



## Company Announcement

No. 23/2021

Copenhagen, 5 May 2021

### Interim report, 1 January - 31 March 2021

## Scandinavian Tobacco Group A/S reports strong Q1 results and raises full year guidance

For the first quarter of 2021, Scandinavian Tobacco Group delivered a stronger than expected organic growth in net sales and EBITDA. The results were driven by a continued high demand in handmade cigars in the US, synergies from the integration of Agio Cigars and the transformational programme Fuelling the Growth. Additionally, the results were positively impacted by timing of orders between quarters.

### Q1 Highlights

- Net sales were DKK 1,883 million (DKK 1,756 million) with 12.5% organic growth.
- EBITDA before special items was DKK 527 million (DKK 326 million) with 49.1% organic growth. The EBITDA margin was 28.0% (18.5%).
- Adjusted Earnings Per Share (EPS) were DKK 3.4 (DKK 1.6).
- Free cash flow before acquisitions was DKK 89 million (DKK 122 million).
- Return on Invested Capital was 10.7% (7.5%).
- The integration of Agio Cigars is ahead of plan. Expected cost savings revised up.

Demand and consumer behaviour remain positively impacted by the COVID-19 pandemic with high consumption of handmade cigars and smoking tobacco products in the US. The integration of Agio Cigars is running ahead of schedule and is now expected to deliver about DKK 100 million in synergies for the year and about DKK 250 million run-rate by the end of 2022. The combined market shares for machine-rolled cigars in key European markets continue to develop satisfactorily.

The COVID-19 pandemic is creating significant uncertainty for Scandinavian Tobacco Group in the second half of the year. Consumption of handmade cigars and purchasing patterns between online and brick & mortar retail stores in the US cannot be forecasted with the normal level of accuracy. Both are factors with significant impact on the Group's performance. Consequently, a range is introduced for the expected organic EBITDA performance as well as the cash flow before acquisitions. The financial outlook for 2021 has been revised:

- EBITDA: Organic growth in the range of 12%-18% (>7%)
- Free cash flow before acquisitions: In the range of DKK 1.0-1.3 billion (>DKK 1.0 billion)
- Adjusted Earnings Per Share >25% increase (>10% increase)

CEO Niels Frederiksen: "Despite the continued challenges and uncertainty created by the COVID-19 pandemic, our business continues to do well. For the first quarter of the year we can present strong growth in both net sales and EBITDA. I am particularly pleased to see that numerous initiatives

across the organization are resulting in strong net sales, growing market shares as well as increased operational performance and efficiency.”

**For further information, please contact:**

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A conference call will be held on 6 May 2021 at 10.00 CEST. Dial-in information and an accompanying presentation will be available at [investor.st-group.com](http://investor.st-group.com) around 09:00 CEST.

# Key Figures

DKK million	3M 2021	3M 2020	Year 2020
<b>INCOME STATEMENT</b>			
Net sales <sup>1</sup>	1,883	1,756	8,006
Gross profit before special items <sup>1</sup>	955	781	3,712
EBITDA before special items	527	326	1,826
Special items	-17	-155	-435
EBIT	419	66	986
Net financial items <sup>2</sup>	-12	-43	-53
Profit before tax	414	26	951
Income taxes	-90	-6	-274
Net profit	324	21	678
<b>BALANCE SHEET</b>			
Total assets	14,547	15,388	13,996
Equity	8,799	8,545	8,372
Net interest-bearing debt (NIBD)	3,390	4,444	3,274
Investment in property, plant and equipment	42	32	157
Total capital expenditures	46	35	201
<b>CASH FLOW STATEMENT</b>			
Cash flow from operating activities	132	154	1,585
Cash flow from investing activities	-43	-1,593	-1,752
Free cash flow	89	-1,438	-166
Free cash flow before acquisitions	89	122	1,394
<b>KEY RATIOS<sup>3</sup></b>			
Net sales growth	7.2%	22.8%	19.2%
Gross margin before special items <sup>1</sup>	50.7%	44.5%	46.4%
EBITDA margin before special items <sup>1</sup>	28.0%	18.5%	22.8%
Effective tax percentage	21.7%	21.5%	28.7%
Equity ratio	60.5%	55.5%	59.8%
Cash conversion	46.3%	102.3%	135.4%
Organic net sales growth	12.5%	5.3%	6.6%
Organic EBITDA growth	49.1%	23.9%	14.0%
NIBD / EBITDA before special items	1.7	2.8	1.8
ROIC	10.7%	7.5%	7.7%
ROIC ex. Goodwill	17.7%	12.4%	12.7%
Adjusted earnings per share (DKK)	3.4	1.6	9.8
Basic earnings per share (DKK)	3.3	0.2	6.8
Diluted earnings per share (DKK)	3.3	0.2	6.8
Number of shares issued ('000)			100,000
Number of treasury shares ('000)			2,324
Share price at balance date (DKK)			104.10
Dividend per share (DKK)			6.5
Pay-out ratio			95.9%

1. See note 1 for restatement of historical net sales and gross profit figures and related ratios.

2. Excl. share of profit of associated companies.

3. See definition/explanation of financial ratios in note 5.8 in the Annual Report 2020.

## Business overview Q1 2021

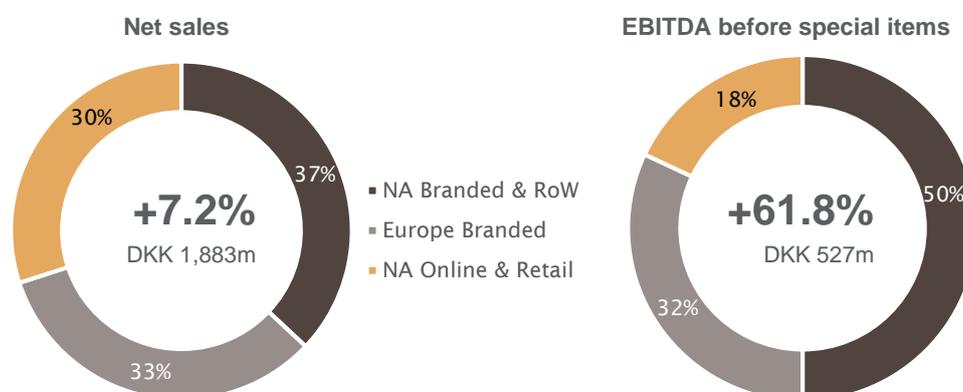
The Group delivered a stronger than expected financial performance in the first quarter with 12.5% organic growth in net sales to DKK 1,883 million. Reported growth in net sales was 7% with exchange rate developments impacting negatively by 5%. The performance was driven by a continued strong growth in North America Online & Retail and a strong growth in North America Branded & Rest of World. This was partly offset by a negative organic growth in Europe Branded. The quarter was as expected positively impacted by timing of orders between quarters..

