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Swedish Match.

*Annual report*  
**2022**





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# Report of the Board of Directors

(Note: Comments below refer to the comparison between full year 2022 vs. full year 2021).

Swedish Match develops, manufactures, and sells quality products with market leading brands. The Group's product segments for 2022 were *Smokefree*, *Cigars* and *Lights*. The Group sells products across the globe, with production units in seven countries.

Group sales and sales from product segments increased by 21 percent to 22,417 MSEK (18,489) and 22,026 MSEK (18,145), respectively. In local currencies, sales from product segments increased by 8 percent, with increased sales for the Smokefree product segment, while sales for Cigars and Lights product segments declined. Currency translation positively impacted the comparability of sales from product segments by 2,483 MSEK.

Group operating profit, including larger one-time items, increased by 2 percent to 8,425 MSEK (8,286). This year's Group operating profit included a larger one-time item cost of 703 MSEK pertaining to advisory fees for the offer by Philip Morris International to acquire Swedish Match. The prior year period included a settlement income of 300 MSEK relating to a previously ongoing arbitration recorded as a larger one-time item.

Operating profit from product segments increased by 15 percent to 9,342 MSEK (8,136). In local currencies, operating profit from product segments increased by 1 percent. Currency translation has positively impacted the comparison of the operating profit by 1,125 MSEK.

On May 11, 2022, Philip Morris Holland Holdings B.V. ("PMHH"), an affiliate of Philip Morris International Inc., presented a public cash offer to shareholders of Swedish Match AB ("Swedish Match") to transfer their shares in Swedish Match to PMHH. On October 25, 2022, the European Commission announced that it had approved, under the EU Merger Regulation, the proposed acquisition of Swedish Match by Philip Morris International, subject to the divestiture of Swedish Match's Swedish logistics company SMD Logistics AB, classified as held for sale as of December 31, 2022. On November 7, 2022, PMHH announced that 82.59 percent of the shareholders of Swedish Match had tendered their shares and further announced to waive the 90 percent acceptance level condition and to complete the Offer by acquiring all shares tendered.

The Swedish Match share was listed on the Nasdaq Stockholm (SWMA) up until December 30, 2022.

## SUMMARY OF CONSOLIDATED INCOME STATEMENT

MSEK	2022	2021	2020	2019	2018
Sales	22,417	18,489	16,698	14,739	12,966
Operating profit	8,425	8,286	6,991	5,307	4,812
Net finance cost	-266	-345	-347	-247	-281
Income tax expense	-1,672	-1,723	-1,756	-1,164	-953
<b>Profit for the year</b>	<b>6,487</b>	<b>6,218</b>	<b>4,888</b>	<b>3,896</b>	<b>3,578</b>

## Sales from product segments

In local currencies, sales for the Smokefree product segment grew by 15 percent. The main contributor to the strong sales development was the continued impressive performance in the US market where ZYN shipment volumes grew to a new record level.

For traditional smokefree products in the US, sales were flat in local currency with solid growth for moist snuff offsetting declines for chewing tobacco.

In Scandinavia, sales grew by 2 percent in local currencies on the back of higher volumes. The volume growth in Scandinavia was driven by nicotine pouches.

In Other markets, sales increased for nicotine pouches and snus but declined for chewing tobacco.

For the Cigars product segment, the 7 percent decline for sales in local currencies resulted from a 10 percent volume decline partially offset by a slightly higher average price per cigar.

For the Lights product segment, sales in local currencies declined by 3 percent with declines for lighters, while sales increased for matches and complementary products.

## Operating profit from product segments

In local currencies, operating profit for the Smokefree segment increased by 12 percent. Earnings grew strongly in the US but declined in Scandinavia principally due to increased brand investments and higher production costs. In Other markets, operating profit declined as higher market investments more than offset the benefit of increased sales and gross profit.

Operating profit for the Cigars product segment declined by 24 percent in local currency, adversely affected by the decline in sales along with higher unit production and transportation costs, as well as increased marketing expenses.

Within the Lights product segment, operating profit for 2021 benefited from income of one-time nature of about 70 MSEK, while operating profit in 2022 in addition to the sales effect from suspension of lighters to Russia, was adversely impacted by expenses of temporary nature of more than 50 MSEK.

## SUMMARY OF CONSOLIDATED BALANCE SHEET

MSEK	2022	2021	2020	2019	2018
Non-current assets	10,449	9,123	7,765	7,750	7,113
Other current assets	7,045	4,908	3,923	4,084	3,988
Cash and cash equivalents	2,660	2,121	3,411	2,370	2,886
Assets held for sale	3,809	-	28	16	-
<b>Total assets</b>	<b>23,963</b>	<b>16,152</b>	<b>15,155</b>	<b>14,237</b>	<b>13,987</b>
Equity	-2,095	-6,669	-7,798	-6,308	-5,595
Non-current financial liabilities and provisions	3,597	3,784	3,680	3,287	2,742
Non-current loans	13,059	14,197	13,514	12,130	12,282
Current liabilities and provisions	3,377	3,850	3,910	3,827	3,330
Current loans	2,386	990	1,850	1,300	1,229
Liabilities attributable to assets held for sale	3,638	-	-	-	-
<b>Total equity and liabilities</b>	<b>23,963</b>	<b>16,152</b>	<b>15,155</b>	<b>14,237</b>	<b>13,987</b>

## SALES AND OPERATING PROFIT BY PRODUCT SEGMENT

MSEK	Sales		Operating profit	
	2022	2021	2022	2021
Smokefree	15,480	12,120	7,561	5,998
Cigars	5,133	4,688	1,641	1,841
Lights	1,413	1,338	141	297
<b>Sales and operating profit from product segments</b>	<b>22,026</b>	<b>18,145</b>	<b>9,342</b>	<b>8,136</b>
Other operations	391	344	-214	-150
Non-recurring items	-	-	-703	300
<b>Total</b>	<b>22,417</b>	<b>18,489</b>	<b>8,425</b>	<b>8,286</b>

## Significant events during the year

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

On May 11, 2022, Philip Morris Holland Holdings B.V. ("PMHH"), an affiliate of Philip Morris International Inc., presented a public cash offer of SEK 106 per share to shareholders of Swedish Match AB ("Swedish Match") to transfer their shares in Swedish Match to PMHH. On the same day the Swedish Match Board of Directors announced its recommendation to shareholders to accept the Offer. On June 28, 2022, PMHH published its formal offer document to the shareholders of Swedish Match. The acceptance period of the offer started on June 29, 2022 and was announced to end on September 30, 2022. On October 4, 2022, PMHH, announced that the acceptance period of the Offer for all outstanding shares in Swedish Match was further extended until November 4, 2022.

On October 20, 2022, PMHH announced an increase of the price in the Offer to SEK 116 per share (the "Revised Offer") and that it would not further increase the price in the Revised Offer. Except for the increased price, the terms and conditions of the Offer remained unchanged.

On October 25, 2022, the European Commission announced that it had approved, under the EU Merger Regulation, the proposed acquisition of Swedish Match by Philip Morris International, subject to the divestiture of Swedish Match's Swedish logistics company SMD Logistics AB, classified as held for sale as of December 31, 2022, following the completion of the Revised Offer. On October 27, 2022, consistent with its recommendation of May 11, 2022, the Board of Directors of Swedish Match issued its recommendation to shareholders to accept the Revised Offer.

On November 7, 2022, PMHH announced that 82.59 percent of the shareholders of Swedish Match had tendered their shares. PMHH further announced it had decided to waive the 90 percent acceptance level condition and to complete the Revised Offer by acquiring all shares tendered. PMHH also extended the acceptance period until November 25, 2022 and informed the shareholders of Swedish Match that the price in the Revised Offer for shares tendered during the further extended acceptance period be reduced to SEK 115.07 in cash per share due to the resolved dividend payment by Swedish Match of SEK 0.93 per share for shareholders of record as of November 14, 2022.

### Delisting of Swedish Match AB

The Board of Swedish Match AB applied for delisting of the Company's shares from Nasdaq Stockholm as of December 5, 2022. On December 13, 2022, Nasdaq Stockholm decided that the Swedish Match share should be delisted and the last day of trading in the share was December 30, 2022.

## 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. The judgement from the Supreme Administrative Court was released May 2, 2022, where the Court ruled on one hand that the judgment from the Court of Appeal should be repealed, on the other hand the court referred the case back to the Court of Appeal to rule on the applicability of the Swedish Tax Avoidance Act. On December 7, 2022, the Court of Appeal ruled the case in favor of Swedish Match resulting in the recognition a tax income of 270 MSEK and related interest costs of 16 MSEK.

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 in the 2021 accounts.

## Larger one-time items

During the last quarter of 2022 advisory costs related to the public offer for Swedish Match of 703 MSEK was recognized. During the last quarter a tax income of 270 MSEK and related interest costs of 16 MSEK was also recognized relating to the above-mentioned ruling.

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

## Net finance cost and tax

The Group's net finance cost decreased to 266 MSEK (345). Excluding interest income of 16 MSEK relating to the favorable tax ruling in Sweden in December, net finance cost decreased by 81 MSEK reflecting higher financial returns on surplus cash and lower average debt levels.

Income tax expense for 2022 amounted to 1,672 MSEK (1,723), corresponding to a corporate tax rate of 20.5 percent (21.7). The income tax expense was favorably impacted by 270 MSEK following the above mentioned tax case ruling in Sweden. 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 associated companies and non-recurring items the underlying tax rate was 23.8 percent (23.0). The increase in the underlying tax rate is principally due to a stronger USD along with continued strong earnings growth in the US, as well as a revaluation of deferred state tax liabilities in the prior year period.

## Financing and cash flow

Cash flow from operating activities for the full year 2022 amounted to 6,711 MSEK (6,336). The improved cash flow was driven by the stronger EBITDA development, partly offset by

negative changes in cash flow from working capital, mainly due to timing effects. Investments in property, plant and equipment amounted to 1,126 MSEK (1,172) principally benefitting the Smokefree product segment.

During 2022, new bond loans of 197 MSEK were issued, and repayments of maturing bond loans amounted to 945 MSEK. As of December 31, 2022, Swedish Match had 14,179 MSEK of interest-bearing debt excluding retirement benefit obligations but including lease liabilities of 442 MSEK. The Group's interest-bearing debt as of December 31, 2021, amounted to 14,851 MSEK. For further detail on the maturity profile of the debt portfolio, please see the Company's website. Net retirement benefit obligations decreased to 1,076 MSEK (1,305) as of December 31, 2022, due to positive remeasurements effects from higher discount rates and higher return on plan assets.

The net debt as of December 31, 2022, amounted to 12,594 MSEK compared to 14,035 MSEK as of December 31, 2021.

## Other events

### Comment period closed for public comments on FDA's Notice of Proposed Rule-Making with regard to flavors on cigars

On April 28, 2022, the US Food and Drug Administration (FDA) announced its intention to address the production and sales of cigars with characterizing flavors, as well as for menthol in cigarettes with its publication of two Notices of Proposed Rule-Making (NPRM). The public comments period in relation to the two NPRMs closed on August 2. According to an FDA announcement, FDA has received nearly 250,000 comments on the two proposed rules combined including approximately 71,000 for the flavor cigars proposed rule.

### Sweden legislation with regard to nicotine pouches

On August 1, 2022, most of the previously adopted Swedish legislation for nicotine pouches came into effect. The new legislations include inter alia an 18-year age requirement for purchase, registration requirements for retail outlets, a ban on certain sponsorships as well as marketing restrictions mandating moderation and banning marketing specifically targeting to children and young adults under the age of 25. All of these measures were supported by Swedish Match that has been advocating for nicotine pouch regulation since 2016.

### Restructuring of Swedish Match's operations in the Netherlands

In order to mitigate the reduction in lighter volumes brought on by the suspension of sales to Russia, a downsizing of staffing at the Swedish Match lighter manufacturing facility in Assen, the Netherlands, has been decided and occurred during the fourth quarter. Restructuring charges was estimated to less than 20 MSEK and was included in the operating result of the Lights product segment in 2022.

In January 2023, it was communicated to move the production of Fire-Up International B.V. in Oisterwijk, the Netherlands, to the existing site in Tidaholm, Sweden. The search for a new production location has been extensive and combining the two manufacturing locations is deemed to be the best solution as continued safe and sustainable production have been critical.

## Events following the close of the reporting period

In February 2023, Swedish Match reached an agreement with Kretek International, Dryft Sciences and Modoral Brands (a Reynolds American subsidiary) that resolves the parties' claims and defenses in the intellectual property and anti-trust litigations that have been pending in the US.

In February 2023 Philip Morris Holland Holdings B.V. reached a 100 percent ownership of Swedish Match AB. The ownership was registered in the share register on February 28, 2023.

## Sustainability report

Swedish Match has decided, in accordance with chapter 6 section 11 in the Swedish Annual Accounts Act, to produce a separate sustainability report instead of including the report in the Board of Director's report. The sustainability report is presented in a separate report and held available on the Company's website [www.swedishmatch.com](http://www.swedishmatch.com).

## Permits and obligatory reporting

All facilities satisfied the environmental requirements of their permits during 2022. 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 (9 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 acquired since 2017<sup>1)</sup>.

## Risk factors

Swedish Match is exposed to a number of risks which could have a negative impact on our business. Important risks to address arise in the areas of competition, production, regulation, currency and interest rates and IT security.

## 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.

## 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.

<sup>1)</sup> Swedish Match Denmark (August 31, 2017), House of Oliver Twist (April 3, 2018), and Gottlandssnus (August 22, 2018) and Fire-Up International B.V. (February 3, 2021).

## Suppliers

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

## 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.

## Currency and interest rate risks

The dynamic financial market conditions are continuously changing with fluctuating currency exchange rates and interest rates.

### *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.

### *Interest rate risk*

Higher interest rates could have a negative impact on net finance expense.

## Information security risk

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

## Sustainability

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 report for 2022 available on the Company's website [www.swedishmatch.com](http://www.swedishmatch.com).

## Change of control clauses

Swedish Match AB and certain subsidiaries in the Group are parties to agreements that include change of control clauses.

