

Annual report
2021

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As society changes, so do we!

A world without cigarettes

Since its listing in 1996, Swedish Match has created a dynamic and growing business, through significant adjustments in our portfolio of products, brands, and markets. Having long ago left the cigarette business, we now can grow free from that legacy. We have continued to adapt and change, always moving with societal trends, toward a vision of *A world without cigarettes*. Our efforts in smokefree products and demonstrated growth clearly show that this approach resonates with consumers who are seeking attractive and less harmful alternatives to cigarettes. We endeavor to deliver the highest quality in our products and services and work to actively engage with our stakeholders. We are proud of our history, and consumers trust in our brands. We build on our heritage and work to earn that trust through our continuing drive to evolve and to innovate, to be a pioneer in the marketplace with new products and services, and flexible in our approach – in an effort to be our best in our time, and all times.



PORTFOLIO TRANSITION

From traditional tobacco products to discrete nicotine enjoyment

Adult consumers who enjoy nicotine are looking for alternatives that not only avoid the harmful effects of cigarettes, but are also accessible, convenient, and enjoyable. Our largest product segment, Smokefree has been the key driver in our efforts to promote positive change. Local currency sales for Smokefree have grown on a compound annual basis by 20 percent over the past two calendar years, with the result being that in 2021 the Smokefree product segment by itself registered sales that were very close to sales for the entire Group as recently as 2018.

ZYN US volumes grew by

52% versus 2020

ZYN nicotine pouch brand in the US

#1

Our world is growing

Having established the market leading position within the rapidly expanding nicotine pouch category in the US, Swedish Match is investing for the future, not only to support the growth for ZYN in the US, but in other areas as well. Today's portfolio of nicotine pouches includes a variety of brands, formats, strengths and flavors with snus and nicotine pouch products best adapted to consumers wherever they may be. Portfolio strength, product development as well as operational and market investments provide us with the scope to best cater to consumer needs across geographies.

At the end of 2021, in addition to our core markets (the US and Scandinavia) nicotine pouches have been introduced by Swedish Match in over 20 countries¹, primarily under the ZYN brand.

¹ Nicotine pouches are oral products that contain nicotine, but no tobacco. There are certain markets, like Norway, that do not allow nicotine pouches without tobacco. In those markets, nicotine pouches refer to products that contain small amounts of tobacco.

Milestones in our transition



MRTP STATUS IN THE US

Swedish Match became the first tobacco company to be granted Modified Risk Tobacco Product (MRTP) designations by the FDA for eight *General* snus products, permitting Swedish Match to more accurately communicate to adult consumers the relative health attributes of the *General* snus products compared to cigarettes.

2021

ZYN – THE #1 NICOTINE POUCH BRAND IN THE US

Swedish Match is proud of its innovation work, continually striving to provide consumers with top quality products in line with consumer trends, helping us to move ever closer to our vision of *A world without cigarettes*. ZYN is the most sold brand of nicotine pouches in the US. In 2021, Swedish Match shipped nearly 198 million cans of nicotine pouches worldwide, primarily under the ZYN brand, making Swedish Match the world's largest producer of nicotine pouches.



2019

2016

ZYN NICOTINE POUCHES GAINS A FOOTHOLD IN THE US

In 2016, when Swedish Match began expanding the availability of ZYN nicotine pouches in the US, the brand was available in approximately 4,000 stores in the western United States. By the end of 2021, ZYN was available in more than 120,000 stores nationwide, and the clear market leader for nicotine pouches in the US – the world's largest nicotine pouch market.



GOTHIA TEK® QUALITY STANDARD FOR SNUS

Swedish Match's quality standard for the Company's snus products is based on decades of research and development. Produced according to this standard the high quality of our snus products is ensured, with extremely low levels of undesired compounds, and resulting in a dramatically reduced health risk versus smoking.

A WORLD WITHOUT CIGARETTES

Swedish Match has a clear and focused vision. By providing products that are recognized as safer alternatives to cigarettes, we can contribute significantly to improved public health.

2000

1999

DIVESTS CIGARETTE OPERATIONS

Swedish Match took the bold move to divest its cigarette business. This reinforced our longstanding commitment to harm reduction, and was an important step towards concentrating on growing categories, in line with consumer trends. Swedish Match devoted resources and product development into other areas, such as snus and other cigarette alternatives.

2010

SCANDINAVIAN TOBACCO GROUP (STG)

Creation of new STG (cigars, pipe tobacco, fine cut tobacco) and simultaneous divestment of Swedish Match's premium cigar, European cigar, and pipe tobacco businesses. Swedish Match sold its stake in STG in 2017.

1973

THE POUCH

The first portion snus product, in an easy to use pouch format, was launched in Sweden.

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THE BOARD OF DIRECTORS REPORT

The sections which form part of the Board of Directors Report are highlighted in light blue in the table of contents above and on the respective page.

The Board of Directors Report and the formal audited part of this document comprises the following sections: financial strategy on page 11, risk management on pages 31–33, share information and dividends on pages 71–72, financial overview and consolidated financial accounts and disclosures, including proposed distribution of earnings on pages 75–126. Definitions are presented on pages 133–135.

Sustainability information is found on pages 34–67. The Corporate Governance report is found on pages 136–148. The sustainability and corporate governance reports have been reviewed by the auditors.



• **The Group**

Our business

Sustainability

Shareholder
information

Financial
reports

Corporate
Governance



This is Swedish Match

Swedish Match develops, manufactures, and sells quality products with market leading brands. The Group's product segments are Smokefree, Cigars, and Lights. With its vision of *A world without cigarettes*, the Group is dedicated to the improvement of public health by offering attractive alternatives to cigarettes with its smokefree products.

Swedish Match provides consumers with the best quality products with well-known brands. Some of Swedish Match's brands include: ZYN (nicotine pouches), *General* (snus), *Longhorn* (moist snuff), *Onico* (pouch products with neither tobacco nor nicotine), *America's Best Chew* – formerly *Red Man* – (chewing tobacco), *Thunder* (chew bags), *Oliver Twist* (tobacco bits), *White Owl* (HTL, homogenized tobacco leaf cigars), *Game* (natural leaf cigars), *Fiat Lux* (matches), and *Cricket* (lighters).

Production is located in seven countries with the majority of Group sales coming from the US and Scandinavia.

Group sales for 2021 amounted to 18,489 MSEK and the average number of employees was 7,523.

Swedish Match AB (publ), Reg. No. 556015-0756, is a company registered in Sweden with head office in Stockholm, visiting address Sveavägen 44, postal address: SE-118 85 Stockholm, Sweden. The Swedish Match share is listed on Nasdaq Stockholm (SWMA), ISIN Code: SE0015812219.

HIGHLIGHTS



Products and brands

SMOKEFREE

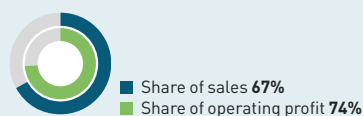
In the US, the Company is the biggest participant in the nicotine pouch category with its ZYN brand, as well as the largest producer of chewing tobacco. The Company also holds the third largest position in the moist snuff category and has a long-standing presence with its *General* snus.

In Scandinavia, Swedish Match enjoys the market leading position for snus products, as well as holding the number two position in the Scandinavian market for nicotine pouches¹⁾.

In Europe, Swedish Match has a presence with its nicotine pouches in a number of countries. The Company is also present with its niche chewing tobacco products of chew bags and tobacco bits, as well as with snus in select countries.

Production of nicotine pouches takes place in the US, Sweden, and Denmark. Production of snus occurs in Sweden and Denmark, while moist snuff is produced in the US. Pouch products with neither tobacco nor nicotine are produced in Sweden. For chewing tobacco, production takes place in the US and chew bags and tobacco bits are produced in Denmark.

» Read more on page 18



CIGARS

Swedish Match holds the number two position in the US market for mass market cigars (excluding little cigars). Swedish Match has strong positions within both the natural leaf and HTL segment. Production of cigars takes place in the US and the Dominican Republic.

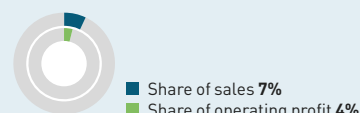
» Read more on page 26



LIGHTS

Swedish Match is the market leader for matches in many markets throughout the world, with well-known local brands. For lighters, the Group has strong market positions in many countries. Production of matches takes place in Sweden and Brazil. Lighters are produced in the Netherlands, the Philippines and Brazil. In the Netherlands, the Fire-Up business acquired during 2021 manufactures certain products for lighting fireplaces, barbecues, and stoves. Swedish Match also offers a portfolio of externally sourced complementary products (mainly for the Brazilian market), which include for example disposable razors, batteries and light bulbs.

» Read more on page 29



¹⁾ Nicotine pouches are oral products that contain nicotine, but no tobacco. There are certain markets, like Norway, that do not allow nicotine pouches without tobacco. In those markets, nicotine pouches refer to products that contain small amounts of tobacco.

2021 in brief

Financials

- Record full year sales and operating profit with double-digit growth in both revenues and earnings in local currencies across all product segments.
- Impressive performance for the Smokefree product segment with strong growth in both the US and Scandinavia. Growing demand for natural leaf cigars drove the robust full year local currency financial performance for the Cigars product segment. Strong underlying performance for the Lights product segment.
- In local currencies, sales increased by 16 percent. Reported sales increased by 11 percent to 18,489 MSEK (16,698).
- In local currencies, operating profit from product segments¹⁾ increased by 19 percent. Reported operating profit from product segments increased by 14 percent to 8,136 MSEK (7,160).
- Operating profit amounted to 8,286 MSEK (6,991).
- Profit after tax amounted to 6,218 MSEK (4,888). Profit after tax of the prior year included a charge of 286 MSEK following an adverse ruling in a tax case.
- Earnings per share increased by 31 percent to 3.97 SEK (3.04). Adjusted earnings per share increased by 19 percent to 3.82 SEK (3.22).²⁾
- The Board proposes to increase the dividend to 1.86 SEK per share, to be paid in two installments; 0.93 SEK per share in May 2022 and 0.93 SEK per share in November 2022.

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

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.

KEY DATA

MSEK	2021	2020	2019
Sales	18,489	16,698	14,739
Sales from product segments	18,145	16,332	14,363
Operating profit from product segments	8,136	7,160	5,812
Operating profit, excluding larger one-time items	7,986	6,991	5,675
Operating profit	8,286	6,991	5,307
Operating margin from product segments, %	44.8	43.8	40.5
Operating margin, % ¹⁾	43.2	41.9	38.5
EBITDA from product segments	8,690	7,684	6,296
EBITDA	8,601	7,580	6,222
Profit for the year	6,218	4,888	3,896
Earnings per share, basic and diluted, SEK ²⁾	3.97	3.04	2.32
Earnings per share, adjusted, basic and diluted, SEK ²⁾³⁾	3.82	3.22	2.54
Dividend per share, SEK ²⁾	1.86 ⁴⁾	1.50	1.25

¹⁾ Excluding larger one-time items.

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

³⁾ Larger one-time items during 2021 amounted to 238 MSEK, during 2020 and 2019 to -286 MSEK and -367 MSEK.

⁴⁾ Board proposal.

Sustainability

- ZYN available in more than 20 countries.
- 100 percent of significant suppliers of direct materials have committed to the principles of Swedish Match Supplier Code of Conduct.
- European operation is 94 percent fossil free.
- Recycling of waste has increased by more than 30 percent.
- US Division has reduced waste to landfill by more than 80 percent by shifting to incineration of waste for power.
- 95 percent of our raw tobacco volumes included in STP or in Swedish Match's due diligence program.
- Continued strong Group-wide focus on ensuring diversity among applicants and final candidates in order to find best candidates.

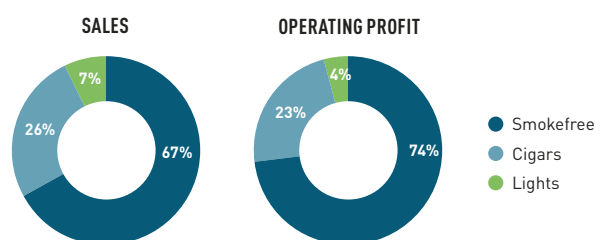
KEY DATA

	2021	2020	2019
Total emissions (CO ₂ e) ¹⁾	209,454	202,387	213,768
Total emissions per MSEK sales ¹⁾²⁾	11	12	15
Total waste ¹⁾	29,408	26,990	26,164
Total waste per MSEK sales ¹⁾²⁾	1.6	1.6	1.8
Percent of fossil free energy	45	47	44

¹⁾ Metric tons.

²⁾ Net sales from product segments in constant currency terms.

BY PRODUCT SEGMENT



Breaking new records, while investing for the future

CEO COMMENT

“Swedish Match has a vision of *A world without cigarettes*, and we are committed to making important contributions on our path towards that vision. When cigarette smokers find attractive and less harmful alternatives, and choose to stop smoking altogether, they benefit, and so does society.”



As the world around us changes and society adjusts to new ways of living and working, we at Swedish Match adapt in step with societal trends by effectively managing our portfolio of brands and products. We invest to develop and establish platforms for future growth, while at the same time striving to deliver strong financial returns for our shareholders. Swedish Match has a vision of *A world without cigarettes*, and we are committed to making important contributions on our path towards that vision. When cigarette smokers find attractive and less harmful alternatives, and choose to stop smoking altogether, they benefit, and so does society.

Through consumer insight, research and development, capital investments, product quality assurance and improvements, and with a continually evolving portfolio, we offer consumer choices that meet changing demands. We have chosen to focus our efforts on smokefree products, believing that these products can best meet consumer expectations and needs of quality, satisfaction, and harm reduction. Some of our brands and products are over one hundred years in the making, and still going strong, like *General* or *Ettan* snus, *Oliver Twist* tobacco bits, or our chewing tobacco in the US which, at 135 years old, has taken on the brand name, *America's Best Chew*, in celebration of its flagship position for taste, quality and category leadership. Snus, and now nicotine pouches, provide adult tobacco consumers with satisfying and socially acceptable alternatives to cigarettes, and consumers have increasingly turned to these varieties. Snus, for example, has enabled an entire generation of adults to practically quit cigarettes altogether. In Norway and in Sweden, the percentage of men and women who smoke has dropped dramatically over the past decade. Many have switched to snus, or, more recently, to nicotine pouches. Today, well below 10 percent of the adult populations in Sweden and Norway smoke cigarettes on a daily basis, among the lowest incident rates in the world.

We strive to be a growing, profitable company that makes tangible and meaningful contributions through our sustainability efforts. In 2021, not only did we deliver yet another year of impressive growth, but we also took notable steps towards

expanding our reach and portfolio of smokefree products and engaging with the scientific community and regulators in efforts to contribute to improved public health and a better understanding of the benefits of our smokefree products, like nicotine pouches and snus. We not only work to improve public health in line with our vision, but also to make concerted efforts to reduce our environmental impacts and maintain strong and sound governance and ethical standards. Our commitments to taking a science-based target approach to greenhouse gases, committing to the Paris Treaty on climate change, or our work to ensure that we have a workplace where all feel that they have opportunities to grow and develop, free from discrimination, in an environment that celebrates diversity and gender balance, are further examples of ways we have contributed and will continue to contribute to positive change. We have taken several important steps to improve not only our work within our sustainability focus areas, but also in how we present and communicate our sustainability approach, aspirations and results, much of which is described in our sustainability report on pages 34–67.

Our sales performance in 2021 was outstanding, hitting a new all-time high. In local currencies, sales increased by double digits in each of our product segments, with the Smokefree product segment leading the way. Our nicotine pouches made a significant contribution to that growth in the US as well as in Scandinavia and Other markets. Nicotine pouches registered spectacular volume growth of more than 50 percent in both the US and Scandinavia. The total addressable market for nicotine pouches includes cigarette smokers, but also draws from other oral tobacco products, as well as from the growing pool of consumers who currently use vape products but have found our nicotine pouches to have greater appeal.

In the US, we continued to add to the number of shops where ZYN can be found, and we broadened the distribution of our assortment across the entire US market. We are seeking long-term engagement with loyal consumers and customers and are prepared to invest appropriately and adequately toward that goal. This past year, we devoted significant efforts toward loyalty



and engagement with both our customers and our consumers, for example through our ZYN zone merchandising program and ZYN.com consumer loyalty program. Despite aggressive distribution expansion efforts and intense price competition from our main competitors within US nicotine pouches, ZYN stood out with its popularity and high-quality premium offering, demonstrating market share resilience throughout most of 2021.

We also see significant opportunities for nicotine pouches outside of the US, where the variety of competitive offerings and the regulatory frameworks are dynamic and diverse. In Scandinavia, we are dedicating resources to strengthen our position in nicotine pouches, and at the same time maintaining leadership with our renowned snus portfolio which in 2021 continued to demonstrate growth. Our Scandinavian nicotine pouch volume growth of 55 percent was impressive, but still somewhat less than the growth rate for the nicotine pouch market. Growing snus volumes reflected continued strong consumer demand for traditional tobacco smokefree varieties.

Outside the US and Scandinavia, we believe that nicotine pouches are especially well positioned for meeting evolving consumer demand for reduced risk products, and with planned increased investment levels in current and new geographies we see significant opportunities for long-term growth.

Once again in 2021, as the COVID pandemic situation ebbed and flowed, and restrictions grew tighter or looser, we adapted, helping to ensure that products were on shelves and that our capacity plans and development work proceeded smoothly. In Scandinavia, alternating on-sets and reliefs of travel restrictions caused steep variations in consumers' purchasing patterns which caused logistical challenges, but for the full year, channel and market mix effects yielded a net positive financial impact compared to 2020. Our Scandinavian smokefree business, however, also delivered a solid earnings development on an underlying basis, despite increased market related investments to support growth opportunities within nicotine pouches.

For US chewing tobacco and for moist snuff, volumes in the prior year were unusually strong, bolstered by changes in consumer patterns resulting from the COVID pandemic. During the course of 2021 there were reversions to more normal consumption patterns, most notably for chewing tobacco. Despite volume declines for US chewing tobacco reflecting normal historical patterns, operating profit held up well as a result of effective price management and operational efficiencies. For moist snuff, our investments behind pouches and our position in the value segment served us well, as volumes for our Longhorn brand grew notably faster than the moist snuff category development. Improved pricing further contributed to the solid financial performance of our US moist snuff business.

Our lights businesses delivered another year of sales growth for both matches and lighters, with sales in local currencies excluding acquisitions increasing by 16 percent. Operating profit grew at an even faster rate, aided by certain asset sales, cost control, and strong price mix impacts. Our match and lighter portfolios

include products for many purposes, such as utility lighters, or wood-based fire lighting products that typically sell at attractive prices, provide good profitability, and are exposed to growing consumption patterns. This year we further strengthened our range and assortment of value-added lights products through the acquisition of Fire-Up, with its high-quality range of sustainable fire-lighting products.

For cigars, our shipment volumes for the year grew to another record of over 1.9 billion sticks, as we achieved a strong rebound in shipments of natural leaf varieties which were impacted by COVID-related production constraints in the prior year. The growth of natural leaf more than offset the year-on-year declines for our homogenized tobacco leaf (HTL) assortment. In the prior year, Swedish Match benefitted from its dual factory footprint when competition faced more severe supply and production issues for HTL. In the second half of 2021, a constraint on raw materials impacted Swedish Match more severely than some of our competitors, resulting in lower levels of our HTL cigar shipments than would have been the case without these supply constraints. With the cigar portfolio focused on the attractive and growing natural leaf segment, a strong segment market share and a broad assortment of high-quality products, Swedish Match's cigar business is very well positioned for growth. The 2021 delivery of double-digit sales and earnings growth, despite several supply chain related challenges, is a testament to the strength and adaptability of the cigar business of Swedish Match.

In the month of September, we announced the intent to separate our US Cigar business and started working towards a spin-off to shareholders with a subsequent listing of the separated business on a US national securities exchange. In March 2022, we took the decision to suspend the preparations for a spin-off until further notice. While the strategic intent remains to separate the US cigar business from the rest of the Group, a step that we believe would further enhance the prospects for Swedish Match's smokefree business, as well as for our cigar business, the decision to suspend the spin-off preparations was prompted by increased regulatory uncertainties and considered to be in the best interest of shareholders.

The success that we experienced over this past year reflects the dedication, commitment, and creative engagement with and by all our stakeholders, with insights from consumers, reflections and conversations with our shareholders, discussions with our customers and suppliers, and most importantly passion and resolve on the part of our employees. We see change, we adapt and create change, and with that we create opportunities for growth, for our employees, our shareholders, and our impactful and purposeful progress toward a vision of *A world without cigarettes*.

Stockholm, March, 2022

Lars Dahlgren
President and CEO

Vision

A world without cigarettes

We create shareholder value by offering adult consumers enjoyable nicotine-containing products of superior quality in a responsible way. By providing products that are recognized as safer alternatives to cigarettes, we can contribute significantly to improved public health.



Operational strategy

Smokefree businesses

To achieve our vision, we leverage our unique smokefree platforms with a focus on product development, quality and consumer satisfaction based on thorough consumer insights.

- In the US, we focus on faster growing categories and segments such as nicotine pouches and moist snuff pouches.
- In Scandinavia, we lead the development of the smokefree category through product innovation and by complementing our traditional products, brands and sales channels to meet changing consumer demands.
- Outside the US and Scandinavia, we will continue to expand our presence with innovative smokefree products.
- In our chewing tobacco businesses, we will protect profitability in the US by mitigating the impact of volume declines through cost focus and price leadership. Outside the US, we will continue to selectively exploit growth opportunities.

Other businesses

To support our vision and to maximize long term value, we leverage our strong market positions and brands by capitalizing on synergies and operational efficiencies.

- In our cigar business, we focus on faster growing segments with an objective to maximize long term profitability and cash generation.
- In our lights businesses, we continue to focus on operational excellence while selectively investing in profitable growth markets and product segments.

Financial strategy

Swedish Match's operations are characterized by strong cash flows. The financial strategy is centered on capital efficiency with a focus on financial flexibility and stability requirements.

Net debt

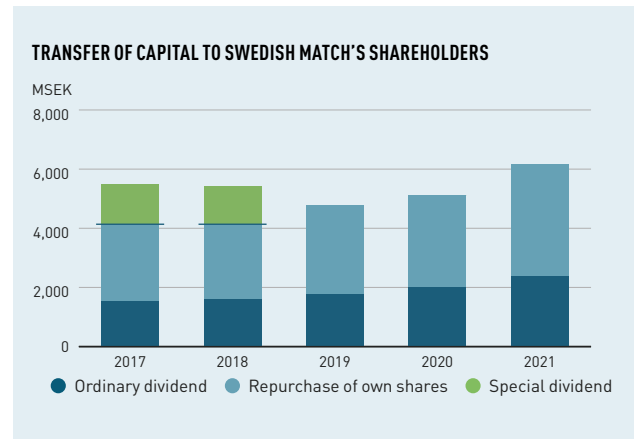
The Board of Directors has determined that the Group will strive to maintain a net debt that does not exceed 3 times EBITA. The actual level of net debt will be assessed against:

- anticipated future profitability and cash flow
- investment and expansion plans
- acquisition opportunities
- development of interest rates and credit markets

The Board of Directors' long-term goal is to optimize the capital structure of the Group which in the current environment entails maintaining a Standard & Poor's BBB and a Moody's Baa2 long-term rating.

Shareholder distribution

Swedish Match has the ambition to continuously grow dividend per share with a payout ratio normally within the range of 40–60 percent of the earnings per share, subject to adjustments for larger one-time items. Excess funds shall be returned to shareholders through dividends and share repurchases.



► This section is part of the Board of Directors Report.

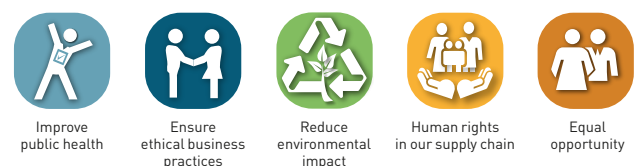
Sustainability strategy

Our vision of *A world without cigarettes* is central to our sustainability strategy and how we contribute to making the world a better place. For best impact and transparency, our sustainability strategy is founded on two basic principles – focus and organizational ownership.

Through our strategy, we emphasize five focus areas – Improve public health, Ensure ethical business practices, Reduce environmental impact, Human rights in our supply chain, and Equal opportunity – areas where we believe we have the ability to directly or indirectly influence meaningful outcomes or where adverse developments could have a negative impact on our businesses. Swedish Match has set a series of tangible commitments and goals for each of the focus areas. Upholding these commitments will enable Swedish Match to contribute to 9 out of the 17 Sustainable Development Goals (SDG) defined by the United Nations in 2015. Through our general business contribution and societal engagement, we also contribute to 7 of the remaining 8 SDGs.

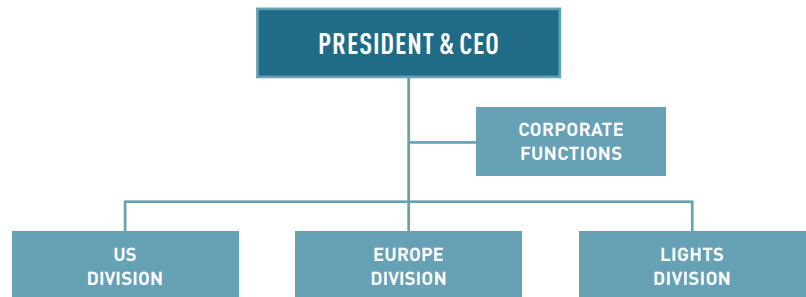
Our Code of Conduct forms a foundation for our sustainability approach and efforts throughout the Group. It represents the commitment of Swedish Match and all our employees to conduct business activities in a responsible manner, demonstrating integrity and respect to our stakeholders and society as a whole.

Focus areas



How we operate

The organization comprises three divisions as well as Corporate functions. The average number of employees in the Group was 7,523 in 2021. Swedish Match operates in eleven countries and our products are sold across the globe.



US Division

The US Division, with its head office in Richmond, Virginia, manufactures and markets smokefree products such as nicotine pouches, moist snuff and chewing tobacco – as well as snus, which is manufactured and supplied by the Europe Division. The division also markets cigars, with production in both the US and the Dominican Republic.

Europe Division

The Europe Division, with its head office in Stockholm, Sweden, manufactures and markets snus, nicotine pouches, and other smokefree products destined to Scandinavia and Other markets. Production of its smokefree products takes place in Sweden and Denmark.

Lights Division

Lights Division manufactures and markets matches, lighters and other fire-related products for markets worldwide. The division also sells complementary products sourced from third party manufacturers. Manufacturing locations include Brazil, the Netherlands, the Philippines and Sweden.

Corporate functions

Corporate functions provides services and support to the Parent Company, Swedish Match's divisions, and SMD Logistics (a separate wholly owned distribution company, serving the Scandinavian market, which is also part of Corporate functions).

OPERATING LOCATIONS



The number of employees refers to the average number of employees in specified country during 2021.

Living our core values

Swedish Match promotes a culture in which our employees are actively engaged, demonstrating the Company's core values of passion, ownership, innovation and quality.

Passion, Ownership, Innovation, Quality

Swedish Match's core values are central to the Company's business ethics and, as such, they are demonstrated in all relations with stakeholders and are a natural part of the way the Company conducts business.



Passion

- We are proud and engaged ambassadors for our products and our company
- We are devoted to our consumers and always want to exceed their expectations
- We have a passion to win, will walk the extra mile, and help one another succeed



Ownership

- We take full ownership of our tasks ensuring that all links in the chain, from start to finish, can deliver; we never allow anything to fall between the cracks
- We evaluate our performance and always strive for improved results the next time around
- We work quickly and cost-efficiently, recognizing that the market and competitors never stand still



Innovation

- We continuously search for better solutions and encourage new ideas
- We nurture and develop ideas, carefully selecting those that we will invest time and effort behind to implement
- The ideas that we choose to implement are pursued 100 percent



Quality

- We strive for uncompromised quality in everything we do, our end goal is to have the most satisfied consumers
- We help one another develop through direct and constructive feedback
- We behave responsibly towards customers, consumers, and the environment





Introduction to the Board of Directors Report

The Board of Directors Report comprises descriptions of Swedish Match strategic priorities, financial performance and risk management. The report also includes the Board's proposal for remuneration and dividend and information concerning the appointment of Board members, notice of Annual General Meeting and Swedish Match financial position. The Board of Directors Report is integrated into the annual report.

Strategic priorities

Swedish Match strives to create value for its shareholders and other stakeholders as a fast moving consumer goods company which delivers both strong cash flows and opportunities for growth. Driven by the vision of *A world without cigarettes*, Swedish Match offers consumers enjoyable and high quality nicotine-containing products, in a responsible way. By providing products that are recognized as safer alternatives to cigarettes, we also believe that our business can contribute significantly to improved public health.

» Read more on pages 10–11.

To continue to deliver attractive returns to our shareholders, our main strategic priorities are:

- Offer high quality products and build strong brands
- Develop new and improved products to meet consumer needs
- Support profitability through efficient manufacturing with cost control
- Maintain strong cash flows from operations and clear priorities for the use of cash for growth opportunities
- Comply with laws and regulations
- Invest in our employees to ensure a strong and dynamic competence base to meet or exceed both short-term and long-term challenges

Managing risks

A part of conducting business

Swedish Match strives to ensure that the risks taken are deliberate. It is important for us to understand the risks to which our business is exposed and make informed decisions. Risks need to be managed efficiently in order for the Group to be competitive, to operate safely, and to maintain financial stability and growth. Important risks to address arise in the areas of competition, production, regulation, IT security, and finance among other areas.

» Read more on pages 31–33.

Financial strategy, shareholder returns and financial performance

Breaking new records, while investing for the future

As the world around us changes and society adjusts to new ways of living and working, we at Swedish Match adapt in step with societal trends by effectively managing our portfolio of brands and products. We invest to develop and establish platforms for future growth, while at the same time striving to deliver strong financial returns for our shareholders.

» Read more under the following sections **Financial strategy** on page 11, **The share** on pages 71–72 and **Financial overview** on pages 75–78.

Guidelines for executive remuneration

» See **Financial overview** page 75 and **Note 5 Personnel** pages 94–97.

Proposed distribution of earnings

» See page 79.

The Board of Directors Report has undergone audit procedures as described in the auditor's report on pages 127–129.

Swedish Match has decided, in accordance with the Swedish Annual Accounts Act chapter 6, §11 and §8, to produce a separate Sustainability Report and a separate Corporate Governance Report instead of including these reports in the Board of Directors Report. The Sustainability Report is presented on pages 34–67 and the Corporate Governance Report is presented on pages 136–148 in this publication. The Corporate Governance Report includes information on internal control over financial reporting, see further on page 144. The Sustainability Report and the Corporate Governance Report are also available on the Company's website www.swedishmatch.com. The Sustainability and Corporate Governance reports have been reviewed by the auditors.

The Group

• **Our business**

Sustainability

Shareholder
information

Financial
reports

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Our products and markets

Swedish Match is leading the way toward a world without cigarettes, with more than 65 percent of its sales derived from smokefree products. With its smokefree portfolio of snus, moist snuff, chewing tobacco and the driving force from nicotine pouches, the Company is well-placed to further its journey toward this world. For the product segments Cigars and Lights, the product portfolios deliver outstanding consumer value in their respective markets.

The markets in which Swedish Match engages, and the market segments in which Swedish Match competes, reflect the Company’s intentional and long-lasting evolution of its portfolio of products, in harmony with changing consumer trends, in line with a strategy that contributes to the vision of *A world without cigarettes*.

The largest contributor to both revenues and profits is the Swedish Match portfolio of smokefree products, which runs the range from more traditional offerings, such as moist snuff and chewing tobacco in the US, to snus with both modern and traditional varieties (primarily in Scandinavia), to nicotine pouches, the most recent and major development within

smokefree products. In the US, Swedish Match also sells machine made cigars, which has historically played an important part of the overall product portfolio, providing opportunities for income growth and category management on the US market. Swedish Match also participates in the markets for other products, such as matches, lighters and certain fire related products for household and outdoor uses, sold in many countries throughout the world.



Short facts

- The global non-pharmaceutical nicotine and tobacco market is composed of traditional tobacco products for smoking, such as cigarettes, pipe tobacco and cigars; oral smokefree products, such as nicotine pouches, snus, moist snuff and chewing tobacco; as well as other alternatives, such as vape products, heat-not-burn products, hookah products and nasal snuff.
- The largest category of this global market is cigarettes, accounting for more than 80 percent.¹⁾ Swedish Match stands apart, having no cigarettes in its portfolio and with the vision of *A world without cigarettes*.
- Snus and nicotine pouches provide attractive alternatives to cigarettes, without the need for inhalation.
- In the US, the dominant forms of smokefree products are moist snuff, nicotine pouches and chewing tobacco, while snus is a niche category.
- In the US, the nicotine pouch category has continued to demonstrate impressive growth and accounted for approximately 45 percent of smokefree pouch volumes (measured in cans) in 2021.²⁾
- In Scandinavia, the dominant form of smokefree products is snus, while nicotine pouches represent an increasingly important and rapidly growing market.
- Outside of the US and Scandinavia, snus is only available in a limited number of countries. The sale of snus is banned within the European Union and certain other markets. Nicotine pouches are becoming more widely available in a number of countries, including EU member states.
- The US machine made cigar category grew to exceed 8.5 billion sticks in 2021.
- The global match market is largely comprised of strong local brands and the category is declining in most countries. The market for premium disposable lighters is declining in many western countries while growing in certain other markets.

¹⁾ Source: Euromonitor.

²⁾ Based on MSA distributor shipments and include nicotine pouches, snus and moist snuff pouches, full year 2021.

Notable trends

The global tobacco market is undergoing a significant shift in consumption trends, most notably away from cigarettes. Consumer demand for safer products and products without the disadvantages of smoke or inhalation is increasing. There is also increased demand for transparency and demonstrated progress

with regard to sustainability. Tobacco regulations are becoming increasingly restrictive, while at the same time more regulators recognize differences in risk profiles among tobacco and nicotine containing products.

Trend	Commentary
<p>Health awareness and risk reduction</p> <p>Many consumers are becoming increasingly aware about harm reduction and the continuum of risk concept with regard to tobacco and nicotine products. Cigarette smoking is the leading cause of preventable death in the world, and there can be dramatic public health benefits by providing smokers with viable products that are recognized as safer alternatives to cigarettes. Smokeless tobacco and nicotine products meet the growing consumer demand for safer products and products without the disadvantages of combusted tobacco.</p>	<p>By developing attractive products that are recognized as safer alternatives to cigarettes, such as snus and nicotine pouches, Swedish Match can contribute to significantly improved public health. The Company's focus on such reduced risk products has contributed to an unprecedented low cigarette prevalence in both Sweden and Norway compared to most other countries. In Sweden, the risk of dying from a tobacco-related illness among men is lower than in any other European country, although Swedes consume nicotine containing products on a comparable level to other European countries. Researchers refer to this phenomenon as "the Swedish Experience".</p> <p>In the US, the Company's leadership within nicotine pouches provides a platform for further growth in response to consumer needs.</p> <p>Nicotine pouches and other smokefree products can play a similar role in markets in outside the US and Scandinavia for which Swedish Match can be an active participant in promoting health awareness and risk reduction.</p>
<p>Shift away from "one-size-fits-all" regulations</p> <p>The global tobacco market is exposed to ever increasing levels of restrictions and regulations, and most notably in regulators' efforts to reduce cigarette consumption. However, some regulators and governments are increasingly taking into account the concept of harm reduction and continuum of risk, moving away from "one-size-fits-all" regulation.</p>	<p>Swedish Match is of the opinion that regulation must be evidence-based, taking into account the relative risk among different tobacco and nicotine products. Regulation for smokeless tobacco and nicotine products should be based upon standards which strive to ensure that consumers receive attractive products with high product quality and low levels of risk i.e. product standards based on the same principles as food regulation. Swedish Match monitors relevant regulatory developments and is actively engaged with stakeholders in various ways, recognizing that regulatory decisions will ultimately be at the discretion of the lawmaker.</p>
<p>Heightened focus on sustainability issues</p> <p>Stakeholders are increasingly demanding companies' efforts within sustainability and improved transparency. Consumers are making more informed choices in their consumption of goods and services. Consumer demand for transparency means that tobacco companies need to be open about how they operate throughout their value chains and about what goes into the products they sell.</p>	<p>Swedish Match's approach to sustainability and the Company's development go hand in hand. Pursuing our vision represents a great commercial opportunity as well as a potential to make significant positive impacts on society. While our sustainability efforts cover a broad range, we target 5 specific focus areas where we believe we can have the greatest positive impact, and which are well aligned with issues identified through stakeholder engagement as part of our materiality process. We purchase raw tobacco from large international suppliers and monitor our supply chain closely, covering a number of issues, including human rights and child labor as well as areas of environmental concern. We employ thorough testing at several stages of the value chain, including the selection of raw tobacco and other materials. We are transparent with regard to the content of our products and engage in responsible marketing practices. For packaging, we continuously work to reduce the use of materials associated with our products, as well as look for alternative materials that are partly renewable and/or recycled, and with lower carbon intensity. We have made significant strides in increasing the use of both recyclable and recycled materials for production inputs and consumer use.</p>
<p>Adaptation to evolving consumer demand</p> <p>Today's nicotine consumers are seeking convenient, enjoyable, and less harmful alternatives to cigarettes that best suit their lifestyles. They expect high quality products that deliver consumer enjoyment whenever and wherever they choose to use them.</p>	<p>At Swedish Match, tobacco harm reduction is at the core of what we do, and we have a long history in providing products that are recognized as safer alternatives to cigarettes. We use a structured approach to consumer insight and to assess trends in the marketplace. Over the years, our product portfolio has adapted and renewed to address these ever-changing needs. Innovations in production methods, packaging, and product composition have been employed in the development of both the existing portfolio and new products.</p>

Smokefree



Solid sales growth on higher volumes

Nicotine pouches drove strong growth for the Smokefree product segment, with robust volume gains driving sales in the US, Scandinavia and Other markets. Significant investments were made behind nicotine pouches to support future growth, both in the US and outside of the US. Scandinavian sales for both snus and nicotine pouches grew, led by higher volumes in Norway and partial rebound in travel retail channels. For US chewing tobacco, sales and volumes declined versus an unusually strong 2020.

Swedish Match's vision is *A world without cigarettes*, providing consumers with enjoyable alternatives that are both satisfying and dramatically safer than smoking. Smokefree alternatives with and without tobacco and including innovative products such as nicotine pouches play an important part in moving toward the vision. In Scandinavia, consumer preference for snus and nicotine pouches versus cigarettes has increased over the years. Swedish Match is dedicated to further developing the growing smokefree category in the US, Scandinavia and other markets, thereby contributing significantly to improved public health.

Market developments and highlights

In the US, the nicotine pouch category continued to demonstrate impressive growth during the year, with Swedish Match maintaining its strong leading position. With only small declines in category volumes in 2021, the moist snuff category maintained its position as by far the largest smokefree category in the US.

Swedish Match has a significant presence in the growing moist snuff value price segment as well as a strong competitive position in both pouches and tubs. The Company holds the number one position for US chewing tobacco, a category which in 2021 reverted to its historical trend of volume declines. Within the niche snus category, the Company maintained its competitive position with its premium products. Both the moist snuff and snus category declines were impacted by, among other factors, the growing popularity of nicotine pouches.¹⁾

In Scandinavia²⁾ the smokefree category³⁾ continued to grow in 2021, driven by both snus and nicotine pouches, with the latter showing the more pronounced rate of increase. In other parts of Europe, there is a potential for innovative smokefree products and Swedish Match has during the year continued to introduce nicotine pouches in additional countries. The Company also has a presence with chew bags and tobacco bits in certain countries.

¹⁾ Based on MSA distributor shipments, full year 2021.

²⁾ Scandinavia refers to Sweden, Norway and Denmark.

³⁾ The Scandinavian smokefree category is composed of snus, nicotine pouches, chew bags, tobacco bits as well as pouches that do not contain nicotine.

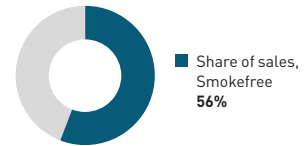
Financial development

Sales for the product segment during the year increased by 14 percent to 12,120 MSEK (10,651). Operating profit for the year grew by 17 percent to 5,998 MSEK (5,142). In the US, Swedish Match's smokefree sales increased by 24 percent in local currency, driven by strong sales growth for nicotine pouches. In

Scandinavia, Swedish Match's smokefree sales increased by 11 percent in local currencies, benefitting from strong underlying category growth, timing effects on shipments, as well as favorable price/mix. The operating margin for the product segment was 49.5 percent (48.3) for the year.

The US

Swedish Match delivered impressive growth in 2021, largely due to continued strong demand for ZYN, the market leading brand in the rapidly growing nicotine pouch category. Swedish Match maintained its leading position within chewing tobacco and demonstrated increased sales within moist snuff.



In the US, Swedish Match sells ZYN, which is the country's number one brand of nicotine pouches. *Longhorn* is Swedish Match's largest moist snuff brand in the US. In the US chewing tobacco category, Swedish Match's premium brand, *America's Best Chew* (formerly *Red Man*), is the country's number one selling brand, and *Big Duke* is the Company's largest brand within the value price segment. The Company sells its snus products under its *General* brand. The primary channels of distribution include convenience stores, gas stations, and independent tobacconists. The products are also sold in food stores, through e-commerce, as well as certain other classes of trade.

Market developments and highlights

Nicotine pouches

The nicotine pouch category in the US has demonstrated impressive growth since it was introduced six years ago, and Swedish Match estimates that the size of the category in 2021 approached 300 million cans, up from approximately 150 million cans in 2020. The growth potential for nicotine pouches is high, as these products appeal to a broad portion of the adult nicotine consuming population who desire a discrete alternative to either cigarettes, e-cigarettes, vape products or smokeless tobacco. Competition remained intense in 2021 as major cigarette



manufacturers and others continued to expand their geographic and store footprint for their nicotine pouch portfolios, often accompanied by deep broad-based promotional discount activities. Swedish Match maintained its strong leading position in both the western part of the US as well as in geographical areas outside of the west in which the category is in earlier stages of its development.

- Shipments of ZYN in the US amounted to 173.9 million cans in 2021, up from 114.1 million cans in 2020. The volume growth was attributable to both increased store velocities and an increase in store count. By the end of 2021, ZYN was available in more than 120,000 stores in the US.
- Based on the measure of distributor shipments to retail, ZYN is by far the largest brand in the nicotine pouch category, representing nearly two-thirds of the category volume.¹⁾
- During the year, the Company rolled out its ZYN Menthol and Chill varieties nationally.

Moist snuff

Swedish Match estimates the moist snuff category to have declined by approximately 3 percent in volume terms, and amounted to approximately 1.5 billion cans in 2021. The volume decline for the category was impacted by both higher consumer prices and consumer shifts toward modern alternatives like ZYN nicotine pouches. Swedish Match primarily competes in the value priced segments with its *Longhorn* brand which, after the previous year's volume growth, experienced a slight decline in 2021. Swedish Match estimates its share within the moist snuff category to be approximately 9 percent in volume terms in 2021.¹⁾

- Swedish Match's moist snuff shipment volumes measured in number of can equivalents declined by 3 percent in 2021 compared to the prior year. Shipment volumes and consumption for moist snuff products were likely boosted in 2020 when the COVID-19 pandemic brought on changes in consumption and purchasing patterns.
- Swedish Match's volume share of the pouch segment further improved, reaching more than 9 percent in 2021.¹⁾
- Swedish Match's volume share of the growing tubs segment improved modestly and amounted to approximately 40 percent in 2021.¹⁾

Chewing tobacco

Following an unusual year of volume growth in 2020, driven by changes in consumer behavior likely impacted by COVID-19, the category declined more than 4 percent in 2021, broadly in-line with its long term historical volume trends. Swedish Match maintained its total category market share of approximately 40 percent in volume terms in 2021. In-line with prior years, the category experienced a shift away from premium products toward the value priced offerings, and in 2021 the value price segment accounted for more than 63 percent of total category volumes.¹⁾

- In 2021, Swedish Match increased its volume share in both the premium and value segments.¹⁾
- Swedish Match represents close to 70 percent of the premium segment in volume terms with its *Red Man* – America's Best Chew product portfolio. During 2022, the brand family is transitioning to a new package design using *America's Best Chew* branding.¹⁾
- The *Big Duke* brand is Swedish Match's best-selling value priced product, and the brand demonstrated a solid share growth within the growing value price segment in 2021.¹⁾

Snus

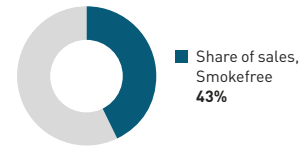
The snus category in the US amounted to approximately 53 million cans in 2021.²⁾ Swedish Match estimates its volume share to be approximately 8 percent, holding the number 3 position in the category.¹⁾



¹⁾ Based on MSA distributor shipments, full year 2021.
²⁾ Swedish Match and industry estimates, full year 2021

Scandinavia

Swedish Match showed solid growth, with higher volumes and sales for both snus and nicotine pouches. However, activities in both travel retail and border trade continued to be limited during much of the year.



In Scandinavia, the snus market represents around 79 percent of the total smokefree category.¹⁾²⁾ The fastest growing market in the category is nicotine pouches. Chewing tobacco, which includes chew bags and tobacco bits, is a niche market. The primary channels of distribution include food stores, convenience stores, tobacconists, gas stations and e-commerce. The smokefree consumer has over many years been steadily migrating from traditional loose products to pouch products and increasingly to the most modern varieties of pouch products. While the snus market is skewed toward men, an increasing percentage of smokefree consumers are women, a trend that has been accentuated with the growth of nicotine pouches.

There are some notable differences between the various countries in Scandinavia, relating to regulation and taxation, price segmentation, and product offerings. For example, in Norway, in order for nicotine pouches to be sold, they must contain at least small amounts of tobacco, and they are regulated and taxed exactly like snus, and sold in plain packaging. In Sweden, snus and nicotine pouches do not require plain packaging. In Norway there

is a small degree of price segmentation, while in Sweden there is a broad range of price points. In Denmark, nicotine pouches is by far the largest market within the smokefree category, representing more than 90 percent²⁾ of the category in volume terms. The remaining part consists of chew bags and tobacco bits as snus is not allowed to be sold in Denmark.

Market developments and highlights

In Scandinavia, the smokefree category is estimated by Swedish Match to have amounted to approximately 540 million cans in 2021, up by close to 11 percent from the prior year. The volume growth came from both snus and nicotine pouches, with the latter showing the more pronounced rate of increase. By the end of 2021, nicotine pouches represented close to 21 percent of the total smokefree category in volume terms. During 2021, as was the case in much of 2020, both shipments and consumer purchasing patterns were heavily influenced by effects of COVID-19, including reduced travel between countries as well as limited travel retail activity. While pandemic related restrictions



¹⁾ The Scandinavian smokefree category is composed of snus, nicotine pouches, chew bags and pouches that do not contain nicotine.

²⁾ Swedish Match estimates of can volume using Nielsen data (excluding tobacco bits and tobacconists in Sweden), full year 2021.

negatively impacted travel retail volumes, volumes purchased in Norway domestically remained elevated. Swedish Match estimates that approximately 64 percent of total Scandinavian smokefree consumption comes from the Swedish market and roughly 30 percent from Norway. Denmark is a rapidly growing market with an estimated consumption of more than 20 million cans in 2021, up from 15 million cans in 2020.¹⁾

Swedish Match is the market leader within the smokefree category and holds the number one position within snus and the number two position within nicotine pouches. The Company's premium *General* brand is the largest smokefree brand in Scandinavia. Other major premium snus brands include *Göteborgs Rapé*, *Ettan* and *Grov*. The largest Swedish Match brands within the value price snus segment includes *Kronan* and *Kaliber*. Within nicotine pouches, Swedish Match markets a variety of brands such as *ZYN*, *VOLT*, *Swave* and *G.4*. Other notable Swedish Match brands include *Thunder* (chew bags and nicotine pouches), *Oliver Twist* (tobacco bits), as well as *Onico* and *Qvitt* (pouch products with neither tobacco nor nicotine).

- Swedish Match's Scandinavian shipment volumes amounted to 277 million cans in 2021, up by 6 percent from the previous year. The volume growth came from both snus and nicotine pouches, with the latter showing the more pronounced rate of increase.
- Swedish Match's market share within the smokefree category is estimated to have amounted to approximately 50 percent in volume terms in 2021. For snus, volumes for both Swedish Match and the market grew modestly while Swedish Match's share declined somewhat. For nicotine pouches, Swedish Match volumes grew at a somewhat slower pace versus the total nicotine pouch market.¹⁾

Sweden

- In Sweden, the consumer base for snus and nicotine pouches continues to grow and is estimated to amount to approximately 1.3 million consumers (combined daily/occasional users) of which approximately 25 percent are women.²⁾
- It is estimated that approximately half of the nicotine pouch consumer base are women while for snus the majority of consumers are men.³⁾
- Swedish Match holds the number one position within the smokefree category, and a volume share of more than 59 percent within snus.¹⁾

- Swedish Match nicotine pouch volumes grew at a rate that was only somewhat lower than the growth rate for the overall nicotine pouch market.¹⁾
- In 2021, the Company launched *VOLT*, a nicotine pouch brand with a broad range of varieties.

Norway

- In 2021, the percentage of daily cigarette users declined to 9 percent, while the corresponding number for snus and nicotine pouches increased to a level of 14 percent. This continues the trend established in 2019 when the daily usage of snus and nicotine pouches surpassed the daily usage of cigarettes.⁴⁾⁵⁾
- Domestic purchases for snus and nicotine pouches grew at a very strong pace during the year. In addition to underlying growth, purchases were further supported by continued travel restrictions to and from Norway combined with impacts arising from the relatively sharp excise tax decrease effective from January 1, 2021.
- Swedish Match's volume share within the snus market saw further growth during the year. Despite strong volume growth for its nicotine pouches, Swedish Match's volume share of the market declined.¹⁾

Denmark

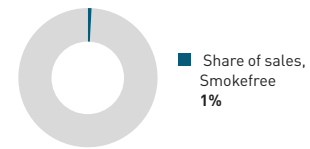
- The nicotine pouch market continued to demonstrate impressive growth during the year and represented more than 90 percent of the total smokefree category in volume terms (including nicotine pouches and chew bags but excluding tobacco bits).¹⁾
- A display ban along with other marketing restrictions for all tobacco products as well as for nicotine pouches became effective April 1, 2021.
- The chew bag market declined in volume terms versus the prior year. Swedish Match maintained its number two position with roughly one-third of the market volumes.¹⁾
- Plain packaging regulations were put into effect for all chewing tobacco products produced after July 1, 2021.
- Swedish Match brand *Oliver Twist* retained the market leading position in the niche market for tobacco bits.



¹⁾ Swedish Match estimates of can volume using Nielsen data (excluding tobacco bits and tobaccoists in Sweden), full year 2021.
²⁾ Public Health Agency of Sweden and Statistics Sweden, 2021, age bracket 16-84. The Public Health Agency of Sweden does not provide data which only includes those who are 18 or over.
³⁾ Ipsos Sweden, Market Report, 2021.
⁴⁾ Nicotine pouches in Norway contain a small amount of tobacco for regulatory reasons.
⁵⁾ Statistics Norway, 2021, age bracket 25-74.

Other markets

Swedish Match works to build its presence in many countries for its nicotine pouches, while also offering other choices, like chew bags and tobacco bits in certain countries outside the US and Scandinavia, and snus outside of the EU. Many of these geographies have the potential to provide long-term growth opportunities for further growth and development.



In Other markets outside of the US and Scandinavia, Swedish Match continued its efforts to establish nicotine pouches, despite the challenges brought on by the pandemic. The Company sees good opportunities for its nicotine pouch products over the long term and provides the necessary resources to support these future opportunities. ZYN is the primary brand used for its nicotine pouches in most countries outside the US and Scandinavia. The Group also sells snus, chew bags and tobacco bits in certain countries where allowed. The primary channels of distribution include tobacconists, convenience stores as well as e-commerce.

- In 2021, Swedish Match continued to invest and expand the availability of its nicotine pouch products. However, activities behind the expansion of nicotine pouches in Other markets were again hampered by COVID-19 related restrictions.

- Swedish Match also sells snus in Switzerland, Malaysia, South Africa, and Thailand.
- Swedish Match is present with chew bags in a number of countries, primarily in Europe, with *Thunder* being its largest brand.
- Due to the lack of product specific regulations for nicotine pouches at the European level and diverse regulations at the national level, marketing practices and product offerings vary greatly from country to country. Swedish Match is a strong advocate for responsible, proportionate and harmonized product and marketing regulation and considers the current situation unsustainable.

AVAILABLE AT A SHOP NEARBY

Adults need not look far to find their favorite Swedish Match snus or nicotine pouch brand.

Swedish Match, the largest producer of snus and nicotine pouches in Scandinavia, offers products through our own Swedish Match Stores and concept locations, like Niqo Co., (pictured). These complement the vast network of customers covering some 15,000 retail outlets in Scandinavia, as well as e-commerce.

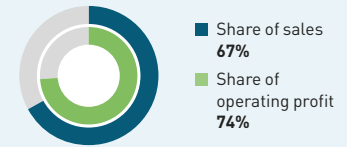
Nicotine pouches from Swedish Match are available in a variety of strengths, flavors, and formats. Our ZYN brand is the second largest nicotine pouch brand in Scandinavia. Other Swedish Match nicotine pouch brands in Scandinavia include *VOLT*, *Swave*, and *XR*.

Smokefree Facts and figures

HIGHLIGHTS

- Local currency sales up 18 percent, operating profit up 21 percent, driven by ZYN in US.
- Scandinavia revenue grew by 11 percent in local currencies, in a category with strong underlying growth.
- In Other markets, sales growth for nicotine pouches and snus more than offset lower sales for chewing tobacco.
- Nicotine pouches volume growth of more than 50 percent achieved in both the US and Scandinavia.
- Solid performance for moist snuff with improved market share for Longhorn.

SHARE OF PRODUCT SEGMENTS 2021

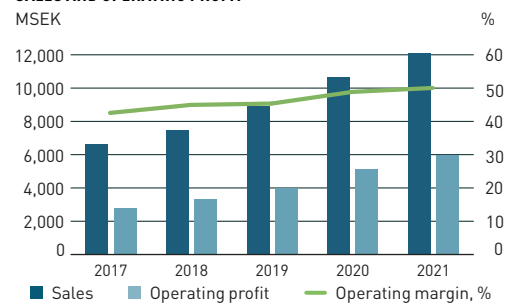


KEY DATA

MSEK	2021	2020	2019
Sales	12,120	10,651	8,914
Operating profit	5,998	5,142	3,997
Operating margin, % ¹⁾	49.5	48.3	44.8
EBITDA	6,423	5,539	4,353
EBITDA margin, %	53.0	52.0	48.8
Depreciation, amortization and impairment	-425	-397	-356
Capital expenditures	1,000	1,003	593
Average number of employees	2,105	2,005	1,841

¹⁾ Excluding larger one-time items.

SALES AND OPERATING PROFIT



THE US NICOTINE POUCHES, MOIST SNUFF, CHEWING TOBACCO, AND SNUSS

MAIN BRANDS

	Nicotine pouches	Moist snuff	Chewing tobacco	Snus
The US	ZYN	Longhorn, Timber Wolf	America's Best Chew (Red Man), Big Duke	General

KEY DATA

	2021	2020	Change
Financials			
Sales, MSEK	6,754	5,818	16
Operating profit, MSEK	3,352	2,802	20
Operating margin, %	49.6	48.2	
Shipment volumes			
Nicotine pouches, million cans	173.9	114.1	52
Moist snuff, million cans	129.6	133.3	-3
Chewing tobacco, thousands of pounds (excl. contract manufacturing volumes)	5,244	5,687	-8

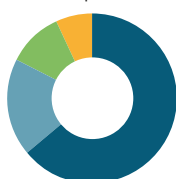
MARKET SHARES¹⁾

Percent	2021	2020	Change, ppts
Nicotine pouches	64.2	74.8	-10.6
Moist snuff	9.0	8.7	0.2
Chewing tobacco (excluding contract manufacturing volumes)	40.5	40.9	-0.4

¹⁾ Swedish Match volume shares based on MSA distributor shipments, full year 2021 and 2020. Figures for 2020 have been restated to reflect changes in MSA store measurements.

COMPETITION

Nicotine pouches



- Swedish Match 64.2%
- Altria 18.4%
- BAT (Reynolds American) 10.8%
- Others 6.7%

Source: Swedish Match and industry estimates, full year 2021, on a can equivalent basis.

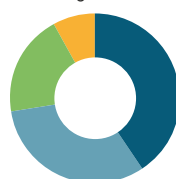
Moist snuff



- Swedish Match 9.0%
- Altria (USSTC) 52.2%
- BAT (Reynolds American) 31.6%
- Others 7.2%

Source: Swedish Match and industry estimates, full year 2021, on a can equivalent basis.

Chewing tobacco



- Swedish Match 40.5%
- National Tobacco 32.0%
- Swisher 19.5%
- BAT (Reynolds American) 7.8%

Source: Swedish Match and industry estimates, full year 2021, thousands of pounds.

SMOKEFREE SPLIT

(Excluding chewing tobacco)



- Nicotine pouches 13.8%
- Snus 3.1%
- Moist snuff pouches 14.4%
- Moist snuff loose/tubs 68.6%

Source: Based on MSA distributor shipments, full year 2021, on a can equivalent basis.

Smokefree Facts and figures

SCANDINAVIA¹⁾ SNUS, NICOTINE POUCHES, AND CHEWING TOBACCO

MAIN BRANDS

	Snus	Nicotine pouches ²⁾	Chew bags	Tobacco bits	Nicotine free ³⁾
Sweden	General, Göteborgs Rapé, Kaliber, Kronan, Ettan, Grov	ZYN, VOLT, Swave		Oliver Twist	Onico, Qvitt
Norway	General, G.3, The Lab, Nick & Johnny	G.4, ZYN		Oliver Twist	Onico, Qvitt
Denmark		ZYN	Göteborgs Rapé, Thunder	Oliver Twist	Onico, Qvitt

¹⁾ Scandinavia refers to Sweden, Norway and Denmark.

²⁾ Nicotine pouches in Norway contain a small amount of tobacco for regulatory reasons.

³⁾ Pouch products with neither tobacco nor nicotine.

KEY DATA

	2021	2020	Change
Financials			
Sales, MSEK	5,203	4,675	11
Operating profit, MSEK	2,813	2,465	14
Operating margin, %	54.1	52.7	
Shipment volumes			
Snus, million cans	253.3	243.6	4
Nicotine pouches, million cans	20.3	13.1	55
Chew bags and tobacco bits, million cans	3.5	4.4	-21

MARKET SHARES¹⁾

Percent	2021	2020	Change, pts
Snus ²⁾	59.4	60.0	-0.5
Nicotine pouches ³⁾	15.2	16.0	-0.8
Total⁴⁾	50.2	53.5	-3.3

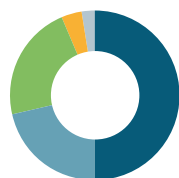
¹⁾ Based on Nielsen data (excluding tobacconists and e-commerce): full year 2021 and 2020. All figures have been restated to reflect changes in Nielsen store measurements.

