar category volumes (excluding little cigars) declined by 10 percent in the six-month period, with Swedish Match declining at a somewhat slower pace.

Lights

Second quarter highlights:

- Sales growth across the portfolio, despite suspension of deliveries to the Russian market.
- Reported earnings development distorted by items of temporary nature; underlying operating profit increased.



Key data

MSEK	April-June		Chg %	January-June		Chg %	Full year 2021
	2022	2021		2022	2021		
Sales	371	321	15	746	626	19	1,338
Operating profit	38	103	-63	95	170	-44	297
Operating margin, %	10.3	31.9		12.7	27.1		22.2
EBITDA	51	113	-55	120	190	-37	339
EBITDA margin, %	13.9	35.3		16.0	30.4		25.4
Depreciation, amortization and impairment	-13	-11		-24	-21		-43
Capital expenditures	14	15	-7	31	23	33	51

Shipment volumes, worldwide

	April-June		Chg %	January-June		Chg %	Full year 2021
	2022	2021		2022	2021		
Matches, billion sticks	13.9	15.4	-10	28.7	31.1	-7	58.5
Lighters, million units	61.5	72.7	-15	138.4	151.2	-8	325.2

The second quarter

(Note: Comments below refer to the comparison between the second quarter 2022 vs. the second quarter 2021).

Sales

Excluding currency translation effects, sales increased by 6 percent with revenue growth across the product portfolio (lighters, matches and complementary products). Volumes for lighters declined sharply, following the suspension of deliveries to the Russian market in the first quarter. For matches, volumes declined in several markets. For both matches and lighters, price increases and improved market/product mix more than compensated for the lower volumes resulting in the increased revenues in local currencies.

Earnings

While the reported operating profit declined sharply, it increased on an underlying basis across the product portfolio despite significant raw material cost increases and adverse volume absorption effects for lighters and matches. In the prior year period, income of one-time nature in excess of 60 MSEK (gain on land sales and indirect tax reclaims) benefitted earnings. In this year's second quarter, operating profit was burdened by allowances for overdue receivables to Russia, as well as costs related to a fire incident in a small warehouse in the Netherlands.

The first six months

(Note: Comments below refer to the comparison between the first six months 2022 vs. the first six months 2021).

Sales

Excluding currency translation effects, sales in local currencies increased by 11 percent with increases across the product portfolio (lighters, matches and complementary products).

Earnings

Operating profit for the six-month period in 2021 benefitted from income of one-time nature in excess of 65 MSEK, while operating profit in 2022 was adversely impacted by expenses of temporary nature of around

20 MSEK. Excluding currency translation effects and adjusted for items of temporary nature, the operating profit was in line with the prior year period.

Ukraine and Russia update

Following the Russian invasion of Ukraine, deliveries of lighters to Russia were suspended. The suspension had a limited effect on sales and lighter volumes in the first quarter but full effect in the second quarter. For the full year of 2021, sales to Russia represented less than 8 percent of the sales for the Lights product segment and less than 1 percent of the sales for the Group.

Cash flow and financing

Cash flow from operating activities for the first six months of 2022 amounted to 3,047 MSEK (2,895). The improved cash flow was driven by the stronger EBITDA development, lower tax payments and positive changes in working capital, partly offset by a settlement income received in 2021.

Investments in property, plant and equipment decreased to 518 MSEK (576) principally benefitting the Smokefree product segment.

The Group's net finance cost decreased to 169 MSEK (174) on higher financial returns on surplus cash, lower average debt levels, and the prior year period being affected by costs for early repayment of short-term bond loans.

During 2022, new bond loans of 200 MSEK were issued, and repayments of maturing bond loans amounted to 945 MSEK. As of June 30, 2022, Swedish Match had 14,061 MSEK of interest-bearing debt excluding retirement benefit obligations but including the recognition of lease liabilities of 431 MSEK. The Group's interest-bearing debt as of December 31, 2021 amounted to 14,851 MSEK and 15,337 MSEK as of June 30, 2021. For further details on the maturity profile of the debt portfolio, please see Swedish Match's website. Net retirement benefit obligations decreased to 1,072 MSEK as of June 30, 2022, from 1,305 MSEK as of December 31, 2021, due to positive remeasurements effects from higher discount rates partly offset by lower return on plan assets.

As of June 30, 2022, Swedish Match had 1,500 MSEK in an unutilized revolving credit facility (RCF). Cash and cash equivalents amounted to 2,288 MSEK at the end of the period, compared to 2,121 MSEK as of December 31, 2021.

The net debt as of June 30, 2022, amounted to 12,845 MSEK compared to 14,035 MSEK as of December 31, 2021 and 14,523 MSEK as of June 30, 2021.