Earnings and profitability improved significantly compared with the first quarter of 2020 driven by a strong organic net sales performance as a consequence of increased volumes and improved pricing as well as increased cost efficiency supported by the integration of Agio Cigars and Fuelling the Growth initiatives. EBITDA before special items was DKK 527 million with 49% organic growth entailing an EBITDA margin before special items of 28.0%. Special items came to DKK -17 million (DKK -155 million) comprising costs for the integration of Agio Cigars and the integration of production facilities, see note 3.

The Group's free cash flow before acquisitions was DKK 89 million (DKK 122 million) driven by the operational performance partly offset by a negative impact from working capital. The Group's leverage ratio was 1.7x.

The overall consumption of tobacco products remains high with sales of handmade cigars in the US being particularly strong, as the overall smoking opportunities have increased.

### Divisional split Q1 2021



### Group net sales and EBITDA Q1 2021

Table 1: Net sales

DKK million	Q1 2021	Q1 2020	Change in %
Net sales <sup>1</sup>	1,883	1,756	7.2%
Currency development	92		
<b>Organic net sales</b>	<b>1,975</b>	<b>1,756</b>	<b>12.5%</b>

Table 2: EBITDA

DKK million	Q1 2021	Q1 2020	Change in %
EBITDA b.s.i.	527	326	61.8%
Acquisitions		39	
Currency development	17		
<b>Organic EBITDA</b>	<b>544</b>	<b>365</b>	<b>49.1%</b>

1. See note 1 for restatement of historical net sales figures and related ratios.

# Rolling towards 2025

## Integration of Agio Cigars

The integration of Agio Cigars is progressing ahead of plan. The commercial integration was completed in 2020 and the combined like-for-like market shares have started to improve in most markets. The next phase of the integration plan, integration of the production facilities is expected to be implemented during 2021 with the closure of two production facilities in The Netherlands planned for end of 2021. The expectation for total net synergies by the end of 2022 has been revised up by DKK 25 million to an estimated DKK 250 million and with cost savings in 2021 of about DKK 100 million compared with previously DKK 225 million and DKK 70-80 million, respectively.

Special costs in relation to the integration of Agio Cigars of DKK 5 million have been expensed in the first quarter. The expectation is maintained that total special costs until end of 2022 will be at the level of DKK 450 million with cash impact and DKK 105 million in non-cash impairments. The latter were expensed last year.

## Our financial ambitions

In the first quarter of 2021 the EBITDA margin improved to 28.0% (18.5%) driven by the stronger net sales performance including savings from the integration of Agio Cigars and Fuelling the Growth and a DKK 39 million negative fair value adjustment in the first quarter of 2020.

The return on invested capital (ROIC) improved to 10.7% (7.5%) with a DKK 415 million improvement in EBIT (12 months rolling) driven by the operational performance and based on an invested capital of DKK 12.6 billion (DKK 12.3 billion).

## Capital allocation

In the quarter, the Group completed the DKK 300 million share buy-back programme launched in August 2020 and initiated a new programme at a total value of up to DKK 600 million. The purpose of the share buy-back is to adjust the capital structure and meet obligations in relation to the Group's share-based incentive programme. The new DKK 600 million share buy-back programme is a one-year programme, it was initiated 11 March 2021 and is executed as a Safe Harbour program. Under the new programme the Group bought back 412,430 shares at a market value of DKK 51 million in the first quarter of 2021.

# Financial guidance for 2021

Scandinavian Tobacco Group has had a strong start to 2021 and upgrades the guidance for 2021 as both net sales and synergies from the acquisition of Agio Cigars exceed expectations. However, uncertainty remains high and the COVID19 pandemic continues to impact business performance in most of our markets and is expected to have implications for consumer behaviour and overall tobacco consumption also during the coming quarters. The visibility of the market development remains low with some societies opening up while others reintroduce restrictions. We are unable to predict consumer behavior and consumption with the normal level of accuracy and hence we see scenarios where performance remains strong across all three divisions and we also see scenarios, where some divisions could be more negatively impacted by faster than anticipated demand changes.

Given these circumstances and based on the financial performance in the first quarter of the 2021 we have raised the guidance and introduced a range for our expected organic EBITDA growth and free cash flow performance and revise our guidance accordingly.

- EBITDA: Organic growth in the range of 12%-18% (from > 7%)
- Free cash flow before acquisitions in the range of DKK 1.0-1.3 billion (from >DKK 1.0 billion)
- Adjusted EPS >25% increase (from >10% increase)

The high-end of the guidance range for organic EBITDA growth is based on a positive organic net sales growth during 2021. In this scenario demand for handmade cigars in the US remains strong across all channels, also in the second half of the year, impacting both North America Online & Retail and North America Branded & Rest of World. Furthermore, a gradual normalisation of the European markets is assumed with a continued opening of societies positively impacting volumes in Europe Branded.

The low end of the guidance range assumes that net sales for the Group equalizes in the second half of the year with consumer behaviour in the US market reversing and the restrictions and border closures in Europe prevailing.

In both scenarios, organic EBITDA growth is expected to be supported by additional synergies from the integration of Agio Cigars of about DKK 100 million (previously about DKK 70-80 million) and the full year effect of Fuelling the Growth.

The guidance range for free cash flow before acquisitions is based on the expectations for EBITDA. The free cash flow before acquisitions is still expected to be impacted by relatively high investments in production footprint and digitalisation initiatives with total capex expected at DKK 370 million (DKK 410 million) as well as a slightly negative impact from working capital including, the previously communicated timing impact from payables in the level of DKK 150 million. For the full year the expectations for total capex and working capital movements can be impacted by decisions to delay investments and to change inventory positions should COVID-19 or the development in consumer demand across product categories necessitate that.