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

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

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

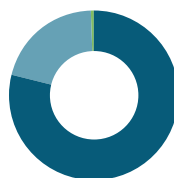
COMPETITION



- Swedish Match 50.2%
- Imperial Brands 21.5%
- BAT 22.0%
- JTI 4.0%
- Others 2.4%

Source: Swedish Match estimates of can volume, using Nielsen data (excluding tobacconists in Sweden), full year 2021. Excludes tobacco bits.

SMOKEFREE SPLIT



- Snus 78.9%
- Nicotine pouches 20.6%
- Chew bags 0.5%

Source: Swedish Match estimates of can volume, using Nielsen data (excluding tobacconists in Sweden), full year 2021.

Other markets SNUS, NICOTINE POUCHES, AND CHEWING TOBACCO

MAIN BRANDS

	Snus	Nicotine pouches	Chew bags	Tobacco bits	Nicotine free ¹⁾
Other markets	General	ZYN, Thunder	Thunder	Oliver Twist	Qvitt

¹⁾ Pouch products with neither tobacco nor nicotine.

KEY DATA

	2021	2020	Change
Sales, MSEK	163	158	3
Operating profit, MSEK	-167	-125	-34
Operating margin, %	-102.2	-79.1	
Shipment volumes, million cans ¹⁾	8.0	7.9	1

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



Record sales and operating profit in the US

Sales and operating profit climbed, and cigar volumes hit an all-time-high level just shy of 2 billion sticks during the year. Pricing improved, attributable in part to portfolio shifts. Swedish Match has a strong competitive position with its broad cigar range of both natural leaf and HTL.

The Cigars product segment derives its sales and profit almost exclusively from the US operations. In the US, Swedish Match maintains a strong presence with its machine made mass market cigars in the natural leaf segment¹⁾, as well as in the homogenized tobacco leaf segment (HTL)²⁾ which is the largest cigar segment in the US. The Group's portfolio of products is broad, covering a wide range of formats, brands, and tastes. Its natural, sweet, and flavored offerings are available under well-known brands such as *Game* and *Garcia y Vega* for its natural and natural rolled leaf varieties, and *White Owl* for HTL. Swedish Match manufactures its natural leaf varieties exclusively in its cigar plant in the Dominican Republic, while its HTL cigars are produced both in the Dominican Republic and at its Dothan, Alabama, US facility. The primary channel of distribution is convenience stores. The products are also sold in food stores, gas stations, independent tobacconists, e-commerce among other classes of trade.

Market developments and highlights

The category for US machine made mass market cigars has experienced notable growth over the past several years. Based on distributor shipments to retail, cigar category volumes (excluding little cigars³⁾) increased by more than 3 percent in 2021, with continued volume growth for natural leaf cigars more than offsetting volume declines for HTL varieties. Swedish Match estimates that the size of the category in 2021 was approximately 8.7 billion sticks. The cigar category remained highly competitive in 2021.

- Swedish Match cigar shipment volumes grew by 5 percent in 2021 compared to the prior year. Swedish Match estimates that the Company's volume share of the overall cigar category declined slightly and was approximately 22 percent in 2021.⁴⁾

¹⁾ Natural leaf cigars: cigars which have binders and wrappers made of parts of selected tobacco leaves cut specifically to form the binders and/or 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.

²⁾ 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.

³⁾ Little cigars are typically filter tipped and packaged in packs of 20. Swedish Match does not participate in this segment.

⁴⁾ Based on MSA distributor shipments: Mass market cigars [excluding little cigars], full year 2021.



- Swedish Match shipment volumes for natural leaf cigars grew by 18 percent in 2021, as production normalized versus COVID-19 constrained levels in 2020. The Company's volume share within the natural leaf segment declined and amounted to approximately 35 percent in 2021.¹⁾
- Swedish Match shipment volumes for HTL varieties declined by 13 percent in 2021, as raw material shortages negatively impacted the Company's production levels and competitors recovered from prior year's production challenges. The Company's volume share within HTL-segment declined slightly and was approximately 14 percent in 2021.¹⁾
- On April 29, 2021, the FDA announced that it is working toward issuing proposed product standards within the next year to ban all characterizing flavors (including menthol) in cigars. The intent to issue such a proposed rule is in line with previous announcements made by the agency since 2016.

- In the month of September, Swedish Match announced the intent to separate the US Cigar business and started working towards a spin-off to shareholders with a subsequent listing of the separated business on a US national securities exchange. In March 2022, Swedish Match took the decision to suspend the preparations for a spin-off until further notice. While the strategic intent remains to separate the US cigar business from the rest of the Group, a step that Swedish Match believe would further enhance the prospects for the smokefree business, as well as for the cigar business, the decision to suspend the spin-off preparations was prompted by increased regulatory uncertainties and considered to be in the best interest of shareholders.

Financial development

Sales for the product segment for the year increased by 3 percent to 4,688 MSEK (4,533), while operating profit increased by 3 percent to 1,841 MSEK (1,796). In local currency, sales increased by 11 percent and operating profit increased by 10 percent. The operating margin was 39.3 percent (39.6).

¹⁾ Based on MSA distributor shipments: Mass market cigars (excluding little cigars), full year 2021.



Natural leaf cigars: cigars which have binders and wrappers made of parts of selected tobacco leaves cut specifically to form the binders and/or 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.

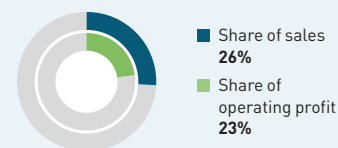
Homogenized tobacco leaf (HTL) cigars: Cigars which have binders and wrappers made of tobacco leaves that have been ground, mixed with water, homogenized and rolled into sheets to ensure a consistency of look, feel, and quality.

Cigars Facts and figures

HIGHLIGHTS

- Sales up by 11 percent in local currency from higher volumes and improved pricing.
- Record volumes, approaching 2.0 billion sticks, despite constraints on certain raw materials.
- Natural leaf cigars drove volume growth.

SHARE OF PRODUCT SEGMENTS 2021

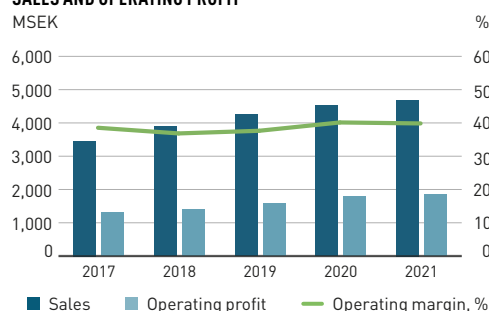


KEY DATA

MSEK	2021	2020	2019
Sales	4,688	4,533	4,249
Operating profit	1,841	1,796	1,577
Operating margin, % ¹⁾	39.3	39.6	37.1
EBITDA	1,927	1,883	1,662
EBITDA margin, %	41.1	41.5	39.1
Depreciation, amortization and impairment	-86	-87	-85
Capital expenditures	94	74	52
Average number of employees	4,075	3,487	3,202

¹⁾ Excluding larger one-time items.

SALES AND OPERATING PROFIT



The US MASS MARKET CIGARS

MAIN BRANDS

	Natural leaf/Rolled leaf	Homogenized tobacco leaf (HTL) cigars
The US	<i>Garcia y Vega, Game by Garcia y Vega, 1882</i>	<i>White Owl, Jackpot</i>

US SHIPMENT VOLUMES

	2021	2020	Change
HTL cigars, million sticks	732	838	-13
Natural leaf cigars, million sticks	1,258	1,065	18
Cigars total	1,991	1,903	5

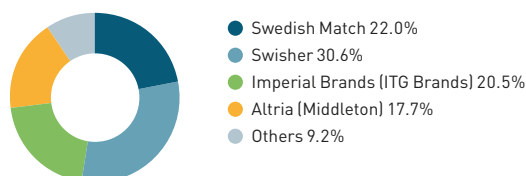
MARKET SHARES ¹⁾

Percent	2021	2020	Change, ppts
HTL cigars	13.6	14.8	-1.2
Natural leaf cigars	34.9	36.7	-1.8
Cigars total	22.0	22.4	-0.4

¹⁾ Based on MSA distributor shipments: Mass market cigars (excluding little cigars), full year 2021 and 2020. Figures for 2020 have been restated to reflect changes in MSA store measurements.

COMPETITION

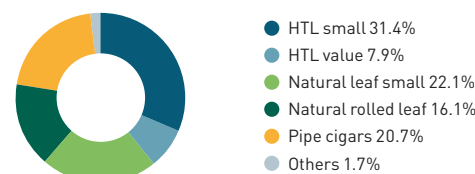
(Excluding little cigars)



Source: Swedish Match and industry estimates, full year 2021.

CIGARS SPLIT

(Excluding little cigars)



Source: Swedish Match and industry estimates for mass market cigars excluding little cigars, full year 2021.

Lights



Solid performance over the course of 2021

Swedish Match’s matches and lighters are sold across the globe and the most important markets are in Europe, Asia and the Americas.

Swedish Match offers a wide range of lighter products which include *Cricket* premium disposable lighters as well as products for household and other uses. With its flexible and efficient manufacturing process, Swedish Match is able to quickly manufacture and deliver both mainstream and special order varieties to satisfy customer requirements for safety, quality, reliability, design, and innovation. Match brands tend to be local, and iconic in their own countries. The Company’s match assortment includes products for a wide variety of uses, in sizes and formats that fit every fire lighting need. Swedish Match also sells complementary products, mainly under the *Fiat Lux* brand in Brazil.

With its portfolio of well-known brands and strong market positions, Swedish Match works for continuous operational excellence in the Lights product segment. The Company is committed to maintaining and improving its already efficient manufacturing operations as well as capitalizing on its market positions. With its high and demanding quality standards, its fast and flexible production, and tight cost controls, Swedish Match is able to provide consumers and customers with the quality products they demand at attractive prices. Swedish Match use its highly committed sustainability efforts as a competitive tool in its marketing to both consumers and customers. Additionally, in optimizing its asset base Swedish Match will work to dispose of forestry assets which are not required for its raw material supply.

Market developments and highlights

Matches

The match market is in a long term state of decline in most countries where Swedish Match has a presence. The largest Swedish Match markets are in Europe, Brazil, and parts of Africa.

- During the year, Swedish Match maintained significant or leading market positions in its largest markets for matches, including Sweden (*Solstickan*), Norway (*Nitedals*), Brazil (*Fiat Lux*) and Australia (*Redheads*).
- Sales for matches grew as higher shipment volumes were complemented with improved pricing, favorable mix effects and the acquisition of Fire-Up International B.V. Operating profit increased compared to the prior year, also when adjusting for currencies and positive one-time gains in both 2021 and 2020, despite significantly higher costs for raw materials and freight.
- During 2021, Swedish Match continued its cost and efficiency efforts at the factory level and successfully divested part of the forestry assets not needed in operations.
- In February 2021, Swedish Match acquired Fire-Up International B.V., a Dutch company, which produces ecological firelighters (firestarters to light stoves, fireplaces, barbecues, etc.) and trades in a variety of fire-related products mainly in Europe.

Lighters

Market volumes are declining in most developed markets, while growing in many developing countries. The largest Swedish Match markets are located in Asia, Europe and in the Americas. The lighter business is characterized by variability in volumes and mix, depending on the timing and type of products delivered, geography, and currency fluctuations.

- Cricket lighters are well known for their quality, unique design and a number of safety features, such as a fixed flame technology, child safety mechanisms, and fire-resistant lighter bodies.
- Sales for lighters increased compared to the prior year, mainly due to higher volumes and favorable product mix. Operating profit for lighters also grew as higher sales and favorable product mix were only partially offset by higher raw material pricing (primarily nylon).

Complementary products

Swedish Match offers a portfolio of complementary products mainly on the Brazilian market, including disposable razors,

batteries and light bulbs under the *Fiat Lux* brand. Reported sales for complementary products declined compared to the prior year, mainly due to currency translation effects as well as a reduced product range.

Financial development

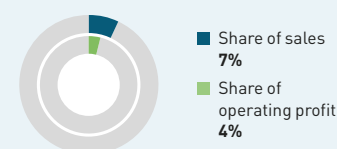
Sales for the Lights product segment for the year increased by 16 percent to 1,338 MSEK (1,149). Excluding currency translation effects, as well as the impact from the Fire-Up acquisition, sales in local currencies increased by 16 percent with solid performance for both lighters and matches. Operating profit increased by 34 percent to 297 MSEK (222). Operating profit in the period benefitted from income relating to land sales and the resolution of indirect tax disputes amounting to about 70 MSEK in total, while the prior year period included income of a similar nature of 31 MSEK. Excluding these items and the negative effects from currency translation, operating profit increased by more than 30 percent on the back of a strong performance for lighters. The operating margin was 22.2 percent (19.3).

Lights Facts and figures

HIGHLIGHTS

- Sales grew by 16 percent in local currencies, excluding acquisitions, with solid performance for both matches and lighters.
- Range and assortment of value-added lights products strengthened with acquisition of Fire-Up.
- Strong underlying operating profit growth with solid performance for lighters.
- Operating profits further supported by asset sales, strong price mix impacts, and cost control.

SHARE OF PRODUCT SEGMENTS 2021

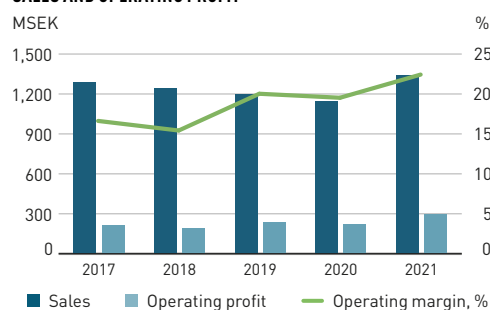


KEY DATA

MSEK	2021	2020	2019
Sales	1,338	1,149	1,200
Operating profit	297	222	238
Operating margin, % ¹⁾	22.2	19.3	19.8
EBITDA	339	261	282
EBITDA margin, %	25.4	22.7	23.5
Depreciation, amortization and impairment	-43	-39	-44
Capital expenditures	51	29	43
Average number of employees	1,039	929	932

¹⁾ Excluding larger one-time items.

SALES AND OPERATING PROFIT



SHIPMENT VOLUMES, WORLDWIDE

	2021	2020	Change
Matches, billion sticks	58.5	57.3	2
Lighters, million units	325.2	293.4	11

COMPETITION

Match competition varies widely between markets. Lighter competitors include BIC, Tokai, Flamagas, and a number of Asian manufacturers.

Managing risks – a part of conducting business

Swedish Match strives to ensure that the risks taken are deliberate. It is important for us to understand the risks to which our business is exposed and make informed decisions. Risks need to be managed efficiently in order for the Group to be competitive, to operate safely, and to maintain financial stability and growth.

Being competitive

- Performance oriented culture
- High quality products
- Leveraging strong brands
- Thorough consumer insights
- At the forefront of product innovation and development
- Efficient, state of the art in manufacturing
- Knowledgeable and agile sales forces

Operating safely

- Ethical business conduct
- Strict supplier requirements
- Thorough workplace safety and loss prevention programs
- Appropriate insurance program
- Meeting regulations by being well prepared and in active dialogue with governments and regulatory agencies
- Robust processes to comply with laws and regulations

Being financially stable

- Strict financial policies in place and monitoring by the Board of Directors
- Limited currency transaction risk as production and sales to large extent are in the same countries and currency blocks
- Clearly prioritized use of cash, ensuring that the fulfillment of commitments is not jeopardized

Risk management within Swedish Match

Swedish Match applies a systematic risk management model, which includes risk reviews as well as loss prevention, continuity planning, crisis management and insurance programs.

The Swedish Match Board of Directors determines the Group's strategic plans and associated risks based on recommendations from the Group Management Team (GMT). The Board of Directors oversees the Group's risk management processes and is informed, on a recurring basis, about the existing and emerging risks as well as on related mitigation activities. Each division, as well as Corporate functions, is responsible for managing the risks associated with their plans, and if required, coordinating risk management activities with other units. Appropriate competencies in the organization and a governance structure with clear responsibilities set the prerequisites for risk management at the local level. The Code of Conduct further ensures an organizational culture that helps to prevent taking those risks deemed to be unacceptable.

To efficiently manage risks, existing and potential risks need to be known. Swedish Match strives to establish a broad understanding among its employees of the concepts and importance of risk management. Employees in all parts of the organization are encouraged to identify and report events and circumstances which could be indications of risks. Existing and potential risks are regularly discussed within the divisional management teams and the GMT. A framework of policies is in use to ensure that the responsibilities are communicated and understood and that the management teams have the right tools to drive risk management.

Annual ERM process

To identify and assess the major risks to which the Group is exposed, an annual Enterprise Risk Management (ERM) process is conducted at division level and consolidated at Group level. The resulting risks, including probability, impact, risk appetite, interrelations with other risks, mitigation activities and monitoring, are presented to the GMT. The GMT presents the risks identified at division level, alongside a consolidated view for the entire Group, to the Board of Directors. This process helps to ensure that appropriate actions are taken to reduce, prevent or mitigate undesired risks. As a part of the strategic planning process, strategies are developed to manage new or changed risks based on ERM results. Risk responses include risk avoidance, risk reduction, risk sharing or risk acceptance.

Integration of sustainability risks into ERM process

Swedish Match addresses sustainability risks with the same priority as financial and operational risks. Sustainability risks are identified and assessed in the ERM process at division level, as described above. The central coordination responsibilities for sustainability risk assessment are designated to the same function as for the ERM process. This facilitates the sustainability risks to follow the same management approach as for the other key risks for the organization.

Major sustainability risks include climate risk, child labor and inability to adhere to plans and targets set out for the focus areas of Swedish Match. Risks related to sustainability are detailed in the sustainability section of this 2021 annual report.



Risk areas

Important risks to address arise in the areas of competition, production, regulation, IT security, and finance among other areas.

Risk	Mitigation
Competition	
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.	Swedish Match continuously monitors the competitive environment and assesses changing consumer needs. To meet these consumer needs, the Company conducts consumer and market research and closely follows market trends. This insight forms the basis for product positioning, product portfolio decisions and product development and ensures consumers are offered high quality products that meet their needs.
Production	
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.	In order to avoid delivery problems or other production interruptions, Swedish Match has implemented a loss prevention and continuity planning program. Periodic inspections are conducted by an independent third party at production facilities that have been identified as critical. These inspections assess to what level the production facilities meet the risk management standards of Swedish Match and determine whether there are investments or actions required to reduce risk. The purpose of the continuity planning is to minimize any negative impact of an incident. By having multiple facilities producing core products, Swedish Match strives to reduce the potential impact of harmful incidents to any single facility.
Suppliers	
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.	Selected suppliers of production inputs are reviewed by the procurement departments on a recurring basis. The suppliers' own financial stability and risk management systems are an important consideration for Swedish Match. As a complement to the internal reviews, at times an independent third party conducts risk inspections at suppliers identified as critical. Swedish Match strives to work with suppliers who have a healthy, long term financial position and who support our values. Our Supplier Code of Conduct specifies what we expect and require from our suppliers in terms of employment and labor practices, workplace practices, ethical business practices and environmental management practices. The Supplier Code of Conduct forms the basis for our relationship with suppliers and is an integral part of our significant business agreements. Risk assessment forms the basis for our efforts to identify and mitigate specific risk in dialogue with prioritized suppliers. We have procedures in place, and under continuous development, to further emphasize sustainable supply chain management.
Regulation	
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.	Swedish Match closely monitors the development of tobacco regulation and regularly shares information and opinions with governments and other regulatory agencies on issues that affect the Group's operations. Most importantly Swedish Match needs to continue to provide consumers with less harmful alternatives to cigarettes and strive toward the vision of <i>A world without cigarettes</i> , with evidence-based regulations for our products. A critical activity is to educate and inform decision makers about Swedish Match's portfolio of smokefree products and their relative health characteristics compared to cigarettes. The differences in relative risk among different tobacco and other nicotine-containing consumer products and the potential to migrate consumers to less harmful products are often referred to as harm reduction.



► This page is part of the Board of Directors Report.



RISK AREAS *Continued*

Risk	Mitigation
Currency and interest rate risks	
<p>The dynamic financial market conditions are continuously changing with fluctuating currency exchange rates, interest rates and availability of funds.</p> <p>Currency rate risks 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.</p> <p>Interest rate risk Higher interest rates could have a negative impact on net finance expense.</p>	<p>Swedish Match has a large part of its business being conducted outside Sweden with a significant part in the US. The currency exchange rate development is not in the control of Swedish Match. As there is a speculative element in hedging currency translation exposure, Swedish Match does not normally hedge this translation element. However, Swedish Match is mindful of the cash impact from currency rate changes and strives to regularly distribute dividends from its foreign subsidiaries to the Swedish Parent Company.</p> <p>Swedish Match is a highly cash generative company with a well-established financial policy. Swedish Match is optimizing its cost of capital by ensuring an appropriate leverage. In order to manage interest rate risk and refinancing risk, the Group strives to have an even spread of maturities and to tie nearly all of its borrowings to fixed interest rates. In addition, Swedish Match shall as a general rule secure financing for the coming twelve months before any share repurchases are executed. More information on financial risks can also be found in the <i>Note 27 Financial instruments and financial risks</i> to the Group Consolidated financial statements.</p>
Information security risk	
<p>IT systems help manage and make business processes more efficient and reliable, but it could also lead to higher risk for the organization.</p> <p>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.</p> <p>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.</p>	<p>Swedish Match has developed an Information Security Risk Process to manage and mitigate these risks for the Group. The Group's Information Security Council governs the process which is implemented locally in the divisions, with the support of appointed Business Information Security Coordinators.</p> <p>The Information Security Risk Process enables Swedish Match to identify the most critical information objects and IT services and to prioritize protection and effort in line with their criticality. Information objects, where the potential impact on the business exceeds the acceptable threshold, are classified as High Value Information Objects (HVOs). Evaluation of the criticality of these HVOs is part of the annual ERM process.</p> <p>Through our Code of Conduct and mandatory annual training, we help to ensure that threats or suspicious activities are reported to IT Service Desk in order that appropriate actions be taken. There is also an internal incident management process where cases are documented and classified, and actions are taken based on severity and type.</p> <p>In addition to mandatory trainings for all employees, Swedish Match also performs internal phishing tests and other activities to increase awareness of information security within the organization.</p>





The Group

Our business

• **Sustainability**

Shareholder
information

Financial
reports

Corporate
Governance



Highlights 2021

5 years in a row MSCI rated Swedish Match as a sustainability leader within the sector.

Swedish Match nicotine pouches are available in

20+ countries

CODE OF CONDUCT

100%
of all significant suppliers¹⁾

of direct material have committed to the principles of Swedish Match Supplier Code of Conduct.

SWEDISH MATCH'S DUE DILIGENCE PROGRAM

95%
of our raw tobacco volumes

included in STP or in Swedish Match's due diligence program.

MONITORING FOR CHILD LABOR

99%
of our suppliers' farmers

have been monitored for child labor under STP.

EMISSIONS REDUCTION

-7%
CO₂e emissions
per MSEK sales.

-9%
Scope 3 emissions reduction
for our smokefree products through active engagement with our suppliers.

GREEN ELECTRICITY

94%
share of green electricity
in Europe Division versus 83% in 2020.

¹⁾ A significant supplier of direct material is defined as a supplier with which Swedish Match has a significant level of spending. All suppliers of raw tobacco are included and each is viewed as an individual supplier per country. The suppliers have either signed our Supplier Code of Conduct or have their own Codes of Conduct and mechanisms which are broadly similar to our Supplier Code of Conduct.

Our goals

SWEDISH MATCH GROUP FOCUS AREAS



Improve public health

Goal

Our goal is to eliminate cigarette use and tobacco related morbidity and mortality by offering smokers attractive and safer sources of nicotine for recreational use (such as Swedish snus and other nicotine containing products like ZYN).

Target

Development and commercialization of nicotine harm reduction products that are attractive to cigarette users and dramatically safer sources of nicotine compared to cigarettes.

Increased consumer awareness and consumer reach of snus and nicotine pouches.

Factual and correct media and authority reporting on the difference in relative risks between cigarettes and smokefree tobacco and nicotine products, as well as increased consumer awareness.

Regulation that promotes consumer shifting from cigarettes to less harmful nicotine and tobacco products while also protecting vulnerable consumer groups.

Commentary

- ZYN available in more than 120,000 stores in the US.
- US shipment volumes for ZYN increased by more than 50 percent.
- Swedish Match nicotine pouches available in more than 20 countries.
- Increased consumer uptake of smokefree tobacco or nicotine products correlates with reduced cigarette consumption.
- Initiatives taken to implement nicotine pouch specific legislation in a number of EU countries, including Sweden.



Ensure ethical business practices

Goal

At Swedish Match, we will take the necessary steps to ensure that ethical business practices are maintained within our own company and in our relationships with all outside parties.

Target

Ethical business practices fully embraced and integrated into our corporate culture.

Zero level of incidents rooted in non-ethical business behavior.

Responsible marketing with 100 percent compliance with our policy to exclusively market to adult consumers.

Commentary

- 100 percent of significant suppliers of direct materials have committed to the principles of Swedish Match Supplier Code of Conduct.
- All divisions have evaluated and updated their respective marketing policies to secure that these policies reflect marketing of all products within each division's product portfolio and cover all manners and channels of marketing including social media and internet advertising.



Reduce environmental impact

Goal

Our goal is to limit our environment footprint while growing our business. We are committed to reducing our greenhouse gas (GHG) emissions and waste along our value chain from sourcing to our own operations and continuing through consumer use.

Target

To reduce GHG emissions by 41 percent by 2030 and by 75 percent by 2050, with 2017 as the base year, in our whole value chain (Scopes 1, 2 and 3).

To reach our goal by 2030 and 2050, we are committed to reducing GHG emissions by 5 percent per year.

To reduce total waste per unit of sales and to keep hazardous waste at the absolute minimum.

To drive effective efforts to prevent post-consumer waste.

Commentary

- European operation is 94 percent fossil free.
- Important tobacco suppliers for our smokefree products have successfully implemented GHG reduction initiatives and consequently, following a third party verification, we have confirmed a lower emission factor.
- Europe Division has completely eliminated non-recyclable black cans from production in Sweden and has begun the same process for our production of chew bags in Silkeborg (Denmark).
- 51 percent of paper used in packaging was made from recycled material.
- Recycling of waste has increased by more than 30 percent.
- US Division has reduced waste to landfill by more than 80 percent by shifting to incineration of waste for power.

SWEDISH MATCH GROUP FOCUS AREAS *Continued*



Human rights in our supply chain

Goal	Target	Commentary
<p>Our goal is the elimination of child labor and other human rights violations in the Company's supply chain.</p>	<p>Robust systems to identify, prevent and mitigate child labor and any other human rights related issues in our entire supply chain.</p> <hr/> <p>100 percent child labor free tobacco.</p> <hr/> <p>100 percent of our raw tobacco suppliers covered by STP or Swedish Match's due diligence program.</p>	<ul style="list-style-type: none"> • 95 percent of our raw tobacco volumes included in STP or in Swedish Match's due diligence program. • Suppliers' self-assessments for 2021 were completed and verified in the STP platform by the STP Secretariat. • 99 percent of our suppliers' farmers under STP have been monitored for child labor.



Equal opportunity

Goal	Target	Commentary
<p>Our continuing objective is to be a truly open and inclusive employer. In this environment, with zero tolerance for discrimination, all employees have equal opportunity to achieve their full potential – resulting in a more diverse workplace.</p>	<p>No employees should feel that they are, or could be, the subject of discrimination at the workplace.</p> <hr/> <p>To have at least 40 percent of each gender in senior management¹¹.</p> <hr/> <p>To increase diversity in cultural backgrounds.</p>	<ul style="list-style-type: none"> • Continued strong Group-wide focus on ensuring diversity among applicants and final candidates in order to find the best candidates. • A Women's Resource Network established within Field Sales, US Division – a mentoring initiative for female personnel led by top female Field Sales employees. • The Diversity and Inclusion team in Richmond, US Division, completed training and certification and will roll out the division's diversity vision statement and business case complemented with internal communication channels dedicated to diversity and inclusion.







¹¹ Defined as participants in the Company's Long-Term Incentive (LTI) plan.



Our contribution to the UN SDGs

Nine of the UN SDGs align directly with our sustainability focus areas. It is within these SDGs we believe we can have a meaningful impact and where we have tangible commitments and goals connected to the detailed targets set by the identified SDGs. We also contribute to seven of the remaining eight¹⁾ goals through our general business contribution and societal engagement.

UN SUSTAINABILITY DEVELOPMENT GOALS DIRECTLY ALIGNED WITH OUR FOCUS AREAS

Focus areas	Material topics	How Swedish Match contributes to the SDGs 2030 targets	SDGs 2030
 Improve public health Page 48–50 of this annual report	Harm reduction through smokefree products with low health impacts	We work to reduce premature mortality by offering cigarette smokers attractive and dramatically safer alternative tobacco and nicotine products. (3.4)	
		We inform consumers about the health effects of our products and the addictive nature of nicotine. (3.A)	
 Ensure ethical business practices Page 51–53 of this annual report	Responsible marketing practices	We work to ensure that our “Adult only Tobacco and Nicotine” policy is followed. (3.A)	
	Ethics and integrity	We do not tolerate any form of corruption or bribery. (16.5)	

¹⁾ Swedish Match has identified that SDG 11, Sustainable cities and communities, is not specifically related to our business operations and focus areas, as we are a manufacturing company with very limited impact on e.g. urbanization, transportation and the safeguarding of natural heritages.

UN SUSTAINABILITY DEVELOPMENT GOALS DIRECTLY ALIGNED WITH OUR FOCUS AREAS *Continued*

Focus areas	Material topics	How Swedish Match contributes to the SDGs 2030 targets	SDGs 2030
 Reduce environmental impact Page 54–59 of this annual report			
Our goal is to limit our environment footprint while growing our business. We are committed to reducing our greenhouse gas (GHG) emissions and waste along our value chain from sourcing to our own operations and continuing through consumer use.	Product packaging and consumer waste	We work to achieve environmentally sound management of chemicals used and our waste throughout their life cycle as well as reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment. (12.4)	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Climate change	We work to increase the share of renewable energy in our operations. (7.2)	 7 AFFORDABLE AND CLEAN ENERGY
		We work continuously and systematically to assess risk and reduce the negative impact on the environment. (12.5)	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
		We recognize the importance of engaging with suppliers in the journey to achieve our ambitious climate target and constantly leverage our purchasing power to find further potential for reduction. (12.6)	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
		The sustainability performance from suppliers is an important criterion in our vendor selection process. (12.7)	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
We take action to combat climate change. (13.1)	 13 CLIMATE ACTION		
 Human rights in our supply chain Page 60–64 of this annual report			
Our goal is the elimination of child labor and other human rights violations in the Company's supply chain.	Child labor	We take action to eliminate child labor in all its forms in our value chain. (8.7)	 8 DECENT WORK AND ECONOMIC GROWTH
	Respect for human rights	We partner in multi-stakeholder initiatives to work toward common goals. (17.16)	 17 PARTNERSHIPS FOR THE GOALS
 Equal opportunity Page 65–67 of this annual report			
Our continuing objective is to be a truly open and inclusive employer. In this environment, with zero tolerance for discrimination, all employees have equal opportunity to achieve their full potential – resulting in a more diverse workplace.	Diversity and inclusion	We do not tolerate any kind of discrimination including discrimination based on gender. (5.1)	 5 GENDER EQUALITY
		We work toward having at least 40 percent of each gender in senior management. (5.5)	 5 GENDER EQUALITY
		We work diligently to make sure that our processes for promotions and recruitments are non-discriminatory. (8.5)	 8 DECENT WORK AND ECONOMIC GROWTH
		We are working to ensure equal opportunities and to prevent discrimination. (10.3)	 10 REDUCED INEQUALITIES

UN Sustainability Development Goals aligned with our general business contribution and societal engagement beyond our focus areas

SDGs 2030 How Swedish Match contributes to the SDGs 2030 targets



Swedish Match provides both job opportunities and livelihoods for workers and their families in certain developing countries or areas where poverty may be high (Dominican Republic, the Philippines, and Brazil).

Our procurement of tobacco and other raw materials is often sourced from areas where the opportunities for high quality source of income are low, such as from tobacco growing areas in Asia and to a limited degree from Africa. Tobacco in these areas generally provides some of the highest level of income of any agricultural products that may be produced in these areas.



Swedish Match addresses the hunger and food security issues by providing employment, livelihoods and sourcing of raw materials in geographies where there may exist high levels of hunger. (See SDG 1 above).



Swedish Match contributes through training and development efforts to promote professional growth and career enhancement for our employees as well as through the provision of a scholarship program for our employees' children in the US. Swedish Match is also a member of the board and supports the ECLT Foundation which provides access to education, through for instance programs in numeracy and literacy in the tobacco growing areas.



Swedish Match neither withdraws water from any source that is significantly affected by water withdrawal, nor discharges water into sensitive water bodies. We address potential issues related to water use from our tobacco supply chain through participation in STP. For more information on how we manage water stress in our operations and tobacco supply chain, see page 43.



During the journey to achieve our vision of *A world without cigarettes*, we have been at the forefront of change to provide smokers with safer alternatives to cigarettes. We have also innovated our manufacturing practices to be more energy and resource efficient.



Swedish Match works to prevent and reduce any pollution to water and regularly monitor and measure all environmentally significant emissions.



Our plantations in Brazil comprise poplar and pine wood in two reforestation projects. Our operations in Brazil protect biodiversity in the plantation by, for instance, restraining external human access to its lands and forests, prohibiting hunting and fishing, and keeping surveillance services in forests. We address potential issues related to Life on land from our tobacco supply chain through participation in STP under theme Natural habitats. For more information on how we prevent deforestation in our operations and tobacco supply chain, see page 43.



Management approach

Swedish Match's vision is *A world without cigarettes*. Offering tobacco consumers alternative products to cigarettes is at the core of what we do. Pursuing our vision represents a great commercial opportunity as well as a significant contribution to society. This is where we believe that we are able to have the largest positive impact on society. We can also have a positive impact through how we manage our business, work with our suppliers and customers, and produce our goods.

Focus and organization ownership

Our sustainability strategy is founded on two basic principles – focus and organizational ownership. While our sustainability work spans across a broad array of topics, for best impact and transparency we believe that group-wide efforts and reporting are most effective if concentrated to key areas of focus with strong organization ownership. Through this strategy, we emphasize five focus areas – Improve public health, Ensure ethical business practices, Reduce environmental impact, Human rights in our supply chain, and Equal opportunity – areas where we believe we have the ability to directly or indirectly influence meaningful outcomes or where adverse developments could have a negative impact on our businesses. These focus areas form the basis for our common roadmap; this is where we put extra effort and coordinate external reporting. Swedish Match has set a series of tangible commitments and goals for each of the focus areas and will continue to measure and report its progress. Our Code of Conduct forms a foundation for our sustainability approach and efforts throughout the Group. It represents the commitment of Swedish Match and all our employees to conduct business activities in a responsible manner, demonstrating integrity and respect to our stakeholders and society as a whole.

Swedish Match is a global company made up of largely autonomous divisions. We have ensured that the ownership and action in our sustainability work is strongly supported at the local operating level within each division, where efficient and creative ideas and solutions are most likely to come up and best followed through. While taking a common Group approach in our focus areas, we maintain a number of sustainability initiatives above and beyond these focus areas with tailored targets and actions at the divisional levels.

Integrating sustainability¹⁾

Sustainability is embedded in our value proposition and is a significant driver of our long-term success. It is managed and driven from the highest levels of our organization. The Group Management Team (GMT) has the overall responsibility for Swedish Match's efforts on sustainability. The GMT and other leaders within the Group are committed to and involved in the process to define and further develop the strategy. Divisional heads are responsible for implementing the strategy in their respective operating units.

Swedish Match addresses sustainability with the same priority and management approach as the rest of our strategic priorities. It is fully integrated into our business reviews, strategic planning, and risk management process. Each quarter the divisions are responsible to provide progress updates for each sustainability focus area, creating a positive forum for discussion of opportunities and risks. The controlling function at group level, headed by the CFO, ensures a consistent approach to sustainability reporting across the Company, and follows up on our sustainability goals and KPIs in the same rigid manner as the financial targets. The CFO reports to the Board of Directors on progress for our common sustainability focus areas on a regular basis.

1) The data scope of this report excludes the recently acquired company Fire-Up International B.V. (February 3, 2021), and partly excludes Swedish Match Denmark, previously V2 Tobacco, (August 31, 2017), House of Oliver Twist (April 3, 2018), and Gotlandssnus (August 22, 2018). The Company continues its efforts to integrate data with Swedish Match protocols and standards.

Materiality assessment

Our material topics are issues that reflect the most significant economic, environmental, and social impacts for Swedish Match. The materiality process aims to identify and understand the topics that are important to stakeholders, as well as to the Group’s business strategy. It is an important way of evaluating the ability to create and sustain value.

The most recent materiality assessment was conducted in 2020. The process was facilitated by an independent leading audit firm in Sweden and the approach to identify the material topics included three steps.

1. Scanning of general trends and identification of topics
2. Stakeholder dialogue
3. Review and validation by the Group Management Team

The assessment resulted in five updated focus areas and eight material topics described in this report. Our harm reduction concept is well accepted among our key external stakeholders and remains central to our sustainability strategy.

A detailed description of the process is available under section *Materiality assessment* on the Company website, www.swedishmatch.com.

Focus areas



Improve public health



Ensure ethical business practices



Reduce environmental impact



Human rights in our supply chain



Equal opportunity

Material topics

Harm reduction through smokefree products with low health impacts

Responsible marketing practices
Ethics and integrity

Climate change
Product packaging and consumer waste

Child labor
Respect for human rights

Diversity and inclusion





Other topics outside our focus areas

For best impact and transparency, we believe that group-wide efforts and reporting are most effective if concentrated to key focus areas. Our Code of Conduct covers important sustainability topics above and beyond our five focus areas. It includes our policies on practices regarding ethical business, employment and labor, the environment, as well as job and workplace. We also address a broad array of key sustainability issues in our tobacco supply chain, by primarily purchasing from large global suppliers with robust due diligence processes and through participation in the Sustainable Tobacco Program (STP), pages 61–62.

Some of the specific questions we have received from external stakeholders relate to deforestation and biodiversity, water stress and occupational health and safety. More explanations are provided below with regards to why these topics are not included in our Group sustainability focus areas and how we approach them.

Deforestation and biodiversity

Swedish Match does not own any farms other than our forestry plantations in Brazil. Our plantations in Brazil comprise pine wood in a reforestation project in the south of the Paraná state. We replant more than we harvest every year for our pine forest. Based on normal annual harvesting, this involves replanting approximately 150 hectares annually. Due to the combination of declining demand for matches and technological advancements on our side that have enabled wider usage of pine wood, we have been able to replace the majority of the poplar wood used in our match production with pine wood and also sold off our land used for poplar. Swedish Match owns a total of 3,419 hectares of pine forestry but the Group's biological assets comprise both poplar and pine forests, 3,686 hectares, which also includes poplar land we do not own but have the right to harvest from.

Our operations in Brazil protect biodiversity in the plantation by, for instance, restraining external human access to its lands and forests, prohibiting hunting and fishing, and keeping surveillance services in forests. We stopped using pesticides for forestry disease control in 2018.

In our tobacco supply chain, a vast majority of the tobacco used does not require wood fire in its processing. Processing that dries the tobacco over an open wood fire might in some cases lead to deforestation. In addition, we address the issue through participation in STP. Under the STP, there is a dedicated reporting theme, Natural habitats. All the participating suppliers are subject to generic risk screening and self-assessment to evaluate their impact on deforestation and biodiversity in the local communities where they operate.

If our suppliers have subsidiaries located in geographies where there is an elevated risk of non-compliance with the high standard set by STP for deforestation, in-depth assessments will be performed by a third party with subject expertise. Results of these assessments will form the foundation for a dialogue for improvement between us and the suppliers.

Water stress

Swedish Match neither withdraws water from any source that is significantly affected by the water withdrawal, nor discharges water into sensitive water bodies. Swedish Match's water footprint in absolute terms is fairly low as the Company's production processes require relatively low water usage. Our smokefree products are manufactured in Sweden, Denmark and the US. For cigars, matches and lighters, a significant proportion of our production occurs in the US (cigars), Sweden (matches) and the Netherlands (lighters) which are areas that have well-developed regulations with regard to water sourcing and use.

One area where Swedish Match has previously needed a higher water supply is for its poplar farms in Brazil where trees historically have been planted to be used in the Brazilian match production. Drier periods during spring and summer may lead to a higher necessity for irrigation. However, as mentioned earlier, our technological advancements made in recent years have enabled us to replace the majority of the poplar wood used in our match production with pine wood and we have sold off our land used for poplar. Unlike poplar plantations, pine plantations do not need any irrigation. With this initiative we have reduced our own water use to an even lower level.

We address potential issues related to water use from our tobacco supply chain through participation in STP. Under the STP, there is a dedicated reporting theme for water stewardship with a similar due diligence process as described under *Deforestation and biodiversity*.

Occupational health and safety

Employees' safety and well-being are matters of high importance to us. Swedish Match is dedicated to providing ergonomically sound workplaces, free from health and safety hazards. Specific activities, including safety trainings and wellness programs, are carried out at the divisional level to ensure the physical and mental wellbeing of our employees. This has also been demonstrated by additional measures taken place locally to protect the well-being of our employees during the COVID-19 pandemic. Each division tracks safety metrics for employees and subcontractors and reports data to the CEO. Furthermore, periodic inspections are conducted by an independent third party at major production facilities. These inspections assess, among other things, to what level the facilities meet Swedish Match work safety standards and determine whether there are actions required to further reduce risk.

Our value chain

The value chain for our products includes research and development of new and refined products, raw material sourcing and production, processing at suppliers, manufacturing at Swedish Match’s facilities, transportation and distribution between the various value chain stages, and sales through distributors and retailers (customers) as well as consumer use and final disposal of products.



A value chain perspective helps Swedish Match to identify how it can best manage its impacts and create maximal value. The following section identifies the Group’s sustainability risks related to the value chain and how they are managed. It also identifies the degree of Swedish Match’s influence along the value chain, and the value created for the Company and the society.



Raw materials/Suppliers

Ability to influence: *Medium*



The main direct materials for Swedish Match are raw tobacco, timber, nylon and lighter components, as well as packaging material such as cardboard, plastics and metalized films. For raw tobacco, the Company primarily sources from major global suppliers. The top six of these suppliers account for more than 90 percent of the total raw tobacco purchased annually. These suppliers have local entities which contract individual farmers seasonally. For direct material other than raw tobacco, Swedish Match sources from a wide range of suppliers and regions, the majority of which are located in the US and Europe. The focus is to safeguard sustainable supply, ensure Swedish Match’s standards and to develop supplier capacity to improve their sustainability performance, which actively promotes our ambitions throughout our supply chain. This requires careful assessment and selection of suppliers.

Risks

- Supply interruptions due to severe weather conditions caused by climate change.
- Potential connections to social, ethical and human rights violations.
- Supply interruptions due to unethical business practices in our supply chain.

How risks are managed

- Source materials from different parts of the world.
- Apply a risk-based approach to mitigate environmental, ethical, and human rights risks among direct suppliers as well as further up in the supply chain.
- Audit suppliers to safeguard standards.
- Provide training and drive improvement initiatives.
- Identify alternative sources of supply.

Generating value

We generate value by promoting universal norms, supporting human rights and raise environmental, labor, and economic standards – particularly in low-cost countries. By doing so, we also continue to build trust and reduce associated business risks.



Factory/Warehouse/Office

Ability to influence: *High*



Swedish Match manufactures snus, nicotine pouches, moist snuff, chewing tobacco, cigars, matches and other fire related products, as well as lighters at 16 facilities – in Sweden, the US, the Dominican Republic, Denmark, the Netherlands, the Philippines, and Brazil.

Within our focus areas we are committed to reducing our environmental footprint, maintaining high ethical standards and providing equal opportunities.

Risks

- Prolonged disruptions in production caused by severe weather related to climate change.
- Negative impact due to social, ethical and human rights violations.
- Unethical behavior due to weak governance.
- Violation of safety regulations at our facilities.

How risks are managed

- Perform climate risk assessments as part of the annual ERM process.
- Establish loss prevention and continuity planning program.
- Apply relevant environmental management systems.
- Conduct periodic inspections of major facilities by an independent third party.
- Provide governance systems and training to reinforce sustainability policies.

Generating value

Swedish Match creates value by contributing to the economic development in areas where our offices and production sites are located, retaining talented employees and preventing associated financial and reputational damage related to accidents and unethical behavior.

VALUE CHAIN *Continued*



Transport/Distribution

Ability to influence: *Medium* 

For the Swedish and Norwegian market, Swedish Match has its own distribution company, SMD Logistics. In other parts of Europe, products are distributed primarily through third party distributors. Distribution for the US market is primarily via third parties. Lights products utilize a wide network of distributors worldwide.

Risks

- The transportation fleet is GHG emission intense.
- Violation of safety regulations at distribution companies.

How risks are managed

- Choose more efficient and modern transportation solutions.
- Set fuel efficiency and emissions reduction targets.
- Provide governance systems and training to reinforce sustainability policies.

Generating value

As transportation is the fastest growing source of fossil-fuel CO₂ emissions, at Swedish Match we continuously work towards a shift to low carbon solutions and encourage our logistic suppliers to do so.



Customer

Ability to influence: *Low* 

The primary sales channels for our products are convenience stores, tobacconists, gasoline stations, and supermarkets. Other channels include bars, restaurants, airports, and ferries, along with e-commerce, and our own dedicated stores in various markets.

Risks

- Failure by our customers to comply with our "Adult only Tobacco and Nicotine" policy.
- Limited opportunity to influence decision-making at the points-of-purchase.
- Corruption and bribery activities.

How risks are managed

- Improve trade and point-of-purchase communication by educating retailers to prevent underage use of tobacco and other nicotine containing products.
- Provide mandatory training for relevant employees on anti-corruption and bribery.
- Terminate supply to customers who fail to meet our ethical standards.

Generating value

Promoting transparency and reinforcing our focus on public health improvement strengthens our brands and builds consumer loyalty.



Consumer

Ability to influence: *Low* 

Our products are intended for adult consumers only. A large part of our smokefree consumer base seek less harmful, discreet, and enjoyable alternatives to cigarettes. Product quality and safety are of utmost importance.

Risks

- Misalignment between consumer perception and actual product attributes, resulting in an adverse change in consumer behavior.
- Unclear consumer communication which jeopardizes reputation.
- Negative impact on the environment due to post consumer littering.

How risks are managed

- Provide transparent information to consumers.
- Keep up proactive approach to product safety with GOTHIA TEK® and MATCHTEK® quality standards.
- Incorporate more sustainable practices with regard to product packaging.
- Highlight public health and sustainability aspects in consumer communications.

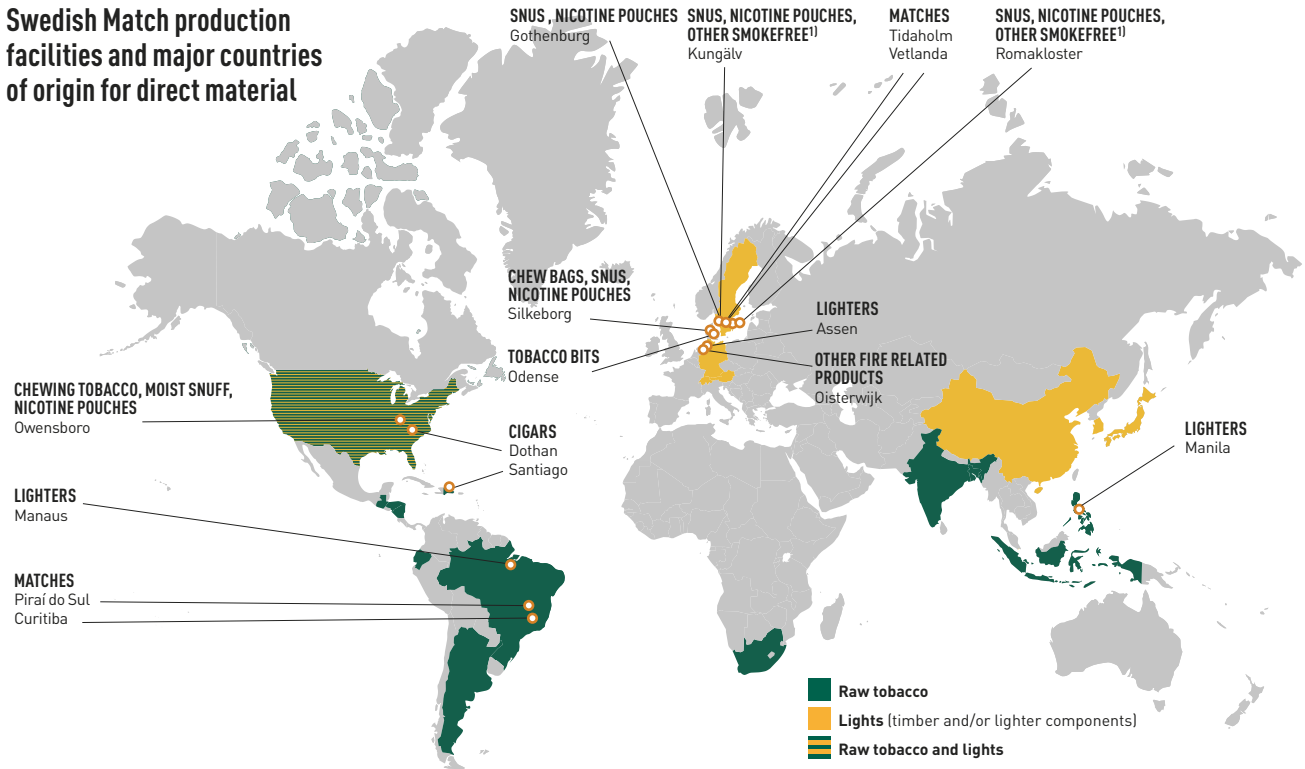
Generating value

Swedish Match believes that society needs to develop pragmatic and effective harm reduction strategies for the tobacco and nicotine area to help reduce the adverse health, social and economic consequences of tobacco and nicotine use. The primary goal of harm reduction should be to reduce the negative consequences of tobacco use without requiring total abstinence from nicotine. In this context, Swedish Match's smokefree products can play an important and constructive role.

Code of Conduct Our Code of Conduct represents the commitment of Swedish Match and of all employees to conduct business activities in a responsible manner and consistent with applicable laws and regulations.

Supplier Code of Conduct Our Supplier Code of Conduct reflects Swedish Match's own Code of Conduct and specifies what the Company expects and requires from its suppliers.

Swedish Match production facilities and major countries of origin for direct material



¹⁾ Refers to pouch products with neither tobacco nor nicotine.

DIRECT MATERIALS

Raw tobacco

Swedish Match does not own tobacco plantations. The Group sources raw tobacco from major global tobacco suppliers who source from 21 countries¹⁾. Eleven of these countries (pictured in map) account for close to 92 percent of Swedish Match's raw tobacco purchases. The largest sources come from India, Indonesia and the US. With the GOTHIA TEK® quality standard for snus, testing of the tobacco takes place at several stages of the value chain, including the selection of raw tobacco. Testing often starts at the farm level. This way of working has an influence on how we engage with other raw material supplies.

Timber

Timber for our match production is sourced locally, close to our factories in Sweden and Brazil. Nearly all of the timber for production of matches in Brazil is grown in Swedish Match's own plantations. Our plantations consist of 3,419 hectares of planted pine in the south of the Paraná state. Our plantations adhere to strict growing requirements beyond those levels set

by local laws and regulations. Aspen used for the production of matches in Sweden is sourced from the southern part of Sweden in the vicinity of our splint factory and is primarily sourced through major timber suppliers. Relatively small quantities are also sourced directly from individual forest owners. Swedish Match Industries AB, the entity producing matches in Sweden, is certified according to FSC's standards for Chain of Custody and Controlled Wood.

Nylon and lighter components

Raw material and components for lighters consist of nylon and liquefied petroleum gas, as well as spark wheels, flint stones, and top caps, made of various metals, e. g. aluminum, steel and brass. These materials are mainly sourced from suppliers in Austria, China, and Switzerland.

¹⁾ Argentina, Bangladesh, Brazil, Cameroon, Canada, Colombia, Dominican Republic, Ecuador, Guatemala, Honduras, India, Indonesia, Italy, Mexico, Mozambique, Nicaragua, Paraguay, Philippines, South Africa, USA, and Vietnam.

Core values



Quality standards

- GOTHIA TEK® for snus
- MATCHTEK® for matches produced in Sweden

Code of Conduct

Our policies on practices regarding ethical business, employment and labor, the environment and workplace are based on the principles of the UN Global Compact¹⁾. These policies are outlined in our Code of Conduct and underpinned by Group principles, procedures and local policies.

Our Code of Conduct represents the commitment of Swedish Match and of all its employees to conduct business activities in a responsible manner, consistent with applicable laws and regulations. It applies to all employees within the Swedish Match Group, regardless of location or role. Our Code of Conduct forms the foundation for our sustainability approach and efforts. It is reviewed internally and approved by the Swedish Match Board of Directors on an annual basis.

Our Code of Conduct covers, among other things, our commitment to and guidance on respect for human rights and internationally proclaimed human rights conventions and guidelines²⁾, including non-discrimination and fair treatment,

employment terms, freedom of association, the right to collective bargaining and the elimination of forced or compulsory labor as well as of child labor. The Code of Conduct includes guidance on anti-corruption and anti-bribery practices, as well as gifts, loans and hospitality, responsible marketing practices and fair competition. It also includes guidance on eco-efficiency and the importance of following a precautionary principle in environmental management, as well as occupational health and safety, competence development, talent management, and supplier due diligence.

www.swedishmatch.com

More information is available on the Company website www.swedishmatch.com/Code-of-Conduct.

¹⁾ Swedish Match operates in alignment with the principles of the UN Global Compact but is not a signatory. This is due to the UN Global Compact officially excluding tobacco companies from participating in the initiative.

²⁾ The international conventions and guidelines referred to here are the UN Universal Declaration of Human Rights, the UN Convention on the Rights of the Child, the eight ILO fundamental Conventions (Nos. 29, 87, 98, 100, 105, 111, 138 and 182), and the OECD Guidelines for Multinational Enterprises.

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Our focus areas



Improve public health

Our rationale for inclusion

Cigarette smoking is the dominant method of using nicotine. It causes death and diseases among users who inhale toxic substances created in the combustion. Although nicotine has the potential for addiction, the individual and the societal harm is caused by the inhalation of toxic smoke.

Most countries around the world are looking to reduce the societal harm caused by cigarette smoking through implementation of various kinds of regulation. Experience has, however, showed that relying on increased regulation alone is a slow and inefficient method for achieving this goal. If smokers who do not want to or find it hard to stop using nicotine are offered dramatically safer alternative nicotine products, the adverse health effects can be addressed both faster and more efficiently.

Smokefree tobacco products manufactured according to Swedish Match's quality standards have played an important role in reducing smoking rates in Sweden and Norway for many years. Swedish Match is convinced that this journey of tobacco harm reduction will continue. We also see opportunities to replicate this experience around the globe. Our success with ZYN in the US shows that many smokers are willing to try nicotine pouches if they become aware of the products and understand the large difference in associated health risks compared to cigarettes.

Our commitment

Swedish Match's vision is of *A world without cigarettes*. The Company is committed to displacing cigarettes by continuing to develop and commercialize alternative and dramatically safer sources of nicotine – which will improve public health. Youth and certain vulnerable consumer groups should not use nicotine products. Swedish Match will continue to work for appropriate regulation which promotes consumer shifting from cigarettes to less harmful nicotine and tobacco products while also protecting vulnerable consumer groups.

Our approach

Product strategy

Swedish Match provides a wide range of attractive alternatives to cigarettes that are both enjoyable and dramatically safer than smoking. Our smokefree portfolio consists of snus, moist snuff, chewing tobacco¹⁾ as well as innovative products such as nicotine pouches. The vast majority of our R&D efforts and capital expenditures are dedicated to our smokefree business and almost all acquisitions made in recent years have been done to strengthen our smokefree portfolio.

Product appeal is highly important in order to successfully encourage cigarette consumers to find alternative products with favorable risk profiles. At the core of Swedish Match's research and

The scope of this focus area is the entire value chain.



OUR GOAL

Our goal is to eliminate cigarette use and tobacco related morbidity and mortality by offering smokers attractive and safer sources of nicotine for recreational use (such as Swedish snus and other nicotine containing products like ZYN).

- Development and commercialization of nicotine harm reduction products that are attractive to cigarette users and dramatically safer sources of nicotine compared to cigarettes.
- Increased consumer awareness and consumer reach of snus and nicotine pouches.
- Factual and correct media and authority reporting on the difference in relative risks between cigarettes and smokefree tobacco and nicotine products, as well as increased consumer awareness.
- Regulation that promotes consumer shifting from cigarettes to less harmful nicotine and tobacco products while also protecting vulnerable consumer groups.

HIGHLIGHTS 2021

- ZYN available in more than 120,000 stores in the US.
- US shipment volumes for ZYN increased by more than 50 percent.
- Swedish Match nicotine pouches available in more than 20 countries.
- Regulation specifically recognizing nicotine pouches adopted in Switzerland and the Czech Republic and such legislation implemented in Denmark.
- Initiatives taken to implement nicotine pouch specific legislation in a number of EU countries, including Sweden.

¹⁾ All chewing tobacco products sold by Swedish Match are sold in Europe and in the US and are in general low in tobacco-specific nitrosamines and other relevant harmful and potential harmful constituents, compared with the chewing tobacco varieties that are sold in other parts of the world.



development efforts are quality, reduction of potentially harmful constituents and the needs of the adult tobacco consumer. We have been acknowledged around the world for the work we have done in reducing potentially harmful components in our snus products. With nicotine pouches we have taken a step further and have managed to come below the levels that can be detected for almost all of these components – a longstanding aim of Swedish Match. However, it does not matter how much we reduce the risks related to our products if the cigarette consumers do not want to use them. Therefore, behavioral, sensorial and other needs expressed by tobacco users are carefully assessed and incorporated in our product development processes. We know that flavor is an important part of product appeal to cigarette consumers and finding the right flavors for them is important.

Product quality and safety

More than 20 years ago, Swedish Match decided to make detailed information about its GOTHIA TEK® quality standard available to our consumers and other relevant stakeholders. The objective of the GOTHIA TEK® quality standard is to eliminate or reduce harmful or potentially harmful constituents, naturally found in tobacco (and other common crops), to a level that meets comparable food standards. The standard sets maximum levels in finished products for 16 unwanted constituents of which three have also become regulated under the Swedish food legislation. For a list of constituents and current levels, please visit the Company's website.