Bonds issued under Swedish Match's 2,000 MEUR Global Medium Term Note Program have clauses that can force the Company to pay back loans in a change of control situation, subject to a resulting rating downgrade.

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 were as on December 31, 2022, 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 had as of December 31, 2022, change in control clauses which could be triggered by certain events.

## Outlook

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

## Swedish Match AB (publ)

Swedish Match AB 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 2022 amounted to 34 MSEK (32). Profit before income tax amounted to 4,224 MSEK (4,905) and net profit for the year amounted to 3,971 MSEK (4,543). The lower profit before income tax compared to previous year was primarily related to participation in Group companies.

Net Group contributions of 2,640 MSEK (2,646) were received during 2022. During the year, the Parent Company also received dividends of 3,045 MSEK (3,436).

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

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

During the year, the Parent Company made share repurchases of 10.5 million (52.8) shares for 750 MSEK (3,802).

A dividend of 2,829 MSEK (2,369) has been paid during the period.

# 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	6,191,520,069
Profit for the year	SEK	3,970,637,667
<b>Total</b>	<b>SEK</b>	<b>10,162,157,736</b>

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

Retained earnings to be carried forward	SEK	10,162,157,736
<b>Total</b>	<b>SEK</b>	<b>10,162,157,736</b>

The income statements and balance sheets will be presented to the Annual General Meeting 2023 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, April 24, 2023

Conny Karlsson  
Chairman of the Board

Charles A. Blixt  
Board member

Lars Dahlgren  
Chief Executive Officer and Board member

Patrik Engelbrektsson  
Board member

Pär-Ola Olausson  
Board member

Dragan Popovic  
Board member

Stefano Volpetti  
Board member

Our auditor's report was submitted on April 25, 2023

Deloitte AB

Peter Ekberg  
Authorized Public Accountant



## Consolidated income statement

MSEK	Note	2022	2021
<b>Sales</b>	3	<b>22,417</b>	<b>18,489</b>
Cost of goods sold		-7,652	-6,249
<b>Gross profit</b>		<b>14,765</b>	<b>12,240</b>
Selling expenses		-4,327	-3,236
Administrative expenses		-1,338	-1,075
Other operating income and expenses	4	9	44
Share of profit in associated companies	14	20	13
Non-recurring items		-703	300
<b>Operating profit</b>	3, 5, 6, 7, 14, 23	<b>8,425</b>	<b>8,286</b>
Finance income		142	36
Finance costs		-408	-381
<b>Net finance cost</b>	8	<b>-266</b>	<b>-345</b>
<b>Profit before income tax</b>		<b>8,159</b>	<b>7,941</b>
Income tax expense	9	-1,672	-1,723
<b>Profit for the year</b>		<b>6,487</b>	<b>6,218</b>
<i>Attributable to:</i>			
Equity holders of the Parent		6,487	6,217
Non-controlling interests		1	1
<b>Profit for the year</b>		<b>6,487</b>	<b>6,218</b>

## Consolidated statement of comprehensive income

MSEK	Note	2022	2021
<b>Profit for the year</b>		<b>6,487</b>	<b>6,218</b>
<i>Other comprehensive income that may be reclassified to the income statement</i>			
Translation differences related to foreign operations	20	1,373	740
Translation differences included in profit and loss	20	-	0
Effective portion of changes in fair value of cash flow hedges	20, 26	-152	82
Income tax relating to reclassifiable components of other comprehensive income	9	31	-17
<b>Subtotal, net of tax</b>		<b>1,253</b>	<b>805</b>
<i>Other comprehensive income that will not be reclassified to the income statement</i>			
Actuarial gains and losses attributable to pensions, incl. payroll tax	22	562	369
Changes in asset limit	22	-11	-
Income tax relating to non-reclassifiable components of other comprehensive income	9	-139	-91
<b>Subtotal, net of tax</b>		<b>412</b>	<b>278</b>
<b>Other comprehensive income, net of tax</b>		<b>1,665</b>	<b>1,083</b>
<b>Total comprehensive income for the year</b>		<b>8,152</b>	<b>7,300</b>
<i>Attributable to:</i>			
Equity holders of the Parent		8,151	7,299
Non-controlling interests		1	1
<b>Total comprehensive income for the year</b>		<b>8,152</b>	<b>7,300</b>

# Consolidated balance sheet

MSEK	Note	December 31, 2022	December 31, 2021
<b>Assets</b>			
Intangible assets	10	2,389	2,281
Property, plant and equipment	11	5,356	4,518
Biological assets	12	55	38
Right-of-use assets	13	418	388
Investments in associated companies	14	66	41
Other non-current receivables	15	1,697	1,337
Deferred income tax assets	9	468	520
<b>Total non-current assets</b>		<b>10,449</b>	<b>9,123</b>
Inventories	16	2,986	2,267
Trade receivables	17	1,781	1,843
Prepaid expenses and accrued income		196	155
Income tax receivables		533	167
Other current receivables	15	1,548	476
Cash and cash equivalents	18	2,660	2,121
<b>Total current assets</b>		<b>9,705</b>	<b>7,029</b>
Assets held for sale	19	3,809	-
<b>TOTAL ASSETS</b>		<b>23,963</b>	<b>16,152</b>
<b>Equity</b>			
Share capital	20	390	390
Reserves		1,825	573
Retained earnings including profit for the year		-4,328	-7,648
<b>Equity attributable to equity holders of the Parent</b>		<b>-2,114</b>	<b>-6,686</b>
Non-controlling interests		18	17
<b>TOTAL EQUITY</b>		<b>-2,095</b>	<b>-6,669</b>
<b>Liabilities</b>			
Non-current loans and borrowings	21,26	13,060	14,197
Other non-current liabilities	24	39	169
Non-current lease liabilities	13	324	307
Provision for pensions and similar obligations	22	1,202	1,445
Non-current provisions	23	402	466
Deferred income tax liabilities	9	1,631	1,397
<b>Total non-current liabilities</b>		<b>16,657</b>	<b>17,981</b>
Current loans and borrowings	21,26	2,386	990
Trade payables		803	464
Income tax liabilities		107	88
Other current liabilities	24	425	1,603
Current lease liabilities	13	118	96
Accrued expenses and deferred income	25	1,144	1,063
Current provisions	23	779	535
<b>Total current liabilities</b>		<b>5,763</b>	<b>4,840</b>
Liabilities attributable to assets held for sales	19	3,638	-
<b>TOTAL LIABILITIES</b>		<b>26,058</b>	<b>22,821</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>23,963</b>	<b>16,152</b>

For information on the Group's pledged assets and contingent liabilities, see *Note 27 Pledged assets* and *Note 28 Commitments and contingent liabilities and assets*.

# Consolidated statement of changes in equity

2021	MSEK	Note	Equity attributable to equity holders of the Parent				Non-controlling interest	Total equity
			Share capital	Reserves	Accumulated deficit	Total		
<b>Equity at beginning of year</b>		20	<b>390</b>	<b>-232</b>	<b>-7,972</b>	<b>-7,814</b>	<b>16</b>	<b>-7,798</b>
Profit for the year			-	-	6,217	6,217	1	6,218
Other comprehensive income, net of tax <sup>1)</sup>			-	805	278	1,083	0	1,083
<b>Total comprehensive income for the year</b>			<b>-</b>	<b>805</b>	<b>6,495</b>	<b>7,299</b>	<b>1</b>	<b>7,300</b>
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	-	-	-
<b>Equity at end of year</b>			<b>390</b>	<b>573</b>	<b>-7,648</b>	<b>-6,686</b>	<b>17</b>	<b>-6,669</b>

<sup>1)</sup> 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.

2022	MSEK	Note	Equity attributable to equity holders of the Parent				Non-controlling interest	Total equity
			Share capital	Reserves	Accumulated deficit	Total		
<b>Equity at beginning of year</b>		20	<b>390</b>	<b>573</b>	<b>-7,648</b>	<b>-6,686</b>	<b>17</b>	<b>-6,669</b>
Profit for the year			-	-	6,487	6,487	1	6,487
Other comprehensive income, net of tax <sup>1)</sup>			-	1,253	412	1,665	0	1,665
<b>Total comprehensive income for the year</b>			<b>-</b>	<b>1,253</b>	<b>6,898</b>	<b>8,151</b>	<b>1</b>	<b>8,152</b>
Dividend			-	-	-2,829	-2,829	0	-2,829
Repurchase of own shares			-	-	-750	-750	-	-750
Cancellation of shares			-14	-	14	-	-	-
Bonus issue			14	-	-14	-	-	-
<b>Equity at end of year</b>			<b>390</b>	<b>1,825</b>	<b>-4,328</b>	<b>-2,114</b>	<b>18</b>	<b>-2,095</b>

<sup>1)</sup> 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.

# Consolidated cash flow statement

MSEK	Note	2022	2021
<b>Operating activities</b>	30		
Profit before income tax		8,159	7,941
Share of net profit in associated companies		-20	-13
Dividend received from associated companies		-	13
Depreciations, amortizations and write-downs		768	615
Adjustments for other non-cash items		270	-42
Income tax paid		-1,843	-1,682
<b>Cash flow from operating activities before changes in working capital</b>		<b>7,334</b>	<b>6,833</b>
<b>Changes in working capital</b>			
Increase (-)/ Decrease (+) in inventories		-417	-299
Increase (-)/ Decrease (+) in operating receivables		-1,087	-276
Increase (+)/ Decrease (-) in operating liabilities		881	78
<b>Net cash generated from operating activities</b>		<b>6,711</b>	<b>6,336</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	11, 12	-1,126	-1,172
Proceeds from sale of property, plant and equipment		32	60
Purchase of intangible assets	10	-23	-8
Proceeds from sale of intangibles assets		0	-
Acquisition of subsidiaries		-6	-39
Investment in other companies		-11	-
Repayment of financial receivables from associated companies	14	-	11
Changes in financial receivables, etc.		-11	-7
<b>Net cash used in investing activities</b>		<b>-1,144</b>	<b>-1,156</b>
<b>Financing activities</b>			
Proceeds from non-current borrowing		197	1,813
Repayment of borrowings		-945	-2,270
Dividend paid to equity holders of the Parent		-2,829	-2,369
Repurchase of own shares		-750	-3,802
Lease payments		-115	-89
Realized exchange gain/losses on financial instruments		544	98
Other		-4	7
<b>Net cash used in financing activities</b>		<b>-3,902</b>	<b>-6,612</b>
<b>Net increase/decrease in cash and cash equivalents</b>		<b>1,664</b>	<b>-1,431</b>
Cash and cash equivalents at the beginning of the year		2,121	3,411
Effect of exchange rate fluctuations on cash and cash equivalents		263	141
<b>Cash and cash equivalent at end of year</b>		<b>4,048</b>	<b>2,121</b>

# Notes for the Group

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## 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, 2021.

### 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 April 24, 2023.

### 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

IASB has published amendments of standards that are effective as of January 1, 2022, or later. No amendments or interpretations applicable for the Group's financial reporting for 2022 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, 2023, that are deemed as having a significant effect on the Group's financial result or position.

### Consolidation principles

Note 15, 29 and 30

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

#### 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.

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 19**

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 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	
		2022	2021	2022	2021
USA	USD	10.12	8.58	10.48	9.04
Euro zone	EUR	10.63	10.15	11.15	10.23
Denmark	DKK	1.43	1.36	1.50	1.38
Brazil	BRL	1.96	1.59	1.99	1.59
Norway	NOK	1.05	1.00	1.06	1.03

**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 2022 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.

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*.

## NOTE 1 Continued

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 10**

#### *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 11**

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 10**

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 12**

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 13**

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.

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.

#### *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

NOTE 1 Continued

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 16**

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 25**

*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 incentive plan are reported as personnel costs. The corresponding amount reported on the balance sheet has up until the change of control due to the public offer on Swedish Match been reported as a deferred long-term compensation provision subject to review based on actual performance during the performance period with any changes in the estimate taken through the income statement. After the change of control the amount has been reassessed and reported as a short-term liability on the balance sheet.

*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 22**

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 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 23**

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 15, 17, 18, 21, 24 and 26**

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, 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.

**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

## NOTE 1 Continued

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, 2022.

### 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. 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.

## Share capital

## Note 20

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.

## Contingent liabilities

## Note 28

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, 2022. 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, 2022.

### 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. As of December 31, the Swedish distribution function has been classified as held for sale.

### **Intangible assets** **Note 10**

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 2022 no impairment loss on intangible assets has been recognized.

The Group's intangible assets as of December 31, 2022 amounted to 2,389 MSEK, amortizations amounted to -78 MSEK. The amount for goodwill, which has been included in intangible assets, amounted to 1,427 MSEK.

### **Post employment defined benefits** **Note 22**

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, 2022, were estimated to exceed the fair value of plan assets by 1,076 MSEK.

### **Lease contracts** **Note 13**

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 2022, revaluation of lease contracts has been made to an amount of 20 MSEK, mainly attributable to reassessment for utilization of extension options for rental agreements of offices.

As per December 31, 2022, the Group's lease liabilities amounted to 442 MSEK and corresponding balance for the right-of-use assets amounted to 418 MSEK.

### **Legal disputes** **Note 28**

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 19**

On May 11, 2022, Philip Morris Holland Holdings B.V. ("PMHH"), an affiliate of Philip Morris International Inc., presented a public cash offer to the shareholders of Swedish Match to tender all shares to PMHH and on November 7, PMHH declared the offer as unconditional. On November 11, PMHH became the owner of 93.11 percent of the shares in Swedish Match.

As a condition for EU merger clearance, PMI had to commit to undertake a divestment of SMD Logistics. This condition give rise to judgement by management related to the timing of when to present the business as held for sale and also if conditions are meet to present the distribution business as discontinued operations.

As per November 11, 2022, when PMHH become owner of more than 90 percentage of the shares in Swedish Match, management made the assessment that conditions to present the distribution business as held for sale was meet since the business was available for sale, there was a commitment to sell and also highly probable the sale will be conducted during 2023. Further, the function was not assessed to fulfil the criteria to be classified as discontinued operations due to the limited effect the distribution function has on the Groups consolidated financials and the fact that the function itself do neither represent a separate segment, nor a separate cash generation unit. Swedish Match will, despite a divestment, continue with significant operations within the geography.