The guidance of an adjusted EPS of an increase of >25% compared with previously an increase of >10% (from DKK 9.78) includes a positive impact from share repurchases and a negative impact from currency developments.

The guidance and assumptions are based on current exchange rates.

**Annual General Meeting**

At the Annual General Meeting held on 14 April 2021, the shareholders approved a dividend of DKK 6.50 per share resulting in a total dividend pay-out of about DKK 625 million. It was also approved to reduce the share capital by 2,500,000 own shares with a nominal value of DKK 1. When the reduction has been implemented the number of shares will be 97,500,000. The company will announce when the reduction of the share capital has been implemented.

The shareholders re-elected Nigel Northridge, Henrik Brandt, Anders Obel, Dianne Neal Blixt, Luc Missorten, Marlene Forsell and Claus Gregersen as members of the Board of Directors and elected Henrik Amsinck as new member of the Board of Directors.

The Board of Directors has reappointed Nigel Northridge as Chairman of the Board of Directors, Henrik Brandt as Vice-chairman and Marlene Forsell as chairman of the Audit Committee.

**Events after the reporting period**

There are no other events than those mentioned in the above that have occurred after 31 March 2021 and that are expected to have material impact on the financial position of the Group.

**Forward-looking statements**

This report contains forward-looking statements. Such statements are subject to risk and uncertainties as various factors, many of which are beyond Scandinavian Tobacco Group's control, may cause actual developments and results to differ materially from the expectations set out in this report.

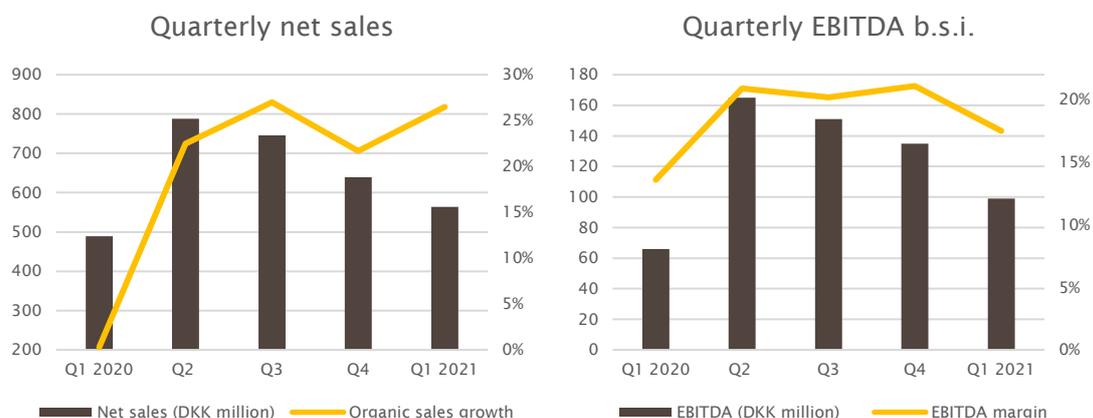
## Divisional update

### North America Online & Retail

In the first quarter of 2021 the North American online channel continued to experience a solid increase in the number of active customers as well as improved customer retention rates. The modernisation and upgrades of the online website platforms and marketing initiatives continue and have supported the performance in the online channel.

The three super stores, which opened in 2020, are performing well despite the challenging conditions for retail stores that still persist in the US. The new stores delivered month on month growth in the quarter.

#### Quarterly development, Q1 2020-Q1 2021



Net sales increased by 15% to DKK 564 million during the quarter composed of a 26% positive organic net sales growth and a negative exchange rate effect of 11%. The organic development was driven by a continued positive contribution in the online channel in particular in handmade cigars, though the rate of volume growth started to slow down in the latter part of the quarter as the 2020-comparison numbers become tougher.

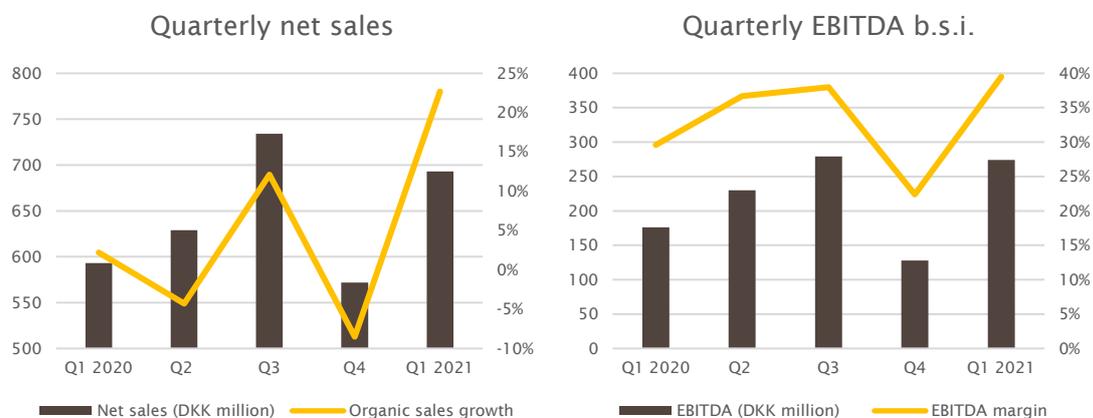
EBITDA before special items increased by 48% to DKK 99 million with an EBITDA margin before special items of 17.5% (13.6%). The margin improvement is driven by scale benefits, continued low promotional and marketing expenses despite an increasing competitive pressure as well as continued benefits from cost efficiencies and optimisations across the division.

## North America Branded & RoW

For the first quarter 2021 organic net sales growth was very strong driven by a continued strong volume growth in handmade cigars and timing of orders. The consumption of handmade cigars in the US continues to be positively impacted by COVID-19 restrictions with consumers working more from home and having more smoking occasions. All product categories have experienced positive organic growth during the quarter.

Forged Cigar Company, the new national stand-alone cigar distribution network, was launched in February to strengthen support for the retail channel. The new distribution network was well received by retailers and was off to a good start.