Nicotine pouch products represent a further step in Swedish Match's work to reduce undesirable constituents in our products. No traces of the three unwanted constituents regulated by the Swedish food legislation for snus can be detected in our nicotine pouch products.

Swedish Match conducts only limited scientific studies on its own but monitors and compiles scientific advancements continuously in a systematic manner. A summary of relevant scientific evidence on snus is available on our Company website and this will be complemented by science on nicotine pouches as it becomes available.

Consumer accessibility

To encourage consumers to find reduced risk alternatives, accessibility is essential. Swedish Match is committed to investing in capacity expansion and expanded distribution for our smokefree portfolio, both in our key markets as well as markets where we currently have no or low presence.

Openness and transparency

Consumers are seeking and have a right to factual information about product options available to them. This implies that manufacturers, including Swedish Match, must be open and transparent about what we know about our products, including scientific findings regarding health impacts. We should communicate this to consumers where we are legally allowed to do so. We should also encourage authorities to give factual and unbiased information about the relative harm of different tobacco products and encourage legislators and regulators to regulate tobacco products differently based on their risk profile.

Regulation and protecting vulnerable consumer groups

During the year, we have continued to actively encourage regulators in a number of European countries to introduce

OUR CHALLENGES

- There are widespread misconceptions about the risk profile of smokefree products compared to cigarettes among both regulators and consumers.
- There is a lack of nicotine pouch specific regulation in many of the countries where we operate or intend to operate.

legislation on nicotine pouches that would limit marketing, cap nicotine levels and perhaps most importantly make the sale of the products to non-adults illegal. In the US, our regulatory focus has been on making sure that our harm reduction products can be sold to adult tobacco users in flavors that are appealing to them. In our regulatory engagement we support:

- Regulation that promotes consumer shifting from cigarettes to less harmful nicotine and tobacco products.
- Regulation of nicotine and tobacco products to ensure that minors don't have access to the products, that there are coherent warning labels on the products and that there are appropriate restrictions on marketing.
- Product regulation for the nicotine pouch and smokefree tobacco categories to ensure that there are scientifically based thresholds for harmful and potentially harmful constituents.
- Excise taxation according to relative risk between different tobacco and nicotine products.

Our progress

Progress update

During 2021 we have further increased the relative contribution from our smokefree portfolio to the total Group. Currently our smokefree business accounts for 72.1 percent of total Swedish Match sales of tobacco and nicotine products compared to 70.1 percent in 2020.

We have actively worked towards increasing the consumer reach of our nicotine pouches in both existing and new markets. The total numbers of retailers where Swedish Match nicotine pouch products are available outside Scandinavia increased from around 115,000 stores in 2020 to almost 130,000 stores in 2021. During the year, Swedish Match further expanded the availability of ZYN in the US and by the end of 2021, ZYN was available in more than 120,000 stores. During the year, Swedish Match has also expanded the availability of its nicotine pouch products on a limited scale to a number of countries outside of Scandinavia and US, and by the end of the year, we were present in more than 20 countries.

In 2021 we have continued to invest heavily behind our smokefree products to fuel future growth. Similar to previous years, we have committed more than 90 percent of our capital expenditure to our smokefree portfolio. During the year, we have once again scaled up the ZYN production capacity in the US. Out of our total R&D expenditure, 91 percent was related to smokefree products.

Driven by the efforts mentioned above, we have continued on the journey towards a world without cigarettes. In the combined Swedish and Norwegian market, shipments of Swedish Match smokefree products in relation to cigarette category volumes increased from 73.6 percent in 2020 to 75.3 percent in 2021.¹⁾²⁾

¹⁾ Based on Swedish Match shipment volumes. All volumes are converted to can equivalent.

²⁾ Cigarette volumes in Sweden is based on distribution data and volumes in Norway is based on data from the tax authority.

The conversion of cigarette smokers to less hazardous alternatives would be even faster if more smokers are aware of the dramatic difference in the relative risk between smokefree products and cigarettes. Educating consumers on such difference continues to be an important task. This difference is probably best understood in Sweden and Norway, but there is widespread misunderstanding even in these markets. In the general population in Sweden, 30 percent believe that snus is at least as dangerous as cigarettes or answer that they do not know. In Norway the equivalent proportion is 34 percent. Only 23 percent of the Swedish population believe that snus is much less dangerous than cigarettes and in Norway this number is only 19 percent. Thus continuous efforts to further increase consumer awareness will remain a focus going forward. We will continue to engage with the scientific community to verify the public health benefits of our products and will continue to be transparent to our stakeholders.

In March 2020, Swedish Match submitted PMTA applications for all its ZYN products presently on the US market and these applications are under scientific review by the FDA. The applications show that almost all harmful and potentially harmful components commonly associated with tobacco products have been reduced below detection levels. Further, the consumer studies presented in the applications show that there is little interest in the ZYN products among consumers who are not tobacco consumers and that there is a large potential to attract existing tobacco users to the products. During 2021, Swedish Match has continued to work on new PMTA applications for products not presently on the US market.

The most important goal of Swedish Match regulatory efforts in Europe is to initiate regulation for nicotine pouches. Specific legislation should be implemented in order to ensure age limits, appropriate marketing restrictions and product standards (including maximum nicotine content per pouch) to ensure consumer protection. During the year regulation specifically recognizing nicotine pouches was adopted in Switzerland and the Czech Republic. Such legislation was adopted in Denmark in 2020 and implemented in 2021.

Swedish Match has had regulatory contact in a number of EU countries and some progress has been made. Already in 2016, Swedish Match contacted the responsible minister in Sweden, alerting the Swedish government that nicotine pouches were not covered by Swedish tobacco legislation and that the products could therefore be legally sold to minors. We have also pointed out that there are no specific marketing restrictions and no product regulations to ensure the safety profile of the products. The Swedish government has now finally announced that regulation will be proposed in 2022. Swedish Match has also contacted regulators in a number of other EU countries alerting them of the regulatory situation for nicotine pouches. In some of these countries, regulators have expressed an active interest in initiating regulation.

Another objective of Swedish Match is that tobacco taxation should be based on relative risk of the different product categories. In 2021 the Norwegian tax was decreased by 25 percent without a corresponding decrease of the cigarette tax. In the budget for 2022 snus taxes were raised by 5.9 percent and cigarette taxes were raised by 6.5 percent.

Consumer reach ¹⁾ (thousands of stores)	2021	2020	2019
Number of retailers where Swedish Match nicotine pouches are available outside Scandinavia ²⁾	129	116	79

¹⁾ Based on number of retailers for nicotine pouches in the US and Other markets (excluding Germany).

²⁾ The information on retailers is based on distributor data and Swedish Match estimates by the end of each year.

Swedish Match's smokefree products ¹⁾ as a share of its total tobacco/nicotine products, %	2021	2020	2019
Volumes ²⁾	84.0	83.0	83.5
Net sales	72.1	70.1	67.7
Capital expenditure including acquisitions	91.3	93.3	92.1
R&D cost	90.5	95.3	95.8

¹⁾ Smokefree consists of snus, nicotine pouches, moist snuff and chewing tobacco.

²⁾ All volumes are converted to portion equivalent.

GOING FORWARD

Goals	Commentary
Development and commercialization of nicotine harm reduction products that are attractive to cigarette users and dramatically safer sources of nicotine compared to cigarettes.	<ul style="list-style-type: none"> Swedish Match will continue to dedicate a vast majority of its R&D resources to development of smokefree tobacco and nicotine products. Swedish Match will continue to dedicate resources to increased geographical footprint for its smokefree nicotine products.
Increased consumer awareness and consumer reach of snus and nicotine pouches.	<ul style="list-style-type: none"> Swedish Match will continue to dedicate significant resources to marketing of its nicotine pouch products to increase consumer awareness.
Factual and correct media and authority reporting on the difference in relative risks between cigarettes and smokefree tobacco and nicotine products, as well as increased consumer awareness.	<ul style="list-style-type: none"> Swedish Match will continue to be active and transparent in the public debate about our products and their health effects.
Regulation that promotes consumer shifting from cigarettes to less harmful nicotine and tobacco products while also protecting vulnerable consumer groups.	<ul style="list-style-type: none"> Swedish Match will continue to engage with regulators to promote interest in specific nicotine pouch regulation.



Ensure ethical business practices

Our rationale for inclusion

At Swedish Match, ethical business practices are vital for keeping our stakeholder's trust and for the long-term success and profitability of the Company. A company based on strong business ethics will keep investors and employees engaged and will be perceived as trustworthy for consumers when making their purchasing choices.

Our tobacco and nicotine products are produced and marketed for adult users. Youth are particularly sensitive to nicotine and should never use any tobacco or nicotine containing products and should be prohibited from buying any such product. As a producer, it is our responsibility to engage with retailers to ensure that they properly understand the need to enforce required age-verification upon sale of tobacco and nicotine products.

Our commitment

Swedish Match is committed to sound business ethics in all our business activities and relations with stakeholders, both within our own operations and when interacting with third parties. We build relationships through honesty and integrity. We are committed to comply with all laws and regulations, and where we deem appropriate, to maintain a higher standard than required, in the countries in which we operate. We believe that business relationships, when built on common values, mutual respect and trust, are important to our long-term success.

Our approach

Our Code of Conduct

Our Code of Conduct represents the commitment of Swedish Match and of all its employees to conduct business activities in a responsible manner, consistent with applicable laws and regulations. It applies to all employees within the Swedish Match Group, regardless of location or role.

As part of our activities to help ensure awareness of the Code of Conduct and to find out whether our employees have reviewed or been informed about the Code of Conduct, we conduct periodic employee surveys. Mandatory training on the Code of Conduct is done through e-learning to supplement town hall meetings and similar events. Employees without e-mail accounts, hourly employees and consultants also receive training related to the Code of Conduct. Matters addressed in the Code of Conduct are continuously communicated to employees through, for example, the Company's Intranet.

Business Ethics Council and Procurement Council

The Business Ethics Council and Procurement Council target enhancement within general business ethics matters and assurance of adherence to our Supplier Code of Conduct. With the responsibility of the sustainability area decentralized to the Company's divisions and operating units, the councils are designated to assist in the coordination of activities and best practice sharing.

Corruption and bribery

At Swedish Match we have zero tolerance towards corruption and bribery. Swedish Match shall not participate in, or through third parties, endorse any corrupt practices. This is clearly stated in the Code of Conduct. Raising awareness and knowledge in these

The scope of this focus area is the entire value chain.



OUR GOAL

At Swedish Match, we will take the necessary steps to ensure that ethical business practices are maintained within our own company and in our relationships with all outside parties.

- Ethical business practices fully embraced and integrated into our corporate culture.
- Zero level of incidents rooted in non-ethical business behavior.
- Responsible marketing with 100 percent compliance with our policy to exclusively market to adult consumers.

HIGHLIGHTS 2021

- We have ensured that all significant suppliers of direct material have committed to the principles of Swedish Match Supplier Code of Conduct.
- All divisions have evaluated and updated their respective marketing policies to secure that these policies reflect marketing of all products within each division's product portfolio and cover all manners and channels of marketing including social media and internet advertising.
- Training sessions have been conducted to secure that relevant employees are up-to-date with and follow the updated marketing policies and applicable legal marketing requirements.

areas within our organization is of high importance and relevant employees are required to complete a specific e-learning on the subject. The e-learning is also open to anyone else within the organization.

Fair competition

It is our belief that healthy competition contributes to increased business opportunities, improvement of economic performance and the reduction of cost for products and services. Competition between competitors shall be conducted in a fair manner and in compliance with competition laws. Our legal departments support the divisions on compliance with the relevant legislation when entering into agreements with our counterparties and performing market activities.

All employees within sales and marketing as well as management teams throughout the Group are continuously trained within fair competition. E-learning programs and tailor-

made compliance manuals are also used to educate personnel within this area and will continue to be used targeting employees within e.g. sales and marketing, procurement as well as research and development.

Anti-money laundering

Money laundering is prohibited by Swedish Match in line with the anti-money laundering laws of various countries. Money laundering is a global problem with potentially very serious consequences. Swedish Match remains vigilant to this concern in our business relations and acts diligently to prevent our products from being used for money laundering. E-learning on anti-money laundering is required for relevant employees within the organization.

Raising concerns and the whistleblower function

To further secure sound business ethics within the organization, we encourage all employees to speak up if they become aware of behavior that is not in line with the Code of Conduct. When raising a concern, employees can always contact their managers, their manager's immediate manager, division heads, or the HR or legal departments. Swedish Match also has a whistleblower function that provides employees with the opportunity to report suspicion of non-compliance with the Code of Conduct to the Chairman of the Audit Committee when applicable. All raised concerns are treated seriously and investigated. Appropriate actions are taken in cases of misconduct. All expectations raised and actions are reported to the Audit Committee. External auditors are also present at the time of these reports.

Our Supplier Code of Conduct

Our Supplier Code of Conduct reflects Swedish Match's Code of Conduct and specifies what we expect and require from our suppliers in terms of employment and labor practices, workplace practices, ethical business practices and environmental management practices. Requirements are based on and comply with international conventions and guidelines¹⁾. The Supplier Code of Conduct forms the basis for our relationship with suppliers and is an integral part of most of our significant business agreements.

For more information, refer to section *Our Supplier Code of Conduct* under the focus area *Human rights in our supply chain*, page 61.

Our Distributor Code of Conduct

In certain markets, Swedish Match has extended its use of codes of conduct in our supply chains by adding a Distributor Code of Conduct which follows along the lines of our Code of Conduct. The intent is to promote good practice throughout our value chain over time.

Personal data and privacy

Swedish Match is committed to handling personal data responsibly and in accordance with applicable legislation. Employees and consultants are trained through workshops and e-learning in order to understand what privacy responsibilities and obligations mean for Swedish Match and how to comply with the regulations.

To comply with the European General Data Protection Regulation (GDPR), Swedish Match operates under a GDPR Governance Model and Compliance Program which aim to integrate GDPR compliance into existing processes as a natural part of our "day to day activities" and to truly embed the Swedish Match GDPR Privacy Policy and supporting instructions within relevant parts of the Swedish Match Group. This GDPR framework serves to adopt an effective GDPR compliance structure with dedicated roles and departments accountable for various activities within the GDPR compliance areas. The compliance work is performed under the direction of our GDPR Privacy Steering Group, chaired by the General Counsel and supported by local Privacy Coordinators covering all legal entities in scope. Through an annual GDPR compliance monitoring procedure, we follow-up compliance within all relevant Swedish Match entities and annual GDPR compliance reports are provided to the Audit Committee of the Swedish Match Board of Directors. During 2021 there were no internal data breaches recorded in the GDPR compliance report.

Responsible marketing

Swedish Match is committed to marketing our products responsibly, in compliance with applicable laws and regulations or high ethical standards if no such regulation is in place. Responsible marketing is covered in the Company's Code of Conduct. The Company also applies division specific policies to ensure that all marketing, regardless of type, format or channel, is legally compliant and responsibly conducted in order to fully comply with the requirements and standards set by Swedish Match.

"Adult only Tobacco and Nicotine" policy

For tobacco and other nicotine containing products, Swedish Match has an adult only policy which firmly states that all such products shall only be marketed and sold to adults of legal tobacco age in each market. If the legal tobacco age in any market is below 18, Swedish Match shall still adhere to a policy of 18 years of age or over. This means that we shall not direct any marketing, advertising or promotion of tobacco and other nicotine containing products to persons under the age of 18 or the legal tobacco age if it is higher.

We are committed to educating, informing, and cooperating with retailers, distributors and public officials to prevent the underage use of tobacco and other nicotine containing products. Swedish Match provides information materials in order to inform both customers and consumers of its position on the sale of tobacco and nicotine products to be designated only for purchases by adults over 18 or of legal age if above 18. Where it is legal, we may sell and market our products online and use face to face marketing and sampling, but only to age verified adults.

Source: Swedish Match Code of Conduct.

¹⁾ The international conventions and guidelines referred to here are the UN Universal Declaration of Human Rights, the UN Convention on the Rights of the Child, the ILO Conventions [No's. 001, 014, 029, 030, 087, 098, 100, 105, 106, 111, 138 and 182], and the OECD Guidelines for Multinational Corporations.

In relation to the innovative and emerging category tobacco-free nicotine pouches, which unlike e.g. tobacco products can fall outside the scope of sector specific legislation, Swedish Match is supporting and complying with initiatives for transparent and responsible self-regulation within the scope of industry agreements. We also provide clear information to the consumers about the health effects of our nicotine products and that the products are only intended for adults.

We have in place, and continuously improve, internal routines and processes in order to ensure legally compliant and responsible marketing. Our marketing material in general, and that relating to our tobacco and nicotine containing products in particular, is subject to strict internal approval procedures. Training of our employees and close cooperation between different internal functions are key elements. With regard to our nicotine containing products, we have age-gated brand websites and ensure to never employ actors/models in our marketing materials under the age of 25. These steps help to implement our standards and prevent underage use. We are committed to educating, informing, and cooperating with retailers, distributors, and public officials.

For Swedish Match's own stores, in Sweden, new employees are trained by our legal department on responsible marketing and the prevention of underage use of our nicotine containing products. For our retailers, for example in Sweden, we have a designated program and a website which include clear information on applicable legislation and regulations and our own strict marketing policy.

of all products within each division's product portfolio and cover all manners and channels of marketing including social media and internet advertising. The aim with these marketing policies is to include the Company's requirements on marketing also for products and territories which fall outside the scope of sector specific legislation. To secure that all relevant employees are up-to-date with and follow the updated marketing policies and applicable legal marketing requirements, specific training sessions were conducted.

Five Code of Conduct concerns have been raised and evaluated in 2021. Three of these were found unsubstantiated and required no further actions while certain actions were deemed appropriate in two cases.

In the past four years, Swedish Match did not incur any fines or settlements related to anti-competitive practices nor was involved in any ongoing investigations. Regarding corruption and bribery, the Company is currently not involved in any ongoing cases and has not had any confirmed cases in the past four years.

In 2021, Swedish Match has ensured that all of the Company's significant suppliers of direct material have committed to the principles of Swedish Match Supplier Code of Conduct. All suppliers of raw tobacco are included. The suppliers have either signed our Supplier Code of Conduct or have their own Codes of Conduct and mechanisms which are broadly similar to our Supplier Code of Conduct.

Ethical business practices	2021	2020	2019
Share of employees that have completed training on our Code of Conduct ¹ , %	96	97	97
Share of employees that believe that they have had an adequate amount of information and training on the Code of Conduct ² , %	N/A	88	N/A
Number of Code of Conduct concerns raised and evaluated	5	8	20
Share of relevant employees that have completed fair competition e-learning, %	96	95	90
Share of relevant employees that have completed training on anti-corruption, %	95	95	84 ³
Share of relevant employees that have completed training on GDPR, %	94	95	82
Share of relevant employees that have completed training on anti-money laundering, %	98	97	81
Share of significant suppliers ⁴ of direct material committed to the principles of Swedish Match Supplier Code of Conduct, %	100	100	99

¹ Relates to individual training for employees with personal e-mail accounts as well as group session training performed for employees in factories without personal e-mail accounts. As of October 2020, consultants on contracts with a duration of over three months are included in the figure.

² Data collected through the Group employee survey which is conducted regularly. The latest survey was conducted in 2020.

³ Decrease due to expanded coverage of relevant employees.

⁴ A significant supplier of direct material is defined as a supplier with which Swedish Match has a significant level of spend. All suppliers of raw tobacco are included, and each is viewed as an individual supplier per country.

OUR CHALLENGES

- No direct control on age verification process at retail where our products are sold.
- Diverse and sometimes unclear regulatory requirements for certain product categories on international markets.
- Current tobacco regulation has a "one-size-fits-all" approach that does not take into account the differences between product categories and their respective risk profiles.

Our progress

Progress update

All divisions evaluated and updated their respective marketing policies during 2021 to secure that these policies reflect marketing

GOING FORWARD

Goals	Commentary
Ethical business practices fully embraced and integrated into our corporate culture.	<ul style="list-style-type: none"> • Continued focus on awareness of different parts of the Code of Conduct throughout the organization; tailor-made education and trainings, information on Intranet and other internal communication channels.
Zero level of incidents rooted in non-ethical business behavior.	
Responsible marketing with 100 percent compliance with our policy to exclusively market to adult consumers.	<ul style="list-style-type: none"> • Continued conduct of a strict approval process on our marketing materials to ensure that relevant legal and Company specific requirements as stated in local marketing policies are met.



Reduce environmental impact

Our rationale for inclusion

Tackling climate change by reducing greenhouse gas (GHG) emissions is one of the greatest, most urgent challenges facing society. To be part of the climate solution is important for our employees and consumers. Climate change affects weather patterns and could have an adverse impact on our agricultural supply chain. It also threatens facilities and operations, supply, and distribution. At Swedish Match, we are taking actions to strengthen our resilience to climate impacts, support transition to low carbon activities, and reduce impact of our products on the environment, including post-consumer littering.

Our commitment

We commit to doing our part in line with the Paris Agreement, supported by science-based targets for our business' value chain. We work with our suppliers and continuously and systematically assess our internal processes to increase our efficiency and reduce the impact that we have on the environment.

Our approach

Addressing climate change in a science-based manner

We have developed an emission reduction strategy in a science-based manner. Our climate targets were set through the Science Based Targets initiative (SBTi) and approved in March 2019. The targets are in line with the level of decarbonization required to keep the rise in global temperature below 2°C compared to preindustrial levels¹⁾. In this process we have been guided by the methodology of the Sectoral Decarbonization Approach (Other Industry²⁾ pathway) and made use of the associated calculation tool to form a basis for our decision.

¹⁾ As described by The Intergovernmental Panel on Climate Change (IPCC).

²⁾ The "Other industry" sector includes all industries that cannot be allocated to the industry sectors Iron & steel, Cement, Aluminum, Pulp & paper and Chemicals & petrochemicals, e.g. food, beverage and tobacco processing.

The scope of this focus area is the entire value chain.



OUR GOAL

Our goal is to limit our environment footprint while growing our business. We are committed to reducing our greenhouse gas (GHG) emissions and waste along our value chain from sourcing to our own operations and continuing through consumer use.

- To reduce GHG emissions by 41 percent by 2030 and by 75 percent by 2050, with 2017 as the base year, in our whole value chain (Scopes 1, 2 and 3).
- To reach our goal by 2030 and 2050, we are committed to reducing GHG emissions by 5 percent per year.
- To reduce total waste per unit of sales and to keep hazardous waste at the absolute minimum.
- To drive effective efforts to prevent post-consumer waste.

HIGHLIGHTS 2021

Reduction of GHG emissions:

- 100 percent of electricity used in our factories in Odense and Silkeborg (Denmark) has been converted to green electricity, making our European operation 94 percent fossil free.
- Transition to green electricity has begun in our factories in Gotland (Sweden) and Manila (the Philippines) to be completed in 2023.
- Coolers used for storage and display of our smokefree products at points-of-sale in Scandinavia use close to 80 percent of green electricity.
- US Division has embarked on a transition program to increase the use of transport vehicles with reduced carbon footprint, primarily in its smokefree distribution fleet from the Owensboro production facility.
- Important tobacco suppliers for our smokefree products in the US and Europe have successfully implemented GHG reduction initiatives and consequently, following a third party verification, we have confirmed a lower emission factor.

Reduction of waste and littering prevention:

- Europe Division has completely eliminated non-recyclable black cans from production in Sweden in 2020 and has begun the elimination of non-recyclable black cans from the production of chew bags in Silkeborg (Denmark).
- Europe Division has improved the sorting process of cans, which significantly reduced the spillage in production.
- Recycling of waste has increased by more than 30 percent, primarily driven by US and Lights divisions.
- US Division has reduced waste to landfill by more than 80 percent by shifting to incineration of waste for power.
- Europe Division has collaborated with three organizations, Håll Sverige Rent (The Keep Sweden Tidy Foundation), DLF, and Livsmedelsföretagen¹⁾, in their commitment to increase the awareness of recyclability of packaging, and to reduce post-consumer littering in Sweden.
- Europe Division has initiated a Life Cycle Analysis of all product packaging, to map our footprint and optimization initiatives.
- US Division has started an educational campaign to inform consumers of recycling eligibility of cans.

¹⁾ DLF and Livsmedelsföretagen are two trade organizations for companies that produce or import goods for resale in grocery retailers and other food service markets in Sweden.

The Sectoral Decarbonization Approach (SDA) is a scientifically informed method for companies to set GHG reduction targets necessary to stay below a 2°C temperature rise compared to preindustrial levels. The method is based on the 2°C scenario, one of the International Energy Agency’s detailed CO₂ sector scenarios modeled in their 2014 Energy Technology Perspectives report (IEA 450 scenario). The Energy Technology Perspectives report’s budget is consistent with the representative concentration pathway 2.6 (RCP2.6) scenario from the IPCC’s Fifth Assessment Report, which gives the highest likelihood of staying within the global target temperature of less than 2°C in the year 2100. All six GHGs covered by the Kyoto Protocol¹⁾ are included in our calculations, where assumptions and emission factors have followed a conservative approach.

Our climate targets were set by the Group Management Team and approved by the Swedish Match AB’s Board of Directors. Each division president is responsible for achieving the target for its respective division, in line with the ambition set under the SBTi. This organizational approach ensures that targets are integrated into normal business operations and review processes, and continuously followed up. To further reinforce our commitment to our targets, as of 2020 we have added an additional performance metric based on our GHG reduction ambition to our Long-Term Incentive plan for senior management.

Accounting for GHG emissions in our value chain²⁾³⁾

We report GHG emissions from our own facilities (Scope 1 direct emissions), emissions from energy used in our own operations (Scope 2 indirect emissions), and emissions in our full value chain

according to the Corporate Value Chain Standard (Scope 3) of the Greenhouse Gas Protocol⁴⁾.

Continuous efforts have been made to enhance our accuracy in the GHG accounting by engaging with business partners and expanding the reported data scope for the recently acquired companies. Where supplier specific emission factors are not available, latest generic emission factors have been used to calculate emissions.

Supplier engagement

Emissions from our upstream activities comprised more than 50 percent of our total carbon footprint. We recognize the importance of engaging with our suppliers in the journey to achieve our ambitious climate target and constantly leverage our purchasing power to find further potential for reduction. The sustainability performance from suppliers is an important criterion in our vendor selection process.

Assessing climate change risks

We address climate change risks in a similar manner as we assess financial and operational risks. Key risks are identified on an annual basis and incorporated into the ERM process at division level. This process aligns with international expectations such as to mitigate and adapt to climate impacts, as well as the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). High level assessment is described below, while more detailed description of climate related risks and opportunities can be found in our submission to the CDP⁵⁾.

Risk	Commentary
<p>Physical risk Tobacco is the most important agricultural commodity for Swedish Match business operations. Changes in precipitation patterns, soil content and heat patterns could negatively affect the yield, quality and availability of the tobacco crop. This could result in shortage of supplies and increasing raw material costs. Our direct operations are also exposed to acute physical risks caused by extreme weather events such as cyclones, hurricanes, or floods which could disrupt the manufacturing and distribution in the affected areas.</p>	<p>Swedish Match sources raw materials from a broad geography, therefore reducing its risk of exposure to climate change which may occur in any single geographic area. We also mitigate the risk through various activities such as climate impact assessment for our tobacco suppliers through the Sustainable Tobacco Program (STP) and a commitment to Science Based Targets initiative (SBTi) to do our part in reducing greenhouse gas emissions in our entire value chain. For our production facilities that have been identified as critical, periodic inspections are conducted by an independent third party. These third party assessments address, among other aspects, the potential risk exposure related to natural disasters and whether a business continuity plan is in place to prevent and recover from such acute situations.</p>
<p>Transition risk Our operations are subject to potential transition risks triggered by for instance new carbon-related regulations and shift in consumer preferences. These risks might impact how the Company can operate its business and interact with its stakeholders. This could imply direct financial impact in the form of increased compliance costs, or decreased revenue due to reduced demand for our products.</p>	<p>The Company closely monitors the regulatory and policy development related to for instance packaging and enhanced emissions-reporting obligation. We also continuously monitor market trends and changing consumer needs by conducting targeted market research. This insight forms the basis for our product development decisions.</p>

¹⁾ IPCC Fourth Assessment Report.

²⁾ Figures described in this section are based on best available information and are subject to revision. Revised figures will be presented on the Company’s website when available.

³⁾ The data scope of this report excludes the recently acquired company Fire-Up International B.V. (February 3, 2021), and partly excludes Swedish Match Denmark, previously V2 Tobacco, (August 31, 2017), House of Oliver Twist (April 3, 2018), and Gotlandssnus (August 22, 2018).

⁴⁾ International standard for calculating and reporting climate impact from business activities.

⁵⁾ CDP (formerly Carbon Disclosure Project) is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts, <https://www.cdp.net>.

Addressing waste and littering from our products

By integrating sustainable practices for our products, from development to end-of-use, we can lower the environmental and social impacts, as well as cost. We aim to reduce total waste per unit of sales at our operations and keep hazardous waste to an absolute minimum. We continuously work to reduce the use of packaging material and other materials associated with our products and explore the possibilities to use recycled materials where permitted in the local legislation. We also work actively towards increasing the recyclability of consumer packaging materials at the end of their product life and collaborate with our business partners in local markets to raise consumer awareness and implement littering prevention initiatives.

Permits and obligatory notification

All facilities satisfied the environmental requirements of their permits during 2021. Our facilities in Gothenburg and Kungälv, in Sweden are subject to obligatory notification in accordance with the Swedish Environmental Code. The operations in Vetlanda and Tidaholm, in Sweden have the environmental permits required for the business. These permits entitle the plants to increase production up to certain levels and specify limits for wastewater, the dust content in ventilation outflows and noise levels. For plants in other countries where Swedish Match has production operations, the Group has permits in accordance with the legislation in each country.

The majority of our production facilities (10 of 16) are ISO 14001 certified. Non-certified factories include our match factories in Curitiba and Pirai do Sul, Brazil, lighters factory in Manaus, Brazil, and businesses acquired¹⁾ since 2018.

EU Taxonomy

We have identified that our forestry plantation in Brazil is associated with the economic activity “Forest Management” defined in the EU Taxonomy and listed in technical screening criteria for the two environmental objectives Climate change mitigation and Climate change adaptation. The forestry plantation makes up a small portion of our business, however is taxonomy-eligible. In accordance with the disclosure requirements in the taxonomy regulation, below we disclose the share of turnover, capital expenditure and operating expenses of our taxonomy-eligible economic activity.

EU taxonomy - Accounting principles

In the context of accounting in line with the EU taxonomy, turnover, capital expenditure and operating expenditure are defined as per below. The definition of capital expenditure and operating expenses differs here compared to our regular financial reporting.

Turnover

The presentation of total sales corresponds to item Sales in the Group’s income statement, page 80, and *Note 3 Segment information*, page 92. Sales related to the economic activity “Forest Management” refers to sales of timber to third parties and internal sales of timber, used in Swedish Match’s own production facilities.

Capital expenditure

Total capital expenditure refers to additions to tangible and intangible assets during the year, excluding depreciation, revaluations and write-downs and excluding changes in fair value. Furthermore, additions to rights of use and tangible and intangible assets arising from business combinations excluding goodwill are included. See *Note 11 Intangible assets*, *Note 12 Property, plant and equipment* and *Note 13 Biological assets*, pages 99-101. Capital expenditure related to the economic activity “Forest Management” refers additions of tangible and intangible assets, as defined by the EU taxonomy, directly associated with our forestry operations in Brazil.

Operating expenses

The accounting of operating expenses within the framework of the EU taxonomy includes the Group’s direct costs related to research and development, building renovations, short-term leases and maintenance and repairs. Operating expenses related to the economic activity “Forest Management” refers to operating expenses, as defined by the EU taxonomy, directly related to the forest operations in Brazil.

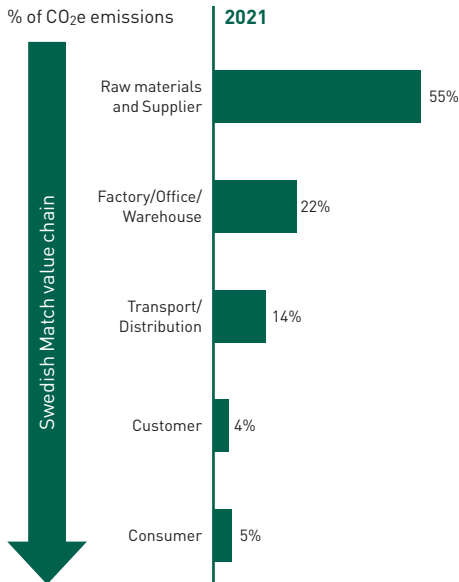
OUR CHALLENGES

- Continued substantial volume growth, especially for our nicotine pouches in the US, makes it challenging to achieve year-over-year total GHG emissions reduction.
- Limited control over Scope 3 emissions, which account for more than 80 percent of Swedish Match’s total emissions.
- Phasing out fossil fuels can be challenging in several markets due to the lack of technical and economically viable alternatives.
- Nicotine is listed as hazardous waste in the US and Europe, therefore we are required to report the chemicals and contaminated materials such as cans and packaging materials for nicotine pouches as hazardous.

¹⁾ Fire-Up International B.V. (February 3, 2021), House of Oliver Twist (April 3, 2018), and Gotlandssnus (August 22, 2018).

OUR PROGRESS

Climate footprint at each stage of Swedish Match's value chain



Example of initiatives to reduce environmental impact of our business

Active engagement with key suppliers (tobacco, transportation, pouch paper) to review and improve our climate footprint.	
Continued our shift towards green electricity and now employed 100 percent in our smokefree manufacturing facilities in Denmark. The shift is ongoing in the Gotland and Manila facilities.	Shift from waste to landfill to incineration of waste for power production in the Owensboro facility.
Benchmark and optimization of freight transportation efficiency in the US.	Continued improvement from eco driving system for fleet of vehicles used for distribution in the US and in our own logistic business.
Coolers in Scandinavia use close to 80 percent green electricity.	Reuse of cartons in shipments to customers.
Continued elimination of non-recyclable black plastic cans for our products produced in Silkeborg.	Collaboration with our partners in Sweden, Norway and the US to raise consumer awareness regarding littering issues.

GHG EMISSIONS FROM SWEDISH MATCH'S MAIN PRODUCTS PER UNIT OF PRODUCTION¹⁾

Gram CO ₂ e	2021	2020 ²⁾	2019 ²⁾
US smokefree	180	211	255
Scandinavia and Other markets smokefree	71	88	103
Cigars	33	32	36
Lighters	90	84	100
Matches	29	28	33

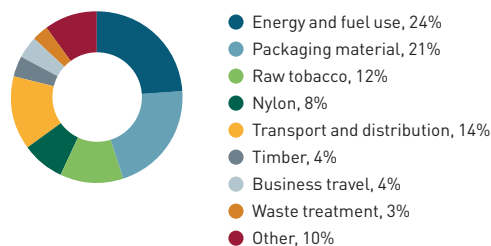
¹⁾ Unit of production is based on one can or can equivalent for snus, nicotine pouches, moist snuff, chew bags and tobacco bits, one 3 ounce portion of US chewing tobacco, one cigar, one lighter or equivalent and one match box.

²⁾ Figures restated due to refined data collection.

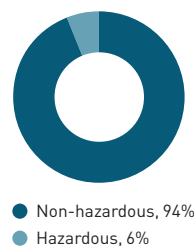
WASTE FROM SWEDISH MATCH'S MAIN PRODUCTS PER UNIT OF PRODUCTION¹⁾

Gram	2021	2020 ²⁾	2019 ²⁾
US smokefree	9.8	11.5	11.7
Scandinavia and Other markets smokefree	6.4	7.1	7.2
Cigars	1.0	1.0	1.2
Lighters	1.0	0.8	0.9
Matches	20.4	18.5	18.2

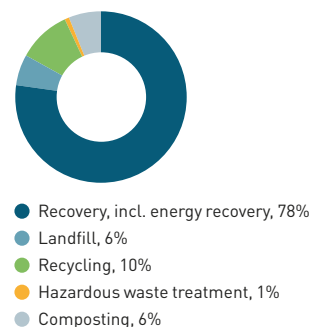
2021 GHG EMISSIONS BY SOURCE



2021 WASTE BY TYPE



2021 WASTE BY TREATMENT METHOD



Progress update

Reduction of GHG emissions

Swedish Match's direct emissions (Scope 1) and indirect emissions (Scope 2) account for only 17 percent of the total GHG emissions. The remaining 83 percent includes emissions from upstream and downstream (Scope 3) activities identified as relevant to our value chain. The GHG emissions across the value chain amount to 209,454 tons CO₂-equivalents (CO₂e) for the year 2021. Our total emissions have increased by 3.5 percent versus 2020, primarily driven by strong volume across all product categories. However,

measured per unit of net sales in constant currency terms, we have reduced emissions by 7 percent versus 2020.

Our Scope 1 and Scope 2 emissions have increased by 14 percent primarily driven by higher production volume for the US business, where currently only 7 percent of energy is fossil free. It remains challenging to increase the use of renewable energy in the US since our production is located in areas where coal is the dominant source of electricity. Europe Division, on the other hand, has increased the share of green electricity from 83 to 94 percent in 2021. During the year both of our factories in Denmark

have shifted to 100 percent green electricity, and we have also increased the share of green electricity used in our facility in Gotland. Lights Division continue transition to green electricity in the Manila facility with total share of fossil free energy amounted to 70 percent globally.

Total Scope 3 emissions have increased by 2 percent year over year primarily due to higher amount of purchased materials in Lights Division, particularly nylon, driven by volume growth. The total Scope 3 emissions for our smokefree products have declined by 9 percent compared to last year. The reduction was driven by our tobacco suppliers both in US Division and Europe Division which have successfully implemented GHG reduction initiatives. After a third party verification we have confirmed a lower emission factor, which resulted in more than 60 percent lower tobacco emissions. We have also continued to work on decreasing the environmental footprint of our packaging. Aluminum film, one of the most carbon-intensive packaging materials used in our products, has in 2021 been completely removed from our cigar consumer packaging.

Reduction of waste and littering prevention

Total waste in our operations have increased 9 percent compared to 2020, due to higher volume and temporary inefficiencies in the production of matches. Measured per unit of net sales in local currency terms, our waste was reduced by 2 percent, and 94 percent of total Group waste is classified as non-hazardous. The total hazardous waste generated has temporally increased year over year driven by higher wood waste in Lights Division. Recovery, including energy recovery, remains a main waste treatment method, covering 78 percent of total waste. Waste to landfill decreased by 48 percent, largely driven by a shift to incineration of waste for power production in the Owensboro facility.

Despite increase in total packaging consumption due to higher volumes, the focus remains on we finding low carbon alternatives and where possible, replacing virgin materials with recycled materials in our packaging. In 2021, 51 percent of the paper used in packaging was made from recycled material. However, it remains challenging to replace virgin plastic with a recycled alternative, due to shortage of supply and limiting regulations within the food industry. Currently, less than 1 percent of plastic used in our production made from recycled material.

In addition, we have continued our efforts to reduce the waste from our own operations by implementing different initiatives to address the issue of post-consumer waste from our products. We have continued to reduce the use of black plastic cans in our production of smokefree products destined to markets outside the US. We also partnered with organizations in Sweden and Norway to provide infrastructure to further enable recycling and raise consumer awareness regarding littering issues.

Greenhouse gas emissions (metric tons CO _{2e})	2021	2020 ¹⁾	2019 ¹⁾
Scope 1 + Scope 2	35,271	30,925	31,593
Scope 3	174,184	171,462	182,175
Total emissions	209,454	202,387	213,768
Percent change total emissions	3	-5	9
Total emissions per MSEK sales²⁾	11	12	15
Percent change per MSEK sales	-7	-16	-4

¹⁾ Figures restated due to refined data collection.

²⁾ Net sales from product segments in constant currency terms.

Energy use in our own operations (MWh)	2021	2020 ¹⁾	2019 ¹⁾
Direct energy use	94,398	89,958	88,768
Indirect energy use	96,492	90,313	89,643
Total energy use	190,890	180,271	178,411
Total energy use per MSEK sales²⁾	10	11	12
Percent of fossil free energy	45	47	44

¹⁾ Figures restated due to refined data collection.

²⁾ Net sales from product segments in constant currency terms.

Total packaging material (metric tons)	2021	2020 ¹⁾	2019 ¹⁾
Plastics	9,097	7,995	6,637
Paper	13,284	12,151	11,754
Metalized film	2,229	2,105	1,623
Metal	943	770	837
Aluminium film	13	17	447
Total packaging material	25,566	23,038	21,299
Total packaging material per MSEK sales²⁾	1.4	1.4	1.4
Percent change per MSEK sales	0	-5	-11

¹⁾ Figures restated due to refined data collection.

²⁾ Net sales from product segments in constant currency terms.

Total waste (metric tons)	2021	2020 ¹⁾	2019 ¹⁾
Non-hazardous waste	27,756	26,214	25,384
Hazardous waste	1,651	776	780
Total waste	29,408	26,990	26,164
Total waste per MSEK sales²⁾	1.6	1.6	1.8
Percent change per MSEK sales	-2	-9	-16

¹⁾ Figures restated due to refined data collection.

²⁾ Net sales from product segments in constant currency terms.

Post-consumer waste	2021 ¹⁾	2020
Number of anti-littering initiatives	4	2
Number of organizations/partners engaged in anti-littering initiatives	3	4

¹⁾ The initiatives accounted for in 2021 were our initiative with Panta Dosan, our commitment to clean a natural reserve in Norway, an anti-littering campaign with Håll Sverige Rent, as well as recycling eligibility of cans campaign in the US. Organizations that Swedish Match engaged with were: DLF, Livsmedelsföretagen, Håll Sverige Rent (The Keep Sweden Tidy Foundation) as well as Hold Norge Rent (Keep Norway Beautiful).

	2021 Total (MSEK)	Proportion of Taxonomy eligible activities, %	Proportion of Taxonomy non-eligible activities, %
EU Taxonomy			
Turnover	18,489	0.1	99.9
Capital expenditures (CapEx)	1,172	0.7	99.3
Operating expenditures (OpEx)	326	0.1	99.9

GOING FORWARD:

Goals	Commentary
<p>To reduce GHG emissions by 41 percent by 2030 and by 75 percent by 2050, with 2017 as the base year, in our whole value chain (Scopes 1, 2 and 3).</p> <p>To reach our goal by 2030 and 2050, we are committed to reducing GHG emissions by 5 percent per year.</p>	<ul style="list-style-type: none"> Continued engagement with key suppliers of raw materials to further improve our GHG accounting visibility and to better guide our emission reduction efforts in upstream activities. Actively seek new opportunities to reduce our climate footprint with regard to plastic use for consumer packaging. Continued rollout of <i>Cricket</i> Eco, our lighter range using 100 percent recycled nylon, in a number of markets. Shift to green heating at our Danish factories by 2023. Shift to 100 percent of green electricity and heating used in the Gotland factory, Sweden, by 2023.
<p>To reduce total waste per unit of sales and to keep hazardous waste at the absolute minimum.</p> <p>To drive effective efforts to prevent post-consumer waste.</p>	<ul style="list-style-type: none"> Continued initiatives to facilitate recycling of post-consumer packaging. Continued elimination of the use of black plastic cans for products produced in Silkeborg, Denmark. Continuous improvements on efficiencies in production and in procurement of materials.





Human rights in our supply chain

Our rationale for inclusion

With tobacco being an agricultural product, there is a risk of human right violation in the supply chain especially related to child labor. According to the International Labor Organization, ILO, approximately 160 million children are involved in child labor worldwide; with the vast majority found in agriculture.

Poverty is one of the main causes which influence farmers' ability to achieve acceptable levels of socioeconomic wellbeing. It expedites the risk of child labor on tobacco farms because farmers may be unable to hire workers or afford school costs for their children. Farmers who can support their families are more likely to apply good agriculture practices and send their children to school. These are the farmers Swedish Match prefers to source from. This not only helps to safeguard high quality tobacco supply necessary for our GOTHIA TEK® quality standard, but also in so doing, increases the likelihood that risks of incidences of child labor and other human rights violations are mitigated. By implementing targeted initiatives, and developing strong working relationships with farmers, suppliers and other stakeholders, Swedish Match can have a significant socioeconomic impact on people and tangible benefits for economies and societies in which we operate, meanwhile mitigating reputational and operational risks.

Our commitment

We respect universal human rights and support internationally proclaimed human rights conventions and guidelines. We recognize the role we play in respecting these rights and in making sure that they are upheld for the people impacted by our business, in the areas from which we source materials.

Elimination of child labor is the center of focus in our efforts. Swedish Match does not accept child labor anywhere in our supply chain. We respect the rights of the child, including the right to education, the right to rest and play and the right to have the child's basic needs met, in accordance with the UN Convention on the Rights of the Child.

Our approach

Minimum age of employment

Consistent with the UN Convention on the Rights of the Child and the ILO Convention 138 on the minimum age for admission to employment and work, Swedish Match adheres to the principle that the minimum age for work should be above the age for finishing compulsory schooling, which is generally 15 years of age, or 14 years according to exceptions for developing countries. If relevant national legislation has set a higher age, this age applies. Work that is likely to be hazardous or harmful to the child's health as well as physical, mental, spiritual, moral or social development or that interferes with the child's education shall not be performed by young workers – children between 15 or 18 years of age. In the case of family farms, children of farmers between the ages of 13 and 15 years or above the minimum age for light work as defined by the country's law, whichever affords greater protection, can do light work on their own family's farm, as long as it does not threaten their health and safety, or hinder their education or vocational orientation and training.

The scope of this focus area is our own production facilities and our suppliers and, for tobacco, the farmers who provide tobacco to suppliers.



OUR GOAL

Our goal is the elimination of child labor and other human rights violations in the Company's supply chain.

- 100 percent child labor free tobacco.
- 100 percent of our raw tobacco suppliers covered by STP or Swedish Match's due diligence program.
- Robust systems to identify, prevent and mitigate child labor and any other human right related issues in our entire supply chain.

HIGHLIGHTS 2021

- 100 percent of significant suppliers of direct materials have committed to the principles of Swedish Match Supplier Code of Conduct.
- 95 percent of our raw tobacco volumes included in STP or in Swedish Match's due diligence program.
- Suppliers' self-assessments for 2021 were completed and verified in the STP platform by the STP Secretariat. Three suppliers have been identified for an in-depth assessment anticipated to be conducted in 2022.
- 99 percent of our suppliers' farmers under STP have been monitored for child labor.
- We were able to conduct 80 farm visits. Independently, our suppliers also continued to conduct their own site-visits in the countries wherever allowed.

Our Supplier Code of Conduct

Our Supplier Code of Conduct reflects Swedish Match's Code of Conduct and specifies what we expect and require from our suppliers in terms of employment and labor practices, workplace practices, ethical business practices and environmental management practices. Requirements are based on and comply with international conventions and guidelines¹⁾. The Supplier Code of Conduct forms the basis for our relationship with suppliers and is an integral part of most of our significant business agreements.

Swedish Match strives to work with suppliers who have a healthy long-term financial position and chooses suppliers who also support Swedish Match's requirements regarding ethical business practices and other sustainability aspects.

We are in frequent and recurring dialogue with our suppliers on our fundamental values. Activities include communication of requirements in the Supplier Code of Conduct, follow-up on adherence through supplier assessments and audits as well as further dialogue on priority issues to ensure continued improvement. The overall aim is to proactively increase our further dialogue with suppliers on topics with regard to sustainability.

Smokefree tobacco due diligence

We purchase a vast majority of tobacco from global suppliers who in their turn purchase the tobacco from a large number of farmers. Most of these farms are located in developing countries.

They are often small and family owned, and crops are rotated between tobacco and other agricultural products.

All of our suppliers monitor farmers as part of their due diligence process. The monitoring process is primarily based on announced and unannounced visits by field technicians, often several times throughout the growing season. The field technicians audit farmers on numerous areas, including labor practice standards and crop quality. If a noncompliance is recorded, then required actions are taken by the supplier, which may entail training, remediation, or if necessary, non-renewal or termination of contracts with farmers. We audit the suppliers' efforts through self-assessment, validation and third parties review governed by the STP, as well as our own annual farm visits.

The STP covers nearly all of our tobacco suppliers for smokefree products. The Human and labor rights theme in the STP, together with the Livelihoods theme, address components which are fundamental to the well-being of people involved with the production of tobacco. Topics under assessment and review include child labor, fair treatment, freedom of association, income, work hours and benefits, modern slavery, and safe working environment. These themes align with the United Nations Guiding Principles on Business and Human Rights and contribute to six UN Sustainable Development Goals.²⁾ The due diligence cycle under the STP is described as below.

¹⁾ The international conventions and guidelines referred to here are the UN Universal Declaration of Human Rights, the UN Convention on the Rights of the Child, the ILO Conventions (No's. 001, 014, 029, 030, 087, 098, 100, 105, 106, 111, 138 and 182), and the OECD Guidelines for Multinational Corporations.
²⁾ UN Sustainable Development Goals: Goal 1: No poverty; Goal 2: Zero hunger; Goal 5: Gender equality; Goal 8: Decent work and economic growth; Goal 10: Reduce inequalities; and Goal 16: Peace, justice and strong institutions.

STP due diligence cycle

Stages	Participants	Description
Global, generic risk screening	Independent STP Secretariat	An industry-common process to identify what the generic risks (and possible opportunities) are and where (country specific results) the risks are the highest.
Self-assessment and validation	All suppliers; Independent STP Secretariat	An industry-common process for all suppliers to perform self-assessment on an annual basis. Suppliers are asked to specify their commitment and procedures ¹⁾ and report quantitative measures to show impact. The self-assessment results are then validated by the STP Secretariat.
Prioritization	Independent STP Secretariat; Manufacturers	Based on the generic risk screening and self-assessment validation results, a list of prioritized countries, suppliers and tobacco types are identified for an in-depth assessment.
In-depth assessment by third party	Prioritized suppliers; Independent assessor	The in-depth assessment is performed by a third party with subject expertise. This forms the basis for the consecutive stages in the STP process.
Dialogue for improvement	Prioritized suppliers; Independent assessor; Manufacturers; Independent STP Secretariat	The STP platform delivers a standardized format for dialogue to promote synergies among stakeholders. This dialogue renders an impact oriented action plan aiming for improvement as well as effective results in measured KPIs set in the STP standard.
Implementation of actions	Prioritized suppliers; Manufacturers	A standardized log format is set to facilitate communication on progress. The results of this process provide input into the next cycle and show effective results in measured KPIs set in the STP standard.

¹⁾ Procedures include farm monitoring, extreme breach procedure, prompt action issues procedure and grievance mechanisms and impact assessments.

Cigar tobacco due diligence

For the cigars tobacco supply chain due diligence, we rely on both the STP and our own Cigar Leaf Audit Program to monitor adherence to our Supplier Code of Conduct.

For the tobacco used in the body of our cigars as filler, we source from global suppliers, with farms located all over the world. We believe we can deliver more impact through industry leverage when performing the due diligence, therefore 95 percent of filler tobacco is covered by STP.

For tobacco used as wrapper for our cigars, we source from a limited number of suppliers and farms. The largest suppliers account for more than 90 percent of total purchases and the locations of the farms are more concentrated than our smokefree raw tobacco farms. Thus, we believe it is more efficient to run our own due diligence program. Nearly all of our cigar leaf tobacco volumes are monitored through the Cigar Leaf Audit Program. The program is founded on Swedish Match's sustainability focus areas. The continuity of compliance with the requirements in the program is verified through annually submitted supplier's self-assessment and evidence validating the answers. Documentation is reviewed and opportunities and non-conformances detected will be added to the supplier's risk reduction plan and followed up in dialogue with the supplier, on site or digitally, to define necessary actions going forward.

Traceability of tobacco

The STP defines traceability as the ability to identify and trace the history, distribution, location and application of products, parts, and materials, in the areas of human rights, labor (including health and safety), the environment and anti-corruption. Traceability enables us to follow the raw tobacco through the supply chain stages, including who grew the tobacco, how much was grown, how it was grown and what impacts growing activities had on people involved and the environment.

We encourage our suppliers to implement Integrated Production Systems (IPS) and have the contracts signed ahead of the growing season, without involvement of intermediaries. A core component of IPS is an upfront commitment from our suppliers to contracted farmers. A benefit of IPS is to enable

greater supply chain transparency and traceability. This enables opportunities to identify issues or adverse impacts during the growing season and provides us with the leverage to address those issues or impacts to effect change in the supply chain.

Engaging in IPS is not always possible due to various market conditions and government regulations. Therefore, we encourage our suppliers to seek alternatives and to work with relevant stakeholders to establish a clear chain of custody for tobacco in their supply chain and to verify that farmers are upholding set standards.

ECLT Foundation

Swedish Match is a member of and represented on the board of the ECLT Foundation – Eliminating Child Labour in Tobacco Growing Foundation. The foundation is committed to pursuing collaborative solutions for children and their families that combat the root causes of child labor in tobacco-growing communities. Founded in 2000, this multi-stakeholder initiative brings several stakeholders from different parts of the tobacco industry together toward a common goal. Since 2011, the ECLT Foundation has supported over 1,035,000 children, farmers and families in the fight against child labor and are currently active in projects in Guatemala, Indonesia, Malawi, Mozambique, Tanzania and Uganda.

Our involvement provides us with a platform to continuously keep the issue high up on the agenda, exchange experience and knowledge within this field, and follow projects to tackle the issue on the ground. For more information on the ECLT Foundation, see www.eclt.org.

Direct material other than raw tobacco

For direct materials other than raw tobacco we rely on our own due diligence programs to monitor adherence to our Supplier Code of Conduct. The due diligence primarily covers tier one suppliers¹⁾. The tier one suppliers are continuously screened for compliance and risk in relation to ethical business practices, employment and labor practices, including child labor. In addition to this, we encourage our suppliers to develop their own supplier standards and monitoring procedures.

¹⁾ Suppliers referred to here are suppliers who provide products directly to Swedish Match, without middlemen or other manufacturers.

Sustainable Tobacco Program (STP)

The STP is an industry-wide initiative, jointly developed by tobacco manufacturers and experts, to assure standards in agricultural practices as well as environmental management and key social and human rights areas. Through industry leverage the program delivers impact and continuous improvement in the tobacco supply chain.

The STP is developed in line with relevant UN SDGs as well as global standards, guidelines and reporting frameworks. The program is governed by the STP Steering Committee, which consists of representatives from PMI, JTI, BAT/RJ Reynolds, Imperial Brands, Altria, and Swedish Match, and managed by the STP Secretariat, an external party that holds a secretarial, project management and advisory role.

The STP addresses eight common industry priority themes: Governance, Crop, Climate change, Human and labor rights, Livelihoods, Natural habitat, Soil health, and Water. An industry guidance is defined for each theme, with specific goals and indicators to measure impact and track progress.

The first self-assessment cycle was completed in 2021. Future reviews will be done annually and based on the crop cycle. The aim of the first 3-year cycle is to perform third-party assessments on the subsidiaries of our suppliers that are located in geographies where there is an elevated risk of non-compliance with the high standard set by STP for each theme.

Swedish Match sources direct materials other than raw tobacco from a wide range of suppliers and regions, with the majority of our significant suppliers located in the US and Europe. We adopt a systematic approach to assess the risk related to business integrity and human rights in our value chain. The assessment is based on a combination of industry risk and country of origin. Classification of risk has been done based on geographical location and the Corruption Perception Index of Transparency International (CPI), cross-referenced with Maplecroft’s Human Rights Index¹⁾ and complemented with specific industry-related risk of human and labor rights violations. The suppliers classified as high risk are suppliers of lighter components or finished products primarily sourced from Asia.

All of the high risk suppliers are required to perform a self assessment. Based on the assessment results, further dialogues are initiated. Third party audits are conducted on suppliers based on their risk score and cover ethical business practices, employment and labor practices. The audit generates a report, including a corrective action plan which is followed up by the auditor. Immediate action is taken in case the audit report includes major exceptions on legal and/or regulatory compliance on matters audited.

OUR CHALLENGES

- Traceability of tobacco is not always possible due to various market conditions and government regulations.
- According to ILO, a large body of evidence affirms that due to the COVID-19 pandemic, families in low-income countries may turn to child labor as a coping mechanism.

Our progress

During the past year, we have continued to participate in the Sustainable Tobacco Program (STP) and have made efforts to integrate our own due diligence program for cigars into the same digital platform as STP. This step will enable us to improve how we consolidate and track human rights KPIs, both in the areas of traceability and monitoring for our raw tobacco suppliers. With both STP and our own internal reporting performed in the same system, we hope to improve our capabilities of tracking suppliers’ progress in a more systematic way, and also to improve transparency in our external reporting.

In 2021, 95 percent of our raw tobacco volumes were included in STP or in Swedish Match’s due diligence program. For the suppliers reporting in STP, the first cycles of self-assessments were completed and verified by the STP secretariat. Based on the validation of the evidence, three suppliers were identified for an in-depth assessment anticipated to be conducted in 2022. All of our raw tobacco suppliers for cigars, which are covered by the internal Cigar Leaf Audit Program, have completed self-assessments in 2021. Based on the result, all suppliers evaluated were provided a risk reduction plan based on non-conformities identified in the audit. Swedish Match conducted follow-up reviews and dialogue with the suppliers digitally.

All of our suppliers monitor their farmers, primarily through announced and unannounced visits by field technicians. In

case, a prompt action issue²⁾ is recorded, we encourage our supplier to confront and cease it immediately. Field technicians are empowered to address a prompt action issue directly on the farm. Where the technician does not have the necessary skills, the issue would be referred to an agricultural labor practices (ALP) manager or, in some cases, through an independent third party. Based on the latest STP self assessments, 99 percent of our suppliers’ farmers have been monitored for child labor and 97 percent of all prompt action issues, including child labor, recorded by our suppliers of smokefree tobacco were resolved. In addition to suppliers’ monitoring, our Leaf Operations teams have conducted 80 farm visits to validate the efforts made by the suppliers.

Traceability of tobacco remains a crucial part of preventing human rights issues in the supply chain. In 2021, 84 percent of our total raw tobacco volumes were sourced from contracted raw tobacco farmers. Establishing traceability is not always possible in various markets due to government regulations, therefore we continue to encourage our suppliers to seek alternatives and establish a clear chain of custody for tobacco in their supply chain.

In 2021, the ECLT Foundation remained committed to strategic investment and collaborative efforts to support children, farmers and families in areas where tobacco is grown. During the year, ECLT also provided urgent relief funds to raise awareness about COVID-19, provide masks and other needed health supplies, support families, and keep children connected with their studies during school closures.

During 2021 we have continued to monitor our significant suppliers in accordance with Group Procedures. Ten third party audits have been performed in 2021 and we are now in line with set targets. The audits covered child labor, employment and labor practices and ethical business practices. All audit results were reviewed by Division Presidents and corrective action plans are followed up, on site, by a third party auditor.

