

**MINUTES**

kept at the Annual General Meeting of Swedish Match AB (publ), Reg. No. 556015-0756, on April 23, 2015 in Stockholm

**§ 1**

The Chairman of the Board, Conny Karlsson, opened the Meeting.

Björn Kristiansson was elected as the Chairman of the Meeting.

It was noted that the secretary of the Board, Marie-Louise Heiman, was assigned to keep the minutes at the Meeting.

The Meeting resolved to not permit any audio and video recording, other than on behalf of the Company for internal use.

**§ 2**

The list of shareholders present was approved as the voting list, Appendix 1.

**§ 3**

John Hernander and Philip Mitchell were appointed to verify the minutes along with the Chairman of the Meeting.

**§ 4**

The secretary announced that the notice to the Annual General Meeting was published in Post- och Inrikes Tidningar on March 19, 2015, that the notice has been provided on the Company's website as from March 17, 2015 and that information in respect of the notice was published in Svenska Dagbladet on March 19, 2015.

The Meeting declared itself to have been duly convened.

The notice to attend the Meeting was appended to the minutes, Appendix 2.

**§ 5**

The Agenda, as set out in Appendix 3, was approved.

**§ 6**

The annual report and the auditors' report, the consolidated financial statements and the auditors' report on the consolidated financial statements for 2014, the auditors' opinion regarding compliance with the previously adopted principles for remuneration to the members of the executive management, Appendix 4, as well as the Board of Directors' proposal regarding the allocation of profit and motivated statement were presented, Appendixes 5 and 6.

The President and the Chief Financial Officer gave accounts of the Company's operations and result during 2014.

The Chairman of the Board reported on the work of the Board of Directors and the Chairman of the Audit Committee, Meg Tivéus, reported on the work and function

of the Audit Committee and remuneration for auditing and other work paid to Swedish Match's auditors in 2014.

The auditor, Cronie Wallquist, reported on the auditing work.

The shareholders were given the opportunity to ask questions. The questions were answered by the President, the Chairman of the Board and by the Chairman of the Audit Committee.

**§ 7**

It was resolved to adopt the income statement and balance sheet, along with the consolidated income statement and consolidated balance sheet, as presented in the annual report, Appendix 7.

**§ 8**

It was resolved that the funds at the disposal of the Annual General Meeting shall be allocated by way of a dividend of 7.50 SEK per share to be paid to the shareholders, that the remaining profits be carried forward, and that the record day for the right to receive a cash dividend shall be April 27, 2015.

**§ 9**

It was resolved to discharge the members of the Board of Directors and the President from liability for the period January 1 – December 31, 2014.

It was noted that the decision was unanimous, with the exception of 911 votes against which had been submitted in advance.

It was noted that the members of the Board of Directors and the President did not take part in this resolution.

**§ 10 a)**

The Board of Directors' proposal according to Appendix 8 was presented.

Pursuant to the Board of Directors' proposal, it was resolved that the Company's share capital shall be reduced by 7,770, 880 SEK by means of withdrawal of 4 000,000 shares in the Company; and that the reduced amount shall be allocated to a fund to be used pursuant to a resolution adopted by the General Meeting.

It was noted that the resolution was supported by shareholders representing at least two-thirds of both the votes cast and the shares represented at the Meeting, and that the resolution thereby had been passed with requisite majority.

**§ 10 b)**

Pursuant to the Board of Directors' proposal, Appendix 8, it was resolved that the Company's share capital shall be increased by 7,770, 880 SEK through a transfer from non-restricted shareholders' equity to the share capital (bonus issue), whereby the share capital will be increased without issuing any new shares.

**§ 11**

The Board of Directors' proposal according to Appendix 9 was presented.

Pursuant to the Board of Directors' proposal, it was resolved to authorize the Board of Directors to resolve on acquisitions of the Company's own shares, on one or several occasions prior to the next Annual General Meeting, provided that the Company's holding does not at any time exceed 10 percent of all shares in the Company; and that the shares shall be acquired on Nasdaq Stockholm at a price within the price interval registered at any given time (i.e. the interval between the highest bid price and the lowest selling price).

The Board of Directors shall be able to resolve that purchase of own shares shall be made within a repurchase program in accordance with the Commissions Regulation (EC) no 2273/2003, if the purpose of the authorization and the purchase only is to decrease the Company's equity.

It was noted that the resolution was supported by shareholders representing at least two-thirds of both the votes cast and the shares represented at the Meeting, and that the resolution thereby had been passed with requisite majority.

#### **§ 12**

The Board of Directors' proposal according to Appendix 10 was presented.

The Chairman of the Board reported on the work and function of the Compensation Committee.

Pursuant to the Board of Directors' proposal according to Appendix 10, it was resolved to adopt the principles for remuneration to members of the executive management.

#### **§ 13**

Adam Nyström, the Chairman of the Nominating Committee, reported on how the work of the Nominating Committee has been conducted.

Pursuant to the Nominating Committee's proposal, it was resolved that the Board of Directors, for the period until the next Annual General Meeting, shall consist of seven ordinary Board members and no deputies.

#### **§ 14**

The Nominating Committee's proposal as set out in Appendix 11 was presented.

The shareholder Thorwald Arvidsson proposed to exclude from the resolution the third section in the Nominating Committee's proposal.

Pursuant to the Nominating Committee's proposal, it was resolved that the Board of Directors, for the period up until the end of next Annual General Meeting, shall receive the following remuneration:

the Chairman shall receive 1,750,000 SEK, the Deputy Chairman shall receive 830,000 SEK and the other Board members shall each receive 700,000 SEK; and that the Chairmen of the Compensation Committee and the Audit Committee shall each receive 250,000 SEK and the other members of these committees shall each receive

125,000 SEK. It was further resolved in accordance with the Nominating Committee's proposal.

It was noted that the shareholder Thorwald Arvidsson declared his reservations in respect of the resolution to include the third section in the Nominating Committee's proposal.