### 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, 2022, 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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
External sales	15,480	12,120	5,133	4,688	1,413	1,338	22,026	18,145	391	344	22,417	18,489
Depreciation, amortization and write-down <sup>1)</sup>	-549	-425	-99	-86	-50	-43	-698	-554	-70	-61	-768	-615
Income from associated companies	8	4	2	1	1	1	11	6	9	6	20	13
<b>Operating profit</b>	<b>7,561</b>	<b>5,998</b>	<b>1,641</b>	<b>1,841</b>	<b>141</b>	<b>297</b>	<b>9,342</b>	<b>8,136</b>	<b>-214</b>	<b>-150</b>	<b>9,128</b>	<b>7,986</b>
<i>Larger one-time items</i>												
Cost related to public offer	-	-	-	-	-	-	-	-	-703	-	-703	-
Settlement income	-	-	-	-	-	-	-	-	-	300	-	300
<b>Operating profit, including larger one-time items</b>	<b>7,561</b>	<b>5,998</b>	<b>1,641</b>	<b>1,841</b>	<b>141</b>	<b>297</b>	<b>9,342</b>	<b>8,136</b>	<b>-917</b>	<b>150</b>	<b>8,425</b>	<b>8,286</b>
Finance income											142	36
Finance costs											-408	-381
<b>Profit before income tax</b>											<b>8,159</b>	<b>7,941</b>

<sup>1)</sup> Write-down of tangible assets amounted to 1 MSEK for Lights in 2022 and 3 MSEK for Smokefree in 2021. There were no write-down of intangible assets in 2022 and 2021.

	Smokefree		Cigars		Lights		Total segments		Other operations		Swedish Match Group	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>Restructuring costs and results from sale of fixed assets</b>												
Restructuring costs	-5	-	-	-	-21	-8	-26	-8	-0	-1	-26	-9
Gains/losses from sale of fixed assets	-0	-1	-1	-1	0	35	-1	32	0	-0	-0	32
<b>Investments</b>												
Property, plant and equipment <sup>1)</sup>	899	1,000	140	94	55	51	1,093	1,146	33	26	1,127	1,172
Intangible assets	-	-	-	0	2	1	2	1	16	7	18	8

<sup>1)</sup> Investments in property, plant and equipment for Lights operations include investments in biological assets.

## NOTE 3 Continued

### 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 2022 attributable to Sweden, which is the Group's country of domicile, amounted to 4,193 MSEK (3,688). Fixed assets as of December 31, 2022, in Sweden amounted to 2,332 MSEK (2,641). 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 <sup>1)</sup>			
	2022		2021		2022		2021	
	MSEK	Percent	MSEK	Percent	MSEK	Percent	MSEK	Percent
The US	15,222	68	11,633	63	4,132	48	3,216	42
Scandinavia	5,819	26	5,607	30	3,493	41	3,709	48
Other markets	1,376	6	1,249	7	999	12	800	10
<b>Total</b>	<b>22,417</b>	<b>100</b>	<b>18,489</b>	<b>100</b>	<b>8,623</b>	<b>100</b>	<b>7,725</b>	<b>100</b>

<sup>1)</sup> 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 14 percent (12) 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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	<b>Primary geographical markets</b>											
The US	9,916	6,754	5,133	4,688	173	191	15,222	11,633	-	-	15,222	11,633
Scandinavia	5,371	5,203	-	-	57	61	5,428	5,264	391	344	5,819	5,607
Other markets	193	164	-	-	1,183	1,085	1,376	1,249	-	-	1,376	1,249
<b>Total sales</b>	<b>15,480</b>	<b>12,120</b>	<b>5,133</b>	<b>4,688</b>	<b>1,413</b>	<b>1,338</b>	<b>22,026</b>	<b>18,145</b>	<b>391</b>	<b>344</b>	<b>22,417</b>	<b>18,489</b>

## 4

### Other operating income and expenses

Other operating income and expenses are specified below:

	2022	2021
Foreign exchanges gains	71	72
Foreign exchanges losses	-67	-66
Result from sale of fixed assets	-0	32
Other	6	6
<b>Total</b>	<b>9</b>	<b>44</b>

## 5 Personnel

The average number of employees, including temporary employees, in the Parent Company during 2022 was 53, and in the Group 7,536. The corresponding numbers in 2021 were 54 and 7,523 respectively.

Average number of employees by gender and country:

	2022		2021	
	Average number of employees	(of whom men, %)	Average number of employees	(of whom men, %)
<b>Parent Company</b>				
Sweden	51	55	52	52
Belgium	2	50	2	50
<b>Subsidiaries</b>				
Brazil	445	74	476	72
Denmark	129	67	121	68
Dominican Republic	3,770	55	3,823	54
Netherlands	110	84	109	87
Norway	52	62	49	65
Philippines	205	71	265	56
Sweden	1,331	58	1,300	58
Switzerland	11	82	12	75
Turkey	14	79	14	79
United States	1,416	68	1,300	69
<b>Total</b>	<b>7,536</b>	<b>60</b>	<b>7,523</b>	<b>59</b>

Board members, Presidents and management by gender<sup>1)</sup>:

	2022		2021	
	At end of period	(of whom men, %)	At end of period	(of whom men, %)
<b>Parent Company</b>				
Board members elected by the AGM	7	71	8	63
Board members, employee representatives	3	100	3	100
<b>Board members</b>	<b>10</b>	<b>73</b>	<b>11</b>	<b>73</b>
<b>President and other management</b>	<b>7</b>	<b>86</b>	<b>7</b>	<b>86</b>
<b>Group</b>				
Board members	129	74	119	73
President and other management	55	78	56	79

<sup>1)</sup> Deputy Board members are not included in the table. Presidents who are part of the Board are included in both Board members and President and other management.

Wages, salaries, other remunerations and social costs are summarized below:

	2022			2021		
	Wages, salaries and other remunerations	Social costs	of which, pension costs <sup>1)</sup>	Wages, salaries and other remunerations <sup>2)</sup>	Social costs	of which, pension costs <sup>1)</sup>
Parent Company	119	58	18	107	59	19
Subsidiaries	2,387	892	300	1,985	795	286
<b>Total</b>	<b>2,506</b>	<b>949</b>	<b>318</b>	<b>2,092</b>	<b>854</b>	<b>305</b>

<sup>1)</sup> Defined as service cost for defined benefit pension plans and contributions for defined contribution pension plans (excluding special employer contributions).

The pension costs for the Parent Company included 7 MSEK (6) attributable to the President and other management consisting on average of five persons during 2022 and 2021.

The pension costs for the subsidiaries included 15 MSEK (15) attributable to Presidents and other management consisting on average of 23 persons

in 2022 (26 persons in 2021). The defined benefit obligations related to Presidents and other management as of December 31, 2022, amounted to 112 MSEK (142).

Wages, salaries and other remunerations split by Board members, President and other management and other employees, are summarized below:

	2022			2021		
	Board, President and other management <sup>1)</sup>	of which, variable salaries	Other employees	Board, President and other management <sup>1)</sup>	of which, variable salaries	Other employees
<b>Parent Company</b>						
Total in Parent Company	61	17	58	50	20	57
<b>Subsidiaries</b>						
Total in subsidiaries	112	53	2,275	97	39	1,889
<b>Total</b>	<b>173</b>	<b>70</b>	<b>2,333</b>	<b>146</b>	<b>59</b>	<b>1,946</b>

<sup>1)</sup> The Board, President and other management employed by the Parent Company consisted on average of 14 persons (15). Presidents and other management employed by the subsidiaries consisted on average of 23 persons (26), whereof two 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 2022, 76 MSEK (73) was charged to the income statement, relating to a profit-sharing foundation on behalf of Group personnel in Sweden.

### Remuneration to Swedish Match AB's Board of Directors

The Annual General Meeting on April 27, 2022, decided, for the period up to and including January 16, 2023, when the Extraordinary General Meeting was held that the Board members should receive a fee as elected Board by the General Meeting and remuneration for committee work as summarized below.

There are no variable salaries or other benefits paid to the Board members for Board work during 2022. In 2022 a study fee in the amount of 62,183 SEK was paid to each of the three employee representatives on the Board, and in the amount of 46,543 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 2022 and 2021 are shown in the tables below:

#### Fees to Board members

TSEK	2022			Total remuneration for Board work
	Board fee	Remuneration Committee	Audit Committee	
Conny Karlsson Board chairman	2,365	306	-	2,671
Charles Blixt Board member	945	154	-	1,099
Jacqueline Hoogerbrugge Board member	722	-	125	847
Pauline Lindwall Board member	722	118	-	839
Joakim Westh Board member	722	-	292	1,014
Alexander Lacik Board member	722	-	-	722
Sanna Suvanto- Harsaae Board membe	722	-	125	847
<b>Total</b>	<b>6,918</b>	<b>578</b>	<b>543</b>	<b>8,039</b>

TSEK	2021			Total remuneration for Board work
	Board fee	Remuneration Committee	Audit Committee	
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
<b>Total</b>	<b>8,692</b>	<b>583</b>	<b>676</b>	<b>9,951</b>

#### 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 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

NOTE 5 Continued

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
<b>President</b>	<b>2022</b>	<b>7,900</b>	<b>15,547</b>	<b>131</b>	<b>2,942</b>	<b>26,520</b>	-
	2021	7,666	9,103	159	2,813	19,742	-
<b>Other members of Group Management Team</b>	<b>2022</b>	<b>20,704</b>	<b>38,909</b>	<b>1,586</b>	<b>7,216</b>	<b>68,414</b>	<b>18,051</b>
	2021	21,422	22,890	1,940	7,054	53,307	28,415
<b>Total</b>	<b>2022</b>	<b>28,604</b>	<b>54,456</b>	<b>1,717</b>	<b>10,157</b>	<b>94,934</b>	<b>18,051</b>
	2021	29,088	31,993	2,099	9,868	73,048	28,415

Comments to the table

- At the end of 2022, the Group Management Team consisted of seven persons including the President. The President and four other members of the Group Management Team were employed by the Parent Company and two members were employed by a subsidiary.
- At the end of 2021, the Group Management Team consisted of seven persons including the President. The President and four other members of the Group Management Team were employed by the Parent Company and two 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 2022 and 2021 no earnings-related compensation (tantiem) has been paid to the Group Management Team.
- During 2022 and 2021 no severance has been paid to the Group Management Team.



**Variable salary**

In 2022, 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.

In November, 2022, more than 90 percent of the shareholders of Swedish Match had accepted the public offer from Philip Morris International Inc. According to the plan rules for variable salary, the outcomes shall be calculated to 100 percent for all outstanding STI and Group LTI plans. Furthermore, it follows that the requirements from the guidelines (section 2a and 2b) to purchase shares were revoked due to the delisting of the Swedish Match share.

The Remuneration Committee decided to award the GMT-members a transaction bonus in addition to other variable salary elements.

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.

**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 were as on December 31, 2022, 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	2022	2021
<b>Deloitte</b>		
Audit services	9	8
Tax services	0	0
Other services	1	1
<b>Total</b>	<b>10</b>	<b>9</b>

**7 Operating expenses classified by nature**

Operating expenses <sup>1)</sup>	2022	2021
Personnel expenses	3,455	2,946
Depreciation, amortization and write-downs	768	615
Direct material	4,022	3,292
Other operating expenses	5,063	3,662
<b>Total</b>	<b>13,309</b>	<b>10,515</b>

<sup>1)</sup> Excluding larger one-time items.

Expenses for research and development are recognized in the income statement as other operating expenses. During 2022 expenses for research and development amounted to 274 MSEK (241).

**8 Net finance cost**

Financial income	2022	2021
Interest income relating to pension receivables	2	1
Interest income relating to financial assets measured at amortized cost	80	14
Interest income relating to financial instruments measured at fair value through profit and loss	44	21
Interest income relating to a favorable ruling of a tax case	16	-
<b>Total</b>	<b>142</b>	<b>36</b>
<b>Financial expenses</b>	<b>2022</b>	<b>2021</b>
Interest expense relating to pension liabilities	-46	-33
Interest expense relating to other financial liabilities measured at amortized cost	-249	-228
Interest expense relating to financial instruments measured at fair value in hedging relationships	-77	-90
Interest expense relating to financial instruments measured at fair value through profit and loss	-1	-1
Interest expense relating to lease liabilities	-18	-14
Net foreign exchange losses	-5	-5
Other financial expenses	-13	-9
<b>Total</b>	<b>-408</b>	<b>-381</b>
<b>Net finance cost</b>	<b>-266</b>	<b>-345</b>

The major components of income tax expense/income for the years ended December 31, 2022 and 2021 are:

Income tax expense reported in the Income statement	2022	2021	Income tax reported outside of the Income statement	2022	2021
<i>Current tax:</i>			Deferred tax	-108	-108
Current tax on earnings for the year	-1,776	-1,590	<b>Total</b>	<b>-108</b>	<b>-108</b>
Adjustments in respect of prior years	282	16			
<b>Total current tax</b>	<b>-1,494</b>	<b>-1,574</b>	<i>This comprises:</i>		
<i>Deferred tax:</i>			<b>Tax reported in other comprehensive income</b>		
Origination and reversal of temporary differences	-167	-159	Actuarial net gains/losses attributable to pensions	-139	-91
Adjustments in respect of prior years	-8	-6	Revaluation of cash flow hedges net gain/loss	31	-17
Impact of change in tax rate	-3	16	<b>Total tax reported in other comprehensive income</b>	<b>-108</b>	<b>-108</b>
<b>Total deferred tax</b>	<b>-178</b>	<b>-149</b>	<b>Total tax reported outside of the income statement</b>	<b>-108</b>	<b>-108</b>
<b>Income tax expense</b>	<b>-1,672</b>	<b>-1,723</b>			

The deductible and taxable temporary differences in the balance sheet for the years ended December 31, 2022 and 2021 are summarized below:

Deferred tax assets and deferred tax liabilities	2022			2021		
	Deferred tax assets	Deferred tax liabilities	Net balance	Deferred tax assets	Deferred tax liabilities	Net balance
Tax loss carry forwards	0	-	0	-	-	-
Pensions and other post-employment benefits	290	-8	299	361	2	359
Employment benefits	108	-	108	112	-	112
Intangible assets	-	310	-310	-	294	-294
Fixed assets	-3	569	-573	-1	354	-355
Right of use assets/lease liabilities	1	1	0	2	-	2
Tax allocation reserve	-	660	-660	-	642	-642
Inventory	7	16	-9	9	20	-12
Unremitted earnings in foreign subsidiaries	-	98	-98	-	91	-91
Financial assets	29	-	29	-6	-	-6
Other	37	-15	52	43	-5	48
<b>Net deferred tax balances</b>	<b>468</b>	<b>1,631</b>	<b>-1,163</b>	<b>520</b>	<b>1,397</b>	<b>-877</b>

The net of deferred tax liabilities and assets for the years ended December 31, 2022 and 2021 are summarized below:

Movement in deferred tax liabilities, net	2022	2021
<b>Opening balance, net</b>	<b>877</b>	<b>628</b>
Deferred tax expense/income in the income statement	178	149
Deferred tax in other comprehensive income	108	108
Companies acquired externally	-	7
Translation differences	-	-14
<b>Closing balance, net</b>	<b>1,163</b>	<b>877</b>

As of December 31, 2022 the Group's non-recognized deductible temporary differences are in total 4 MSEK (3). Unrecognized tax losses in the Group amounted to 6 MSEK (-) at year end 2022.