### Quarterly development, Q1 2020-Q1 2021



Net sales increased by 17% to DKK 693 million during the quarter composed of a 23% positive organic net sales growth and a negative exchange rate effect of 6%. The organic development was driven by a significant increase in volumes of handmade cigars driven by both the online channel and the retail channel. Smoking tobacco also contributed to the organic growth in net sales primarily driven by US and Norway. Global Travel Retail is only recovering slowly and remains substantially below the first quarter of last year. All product categories delivered price increases. About half of the organic growth was driven by orders being pushed from the fourth quarter of last year into the first quarter of 2021.

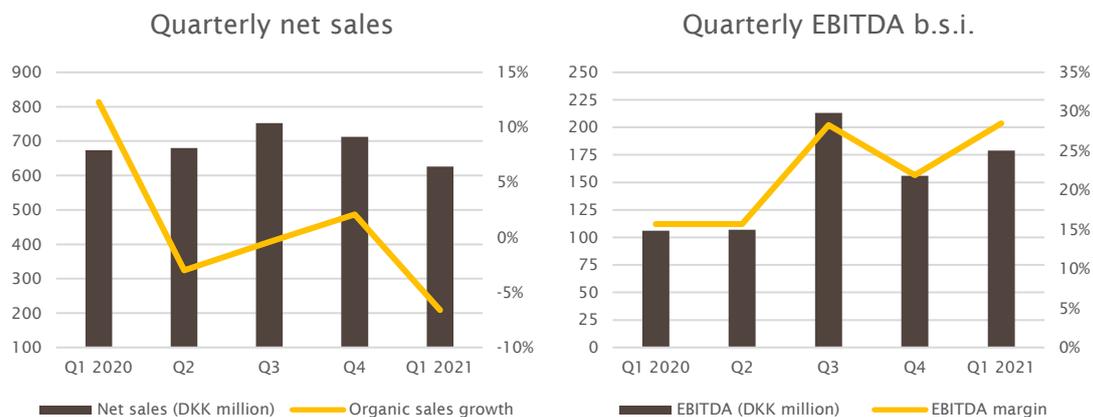
EBITDA before special items increased by 56% to DKK 274 million with an EBITDA margin before special items of 39.5% (29.6%). The margin improvement was realised with an improved gross margin driven by product mix and pricing as well as an improved OPEX ratio which decreased due to lower employee, freight and travel expenses and general efficiency improvements.

## Europe Branded

Due to the impacts from COVID-19 the market development for machine-rolled cigars in the first quarter of 2021 varied country by country and the comparison with the first quarter of 2020 being challenging due to hoarding impacts in the beginning of the pandemic. In the first quarter of 2021 the negative impacts on our sales performance were most severe in border trading and tourist areas and in markets like Germany and the Benelux due to the government mandated closures of non-essential retail shops.

The integration of Agio Cigars progresses ahead of plan with the next phases being the integration of the production facilities. The combined market shares of machine-rolled cigars in the key markets have been slightly improved since the acquisition. The combined market share in the largest European markets (France, Belgium, the Netherlands, UK, Germany, Spain and Italy) was 33.3% versus 33.1% in the full year of 2020 and 32.7% in the first quarter of 2020 with particular solid improvements in France and Spain.

### Quarterly development, Q1 2020-Q1 2021



Net sales decreased by 7% to DKK 626 million during the quarter explained by negative organic net sales of 7%. The organic development was driven by timing of orders and continued impacts from the COVID-19 pandemic as well as about 2% negative impact from the termination of a distribution agreement. Timing of orders is expected to impact the second quarter of 2021 positively. Price/mix remains positive.

EBITDA before special items increased by 69% to DKK 179 million with an EBITDA margin before special items of 28.5% (15.7%). The increase in margin was driven by savings in relation to the integration of Agio Cigars, the termination of the distribution agreement, lower sales and marketing expenses due to COVID-19 and comparison to a first quarter 2020 negatively impacted by a DKK 39 million fair value adjustment of inventories.

# Quarterly Financial Data

<i>DKK million</i>	2021	2020				
	Q1	Q4	Q3	Q2	Q1	12M
<b>Reported data</b>						
Net sales <sup>1</sup>	1,883	1,922	2,231	2,097	1,756	8,006
Gross profit before special items <sup>1</sup>	955	867	1,124	940	781	3,712
EBITDA before special items	527	397	614	489	326	1,826
Special items	-17	-121	-80	-78	-155	-435
EBIT	419	180	436	304	66	986
Net financial items	-12	-15	7	-2	-43	-53
Profit before tax	414	170	450	305	26	951
Income taxes	-90	-122	-94	-52	-6	-274
Net profit	324	48	356	254	21	678
<b>Other financial key data</b>						
Organic EBITDA growth	49.1%	-14.6%	32.5%	19.1%	23.9%	14.0%
Organic net sales growth	12.5%	4.2%	12.0%	4.6%	5.3%	6.6%
Gross margin before special items <sup>1</sup>	50.7%	45.1%	50.4%	44.8%	44.5%	46.4%
EBITDA margin before special items <sup>1</sup>	28.0%	20.7%	27.5%	23.3%	18.5%	22.8%
Free cash flow before acquisitions	89	238	609	425	122	1,394
<b>North America Online &amp; Retail</b>						
Net sales	564	639	746	788	489	2,662
Gross profit before special items	231	272	309	310	183	1,075
EBITDA before special items	99	135	151	165	66	517
Net sales growth	15.3%	12.5%	20.5%	24.9%	3.4%	16.2%
Organic net sales growth	26.5%	21.7%	27.0%	22.5%	0.3%	18.9%
Gross margin before special items	41.0%	42.6%	41.5%	39.3%	37.5%	40.4%
EBITDA margin before special items	17.5%	21.1%	20.2%	20.9%	13.6%	19.4%
<b>North America Branded &amp; RoW</b>						
Net sales	693	572	734	629	593	2,527
Gross profit before special items	373	240	386	329	286	1,241
EBITDA before special items	274	128	279	230	176	813
Net sales growth	16.8%	-6.9%	12.4%	-1.9%	12.3%	3.8%
Organic net sales growth	22.7%	-8.5%	12.1%	-4.3%	2.2%	0.4%
Gross margin before special items	53.8%	42.0%	52.6%	52.4%	48.1%	49.1%
EBITDA margin before special items	39.5%	22.4%	38.0%	36.7%	29.6%	32.2%
<b>Europe Branded</b>						
Net sales	626	712	752	680	673	2,817
Gross profit before special items	351	355	428	301	312	1,397
EBITDA before special items	179	156	213	107	106	581
Net sales growth	-7.0%	37.6%	40.1%	33.1%	57.4%	41.4%
Organic net sales growth	-6.6%	2.1%	-0.4%	-3.0%	12.3%	2.3%
Gross margin before special items	56.0%	49.9%	57.0%	44.2%	46.4%	49.6%
EBITDA margin before special items	28.5%	21.9%	28.3%	15.7%	15.7%	20.6%
<b>Group costs</b>						
EBITDA before special items	-24	-21	-28	-13	-23	-85

