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Swedish Match®

Annual report  
2023



# ANNUAL REPORT

2023-01-01--2023-12-31

for

**Swedish Match AB (publ)**  
**556015-0756**

## **The Annual Report includes:**

## **Page**

Report Board of Directors	2
Income statement	8
Balance sheet	9
Statement of changes in equity	11
Cash flow statement	12
Notes	13

**Swedish Match AB (publ)**

556015-0756

**Development of operations, position and results****Financial overview**

<b>(MSEK)</b>	<b>2023<sup>(4)</sup></b>	<b>2022<sup>(4)</sup></b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Net sales	18	34	32	27	42
Operating income	-319	-984	-229	-248	-261
Profit or loss for financial items	-1,650	1,675	2,549	3,305	-458
Balance sheet total	32,246	35,362	35,010	34,481	35,332
Solvency <sup>(1)</sup>	33.7%	30.0%	29.5%	32.8%	31.6%
Return on equity <sup>(2)</sup>	2.4%	37.9%	42.0%	44.8%	12.2%
Return on total capital <sup>(3)</sup>	-4.9%	4.8%	7.3%	9.5%	-1.3%
Average number of employees	46	53	54	56	53

<sup>(1)</sup> Adjusted equity / Balance sheet total. Adjusted equity refers to equity + untaxed reserves less deferred tax liability.

<sup>(2)</sup> Profit for the year / Average adjusted equity

<sup>(3)</sup> (Profit after financial income and expenses + interest expenses) / Average balance sheet total

<sup>(4)</sup> As of 1 January 2023, the company applies BFAR 2012:1 Annual Report and Consolidated Financial Statements ("K3").

The comparison year 2022 has been restated in accordance with K3. Years before 2022 have not been restated. Previously, the company applied the Annual Accounts Act and RFR 2 Accounting for Legal Entities issued by the Financial Reporting Council.

**Risks and uncertainties**

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 such as regulation, currency and interest rates and IT security.

**Suppliers**

A loss of a key supplier 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**

As a tobacco company, Swedish Match is subject to special laws and regulations regarding, among other things, tobacco tax, marketing, ingredients and reporting requirements to authorities.

**Currency and interest rate risks**

The dynamic financial market conditions are constantly changing with changing exchange rates, interest rates and access to capital. 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. Higher interest rates can have a negative impact on net financial items.

**Information security risks**

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.

**Swedish Match AB (publ)**  
556015-0756

## **Sustainability information**

### **Introduction**

At the end of 2022, Swedish Match AB (publ), Corporate Identity Number 556015-0756, was acquired by Philip Morris Holland Holdings B.V., an affiliate of Philip Morris International Inc. (PMI) (677 Washington Blvd., Ste. 1100 Stamford, CT 06901, USA). The work to integrate Swedish Match into PMI's global sustainability structure, strategy and policies started in 2023, as a result of the new ownership.

As integration proceeds, in all material respects, PMI's Integrated Report, published on March 28, 2024 and accessible at [www.pmi.com/sustainability](http://www.pmi.com/sustainability), is deemed to meet the obligations set in the Annual Accounts Act, to disclose sustainability information necessary for an understanding of the company's development, position and performance and the impact of its operations, including information on issues relating to the environment, social conditions, personnel, respect for human rights and anti-corruption.

The clarifications and additions described below further complement PMI's Integrated Report.

### **Sustainability Materiality Assessment**

During 2023, PMI conducted a light refresh of their materiality assessment conducted in 2021, accounting for two meaningful developments: change in footprint (driven both by the acquisition of Swedish Match and by our announcement to enter the US in 2024 with *IQOS*) and recent regulatory developments, especially those focused on mandatory non-financial disclosures. Besides minor calibration, this internal review confirmed the outcomes of the 2021 assessment and did not result in changes to the priority ESG topics. For more information on PMI's most recent full-fledged sustainability materiality assessment, please see PMI's [2021 Sustainability Materiality Report](#). For more information on the light refresh conducted in 2023, please refer to PMI's Integrated Report.

### **Environment**

In 2023, PMI successfully integrated the greenhouse gas (GHG) inventory of Swedish Match into PMI's value chain carbon accounting. PMI's Integrated Report 2023 presents a consolidated view of both companies. For more information, please refer to PMI's Integrated Report (see in particular page 128).

**Swedish Match AB (publ)**

556015-0756

**Anticorruption**

In 2023, PMI began its Legal & Compliance integration efforts with Swedish Match to ensure that PMI's standards and requirements are also applied across Swedish Match entities. Highlights from these efforts in 2023 include the launch of the PMI Code of Conduct to Swedish Match employees globally, implementation of PMI's Whistleblower/Speaking Up Program (including the third-party-operated PMI Compliance Help Line), and the launch of key Compliance policies, including PMI's Marketing Codes and Personal Data Protection Policy, among others. Integration efforts are ongoing and will continue throughout 2024. For more information, please refer to PMI's Integrated Report (see in particular page 169).

**Employees and social conditions**

Workplace information and data for Swedish Match, which as of December 31, 2023 had approximately 7,400 employees, is not included in PMI's Integrated Report. A preliminary assessment at the start of the integration process highlights the need for joint efforts to improve diversity across the organization, especially in senior management positions. The expectation is that existing shortcomings will be addressed as the integration journey continues, thereby ensuring that PMI's diversity, equality, and inclusion strategy is implemented throughout the Swedish Match organization. The integration of Swedish Match's workforce will continue in 2024 and the expectation is to be able to publish consolidated information and data in the next integrated report.

**Swedish Match's commitment**

Until the integration is finalized, Swedish Match will uphold to its previous commitments and policies.

Swedish Match is dedicated to providing ergonomically sound workplaces, free from health and safety hazards. Specific activities, including safety trainings and wellness programs, are carried out at the operational level to ensure the physical and mental wellbeing of our employees. Furthermore, periodic inspections are conducted by an independent third party at major production facilities. These inspections assess, among other things, to what level the facilities meet Swedish Match work safety standards and determine whether there are actions required to further reduce risk. We are committed to non-discrimination in all employment practices, policies, benefits and procedures and we work diligently to make sure that all our managers and employees understand that there is zero tolerance for discrimination. Neither employees, nor potential employees, should feel that they are or could be the subject of discrimination at Swedish Match.

