

## Interim Report January – March 2022

### Highlights for the first quarter

- Sales and operating profit from product segments increased on the back of continued strong momentum for the US smokefree business.
- Group sales increased by 10 percent to 4,892 MSEK (4,455). In local currencies, sales increased by 2 percent for the first quarter.
- Operating profit from product segments increased by 1 percent to 2,115 MSEK (2,092). In local currencies, operating profit from product segments<sup>1)</sup> decreased by 7 percent for the first quarter.
- Within the Smokefree segment, ZYN nicotine pouches in the US continued to gain market shares on a sequential basis and demonstrated solid sales and profit growth. In Scandinavia, sales grew strongly on an underlying basis, while operating profit declined reflecting higher market investments and an unusually high result in the prior year period.
- For the Cigars product segment, sales and operating profit declined on lower volumes and higher production costs when comparing to the exceptionally strong first quarter of the prior year. Swedish Match increased its cigar market share<sup>2)</sup> sequentially relative to the fourth quarter of 2021.
- For the Lights product segment, impressive performance for matches drove robust top-line development. Solid operating profit despite steep price increases on input materials.
- Group operating profit amounted to 2,024 MSEK (2,354). The prior year period included a settlement income of 300 MSEK.
- Profit after tax amounted to 1,493 MSEK (1,780).
- Adjusted earnings per share<sup>3)</sup> increased to 0.98 SEK (0.97). Earnings per share for the quarter decreased by 13 percent to 0.98 SEK (1.12) with the after-tax effect of the settlement income in the prior year period amounting to 0.15 SEK per share.

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

2) Based on MSA distributor shipments: Mass market cigars (excluding little cigars) in volume terms.

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



## CEO Lars Dahlgren comments: Good start to the year and great growth opportunities ahead

Many of our businesses demonstrated continued strength and momentum during the first quarter of 2022, with nicotine pouches leading the way. Year-on-year financial comparisons mask the true underlying strength of our performance due to unusual factors, largely of a one-time nature, that contributed to an exceptionally difficult comparison period in the first quarter of 2021 in terms of both revenue and operating profit.

In the US, ZYN maintained its strong momentum, with robust volume growth, as well as continued sequential gains in per store velocities and market share. The sequential market share growth for ZYN in the US was particularly encouraging in view of extremely high levels of promotional activity by one major competitor. While the chewing tobacco business reflected declines consistent with historical category dynamics, our moist snuff business delivered a strong result in the quarter.

Volume and market mix impacts from the prior year travel restrictions, phasing of shipments during periods before and after the notable Norwegian excise tax cut early in 2021, and the earlier timing of Easter in that year, when combined, made year-on-year first quarter comparisons in Scandinavia particularly challenging. I am encouraged by the fact that despite those impacts, Scandinavian smokefree volumes and sales grew relative to the prior year. Our Scandinavian nicotine pouch portfolio saw slight market share gains on a sequential basis relative to the fourth quarter of 2021, led by Sweden where the VOLT series which was launched in the previous year continued to perform well.

For cigars, the financial development looks disappointing when comparing with the record first quarter of 2021, but we were pleased to see the marked sequential improvement relative to the last quarter of the prior year, led by the strong performance for the *Game* cigarillo portfolio, which has been the priority as our organization has worked diligently to address supply chain challenges, including limitations on input material. In late April, the FDA finally released its proposed rule on a ban for characterizing flavors for cigars. The entire rule-making process may take years and while the eventual outcome remains uncertain, we have been preparing for this development for quite some time and are confident that our broad cigar assortment will continue providing consumers with attractive offerings under various regulatory scenarios.



With regard to COVID-19, while there were impacts from higher levels of illness and resulting sick leave early in the quarter due to the Omicron variant, the situation overall has improved significantly, as travel and freedom of movement have returned for many. Strained global supply chains have impacted prices for transportation and raw materials, but we were able to mitigate these cost increases through several measures, including actively managing pricing, thereby limiting their adverse effects.

Regarding the war in Ukraine, our hearts go out to those suffering from the impacts of this senseless tragedy. For Swedish Match, the war's most visible impact is within our Lights business as we have suspended deliveries of lighters to Russia. With sales to Russia representing less than 1 percent of Group sales for the full year of 2021, the financial impact is however limited.

As I look to the future, I see so many opportunities as we move toward our vision of *A world without cigarettes*, and strive to responsibly satisfy our consumers, as well as new consumers who migrate from combustible tobacco products. Our consumer insight and product development efforts continue to bear fruit, and as an example, this month, we will be introducing a completely unique and patent pending technology into the Scandinavian nicotine pouch market which we strongly believe will delight consumers looking for the perfect combination of taste, mouth feel, and nicotine satisfaction.

I look forward to an exciting remainder of the year as we continue to develop our business, leverage the market momentum of our brands, and build on our unique platforms.

## Summary of consolidated income statement

MSEK	January-March		Chg %	Full year 2021
	2022	2021		
Sales	4,892	4,455	10	18,489
Sales from product segments <sup>1)</sup>	4,807	4,376	10	18,145
Operating profit from product segments <sup>1)</sup>	2,115	2,092	1	8,136
Operating profit, excl. larger one-time items <sup>2)</sup>	2,024	2,054	-1	7,986
Operating profit	2,024	2,354	-14	8,286
Profit before income tax	1,937	2,265	-14	7,941
Profit for the period	1,493	1,780	-16	6,218
Operating margin from product segments, % <sup>1)</sup>	44.0	47.8		44.8
Earnings per share, basic and diluted, SEK <sup>4)</sup>	0.98	1.12		3.97
Adjusted earnings per share, basic and diluted, SEK <sup>3)4)</sup>	0.98	0.97		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.

4) A share split (10:1) was made in May 2021. Historical share data in this report has been restated in accordance with IAS 33.

## The first quarter

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

### Sales

Group sales and sales from product segments increased by 10 percent to 4,892 MSEK (4,455) and 4,807 MSEK (4,376), respectively. In local currencies, sales from product segments increased by 2 percent. Currency translation positively affected the comparability of sales from product segments by 360 MSEK. Sales increased for the Smokefree and Lights segments while sales were down for Cigars.

### Earnings

Operating profit from product segments increased by 1 percent to 2,115 MSEK (2,092). In local currencies, operating profit from product segments was down by 7 percent. Group operating profit amounted to 2,024 MSEK (2,354). The first quarter of the prior year included a settlement income of 300 MSEK, relating to a previously ongoing arbitration concerning nicotine pouches which was recognized as a larger one-time item. Currency translation has affected the comparison of the operating profit positively by 172 MSEK. On a constant currency basis, operating profit increased for the Smokefree segment while earnings were down for the Cigars and Lights segments.