1. See note 1 for restatement of historical net sales and gross profit figures and related ratios.

# MANAGEMENT STATEMENT

The Board of Directors and the Executive Management have today considered and approved the interim report of Scandinavian Tobacco Group A/S for the period 1 January – 31 March 2021.

The interim consolidated financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU and additional Danish disclosure requirements for listed companies. The interim report has not been reviewed or audited.

In our opinion, the interim consolidated financial statements give a true and fair view of the Group's assets, liabilities and financial position at 31 March 2021 and of the results of the Group's operations and consolidated cash flows for the financial period 1 January – 31 March 2021.

Furthermore, in our opinion the Management Review gives a fair review of the development and performance of the Group's activities and of the Group's results for the period and financial position taken as a whole, together with a description of the most significant risks and uncertainties that the Group may face.

Gentofte, 5 May 2021

## EXECUTIVE MANAGEMENT

Niels Frederiksen  
CEO

Marianne Rørslev Bock  
CFO

## BOARD OF DIRECTORS

Nigel Northridge  
CHAIRMAN

Henrik Brandt  
VICE-CHAIRMAN

Marlene Forsell

Dianne Neal Blixt

Anders Obel

Luc Missorten

Claus Gregersen

Henrik Amsinck

Hanne Malling

Mogens Olsen

Lindy Larsen

**STATEMENT OF COMPREHENSIVE INCOME**

1 JANUARY - 31 MARCH

**CONSOLIDATED INCOME STATEMENT**

DKK million	Note	3M 2021	3M 2020
<b>Net sales</b>	1, 2	<b>1,882.9</b>	<b>1,755.7</b>
Cost of goods sold	1, 2	-928.2	-974.6
<b>Gross profit before special items</b>	1, 2	<b>954.7</b>	<b>781.1</b>
Other external costs	1, 2	-233.0	-247.8
Staff costs	2	-195.0	-207.8
<b>Earnings before interest, tax, depreciation, amortisation and special items (EBITDA before special items)</b>	2	<b>526.7</b>	<b>325.5</b>
Depreciation and impairment		-50.3	-60.8
<b>Earnings before interest, tax, amortisation and special items (EBITA before special items)</b>		<b>476.4</b>	<b>264.7</b>
Amortisation and impairment		-40.5	-43.3
<b>Earnings before interest, tax and special items (EBIT before special items)</b>		<b>435.9</b>	<b>221.4</b>
Special items, incl. Impairments, net costs	3	-16.8	-155.4
<b>Earnings before interest and tax (EBIT)</b>		<b>419.1</b>	<b>66.0</b>
Share of profit of associated companies, net of tax		6.6	2.9
Financial income		13.1	15.1
Financial costs		-24.6	-57.6
<b>Profit before tax</b>		<b>414.2</b>	<b>26.4</b>
Income taxes		-89.9	-5.7
<b>Net profit for the period</b>		<b>324.3</b>	<b>20.7</b>
<b>Earnings per share</b>			
Basic earnings per share (DKK)		3.3	0.2
Diluted earnings per share (DKK)		3.3	0.2
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that will be recycled subsequently to the Consolidated Income Statement, when specific conditions are met:</i>			
Cash flow hedges, deferred gains/losses incurred during the period		1.6	-9.9
Tax of cash flow hedges		-0.4	2.2
Foreign exchange adjustments on net investments in foreign operations		240.8	37.2
<b>Other comprehensive income for the period, net of tax</b>		<b>242.0</b>	<b>29.5</b>
<b>Total comprehensive income for the period</b>		<b>566.3</b>	<b>50.2</b>

## Net sales

For the first quarter of 2021, net sales was DKK 1,883 million (DKK 1,756 million). Adjusted for negative exchange rate impact of DKK 92 million, the organic growth in net sales was positive by 12.5%.

## Profit

Gross profit before special items for the first quarter of 2021 was DKK 955 million (DKK 781 million) driven by the positive organic growth in net sales, a DKK 39 million negative fair value adjustment of inventories in the first quarter of 2020 and an improving gross margin excluding the fair value adjustment. The gross margin before special items was 50.7% (44.5%) with increasing margins in all three divisions, North America Online & Retail, North America Branded & RoW, and Europe Branded.

Operating expenses for the first quarter decreased to DKK 428 million (DKK 456 million) driven by the integration of Agio Cigars and reduced travel activities as a consequence of COVID-19 restrictions. The OPEX ratio decreased to 22.7% (25.9%) as a consequence of the lower cost base combined with high sales for the first quarter.