Shareholder distributions and the share

On April 27, 2022, the Annual General Meeting approved the Board's proposal of a dividend of 1.86 SEK per share to be distributed to the shareholders in two equal installments of 0.93 SEK per share, payable in May and November of 2022. On May 4, 2022, Swedish Match paid the first dividend installment of 0.93 SEK per share, corresponding to 1,414 MSEK, to its shareholders.

During the first quarter of 2022, Swedish Match repurchased 10.5 million shares for 750 MSEK at an average price of 71.30 SEK, following the authorization from the Annual General Meeting held in 2021. Another authorization was approved by the Annual General Meeting held in 2022, but due to the current public offer on the Company, no shares were repurchased during the second quarter. Total shares bought back by Swedish Match since the buyback program started have been repurchased at an average price of 16.16 SEK. As per June 30, 2022, Swedish Match held 4.3 million shares, corresponding to 0.28 percent of the total number of shares. The number of shares outstanding, net, as per June 30, 2022, amounted to 1,521 million.

Other events during the quarter

Public cash offer by Philip Morris International to acquire Swedish Match

On May 11, 2022, Philip Morris Holland Holdings B.V. ("PMHH"), an affiliate of Philip Morris International Inc., presented a public cash offer of SEK 106 per share to shareholders of Swedish Match AB ("Swedish Match") to transfer their shares in Swedish Match to PMHH. On May 11, 2022, the Swedish Match Board of Directors announced its recommendation to shareholders to accept the offer. On June 28, 2022, PMHH published its formal offer document to the shareholders of Swedish Match. The acceptance period of the offer started on June 29, 2022 and ends on September 30, 2022. For further details, please refer to the webpage www.smokefree-offer.com.

FDA publishes Notice of Proposed Rule-Making with regard to flavors on cigars

On April 28, 2022, the US Food and Drug Administration (FDA) announced its intention to address the production and sales of cigars with characterizing flavors, as well as for menthol in cigarettes with its publication of a Notice of Proposed Rule-Making (NPRM). Such an announcement has been anticipated for a number of years. The process toward any restrictions must follow a number of steps, and the timing and eventual outcome from this announcement is unclear. Swedish Match anticipates that any assortment restrictions following completion of this process may not occur for a number of years.

Supreme Administrative Court ruling

The judgement from the Supreme Administrative Court in the tax case referred to in note 4 was released May 2, 2022. The Court ruled on one hand that the judgment from the Court of Appeal should be repealed, on the other hand the court referred the case back to the Court of Appeal to rule on the applicability of the Swedish Tax Avoidance Act.

Sweden legislation with regard to nicotine pouches

The Swedish Parliament has adopted legislation for nicotine pouches. The proposal includes inter alia an 18-year age requirement for purchase, registration requirements for retail outlets, a ban on certain sponsorships as well as marketing restrictions mandating moderation and banning marketing specifically targeting to children and young adults under the age of 25. All of these measures are supported by Swedish Match that has been advocating for nicotine pouch regulation since 2016. Most of the regulations are scheduled to come into force from August 1, 2022.

Full year 2022 outlook (from the first quarter report)

With its vision of *A world without cigarettes*, Swedish Match's core business is to provide consumers with enjoyable alternatives that are both satisfying and dramatically safer than smoking. Swedish Match expects significant growth in consumer demand for safer alternatives to cigarettes. Swedish Match further expects that nicotine pouches as a category will continue to evolve as the number one choice among even more consumers seeking satisfactory experiences in the reduced risk product landscape. With the highly attractive prospects of the nicotine pouch category, Swedish Match anticipates that competitive activity will remain intense.

In the US, in Scandinavia, as well as in Other markets, Swedish Match plans to further increase investments during 2022 to capitalize on the growth opportunities, especially for nicotine pouches. Within Other markets, Swedish Match notes significant opportunities in existing as well as in certain new markets.

Capital expenditures are expected to be of a similar magnitude as in 2021. The effective underlying corporate tax rate in 2022, excluding associated companies, is expected to be around 23 percent.

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

Updated full year 2022 outlook

With its vision of *A world without cigarettes*, Swedish Match's core business is to provide consumers with enjoyable alternatives that are both satisfying and dramatically safer than smoking. Swedish Match expects continued significant growth in consumer demand for safer alternatives to cigarettes. Swedish Match further expects that nicotine pouches as a category will continue to evolve as the number one choice among even more consumers seeking satisfactory experiences in the reduced risk product landscape. With the highly attractive prospects of the nicotine pouch category, Swedish Match anticipates that competitive activity will remain intense.

In the US, in Scandinavia, as well as in Other markets, Swedish Match will continue to invest behind growth opportunities, especially for nicotine pouches. Within Other markets, Swedish Match notes significant opportunities in existing as well as in certain new markets.