**Swedish Match AB (publ)**  
556015-0756**Human rights**

Swedish Match supply chain data is not included in PMI's Integrated Report. Notably, sustainable policies and practices in place prior to the acquisition continued to apply in Swedish Match's supply chain during the year. Concretely, during 2023 Swedish Match continued to ensure that our suppliers would adhere to their Supplier's Code of Conduct. More specifically, with regard to due diligence in the smoke-free tobacco supply chain, Swedish Match continues to be part of the Sustainable Tobacco Program (STP), an industry-wide initiative developed by tobacco manufacturers designed to assure standards in agricultural practices, environmental management, and key social and human rights. As integration progresses, we will work to expand PMI's existing stringent due diligence programs to Swedish Match's supply chain. Considering the complexity, wide-scale, and diversified nature of our respective supply chains, Swedish Match is expected to integrate into PMI's supply chain-related sustainability data reporting where material by 2026.

***Swedish Match's commitment***

Until the integration is finalized, Swedish Match will uphold to its previous commitments and policies.

We respect universal human rights and support internationally proclaimed human rights conventions and guidelines. We recognize the role we play in respecting these rights and in making sure that they are upheld for the people impacted by our business, in the areas from which we source materials. Elimination of child labor is the center of focus in our efforts. Swedish Match does not accept child labor anywhere in our supply chain. We respect the rights of the child, including the right to education, the right to rest and play and the right to have the child's basic needs met, in accordance with the UN Convention on the Rights of the Child.

**1. Minimum age of employment**

Swedish Match complies with the UN Convention on the Rights of the Child and ILO Convention No. 138 on the Minimum Age for Admission to Employment and Employment. The minimum age for work should not be lower than the age for completing compulsory schooling, which is generally 15 years, or 14 years in accordance with the exceptions for developing countries. Where the relevant national legislation specifies a higher age, that age shall apply.

**2. Our Supplier Code of Conduct**

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

**3. Direct material other than raw tobacco**

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

**Swedish Match AB (publ)**

556015-0756

**Appropriation of earnings**

Proposal for appropriation of profit (SEK)

At the disposal of the Annual General Meeting are the following earnings

Fair value fund	-105,130,308
Retained earnings	10,324,912,068
Profit for the year	<u>257,689,004</u>
	<b><u>10,477,470,764</u></b>

The Board of Directors proposes that:

Dividend in kind to shareholders of all shares in SM Treasury Switzerland AG with registration number CHE 237.460.710	7,944,068,168
To be carried forward,	<u>2,533,402,596</u>
	<b><u>10,477,470,764</u></b>

**The Board of Directors' statement regarding the proposed dividend distribution**

The distribution is reasonable with regard to Chapter 17, Section 3, second and third paragraphs of the Companies Act.

Regarding the company's profit and position in general, reference is made to the subsequent income statement and balance sheet, report on changes in equity, cash flow statement and notes.

All amounts are expressed in MSEK unless otherwise stated.

**Swedish Match AB (publ)**  
556015-0756

<b>INCOME STATEMENT</b>	<b>Note</b>	<b>2023-01-01 2023-12-31</b>	<b>2022-01-01 2022-12-31</b>
Net sales	3	<u>18</u>	<u>34</u>
<b>Gross profit</b>		<b>18</b>	<b>34</b>
Administrative expenses		-340	-1,048
Other operating income	4	4	43
Other operating expenses	8	<u>-1</u>	<u>-13</u>
<b>Operating income</b>	<b>5,6,7</b>	<b>-319</b>	<b>-984</b>
<b>Results from financial investments</b>			
Profit from participations in Group companies	9	-852	3,045
Other interest income and similar income	10	5	0
Interest costs and similar costs	11	<u>-484</u>	<u>-386</u>
<b>Profit after financial items</b>		<b>-1,650</b>	<b>1,675</b>
<b>Appropriations</b>			
Group contribution received	12	2,267	2,642
Group contributions granted		-41	-2
Change in tax allocation reserve		-25	-90
Change in excess depreciation		<u>0</u>	<u>0</u>
<b>Profit before tax</b>		<b>551</b>	<b>4,224</b>
Tax on profit for the year	13	-294	-254
<b>PROFIT FOR THE YEAR</b>		<b>258</b>	<b>3,971</b>



**Swedish Match AB (publ)**  
556015-0756

<b>BALANCE SHEET</b>	<b>Note</b>	<b>2023-12-31</b>	<b>2022-12-31</b>
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Tangible assets</b>			
Property, plant and equipment	14	0	0
		<b>0</b>	<b>0</b>
<b>Financial fixed assets</b>			
Shares in Group companies	15	28,507	30,857
Deferred tax asset	16	80	86
Other long-term receivables	17,18	681	1,125
		<b>29,268</b>	<b>32,068</b>
<b>Total fixed assets</b>		<b>29,268</b>	<b>32,068</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Receivables from Group companies		2,267	2,659
Current tax assets		96	141
Other receivables		572	467
Deferred expenses and accrued income	19	38	27
		<b>2,973</b>	<b>3,294</b>
<b>Cash and bank</b>		<b>5</b>	<b>0</b>
<b>Total current assets</b>		<b>2,977</b>	<b>3,294</b>
<b>TOTAL ASSETS</b>		<b>32,246</b>	<b>35,362</b>

Swedish Match AB (publ)  
556015-0756

<b>BALANCE SHEET</b>	<b>Note</b>	<b>2023-12-31</b>	<b>2022-12-31</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital	20	390	390
		<b>390</b>	<b>390</b>
<b>Unrestricted equity</b>			
Fair value fund	21	-105	-163
Retained earnings		10,325	6,354
Profit for the year		258	3,971
		<b>10,477</b>	<b>10,162</b>
<b>Total equity</b>		<b>10,867</b>	<b>10,552</b>
<b>Untaxed reserves</b>	22	<b>3,080</b>	<b>3,055</b>
<b>Provisions</b>			
Provisions for pensions and similar obligations	23	175	156
Other provisions	23	24	0
		<b>199</b>	<b>156</b>
<b>Long-term liabilities</b>	24		
Bond loans		9,622	13,060
		<b>9,622</b>	<b>13,060</b>
<b>Current liabilities</b>			
Bond loans		3,311	2,381
Accounts payable		18	9
Liabilities to Group companies		4,938	5,726
Other current liabilities		2	15
Accrued expenses and deferred income	25	209	408
		<b>8,477</b>	<b>8,540</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>32,246</b>	<b>35,362</b>