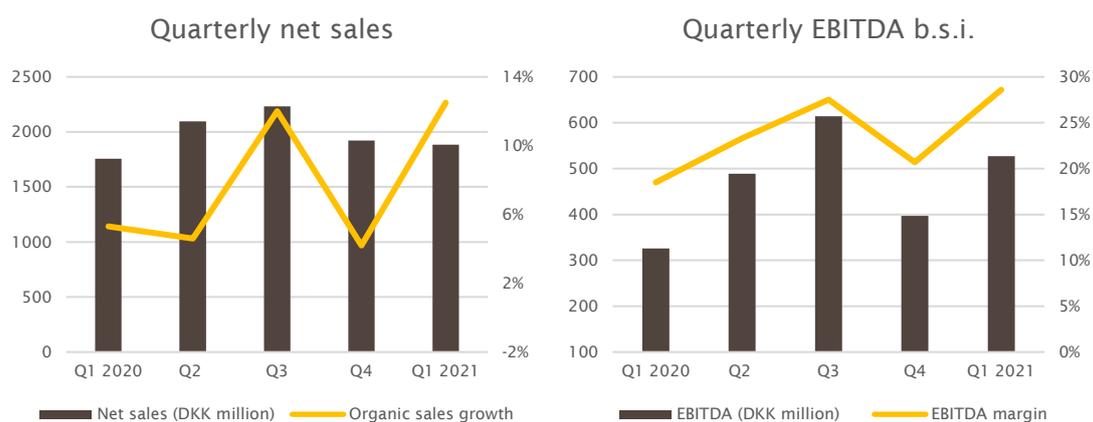
EBITDA before special items for the first quarter of 2021 amounted to DKK 527 million (DKK 326 million). The development is explained by the organic growth in net sales, a positive contribution from the integration of Agio Cigars, a positive impact from other cost efficiency improvements like Fuelling the Growth and the DKK 39 million negative fair value adjustment in the first quarter of 2020. Exchange rate developments impacted negatively by DKK 17 million. Organic EBITDA growth was 49.1%.

EBITDA margin before special items for the first quarter of 2021 was 28.0% (18.5%).

During the quarter DKK 17 million (DKK 155 million) have been expensed as special items. Special items relating to the integration of Agio Cigars was DKK 5 million (DKK 39 million). DKK 12 million have been expensed in relation to the production footprint (DKK 6 million). See note 3 for an overview of special items.

Net profit was DKK 324 million (DKK 21 million). Earnings per share (EPS) were DKK 3.3 (DKK 0.2). Earnings per share adjusted for special items, fair value adjustments and currency gains/losses on financial items, net of tax increased to DKK 3.4 (DKK 1.6).

### Quarterly development, Q1 2020-Q1 2021



**CONSOLIDATED BALANCE SHEET****ASSETS**

DKK million	31 Mar 2021	31 Mar 2020	31 Dec 2020
<b>INTANGIBLE ASSETS</b>			
Goodwill	5,018.5	5,191.6	4,895.1
Trademarks	3,083.3	3,261.3	3,067.5
IT software	77.8	50.3	77.9
Other intangible assets	236.8	275.5	239.2
<b>Total intangible assets</b>	<b>8,416.4</b>	<b>8,778.7</b>	<b>8,279.7</b>
Property, plant and equipment	1,425.2	1,444.6	1,405.5
Investments in associated companies	163.7	159.2	152.0
Deferred income tax assets	130.3	151.9	129.3
<b>Total non-current assets</b>	<b>10,135.6</b>	<b>10,534.4</b>	<b>9,966.5</b>
Inventories	3,102.5	3,155.1	2,816.3
Trade receivables	882.7	985.6	830.2
Other receivables	106.2	108.4	113.3
Corporate tax	72.9	97.5	72.2
Prepayments	46.3	78.8	48.7
Cash and cash equivalents	167.7	428.5	117.0
Assets classified as held for sale	33.3	-	31.8
<b>Total current assets</b>	<b>4,411.6</b>	<b>4,853.9</b>	<b>4,029.5</b>
<b>Total assets</b>	<b>14,547.2</b>	<b>15,388.3</b>	<b>13,996.0</b>

**CONSOLIDATED BALANCE SHEET****EQUITY AND LIABILITIES**

DKK million	31 Mar 2021	31 Mar 2020	31 Dec 2020
Share capital	100.0	100.0	100.0
Reserve for hedging	-13.3	-22.8	-14.5
Reserve for currency translation	525.2	951.6	284.4
Treasury shares	-369.4	-30.8	-227.7
Retained earnings	8,556.4	7,547.0	8,230.1
<b>Total equity</b>	<b>8,798.9</b>	<b>8,545.0</b>	<b>8,372.3</b>
Borrowings	3,011.7	4,298.0	2,843.5
Deferred income tax liabilities	627.1	605.7	628.2
Pension obligations	295.3	295.2	289.3
Other provisions	20.0	23.7	20.0
Leasing liabilities	164.3	154.5	159.8
Other liabilities	12.9	37.1	19.0
<b>Total non-current liabilities</b>	<b>4,131.3</b>	<b>5,414.2</b>	<b>3,959.8</b>
Trade payables	503.5	405.0	525.1
Corporate tax	181.3	106.2	136.7
Other provisions	171.1	53.4	211.2
Leasing liabilities	48.1	74.3	54.6
Other liabilities	713.0	790.2	736.3
<b>Total current liabilities</b>	<b>1,617.0</b>	<b>1,429.1</b>	<b>1,663.9</b>
<b>Total liabilities</b>	<b>5,748.3</b>	<b>6,843.3</b>	<b>5,623.7</b>
<b>Total equity and liabilities</b>	<b>14,547.2</b>	<b>15,388.3</b>	<b>13,996.0</b>

**Equity**

Total shareholders' equity as at 31 March 2021 amounted to DKK 8,799 million (DKK 8,372 million on 31 December 2020). The equity was positively impacted by profit for the period and a positive impact from foreign exchange adjustments on net investments in foreign operations partly offset by ongoing share buy-back programme. As at 31 March 2021 the equity ratio was 60.5% (59.8% on 31 December 2020).

**Net interest-bearing debt**

Net interest-bearing debt increased by DKK 116 million to DKK 3,390 million versus the end of 2020. The development was driven by the positive free cash flow being offset by the purchase of own shares. The leverage ratio (net interest-bearing debt to LTM EBITDA before special items) decreased to 1.7x (1.8x at 31 December 2020). The decrease was driven the improvement of LTM EBITDA before special items.

**Return on Invested Capital**

The return on invested capital (ROIC) improved to 10.7% (7.5%) with a DKK 415 million improvement in EBIT (12 months rolling) driven by the operational performance and based on an invested capital of DKK 12.6 billion (DKK 12.3 billion).