**§ 15**

Pursuant to the Nominating Committee's proposal according to Appendix 12, it was, for the period up until the end of the next Annual General Meeting, resolved to re-elect Andrew Cripps, Conny Karlsson, Wenche Rolfsen, Meg Tivéus and Joakim Westh as ordinary Board members, to elect Charles A. Blixt and Jacqueline Hogerbrugge as new ordinary Board members, Conny Karlsson as Chairman of the Board of Directors, and Andrew Cripps as Deputy Chairman of the Board of Directors.

It was noted that the employees' associations have, through special elections, appointed Kenneth Ek (the Swedish Federation of Salaried Employees in Industry and Services, PTK), Patrik Engelbrektsson (the Swedish Trade Union Confederation, LO) and Eva Larsson (the Swedish Trade Union Confederation, LO) as ordinary Board members, as well as Joakim Andersson (the Swedish Trade Union Confederation, LO), Eva Norlén Moritz (the Swedish Federation of Salaried Employees in Industry and Services, PTK) and Gert-Inge Rang (the Swedish Federation of Salaried Employees in Industry and Services, PTK) as Deputy Board members.

**§ 16**

Pursuant to the Nominating Committee's proposal according to Appendix 13, it was resolved that the number of auditors shall be one with no deputy auditor.

**§ 17**

Pursuant to the Nominating Committee's proposal according to Appendix 13, it was resolved that the remuneration to the auditor is to be paid according to approved accounts.

**§ 18**

Pursuant to the Nominating Committee's proposal according to Appendix 13, it was resolved to re-elect the auditor company KPMG AB as auditor for the period as of the end of the Annual General Meeting 2015 until the end of the Annual General Meeting 2016.

It was noted that KMPG AB has informed the Company that Cronie Wallquist will be the auditor in charge.

**§19**

The proposal from the shareholder Thorwald Arvidsson that the Board should take necessary actions to establish a shareholders' association was presented.

It was resolved to reject the proposal.

*In-house translation from Swedish*

Thorwald Arvidsson expressed his reservations against the resolution.

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Minutes checked by:

Minutes kept by:

Björn Kristiansson  
Chairman

Marie-Louise Heiman

John Hernander

Philip Mitchell

**Notice to the Annual General Meeting in Swedish Match AB (publ)**

The shareholders of Swedish Match AB (publ), Reg. No. 556015-0756, are hereby notified of the Annual General Meeting to be held on Thursday, April 23, 2015, at 16.30 CET at Citykonferensen, Malmskillnadsgatan 46, Stockholm, Sweden.

**Agenda**

1. Opening of the Meeting and election of the Chairman of the Meeting.
2. Preparation and approval of the voting list.
3. Election of one or two persons to verify the minutes.
4. Determination of whether the Meeting has been duly convened.
5. Approval of the Agenda.
6. Presentation of the annual report and the auditor's report, the consolidated financial statements and the auditor's report on the consolidated financial statements for 2014, the auditor's opinion regarding compliance with the principles for remuneration to members of the executive management as well as the Board of Directors' proposal regarding the allocation of profit and motivated statement. In connection thereto, the President's and the Chief Financial Officer's speeches and the Board of Directors' report on its work and the work and function of the Audit Committee.
7. Resolution on adoption of the income statement and balance sheet and of the consolidated income statement and consolidated balance sheet.
8. Resolution regarding allocation of the Company's profit in accordance with the adopted balance sheet and resolution on a record day for dividend.
9. Resolution regarding discharge from liability in respect of the Board members and the President.
10. a) Resolution regarding the reduction of the share capital by means of withdrawal of repurchased shares, and the transfer of the reduced amount to a fund to be used pursuant to a resolution adopted by the General Meeting; and
10. b) Resolution regarding a bonus issue.
11. Resolution regarding authorization of the Board of Directors to resolve on acquisition of shares in the Company.
12. Resolution regarding principles for remuneration to members of the executive management. In connection thereto, presentation of the work and function of the Compensation Committee.
13. Resolution regarding the number of members of the Board of Directors to be elected by the Meeting.
14. Resolution regarding remuneration to the members of the Board of Directors.
15. Election of members of the Board, the Chairman of the Board and the deputy Chairman of the Board.
16. Resolution regarding the number of auditors.
17. Resolution regarding remuneration to the auditor.
18. Election of auditor.
19. Resolution on proposal from the shareholder Thorwald Arvidsson that the Annual General Meeting shall resolve to delegate to the Board of Directors to take necessary action to create a shareholders' association in the Company.

### **The Proposals of the Nominating Committee**

**Item 1:** Björn Kristiansson, attorney at law, is proposed as the Chairman of the Meeting.

**Item 13:** The Board of Directors is proposed to consist of seven members and no deputies.

**Item 14:** Remuneration to the members of the Board of Directors is proposed to be paid as follows for the period until the next Annual General Meeting. The Chairman shall receive SEK 1,750,000, the deputy Chairman shall receive SEK 830,000 and the other Board members shall each receive SEK 700,000. It is further proposed that the Board, as remuneration for committee work, be allotted SEK 250,000 to each of the Chairmen of the Compensation Committee and the Audit Committee and SEK 125,000 to each of the other members of these committees. The fees are unchanged compared to fees decided at the 2014 Annual General Meeting.

**Item 15:** The following members of the Board of Directors are proposed for re-election: Andrew Cripps, Conny Karlsson, Wenche Rolfsen, Meg Tivéus and Joakim Westh. Karen Guerra and Robert Sharpe have declined re-election. The Nominating Committee proposes the election of Charles A. Blixt and Jacqueline Hoogerbrugge as new members of the Board. Conny Karlsson is proposed to be re-elected as Chairman of the Board and Andrew Cripps is proposed to be re-elected as deputy Chairman of the Board.

**Item 16:** The number of auditors is proposed to be one and no deputy auditor.

**Item 17:** Remuneration to the auditor is proposed to be paid according to approved accounts.

**Item 18:** The auditor company KMPG AB is proposed to be re-elected as auditor for the period as of the end of the Annual General Meeting 2015 until the end of the Annual General Meeting 2016.