Capital expenditures are expected to be of a similar magnitude as in 2021. The strong growth in earnings derived from the US has resulted in an upward pressure on the corporate income tax rate. The effective underlying corporate tax rate in 2022, excluding associated companies, is now expected to be close to 24 percent.

The Company remains committed to returning cash not needed in operations to shareholders, but given the current public offer on the Company, share repurchases have been suspended.

Risk factors

Swedish Match operates in highly competitive markets, which require an agile organization in a continually changing environment. In the event that Swedish Match cannot provide a better offering to the consumer than competitors, there is an increased risk to both customer purchases and the ability to realize price changes.

Production facilities are exposed to risk of various harmful incidents such as fires and machinery breakdown, as well as potential natural disasters or global health crises such as pandemics and other catastrophic events, along with effects related to climate changes. Such incidents may affect both production facilities and employees. Production interruptions could cause quality or delivery problems.

A loss of a key supplier or a supplier's non-compliance with regulations or unethical behavior could be harmful to the Group. Potential consequences are delivery or quality problems or difficulties in the interaction with other stakeholders including sales to consumers.

Swedish Match is exposed to a high degree of regulation from various authorities. Regulations could have a restricting impact on how the Group can operate its business and interact with its stakeholders or direct financial impact in the form of increased taxes or imposed fees. Regulations, many related to the Group's involvement in the tobacco industry, concern among other issues, tobacco excise taxes, marketing, packaging, warning labels, ingredients, reporting to authorities, product approvals, and introduction of new products. Many authorities have and continue to implement various forms of restrictions on sales and usage of tobacco and other nicotine containing products.

Social and geopolitical upheaval caused by wars, armed conflicts, or incidents causing massive migration pressures may have moderate to severe impacts on supply chains (sourcing and deliveries), production levels and resultant costs. Business relationships may be altered for an unforeseen period of time. As a result of the ongoing war in Ukraine, Swedish Match continuously follow up on risks and mitigating activities to reduce any negative impacts for the Group. Effects of the war are closely monitored, and any direct and indirect financial effects are evaluated. Commercial, operational, and financial consequences resulting from the ongoing war have thus far been limited for Swedish Match.

The dynamic financial market conditions are continuously changing with fluctuating currency exchange rates, interest rates and availability of funds. A weakening of certain major currencies, such as the USD versus the SEK, could cause lower financial results presented in SEK from the translation of foreign operations. The transaction exposure is relatively low as most production is located in the country where sales are conducted. Higher interest rates and credit spreads could have a negative impact on net finance expense.

Key business processes such as production management, invoicing, customer support and financial reporting rely on IT systems. Increasingly sophisticated and frequent cybercrimes could result in significant outages or application failures to our infrastructure, and cause reputational damage, considerable business disruption or adverse impact on business-critical data. The information assets within Swedish Match are of fundamental importance for our business. Proper handling of the assets is important for the trust of employees, customers, and partners. Swedish Match needs to ensure confidentiality, integrity, and availability of information most important to Swedish Match.

For a further description of risk factors and how Swedish Match works to mitigate risks, see the Risk management section in the Report of the Board of Directors in the Swedish Match annual report for 2021, available on the Company's website.

Swedish Match AB (publ)

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

Revenue from the Parent Company for the first six months of 2022 amounted to 15 MSEK (15).

Profit before income tax amounted to 2,734 MSEK (1,026) and net profit for the first six months amounted to 2,794 MSEK (1,086). The higher profit before income tax compared to previous year was primarily related to result from participation in Group companies.

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

Repayment of bond loans amounted to 945 MSEK during the first six months and new bond loans of 197 MSEK were issued.

During the first six months, the Parent Company made share repurchases of 10.5 million (18.8) shares for 750 MSEK (1,360). Due to the current public offer on the Company, no shares were repurchased during the second quarter.

A dividend of 1,414 MSEK (2,369) has been paid during the period.

Forward-looking information

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

Additional information

This report has not been reviewed by the Company's auditors. The January-September 2022 report will be released on October 28, 2022.

The Board of Directors and the CEO declare that the half year report gives a true and fair view of the operations, position and result of the Company and the Group and describes the major risks and uncertainties of the Company and the companies in the Group.

