

**Company Announcement**

No. 29/023

Copenhagen, 8 November 2023

Interim Report, 1 January - 30 September 2023**Scandinavian Tobacco Group A/S Maintains Outlook and Approves New Share Buy-Back Programme**

For the third quarter of 2023, Scandinavian Tobacco Group A/S (the “Group” or “Scandinavian Tobacco Group”) delivered 3.9% negative net sales growth, an EBITDA margin of 26.5% and a free cash flow before acquisitions of DKK 622 million. For the first nine months of 2023, net sales decreased by 1.8% to DKK 6.5 billion, the EBITDA margin was 24.6% and the free cash flow before acquisitions was positive by DKK 602 million.

Consumer trends for the cigar categories remained unchanged throughout the third quarter. Decreasing volumes are being partly offset by pricing and increasing sales from Growth Enablers (retail stores, Next Generation Products “NGP” and international sales of handmade cigars). The expectations for the full year are based on a recovery in net sales growth for the fourth quarter of the year primarily as result of the positive trend in North America Online & Retail and growth in Europe Branded and comparison to a soft fourth quarter last year. The EBITDA margin is expected being somewhat lower than in the fourth quarter last year as result of category and country mix combined with higher investments in the Growth Enablers and in stabilising the market share development in Europe Branded. The main uncertainties to the full year expectations remain the volume development in Europe Branded and inventory adjustments with customers in the US.

Q3 Highlights

- Net sales decreased by 3.9% to DKK 2.3 billion (DKK 2.4 billion).
 - Organic net sales growth was -1.1%.
 - The EBITDA margin was 26.5% (26.7%).
 - Free cash flow before acquisitions was DKK 622 million (DKK 462 million).
 - Adjusted Earnings Per Share (EPS) were DKK 4.1 (DKK 4.4).
 - Return on Invested Capital (ROIC) was 12.9% (13.2%).
 - Growth Enablers account for close to 8% of Group net sales.
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- In the first nine months of 2023, net sales decreased by 1.8% to DKK 6.5 billion (DKK 6.6 billion), organic net sales growth was -1.2%, the EBITDA margin was 24.6% (25.9%), free cash flow before acquisitions was positive by DKK 602 million (DKK 735 million) and Adjusted EPS were DKK 10.8 (DKK 11.6).

The Board of Directors has approved a share buy-back programme of a total value of up to DKK 850 million running to the end of February 2025. The purpose of the share buy-back programme is to adjust the capital structure and meet obligations relating to the Group’s share-based incentive programme. Further details of the share buy-back including the specific starting date will be communicated in a separate Company Announcement.

CEO Niels Frederiksen commented:

“With the performance in the third quarter, we are on track to deliver on our revised guidance from August with both cash flow and margin recovering in the quarter. Although key uncertainties persist, we continue to make good progress in the online business and the Growth Enablers are also performing well. Whereas the market share for Europe Branded continued to decline, we remain confident that the more aggressive initiatives launched over the past few months will support a stabilization”.

Financial guidance 2023

For the financial year 2023, the guidance is unchanged:

- Net sales in the range of DKK 8.7-9.0 billion
- EBITDA margin before special items in the range of 23.5-24.5%
- Free cash flow before acquisitions in the range DKK 1.1-1.3 billion
- Adjusted EPS in the range of DKK 14.0-16.0

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A conference call will be held on 9 November 2023 at 10.00 CEST. Dial-in information and an accompanying presentation will be available at investor.st-group.com/investor around 09:00 CEST.