A reconciliation between tax expense and the product of accounting profit multiplied by Sweden's statutory tax rate for the years ended December 31, 2022 and 2021 is as follows:

Reconciliation of effective tax rate	2022		2021	
	%	MSEK	%	MSEK
<b>Profit before income tax</b>		<b>8,159</b>		<b>7,941</b>
<b>Swedish statutory tax rate</b>	<b>20.6</b>	<b>-1,681</b>	<b>20.6</b>	<b>-1,636</b>
Effect of tax rates in foreign jurisdictions <sup>1)</sup>	2.6	-216	2.1	-164
Results from associated companies reported net of tax	0.0	4	0.0	2
Income tax in respect of prior years <sup>2)</sup>	-3.3	268	-0.2	12
Utilization of previously unrecognized tax losses <sup>3)</sup>	0.0	2	-0.6	50
Income not subject to tax	-0.1	11	-0.4	31
Expenses not deductible for tax purposes	0.3	-28	0.3	-22
No benefit available for loss	0.0	0	0.0	-2
Effect of enacted change of tax rate	0.0	-3	-0.3	21
Withholding tax in foreign subsidiaries	0.3	-24	0.2	-18
Tax allocation reserve in Sweden	0.1	-6	0.1	-6
Tax credit of machinery and equipment in Sweden <sup>4)</sup>	0.0	0	-0.1	6
Other items	0.0	1	-0.1	4
<b>Reported effective tax</b>	<b>20.5</b>	<b>-1,672</b>	<b>21.7</b>	<b>-1,723</b>

1) Effect of taxes in foreign jurisdictions is effected by the increased income in the US proportionally to other markets during 2022.

2) The income tax in respect of prior years in 2022 is favorably impacted by a tax case ruling at the Court of Appeal in Stockholm, Sweden.

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) Tax credit of machinery and equipment in Sweden is a temporary legislation granting a tax credit in 2022 of M/E purchased during 2021. The tax credit was recognized in 2021.

## 10 Intangible assets

Intangible assets at December 31 comprised the following:

	Goodwill		Trademarks		Other intangible assets <sup>1)</sup>		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
<b>Cost at beginning of year</b>	<b>1,697</b>	<b>1,620</b>	<b>1,684</b>	<b>1,611</b>	<b>522</b>	<b>516</b>	<b>3,903</b>	<b>3,747</b>
Purchases/investments	-	-	-	0	18	7	18	8
Acquisitions	-	11	-	27	-	-	-	38
Sales/Disposals	-	-	-	-	-142	-2	-142	-3
Reclassifications	-	-	-	-	-24	0	-24	0
Translation differences, etc.	158	66	106	46	-0	0	263	113
<b>Cost at end of year</b>	<b>1,854</b>	<b>1,697</b>	<b>1,790</b>	<b>1,684</b>	<b>373</b>	<b>522</b>	<b>4,017</b>	<b>3,903</b>
<b>Accumulated amortization and write-down at beginning of year</b>	<b>-395</b>	<b>-388</b>	<b>-931</b>	<b>-855</b>	<b>-296</b>	<b>-266</b>	<b>-1,622</b>	<b>-1,510</b>
Amortization for the year	-	-	-44	-42	-33	-32	-78	-75
Sales/Disposals	-	-	-	-	142	2	142	2
Reclassifications	-	-	-	-	23	-	23	-
Translation differences, etc.	-32	-7	-61	-33	-1	-0	-93	-39
<b>Accumulated amortization and write-down at end of year</b>	<b>-427</b>	<b>-395</b>	<b>-1,036</b>	<b>-931</b>	<b>-164</b>	<b>-296</b>	<b>-1,627</b>	<b>-1,622</b>
<b>Net carrying value at end of year</b>	<b>1,427</b>	<b>1,301</b>	<b>754</b>	<b>754</b>	<b>208</b>	<b>226</b>	<b>2,389</b>	<b>2,281</b>

<sup>1)</sup> Other intangible assets mainly consist of software, licenses and patent rights.

No borrowing costs have been capitalized during 2022 nor 2021 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.

Amortization have been charged to the income statement as stated below:

	Amortization and write-down	
	2022	2021
Cost of goods sold	-1	-2
Selling expenses	-19	-19
Administrative expenses	-57	-54
<b>Total</b>	<b>-78</b>	<b>-75</b>

### 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 2022 and 2021 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 2022 and 2021 as well as the carrying value of goodwill and trademarks with indefinite life as of December 31.

	Goodwill and trademarks with indefinite life in cash generating units							
	Terminal growth rate 2022, %	Post-tax WACC 2022, %	Pre-tax WACC 2022, %	Carrying value 2022	Terminal growth rate 2021, %	Post-tax WACC 2021, %	Pre-tax WACC 2021, %	Carrying value 2021
Cash generating units								
Smokefree traditional tobacco products operations in US	1.2	9.1	12.4	184	0.2	6.4	8.7	156
Cigar operations in US	1.4	9.1	12.1	441	0.7	6.4	8.6	383
Smokefree operations in Europe <sup>1)</sup>	2.3	7.8	9.6	772	1.5	5.7	6.9	733
Lights operations	1.3	10.9	14.5	182	0.8	7.9	10.2	181
<b>Total</b>				<b>1,578</b>				<b>1,453</b>

<sup>1)</sup> Includes the trademark with indefinite useful life of 151 MSEK (151).

## 11 Property, plant and equipment

Property, plant and equipment at December 31, comprised the following:

	Buildings and land <sup>1)</sup>		Plant and machinery		Equipment, tools and fixtures		Construction in progress		Total <sup>2)</sup>	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>Cost at beginning of year</b>	<b>2,080</b>	<b>1,603</b>	<b>5,657</b>	<b>4,854</b>	<b>1,074</b>	<b>933</b>	<b>896</b>	<b>797</b>	<b>9,707</b>	<b>8,187</b>
Purchases/investments	7	16	78	87	71	157	947	904	1,103	1,165
Acquisitions	-	-	-	1	-	1	-	-	-	2
Sales/disposals	-3	-3	-45	-44	-20	-28	0	-	-68	-76
Reclassifications	-62	377	953	476	-51	3	-1,047	-859	-207	-3
Translation differences, etc.	191	88	603	284	10	8	85	53	888	433
<b>Cost at end of year</b>	<b>2,213</b>	<b>2,080</b>	<b>7,246</b>	<b>5,657</b>	<b>1,084</b>	<b>1,074</b>	<b>880</b>	<b>896</b>	<b>11,423</b>	<b>9,707</b>
<b>Accumulated depreciation and write-down at beginning of year</b>	<b>-770</b>	<b>-667</b>	<b>-3,747</b>	<b>-3,319</b>	<b>-670</b>	<b>-611</b>	<b>-2</b>	<b>0</b>	<b>-5,189</b>	<b>-4,598</b>
Depreciation for the year	-102	-65	-376	-297	-89	-79	-	0	-567	-441
Write-down for the year	0	0	0	-1	-1	0	-	-1	-1	-3
Sales/disposals	1	0	44	43	18	26	-	-	63	69
Reclassifications	25	-	-	-	43	-	-	-	68	-
Translation differences, etc.	-75	-37	-360	-173	-7	-6	0	0	-442	-216
<b>Accumulated depreciation and write-down at end of year</b>	<b>-921</b>	<b>-770</b>	<b>-4,441</b>	<b>-3,747</b>	<b>-705</b>	<b>-670</b>	<b>-2</b>	<b>-2</b>	<b>-6,068</b>	<b>-5,189</b>
<b>Net carrying value at end of year</b>	<b>1,293</b>	<b>1,311</b>	<b>2,805</b>	<b>1,910</b>	<b>379</b>	<b>404</b>	<b>878</b>	<b>894</b>	<b>5,356</b>	<b>4,518</b>

<sup>1)</sup> Buildings and land include land and land improvements at a book value of 131 MSEK (131).

<sup>2)</sup> 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 2022 or 2021 for property, plant or equipment.

Depreciation and write-downs for the year totaling 568 MSEK (444) was charged to cost of goods sold in the income statement in an amount of 484

MSEK (371), to administrative expenses of 20 MSEK (15), and to selling expenses of 64 MSEK (58).

At December 31, 2022, the Group has contractual commitments of 741 MSEK for firm orders, placed for acquisition of plant and machinery.

## 12 Biological assets

Biological assets at December 31 comprised the following:

Forest plantations	2022	2021
<b>Carrying value at beginning of year</b>	<b>38</b>	<b>44</b>
Purchases and new planting	12	8
Timber harvested and transferred to inventory	-5	-3
Sales/disposals	-	-0
Reclassifications <sup>1)</sup>	-	-11
Translation differences, etc.	10	0
<b>Carrying value at end of year</b>	<b>55</b>	<b>38</b>

<sup>1)</sup> In 2021, reclassifications referred to assets that were reclassified to assets held for sale.

The Group's reported biological assets comprise poplar and pine forests in Brazil with a total area of 3,676 hectares at December 31, 2022. 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 2022 had an estimated value of 5.0 MSEK at the time of harvesting, and made up 92,285 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 2022, 143 hectares (161) 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.

## 13 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.

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, 2022 amounted to 215 MSEK (144). The average duration of the Group's leases was 1.7 years (1.4), including assessments of the likelihood of utilizing extension and termination options.

Leases at December 31, comprised the following:

	Real estate		Cars		Other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Right-of-use assets								
<b>Carrying value at beginning of year</b>	<b>331</b>	<b>216</b>	<b>55</b>	<b>60</b>	<b>3</b>	<b>3</b>	<b>388</b>	<b>278</b>
Additions <sup>1)</sup>	21	143	78	30	3	3	102	176
Terminations	-0	-3	-7	-2	-0	-	-8	-5
Depreciation for the year	-70	-57	-49	-38	-3	-2	-123	-97
Revaluations <sup>2)</sup>	20	19	-0	-	1	0	20	19
Reclassifications	1	-	0	-	1	-	2	-
Translation differences, etc.	28	13	8	5	0	0	36	18
<b>Carrying value at end of year</b>	<b>330</b>	<b>331</b>	<b>83</b>	<b>55</b>	<b>4</b>	<b>2</b>	<b>418</b>	<b>388</b>

<sup>1)</sup> Additions in 2022 mainly relate to new rental agreements of office premises and stores.

<sup>2)</sup> Revaluations in 2022 mainly relate to reassessment of extension options of rental agreements of office premises and 2021 relate to reassessments of extension options of rental agreements of stores.

Amounts recognized in the income statement are summarized below:

	2022	2021
Depreciation right-of-use assets	-123	-97
Variable lease payments not included in the lease liabilities	-31	-23
Expenses for short term leases	-15	-18
Expenses for low value leases	-4	-4
Interest expense on lease liabilities	-18	-15
Result sale or cancellation of right-of-use assets	0	1
<b>Total</b>	<b>-190</b>	<b>-155</b>

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:

	2022	2021
Current lease liabilities	118	96
Non-current lease liabilities	324	307
<b>Total</b>	<b>442</b>	<b>403</b>

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	2022	2021
First year after period	132	109
Second year after period	90	94
Third year after period	68	48
Fourth year after period	54	42
Fifth year after period	50	41
Sixth year after period and beyond	108	132
<b>Total</b>	<b>502</b>	<b>466</b>

Total cash flow from leases, including interest component, variable lease payments and payments for short-term and low value leases in 2022, amounted to 179 MSEK (145).

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 2022 was 22 percent (21).

At December 31, 2022 the Group had committed to leases amounting to 14 MSEK (14) which had not commenced. The commitments refer to rental of production facilities under construction in the Dominican Republic with expected access and completion in 2023.

## 14 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. In 2021, Swedish Match received dividends of 13 MSEK from EB Road Cargo.

The numbers in the tables below represent the change in carrying value:

Associates	2022	2021
<b>Carrying value at beginning of year</b>	<b>41</b>	<b>42</b>
Divestment of EB Road Cargo AB	-	-2
Share of profit	20	13
Dividends received	-	-13
Translation differences, etc	4	1
<b>Carrying value at end of year</b>	<b>66</b>	<b>41</b>

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	
	2022	2021
Sales	357	230
Operating profit	49	23
Net profit/loss (excluding other comprehensive income)	39	18
<b>Total comprehensive income</b>	<b>39</b>	<b>18</b>
Total current assets	235	161
Total fixed assets	15	15
Total current liabilities	109	86
Total non-current liabilities	6	7
<b>Equity</b>	<b>135</b>	<b>83</b>
<b>Equity interest</b>	<b>58</b>	<b>33</b>
Goodwill	8	8
<b>Carrying value at end of year</b>	<b>66</b>	<b>41</b>

### 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, 2022, receivables from these companies amounted to 21 MSEK (16). Total sales during the year to associated companies amounted to 106 MSEK (75). Payables to and purchases from associated companies amounted to immaterial amounts. In addition, as per December 31, 2022, Swedish Match had a financial receivable on OTP amounting of 36 MSEK (36).