Stockholm, July 22, 2022

Conny Karlsson
Chairman of the Board

Charles A. Blixt
Board member

Patrik Engelbrektsson
Board member

Jacqueline Hoogerbrugge
Board member

Alexander Lacik
Board member

Pauline Lindwall
Board member

Pär-Ola Olausson
Board member

Dragan Popovic
Board member

Sanna Suvanto-Harsaae
Board member

Joakim Westh
Board member

Lars Dahlgren
President and CEO

Product segments summary and key ratios

Sales

MSEK	April-June			January-June			Full year 2021
	2022	2021	Chg %	2022	2021	Chg %	
Smokefree	3,825	2,955	29	7,087	5,778	23	12,120
Cigars	1,266	1,138	11	2,435	2,387	2	4,688
Lights	371	321	15	746	626	19	1,338
Sales from product segments	5,461	4,414	24	10,268	8,791	17	18,145
Other operations	100	90	11	185	169	10	344
Sales	5,561	4,505	23	10,454	8,960	17	18,489

Operating profit

MSEK	April-June			January-June			Full year 2021
	2022	2021	Chg %	2022	2021	Chg %	
Smokefree	1,817	1,428	27	3,430	2,893	19	5,998
Cigars	416	458	-9	861	1,018	-15	1,841
Lights	38	103	-63	95	170	-44	297
Operating profit from product segments	2,271	1,988	14	4,386	4,080	7	8,136
Other operations	-44	-32		-135	-69		-150
Settlement income	-	-		-	300		300
Operating profit	2,227	1,956	14	4,251	4,310	-1	8,286

Operating margin by product segment

Percent	April-June		January-June		Full year 2021
	2022	2021	2022	2021	
Smokefree	47.5	48.3	48.4	50.1	49.5
Cigars	32.8	40.3	35.3	42.6	39.3
Lights	10.3	31.9	12.7	27.1	22.2
Operating margin from product segments	41.6	45.0	42.7	46.4	44.8

EBITDA by product segment

MSEK	April-June			January-June			Full year 2021
	2022	2021	Chg %	2022	2021	Chg %	
Smokefree	1,947	1,532	27	3,684	3,093	19	6,423
Cigars	440	479	-8	907	1,060	-14	1,927
Lights	51	113	-55	120	190	-37	339
EBITDA from product segments	2,438	2,124	15	4,710	4,343	8	8,690

EBITDA margin by product segment

Percent	April-June		January-June		Full year 2021
	2022	2021	2022	2021	
Smokefree	50.9	51.8	52.0	53.5	53.0
Cigars	34.8	42.1	37.3	44.4	41.1
Lights	13.9	35.3	16.0	30.4	25.4
EBITDA margin from product segments	44.6	48.1	45.9	49.4	47.9

Key ratios

	January-June		12 months ended	Full year
	2022	2021	June 30, 2022	2021
Operating margin from product segments, %	42.7	46.4	43.0	44.8
Operating margin, excl. larger one-time items, %	40.7	44.8	41.2	43.2
Net debt, MSEK	12,845	14,523	12,845	14,035
Investments in property, plant and equipment, MSEK	518	576	1,114	1,172
Depreciation, amortization and impairments, MSEK	358	293	680	615
EBITA, MSEK	4,289	4,048	8,302	8,061
EBITA interest cover	26.2	24.4	25.2	24.3
Net debt/EBITA	-	-	1.5	1.7
Adjusted earnings per share, basic and diluted, SEK ¹⁾	2.04	1.89	3.97	3.82
<i>Share data</i>				
Number of shares outstanding at end of period	1,520,714,190	1,565,228,120	1,520,714,190	1,531,235,190
Average number of shares outstanding	1,523,914,121	1,577,900,317	1,538,386,087	1,565,379,185

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

Financial statements

Condensed consolidated income statement

MSEK	Note	April-June		Chg %	January-June		Chg %	Full year 2021
		2022	2021		2022	2021		
Sales	2	5,561	4,505	23	10,454	8,960	17	18,489
Cost of goods sold		-1,896	-1,514		-3,526	-2,984		-6,249
Gross profit		3,665	2,990	23	6,928	5,976	16	12,240
Selling and administrative expenses		-1,442	-1,037		-2,685	-1,970		-4,267
Share of profit in associated companies	4	4	3		8	5		13
Settlement income		-	-		-	300		300
Operating profit		2,227	1,956	14	4,251	4,310	-1	8,286
Finance income		13	7		22	18		36
Finance costs		-96	-92		-191	-192		-381
Net finance cost		-83	-85		-169	-174		-345
Profit before income tax		2,145	1,871	15	4,082	4,136	-1	7,941
Income tax expense	4	-521	-430		-965	-915		-1,723
Profit for the period		1,624	1,441	13	3,117	3,221	-3	6,218
<i>Attributable to:</i>								
Equity holders of the Parent		1,624	1,441		3,116	3,220		6,217
Non-controlling interests		0	0		0	1		1
Profit for the period		1,624	1,441	13	3,117	3,221	-3	6,218
Earnings per share, basic and diluted, SEK		1.07	0.92		2.04	2.04		3.97