Key Figures

DKK million	Q3 2023	Q3 2022	9M 2023	9M 2022	FY2022
INCOME STATEMENT					
Net sales	2,269	2,362	6,456	6,577	8,762
Gross profit before special items	1,092	1,172	3,115	3,265	4,307
EBITDA before special items	602	631	1,589	1,707	2,270
Special items	-14	-27	-58	-67	35
EBIT	489	514	1,254	1,374	1,953
Net financial items ¹	-44	-32	-98	-90	-137
Profit before tax	453	492	1,180	1,315	1,856
Income taxes	-102	-111	-266	-296	-380
Net profit	351	382	914	1,019	1,476
BALANCE SHEET					
Total assets			16,484	16,145	15,122
Equity			9,511	9,576	9,342
Net interest-bearing debt (NIBD)			4,482	4,138	3,629
Investment in property, plant and equipment	54	66	142	179	264
Total capital expenditures	75	92	221	279	390
CASH FLOW STATEMENT					
Cash flow from operating activities	694	551	813	999	1,393
Cash flow from investing activities	-72	-89	-794	-268	-132
Free cash flow	622	462	19	731	1,261
Free cash flow before acquisitions	622	462	602	735	1,264
KEY RATIOS²					
Net sales growth	-3.9%	8.2%	-1.8%	5.7%	6.4%
Gross margin before special items	48.2%	49.6%	48.3%	49.6%	49.2%
EBITDA margin before special items	26.5%	26.7%	24.6%	25.9%	25.9%
Effective tax percentage	22.5%	22.5%	22.5%	22.5%	20.5%
Equity ratio			57.7%	59.3%	61.8%
Cash conversion	164.6%	100.7%	88.7%	77.9%	87.2%
Organic net sales growth	-1.1%	-1.4%	-1.2%	-1.6%	-0.8%
Organic EBITDA growth	-0.1%	-6.2%	-4.7%	-8.0%	-3.5%
NIBD / EBITDA before special items			2.1	1.9	1.6
ROIC			12.9%	13.2%	14.3%
ROIC ex. Goodwill			20.6%	21.9%	23.6%
Adjusted earnings per share (DKK)	4.1	4.4	10.8	11.6	16.0
Basic earnings per share (DKK)	4.1	4.2	10.6	11.1	16.3
Diluted earnings per share (DKK)	4.0	4.2	10.5	11.1	16.2
Number of shares issued ('000)			87,000	93,000	93,000
Number of treasury shares ('000)			382	4,113	5,751
Number of outstanding shares ('000) ³			86,798	91,432	90,851
Share price at balance date (DKK)			107.50	110.50	122.10
Dividend per share (DKK)					8.3
Pay-out ratio					52.0%

1. Excl. share of profit of associated companies.

2. See definition/explanation of financial ratios in note 5.8 in the Annual Report 2022.

3. Average number of shares outstanding, including dilutive effect of PSUs.

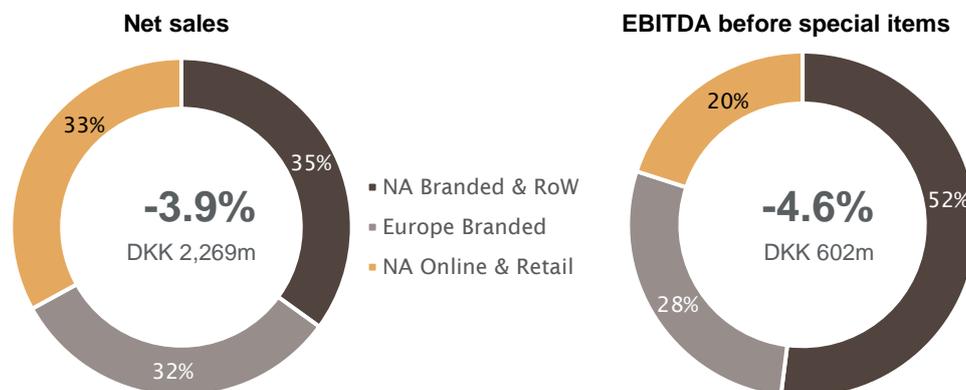
Business overview Q3 2023

In the third quarter of 2023, the Group's reported net sales decreased by 3.9% to DKK 2,269 million with organic net sales growth being negative by 1.1%. Exchange rates developments impacted net sales negatively by DKK 119 million while acquisitions had a positive impact. The performance was composed of positive organic net sales growth in the North America Online & Retail division ("NAOR") and negative organic net sales growth in both the North America Branded & Rest of World ("NABROW") and the Europe Branded ("EUB") divisions. The development in NABROW continue to be impacted by consumption of handmade cigars in the US decreasing by more than its structural decline rate and lower contract manufacturing sales. The development in EUB remains impacted by a higher-than-normal decrease in volumes in several core markets. The development in the Growth Enablers (retail stores, Next Generation Products, and international sales of handmade cigars outside the US) continue to develop well.