### **The Proposals of the Board of Directors**

**Item 8:** The Board of Directors proposes a dividend in the amount of SEK 7.50 per share to be paid to the shareholders and that the remaining profits are carried forward. The proposed record day for the right to receive a cash dividend is April 27, 2015. Payment through Euroclear Sweden AB is expected to be made on April 30, 2015.

**Item 10 a):** The Board of Directors proposes to reduce the Company's share capital with SEK 7,770,880 by means of withdrawal of 4,000,000 shares in the Company. The shares in the Company proposed for withdrawal have been repurchased by the Company in accordance with authorization granted by the General Meeting. The Board of Directors further proposes that the reduced amount be allocated to a fund to be used pursuant to a resolution adopted by the General Meeting.

**Item 10 b):** Provided that the Meeting has passed a resolution in accordance with the Board's proposal in item 10 a) above, the Board of Directors proposes an increase in the Company's share capital of SEK 7,770,880 through a transfer from non-restricted equity to the share capital (bonus issue). The share capital shall be increased without issuing any new shares. The reason for the bonus issue is that if the Company transfers an amount to the share capital corresponding to the amount by which the share capital is reduced in accordance with the Board's proposal in item 10 a) above, the resolution to reduce the share capital may be passed without obtaining permission from the Swedish Companies Registration Office (*Bolagsverket*), or, in disputed cases, the court.

The effect of the Board of Directors' proposal in item 10 a) is a reduction of the Company's share capital of SEK 7,770,880. The effect of the Board of Directors' proposal in item 10 b) is a corresponding increase of the Company's share capital through a bonus issue, thereby restoring it to its balance prior to the reduction.

The resolution of the Annual General Meeting in accordance with the Board's proposal in item 10 a) is only valid if supported by shareholders representing at least two-thirds of both the votes cast and the shares represented at the Meeting.

**Item 11:** The Board of Directors proposes that it be authorized to resolve on acquisition of the Company's own shares, on one or several occasions prior to the next Annual General Meeting, provided that the Company's holding does not at any time exceed 10 per cent of all shares in the Company. The shares shall be acquired on Nasdaq Stockholm at a price within the price interval registered at any given time, i.e. the interval between the highest bid price and the lowest selling price. The purpose of the repurchasing right is primarily to enable the Company to adapt its capital structure to its capital needs over time, and thereby contribute to an increased shareholder value.

The resolution of the Annual General Meeting with regard to the Board's proposal under item 11 requires the support of shareholders representing at least two-thirds of both the votes cast and the shares represented at the Meeting.

**Item 12:** The Board of Directors proposes that the 2015 Annual General Meeting adopts principles for remuneration and other terms of employment for members of executive management according to the following. Remuneration and other terms of employment shall correspond to market practice. In addition to the fixed salary, the members of the executive management may be entitled to variable remuneration. The variable remuneration may include an annual short term program to be paid out in the beginning of the following year, depending on the outcome of the program, and a long term program with a performance period which shall not be shorter than three years. The variable remuneration, which shall be capped in relation to the fixed salary, shall primarily be based on specific, clear, predetermined and measurable financial or operational objectives. The variable remuneration may include an obligation to purchase and hold shares in the Company. The proposed principles are unchanged compared to the principles adopted by the 2014 Annual General Meeting. Full details on the proposed principles for remuneration and other terms of employment for the executive

management and its application in 2015 are available on the Company's website [www.swedishmatch.com](http://www.swedishmatch.com).

**Item 19:** Proposals from shareholders.

The proposal under item 19 is set out in the Agenda.

### **Documents**

The annual report, the auditor's report, the auditor's opinion according to item 6 and full details of the proposals and statements regarding items 8, 10 a), 10 b), 11, 12, and 15 will be made available at Swedish Match headquarters (Legal Department) at Sveavägen 44, in Stockholm, Sweden, no later than April 2, 2015. The documents will be sent to shareholders upon request, provided that such shareholder states its address. All the above documents will be available on the Company's website, [www.swedishmatch.com](http://www.swedishmatch.com) and be presented at the Annual General Meeting.

### **Number of shares and votes in the Company**

The total number of shares and votes in Swedish Match AB (publ) on the issue date of this notice amounts to 200,500,000 of which 4,679,979 shares are presently repurchased own shares of the Company which may not be represented at the Meeting.

### **Right to participate in the Meeting**

In order to participate in the Meeting you need to be registered as a shareholder in the share register kept by Euroclear Sweden AB on April 17, 2015. In addition, you need to notify Swedish Match of your intention to participate in the Meeting no later than April 17, 2015, at which time the notification shall have been received by Swedish Match. Shareholders who wish to be accompanied by one or two assistants at the Meeting shall also inform Swedish Match thereof within the appointed period of time.

### **Notice of participation**

Notice of participation may be submitted in writing to Swedish Match AB (publ), "Årsstämman", P.O Box 7842, SE-103 98 Stockholm, Sweden, by telephone at +46 (0)8 402 90 42 (09:00 – 16:00 CET), or via the Internet at [www.swedishmatch.com/agm](http://www.swedishmatch.com/agm). Upon giving notice of participation, the shareholder shall state his or her name/company name, civic ID/corporate registration number, address, telephone number (daytime) and the name(s) of assistant(s), if any. Receipt of notification will be confirmed by Swedish Match, which will issue an attendance card prior to the Meeting to be presented at the entrance to the venue where the Meeting is held.

### **Proxy form**

Proxy forms are available upon request and on the Company's website [www.swedishmatch.com](http://www.swedishmatch.com).