Condensed consolidated statement of comprehensive income

MSEK	April-June		January-June		Full year
	2022	2021	2022	2021	2021
Profit for the period	1,624	1,441	3,117	3,221	6,218
<i>Other comprehensive income that may be reclassified to the income statement</i>					
Translation differences related to foreign operations	864	-185	1,128	266	740
Translation differences included in profit and loss	-	-	-	-	0
Effective portion of changes in fair value of cash flow hedges	54	12	140	39	82
Income tax relating to reclassifiable components of other comprehensive income	-11	-2	-29	-8	-17
Sub-total, net of tax for the period	907	-176	1,239	296	805
<i>Other comprehensive income that will not be reclassified to the income statement</i>					
Actuarial gains/losses attributable to pensions, incl. payroll tax	220	19	457	370	369
Income tax relating to non-reclassifiable components of other comprehensive income	-56	-3	-116	-89	-91
Sub-total, net of tax for the period	165	17	341	282	278
Total comprehensive income for the period	2,696	1,282	4,697	3,799	7,300
<i>Attributable to:</i>					
Equity holders of the Parent	2,696	1,282	4,697	3,798	7,299
Non-controlling interests	0	1	1	1	1
Total comprehensive income for the period	2,696	1,282	4,697	3,799	7,300

Condensed consolidated balance sheet

MSEK	Note	June 30, 2022	December 31, 2021
Intangible assets		2,360	2,281
Property, plant and equipment		5,175	4,556
Right-of-use assets		410	388
Investments in associated companies		50	41
Other non-current assets and operating receivables		38	25
Other non-current financial assets and receivables	3,5	2,013	1,832
Total non-current assets		10,047	9,123
Other current financial receivables	3,5	722	374
Current operating assets and receivables	3	5,508	4,534
Cash and cash equivalents	3	2,288	2,121
Total current assets		8,519	7,029
Total assets		18,566	16,152
Equity attributable to equity holders of the Parent		-4,154	-6,686
Non-controlling interests		18	17
Total equity		-4,136	-6,669
Non-current financial provisions		1,431	1,397
Non-current loans	3	12,876	14,197
Other non-current financial liabilities	3,5	1,639	1,883
Other non-current operating liabilities	3	505	504
Total non-current liabilities		16,451	17,981
Current loans	3	2,073	990
Other current financial liabilities	3,5	340	368
Other current operating liabilities	3	3,838	3,482
Total current liabilities		6,251	4,840
Total liabilities		22,702	22,821
Total equity and liabilities		18,566	16,152

Condensed consolidated cash flow statement

MSEK	January-June	
	2022	2021
<i>Operating activities</i>		
Profit before income taxes	4,082	4,136
Share of profit in associated companies	-8	-5
Dividend received from associated companies	-	9
Adjustments for non-cash items etc. ¹⁾	335	190
Income tax paid	-899	-937
Cash flow from operating activities before changes in working capital	3,510	3,394
Changes in working capital	-463	-499
Net cash generated from operating activities	3,047	2,895
<i>Investing activities</i>		
Purchase of property, plant and equipment	-518	-576
Proceeds from sale of property, plant and equipment	26	27
Purchase of intangible assets	-4	-3
Acquisition of subsidiaries ²⁾	-	-39
Investments in other companies	-11	-
Changes in financial receivables etc.	-5	-3
Net cash used in investing activities	-511	-594
<i>Financing activities</i>		
Proceeds from borrowings	197	1,612
Repayment of borrowings	-945	-1,467
Dividend paid to equity holders of the Parent	-1,414	-2,369
Repurchase of own shares	-750	-1,360
Lease payments	-53	-44
Realized exchange gain/losses on financial instruments	402	-204
Other	-5	4
Net cash used in financing activities	-2,569	-3,827
Net decrease in cash and cash equivalents	-34	-1,526
Cash and cash equivalents at the beginning of the period	2,121	3,411
Effect of exchange rate fluctuations on cash and cash equivalents	201	76
Cash and cash equivalents at the end of the period	2,288	1,962

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

2) Acquisition of subsidiaries in 2021 includes consideration paid relating to the acquisition of Fire-Up International B.V.

Condensed consolidated statement of changes in equity

MSEK	January-June		Full year
	2022	2021	2021
Equity at beginning of period	-6,669	-7,798	-7,798
Profit for the period	3,117	3,221	6,218
Other comprehensive income, net of tax for the period	1,581	578	1,083
Total comprehensive income for the period	4,697	3,799	7,300
Dividend	-1,414	-2,369	-2,369
Repurchase of own shares	-750	-1,360	-3,802
Cancellation of shares	-14	-10	-10
Bonus issue	14	10	10
Equity at end of period	-4,136	-7,727	-6,669

Equity attributable to non-controlling interests amounted to 18 (17) MSEK.

Objectives, policies and processes for managing capital

The basis for determining dividends and repurchasing of own shares is the equity of the Parent Company. Total equity in the Parent Company as per June 30, 2022, amounted to 11,021 MSEK and distributable earnings amounted to 10,632 MSEK.