The EBITDA margin decreased slightly to 26.5% compared with 26.7% in the same quarter last year. The gross margin in EUB continue to decrease as result of changes in market and product mix, and lower production efficiency resulting from lower volumes caused by the market share decline. For both NAOR and NABROW the gross margin improved compared with the previous quarter and for both divisions the EBITDA margin reached its highest level for more than a year.

EBITDA before special items was DKK 602 million after negative organic growth of 0.1%. Special items comprise of an expense of DKK 14 million (DKK 27 million) relating to the ERP implementation project, OneProcess. Net profit was DKK 351 million (DKK 382 million) with Adjusted Earnings Per Share at DKK 4.1 (DKK 4.4). The Group's free cash flow before acquisitions increased to DKK 622 million (DKK 462 million) driven by improvements in working capital. Both net financial costs and taxes paid increased compared with the third quarter last year. The Group's leverage ratio was 2.1 times versus 2.3 times by the end of the second quarter 2023.

Divisional split Q3 2023



Group net sales and EBITDA Q3 2023

Table 1: Net sales

	Q3	Q3	Change
DKK million	2023	2022	in %
Net sales	2,269	2,362	-3.9%
Acquisitions		52	
Currency development	119		
Organic net sales	2,388	2,414	-1.1%

Table 2: EBITDA before special items

	Q3	Q3	Change
DKK million	2023	2022	in %
EBITDA	602	631	-4.6%
Acquisitions		11	
Currency development	39		
Organic EBITDA	641	642	-0.1%

Rolling Towards 2025

The Group's ambition to grow through a combination of acquisitions, geographic expansion and in Next Generation Products ("NGPs") remains on track and contributed to the Group's financial performance in the third quarter.

Mergers and acquisitions

In March 2023, the Group completed the acquisition of the Alec Bradley cigar business, and in May 2023, the Group completed the acquisition of XQS International ABs NGP business. The integration of both businesses has been completed. Alec Bradley is impacted by the overall volume development for handmade cigars in the US. XQS has delivered good growth during the third quarter as result of more points of sales and launches of new product variants.

Growth Enablers

The Growth Enablers comprise the retail stores, Next Generation Products (including the distribution of third-party products) and international sales of handmade cigars (i.e., outside of the US).

Cigars International opened two new retail cigar Superstores in 2023, both located in Texas, bringing the total number of Superstores in the US to nine. The retail stores are delivering valuable contributions to the Group's financial performance and with additional openings expected in the second half of the coming year, the retail stores have become an important part of both NAOR and the Group's net sales and growth.

The Growth Incubator continues to explore opportunities outside the core categories. To date, the Group has launched three products within the NGP category. Versa, the hemp product was launched in the US in 2021, STRÖM, the non-tobacco, nicotine pouch product was launched in Sweden in 2022 and !act, the non-tobacco, non-nicotine pouch product was launched in Denmark in 2023.

To further enhance our presence in the NGP category, the NGP business of XQS International AB was acquired in May 2023. XQS products are primarily sold in Sweden and since the acquisition, the brand has continued to deliver strong performance with double-digit net sales growth.

A roll-out to additional markets for each of the brands within our NGP portfolio is being considered.

Scandinavian Tobacco Group continues to closely monitor investments in these growth opportunities to assess whether the Group's presence in the NGP categories is viable and profitable in the mid to long term.

Net sales from the Growth Enablers accounted for close to 8% of Group net sales in the third quarter of 2023 compared with 5% in the third quarter 2022 and 7% in the second quarter of 2023.

Update on financial key metrics

In the third quarter of 2023, the **EBITDA margin** decreased to 26.5% (26.7%), and the gross margin decreased to 48.2% (49.6%). The OPEX ratio decreased to 21.6% (22.9%).

The 12 months rolling **Return on Invested Capital (ROIC)** decreased to 12.9% versus 14.3% by the end of 2022 driven by the development in EBIT (12 months rolling) and an increase in invested capital of DKK 0.6 billion to DKK 14.2 billion compared to 31 December 2022.