Supply chain management	2021	2020	2019
Raw tobacco			
Share of raw tobacco volumes sourced from global tobacco suppliers, %	91	93	N/A
Share of raw tobacco volumes included in STP or Swedish Match’s own due diligence program, %	95	96 ¹⁾	N/A
Number of farms visited by Swedish Match	80	47	138
Share of raw tobacco volumes sourced from contracted raw tobacco farmers, % ²⁾	84	N/A	N/A
Share of our suppliers’ farmers monitored for child labor under STP, % ²⁾³⁾	99	N/A	N/A
Share of prompt action issues related to human rights and child labor recorded by field technicians on suppliers’ farms that have been resolved, % ²⁾³⁾	97	N/A	N/A
Direct materials other than raw tobacco			
Number of significant suppliers ⁴⁾ of direct material other than raw tobacco	80	75	66
Number of significant suppliers of direct material other than raw tobacco that are viewed as high risk	17	17	15
Number of third party audits performed on high risk suppliers of direct material other than raw tobacco	10	0	5

¹⁾ Figures restated due to refined data collection.

²⁾ New KPIs added in 2021.

³⁾ This KPI measures our suppliers of smokefree tobacco.

⁴⁾ A significant supplier of direct material is defined as a supplier with which Swedish Match has a significant level of spend.

¹⁾ The index assesses key elements of the human rights and development environment, including labor rights, civil and political rights, human security, poverty, education, and health.

²⁾ Prompt action issues are defined by STP as situations where, through negligence or ignorance, an individual’s actions are deemed an immediate or prolonged risk to themselves or others around them. All prompt action issues are considered a human right violation.



GOING FORWARD:

Goals	Commentary
<p>100 percent child labor free tobacco.</p> <p>100 percent of our raw tobacco suppliers covered by STP or Swedish Match's due diligence program.</p> <p>Robust systems to identify, prevent and mitigate child labor and any other human right related issues in our entire supply chain.</p>	<ul style="list-style-type: none"> • Review the results of the in-depth assessments under the STP and take necessary actions on potential findings. • Review the results of the next cycle of self-assessment under STP. • Continue Swedish Match due diligence program for our cigar suppliers. • Continue third party review of high risk suppliers of direct materials other than raw tobacco and necessary actions on potential findings.





Equal opportunity

Our rationale for inclusion

We are convinced that a diverse workforce and diverse management groups are positive for our business. Diversity creates value in and of itself, and a balanced workforce improves our chances of recruiting and retaining the best talent and to keep employee engagement. We have identified gender and cultural background to be the areas where the Company could benefit most from an increased diversity focus. We are still well below our Group goal of having at least 40 percent of each gender in senior management. We need to continue to take action and are confident that the initiatives we do now will have an effect in the long run.

Our commitment

We are committed to non-discrimination in all employment practices, policies, benefits and procedures and we work diligently to make sure that all our managers and employees understand that there is zero tolerance for discrimination. Neither employees, nor potential employees, should feel that they are or could be the subject of discrimination at Swedish Match.

At Swedish Match we put equal opportunities first and foremost in our work toward non-discrimination and diversity. We are dedicated to having an open and inclusive work environment where all our employees shall have equal opportunities to achieve their full potential, regardless of personal status. We take a proactive approach for diversity and against structural discrimination and norms that may stand in the way of equal opportunities.

Our approach

Tone from the top for equal opportunity

We believe that the most important element of our efforts is to foster a genuine culture of equal opportunity with the right tone from the top. The Group Management Team (GMT) is fully committed to our equal opportunity efforts. Progress is continuously being monitored and senior managers are mindful to set clear examples that help developing and fostering the culture. Many actions are taken each year to ensure that we create and maintain an inclusive work environment. We continually have initiatives to assess and improve our culture from a diversity perspective. We monitor our succession planning, recruitments and promotions, organize gender equality programs, perform detailed equal pay analyses and conduct other equal employment opportunity efforts. Employee satisfaction and perceived ability to advance and develop are tracked through a global employee opinion survey which also includes parameters on discrimination.

How we achieve equal opportunity

Non-discriminatory promotions and recruitments
The processes for promotions and recruitments are very important aspects of shaping and developing a company culture. They are also key elements in achieving a more diverse workforce. We work hard to make sure that these processes are non-discriminatory. This will benefit our equal opportunity efforts both in the long and short term. We consider it to be strategically important to develop and promote internal personnel and we have been successful in filling many vacancies for senior positions with internal candidates. We, therefore, consider a diverse talent pool to be a key element of achieving a more diverse workforce at the senior management level over time. The GMT thoroughly

The scope of this focus area is our own operations.



OUR GOAL

Our continuing objective is to be a truly open and inclusive employer. In this environment, with zero tolerance for discrimination, all employees have equal opportunity to achieve their full potential – resulting in a more diverse workplace.

- No employees should feel that they are, or could be, the subject of discrimination at the workplace.
- To have at least 40 percent of each gender in senior management¹⁾.
- To increase diversity in cultural backgrounds.

¹⁾ Defined as participants in the Company's Long-Term Incentive (LTI) plan.

HIGHLIGHTS 2021

- Continued strong Group-wide focus on ensuring diversity among applicants and final candidates in order to find the best candidates.
- A Women's Resource Network established within Field Sales, US Division - a mentoring initiative for female personnel led by top female Field Sales employees.
- The Diversity and Inclusion team in Richmond, US Division, completed training and certification and will roll out the division's diversity vision statement and business case complemented with internal communication channels dedicated to diversity and inclusion.
- The annual Affirmative Action Plans completed in the US Division, goals communicated, and progress monitored.
- Internal Diversity and Inclusion training conducted with senior management in the US Division.
- Digitized job descriptions accessible to all employees within Europe Division to be able to promote internal mobility.
- Roll out of updated equal treatment and ethics program at SMD Logistics, Sweden, with active participation from employees with the view to make equal treatment part of everyday life.
- Continued efforts to active search for female applicants when recruiting to male dominated positions within Lights Division and SMD Logistics.

reviews the pool of often relatively junior talented employees from several perspectives, including diversity, and discuss means to become more effective in ensuring a large and diverse pool of employees with a mixed set of skills that can advance far in the organization. For more immediate effects external recruitment is an important tool. We view every external recruitment as an opportunity to ensure that we scan the entire market for the very



best candidate. Experience has taught us that norms and existing structures, (e.g. candidate pools at recruitment firms) mean that we need to be prepared to make extra efforts and extend the search processes in time to ensure that the group of identified candidates becomes more diverse. We challenge our managers to try to have diversity among the final candidates for any position to make sure that we find the most skilled and promising candidate.

Incentives for equal sharing of parental leave
Specifically related to gender balance at senior positions, we have identified that inequality and norms related to parental leave creates structural inequality in several countries and societies where we operate. At Swedish Match, the rules and policies related to parental leave vary from country to country, but the culture of encouraging a more equal sharing of parental leave is promoted from the top.

In Sweden, a policy has been implemented with additional parental leave compensation provided that the employee can show that parental leave has been equally shared with the partner. This will encourage both our male and female employees to share the parental leave equally and in 2020 this policy was updated to create further incentives for equal sharing by employees at the most senior positions.

A diverse and international organization
Swedish Match derives its revenues and earnings mainly from outside Sweden. The Corporate functions, to a large but not complete extent based at the headquarters in Sweden, interact on a daily basis with colleagues across the globe. A diverse and international organization at the headquarters is a clear benefit in this environment. Colleagues from several continents work at the Stockholm headquarters, and the Company is proactively engaging in specific employer branding activities targeted at highly qualified international students.

Zero tolerance for discrimination
We have procedures in place where any employee who feels that there has been a breach of our policy of zero tolerance for discrimination can report such breach. We also make sure that we have procedures in place to ensure that swift action is taken to investigate and resolve any such employee concerns without fear of retaliation.

Our general view on global gender pay gap analyses
At Swedish Match, we generally have a pre-set salary range for each position, which systematically decreases the risk of inequality of pay. We conduct an annual gender pay gap analysis in our larger markets, such as Sweden, but believe that a global gender pay analysis would provide quite limited additional value compared to the work effort and data quality. In some countries where we operate, we only have a small number of employees which provides a very limited number of comparable positions to analyze. Furthermore, due to differences in local pay practices, the salaries for comparable positions and the overall requirements for this type of analysis differ a lot between the countries where we operate. In the US, for example, the focus on equal pay is broader and include criteria such as ethnicity, while in Sweden, this is not possible due to privacy rules.

How we monitor our progress

To follow up on diversity goals throughout the organization, KPIs have been established for the Group. We have a Group goal of

having at least 40 percent of each gender in senior management. Gender balance targets, and subject to legal limitations targets relating to cultural background, are also set locally striving for greater balance over time, particularly with regard to more senior levels within the organization. Analysis, identification of relevant initiatives and following up of targets and KPIs are integrated into normal processes for strategic, financial and general business planning and reviews.

All divisions as well as Corporate functions present status and changes in gender balance within their organizations. These status updates are reviewed by the Group Management Team and provide greater awareness and involvement in the organization. They are also followed up in succession planning and talent review meetings between the CEO and Division Presidents.

Our businesses in the US and Sweden present status reports within their organizations, concerning protected groups and employees from other cultural backgrounds or country of origin respectively. In Sweden, information is being gathered to identify the percentage employees and managers who are either born in countries outside of Sweden, or who have two parents born in another country. In the US, ethnic or racial background is a factor which is reviewed.

OUR CHALLENGES

- Women are underrepresented at the management level and progress is uneven within the Group. The popularity of Swedish Match as a workplace and the resulting high retention rates both for managers and senior managers have resulted in slow progress but with positive trends in some parts of the Company.
- It may be difficult or even illegal to measure several aspects of diversity.

Our progress

Progress update

In the group of all employees, Swedish Match considers its total workforce balanced from the gender perspective. By the end of 2021, the share of women was 41 percent. Women are, however, still underrepresented at the management level but we are seeing positive trends in some parts of the Company. By the end of 2021, the share of women in managerial positions with direct reports had increased to 28 percent, up from 26 percent in 2020. We also saw an increase in the group defined as senior management, where the percentage of women was 21 percent, up from 19 percent last year. In some organizational units we are close to reaching our goals, but in others we have a long way to go. We remain confident that our current and future focus on equal opportunity eventually will increase the share of women in management positions. What we do today will have effect in the long run.

The US Division established a Women’s Resource Network within their field sales organization. This is a mentoring initiative for female personnel led by top female field sales employees. Ten mentees will participate during the first round of the program. The division’s work with the annual Affirmative Action Plans was also carried out as planned with goals communicated and progress monitored. The diversity and inclusion committee formed at the Richmond office to further advance efforts within

equal opportunity completed training and certification and will roll out the division's diversity vision statement and business case complemented with internal communication channels dedicated to diversity and inclusion. During the year the US Division's head office in Richmond was awarded Top Workplaces¹⁾ regional award for the seventh consecutive year.

In Europe Division and at Corporate functions, the Equal Opportunity plan, which establishes how to work with equal treatment, i.e. our zero tolerance for discrimination, has been updated and new goals set for 2024.

¹⁾ An employer recognition program in the US. The event is hosted by the Richmond Times Dispatch. For more information, please refer to <https://topworkplaces.com/company/swedish-match-north-amer/richmond/>.

Gender representation ¹⁾	2021	2020	2019
Senior management			
Share of women in senior management, % ²⁾ ³⁾	21	19	18
Board of Directors			
Total number of members in Board of Directors appointed by the Annual General Meeting	8	8	7
Share of women in Board of Directors appointed by the Annual General Meeting, %	38	38	43
Share of women in Board of Directors appointed by the trade unions, %	0	0	0
Employees			
Share of women in total number of employees, %	41	41	40
Share of women in total number of managers with direct reports, %	28	26	26

¹⁾ Represents figures at year-end.
²⁾ Figures restated due to refined data collection.
³⁾ Defined as participants in the Company's Long-Term Incentive (LTI) plan, composed of 38 individuals in 2021.

Employees on discrimination ¹⁾	2020	2018	2016
Share of employees who agree that their working group is free from discrimination at work, %			
	93	92	94
¹⁾ The Group employee survey is conducted regularly. The difference between 2016 and 2018 was partly explained by the rephrasing of the question in the survey.			
Cultural background, affected group's share ¹⁾ , %	2021	2020	2019
Employees			
Sweden	24	24	24
The US	16	16	16
Managers			
Sweden ²⁾	11	12	11
The US	13	11	10

¹⁾ In Sweden, the affected group is defined as employees born outside Sweden or born in Sweden with two parents born outside Sweden. In the US, the affected group is defined as non-caucasian.
²⁾ In Sweden, the managers are defined as managers and any other employees with one of the hundred highest salaries in the Swedish Match workforce.

GOING FORWARD:

Goals	Commentary
No employees should feel that they are, or could be, the subject of discrimination at the workplace.	<ul style="list-style-type: none"> • We will conduct training for HR and managers in awareness of unconscious bias and review all HR processes with this in focus. • We will continue conduct mandatory training for employees on welcome/unwelcome behaviors. • We will continue with regular reporting and follow up between the CEO and Operating Unit heads on matters related to diversity. • We will resume various planned diversity initiatives and develop new programs to reach our goals.
To have at least 40 percent of each gender in senior management ¹⁾ .	<ul style="list-style-type: none"> • We will continue our focus on managerial and talent recruitment to promote diversity among final candidates.
To increase diversity in cultural backgrounds.	<ul style="list-style-type: none"> • We will conduct training in awareness of unconscious bias.

¹⁾ Defined as participants in the Company's Long-Term Incentive (LTI) plan.

AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in Swedish Match AB (publ), corporate identity number 556015-0756.

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the financial year 2021-01-01 – 2021-12-31 on pages 34–67 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 *the auditor's opinion regarding the statutory sustainability report*. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally

accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm, March 24, 2022

Deloitte AB

Peter Ekberg

Authorized Public Accountant

The Group

Our business

Sustainability

◀ **Shareholder
information** ▶

Financial
reports

Corporate
Governance

Swedish Match



Shareholder communication

Swedish Match's information channels



Financial reports

Financial reports are available on the Company's website. The website also includes an archive of annual reports dating back to 1996, when Swedish Match became a listed company, as well as interim reports dating back to 1997. As from 2017, all financial reports are exclusively distributed in electronic format.

You can subscribe to financial reports via e-mail through our subscription service. The subscription may be cancelled at any time via the "Unsubscribe" link at the end of any subscription e-mail. For any questions, you can contact us by e-mailing investorrelations@swedishmatch.com or by writing to Swedish Match AB, Investor Relations, SE-118 85 Stockholm, Sweden.

www.swedishmatch.com

More information is available on the Company website www.swedishmatch.com/subscribe.



swedishmatch.com

The Swedish Match Company website – swedishmatch.com – is the principal source of information about the Group and provides a broad range of information which is relevant to both the financial community and other stakeholders. The website provides current and historical financial information as well as information about the Group's product segments, vision and strategy, corporate governance, sustainability efforts, and much more. It also includes both historic and current share price information. Telephone conferences in English are held in connection with Swedish Match's interim and year-end reports and can be accessed live on the website. Press releases, presentations, downloadable annual and interim reports, as well as information about the Annual General Meeting, can be found in the "Investors" section. There is also a subscription service for receiving press releases and financial reports by e-mail.



IR activities

Swedish Match's Investor Relations department is responsible for providing relevant company and financial information to shareholders, investors, analysts and the financial media.

Regular investor and analyst meetings provide ongoing information about the Company, its performance and impacts from internal and external developments. Presentations of Swedish Match's results, operations and activities are periodically made to investors and analysts in conjunction with conferences and seminars as well as on roadshows generally after the release of interim reports.

During 2021, in addition to quarterly reporting and telephone conferences, Swedish Match participated in a number

of virtual conferences and seminars as well as individual meetings, reaching a broad range of investors and analysts who want to learn more about the Group. Most of the meetings (both individual and in conjunction with conferences and seminars) were held by phone or in a virtual setting. Some of the topics that were of particular interest to investors and analysts during 2021 included the growth for nicotine pouches – particularly in the US. Changing laws and regulations affecting or potentially impacting the

geographies and products that Swedish Match markets (or potentially will market) has been a critical topic of discussion. There was also interest in learning more about any impacts arising from the announced intent to spin off the cigar business. Other discussion areas have included the competitive dynamics and market share performance for snus and nicotine pouches in Scandinavia, along with the Group's approach and progress made with regard to sustainability and related ESG matters.



Annual General Meeting

Swedish Match Annual General Meeting (AGM) 2022 will be held on Wednesday, April 27, 2022.

In light of the COVID-19 pandemic, the AGM will be conducted pursuant to so called mail-in procedures, meaning that no shareholders will attend the AGM in person or through proxy. Instead, Swedish Match welcomes shareholders to exercise their voting rights at the AGM by advance voting in the manner described below and in the notice. Information on the decisions taken by the AGM will be published on April 27, 2022, as soon as the outcome of the advance voting has been finally compiled.

In order to participate in the AGM, a shareholder must

- be registered in the register of shareholders maintained by Euroclear Sweden AB as of Tuesday, April 19, 2022, and
- notify attendance at the AGM no later than Tuesday, April 26, 2022. The exercise of voting rights in accordance with the mail-in procedure will be considered as a notification from the shareholder to attend the meeting.

Shareholders whose shares are nominee registered and who wish to participate in

the AGM must temporarily re-register such shares in their own name (i.e. voting right registration) in order to be entitled to participate in the AGM via the mail-in process. Request for re-registration shall be submitted to the nominee in sufficient time to allow the re-registration to be effective at Euroclear Sweden AB no later than Tuesday, April 19, 2022. Voting rights registration that has been registered by the shareholder in such time that the registration has been completed by the nominee no later than Thursday, April 21, 2022 will be taken into account in the preparation of the shareholders' register.

Advance voting


Shareholders can exercise their voting rights at the AGM only by voting in advance, so-called postal voting in accordance with Section 22 of the Act (2022:121) on temporary exemptions to facilitate the conduct of meetings of companies and associations. For advance voting, a special form must be used. The form is available on the Company's website, www.swedishmatch.com. The submission of the form is valid as a notification to the AGM. The advanced voting form must have been received by Swedish Match no later than on Tuesday, April 26, 2022. The completed form must

be sent to Swedish Match AB (publ), c/o Euroclear Sweden AB, Box 191, 101 23 Stockholm, Sweden. Completed forms may also be submitted electronically. Electronic submission can be made either by signing with BankID according to instructions on <https://anmalan.vpc.se/euroclearproxy> or by sending the completed form by e-mail to GeneralMeetingService@euroclear.com. Further instructions and conditions are stated in the notice and the advance voting form.

Dividend

The Board of Directors proposes to the Annual General Meeting an increased dividend of SEK 1.86 per share is distributed to the shareholders in two equal payments of SEK 0.93 per share. The record date for the first payment is proposed to be on Friday, April 29, 2022, and for the second payment on Monday, November 14, 2022. If the Meeting resolves in accordance with the proposal, it is estimated that Euroclear Sweden AB will execute the first payment on Wednesday, May 4, 2022, and the second payment on Thursday, November 17, 2022.

www.swedishmatch.com

 More information is available on the Company website www.swedishmatch.com/aggm.

Calendar

April 19, 2022:
Record date for Annual General Meeting

April 27, 2022:
Annual General Meeting

April 28, 2022:
Ex-dividend date

April 29, 2022:
Proposed record date for dividend

May 4, 2022:
Proposed date for dividend payment

May 11, 2022:
Interim report January–March

July 22, 2022:
Half year report January–June

October 28, 2022:
Interim report January–September

November 13, 2022:
Ex-dividend date

November 14, 2022:
Proposed record date for dividend

November 17, 2022:
Proposed date for dividend payment

February 15, 2023:
Full year report 2022

March, 2023:
Annual report for 2022

CONTACTS

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Emmett Harrison is responsible for Investor Relations matters, financial communication to shareholders, analysts, and other stakeholders as well as media.

Investor Relations

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Djuli Holmgren is responsible for the development of the Swedish Match annual report and the Company website along with other external communications activities.

LISTING: NASDAQ STOCKHOLM, LARGE CAP SYMBOL: SWMA MARKET CAP AT YEAR END³⁾: 110.3 BILLION SEK TOTAL NASDAQ TURNOVER: 1,321,694,349 ISIN CODE: SE0015812219

The share

The Swedish Match share is listed on Nasdaq Stockholm. Total share capital on December 31, 2021 amounted to 390 MSEK, distributed among 1,580,000,000 shares with a quotient value of 0.2465 SEK each. Each share carries one vote. Historical share data has been restated to reflect the 10:1 share split that was made in May 2021.

Turnover¹⁾

Total turnover in 2021 amounted to 1,321,694,349 Swedish Match shares on Nasdaq Stockholm, with an average daily volume of 5.2 million shares. The turnover velocity of the share on Nasdaq Stockholm, was 84 percent during the year, compared with the average turnover velocity of 56 percent for Nasdaq Stockholm.

Trading platforms²⁾

During 2021, 35.7 percent of total trading volume of Swedish Match was handled through the Nasdaq Stockholm trading platform. The approximate distribution of trade between other exchanges in number of shares traded during the year was: 45.3 percent for Cboe Global Markets, 11.3 percent for LSE Group and 7.7 percent for other trading markets.

Share price development and market capitalization¹⁾

Swedish Match's market capitalization at year-end 2021 amounted to 110.3 billion SEK, an increase of 9.3 billion compared with

December 31, 2020.³⁾ The share price rose by 13 percent during the year, while the OMXS30 Index rose by 29 percent. The lowest price paid during the year was 58.36 SEK on February, 22 and the highest price paid was 83.36 SEK on September, 17.

Ownership structure³⁾⁴⁾

At year-end, ownership outside of Sweden corresponded to 78.3 percent of total share capital, a decrease of 4.4 percentage points compared with 2020. Swedish ownership interests, totaling 21.7 percent, were distributed among institutions with 7.2 percent of the share capital, mutual funds with 0.9 percent, and private individuals with 13.6 percent.

Dividend

The Board of Directors proposes to the Annual General Meeting an increased dividend, amounting to 1.86 SEK per share (1.50), proposed to be paid in two installments of 0.93 SEK per share. The record date for the first payment is proposed to be on Friday, April 29, 2022, and for the second payment on Monday, November 14, 2022. If the Meeting resolves in accordance with the proposal, it is estimated that Euroclear Sweden AB will execute the first payment on Wednesday, May 4, 2022, and the second payment on Thursday, November 17, 2022. The proposed dividend is in line with Swedish Match's ambition to continually grow dividend per share with a payout ratio normally within 40–60 percent of earnings per share, subject to adjustment for

larger one-time items. The proposed dividend represents an increase of 24 percent from the prior year's dividend, and equals a payout ratio of 49 percent (47) of the adjusted earnings per share for the year. The proposed dividend amounts to 2,848 MSEK based on the 1.531 billion shares outstanding at the end of the year.

Split of the Swedish Match share

In May 2021, the number of shares and votes in Swedish Match AB (publ) increased as a result of the share split (ratio 10:1) that was resolved by Swedish Match AB's Annual General Meeting on April 13, 2021, through which each existing share was divided into ten shares. The record date for the share split was May 10, 2021. Following the share split, the total number of shares in the Company amounts to 1,580,000,000 shares (previously 158,000,000 shares).

Repurchase of own shares

Swedish Match complements dividends with share repurchases to distribute excess cash to its shareholders. Repurchase of own shares is in principle a reverse new share issue, and provides the opportunity to continuously work to optimize the capital structure. The size and scope of the share buy-backs depend on Swedish Match's financial position, net profit, anticipated future profitability, cash flow, investments, and expansion plans. Other factors that influence buybacks are efficient availability of credit, the Group's interest and tax expenses as well as the earnings available for distribution. For more information about the Swedish Match share repurchase program, please refer to *Note 21 Equity* in the Group financial statements.

¹⁾ Source: Nasdaq Stockholm.

²⁾ Source: Monitor by Modular Finance AB.

³⁾ Excluding shares held in treasury by Swedish Match AB, which corresponded to 3.09 percent of the total number of shares as per December 31, 2021.

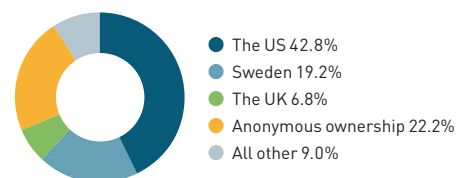
⁴⁾ Source: Monitor by Modular Finance AB, data derived from various sources including Euroclear Sweden AB and Morningstar. Certain shareholders may, through custodial accounts, have had different holdings than are apparent from the shareholders' register.

LARGEST SHAREHOLDERS ¹⁾	Number of shares	Holding in percent	Votes in percent
Capital Group	104,722,265	6.6	6.8
Wellington Management	80,199,240	5.1	5.2
BlackRock	76,919,801	4.9	5.0
Vanguard	46,770,570	3.0	3.1
Cedar Rock Capital	46,710,770	3.0	3.1
Fidelity Investments (FMR)	41,862,905	2.6	2.7
Fidelity International (FIL)	40,281,720	2.5	2.6
GQG Partners	35,699,604	2.3	2.3
Gabelli/GAMCO	30,733,500	1.9	2.0
Government of Singapore (GIC)	27,406,256	1.7	1.8
Subtotal 10 owners	531,306,631	33.6	34.7
Other	999,928,559	63.3	65.3
Subtotal	1,531,235,190	96.9	100.0
Shares held by Swedish Match	48,764,810	3.1	0.0
Total	1,580,000,000	100.0	100.0

¹⁾ Registered direct ownership and ownership through trustees. Certain shareholders may, through custodial accounts, have had different holdings than are apparent from the shareholders' register.

Source: Monitor by Modular Finance AB, data derived from various sources including Euroclear Sweden AB, Morningstar and the Swedish FSA, as of December 31, 2021. Totals may be affected by rounding.

OWNERSHIP STRUCTURE – SHARE CAPITAL BY COUNTRY



Source: Monitor by Modular Finance AB, data derived from Euroclear Sweden AB, as of December 31, 2021. "All other" also includes shareholders with 500 shares or less in the US, UK, and Sweden. Note that shares held by Swedish Match in treasury are excluded.

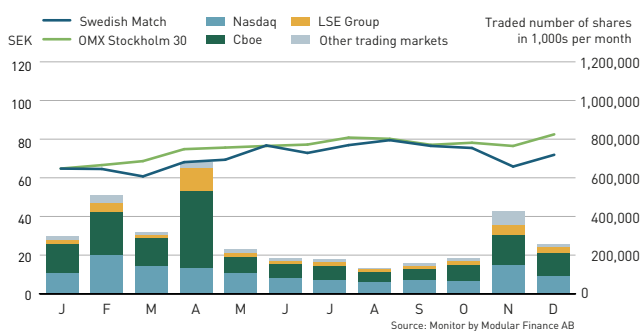
www.swedishmatch.com

More information is available on the Company website www.swedishmatch.com/investors.

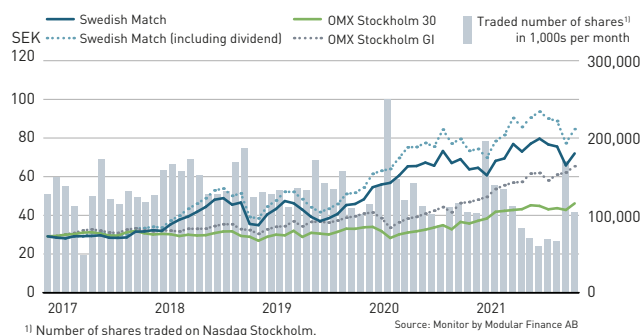
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Shareholder communication **The share**

SHARE PRICE AND TURNOVER 2021



SHARE PRICE AND TOTAL RETURN 2017-2021



TRADING PLATFORMS 2021

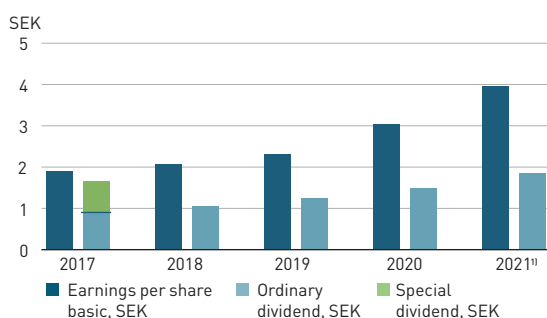


TRANSFER OF CAPITAL TO SWEDISH MATCH'S SHAREHOLDERS

MSEK	2021	2020	2019	2018	2017	Total
Dividend paid	2,369	2,020	1,777	2,911	2,908	11,985
Repurchase of own shares, net	3,802	3,099	2,989	2,512	2,590	14,992
Total	6,171	5,119	4,766	5,423	5,498	26,977

Dividend proposed for calendar year 2021 to be paid in 2022 is 2,848 MSEK, based on the number of shares outstanding at the end of 2021.

EARNINGS AND DIVIDEND PER SHARE 2017-2021



¹¹ Dividend, Board proposal.

SHARE DISTRIBUTION¹¹

Size of holding	No. of owners	No. of owners, %	No. of shares	Holding, %	Votes, %
1 – 1,000	89,041	74.8	19,800,938	1.3	1.3
1,001 – 5,000	21,334	17.9	53,401,809	3.4	3.5
5,001 – 20,000	6,933	5.8	68,203,092	4.3	4.5
20,001 – 50,000	1,141	1.0	35,485,754	2.2	2.3
50,001 – 100,000	267	0.2	19,111,044	1.2	1.2
100,001 – 1,000,000	269	0.2	82,273,562	5.2	5.4
1,000,001 –	101	0.1	912,779,605	57.8	59.6
Subtotal	119,086	100.0	1,191,055,804	75.4	77.8
Anonymous ownership	–	–	340,179,386	21.5	22.2
Shares held by Swedish Match	1	0.0	48,764,810	3.1	0.0
Total	119,087	100.0	1,580,000,000	100.0	100.0

¹¹ Including shares held by Swedish Match as well as custodial ownership.

Source: Monitor by Modular Finance AB, data derived from Euroclear Sweden AB as of December 31, 2021. Totals may be affected by rounding.

SHARE DATA

	2021	2020	2019	2018	2017 ⁶¹
Earnings per share, basic and diluted, SEK					
Including larger one-time items ¹²²	3.97	3.04	2.32	2.06	1.89
Including larger one-time items and excluding income from STG ²³	3.97	3.04	2.32	2.06	1.84
Excluding larger one-time items and income from STG ²³	3.82	3.22	2.54	2.06	1.64
Dividend per share, SEK ²³³	1.86	1.50	1.25	1.05	1.66
Dividend yield at year-end, %	2.58	2.35	2.59	3.01	5.14
Dividend pay-out ratio, excluding larger one-time items, %	49	47	49	51	101
Market price at year-end, SEK ²⁴	72.02	63.78	48.28	34.91	32.32
Market capitalization at year-end, billion SEK ⁴⁴	110.3	101.0	78.8	59.4	56.9
P/E ratio ⁵⁵	18.1	21.0	20.8	16.9	17.1
EBIT multiple ⁵⁵	15.0	16.4	17.1	14.6	14.2
Total return, %	15.3	35.0	41.5	12.7	17.6
Average number of shares, basic and diluted ²²	1,565,379,185	1,608,665,372	1,677,797,420	1,734,455,400	1,800,966,900
Number of shareholders	119,087	80,681	64,901	57,370	54,682

¹¹ Full year 2017 includes dividends received from the investment in STG.

²² A sharesplit (1:10) was made in May 2021. Historical share data in this report has been restated in accordance with IAS 33.

²³ Dividend for 2021 is Board's proposal. 2017 includes special dividends of 7.40 SEK per share.

²⁴ Excluding shares held by Swedish Match.

⁴⁴ Earnings include larger one-time items and income from STG up until disposal in 2017.

⁵⁵ Restated in accordance with IFRS 15.

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The Group

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“Swedish Match’s performance in 2021 showed strong growth, with record sales and operating profit with double-digit growth in both revenues and earnings in local currencies across all product segments.”

Anders Larsson
CFO



Financial overview

(Note: Comments below refer to the comparison between full year 2021 vs. full year 2020).

Swedish Match develops, manufactures, and sells quality products with market leading brands. The Group’s product segments for 2021 were *Smokefree*, *Cigars* and *Lights*.

Swedish Match’s performance in 2021 showed strong growth, with record sales and operating profit with double-digit growth in both revenues and earnings in local currencies across all product segments. Both Group sales and sales from product segments increased by 11 percent to 18,489 MSEK (16,698) and 18,145 MSEK (16,332) respectively. Currency translation affected the sales comparison negatively by 885 MSEK. In local currencies, sales from product segments increased by 17 percent with all three product segments contributing with double-digit growth. The largest contributor to the sales increase was the Smokefree product segment, with especially strong growth in the US along with higher sales in both Scandinavia and Other markets.

Operating profit from product segments amounted to 8,136 MSEK (7,160). In local currencies, operating profit from product segments increased by 19 percent. As for sales, all three product segments contributed with double-digit growth in operating profit in local currencies.

Group operating profit, including larger one-time items, amounted to 8,286 MSEK (6,991) and included a settlement income of 300 MSEK relating to a previously ongoing arbitration.

Currency translation affected the comparison of the operating profit negatively by 376 MSEK.

The Group’s profit for the period amounted to 6,218 MSEK (4,888) and included the above-mentioned settlement income whereas in 2020 a one-time tax charge of 286 MSEK, including interest expense, was included.

Operating margin from product segments for the year, was 44.8 percent (43.8). Operating margin excluding larger one-time items for the Group was 43.2 percent (41.9).

Sales and operating profit from product segments

Sales for the *Smokefree* product segment increased by 14 percent to 12,120 MSEK (10,651). In local currencies, sales and operating profit increased by 18 percent and 21 percent, respectively. Sales and operating profit grew both as reported and in local currencies for Smokefree in Scandinavia and the US as well as in Other markets.

In Scandinavia, sales and operating profit in local currencies increased by 11 and 13 percent respectively, benefitting from strong underlying category growth, timing effects on shipments, as well as favorable price/mix that resulted from price changes, product mix effects and channel shifts.

SALES AND OPERATING PROFIT BY PRODUCT SEGMENT

MSEK	Sales		Operating profit	
	2021	2020	2021	2020
Smokefree	12,120	10,651	5,998	5,142
Cigars	4,688	4,533	1,841	1,796
Lights	1,338	1,149	297	222
Sales and operating profit from product segments	18,145	16,332	8,136	7,160
Other operations	344	366	-150	-169
Settlement income	-	-	300	-
Total	18,489	16,698	8,286	6,991

SUMMARY OF CONSOLIDATED INCOME STATEMENT

MSEK	2021	2020
Sales	18,489	16,698
Operating profit	8,286	6,991
Net finance cost	-345	-347
Income tax expense	-1,723	-1,756
Profit for the year	6,218	4,888
<i>Attributable to:</i>		
Equity holders of the Parent	6,217	4,888
Non-controlling interest	1	1
Profit for the year	6,218	4,888
Earnings per share, basic and diluted, [SEK] ¹⁾	3.97	3.04

¹⁾ In May 2021, a share split (10:1) was made. Historical share data has been restated.

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In the US, the impressive growth for ZYN nicotine pouches was the key contributor to the increased sales and operating profit growth in local currency of 24 and 28 percent, respectively.

Other markets also contributed to the sales growth, with growth for nicotine pouches and snus more than offsetting lower sales of chewing tobacco, principally relating to halted shipments to the German market following adverse regulatory changes in 2020.

For *Cigars*, total sales for the year amounted to 4,688 MSEK (4,533). The Cigars product segment derives its sales and profit almost exclusively from the US operations. In local currency, sales for the Cigar product segment increased by 11 percent with balanced contributions of higher volumes and improved pricing. While progress was achieved in addressing capacity limitations for natural leaf varieties, the restrictions of certain input materials adversely affected shipments of HTL volumes primarily as a consequence of production planning prioritization of the more attractive natural leaf segment. Despite a higher production cost per cigar, operating profit grew in line with sales.

For *Lights*, total sales for the year amounted to 1,338 MSEK (1,149). Both reported sales as well as sales excluding currency translation effects and the impact from the Fire-Up acquisition, increased by 16 percent with solid performance for both lighters and matches. Operating profit increased by 34 percent to 297 MSEK (222). Operating profit in the current year benefitted from income relating to land sales and the resolution of indirect tax disputes amounting to about 70 MSEK in total, while the prior year period included income of a similar nature of 31 MSEK. Excluding these items and the negative effects from currency translation, operating profit increased by more than 30 percent on the back of a strong performance for lighters.

Effects from COVID-19

While longer-term effects from the pandemic are uncertain, the negative commercial, operational and financial consequences to Swedish Match have thus far been limited. Just as in the previous year, the Scandinavian smokefree business has likely benefitted financially from favorable channel mix effects that have been brought on by COVID-19 restrictions related to travel. For Cigars, since the on-set of the pandemic, consumer demand is likely to have been elevated as a consequence of changed consumption patterns. However, while it is challenging to identify and quantify any such potential effects, Swedish Match has faced production constraints in its cigar operations, partly as a consequence of the COVID-19 situation, which has led to an inability to fully meet demand. Swedish Match, like many other companies, has experienced higher costs and some difficulties in sourcing certain

input materials. These challenges in relation to input materials may have been caused, at least to some extent, by direct or indirect consequences of the pandemic.

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

Swedish Match is closely monitoring the current situation including governmental guidelines and advice from public health authorities in every country where we operate. We continue to proactively take the steps that we believe are appropriate to mitigate potential impacts to our employees, our customers and our business, as well as to society.

Significant events during the year

Tax audits in Sweden

During 2017, the Swedish Tax Agency performed tax audits in a number of Swedish Match's Swedish group companies. After completing the audits, the Swedish Tax Agency decided to deny certain cost deductions in two cases. Both cases were appealed by Swedish Match but the cases were ruled in favor of the Tax Agency by the County Administrative Court in Stockholm in May 2019 and January 2020 respectively. Swedish Match subsequently appealed to the Administrative Court of Appeals in both cases. In August 2020 one of the cases was ruled in favor of the Tax Agency by the Administrative Court of Appeals and the tax charges of in total 270 MSEK and related interest costs of 16 MSEK have 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. In the other case, the Court of Appeal in December 2021 ruled in Swedish Match's favor, resulting in a positive net tax impact of 50 MSEK.

Larger one-time items

During the first quarter of 2021 a settlement income of 300 MSEK was recognized relating to a previously ongoing arbitration.

During the third quarter of 2020 a tax charge of 270 MSEK and related interest costs of 16 MSEK was recognized relating to the above-mentioned adverse ruling.

Taxes

Income tax expense for 2021 amounted to 1,723 MSEK (1,756), corresponding to a corporate tax rate of 21.7 percent (26.4). The higher tax rate for the Group for 2020 was primarily a result of an additional income tax expense of 270 MSEK relating to the above-mentioned tax case. In 2021, a favorable ruling in another tax case in Sweden reduced the income tax expense by 50 MSEK for the Group. When adjusted for income in associated companies

SUMMARY OF CONSOLIDATED BALANCE SHEET

MSEK	2021	2020
Non-current assets	9,123	7,765
Other current assets ¹⁾	4,908	3,979
Cash and cash equivalents	2,121	3,411
Total assets	16,152	15,155
Equity	-6,669	-7,798
Non-current financial liabilities and provisions	3,784	3,680
Non-current loans	14,197	13,514
Current liabilities and provisions	3,850	3,909
Current loans	990	1,850
Total equity and liabilities	16,152	15,155

¹⁾ Includes assets held for sale in 2020 of 28 MSEK.

SUMMARY OF CONSOLIDATED CASH FLOW STATEMENT

MSEK	2021	2020
Net cash generated from operating activities	6,336	5,607
Net cash used in investing activities	-1,156	-1,173
Net cash transferred to shareholders	-6,171	-5,119
Net cash used in/from other financing activities	-441	2,001
Net decrease/increase in cash and cash equivalents	-1,431	1,315
Cash and cash equivalents at beginning of the year	3,411	2,370
Effects of exchanges rate fluctuations on cash and cash equivalents	141	-274
Cash and cash equivalents at end of year	2,121	3,411

the underlying tax rate excluding items of temporary nature, was 23.0 percent (23.1).

Earnings per share

In May 2021, the number of shares and votes in Swedish Match AB (publ) increased as a result of the share split (ratio 10:1) that was resolved by Swedish Match AB's Annual General Meeting on April 13, 2021, through which each existing share was divided into ten shares. Accordingly, share data for 2020 has been restated. EPS for the full year amounted to 3.97 SEK (3.04). Adjusted EPS increased by 19 percent to 3.82 SEK (3.22) for the full year.

Liquid funds

Cash and cash equivalents amounted to 2,121 MSEK at the end of the period, compared to 3,411 MSEK at December 31, 2020. As of December 31, 2021, Swedish Match had 1,500 MSEK in an unutilized revolving credit facility (RCF).

Cash flow and financing

Cash flow from operating activities for the full year 2021 amounted to 6,336 MSEK (5,607). The improved cash flow was driven by the stronger EBITDA development, the above-mentioned settlement income of 300 MSEK and lower tax payments, partly offset by negative changes in cash flow from working capital, mainly due to timing effects.

Investments in property, plant and equipment increased to 1,172 MSEK (1,126) principally benefitting the Smokefree product segment. Cash flow used in investing activities reflects the acquisition of Fire-Up, a small European manufacturer of sustainable firefighters and related products.

The Group's net finance cost amounted to 345 MSEK (347). Excluding interest costs of 16 MSEK relating to the adverse tax ruling in Sweden in the prior year period, net finance cost increased by 15 MSEK reflecting lower financial returns on surplus cash and higher interest costs.

During 2021, new bond loans of 1,813 MSEK were issued, repayments of maturing bond loans amounted to 1,553 MSEK, and early repayment of short-term bond loans amounted to 716 MSEK. As of December 31, 2021, Swedish Match had 14,851 MSEK of interest-bearing debt excluding retirement benefit obligations but including lease liabilities of 403 MSEK. The Group's interest-bearing debt at December 31, 2020 amounted to 15,523 MSEK. For further detail on the maturity profile of the debt portfolio, please see the Company's website. Net retirement benefit obligations decreased to 1,305 MSEK (1,411) as of December 31, 2021 due to positive remeasurements effects from higher discount rates and higher return on plan assets.

The net debt as of December 31, 2021 amounted to 14,035 MSEK compared to 13,523 MSEK at December 31, 2020.

During the year, Swedish Match paid dividends of 2,369 MSEK to its shareholders and repurchased 52.8 million shares for 3,802 MSEK.

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 full year of 2021 amounted to 32 MSEK (27). Profit before income tax amounted to 4,905 MSEK (5,347) and net profit for the year amounted to 4,543 MSEK (5,033). The lower profit before income tax compared to previous year was primarily related to participation in Group companies.

Net Group contributions of 2,646 MSEK (2,392) were received during 2021. During the year, the Parent Company also received dividends of 3,436 MSEK (4,185). An impairment loss on shares in a subsidiary amounting to 299 MSEK was recognized during the year corresponding to a dividend received of the same amount.

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 during the year amounted to 2,270 MSEK and new bond loans of 1,813 MSEK were issued.

During the second quarter of 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 year, the Parent Company made share repurchases of 52.8 million (48.2) shares for 3,802 MSEK (3,099).

A dividend of 2,369 MSEK (2,020) has been paid during the period.

Events after the reporting period

Updated plans for separation of the US cigar business

On September 14, 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, and views this as a move that would further enhance the prospects for Swedish Match's US smokefree business, as well as for its US cigar business, the Board decided on March 14, 2022 to suspend the preparations for the contemplated spin-off until further notice.

The Board decision was prompted by information received from 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. It cannot be ruled out that additional SE applications for the cigar assortment will be denied in the first instance as FDA continues to work through remaining applications. Swedish Match plans to appeal the non-SE designations by the FDA by requesting a supervisory review and Swedish Match remains confident that it 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.

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.

Organization

The Swedish Match head office, where the CEO and Group staff functions are based, is located in Stockholm in Sweden. The Group operates in eleven countries, with production units in seven countries and the majority of Group sales coming from the US and Scandinavia. The organizational structure is divided among the divisions Europe Division, US Division and Lights Division as well as Corporate functions. The vast majority of the Group's employees are in the Dominican Republic, Sweden, and the US followed by Brazil and the Philippines. The Group's product segments are Smokefree, Cigars, and Lights.

In Scandinavia, Swedish Match enjoys the market leading position for its snus products, as well as holding the number two position in the Scandinavian market for its nicotine pouches.

In Europe, Swedish Match has a presence with its nicotine pouches in a number of countries. The Group is also present with its niche chewing tobacco products of chew bags and tobacco bits, as well as with snus in select countries. Production of nicotine pouches takes place in the US, Sweden, and Denmark. Production of snus occurs in Sweden and Denmark, while moist snuff is produced in the US. Pouch products with neither tobacco nor nicotine are produced in Sweden. For chewing tobacco, production takes place in the US and chew bags and tobacco bits are produced in Denmark.

In the US, the Group is the biggest participant in the nicotine pouch category with its ZYN brand, as well as the largest producer of chewing tobacco. The Group also holds the third largest position in the moist snuff category and has a long-standing presence with its General snus. Swedish Match holds the number two position in the US market for mass market cigars (excluding little cigars). Swedish Match has strong positions within both the natural leaf and HTL segment. Production of cigars takes place in the US and the Dominican Republic.

Swedish Match is the market leader for matches in many markets throughout the world, with well-known local brands. For lighters, the Group has strong market positions in many countries.

Production of matches takes place in Sweden and Brazil. Lighters are produced in the Netherlands, the Philippines and Brazil. In the Netherlands, the Fire-Up business acquired during 2021 manufactures certain products for lighting fireplaces, barbecues, and stoves. Swedish Match also offers a portfolio of externally sourced complementary products (mainly for the Brazilian market), which include for example disposable razors, batteries and light bulbs.

Alternative Performance Measures

Swedish Match frequently presents measures of financial performance which complement measures that are defined or specified in the applicable financial reporting framework. The bases for presenting such measures, referred to as Alternative Performance Measures (APM's) are that they are used by management to evaluate the financial performance and believed to give analysts and other stakeholders valuable information. A listing of APM's, including the APM's definitions, is presented on page 133 and is also available on the Company's website.

Change in control clauses

Swedish Match AB and certain subsidiaries in the Group are party to agreements that include change of control clauses. Bonds issued under Swedish Match's 2,000 MEUR Global Medium Term Note Program and the 1,500 MSEK Revolving Credit Facility have clauses that can force the Company to pay back loans in a change of control situation. Some agreements with third parties in the Scandinavian tobacco distribution function can be cancelled should there be a change of control of Swedish Match.

The President and three other members of the Group Management Team are entitled to terminate their employment if a major change for the Company should occur that significantly restricts their position. In such an event, these executives have the right to a notice period of six months and severance pay for 18 months. In addition, some executives in the US operations have change in control clauses which may be triggered by certain events.

Guidelines for executive remuneration

The forward-looking guidelines applicable for the remuneration to the President and other members of the Group Management Team (GMT) are the same as adopted on the Annual General Meeting April 2, 2020. For more information see *Note 5 Personnel*, pages 94–97.

Proposed distribution of earnings

As shown in the balance sheet of the parent company the following funds are available for appropriation by the Annual General Meeting:

Retained earnings including Hedge reserve	SEK	5,347,920,938
Profit for the year	SEK	4,542,895,317
Total	SEK	9,890,816,255

The Board of Directors propose that these earnings be appropriated as follows:

To the shareholders, a dividend of 1.86 SEK per share based on 1,531,235,190 shares outstanding at the end of 2021	SEK	2,848,097,453
Retained earnings to be carried forward	SEK	7,042,718,802
Total	SEK	9,890,816,255

The proposed dividend is proposed to be paid in two installments, with SEK 0.93 per share in May, 2022 and SEK 0.93 per share in November, 2022.

The income statements and balance sheets will be presented to the Annual General Meeting on April 27, 2022 for adoption.

The Board of Directors and the President declare that the annual report was prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated accounts have been prepared in accordance with accounting standards referred to in Regulation (EG) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The annual report and the consolidated accounts give a true and fair view of the position and earnings of the Parent Company and the Group.

The Board of Directors report for the Parent Company and the Group gives a true and fair view of the operations, position and earnings and describes significant risks and uncertainties facing the Parent Company and companies included in the Group.

Stockholm, March 24, 2022

Conny Karlsson
Chairman of the Board

Charles A. Blixt
Board member

Andrew Cripps
Deputy Chairman

Patrik Englebretsson
Board member

Jacqueline Hoogerbrugge
Board member

Alexander Lacik
Board member

Pauline Lindwall
Board member

Pär-Ola Olausson
Board member

Dragan Popovic
Board member

Wenche Rolfsen
Board member

Joakim Westh
Board member

Lars Dahlgren
President and CEO

Our auditor's report was submitted on March 24, 2022

Deloitte AB

Peter Ekberg
Authorized Public Accountant



Consolidated income statement

MSEK	Note	2021	2020
Sales	3	18,489	16,698
Cost of goods sold		-6,249	-5,751
Gross profit		12,240	10,947
Selling expenses		-3,236	-2,866
Administrative expenses		-1,075	-1,116
Other operating income and expenses	4	44	14
Share of profit in associated companies	15	13	13
Settlement income		300	-
Operating profit	3, 5, 6, 7, 14, 23	8,286	6,991
Finance income		36	49
Finance costs		-381	-396
Net finance cost	8	-345	-347
Profit before income tax		7,941	6,644
Income tax expense	9	-1,723	-1,756
Profit for the year		6,218	4,888
<i>Attributable to:</i>			
Equity holders of the Parent		6,217	4,888
Non-controlling interests		1	1
Profit for the year		6,218	4,888
Earnings per share, basic and diluted, SEK ¹⁾	10	3.97	3.04

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



Consolidated statement of comprehensive income

MSEK	Note	2021	2020
Profit for the year		6,218	4,888
<i>Other comprehensive income that may be reclassified to the income statement</i>			
Translation differences related to foreign operations	21	740	-1,120
Translation differences included in profit and loss	21	0	-
Effective portion of changes in fair value of cash flow hedges	21	82	-51
Income tax relating to reclassifiable components of other comprehensive income	9	-17	11
Subtotal, net of tax		805	-1,160
<i>Other comprehensive income that will not be reclassified to the income statement</i>			
Actuarial gains and losses attributable to pensions, incl. payroll tax	23	369	-132
Income tax relating to non-reclassifiable components of other comprehensive income	9	-91	33
Subtotal, net of tax		278	-99
Other comprehensive income, net of tax		1,083	-1,260
Total comprehensive income for the year		7,300	3,629
<i>Attributable to:</i>			
Equity holders of the Parent		7,299	3,628
Non-controlling interests		1	0
Total comprehensive income for the year		7,300	3,629

Consolidated balance sheet

MSEK	Note	December 31, 2021	December 31, 2020
Assets			
Intangible assets	11	2,281	2,237
Property, plant and equipment	12	4,518	3,589
Biological assets	13	38	44
Right-of-use assets	14	388	278
Investments in associated companies	15	41	42
Other non-current receivables	16	1,337	935
Deferred income tax assets	9	520	640
Total non-current assets		9,123	7,765
Inventories	17	2,267	1,824
Trade receivables	18	1,843	1,577
Prepaid expenses and accrued income		155	117
Income tax receivables		167	119
Other current receivables	16	476	315
Cash and cash equivalents	19	2,121	3,411
Total current assets		7,029	7,362
Assets held for sale	20	-	28
TOTAL ASSETS		16,152	15,155
Equity			
Share capital	21	390	390
Reserves		573	-232
Retained earnings including profit for the year		-7,648	-7,972
Equity attributable to equity holders of the Parent		-6,686	-7,814
Non-controlling interests		17	16
TOTAL EQUITY		-6,669	-7,798
Liabilities			
Non-current loans and borrowings	22, 27	14,197	13,514
Other non-current liabilities	25	169	258
Non-current lease liabilities	14, 22	307	208
Provision for pensions and similar obligations	23	1,445	1,503
Non-current provisions	24	466	443
Deferred income tax liabilities	9	1,397	1,268
Total non-current liabilities		17,981	17,194
Current loans and borrowings	22, 27	990	1,850
Trade payables		464	409
Income tax liabilities		88	149
Other current liabilities	25	1,603	1,875
Current lease liabilities	14, 22	96	77
Accrued expenses and deferred income	26	1,063	1,018
Current provisions	24	535	381
Total current liabilities		4,840	5,759
TOTAL LIABILITIES		22,821	22,953
TOTAL EQUITY AND LIABILITIES		16,152	15,155

For information on the Group's pledged assets and contingent liabilities, see *Note 28 Pledged assets* and *Note 29 Commitments and contingent liabilities and assets*.



Consolidated statement of changes in equity

2020	MSEK	Note	Equity attributable to equity holders of the Parent				Non-controlling interest	Total equity
			Share capital	Reserves	Accumulated deficit	Total		
Equity at beginning of year		21	390	928	-7,641	-6,324	16	-6,308
Profit for the year			-	-	4,888	4,888	1	4,888
Other comprehensive income, net of tax ¹⁾			-	-1,160	-99	-1,259	0	-1,260
Total comprehensive income for the year			-	-1,160	4,788	3,628	0	3,629
Dividend			-	-	-2,020	-2,020	0	-2,020
Repurchase of own shares			-	-	-3,099	-3,099	-	-3,099
Cancellation of shares			-18	-	18	-	-	-
Bonus issue			18	-	-18	-	-	-
Equity at end of year			390	-232	-7,972	-7,814	16	-7,798

2021	MSEK	Note	Equity attributable to equity holders of the Parent				Non-controlling interest	Total equity
			Share capital	Reserves	Accumulated deficit	Total		
Equity at beginning of year		21	390	-232	-7,972	-7,814	16	-7,798
Profit for the year			-	-	6,217	6,217	1	6,218
Other comprehensive income, net of tax ¹⁾			-	805	278	1,083	0	1,083
Total comprehensive income for the year			-	805	6,495	7,299	0	7,300
Dividend			-	-	-2,369	-2,369	0	-2,369
Repurchase of own shares			-	-	-3,802	-3,802	-	-3,802
Cancellation of shares			-10	-	10	-	-	-
Bonus issue			10	-	-10	-	-	-
Equity at end of year			390	573	-7,648	-6,686	17	-6,669

¹⁾ Other comprehensive income included in accumulated deficit consists of actuarial gains and losses attributable to the Group's defined pension plans, net after payroll and income taxes.

For further information on objectives, policies and processes for managing capital see *Note 21 Equity*.

Consolidated cash flow statement

MSEK	Note	2021	2020
Operating activities	31		
Profit before income tax		7,941	6,644
Share of net profit in associated companies		- 13	-13
Dividend received from associated companies		13	10
Depreciations, amortizations and write-downs		615	588
Adjustments for other non-cash items		- 42	72
Income tax paid		-1,682	-2,006
Cash flow from operating activities before changes in working capital		6,833	5,296
Changes in working capital			
Increase (-)/ Decrease (+) in inventories		- 299	-182
Increase (-)/ Decrease (+) in operating receivables		- 276	71
Increase (+)/ Decrease (-) in operating liabilities		78	422
Net cash generated from operating activities		6,336	5,607
Investing activities			
Purchase of property, plant and equipment	12, 13	-1,172	-1,126
Proceeds from sale of property, plant and equipment		60	39
Purchase of intangible assets	11	- 8	-63
Acquisition of subsidiaries		-39	-32
Repayment of financial receivables from associated companies	15	11	9
Changes in financial receivables, etc.		- 7	-0
Net cash used in investing activities		-1,156	-1,173
Financing activities			
Proceeds from non-current borrowing		1,813	3,702
Repayment of borrowings		-2,270	-1,300
Dividend paid to equity holders of the Parent		-2,369	-2,020
Repurchase of own shares		-3,802	-3,099
Lease payments		- 89	-81
Realized exchange gain/losses on financial instruments		98	-320
Other		7	0
Net cash used in financing activities		-6,612	-3,118
Net decrease/increase in cash and cash equivalents		-1,431	1,315
Cash and cash equivalents at the beginning of the year		3,411	2,370
Effect of exchange rate fluctuations on cash and cash equivalents		141	-274
Cash and cash equivalent at end of year		2,121	3,411

Notes for the Group

1 Accounting principles

All amounts referred to in the notes of the Group financial statements are in millions of Swedish kronor (MSEK) unless otherwise stated. The amounts within brackets refer to the preceding year, 2020.

Compliance with standards and legislation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee, approved by the European Commission for application within the EU. In addition, RFR 1 Supplementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board, has been applied. The Parent Company applies the same accounting principles as the Group, except in those instances described below in the section *Parent Company accounting principles*. The annual report and the consolidated financial statements were authorized for issue by the Board of Directors and the Group's CEO on March 25, 2022.

Basis for the preparation of the financial reports for the Parent Company and the Group

The financial reports are presented in Swedish kronor (SEK), which is the functional currency of the Parent Company. Unless otherwise stated, all amounts are rounded to the nearest million. Figures in the reports are based on a consolidation system in SEK thousands. By rounding the numbers in tables, totals may not always equal the sum of the included rounded numbers. Assets and liabilities are reported at their historical acquisition value, except for certain financial assets and liabilities and biological assets that are reported at fair value recognized directly in profit and loss. Financial assets and liabilities reported at fair value comprise derivative instruments classified as financial assets reported at fair value through profit and loss or other comprehensive income at hedge accounting. Provisions for post-employment benefits, are reported at fair values based on actuarial valuations, with remeasurement effects recognized in other comprehensive income. Provisions for post-employment benefits are recognized on the balance sheet as a net of any attributable plan assets, which are measured at fair value at each period end. Lease liabilities and the related right of use assets are measured at the present value of future lease payments.

Use of the assessments in the financial reports

Preparing financial reports in accordance with IFRS requires that management make assessments and assumptions that affect the accounting principles and reported amounts for assets, liabilities, revenues, and costs. The assessments and assumptions are based on historical experience and other factors that may be considered relevant under the prevailing conditions. The actual outcome may deviate from these assessments and assumptions. Assessments and assumptions are reviewed on a regular basis with changes in assessments recognized in the applicable period. Assessments made by management on the application of IFRS that have a significant impact on financial reports, and estimations made that could entail material adjustments in subsequent years' financial reports, are further described in *Note 2 Critical estimates and judgements*.

Accounting principles applied

The below described accounting principles have been applied consistently in all periods that are presented in the Group's financial statements. Any exceptions to the accounting principles outlined below are clearly described in the relevant disclosure to the financial statements.

New standards, amendments and interpretations

Swedish Match has adopted Phase 1 and Phase 2 of Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, and IFRS 7), which allows for hedge accounting to continue for affected hedges during the period of uncertainty before the effects of the amendment of the interest rate benchmark reform become clear. The Group early adopted these amendments of IFRS 9 from 2019. The financial reports for 2021 have not been impacted by the amendment to IFRS 9. For further details, see *Note 27 Financial Instruments*.

No other amendments or interpretations applicable for the Group's financial reporting for 2021 have had any material effect on the Group's financial result or position.