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

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

Condensed Parent Company income statement

MSEK	January-June	
	2022	2021
Sales	15	15
Administrative expenses	-146	-119
Operating loss	-132	-103
Result from participation in Group companies	3,045	1,310
Finance income	0	-
Finance costs	-179	-181
Net finance cost	-179	-181
Profit before income tax	2,734	1,026
Income tax	60	60
Profit for the period	2,794	1,086

Condensed Parent Company statement of comprehensive income

MSEK	January-June	
	2022	2021
Profit for the period	2,794	1,086
<i>Other comprehensive income that may be reclassified to the income statement</i>		
Effective portion of changes in fair value of cash flow hedges	140	39
Income tax relating to components of other comprehensive income	-29	-8
Other comprehensive income, net of tax for the period	112	31
Total comprehensive income for the period	2,905	1,116

Condensed Parent Company balance sheet

MSEK	June 30, 2022	June 30, 2021	December 31, 2021
Intangible and tangible assets	0	0	0
Non-current financial assets	31,754	31,740	31,608
Current assets	799	468	3,293
Cash and other current deposits	0	0	109
Total assets	32,554	32,209	35,010
Equity	11,021	9,231	10,280
Untaxed reserves	2,965	2,675	2,965
Provisions	65	66	69
Non-current liabilities	12,876	13,995	14,325
Current liabilities	5,626	6,241	7,371
Total liabilities	18,568	20,302	21,765
Total equity and liabilities	32,554	32,209	35,010

Note 1 – Accounting principles

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

There are no changes to IFRS standards, amendments and interpretations of existing standards applicable as of January 1, 2022, that have had an effect on the Group's financial result or position. The accounting principles and basis of calculation in this report are the same as in the annual report for 2021.

Note 2 – Disaggregation of revenue

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

Sales – April to June

MSEK	Segments								Other operations		Group	
	Smokefree		Cigars		Lights		Total segments					
	Apr-Jun		Apr-Jun		Apr-Jun		Apr-Jun		Apr-Jun		Apr-Jun	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
The US	2,437	1,657	1,266	1,138	58	34	3,761	2,829	-	-	3,761	2,829
Scandinavia	1,347	1,267	-	-	8	9	1,356	1,276	100	90	1,456	1,366
Other markets	40	31	-	-	304	279	344	310	-	-	344	310
Total sales	3,825	2,955	1,266	1,138	371	321	5,461	4,414	100	90	5,561	4,505

Sales – January to June

MSEK	Segments								Other operations		Group	
	Smokefree		Cigars		Lights		Total segments					
	Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
The US	4,372	3,191	2,435	2,387	111	79	6,918	5,658	-	-	6,918	5,658
Scandinavia	2,623	2,516	-	-	26	24	2,649	2,540	185	169	2,834	2,709
Other markets	93	71	-	-	608	522	702	593	-	-	702	593
Total sales	7,087	5,778	2,435	2,387	746	626	10,268	8,791	185	169	10,454	8,960

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

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

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

Level 1 - Quoted prices (unadjusted) in active markets

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

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

The following table shows carrying value and fair value for financial instruments as of June 30, 2022.

Carrying value and fair value

MSEK	Financial instruments measured at FVTPL	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Cash flow hedges measured at FVOCI	Other receivables and liabilities	Total carrying value	Estimated fair value
Trade receivables	-	2,241	-	-	-	2,241	2,241
Other non-current financial receivables	-	19	-	872	729	1,620	1,620
Other current assets and financial receivables	138	104	-	389	191	822	822
Prepaid expenses and accrued income ¹⁾	-	-	-	0	163	163	163
Cash and cash equivalents	-	2,288	-	-	-	2,288	2,288
Total assets	138	4,652	-	1,261	1,083	7,134	7,134
Loans and borrowings	-	-	14,949	-	-	14,949	14,196
Other non-current financial liabilities	-	-	318	-	40	358	358
Other current liabilities	2	-	113	-	1,681	1,796	1,796
Accrued expenses and deferred income ¹⁾	-	-	82	48	943	1,072	1,072
Trade payables	-	-	628	-	-	628	628
Total liabilities	2	-	16,090	48	2,664	18,803	18,050

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

Fair value measurement by level

MSEK	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	1,399	-	1,399
Derivative financial liabilities	-	50	-	50

The following table shows carrying value and fair value for financial instruments per December 31, 2021.