Sustainability

The Group's sustainability agenda – Rolling Responsibly – is based on three priorities:

- Preparation to meet regulatory compliance demands set forth by the Corporate Sustainability Reporting Directive ("CSRD")
- Reaching our commitments on climate
- Embedding sustainability into key business processes

1) Preparation to meet regulatory compliance demands set forth by CSRD

The CSRD's European Sustainability Reporting Standards ("ESRS") are now final, and they dictate that the Double Materiality Assessment ("DMA") is to define the Group's reporting requirements. The Group has finalised the DMA and the sustainability team is now incorporating the quantitative and qualitative aspects into the material topic workstreams and preparing for data gathering.

2) Reaching climate commitments

The sustainability team continues to gather data and analyse Scope 3 emissions and plan to finalise this work within the fourth quarter of 2023. The educational roll-out to relevant business partners is planned for the first half of 2024, which is also when the Group will file the plan for Science Based Targets initiative (SBTi).

3) Embedding sustainability into key business processes

During the quarter, the sustainability team continued to work across the global organisation to embed sustainability considerations and initiatives into key business processes. This initiative will continue to ensure constant progress is being made where the company has operations.

The Rolling Responsibly actions and initiatives implemented support the Group's vision to be the undisputed and sustainable global leader in cigars.

Outlook 2023

Net sales are expected to be DKK 8.7-9.0 billion reflecting growth in the fourth quarter based on the positive trend in the online and retail business, increased net sales from the Growth Enablers and stabilisation in Europe Branded. Exchange rates will - at current levels, - have a negative impact on the net sales growth in the fourth quarter.

The consumption of products in our categories is perceived as resilient, although the consumption might deviate from its structural trends in a short to medium term perspective. During the first nine months of the year, the consumption of handmade cigars in the US continued to decline by more than its structural decline rate of about 2% per year, whereas the balance between the online and retail sales channels continued to improve in favour of the online channel.

The consumption of machine-rolled cigars in our key European markets continued on average to develop close to its structural decline rate of up to 3%, although some of our main markets like France and the UK experience higher than average decline rates. The recovery in our market share performance takes longer than originally anticipated, entailing a higher-than-average volume decline for the year in our machine-rolled cigar business.

In most of our product categories price increases are expected to offset the volume decline. The Growth Enablers are expected to deliver an increasing contribution to net sales driven by the retail expansion in the US, international sales of handmade cigars and net sales from Next Generation Products. However, increasing investment in these growth enablers will impact margins.

In the fourth quarter, the Group EBITDA margin will be impacted negatively by the mentioned investments in the Growth Enablers, investments in regaining momentum in our machine-rolled cigar business in Europe and changes in product and market mix.

The free cash flow before acquisitions is expected to deliver another sound contribution in the fourth quarter driven by the operational performance and continued improvement of the working capital.

The largest uncertainties for the outlook are changes in consumer behaviour, the volume development in Europe Branded, changes in market and product mix and larger inventory adjustments by distributors.

Given these considerations the guidance for 2023 is unchanged:

- Reported net sales in the range of DKK 8.7-9.0 billion.
- EBITDA-margin before special items in the range of 23.5-24.5%.
- Free cash flow before acquisitions in the range of DKK 1.1-1.3 billion.
- Adjusted EPS in the range of DKK 14.0-16.0.

The guidance rests on several assumptions:

- No contribution or expenses related to potential new acquisitions.
- The effective tax rate is expected to be in the range of 22-23%.
- Working capital is expected to deliver a positive contribution.
- Capital expenditure, net is expected at up to DKK 400 million.
- Guidance and assumptions are based on current exchange rates*

* A 10% change in the USD/DKK exchange rate would impact group net sales by approximately 5 percentage points with EBITDA margins being only marginally impacted.

Events after the reporting period

There are no other events than those mentioned in the above that have occurred after 30 September 2023 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.