### Net finance costs and tax

The Group's net finance cost decreased slightly to 87 MSEK (89) primarily due to prior year costs for early repayment of short-term bond loans. The income tax expense amounted to 444 MSEK (485), corresponding to a corporate tax rate of 22.9 percent (21.4). The lower tax rate for the Group in the first quarter of 2021 was primarily a consequence of a revaluation of deferred tax liabilities. The corporate tax rate, excluding associated companies and non-recurring tax items, was 23.0 percent (22.8).

### Profit

The Group's profit for the period amounted to 1,493 MSEK (1,780). The prior year period included the after-tax effect of the above-mentioned settlement income, amounting to 238 MSEK.

## Smokefree

### First quarter highlights:

- Continued sequential market share gains for ZYN in the fast-growing US nicotine pouch market.
- The US smokefree business, and especially the strong performance for ZYN, drove increased sales and operating profit.
- Strong underlying sales development in Scandinavia and solid profitability in view of increased market investments and the unusually strong result in the first quarter of 2021.
- In Other markets, nicotine pouches drove sales growth and improved earnings.



### Key data

MSEK	January-March		Chg %	Full year 2021
	2022	2021		
Sales	3,262	2,823	16	12,120
Operating profit	1,613	1,465	10	5,998
Operating margin, %	49.4	51.9		49.5
EBITDA	1,737	1,561	11	6,423
EBITDA margin, %	53.2	55.3		53.0
Depreciation, amortization and impairment	-123	-96		-425
Capital expenditures	202	246	-18	1,000

## The first quarter

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

### Sales and earnings

In local currencies, sales for the Smokefree product segment increased by 8 percent. Currency translation affected the sales comparison positively by 224 MSEK.

Operating profit in local currencies increased by 2 percent with currency translation effects amounting to 124 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 and earnings in the prior year period were unusually strong due to timing effects on shipments as well as income of one-time nature. Local currency sales in Scandinavia were flat despite the elevated financials in the prior year period, while operating profit declined.

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

## The US

### Key data

	January-March 2022	January-March 2021	Chg %	Full year 2021
<b>Financials, MSEK</b>				
Sales	1,934	1,535	26	6,754
Operating profit	975	793	23	3,352
Operating margin, %	50.4	51.7		49.6
<b>Financials, MUSD</b>				
Sales	207	183	13	787
Operating profit	104	94	10	391
Operating margin, %	50.4	51.7		49.6
<b>Shipment volumes</b>				
Moist snuff, million cans	34.2	34.0	1	129.6
Nicotine pouches, million cans	49.9	36.9	35	173.9
Chewing tobacco, thousands of pounds <sup>1)</sup>	1,205	1,351	-11	5,244

1) Excluding contract manufacturing volumes.

### Market shares<sup>1)</sup>

Percent	January-March 2022	January-March 2021	Chg ppts	Full year 2021
Nicotine pouches	66.2	66.6	-0.4	65.3
Moist snuff	9.7	8.9	0.8	8.9
Chewing tobacco (excluding contract manufacturing volumes)	41.1	40.5	0.6	39.8

1) Based on MSA distributor shipments: 13 weeks to March 27, 2022, and March 28, 2021, respectively, in volume terms. Figures for 2021 have been restated to reflect changes in MSA store measurements.

## Sales and earnings

The double-digit sales and earnings developments were driven by continued momentum for ZYN nicotine pouches, but sales and operating profit were also up collectively for the portfolio of traditional smokefree products (moist snuff, chewing tobacco, and snus).

### Traditional smokefree

For the portfolio of traditional smokefree products, moist snuff drove the positive sales and earnings developments on the back of increased market share and shipment volumes for the *Longhorn* brand, along with improved pricing across the portfolio.

## ZYN nicotine pouches

For ZYN, despite significantly higher investments in consumer marketing and trade loyalty programs, the strong volume performance resulted in significant increases in sales and operating profit. The volume growth of 35 percent was driven principally by higher velocities and to a lesser extent by an expansion of the store base.

Despite continued aggressive and widespread price promotions from a large competitor during the quarter, including free product offerings with the purchase of any tobacco product, ZYN continued to demonstrate market share resilience and its loyal franchise, once again increasing market share on a sequential basis relative the most recent quarter.

## Scandinavia

Scandinavia refers to Sweden, Norway, and Denmark.

### Key data

	January-March 2022	2021	Chg %	Full year 2021
<b>Financials</b>				
Sales, MSEK	1,275	1,249	2	5,203
Operating profit, MSEK	654	720	-9	2,813
Operating margin, %	51.3	57.6		54.1
<b>Shipment volumes</b>				
Snus, million cans	60.3	60.9	-1	253.3
Nicotine pouches, million cans	5.7	4.4	30	20.3
Chew bags and tobacco bits, million cans	0.8	1.0	-15	3.5
<b>Total</b>	<b>66.8</b>	<b>66.3</b>	<b>1</b>	<b>277.1</b>

### Market shares<sup>1)2)</sup>

Percent	January-March 2022	2021	Chg ppts	Full year 2021
Snus	58.8	59.8	-1.0	59.5
Nicotine pouches	14.8	16.2	-1.4	15.2
<b>Total</b>	<b>48.1</b>	<b>51.9</b>	<b>-3.8</b>	<b>50.2</b>

1) Based on Nielsen data (excluding tobacconists and e-commerce): 13 weeks to March 27, 2022 and March 28, 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 were flat and operating profit declined by 12 percent. The financial performance in the prior year period was impacted by several favorable factors, including unusually low administrative expenses as well as income of a one-time nature.

Average price per can was in line with prior year with price increases offset by unfavorable channel mix effects stemming from more extensive travel restrictions in the prior year period.

Increased prices on input materials adversely affected the cost per can, and higher market related investments to support the growth for nicotine pouches weighed on the operating profit.

## Shipments

Swedish Match's shipment volumes grew by 1 percent, but on an underlying basis the volume performance was notably stronger. Shipments to the domestic trade in Norway were down significantly due to the combination of a recovery of the Swedish border trade and replenishments of Norwegian trade inventories in the prior year following the sharp excise tax decrease on January 1, 2021. In addition, the earlier timing of the Easter holidays in 2021 hampered the volume growth.

## Market data

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

According to Nielsen, Swedish Match's market share of the Scandinavian smokefree category declined by less than 1 percentage point on a sequential basis relative to the fourth quarter of 2021. While a modest share decline was recorded for snus, the share within nicotine pouches and chew bags increased slightly relative to the fourth quarter of 2021.

In Sweden, the largest market for nicotine pouches in Scandinavia, Swedish Match gained market share both on a year-on-year and a sequential basis relative to the most recent quarter.