Carrying value and fair value

MSEK	Financial instruments measured at FVTPL	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Cash flow hedges measured at FVOCI	Other receivables and liabilities	Total carrying value	Estimated fair value
Trade receivables	-	1,843	-	-	-	1,843	1,843
Other non-current financial receivables	-	36	-	700	601	1,337	1,337
Other current assets and financial receivables	71	92	-	43	271	476	476
Prepaid expenses and accrued income ¹⁾	-	-	-	2	153	155	155
Cash and cash equivalents	-	2,121	-	-	-	2,121	2,121
Total assets	71	4,092	-	745	1,025	5,932	5,932
Loans and borrowings	-	-	15,187	-	-	15,187	15,499
Other non-current financial liabilities	-	-	307	128	41	476	476
Other current liabilities	6	-	102	-	1,590	1,699	1,699
Accrued expenses and deferred income ¹⁾	-	-	125	45	892	1,063	1,063
Trade payables	-	-	464	-	-	464	464
Total liabilities	6	-	16,185	173	2,523	18,889	19,201

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

Fair value measurement by level

MSEK	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	816	-	816
Derivative financial liabilities	-	179	-	179

No transfer in or out of level 2 has been made during the second quarter 2022. The recognized amounts are regarded as reasonable estimates for all items measured at carrying value in the balance sheet, except for loans and borrowings, as these amounts have a long time to maturity. The fair value of loans and borrowings differ from their carrying value as a consequence of changes in the market interest rates. Items not valued at fair value in the balance sheet are measured at amortized cost. The total nominal amount of outstanding derivatives was 13,607 MSEK (15,165) of which 10,229 MSEK (10,493) was in cash flow hedges consisting of cross currency and interest rate swaps related to bond loans. The remaining 3,378 MSEK (4,671) consisted of currency swaps related to the conversion of surplus cash in US dollars to Swedish kronor. Methodologies utilized in the valuation of financial instruments can be found in Note 1 in the annual report for 2021.

Note 4 – Tax related contingencies

Tax audits in Sweden

During 2017, the Swedish Tax Agency performed tax audits in a number of Swedish Match's Swedish group companies. After completing the audits, the Swedish Tax Agency decided to deny certain cost deductions. Swedish Match appealed but the County Administrative Court in Stockholm ruled in favor of the Tax Agency. Swedish Match subsequently appealed to the Administrative Court of Appeals. In August 2020, the Administrative Court of Appeals ruled in favor of the Tax Agency and the tax charges of in total 270 MSEK and related interest costs of 16 MSEK has been paid and debited in the 2020 accounts. Swedish Match applied and was granted leave and, in May 2022, the Supreme Administrative Court ruled on one hand that the judgment from the Court of Appeal should be repealed, and on the other hand the Court referred the case back to the Administrative Court of Appeal to rule on the applicability of the Swedish Tax Avoidance Act.

Note 5 – Alternative performance measures

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

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

EBITA and EBITDA

MSEK	April-June		January-June		12 months ended	Full year
	2022	2021	2022	2021	June 30, 2022	2021
Profit for the period	1,624	1,441	3,117	3,221	6,113	6,218
Income tax expense	521	430	965	915	1,772	1,723
Net finance cost	83	85	169	174	341	345
Operating profit for the period	2,227	1,956	4,251	4,310	8,226	8,286
Less larger one-time items	-	-	-	-300	-	-300
Amortization and impairment of intangible assets	19	18	38	37	76	75
EBITA	2,246	1,975	4,289	4,048	8,302	8,061
Depreciation and impairment of tangible and right-of-use assets	166	133	320	257	604	540
EBITDA	2,412	2,107	4,609	4,304	8,906	8,601

EBITDA and EBITDA margin from product segments

MSEK	April-June		January-June		Full year
	2022	2021	2022	2021	2021
Operating profit for the period	2,227	1,956	4,251	4,310	8,286
Less operating loss from Other operations	44	32	135	69	150
Less larger one-time items	-	-	-	-300	-300
Operating profit from product segments	2,271	1,988	4,386	4,080	8,136
Amortization, depreciation and impairment of intangible, tangible and right-of-use assets	185	151	358	293	615
Less amortization, depreciation and impairment of intangible, tangible and right-of-use assets for Other operations	-18	-15	-34	-31	-61
EBITDA from product segments	2,438	2,124	4,710	4,343	8,690
Sales from product segments	5,461	4,414	10,268	8,791	18,145
EBITDA margin from product segments, %	44.6	48.1	45.9	49.4	47.9

Larger one-time items

MSEK	April-June		January-June		Full year
	2022	2021	2022	2021	2021
Settlement income	-	-	-	300	300
Total larger one-time items in operating profit	-	-	-	300	300
Income tax expense on settlement income	-	-	-	-62	-62
Total larger one-time items in net profit	-	-	-	238	238

Adjusted earnings per share

Basic and diluted	April-June		January-June		Full year
	2022	2021	2022	2021	2021
Profit for the period attributable to equity holders of the Parent, MSEK	1,624	1,441	3,116	3,220	6,217
Settlement income, net of tax, MSEK	-	-	-	-238	-238
Profit for the period attributable to equity holders of the Parent, excl. larger one-time items, MSEK	1,624	1,441	3,116	2,982	5,979
Weighted average number of shares outstanding, thousands	1,520,714	1,573,704	1,523,914	1,577,900	1,565,379
Adjusted earnings per share, SEK	1.07	0.92	2.04	1.89	3.82