Swedish Match AB (publ)  
556015-0756

## STATEMENT OF CHANGES IN EQUITY

(MSEK)

	<i>Restricted equity</i>		<i>Unrestricted equity</i>		<b>Total equity</b>
	Share capital	Fair value fund	Retained earnings	Profit for the year	
<b>Opening balance as of January 1, 2022</b>	<b>390</b>	<b>-42</b>	<b>5,390</b>	<b>4,543</b>	<b>10,280</b>
Appropriation of the previous year's profit			4,543	-4,543	–
Profit for the year		-121		3,971	3,850
Dividends			-2,829		-2,829
Repurchase of own shares			-750		-750
Allocation to unrestricted reserve through cancellation of own shares	-14		14		–
Bonus issue	14		-14		–
<b>Closing balance as of December 31, 2022</b>	<b>390</b>	<b>-163</b>	<b>6,354</b>	<b>3,971</b>	<b>10,552</b>
	<i>Restricted equity</i>		<i>Unrestricted equity</i>		<b>Total equity</b>
	Share capital	Fair value fund	Retained earnings	Profit for the year	
<b>Opening balance as of January 1, 2023</b>	<b>390</b>	<b>-163</b>	<b>6,354</b>	<b>3,971</b>	<b>10,552</b>
Appropriation of the previous year's profit			3,971	-3,971	–
Profit for the year		58		258	316
<b>Closing balance as of December 31, 2023</b>	<b>390</b>	<b>-105</b>	<b>10,325</b>	<b>258</b>	<b>10,867</b>

Swedish Match AB (publ)  
556015-0756

## CASH FLOW STATEMENT

(MSEK)

	Note	2023-01-01 2023-12-31	2022-01-01 2022-12-31
<b>Ongoing operations</b>			
Operating income		-319	-984
Adjustments for items that are not included in the cash flow:			
Accrual derivatives		14	0
Change in accrued interest		451	-8
Change in endowment insurance		-141	-
Dividends received		-	3,045
Interest paid		-479	-386
Income tax paid		-257	-370
<b>Cash flow from operating activities before changes in working capital</b>		<b>-731</b>	<b>1,297</b>
<b>Cash flow from changes in working capital</b>			
Decrease(+)/increase(-) in trade receivables		15	-5
Decrease(+)/increase(-) of other current receivables		-144	28
Decrease(-)/increase(+) accounts payable		29	-2
Decrease(-)/increase(+) in other current liabilities		-29	173
<b>Cash flow from operating activities</b>		<b>-860</b>	<b>1,491</b>
<b>Investing activities</b>			
Sale of subsidiaries	15	1,500	-
Shareholder contribution paid	15	-2	-
<b>Cash flow from investing activities</b>		<b>1,498</b>	<b>0</b>
<b>Financing activities</b>			
Borrowings		-	197
Group contributions, received		2,642	3,140
Amortization of loans		-2,451	-945
Realized exchange rate, loans		23	-
Group contribution, granted		-2	-494
Dividends paid		-	-2,829
Repurchase of own shares		-	-750
Changes in financial receivables/liabilities Group companies		-846	81
Other		-	1
<b>Cash flow from financing activities</b>		<b>-634</b>	<b>-1,599</b>
<b>Cash flow for the year</b>		<b>5</b>	<b>-109</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>0</b>	<b>109</b>
<b>Cash and cash equivalents at end of year</b>	26	<b>5</b>	<b>0</b>

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556015-0756

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**NOTES**

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**Note 1 Accounting policies**

The Annual Report has been prepared in accordance with the Annual Accounts Act and the Swedish Accounting Standards Board's general guidelines BFAR 2012:1 Annual Report and Consolidated Financial Statements (K3).

*K3 applied for the first time*

This is the first year the company has applied K3 and the transition date to K3 has been set to January 1, 2023. The company previously applied RFR 2 Accounting for legal entity issued by the Financial Reporting Council.

At the transition to K3, the regulations of Chapter 35 First Application of this General Advice have been applied, which require companies to apply K3 retroactively. This means that the comparative figures for 2022 have been restated according to K3. However, there are a number of voluntary and mandatory exceptions to this general rule, which are intended to facilitate the transition to K3. Swedish Match AB (publ) has chosen not to apply any voluntary exemptions.

**Revenue**

Income is recognized when the economic benefits associated with the transaction are likely to accrue to the entity and when the income can be reliably calculated.

Swedish Match revenues consist of net sales, which relate to services to Group companies, and financial income, which mainly relates to dividends and group contributions received from subsidiaries.

Interest income is reported distributed over the maturity using the effective interest method. The effective interest rate is the interest rate that means that the present value of all future payments during the fixed interest period will be equal to the carrying amount of the receivable.

Dividends are recognized when the right to receive dividends is deemed certain and can be reliably calculated.

**Leases**

All leases are reported in accordance with the rules for operating leases.

*Operating leases*

Lease payments under operating leases, including increased first-time rent but excluding expenses for services such as insurance and maintenance, are reported as costs on a straight-line basis over the lease period.

**Foreign currency**

The company's accounting currency is Swedish Krona (SEK).

*Translation of items in foreign currency*

Monetary items in foreign currency are converted at the exchange rate of the balance sheet date. Non-monetary items are not restated but are reported at the exchange rate at the time of acquisition.

Exchange differences arising from the adjustment or translation of monetary items are recognized in the income statement in the financial year in which they arise.

**Swedish Match AB (publ)**

556015-0756

**Employee benefits**

Compensation to employees in the form of salaries, bonuses, paid holidays, paid sick leave, etc., as well as pensions are reported in line with accrual. As regards pensions and other benefits after termination of employment, these are classified as defined contribution or defined benefit pension plans.

In the case of defined contribution plans, fixed contributions are paid to another company, normally an insurance company, and the company no longer has any obligation to the employee once the contribution has been paid. The amount of the employee's compensation after the end of the employment relationship depends on the fees paid and the return on capital that the fees provide.