## Other markets

### Key data

	January-March		Chg %	Full year 2021
	2022	2021		
Sales, MSEK	53	40	34	163
Operating profit, MSEK	-16	-48	67	-167
Operating margin, %	-29.8	-120.5		-102.2
Shipment volumes, million cans <sup>1)</sup>	2.3	2.0	13	8.0

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

## Sales and earnings

For Other markets, sales improved as a result of higher volumes for both nicotine pouches and for snus along with improved average price per can. Marketing costs were lower, mainly due to timing.



## Cigars

### First quarter highlights:

- Sales and operating profit down on lower volumes and higher production costs when comparing to the unusually strong first quarter of the prior year.
- Production-related constraints continued to affect volume performance, especially for HTL varieties.
- Weaker category development but slight year-on-year market share gains for Swedish Match driven by performance within the natural leaf segment.



### Key data

MSEK	January-March		Chg %	Full year 2021
	2022	2021		
Sales	1,169	1,249	-6	4,688
Operating profit	445	560	-20	1,841
Operating margin, %	38.1	44.8		39.3
EBITDA	467	581	-20	1,927
EBITDA margin, %	40.0	46.5		41.1
Depreciation, amortization and impairment	-22	-21		-86
Capital expenditures	16	18	-11	94

### Key data

MUSD	January-March		Chg %	Full year 2021
	2022	2021		
Sales	125	149	-16	546
Operating profit	48	67	-29	215
Operating margin, %	38.1	44.8		39.3
EBITDA	50	69	-28	225
EBITDA margin, %	40.0	46.5		41.1
Depreciation, amortization and impairment	-2	-3		-10
Capital expenditures	2	2	-20	11

### US shipment volumes

	January-March		Chg %	Full year 2021
	2022	2021		
Homogenized tobacco leaf (HTL) cigars, million sticks	170	252	-33	732
Natural leaf cigars, million sticks	288	297	-3	1,258
<b>Cigars total</b>	<b>457</b>	<b>549</b>	<b>-17</b>	<b>1,991</b>

### Market shares<sup>1)</sup>

Percent	January-March		Chg ppts	Full year 2021
	2022	2021		
Homogenized tobacco leaf (HTL) cigars	12.8	15.0	-2.2	13.2
Natural leaf cigars	33.5	31.0	2.5	32.8
<b>Cigars total</b>	<b>21.2</b>	<b>21.0</b>	<b>0.2</b>	<b>20.8</b>

1) Based on MSA distributor shipments: Mass market cigars (excluding little cigars) 13 weeks to March 27, 2022 and March 28, 2021, respectively, in volume terms. Figures for 2021 have been restated to reflect changes in MSA store measurements.



## The first quarter

(Note: Comments below refer to the comparison between the first quarter 2022 vs. the first 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 16 percent. Sales and operating profit declined on lower volumes and unusually strong performance in the prior year period. Relative to the fourth quarter of 2021, sales and operating profit, as well as operating margin improved.

While price increases have been implemented across the assortment, negative mix effects resulted in only a modest increase in the average price per cigar.

The average production cost per cigar was adversely affected by volume absorption effects, production mix, increased prices on raw materials and higher labor costs.

### Shipments

The volume decline versus the prior year period was most pronounced for HTL varieties where continued limitations on certain input materials had the most effect and the prior year performance was particularly strong.

Shipment volumes for natural leaf varieties were also impacted by production constraints to some extent, but *Game* cigarillos continued to demonstrate volume growth. Volumes for natural rolled leaf varieties declined due to 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 9 percent in the quarter, with less pronounced volume declines for natural leaf varieties.

Consumer demand is estimated to have held up better than what the MSA data indicates with the difference attributable to changes in inventory levels at retail.

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 fourth quarter of the prior year, Swedish Match's market share in the cigar category increased according to MSA.



Natural leaf cigars: cigars which utilize selected tobacco leaves cut specifically to form the wrappers. Natural leaf cigars differ from premium hand rolled cigars in that natural leaf cigars contain short filler tobacco and utilize machines in the latter steps of the manufacturing process.

Homogenized tobacco leaf (HTL) cigars: Cigars which have binders and wrappers made of tobacco leaves that have been ground, mixed with water, homogenized, and rolled into sheets to ensure a consistency of look, feel, and quality.

## Lights

### First quarter highlights:

- Strong top-line development, driven by matches.
- Higher prices on input materials affected production costs.
- Deliveries to the Russian market have been suspended.



### Key data

MSEK	January-March		Chg %	Full year 2021
	2022	2021		
Sales	375	305	23	1,338
Operating profit	57	67	-15	297
Operating margin, %	15.1	22.0		22.2
EBITDA	68	77	-12	339
EBITDA margin, %	18.2	25.3		25.4
Depreciation, amortization and impairment	-11	-10		-43
Capital expenditures	17	9	103	51

### Shipment volumes, worldwide

	January-March		Chg %	Full year 2021
	2022	2021		
Matches, billion sticks	14.9	15.7	-5	58.5
Lighters, million units	76.9	78.5	-2	325.2

## The first quarter

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

### Sales and earnings

Excluding currency translation effects, sales increased by 17 percent driven by strong performance for the match business where significantly improved pricing, acquisition effects and generally good performance for fire products more than compensated for the 5 percent volume decline for regular match sticks. Sales also grew for lighters with positive price/mix effects more than compensating for the slight volume decline. For the Lights product segment as a whole, sales grew by 10 percent excluding acquisition and currency translation effects.

Across the Lights portfolio, steep price increases on raw materials adversely impacted unit production costs. For matches, higher prices more than compensated for production cost increases while for lighters the raw material price increases

were not fully offset with pricing. Operating profit for complementary products was flat.

For the Lights product segment as a whole, operating profit declined by 10 MSEK with 5 MSEK of the decline being explained by a capital gain from disposal of excess forestry assets in the prior year period.

### Ukraine and Russia update

Following the Russian invasion of Ukraine, deliveries of lighters to Russia have been suspended. The suspension only had a limited effect on sales and lighter volumes in the first 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 quarter of 2022 amounted to 1,542 MSEK (1,580). The reduced cash flow mainly stemmed from lower EBITDA (impacted by the 300 MSEK settlement income in the prior year period), partly offset by better cash flow from changes in working capital.

Investments in property, plant and equipment mainly pertained to the Smokefree product segment and amounted to 238 MSEK (277).

Net finance cost for the first quarter decreased slightly to 87 MSEK (89). The decrease resulted mainly from early repayment of short-term bond loans in the prior year.