Financial calendar for 2024

Annual Report 2023	5 March	2024
Annual General Meeting	4 April	2024
Interim report Q1 2024	2 May	2024
Interim report Q2 2024	22 August	2024
Interim report Q3 2024	12 November	2024

Europe Branded

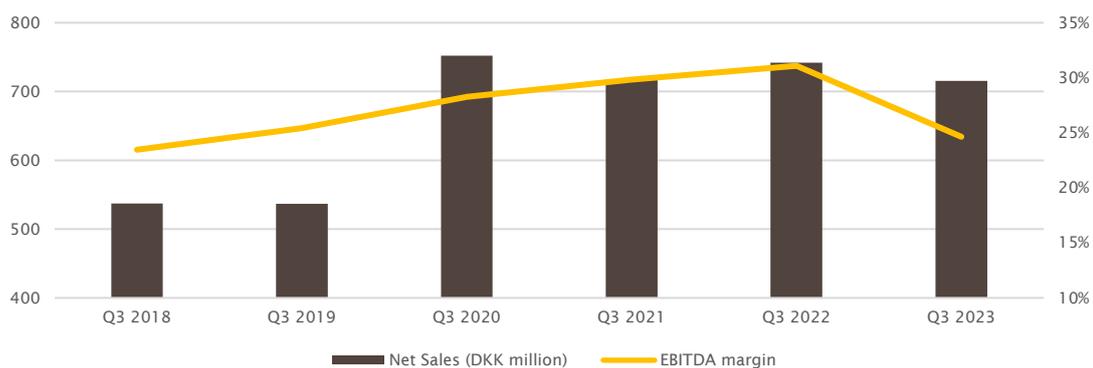
During the third quarter of 2023 net sales decreased by 3.5% compared to the third quarter of 2022 and the EBITDA margin decreased to 24.6%. The development in net sales was driven by total markets, which declined by close to 3% measured by volume and a further decrease in our market shares in machine-rolled cigars partly offset by solid pricing across all product categories.

The development in consumer demand for machine-rolled cigars in Europe remains unchanged though with variations across markets. Several of Scandinavian Tobacco Group's main markets, like France and the UK, are impacted by higher decline rates than the European average. Market volumes declined by close to 10% in France and the UK. Germany, the Netherlands, and Italy were all close to the same market volumes as in the third quarter of 2022.

According to preliminary data, the market share index for our key markets was 29.3% for the third quarter 2023 versus 29.8% for the second quarter of 2023 and 31.1% for the full year of 2022. The decline in the weighted market share index is a result of our relatively strong position in markets like France and the UK which experienced higher decline rates.

Third Quarter Development, 2018-2023

Net sales and EBITDA margin b.s.i.



Net sales decreased by 3.5% to DKK 716 million during the quarter driven by a 4.8% decrease in organic net sales partly offset by the impact from acquisitions. The negative organic growth was driven by machine-rolled cigars and pipe tobacco (smoking tobacco), whereas the most important positive contributions to net sales growth were handmade cigars, fine cut (smoking tobacco) in Germany and NGPs. Pricing for most product categories was solid with price/mix impact for the largest product category, machine-rolled cigars being up by almost 7% compared with the third quarter of last year.

EBITDA before special items decreased to DKK 176 million (DKK 231 million) with an EBITDA margin before special items of 24.6% (31.1%). The margin development was driven by a decreasing gross margin as result of the scale impact on production efficiency from the decline in volumes and changes in market and product mix, primarily relating to a decline in net sales in France as well as a strong comparison in the third quarter last year. The OPEX ratio increased driven by cost inflation and increasing investments in Next Generation Products.

First nine months of 2023

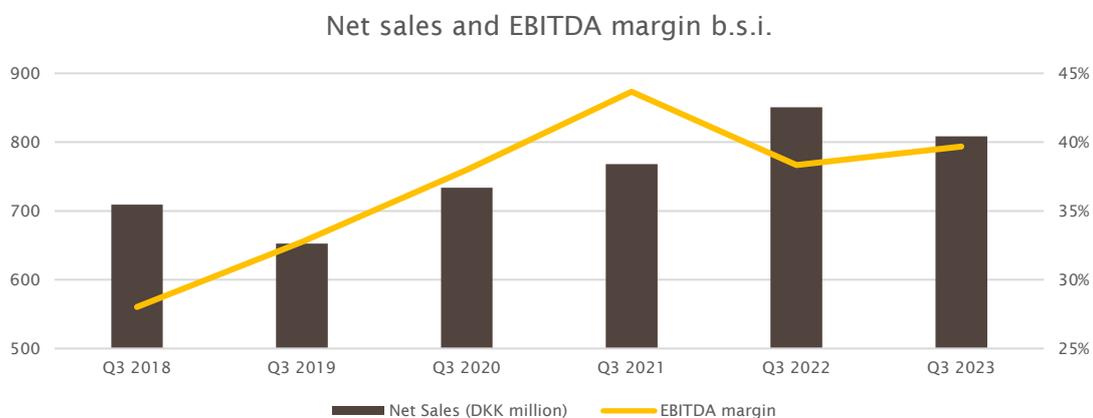
Net sales for the first nine months of 2023 increased to DKK 2,069 million with an organic growth of 0.1%. Gross profit before special items decreased by 6% to DKK 1,058 million and the gross margin was 51.1% (54.9%). EBITDA before special items decreased by 13% to DKK 487 million with an EBITDA margin of 23.5% (27.3%).