In the case of defined benefit plans, the company has an obligation to provide the agreed remuneration to current and former employees. In all material respects, the company bears the risk that the remuneration will be higher than expected (actuarial risk) and the risk that the return on the assets deviates from expectations (investment risk). Investment risk exists even if the assets have been transferred to another company.

*Defined contribution plans*

The fees for defined contribution plans are reported as costs. Unpaid fees are reported as debts.

*Defined benefit plans*

*The company has chosen to apply the simplification rules contained in BFNAR 2012:1.*

*Plans for which pension premiums are paid are reported as defined-contribution plans, which means that the contributions are expensed in the income statement (BFNAR 2012:1 Chapter 28.18).*

In cases where the pension obligations are solely dependent on the value of an owned asset, the pension obligation is reported as a provision corresponding to the carrying amount of the asset (BFNAR 2012:1 Chapter 28.21).

**Group contributions and shareholder contributions**

Group contributions received/granted are reported as a year-end appropriation in the income statement. The group contribution received/granted has affected the company's current tax.

Shareholder contributions granted without issued shares or other equity instruments being received in exchange are recognized in the balance sheet as an increase in the carrying amount of the share.

Shareholder contributions received without issued shares or other equity instruments being exchanged are recognized directly in equity.

**Income taxes**

Tax on profit for the year in the income statement consists of current tax and deferred tax. The tax in question is income tax for the current financial year, which refers to the year's taxable profit and the part of the previous financial year's income tax that has not yet been reported. Deferred tax is income tax on taxable profit for future financial years resulting from past transactions or events.

*Current tax*

Current tax is calculated on the taxable profit for the period. Taxable profit differs from the reported profit in the income statement as it has been adjusted for non-taxable income and non-deductible expenses as well as for income and expenses that are taxable or deductible in other periods. The current tax liability is calculated according to the tax rates that apply as of the balance sheet date.

*Deferred tax*

Deferred tax liability is recognized for all taxable temporary differences, however, deferred tax attributable to untaxed reserves is not reported separately because untaxed reserves are recognized as a separate item in the balance sheet. Deferred tax assets are reported for deductible temporary differences and for the possibility of using tax loss carry-forwards in the future. The valuation is based on how the carrying amount of the corresponding asset or liability is expected to be recovered or regulated. The amounts are based on the tax rates and tax rules decided on the balance sheet date and have not been calculated at present value.

**Swedish Match AB (publ)**

556015-0756

**Tangible assets**

Tangible assets are recognized at cost less accumulated depreciation and impairment. In addition to the purchase price, the acquisition cost also includes expenses directly related to the acquisition.

Additional expenses that meet the asset criterion are included in the asset's carrying amount. Expenses for ongoing maintenance and repairs are reported as costs when they arise.

Depreciation occurs on a straight-line basis over the asset's estimated useful life, as it reflects the expected consumption of the asset's future economic benefits. Depreciation is recognized as an expense in the income statement.

	<i>Useful life</i>
Inventory, tools and installations	5 years

**Write-downs of tangible assets and participations in Group companies**

At each balance sheet date, it is assessed whether there is any indication that an asset's value is lower than its carrying amount. If such an indication is present, the recoverable value of the asset is calculated.

The recoverable value is the highest of fair value less sales costs and value in use. When calculating the value in use, the present value is calculated of the future cash flows that the asset is expected to give rise to in the operating activities and when it is divested or scrapped. The discount rate used is pre-tax and reflects market-based assessments of the time value of money and the risks associated with the asset. A previous write-down is reversed only if the reasons on the basis for which the recovery value was calculated at the time of the last write-down have changed.

**Shares in Group companies**

Participations in subsidiaries are recognized at acquisition value less accumulated impairment charges. In addition to the purchase price, the acquisition cost also includes expenses directly related to the acquisition.

**Provisions**

A provision is recognized in the balance sheet when the company has a legal or informal obligation as a result of an event that has occurred and it is likely that an outflow of resources is required to settle the obligation and a reliable estimate of the amount can be made.

At the first time of recognition, provisions are valued at the best estimate of the amount that will be required to settle the obligation on the balance sheet date. The provisions are reassessed every balance sheet date.

***Restructuring reserve***

A provision for business restructuring is recognized when the company has to complete the restructuring as a result of a legal or informal obligation, which means that the company has a defined and detailed restructuring plan and those affected have a well-founded belief that the restructuring will be carried out.

**Contingent liabilities**

A contingent liability is:

- A potential liability which, as a result of events that have occurred and the existence of which will only be confirmed by one or more uncertain future events, which are not entirely within the control of the company, occurs or does not materialize, or
- An existing liability resulting from events that have occurred, but which is not recognized as a liability or provision because it is not likely that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be calculated with sufficient reliability.

Contingent liabilities is a summary term for such guarantees, financial commitments and any liabilities that are not included in the balance sheet.

## Financial instruments

The Company has chosen to value financial instruments at fair value and apply accounting in accordance with the rules in Chapter 12 of K3.

A financial asset or financial liability is recognized on the balance sheet when the company becomes a party to the contractual terms and conditions of the financial instrument. A financial asset, or part of a financial asset, is booked off the balance sheet when the contractual right to the cash flow from the asset expires, is settled, or when the company loses control of it. A financial liability, or part of a financial liability, is booked off the balance sheet when the agreed obligation is fulfilled or otherwise terminated.

Financial assets and financial liabilities that are not measured at fair value in the income statement at the time of the subsequent accounting are recognized at fair value in the initial accounting with the addition and deduction of transaction costs.

Financial assets and financial liabilities that are measured at fair value in the subsequent accounting through the income statement are recognized at fair value in the initial recognition. Any transaction costs are recognized directly in the income statement.

In the subsequent financial statements, financial instruments are valued at amortized cost or at fair value, depending on the initial categorization.