During the quarter, new bond loans of 200 MSEK were issued, and repayments of maturing bond loans amounted to 265 MSEK. As of March 31, 2022, Swedish Match had 14,931 MSEK of interest-bearing debt excluding retirement benefit obligations but including the recognition of lease liabilities of 411 MSEK. The Group's interest-bearing debt at December 31, 2021 amounted to 14,851 MSEK and 14,527 MSEK at March 31, 2021. During the remainder of 2022, 680 MSEK of the bond debt falls due for payment. For further details on the maturity profile of the debt portfolio, please see Swedish Match's website. Net retirement benefit obligations decreased to 1,130 MSEK as of March 31, 2022, from 1,305 MSEK at December 31, 2021, due to positive remeasurements effects from higher discount rates partly offset by lower return on plan assets.

As of March 31, 2022, Swedish Match had 1,500 MSEK in an unutilized revolving credit facility (RCF). Cash and cash equivalents amounted to 2,823 MSEK at the end of the period, compared to 2,121 MSEK at December 31, 2021.

The net debt as of March 31, 2022, amounted to 13,238 MSEK compared to 14,035 MSEK at December 31, 2021 and 11,964 MSEK at March 31, 2021.

## Shareholder distributions and the share

On May 4, 2022, Swedish Match paid dividends of 1,414 MSEK to its shareholders, corresponding to 0.93 SEK per share. Another dividend of 0.93 SEK per share will be paid out to shareholders in November 2022.

During the first quarter, Swedish Match repurchased 10.5 million shares for 750 MSEK at an average price of 71.30 SEK, following authorization from the Annual General Meeting held in 2021. 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 March 31, 2022, Swedish Match held 59.3 million shares, corresponding to 3.75 percent of the total number of shares. The number of shares outstanding, net, as per March 31, 2022, amounted to 1,521 million.

## Updated plans for the separation of the US cigar business

In September 2021, Swedish Match announced its intention to separate its cigar business via a spin-off to shareholders and a subsequent listing on a US national securities exchange. The separation was initially expected to be completed in the second half of 2022, at the earliest.

While the Board of Swedish Match still has the strategic intent to separate the cigar business, the Board, as communicated on March 14, 2022, has decided to suspend the preparations for the contemplated spin-off until further notice. The decision to suspend the spin-off preparations until further notice was prompted by regulatory uncertainties facing the cigar business. For further details, see the press release published on March 14, 2022.

Swedish Match still incurred advisory related costs associated with the spin-off preparations in the first quarter of 2022, amounting to 33 MSEK.

## Other events during the quarter

### FDA denial of substantial equivalence applications for part of Swedish Match's cigar assortment

During the quarter Swedish Match was informed by the US Food and Drug Administration (FDA) that substantial equivalence (SE) designations had been denied for SE applications corresponding to about 3 percent of Swedish Match's 2021 cigar volume. Swedish Match has during April appealed the non-SE designations by the FDA by requesting a supervisory review and Swedish Match remains confident that the Company will be given the opportunity to provide the FDA with sufficient data in order to demonstrate that the cigars in question are substantially equivalent to their predicate products insofar that the changes that have taken place do not raise questions of public health.

### Proposed recommendation in Sweden for legislation with regard to nicotine pouches

Swedish Match has been advocating for regulation of nicotine pouches since 2016. On March 31, 2022, the Government finally made a proposal to Parliament for such legislation. 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 proposals are supported by Swedish Match. The Parliament is expected to vote on the proposal in June and most of the regulations are scheduled to come into force from August 1, 2022.

## Events after the reporting period

### 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.

### Public cash offer by Philip Morris International to acquire Swedish Match

In relation to the public cash offer of SEK 106 per share by Philip Morris Holland Holdings BV ("PMHH"), an affiliate of Philip Morris International Inc., to shareholders of Swedish Match AB ("Swedish Match" or the "Company") to transfer their shares in Swedish Match to PMHH, the Board of Directors of Swedish Match today announced its recommendation to shareholders to accept the offer. For more details, see the press release published earlier this morning.

### Annual General Meeting and repurchase of own shares

The Annual General Meeting held on April 27, 2022, re-elected Charles A. Blixt, Jacqueline Hoogerbrugge, Conny Karlsson, Alexander Lacik, Pauline Lindwall, and Joakim Westh as members of Swedish Match's Board of Directors. Sanna Suvanto-Harsaae was elected as new member of the Board of Directors. Conny Karlsson was re-elected as Chairman of the Board. The Annual General Meeting approved the Board's proposal of a dividend of 1.86 SEK per share distributed to the shareholders in two equal payments of 0.93 SEK per share. The dividend for the first instalment amounted to 1,414 MSEK and was paid to the shareholders in May. The record date for the second payment is November 14, 2022, and payment through Euroclear Sweden AB is expected to be made on November 17, 2022. In addition, the Meeting resolved to reduce the share capital by means of withdrawal of 55,000,000 shares held in treasury with a simultaneous bonus issue, without issuing any new shares, of a corresponding amount to restore the Company's share capital. With the cancellation of these shares, the total number of registered shares in the Company amounts to 1,525,000.000 shares and the total number of treasury shares to 4,285,810.

The 2022 Annual General Meeting further authorized the Board of Directors to acquire the Company's own shares, including the possibility to implement a repurchase program in accordance with the Market Abuse Regulation (EU) No 596/2014 ("MAR") and the Commission Delegated Regulation (EU) No 2016/1052 (the "Safe Harbour Regulation"), a mandate which the Board now utilizes. The purpose of the repurchasing right is to enable Swedish Match to adapt its capital structure to its capital needs over time, and thereby contribute to an increased shareholder value.

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

Furthermore, the Annual General Meeting approved the Board of Directors' proposal that it be authorized, for the period until the end of the next Annual General Meeting, to issue new ordinary shares on one or more occasions, with or without deviation from shareholders' preferential rights and against payment in cash, in kind or by set-off. The number of shares that may be issued may not exceed a maximum dilution effect of 10 percent of the share capital and votes at the time of the Annual General Meeting 2022. The Annual General Meeting approved all other proposals made by the Board of Directors and the Nominating Committee. The proposals are outlined in the published notice of the Annual General Meeting.

### 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 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.

## 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 a pandemic 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 quarter 2022 amounted to 7 MSEK (8).

Loss before income tax amounted to -191 MSEK (-138) and net loss for the quarter amounted to -155 MSEK (-108). The higher loss before income tax compared to the previous year was primarily related to higher administrative expenses.

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

Repayment of bond loans amounted to 265 MSEK during the first quarter and new bond loans of 197 MSEK were issued.

In 2021 it was resolved to split each of the Company's shares into ten shares (ratio 10:1). All references to shares and earnings per share in this document have been restated to reflect this split. During the first quarter, the Parent Company made share repurchases of 10.5 million (4.9) shares for 750 MSEK (300).