## 15 Other non-current receivables and other current receivables

Non-current receivables at December 31 comprised the following items:

	2022	2021
Other non-current receivables		
Non-current financial receivables	1,539	1,182
Net assets in pension plans	127	140
Other non-current receivables	32	15
<b>Total</b>	<b>1,697</b>	<b>1,337</b>

Non-current financial receivables included foreign exchange derivatives used to hedge the bond loans denominated in foreign currencies amounting to 1,011 MSEK (700). 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:

	2022	2021
Other current receivables		
Current financial receivables	1,371	205
VAT receivables	20	31
Other current receivables	156	240
<b>Total</b>	<b>1,548</b>	<b>476</b>

Current financial receivables included foreign exchange derivatives used to hedge the bond loans denominated in foreign currencies amounting to 451 MSEK (43).

The assessed impairment on the Group's non-current and current receivables is deemed immaterial.

## 16 Inventories

Inventories at December 31, net of allowances for obsolescence, comprised the following items:

Inventories	2022			2021		
	Current	Non-current	Total	Current	Non-current	Total
Finished goods	1,016	-	1,016	701	-	701
Work in progress	89	5	94	96	-	96
Leaf tobacco	747	468	1,215	694	232	926
Other input materials and consumables	661	-	661	544	-	544
<b>Total</b>	<b>2,513</b>	<b>473</b>	<b>2,986</b>	<b>2,035</b>	<b>232</b>	<b>2,267</b>

During 2022, 45 MSEK (35) 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.

## 17 Trade receivables

Trade receivables at December 31 comprised the following:

	2022	2021
Trade receivables	1,817	1,854
Less provision for impairment of trade receivables	-35	-11
<b>Net trade receivables</b>	<b>1,781</b>	<b>1,843</b>

Movements, due to the changes in expectations, on the group provision for impairment of trade receivables are as follows:

	2022	2021
Trade receivable provision		
<b>Carrying value at beginning of year</b>	<b>-11</b>	<b>-11</b>
Provision	-27	-3
Recovery	1	1
Write-down	1	3
Reclassifications	2	-
Translation differences, other deductions or additions, etc.	-2	0
<b>Carrying value at end of year</b>	<b>-35</b>	<b>-11</b>

As of December 2022, net trade receivables of 115 MSEK (50) were past due. The aging of trade receivables is as follows:

	2022	2021
Aging of trade receivables		
Current	1,667	1,793
Overdue < 31 days	84	31
Overdue 31–60 days	12	6
Overdue > 60 days	18	13
<b>Total</b>	<b>1,781</b>	<b>1,843</b>

Swedish Match does not generally hold collateral against trade receivable. The ten largest customers represent 43 percent (43) 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 in customers' credit terms or to customers' ability to pay outstanding invoices when they fall due. For more information, see *Note 26 Financial instruments and financial risks*.

## 18 Cash and cash equivalents

	2022	2021
Cash and cash equivalents		
Cash and bank	1,705	1,018
Other current investments	955	1,103
<b>Total</b>	<b>2,660</b>	<b>2,121</b>

Other current investments consist of short term deposits with banks and other institutions.

## 19 Assets held for sale

On May 11, 2022, Philip Morris Holland Holdings B.V. ("PMHH"), an affiliate of Philip Morris International Inc., presented a public cash offer to the shareholders of Swedish Match to tender all shares to PMHH and on November 7, PMHH declared the offer as unconditional. On November 11, PMHH became the owner of 93.11 percent of the shares in Swedish Match. As a condition for EU merger clearance, PMI had to commit to undertake a divestment of SMD Logistics. Due to this together with other conditions described in *Note 2 Critical estimates and judgements* the entire Swedish distribution function was as of December 31, 2022, classified as held for sale.

At December 31, 2022, assets held for sale in full referred to Swedish Match's distribution business. The carrying amount of assets classified as held for sale at December 31, 2022, was 3,809 MSEK, with liabilities directly associated with assets classified as held for sale of 3,638 MSEK.

	2022	2021
Carrying value of assets held for sale		
Non-current assets	159	-
Current assets	3,650	-
<b>Total assets</b>	<b>3,809</b>	<b>-</b>

	2022	2021
Carrying value of liabilities attributable to assets held for sale		
Non-current liabilities	3	-
Current liabilities	3,635	-
<b>Total liabilities</b>	<b>3,638</b>	<b>-</b>

## 20 Equity

### Processes for managing capital

The basis for determining dividends and repurchasing of own shares is the equity of the Parent Company. Given the mandatory redemption process and delisting of the Swedish Match from the Stockholm Stock Exchange, share repurchases have been suspended. Total equity in the Parent Company as per December 31, 2022, amounted to 10,552 MSEK and distributable earnings amounted to 10,162 MSEK. In addition, before any distribution of capital to shareholders is determined, the financial position of the Group is carefully analyzed to assure adequate liquidity to meet reasonably foreseeable requirements taking into account the maturity profile of debt obligations.

### Proposed distribution of earnings

The board of directors will propose to the annual general meeting that no dividend is to be distributed for the 2022 financial year. Dividend for 2021, paid in 2022, amounted to 2,829 MSEK.

### The share and share capital

On December 13, 2022, Nasdaq Stockholm approved Swedish Match's application for delisting of the Company's shares from Nasdaq Stockholm and the last day of trading on Nasdaq Stockholm was December 30, 2022. Philip Morris Holland Holdings B.V. (PMHH), an indirect wholly-owned subsidiary of Philip Morris International Inc., corporate identity number 20028955 ("PMHH"), holds more than nine-tenths of the shares in Swedish Match AB. Pursuant to Chapter 22, Section 1 of the Swedish Companies Act (Sw. Aktiebolagslagen [2005:551]), PMHH therefore has the right to request compulsory redemption of the remaining shares in Swedish Match. PMHH has decided to exercise this right.

The Annual General Meeting on April 27, 2022, renewed the mandate to repurchase up to 10 percent of the shares of the Company. In addition, a decision was made to cancel 55 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 13,6 MSEK. The total number of outstanding shares of the Company, including treasury shares, after the cancellations, is 1.525 billion shares.

During the year 10.5 million shares were repurchased for 750 MSEK at an average price of 71.30 SEK. Since the buyback program started in June 2000 the total number of shares repurchased amounts to 2,665 million and the total number of shares cancelled amounts to 2,514 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 16.16 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**

2021	Hedge reserve	Translation reserve	Non-controlling interest
<b>Balance at beginning of year</b>	<b>-107</b>	<b>-125</b>	<b>1</b>
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 <sup>1)</sup>	-17	-	-
<b>Balance at end of year</b>	<b>-42</b>	<b>615</b>	<b>1</b>

<sup>1)</sup> For further details on tax components relating to the various other comprehensive income items, see Note 9 Income tax.

2022	Hedge reserve	Translation reserve	Non-controlling interest
<b>Balance at beginning of year</b>	<b>-42</b>	<b>615</b>	<b>1</b>
Profit for the year relating to non-controlling interest	-	-	0
Translation differences related to foreign operations for the year	-	1,373	-
Translation differences included in profit and loss	-	-	-
Effective portion of changes in fair value cash flow hedges	-152	-	-
Income tax relating to components of other comprehensive income <sup>1)</sup>	31	-	-
<b>Balance at end of year</b>	<b>-163</b>	<b>1,988</b>	<b>1</b>

<sup>1)</sup> 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).

**21 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	2022	2021
2023	-	2,316
2024	3,419	3,104
2025	3,422	3,122
2026	2,240	2,031
2027	3,386	3,187
2028 and later	916	744
<b>Total</b>	<b>13,383</b>	<b>14,504</b>

The Group's current interest-bearing liabilities at December 31 comprised the following items:

	2022	2021
Current interest-bearing liabilities		
Current portion of non-current loans	2,381	989
Current lease liabilities	118	96
Bank overdraft facilities utilized	5	1
<b>Total</b>	<b>2,504</b>	<b>1,086</b>

See further information on interest-bearing liabilities in Note 26 Financial instruments and financial risks.

**22 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:

	2022	2021
Post-employment defined benefits		
Defined benefit plans, net liabilities	272	296
Post-employment medical benefits, net liabilities	923	1,137
Other long term employee benefits, net liabilities	8	12
<b>Provision for pensions and similar obligations</b>	<b>1,202</b>	<b>1,445</b>
Defined benefit plans, net assets	-127	-140
<b>Included in other non-current receivables</b>	<b>-127</b>	<b>-140</b>
<b>Net post-employment liability</b>	<b>1,076</b>	<b>1,305</b>

The net defined pension benefit liability decreased during the year, as a result of net positive actuarial remeasurements, due to higher discount rates which was partly off set by lower 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.



NOTE 22 Continued

The second qualifying pension plan covers collectively bargained US employees and is open for new entrants. The plan is a dollars times service 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 80 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	
	2022	2021	2022	2021
Post-employment defined benefits				
Present value of funded obligations	3,170	3,750	950	1,183
Fair value of plan assets	-3,288	-3,857	-27	-46
<b>Surplus(-)/Deficit(+), net</b>	<b>-118</b>	<b>-107</b>	<b>923</b>	<b>1,137</b>
Present value of unfunded obligations	251	259	-	-
Assets ceiling	11	4	-	-
<b>Net liability(+) in the balance sheet</b>	<b>145</b>	<b>156</b>	<b>-</b>	<b>-</b>
<b>Amounts in the balance sheet</b>				
Liabilities	272	296	923	1,137
Assets	-127	-140	-	-
<b>Net liability(+) in the balance sheet</b>	<b>145</b>	<b>156</b>	<b>923</b>	<b>1,137</b>

**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, 2022. 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.

### 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	
	2022	2021	2022	2021
Discount rate, %	5.3	2.6	5.2	2.7
Price inflation rate, %	2.7	2.5	2.5	2.5
Future salary increases, %	3.7	3.4	3.5	3.2
Future pension increases, %	3.1	3.3	-	-
Medical cost trend rate, %	-	-	5.5	5.6

### 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 234 MSEK and a decrease of 0.5 percent in the discount rate would increase the defined benefit obligation with 258 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 2.0 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	
	2022	2021	2022	2021
<b>Balance at beginning of year</b>	<b>4,009</b>	<b>3,794</b>	<b>1,183</b>	<b>1,103</b>
Service cost	91	79	16	33
Interest expense on obligation	99	71	34	22
Settlement payments from plan asset	-	-59	-	-
Contributions by plan participants	-	-	1	4
Benefits paid	-201	-171	-42	-36
Taxes paid	-	-1	-	-
Settlement gain	-	-4	-	-
Changes in financial assumptions	-1,200	-138	-411	-83
Changes in demographic assumptions	4	7	-	5
Experience assumptions	120	55	-5	23
Translation differences	499	376	173	113
<b>Balance at end of year</b>	<b>3,421</b>	<b>4,009</b>	<b>950</b>	<b>1,183</b>

Profile of plan members of the defined benefit obligation	Defined benefit pension plans		Post-employment medical benefits	
	2022	2021	2022	2021
Active employees	1,315	1,473	498	657
Deferred members	314	450	-	-
Members in retirement	1,792	2,086	452	526
<b>Balance at end of year</b>	<b>3,421</b>	<b>4,009</b>	<b>950</b>	<b>1,183</b>
<b>Weighted average duration of defined benefit obligation</b>	<b>11 years</b>	<b>14 years</b>	<b>11 years</b>	<b>15 years</b>

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	
	2022	2021	2022	2021
<b>Fair value at beginning of year</b>	<b>3,857</b>	<b>3,425</b>	<b>46</b>	<b>71</b>
Interest income on plan assets	89	59	1	1
Administrative expense	-13	-11	0	0
Settlement payments from plan asset	-	-59	-	-
Employer contributions	26	35	24	1
Employee contributions	-	-	1	4
Benefits paid	-201	-171	-42	-36
Taxes paid	-	-1	-	-
Return on plan assets, excluding interest income	-925	241	-10	0
Translation differences	455	338	6	6
<b>Fair value at end of year</b>	<b>3,288</b>	<b>3,857</b>	<b>27</b>	<b>46</b>

The actual return on plan assets was negative and amounted to -845 MSEK (301).

Plan assets at December 31 are comprised as follows:

Plan assets	2022	2021
Equity securities <sup>1)</sup>	1,371	1,503
Debt instruments	1,261	1,326
Real estate	-	119
Other <sup>2)</sup>	682	955
<b>Total</b>	<b>3,315</b>	<b>3,903</b>

<sup>1)</sup> Equity securities consist of quoted securities in all material respect. The Group's plan assets does not hold any own shares.

<sup>2)</sup> A large part pertains to the UK pension scheme annuity insurance policies.