### **Proxy**

Shareholders who are represented by proxy shall issue a power of attorney for the proxy. If the power of attorney is issued by a legal entity, a copy of the corporate registration

certificate for such legal entity shall be enclosed (or if no such document is available, an equivalent authorization document). The proxy is valid for one year from the date of issuance or the longer period of validity stated in the proxy, however not longer than five years from the date of issuance. To facilitate entry at the Meeting, the power of attorney in original as well as the corporate registration certificate and other authorization documents, if any, should be provided to the Company at the address stated above no later than Tuesday April 21, 2015.

**Voting right registration**

Shareholders whose shares are nominee registered and who wish to participate in the Meeting must temporarily re-register such shares in their own name (i.e. voting right registration). Request for re-registration shall be submitted to the nominee in sufficient time to allow the re-registration to be effective at Euroclear Sweden AB no later than Friday, April 17, 2015.

**Information at the Annual General Meeting**

The Board of Directors and the President shall, if any shareholder so requests and the Board of Directors considers that it may be done without significant harm to the Company, provide information regarding circumstances that may affect the assessment of an item on the Agenda, and circumstances that may affect the assessment of the Company's or its subsidiaries' financial position and the Company's relation to other companies within the Group.

The entrance to the venue for the Meeting will open at 15:30 (CET). Coffee will be served before the Meeting.

Stockholm, March 2015

SWEDISH MATCH AB (publ)  
*The Board of Directors*

**AGENDA  
OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF  
SWEDISH MATCH AB  
THURSDAY, 23 APRIL 2015, AT 4:30 PM**

1. Election of Chairman of the Meeting.
2. Preparation and approval of voting list.
3. Election of one or two persons to verify the minutes.
4. Determination of whether the Meeting has been duly convened and issues relating to attendance of the Meeting.

Notice to attend the Meeting has been published in Post- och Inrikes Tidningar on March 19, 2015 and on the Company's website on March 17, 2015.

Information that notice has been issued was published in Svenska Dagbladet on March 19, 2015.

5. Approval of the Agenda.
6. Presentation of the Annual Report and the Auditor's Report and of the Consolidated Financial Statements and the Auditor's Report on the Consolidated Financial Statements for 2014, the Auditor's Statement regarding compliance with the principles for remuneration to members of the executive management as well as the Board of Directors' motion regarding the allocation of profit and motivated statement.

In connection therewith, the President's and the Chief Financial Officer's speeches and the Board of Director's report regarding its work and the work and function of the Audit Committee.

7. Resolution on adoption of the Income Statement and Balance Sheet and of the Consolidated Income Statement and Consolidated Balance Sheet.
8. Resolution regarding allocation of the Company's profit in accordance with the adopted Balance Sheet and resolution on a record day for dividend.
9. Resolution regarding discharge from liability in respect of the Board members and the President.
10. a) Resolution regarding the reduction of the share capital by way of a recall of repurchased shares, and that the transfer of the reduced amount to a fund to be used pursuant to a resolution adopted by the General Meeting; and  
b) Resolution regarding a bonus issue.
11. Resolution regarding authorization of the Board of Directors to resolve on acquisition of shares in the Company.

12. Resolution regarding principles for remuneration to members of the executive management. In connection thereto, presentation of the work and function of the Compensation Committee.
13. Resolution regarding the number of members of the Board of Directors to be elected by the Meeting.
14. Resolution regarding remuneration to the members of the Board of Directors, specifying the distribution between the Chairman and other Board Members and remuneration for committee work.
15. Election of members of the Board, the Chairman of the Board and the deputy Chairman of the Board.
16. Resolution regarding the number of Auditors.
17. Resolution regarding remuneration to the auditor.
18. Election of auditors
19. Resolution on proposal from the shareholder Thorwald Arvidsson that the Annual General Meeting shall resolve to delegate to the Board of Directors to take necessary action to create a shareholders' association in the Company.

## **Auditor's opinion under Chapter 8 Section 54 of the Swedish Companies Act (2005:551) as to whether the guidelines of the annual general meeting on the remuneration of senior executives have been followed**

To the annual general meeting of Swedish Match AB (publ.), Corporate identity No 556015-0756

### **Introduction**

We have audited whether the Board of Directors and the Chief Executive Officer of Swedish Match AB (publ.) during the year 2014 have followed the guidelines on remuneration of senior executives adopted at the annual general meeting on 25 April 2013 and the annual general meeting on 7 May 2014.

### **Responsibility of the Board of Directors and the Chief Executive Officer**

The Board of Directors and the Chief Executive Officer are responsible for the guidelines being followed and for the internal control that the Board of Directors and the Chief Executive Officer deem necessary to ensure that the guidelines are followed.

### **Responsibility of the auditor**

Our responsibility is to issue an opinion, based on our audit, to the annual general meeting as to whether the guidelines have been followed. We have conducted the audit in accordance with FAR recommendation RevR 8 *Audit of remuneration of senior executives of listed companies*. This recommendation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the guidelines adopted by the annual general meeting are followed in all material aspects.

The audit has covered the company's organization for and documentation of remuneration issues for senior executives, the new decisions on remuneration that have been taken and a selection of the payments made during the financial year to the senior executives. The auditor chooses what procedures are to be performed, in part by assessing the risk of the guidelines not being followed in all material aspects. In making those risk assessments, the auditor considers internal control relevant to compliance with the guidelines 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.

We believe that our audit provides a reasonable basis for our opinion set out below.

### **Opinion**

We consider that the Board of Directors and Chief Executive Officer of Swedish Match AB (publ.) during 2014 have followed the guidelines on remuneration of senior executives adopted at the annual general meeting on 25 April 2013 and the annual general meeting on 7 May 2014.

Stockholm 6 March 2015

KPMG AB

Cronie Wallquist  
Authorized Public Accountant

**The Board of Directors' proposal under item 8 on the Agenda of the Annual General Meeting of Swedish Match AB (publ) on April 23, 2015**

The Board of Directors proposes a dividend in the amount of SEK 7.50 per share to be paid to the shareholders. The Board of Directors proposes that the remaining profits be carried forward.