## 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-June 2022 report will be released on July 22, 2022.

Stockholm, May 11, 2022

Lars Dahlgren  
President and CEO

## Product segments summary and key ratios

### Sales

MSEK	January-March		Chg %	Full year 2021
	2022	2021		
Smokefree	3,262	2,823	16	12,120
Cigars	1,169	1,249	-6	4,688
Lights	375	305	23	1,338
<b>Sales from product segments</b>	<b>4,807</b>	<b>4,376</b>	<b>10</b>	<b>18,145</b>
Other operations	85	78	9	344
<b>Sales</b>	<b>4,892</b>	<b>4,455</b>	<b>10</b>	<b>18,489</b>

### Operating profit

MSEK	January-March		Chg %	Full year 2021
	2022	2021		
Smokefree	1,613	1,465	10	5,998
Cigars	445	560	-20	1,841
Lights	57	67	-15	297
<b>Operating profit from product segments</b>	<b>2,115</b>	<b>2,092</b>	<b>1</b>	<b>8,136</b>
Other operations	-91	-37		-150
Settlement income	-	300		300
<b>Operating profit</b>	<b>2,024</b>	<b>2,354</b>	<b>-14</b>	<b>8,286</b>

### Operating margin by product segment

Percent	January-March		Full year 2021
	2022	2021	
Smokefree	49.4	51.9	49.5
Cigars	38.1	44.8	39.3
Lights	15.1	22.0	22.2
<b>Operating margin from product segments</b>	<b>44.0</b>	<b>47.8</b>	<b>44.8</b>

### EBITDA by product segment

MSEK	January-March		Chg %	Full year 2021
	2022	2021		
Smokefree	1,737	1,561	11	6,423
Cigars	467	581	-20	1,927
Lights	68	77	-12	339
<b>EBITDA from product segments</b>	<b>2,272</b>	<b>2,219</b>	<b>2</b>	<b>8,690</b>

### EBITDA margin by product segment

Percent	January-March		Full year 2021
	2022	2021	
Smokefree	53.2	55.3	53.0
Cigars	40.0	46.5	41.1
Lights	18.2	25.3	25.4
<b>EBITDA margin from product segments</b>	<b>47.3</b>	<b>50.7</b>	<b>47.9</b>



## Key ratios

	January-March		12 months ended	Full year
	2022	2021	March 31, 2022	2021
Operating margin from product segments, %	44.0	47.8	43.9	44.8
Operating margin, excl. larger one-time items, %	41.4	46.1	42.0	43.2
Net debt, MSEK	13,238	11,964	13,238	14,035
Investments in property, plant and equipment, MSEK	238	277	1,134	1,172
Depreciation, amortization and impairments, MSEK	173	142	646	615
EBITA, MSEK	2,043	2,073	8,031	8,061
EBITA interest cover	24.1	25.1	24.1	24.3
Net debt/EBITA	-	-	1.6	1.7
Adjusted earnings per share, basic and diluted, SEK <sup>1)2)</sup>	0.98	0.97	3.82	3.82
<i>Share data</i>				
Number of shares outstanding at end of period <sup>2)</sup>	1,520,714,190	1,579,163,720	1,520,714,190	1,531,235,190
Average number of shares outstanding <sup>2)</sup>	1,527,114,052	1,582,096,845	1,551,633,487	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.

2) A share split (10:1) was made in May 2021. Historical share data in this report has been restated in accordance with IAS 33.

## Financial statements

### Condensed consolidated income statement

MSEK	Note	January-March 2022	January-March 2021	Chg %	Full year 2021
<b>Sales</b>	2	<b>4,892</b>	<b>4,455</b>	<b>10</b>	<b>18,489</b>
Cost of goods sold		-1,630	-1,469		-6,249
<b>Gross profit</b>		<b>3,263</b>	<b>2,986</b>	<b>9</b>	<b>12,240</b>
Selling and administrative expenses		-1,243	-933		-4,267
Share of profit in associated companies		4	2		13
Settlement income		-	300		300
<b>Operating profit</b>		<b>2,024</b>	<b>2,354</b>	<b>-14</b>	<b>8,286</b>
Finance income		9	11		36
Finance costs		-95	-100		-381
Net finance cost		-87	-89		-345
<b>Profit before income tax</b>		<b>1,937</b>	<b>2,265</b>	<b>-14</b>	<b>7,941</b>
Income tax expense	4	-444	-485		-1,723
<b>Profit for the period</b>		<b>1,493</b>	<b>1,780</b>	<b>-16</b>	<b>6,218</b>
<i>Attributable to:</i>					
Equity holders of the Parent		1,492	1,779		6,217
Non-controlling interests		0	0		1
<b>Profit for the period</b>		<b>1,493</b>	<b>1,780</b>	<b>-16</b>	<b>6,218</b>
Earnings per share, basic and diluted, SEK <sup>1)</sup>		0.98	1.12		3.97

1) A share split (10:1) was made in May 2021. Historical share data in this report has been restated in accordance with IAS 33.

### Condensed consolidated statement of comprehensive income

MSEK	January-March		Full year
	2022	2021	2021
<b>Profit for the period</b>	<b>1,493</b>	<b>1,780</b>	<b>6,218</b>
<i>Other comprehensive income that may be reclassified to the income statement</i>			
Translation differences related to foreign operations	263	451	740
Translation differences included in profit and loss	-	-	0
Effective portion of changes in fair value of cash flow hedges	87	27	82
Income tax relating to reclassifiable components of other comprehensive income	-18	-6	-17
<b>Subtotal, net of tax for the period</b>	<b>332</b>	<b>472</b>	<b>805</b>
<i>Other comprehensive income that will not be reclassified to the income statement</i>			
Actuarial gains/losses attributable to pensions, incl. payroll tax	237	351	369
Income tax relating to non-reclassifiable components of other comprehensive income	-60	-86	-91
<b>Subtotal, net of tax for the period</b>	<b>177</b>	<b>265</b>	<b>278</b>
<b>Total comprehensive income for the period</b>	<b>2,002</b>	<b>2,517</b>	<b>7,300</b>
<i>Attributable to:</i>			
Equity holders of the Parent	2,001	2,517	7,299
Non-controlling interests	0	0	1
<b>Total comprehensive income for the period</b>	<b>2,002</b>	<b>2,517</b>	<b>7,300</b>