NOTE 22 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	
	2022	2021	2022	2021
Service costs	91	79	16	33
Effect of settlements	-	-4	-	-
Interest expenses on obligation	99	71	34	22
Interest income on plan assets	-88	-59	-1	-1
Administrative expenses	13	11	0	0
<b>Net expense reported in the income statement</b>	<b>115</b>	<b>98</b>	<b>50</b>	<b>54</b>

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	
	2022	2021	2022	2021
Cost of goods sold	51	38	28	21
Administrative expenses	18	17	-20	7
Selling expenses	36	31	8	6
Interest income	-88	-59	-1	-1
Interest expenses	99	71	34	22
<b>Net expense reported in the income statement</b>	<b>115</b>	<b>98</b>	<b>50</b>	<b>54</b>

**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	
	2022	2021	2022	2021
Actuarial gains and losses on obligations, incl. payroll taxes	-1,076	-76	-416	-56
Return on plan assets, excluding interest income	925	-241	10	0
Change in assets ceiling	7	4	-	-
<b>Net income (-)/expense(+) reported in other comprehensive income statement</b>	<b>-145</b>	<b>-313</b>	<b>-407</b>	<b>-56</b>

**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:

2022	Present value of obligation	Fair value of plan assets	Assets ceiling	Net liability/asset in balance sheet
UK	531	548	-11	-6
Rest of the world	196	174	-	21
<b>Total</b>	<b>4,379</b>	<b>3,315</b>	<b>-11</b>	<b>1,076</b>

  

2021	Present value of obligation	Fair value of plan assets	Assets ceiling	Net liability/asset in balance sheet
UK	770	774	-4	-
Rest of the world	182	207	-	-25
<b>Total</b>	<b>5,204</b>	<b>3,903</b>	<b>-4</b>	<b>1,305</b>

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	
	2022	2021	2022	2021	2022	2021	2022	2021
Discount rate, %	5.2	2.7	5.2	2.7	4.6	1.8	8.5	5.0
Price inflation rate, %	2.5	2.2	2.5	2.5	3.3	3.6	3.3	3.0
Future salary increases, %	3.5	3.2	3.5	3.2	-	-	7.9	7.8
Future pension increases, %	-	-	-	-	3.2	3.4	2.0	1.5
Medical cost trend rate, %	-	-	5.5	5.6	-	-	-	-

**Expected contribution next year**

Expected contributions for post-employment benefit plans for the full year 2023 amounts to 85 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 211 MSEK (187).

*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 2022 was 72 MSEK (70). This contribution represents 0.15 percent (0.14) of the total contributions paid to Alecta. Swedish Match active members in the multi-employer plan are 0.07 percent (0.08) of all active members in the plan. Alecta has a collective funding ratio as per December 2022 of 172 percent (172). 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.

## 23 Provisions

Non-current and current provisions at December 31 comprised the following:

Non-current provisions	2022	2021
Deferred compensation	396	459
Restructuring	2	3
Other operating provisions	4	4
<b>Total non-current provisions</b>	<b>402</b>	<b>466</b>

Current provisions	2022	2021
Restructuring	10	-
Other operating provisions	770	535
<b>Total current provisions</b>	<b>779</b>	<b>535</b>
<b>Total non-current and current provisions</b>	<b>1,181</b>	<b>1,001</b>

Movements in provisions during the year were as follows:

Provisions	Deferred compensation	Restructuring provisions	Other operating provisions	Total
<b>Carrying value at beginning of year</b>	<b>459</b>	<b>3</b>	<b>539</b>	<b>1,001</b>
Provisions made during the year	49	24	1,779	1,852
Provisions used during the year	-150	-19	-1,540	-1,710
Provisions reversed during the year and changes in estimates	0	-	-58	-58
Reclassifications	-19	3	-15	-31
Translation differences, etc.	57	0	69	126
<b>Carrying value at end of year</b>	<b>396</b>	<b>12</b>	<b>773</b>	<b>1,181</b>

### 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. In addition, 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 22 Post-employment benefits*.

### Restructuring provisions

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.

### 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.

## 24 Other liabilities

Other non-current liabilities at December 31 comprised the following:

Other non-current liabilities	2022	2021
Non-current liabilities – derivatives <sup>1)</sup>	-	128
Non-interest bearing non-current liabilities <sup>2)</sup>	35	38
Other non-current financial liabilities	4	3
<b>Total</b>	<b>39</b>	<b>169</b>

<sup>1)</sup> During prior year non current liabilities for derivatives consisted of negative currency effects amounting to 106 MSEK and negative fair value effects amounted to 22 MSEK.

<sup>2)</sup> 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	2022	2021
Tobacco taxes	144	1,136
VAT liabilities	232	426
Current financial liabilities, derivatives	5	6
Other	45	34
<b>Total</b>	<b>425</b>	<b>1,603</b>

## 25 Accrued expenses and deferred income

Accrued expenses and deferred income at December 31 comprised the following:

Accrued expenses and deferred income	2022	2021
Accrued wage/salary-related expenses	373	382
Accrued vacation pay	89	95
Accrued social security charges	95	88
Accrued interest	158	170
Other	429	326
<b>Total</b>	<b>1,144</b>	<b>1,063</b>

The below descriptions of Swedish Match Group's financial instruments and financial risks are applicable for most of 2022. However, following the acquisition of Swedish Match by Philip Morris International (PMI), policies and principles are expected to over time be aligned with those of the new majority owner.

### 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, comprising 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 borrowings 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 has been using 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 have been used. A table showing all the derivatives that affected the Group's balance sheet and income statement is provided below.

#### Outstanding derivatives

	2022			2021		
	Nominal	Assets	Liabilities	Nominal	Assets	Liabilities
Currency derivatives	5,205	38	5	4,671	71	6
Interest-rate and currency derivatives*	10,229	1,466	38	10,493	745	173
<b>Total</b>	<b>15,434</b>	<b>1,504</b>	<b>43</b>	<b>15,164</b>	<b>816</b>	<b>179</b>

\* 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 (transaction 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 11 MSEK (gain of 7) in operating profit and loss of 5 MSEK (loss of 5) 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	CHF	GBP	Other	Total
Transaction exposure	1,503	656	92	71	58	49	<b>2,429</b>
Percentage	62%	27%	4%	3%	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, 2022, no transaction exposure for 2023 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
	-150	-66	9	-5	<b>-212</b>

### 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	1,707	167	377	203	101	<b>2,555</b>
Percentage	67%	6%	15%	8%	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, 2022:

	USD	EUR	DKK	BRL	Other	Total
	-171	17	-38	-20	-10	<b>-222</b>

### Interest-rate risk

The Swedish Match Group's sources of financing mainly comprise of shareholders' equity, cash flow from current operations, and borrowings. 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's policy has been to limit the average interest maturity to a maximum of 5 years, but with the aim 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 has been to achieve an even and foreseeable cost of interest. Cross currency interest rate swaps have been used mainly to convert borrowings in foreign currencies into SEK and fixed interest rates. The average interest cost for outstanding bonds (including derivative instruments) on December 31, 2022, was 2.1 percent (2.1). The average interest maturity period for Group loans was 2.7 years (3.5 years), taking into account cross currency interest rate swaps. The interest maturity structure on December 31, 2022, was as follows:

Year	Loans		Loans and effects from derivatives	
	Fixed	Variable	Fixed	Variable
2023	1,932	450	2,131	250
2024	3,343		3,343	
2025	3,361		3,361	
2026	2,196		2,196	
2027	3,343		3,343	
2028-	816		816	
<b>Total</b>	<b>14,991</b>	<b>450</b>	<b>15,191</b>	<b>250</b>

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 an interest rate swap receiving 3 month STIBOR and paying fixed terms.

NOTE 26 Continued

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 and if appropriate.

At December 31, 2022, 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 24 MSEK (8) on an annual basis. The net interest-bearing debt (including net pension obligations and lease liabilities) at the same date amounted to 12,594 MSEK (14,035).

If interest rates were to rise with 1 percent (100bp) the total effect on equity due to cash flow hedges would be close to 0. For 2021 the amount was 2 MSEK.

#### 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 has applied a centralized approach to the Group's financing, whereby as much external borrowing as possible has been 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.

At year-end 2022, available cash amounted to 2,660 MSEK. All cash and cash equivalents are available for use, none of this is pledged or similar.

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. At December 31, 2022, a total of 15,439 MSEK of the global medium-term note program was outstanding. The average maturity of the Group's bond borrowing at December 31, 2022 was 2.8 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
2023	2,740	5	803	3,548	3,446
2024	3,604			3,604	3,433
2025	3,553			3,553	3,429
2026	2,354			2,354	2,250
2027	3,451			3,451	3,393
2028-	966			966	924
<b>Total</b>	<b>16,668</b>	<b>5</b>	<b>803</b>	<b>17,476</b>	<b>16,875</b>

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.

#### 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 2022.

	2022					
	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	-53	53	-53	850	-1,002	-205
<b>Total</b>	<b>-53</b>	<b>53</b>	<b>-53</b>	<b>850</b>	<b>-1,002</b>	<b>-205</b>

	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
<b>Total</b>	<b>-135</b>	<b>135</b>	<b>-135</b>	<b>373</b>	<b>-292</b>	<b>-53</b>

Maturity profile over interest payments taking part in a cash-flow hedge:

	2023	2024	2025	2026	2027	2028-
Fixed rate interest on payments	-222	-189	-130	-72	-72	-15

##### Fair value hedges

At year end there were no fair value hedges outstanding.

NOTE 26 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 has invested 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, 2022, 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. Under the current policy, surplus liquidity can only be placed with counterparties of a 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, 2022. 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
<b>2022</b>			
Derivatives – Assets	1,504	-40	1,464
Derivatives – Liabilities	43	-40	3

	Gross amount for financial instruments	Amounts of financial instruments not netted in the balance sheet, but subject to netting agreement	Net
<b>2021</b>			
Derivatives – Assets	816	-160	656
Derivatives – Liabilities	179	-160	19

At December 31, 2022, credit exposure in derivative instruments amounted to 1,464 MSEK, and credit exposure in cash and deposits at banks amounted to 2,660 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 1,781 MSEK (1,843). For more information see *Note 17 Trade receivables*.

**Carrying value and fair value**

The following table show carrying value and fair value for financial instruments per December 31, 2022.

	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
<b>2022</b>							
Trade receivables	-	1,781	-	-	-	1,781	1,781
Other non-current financial receivables	-	20	-	1,011	666	1,697	1,697
Other current assets and financial receivables	38	96	-	451	963	1,548	1,548
Prepaid expenses and accrued income <sup>1)</sup>	-	-	-	4	193	196	196
Cash and cash equivalents	-	2,660	-	-	-	2,660	2,660
<b>Total assets</b>	<b>38</b>	<b>4,557</b>	<b>-</b>	<b>1,466</b>	<b>1,822</b>	<b>7,882</b>	<b>7,882</b>
Loans and borrowings	-	-	15,446	-	-	15,446	14,368
Other non-current financial liabilities	-	-	324	-	39	363	363
Other current liabilities	5	-	118	-	420	543	543
Accrued expenses and deferred income <sup>1)</sup>	-	-	120	38	986	1,144	1,144
Trade payables	-	-	803	-	-	803	803
<b>Total liabilities</b>	<b>5</b>	<b>-</b>	<b>16,811</b>	<b>38</b>	<b>1,445</b>	<b>18,299</b>	<b>17,221</b>

<sup>1)</sup> 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	-	1,504	-	1,504
Derivative financial liabilities	-	43	-	43

**Credit ratings**

At December 31, 2022, Swedish Match had the following credit ratings from Standard & Poor's and Moody's Investor Service:

	Standard & Poor's	Moody's
Long term rating:	A-	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, 2022. 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 26 Continued

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

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
Trade receivables	-	1,843	-	-	-	1,843	1,843
Other non-current financial receivables	-	36	-	700	601	1,337	1,337
Other current assets and financial receivables	71	92	-	43	271	476	476
Prepaid expenses and accrued income <sup>1)</sup>	-	-	-	2	153	155	155
Cash and cash equivalents	-	2,121	-	-	-	2,121	2,121
<b>Total assets</b>	<b>71</b>	<b>4,092</b>	<b>-</b>	<b>745</b>	<b>1,025</b>	<b>5,932</b>	<b>5,932</b>
Loans and borrowings	-	-	15,187	-	-	15,187	15,499
Other non-current financial liabilities	-	-	307	128	41	476	476
Other current liabilities	6	-	102	-	1,590	1,699	1,699
Accrued expenses and deferred income <sup>1)</sup>	-	-	125	45	892	1,063	1,063
Trade payables	-	-	464	-	-	464	464
<b>Total liabilities</b>	<b>6</b>	<b>-</b>	<b>16,185</b>	<b>173</b>	<b>2,523</b>	<b>18,889</b>	<b>19,201</b>

<sup>1)</sup> 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

## 27 Pledged assets

Pledged assets at December 31 comprised the following:

Pledged assets for debt to credit institutions and other commitments	2022	2021
Endowment insurances	174	160
Other	5	5
<b>Total</b>	<b>178</b>	<b>165</b>

## 28 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	2022	2021
Guarantees on behalf of subsidiaries	36	31
Guarantees to external companies	5	-
Other guarantees and contingent liabilities	299	252
<b>Total</b>	<b>340</b>	<b>283</b>

### 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, 2022, the Group had 17 MSEK contingent assets mostly referring to indirect tax recoveries in Brazil. As per December 31, 2021, the Group had no contingent assets.



## 29 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 two immaterial non-controlling interests in foreign subsidiaries.

Subsidiary holdings <sup>1)</sup>	Subsidiary's domicile, country	Ownership share, %	
		2022	2021
Swedish Match da Amazonia S.A.	Brazil	100	100
Swedish Match do Brazil S.A.	Brazil	99.7	99.7
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 B.V.	Netherlands	100	100
Swedish Match Overseas B.V.	Netherlands	100	100
Fire-Up International B.V.	Netherlands	100	100
Swedish Match Distribution AS	Norway	100	100
Swedish Match Norge AS	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	91.6	91.6
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	Sweden	100	100
Svenskt Snus AB	Sweden	100	100
Nyz AB	Sweden	100	100
Swedish Match Retail AB	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

<sup>1)</sup> The designation includes both directly and indirectly owned companies. Dormant companies are not included.

## 30 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	2022	2021
Interest received	122	34
Interest paid	-339	-317
<b>Total</b>	<b>-217</b>	<b>-283</b>

Interest payments and interest receipts are reflected in cash flow from operations.

Adjustments for non cash items	2022	2021
Result sale of fixed assets	2	-31
Net change in defined benefit plans	105	121
Change in accrued interest	-15	-2
Change in market value revaluations and unrealized exchange rate differences	573	52
Realized exchange rate differences moved to financing	-543	-111
Other	149	-72
<b>Total</b>	<b>270</b>	<b>-42</b>

### Investments in associated companies and other companies

No investments have been made in associated companies during 2022 nor 2021.