For the purposes of initial accounting, a financial instrument is classified into one of the following categories:

- a) Financial assets and liabilities held for trading
- b) Loan receivables and trade receivables
- c) Investments held to maturity
- d) Financial assets that can be sold
- e) Other financial liabilities
- f) Derivatives in hedge accounting

### *Fair value of financial instruments*

The fair value of financial assets and liabilities is determined as follows:

- The fair value of financial assets and liabilities traded on an active market is determined by reference to the quoted market price.
- The fair value of other financial assets and liabilities is determined according to generally accepted valuation models such as discounting future cash flows and using information derived from current market transactions.
- For all financial assets and liabilities, the carrying amount is considered to be a good approximation of its fair value, unless otherwise specifically stated in the subsequent notes.

### *Amortized cost*

Amortized cost means the amount to which the asset or liability was recognized less amortization, additions or deductions for accumulated accruals according to the effective interest method of the initial difference between the amount received/paid and the amount to be paid/received at maturity and less impairment losses.

The effective interest rate is the interest rate that, when discounting all future expected cash flows over the expected maturity, results in the initially carrying amount of the financial asset or financial liability.

### *Cash and cash equivalents*

Cash and cash equivalents include cash and cash equivalents, bank deposits, and short-term liquid investments that can be easily converted into a known amount and are exposed to a negligible risk of changes in value. In order to be classified as cash and cash equivalents, the maturity must not exceed three months from the date of acquisition. Cash and bank balances are categorized as "Loan receivables and trade receivables", which means valuation at amortized cost. Due to the fact that bank funds are payable on demand, the amortized acquisition value corresponds to the nominal amount.

### *Accounts receivable*

Trade receivables are categorized as "Loan receivables and trade receivables", which means valuation at amortized cost. However, the expected maturity of trade receivables is short, which is why recognition is made at a nominal amount without discounting. Deductions are made for receivables that have been assessed as uncertain. Write-downs of trade receivables are recognized in operating expenses.

### *Accounts payable*

Trade payables are categorized as "Other financial liabilities", which means valuation at amortized cost. However, the expected maturity of the trade payables is short, which is why the debt is reported at a nominal amount without discounting.

### *Liabilities to credit institutions and other loan liabilities*

Interest-bearing bank loans, overdraft facilities and other loans are categorized as "Other financial liabilities" and are valued at amortized cost according to the effective interest rate method. Any differences between the amount of the loan received (net of transaction costs) and the repayment or amortization of loans are recognized over the life of the loans.



*Derivative instruments in hedge accounting*

The derivative instruments used are currency interest rate swaps, where derivative instruments are used to manage the currency risk when financing in foreign currency to SEK. For these transactions, hedge accounting is applied according to cash flow hedging. The derivative is recognized at fair value in the balance sheet. Unrealized changes in value, which are determined by market prices, and which correspond to an unrecognized change in the fair value of the hedged item, are recognized to the extent that they are highly effective in equity in the fair value fund.

Hedge accounting ceases when the hedging instrument matures, is sold, liquidated, or redeemed, and when the conditions are no longer met. The changes in value recognized in the fair value reserve will remain until the forecasted transaction affects the income statement or is no longer expected to occur. After that, the changes in value are transferred to the income statement.

For further information on hedge accounting, see *Note 18, Derivatives and Financial Instruments* .

*Impairment testing for financial assets*

At each balance sheet date, the company evaluates whether there are objective indications that a financial asset or group of financial assets, in addition to those assets that are measured at fair value through profit or loss, needs to be written down. Examples of such indications are significant financial difficulties on the part of the borrower, breach of contract or that it is likely that the borrower will go bankrupt.

An impairment of a financial asset measured at amortized cost is calculated as the difference between the asset's carrying amount and the present value of management's best estimate of future cash flows discounted by the asset's original effective interest rate.

**Note 2 Estimates and assessments**

In order to prepare financial reports in accordance with the Annual Accounts Act and the general guidelines of the Swedish Accounting Standards Board estimates, assessments and assumptions must be made that affect the reported amounts and consequently the actual outcome may deviate from estimates made.

**Shares in Group companies**

The impairment requirement for participations in Group companies is tested when there are signs of impairment.

Swedish Match AB (publ)  
556015-0756

### Note 3 Distribution of net sales

Net sales by business line	2023	2022
Services to Group companies	18	34
<b>Sum</b>	<b>18</b>	<b>34</b>

  

Net sales by geographic market	2023	2022
Sweden	5	23
United States	12	11
Other countries	1	0
<b>Sum</b>	<b>18</b>	<b>34</b>

### Note 4 Other operating income

Other operating income mainly refers to foreign exchange gains.

### Note 5 Disclosure of remuneration to the auditor

	2023	2022
Öhrlings PricewaterhouseCoopers AB Audit assignments	4	–
Deloitte AB Audit assignment	–	1
<b>Sum</b>	<b>4</b>	<b>1</b>

Audit engagement refers to the auditor's remuneration for the statutory audit. The work includes the review of the annual report and accounting, the administration of the Board of Directors and the CEO, as well as fees for audit advice provided in connection with the audit assignment.

### Note 6 Employees and personnel costs

Average number of employees	2023	Of whom men, %	2022	Of whom men, %
Number of employees	46		53	
Of which men	25	54%	29	55%

  

Reporting on gender distribution in management	2023	2022
	Proportion of women	Proportion of women
Board members	0%	30%
Other Senior Executives	0%	25%

  

Salaries and other allowances and social costs, including pension costs	2023	2022
Salaries and benefits	102	119
Social costs	40	58
<sup>1)</sup> Of which pension costs	(22)	(18)

<sup>1)</sup> Of the company's pension costs, MSEK 3 (7) relate to the Board of Directors and the CEO.

### Remuneration to the company management

The company management consists of the Chairman of the Board and other Board members. The Board of Directors, in turn, appoints the CEO. No Board fees are paid to Board members employed by the PMI Group. Board fees are paid for external Board members. The CEO's remuneration includes variable salary for short-term and long-term incentive programs.

Total remuneration to the 3 (14) senior executives, including the members of the Board of Directors, amounts to MSEK 29 (61) in 2023.

### Other terms of employment

Between the company and the CEO, there is a mutual notice period of a maximum of 6 months. Severance pay will be paid in an amount corresponding to a maximum of 18 months' fixed salary if the company terminates the employment contract.