New IFRSs and interpretations which have not yet been applied

There are no changes in IFRS standards, amendments and interpretations of existing standards applicable as of January 1, 2022, that are deemed as having a significant effect on the Group's financial result or position.

Consolidation principles

Note 15, 30 and 31

The consolidated accounts are prepared in accordance with the Group's accounting principles and include the accounts of the Parent Company and all subsidiaries and associated companies in accordance with the definitions below.

Subsidiaries

Swedish Match Group has a number of subsidiaries in various countries for the production and sale of Swedish Match products. A subsidiary is defined as an entity that is controlled by the Swedish Match Group. There are no subsidiaries where Swedish Match Group has any significant restriction to access or use of assets from its subsidiaries. Furthermore, Swedish Match does not hold any unconsolidated entities.

Consolidated financial statements in this report include all subsidiaries which Swedish Match Group controls. Acquired companies are included in the consolidated accounts from the date of acquisition and divested companies are included in the consolidated accounts until the date of divestment. All acquisitions of subsidiaries are reported in accordance with the acquisition method where assets and liabilities in companies acquired during the year are included in the consolidated financial statements at fair value from the date of acquisition. Transaction costs relating to acquisition of subsidiaries are not included in the value of the acquired assets. All acquisition-related costs are expensed in the period when incurred. Contingent considerations are recognized in the balance sheet at fair value at the date of the acquisition, with any contingent payment classified as debt subsequently remeasured through the income statement.

Non-controlling interest

Non-controlling interest can be reported as the non-controlling interests' share of proportional net assets or alternatively at fair value, which means that non-controlling interests have a share in any acquisition goodwill. Reporting method can be chosen differently for each acquisition.

Swedish Match Group has two subsidiaries with non-controlling interests, a Swedish subsidiary in which Swedish Match owns 95 percent and an immaterial non-controlling interest in a foreign subsidiary.

Associated companies

Associated companies are companies in which the Group exercises a significant influence but does not control the company. This normally means that the Group holds 20-50 percent of total voting rights. Holdings in associated companies are reported in accordance with the equity method and are initially measured at cost. The acquisition cost amounts to the purchase price and the valuation of acquired assets and liabilities is performed as for subsidiaries. The carrying amount for associates includes any goodwill, transaction costs and other group adjustments.

The Group's share of associates post-acquisition is recognized on one line in the consolidated income statement, after tax profits or after tax losses, and its share of post-acquisition movements in other comprehensive income, net of tax in the associates is recognized to the respective item in the Group's statement of other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying value of the investment.

If the Group's share of reported losses in an associated company would exceed the carrying value of the shares for the Group, the value of the shares will be reduced to zero (unless the Group has provided guarantees to cover losses incurred in the associated company). The equity method is applied up until the date when the significant influence ceases.

Disposal of subsidiaries and shares in associated companies

Results from disposal of subsidiaries when the control is lost are recognized in the income statement. Any remaining interests in divested entities are remeasured to fair value, with the gain or loss recognized in the income statement.

NOTE 1 *Continued*

If the ownership in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate. Results from disposal of an associate when the control is lost are recognized in the income statement. Any remaining interests in divested associates are remeasured to fair value, with the gain or loss recognized in the income statement to the extent disposed externally.

Assets and liabilities held for sale **Note 20**

Non-current assets or a group of assets and liabilities (a disposal group) that management intends to sell to a third party are reclassified and reported separately in the consolidated balance sheet as assets and liabilities held for sale. A reclassification is made when the sale is highly probable and is expected to be sold within 12 months and that the asset (or the disposal group) is available for immediate sale in its current condition. To be classified as an asset or a disposal group held for sale, management must have decided that the asset or the disposal group is to be sold and there is an active program to locate buyers. Assets that are reclassified as held for sale are measured at the lower of carrying value and fair value less costs to sell. If the fair value, net of deduction for selling expenses, is expected to be less than the carrying value, an impairment loss for the asset is recognized in the income statement at the time of reclassification.

Discontinued operations

Divested operations, or operations classified as held for sale, are reported as discontinued operations if they represent a separate major line of business or geographical area of operations with operations and cash flow that can be clearly distinguished, operationally and for reporting purposes, from the rest of the Group. Classification as a discontinued operation takes place upon disposal or at an earlier date when operation meets the criteria for being classified as a held for sale. The post-tax profit or loss from discontinued operations and the gain or loss from the sale is presented in a single amount in the income statement as of the transaction date or as of the date when the criteria are met for being classified as held for sale. When a business operation is discontinued or classified as held for sale and reported as such prior period income statements are restated. Prior period balance sheets are not restated.

Foreign currencies **Note 4 and 8**

Transactions in foreign currencies

Transactions in foreign currencies are translated into the functional currency according to the exchange rates applicable on the transaction date. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate applicable on the reporting date. Non-monetary assets and liabilities reported at their historical acquisition values are translated at the exchange rate in effect at the transaction date. Non-monetary assets and liabilities reported at their fair value are converted to the functional currency at the applicable rate at the time of the valuation. Exchange rate differences are then reported in the same manner as other changes in value relating to the asset or liability. Exchange rate differences arising from translation are reported in the income statement, with exchange differences on non-monetary assets and liabilities reported as operating income and expenses and exchange differences on monetary assets and liabilities are reported in the net finance.

Financial reports of foreign operations

Assets and liabilities in foreign operations, including goodwill and other Group surplus and deficit values, are translated into SEK at the exchange rate on the reporting date. Revenues and expenses from foreign operations are translated to SEK at an average exchange rate for the year. Translation differences arising from currency translation of foreign operations are reported as a translation reserve in equity through other comprehensive income. The cumulative translation difference relating to a specific subsidiary is recycled through the income statement when the subsidiary is divested.

The Group's most significant currencies are shown in the table below:

Country	Currency	Average exchange rate January–December		Exchange rate on December 31	
		2021	2020	2021	2020
USA	USD	8.58	9.20	9.04	8.19
Euro zone	EUR	10.15	10.49	10.23	10.04
Denmark	DKK	1.36	1.41	1.38	1.35
Brazil	BRL	1.59	1.81	1.59	1.57
Norway	NOK	1.00	0.98	1.03	0.95

Reporting by segment **Note 3**

The Group's reportable segments are based on the internal reporting structure. Swedish Match's chief operating decision maker is the Group's President and CEO, who monitors and makes decisions about operating matters based on product segments. The Group's reportable segments in 2021 were three product segments: Smokefree, Cigars and Lights. The reportable segments represent all Swedish Match products which are produced and sold by the Group's business units. Reportable segments have been aggregated when there are similarities in the segments' economic characteristics, such as gross profit margins, level of capital investments and impact from variations in the business cycle. Also, similarities in the type of product, manufacturing process, customers, distribution process and regulatory environment have been considered to determine the appropriate aggregation of reportable segments. There are no internal sales between reportable segments and the Group's financial costs as well as taxes are not allocated to reportable segments. Operating assets and liabilities are not monitored on a segment basis.

Other operations consist of corporate functions and the Swedish distribution function. Corporate functions include, among others, regulatory affairs, legal and financial services. The distribution function provides services to Swedish Match in Sweden and Norway as well as to other manufacturers within the Swedish distribution network. The revenues from Other operations are attributable to the distribution service for the delivery of third-party tobacco products on the Swedish market. The revenues from sales of Swedish Match's products on the Swedish and the Norwegian markets are reported as part of the product segment Smokefree. Revenue in Other operations are not seen as an important performance indicator and are not considered for resource allocation within the Group. The result from Other operations consists of the consolidated result for the corporate functions, of which the distribution function is making a profit from the immaterial distribution fee and the other functions are normally making losses.

Revenue **Note 2 and 3**

Revenue for Swedish Match refers to sale of goods manufactured, sale of third-party products where Swedish Match is acting as a principal and income from distribution service for delivery of third-party products where Swedish Match is acting as an agent. The sales of goods or services are recognized based on the amount expected to be received relating to the sales transactions and when the transfer of control of the goods or services has passed to the customers.

The expected consideration recognized reflects estimates of potential outcome of variable considerations as well as expected reimbursements for product returns. Refund liabilities for returned goods and variable considerations are recognized on the balance sheet as operating provisions.

The main revenue streams for the Group's reportable segments arise from sale of goods manufactured by the Group. Within Lights, a minority part of the revenue also come from the sale of third-party products. Revenue within Other operations are mainly derived from income of logistics services for delivery of third-party products to retail customers. For further information on the assessment of the classification of principal or agent refer to *Note 2 Critical estimates and judgements*.

Revenue for the sale of goods and logistics services are recognized at the point when the control of the promised good or service is transferred to the customer at the expected consideration to be received for such delivery. The Group has no material unconditional rights to receive considerations and no material payments are received in advance. Based on this no contract assets have been recognized in the Group balance sheet.

NOTE 1 *Continued*

The timing of transfer of control of the goods or services to the customer is determined for each revenue transaction. Indications of transfer of control are being considered when Swedish Match has a present right to payment or when the customer has legal title, a physical possession, the significant risks and rewards of ownership or has accepted the asset. If control is retained and the promised obligations are not satisfied, revenue is not recognized.

A majority part of Swedish Match customers are retailers and distributors. Within Smokefree and Cigars, customer credit terms are on average 10 days. Within Lights, customer credit terms are on average 70 days, with credit terms to customer could be in the range of pre-payment up to 90 days.

Uncollected amounts billed to customers at period end are recognized as trade receivable in the Group's balance sheet. The risk for impairment losses on trade receivable are relatively low. Allowances for impairment losses on accounts receivable are assessed in accordance with IFRS 9, for more information refer to below section *Impairment of financial assets*.

Any incremental costs for obtaining a customer contract and/or costs to fulfil a customer contract are capitalized as assets if such costs meet the criteria for capitalization in IFRS 15. Currently, the Group does not have any significant incremental costs for obtaining or fulfilling a customer contract to be recognized on the balance sheet.

For further information on the Group's sales for reportable segments and disaggregation of revenue streams, see *Note 3 Segment information*.

Intangible assets **Note 2 and 11**

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill that has arisen from the acquisition of associated companies is included in the carrying amount for participations in associated companies. Goodwill is valued at acquisition value less any accumulated impairments. Goodwill is allocated to cash-generating units and is tested annually, or upon indication, for impairment.

Trademarks and other intangible assets

Trademarks and other intangible assets acquired by the Group are reported at acquisition value less accumulated amortization and impairments. Acquired trademarks defined with indefinite useful life have been assessed having no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. Trademarks with indefinite useful life refer to well-established trademarks within their respective areas, which the Group intends to retain and further develop. Indefinite-lived intangible assets are not amortized but instead tested for impairment annually or when there is an indication of impairment. In case there are borrowing costs that are directly attributable to the acquisition, construction or production of intangible assets that take substantial time to complete, such costs are included in the acquisition value.

Research costs for obtaining new technical expertise are expensed when incurred. Development costs in the case of which the research or other knowledge are applied in order to achieve new or improved products or processes are reported as other intangible asset in the balance sheet, provided the product or process is technically and commercially usable. Other costs are recognized in the income statement as they arise. Other intangible assets primarily include software, licenses, etc.

Amortization

Amortization is recognized in the income statement straight-line over the estimated economic useful life of the intangible assets, unless the useful life is indefinite. Assessment of an intangible asset's residual value and useful life is performed at least annually. Goodwill and trademarks with indefinite useful life are tested for impairment annually or if indications arise of a decline in the value of the asset. Amortizable intangible assets are amortized from the date that they are available for use. The estimated useful life periods are individually assessed but normally in the range as indicated below:

- trademarks and patents 10–20 years
- other intangible assets and capitalized development expenditures 5–7 years

Property, plant and equipment

Note 12

Property, plant and equipment are reported in the Group at their acquisition value, less accumulated depreciation and impairments, if applicable. The acquisition value includes the purchase price and costs directly attributable to the asset in order to transport it to its place of use in the appropriate condition for being used in accordance with the purpose of the acquisition. Borrowing costs directly attributable to acquisition, construction or production of an asset that takes a substantial time to complete are included in the acquisition value.

Depreciation

Depreciation is applied straight-line over the asset's estimated economic useful life. Land and construction in progress are not depreciated. Larger machineries and buildings are depreciated based on the economical useful life of significant components. The depreciation time for larger fixed assets and buildings could therefore differ due to different expected economic life of the asset's different components. The estimated useful life periods are normally:

- buildings, owner-occupied properties 12–50 years (applied on the acquisition cost of the assets allocated to applicable components)
- machinery and other technical equipment 5–12 years
- equipment, tools and fixtures 5–10 years

Assessment of a tangible asset's residual value and useful life is performed at least annually.

Impairment

Note 2 and 11

The carrying amounts for the Group's intangible and tangible assets, including right of use assets and investments in associated companies are tested at least annually to evaluate whether there is an indication of an impairment. Should such an indication exist, the asset's recoverable amount is assessed. An impairment charge is recognized in the income statement when the carrying amount exceeds the calculated recoverable amount.

For goodwill and other intangible assets with an indefinite useful life and intangible assets that are not yet ready for use, their recoverable amount is calculated at least annually, or when an impairment is indicated. The recoverable amounts, defined as the higher of value in use and fair value less cost of disposal, are normally determined on the basis of value in use, applying discounted cash flow calculations. An impairment charge against the income statement is made when the carrying amount exceeds the recoverable amount. For the purpose of impairment testing, goodwill and trademarks with indefinite life are allocated to the lowest level of groups of cash generating units based on product groups and geographical markets, at which it is monitored by management.

Biological assets

Note 13

The Group has forest plantations to secure its raw material needs for match manufacturing. Biological assets in the Group's balance sheet are measured at fair value less estimated selling expenses. The biological assets are regularly measured to fair value based on estimated market values. Estimated selling expenses includes all costs that would be incurred in relation to disposal of the biological assets, with the exception of cost for providing the biological asset to market.

Leases

Note 2 and 14

Real estate leases, such as rental of office and factory premises, warehouses and storages, represent the major part of the total value of leases within the Group. The duration of real estate leases is typically 3–5 years, excluding assessments of the likelihood of utilizing extension and termination options. The Group also hold lease contracts for machinery, equipment and vehicles.

The lease liabilities are measured at the present value of future non-cancelable lease payments, including other expected future payments relating to the lease if such are deemed reasonably certain (for example expected payments for optional periods relating to lease term extension options, purchase options etc.). The present value of the future lease payments is discounted using the interest rate observed in the period when the lease contract commences or is modified. In most cases, the measurement of the right-of-use assets equal the lease liabilities. Any additional costs directly attributable to get the access to the asset are also included in the measurement of the right of use assets as well as any replacement costs to remove or restore the asset after the lease term as required by the contract.

Non-lease component payments and variable lease payments, that do not depend on an index or rate attributable to the fixed lease payment, are not included in the measurement of the lease liabilities and are expensed directly when incurred.

NOTE 1 *Continued*

A lease contract is initially recognized on the balance sheet at the date when the underlying asset is available for use, i.e. at the commencement date. The depreciation of the right-of-use asset is usually on a straight-line basis over the lease term.

In subsequent periods, if the lease payments or the lease term changes for an existing contract, the lease liability will be revalued to reflect the changes in the future lease payments. The right-of-use asset will be adjusted for any remeasurement effects of the lease liability in the same period. Assessment of key parameters of lease contracts that could have an impact to the reported amounts are performed regularly.

Exemptions

In the accounting for right-of-use assets and lease liabilities, Swedish Match apply the practical expedients for short-term leases (contracts with a lease term of 12 months or less) and leases for which the underlying asset is of low value. The Group's lease contracts of low value are mainly leasing of office equipment, water dispensers, coffee machines and IT equipment for individual use. Such lease contracts are not included in the Group's lease liabilities and related right-of-use assets and are reported with the lease payments expensed in the income statement when incurred. In addition, leases of intangible assets, such as software, licenses, etc., are also excluded.

The practical relief for rent concession relating to the outbreak of COVID-19 pandemic has not been applied as Swedish Match has not received any significant COVID-19 related rent reductions during 2021.

Discount rate

The key parameters for determining the discount rates are the type of the underlying asset of the lease contract, the lease term and the economic environment where the asset will operate. The Group's policy for determining the discount rates is based on the incremental borrowing rate for lease contracts. The incremental borrowing rate is the rate of interest that Swedish Match would have to pay to obtain an asset of similar value to the right-of-use asset, adjusted for a risk premium relating to the economic environment where the asset operates at the given time in relation to the lease term of the contract.

Inventory

Note 17

Inventories are recognized at the lower of cost and net realizable value on the balance sheet date. Cost is calculated using the first-in, first-out (FIFO), or weighted average cost formula. The cost of finished goods and work in progress includes raw material, direct labor, other direct expenses and production-related overheads, based on a normal production level. Expenses arising from the transport of items to their present location and condition are included in the acquisition value of inventories. Interest expenses are not included in the measurement of inventories.

The acquisition value for cut timber in inventory is determined in accordance with the accounting principles for biological assets and is reported at the fair value with deductions for estimated selling expenses at the time of the trees were harvested.

Employee benefits

Note 5 and 26

Short term employee benefits

Short term employee benefits are recognized as expenses in the income statement when the services are received. Costs for the profit-sharing program and incentive plans (variable salary) are recognized on a pro-rata basis during the financial year when the compensation is earned based on an estimated outcome. In connection with the annual accounts, a final calculation of the year's cost is performed based on the actual outcome for the year. Any adjustments of previously reported costs for incentive programs are also recognized in the period when there is a change in the estimated outcome for each program.

Long term employee benefits

A long term incentive program is introduced by the Board of Directors to certain executives, where the executives may, after a three-year performance period, receive a cash bonus based on the established performance targets for the performance period. Costs for the long term incentive plan are expensed during the service year including social security fees applicable for each country where the executives work. Costs for the incentive plan are reported as personnel costs with corresponding amount reported as a long term deferred compensation provision on the balance

sheet. The accrual is subject to review based on actual performance during the performance period with any changes in the estimate taken through the income statement.

Termination benefits

The Group recognizes termination benefits when there is an event that gives rise to an obligation to an employee when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Post-employment benefits

Note 2 and 23

Within the Group there are a number of defined contribution and defined benefit pension plans, some of them with plan assets in special foundations or similar institutions. The pension plans are financed by payments from the Group company concerned and its employees. Independent actuaries compute the size of the commitments attached to each plan and reevaluate the pension plan assumptions each year.

Pension fees for defined contribution plans are reported as an expense in the income statement as incurred. Pension costs for defined benefit plans are calculated according to the Projected Unit Credit Method in a manner that distributes the cost over the employee's remaining active working life. These costs are valued at the present value of the expected future disbursements using a discount rate that corresponds to the interest rate on high quality corporate bonds or government bonds with a remaining maturity that approximates the particular commitments. Service cost, past service cost and any administration costs relating to post-employment defined benefit plans are classified as operating cost. A finance component calculated based on the discount rate on the net liability or net asset is recognized in the net finance cost. The finance component is recognized as interest expense or interest income net by plan.

For the US defined benefit plans Swedish Match determine the obligation effective discount rate based on the single equivalent rate such that the present value of the plan's obligation cash flows using the single rate equals the present value of those cash flows using the corresponding spot rate along the yield curve for high quality corporate bonds.

The effective rates for interest on the defined benefit obligation and service cost are the single equivalent rates that result in the same value when applied to the defined benefit obligation and service cost, respectively.

For the larger US post-employment defined benefit plans the same process is applied to the plan's service cost cash flows to determine the effective discount rate associated with the service cost.

For the other plans, Swedish Match applies the single weighted average discount rate based on the yield curve for high quality corporate bonds used to measure the obligation and pension expense.

In the Swedish Match consolidated balance sheet, the pension commitments for funded plans are reported net after deductions for the fair value of plan assets. Funded plans with net assets, that is, assets in excess of obligations, are reported as non-current receivables. When the calculation leads to a net asset and there is no minimum funding requirement, the carrying value of the net asset is limited to the lower of the surplus in the plan and the present value of future service cost to be borne by the Company. Calculating the discounted value of defined benefit obligations and the fair value of plan assets can give rise to remeasurement gains and losses. These arise when actual outcome deviates from projected outcome or when assumptions made earlier are changed. Measurement differences that arise from the revaluation of the post-employment benefit plans are recognized in other comprehensive income as actuarial gains and losses in the period as they occur.

When there is a difference between how pension costs are determined for a legal entity and the Group, a provision or claim relating to a special employer's salary tax based on this difference is recorded. The provision or claim for special employer's salary tax is included in the net present value of the net obligation or net asset. Special employer's salary tax refers to pension plans in Sweden.

In Sweden, the Group has post-employment defined benefit obligations for salaried personnel which are insured by Alecta. Alecta is the largest Swedish



NOTE 1 *Continued*

life insurance company and safeguards the majority of the private sector's defined benefit pension plans, i.e., the ITP-plan. Alecta is not able to provide specific information for each customer's obligations and fair value of related assets which is necessary information for Swedish Match in order to account for the obligations in accordance with the rules for defined benefit plans. Therefore, all obligations relating to the Swedish ITP-plan are accounted for as defined contribution plans in accordance with the rules for multi-employer plans.

Provisions **Note 24**

A provision is reported in the balance sheet when the Group has an existing legal or informal obligation as a result of an event that has occurred, it is probable that expenditure will be required to settle the obligation and when a reliable estimate of the amount can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. When a provision is measured using cash flows estimated to settle the present obligation, the carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial income and expenses **Note 8**

Financial income and expenses consist of interest income on bank balances, receivables, interest-bearing securities and dividend income, interest expense on loans, leases, benefit obligations, exchange rate differences, unrealized and realized gains on financial investments and derivative instruments used in financial activities. Exchange rate differences arising from operating assets and liabilities are reported in operating profit.

The effective interest method is used when calculating the amortized cost of the financial asset or the financial liability and when allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows. Interest income or expense include accrued amounts of transaction costs and, if applicable, discounts, premiums and other differences between the original value of the receivable or liability and the amount received or paid at maturity.

Financial instruments **Note 16, 18, 19, 22, 25 and 27**

Financial instruments reported in the balance sheet include, on the asset side, cash and cash equivalents, trade receivables, shares and other equity instruments, loans receivable, and derivatives. Financial instruments on the liabilities and equity side are trade payables, lease liabilities, issued liability and equity instruments, loans and derivatives.

Financial assets and liabilities are offset only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

A financial asset (or a part of a financial asset) is derecognized from the balance sheet when the risk and the right to receive cash flow from the instrument has ceased or been transferred to another party. A financial liability (or a part of a financial liability) is derecognized from the balance sheet when the obligation is settled or discharged. Financial assets and liabilities are recognized and derecognized applying settlement date accounting.

Financial instruments are reported initially at their acquisition value, corresponding to the instruments fair value, except for trade receivables, which are initially measured at their transaction price. Subsequent reporting depends on how they are held and classified in accordance with the criteria below.

Financial assets

Financial assets which are debt instruments, are classified depending on the business model for managing the financial assets and the asset's contractual terms of the cash flows.

Financial assets are classified at the initial recognition, and subsequently measured, at either amortized cost or fair value. The classification of financial assets depends on the business model for managing the financial assets and whether the contractual terms of the cash flows are solely payments of principal and interest. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial asset, or both. There are two business models into which the Group classifies its financial assets.

- Financial assets measured at amortized cost
- Financial assets measured at fair value through profit and loss (FVTPL)

Financial assets measured at amortized cost

Financial assets that are held for collection of contractual cash flows which represent solely payments of principal and interest are measured at amortized cost. Included in this category are cash and cash equivalents, along with loan receivables and trade receivables. Interest income from these assets are reported in the income statement using the effective interest rate method.

Cash and cash equivalents consist of cash and immediately available balances with banks and similar institutions, as well as short-term liquid investments with a maturity of less than three months from acquisition, which are exposed to only an insignificant risk of value fluctuations.

Trade receivables have an anticipated short duration and are reported at the amount expected to be received after deductions for expected credit losses.

Financial assets measured at fair value through profit and loss (FVTPL)

Financial assets in this category do not meet the criteria for amortized cost or fair value through other comprehensive income and are measured at fair value through profit and loss. The financial assets in this category are held for trading and reported as other current receivables, and measured at fair value. They include the Group's currency derivatives that are not used for hedge accounting.

Impairment of financial assets

The Group recognizes a loss for expected credit losses for financial assets that are measured at amortized cost. Currently, financial assets measured at amortized cost refer mainly to accounts receivables and cash and cash equivalents. Changes in expected credit losses are recognized in profit and loss as of the initial recognition at each balance sheet date.

Swedish Match applies the simplified approach to measure expected credit losses, which means that expected credit losses are measured on the remaining lifetime of the financial asset. Historical information is used to assess expected credit losses. In addition, current and forward-looking information available is also considered to reflect current and future conditions, including discounting factor for time if relevant. Customers' credit risks are regularly assessed, and accounts receivables are written off when it is deemed that the customer has no ability to pay the outstanding invoice.

Cash and cash equivalents are covered in the general approach for credit risk allowances, which means that if there have been significant changes in the credit risk since initial recognition, the expected credit loss is measured on the assets' lifetime expected credit loss. The general approach is based on the rating of the counterparty, and due to high ratings of the Group's main counterparties, and short duration of the assets, the total amount of credit risk is immaterial. For cash and cash equivalents, low credit risk simplification is applied. In addition, receivables on Group companies and associated companies as well as other receivables and accrued income are covered by the general approach.

Financial liabilities

The Group classifies financial liabilities, at initial recognition, into two categories:

- Other financial liabilities measured at amortized cost
- Financial liabilities measured at fair value through profit and loss (FVTPL)

Other financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include trade payables, lease liabilities, loans and borrowings, and accrued interest, which are not held for trading. These liabilities are classified as other financial liabilities, which means that they are initially reported at the amount received after deductions for transaction costs. After the date of acquisition, loans are measured at amortized cost in accordance with the effective interest rate method. The financial liability is derecognized when the obligation under the liability is discharged or expires.

Financial liabilities measured at fair value through profit and loss (FVTPL)

Financial liabilities in this category are reported as current financial liabilities, measured at fair value. These financial liabilities are held for trading and include the Group's currency derivatives that are not used for hedge accounting. Changes in fair value of the financial liabilities are recognized in the income statement as profit or loss. Financial liabilities relating to contingent considerations on acquisitions, for which IFRS 3 is applied, are measured at fair value with any changes recognized in profit and loss.

NOTE 1 *Continued*

Derivatives and hedge accounting

The Group uses derivative financial instruments, such as interest rate swaps and forward currency contracts to cover the exposure of interest rate and foreign exchange risks. These derivatives are initially recognized at fair value on the date of inception of the contract and are subsequently remeasured to their fair value at each reporting date. Transaction costs for derivative instruments at fair value are reported in the income statement at initial recognition. Derivatives are carried as financial receivables when the fair value is positive and financial liabilities when the fair value is negative. The components consist of the derivatives' fair value according to market conditions and the exchange rate differences between inception and reporting date. The derivatives used are mainly cross currency interest rate swaps (a combination of interest and currency swap) to hedge funding in foreign currencies to SEK. These derivatives have a fully matched cash flow to the underlying issued bonds.

Derivatives used for hedge accounting

Swedish Match applies hedge accounting in which derivatives were entered into in order to manage interest rate risk. Changes in fair value affecting derivative instruments are reported as fair value in the income statement depending on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

When hedge accounting is applied, hedges are classified into:

- Cash flow hedges when hedging the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability.
- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment.

At the inception of a hedge relationship, the Group determines the economic relationship to which it wishes to apply hedge accounting by identifying the critical terms, such as nominal amount, currency, settlement and maturity dates, and interest and repayment dates. The Group also documents its risk-management objectives and strategy for undertaking the hedge transactions. The documentation includes identification of the hedged item, the hedging instrument, the nature of the risk being hedged and how the Group assesses the prospective effectiveness of changes in the hedged instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. The hedges are matched in all critical terms, are expected to be highly effective, and are assessed on an ongoing basis based on requirements documented in IFRS 9. Any ineffectiveness is measured by the hypothetical derivatives method if the critical terms would be different. The hypothetical derivative method is a model that estimates the effectiveness of a cash flow hedge relation which means that the risks of the hedged item (the loans) are mirrored in a hypothetical instrument which is only used to be compared to the actual derivative. The method is a way to quantify the part of the fair value of the actual instrument that is effective in the hedge. The method results in two amounts disclosed, one to quantify the effectiveness and one that is accounted for as ineffectiveness. The latter is nil in a theoretical perfect hedge.

Sources of ineffectiveness could be the impact of credit risk on the fair value of the derivatives or differences in valuation input. The Group assesses that existing hedging relationships all qualify as continuing hedging relationships and continue to be effective. The full fair value of a hedging derivative is classified as non-current receivable or liability when the remaining hedged item is more than 12 months and as current receivable or liability if the maturity is equal to or shorter than 12 months.

Cash flow hedges

The Group uses derivatives in order to convert its debt payments in foreign currency or floating rate debt in SEK into fixed interest payments in SEK, by which hedge accounting according to the cash flow hedge technique is applied. The hedging relationship consists of eligible hedging instruments and items, with the principle that the critical terms and the economic relationship of the hedged item and the hedging instrument are identical and match with a hedge ratio of 100 percent, meaning that they are effective and no rebalancing is expected to occur. Fair value changes arising from the revaluation of derivatives that are part of a cash flow hedge relationship and are considered to be effective according to the definition in IFRS 9, are measured at fair value in other comprehensive income (FVOCI) and are accumulated in the cash flow hedge reserve within equity, and any ineffective portion is recognized directly in the statement of profit and loss. Reclassification from the hedge reserve through other comprehensive income into the income statement is made either when the hedged item affects the income statement or when the hedged item has ceased to exist, for instance when issued debt is repurchased.

Fair value hedges

In cases where fixed interest rate obligations are converted into floating interest rate obligations, hedge accounting according to the fair value hedge technique is applied. The fair value changes arising from revaluation of derivatives are measured at fair value through profit and loss, and the related value change from the hedged item is similarly recognized in profit and loss thus offsetting the effective portion in the hedge relationship. Swedish Match had no fair value hedges at December 31, 2021.

Derivatives in foreign currency not used for hedge accounting

To reduce the risk of exposure of assets or liabilities against exchange rate risks, forwards are used to convert foreign currencies into SEK. Forwards are also used for certain binding contracts. For those derivatives to which hedge accounting cannot be applied, changes in fair value are measured at fair value through profit and loss and reported in net finance cost. Changes in value relating to operations-related receivables and liabilities are reported in operating profit.

Income taxes

Note 9

Income taxes, consisting of current tax and deferred tax, are reported in the income statement except when the underlying transactions are reported in other comprehensive income, in which case the related tax effect is also reported in other comprehensive income.

Current tax is tax that shall be paid or is received for the current year, with application of tax rates that are enacted on the reporting date. Adjustments of current tax attributable to earlier periods are also reported as current tax.

Deferred tax is calculated using the balance sheet method, using temporary differences between reported and taxable values of assets and liabilities as the starting point. The following temporary differences are not taken into account: temporary differences from first reporting of goodwill, first reporting of assets and liabilities that are not the result of business combinations and which, at the time of the transaction, do not affect either the reported or the taxable earnings, or temporary differences attributable to shares in subsidiaries and associated companies that are not expected to be reversed in the foreseeable future. Valuation of deferred tax is based on how the carrying amounts for assets or liabilities are expected to be realized or regulated. Deferred tax is calculated by applying tax rates or tax regulations that are enacted or substantively enacted on the reporting date. Deferred tax assets related to deductible temporary differences and tax loss carryforwards are only reported to the extent that it is likely that they will be utilized.



NOTE 1 *Continued*

Share capital

Note 21

Repurchases of own shares are reported as a reduction directly in equity. Proceeds from disposal of own shares are reported as an increase directly in equity. Any transaction costs attributable to purchases or disposal of own shares is reported directly in equity.

Earnings per share

Note 10

The computation of earnings per share is based on net profit for the year attributable to the shareholders of the Parent Company and on the weighted number of shares outstanding during the year. There are no potential dilution effects of shares at December 31, 2021.

Contingent liabilities

Note 29

A contingent liability is reported when there is a potential commitment from previous events and whose occurrence is confirmed only by one or more uncertain future events or when there is a commitment that is not reported, as a liability or provision, because it is unlikely that an outflow of resources will be required.

Parent Company accounting principles

The annual report of the Parent Company has been prepared in accordance with the Annual Accounts Act (1995:1554) and RFR 2 Accounting for Legal Entities issued by the Swedish Financial Reporting Board. RFR 2 states that in the annual report for the legal entity, the Parent Company shall apply all IFRS standards and statements approved by the EU as far as this is possible within the framework of the Annual Accounts Act and with respect to the connection between accounting and taxation.

There are no new or changed accounting principles to be adopted for the Parent Company as of January 1, 2021. Differences in the accounting principles between the Parent Company and the Group are described below.

Subsidiaries and associated companies

Shares in subsidiaries and associated companies are valued at cost. This means that transaction costs relating to acquisitions are included in the acquisition value. The Parent Company held no investments in associated companies at December 31, 2021.

Post-employment benefits

The Parent Company applies different principles for computing defined benefit plans than those specified in IAS 19. The Parent Company follows the provisions of the Pension Security Act and the regulations of the Swedish Financial Supervisory Authority, since that is a prerequisite for tax deductibility. For the foreign pension plan local regulations are used when calculating the benefit.

Key differences compared to Group principles are how the discount rate is determined, that computation of the defined benefit obligations occurs according to current salary levels without assumptions regarding future wage increases, and that all actuarial gains and losses are reported in the income statement as they are incurred. Another difference is that no asset is recognized if the plan assets, valued at market value, exceed the defined benefit obligations. However, if the value of the plan assets is less than the defined benefit obligations, a provision is recognized.

Taxes

In the Parent Company, untaxed reserves are reported including deferred tax liabilities.

Group and shareholder contributions

Shareholder contributions are transferred directly to the recipient's equity and are capitalized in shares and participations by the contributor, to the extent that an impairment loss is not required. Group contributions, received and granted, are reported in the income statement as appropriations.

Leases

In the Parent Company all leases of fixed assets and rental of premises are reported as operating leases. Lease charges are expensed straight-line over the lease period.



2 Critical estimates and judgements

The preparation of the financial statements in accordance with IFRS requires management to make assessments, estimates and assumptions that affect the application of accounting principles and the amounts recognized as assets, liabilities, income and expenses. The actual outcome could differ from these estimates. Assessments and assumptions are reviewed on a regular basis with changes in assessments recognized in the applicable period. Below are the most important estimates and assumptions made by management:

Classification as principal or agent Note 3

The most significant impact on the Group's revenue recognition is the assessment of control indicators for the sale transactions to determine whether Swedish Match is acting as a principal or as an agent. Such judgements impact the amount of reported revenue and operating expenses, but do not impact net income or cash flows.

Revenue relating to sales transactions where Swedish Match is acting as a principal are recognized as gross revenue with the related cost of the goods sold as operating costs. If the Group sells goods or services as an agent sales and payments to suppliers are recorded in revenue on a net basis, representing the margin/commission earned.

Given the control indicators, Swedish Match has assessed that for the sale of goods from the Group's reportable segments, Swedish Match is acting as a principal with the revenue and the operating costs recognized as gross amounts (net after allowances for estimates of potential outcome of variable considerations as well as expected reimbursements for product returns). Furthermore, it has been assessed that sale of goods in the Swedish distribution function relating to the delivery of third party tobacco products should be reported as if it acts as an agent. For most of Swedish Match transactions for the delivery of third party tobacco products in Sweden, Swedish Match does not have exposure to significant risks and rewards associated with the third party products from delivery to the Swedish distribution function's warehouse until delivery to retail. Swedish Match's distribution function does not provide any marketing nor any sales activities related to such products. Consequently, the distribution function recognizes revenues equaling the net commission earned, i.e., the distribution fee for the delivery service of third party tobacco products. Accordingly, inventory relating to the third party tobacco products for which the Swedish distribution function is acting as an agent, and has limited control over such inventory, is not recognized in Swedish Match's balance sheet.

Intangible assets Note 11

Intangible assets within Swedish Match essentially consists of goodwill and trademarks. Assessments are made on an ongoing basis to ensure that the book value of goodwill and trademarks does not exceed their recoverable amount.

Intangible assets with indefinite useful lives are not amortized, but instead tested for impairment at least annually or when circumstances indicate that the value of the intangible assets is impaired. Impairment tests include significant judgements made by management, such as assumption of projected future cash flows used in the valuation of the assets. Also, climate related matters have been considered but assessed to have no significant impact. Future events could cause management to conclude that impairment indicators exist and that an intangible asset should be impaired. An impairment loss could have a material impact on the financial condition and result of operations. During 2021 no impairment loss on intangible assets has been recognized.

The Group's intangible assets as of December 31, 2021 amounted to 2,281 MSEK, amortizations amounted to -75 MSEK. The amount for goodwill, which has been included in intangible assets, amounted to 1,301 MSEK.

Post employment defined benefits Note 23

Costs and liabilities attributable to post-employment defined benefit plans are recognized in the Group's financial statements based on actuarial calculations. Actuarial calculations are based on assumptions on the discount rate, future mortality, rate of compensation increases etc., often for a long time period. The actual outcome could differ from the assumptions made which can lead to an adjustment to the amount recognized in the balance sheet. The benefit obligations of the Group's defined benefit pension plans and post-employment medical benefit plans as of December 31, 2021 were estimated to exceed the fair value of plan assets by 1,305 MSEK.

Lease contracts Note 14

Most of the Group's lease contracts are recognized as right-of-use assets and lease liabilities on the consolidated balance sheet and are affected by management's judgement and estimates of certain variables that have a direct impact on the reported balances. The most significant is the assumption on the discount rates applied in the measurement of the lease liabilities and the corresponding right-of-use assets. Other judgements that may have a significant impact on the reported balances are assessments of the likelihood of using or not using extension and termination options in lease contracts. In assessing whether an extension or a termination option is reasonably certain to be exercised or not, all relevant facts and circumstances that create an economic incentive are considered. For example the leased assets relevance to the operation, cost of substitute the leased asset, the availability of similar assets, investments or customizations to the leased assets, economic incentives regarding the contract terms, etc. During 2021, revaluation of lease contracts has been made to an amount of 18 MSEK, mainly attributable to reassessment for utilization of extension options for rental agreements of stores.

As per December 31, 2021, the Group's lease liabilities amounted to 403 MSEK and corresponding balance for the right-of-use assets amounted to 388 MSEK.

Legal disputes Note 29

Swedish Match is involved in a number of legal proceedings. Although the Group is convinced that it has a strong position in these disputes, an unfavorable outcome cannot be ruled out, and this could have an adverse effect on the Group's earnings.

Assets held for sale and Discontinued operations Note 20

On September 14, 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 it was on March 14, 2022 decided by the Board to suspend the preparations for the contemplated spin-off until further notice. The intension and the work to prepare for listing requirements and operational readiness of the cigar business has continuously given rise to judgement by management primarily related to the timing of when to present the business as held for sale and discontinued operations. Conditions evaluated include Swedish Match commitment to the distribution, whether the distribution is highly probable and available for immediate distribution in its current form. As per December 31, 2021 management made the assessment that conditions to present the cigar business as discontinued operations were not met.

3 Segment information

Swedish Match's product segments are based on the internal reporting structure. Swedish Match's chief operating decision maker is the Group's President and CEO, who monitors and makes decisions about operating matters based on product segments. The Group's product segments as per December 31, 2021 were *Smokefree*, *Cigars* and *Lights*. The reportable segments represent all Swedish Match products that are produced and sold by the Group's business units.

Smokefree represent smokeless tobacco products and nicotine pouches as well as pouch products with neither tobacco nor nicotine. Smokefree products are primarily sold in US, Sweden, Norway, Denmark as well as in other markets, mostly in Europe. Production takes place in US, Sweden and Denmark. Nicotine pouches is a strong growing category and the products are sold in US, Sweden, Norway, Denmark as well as in other markets, mostly in Europe. In the US, the Group has a leading position in the nicotine pouch category and is the third largest player in the moist snuff category, and is also present with snus. The US is the world's largest moist snuff market measured in number of cans. In Sweden and Norway, Swedish Match has a leading position for snus and is also present with nicotine pouches. Sweden is the world's largest snus market measured in number of cans. The Norwegian market for smokefree products has experienced strong volume growth in recent years. In Sweden, some of the best known brands include *General*, *Göteborgs Rapé*, *Kaliber*, *Kronan*, *Ettan*, *Grov*, *ZYN*, *VOLT* and *Swave* and in Norway the best known brands are *General*, *G.3*, *The Lab*, *Nick & Johnny*, *G.4* and *ZYN*. In the US, *ZYN*, *Longhorn* and *Timber Wolf* as well as *General* are the best known brands. The *ZYN* brand for nicotine pouches is also sold in markets outside of the US and Scandinavia – primarily in Europe. Swedish Match is the leading producer of chewing tobacco in the US where the product is mainly sold in the southern states of the country. Swedish Match's best known brands for chewing tobacco in the US are *America's Best Chew* (formerly *Red Man*), and *Big Duke*. Chew bags and tobacco bits are manufactured in Denmark and sold in certain European markets. The Group's brands for chewing tobacco in Europe include *Thunder*, *Göteborgs Rapé* and *Oliver Twist*.

Cigars are manufactured in the US and the Dominican Republic, and are almost exclusively sold in the US. Swedish Match is a major player in the US mass market cigar market, with such well known brands as *Garcia y Vega*, *Game by Garcia y Vega*, *1882*, *White Owl*, and *Jackpot*.

Lights include manufacturing and distribution of matches and lighters as well as distribution of complementary products. Swedish Match is the market leader in a number of markets for matches. The match brands are mostly local, with leading positions in their home countries. Larger brands include *Solstickan*, *Nitedals*, *Fiat Lux* and *Redheads*. The Group's main brand for disposable lighters is *Cricket*. Swedish Match's largest markets for lighters are in Asia and Europe as well as in North America and Brazil. Complementary products include externally sourced razors, batteries and high efficiency light bulbs offered within the Brazilian market under the *Fiat Lux* brand.

There are no internal sales between product segments and the Group's financial costs as well as taxes are not allocated to product segments. Operating assets and liabilities are not monitored on a segment basis. Segment reporting for internal purposes is prepared in accordance with IFRS.

Other operations consist of corporate functions providing services to the Swedish Match's operating divisions and the Swedish distribution function. Services provided include, among others, regulatory affairs, legal and financial services. The distribution function provides services to Swedish Match in Sweden and Norway as well as to other manufacturers within the Swedish distribution network. The revenues from sales of Swedish Match's products on the Swedish and the Norwegian markets are reported as part of the product segment Smokefree. The result from Other operations consists of the consolidated result for the corporate functions, of which the distribution function is making a profit from the distribution fee from the distribution of third party tobacco products and the other functions are normally making losses.

	Smokefree		Cigars		Lights		Total segments		Other operations		Swedish Match Group	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
External sales	12,120	10,651	4,688	4,533	1,338	1,149	18,145	16,332	344	366	18,489	16,698
Depreciation, amortization and write-down ¹⁾	-425	-397	-86	-87	-43	-39	-554	-523	-61	-65	-615	-588
Income from associated companies	4	4	1	-	1	1	6	5	6	8	13	13
Operating profit	5,998	5,142	1,841	1,796	297	222	8,136	7,160	-150	-169	7,986	6,991
<i>Larger one-time items</i>												
Settlement income	-	-	-	-	-	-	-	-	300	-	300	-
Operating profit, including larger one-time items	5,998	5,142	1,841	1,796	297	222	8,136	7,160	150	-169	8,286	6,991
Finance income											36	49
Finance costs											-381	-396
Profit before income tax											7,941	6,644

¹⁾ Write-down of tangible assets amounted to 3 MSEK (0) for Smokefree. There were no write-down of intangible assets in 2021 and 2020.

NOTE 3 Continued

	Smokefree		Cigars		Lights		Total segments		Other operations		Swedish Match Group	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Restructuring costs and results from sale of fixed assets												
Restructuring costs	-	-	-	-	-8	-	-8	-	-1	-	-9	-
Gains/losses from sale of fixed assets	-1	-0	-1	0	35	18	32	18	-0	1	32	19
Investments												
Property, plant and equipment ¹⁾	1,000	1,003	94	74	51	29	1,146	1,107	26	19	1,172	1,126
Intangible assets	-	0	0	-	1	1	1	1	7	62	8	63

¹⁾ Investments in property, plant and equipment for Lights operations include investments in biological assets.

Geographical information

The table below refers to sales to external customers and fixed assets based on the geographical area where the Group operates. Sales to external customers during 2021 attributable to Sweden, which is the Group's country of domicile, amounted to 3,688 MSEK (3 509). Fixed assets as of December 31, 2021 in Sweden amounted to 2,641 MSEK (2,547). Sweden is included in Scandinavia in the table below.

External sales and fixed assets are distributed per significant geographical areas as follows:

	Sales to external customers				Fixed assets ¹⁾			
	2021		2020		2021		2020	
	MSEK	Percent	MSEK	Percent	MSEK	Percent	MSEK	Percent
The US	11,633	63	10,451	63	3,216	42	2,345	36
Scandinavia	5,607	30	5,092	30	3,709	48	3,537	55
Other markets	1,249	7	1,155	7	800	10	605	9
Total	18,489	100	16,698	100	7,725	100	6,487	100

¹⁾ Non-current assets other than financial instruments, deferred tax assets and pension assets.

Information about major customers

Swedish Match generates its sales from a diverse customer portfolio and the reliance on individual customers is therefore limited.

Sales from the Group's largest single external customer constituted 12 percent (11) of the Group's total sales, and referred to sales from the product segments Smokefree and Cigars.

Revenue from contracts with customers

The main revenue streams for the Swedish Match Group arise from sale of goods manufactured by the Group. Within Lights, a minority part of the revenue also refers to the distribution of third party products. Revenue

within Other operations mainly refers to income from logistics services for delivery of third party products to retail customers. Revenue for the sale of goods and logistics services are recognized at the point in time 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. Refund liabilities relating to these obligations are recognized as operating provisions in the Group balance sheet. The majority of Swedish Match's customers are retailers and distributors.

Disaggregation of revenue

	Smokefree		Cigars		Lights		Total segments		Other operations		Swedish Match Group	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Primary geographical markets												
The US	6,754	5,818	4,688	4,533	191	100	11,633	10,451	-	-	11,633	10,451
Scandinavia	5,203	4,675	-	-	61	51	5,264	4,726	344	366	5,607	5,092
Other markets	163	158	-	-	1,085	997	1,249	1,155	-	-	1,249	1,155
Total sales	12,120	10,651	4,688	4,533	1,338	1,149	18,145	16,332	344	366	18,489	16,698

4 Other operating income and expenses

Other operating income and expenses are specified below:

	2021	2020
Foreign exchanges gains	72	69
Foreign exchanges losses	-66	-76
Result from sale of fixed assets	32	19
Other	6	3
Total	44	14

5 Personnel

The average number of employees, including temporary employees, in the Parent Company during 2021 was 54, and in the Group 7,523. The corresponding numbers in 2020 were 56 and 6,733, respectively. The increase in the average number of employees primarily relates to the expansion of cigar production in the Dominican Republic and the ZYN production in the US.

Average number of employees by gender and country:

	2021		2020	
	Average number of employees	(of whom men, %)	Average number of employees	(of whom men, %)
Parent Company				
Sweden	52	52	54	50
Belgium	2	50	2	50
Subsidiaries				
Brazil	476	72	475	72
Denmark	121	68	110	65
Dominican Republic	3,823	54	3,236	53
Netherlands	109	87	95	94
Norway	49	65	46	68
Philippines	265	56	190	73
Sweden	1,300	58	1,323	61
Switzerland	12	75	8	75
Turkey	14	79	14	76
United States	1,300	69	1,182	70
Total	7,523	59	6,733	60

Board members, Presidents and management by gender¹⁾:

	2021		2020	
	At end of period	(of whom men, %)	At end of period	(of whom men, %)
Parent Company				
Board members elected by the AGM	8	63	8	63
Board members, employee representatives	3	100	3	100
Board members	11	73	11	73
President and other management²⁾	7	86	8	88
Group				
Board members	119	73	118	73
President and other management ²⁾	56	79	48	77

¹⁾ Deputy Board members are not included in the table. Presidents who are part of the Board are included in both categories; Board members and President and other management.

²⁾ During first seven months of 2020 one member of the Group Management Team was partly employed by the Parent Company and partly employed by a US subsidiary.

Wages, salaries, other remunerations and social costs are summarized below:

	2021			2020		
	Wages, salaries and other remunerations ²⁾	Social costs	of which, pension costs ¹⁾	Wages, salaries and other remunerations ²⁾	Social costs	of which, pension costs ¹⁾
Parent Company	107	59	19	98	52	17
Subsidiaries	1,985	795	286	1,982	781	278
Total	2,092	854	305	2,081	833	295

¹⁾ Defined as service cost for defined benefit pension plans and contributions for defined contribution pension plans (excluding special employer contributions).

²⁾ Remuneration related to the Group Management Team member that was partly employed by the Parent Company and partly by a US subsidiary during 2020, has been reported by the US subsidiary and invoiced to the Parent Company as consultancy services.

The pension costs for the Parent Company included 6 MSEK (5) attributable to the President and other management consisting on average of four persons during 2021 and 2020.

The pension costs for the subsidiaries included 15 MSEK (15) attributable to Presidents and other management consisting on average of 26 persons in 2021 (24 persons in 2020). The defined benefit obligations related to

Presidents and other management as of December 31, 2021 amounted to 142 MSEK (181).

During 2021, government grants for compensation of employee sick leave expenses have been received to an immaterial amount attributable to the COVID-19 pandemic.

Wages, salaries and other remunerations split by Board members, President and other management and other employees, are summarized below:

	2021			2020		
	Board, President and other management ¹⁾	of which, variable salaries	Other employees	Board, President and other management ¹⁾	of which, variable salaries	Other employees
Parent Company						
Total in Parent Company	50	20	57	46	20	52
Subsidiaries						
Total in subsidiaries	97	39	1,889	108	48	1,874
Total	146	59	1,946	154	67	1,927

¹⁾ The Board, President and other management employed by the Parent Company consisted on average of 15 persons (15). Presidents and other management employed by the subsidiaries consisted on average of 26 persons (24), whereof three persons were members of the Group Management Team. For further information about remunerations to Group Management Team members see table "Remuneration and other benefits to Group Management Team".

During 2021, 73 MSEK (71) was charged to the income statement, relating to a profit-sharing foundation on behalf of Group personnel in Sweden.

NOTE 5 Continued

Remuneration to Swedish Match AB's Board of Directors

The Annual General Meeting on April 13, 2021 decided, for the period up to and including April 27, 2022 when the next Annual General Meeting is held that the Chairman of the Board shall receive a fee of 2,252,000 SEK, the deputy Chairman shall receive 1,040,000 SEK, that other members of the Board elected by the General Meeting shall each receive a fee of 900,000 SEK. As Remuneration for committee work the Chairman of the Remuneration Committee shall receive 291,000 SEK and the other members of committee shall each receive 146,000 SEK and the Chairman of the Audit Committee shall receive 364,000 SEK and the other members of the committee shall each receive 156,000 SEK. Members of the Board employed by the Group shall not receive any Directors' fees.

There are no variable salaries or other benefits paid to the Board members for Board work during 2021. In 2021 a study fee in the amount of 61,281 SEK was paid to each of the three employee representatives on the Board, and in the amount of 45,868 SEK to each of the three deputy members. The study fees were paid by each employee representative's respective company. The fees to Board members elected by the Annual General Meeting for Board work during 2021 and 2020 are shown in the tables below:

Fees to Board members

TSEK	2021			
	Board fee	Remuneration Committee	Audit Committee	Total remuneration for Board work
Conny Karlsson Board chairman	2,252	291	-	2,543
Andrew Cripps Deputy chairman	1,040	-	156	1,196
Charles Blixt Board member	900	146	-	1,046
Jacqueline Hoogerbrugge Board member	900	146	-	1,046
Pauline Lindwall Board member	900	-	-	900
Wenche Rolfsen Board member	900	-	156	1,056
Joakim Westh Board member	900	-	364	1,264
Alexander Lacik Board member	900	-	-	900
Total	8,692	583	676	9,951

TSEK	2020			
	Board fee	Remuneration Committee	Audit Committee	Total remuneration for Board work
Conny Karlsson Board chairman	2,165	280	-	2,445
Andrew Cripps Deputy chairman	1,000	-	150	1,150
Charles Blixt Board member	865	140	-	1,005
Jacqueline Hoogerbrugge Board member	865	140	-	1,005
Pauline Lindwall Board member	865	-	-	865
Wenche Rolfsen Board member	865	-	150	1,015
Joakim Westh Board member	865	-	350	1,215
Alexander Lacik Board member	865	-	-	865
Total	8,355	560	650	9,565

Remuneration and other benefits to Group Management Team

The Annual General Meeting on April 2, 2020 adopted the following guidelines for executive remuneration. The guidelines govern the remuneration of the President and other members of the Group Management Team (GMT). The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the Annual General Meeting 2020. These guidelines do not apply to any remuneration decided or approved by the General Meeting.

The guidelines' promotion of the Company's business strategy, long-term interests and sustainability

For information regarding the Company's business strategy, see <https://www.swedishmatch.com/Our-company/Vision-and-strategy/>.

A prerequisite for the successful implementation of the Company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the Company can recruit and retain qualified personnel. To this end, it is necessary that the Company offers competitive remuneration. The remuneration structures shall encourage employees to do their utmost to safeguard shareholders' interests and thereby the Company's sustainability and long-term value creation.

The types of remuneration to GMT

The total remuneration to the GMT consists of fixed cash salary, variable cash remuneration, pension benefits, other benefits and terms related to termination of employment. Additionally, the General Meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

Remuneration under employments subject to other rules than Swedish may be duly adjusted to comply with mandatory rules or established local practice, taking into account, to the extent and reasonably possible, the overall purpose of these guidelines.

1. Fixed salary

The fixed salary for the GMT shall be in cash, correspond with market practice and be based on each individual's competence, country of residence, area of responsibility and performance.

2. Variable salary

GMT may be entitled to a variable salary in addition to the fixed salary. The variable salary shall be capped in relation to the fixed salary and reflect the market practice in the country of residence of the member of the GMT.

The variable salary may include both a short-term (annual) cash incentive program (2a below), a long-term cash incentive program with a performance period which shall not be shorter than three years (2b below), and profit sharing (2c below). To correspond with local market practice and to be able to attract and retain members of the GMT resident outside of Sweden, such members may participate in an additional incentive program (2d below).

The variable cash salary shall be linked to specified performance criteria. Performance criteria, their weight, thresholds and targets will be established at the beginning of each respective program.

The performance criteria will be established by the Board of Directors in relation to the President and by the Remuneration Committee in relation to all other members of GMT. The criteria shall be designed to contribute to the Company's business strategy and long-term interests, including its sustainability. A majority of the criteria shall be linked to clear and measurable financial performance measures (e.g. operating profit and net sales). There may also be non-financial criteria (e.g. operational criteria or criteria linked to sustainability).

To which extent the criteria for awarding variable cash remuneration has been satisfied shall be determined when the measurement period has ended. The Remuneration Committee is responsible for the evaluation of variable remuneration to be awarded the President as well as the other members of the GMT. For financial performance criteria, the evaluation shall be based on financial information made public by the Company.

By the end of a program, either the Board of Directors or the Remuneration Committee will have the right to adjust the outcome in case conditions have changed during the performance period. However, such potential adjustment(s) must have the primary purpose of strengthening the link between remuneration and the value creation for the shareholders, and to ensure that the level of remuneration is a fair reflection of the Company's and the individual's performance during the performance period for each individual program.

The Board of Directors shall have the possibility, subject to the restrictions that may apply under law, to in whole or in part reclaim variable remuneration paid on incorrect grounds (claw-back).

a. Short-term incentive program: The Board of Directors and the Remuneration Committee can annually resolve to implement an annual incentive program (STI). The maximum variable salary of such short-term incentive shall be 70 percent of the base salary.

To strengthen the connection to the shareholders' interest and the Company's long-term value creation, members of GMT may in the beginning of the program commit to purchase Company shares for at least

NOTE 5 *Continued*

50 percent of the received cash award net of income tax and to retain such shares for a period of not less than three years. A 20 percentage points reduction in maximum variable salary shall apply to any GMT member who does not commit to such purchase and retention of shares.

- b. *Long-term incentive program:* The Board of Directors and the Remuneration Committee can annually resolve to implement a long-term cash incentive program (LTI) where the maximum variable salary shall be 45 percent of the base salary. The LTI-program, with a performance period which shall not be shorter than three years, includes an obligation to purchase Company shares for the full cash award net of income tax and to retain such shares for a period of not less than two years.
- c. *Profit-Sharing System:* In some countries employees, including members of the GMT, can participate in profit-sharing systems. The Profit-Sharing System is not connected to a position and shall compose a small part of the remuneration for the member of GMT. The maximum award to members of GMT resident in Sweden shall not exceed 5 percent of the base salary.
- d. *Additional incentive program:* To correspond with local market practice, GMT members resident outside Sweden may participate in an additional incentive program capped over time at 50 percent of the base salary. Performance criteria shall be set at the beginning of each program whilst the thresholds and targets can be set at the beginning of the performance period or yearly.

3. Pensions

Old age pension shall be designed to reflect the practices in the country where a member of the GMT is resident.

The retirement age of a member of GMT shall normally be 65 years.

With regard to employments in Sweden, the GMT may have a defined contribution plan applicable to the part of the salary which is not covered by the ITP-plan. Such pension contributions shall amount to not more than 40 percent of the part of the base salary which is not covered by another pension plan.

Pension for new members of the GMT shall preferably be covered by defined contribution plans, which can amount to a maximum of 40 percent of the salary which qualifies for pension. Variable cash remuneration shall not qualify for pension benefits unless it is stated in mandatory rules or collective bargaining agreements.

4. Other benefits

Other benefits may include a company car, disability and sickness benefits, medical insurance and life insurance.

Other benefits to members of the GMT shall be payable in accordance with local practice. The combined value of these benefits shall normally constitute a limited value in relation to the total remuneration package and shall correspond to market practice.

GMT members, who are expatriates to another country than their country of origin, may receive additional remuneration and other benefits to the extent reasonable in light of the special circumstances associated with the expatriate arrangement, taking into account the overall purpose of these guidelines. Such additional benefits will be payable under the same conditions as for other employees during expatriate arrangement.

5. Termination of employment

The notice period may not exceed six months. Upon termination of employment by the Company, severance pay amounting to a maximum of 18 months fixed salary is paid. Notice of termination given by a GMT member due to significant structural changes, or other events that in a determining manner affect the content of work or the conditions for the position, is equated with of notice of termination given by the Company. Fixed cash salary during the period of notice and severance pay may together not exceed an amount equivalent to the fixed cash salary for two years.

Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income and shall only be paid in so far as the previously employed executive is not entitled to severance pay. The remuneration shall amount to not more than 60 percent of the fixed cash salary at the time of termination of employment, unless otherwise provided by mandatory collective bargaining agreements, and be paid during the time the non-compete undertaking applies, however not for more than nine months following termination of employment.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these guidelines and when evaluating whether the guidelines and the limitations set out herein are reasonable, the Remuneration Committee and the Board of Directors have taken into account salary and employment conditions for other employees in the Company. This typically include remuneration levels and elements, including changes in remuneration levels, as well as other employment conditions for employees in the Company that are not members of the GMT. The Committee regularly consults with the HR function of the Company in order to stay up to date with employee pay and conditions across the broader employee population.

The decision-making process to determine, review and implement the guidelines

The Board of Directors has established a Remuneration Committee. The Committee's tasks include preparing the Board of Directors' decision to propose guidelines for executive remuneration. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the Annual General Meeting. The guidelines shall be in force until new guidelines are adopted by the General Meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration for the GMT, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the Company. The President and other members of the GMT do not participate in the Board of Directors' deliberations or resolutions regarding remuneration-related matters in so far as they are affected by such matters.

The Board of Directors' right to derogate from the guidelines

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

Remuneration and other benefits to Group Management Team

TSEK		Fixed salary	Variable salary	Other benefits	Pension costs	Total	Defined benefit obligations
President	2021	7,666	9,103	159	2,813	19,742	-
	2020	7,446	8,921	140	2,667	19,174	-
Other members of Group Management Team	2021	21,422	22,890	1,940	7,054	53,307	28,415
	2020	24,671	30,363	2,021	7,765	64,820	61,456
Total	2021	29,088	31,993	2,099	9,868	73,048	28,415
	2020	32,117	39,284	2,161	10,432	83,994	61,456

Comments to the table

- At the end of 2021, the Group Management Team consisted of seven persons including the President. The President and three other members of the Group Management Team were employed by the Parent Company and three members were employed by a subsidiary.
- At the end of 2020, the Group Management Team consisted of eight persons including the President. The President and three other members of the Group Management Team were employed by the Parent Company and four members were employed by a subsidiary.
- Variable salary refers to accruals charged to the consolidated income statement during the year for short term and long term incentive programs.
- Other benefits refers to company cars, medical insurance, dental plan, life insurance, club membership and other benefits.
- Reported pension costs correspond to service costs for defined benefit pension plans and fees relating to defined contribution pension plans (excluding payroll taxes).
- During 2021 and 2020 no earnings-related compensation (tantiem) has been paid to the Group Management Team.
- During 2021 and 2020 no severance has been paid to the Group Management Team.

NOTE 5 *Continued*

Variable salary

In 2021, the Group Management Team ("GMT") participated in short and long term incentive programs (variable salary) described under the presentation of the remuneration and other benefits to Group Management Team.

Performance targets for the short-term incentive are determined in the beginning of each year. For 2021, the CEO and heads of corporate functions of the GMT had the same criteria, Group operating profit (weight 75 percent) and Net sales from product segments (weight 25 percent). The Division Presidents had partly the same Group criteria as the CEO and partly criteria linked to the division.

In the three year long incentive program that started in 2019 and ended in 2021, the performance criteria for the CEO and other members of group management were based on Group operating profit (weight 75 percent) and net sales from product segments (weight 25 percent). For the criterion Group operating profit the threshold for payout and target for maximum payout were 14,520 MSEK and 16,809 MSEK respectively and for the criterion net sales from product segments the corresponding numbers were 37,998 MSEK and 43,988 MSEK respectively. The Remuneration Committee established the total weighted performance outcome for the long term program to 100 percent.

In the long term program that started in 2021, the performance criteria for the CEO and other members of the Group Management team is the accumulated Group operating profit (weight 70 percent), the accumulated Group net sales from product segments (weight 20 percent) and reduction in greenhouse gas intensity (weight 10 percent) for the years 2021 to 2023. There will be no pay-out in relation to these criteria unless there is an improvement in relation to the comparable performance of the Group in 2020. The costs for the long term program are expensed during the fiscal year when the compensation is earned based on an estimated outcome. At year end, a final estimate of the year's cost is calculated based on the actual outcome. Adjustments of previously reported costs for the long term programs are also reported when the estimated outcome is updated for each program during the performance period. As the long term program extends over three years the final result will be established at the end of the three year performance period.

In addition to the programs noted above, GMT members residing in the US also participated in a three-year local program. This local program extends over three years, with a new program starting every second year. Accordingly, this program can generate an outcome every second year. The maximum outcome of this plan corresponds to a fixed annual salary every second year.

In 2021, the eligible participants in the long term incentive program have committed to purchase Swedish Match shares for the total compensation received, net after tax, and to retain these shares for a period not less than two years.

Pensions

President

The President's retirement age is 62 and he is covered by the Swedish standard retirement plan for white-collar employees (ITP plan) on salary up to 30 times the income base amount. The President's ITP plan shall be fully funded at age 62. In addition, the Company pays a pension premium amounting to 40 percent of fixed salary above 30 times the income base amount to a defined contribution pension plan.

Other members of Group Management Team

For members of the Group Management Team who are residents in Sweden, the retirement age is 62 or 65. Swedish GMT members that are born 1978 or earlier are covered by the Swedish standard retirement plan for white-collar employees (ITP2 plan) on salary up to 30 times the income base amount. In addition, for some of the members, the Company also pays a pension contribution amounting to a maximum of 35 percent of fixed salary above 30 times the income base amount. Swedish GMT members that are born after 1978 are covered by the ITP1 plan, and are not eligible to any additional pension contributions. Members of the GMT who are resident in the US, are covered by a defined benefit pension plan with a normal retirement age of 65.

Other employment conditions

Severance pay etc.

For the Group Management Team including the President, a mutual notice period of maximum of six months applies and a maximum severance payment of 18 months' fixed salary is payable if the Company terminates the employment contract.

The President and three other members of the Group Management Team are entitled to terminate their employment with the right to receive severance pay in accordance with the above terms if a major organizational change should occur that significantly restricts their position.

6 Audit fees

Expenses for auditor's fees are included in the administrative expenses as set out in the table below:

Audit fees	2021	2020
Deloitte		
Audit services	8	8
Tax services	0	1
Other services	1	1
Total	9	9

7 Operating expenses classified by nature

Operating expenses ¹⁾	2021	2020
Personnel expenses	2,946	2,913
Depreciation, amortization and write-downs	615	588
Direct material	3,292	2,833
Other operating expenses	3,662	3,385
Total	10,515	9,719

¹⁾ Excluding larger one-time items.

Expenses for research and development are recognized in the income statement as other operating expenses. During 2021 expenses for research and development amounted to 241 MSEK (237).

8 Net finance cost

Financial income	2021	2020
Interest income relating to pension receivables	1	1
Interest income relating to financial assets measured at amortized cost	14	20
Interest income relating to financial instruments measured at fair value through profit and loss	21	28
Total	36	49
Financial expenses	2021	2020
Interest expense relating to pension liabilities	-33	-43
Interest expense relating to other financial liabilities measured at amortized cost	-228	-222
Interest expense relating to financial instruments measured at fair value in hedging relationships	-90	-85
Interest expense relating to financial instruments measured at fair value through profit and loss	-1	0
Interest expense relating to lease liabilities	-14	-12
Interest expense relating to tax charge due to adverse ruling in a tax case	-	-16
Net foreign exchange losses	-5	-8
Other financial expenses	-9	-10
Total	-381	-396
Net finance cost	-345	-347

9 Income tax

The major components of income tax expense/income for the years ended December 31, 2021 and 2020 are:

Income tax expense reported in the Income statement	2021	2020	Income tax reported outside of the Income statement	2021	2020
<i>Current tax:</i>			Current tax	-	-
Current tax on earnings for the year	-1,590	-1,503	Deferred tax	-108	44
Adjustments in respect of prior years	16	-243	Total	-108	44
Total current tax	-1,574	-1,746	<i>This comprises:</i>		
<i>Deferred tax:</i>			Tax reported in other comprehensive income		
Origination and reversal of temporary differences	-159	-2	Actuarial net gains/losses attributable to pensions	-91	33
Adjustments in respect of prior years	-6	-6	Revaluation of cash flow hedges net gain/loss	-17	11
Impact of change in tax rate	16	-1	Total tax reported in other comprehensive income	-108	44
Total deferred tax	-149	-10	Total tax reported outside of the income statement	-108	44
Income tax expense	-1,723	-1,756			

The deductible and taxable temporary differences in the balance sheet for the years ended December 31, 2021 and 2020 are summarized below:

Deferred tax assets and deferred tax liabilities	2021			2020		
	Deferred tax assets	Deferred tax liabilities	Net balance	Deferred tax assets	Deferred tax liabilities	Net balance
Tax loss carry forwards	-	-	-	100	-	100
Trade receivables	-	-	-	1	-	1
Pensions and other post-employment benefits	361	2	359	371	-6	378
Employment benefits	112	-	112	107	-	107
Intangible assets	-	294	-294	-	302	-302
Fixed assets	-1	354	-355	1	286	-285
Right of use assets/lease liabilities	2	-	2	2	-	2
Tax allocation reserve	-	642	-642	-	582	-582
Inventory	9	20	-12	5	23	-17
Unremitted earnings in foreign subsidiaries	-	91	-91	-	87	-87
Financial assets	-6	-	-6	23	-	23
Other	43	-5	48	30	-6	36
Net deferred tax balances	520	1,397	-877	640	1,268	-628

The net of deferred tax liabilities and assets for the years ended December 31, 2021 and 2020 are summarized below:

Movement in deferred tax liabilities, net	2021	2020
Opening balance, net	628	634
Deferred tax expense/income in the income statement	149	10
Deferred tax in other comprehensive income	108	-44
Companies acquired externally	7	-
Translation differences	-14	27
Closing balance, net	877	628

As of December 31, 2021 the Group's non-recognized deductible temporary differences are in total 3 MSEK (5). There are no unrecognized tax losses in the Group at year end 2021.

A reconciliation between tax expense and the product of accounting profit multiplied by Sweden's statutory tax rate for the years ended December 31, 2021 and 2020 is as follows:

Reconciliation of effective tax rate	2021		2020	
	%	MSEK	%	MSEK
Profit before income tax		7,941		6,644
Swedish statutory tax rate	20.6	-1,636	21.4	-1,422
Effect of tax rates in foreign jurisdictions ¹⁾	2.1	-164	1.7	-111
Results from associated companies reported net of tax	0.0	2	0.0	2
Income tax in respect of prior years ²⁾	-0.2	12	3.7	-243
Utilization of previously unrecognized tax losses ³⁾	-0.6	50	-	-
Income not subject to tax	-0.4	31	-0.5	32
Expenses not deductible for tax purposes	0.3	-22	0.2	-15
No benefit available for loss	0.0	-2	0.0	-1
Effect of enacted change of tax rate ⁴⁾	-0.3	21	0.0	3
Withholding tax in foreign subsidiaries ⁵⁾	0.2	-18	0.1	-7
Tax allocation reserve in Sweden	0.1	-6	0.1	-7
Tax credit of machinery and equipment in Sweden ⁶⁾	-0.1	6	-	-
Other items	-0.1	4	-0.2	12
Reported effective tax	21.7	-1,723	26.4	-1,756

- 1) The negative effect in "tax rates in foreign jurisdictions" in 2020 and 2021 is largely a result of the increase in the contribution to earnings from the US business where the corporate tax rate is higher than the Swedish tax rate.
- 2) The negative effect of "income tax in respect of prior years" in 2020 is mainly a result of the non-recurring income tax expense of 270 MSEK from a Swedish tax case.
- 3) The positive effect of "utilization of previously unrecognized tax losses" in 2021 is the result of a favorable ruling in a tax case in Sweden.
- 4) The positive effect of "enacted change of tax rate" in 2021 is mainly a result of state tax rate and apportionment methodology changes in the US.
- 5) The negative impact of "withholding tax in foreign subsidiaries" in 2021 is largely a result of increased income in the Philippines.
- 6) "Tax credit of machinery and equipment in Sweden" is a temporary legislation granting a credit in 2022 of M/E purchased during 2021. The credit is recognized in 2021.

Sweden reduced the corporate tax rate from 21.4 percent to 20.6 percent as of January 1, 2021.

10 Earnings per share

Basic and diluted	2021	2020
Profit for the year attributable to equity holders of the Parent, MSEK	6,217	4,888
Profit for the year attributable to equity holders of the Parent, excl. larger one-time items, MSEK	5,979	5,174
Weighted average number of shares outstanding, basic and diluted¹⁾	1,565,379,185	1,608,665,372

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

Earnings per share, basic and diluted, SEK	2021	2020
Earnings per share	3.97	3.04
Adjusted earnings per share	3.82	3.22

The Company had no outstanding options and no dilution.

11 Intangible assets

Intangible assets at December 31 comprised the following:

	Goodwill		Trademarks		Other intangible assets ¹⁾		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Cost at beginning of year	1,620	1,714	1,611	1,676	516	462	3,747	3,852
Purchases/investments	-	-	0	-	7	63	8	63
Acquisitions	11	-	27	-	-	-	38	-
Sales/Disposals	-	-	-	-	-2	-9	-3	-9
Reclassifications	-	-	-	-	0	1	0	1
Translation differences, etc.	66	-95	46	-65	0	-0	113	-160
Cost at end of year	1,697	1,620	1,684	1,611	522	516	3,903	3,747
Accumulated amortization and write-down at beginning of year	-388	-401	-855	-856	-266	-240	-1,510	-1,496
Amortization for the year	-	-	-42	-42	-32	-35	-75	-77
Sales/Disposals	-	-	-	-	2	9	2	9
Translation differences, etc.	-7	12	-33	43	-0	0	-39	55
Accumulated amortization and write-down at end of year	-395	-388	-931	-855	-296	-266	-1,622	-1,510
Net carrying value at end of year	1,301	1,231	754	756	226	250	2,281	2,237

¹⁾ Other intangible assets mainly consist of software, licenses and patent rights.

No borrowing costs have been capitalized during 2021 nor 2020 for intangible assets.

The Group's intangible assets are deemed to have definite useful lives, except for goodwill and the trademark Jakobsson's, which according to the IFRS definition has an indefinite useful life. Jakobsson's has been assessed having indefinite useful life based on that the trademark is well established in the market and has a loyal and growing consumer base within a unique niche segment. Trademarks with indefinite useful lives are reviewed annually and are included in the impairment testing. In the beginning of 2020, Swedish Match reassessed the estimated economical useful life of the Thunder trademark. The updated assessment indicated that the Thunder trademark's economical useful life has changed from indefinite to a definite economical useful life of 20 years.

Amortization have been charged to the income statement as stated below:

	Amortization and write-down	
	2021	2020
Cost of goods sold	-2	-2
Selling expenses	-19	-19
Administrative expenses	-54	-56
Total	-75	-77



NOTE 11 *Continued*

Impairment test

The Group's goodwill and trademarks with indefinite useful life are tested for impairment on an annual basis or whenever there is an indication of impairment. Goodwill and trademarks with indefinite useful life are, for the purpose of impairment testing, allocated to the lowest level of groups of cash generating units (CGUs) based on product groups and geographical markets, at which they are monitored within the Group. A group of CGUs is not larger than an operating segment. Taking into account that an assessment has been made that the cash flow attributable to trademarks cannot be distinguished from other cash flows within each CGU, impairment testing is performed for both goodwill and trademarks jointly.

The Group's goodwill and trademarks with indefinite useful life relate to the following CGUs: Other tobacco products operations in US, which includes chewing tobacco and moist snuff in US, Cigar operations in US, Smokefree operations in Europe, which includes all smokefree products sold in Europe, and Lights operations. The carrying values of the assets relating to respective CGU are compared to the recoverable amount for the CGU. In the impairment testing, the carrying values of the assets relating to respective CGU are compared to the recoverable amount for the CGU. If the carrying value is higher, the difference will be charged to the income statement as an impairment loss.

The recoverable amount for all CGUs has been determined based on value in use calculations. The value in use of a CGU is calculated using a valuation model based on discounted expected future cash flows (DCF). The cash flows are explicitly forecasted for a period of five years. The cash

flows beyond the five year period are extrapolated using a terminal growth rate. The cash flows used in the valuation model are projected considering historical performance and forecasts, and are based on what management believes are reasonable assumptions according to the best information available. The forecasts are based on previous results, industry experience and expectations for market trends and has been approved by management. Forecasts are drawn up separately for each CGU and include assumptions on sales growth, EBITDA margin, working capital and investment needs, and the terminal growth rate of free cash flow. The forecasted cash flows are discounted by a discount rate specifically determined for each CGU.

The discount rates are calculated by weighting cost of capital (WACC) for each CGU. The calculation of cost of debt is based on local risk-free interest rates, specific risk premium (if applicable), local tax rates and a Swedish Match specific interest margin. Cost of equity is calculated using the Capital Asset Pricing Model, applying average beta for the industry adjusted for capital structure, local risk-free interest rates, specific risk premium (if applicable) and an equity risk premium. As local interest rates are included in the calculation of discount rates, the value in use calculations are sensitive to changes in market conditions.

The result from the impairment testing in 2021 and 2020 of goodwill and trademarks with indefinite useful life showed that the value in use exceeded the carrying values for all CGUs. No reasonable possible change in any of the key assumptions would result in an impairment.

The table below presents the composition of the Group's CGUs, terminal growth rate and WACC used in the impairment testing for 2021 and 2020 as well as the carrying value of goodwill and trademarks with indefinite life as of December 31.

Cash generating units	Goodwill and trademarks with indefinite life in cash generating units							
	Terminal growth rate 2021, %	Post-tax WACC 2021, %	Pre-tax WACC 2021, %	Carrying value 2021	Terminal growth rate 2020, %	Post-tax WACC 2020, %	Pre-tax WACC 2020, %	Carrying value 2020
Smokefree traditional tobacco products operations in US	0.2	6.4	8.7	156	0.0	5.7	8.2	167
Cigar operations in US	0.7	6.4	8.6	383	0.8	5.7	7.9	321
Smokefree operations in Europe ¹⁾	1.5	5.7	6.9	733	1.5	5.2	6.2	725
Lights operations	0.8	7.9	10.2	181	0.9	8.8	11.4	170
Total				1,453				1,382

¹⁾ Includes the trademark with indefinite useful life of 151 MSEK (151).

12 Property, plant and equipment

Property, plant and equipment at December 31, comprised the following:

	Buildings and land ¹⁾		Plant and machinery		Equipment, tools and fixtures		Construction in progress		Total ²⁾	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Cost at beginning of year	1,603	1,561	4,854	4,977	933	954	797	389	8,187	7,882
Purchases/investments	16	54	87	76	157	97	904	892	1,165	1,120
Acquisitions	-	-	1	-	1	-	-	-	2	-
Sales/disposals	-3	-6	-44	-95	-28	-97	-	-	-76	-198
Reclassifications	377	111	476	302	3	3	-859	-417	-3	-1
Translation differences, etc.	88	-118	284	-406	8	-24	53	-67	433	-615
Cost at end of year	2,080	1,603	5,657	4,854	1,074	933	896	797	9,707	8,187
Accumulated depreciation and write-down at beginning of year	-667	-674	-3,319	-3,388	-611	-652	0	-1	-4,598	-4,714
Depreciation for the year	-65	-54	-297	-290	-79	-76	0	-	-441	-419
Write-down for the year	0	-	-1	0	0	-	-1	-	-3	0
Sales/disposals	0	1	43	90	26	97	-	-	69	188
Translation differences, etc.	-37	58	-173	269	-6	20	0	0	-216	348
Accumulated depreciation and write-down at end of year	-770	-667	-3,747	-3,319	-670	-611	-2	0	-5,189	-4,598
Net carrying value at end of year	1,311	936	1,910	1,534	404	323	894	796	4,518	3,589

¹⁾ Buildings and land include land and land improvements at a book value of 131 MSEK (92).

²⁾ Total property, plant and equipment exclude forest plantation.

Construction in progress primarily relates to investments in production facilities.

No borrowing costs have been capitalized during 2021 or 2020 for property, plant or equipment.

Depreciation and write-downs for the year totaling 444 MSEK (420) was charged to cost of goods sold in the income statement in an amount of 371 MSEK (343), to administrative expenses of 15 MSEK (19), and to selling expenses of 58 MSEK (58).

At December 31, 2021, the Group has contractual commitments of 173 MSEK for firm orders, placed for acquisition of plant and machinery.

13 Biological assets

Biological assets at December 31 comprised the following:

	2021	2020
Forest plantations		
Carrying value at beginning of year	44	87
Purchases and new planting	8	7
Timber harvested and transferred to inventory	-3	-4
Sales/disposals	-0	-2
Reclassifications ¹⁾	-11	-18
Translation differences, etc.	0	-25
Carrying value at end of year	38	44

¹⁾ Reclassifications refers to assets that are reclassified to assets held for sale.

The Group's reported biological assets comprise poplar and pine forests in Brazil with a total area of 3,686 hectares at December 31, 2021. The age of the trees varies from newly planted seedlings up to 50 years. The forests are held to ensure the supply of wood used in the product segment Lights.

Timber felled during 2021 had an estimated value of 3.2 MSEK at the time of harvesting, and made up 90,942 cubic meters of wood.

The forest plantations are regularly measured at fair value of the forest, according to level 2 in the fair value hierarchy, based on estimated volumes and prevailing market prices for timber, less estimated point-of-sale costs. Volume estimates for each age category and type of wood are based on measurements of the height and diameter of trees and the number of trees per unit of area. The latest measurement of fair value of the forest did not result in any changes of the reported value.

Replanting is required following harvesting of the Group's pine forest. Based on normal annual harvesting, this involves replanting approximately 150 hectares annually. During 2021, 161 hectares (113) pine forest were replanted. At present, there is no corresponding requirement for poplar.

Forest plantations may be damaged by noxious insects, diseases and fire. To reduce these risks, a program for damage and fire prevention is in place.

14 Leases

The Group is lessee for a number of assets where real estate leases, such as rental of office and factory premises, warehouses and storages, represent the major part of the total value of leases. The Group's leases also include vehicles, IT equipment, machinery etc. With the exception of short-term leases and leases of low-value, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Lease payments are generally fixed, but a limited number of real estate leases are linked to periodic changes in an index. Variable lease payments, which do not depend on an index or a rate, are excluded from the initial measurement of the lease liabilities and assets.

Swedish Match has not received any significant COVID-19 related rent concessions during neither 2020 or 2021 that have resulted in any changes to the valuation and reporting of lease contracts.

Some leases contain options to extend the lease for one or more terms or to terminate the lease. The likelihood of utilizing or not utilizing extension and termination options are assessed for each lease contract, as applicable. The amount of optional lease payment not included in the lease liabilities at December 31, 2021 amounted to 144 MSEK (129). The average duration of the Group's leases was 1.4 years (1.9), including assessments of the likelihood of utilizing extension and termination options.

Leases at December 31, comprised the following:

	Real estate		Cars		Other		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Right-of-use assets								
Carrying value at beginning of year	216	168	60	83	3	4	278	255
Additions ¹⁾	143	50	30	28	3	2	176	80
Terminations	-3	-2	-2	-4	-	-1	-5	-6
Depreciation for the year	-56	-49	-38	-40	-2	-2	-96	-92
Revaluations ²⁾	18	64	-	-	0	-	18	64
Translation differences, etc.	13	-15	5	-8	0	0	18	-23
Carrying value at end of year	331	216	55	59	2	3	388	278

¹⁾ Additions in 2021 mainly relate to new rental agreements of office premises and stores.

²⁾ Revaluations in 2021 mainly relate to reassessments of extensions options of rental agreements of stores and 2020 relate to reassessments of office premises.

Amounts recognized in the income statement are summarized below:

	2021	2020
Depreciation right-of-use assets	-97	-92
Variable lease payments not included in the lease liabilities	-23	-21
Expenses for short term leases	-18	-15
Expenses for low value leases	-4	-2
Interest expense on lease liabilities	-15	-11
Result sale or cancellation of right-of-use assets	1	-0
Total	-155	-140

Variable lease payments not included in the related lease liability are expensed as incurred and mainly include usage payments on vehicles and for office and factory premises.

The Group's lease liabilities at December 31 comprised the following:

	2021	2020
Current lease liabilities	96	77
Non-current lease liabilities	307	208
Total	403	285

The maturity structure for future lease expenses included in the lease liabilities, with remaining terms of one year or more, is as follows:

Undiscounted future lease expenses included in the lease liabilities	2021	2020
First year after period	109	86
Second year after period	94	77
Third year after period	48	60
Fourth year after period	42	25
Fifth year after period	41	23
Sixth year after period and beyond	132	64
Total	466	334

Total cash flow from leases, including interest component, variable lease payments and payments for short-term and low value leases in 2021, amounted to 145 MSEK (133).

Future variable lease payments not included in the measurement of the lease liabilities, in relation to the fixed lease payments are expected to remain at a similar level in all material aspects. The relative magnitude of variable lease payments related to the fixed payments for 2021 was 21 percent (20).

At December 31, 2021 the Group had committed to leases amounting to 14 MSEK (15) which had not commenced. The commitments refer to rental of production facilities under construction in Dominican Republic with expected access and completion 2022.

15 Investments in associated companies

Swedish Match investments in associated companies are a 32 percent ownership interest in Malaysian Match Co. SDN. BHD. and a 49 percent interest in OTP. Malaysian Match is a Malaysian sales distributor for primarily matches and lighters in the Asia region. OTP is a tobacco distribution company with subsidiaries in Slovenia and Croatia.

During December 2021, Swedish Match divested its shareholding of 25 percent in EB Road Cargo AB. During the year, Swedish Match received dividends of 13 MSEK from EB Road Cargo.

The numbers in the tables below represent the change in carrying value:

Associates	2021	2020
Carrying value at beginning of year	42	42
Divestment of EB Road Cargo AB	-2	-
Share of profit	13	13
Dividends received	-13	-10
Translation differences, etc	1	-3
Carrying value at end of year	41	42

The tables below specify the summary financial position of the associated companies and the corresponding carrying values. Operating results of investments in associated companies have been recognized for a 12-month period but with a time lag of one month, based on the investee's internal financial reporting. Adjustments resulting from annual audits of investee results are thereby reflected in the subsequent reporting periods in Swedish Match consolidated financial statements.

	Associated companies	
	2021	2020
Sales	230	670
Operating profit	23	46
Net profit/loss (excluding other comprehensive income)	18	37
Total comprehensive income	18	37
Total current assets	161	249
Total fixed assets	15	110
Total current liabilities	86	172
Total non-current liabilities	7	81
Equity	83	106
Equity interest	33	34
Goodwill	8	8
Carrying value at end of year	41	42

Transactions with associated companies

In the normal course of business, Swedish Match conducts various transactions with associated companies. Transactions are conducted at an arms-length basis. At December 31, 2021, receivables from these companies amounted to 16 MSEK (15). Total sales during the year to associated companies amounted to 75 MSEK (82). Payables to and purchases from associated companies amounted to immaterial amounts. In addition, as per December 31, 2021, Swedish Match had a financial receivable on OTP amounting of 36 MSEK (46).

16 Other non-current receivables and other current receivables

Non-current receivables at December 31 comprised the following items:

	2021	2020
Other non-current receivables		
Non-current financial receivables	1,182	833
Net assets in pension plans	140	92
Other non-current receivables	15	10
Total	1,337	935

Non-current financial receivables included foreign exchange derivatives used to hedge the bond loans denominated in foreign currencies amounting to 700 MSEK (460). Most of the remaining value of the non-current financial receivables consisted of life insurance policies in a non-Swedish subsidiary.

Other current receivables at December 31 comprised the following items:

	2021	2020
Other current receivables		
Current financial receivables	205	99
VAT receivables	31	22
Other current receivables	240	194
Total	476	315

The assessed impairment on the Group's non-current and current receivables is deemed immaterial.

17 Inventories

Inventories at December 31, net of allowances for obsolescence, comprised the following items:

Inventories	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
Finished goods	701	-	701	527	-	527
Work in progress	96	-	96	94	-	94
Leaf tobacco	694	232	926	597	216	813
Other input materials and consumables	544	-	544	390	-	390
Total	2,035	232	2,267	1,608	216	1,824

During 2021, 35 MSEK (18) of inventory write-downs, net of adjustments of allowances for inventory obsolescence, have been expensed.

Other input materials and consumables included harvested trees which are reported at fair value less estimated point-of-sale cost. Harvested trees constituted an immaterial part of other input materials and consumables.

18 Trade receivables

Trade receivables at December 31 comprised the following:

	2021	2020
Trade receivables	1,854	1,588
Less provision for impairment of trade receivables	-11	-11
Net trade receivables	1,843	1,577

Movements, due to the changes in expectations, on the group provision for impairment of trade receivables are as follows:

	2021	2020
Trade receivable provision		
Carrying value at beginning of year	-11	-14
Provision	-3	-2
Recovery	1	2
Write-down	3	2
Translation differences, other deductions or additions, etc.	0	1
Carrying value at end of year	-11	-11

As of December 2021, net trade receivables of 50 MSEK (74) were past due. The aging of trade receivables is as follows:

	2021	2020
Aging of trade receivables		
Current	1,793	1,502
Overdue < 31 days	31	53
Overdue 31-60 days	6	10
Overdue > 60 days	13	11
Total	1,843	1,577

Swedish Match does not generally hold collateral against trade receivable. The ten largest customers represent 43 percent (42) of total net sales. Trade receivables are generally held in domestic currencies, which have an insignificant impact on the foreign currency risk. The provision for account receivables mainly pertain to doubtful customer account receivables that have the potential risk for not being collected. As the time to maturity is short and the credit risk is low the impairment for trade receivables is assessed to be immaterial. Credit risks are regularly reviewed, and there has been no indications of any significant changes, due to COVID-19, in customers' credit terms or to customers' ability to pay outstanding invoices when they fall due. For more information, see *Note 27 Financial instruments and financial risks*.

19 Cash and cash equivalents

	2021	2020
Cash and cash equivalents		
Cash and bank	1,018	1,972
Other current investments	1,103	1,440
Total	2,121	3,411

Other current investments consist of short term deposits with banks and other institutions.

20 Assets held for sale

At December 31, 2021 the Group had no assets classified as held for sale. At December 31, 2020 the Group had assets held for sale amounting to 28 MSEK which referred to land and forestry assets in Brazil and tangible fixed assets to an immaterial amount. There were no corresponding liabilities to these assets.

21 Equity

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 December 31, 2021 amounted to 10,280 MSEK and distributable earnings amounted to 9,891 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.

Proposed dividend per share

The Board of Directors proposes to the Annual General Meeting an increased dividend, amounting to 1.86 SEK per share (1.50), proposed to be paid in two installments of 0.93 SEK per share in May 2022 and 0.93 SEK per share in November 2022. The proposed dividend is in line with Swedish Match's ambition to continually grow dividend per share with a payout ratio normally within 40-60 percent of earnings per share, subject to adjustment for larger one-time items. The proposed dividend represents an increase of 24 percent from the prior year's dividend, and equals a payout ratio of 49 percent (47) of the adjusted earnings per share for the year. The proposed dividend amounts to 2,848 MSEK based on the 1.531 billion shares outstanding at the end of the year. Dividend for 2020, paid in 2021, amounted to 2,369 MSEK.

Shareholder distributions and the share

The Annual General Meeting on April 13, 2021 renewed the mandate to repurchase up to 10 percent of the shares of the Company. In addition, a decision was made to cancel 42 million shares held in treasury, with a simultaneous bonus issue, without issuing new shares, of an amount equivalent to the amount represented by the cancelled shares of 10 MSEK. The total number of outstanding shares of the Company, including treasury shares, after the cancellations, is 1.580 billion shares.

In May 2021, the number of shares and votes in Swedish Match AB (publ) increased as a result of the share split (ratio 10:1) that was resolved by Swedish Match AB's Annual General Meeting on April 13, 2021, through which each existing share was divided into ten shares. The record date for the share split was May 10, 2021. Following the share split, the total number of shares in the company amounts to 1,580,000,000 shares (previously 158,000,000 shares). All references to shares and earnings per share in this document have been restated to reflect this split.

During the year 52.8 million shares were repurchased for 3,802 MSEK at an average price of 71.96 SEK. As at December 31, 2021 Swedish Match held 48.8 million shares in its treasury, corresponding to 3.09 percent of the total number of shares. The number of shares outstanding, net as per December 31, 2021, amounted to 1.531 billion.

Number of shares held in treasury and cumulative repurchases of own shares included in retained earnings are detailed below:

	Number of shares (thousands)		Cumulative effect on equity (MSEK)	
	2021	2020	2021	2020
Balance at beginning of year	37,929	67,217	-37,528	-34,429
Repurchase of own shares during the year	52,836	48,212	-3,802	-3,099
Allocated to retained earnings by cancellation of treasury shares	-42,000	-77,500	10	18
Bonus issue	-	-	-10	-18
Balance at end of year	48,765	37,929	-41,330	-37,528

NOTE 21 Continued

Since the buyback program started in June 2000 the total number of shares repurchased amounts to 2,655 million and the total number of shares cancelled amounts to 2,459 million shares. The total number of shares sold as a result of option holders exercising options amounts to 146 million shares. Total shares bought back since the buyback program started have been repurchased at an average price of 15.95 SEK.

For information regarding number of registered shares in the Parent Company and outstanding shares quota value, see Note 12 Equity to the Parent Company financial statements.

Changes in reserves of cumulative other comprehensive income and non-controlling interest

2020	Hedge reserve	Translation reserve	Non-controlling interest
Balance at beginning of year	-66	995	1
Profit for the year relating to non-controlling interest	-	-	-1
Translation differences related to foreign operations for the year	-	-1,120	0
Effective portion of changes in fair value cash flow hedges	-51	-	-
Income tax relating to components of other comprehensive income ¹⁾	11	-	-
Balance at end of year	-107	-125	1

¹⁾ For further details on tax components relating to the various other comprehensive income items, see Note 9 Income tax.

2021	Hedge reserve	Translation reserve	Non-controlling interest
Balance at beginning of year	-107	-125	1
Profit for the year relating to non-controlling interest	-	-	-1
Translation differences related to foreign operations for the year	-	740	0
Translation differences included in profit and loss	-	0	-
Effective portion of changes in fair value cash flow hedges	82	-	-
Income tax relating to components of other comprehensive income ¹⁾	-17	-	-
Balance at end of year	-42	615	-1

¹⁾ For further details on tax components relating to the various other comprehensive income items, see Note 9 Income tax.

Hedge reserve

The hedge reserve includes the accumulated effective portion of changes in fair value of cashflow hedges attributable to interest rate hedges measures at FVOCI.

Translation reserve

The translation reserve includes all exchange rate differences that arise in translation of the financial reports of foreign operations that have prepared their financial statements in a different currency from that which is used to present the consolidated financial reports. The Parent Company and the Group present their reports in Swedish krona (SEK).

22 Interest bearing liabilities

The Group's interest bearing liabilities consist of bond loans and lease liabilities. The maturity structure of the Group's non-current interest-bearing liabilities is as follows:

Year	2021	2020
2022	-	1,467
2023	2,316	2,224
2024	3,104	3,026
2025	3,122	2,539
2026	2,031	1,053
2027 and later	3,932	3,412
Total	14,504	13,722

The Group's current interest-bearing liabilities at December 31 comprised the following items:

	2021	2020
Current interest-bearing liabilities		
Current portion of non-current loans	989	1,849
Current lease liabilities	96	77
Bank overdraft facilities utilized	1	0
Total	1,086	1,927

See further information on interest-bearing liabilities in Note 27 Financial instruments and financial risks.

23 Post-employment benefits

The Group has defined benefit pension plans in a number of subsidiaries, through which the employees are entitled to post-employment benefits based on their pensionable income and the number of service years.

Obligations related to post-employment employee benefits as of December 31 are reported in the balance sheet under the following balance sheet items:

	2021	2020
Post-employment defined benefits		
Defined benefit plans, net liabilities	296	461
Post-employment medical benefits, net liabilities	1,137	1,032
Other long term employee benefits, net liabilities	12	10
Provision for pensions and similar obligations	1,445	1,503
Defined benefit plans, net assets	-140	-92
Included in other non-current receivables	-140	-92
Net post-employment liability	1,305	1,411

The net defined pension benefit liability decreased during the year, as a result of net positive actuarial remeasurements, mainly due to higher discount rates and higher return on plan assets. In addition, the Group's net pension benefit obligation was affected by negative currency translation effects.

Overview of the Group's post-employment defined benefit plans

Post-employment defined benefit plans in the US represents the majority of the Group's total defined benefit obligation.

In the US, Swedish Match provides two qualifying pension plans, a post retirement medical plan, a supplemental pension plan covering certain executives, and a long term disability plan. The qualifying pension plans are funded, where benefit payments are made from a trustee-administered fund. The other plans are generally unfunded, where Swedish Match pays benefits as they come due, although the Group did establish two Voluntary Employee Beneficiary Association (VEBA) trusts for certain of its obligations under the US post retirement medical plan in 2017.

The largest qualified pension plan covers non-collectively bargained US employees and was closed for new entrants beginning in 2008. The plan is a final average pay pension plan, which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years pre retirement.

The second qualifying pension plan covers collectively bargained US employees and is open for new entrants. The plan is a dollars times service

NOTE 23 Continued

pension plan, which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and dollar multipliers specified by the plan. Normal retirement age for the US qualifying pensions is 65 years and beneficiaries do not receive inflationary increases. Plan assets are held in trusts and there are pension plan fiduciaries as required under US pension law. The fiduciaries, jointly with Swedish Match, are responsible for the governance of the plans.

Plan assets are invested in accordance with the plans' Statement of Investment Guidelines. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The asset allocation strategy is to gradually move toward a higher fixed income allocation, following an interest rate matching strategy specifically referred to as a Liability Responsive Asset Allocation. As the funded status improves, the allocation to liability-oriented long duration bonds, or hedging assets, will increase, with a corresponding decrease to return-seeking assets, including equities, real estate, and hedge funds.

The US post-retirement medical plan offers heavily subsidized health care coverage for employees and their beneficiaries after retirement. For noncollectively bargained employees, the plan was closed for new entrants beginning in 2008. The plan is still open for collectively bargained new entrants. In addition to retiree medical benefits, retiree life insurance benefits are also provided under the plan.

Actuarial valuations are completed annually for the US plans, and historically contributions have been made to satisfy minimum funding requirements and any additional discretionary amounts to avoid benefit restrictions, and to maintain a funded ratio of at least 80 percent under US pension law.

In the UK, Swedish Match provides a funded pension plan for former employees of Swedish Match UK Limited, providing benefits based on final pay. Approximately 70 percent of the liabilities relate to retired members already in receipt of pensions, and their dependents, with the remaining part of the balance relating to members with deferred pensions. There are no active members accruing further benefits, and no new members are able to join.

The plan is set up as a separate legal entity, and a separate trustee company, Swedish Match UK Pension Trustee Limited, responsible for its governance. One third of the directors of the trustee company are nominated by the membership and two thirds are nominated by the employer. The strategic asset allocation is determined from time to time by the directors of the trustee company, after consulting with Swedish Match, based on professional advice and having regard to the level of risk.

In 2011, the trustee undertook a significant exercise to reduce risk by purchasing a bulk annuity contract covering all of the liabilities for pensions in payment at that time. The trustee is currently following a largely growth based strategy for the remaining assets but is actively searching for opportunities to de-risk further as and when the funding position allows.

The other pension plans, representing a minority part of the Group's total pension plans, are final salary pension plans that provide benefits to members in the form of a guaranteed level of pension payable for life, or in a lump-sum at the date for retirement. The majority of benefit payments are from trustee administered funds. Also, there are a number of unfunded plans where the Group meets the benefit payment obligation as it falls due. Plan assets held in trusts are governed by local regulations and practices in each country, as is the nature of relationship between Swedish Match and the trustees (or equivalent) and their composition. Responsibility for governance of the plans, including investment decisions and contribution schedules, lies jointly with Swedish Match and the board of trustees. The board of trustees is composed of representatives of Swedish Match and plan participants in accordance with the plans' regulations.

Actuarial valuations are completed annually for all material post-employment benefit plans.

The table below specifies the net liability for defined benefit post-employment obligations:

	Defined benefit pension plans		Post-employment medical benefits	
	2021	2020	2021	2020
Post-employment defined benefits				
Present value of funded obligations	3,750	3,600	1,183	1,103
Fair value of plan assets	-3,857	-3,425	-46	-71
Surplus(-)/Deficit(+), net	-107	175	1,137	1,032
Present value of unfunded obligations	259	194	-	-
Assets ceiling	4	-	-	-
Net liability(+) in the balance sheet	156	369	-	-
Amounts in the balance sheet				
Liabilities	296	461	1,137	1,032
Assets	-140	-92	-	-
Net liability(+) in the balance sheet	156	369	1,137	1,032

Actuarial assumptions

Provisions for the Group's post-employment defined benefit plans are reported based on actuarial valuations. The valuations are calculated based on actuarial assumptions for determining the discounted net present value of the obligations. Significant actuarial assumptions used are discount rate, future salary growth rate, future pension growth rate, inflation, future mortality expectancy and medical cost trend rate, as applicable.

The discount rate is set per country with reference to market yield on high quality corporate bonds of appropriate duration or government bonds for countries where a deep market of high quality corporate bonds is not available.

For the US defined benefit plans Swedish Match determined the obligation effective discount rate based on the single equivalent rate such as the present value of the plan's obligation cash flows using the single rate equals the present value of those cash flows using the corresponding spot rate along the yield curve.

The effective rates for interest on the defined benefit obligation and service cost are the single equivalent rates that result in the same value when applied to the defined benefit obligation and service cost, respectively.

For the larger US post-employment defined benefit plans the same process is applied to the plan's service cost cash flows to determine the effective discount rate associated with the service cost.

For the other plans Swedish Match applies a single weighted average discount rate based on the full eligible population to measure the obligations and pension expense.

Assumptions regarding future mortality expectancy are based on advice in accordance with published statistics and experience in each country. The interest income on plan assets is based on the discount rate and is a component of the return on plan assets. Changes in assumptions can give rise to remeasurement differences, i.e. actuarial gains and losses, in the valuation of the Group's defined benefit obligations and the outcome from the performance of plan assets. Actuarial gains and losses are recognized to the full amount as they occur in accordance with the actuarial valuation and reported in other comprehensive income for all plans except for the US L-T Disability plan where actuarial gains and losses are recognized directly in profit and loss, which constituted an immaterial amount as per December 31, 2021. The full recognition of actuarial gains and losses implies that the Group's net pension liability in the balance sheet includes all cumulative actuarial gains and losses.

NOTE 23 *Continued*

Significant risks associated with the Group's post-employment defined benefit plans

Changes in market yields on corporate and government bonds would impact the plan liabilities. A decrease in market yields will decrease the discount rate assumption which increases plan liabilities for accounting purposes. However, for funded plans, this will be partially offset by an increase in the value of the trusts' bond holdings. As Swedish Match moves along the liability driven investment glide path, this offset will increase and risk will be further mitigated.

Some pension plan trusts hold equities, whose growth is expected to outpace liabilities over the long term while providing volatility and risk in the short term. Poor equity performance will decrease funded status and will increase both accounting expense and required funding. As discussed above, over time, Swedish Match intends to reduce the level of equity investment risk by investing more in fixed income assets to better match the liabilities per the liability driven investment glide path set forth in the Statement of Investment Guidelines. The plans provide benefits for the life of participants (and often also their spouses). As such, increases in life expectancy will result in an increase in the plans' liabilities.

Other risks to which the plans are exposed include the risk that price inflation will increase, which will result in higher pension payments being due.

The post-retirement medical liabilities in the US reflect assumptions of increases in future US health care costs (health care trend). If actual cost increases outpace these assumptions, plan liabilities will increase.

Significant actuarial assumptions at the balance sheet date (expressed as weighted average):

Actuarial assumptions	Group			
	Defined benefit pension plans		Post-employment medical benefits	
	2021	2020	2021	2020
Discount rate, %	2.6	2.2	2.7	2.4
Price inflation rate, %	2.5	2.4	2.5	2.5
Future salary increases, %	3.4	3.3	3.2	3.2
Future pension increases, %	3.3	2.7	-	-
Medical cost trend rate, %	-	-	5.6	5.9

Sensitivity analysis of significant assumptions

Changes in the discount rate may have a significant effect on the Group defined benefit obligation. An increase in the discount rate of 0.5 percent would decrease the defined benefit obligation with 342 MSEK and a decrease of 0.5 percent in the discount rate would increase the defined benefit obligation with 383 MSEK. The effect from the sensitivity analysis is based on a change in the discount rate assumption while holding all other assumptions constant.

Changes in other actuarial assumptions are calculated not to have a material effect on the Group defined benefit obligation. A change in the future salary increases or the inflation rate of 0.5 percent is estimated to have an effect on the defined benefit obligation of less than 1.0 and about 2.5 percent respectively, holding other assumptions constant.

Change in the defined benefit obligations and plan assets

The movements in the defined benefit obligation over the year were as follows:

Defined benefit obligations	Defined benefit pension plans		Post-employment medical benefits	
	2021	2020	2021	2020
Balance at beginning of year	3,794	3,931	1,103	1,167
Service cost	79	75	33	25
Interest expense on obligation	71	100	22	32
Settlement payments from plan asset	-59	-	-	-
Settlement payments from employer	-	-9	-	-
Contributions by plan participants	-	-	4	4
Benefits paid	-171	-164	-36	-39
Taxes paid	-1	-1	-	-
Settlement gain	-4	0	-	-
Changes in financial assumptions	-138	391	-83	113
Changes in demographic assumptions	7	-5	5	-10
Experience assumptions	55	-45	23	-38
Translation differences	376	-479	113	-151
Balance at end of year	4,009	3,794	1,183	1,103

Profile of plan members of the defined benefit obligation	Defined benefit pension plans		Post-employment medical benefits	
	2021	2020	2021	2020
Active employees	1,473	1,340	657	572
Deferred members	450	449	-	-
Members in retirement	2,086	2,005	526	530
Balance at end of year	4,009	3,794	1,183	1,103
Weighted average duration of defined benefit obligation	14 years	14 years	15 years	16 years

The movements in the fair value of plan assets of the year were as follows:

Plan assets	Defined benefit pension plans		Post-employment medical benefits	
	2021	2020	2021	2020
Fair value at beginning of year	3,425	3,644	71	102
Interest income on plan assets	59	88	1	2
Administrative expense	-11	-10	0	0
Settlement payments from plan asset	-59	-	-	-
Settlement payments from employer	-	-9	-	-
Employer contributions	35	25	1	8
Employee contributions	-	-	4	4
Benefits paid	-171	-164	-36	-39
Taxes paid	-1	-1	-	-
Return on plan assets, excluding interest income	241	269	0	5
Translation differences	338	-417	6	-10
Fair value at end of year	3,857	3,425	46	71

The actual return on plan assets was positive and amounted to 301 MSEK (364).

Plan assets at December 31 are comprised as follows:

Plan assets	2021	2020
Equity securities ¹⁾	1,503	1,276
Debt instruments	1,326	1,303
Real estate	119	98
Other ²⁾	955	819
Total	3,903	3,496

¹⁾ Equity securities consist of quoted securities in all material respect. The Group's plan assets does not hold any own shares.

²⁾ A large part pertains to the UK pension scheme annuity insurance policies.

NOTE 23 Continued

Income and expenses relating to post-employment benefit plans recognized in the income statement

The amounts reported in the income statement consist of the following:

Post-employment defined benefits income and expenses	Defined benefit pension plans		Post-employment medical benefits	
	2021	2020	2021	2020
Service costs	79	75	33	25
Effect of settlements	-4	0	-	-
Interest expenses on obligation	71	100	22	32
Interest income on plan assets	-59	-88	-1	-2
Administrative expenses	11	10	0	0
Net expense reported in the income statement	98	97	54	55

The net expense for defined benefit plans are reported under the following headings in the income statement:

Post-employment defined benefits income and expenses	Defined benefit pension plans		Post-employment medical benefits	
	2021	2020	2021	2020
Cost of goods sold	38	27	21	13
Administrative expenses	17	31	7	6
Selling expenses	31	27	6	6
Other income/expenses	-	1	-	-
Interest income	-59	-88	-1	-2
Interest expenses	71	100	22	32
Net expense reported in the income statement	98	97	54	55

Income and expenses relating to post-employment benefit plans recognized in other comprehensive income

The amounts reported in other comprehensive income consist of the following:

Post-employment defined benefits income and expenses	Defined benefit pension plans		Post-employment medical benefits	
	2021	2020	2021	2020
Actuarial gains and losses on obligations, incl. payroll taxes	-76	341	-56	65
Return on plan assets, excluding interest income	-241	-269	0	-5
Change in assets ceiling	4	-	-	-
Net income (-)/expense(+) reported in other comprehensive income statement	-313	71	-56	61

Post-employment employee benefits per country

Defined benefit pension plans and post-employment medical benefits as at December 31 per significant country are comprised as follows:

2021	Present value of obligation	Fair value of plan assets	Assets ceiling	Net liability/asset in balance sheet
US	4,252	2,922	-	1,330
UK	770	774	-4	-
Rest of the world	182	207	-	-25
Total	5,204	3,903	-4	1,305

2020	Present value of obligation	Fair value of plan assets	Net liability/asset in balance sheet
US	3,937	2,554	1,383
UK	738	707	32
Rest of the world	231	235	-4
Total	4,906	3,496	1,411

Significant actuarial assumptions as at December 31 per significant country (expressed as weighted average):

Actuarial assumptions	US				UK		Rest of the world	
	Defined benefit pension plans		Post-employment medical benefits		Defined benefit pension plans		Defined benefit pension plans	
	2021	2020	2021	2020	2021	2020	2021	2020
Discount rate, %	2.7	2.4	2.7	2.4	1.8	1.4	5.0	3.5
Price inflation rate, %	2.2	2.2	2.5	2.5	3.6	3.2	3.0	2.2
Future salary increases, %	3.2	3.2	3.2	3.2	-	-	7.8	5.2
Future pension increases, %	-	-	-	-	3.4	3.1	1.5	0.9
Medical cost trend rate, %	-	-	5.6	5.9	-	-	-	-

Expected contribution next year

Expected contributions for post-employment benefit plans for the full year 2022 amounts to 42 MSEK.

Defined contribution plans

The Group has certain obligations under defined contribution plans. Contributions to these plans are determined by provisions in the respective plan. Costs for defined contribution plans charged to income statement for the year amounted to 187 MSEK (191).

Multi-employer insurance plan

In Sweden there is a multi-employer insurance plan for salaried personnel in Alecta. Due to that it is not possible to get sufficient information for each company's specific obligation and fair value of related assets defined benefit accounting cannot be applied and the Alecta pension plan is therefore

accounted for as a defined contribution plan. Swedish Match contribution to Alecta for the year ended December 2021 was 70 MSEK (62). This contribution represents 0.14 percent (0.11) of the total contributions paid to Alecta. Swedish Match active members in the multi-employer plan are 0.08 percent (0.08) of all active members in the plan. Alecta has a collective funding ratio as per December 2021 of 172 percent (148). The collective funding ratio is a buffer for Alecta's insurance commitments to protect against fluctuations in investment return and insurance risks. It is the difference between Alecta's assets and the company's insurance commitments to policyholders and insured individuals. The collective solvency is normally allowed to vary between 125 and 175 percent. If the level of collective solvency is less than 125 percent or exceeds 175 percent, measures are to be taken in order to create conditions for restoring the level of collective solvency to the normal interval.

24 Provisions

Non-current and current provisions at December 31 comprised the following:

Non-current provisions	2021	2020	Current provisions	2021	2020
Restructuring	3	7	Other operating provisions	535	381
Deferred compensation	459	434	Total current provisions	535	381
Other operating provisions	4	3	Total non-current and current provisions	1,001	823
Total non-current provisions	466	443			

Movements in provisions during the year were as follows:

Provisions	Restructuring provisions	Deferred compensation	Other operating provisions	Total
Carrying value at beginning of year	7	434	383	823
Provisions made during the year	6	99	956	1,061
Provisions used during the year	-7	-89	-831	-927
Provisions reversed during the year and changes in estimates	-	-2	-10	-12
Reclassifications	-3	-19	7	-15
Translation differences, etc.	-	36	34	70
Carrying value at end of year	3	459	539	1,001

Restructuring

The provisions are generally expected to be settled within one year, but could for certain portions be expected to be settled within a period of up to three years.

Deferred compensation

The deferred compensation provision refers to the long term portion of the long term incentive plan for key management personnel, which will be settled within three years. Certain employees may elect to defer a portion of their normal salary and/or bonus awards until a later date, and may elect to defer compensation up until the date of retirement. From retirement, payments may be spread over a period not to exceed 15 years. The deferrals are invested and secured by corporate owned life insurance policies. The deferred amount develops each year by the investment return. Accordingly, the present value of the deferred amount is estimated to equal the initially deferred amount plus accumulated return. For more information on incentive programs and variable salaries see *Note 5 Personnel*.

For further information about provisions for pensions see *Note 23 Post-employment benefits*.

Other operating provisions

Provisions of operating character, and not related to restructuring or deferred compensation, are reported as operating provisions. Other operating provisions mainly refer to provisions for sales discounts, expected product returns and outstanding redemptions of coupons. While provisions related to sales discounts, sales refund and coupons are expected to be realized within the year, they are replaced within the year, and as such the provisions are classified as current.

25 Other liabilities

Other non-current liabilities at December 31 comprised the following:

Other non-current liabilities	2021	2020
Non-current liabilities – derivatives ¹⁾	128	213
Non-interest bearing non-current liabilities ²⁾	38	43
Other non-current financial liabilities	3	3
Total	169	258

¹⁾ Non current liabilities for derivatives consisted of negative currency effects amounting to 106 MSEK (163) and negative fair value effects amounting to 22 MSEK (50).

²⁾ Non-interest bearing non-current liabilities mainly referred to additional obligations related to acquisition of patent rights.

Other current liabilities at December 31 comprised the following:

Other current liabilities	2021	2020
Tobacco taxes	1,136	1,161
VAT liabilities	426	434
Current financial liabilities, derivatives	6	258
Other	34	23
Total	1,603	1,875

26 Accrued expenses and deferred income

Accrued expenses and deferred income at December 31 comprised the following:

Accrued expenses and deferred income	2021	2020
Accrued wage/salary-related expenses	382	326
Accrued vacation pay	95	95
Accrued social security charges	88	84
Accrued interest	170	168
Other	326	344
Total	1,063	1,018

27 Financial instruments and financial risks

Operations

As a result of its international operations, Swedish Match is exposed to financial risks. The term "financial risks" refers to fluctuations in Swedish Match's cash flow caused by changes in foreign exchange rates and interest rates, and to risks associated with refinancing and credit. To manage its financial risks, Swedish Match has a finance policy in place established by the Board of Directors. The Group's finance policy comprises a framework of guidelines and principles governing the management of financial risks and finance operations in general. The central functions consist of Financial Services and Treasury, which are responsible for the Group's borrowing including securing financing needs, cash management including cash pools and handling the liquidity surplus, as well as currency and interest rate management. Treasury serves as an internal bank for the Group's financial transactions. The Group's financial risk management is centralized to capitalize on economies of scale and synergy effects, and to minimize operational risks.

Financial instruments

Swedish Match uses various types of financial instruments to hedge the Group's financial exposure arising in business operations and as a result of the Group's financing and asset and debt management activities. To reduce Swedish Match's financial exposure, derivative instruments, such as currency forwards, currency swaps, interest rate swaps, and cross currency interest rate swaps are used. A table showing all the derivatives that affected the Group's balance sheet and income statement is provided below.

Outstanding derivatives

	2021			2020		
	Nominal	Assets	Liabilities	Nominal	Assets	Liabilities
Currency derivatives	4,671	71	6	4,044	1	258
Interest-rate and currency derivatives*	10,493	745	173	9,991	460	259
Total	15,164	816	179	14,035	461	517

* In cash flow hedges
There are no conditions in these transactions that can cause any significant differences in the hedging relation between these derivatives and their underlying liabilities.

Currency risks

Exchange rate fluctuations affect Group earnings and shareholders' equity in various ways:

- Earnings – when sales revenues and production costs are denominated in different currencies (translation exposure).
- Earnings – when the earnings of foreign subsidiaries are translated to SEK (translation exposure).
- Earnings – if loans and deposits are made in other currencies than the unit's functional currency (translation exposure).
- Shareholders' equity – when the net assets of foreign subsidiaries are translated to SEK (translation exposure).

The consolidated income statement includes exchange rate gain of 7 MSEK (loss of 13) in operating profit and loss of 5 MSEK (loss of 8) in net finance cost.

Transaction exposure

A large part of the Group's inflow and outflow in foreign currencies are matched, which effectively limits the Group's transaction exposure. Transaction exposure arises when certain of the Group's production units in Europe make purchases of raw tobacco in USD, and through the European operations' exports of lighters and matches in USD. The largest exposure of the Group is in NOK due to the sales of products in Norway which is produced in Sweden.

The anticipated commercial net currency flow in the same currencies (transaction exposure) is divided as following in MSEK:

	NOK	USD	EUR	PHP	CHF	Other	Total
Transaction exposure	1,434	505	261	112	42	47	2,401
Percentage	60%	21%	11%	5%	2%	2%	

As Swedish Match's transaction exposures are limited, few hedging transactions are executed. The hedging transactions are, if any, based on risk exposures, current market conditions and other strategic considerations. On December 31, 2021, no transaction exposure for 2022 has been hedged. A general rise of 10 percent in the value of the SEK against all of the Group's transaction currencies is estimated to change consolidated earnings before tax by the following in MSEK:

	NOK	USD	EUR	Other	Total
	143	51	-26	-12	156

Translation exposure

The most significant effect of currency movements on consolidated earnings arises from the translation of subsidiaries' earnings. Earnings in Group companies are translated at average exchange rates. Effects mainly pertain to USD, EUR, BRL and DKK. The single most important currency is the USD.

When the net assets of foreign subsidiaries are translated to SEK, translation differences arise that are recognized directly in equity. The exposures of net investment are as following in MSEK:

	USD	EUR	DKK	BRL	Other	Total
Translation exposure	2,002	218	241	158	115	2,734
Percentage	73%	8%	9%	6%	4%	

The Group does not, as a general rule, hedge the net investments in foreign subsidiaries. If the SEK strengthens by 10 percent against all the currencies in which Swedish Match has foreign net assets, the shareholders' equity would be affected by the following amounts in MSEK, based on the exposure at December 31, 2021:

	USD	EUR	DKK	BRL	Other	Total
	200	22	-24	-16	-11	171

Interest-rate risk

The Swedish Match Group's sources of financing mainly comprise of shareholders' equity, cash flow from current operations, and borrowing. Interest-bearing loans and pension liabilities expose the Group to interest-rate risk. Changes in interest rates have a direct impact on Swedish Match's net interest expense. Swedish Match policy is that the average interest maturity should be less than 5 years, but the aim is to have as long duration as possible, while still considering the maximum of 5 years. The speed with which a permanent change of interest rate impacts net interest expense depends on the interest maturity periods of the loans. The Group's objective for interest rate fixing is to achieve an even and foreseeable cost of interest. Cross currency interest rate swaps are used mainly to convert our borrowing in foreign currencies into SEK and fixed interest rates. The average interest cost for outstanding bonds (including derivative instruments) on December 31, 2021 was 2.1 percent (2.1). The average interest maturity period for Group loans was 3.5 years (3.7 years), taking into account cross currency interest rate swaps. The interest maturity structure on December 31, 2021 was as follows:

Year	Loans		Loans and effects from derivatives	
	Fixed	Variable	Fixed	Variable
2022	987		987	
2023	1,784	450	1,984	250
2024	3,065		3,065	
2025	3,088		3,088	
2026	1,998		1,998	
2027–	3,811		3,811	
Total	14,734	450	14,934	250

The Group is exposed to interest rate risk in the transition to new benchmark interest rates, due to the Group's borrowing in floating interest rates.