North America Branded & Rest of World

During the third quarter of 2023 net sales decreased by 4.9% compared to the third quarter of 2022 and the EBITDA margin increased to 39.7%. The third quarter of 2023 continued to be impacted by lower contract manufacturing volumes as well as lower volumes of handmade cigars in the US. These developments were partly offset by solid pricing across product categories and the inclusion of the Alec Bradley brand to the handmade cigar portfolio.

Consumer demand for cigars is considered resilient, although volumes of handmade cigars in the US continue to decline by more than the structural decline rate after the exceptionally strong two years during the pandemic.

Third Quarter Development, 2018-2023



Net sales decreased by 4.9% to DKK 809 million during the quarter as a result of a 2.6% decrease in organic net sales and a net impact from exchange rate developments and acquisitions of close to 2%. The development was primarily a result of lower volumes of handmade cigars in the US. All product categories delivered solid price/mix impact.

EBITDA before special items decreased to DKK 321 million (DKK 326 million) with an EBITDA margin before special items of 39.7% (38.3%). The development in the profitability was result of an increase in the gross margin driven by the improved price and mix.

First nine months of 2023

Net sales for the first nine months of 2023 decreased by 5.8% to DKK 2,301 million and organic growth was negative by 5.8%. Gross profit before special items decreased by 7% to DKK 1,227 million and the gross margin was 53.3% (53.8%). EBITDA before special items decreased by 10% to DKK 861 million with an EBITDA margin of 37.4% (39.3%).

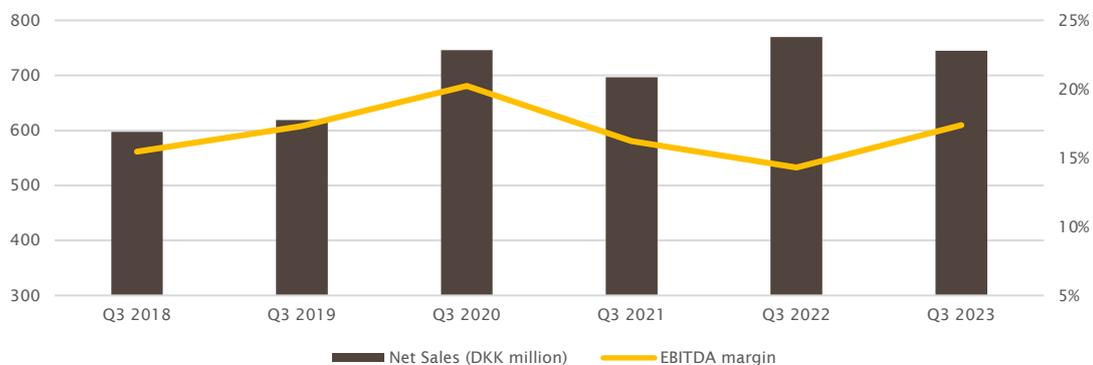
North America Online & Retail

During the third quarter of 2023 net sales decreased by 3.2% compared to the third quarter of 2022 and the EBITDA margin improved to 17.4%. Organic net sales growth was 4.4% driven by a positive momentum in the online business and double-digit growth in the retail business.

The performance in NAOR's online business continues to be supported by the online sales channel regaining share from the retail sales channel. NAOR's high proportion of online sales compared with retail sales implies the division currently perform better than the general market development. The performance is also result of a more dynamic promotion strategy as well as continued strong growth in the distribution of third-party products. Retail accounts for about 9% of total net sales in NAOR in the third quarter.