**Swedish Match AB (publ)**  
556015-0756

**Note 7 Leasing agreements**

**Operating leases - lessee**

The company is a lessee through operational lease agreements for the rental of office space and storage rooms. The sum of the year's expensed lease payments for operating leases amounts to MSEK 31 (27). Future minimum lease payments for non-terminable operating leases are due as follows:

Due date:	2023	2022
Within a year	28	25
Later than one year but within five years	0	0
<b>Sum</b>	<b>28</b>	<b>25</b>

Some parts of the leased premises are sublet to one of Swedish Match AB (publ) subsidiaries. Rental income in 2023 for the parts sublet to the subsidiary amounted to MSEK 21 (23).

**Note 8 Other operating expenses**

	2023	2022
Exchange differences	-1	-3
Write-down of operating receivables	0	-10
<b>Sum</b>	<b>-1</b>	<b>-13</b>

**Note 9 Profit from participations in Group companies**

	2023	2022
Dividend	-	3,045
Profit from the sale of shares	-850	-
Impairment losses	-2	-
<b>Sum</b>	<b>-852</b>	<b>3,045</b>

**Note 10 Other interest income and similar income**

	2023	2022
Interest income	3	0
Exchange Differences	2	0
<b>Sum</b>	<b>5</b>	<b>0</b>

**Note 11 Interest expenses and similar expenses**

	2023	2022
Interest expenses	-271	-302
Interest expenses, Group companies	-192	-75
Other	-21	-9
<b>Sum</b>	<b>-484</b>	<b>-386</b>

Swedish Match AB (publ)  
556015-0756

**Note 12 Appropriations**

	<b>2023</b>	<b>2022</b>
Group contribution, received	2,267	2,642
Group contributions, granted	-41	-2
Change in tax allocation reserve	-25	-90
<b>Sum</b>	<b>2,201</b>	<b>2,550</b>

**Note 13 Tax on profit for the year**

	<b>2023</b>	<b>2022</b>
Current tax	-302	-257
Deferred tax	9	3
<b>Tax on profit for the year</b>	<b>-294</b>	<b>-254</b>

**Reconciliation of tax expense for the year**

	<b>2023</b>	<b>2022</b>
Reported profit before tax	551	4,224
Tax calculated at tax rate 20.6%	-114	-870
Tax effect of non-deductible expenses	-179	-4
Tax effect of non-taxable income	2	0
Non-taxable dividends	-	627
Effect of the change in tax rate	-1	-4
Flat rate on tax allocation reserve	-3	-3
<b>Sum</b>	<b>-294</b>	<b>-254</b>
<b>Reported tax expense for the year</b>	<b>-294</b>	<b>-254</b>

Deferred tax reported directly against equity amounts to MSEK -15 (31) and refers to the effective share of changes in the fair value of cash flow hedges.

**Note 14 Property, plant and equipment**

	<b>2023-12-31</b>	<b>2022-12-31</b>
Opening acquisition value	0	0
<b>Closing accumulated cost</b>	<b>0</b>	<b>0</b>
Opening depreciation	0	0
Depreciation for the year	0	0
<b>Closing accumulated depreciation</b>	<b>0</b>	<b>0</b>
<b>Closing carrying amount</b>	<b>0</b>	<b>0</b>

Swedish Match AB (publ)  
556015-0756

**Note 15 Participations in Group companies**

	2023-12-31	2022-12-31
Opening acquisition value	55,264	55,264
Divestment of SMD Logistics AB <sup>1)</sup>	-2,350	0
Shareholder contributions, granted	<u>2</u>	<u>0</u>
<b>Closing accumulated cost</b>	<b>52,916</b>	<b>55,264</b>
Opening impairment charges	-24,407	-24,407
Impairment losses for the year	<u>-2</u>	<u>0</u>
<b>Closing accumulated impairment charges</b>	<b>-24,409</b>	<b>-24,407</b>
<b>Closing carrying amount</b>	<b>28,507</b>	<b>30,857</b>

<sup>1)</sup> The sale of SMD Logistics AB took place on June 30, 2023.

**The company's holdings of shares in Group companies**

Company name	Voting rights and equity	Number of shares	Carrying amount	
			2023-12-31	2022-12-31
Swedish Match North Europe AB	100%	1,000	16,689	16,689
SMD Logistics AB	–	–	–	2,350
Svenska Tändsticksbolaget Försäljningsaktiebolaget	100%	34,403,000	8,949	8,949
Swedish Match Holding AB	100%	2,000	14	14
Swedish Match Industries AB	100%	30,853	95	95
Svenskt Snus AB	100%	1,000	1	1
Swedish Match US	100%	96,000	0	0
Svenska Tändsticks AB	100%	1,000	0	0
Svenska Tobaks AB	100%	100,000	0	0
Swedish Match Cigars Holding Inc	100%	1,000	1,739	1,739
Swedish Match USA, Inc	100%	1,000	849	849
Swedish Match Dominicana S.A.S.	99.99%	9,249,907	171	171
Swedish Match Distribution A/S	100%	500	0	0
SA Allumettiére Causemille <sup>1)</sup>	100%	10,000	0	0
The Burma Match Co., Ltd <sup>2)</sup>	100%	300,000	0	0
Vulcan Trading Co., Ltd. <sup>3)</sup>	100%	4,000	0	0
<b>Sum</b>			<b>28,507</b>	<b>30,857</b>

Company name	Org.nr	Seat
Swedish Match North Europe AB	556571-6924	Stockholm, Sweden
SMD Logistics AB	556571-7039	Stockholm, Sweden
Svenska Tändsticksbolaget Försäljningsaktiebolaget	556012-2730	Stockholm, Sweden
Swedish Match Holding AB	556367-1253	Stockholm, Sweden
Swedish Match Industries AB	556005-0253	Tidaholm, Sweden
Svenskt Snus AB	556367-1261	Stockholm, Sweden
Swedish Match US	556013-4412	Stockholm, Sweden
Svenska Tändsticks AB	556105-2506	Stockholm, Sweden
Svenska Tobaks AB	556680-3028	Stockholm, Sweden
Swedish Match Cigars Holding Inc	81-0733029	United States
Swedish Match USA, Inc	62-1257378	United States
Swedish Match Dominicana S.A.S.	55338STI	Dominican Republic
Swedish Match Distribution A/S	930567647	Norway
SA Allumettiére Causemille <sup>1)</sup>		Algeria
The Burma Match Co., Ltd. <sup>2)</sup>		Myanmar
Vulcan Trading Co., Ltd. <sup>3)</sup>		Myanmar

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

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

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

Swedish Match AB (publ)  
556015-0756

**Note 16 Deferred tax assets and deferred tax liabilities**

	2023-12-31	2022-12-31
<b>Deferred tax asset</b>		
Hedging reserve	27	42
Provisions	52	44
<b>Total deferred tax assets</b>	<b>80</b>	<b>86</b>

Deferred tax assets are valued at no more than the amount that is likely to be recovered based on current and future taxable results. Deferred tax assets relate to deferred tax on hedging reserves of MSEK 27 (42) and provisions of MSEK 52 (44).