### Investment of subsidiaries

Acquisition of subsidiaries in 2022 and 2021 includes consideration paid relating to the acquisition of Fire-Up International B.V.

### Divestment of subsidiaries

No divestments of subsidiaries was made during 2022 nor 2021.

### Reconciliation of liabilities arising from financing activities

	Dec 31, 2021	Cash flows	Non-cash changes				Dec 31, 2022	Reclassification	Dec 31, 2022
			Changes in lease liabilities	Adj. current portion from non-current	Foreign exchange movement	Fair value changes			
Long-term borrowings	14,197	197	-	-1,955	621	-	13,060	-	13,060
Short-term borrowings	990	-942	-	1,955	384	-	2,386	-	2,386
Lease liabilities	403	-115	119	-	38	-	445	-4	442
Net assets held to hedge long-term borrowings	-621	-4	-	-	-997	152	-1,471	-	-1,471
<b>Total liabilities from financing activities</b>	<b>14,968</b>	<b>-865</b>	<b>119</b>	<b>-</b>	<b>45</b>	<b>152</b>	<b>14,420</b>	<b>-4</b>	<b>14,417</b>

## 31 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 14 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.

## 32 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 address of the head office is Sveavägen 44, postal address: SE-118 85 Stockholm, Sweden.

The consolidated financial statements for 2022 include the Parent Company and its subsidiaries, jointly referred to as "the Group". The Group also comprises the Group's interest in associated companies.

## 33 Subsequent events

### Settlement

In February 2023, Swedish Match reached an agreement with Kretek International, Dryft Sciences and Modoral Brands (a Reynolds American subsidiary) that resolves the parties' claims and defenses in the intellectual property and anti-trust litigations that have been pending in the US.

### Philip Morris Holland Holdings B.V. ownership of Swedish Match AB

In February 2023 Philip Morris Holland Holdings B.V. reached a 100 percent ownership of Swedish Match AB. The ownership was registered in the share register on February 28, 2023.

## Parent Company income statement

MSEK	Note	2022	2021
Sales	1	34	32
Administrative expenses	2, 7, 25	-1,048	-252
Other operating income and expenses	3	30	-9
<b>Operating loss</b>		<b>-984</b>	<b>-229</b>
Result from participation in Group companies	4	3,045	3,137
Interest income and similar items	4	0	0
Interest expenses and similar items	4	-386	-359
<b>Profit after financial items</b>		<b>1,675</b>	<b>2,549</b>
Appropriations	5	2,550	2,356
<b>Profit before income tax</b>		<b>4,224</b>	<b>4,905</b>
Income tax expense	6	-254	-363
<b>Profit for the year</b>		<b>3,971</b>	<b>4,543</b>

## Parent Company statement of comprehensive income

MSEK	Note	2022	2021
<b>Profit for the year</b>		<b>3,971</b>	<b>4,543</b>
<i>Other comprehensive income that may be reclassified to the income statement</i>			
Effective portion of changes in fair value of cash flow hedges	24	-152	82
Income tax relating to components of other comprehensive income	6	31	-17
<b>Other comprehensive income, net of tax for the year</b>		<b>-121</b>	<b>65</b>
<b>Total comprehensive income for the year</b>		<b>3,850</b>	<b>4,608</b>

# Parent Company balance sheet

MSEK	Note	December 31, 2022	December 31, 2021
<b>Assets</b>			
Tangible assets	7	0	0
<b>Non-current financial assets</b>			
Participations in Group companies	8	30,857	30,857
Other non-current receivables	9	1,011	700
Deferred income tax assets	6	86	51
<b>Total non-current financial assets</b>		<b>31,954</b>	<b>31,608</b>
<b>Total non-current assets</b>		<b>31,954</b>	<b>31,608</b>
<b>Current assets</b>			
Receivables on Group companies		2,659	3,153
Income tax receivables	6	141	29
Other receivables	10	467	79
Prepaid expenses and accrued income	11	27	33
<b>Total current assets</b>		<b>3,294</b>	<b>3,293</b>
<b>Cash and other current deposits</b>	24	<b>0</b>	<b>109</b>
<b>TOTAL ASSETS</b>		<b>35,248</b>	<b>35,010</b>
<b>Equity</b>			
Restricted equity	12		
Share capital		390	390
Unrestricted equity			
Reserve for fair value		-163	-42
Retained earnings		6,354	5,390
Profit for the year		3,971	4,543
<b>TOTAL EQUITY</b>		<b>10,552</b>	<b>10,280</b>
<b>Untaxed reserves</b>	13	<b>3,055</b>	<b>2,965</b>
Other provisions	14	42	69
<b>Total provisions</b>		<b>42</b>	<b>69</b>
<b>Non-current liabilities</b>			
Bond loans	15	13,060	14,197
Other liabilities	16	-	128
<b>Total non-current liabilities</b>		<b>13,060</b>	<b>14,325</b>
<b>Current liabilities</b>			
Bond loans		2,381	987
Trade payables		9	10
Liabilities to Group companies		5,726	6,138
Other liabilities		15	2
Accrued expenses and deferred income	17	408	233
<b>Total current liabilities</b>		<b>8,540</b>	<b>7,371</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>35,248</b>	<b>35,010</b>

# Statement of changes in Parent Company equity

2021	Note	Restricted equity		Unrestricted equity		Total equity
		Share capital	Reserve for fair value <sup>1)</sup>	Retained earnings	Profit for the year	
<b>Equity at beginning of year</b>	12	<b>390</b>	<b>-107</b>	<b>6,528</b>	<b>5,033</b>	<b>11,843</b>
Profit for the year		-	-	-	4,543	4,543
Other comprehensive income, net of tax for the year		-	65	-	-	65
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>65</b>	<b>-</b>	<b>4,543</b>	<b>4,608</b>
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	-	-
<b>Equity at end of year</b>		<b>390</b>	<b>-42</b>	<b>5,390</b>	<b>4,543</b>	<b>10,280</b>

<sup>1)</sup> Reserve for fair value consists of a hedge reserve.

2022	Note	Restricted equity		Unrestricted equity		Total equity
		Share capital	Reserve for fair value <sup>1)</sup>	Retained earnings	Profit for the year	
<b>Equity at beginning of year</b>	12	<b>390</b>	<b>-42</b>	<b>5,390</b>	<b>4,543</b>	<b>10,280</b>
Profit for the year		-	-	-	3,971	3,971
Other comprehensive income, net of tax for the year		-	-121	-	-	-121
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-121</b>	<b>-</b>	<b>3,971</b>	<b>3,850</b>
Allocation of profit		-	-	4,543	-4,543	-
Dividend		-	-	-2,829	-	-2,829
Repurchase of own shares		-	-	-750	-	-750
Cancellation of shares		-14	-	14	-	-
Bonus issue		14	-	-14	-	-
<b>Equity at end of year</b>		<b>390</b>	<b>-163</b>	<b>6,354</b>	<b>3,971</b>	<b>10,552</b>

<sup>1)</sup> Reserve for fair value consists of a hedge reserve.

## Cash flow statement for the Parent Company

MSEK	Note	2022	2021
<b>Operating activities</b>	24		
Profit after financial items		1,675	2,549
Adjustments for non-cash items and other		-8	272
Income tax paid		-370	-325
<b>Subtotal</b>		<b>1,297</b>	<b>2,496</b>
Increase (-)/Decrease (+) in operating receivables		23	-5
Increase (+)/Decrease (-) in operating liabilities		171	15
<b>Net cash generated from operating activities</b>		<b>1,491</b>	<b>2,506</b>
<b>Financing activities</b>			
Proceeds from non-current borrowings		197	1,813
Repayment of borrowings		-945	-2,270
Repurchase of own shares		-750	-3,802
Dividend		-2,829	-2,369
Changes in financial receivables/liabilities Group companies		2,727	3,992
Other		1	-12
<b>Net cash used in financing activities</b>		<b>-1,599</b>	<b>-2,648</b>
<b>Net decrease in cash and cash equivalents</b>		<b>-109</b>	<b>-142</b>
Cash and cash equivalents at the beginning of the year		109	250
<b>Cash and cash equivalents at end of year</b>		<b>0</b>	<b>109</b>

# 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, 2021.

For remuneration and other benefits to Parent Company President and other members of Group management, see *Note 5 Personnel* for the Group on page 21.

## 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 2022 and 2021 was Deloitte.

Audit fees	2022	2021
Audit services	2	2
Other services	1	1
<b>Total</b>	<b>3</b>	<b>3</b>

## 3 Other operating income and expenses

Other operating income and expenses mainly relates to a refund on pension insurances, foreign exchange gains and losses as well as a write-down of an operating receivable.

## 4 Financial items

Result from participation in Group companies	2022	2021
Dividends received	3,045	3,436
Write-downs of participations in subsidiaries	-	-299
<b>Total</b>	<b>3,045</b>	<b>3,137</b>

The impairment loss during 2021 was recognized due to reduced equity in a subsidiary following a dividend.

Interest income and similar items	2022	2021
Interest income relating to Group companies	0	-
Interest income relating to financial assets measured at amortised cost	0	-
Net foreign exchange gains	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

Interest expenses and similar items	2022	2021
Interest expenses relating to Group companies	-75	-40
Interest expenses relating to other financial liabilities measured at amortized cost	-225	-224
Interest expenses relating to financial instruments measured at fair value in hedging relationships	-77	-90
Other financial expenses	-9	-4
<b>Total</b>	<b>-386</b>	<b>-359</b>

## 5 Appropriations

Appropriations	2022	2021
<b>Difference between reported depreciation and according to plan</b>		
Equipment, tools and fixtures	0	0
<b>Tax allocation reserve</b>		
Appropriation for the year	-410	-550
Reversal of appropriation	320	260
<b>Group contributions</b>		
Group contributions received	2,642	3,140
Group contributions granted	-2	-494
<b>Total</b>	<b>2,550</b>	<b>2,356</b>

## 6 Income tax

Income tax reported in income statement	2022	2021
Current tax expense for the period	-257	-370
Deferred tax due to temporary differences	3	7
<b>Total</b>	<b>-254</b>	<b>-363</b>

Income tax reported in other comprehensive income	2022	2021
Effective portion of changes in fair value of cash flow hedges	31	-17
<b>Total</b>	<b>31</b>	<b>-17</b>

	2022		2021	
	(%)	MSEK	(%)	MSEK
<b>Reconciliation of effective tax rate</b>				
<b>Income before tax</b>		<b>4,224</b>		<b>4,905</b>
<b>Swedish statutory tax rate</b>	<b>20.6</b>	<b>-870</b>	<b>20.6</b>	<b>-1,011</b>
Non-taxable dividends	-14.8	627	-14.4	708
Tax exempt income	-0.0	0	-0.1	7
Non-deductible expenses	0.1	-4	1.3	-65
Effect of enacted change of tax rate	0.1	-4	0.0	1
Standard interest income, tax allocation reserve	0.1	-3	0.1	-3
<b>Reported effective tax</b>	<b>6.0</b>	<b>-254</b>	<b>7.4</b>	<b>-363</b>

The change to the current tax receivables during the period is explained below:

Current income tax receivables	2022	2021
<b>Carrying value at beginning of year</b>	<b>-29</b>	<b>-73</b>
Current tax expense	257	370
Paid tax	-370	-325
<b>Carrying value at end of year</b>	<b>-141</b>	<b>-29</b>

Net tax receivables amounted to 141 MSEK and consisted of taxes to be refunded on income for the year.

The tax effects of deductible temporary differences that resulted in deferred tax assets at December 31 are summarized below:

Deferred income tax assets	2022	2021
Hedge reserve	42	11
Provision	44	40
<b>Carrying value at end of year</b>	<b>86</b>	<b>51</b>

NOTE 6 Continued

The following reconciles the deferred tax assets at the beginning of the year to the end of the year.

2022	Balance Jan. 1	Charges to profit for the year	Charges to other comprehensive income	Balance Dec. 31
Hedge reserve	11	–	31	42
Provision	40	3	–	44
<b>Total</b>	<b>51</b>	<b>3</b>	<b>31</b>	<b>86</b>

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
<b>Total</b>	<b>61</b>	<b>7</b>	<b>–17</b>	<b>51</b>

## 7 Tangible assets

Equipment, tools and fixtures	2022	2021
<b>Cost at beginning of year</b>	<b>0</b>	<b>0</b>
<b>Cost at end of year</b>	<b>0</b>	<b>0</b>
<b>Accumulated depreciation at beginning of year</b>	<b>0</b>	<b>0</b>
Depreciation for the year	0	0
<b>Accumulated depreciation at end of year</b>	<b>0</b>	<b>0</b>
<b>Net carrying value at end of year</b>	<b>0</b>	<b>0</b>

Depreciation charges on tangible assets are included in administrative expenses in the income statement and amounted to 0 MSEK (0).

## 8 Group companies

2022	Balance Jan. 1	Impairments	Balance Dec. 31
Costs of acquisitions	55,264	–	<b>55,264</b>
Impairments	–24,407	–	<b>–24,407</b>
<b>Carrying value</b>	<b>30,857</b>	<b>–</b>	<b>30,857</b>

2021	Balance Jan. 1	Impairments	Balance Dec. 31
Costs of acquisitions	55,264	–	<b>55,264</b>
Impairments	–24,108	–299	<b>–24,407</b>
<b>Carrying value</b>	<b>31,156</b>	<b>–299</b>	<b>30,857</b>

### Shares in subsidiaries, directly owned

Subsidiary	Corp. Reg.no.	Domicile	Number of shares	Ownership, %	2022	Ownership, %	2021
Svenskt Snus AB	556367-1261	Stockholm, Sweden	1,000	100	1	100	1
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.	55338ST1	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 <sup>1)</sup>		Algeria	10,000	100	0	100	0
The Burma Match Co Ltd <sup>2)</sup>		Myanmar	300,000	100	0	100	0
Vulcan Trading Co. Ltd <sup>3)</sup>		Myanmar	4,000	100	0	100	0
<b>Carrying value at end of year</b>					<b>30,857</b>		<b>30,857</b>

<sup>1)</sup> Nationalized in 1963.