The Group currently has two loans in scope of the IFRS 9 amendments due to the interest rate benchmark reform with floating rate 3 month IBOR. Of the variable rate loans linked to IBOR in the table above, one is not in a hedging relationship, and has a nominal amount of 250 MSEK with interest payments of 3 month STIBOR. The other loan has a nominal amount of 200 MSEK with interest payments of 3 month STIBOR, which is hedged in

NOTE 27 Continued

an interest rate swap receiving 3 month STIBOR and paying fixed terms. The terms of the hedged items match those of the corresponding hedging instruments.

None of the Group's current STIBOR linked contracts include adequate and robust fall back provisions for a cessation of the referenced benchmark interest rate. Different working groups in the industry are working on fall back language for different instruments and different IBOR's, which Swedish Match is monitoring closely and will implement when appropriate.

At December 31, 2021, a general rise of 1 percent (100bp) in short term interest rates of debt with variable interest rates and cash surplus was estimated to increase consolidated earnings before tax by approximately 8 MSEK (18) on an annual basis. The net interest-bearing debt (including net pension obligations and lease liabilities) at the same date amounted to 14,035 MSEK (13,523).

If interest rates were to rise with 1 percent (100bp) the total effect on equity due to cash flow hedges would have a positive impact on the amount by 2 MSEK (4).

Refinancing risk and liquidity

Refinancing risk is defined as the risk that funds become scarce and thus more expensive than expected, and liquidity risk is defined as not being able to make regular payments as a consequence of inadequate liquidity or difficulty in raising external loans. Swedish Match applies a centralized approach to the Group's financing, whereby as much external borrowing as possible is conducted centrally. Subsidiary borrowing can, however, take place in countries where regulations and taxes make central financing impossible or uneconomical. Swedish Match tries to limit its refinancing risk by having a good distribution and length on its gross borrowing, and not being dependent on individual sources of financing.

Swedish Match has a syndicated bank credit facility of committed 1,500 MSEK, which matures in December 2026. This was unutilized at year-end and contained no financial covenants. It is defined as a reserve facility. At year-end 2021, available cash funds and committed credit facilities amounted to 3,621 MSEK. Of this amount, confirmed credit lines amounted to 1,500 MSEK and cash and cash equivalents making up the remaining 2,121 MSEK. All cash and cash equivalents are available for use, none of this is pledged or similar.

Cash flow and fair value hedges

Cash flow hedges

The table below shows the yearly change of the fair value of the hedging instruments, from opening balance, recognized in other comprehensive income and the amounts that are reclassified in profit and loss during the year, previously recognized in other comprehensive income. There was no ineffectiveness in cash flow hedge accounting during 2021.

	2021					
	Opening balance fair value Jan 1	Change in fair value used for calculating hedge ineffectiveness	Balance in cash flow hedge reserve for continuing hedges	Change in the fair value of hedging instrument recognized in OCI	Amounts reported in the income statement during the year	Closing balance fair value Dec 31
Hedging instruments, derivatives	-135	135	-135	373	-292	-53
Total	-135	135	-135	373	-292	-53
	2020					
	Opening balance fair value Jan 1	Change in fair value used for calculating hedge ineffectiveness	Balance in cash flow hedge reserve for continuing hedges	Change in the fair value of hedging instrument recognized in OCI	Amounts reported in the income statement during the year	Closing balance fair value Dec 31
Hedging instruments, derivatives	-84	84	-84	-507	456	-135
Total	-84	84	-84	-507	456	-135

Maturity profile over interest payments taking part in a cash-flow hedge:

	2022	2023	2024	2025	2026	2027-
Fixed rate interest on payments	-235	-222	-189	-130	-72	-87

Fair value hedges

At year end there were no fair value hedges outstanding.

Most of Swedish Match's financing consists of a global medium-term note program (MTN) with a limit amount of 2,000 MEUR. The program is an uncommitted borrowing program and the availability could be limited by the Group's creditworthiness and prevailing market conditions. In case of market stress, if this program cannot be efficiently used, the syndicated bank credit facility of 1,500 MSEK will be utilized if necessary. At December 31, 2021, a total of 15,179 MSEK of the global medium-term note program was outstanding. The average maturity of the Group's bond borrowing at December 31, 2021 was 3.5 years.

Swedish Match's undiscounted cash flows regarding sources of loans and lease liabilities, including interest payments, negative derivatives (derivatives with positive market values are excluded), accrued interest, trade payables and their maturity profiles are distributed as follows:

Year	Other financial liabilities incl. interest	Negative derivatives	Trade payables	Total value	Total booked value
2022	1,317	33	464	1,814	1,599
2023	2,526	34		2,560	2,354
2024	3,273	31		3,304	3,140
2025	3,240	33		3,273	3,157
2026	2,133	30		2,163	2,064
2027-	4,035	136		4,171	3,947
Total	16,524	297	464	17,285	16,261

Under the global MTN program, Swedish Match has issued bonds in SEK, EUR, USD and CHF. Borrowing in EUR, USD and CHF is hedged into SEK by cross currency interest rate swaps.

Liquidity within Swedish Match is handled centrally through local cash pools. Group companies are required to deposit liquid funds in cash pool accounts or, if these are not available, with the Group's treasury unit. Exceptions are only allowed when regulations prohibit cash pools or internal deposits.

NOTE 27 Continued

Liquidity risks and credit risks

To limit liquidity and credit risks, investments and transactions in derivative instruments may be made only in instruments with high liquidity and with counterparties having high credit ratings. In addition to bank accounts, Swedish Match invests surplus funds in banks and institutions. The credit risk of financial counterparties is monitored daily. Management has further assessed that there is no change in the underlying risk affecting the classification of financial instruments reported in the balance sheet. At December 31, 2021, the average interest maturity for the Group's current investments was less than 1 month.

The Group's finance policy regulates the maximum credit exposure to various counterparties. The aim is that counterparties to Swedish Match in financial transactions should have a credit rating of at least category A from Standard & Poor's or equivalent from Moody's.

To reduce the credit risk in receivables from banks arising via derivative instruments, Swedish Match has entered into netting agreements, known as ISDA Master Agreements, with all of its counterparties. These agreements grant rights to net market valuations on assets and liabilities if the counterpart is in an event of default, as with suspended payments. The following table shows the netted exposures per December 31, 2021. No collateral has been received or pledged. The majority of the derivatives are related to the Group's central funding.

Financial instruments under master netting agreements

	Gross amount for financial instruments	Amounts of financial instruments not netted in the balance sheet, but subject to netting agreement	Net
2021			
Derivatives – Assets	816	-160	656
Derivatives – Liabilities	179	-160	19

	Gross amount for financial instruments	Amounts of financial instruments not netted in the balance sheet, but subject to netting agreement	Net
2020			
Derivatives – Assets	461	-178	283
Derivatives – Liabilities	517	-178	339

At December 31, 2021, credit exposure in derivative instruments amounted to 656 MSEK, and credit exposure in cash and deposits at banks amounted to 1,063 MSEK. Swedish Match reduces the risk of its customers failing to fulfill their undertakings with the result that payment is not received for accounts receivable as they are divided among many different customers. At the reporting date, there was no significant concentration of credit risk in the Group's accounts receivable. The total amount of the Group's trade receivables was 1,843 MSEK (1,577). For more information see Note 18 Trade receivables.

Carrying value and fair value

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

	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
2021							
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	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	816	-	816
Derivative financial liabilities	-	179	-	179

Credit ratings

At December 31, 2021, Swedish Match had the following credit ratings from Standard & Poor's and Moody's Investor Service:

	Standard & Poor's	Moody's
Long term rating:	BBB	Baa2
Outlook:	Stable	Stable

Carrying value and fair value

Swedish Match applies IFRS 9 to classify and measure financial instruments IFRS 13 is applied for financial instruments measured at fair value on the balance sheet which implies using a fair value hierarchy that reflects the significance of input used according to the following levels:

- 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. The input data consists mainly of the compounded interest rates from interest rate swaps, basis swaps and conversion rates for variable interest rates to create relevant Cross Currency Interest Rate Swap (CCIRS) rates. The created interest rates are used to calculate the market value by discounting the external outstanding CCIRS flows including the actual market valuation of involved currencies.
- Level 3 - Inputs that are not based on observable market data.

The following table shows carrying value (including accrued interest) and fair value for each category of financial instruments, including their levels in the fair value hierarchy, at December 31, 2021. Items measured at fair value through profit and loss (FVTPL) consist of derivatives, for which hedge accounting is not applied. Derivatives attributable to cash flow hedges are measured at fair value via other comprehensive income (FVOCI) in level 2 of the fair value hierarchy. In assessing the fair values of these derivatives, the Group uses a variety of methods and makes assumptions based on market conditions at each reporting date. Quoted market prices or dealer quotes for identical or similar instruments are used. Items not valued at fair value are measured at amortized cost. Trade receivables are measured at their transaction price. All items, except loans and borrowings, have a short duration and are considered non-interest bearing, and therefore, the total carrying value of the financial instruments corresponds to the estimated fair value. The carrying amount for loans and borrowings differ from their fair value as a consequence of changes in the market interest rates, determined by using current official market quotations for our outstanding bonds or similar instruments and discounting future cash flows. The values presented are indicative and may not necessarily be realized.

NOTE 27 Continued

The following table show carrying value and fair value for financial instruments per December 31, 2020.

2020	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	-	1,577	-	-	-	1,577	1,577
Other non-current financial receivables	-	3	-	459	473	935	935
Other current assets and financial receivables	1	69	-	-	246	315	315
Prepaid expenses and accrued income ¹⁾	-	-	-	1	115	117	117
Cash and cash equivalents	-	3,411	-	-	-	3,411	3,411
Total assets	1	5,060	-	460	834	6,355	6,355
Loans and borrowings	-	-	15,364	-	-	15,364	15,713
Other non-current financial liabilities	-	-	208	213	45	466	466
Other current liabilities	258	-	77	-	1,617	1,952	1,952
Accrued expenses and deferred income ¹⁾	-	-	122	46	850	1,018	1,018
Trade payables	-	-	409	-	-	409	409
Total liabilities	258	-	16,180	259	2,512	19,209	19,558

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

Fair value measurement by level	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	461	-	461
Derivative financial liabilities	-	517	-	517

28 Pledged assets

Pledged assets at December 31 comprised the following:

Pledged assets for debt to credit institutions and other commitments	2021	2020
Floating charges	-	3
Endowment insurances	160	132
Other	5	2
Total	165	137

29 Commitments and contingent liabilities and assets

Contingent liabilities

Guarantees on behalf of subsidiaries referred to undertakings on behalf of the companies over and above the amounts utilized and recognized as liabilities by the companies. Other guarantees and contingent liabilities referred to contractual commitments with tobacco growers for future purchases of leaf tobacco, guarantees made to government authorities for Group companies fulfillment of undertakings in connection with imports and payment of tobacco taxes.

Contingent liabilities	2021	2020
Guarantees on behalf of subsidiaries	303	291
Other guarantees and contingent liabilities	252	185
Total	556	476

Legal disputes

The Group is involved in a number of legal proceedings. Although the outcomes of these proceedings cannot be predicted with any certainty, and accordingly, no guarantees can be made, management is of the opinion that obligations attributable to these disputes, if any, should not have any significant impact on the results of operations or the financial position of Swedish Match.

Contingent assets

As per December 31, 2021, the Group had no contingent assets.



30 Group companies

Swedish Match subsidiaries are owned to 100 percent by Swedish Match Group, with exception of one Swedish subsidiary of which Swedish Match holds the shares to 95 percent as well as an insignificant non-controlling interest in a foreign subsidiary.

Subsidiary holdings ¹⁾	Subsidiary's domicile, country	Ownership share, %	
		2021	2020
Swedish Match da Amazonia S.A.	Brazil	100	100
Swedish Match do Brazil S.A.	Brazil	99,7	99,7
Swedish Match Comercio Importacao e Exportacao Ltda ²⁾	Brazil	-	100
Swedish Match Denmark A/S	Denmark	100	100
House of Oliver Twist A/S	Denmark	100	100
Swedish Match Dominicana, S.A.S.	Dominican Republic	100	100
Swedish Match France SAS	France	100	100
Swedish Match Deutschland GmbH	Germany	100	100
Swedish Match Lighters BV	Netherlands	100	100
Swedish Match Overseas BV	Netherlands	100	100
Fire-Up International B.V. ³⁾	Netherlands	100	-
Swedish Match Distribution A/S	Norway	100	100
Swedish Match Norge A/S	Norway	100	100
Swedish Match Philippines Inc.	Philippines	100	100
SMINT Holdings Corp.	Philippines	100	100
Swedmat Corp.	Philippines	100	100
Swedish Match Philippine Sales Inc.	Philippines	100	100
Swedish Match Fósforos Portugal, SA	Portugal	100	100
Road Cargo Sweden Holding AB	Sweden	100	100
Lysstickan AB	Sweden	100	100
SMD Logistics AB	Sweden	100	100
Swedish Match Industries AB	Sweden	100	100
Swedish Match Intellectual Property AB	Sweden	100	100
Swedish Match North Europe AB	Sweden	100	100
Gotlands Snus AB	Sweden	95	95
Svenska Tändsticksbolaget Försäljningsaktiebolag	Sweden	100	100
Swedish Match Holding AB	Sweden	100	100
Swedish Match US AB	Sweden	100	100
Swedish Match Jupiter AB	Sweden	100	100
SMD Edge AB ⁴⁾	Sweden	100	100
Svenskt Snus AB	Sweden	100	100
Nyz AB	Sweden	100	100
V2 Distribution Sverige AB ⁵⁾	Sweden	-	100
Swedish Match Treasury Switzerland AG	Switzerland	100	100
Swedish Match Switzerland AG	Switzerland	100	100
Swedish Match Kibrit ve Cakmak Endustri A.S.	Turkey	100	100
Swedish Match Cigars Holding Inc.	USA	100	100
Swedish Match Cigars Inc.	USA	100	100
Swedish Match USA Inc.	USA	100	100
Swedish Match Leaf Tobacco Company	USA	100	100
Swedish Match North America LLC	USA	100	100
The Pinkerton Tobacco Co. LLC	USA	100	100

¹⁾ The designation includes both directly and indirectly owned companies. Dormant companies are not included.

²⁾ Merged with Swedish Match do Brazil S.A.

³⁾ Acquired in February 2021.

⁴⁾ Changed name, previously Swedish Match Estongo AB.

⁵⁾ Liquidated in September 2021.

NOTE 31 *Continued*

31 Supplementary information to cash flow statement

The definition and composition of cash and cash equivalents is cash and bank and other current investments.

Interest paid and interest received	2021	2020
Interest received	34	49
Interest paid	-317	-281
Total	-283	-232

Interest payments and interest receipts are reflected in cash flow from operations.

Adjustments for non cash items	2021	2020
Result sale of fixed assets	-31	-16
Net change in defined benefit plans	121	121
Change in accrued interest	-2	44
Change in market value revaluations and unrealized exchange rate differences	52	-318
Realized exchange rate differences moved to financing	-111	304
Other	-72	-62
Total	-42	72

Reconciliation of liabilities arising from financing activities

	Dec 31, 2020	Acquisitions	Cash flows	Non-cash changes				Dec 31, 2021
				Changes in lease liabilities	Adj. current portion from non-current	Foreign exchange movement	Fair value changes	
Long-term borrowings	13,514	1	1,393	-	-945	234	-	14,197
Short-term borrowings	1,850	1	-1,848	-	945	42	-	990
Lease liabilities	285	-	-89	189	-	18	-	403
Net assets held to hedge long-term borrowings	-248	-	-12	-	-	-279	-82	-621
Total liabilities from financing activities	15,401	2	-556	189	-	15	-82	14,968

32 Related parties

The Group's related parties include associated companies and key management personnel with significant influence over the Group. Key management personnel with significant influence over the Group are Swedish Match Board of Directors and members of the Group Management Team. Related parties transactions are conducted at an arms-length basis. For information about the Group's transactions with associated companies, see Note 15 *Investments in associated companies*. For information about remuneration to the Board of Directors and Group Management Team, see Note 5 *Personnel*. Besides this, and disregarding intergroup transactions that are eliminated in the consolidated financial statements of the Group, no other significant related parties transactions have been conducted during the year.

33 Information about the Parent Company

Swedish Match AB (publ), Corporate Identity Number: 556015-0756, is a company domiciled in Stockholm and registered in Sweden.

The Parent Company's shares are listed on Nasdaq Stockholm. The address of the head office is Sveavägen 44, postal address: SE-118 85 Stockholm, Sweden.

The consolidated financial statements for 2021 include the Parent Company and its subsidiaries, jointly referred to as "the Group". The Group also comprises the Group's interest in associated companies.

Investments in associated companies and other companies

No investments have been made in associated companies during 2021 nor 2020.

Investment of subsidiaries

Acquisition of subsidiaries in 2021 includes consideration paid relating to the acquisition of Fire-Up International B.V. and in 2020 refers to the remaining consideration related to the acquisition of Gotlandssnus in 2018.

Divestment of subsidiaries

No divestments of subsidiaries have been made during 2021 nor 2020.

34 Subsequent events

On September 14, 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, and views this as a move that would further enhance the prospects for Swedish Match's US smokefree business, as well as for its US cigar business, the Board decided on March 14, 2022 to suspend the preparations for the contemplated spin-off until further notice.

The Board decision was prompted by information received from 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. It cannot be ruled out that additional SE applications for the cigar assortment will be denied in the first instance as FDA continues to work through remaining applications. Swedish Match plans to appeal the non-SE designations by the FDA by requesting a supervisory review and Swedish Match remains confident that it 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.

Parent Company income statement

MSEK	Note	2021	2020
Sales	1	32	27
Administrative expenses	2, 7, 25	-252	-279
Other operating income and expenses	3	-9	4
Operating loss		-229	-248
Result from participation in Group companies	4	3,137	3,898
Interest income and similar items	4	0	-
Interest expenses and similar items	4	-359	-345
Profit after financial items		2,549	3,305
Appropriations	5	2,356	2,042
Profit before income tax		4,905	5,347
Income tax expense	6	-363	-314
Profit for the year		4,543	5,033

Parent Company statement of comprehensive income

MSEK	Note	2021	2020
Profit for the year		4,543	5,033
<i>Other comprehensive income that may be reclassified to the income statement</i>			
Effective portion of changes in fair value of cash flow hedges	24	82	-51
Income tax relating to components of other comprehensive income	6	-17	11
Other comprehensive income, net of tax for the year		65	-41
Total comprehensive income for the year		4,608	4,992



Parent Company balance sheet

MSEK	Note	December 31, 2021	December 31, 2020
Assets			
Tangible assets	7	0	0
Non-current financial assets			
Participations in Group companies	8	30,857	31,156
Other non-current receivables	9	700	459
Deferred income tax assets	6	51	61
Total non-current financial assets		31,608	31,675
Total non-current assets		31,608	31,676
Current assets			
Receivables on Group companies		3,153	2,416
Income tax receivables	6	29	73
Other receivables	10	79	30
Prepaid expenses and accrued income	11	33	36
Total current assets		3,293	2,555
Cash and other current deposits	24	109	250
TOTAL ASSETS		35,010	34,481
Equity			
Restricted equity	12		
Share capital		390	390
Unrestricted equity			
Reserve for fair value		-42	-107
Retained earnings		5,390	6,528
Profit for the year		4,543	5,033
TOTAL EQUITY		10,280	11,843
Untaxed reserves	13	2,965	2,675
Other provisions	14	69	93
Total provisions		69	93
Non-current liabilities			
Bond loans	15	14,197	13,514
Other liabilities	16	128	213
Total non-current liabilities		14,325	13,726
Current liabilities			
Bond loans		987	1,849
Trade payables		10	9
Liabilities to Group companies		6,138	4,064
Other liabilities		2	2
Accrued expenses and deferred income	17	233	218
Total current liabilities		7,371	6,143
TOTAL EQUITY AND LIABILITIES		35,010	34,481



Statement of changes in Parent Company equity

2020	Note	Restricted equity		Unrestricted equity		Total equity
		Share capital	Reserve for fair value ¹⁾	Retained earnings	Profit for the year	
Equity at beginning of year	12	390	-66	10,162	1,485	11,970
Profit for the year		-	-	-	5,033	5,033
Other comprehensive income, net of tax for the year		-	-41	-	-	-41
Total comprehensive income for the year		-	-41	-	5,033	4,992
Allocation of profit		-	-	1,485	-1,485	-
Dividend		-	-	-2,020	-	-2,020
Repurchase of own shares		-	-	-3,099	-	-3,099
Cancellation of shares		-18	-	18	-	-
Bonus issue		18	-	-18	-	-
Equity at end of year		390	-107	6,528	5,033	11,843

¹⁾ Reserve for fair value consists of a hedge reserve.

2021	Note	Restricted equity		Unrestricted equity		Total equity
		Share capital	Reserve for fair value ¹⁾	Retained earnings	Profit for the year	
Equity at beginning of year	12	390	-107	6,528	5,033	11,843
Profit for the year		-	-	-	4,543	4,543
Other comprehensive income, net of tax for the year		-	65	-	-	65
Total comprehensive income for the year		-	65	-	4,543	4,608
Allocation of profit		-	-	5,033	-5,033	-
Dividend		-	-	-2,369	-	-2,369
Repurchase of own shares		-	-	-3,802	-	-3,802
Cancellation of shares		-10	-	10	-	-
Bonus issue		10	-	-10	-	-
Equity at end of year		390	-42	5,390	4,543	10,280

¹⁾ Reserve for fair value consists of a hedge reserve.

Cash flow statement for the Parent Company

MSEK	Note	2021	2020
Operating activities	24		
Profit after financial items		2,549	3,305
Adjustments for non-cash items and other		272	324
Income tax paid		-325	-558
Subtotal		2,496	3,071
Increase (-)/Decrease (+) in operating receivables		-5	-8
Increase (+)/Decrease (-) in operating liabilities		15	4
Net cash generated from operating activities		2,506	3,067
Investing activities			
Disposal of tangible assets		-	0
Shareholders contribution		-	-292
Net cash used in investing activities		-	-292
Financing activities			
Proceeds from non-current borrowings		1,813	3,702
Repayment of borrowings		-2,270	-1,300
Repurchase of own shares		-3,802	-3,099
Dividend		-2,369	-2,020
Changes in financial receivables/liabilities Group companies		3,992	-192
Other		-12	-16
Net cash used in financing activities		-2,648	-2,925
Net decrease in cash and cash equivalents		-142	-150
Cash and cash equivalents at the beginning of the year		250	400
Cash and cash equivalents at end of year		109	250



Notes for the Parent Company

All amounts referred to in the notes of the Parent Company financial statements are in millions of Swedish kronor (MSEK) unless stated otherwise.

The amounts within brackets refer to the preceding year, 2020.

For remuneration and other benefits to Parent Company President and other members of Group management, see *Note 5 Personnel* for the Group on page 94.

1 Sales

Sales refer to services provided to Group companies.

2 Audit fees

Expenses for auditor's fees are included in the administrative expenses as set out in the table below. The audit firm for 2021 and 2020 was Deloitte.

Audit fees	2021	2020
Audit services	2	2
Other services	1	1
Total	3	2

3 Other operating income and expenses

Other operating income and expenses mainly relates to foreign exchange gains and losses as well as a write-down of an operating receivable.

4 Financial items

Result from participation in Group companies	2021	2020
Dividends received	3,436	4,185
Write-downs of participations in subsidiaries	-299	-287
Total	3,137	3,898

The impairment loss during 2021 was recognized due to reduced equity in a subsidiary following a dividend.

Interest income and similar items	2021	2020
Net foreign exchange gains	0	-
Total	0	-

Interest expenses and similar items	2021	2020
Interest expenses relating to Group companies	-40	-32
Interest expenses relating to other financial liabilities measured at amortized cost	-224	-220
Interest expenses relating to financial instruments measured at fair value in hedging relationships	-90	-85
Other financial expenses	-4	-7
Net foreign exchange losses	-	-2
Total	-359	-345

5 Appropriations

Appropriations	2021	2020
Difference between reported depreciation and according to plan		
Equipment, tools and fixtures	0	0
Tax allocation reserve		
Appropriation for the year	-550	-475
Reversal of appropriation	260	125
Group contributions		
Group contributions received	3,140	2,406
Group contributions granted	-494	-14
Total	2,356	2,042

6 Income tax

Income tax reported in income statement	2021	2020
Current tax expense for the period	-370	-319
Deferred tax due to temporary differences	7	5
Total	-363	-314

Income tax reported in other comprehensive income	2021	2020
Effective portion of changes in fair value of cash flow hedges	-17	11
Total	-17	11

	2021		2020	
Reconciliation of effective tax rate	(%)	MSEK	(%)	MSEK
Income before tax		4,905		5,347
Swedish statutory tax rate	20.6	-1,011	21.4	-1,144
Non-taxable dividends	-14.4	708	-16.8	896
Tax exempt income	-0.1	7	-	-
Non-deductible expenses	1.3	-65	1.2	-65
Effect of enacted change of tax rate	0.0	1	0.0	1
Standard interest income, tax allocation reserve	0.1	-3	0.0	-2
Reported effective tax	7.4	-363	5.9	-314

Sweden reduced the corporate tax rate from 21.4 percent to 20.6 percent as of January 1, 2021.

The change to the current tax receivables/liabilities during the period is explained below:

Current income tax receivables/liabilities	2021	2020
Carrying value at beginning of year	-73	166
Current tax expense	370	319
Paid tax	-325	-558
Carrying value at end of year	-29	-73

Net tax receivables amounted to 29 MSEK and consisted of taxes to be refunded on income for the year.

NOTE 6 Continued

The tax effects of deductible temporary differences that resulted in deferred tax assets at December 31 are summarized below:

Deferred income tax assets	2021	2020
Hedge reserve	11	28
Provision	40	33
Carrying value at end of year	51	61

The following reconciles the deferred tax assets at the beginning of the year to the end of the year.

2021	Balance Jan. 1	Charges to profit for the year	Charges to other comprehensive income	Balance Dec. 31
Hedge reserve	28	-	-17	11
Provision	33	7	-	40
Total	61	7	-17	51

2020	Balance Jan. 1	Charges to profit for the year	Charges to other comprehensive income	Balance Dec. 31
Hedge reserve	17	-	11	28
Provision	28	5	-	33
Total	46	5	11	61

7 Tangible assets

Equipment, tools and fixtures	2021	2020
Cost at beginning of year	0	4
Intercompany sales	-	-4
Disposals	-	0
Cost at end of year	0	0
Accumulated depreciation at beginning of year	0	-4
Depreciation for the year	0	0
Intercompany sales	-	4
Disposals	-	0
Accumulated depreciation at end of year	0	0
Net carrying value at end of year	0	0

Depreciation charges on tangible assets are included in administrative expenses in the income statement and amounted to 0 MSEK (0).

8 Group companies

2021	Balance Jan. 1	Shareholder's contribution	Liquidation	Impairments	Balance Dec. 31
Costs of acquisitions	55,264	-	-	-	55,264
Impairments	-24,108	-	-	-299	-24,407
Carrying value	31,156	-	-	-299	30,857

2020	Balance Jan. 1	Shareholder's contribution	Liquidation	Impairments	Balance Dec. 31
Costs of acquisitions	57,516	292	-2,544	-	55,264
Impairments	-26,365	-	2,544	-287	-24,108
Carrying value	31,151	292	-	-287	31,156

Shares in subsidiaries, directly owned

Subsidiary	Corp. Reg.no.	Domicile	Number of shares	Ownership, %	2021	Ownership, %	2020
Svenskt Snus AB	556367-1261	Stockholm, Sweden	1,000	100	1	100	300
Swedish Match North Europe AB	556571-6924	Stockholm, Sweden	1,000	100	16,689	100	16,689
SMD Logistics AB	556571-7039	Stockholm, Sweden	1,000	100	2,350	100	2,350
Svenska Tändsticksbolaget Försäljningsaktiebolag	556012-2730	Stockholm, Sweden	34,403,000	100	8,949	100	8,949
Swedish Match Holding AB	556367-1253	Stockholm, Sweden	2,000	100	14	100	14
Swedish Match Industries AB	556005-0253	Tidaholm, Sweden	30,853	100	95	100	95
Swedish Match US AB	556013-4412	Stockholm, Sweden	96,000	100	0	100	0
Svenska Tändsticks AB	556105-2506	Stockholm, Sweden	1,000	100	0	100	0
Svenska Tobaks AB	556680-3028	Stockholm, Sweden	100,000	100	0	100	0
Swedish Match USA, Inc	62-1257378	USA	1,000	100	849	100	849
Swedish Match Cigars Holding Inc	81-0733029	USA	1,000	100	1,739	100	1,739
Swedish Match Dominicana S.A.S.	55338STI	Dominican Republic	9,249,907	99.99	171	99.99	171
Swedish Match Distribution A/S	930567647	Norway	500	100	0	100	0
SA Allumettiére Causemille ¹⁾		Algeria	10,000	100	0	100	0
The Burma Match Co Ltd ²⁾		Myanmar	300,000	100	0	100	0
Vulcan Trading Co. Ltd ³⁾		Myanmar	4,000	100	0	100	0
Carrying value at end of year					30,857		31,156

¹⁾ Nationalized in 1963.

²⁾ Nationalized in 1968.

³⁾ Nationalized in 1969.

In addition, shares are owned in Union Allumettiére Marocaine S.A. Ownership is purely formal. Group companies hold all rights and obligations.

9 Other non-current receivables

Other non-current receivables consisted of derivatives including exchange rate differences and fair values of cross currency and interest rate swaps of 700 MSEK (459).

10 Other receivables

Other receivables	2021	2020
Derivatives	43	-
Tax account	34	26
VAT receivables	2	3
Other current receivables	0	0
Carrying value at end of year	79	30

11 Prepaid expenses and accrued income

Prepaid expenses and accrued income	2021	2020
Accrued interest income	2	1
Prepaid bank charge	6	2
Prepaid rent	5	4
Other prepaid expenses	19	28
Carrying value at end of year	33	36

Other prepaid expenses mainly referred to receivables for pension contributions.

12 Equity

For information regarding the change in Parent Company equity see Statement of changes in Parent Company equity.

Number of registered shares in the Parent Company are detailed below:

Number of registered shares	2021	2020
Issued at beginning of year	1,622,000,000	1,699,500,000
Cancellation	-42,000,000	-77,500,000
Total shares outstanding at end of year	1,580,000,000	1,622,000,000
Of which held by Swedish Match AB	-48,764,810	-37,929,170
Total shares outstanding, net of shares held by Swedish Match AB	1,531,235,190	1,584,070,830
Total outstanding shares quota value	0.2465	0.2402

Repurchase of own shares

Repurchase of own shares encompass the acquisition cost for treasury shares owned by the Parent Company. At December 31, 2021, the Parent Company's holding of treasury shares amounted to 48,764,810 shares (37,929,170).

Number of shares held in treasury and cumulative repurchases of own shares included in retained earnings are detailed below:

	Number of shares (thousands)		Cumulative effect on equity (MSEK)	
	2021	2020	2021	2020
Balance at beginning of year	37,929	67,217	-37,528	-34,429
Repurchase of own shares during the year	52,836	48,212	-3,802	-3,099
Allocated to retained earnings by cancellation of shares	-42,000	-77,500	10	18
Bonus issue	-	-	-10	-18
Balance at end of year	48,765	37,929	-41,330	-37,528

The Annual General Meeting on April 13, 2021 renewed the mandate to repurchase up to 10 percent of the shares of the Company. In addition, a decision was made to cancel 42.0 million shares held in treasury, with a simultaneous bonus issue, without issuing new shares, of an amount equivalent to the amount represented by the cancelled shares or 10 MSEK. Furthermore the shareholders approved the proposal that the reduction will be allocated to a fund for use pursuant to a resolution adopted by the Annual General Meeting. During the year 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 year 52,836 million shares were repurchased for 3,802 MSEK at an average price of 71.96 SEK.

Total shares bought back since the buyback program started have been repurchased at an average price of 15.95 SEK.

As per December 31, 2021 Swedish Match held 48.8 million shares in its treasury, corresponding to 3.09 percent of the total number of shares.

The number of shares outstanding, net, as per December 31, 2021, amounted to 1,531.2 million.

Dividend

After the balance sheet date, the Board proposed a dividend for 2021 of 1.86 SEK per share (1.50). The proposed dividend amounts to 2,848 MSEK based on the 1,531 billion shares outstanding at the end of 2021. The ordinary dividend for 2020, paid in 2021, amounted to 2,369 MSEK corresponding to 1.50 SEK per share.

Reserve for fair value

Reserve for fair value consists of a hedge reserve, the change during the year is explained below:

	2021	2020
Hedge reserve		
Carrying value at beginning of year	-107	-66
Effective portion of changes in fair value of cash flow hedges	82	-51
Income tax	-17	11
Carrying value at end of year	-42	-107

The hedge reserve includes the accumulated effective portion of changes in fair value of cash flow hedges attributable to interest rate hedges.

13 Untaxed reserves

Untaxed reserves	2021	2020
<i>Excess depreciation:</i>		
Tangible assets		
Carrying value at beginning of year	0	0
Excess depreciation for the year	0	0
Total	0	0
<i>Tax allocation reserve:</i>		
Carrying value at beginning of year	2,675	2,325
Reversal of appropriation	-260	-125
Appropriation current year	550	475
Total	2,965	2,675
Carrying value at end of year	2,965	2,675

14 Other provisions

Non-current and current provisions at December 31 comprised the following:

Other provisions	2021	2020
Pension obligations	39	64
Deferred compensation	31	29
Carrying value at end of year	69	93
Whereof total non-current	63	88
Whereof total current	6	5

Movements in provisions during the year were as follows:

2021	Pension obligations	Deferred compensation	Total
Carrying value at beginning of year	64	29	93
Provisions made during the year	2	16	18
Provisions used during the year	0	-	0
Provisions reversed during the year and changes in estimates	-27	0	-27
Provisions reclassified to accrued expenses	-	-15	-15
Carrying value at end of year	39	31	69

2020	Pension obligations	Deferred compensation	Total
Carrying value at beginning of year	70	28	98
Provisions made during the year	3	17	20
Provisions used during the year	0	-	0
Provisions reversed during the year and changes in estimates	-10	0	-10
Provisions reclassified to accrued expenses	-	-15	-15
Carrying value at end of year	64	29	93

Pension obligations

Pension obligations included provisions recognized for special income taxes on pension obligations secured in endowment insurances and provisions for post-employment defined benefit obligations. At year-end 2020 the major part of the pension provisions referred to a pension trust for former employees in the divested Swedish Match UK Ltd. Due to changes in assumptions, the updated valuation at year-end 2021 reflected a decreased pension obligation and no provision was recognized. Payments relating to the pension obligations later than five years after balance sheet date are calculated to an amount of 38 MSEK.

Deferred compensation

Deferred compensation referred to long term incentive plans for certain managers which will be settled within three years.

15 Bond loans

Bond loans issued under the GMTN program that are due for payment later than five years after the balance sheet date amounted to 3,811 MSEK (4,411). Bond loans issued in foreign currency and floating interest rate are hedged by cross currency interest rate swaps to convert borrowing into SEK and fixed interest rates.

Year	MSEK
2027	3,067
2028	445
2029	300
Total	3,811

16 Other liabilities

Other liabilities mainly consisted of the change in fair value of the derivatives, due to increase or decrease of interest rates and currencies. Derivative liabilities with maturity over five years after the balance sheet date amounted to 127 MSEK (210).

17 Accrued expenses and deferred income

Accrued expenses and deferred income	2021	2020
Accrued interest expenses	170	168
Accrued incentives including social security charges	40	39
Accrued social security charges	6	5
Accrued vacation pay	3	3
Personnel expenses	0	0
Other accrued expenses	13	2
Deferred income	-	0
Carrying value at end of year	233	218

18 Carrying value and fair value of financial instruments

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

IFRS 13 is applied for financial instruments measured at fair value on the balance sheet which implies using a fair value hierarchy that reflects the significance of input used according to the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets
- Level 2 – Inputs other than quoted prices that are observable, either directly or indirectly. The input data consists mainly of the compounded interest rates from interest rate swaps, basis swaps and conversions rates for variable interest rates to create relevant Cross Currency Interest Rate Swap (CCIRS) rates. The created interest rates are used to calculate the market value by discounting the external outstanding CCIRS flows including the actual market valuation of involved currencies.
- Level 3 – Inputs that are not based on observable market data

The following table shows carrying value (including accrued interest) and fair value for each category of financial instruments at December 31, 2021.

Derivatives attributable to cash flow hedges are carried at fair value via other comprehensive income (FVOCI) in level 2 of the fair value hierarchy. In assessing the fair values of these derivatives, a variety of methods are used to make assumptions based on market conditions at each reporting date. Quoted market prices or dealer quotes for identical or similar instruments are used. Items not valued at fair value are measured at amortized cost. All other items, except loans and borrowings, have a short duration and are considered non-interest bearing, and therefore, the total carrying value of the financial instruments corresponds to the estimated fair value. The carrying amount for loans and borrowings differ from their fair value as a consequence of changes in the market interest rates, determined by using current official market quotations for outstanding bonds or similar instruments and discounting future cash flows. The values presented are indicative and may not necessarily be realized.

For more information see *Note 27 Financial instruments and financial risks* for the Group on page 110.

Carrying value and fair value

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

2021	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
Other non-current financial receivables	-	-	700	-	700	700
Receivables on Group companies	3,153	-	-	-	3,153	3,153
Other current receivables	-	-	43	65	108	108
Prepaid expenses and accrued income ¹⁾	-	-	2	31	33	33
Cash and cash equivalents	109	-	-	-	109	109
Total assets	3,262	-	745	96	4,103	4,103
Loans and borrowings	-	15,184	-	-	15,184	15,496
Other liabilities	-	-	128	2	130	130
Liabilities to Group companies (current)	-	6,138	-	-	6,138	6,138
Accrued expenses and deferred income ¹⁾	-	125	45	63	233	233
Trade payables	-	10	-	-	10	10
Total liabilities	-	21,457	173	65	21,695	22,007

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	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	745	-	745
Derivative financial liabilities	-	173	-	173

The following table shows carrying value and fair value for financial instruments per December 31, 2020.

2020	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
Other non-current financial receivables	-	-	459	-	459	459
Receivables on Group companies	2,416	-	-	-	2,416	2,416
Other current receivables	-	-	-	103	103	103
Prepaid expenses and accrued income ¹⁾	-	-	1	35	36	36
Cash and cash equivalents	250	-	-	-	250	250
Total assets	2,666	-	460	138	3,264	3,264
Loans and borrowings	-	15,363	-	-	15,363	15,713
Other liabilities	-	-	213	2	215	215
Liabilities to Group companies (current)	-	4,064	-	-	4,064	4,064
Accrued expenses and deferred income ¹⁾	-	122	46	50	218	218
Trade payables	-	9	-	-	9	9
Total liabilities	-	19,558	259	52	19,869	20,219

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	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	460	-	460
Derivative financial liabilities	-	259	-	259

19 Derivatives under netting agreements

To reduce the credit risk in receivables from banks arising via derivative instruments, Swedish Match has entered into netting agreements, known as ISDA Master Agreements, with all of its counterparties. These agreements grant rights to net market valuations on assets and liabilities if the counterpart is in an event of default, as with suspended payments. The following table shows the netted exposures per December 31. No collateral has been received or pledged. All the derivatives are related to Group's central funding.

Financial instruments under master netting agreements

2021	Gross amount for financial instruments	Amounts of financial instruments not netted in the balance sheet, but subject to netting agreement	Net
Derivatives – Assets	745	-97	647
Derivatives – Liabilities	173	-97	76

2020	Gross amount for financial instruments	Amounts of financial instruments not netted in the balance sheet, but subject to netting agreement	Net
Derivatives – Assets	460	-134	326
Derivatives – Liabilities	259	-134	124

20 Operating lease agreements

Total expense for operating lease agreements for 2021 amounted to 21 MSEK (14). Operating leasing agreements mainly refer to rental of office and storage premises. The contracts are non-cancellable during the agreed leasing period and the agreements include indexation clauses.

Future annual minimum lease payments under the terms of non-cancellable operating lease agreements with initial or remaining terms of one year or more fall due as follows:

Minimum lease payments	2021	2020
Within one year	25	19
Between 1–5 years	25	48
Later than 5 years	-	-
Total	50	67

Certain parts of the leased premises are sub-leased to a subsidiary of Swedish Match AB. Rental income for the year relating to items that are being subleased to a subsidiary amounted to 17 MSEK (12).

21 Pledged assets and contingent liabilities

Pledged assets

Pledged assets referred to endowment insurance policies pledged as security for pension obligations amounting to 157 MSEK (128).

In accordance with IAS 19, endowment insurance policies pledged as securities for certain defined contribution obligations have been netted against the pension obligation in other provisions.

Contingent liabilities	2021	2020
Guarantees on behalf of subsidiaries	303	291
Total	303	291

22 Distribution of earnings

Proposed distribution of earnings

Dividend (1.86 SEK based on 1,531,235,190 shares)	SEK	2,848,097,453
Retained earnings to be carried forward	SEK	7,042,718,802
Total amount	SEK	9,890,816,255

23 Related parties

Summary of transactions with related parties	Subsidiaries	
	2021	2020
Revenues		
Dividends	3,436	4,185
Group contribution	3,140	2,406
Sale of services	32	27
Rental income	17	12
Expenses		
Group contribution	-494	-14
Interest expenses	-40	-32
Purchase of goods/services	-29	-44
Receivables	3,153	2,416
Liabilities	6,138	4,064
Contingent liabilities	303	291

Transactions with related parties are determined at an arms-length basis. For remunerations to key management personnel, see *Note 5 Personnel* for the Group.

In the normal course of business, the Parent company conducts various transactions with subsidiaries. For information about directly owned subsidiaries, see *Note 8 Group companies*.

24 Supplementary information to cash flow statement

	2021	2020
Interest paid and received and dividend received		
Dividend received	3,436	4,185
Interest paid, non-Group companies	-316	-261
Interest paid, Group companies	-40	-32
Total	3,080	3,892

Interest payments and interest receipts are reflected in cash flow from operations.

	2021	2020
Adjustments for non cash items and other		
Depreciation	0	0
Write-down of subsidiaries	299	287
Change in accrued interest	5	48
Change in pension provision	-32	-11
Total	272	324

Reconciliation of liabilities arising from financing activities

	2020	Cash flows	Non-cash changes			2021
			Adj. current portion from non-current	Foreign exchange movement	Fair value changes	
Long-term borrowings	13,514	1,393	-944	234	-	14,197
Short-term borrowings	1,849	-1,849	944	42	-	987
Net assets held to hedge long-term borrowings	-248	-12	-	-279	-82	-621
Total liabilities from financing activities	15,115	-468	-	-3	-82	14,562

25 Post-employment benefits

Swedish Match AB has post-employment benefit obligations that are insured by Swedish pension trust arrangements. Swedish Match AB also has assumed the role as sponsor and Principal Employer for a pension trust for former employees in the divested Swedish Match UK Ltd.

As per December 31, 2021 the Swedish pension trust arrangement and the pension plan for employees in UK show a net surplus. In accordance with RFR 2 the net surplus in the pension plans was not recognized in the balance sheet.

The tables below specify the pension obligations assumed by Swedish Match AB:

	2021	2020
Defined benefit pension plans		
Present value of funded obligations	833	827
Fair value of separately held assets	-977	-887
Surplus, net	-144	-60
Net surplus in pension trust not recognized in balance sheet	144	92
Net pension liability recognized in the balance sheet	0	32

Specification of movements in the net liability recognized in the balance sheet attributable to pension:

	2021	2020
Net pension liability		
Balance at beginning of year	32	43
Benefits paid	12	20
Contribution received from pension trust	-12	-20
Change in pension provision	-32	-11
Balance at end of year	0	32

140 MSEK (92) of the total net pension asset is covered by "Tryggandelagen".

26 Subsequent events

No significant events has occurred after the balance sheet date.

	2021	2020
Cash and cash equivalents		
Cash and bank	0	0
Other current deposits ¹⁾	108	250
Total	109	250

¹⁾ Other current deposits have been classified as cash and cash equivalents based on that they are readily convertible to known amounts of cash.

Specification of expenses and income attributable to pension:

	2021	2020
Defined benefit pension plans		
Difference between contribution received from pension trust and benefits paid	0	0
Interest cost on obligation	-12	-16
Actual return on separately held assets	59	47
Change in pension provision	32	11
Net income for pension	80	42
Pensions covered by insurance premiums:		
Costs for pension insurance premiums recognized in income statement	-19	-17
Change in surplus in pension trust	-48	-31
Net pension costs recognized in income statement attributable to pension	13	-6

The expenses attributable to pension are recognized in the income statement under administration costs.

The actual return on separately held assets expressed in percentage is 6.7 percent (4.9 percent).

Separately held assets of the pension trusts are comprised as follows:

	2021	2020
Separately held assets		
Debt instruments	76	72
Equity securities	172	130
Other ¹⁾	729	684
Total	977	887

¹⁾ Large part refers to the UK annuity policies at the insurance company Aviva.

Significant actuarial assumptions at the balance sheet date

The obligations are calculated based on a weighted average discount rate of 1.8 percent (1.3).

A contribution to the UK pension plan will be paid during the first quarter of 2022 in an amount of approximately 6 MSEK.

Auditor's report

To the general meeting of the shareholders of Swedish Match AB (publ) corporate identity number 556015-0756

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Swedish Match AB (publ) for the financial year 2021-01-01–2021-12-31. The annual accounts and consolidated accounts of the company are included on pages 11, 31–33, 71–72 and 75–126 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year

then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's Board of Directors in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that,

based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed

in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of intangible assets

Swedish Match reports intangible assets of MSEK 2 281 as of 31 December 2021. For cash generating units ("CGUs") which contain intangible assets, the determination of recoverable amount, being the higher of fair value less costs to sell and value in use, requires judgement on behalf of management in both identifying and valuing the relevant CGUs. Management prepared impairment assessments by CGU, as required under accounting standards, which were based on a value in use calculation. Such calculations are based on management's judgements of variables such as sales growth, EBITDA margin, terminal growth rate of free cash flow, and discount rate.

Disclosures regarding intangible assets are included in note 1 Accounting principles and note 11 Intangible assets.

Our audit procedures included, but were not limited to:

- evaluated the design and implementation of relevant internal controls over the impairment assessment process including identifying indicators of impairment;
- with the support of our internal valuation specialists, evaluated and challenged key assumptions in management's valuation model, including assumptions of sales growth, EBITDA margin, terminal growth rate, and discount rate;
- tested the mathematical accuracy of the valuation model used by management, and
- evaluated the appropriateness of disclosures made in the financial statements.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 2–10, 12–30, 34–70, 73–74, 130–135 and 149–151. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual

accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or

error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibilities for the audit of the annual accounts and consolidated accounts is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Swedish Match AB (publ) for the financial year 2021-01-01–2021-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional

ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial

situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with

reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the management's administration is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the auditor's report.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for Swedish Match AB for the financial year 2021-01-01 – 2021-12-31.

Our examination and our opinion relate only to the statutory requirements. In our opinion, the Esef report 5e7cf398abfa9e2162909c04adbe46923dc1a-7374496773d04dc02348d10a8d8 has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Swedish Match AB in accordance with professional ethics for accountants in Sweden and

have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528), and for such internal

control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated

accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e., if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

Deloitte AB, was appointed auditor of Swedish Match AB by the general meeting of the shareholders on the 2021-04-13 and has been the company's auditor since 2017-05-04.

Stockholm, March 24, 2022

Deloitte AB

Peter Ekberg
Authorized Public Accountant

Five year summary 2017–2021

Condensed consolidated income statement, MSEK	2021	2020	2019	2018	2017 ¹⁾
Sales	18,489	16,698	14,739	12,966	11,751
Gross profit	12,240	10,947	9,363	8,133	7,396
Larger one-time items	300	–	–367	–	373
Operating profit	8,286	6,991	5,307	4,812	4,592
Net finance cost	–345	–347	–247	–281	–240
Profit before income tax	7,941	6,644	5,060	4,531	4,353
Profit for the year	6,218	4,888	3,896	3,578	3,400
EBITDA ²⁾	8,601	7,580	6,222	5,227	4,600

¹⁾ Financial statements for 2017 have been restated in accordance with IFRS 15. For further information about the impact from the adoption of IFRS 15, see Note 1.

²⁾ Excluding larger one-time items.

Condensed consolidated balance sheets, MSEK	2021	2020	2019	2018	2017 ¹⁾
Intangible assets	2,281	2,237	2,355	2,708	2,088
Property, plant and equipment ²⁾	4,556	3,633	3,255	2,941	2,558
Right-of-use assets	388	278	255	–	–
Investments in associated companies	41	42	42	24	22
Other non-current assets and operating receivables ³⁾	25	20	18	19	22
Other non-current financial assets and receivables	1,832	1,556	1,826	1,420	1,254
Total non-current assets	9,123	7,765	7,750	7,113	5,944
Other current financial receivables	374	219	195	226	263
Current operating assets and receivables	4,534	3,732	3,905	3,762	3,171
Cash and cash equivalents	2,121	3,411	2,370	2,886	3,998
Total current assets	7,029	7,362	6,471	6,874	7,432
Assets held for sale ⁴⁾	–	28	16	–	–
Total assets	16,152	15,155	14,237	13,987	13,376
Equity attributable to equity holders of the Parent	–6,686	–7,814	–6,324	–5,611	–4,202
Non-controlling interests	17	16	16	16	1
Total equity	–6,669	–7,798	–6,308	–5,595	–4,201
Non-current financial provisions	1,397	1,268	1,228	1,186	1,200
Non-current loans	14,197	13,514	12,130	12,282	10,277
Other non-current financial liabilities ⁵⁾	1,883	1,926	1,626	1,140	1,218
Other non-current operating liabilities	504	485	434	415	368
Total non-current liabilities	17,981	17,194	15,417	15,024	13,063
Current loans	990	1,850	1,300	1,229	1,253
Other current financial liabilities ⁶⁾	368	653	715	245	534
Other current operating liabilities	3,482	3,257	3,112	3,085	2,727
Total current liabilities	4,840	5,759	5,127	4,559	4,514
Total liabilities	22,821	22,953	20,544	19,582	17,577
Total equity and liabilities	16,152	15,155	14,237	13,987	13,376

¹⁾ Restated in accordance with IFRS 15.

²⁾ Includes forest plantations.

³⁾ Includes pension assets and derivatives financial instruments.

⁴⁾ Assets held for sale refers to land. The fair value less costs to sell are not expected to be lower than the carrying value.

⁵⁾ Includes pension obligations and derivative financial instruments.

⁶⁾ Includes short term derivatives financial instruments.

Condensed consolidated cash flow, MSEK	2021	2020	2019	2018	2017 ²⁾
Net cash from operating activities	6,336	5,607	5,080	3,705	3,402
Net cash used in/from investing activities	–1,156	–1,173	–815	–1,204	1,594
Net cash transferred to shareholders	–6,171	–5,119	–4,766	–5,423	–5,498
Net cash used in/from other financing activities	–440	2,000	–38	1,727	1,215
Net decrease/increase in cash and cash equivalents	–1,431	1,315	–539	–1,195	713
Cash and cash equivalents at beginning of the year	3,411	2,370	2,886	3,998	3,364
Effects of exchanges rate fluctuations on cash and cash equivalents	141	–274	23	83	–79
Cash and cash equivalents at end of year	2,121	3,411	2,370	2,886	3,998

Key data ¹⁾	2021	2020	2019	2018	2017 ²⁾
Net debt, MSEK	14,035	13,523	11,925	10,843	8,183
Investments in property, plant and equipment, MSEK	1,172	1,126	720	649	369
Operating margin from product segments, %	44.8	43.8	40.5	39.0	37.9
Operating margin ³⁾ , %	44.8	41.9	36.0	37.1	39.1
EBITA interest cover	24.3	21.4	23.4	17.5	12.6
Net debt/EBITA	1.7	1.9	2.1	2.2	1.9
<i>Share data</i>					
Share capital, MSEK	390	390	390	390	390
Ordinary dividend per share, SEK ⁴⁾	1.86	1.50	1.25	1.05	0.92
Special dividend per share, SEK ⁵⁾	-	-	-	-	0.74
Earnings per share, basic and diluted, SEK					
Including larger one time items	3.97	3.04	2.32	2.06	1.89
Including larger one time items and excluding income from STG ⁵⁾	3.97	3.04	2.32	2.06	1.84
Excluding larger one time items and income from STG ⁵⁾	3.82	3.22	2.54	2.06	1.64

¹⁾ All key ratios have been calculated excluding larger one-time items, unless otherwise stated.

²⁾ Restated in accordance with IFRS 15.

³⁾ Group operating margin including Larger one-time items

⁴⁾ Board proposal.

⁵⁾ In May 2021, a share split (10:1) was made. Historical share data in this report has been restated in accordance with IAS 33.

Sales by product segments, MSEK	2021	2020	2019	2018	2017 ¹⁾
Smokefree	12,120	10,651	8,914	7,477	6,661
Cigars	4,688	4,533	4,249	3,890	3,457
Lights	1,338	1,149	1,200	1,246	1,291
Sales from segments	18,145	16,332	14,363	12,612	11,410
Other operations	344	366	376	353	342
Sales	18,489	16,698	14,739	12,966	11,751

¹⁾ 2017 has been restated in accordance with IFRS 15.

Operating profit/loss by product segments, MSEK	2021	2020	2019	2018	2017 ¹⁾
Smokefree	5,998	5,142	3,997	3,317	2,798
Cigars	1,841	1,796	1,577	1,412	1,314
Lights	297	222	238	189	211
Operating profit from product segments	8,136	7,160	5,812	4,918	4,323
Other operations	-150	-169	-137	-106	-104
Sale of STG shares	-	-	-	-	197
Income from defined benefit plan amendment	-	-	-	-	69
Capital gain from sale of land	-	-	-	-	107
Settlement income	300	-	-	-	-
Impairment charge – European chewing tobacco business	-	-	-367	-	-
Operating profit	8,286	6,991	5,307	4,812	4,592

¹⁾ 2017 has been restated in accordance with IFRS 15.

Operating margin by product segments, %	2021	2020	2019	2018	2017 ¹⁾
Smokefree	49.5	48.3	44.8	44.4	42.0
Cigars	39.3	39.6	37.1	36.3	38.0
Lights	22.2	19.3	19.8	15.2	16.4
Operating margin from product segments	44.8	43.8	40.5	39.0	37.9

¹⁾ Restated in accordance with IFRS 15.

Quarterly data 2020–2021

Condensed consolidated income statements, MSEK	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	4,751	4,778	4,505	4,455	4,136	4,400	4,133	4,029
Gross profit	3,099	3,166	2,990	2,986	2,677	2,990	2,672	2,607
Operating profit	1,901	2,075	1,956	2,354	1,650	2,048	1,693	1,601
Net financial cost	-83	-88	-85	-89	-80	-105	-84	-78
Profit before income tax	1,818	1,987	1,871	2,265	1,570	1,943	1,609	1,523
Profit for the period	1,457	1,540	1,441	1,780	1,244	1,222	1,254	1,168
EBITDA¹⁾	2,070	2,227	2,107	2,197	1,796	2,193	1,841	1,749

¹⁾ Excluding larger one-time items.

Key data	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Operating margin, %	40.0	43.4	43.4	52.8	39.9	46.5	41.0	39.7
Investments in property, plant and equipment, MSEK	313	284	298	277	379	231	324	192
Earnings per share, basic SEK ¹⁾	0.94	0.99	0.92	1.12	0.78	0.76	0.78	0.72

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.

Sales by product segments, MSEK	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Smokefree	3,242	3,100	2,955	2,823	2,606	2,842	2,695	2,508
Cigars	1,063	1,237	1,138	1,249	1,152	1,184	1,069	1,128
Lights	357	354	321	305	288	277	275	309
Sales from product segments	4,663	4,691	4,414	4,376	4,045	4,303	4,039	3,945
Other operations	88	87	90	78	91	97	94	84
Sales	4,751	4,778	4,505	4,455	4,136	4,400	4,133	4,029

Operating profit by product segments, MSEK	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Smokefree	1,547	1,558	1,428	1,465	1,168	1,519	1,301	1,154
Cigars	343	481	458	560	481	499	378	438
Lights	67	60	103	67	46	57	52	67
Operating profit from product segments	1,957	2,099	1,988	2,092	1,695	2,075	1,731	1,659
Other operations	-57	-24	-32	-37	-45	-28	-38	-58
Settlement income	-	-	-	300	-	-	-	-
Operating profit	1,901	2,075	1,956	2,354	1,650	2,048	1,693	1,601

Operating margin by product segments, %	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Smokefree	47.7	50.3	48.3	51.9	44.8	53.5	48.3	46.0
Cigars	32.3	38.8	40.3	44.8	41.7	42.2	35.4	38.8
Lights	18.7	17.0	31.9	22.0	16.0	20.5	18.9	21.7
Operating margin from product segments	42.0	44.7	45.0	47.8	41.9	48.2	42.9	42.1

EBITDA by product segments, MSEK	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Smokefree	1,668	1,663	1,532	1,561	1,269	1,617	1,401	1,252
Cigars	365	502	479	581	503	520	400	460
Lights	78	71	113	77	54	67	62	78
EBITDA from product segments	2,111	2,236	2,124	2,219	1,826	2,204	1,863	1,790

EBITDA margin by product segments, %	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Smokefree	51.4	53.6	51.8	55.3	48.7	56.9	52.0	49.9
Cigars	34.3	40.6	42.1	46.5	43.6	43.9	37.4	40.8
Lights	21.8	20.0	35.3	25.3	18.8	24.1	22.7	25.2
EBITDA margin from product segments	45.3	47.7	48.1	50.7	45.1	51.2	46.1	45.4

Depreciation, amortization and impairments, MSEK	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Property, plant and equipment	124	110	109	101	105	103	106	105
Right-of-use assets	26	24	23	23	23	23	23	22
Intangible assets	19	19	18	18	18	19	20	21
Total	169	152	151	142	146	145	149	148

Net finance cost, MSEK	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Interest income	12	6	7	11	5	7	8	30
Interest expense	-91	-92	-90	-93	-91	-109	-93	-87
Net interest expense	-79	-86	-84	-83	-86	-102	-85	-57
Other finance costs, net	-4	-3	-2	-6	6	-3	1	-21
Total net finance cost	-83	-88	-85	-89	-80	-105	-84	-78

Definitions

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.