### Condensed consolidated balance sheet

MSEK	Note	March 31, 2022	December 31, 2021
Intangible assets		2,285	2,281
Property, plant and equipment		4,744	4,556
Right-of-use assets		395	388
Investments in associated companies		47	41
Other non-current assets and operating receivables		28	25
Other non-current financial assets and receivables	3,5	1,979	1,832
<b>Total non-current assets</b>		<b>9,478</b>	<b>9,123</b>
Other current financial receivables	3,5	167	374
Current operating assets and receivables	3	5,066	4,534
Cash and cash equivalents	3	2,823	2,121
<b>Total current assets</b>		<b>8,055</b>	<b>7,029</b>
<b>Total assets</b>		<b>17,533</b>	<b>16,152</b>
Equity attributable to equity holders of the Parent		-5,435	-6,686
Non-controlling interests		18	17
<b>Total equity</b>		<b>-5,417</b>	<b>-6,669</b>
Non-current financial provisions		1,395	1,397
Non-current loans	3	13,523	14,197
Other non-current financial liabilities	3,5	1,690	1,883
Other non-current operating liabilities	3	496	504
<b>Total non-current liabilities</b>		<b>17,104</b>	<b>17,981</b>
Current loans	3	1,725	990
Other current financial liabilities	3,5	505	368
Other current operating liabilities	3	3,617	3,482
<b>Total current liabilities</b>		<b>5,847</b>	<b>4,840</b>
<b>Total liabilities</b>		<b>22,950</b>	<b>22,821</b>
<b>Total equity and liabilities</b>		<b>17,533</b>	<b>16,152</b>

## Condensed consolidated cash flow statement

MSEK	January-March	
	2022	2021
<i>Operating activities</i>		
<b>Profit before income taxes</b>	<b>1,937</b>	<b>2,265</b>
Share of profit in associated companies	-4	-2
Adjustments for non-cash items etc. <sup>1)</sup>	182	11
Income tax paid	-201	-208
<b>Cash flow from operating activities before changes in working capital</b>	<b>1,914</b>	<b>2,066</b>
Changes in working capital	-373	-486
<b>Net cash generated from operating activities</b>	<b>1,542</b>	<b>1,580</b>
<i>Investing activities</i>		
Purchase of property, plant and equipment	-238	-277
Proceeds from sale of property, plant and equipment	2	10
Purchase of intangible assets	-1	-2
Acquisition of subsidiaries <sup>2)</sup>	-	-39
Changes in financial receivables etc.	-5	-3
<b>Net cash used in investing activities</b>	<b>-243</b>	<b>-311</b>
<i>Financing activities</i>		
Proceeds from borrowings	197	798
Repayment of borrowings	-265	-1,467
Repurchase of own shares	-709	-300
Lease payments	-27	-22
Realized exchange gain/losses on financial instruments	178	-121
Other	1	2
<b>Net cash used in financing activities</b>	<b>-624</b>	<b>-1,110</b>
<b>Net increase in cash and cash equivalents</b>	<b>675</b>	<b>159</b>
Cash and cash equivalents at the beginning of the period	2,121	3,411
Effect of exchange rate fluctuations on cash and cash equivalents	27	161
<b>Cash and cash equivalents at the end of the period</b>	<b>2,823</b>	<b>3,732</b>

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-March		Full year
	2022	2021	2021
<b>Equity at beginning of period</b>	<b>-6,669</b>	<b>-7,798</b>	<b>-7,798</b>
Profit for the period	1,493	1,780	6,218
Other comprehensive income, net of tax for the period	509	737	1,083
<b>Total comprehensive income for the period</b>	<b>2,002</b>	<b>2,517</b>	<b>7,300</b>
Dividend	-	-	-2,369
Repurchase of own shares	-750	-300	-3,802
Cancellation of shares	-	-	-10
Bonus issue	-	-	10
<b>Equity at end of period</b>	<b>-5,417</b>	<b>-5,580</b>	<b>-6,669</b>

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 March 31, 2022, amounted to 9,444 MSEK and distributable earnings amounted to 9,055 MSEK.

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

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

### Condensed Parent Company income statement

MSEK	January-March	
	2022	2021
Sales	7	8
Administrative expenses	-109	-56
<b>Operating loss</b>	<b>-102</b>	<b>-49</b>
Finance income	0	0
Finance costs	-89	-89
Net finance cost	-89	-89
<b>Loss before income tax</b>	<b>-191</b>	<b>-138</b>
Income tax	37	30
<b>Loss for the period</b>	<b>-155</b>	<b>-108</b>

### Condensed Parent Company statement of comprehensive income

MSEK	January-March	
	2022	2021
<b>Loss for the period</b>	<b>-155</b>	<b>-108</b>
<i>Other comprehensive income that may be reclassified to the income statement</i>		
Effective portion of changes in fair value of cash flow hedges	87	27
Income tax relating to components of other comprehensive income	-18	-6
<b>Other comprehensive income, net of tax for the period</b>	<b>69</b>	<b>21</b>
<b>Total comprehensive income for the period</b>	<b>-86</b>	<b>-86</b>

### Condensed Parent Company balance sheet

MSEK	March 31, 2022	March 31, 2021	December 31, 2021
Intangible and tangible assets	0	0	0
Non-current financial assets	31,734	31,782	31,608
Current assets	240	356	3,293
Cash and other current deposits	173	1	109
<b>Total assets</b>	<b>32,147</b>	<b>32,139</b>	<b>35,010</b>
<b>Equity</b>	<b>9,444</b>	<b>11,457</b>	<b>10,280</b>
<b>Untaxed reserves</b>	<b>2,965</b>	<b>2,675</b>	<b>2,965</b>
Provisions	61	83	69
Non-current liabilities	13,577	13,924	14,325
Current liabilities	6,100	4,000	7,371
<b>Total liabilities</b>	<b>19,738</b>	<b>18,006</b>	<b>21,765</b>
<b>Total equity and liabilities</b>	<b>32,147</b>	<b>32,139</b>	<b>35,010</b>

### 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 – January to March

MSEK	Segments								Other operations		Group	
	Smokefree		Cigars		Lights		Total segments					
	Jan-Mar		Jan-Mar		Jan-Mar		Jan-Mar		Jan-Mar		Jan-Mar	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
The US	1,934	1,535	1,169	1,249	53	46	3,157	2,829	-	-	3,157	2,829
Scandinavia	1,275	1,249	-	-	18	16	1,293	1,265	85	78	1,378	1,343
Other markets	53	40	-	-	304	243	357	283	-	-	357	283
<b>Total sales</b>	<b>3,262</b>	<b>2,823</b>	<b>1,169</b>	<b>1,249</b>	<b>375</b>	<b>305</b>	<b>4,807</b>	<b>4,376</b>	<b>85</b>	<b>78</b>	<b>4,892</b>	<b>4,455</b>