The proposed record day for the right to receive a cash dividend is April 27, 2015. Payment through Euroclear Sweden AB is expected to be made on April 30, 2015.

The Board of Directors' motivated statement concerning the justification of the proposed profit allocation in accordance with Chapter 18, § 4 of the Swedish Company Act, is enclosed in Appendix 6.

**Statement by the Board of Directors pursuant to chapt. 18, §4 and chapt. 19, §22 of the Swedish Companies Act with regard to the dividend proposal submitted to the 2015 Annual General Meeting in respect of the 2014 financial year, and the Board's proposal regarding a mandate to repurchase the Company's own shares.**

**Background**

The Board of Directors has analyzed and evaluated the proposed dividend payment in respect of the 2014 financial year, and the proposed mandate in respect of the repurchase of the Company's own shares. The analysis has been based, among other things, on a review of the Group's financial strategy and a financial and strategic long-term plan, including a risk analysis. The proposed dividend and exercise of share repurchases under the proposed mandate to buy back the Company's own shares have been assessed in view of the financial strategy, including targeted dividend payout ratio, adopted for the Group by the Board of Directors. Please see the Directors' Report for a description of the financial strategy and the targeted dividend payout ratio.

**The nature, scope and inherent risks of the operations**

The nature of the operations is specified in the Articles of Association and published Annual Reports. The operations conducted by the Company do not entail any risks over and above those that arise, or may be assumed to arise, within the industry, or those generally associated with the conduct of commercial operations. The tobacco industry is relatively insensitive to fluctuations in the economic climate. Please see the Directors' Report for details of significant events and risk factors. No other material events have occurred that affect the Company's ability to make a dividend payment or buy back its own shares.

**The financial position of the Company and the Group**

The financial position of the Company and the Group on 31st December 2014 is shown in the most recently published Annual Report. The consolidated shareholders' equity has been calculated in accordance with International Financial Reporting Standards (IFRS) adopted by the EU, and by applying RFR 1 Supplementary Accounting Rules for Groups issued by the Swedish Financial Reporting Board. On 31st December 2014, the consolidated shareholders' equity amounted to SEK 277 million, SEK -111 million of which is attributable to a hedge reserve. The Parent Company's shareholders' equity has been calculated in accordance with the same principles as for the Group, with exemptions and supplements by applying the Swedish Financial Reporting Board's recommendation, RFR 2, Accounting for Legal Entities. On 31st December 2014, it amounted to SEK 20,846 million. The amount includes market valuation of certain subsidiaries of SEK 18,100 million.

The Group's actual financial position differs from the financial position reported in the most recently published Annual Report in that the companies that make up the corporate Group own a number of assets with market values which exceed the reported values. Based on the closing price of the Swedish Match share on 30th December 2014, the market value of the Group's shareholders' equity was SEK 47,901 million.

As can be seen from the proposed allocation of profits, the Board proposes a dividend of SEK 7.50 per share. Given the number of outstanding shares on 31st December 2014, the total dividend payment is therefore SEK 1,468 million, corresponding to 7.0 per cent of the Parent Company's shareholders' equity and exceeds the Group's reported shareholders' equity by SEK 1,191 million. The ratio of the dividend to the market value of shareholders' equity of the Group on 31st December 2014 is 3.0 per cent.

The Board also proposes that the Annual General Meeting gives the Board a mandate to buy back shares in the Company to the extent that the Company at any time holds a maximum of 10 per cent of its registered shares. Assuming 18.850 million shares bought back at a price of SEK 260 total buy backs would amount to 4,900 MSEK. This amount corresponds to 25.3 percent of the Parent Company's reported shareholders' equity after proposed dividend payments and exceeds the Group's reported shareholders' equity after dividend payments by SEK 6.1 billion. If exercised in full, the buy-back program would correspond to about 10.2 per cent of the market value of the Group's shareholders' equity on 31st December 2014.

The Board considers the proposed mandate to buy back shares to be flexible. The Board will at future board meetings decide and evaluate actual utilization of the mandate.

The Group's interest coverage ratio, based on EBITA (earnings before financial items, adjusted for large non-recurring items, tax and amortization of intangible assets/net interest items) was 7.6 on 31st December 2014, and the net debt in relation to EBITA was 2.3.

The Board is of the opinion that the proposed dividend and the buy-back do not jeopardize fulfillment of the investments deemed necessary.

The proposed asset transfers do not affect the Company's ability to fulfill existing and predicted payment liabilities at the correct time. The Company's liquidity forecast includes a readiness to handle variations in ongoing payment obligations. For a more detailed description of the Group's liquidity, please see accompanying note to the Group's financial statements regarding financial instruments in the most recently published Annual Report.

The Company's financial position does not give rise to any assessment other than that the Company is able to continue its operations and can be expected to fulfill its obligations in both the short and the long term.

#### **Justification of the asset transfers**

With reference to the above, the Board believes that the assessment of the Parent Company's and the Group's financial positions justify the asset transfers with reference to the requirements imposed on the size of the Parent Company's and the Group's shareholders' equity by the nature, scope, and inherent risk of the operations, as well as to the consolidation requirements, liquidity and position in general of the Parent Company and the Group's operations.

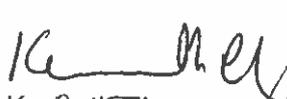
Stockholm 17<sup>th</sup> February 2015



Conny Karlsson  
Chairman of the Board



Andrew Cripps  
Deputy Chairman



Kenneth Ek  
Board Member



Patrik Engelbrektsson  
Board Member



Karen Guerra  
Board Member

Eva Larsson  
Board Member

Wenche Rolfsen  
Board Member

Robert F. Sharpe  
Board Member



Meg Tivéus  
Board Member



Jakob Westh  
Board Member

**The Board of Directors' proposal under items 10 a) and 10 b) on the Agenda of the Annual General Meeting of Swedish Match AB (publ) on April 23, 2015**

**Item 10 a)**

The Board of Directors proposes to reduce the Company's share capital with 7,770,880 SEK by means of withdrawal of 4,000,000 shares in the Company. The shares in the Company proposed for withdrawal have been repurchased by the Company in accordance with authorization granted by the General Meeting. The Board of Directors further proposes that the reduced amount be allocated to a fund to be used pursuant to a resolution adopted by the General Meeting.