The tax rate for calculating deferred tax is 20.6% (20.6).

**Note 17 Other long-term receivables**

	2023-12-31	2022-12-31
Opening cost	1,141	806
Additional receivables	33	25
Settled receivables	-6	-1
Reclassifications of derivatives	-471	311
<b>Closing accumulated cost</b>	<b>697</b>	<b>1,141</b>
Opening impairment charges	-16	-6
Impairment losses for the year	0	-10
<b>Closing accumulated impairment charges</b>	<b>-16</b>	<b>-16</b>
<b>Closing carrying amount</b>	<b>681</b>	<b>1,125</b>

**Note 18 Derivatives and financial instruments**

The Company holds derivative instruments to eliminate fluctuations in currencies in future cash flows to which it is exposed through its EUR and USD debt financing, issued under the Global EMTN program. As of December 31, the outstanding nominal amount of the loans was MSEK 12,931. The loans are fixed-rate, as the goal is to have a steady and predictable interest cost, but cash flows are affected by changes in market interest rates and exchange rates. Average interest rates on outstanding bonds (including derivatives) on 31 December 2023 were 2.0 (2.1). The average fixed interest rate on the company's loans was 2.2 years (2.7 years), taking into account currency interest rate swaps. The interest maturity structure was as follows:

Year	Amount	Average interest rate
2024	3,311	2.1
2025	3,324	2.0
2026	2,197	2.0
2027	3,311	1.8
2028	490	4.4
2029	300	2.2
Total	<b>12,933</b>	<b>2.0</b>

Derivatives used to convert liabilities in EUR and USD to Swedish krona are currency interest rate swaps and hedge accounting in accordance with the cash flow hedging technique is applied. The nominal amount of the derivatives affecting the company's income statement and balance sheet amounted to MSEK 9,341. There are no terms and conditions in these transactions that could cause material differences in the hedging relationship between these derivatives and the underlying liabilities and affect cash flow. No other exposure is hedged.

Changes in fair value from revaluation of derivatives included in cash flow hedging that are considered effective are recognized in the fair value fund, and any inefficient elements are recognized directly in the income statement. Changes in value reported under the fair value reserve item remain until the forecasted transaction affects the income statement, at which point they are transferred to the income statement. If the forecasted transaction is no longer expected to occur, and hedge accounting is therefore discontinued, any gains and losses are recognized in the income statement.

Swedish Match AB (publ)  
556015-0756

**Currency interest rate swaps in cash flow hedges reported in the Fair Value Fund**

	<u>2023-12-31</u>	<u>2022-12-31</u>
Opening fair value	-205	-53
Change in fair value for the year	-504	850
Reported in profit and loss	<u>577</u>	<u>-1,002</u>
Closing fair value	-132	-205

**Maturity profile of interest payments on derivatives subject to cash flow hedging**

	2024	2025	2026	2027	2028
Fixed interest payments in SEK	-189	-130	-72	-72	-15

Transactions in derivatives may only be made in counterparties with a high credit rating, and in order to limit credit risks on receivables related to banks, Swedish Match has entered into netting agreements with its counterparties. As of December 31, 2023, the credit exposure in derivative instruments amounted to MSEK 932.

Swedish Match applies chap. 12 to classify and value financial instruments. The table below shows the book value and fair value by category of financial instruments. Derivatives related to cash flow hedges are reported at fair value in the Fair Value Fund. When assessing the fair value of these derivatives, different methods are used to make assumptions based on market conditions at each reporting time.

Quoted market prices or dealer quotes for identical or similar instruments are used. Items that are not measured at fair value are recognized at amortized cost.

**Carrying amount and actual by category of financial instruments**

	<u>2023-12-31</u>	<u>2022-12-31</u>
<b>Financial assets</b>		
Fair value via fair value fund		
<i>Currency interest rate swaps (broken down by:)</i>		
EUR	811	829
USD	152	182
CHF	-	451
<b>Total currency interest rate swaps</b>	<b>963</b>	<b>1,462</b>
Amortized cost		
<i>Loan receivables and trade receivables - cash and cash equivalents</i>	5	-
<i>Loan receivables and trade receivables from Group companies</i>	2,267	2,659
<b>Total financial assets</b>	<b>3,235</b>	<b>4,121</b>
<b>Financial liabilities</b>		
Amortized cost		
<i>Other financial liabilities - bond loans</i>	12,933	15,441
<i>Other financial liabilities - supplier liabilities</i>	18	9
<i>Other financial liabilities of Group companies</i>	4,938	5,726
<b>Total financial liabilities</b>	<b>17,889</b>	<b>21,176</b>

**Note 19 Deferred expenses and accrued income**

	2023-12-31	2022-12-31
Prepaid rents	8	7
Accrued interest income	3	4
Other items	27	16
<b>Sum</b>	<b>38</b>	<b>27</b>

**Note 20 Share capital**

The share capital consists of 1,520,714,190 number of Class A shares with a quota value of SEK 0.2561.