**CONSOLIDATED CASH FLOW STATEMENT**

1 JANUARY - 31 MARCH

DKK million	3M 2021	3M 2020
Net profit for the period	324.3	20.7
Depreciation, amortisation and impairment	90.8	213.4
Adjustments	112.4	125.9
Changes in working capital	-280.3	-79.6
Special items, paid	-53.2	-21.6
<b>Cash flow from operating activities before financial items</b>	<b>194.0</b>	<b>258.8</b>
Financial income received	4.0	57.9
Financial costs paid	-18.2	-91.2
<b>Cash flow from operating activities before tax</b>	<b>179.8</b>	<b>225.5</b>
Tax payments	-48.1	-71.3
<b>Cash flow from operating activities</b>	<b>131.7</b>	<b>154.2</b>
Acquisitions	0.0	-1,560.1
Investment in intangible assets	-4.5	-2.4
Investment in property, plant and equipment	-41.5	-32.1
Sale of property, plant and equipment	1.0	0.0
Dividend from associated companies	2.2	1.9
<b>Cash flow from investing activities</b>	<b>-42.8</b>	<b>-1,592.7</b>
<b>Free cash flow</b>	<b>88.9</b>	<b>-1,438.5</b>
Repayment of lease liabilities	-15.9	-19.1
Other financing	-21.5	5.1
New external funding	138.4	5,344.2
Repayment bank loans	0.0	-3,748.0
Dividend payment	0.0	-608.3
Purchase of treasury shares	-141.7	0.0
<b>Cash flow from financing activities</b>	<b>-40.7</b>	<b>973.9</b>
<b>Net cash flow for the period</b>	<b>48.2</b>	<b>-464.6</b>
Cash and cash equivalents, net at 1 January	117.0	897.5
Exchange gains/losses on cash and cash equivalents	2.5	-4.4
Net cash flow for the period	48.2	-464.6
<b>Cash and cash equivalents, net at 31 March</b>	<b>167.7</b>	<b>428.5</b>

**Cash flows**

Cash flow from operations before changes in working capital in the first quarter of 2021 was DKK 412 million (DKK 234 million). The development was driven by the improved operational results.

Working capital in the first quarter of 2021 had a negative impact on the cash flow by DKK 280 million (DKK 80 million) with a significant impact from a planned higher level of inventories of finished goods

including excise and tax stamps. The expected normalisation of the level of liabilities was deferred as a consequence of inventory-related purchases.

Cash flow from investing activities amounted to DKK -43 million (DKK -1,593 million). The drop is explained by the acquisition of Agio Cigars in Q1 of 2020.

Free cash flow before acquisitions in the first quarter of 2021 was positive by DKK 89 million (DKK 122 million). The cash conversion ratio was 46% (102%).

## STATEMENT OF CHANGES IN GROUP EQUITY

1 JANUARY - 31 MARCH 2021

DKK million	Share capital	Reserve for hedging	Reserve for currency translation	Treasury shares	Retained earnings	Total
<b>Equity at 1 January 2021</b>	<b>100.0</b>	<b>-14.5</b>	<b>284.4</b>	<b>-227.7</b>	<b>8,230.1</b>	<b>8,372.3</b>
<i>Comprehensive income for the period</i>						
<b>Net profit for the period</b>	-	-	-	-	<b>324.3</b>	<b>324.3</b>
<i>Other comprehensive income</i>						
Cash flow hedges	-	1.6	-	-	-	<b>1.6</b>
Tax of cash flow hedges	-	-0.4	-	-	-	<b>-0.4</b>
Foreign exchange adjustments on net investments in foreign operations	-	-	240.8	-	-	<b>240.8</b>
<b>Total other comprehensive income</b>	-	<b>1.2</b>	<b>240.8</b>	-	-	<b>242.0</b>
<b>Total comprehensive income for the period</b>	-	<b>1.2</b>	<b>240.8</b>	-	<b>324.3</b>	<b>566.3</b>
<i>Transactions with shareholders</i>						
Purchase of treasury shares	-	-	-	-141.7	-	<b>-141.7</b>
Share-based payments	-	-	-	-	2.0	<b>2.0</b>
<b>Total transactions with shareholders</b>	-	-	-	<b>-141.7</b>	<b>2.0</b>	<b>-139.7</b>
<b>Equity at 31 March 2021</b>	<b>100.0</b>	<b>-13.3</b>	<b>525.2</b>	<b>-369.4</b>	<b>8,556.4</b>	<b>8,798.9</b>

## STATEMENT OF CHANGES IN GROUP EQUITY

1 JANUARY - 31 MARCH 2020

DKK million	Share capital	Reserve for hedging	Reserve for currency translation	Treasury shares	Retained earnings	Total
<b>Equity at 1 January 2020</b>	<b>100.0</b>	<b>-15.1</b>	<b>914.4</b>	<b>-35.0</b>	<b>8,138.4</b>	<b>9,102.7</b>
<i>Comprehensive income for the period</i>						
<b>Net profit for the period</b>	-	-	-	-	<b>20.7</b>	<b>20.7</b>
<i>Other comprehensive income</i>						
Cash flow hedges	-	-9.9	-	-	-	<b>-9.9</b>
Tax of cash flow hedges	-	2.2	-	-	-	<b>2.2</b>
Foreign exchange adjustments on net investments in foreign operations	-	-	37.2	-	-	<b>37.2</b>
<b>Total other comprehensive income</b>	-	<b>-7.7</b>	<b>37.2</b>	-	-	<b>29.5</b>
<b>Total comprehensive income for the period</b>	-	<b>-7.7</b>	<b>37.2</b>	-	<b>20.7</b>	<b>50.2</b>
<i>Transactions with shareholders</i>						
Share-based payments	-	-	-	-	1.7	<b>1.7</b>
Settlement of vested PSUs	-	-	-	4.2	-4.2	-
Settlement in cash of vested PSU's	-	-	-	-	-1.3	<b>-1.3</b>
Dividend paid to shareholders	-	-	-	-	-610.0	<b>-610.0</b>
Dividend, treasury shares	-	-	-	-	1.7	<b>1.7</b>
<b>Total transactions with shareholders</b>	-	-	-	<b>4.2</b>	<b>-612.1</b>	<b>-607.9</b>
<b>Equity at 31 March 2020</b>	<b>100.0</b>	<b>-22.8</b>	<b>951.6</b>	<b>-30.8</b>	<b>7,547.0</b>	<b>8,545.0</b>

## NOTES

### NOTE 1

#### BASIS OF PREPARATION

The unaudited interim report has been prepared in accordance with IAS 34 and additional Danish disclosure requirements for listed companies.