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

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

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

Level 1 - Quoted prices (unadjusted) in active markets

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

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

The following table shows carrying value and fair value for financial instruments as of March 31, 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	-	2,032	-	-	-	2,032	2,032
Other non-current financial receivables	-	46	-	841	662	1,548	1,548
Other current assets and financial receivables	16	97	-	-	198	311	311
Prepaid expenses and accrued income <sup>1)</sup>	-	-	-	3	163	166	166
Cash and cash equivalents	-	2,823	-	-	-	2,823	2,823
<b>Total assets</b>	<b>16</b>	<b>4,998</b>	<b>-</b>	<b>844</b>	<b>1,023</b>	<b>6,880</b>	<b>6,880</b>
Loans and borrowings	-	-	15,248	-	-	15,248	15,018
Other non-current financial liabilities	-	-	310	54	40	404	404
Other current liabilities	48	-	108	0	1,825	1,981	1,981
Accrued expenses and deferred income <sup>1)</sup>	-	-	85	33	763	882	882
Trade payables	-	-	505	-	-	505	505
<b>Total liabilities</b>	<b>48</b>	<b>-</b>	<b>16,256</b>	<b>87</b>	<b>2,628</b>	<b>19,020</b>	<b>18,790</b>

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	-	860	-	860
Derivative financial liabilities	-	135	-	135

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 <sup>1)</sup>	-	-	-	2	153	155	155
Cash and cash equivalents	-	2,121	-	-	-	2,121	2,121
<b>Total assets</b>	<b>71</b>	<b>4,092</b>	<b>-</b>	<b>745</b>	<b>1,025</b>	<b>5,932</b>	<b>5,932</b>
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 <sup>1)</sup>	-	-	125	45	892	1,063	1,063
Trade payables	-	-	464	-	-	464	464
<b>Total liabilities</b>	<b>6</b>	<b>-</b>	<b>16,185</b>	<b>173</b>	<b>2,523</b>	<b>18,889</b>	<b>19,201</b>

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 first 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 15,235 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 5,006 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 for leave to appeal and the leave was granted in June 2021 by the Supreme Administrative Court.



## 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
<b>SALES FROM PRODUCT SEGMENTS</b>	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).
<b>OPERATING PROFIT/LOSS (EBIT) FROM PRODUCT SEGMENTS</b>	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.
<b>OPERATING MARGIN FROM PRODUCT SEGMENTS (%)</b>	$100 \times \text{Operating profit from product segments} \div \text{Sales from product segments}$	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).
<b>LARGER ONE-TIME ITEMS</b>	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.
<b>EBITDA</b>	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.
<b>EBITDA FROM PRODUCT SEGMENTS</b>	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.
<b>EBITDA MARGIN (%)</b>	$100 \times \text{EBITDA} \div \text{Sales}$	Used as an alternative measure of operating profitability.
<b>EBITDA MARGIN FROM PRODUCT SEGMENTS (%)</b>	$100 \times \text{EBITDA from product segments} \div \text{Sales from product segments}$	Used as an alternative measure of operating profitability for the core commercial businesses of Swedish Match.
<b>PROFIT FOR THE PERIOD EXCLUDING LARGER ONE-TIME ITEMS</b>	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.
<b>EBITA</b>	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.
<b>EBITA 12 months rolling</b>	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.
<b>EBITA INTEREST COVER</b>	$\text{EBITA} \div (\text{Interest income} - \text{interest expense})$	Used as a measure of the ability to fund interest expense.
<b>NET DEBT</b>	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.
<b>NET DEBT/EBITA</b>	$\text{Net debt} \div \text{EBITA 12 months rolling}$	Used as an indication of the duration (in years) required to fund existing net financial obligations with free cash flows from the ongoing business.
<b>ADJUSTED EARNINGS PER SHARE</b>	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	January-March		12 months ended	Full year
	2022	2021	March 31, 2022	2021
<b>Profit for the period</b>	<b>1,493</b>	<b>1,780</b>	<b>5,931</b>	<b>6,218</b>
Income tax expense	444	485	1,681	1,723
Net finance cost	87	89	343	345
<b>Operating profit for the period</b>	<b>2,024</b>	<b>2,354</b>	<b>7,956</b>	<b>8,286</b>
Less larger one-time items	-	-300	-	-300
Amortization and impairment of intangible assets	19	18	75	75
<b>EBITA</b>	<b>2,043</b>	<b>2,073</b>	<b>8,031</b>	<b>8,061</b>
Depreciation and impairment of tangible and right-of-use assets	154	124	570	540
<b>EBITDA</b>	<b>2,197</b>	<b>2,197</b>	<b>8,601</b>	<b>8,601</b>

## EBITDA and EBITDA margin from product segments

MSEK	January-March		Full year
	2022	2021	2021
<b>Operating profit for the period</b>	<b>2,024</b>	<b>2,354</b>	<b>8,286</b>
Less operating loss from Other operations	91	37	150
Less larger one-time items	-	-300	-300
<b>Operating profit from product segments</b>	<b>2,115</b>	<b>2,092</b>	<b>8,136</b>
Amortization, depreciation and impairment of intangible, tangible and right-of-use assets	173	142	615
Less amortization, depreciation and impairment of intangible, tangible and right-of-use assets for Other operations	-16	-15	-61
<b>EBITDA from product segments</b>	<b>2,272</b>	<b>2,219</b>	<b>8,690</b>
Sales from product segments	4,807	4,376	18,145
<b>EBITDA margin from product segments, %</b>	<b>47.3</b>	<b>50.7</b>	<b>47.9</b>

## Larger one-time items

MSEK	January-March		Full year
	2022	2021	2021
Settlement income	-	300	300
<b>Total larger one-time items in operating profit</b>	<b>-</b>	<b>300</b>	<b>300</b>
Income tax expense on settlement income	-	-62	-62
<b>Total larger one-time items in net profit</b>	<b>-</b>	<b>238</b>	<b>238</b>

## Adjusted earnings per share

Basic and diluted	January-March		12 months ended	Full year
	2022	2021	March 31, 2022	2021
Profit for the period attributable to equity holders of the Parent, MSEK	1,492	1,779	5,930	6,217
Settlement income, net of tax, MSEK	-	-238	-	-238
<b>Profit for the period attributable to equity holders of the Parent, excl. larger one-time items, MSEK</b>	<b>1,492</b>	<b>1,542</b>	<b>5,930</b>	<b>5,979</b>
Weighted average number of shares outstanding, thousands <sup>1)</sup>	1,527,114	1,582,097	1,551,633	1,565,379
<b>Adjusted earnings per share, SEK</b>	<b>0.98</b>	<b>0.97</b>	<b>3.82</b>	<b>3.82</b>

1) A share split (10:1) was made in May 2021. Historical share data in this report has been restated in accordance with IAS 33.