Swedish Match AB (publ)  
556015-0756

**Note 21 Fair value fund**

	2023-12-31	2022-12-31
Opening balance at the beginning of the financial year	-163	-42
Effective share of changes in fair value of cash flow hedges	73	-152
Tax	-15	31
<b>Closing balance at the end of the financial year</b>	<b>-105</b>	<b>-163</b>

**Note 22 Untaxed reserves**

	2023-12-31	2022-12-31
Tax allocation reserve 2018	–	450
Tax allocation reserve 2019	570	570
Tax allocation reserve 2020	600	600
Tax allocation reserve 2021	475	475
Tax allocation reserve 2022	550	550
Tax allocation reserve 2023	410	410
Tax allocation reserve 2024	475	–
<b>Sum</b>	<b>3,080</b>	<b>3,055</b>

**Note 23 Other provisions**

2023-12-31	Pension obligations	Postponed compensation	Sum
Opening balance at the beginning of the financial year	156	–	156
Additional provisions	27	24	51
Amounts claimed	-2	–	-2
Reversal of unused amounts	-5	–	-5
<b>At the end of the year</b>	<b>175</b>	<b>24</b>	<b>199</b>

2022-12-31	Pension obligations	Deferred compensation	Sum
Opening balance at the beginning of the financial year	139	–	139
Additional provisions	17	–	17
Amounts claimed	-1	–	-1
Reversal of unused amounts	0	–	0
Reclassification to accrued costs	-	–	0
<b>At the end of the year</b>	<b>156</b>	<b>-</b>	<b>156</b>

Pension commitments related to provisions for pension obligations secured by endowment insurance and provisions for defined benefit pension obligations.

**Note 24 Long-term liabilities**

	2023-12-31	2022-12-31
Long-term liabilities falling due later than five years after the balance sheet date:		
Bond loans	300	816
<b>Sum</b>	<b>300</b>	<b>816</b>

Bonds issued under the GMTN program and maturing later than five years after the balance sheet date amounted to MSEK 300 (816). For bonds issued in foreign currency, currency interest rate swaps are used to convert loans into SEK.



**Swedish Match AB (publ)**  
556015-0756

**Note 25 Accrued expenses and deferred income**

	2023-12-31	2022-12-31
Accrued holiday pay	3	3
Accrued social security contributions	18	13
Accrued incentive programs, including social security contributions	55	35
Accrued interest expenses	128	158
Other items	5	198
<b>Sum</b>	<b>209</b>	<b>408</b>

**Note 26 Cash and cash equivalents in cash flow**

	2023-12-31	2022-12-31
Cash	5	0
<b>Sum</b>	<b>5</b>	<b>0</b>

**Note 27 Pledged collateral and contingent liabilities**

	2023-12-31	2022-12-31
<b>Collateral</b> provided (for own liabilities and provisions)		
Pension obligations	141	114
<b>Sum</b>	<b>141</b>	<b>114</b>
<b>Contingent liabilities</b>		
Guarantees on behalf of subsidiaries	187	195
<b>Sum</b>	<b>187</b>	<b>195</b>

**Note 28 Information on related parties**

The Company is under the control of Philip Morris International Inc., org.nr 13-3435103 and exercises control over owned subsidiaries according to Note 15. Transactions between the company and its related parties have taken place on a market basis.

**Note 29 Events after the balance sheet date**

In June 2024, a dividend in kind was received, from Svenska Tändsticksbolaget Försäljningsaktiebolag, containing of all shares in SM Treasury Switzerland AG with reg number CHE 237.460.710.

**Note 30 Transition to K3**

Swedish Match AB (publ) has previously applied the Annual Accounts Act and RFR 2 Accounting for Legal Entities issued by the Financial Reporting Board. As of January 1, 2023, Swedish Match AB (publ) prepares its Annual Report in accordance with BFNAR 2012:1 *Annual Report and Consolidated Financial Statements* ("K3").

The transition date to K3 has been set for 1 January 2023. The transition to K3 is reported in accordance with Chapter 35 *The first time this general advice is applied*. The main rule in Chapter 35 of K3 requires that a company applies all the advice retroactively when determining the opening balance. However, there are certain mandatory and optional exceptions to the retroactive application. Swedish Match AB (publ) has chosen not to apply any voluntary exemptions.

What has affected the reporting is:

- endowment insurance, included in Other long-term receivables, see Note 17 and provisions for pensions and similar obligations, see Note 23. The comparative figures from the previous year have been updated with the change where only special payroll tax was included as a provision in accordance with the application according to RFR 2. The transition to BFNAR 2012:1 Annual Report and Consolidated Financial Statements ("K3") has not resulted in any transactions that have been reported directly against equity.

**Swedish Match AB (publ)**  
556015-0756

**Note 31 Group information**

The company that is the parent company of a group of subsidiaries according to Note 16 does not prepare consolidated accounts with reference to Chapter 7, Section 2 of the Annual Accounts Act. The consolidated financial statements can be obtained from the parent company Philip Morris International Inc. (USA) at the following address: Philip Morris International Inc., 677 Washington Blvd., Ste. 1100, Stamford, CT 06901, USA.

**Stockholm on June 27, 2024**

Conny Karlsson  
Chairman of the Board

Lars Dahlgren  
Chief executive officer

Massimo Andolina

Pär-Ola Olausson

Charles Blixt

Dragan Popovic

Patrik Engelbrektsson

Stefano Volpetti

Our auditor's report was submitted on June 28, 2024

Öhrlings PricewaterhouseCoopers AB

Johan Engstam  
Authorized Public Accountant



## Auditor's report

To the general meeting of the shareholders of Swedish Match AB, corporate identity number 556015-0756

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*Unofficial translation of the original auditor's report written in Swedish*

### Report on the annual accounts

#### Opinions

We have audited the annual accounts of Swedish Match AB for the year 2023.

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 Swedish Match AB as of 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet.

#### 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 Swedish Match AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

#### Other matter

The audit of the annual accounts for 2022 was performed by another auditor who submitted an auditor's report dated 25 April 2023, with unmodified opinions in the Report on the annual accounts.

#### Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the CEO also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the CEO are responsible for the assessment of the company'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 CEO intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.



## **Auditor's responsibility**

Our objectives are to obtain reasonable assurance about whether the annual accounts 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.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

## **Report on other legal and regulatory requirements**

### **Opinions**

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the CEO of Swedish Match AB for the year 2023 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

### **Basis for Opinions**

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of Swedish Match AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

### **Responsibilities of the Board of Directors and the CEO**

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 type of operations, size and risks place on the size of the company'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 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 CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.



### **Auditor's responsibility**

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the CEO in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

Stockholm, June 28, 2024  
Öhrlings PricewaterhouseCoopers AB

Johan Engstam  
Authorized Public Accountant