Sales from product segments

Definition/calculation

Sales from reportable segments, which excludes Other operations

Purpose

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

Definition/calculation

Operating profit from reportable segments, which excludes Other operations and larger one-time items

Purpose

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 impacts comparability between periods.

Operating margin from product segments (%)

Definition/calculation

$100 \times \text{Operating profit from product segments} \div \text{Sales from product segments}$

Purpose

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).

Profit for the period, excluding larger one-time items

Definition/calculation

Profit for the period excluding larger one-time items

Purpose

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.

Dividend pay-out ratio (%)

SEK	2021	2020
Dividend per share (proposed after year-end)	1.86	1.50
Adjusted earnings per share from continuing operations, basic	3.82	3.22
Dividend pay-out ratio (%)	49	47

Definition/calculation

$100 \times \text{Dividend (proposed after year-end)} \div \text{Adjusted earnings per share from continuing operations, basic}$

Purpose

Used as a measure of the percentage of net profits distributed as a dividend to the shareholders.

Dividend yield (%)

SEK	2021	2020
Dividend per share (proposed after year-end)	1.86	1.50
Share price at year-end	72.02	63.78
Dividend yield (%)	2.58	2.35

Definition/calculation

$100 \times \text{Dividend (proposed after year-end)} \div \text{Share price at year-end}$

Purpose

Used as a measure of cash return to shareholders.

Total return (%)

SEK	2021	2020
Share price at year-end	72.02	63.78
Dividend paid	1.5	1.25
Return on reinvested dividend	0.02	0.13
Share price at preceding year-end	63.78	48.28
Total return (%)	15.3	35.0

Definition/calculation

$100 \times (\text{Share price at year-end} - \text{Share price at preceding year-end}) + (\text{Dividend paid} + \text{Return on reinvested dividend}) \div \text{Share price at preceding year-end}$

Purpose

Used as a measure of the Group's total value creation for the shareholder, including cash returns and share price appreciation/ depreciation.

P/E ratio

SEK	2021	2020
Share price at year-end	72.02	63.78
Earnings per share from continuing operations, basic	3.97	3.04
P/E ratio	18.1	21.0

Definition/calculation

$\text{Share price at year-end} \div \text{Earnings per share}$

Purpose

Used as a measure of the estimated market value based on net profit generation.

DEFINITIONS *Continued*

EBIT multiple

MSEK	2021	2020
Market capitalization	110,280	101,032
Net debt	14,035	13,523
Non-controlling interest	17	16
Operating profit	8,286	6,991
EBIT Multiple	15.0	16.4

Definition/calculation

(Market capitalization + Net debt + Non-controlling interest) ÷ Operating profit

Purpose

Used as a measure of Group enterprise value in relation to operating profit generation.

EBITA and EBITDA

MSEK	2021	2020
Profit for the period	6,218	4,888
Income tax expense	1,723	1,756
Net finance cost	345	347
Operating profit for the period	8,286	6,991
Larger one-time items	-300	-
Amortization and impairment of intangible assets	75	77
EBITA	8,061	7,068
Depreciation and impairment of tangible and right-of-use assets	540	511
EBITDA	8,601	7,580

EBITA

Definition/calculation

Profit for the period excluding larger one-time items, net finance cost, tax, amortization and impairments of intangible assets

Purpose

Used as a measure of operating performance relative to the financial obligations of the Group.

EBITDA

Definition/calculation

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

Purpose

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 and EBITDA margin from product segments

MSEK	2021	2020
Operating profit for the period	8,286	6,991
Less operating loss from Other operations	150	169
Less larger one-time items	-300	-
Operating profit from product segments	8,136	7,160
Amortization, depreciation and impairment of intangible, tangible and right-of-use assets	615	588
Less amortization, depreciation and impairment of intangible, tangible and right-of-use assets for Other operations	-61	-65
EBITDA from product segments	8,690	7,684
Sales from product segments	18,145	16,332
EBITDA margin from product segments, %	47.9	47.0

EBITDA from product segments

Definition/calculation

Operating profit from product segments excluding depreciation, amortization and impairments of tangible, intangible and right of use assets.

Purpose

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 from product segments (%)

Definition/calculation

100 × EBITDA from product segments ÷ Sales from product segments

Purpose

Used as an alternative measure of operating profitability for the core commercial businesses of Swedish Match.

Larger one-time items

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

Definition/calculation

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

Purpose

Used to provide information regarding items which impact comparability between periods.

DEFINITIONS *Continued*

Adjusted earnings per share

	2021	2020
Basic and diluted		
Profit for the period attributable to equity holders of the Parent, MSEK	6,217	4,888
Settlement income in net profit, MSEK	-238	-
Tax charge including interest, MSEK	-	286
Profit for the period attributable to equity holders of the Parent, excl. larger one-time items, MSEK	5,979	5,174
Weighted average number of shares outstanding, thousands ¹⁾	1,565,397	1,608,665
Adjusted earnings per share, SEK	3.82	3.22

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.

Definition/calculation

Profit for the period excluding larger one-time items net of tax ÷ Average number of shares outstanding

Purpose

Used as an alternative measure of earnings per share which is not affected by items which impact comparability between periods.

EBITA interest cover

	2021	2020
MSEK		
EBITA	8,061	7,068
Interest income	36	49
Interest expense	-367	-379
EBITA interest cover	24.3	21.4

Definition/calculation

EBITA ÷ (Interest income - Interest expense)

Purpose

Used as a measure of the ability to fund interest expenses.

Net debt/EBITA

	2021	2020
MSEK		
Net debt	14,035	13,523
EBITA	8,061	7,068
Net debt/EBITA	1.7	1.9

Definition/calculation

Net debt ÷ EBITA

Purpose

Used as an indication of the duration (in years) required to fund existing net financial obligations with free cash flows from the ongoing business.

Net debt

	2021	2020
MSEK		
Non-current loans	14,197	13,514
Current loans	990	1,850
Components of derivatives (liabilities) ¹⁾	112	420
Components of derivatives (assets) ²⁾	-851	-546
Non-current lease liabilities ³⁾	307	208
Current lease liabilities ⁴⁾	96	77
Net provision for pensions and similar obligations ³⁾	1,445	1,503
Net asset for pensions and similar receivables ⁵⁾	-140	-92
Cash and cash equivalents	-2,121	-3,411
Net debt	14,035	13,523

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

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

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

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

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

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

Market capitalization

	2021	2020
MSEK		
Share price at year-end, SEK	72.02	63.78
Number of shares outstanding at year-end	1,531,235,190	1,584,070,830
Market capitalization, billions SEK	110.3	101.0

Definition/calculation

Share price at year-end × Number of shares outstanding at year-end

Purpose

Used as a measure of the market value of the Group.

The Group

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A highly active year

CHAIRMAN'S COMMENT

“Swedish Match has had a highly active year, making significant strides in its efforts to adapt to changing stakeholder demands, while also delivering a solid financial result.”



Much of the attention on Swedish Match over the past few years has been on ZYN nicotine pouches in the US. This remarkable success has been a notable driver of growth and earnings. Continuous investments help to ensure a strong, efficient, and sustainable business, with future growth opportunities. In this way, Swedish Match helps ensure that it plays a pivotal role in the growth and development of the smokefree arena. During 2021, the Company's US organization made significant investments supporting consumer and customer engagement and loyalty, building capacity, and nationwide distribution for ZYN nicotine pouches. These efforts will help to build an even stronger business with a strong and loyal consumer base.

The team at Swedish Match welcomes change, reaching out to new markets and new geographies, ensuring that the Company's product portfolios are sufficiently flexible to accommodate changes in consumer behavior or competitive dynamics. This ability to be flexible and prepared for change helps all the Swedish Match businesses, from chewing tobacco and shifts between price segments, to moist snuff and snus, with the movement away from loose varieties toward more convenient pouches.

For all of us who desire ways to improve public health, Swedish Match has a strong track-record of accomplishments. The Company's focus to support its vision of *A world without cigarettes*, is evidenced by its commitment to invest considerable time, effort, and resources these past many years behind snus and nicotine pouches.

Swedish Match's work to address negative environmental impacts, such as greenhouse gas emissions, is evidenced not only by actions implemented in the Company's operations, but also by linking compensation to performance in this important area. A not-insignificant part of long-term compensation the CEO, Group Management Team, and other senior positions comes from achieving greenhouse gas reduction targets.

During the year, Swedish Match grew sales and profit, invested towards the future, increased its dividend paid in 2021, and proposes a further increase for 2022. The Company continued its share repurchase program and split the stock 10:1. It also announced the intent to cease the production and marketing of combustible tobacco completely, anticipating a spin-off of the US cigar business. An active year indeed, for a company that successfully embraces change.

I would like to thank my fellow Board Members, the Group Management Team, and all the fine employees of Swedish Match for their dedication and hard work this past year. I would also like to thank the customers and consumers who enjoy Swedish Match's products, and you, our shareholders, for your ongoing dedicated support of this great company.

Conny Karlsson
Chairman of the Board



Governance report

Swedish Match AB (publ) is a public Swedish limited liability company listed on Nasdaq Stockholm. The objective of the Company's operations, as stated in the Company's Articles of Association, is to directly or indirectly conduct business relating to the development and manufacture of and trade in tobacco products, matches, and lighters and to carry out other activities that are related to these businesses.

Swedish Match is subject to a variety of rules that affect its governance, including the Company's Articles of Association, the Swedish Companies Act, the Rule Book for Issuers on Nasdaq Stockholm, the Swedish Code of Corporate Governance, and other applicable laws and regulations.

Internal regulations and standards that affect Swedish Match's corporate governance include the Company's Articles of Association, the Board's rules of procedure, the Board's instructions to the CEO, the Group's Code of Conduct, and other policy documents issued within the Group. The Articles of Association are adopted by the General Meeting of shareholders.¹⁾ They do not contain any limitations on the number of votes that a shareholder may cast at a General Meeting or any specific provisions concerning the appointment and dismissal of directors or regarding amendments of the Articles of Association.

Swedish Match applies the Swedish Code of Corporate Governance (the Code).²⁾ The Code is based on the "comply or explain" principle, meaning that a company that applies the Code may deviate from regulations of the Code, but must provide explanations for each deviation. The Company is not reporting any deviations from the Code for 2021, except with regard to the Code's regulation that auditors are to review the Company's half year or nine-month report. The reason for this deviation is that

the Board of Directors, with reference to the Company's stable operations, is of the opinion that the extra cost that would be incurred by such a review is not warranted and that sufficient control is achieved through the Company's internal reporting and control systems.

This Corporate Governance report has been examined by the Company's auditors but does not represent part of the formal annual report.

Shareholding

The share capital of Swedish Match was 389,515,417.20 SEK distributed over 1,580,000,000 shares at the end of 2021. Each share carries one vote. On December 31, 2021, no shareholder had a shareholding in the Company representing one tenth or more of the votes of all shares of the Company.³⁾ The Swedish Match share is listed on Nasdaq Stockholm. Further information concerning Swedish Match's ownership structure and share performance are presented on pages 71–72 of the 2021 Annual Report.

Annual General Meeting 2022

Swedish Match's 2022 Annual General Meeting will be held on April 27. In light of the COVID-19 pandemic, the Annual General Meeting will be conducted pursuant to so called mail-in procedures, meaning that no shareholders will attend the General Meeting in person or through

proxy. Instead, all shareholders who have been entered in the share register can participate in the Annual General Meeting by voting according to the number of shares held and submitting questions in advance. Notice of the General Meeting is published in Post- och Inrikes Tidningar and on the Company's website. Information that notice to a General Meeting has been issued, is published in the Swedish daily newspaper, Svenska Dagbladet.

Shareholders who wish to have a matter addressed by the Annual General Meeting must submit a written request to the Board in sufficient time prior to the meeting.⁴⁾

Nominating Committee for the Annual General Meeting 2022

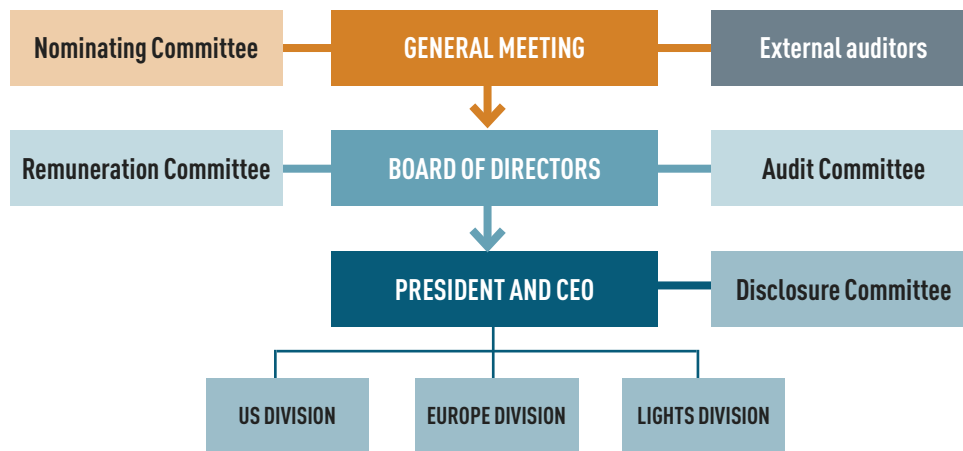
The Nominating Committee for the Annual General Meeting in 2022 was announced on the Company's website on September 7, 2021. In addition to the Chairman of the Board of Swedish Match, Conny Karlsson, the Nominating Committee consists of the following members: Mads Eg Gensmann (Nordflint Capital Partners Fondsmäglerselskab A/S), Filippa Gerstädt (Nordea Funds), Roseanna Ivory (abrdn), and Dan Juran (Framtiden Management Company, LLC). Filippa Gerstädt serves as Chairman of the Nominating Committee.

Proposals to the Nominating Committee are to be submitted to:

Swedish Match AB
The Nominating Committee
c/o General Counsel Marie-Louise Heiman
SE-118 85 Stockholm, Sweden
E-mail: nominating.committee@swedishmatch.com

¹⁾ Available on Swedish Match's website www.swedishmatch.com/governance.
²⁾ Available on Swedish Corporate Governance Board's website www.corporategovernanceboard.se.
³⁾ Source: Euroclear Sweden AB.
⁴⁾ More information is available on Swedish Match's website www.swedishmatch.com/agm.

Governance of the Swedish Match Group



GENERAL MEETING

The Annual General Meeting (AGM) constitutes the highest governing body in a limited liability company, and shareholders' rights to participate in resolutions regarding the Company's affairs are exercised at General Meetings. The Company's shareholders are informed of their legal rights to have issues addressed at General Meetings through the Company's website www.swedishmatch.com/agm. There are no special provisions on how the General Meeting works in the Articles of Association or, as far as known to the Company, due to any shareholders agreement. Resolutions adopted by General Meetings are generally resolved by a simple majority. However, according to the Swedish Companies Act, certain matters are to be resolved by a qualified majority.

The AGM must be held within six months of the close of the fiscal year. At the AGM, resolutions are adopted concerning such matters as dividend, approval of the annual report, discharge of the Board of Directors and the President from personal liability, election and compensation of the Chairman and members of the Board of Directors and auditors, guidelines for determination of compensation payable to senior executives, and other matters of importance to the Company.

Nominating Committee

The Nominating Committee is established according to the principles resolved by the AGM. The AGM also resolves on instructions for the Nominating Committee and according to the instructions the Nominating Committee shall submit to the AGM proposals regarding any changes to these instructions. The Nominating Committee's duties are to prepare and submit proposals to the AGM concerning the election of the Chairman of the AGM, the election of the Chairman and other members of the Board, the amount of Board fees and their apportionment between the Chairman of the Board and other Board members and any fees for committee work, as well as the election of and fees to be paid to the auditors. The Nominating Committee's proposals are publicly announced no later than on the date of notification of the AGM. Shareholders may submit proposals to the Nominating Committee.

In the autumn of each year, the Board of Directors commissions an external consultant to evaluate the performance and functioning of the Board's work. The Chairman of the Board informs the Nominating Committee about the outcome of the evaluation. This evaluation gives the Nominating Committee a basis from which to assess the competence and experience of the Board members and requirements for the future. The Nominating Committee is to meet as often

as necessary to discharge its duties, but at least once per year.

BOARD OF DIRECTORS

The Board of Directors is the Company's highest administrative body under the General Meeting. The Board of Directors is responsible for ensuring that the Group's organization is appropriate for its purpose and conducts ongoing evaluations of the financial position of the Company, of management guidelines and of the investment of company funds. The Board also safeguards the Company's financial accounting, internal controls and the quality of its financial reporting through the internal control system described in detail in the section entitled Internal control over financial reporting. The Board is responsible for establishing Swedish Match's strategic and financial Long Range Plan, monitoring the performance of the operations on an ongoing basis, evaluating the overall approach to managing risks of the Group, reviewing and approving the financial accounts, and taking decisions regarding larger investments and divestments.

The Board of Directors appoints and issues instructions for the President and monitors the President's work.

The working procedures for the Board of Directors are established annually at the statutory Board meeting. The working procedures include instructions relating to the role of the Chairman of the Board, the division of responsibilities between the



Board of Directors and the President and the guidelines for financial reporting to the Board.

The Chairman of the Board is responsible for organizing and directing the Board's work and ensuring that the Board fulfills its obligations. The Chairman's other responsibilities include forwarding the owners' opinions to the Board of Directors.

Remuneration Committee

The Remuneration Committee is appointed annually by the Board of Directors and is a body within the Board. The Committee's duties are to prepare and submit to the Board proposals for resolutions relating to remuneration and other terms of employment for the Company's President, principles regarding remuneration to senior executives, which the Board will present to the AGM for a resolution and other remuneration and employment term matters which by law or other regulations, the Swedish Code of Corporate Governance or established practice shall be resolved by the General Meeting or the Board of Directors.

The Board of Directors has delegated decision-making authority to the Remuneration Committee in certain issues such as calculation and payment of variable salary to the Company's President, salary and other compensation that, within the framework of the guidelines resolved by the AGM, is to be paid to members of the Group Management Team other than the President, including performance criteria, and targets in any long term incentive plan and approval of significant engagements outside the Company with respect to members of the Group Management Team other than the President.

The Committee is to meet as often as necessary but at least twice annually.¹⁾

Audit Committee

The Audit Committee is appointed annually by the Board of Directors and is a body within the Board. Although the Audit Committee's work is primarily of a preparatory and advisory

nature, the Board of Directors delegates decision-making authority on specific issues to the Committee. The Committee is responsible for monitoring the Company and its subsidiaries' accounting and financial reporting processes as well as, in respect of the financial reporting, the efficiency of the internal controls, internal audit and risk management.

The Committee reviews and monitors the impartiality and independence of the auditors. The Committee's responsibilities are to large extent set by the EU Audit and Auditor Regulation, which includes responsibility for the audit selection procedure and otherwise to assist the Nominating Committee in preparing proposals regarding election of auditors and recommendations on audit fees. It keeps itself informed regarding the audit of the annual report and consolidated accounts. In conjunction with the Audit Committee's review of the financial reporting, the members of the Committee discuss accounting issues relating to the Company's financial reporting. The Committee establishes guidelines by which services other than auditing may be secured from the Company's auditors. The Audit Committee also discusses other important issues relating to the Company's financial reporting and reports its observations to the Board.¹⁾

PRESIDENT AND CEO

The President is appointed by the Board of Directors and manages the Company's operations within the framework of rules established by the Board.

With regard to the Board of Directors, the President's duties include responsibility for ensuring that the Board of Directors receives objective, comprehensive, and relevant information prior to Board meetings, thus enabling the Board to reach well-founded decisions. The President also submits proposals for decisions by the Board. On a monthly basis, the President provides Board members with the information required to monitor the position, liquidity and development of the Group, while also providing the Chairman

with ongoing information regarding the operations of the Group.

Disclosure Committee

The President has appointed a Disclosure Committee whose primary responsibility is to ensure that all external reporting, including interim reports, annual reports, and press releases, whose content could have an impact on the share price or that contains financial information, is prepared in accordance with the Group's prevailing procedural routines.

External auditors

The auditors are elected by the AGM for a term of between one and four years. According to the Articles of Association, the number of authorized public auditors must be one or two with a maximum of one or two deputy auditors or one or two auditing firms.

The duties of the external auditors include auditing the management of the Board and the President as well as the Company's annual accounts and accounting records. The external auditors report continuously to the Board's Audit Committee and, in conjunction with preparation of the annual accounts, they also report their observations from the audit to the Board.

www.swedishmatch.com



¹⁾ Further information regarding for example the committees' respective responsibilities and authorizations, the Company's system of variable remuneration to senior executives as well as minutes from shareholders' meetings, is to be found on the Company's website, www.swedishmatch.com/governance.



Governance of the Swedish Match Group 2021

Annual General Meeting 2021

In 2021, the Annual General Meeting was held on April 13. In light of the COVID-19 pandemic, the Annual General Meeting was conducted pursuant to so called mail-in procedures, meaning that no shareholders attended the General Meeting in person or through proxy. Instead, all shareholders could participate in the Annual General Meeting by advance voting. The minutes of the meeting are available on the Company's website www.swedishmatch.com/agm.

The Annual General Meeting 2021 passed the following resolutions, amongst others:

- A dividend of 15.00 SEK per share for the 2020 fiscal year.
- Re-election of Charles A. Blixt, Andrew Cripps, Jacqueline Hoogerbrugge, Conny Karlsson, Alexander Lacik, Pauline Lindwall, Wenche Rolfsen, and Joakim Westh as Board members. Re-election of Conny Karlsson as Chairman of the Board and Andrew Cripps as deputy Chairman of the Board.

- The Chairman shall receive 2,252,000 SEK, the deputy Chairman shall receive 1,040,000 SEK and the other Board members elected by the Meeting shall each receive 900,000 SEK. Furthermore, as compensation for committee work carried out, it was decided to allocate 291,000 SEK to the Chairman of the Remuneration Committee and the other members of the Remuneration Committee 146,000 SEK each, 364,000 SEK to the Chairman of the Audit Committee and the other members of the Audit Committee 156,000 SEK each.
- Withdrawal of 4,200,000 repurchased shares in the Company.
- A share split 10:1.
- Authorization of the Board of Directors to acquire, on one or more occasions prior to the next Annual General Meeting, a maximum of as many shares as may be acquired without the Company's holding at any time exceeding 10 percent of all shares in the Company.

- Authorization of the Board of Directors to decide on transfer of the Company's own shares and to issue new ordinary shares.
- Adoption of income statements and balance sheets for 2020 and discharge from personal liability granted of the Board of Directors and the Chief Executive Officer.

For information on the utilization of the authorization granted by the General Meeting to the Board of Directors to acquire treasury shares, see section The share of the Board of Directors report, pages 71–72 of the 2021 Annual Report.



Nominating Committee

Pursuant to instructions established by the Annual General Meeting 2020, the Nominating Committee is to include the Chairman of the Board of Directors and one member appointed by each of the four largest shareholders who wish to appoint a member to the Nominating Committee. The four largest shareholders are to be identified on the basis of the known numbers of votes on July 31, the year before the forthcoming Annual General Meeting.

Nominating Committee for the Annual General Meeting 2021

The Nominating Committee for the Annual General Meeting in 2021 comprised the following five members: Filippa Gerstädt (Nordea Funds), Roseanna Ivory (abrdn), Dan Juran (Framtiden Management Company, LLC), and David Pawelkowski (Zadig Asset Management S.A.) as well as Conny Karlsson (the Chairman of the Board). Filippa Gerstädt served as Chairman of the Nominating Committee.

The main task of the Committee is to propose Board members for election by the Annual General Meeting. As member of the Nominating Committee, the Chairman of the Board of Directors fulfills an important role to inform the Committee of the Company's strategy

and future challenges. Such insights are necessary for the Committee to be able to assess the competence and experience that is required by the Board. In addition, the Committee must consider independence rules applicable to the Board of Directors and its committees. When preparing proposals for the Board for the 2021 Annual General Meeting, the Nominating Committee paid particular attention to the issues of diversity and for gender balance on the board and the Committee thus applied Item 4.1 of the Swedish Corporate Governance Code as its diversity policy when preparing these proposals.

The Nominating Committee held three meetings during the period between the 2020 and 2021 Annual General Meetings.

Board of Directors Composition

According to the Articles of Association, the Company's Board of Directors shall consist of at least five and at most ten directors, apart from those persons who, pursuant to law, may be appointed according to other arrangements. At the end of 2021, the Swedish Match Board of Directors comprised eight members elected by the General Meeting plus three employee representatives and their three deputies in accordance with the Trade Union Representatives (Status at the Workplace) Act.

The Nominating Committee advised before the Annual General Meeting 2021 that the Nominating Committee had applied the Swedish Corporate Governance Code, section 4.1, as diversity policy with the aim to propose a composition of Board members with complementing experiences and competencies that is diverse also in terms of age, gender and cultural/geographical background. The current Board composition is the result of the work of the Nomination Committee prior to the Annual General Meeting 2021.

Since the Annual General Meeting 2021, the Board of Directors consisted of the following directors elected by the General Meeting: Conny Karlsson, Charles A. Blixt, Andrew Cripps, Jacqueline Hoogerbrugge, Alexander Lacik, Pauline Lindwall, Wenche Rolfsen, and Joakim Westh. Conny Karlsson served as Chairman of the Board. Employee representatives on the Board were, Patrik Engelbrektsson, Pär-Ola Olausson and Dragan Popovic, with Niclas Bengtsson, Niclas Ed and Matthias Eklund as deputies. Detailed information about individual Board members and deputies is provided on pages 145–146 of the 2021 Annual Report.



Independence of Board members

According to the Nominating Committee, all Board members elected by the Annual General Meeting are considered to be independent, under the rules of the Swedish Code of Corporate Governance, in relation to the Company's major shareholders and in relation to management and the Company.

Meetings

The Board of Directors convenes for at least six scheduled meetings and one statutory meeting per year. In addition to the scheduled Board meetings, the Board is summoned to additional meetings convened at the discretion of any director or of the President. The auditors participate in the Board meeting at which the annual accounts for the fiscal year are presented in order to communicate their observations from the audit. The auditors also meet with the Board without the presence of the President or any other member of the Group Management Team.

Evaluation of the work of the Board of Directors

During autumn 2021, the Board's work was evaluated with the assistance of an independent consulting company. The Nominating Committee was informed of the result of the evaluation.

Compensation to the Board of Directors

Compensation to the Board for the period from the 2021 Annual General Meeting up to and including the 2022 Annual General Meeting was paid in accordance with the resolution adopted by the 2021 Annual General Meeting. No compensation for directorship work was paid to directors employed by the Swedish Match Group.

For further information about Directors' fees for 2021, see *Note 5 Personnel*, page 94 of the 2021 Annual Report.

Activities of the Board of Directors during 2021

During the period from January 1, until December 31, 2021, the Board held eleven meetings of which one meeting was held per capsulam, and one statutory meeting. The attendance of each Board member at these meetings is shown in the table below. During 2022 (until and including the publication of the annual report in March), two Board meetings have been held. The Board has fixed working procedures that describe in detail which ordinary agenda items are to be addressed at the various Board meetings of the year. Recurring agenda items are finances, the market situation, sustainability issues, investments and revision of the Company's Code of Conduct and other

internal rules and procedures. In 2021, in addition to customary Board work, the Board of Directors had a strong focus on monitoring and following up on strategic issues, such as the intention to separate the cigar business, and the pandemic's impact on the Group's business. Due to the ongoing COVID-19 pandemic the Board did not conduct any site visits or market visits during the year.

At all scheduled Board meetings, with the exception of the statutory Board meeting, the Board received a general report from the CEO and discussed the activities and financial results of the Company and the associated companies, as well as other pertinent projects and matters.

All meetings held during the year followed an approved agenda. Prior to each meeting, a proposed agenda and, where applicable, documents relevant to the items on the agenda were sent to the Board. The Company's auditors attended the Board meeting in February 2021 to present the audit report and observations from the audit.

Audit Committee

In 2021, the members of the Audit Committee were Joakim Westh, (Chairman), Andrew Cripps, and Wenche Rolfsen.

Composition of the Board and attendance 2021	Board of Directors	Audit Committee	Remuneration Committee	Independent ¹⁾	Member since	Compensation, TSEK
Total number of meetings	12	5	2			
Members elected by the General Meeting						
Conny Karlsson (Chairman)	12		2	Yes	2006	2,543
Andrew Cripps (Deputy Chairman)	12	5		Yes	2006	1,196
Charles A. Blixt	12		2	Yes	2015	1,046
Jacqueline Hoogerbrugge	12		2	Yes	2015	1,046
Alexander Lacik	12			Yes	2020	900
Pauline Lindwall	12			Yes	2017	900
Wenche Rolfsen	12	5		Yes	2013	1,056
Joakim Westh	11	5		Yes	2011	1,264
Employee representatives						
Patrik Engelbrektsson	11					
Pär-Ola Olausson	12					
Dragan Popovic	12					
Employee representatives (deputies)						
Niclas Bengtsson	11					
Niclas Ed	11					
Matthias Eklund	10					

¹⁾ As defined in the Swedish Code of Corporate Governance.



Throughout the year, the Chairman of the Audit Committee kept the Board of Directors regularly informed of the committee's work and decisions. A total of five meetings were held in 2021. The Company's auditor, as well as the head of the Internal Audit, participated in all meetings of the Audit Committee in 2021 and, at two of these meetings, also met with the committee without the presence of the management of the Company.

Remuneration Committee

Following the AGM and the statutory meeting, the members of the Remuneration Committee in 2021 were Conny Karlsson (Chairman), Charles A. Blixt, and Jacqueline Hoogerbrugge. The Company's President presents reports on certain issues but is not a member of the committee and is not present when the committee prepares decisions regarding compensation to the President.

During the year, the Remuneration Committee's Chairman kept the Board of Directors regularly informed about the committee's work and decisions. The committee is to meet as often as necessary but at least twice annually. Two meetings were held in 2021.

During 2021, the committee devoted special attention to determination of variable compensation for 2020 (paid in 2021), and on targets relevant to variable compensation, proposals to the Board concerning adjustments of the President's salary and variable compensation for 2022, and determination of salaries and variable compensation for other members of the Group Management Team for 2022. In addition, the committee submitted a proposal to the Board concerning

guidelines for the determination of salary and other remuneration paid to the President and other members of the Group Management Team.

Group Management Team

In 2021, the Swedish Match Group Management Team consisted of Lars Dahlgren, President and Chief Executive Officer; Anders Larsson, Chief Financial Officer and Senior Vice President, Group Finance; Thomas Hayes, President US Division; Marie-Louise Heiman, Senior Vice President Group Legal Affairs; Lars Olof Löfman, Senior Vice President R&D, Europe Division, (until October 1, 2021); Fredrik Peyron, Senior Vice President Regulatory Affairs and Group Communication; Håkan Söderberg, President, Lights Division and Joakim Tilly, President, Europe Division.

Detailed information about the President and Chief Executive Officer Lars Dahlgren, including his and related persons shareholding in the Company, is provided on page 147 of this annual report. Lars Dahlgren has no significant shareholdings and partnerships in companies with which Swedish Match has important business relations.

Compensation to the Group Management Team

The 2020 Annual General Meeting established certain guidelines for determining salary and other compensation to the President and other members of the Group Management Team. For information on the guidelines established at the Annual General Meeting, see *Note 5 Personnel*, page 94 of this annual report. For information

concerning compensation and other benefits to the Group Management Team, see *Note 5 Personnel*, page 94 of the 2021 Annual Report.

Audit and auditors

The accounting firm Deloitte AB was elected by the General Meeting 2021 as the Company's external auditors for the period from 2021 up to and including the Annual General Meeting in 2022. During 2021, in addition to auditing, Deloitte AB provided consultancy services to the Group constituting of tax and audit related services.

Peter Ekberg, authorized public accountant, served as auditor in charge. For information concerning compensation to the Swedish Match's auditors during 2021, see *Note 6 Audit fees*, page 97 of the 2021 Annual Report.

Disclosure Committee

Members of the Disclosure Committee during 2021 included the heads of Group Legal Affairs, Investor Relations, as well as Regulatory Affairs and Group Communications.



Internal control over financial reporting

The Board of Directors is responsible for internal control over financial reporting pursuant to the Swedish Companies Act and the Swedish Corporate Governance Code. The Audit Committee has a specific responsibility for monitoring the effectiveness of risk management and internal controls regarding financial reporting. This report describes the Group's system for internal control and risk management regarding financial reporting.

Control environment

The foundation for internal control over financial reporting is the control environment that has been documented and communicated. It includes the Swedish Match Code of Conduct and internal policies and instructions on delegation of authority, accounting and reporting, internal control and information security. All governing documents are regularly updated and distributed to key individuals who implement them within their area of responsibility. Fundamental to creating an effective control environment is the Board of Directors', the Audit Committee's and management's dedication to reliable financial reporting. Swedish Match has established clear decision-making and review structures, including a system of regular review meetings between the Group, operating units and local management during which the Group values are reinforced.

Risk assessment

The Group applies a risk assessment and a risk management method to ensure that the risks to which the Group is exposed are managed within the established framework. Based on the risk assessment, the Group defines a standardized system of controls to ensure reliable financial recordkeeping, transparent financial reporting and disclosure, and protection

of tangible and intangible assets. These standardized controls are reviewed and updated annually. In addition, each operating unit is charged with the responsibility to assess company-specific risks and identify additional key internal controls not covered by the standardized system of controls.

Control activities

Based on the framework of Group policies and instructions, the heads of Swedish Match's operating units are charged with the responsibility to establish internal controls over financial reporting to meet the requirements of the standardized system of controls as well as to mitigate material company specific financial reporting risks. Control activities are established in all business processes and systems supplying information to the financial accounts in order to safeguard the reliability of the information.

Information and communication

The information and communication component includes the systems and procedures that support the identification, capture, and exchange of information in a form and timeframe that enable personnel to carry out their responsibilities and reliable financial reports to be generated. Management has established communication channels and forums to allow for an effective information flow relating to business conditions and changes affecting financial reporting. The Swedish Match Code of Conduct encourages employees to raise compliance concerns promptly and prohibits retribution for doing so.

Monitoring

The Group monitors compliance with governing documents in the form of internal policies and instructions,

and evaluates the effectiveness of the control structure. Financial accounts are provided on a monthly, quarterly and annual basis to the Group and operating unit management through a common reporting and consolidation system. Financial and operating management review the financial information to validate completeness and accuracy. The Board receives monthly reports, and the financial status of the Group is discussed at every scheduled Board meeting. At these Board meetings the Chairman of the Audit Committee also informs the Board on the work of the Audit Committee relating to the monitoring of the effectiveness of internal controls regarding financial reporting. The Disclosure Committee monitors the sufficiency of financial reports with regard to disclosure requirements.

The Group Internal Audit department is established with the primary task of independently evaluating the effectiveness of internal controls. Internal Audit's work is based on annual risk-focused plans that are updated throughout the year based on changes and events which influence the risks relating to the system for internal control. These plans are reviewed and approved by the Audit Committee and Internal Audit reports regularly on the results directly to the Audit Committee and to company management. The Audit Committee monitors implementation of recommended actions to improve financial controls over financial reporting. The head of Internal Audit reports directly to the Chairman of the Audit Committee and to the CFO. The Audit Committee also receives regular reports from the external auditor.

Stockholm, February 15, 2022

The Board of Directors of
Swedish Match AB

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders in Swedish Match AB (publ), corporate identity number 556015-0756.

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the financial year 2021-01-01 – 2021-12-31 on pages 136–148 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard *RevU 16 The auditor's examination of the corporate governance statement*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, March 24, 2022

Deloitte AB

Peter Ekberg
Authorized Public Accountant



Board of Directors 2021



Conny Karlsson

CONNYP KARLSSON

Chairman of the Board of Directors since 2007. Chairman of the Remuneration Committee.

Board member since 2006.

Born 1955. M.Sc. in Economics and Business, Stockholm School of Economics.

Other board assignments: Chairman of Cake 0 emission AB. Non-Executive Board member of Malte Månsson AB and Yrkesakademien AB.

Previous positions: Chief Executive Officer, Duni AB; Marketing Director, Procter & Gamble UK; Marketing Director and Regional Director, Procter & Gamble Scandinavia; Marketing Director, Procter & Gamble E&SO.

Own and related parties' shares: 300,000



Andrew Cripps

ANDREW CRIPPS

Deputy Chairman of the Board of Directors and member of the Audit Committee.

Board member since 2006.

Born 1957. B.A. University of Cambridge. Chartered Accountant.

Other board assignments: Non-Executive Director and Audit Committee Chair of the Howden Joinery Group plc.

Previous positions: Director of Corporate Finance, Rothmans International; Director of Investments, British American Tobacco; President, Laurens International SA. Board member of a number of European consumer products businesses

Own and related parties' shares: 192,000



Charles A. Blixt

CHARLES A. BLIXT

Member of the Remuneration Committee. Board member since 2015.

Born 1951. Jur. Dr. and B.A. University of Illinois.

Other board assignments: Non-Executive Director, Lamb Weston Holdings Inc.

Previous positions: Interim General Counsel, Krispy Kreme Doughnuts Inc; Executive Vice President and General Counsel, Reynolds American Inc.

Own and related parties' shares: 37,500



Jacqueline Hoogerbrugge

JACQUELINE HOOGERBRUGGE

Member of the Remuneration Committee.

Board member since 2015.

Born 1963. M.Sc. Chemical Engineering, University of Groningen.

Other board assignments: Non-Executive Board member of Dometic AB, Broadview B.V., BA Glass I-Serviços de Gestão e Investimentos S.A. and Jumbo Groep Holding B.V.

Previous positions: President Operations, Cloetta AB; President Operations, Leaf International BV; Vice President Operations, Danone's Medical Nutrition Division; Vice President Procurement, Numico Baby & Medical Food; various positions in engineering, manufacturing and procurement, Unilever; and various positions in engineering and sales, Fluor Daniel.

Own and related parties' shares: 32,000



Alexander Lacik

ALEXANDER LACIK

Board member since 2020.

Born 1965. BSc in Business Administration, Växjö högskola. Chief Executive Officer of Pandora A/S.

Other board assignments: Board member, Coxa Carry International AB.

Previous positions: Chief Executive Officer, Britax Ltd.; President of North America Region, Reckitt Benckiser; various international management positions, Reckitt Benckiser; positions in sales and marketing, Procter & Gamble.

Own and related parties' shares: 19,922



Pauline Lindwall

PAULINE LINDWALL

Board member since 2017.

Born 1961. BSc., Växjö högskola.

Other board assignments: Non-Executive Board member of McKesson Europe AG and Duni AB.

Previous positions: Category Director Coffee, France and Southern Europe Mondelez International; Country Business Manager, Nestlé Nutrition Germany and Austria; Country Business Manager, Nestlé Nutrition Indonesia; Nordic Marketing Director, Nestlé Nordic; Head of Nestlé Innovation, Out of Home Coffee UK; Nordic Marketing Manager, Nestlé Coffee and Beverages.

Own and related parties' shares: 23,650

Holdings of own and related parties shares as of December 31, 2021. For a detailed report of remuneration and benefits for the Board of Directors, refer to Note 5 Personnel.



Wenche Rolfsen

WENCHE ROLFSEN

Member of the Audit Committee. Board member since 2013. Born 1952. M.Sc. in Pharmacy and Ph.D. in Pharmacology, Uppsala University. *Other board assignments:* Chairman of InDex Pharmaceuticals and BioArctic AB; Board member of Cinclus Pharma AB. *Previous positions:* Vice President, Quintiles Phase I, Europe; Chief Executive Officer, Quintiles, Scandinavia; Director, Quintiles, Sweden; Managing Director of Pharmacology, Pharmacia Upjohn; Head of Pharmacology, Pharmacia Ophthalmics; Head of Pharmacology, Pharmacia Läkemedel. *Own and related parties' shares:* 31,800



Joakim Westh

JOAKIM WESTH

Chairman of the Audit Committee. Board member since 2011. Born 1961. M.Sc., KTH Royal Institute of Technology and M.Sc., Aeronautics and Astronautics, MIT. *Other board assignments:* Chairman of the Board of Amexci AB. Board member and Chairman of the Audit Committee of Saab AB; Board member and Chairman of the HR Committee of CGI Inc; Non-Executive Board member of Absolent Group AB. *Previous positions:* Senior Vice President and Head of Group Function Strategy and Operational Excellence and member of Group Management Team, Telefonaktiebolaget LM Ericsson; Group Vice President and member of the Executive Management Team, Assa Abloy AB; Chairman, Absolent AB; Partner, McKinsey & Co. Inc. *Own and related parties' shares:* 25,000

AUDITOR

Deloitte AB, Peter Ekberg, Authorized Public Accountant. Swedish Match auditor since 2017. Peter Ekberg's other auditing assignments include Telia Company, Loomis and Fabege.

SECRETARY

Marie-Louise Heiman, Senior Vice President Group Legal Affairs and General Counsel. Secretary to the Board since 2015.

INDEPENDENCE OF BOARD MEMBERS

According to the Nominating Committee, all of the Board members elected by the Annual General Meeting are considered to be independent, under the rules of the Swedish Code of Corporate Governance, in relation to the Company's major shareholders and in relation to management and the Company.

CHANGES IN THE BOARD OF DIRECTORS

There were no changes in the Board of Directors during 2021.

Holdings of own and related parties shares as of December 31, 2021. For a detailed report of remuneration and benefits for the Board of Directors, refer to Note 5 Personnel.



EMPLOYEE REPRESENTATIVES



Patrik Englebretsson

PATRIK ENGELBRETTSSON

Board member since 2013. Appointed by the Swedish Trade Union Confederation (LO) within Swedish Match. Chairman of the Trade Union Association at Swedish Match's factory in Gothenburg, Sweden. Born 1965. Logistic Technician at Swedish Match's factory in Gothenburg. *Previous positions:* Mill worker, Machine Operator, Forklift driver at Swedish Match's factory in Gothenburg. *Own and related parties' shares:* 0



Pär-Ola Olausson

PÄR-OLA OLAUSSON

Board member since 2018. Appointed by the Swedish Trade Union Confederation (LO) within Swedish Match. Chairman of IF Metall's Trade Union Association at Swedish Match's factory in Tidaholm, Sweden. Born 1972. Technical support at Swedish Match's factory in Tidaholm. *Own and related parties' shares:* 0



Dragan Popovic

DRAGAN POPOVIC

Board member since 2017. Appointed by the Council for Negotiation and Co-operation (PTK) within Swedish Match. Board member of the Swedish Association of Management and Professional Staff (Ledarna) at the factories in Gothenburg and Kungälv, Sweden. Born 1973. Area Manager Production at Swedish Match's factory in Gothenburg. *Previous positions:* Area Manager Pilot Plant and Machine Operator, at Swedish Match's factory in Gothenburg. *Own and related parties' shares:* 0

EMPLOYEE REPRESENTATIVES (DEPUTIES)



Niclas Bengtsson

NICLAS BENGTTSSON

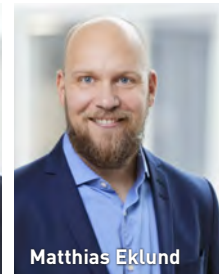
Deputy member since 2018. Appointed by the Swedish Confederation of Professional Associations (Saco) within Swedish Match. Born 1969. Vice President Group Tax at Swedish Match's headquarters, Stockholm, Sweden. *Previous positions:* Tax Director Group Finance, Swedish Match; Manager, Ernst & Young; Tax Litigation Officer, the Swedish Tax Agency. *Own and related parties' shares:* 5,580



Niclas Ed

NICLAS ED

Deputy member since 2017. Appointed by the Council for Negotiation and Co-operation (PTK) within Swedish Match. Deputy Chairman of the Trade Union Association (Sälj-klubben) within Swedish Match Europe Division. Born 1968. Sales Representative, Swedish Match Europe Division. *Previous positions:* Sales Representative, JC - Brothers; Sales support, Skandia; Sales Representative, Ellte; Sales Representative, Nikko. *Own and related parties' shares:* 0



Matthias Eklund

MATTHIAS EKLUND

Deputy member since 2018. Appointed by the Swedish Trade Union Confederation (LO) within Swedish Match. Board member of the Swedish Food Workers' Trade Union Association (Livs) at SMD Logistics in Kungsängen, Sweden. Born 1980. Warehouse worker at SMD Logistics in Kungsängen. *Previous positions:* Warehouse worker, Swedish Match Distribution in Solna. *Own and related parties' shares:* 0

Group Management 2021



LARS DAHLGREN

President and Chief Executive Officer, Swedish Match since 2008. Joined Swedish Match in 1996. Member of the Group Management Team since 2004.
 Born 1970. M.Sc. in Business and Economics, Stockholm School of Economics, Sweden.
Previous positions: Senior Vice President and Chief Financial Officer, Swedish Match AB; Vice President, Group Finance, Swedish Match AB; Finance Director, Swedish Match Philippines; Financial analyst, SBC Warburg.
Own and related parties' shares: 450,500

Lars Dahlgren



Thomas Hayes

THOMAS HAYES

President, US Division, Swedish Match since 2020. Joined Swedish Match in 2006. Member of the Group Management Team since 2017.
 Born 1966. B.S. in Accounting, Wake Forest University, USA.
Previous positions: Chief Financial Officer and Senior Vice President, Group Finance, Swedish Match AB; Vice President and Chief Financial Officer, Swedish Match US Division; Chief Financial Officer, Swedish Match International Division; Controller and Chief Accounting Officer, Chesapeake Corporation; Managing Director, PricewaterhouseCoopers.
Own and related parties' shares: 87,300



Marie-Louise Heiman

MARIE-LOUISE HEIMAN

Senior Vice President, Group Legal Affairs and General Counsel, Swedish Match since 2015. Joined Swedish Match in 1996. Member of the Group Management Team and Secretary to the Board since 2015.
 Born 1965. Master of Laws (LLM), Uppsala University, Sweden.
Previous positions: Vice President, Legal Affairs, Swedish Match AB; General Counsel, Swedish Match North Europe AB; Legal Counsel, AB Fortos, BCP Branded Consumer Products AB and Procordia AB.
Own and related parties' shares: 42,300



Anders Larsson

ANDERS LARSSON

Chief Financial Officer and Senior Vice President, Group Finance, Swedish Match since 2020. Joined Swedish Match in 2008. Member of the Group Management Team since 2020.
 Born 1982. M.Sc. in Business and Economics, Stockholm School of Economics, Sweden.
Previous positions: Vice President, Group Finance, Swedish Match AB; Vice President, Business Control, Swedish Match Scandinavia Division; Director, Group Business Control, Swedish Match AB; Business Controller, Swedish Match AB.
Own and related parties' shares: 16,410

Holdings of own and related parties shares as of December 31, 2021. For a detailed report of remuneration and benefits for the Board of Directors, refer to Note 5 Personnel.



Fredrik Peyron

FREDRIK PEYRON

Senior Vice President, Regulatory Affairs and Group Communications. Joined Swedish Match in 2016. Member of the Group Management Team since 2016. Born 1967. Master of Laws (LLM), Lund University, Sweden.

Previous positions: Group Vice President, Legal Affairs, General Counsel and Secretary, Autoliv; Senior Vice President, Legal Affairs and General Counsel, Swedish Match AB; Vice President, Corporate Affairs, Swedish Match AB; Legal Counsel, Akzo Nobel; Associate, Mannheimer Swartling law firm.

Own and related parties' shares: 31,000



Håkan Söderberg

HÅKAN SÖDERBERG

President, Lights Division, Swedish Match since 2017. Joined Swedish Match in 2007. Member of the Group Management Team since 2017.

Born 1969. M.Sc BA, Stockholm University, Sweden. *Previous positions:* COO, Lights International Division, Swedish Match; COO, Continental Europe Division Netherlands, Swedish Match; Vice President, Finance & IT International Division Netherlands, Swedish Match; Regional Finance Director Belgium, AstraZeneca; CFO South Africa, AstraZeneca; Director, Finance Supply chain and Logistics England, AstraZeneca; Director, Business logistics and Finance, AstraZeneca; Corporate controller, Astra AB.

Own and related parties' shares: 35,000



Joakim Tilly

JOAKIM TILLY

President, Europe Division, Swedish Match since 2013. Joined Swedish Match in 2004. Member of the Group Management Team since 2008.

Born 1970. M. Sc. in Business and Economics, Stockholm School of Economics, Sweden.

Previous positions: Senior Vice President Group Finance and IT and Chief Financial Officer, Swedish Match AB; Senior Vice President, Group Finance, Swedish Match AB; Vice President, Group Finance, Swedish Match AB; Chief Executive Officer and Chief Financial Officer, Netgiro International; Chief Financial Officer, Swedish Match Lighter Division.

Own and related parties' shares: 90,000



CHANGES IN THE GROUP MANAGEMENT TEAM 2021

Lars Olof Löfman retired from his position as Senior Vice President, R&D, Europe Division on October 1, 2021.

Holdings of own and related parties shares as of December 31, 2021. For a detailed report of remuneration and benefits for the Board of Directors, refer to Note 5 *Personnel*.

Remuneration report

This report describes how the guidelines for executive remuneration of Swedish Match AB, adopted by the annual general meeting 2020, were implemented in 2021.

The report also provides information on remuneration to the CEO. The report has been prepared in accordance with the Swedish Companies Act and the Rules on Remuneration of the Board and Executive management and on Incentive Programmes issued by the Swedish Corporate Governance Board. Further information on executive remuneration is available in *Note 5 Personnel* on pages 94–97 in the annual report 2021. Information on the work of the Remuneration Committee in 2021 is set out in the corporate governance report available on pages 138–144 in the annual report 2021. Remuneration of the Board of Directors is not covered by this report, such remuneration is resolved annually by the annual general meeting and disclosed in *Note 5 Personnel* on page 94 in the annual report 2021.

Key developments 2021

2021 was another record year for Swedish Match with double-digit growth in both sales and operating profit in local currencies across all product segments. Further details on operational and financial performance of the Group are provided in the audited 2021 annual report. There have been no deviations from the Guidelines for executive remuneration, or other adjustments such as cancellations or significant amendments to any of the incentive plans.

The Company's remuneration guidelines: scope, purpose and deviations

A prerequisite for the successful implementation of the Company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the Company can recruit and retain qualified personnel. To this end, it is

necessary that the Company offers competitive remuneration. The remuneration structures shall encourage employees to do their utmost to safeguard shareholders' interests and thereby the Company's sustainability and long-term value creation.

Under the remuneration guidelines, executive remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. The criteria for variable remuneration shall be designed to contribute to the Company's business strategy and long-term interests, including its sustainability objectives. A majority of the criteria shall be linked to clear and measurable financial performance measures (e.g. operating profit and net sales). There may also be non-financial criteria (e.g. operational criteria or criteria linked to sustainability).

The guidelines are found on pages 94–97 in the annual report 2021. The remuneration guidelines, adopted by the annual general meeting 2020, have been fully implemented. No deviations from the guidelines have been decided and no derogations from the procedure for implementation of the guidelines have been made. The auditor's report regarding the Company's compliance with the guidelines is available on www.swedishmatch.com/Corporate-Governance/. No remuneration has been reclaimed. In addition to remuneration covered by the remuneration guidelines, the annual general meeting of the Company may resolve to implement long-term share-related incentive plans. Swedish Match has no outstanding share-plans.

Table 1 – Total CEO remuneration in 2021 (TSEK)

Name of director (position)	Fixed remuneration ¹⁾		Variable remuneration		Extraordinary items ¹⁾	Pension expense ¹⁾	Total remuneration	Proportion of fixed and variable remuneration ⁴⁾
	Base salary	Other benefits	One-year ^{1) 2)}	Multi-year ³⁾				
Lars Dahlgren (CEO)	7,666	159	5,412	3,261	Not applicable	2,813	19,311	55.1% (fixed) 44.9% (variable)

¹⁾ Remuneration earned in 2021. Disbursement may or may not have been made the same year.

²⁾ Includes profit sharing (45 TSEK) and short-term incentives (STI) 2021 presented in table 2a.

³⁾ Refers to LTI 2019–2021 (i.e. LTI that vested end of 2021), presented in table 2b.

⁴⁾ Pension expense is entirely calculated as fixed remuneration.

Share-based remuneration

Swedish Match has no outstanding share-based incentive plans. However, the CEO has undertaken to purchase Company shares for the award received net of income tax and retain for a period in all outstanding variable plans. For further details please refer to the section *Application of performance criteria*.

Application of performance criteria

The performance criteria for the CEO's variable remuneration have been selected to reflect successful implementation of the Company's strategy and to encourage behavior which is in the long-term interest of the company. In the selection of performance criteria, the strategic objectives as well as the short- and long-term business and sustainability related priorities have been taken into account.

Table 2(a) – Performance of the CEO in the reported financial year: One-year variable remuneration (STI 2021)

Name of director (position)	Performance criteria	Relative weighting of performance criteria	Measured performance and Remuneration outcome (MSEK)
Lars Dahlgren (CEO)	Group operating profit ¹⁾	75%	2020 baseline: 6,731 Threshold for payout: 6,731 Threshold for maximum payout: 7,472 Performance outcome: 100%
	Net sales from product segments ¹⁾	25%	2020 baseline: 15,974 Threshold for payout: 15,974 Threshold for maximum payout: 17,890 Performance outcome: 100%

¹⁾ Excluding larger one-time items. Adjusting for currency effects and other factors not considered in the target setting.

In the STI 2021 plan the CEO has undertaken to purchase Company shares for 50 percent of the award received net of income tax and retain these shares for a period of at least 3 years.

Table 2(b) – Performance of the CEO in the reported financial year: Multi-year variable remuneration (LTI 2019–2021)

Name of director (position)	Performance criteria	Relative weighting of performance criteria	Measured performance and Remuneration outcome (MSEK)
Lars Dahlgren (CEO)	Group operating profit ¹⁾	75%	Threshold for payout: 14,520 Threshold for maximum payout: 16,809 Performance outcome: 100%
	Net sales from product segments ¹⁾	25%	Threshold for payout: 37,998 Threshold for maximum payout: 43,988 Performance outcome: 100%

¹⁾ Excluding larger one-time items. Adjusting for currency effects and other factors not considered in the target setting.

In the LTI 2019–2021 plan the CEO has undertaken to purchase Company shares for 100 percent of the award received net of income tax and retain these shares for a period of at least 2 years.

Table 2(c) – Performance of the CEO in the reported financial year: Multi-year variable remuneration (LTI 2020–2022)

Name of director (position)	Performance criteria	Relative weighting of performance criteria	Measured performance and Remuneration outcome (MSEK)
Lars Dahlgren (CEO)	Group operating profit	70%	<i>All targets are measured and disclosed end of performance period</i>
	Net sales from product segments	20%	
	Greenhouse gas reduction	10%	

In the LTI 2020–2022 plan the CEO has undertaken to purchase Company shares for 100 percent of the award received net of income tax and retain these shares for a period of at least 2 years.

Table 2(d) – Performance of the CEO in the reported financial year: Multi-year variable remuneration (LTI 2021–2023)

Name of director (position)	Performance criteria	Relative weighting of performance criteria	Measured performance and Remuneration outcome (MSEK)
Lars Dahlgren (CEO)	Group operating profit	70%	<i>All targets are measured and disclosed end of performance period</i>
	Net sales from product segments	20%	
	Greenhouse gas reduction	10%	

In the LTI 2021–2023 plan the CEO has undertaken to purchase Company shares for 100 percent of the award received net of income tax and retain these shares for a period of at least 2 years.

Comparative information on the change of remuneration and Company performance

Table 3 – Change of remuneration and company performance over the last reported financial years (RFY)¹⁾

	RFY 2019	RFY 2020	RFY 2021
CEO remuneration ²⁾ , TSEK	18,090	18,674 (+3.2%)	19,311 (+3.4%)
Group operating profit, MSEK	5,307	6,991 (+31.7%)	8,286 (+18.5%)
Average remuneration ²⁾ on full time equivalent basis of employees ³⁾ in Sweden, TSEK	618	625 (+1.2%)	641 (+2.6%)

¹⁾ The table will be extended over time to include 5 years historical comparison.

²⁾ All compensation elements, pension and benefits are included for both CEO and employees in Sweden.

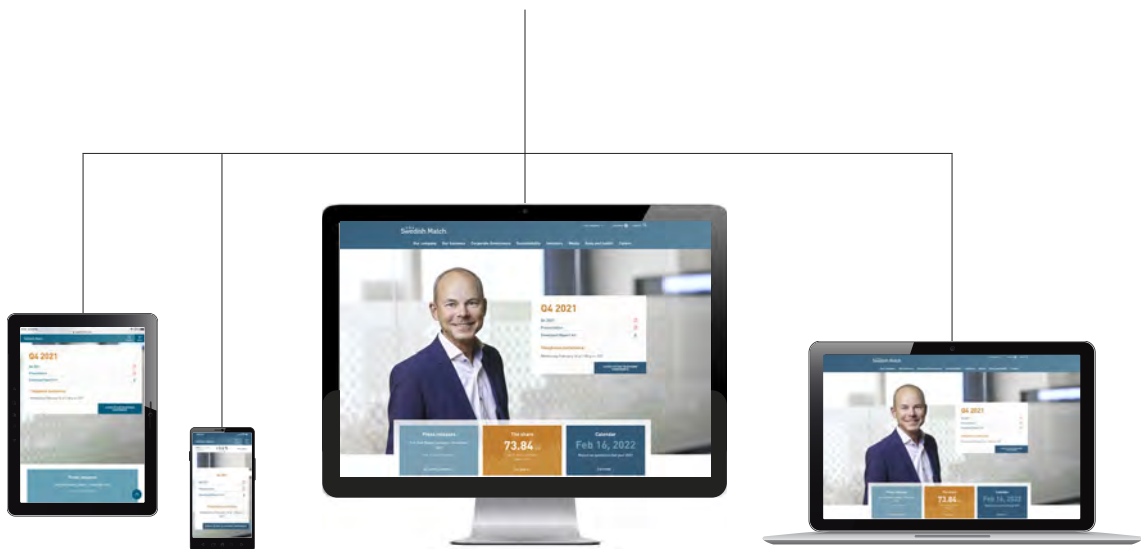
³⁾ Excluding members of the Group Management Team.

Information on shareholder vote

The annual general meeting 2021 resolved to approve the remuneration report. No shareholder views have been submitted to Swedish Match regarding the remuneration report.



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On our website you can find the latest press releases along with contact details for Investor Relations. You can also find information about the Group's product segments, vision and strategy, corporate governance, sustainability efforts, and more.

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Swedish Match's vision is *A world without cigarettes*

*We create shareholder value
by offering adult consumers enjoyable nicotine-containing products
of superior quality in a responsible way.
By providing products that are recognized as safer
alternatives to cigarettes, we can contribute
significantly to improved public health.*

**Swedish Match**[®]

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