**Item 10 b)**

Provided that the General Meeting passes a resolution in accordance with the Board's proposal under item 10 a) above, the Board of Directors proposes an increase in the Company's share capital of 7,770,880 SEK through a transfer from non-restricted equity to the share capital (bonus issue). The share capital shall be increased without issuing any new shares. The reason for the bonus issue is that if the Company transfers an amount corresponding to the amount by which the share capital is reduced in accordance with the Board's proposal under item 10 a) above, the resolution to reduce the share capital may be passed without obtaining permission from the Swedish Companies Registration Office (sw. *Bolagsverket*), or, in disputed cases, the court.

The effect of the Board of Directors' proposal under item 10 a) is a reduction in the Company's share capital of 7,770,880 SEK. The effect of the Board of Directors' proposal under item 10 b) is a corresponding increase in the Company's share capital through a bonus issue, thereby restoring it to its balance prior to the reduction.

The auditor's opinion, in accordance with Chapter 20 § 14 of the Swedish Companies Act and in respect of this statement by the Board of Directors, is enclosed in Appendix 8 A.

The resolution of the General Meeting in accordance with the Board's proposal under item 10 a), is only valid if supported by shareholders representing at least two-thirds of both the votes cast and the shares represented at the Meeting.



Translation from the Swedish original

**Auditor's report pursuant to Chapter 20, Section 14 of the Swedish Companies Act (2005:551) in respect of motions concerning the resolutions under Items 10 a) and 10 b) of the agenda of the Annual General Meeting**

To the Annual General Meeting of Swedish Match AB (publ), Swedish Company Reg No: 556015-0756

We have examined the Board of Directors' statement concerning its motions for resolutions under Items 10 a) and 10 b) of the agenda of the Annual General Meeting on April 23, 2015.

**The Board of Directors' responsibility for the statement**

It is the Board of Directors that is responsible for the statement and for preparing it in accordance with the Swedish Companies Act and for such internal control as the Board of Directors determine is necessary to enable the preparation of the statement that is free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on the statement based on our examination. The examination was performed in compliance with the recommendation RevR 9 issued by FAR, *The Auditor's Other Statements Pursuant to the Swedish Companies Act and the Companies Ordinance*. This standard requires that we comply with ethical requirements and plan and perform the examination to obtain reasonable assurance about whether the statement is free from material misstatements.

The examination involves performing procedures to obtain audit evidence about the amounts and other disclosures in the Board of Directors' statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board of Directors' preparation of the statement 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 internal control. The examination also includes evaluating the appropriateness of actions taken in connection with the company's restricted equity or share capital as well as the reasonableness of the assessments made by the Board of Directors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the actions that are to be taken and that will result in no reduction of either the restricted equity or share capital of the company are appropriate and the assessments that the Board of Directors has made concerning the effects of these actions are correct.

**Other information**

The sole purpose of this Auditor's report is to satisfy the requirements of Chapter 20, Section 14 of the Swedish Companies Act and it may not be used for any other purpose.

Stockholm, March 16, 2015

KPMG AB

Cronie Wallquist  
Authorized Public Accountant

**The Board of Directors' proposal under item 11 on the Agenda of the Annual General Meeting of Swedish Match AB (publ) on April 23, 2015**

The Board of Directors proposes that it be authorized to resolve on acquisition of the Company's own shares, on one or several occasions prior to the next Annual General Meeting, provided that the Company's holding does not at any time exceed 10 percent of all shares in the Company. The shares shall be acquired on Nasdaq Stockholm, at a price within the price interval registered at any given time, i.e. the interval between the highest bid price and the lowest selling price. The purpose of the repurchasing right is primarily to enable the Company to adapt its capital structure to its capital needs over time, and thereby contribute to an increased shareholder value.

The Board of Directors shall be able to resolve that a purchase of own shares shall be made within a repurchase program in accordance with the Commissions Regulation (EC) no 2273/2003, if the purpose of the authorization and the purchase only is to decrease the Company's equity.

The Board of Directors' statement concerning the justification of the proposed authorization in respect of repurchase of the Company's own shares pursuant to Chapter 19 § 22 of the Swedish Companies Act, is enclosed in Appendix 6.

The resolution of the General Meeting with regard to the Board's proposal under item 11 is only valid if supported by shareholders representing at least two-thirds of both the votes cast and the shares represented at the Meeting.

**Previous repurchases\***

<b>Year</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Number of repurchased shares</b>	16,502,894	11,148,782	7,440,302	1,578,627	3,744,788
<b>Holding at year-end</b>	16,202,894	8,827,859	6,591,665	2,954,479	4,822,933
<b>Holding at year-end as a percentage of total share capital</b>	7,0 %	4,1 %	3,2 %	1,46 %	2,41%

\* net after shares sold in conjunction with stock option programmes

**The Board of Directors' proposal under item 12 on the Agenda of the Annual General Meeting of Swedish Match AB (publ) on April 23, 2015**

The Board of Directors proposes that the following principles for remuneration and other terms of employment for the President and other members of the Group management be adopted by the Annual General Meeting 2015. The members of the Group management are referred to below as the “**Group Management Team**” or “**GMT**”.

The objective of these principles is to ensure that the Company is able to recruit and retain employees with appropriate skills and qualifications for their respective duties. The remuneration structures shall encourage employees to do their utmost to safeguard shareholders' interests. Swedish Match takes into account both global remuneration practice and the practice of the country of residence of each member of the GMT. The principles apply in relation to members of the GMT appointed after the adoption of the principles, and, in other cases, to the extent permitted under existing agreements. The annual report for 2014 sets out details of the remuneration and benefits of the GMT during 2014.

