

**The Board of Directors' proposal under item 13 on the Agenda of the Annual General Meeting of Shareholders of Swedish Match AB on 27 April 2010**

During the period from 1999 to 2009, Swedish Match implemented a rolling stock option programme whereby it has been possible to allocate call options on shares in the Company on an annual basis to a number of key Company employees if certain terms and conditions are met. The Board of Directors has resolved on allocation of the stock options and the Company's shareholders have, at each respective general meeting, resolved to issue call options relating to the Company's own shares to secure the Company's obligations.

The resolution under item 13 on the agenda concerns the question of whether the Company shall, in order to be in a position to honour the existing stock option programme for 2009, be entitled to issue the relevant call options itself and to transfer shares in connection with requests for the exercise of these call options. The alternative to such a procedure is to purchase options on the open market.

For the sake of order, it must be emphasised here that the shareholders' meeting shall not, under this item, adopt a position with regard to the stock option programme per se as the Company is bound by the general meeting's decision on the stock options programme for the year 2009.

According to the call option program for 2009, which was adopted by the General Meeting of April 2009, certain senior executives shall be allotted a minimum of 2,701 options and a maximum of 69,134 options per person. The options may be exercised for the purchase of shares during the period from March 1, 2013 to February 27, 2015 inclusive, at an exercise price of 197.45 SEK. The terms and conditions applying to the options were established on the basis of the average price of the Swedish Match share on the NASDAQ OMX Stockholm during the period from February 25 to March 10, 2010 inclusive, which was 164.55 SEK. The market value of the options, calculated on the basis of conditions prevailing at the time when the terms and conditions applying to the options were established, has been established by an independent valuation institute to be 26.04 SEK per option, corresponding to a total maximum value of 18,584,759 SEK.

The stock option programme for 2009 covers 63 senior executives. The allocation of options was approved by the Compensation Committee in February 2010.

**The Board of Directors proposes**

The Board of Directors proposes that the Meeting resolve that the Company issue 713,670 call options to execute the option program for 2009. The Board of Directors further proposes that the Company, in a deviation from the preferential rights of shareholders, be permitted to transfer 713,670 shares in the Company at a selling price of 197.45 SEK per share in conjunction with a potential exercise of the call options. The number of shares and the selling price of the shares covered by the transfer resolution in accordance with this item may be recalculated as a consequence of a bonus issue of shares, a consolidation or split of shares, a new share issue, a reduction in the

share capital, or another similar measure, in accordance with “Terms and conditions for call options, 2010/2015”, Appendix 5 A.

The resolution of the Meeting in accordance with the Board’s proposals in item 13 is contingent upon it being supported by shareholders representing at least nine-tenths of both the votes cast and the shares represented at the Meeting.

#### **Dilution etc.**

Swedish Match’s share capital breaks down into 251,000,000 shares with a quotient value of 1.5519 SEK per share. All shares carry one vote each. Via buy-backs, the Company has a holding on 17<sup>th</sup> March 2010 of a total of 21,715,000 of its own shares and the net number of outstanding shares therefore totals 229,285,000 shares. The intention is that the options issued will, when exercised, lead to the acquisition of these repurchased shares. Over the period starting in 2000 and lasting until now, the Company has, in accordance with decisions by the Company’s shareholders’ meetings, bought back shares in the Company with a view, among other things, to covering the allocation of options in the Company’s rolling stock option programme. The Board of Directors proposes in item 11 that the 2010 Annual General Meeting should, with a corresponding purpose in mind, authorise the Board to decide on the acquisition of the Company’s own shares.

If the stock options proposed for issue in connection with this item 13, following a resolution passed at the 2010 Annual General Meeting, are exercised, the net number of shares after repurchases will increase by 713,670, or 0.3 per cent calculated on the basis of the net number of outstanding shares.

The stock options issued have a potentially dilutive effect. Calculated in accordance with the accounting standard issued by the International Accounting Standards Board concerning earnings per share, the options issued by the Company and still not redeemed on 31 December 2009 had a combined dilutive effect on earnings per share of 0.01 SEK per share (from 9.67 SEK to 9.66 SEK), which is equivalent to 0.1 per cent.