EBITA interest cover

MSEK	January-June		12 months ended	Full year
	2022	2021	June 30, 2022	2021
EBITA	4,289	4,048	8,302	8,061
Interest income	22	18	40	36
Interest expense	-186	-184	-369	-367
EBITA interest cover	26.2	24.4	25.2	24.3

Net debt/EBITA

MSEK	12 months ended	Full year
	June 30, 2022	2021
Net debt	12,845	14,035
EBITA 12 months rolling	8,302	8,061
Net debt/EBITA	1.5	1.7

Net debt

MSEK	January-June		Full year
	2022	2021	2021
Non-current loans	12,876	13,817	14,197
Current loans	2,073	1,793	990
Components of derivatives (liabilities) ¹⁾	2	139	112
Components of derivatives (assets) ²⁾	-1,320	-696	-851
Non-current lease liabilities ³⁾	318	203	307
Current lease liabilities ⁴⁾	113	80	96
Subtotal	14,061	15,337	14,851
Net provision for pensions and similar obligations ³⁾	1,318	1,278	1,445
Net asset for pensions and similar receivables ⁵⁾	-245	-129	-140
Cash and cash equivalents	-2,288	-1,962	-2,121
Net debt	12,845	14,523	14,035

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

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

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

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

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

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

Quarterly data

Consolidated income statement in summary

MSEK	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21
Sales	5,561	4,892	4,751	4,778	4,505
Cost of goods sold	-1,896	-1,630	-1,653	-1,612	-1,514
Gross profit	3,665	3,263	3,099	3,166	2,990
Selling and administrative expenses	-1,442	-1,243	-1,194	-1,103	-1,037
Share of net profit/loss in associated companies	4	4	-5	12	3
Operating profit	2,227	2,024	1,901	2,075	1,956
Finance income	13	9	12	6	7
Finance costs	-96	-95	-95	-94	-92
Net finance cost	-83	-87	-83	-88	-85
Profit before income tax	2,145	1,937	1,818	1,987	1,871
Income tax expense	-521	-444	-360	-447	-430
Profit for the period	1,624	1,493	1,457	1,540	1,441
<i>Attributable to:</i>					
Equity holders of the Parent	1,624	1,492	1,457	1,539	1,441
Non-controlling interests	0	0	0	0	0
Profit for the period	1,624	1,493	1,457	1,540	1,441

Quarterly data by product segment

Sales

MSEK	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21
Smokefree	3,825	3,262	3,242	3,100	2,955
Cigars	1,266	1,169	1,063	1,237	1,138
Lights	371	375	357	354	321
Sales from product segments	5,461	4,807	4,663	4,691	4,414
Other operations	100	85	88	87	90
Sales	5,561	4,892	4,751	4,778	4,505

Operating profit

MSEK	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21
Smokefree	1,817	1,613	1,547	1,558	1,428
Cigars	416	445	343	481	458
Lights	38	57	67	60	103
Operating profit from product segments	2,271	2,115	1,957	2,099	1,988
Other operations	-44	-91	-57	-24	-32
Operating profit	2,227	2,024	1,901	2,075	1,956

Operating margin by product segment

Percent	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21
Smokefree	47.5	49.4	47.7	50.3	48.3
Cigars	32.8	38.1	32.3	38.8	40.3
Lights	10.3	15.1	18.7	17.0	31.9
Operating margin from product segments	41.6	44.0	42.0	44.7	45.0

EBITDA by product segment

MSEK	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21
Smokefree	1,947	1,737	1,668	1,663	1,532
Cigars	440	467	365	502	479
Lights	51	68	78	71	113
EBITDA from product segments	2,438	2,272	2,111	2,236	2,124

EBITDA margin by product segment

Percent	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21
Smokefree	50.9	53.2	51.4	53.6	51.8
Cigars	34.8	40.0	34.3	40.6	42.1
Lights	13.9	18.2	21.8	20.0	35.3
EBITDA margin from product segments	44.6	47.3	45.3	47.7	48.1

Additional quarterly data

Depreciation, amortization and impairments

MSEK	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21
Property, plant and equipment	137	126	124	110	109
Right-of-use assets	29	28	26	24	23
Intangible assets	19	19	19	19	18
Total	185	173	169	152	151

Net finance cost

MSEK	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21
Interest income	13	8	12	6	7
Interest expense	-93	-93	-91	-92	-90
Net interest expense	-79	-85	-79	-86	-84
Other finance costs/income, net	-3	-2	-4	-3	-2
Total net finance cost	-83	-87	-83	-88	-85

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

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

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