#### Significant accounting estimates

The estimates made by STG in the determination of the carrying amounts of assets and liabilities are based on assumptions that are subject to future events. For a description of risks and accounting estimates, see the Annual Report for 2020.

#### Accounting policies

The interim report has been prepared in accordance with the accounting policies set out in the Annual Report for 2020.

#### Reclassification

In the second quarter of 2020 the reportable segments were reduced from four to three segments by integrating and combining one of the previous segments into two of the other segments as well as partly reallocations between the segments. As part of this change from four to three reportable segments (see note 2) certain types of expenses have been realigned between markets within the new segments. Alignment of the presentation of these expenses, which are now presented as customer discounts rather than costs, has led to reclassifications between the separate line items in the income statement. The comparison figures have been restated. The impact on the historical figures is stated below.

DKK million	3M 2020 reported	Reclassi- fication	3M 2020 restated
<b>Net sales</b>	<b>1,790.8</b>	<b>-35.1</b>	<b>1,755.7</b>
Cost of goods sold	-971.4	-3.2	-974.6
<b>Gross profit before special items</b>	<b>819.4</b>	<b>-38.3</b>	<b>781.1</b>
Other external costs	-286.1	38.3	-247.8
Staff costs	-207.8		-207.8
<b>Earnings before interest, tax, depreciation, amortisation and special items (EBITDA before special items)</b>	<b>325.5</b>	<b>-</b>	<b>325.5</b>
<b>Gross margin before special items</b>	<b>45.8%</b>		<b>44.5%</b>
<b>EBITDA margin before special items</b>	<b>18.2%</b>		<b>18.5%</b>

**NOTE 2****SEGMENT INFORMATION AND NET SALES**

As part of the integration of Agio Cigars, that changed the organisational structure and moved from four to three commercial divisions, the reportable segments were as of the second quarter of 2020 changed from four to three.

Comparison figures for segments have been restated.

Operating expenses that are not directly inherent in the divisions are to some extent allocated to the divisions based on allocation keys defined by activities or other relevant components. Certain costs relating to Group functions are managed on Group level. These items are not included in the reportable divisions and therefore reported as 'Group costs'.

Depreciation, amortisation, impairment, special items, share of profit of associated companies, net of tax and financial items are not allocated to the different segments.

No operating segments have been aggregated to form the reported business segments.

No assets and liabilities are allocated to segments in the internal reporting.

3M 2021 DKK million	North America Online & Retail	North America Branded & RoW	Europe Branded	Group costs / not allo- cated	Total
Net sales	564.0	692.8	626.1	-	1,882.9
Cost of goods sold	-333.0	-319.8	-275.4	-	-928.2
<b>Gross profit before special items</b>	<b>231.0</b>	<b>373.0</b>	<b>350.7</b>	-	<b>954.7</b>
Staff and other external costs	-132.5	-99.3	-172.2	-24.0	-428.0
<b>EBITDA before special items</b>	<b>98.5</b>	<b>273.7</b>	<b>178.5</b>	<b>-24.0</b>	<b>526.7</b>
Depreciation and impairment				-50.3	-50.3
Amortisation and impairment				-40.5	-40.5
<b>EBIT before special items</b>				<b>-114.8</b>	<b>435.9</b>
Special items, incl. Impairments, net costs				-16.8	-16.8
<b>EBIT</b>				<b>-131.6</b>	<b>419.1</b>
Share of profit of associated companies, net of tax				6.6	6.6
Financial income				13.1	13.1
Financial costs				-24.6	-24.6
<b>Profit before tax</b>				<b>-136.5</b>	<b>414.2</b>

## NOTE 2

## SEGMENT INFORMATION AND NET SALES (continued)

3M 2020 DKK million	North America Online & Retail	North America Branded & RoW	Europe Branded	Group costs / not allo- cated	Total
Net sales	489.3	593.2	673.2	-	1,755.7
Cost of goods sold	-305.9	-307.6	-361.1	-	-974.6
<b>Gross profit before special items</b>	<b>183.4</b>	<b>285.6</b>	<b>312.1</b>	<b>-</b>	<b>781.1</b>
Staff and other external costs	-117.0	-109.8	-206.3	-22.5	-455.6
<b>EBITDA before special items</b>	<b>66.4</b>	<b>175.8</b>	<b>105.8</b>	<b>-22.5</b>	<b>325.5</b>
Depreciation and impairment				-60.8	-60.8
Amortisation and impairment				-43.3	-43.3
<b>EBIT before special items</b>				<b>-126.6</b>	<b>221.4</b>
Special items, incl. impairments, net costs				-155.4	-155.4
<b>EBIT</b>				<b>-282.0</b>	<b>66.0</b>
Share of profit of associated companies, net of tax				2.9	2.9
Financial income				15.1	15.1
Financial costs				-57.6	-57.6
<b>Profit before tax</b>				<b>-321.6</b>	<b>26.4</b>

DKK million	3M 2021	3M 2020
<b>Category split, net sales</b>		
Handmade cigars	649.2	526.9
Machine-rolled cigars	675.4	700.3
Smoking tobacco	279.8	284.3
Accessories and CMA	278.5	244.2
<b>Total net sales</b>	<b>1,882.9</b>	<b>1,755.7</b>

Licence income and other sales of DKK 13.1 million (DKK 10.0 million) are included in the category 'Accessories and Contract Manufacturing'.

Geographical split, net sales	3M 2021	3M 2020
Americas	978.1	807.3
Europe	800.0	828.5
Rest of World	104.8	119.9
<b>Total net sales</b>	<b>1,882.9</b>	<b>1,755.7</b>

**NOTE 3****SPECIAL ITEMS**

DKK million	3M 2021	3M 2020
Integration and transactions costs (Agio Cigars)	5.1	38.5
Fuelling the Growth program	-	1.2
Production footprint	11.7	6.4
Impairment tangible assets	-	109.3
<b>Total special items</b>	<b>16.8</b>	<b>155.4</b>