The total remuneration paid to GMT consists of fixed salary, variable components in the form of annual short-term variable remuneration and long-term variable remuneration, pension, other benefits and terms related to termination of employment.

*1. Fixed salary*

The fixed salary for the GMT shall correspond to market rates and shall be based on each member's competence, country of residence, responsibility and performance.

*2. Variable salary*

The members of the GMT may be entitled to a variable salary in addition to the fixed salary. The variable salary may include both an annual short term program to be paid out in the beginning of the subsequent year depending on the outcome of the program, and a long term program with a performance period which shall not be shorter than three years. The variable salary shall primarily be based on specific, clear, predetermined and measurable financial or operational criteria set by the Board of Directors in relation to the President and by the Compensation Committee in relation to the GMT. The variable salary shall be capped in relation to the fixed salary and reflect the market practice in the country of residence.

The Company shall have the right to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.

*3. Profit Sharing System*

All employees in Sweden are participating in Swedish Match profit sharing system (“**PSS**”). For 2015 the maximum total accruals for GMT members is estimated to 0.3 MSEK.

*4. Insurable benefits*

Old age pension, disability and sickness benefits, medical benefits and life insurance benefits shall be designed to reflect the practices in the country where a member of the GMT is resident. New members of the GMT shall preferably be covered by defined contribution plans.

*5. Severance pay, etc*

A mutual period of notice of six months shall apply. Fixed salary during notice of termination and severance payment (if any) shall not exceed an amount corresponding to 24 months fixed salary. Members of the GMT residing outside Sweden may however be offered notice periods for termination and severance payment that are competitive in the country where the members are resident.

*6. Other benefits*

Other benefits shall be payable in accordance with local custom. The combined value of these benefits shall constitute a limited value in relation to the total remuneration package and shall correspond to market practice.

*7. The Board's right to deviate from the principles*

The Board of Directors shall be entitled to deviate from the principles approved by the Annual General Meeting if specific reasons for doing so exist in any individual case.

*8. Committee work and decisions*

Swedish Match Board of Directors shall have a Compensation Committee. The Committee has the authority to approve salary and other remuneration and employment terms for members of the GMT, except those regarding the President. The Committee shall prepare and present proposals for the Board's decisions on issues relating to salary and other remuneration and employment terms for the President. The Committee is authorized to decide and in relation to the President to propose to the Board of Directors the further details regarding the criteria and targets on which the variable salary is based for the GMT. In addition hereto the Committee is authorized to decide to what extent such criteria and targets have been met both for the GMT and the President.

*9. Previous undertakings not yet due*

The Company has no previous undertakings not yet due besides what is evident from the annual report 2014.

## **Application of principles on variable salary for 2015**

In order to ensure alignment with long-term shareholder interests, to strengthen the retention element of the variable salary and to promote company shareholding among the Group Management Team (“GMT”) the variable salary includes a short term cash incentive and a long term cash incentive program where the short term program includes an incentive for the GMT members to purchase and retain shares in the Company while the long term program includes an obligation to purchase and an undertaking to retain such shares. The performance period for the short term and the long term programs will be one year and three years respectively.

### *Short term variable salary*

The maximum short term variable salary for the President and other members of the GMT residing in Sweden shall be 70 and 60 percent respectively of their 2015 base salary. To comply with local market standards the maximum short term incentive for one member residing outside of Sweden shall be 70 percent of the 2015 base salary. Subject to justified exemptions, a 20 percentage point reduction in maximum variable salary shall apply to any GMT member who does not 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. The minimum level of performance that must be reached to earn any allocation and the maximum level of performance at which payout is capped shall be defined in the beginning of each year by the Compensation Committee in relation to the GMT members other than the President and by the Board of Directors in relation to the President.

Accruals for short term variable salary objectives for GMT members 2015 are estimated<sup>1</sup> to range between 0 MSEK and 14 MSEK.

### *Long term variable salary*

The maximum long term variable salary of the President and other members of the GMT (except as set forth below) shall be either 45 percent of the 2015 base salary or 750 000 SEK depending on the remit of the GMT member. Subject to justified exemptions, all members of the GMT will be obliged to purchase company shares for the full cash award net of income tax and shall retain such shares for a period of not less than two years. One member of GMT residing outside Sweden may participate in an additional long term variable salary program capped at 100 percent of the base salary every second year.

The outcome in the long term variable salary program is dependent on one criterion determined at the beginning of 2015 but measured over the full performance period 2015-2017. The criterion is total Group Operating profit from products areas for the years 2015-2017. There will not be any pay-out at all unless there is an improvement in relation to the comparable performance of the Group in 2014.

Accruals for the GMT long term incentive programs are estimated<sup>1</sup> to range between 0 MSEK below minimum level and 10,1 MSEK at maximum level depending on performance outcome.

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<sup>1</sup> Estimation made on the assumption that Group Management Team is unchanged and on an assumed exchange rate SEK vs. USD of 8.28.

**The Nominating Committee's proposal under item 14 on the Agenda of the Annual General Meeting of Swedish Match AB (publ) on April 23, 2015**

The Nominating Committee proposes that the remuneration to the members of the Board of Directors, for the period until the next Annual General Meeting, be paid according to the following.

The Chairman of the Board shall receive 1,750,000 SEK, the deputy Chairman shall receive 830,000 SEK and the other Board members elected by the Meeting shall each receive 700,000 SEK. It is further proposed that the Board, as remuneration for committee work, be allotted 250,000 SEK to each of the Chairmen of the Compensation Committee and the Audit Committee, and 125,000 SEK to each of the other members of these committees. The fees are unchanged compared to fees decided at the 2014 Annual General Meeting.

The remuneration to a board member may, subject to a specific agreement with Swedish Match AB (publ), be invoiced from a company. In order for the Swedish Match to enjoy full cost neutrality, the invoiced remuneration shall be adjusted for social security charges and value added tax.