<sup>2)</sup> Nationalized in 1968.

<sup>3)</sup> Nationalized in 1969.



## 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 1,011 MSEK (700).

## 10 Other receivables

Other receivables	2022	2021
Derivatives	451	43
Tax account	13	34
VAT receivables	2	2
Other current receivables	0	0
<b>Carrying value at end of year</b>	<b>467</b>	<b>79</b>

## 11 Prepaid expenses and accrued income

Prepaid expenses and accrued income	2022	2021
Accrued interest income	4	2
Prepaid bank charge	-	6
Prepaid rent	7	5
Other prepaid expenses	16	19
<b>Carrying value at end of year</b>	<b>27</b>	<b>33</b>

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	2022	2021
Issued at beginning of year	1,580,000,000	1,622,000,000
Cancellation	-55,000,000	-42,000,000
<b>Total shares outstanding at end of year</b>	<b>1,525,000,000</b>	<b>1,580,000,000</b>
Of which held by Swedish Match AB	-4,285,810	-48,764,810
<b>Total shares outstanding, net of shares held by Swedish Match AB</b>	<b>1,520,714,190</b>	<b>1,531,235,190</b>
<b>Total outstanding shares quota value</b>	<b>0.2554</b>	<b>0.2465</b>

### Repurchase of own shares

Repurchase of own shares encompass the acquisition cost for treasury shares owned by the Parent Company. At December 31, 2022, the Parent Company's holding of treasury shares amounted to 4,285,810 shares (48,764,810).

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)	
	2022	2021	2022	2021
<b>Balance at beginning of year</b>	<b>48,765</b>	<b>37,929</b>	<b>-41,330</b>	<b>-37,528</b>
Repurchase of own shares during the year	10,521	52,836	-750	-3,802
Allocated to retained earnings by cancellation of shares	-55,000	-42,000	14	10
Bonus issue	-	-	-14	-10
<b>Balance at end of year</b>	<b>4,286</b>	<b>48,765</b>	<b>-42,080</b>	<b>-41,330</b>

During the year 10,521 million shares were repurchased for 750 MSEK at an average price of 71.30 SEK.

Total shares bought back since the buyback program started have been repurchased at an average price of 16.16 SEK.

As per December 31, 2022, Swedish Match held 4.2 million shares in its treasury, corresponding to 0.28 percent of the total number of shares.

The number of shares outstanding, net, as per December 31, 2022, amounted to 1,520.7 million.

### Dividend

The ordinary dividend for 2021, paid in 2022, amounted to 2,829 MSEK corresponding to 1.86 SEK per share.

### Reserve for fair value

Reserve for fair value consists of a hedge reserve, the change during the year is explained below:

Hedge reserve	2022	2021
<b>Carrying value at beginning of year</b>	<b>-42</b>	<b>-107</b>
Effective portion of changes in fair value of cash flow hedges	-152	82
Income tax	31	-17
<b>Carrying value at end of year</b>	<b>-163</b>	<b>-42</b>

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	2022	2021
<i>Excess depreciation:</i>		
<b>Tangible assets</b>		
Carrying value at beginning of year	0	0
Excess depreciation for the year	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<i>Tax allocation reserve:</i>		
Carrying value at beginning of year	2,965	2,675
Reversal of appropriation	-320	-260
Appropriation current year	410	550
<b>Total</b>	<b>3,055</b>	<b>2,965</b>
<b>Carrying value at end of year</b>	<b>3,055</b>	<b>2,965</b>

## 14 Other provisions

Non-current and current provisions at December 31 comprised the following:

Other provisions	2022	2021
Pension obligations	42	39
Deferred compensation	-	31
<b>Carrying value at end of year</b>	<b>42</b>	<b>69</b>
Whereof total non-current	35	63
Whereof total current	7	6

Movements in provisions during the year were as follows:

2022	Pension obligations	Deferred compensation	Total
<b>Carrying value at beginning of year</b>	<b>39</b>	<b>31</b>	<b>69</b>
Provisions made during the year	4	17	20
Provisions used during the year	-1	-30	-31
Provisions reversed during the year and changes in estimates	0	-	0
Provisions reclassified to accrued expenses	-	-17	-17
<b>Carrying value at end of year</b>	<b>42</b>	<b>-</b>	<b>42</b>

2021	Pension obligations	Deferred compensation	Total
<b>Carrying value at beginning of year</b>	<b>64</b>	<b>29</b>	<b>93</b>
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
<b>Carrying value at end of year</b>	<b>39</b>	<b>31</b>	<b>69</b>

### 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. Payments relating to the pension obligations later than five years after balance sheet date are calculated to an amount of 40 MSEK.

## 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 816 MSEK (3,811). 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
2028	517
2029	300
<b>Total</b>	<b>816</b>

## 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 0 MSEK (127).

## 17 Accrued expenses and deferred income

Accrued expenses and deferred income	2022	2021
Accrued interest expenses	158	170
Accrued incentives including social security charges	35	40
Accrued social security charges	13	6
Accrued vacation pay	3	3
Personnel expenses	0	0
Other accrued expenses	198	13
<b>Carrying value at end of year</b>	<b>408</b>	<b>233</b>

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, 2022.

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 26 Financial instruments and financial risks* for the Group on page 36.

### Carrying value and fair value

The following table shows carrying value and fair value for financial instruments per December 31, 2022.

2022	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	0	-	1,011	-	1,011	1,011
Receivables on Group companies	2,659	-	-	-	2,659	2,659
Other current receivables	-	-	451	157	608	608
Prepaid expenses and accrued income <sup>1)</sup>	-	-	4	24	27	27
Cash and cash equivalents	0	-	-	-	0	0
<b>Total assets</b>	<b>2,659</b>	<b>-</b>	<b>1,466</b>	<b>181</b>	<b>4,306</b>	<b>4,306</b>
Loans and borrowings	-	15,441	-	-	15,441	14,364
Other liabilities	-	-	-	15	15	15
Liabilities to Group companies (current)	-	5,726	-	-	5,726	5,726
Accrued expenses and deferred income <sup>1)</sup>	-	120	38	250	408	408
Trade payables	-	9	-	-	9	9
<b>Total liabilities</b>	<b>-</b>	<b>21,296</b>	<b>38</b>	<b>265</b>	<b>21,599</b>	<b>20,522</b>

<sup>1)</sup> 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	-	1,466	-	1,466
Derivative financial liabilities	-	38	-	38

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 <sup>1)</sup>	-	-	2	31	33	33
Cash and cash equivalents	109	-	-	-	109	109
<b>Total assets</b>	<b>3,262</b>	<b>-</b>	<b>745</b>	<b>96</b>	<b>4,103</b>	<b>4,103</b>
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 <sup>1)</sup>	-	125	45	63	233	233
Trade payables	-	10	-	-	10	10
<b>Total liabilities</b>	<b>-</b>	<b>21,457</b>	<b>173</b>	<b>65</b>	<b>21,695</b>	<b>22,007</b>

<sup>1)</sup> 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

## 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

	Gross amount for financial instruments	Amounts of financial instruments not netted in the balance sheet, but subject to netting agreement	Net
<b>2022</b>			
Derivatives – Assets	1,466	-37	1,429
Derivatives – Liabilities	38	-37	2

	Gross amount for financial instruments	Amounts of financial instruments not netted in the balance sheet, but subject to netting agreement	Net
<b>2021</b>			
Derivatives – Assets	745	-97	647
Derivatives – Liabilities	173	-97	76

## 20 Operating lease agreements

Total expense for operating lease agreements for 2022 amounted to 27 MSEK (21). 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	2022	2021
Within one year	25	25
Between 1–5 years	0	25
Later than 5 years	-	-
<b>Total</b>	<b>26</b>	<b>50</b>

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 23 MSEK (17).

## 21 Pledged assets and contingent liabilities

### Pledged assets

Pledged assets referred to endowment insurance policies pledged as security for pension obligations amounting to 170 MSEK (157).

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.

	2022	2021
Contingent liabilities		
Guarantees on behalf of subsidiaries	195	279
<b>Total</b>	<b>195</b>	<b>279</b>

## 22 Distribution of earnings

### Proposed distribution of earnings

	SEK	
Retained earnings to be carried forward	SEK	10,162,157,736
<b>Total amount</b>	<b>SEK</b>	<b>10,162,157,736</b>

## 23 Related parties

	Subsidiaries	
Summary of transactions with related parties	2022	2021
<b>Revenues</b>		
Dividends	3,045	3,436
Group contribution	2,642	3,140
Sale of services	34	32
Rental income	18	17
<b>Expenses</b>		
Group contribution	-2	-494
Interest expenses	-75	-40
Purchase of goods/services	-26	-29
<b>Receivables</b>	<b>2,659</b>	<b>3,153</b>
<b>Liabilities</b>	<b>5,726</b>	<b>6,138</b>
<b>Contingent liabilities</b>	<b>271</b>	<b>303</b>

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

	2022	2021
Interest paid and received and dividend received		
Dividend received	3,045	3,436
Interest received, non-Group companies	0	-
Interest received, Group companies	0	-
Interest paid, non-Group companies	-311	-316
Interest paid, Group companies	-75	-40
<b>Total</b>	<b>2,659</b>	<b>3,080</b>

Interest payments and interest receipts are reflected in cash flow from operations.

	2022	2021
Adjustments for non cash items and other		
Depreciation	0	0
Write-down of subsidiaries	-	299
Change in accrued interest	-8	5
Change in pension provision	-	-32
<b>Total</b>	<b>-8</b>	<b>272</b>

## Reconciliation of liabilities arising from financing activities

	2021	Cash flows	Non-cash changes			2022
			Adj. current portion from non-current	Foreign exchange movement	Fair value changes	
Long-term borrowings	14,197	197	-1,955	621	-	13,060
Short-term borrowings	987	-945	1,955	384	-	2,381
Net assets held to hedge long-term borrowings	-621	-4	-	-997	152	-1,471
<b>Total liabilities from financing activities</b>	<b>14,562</b>	<b>-752</b>	<b>-</b>	<b>8</b>	<b>152</b>	<b>13,970</b>

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## 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, 2022, 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:

	2022	2021
Defined benefit pension plans		
Present value of funded obligations	590	833
Fair value of separately held assets	-719	-977
<b>Surplus, net</b>	<b>-129</b>	<b>-144</b>
Net surplus in pension trust not recognized in balance sheet	129	144
<b>Net pension liability recognized in the balance sheet</b>	<b>0</b>	<b>0</b>

Specification of movements in the net liability recognized in the balance sheet attributable to pension:

	2022	2021
Net pension liability		
<b>Balance at beginning of year</b>	<b>0</b>	<b>32</b>
Benefits paid	10	12
Contribution received from pension trust	-10	-12
Change in pension provision	0	-32
<b>Balance at end of year</b>	<b>0</b>	<b>0</b>

112 MSEK (140) of the total net pension asset is covered by "Tryggandelagen".

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## Subsequent events

In February 2023 Philip Morris Holland Holdings B.V. reached a 100 percent ownership of Swedish Match AB. The ownership was registered in the share register on February 28, 2023.

	2022	2021
Cash and cash equivalents		
Cash and bank	0	0
Other current deposits <sup>1)</sup>	-	108
<b>Total</b>	<b>0</b>	<b>109</b>

<sup>1)</sup> 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:

	2022	2021
Defined benefit pension plans		
Difference between contribution received from pension trust and benefits paid	0	0
Interest cost on obligation	-15	-12
Actual return on separately held assets	-241	59
Change in pension provision	0	32
<b>Net income (+)/expense(-) for pension</b>	<b>-256</b>	<b>80</b>
<b>Pensions covered by insurance premiums:</b>		
Costs for pension insurance premiums recognized in income statement	-18	-19
Change in surplus in pension trust	256	-48
<b>Net pension costs recognized in income statement attributable to pension</b>	<b>-18</b>	<b>13</b>

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 -24.6 percent (6.7).

Separately held assets of the pension trusts are comprised as follows:

	2022	2021
Separately held assets		
Debt instruments	161	76
Equity securities	74	172
Other <sup>1)</sup>	483	729
<b>Total</b>	<b>719</b>	<b>977</b>

<sup>1)</sup> 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 4.5 percent (1.8).

A contribution to the UK pension plan will be paid during the first quarter of 2023 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

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### Opinions

We have audited the annual accounts and consolidated accounts of Swedish Match AB (publ) for the financial year 2022-01-01 – 2022-12-31.

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 2022 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 2022 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.

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### Basis for Opinions

We conducted our audit in accordance with 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

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### 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.

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### 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

## Report on other legal and regulatory requirements

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### 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 2022-01-01 – 2022-12-31 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.

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### 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.

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### 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.

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### 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.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Stockholm, April 25, 2023

Deloitte AB

Peter Ekberg  
Authorized Public Accountant

# 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 stakeholders 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.

## Larger one-time items

MSEK	2022	2021
Expenses related to the public offer	-703	-
Settlement income	-	300
<b>Total larger one-time items in operating profit</b>	<b>-703</b>	<b>300</b>
Income tax expense on settlement income	145	-62
<b>Total larger one-time items in net profit</b>	<b>-558</b>	<b>238</b>

### 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.

## Net debt

MSEK	2022	2021
Non-current loans	13,060	14,197
Current loans	2,386	990
Components of derivatives (liabilities) <sup>1)</sup>	5	112
Components of derivatives (assets) <sup>2)</sup>	-1,714	-851
Non-current lease liabilities <sup>3)</sup>	324	307
Current lease liabilities <sup>4)</sup>	118	96
Net provision for pensions and similar obligations <sup>3)</sup>	1,202	1,445
Net asset for pensions and similar receivables <sup>5)</sup>	-127	-140
Cash and cash equivalents	-2,660	-2,121
<b>Net debt</b>	<b>12,594</b>	<b>14,035</b>

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

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

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

<sup>4)</sup> Included in *Other current financial liabilities* in the condensed consolidated balance sheet.

<sup>5)</sup> 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.





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