

The Board of Directors' report regarding the results of the Compensation Committees evaluation of variable remuneration, application of the guidelines and the remuneration structures and levels in the Company

As part of the Compensation Committee's work, the Committee shall monitor and evaluate programmes for variable remuneration for the Group management, and the application of the guidelines for remuneration that the General Meeting is legally obliged to establish, as well as the current remuneration structures and levels in the company.

In 2010 the Board of Directors and the Compensation Committee decided on a new incentive structure for the CEO and the rest of the Group Management Team ("GMT") respectively. The main rationale for the changes was to:

- promote long term value creation and increase alignment with shareholder's interest
- increase top managements' shareholding in Swedish Match
- strengthen the retention element
- align with the requirements of the Swedish Code of Corporate Governance and expectations from the market.

As regards the programmes for variable remuneration for the GMT - both ongoing and those that have ended during the year – the Committee has concluded that the criteria, thresholds and targets for 2010 were specific, clear, predetermined and measurable. They were relevant for the year and the outcome in terms of variable salary was appropriate in view of the performance of the business.

Further, the Short Term Incentive Plan generates a build-up of shareholding for the President and the GMT during 2011 which creates alignment with shareholder's interest. It is also the Board's opinion that the programs for variable remuneration achieves its objectives in motivating the top management and provides a retention element. The company's total costs for the programmes are reasonable and cost of administration is low.

In addition, the Committee has concluded that the Company has complied with the guidelines for remuneration to the GMT and, based on available market data from multiple sources, believes that the current remuneration structures and levels for the members of the GMT in the company correspond to market rates and reflects each member's competence, country of residence, responsibility and performance

Stockholm April, 2011

The Board of Directors of Swedish Match AB