**The Nominating Committee's proposal under item 15 on the Agenda of the Annual General Meeting of Swedish Match AB (publ) on April 23, 2015**

The Nominating Committee proposes election of the Board of Directors according to the following:

Re-election of:           Andrew Cripps  
                                  Conny Karlsson  
                                  Wenche Rolfsen  
                                  Meg Tivéus  
                                  Joakim Westh

Election of:               Charles A. Blixt  
                                  Jacqueline Hoogerbrugge

Karen Guerra and Robert Sharpe have declined re-election.

The Nominating Committee further proposes that Conny Karlsson is elected as Chairman of the Board of Directors and Andrew Cripps is elected as deputy Chairman of the Board of Directors.

All proposed Board members to be elected by the Annual General Meeting are considered to be independent in relation to the Company, the executive management and major shareholders of the Company.

Presentation of proposed Board members

**Conny Karlsson**

Born 1955. M.Sc. in Economics and Business. Chairman of the Board of Directors since 2007. Board member since 2006. Chairman of the Compensation Committee.

***Other board assignments:*** Chairman of Cederroth AB, Euroflorist AB and Zeres Capital AB.

***Previous positions:*** Chief Executive Officer, Duni AB; Marketing Director, Procter & Gamble UK; Marketing Director and Regional Director, Procter & Gamble Scandinavia; Marketing Director, Procter & Gamble E&SO.

***Own and related parties' shares:*** 30,000

**Andrew Cripps**

Born 1957. B.A. University of Cambridge. Chartered Accountant. Board member since 2006. Deputy Chairman of the Board of Directors and member of the Audit Committee.

**Other board assignments:** Non-Executive Director and Chairman of the Audit Committees of the Booker Group Plc, Stock Spirits Group Plc and 2 Sisters Food Group.

**Previous positions:** Head of Acquisitions and Head of Strategy Development, British American Tobacco Plc.; Director of Corporate Finance, Rothmans International Plc.; Managing Director, Rothmans Holdings BV; President, Ed. Laurens International SA.  
*Own and related parties' shares:* 19,200

### **Charles A. Blixt**

Born 1951, Jur. Dr. and B.A University of Illinois.

**Other board assignments:** Non-Executive Director, Targacept Inc; Non-Executive Director, Krispy Kreme Doughnuts Inc.

**Previous positions:** Interim General Counsel, Krispy Kreme Doughnuts Inc; Executive Vice President and General Counsel, Reynolds American Inc.

*Own and related parties' shares:* 0

### **Jacqueline Hoogerbrugge**

Born 1963. M.Sc. Chemical Engineering from the University of Groningen, the Netherlands. President Operations, Cloetta

**Other board assignments:** Board Member of Cederroth Intressenter AB.

**Previous positions** President Operations, Leaf International BV; Vice President Operations, Danone's Medical Nutrition Division; Vice President Procurement, Numico Baby & Medical Food, various positions in engineering, manufacturing and procurement, Unilever; and various positions in engineering and sales Fluor Daniel.

*Own and related parties' shares:* 0

### **Wenche Rolfsen**

Born 1952. M.Sc. in Pharmacy and Ph.D. in Pharmacology Uppsala University. Board member since 2013. Member of the Audit Committee.

**Other board assignments:** Chairman of the Board of Index Pharmaceuticals; Vice Chairman of Moberg Pharma; Board member of Stiftelsen Industrifonden, Apotek Produktion & Laboratorier AB (APL) and Sarsia Seed.

**Previous positions:** Vice President; Director of Quintiles Phase I, Europe, CEO, Quintiles, Scandinavia; Director, Quintiles, Sweden; Managing Director of Pharmacology, Pharmacia Upjohn, Head of Pharmacology, Pharmacia Ophthalmics; Head of Pharmacology, Pharmacia Läkemedel.

*Own and related parties' shares:* 3,180

**Meg Tivéus**

Born 1943. M.Sc. in Economics and Business. Board member since 1999.  
Chairman of the Audit Committee.

**Other board assignments:** Chairman of Folktandvården Stockholm AB, Arkitektkopia AB, Björn Axén AB and Solhagagruppen AB. Board member of Endomines AB.

**Previous positions:** President and Chief Executive Officer, Svenska Spel AB; Executive Vice President, Posten AB; Division Manager, Holmen AB; Division Manager, Åhléns AB; Director, AB Nordiska Kompaniet; Product Manager, Modo AB; Project Manager, McCann Gunther & Bäck.

*Own and related parties' shares:* 5,200

**Joakim Westh**

Born 1961. M.Sc. Royal Institute of Technology and M.Sc. Aeronautics and Astronautics MIT. Board member since 2011. Member of the Audit Committee.

**Other board assignments:** Board member of Absolent AB, SAAB AB, and CGI Group Inc.

**Previous positions:** Senior Vice President and Head of Group Function Strategy and Operational Excellence, and member of Group Management Team, Telefonaktiebolaget LM Ericsson; Group Vice President and member of the Executive Management Team, Assa Abloy AB; Chairman, Absolent AB; Partner, McKinsey & Co. Inc.

*Own and related parties' shares:* 2,500

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Additionally, the shareholders are informed that the employees' associations have, through special elections, appointed:

As members of the Board:

Kenneth Ek, PTK  
Patrik Engelbrektsson, LO  
Eva Larsson, LO

As deputy members of the Board:

Joakim Andersson, LO  
Eva Norlén-Moritz, PTK  
Gert-Inge Rang, PTK

**The Nominating Committee's proposal under items 16-18 on the Agenda of the Annual General Meeting of Swedish Match AB (publ) on April 23, 2015**

**Item 16:** The Nominating Committee proposes the number of auditors to be one and no deputy auditor.

**Item 17:** The Nominating Committee proposes that remuneration to the auditor, as previous years, be paid according to approved accounts.

**Item 18:** The Nominating Committee proposes re-election of the auditor company KPMG AB, for the period as of the end of the Annual General Meeting 2015 until the end of the Annual General Meeting 2016.