### EBITA interest cover

MSEK	January-March		12 months ended March 31, 2022	Full year 2021
	2022	2021		
EBITA	2,043	2,073	8,031	8,061
Interest income	8	11	33	36
Interest expense	-93	-93	-366	-367
<b>EBITA interest cover</b>	<b>24.1</b>	<b>25.1</b>	<b>24.1</b>	<b>24.3</b>

### Net debt/EBITA

MSEK	12 months ended March 31, 2022	Full year 2021
Net debt	13,238	14,035
EBITA 12 months rolling	8,031	8,061
<b>Net debt/EBITA</b>	<b>1.6</b>	<b>1.7</b>

### Net debt

MSEK	January-March		Full year 2021
	2022	2021	
Non-current loans	13,523	13,789	14,197
Current loans	1,725	1,113	990
Components of derivatives (liabilities) <sup>1)</sup>	120	103	112
Components of derivatives (assets) <sup>2)</sup>	-848	-774	-851
Non-current lease liabilities <sup>3)</sup>	310	215	307
Current lease liabilities <sup>4)</sup>	102	80	96
<b>Subtotal</b>	<b>14,931</b>	<b>14,527</b>	<b>14,851</b>
Net provision for pensions and similar obligations <sup>3)</sup>	1,323	1,268	1,445
Net asset for pensions and similar receivables <sup>5)</sup>	-193	-99	-140
Cash and cash equivalents	-2,823	-3,732	-2,121
<b>Net debt</b>	<b>13,238</b>	<b>11,964</b>	<b>14,035</b>

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	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21
<b>Sales</b>	<b>4,892</b>	<b>4,751</b>	<b>4,778</b>	<b>4,505</b>	<b>4,455</b>
Cost of goods sold	-1,630	-1,653	-1,612	-1,514	-1,469
<b>Gross profit</b>	<b>3,263</b>	<b>3,099</b>	<b>3,166</b>	<b>2,990</b>	<b>2,986</b>
Selling and administrative expenses	-1,243	-1,194	-1,103	-1,037	-933
Share of net profit/loss in associated companies	4	-5	12	3	2
Settlement income	-	-	-	-	300
<b>Operating profit</b>	<b>2,024</b>	<b>1,901</b>	<b>2,075</b>	<b>1,956</b>	<b>2,354</b>
Finance income	9	12	6	7	11
Finance costs	-95	-95	-94	-92	-100
Net finance cost	-87	-83	-88	-85	-89
<b>Profit before income tax</b>	<b>1,937</b>	<b>1,818</b>	<b>1,987</b>	<b>1,871</b>	<b>2,265</b>
Income tax expense	-444	-360	-447	-430	-485
<b>Profit for the period</b>	<b>1,493</b>	<b>1,457</b>	<b>1,540</b>	<b>1,441</b>	<b>1,780</b>
<i>Attributable to:</i>					
Equity holders of the Parent	1,492	1,457	1,539	1,441	1,779
Non-controlling interests	0	0	0	0	0
<b>Profit for the period</b>	<b>1,493</b>	<b>1,457</b>	<b>1,540</b>	<b>1,441</b>	<b>1,780</b>

## Quarterly data by product segment

### Sales

MSEK	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21
Smokefree	3,262	3,242	3,100	2,955	2,823
Cigars	1,169	1,063	1,237	1,138	1,249
Lights	375	357	354	321	305
<b>Sales from product segments</b>	<b>4,807</b>	<b>4,663</b>	<b>4,691</b>	<b>4,414</b>	<b>4,376</b>
Other operations	85	88	87	90	78
<b>Sales</b>	<b>4,892</b>	<b>4,751</b>	<b>4,778</b>	<b>4,505</b>	<b>4,455</b>

### Operating profit

MSEK	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21
Smokefree	1,613	1,547	1,558	1,428	1,465
Cigars	445	343	481	458	560
Lights	57	67	60	103	67
<b>Operating profit from product segments</b>	<b>2,115</b>	<b>1,957</b>	<b>2,099</b>	<b>1,988</b>	<b>2,092</b>
Other operations	-91	-57	-24	-32	-37
Settlement income	-	-	-	-	300
<b>Operating profit</b>	<b>2,024</b>	<b>1,901</b>	<b>2,075</b>	<b>1,956</b>	<b>2,354</b>

### Operating margin by product segment

Percent	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21
Smokefree	49.4	47.7	50.3	48.3	51.9
Cigars	38.1	32.3	38.8	40.3	44.8
Lights	15.1	18.7	17.0	31.9	22.0
<b>Operating margin from product segments</b>	<b>44.0</b>	<b>42.0</b>	<b>44.7</b>	<b>45.0</b>	<b>47.8</b>

### EBITDA by product segment

MSEK	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21
Smokefree	1,737	1,668	1,663	1,532	1,561
Cigars	467	365	502	479	581
Lights	68	78	71	113	77
<b>EBITDA from product segments</b>	<b>2,272</b>	<b>2,111</b>	<b>2,236</b>	<b>2,124</b>	<b>2,219</b>

### EBITDA margin by product segment

Percent	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21
Smokefree	53.2	51.4	53.6	51.8	55.3
Cigars	40.0	34.3	40.6	42.1	46.5
Lights	18.2	21.8	20.0	35.3	25.3
<b>EBITDA margin from product segments</b>	<b>47.3</b>	<b>45.3</b>	<b>47.7</b>	<b>48.1</b>	<b>50.7</b>

### Additional quarterly data

#### Depreciation, amortization and impairments

MSEK	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21
Property, plant and equipment	126	124	110	109	101
Right-of-use assets	28	26	24	23	23
Intangible assets	19	19	19	18	18
<b>Total</b>	<b>173</b>	<b>169</b>	<b>152</b>	<b>151</b>	<b>142</b>

#### Net finance cost

MSEK	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21
Interest income	8	12	6	7	11
Interest expense	-93	-91	-92	-90	-93
<b>Net interest expense</b>	<b>-85</b>	<b>-79</b>	<b>-86</b>	<b>-84</b>	<b>-83</b>
Other finance costs/income, net	-2	-4	-3	-2	-6
<b>Total net finance cost</b>	<b>-87</b>	<b>-83</b>	<b>-88</b>	<b>-85</b>	<b>-89</b>

#### Contacts:

Lars Dahlgren, President and Chief Executive Officer  
Phone +46 8 658 0441

Anders Larsson, Chief Financial Officer and Senior Vice President Group Finance  
Phone +46 10 139 3006

Emmett Harrison, Senior Vice President Investor Relations  
Phone +46 70 938 0173

Johan Levén, Investor Relations and Business Analysis Manager  
Phone +46 70 207 2116

This information is information that Swedish Match AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out above, at 08.15 a.m. CET on May 11, 2022.

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*.

---

Swedish Match AB (publ), SE-118 85 Stockholm, Sweden  
Visiting address: Sveavägen 44, 8<sup>th</sup> Floor. Telephone: +46 10 13 93 000  
Corporate Identity Number: 556015-0756  
[swedishmatch.com](http://swedishmatch.com)