Third Quarter Development, 2018-2023

Net sales and EBITDA margin b.s.i.



Net sales decreased by 3.2% to DKK 745 million during the quarter composed of a 4.4% organic net sales growth and a negative exchange rate effect of almost 8%. Both Online and Retail delivered positive organic net sales growth in the quarter with the growth in Retail being driven by the opening of new stores.

The active customer base in Online continued to decline versus the same quarter last year, however, it remained broadly unchanged versus the two previous quarters. The decline in the active customer base is being offset by mix, higher spend per customer, and price increases. The balance between Online and Retail purchasing of cigars has reversed further in favour of online supporting the division's net sales development. Both the distribution of the NGP product ZYN and our retail stores continue to support net sales growth for NAOR.

EBITDA before special items increased to DKK 129 million (DKK 110 million) with an EBITDA margin before special items of 17.4% (14.3%). The margin development is primarily driven by scale as well as efficiency improvements, including the impact from the modernisation of our warehouse facilities.

First nine months of 2023

Net sales for the first nine months of 2023 increased by 0.5% to DKK 2,086 million driven by organic net sales growth of 2.9% and a 2% negative impact from exchange rate developments. Gross profit before special items increased by 1% and the gross margin was 39.8% (39.5%). EBITDA before special items increased by 17% to DKK 334 million with an EBITDA margin of 16.0% (13.8%).

Quarterly Financial Data

<i>DKK million</i>	2023			2022		2023	2022	
	Q3	Q2	Q1	Q4	Q3	9M	9M	12M
Reported data								
Net sales	2,269	2,225	1,963	2,185	2,362	6,456	6,577	8,762
Gross profit before special items	1,092	1,044	979	1,042	1,172	3,115	3,265	4,307
EBITDA before special items	602	514	474	563	631	1,589	1,707	2,270
Special items	-14	-16	-27	103	-27	-58	-67	35
EBIT	489	406	358	579	514	1,254	1,374	1,953
Net financial items	-44	-22	-31	-47	-32	-98	-90	-137
Profit before tax	453	392	335	541	492	1,180	1,315	1,856
Income taxes	-102	-88	-76	-84	-111	-266	-296	-380
Net profit	351	304	260	457	382	914	1,019	1,476
Other financial key data								
Organic EBITDA grow th	-0.1%	-2.9%	-12.1%	13.3%	-6.2%	-4.7%	-8.0%	-3.5%
Organic net sales grow th	-1.1%	-1.8%	-0.8%	1.7%	-1.4%	-1.2%	-1.6%	-0.8%
Gross margin before special items	48.2%	46.9%	49.9%	47.7%	49.6%	48.3%	49.6%	49.2%
EBITDA margin before special items	26.5%	23.1%	24.1%	25.8%	26.7%	24.6%	25.9%	25.9%
Free cash flow before acquisitions	622	159	-179	530	462	602	735	1,264
North America Online & Retail								
Net sales	745	740	602	703	770	2,086	2,075	2,778
Gross profit before special items	299	290	242	278	308	831	820	1,098
EBITDA before special items	129	122	83	117	110	334	286	403
Net sales grow th	-3.2%	0.4%	5.9%	6.9%	10.5%	0.5%	5.7%	6.0%
Organic net sales grow th	4.4%	2.7%	1.3%	-4.8%	-5.6%	2.9%	-6.5%	-6.1%
Gross margin before special items	40.1%	39.2%	40.2%	39.5%	40.1%	39.8%	39.5%	39.5%
EBITDA margin before special items	17.4%	16.4%	13.9%	16.7%	14.3%	16.0%	13.8%	14.5%
North America Branded & RoW								
Net sales	809	773	720	751	851	2,301	2,443	3,194
Gross profit before special items	435	397	395	385	450	1,227	1,313	1,698
EBITDA before special items	321	265	276	267	326	861	959	1,226
Net sales grow th	-4.9%	-5.7%	-6.9%	14.5%	10.7%	-5.8%	10.0%	11.0%
Organic net sales grow th	-2.6%	-6.1%	-9.2%	7.4%	-0.2%	-5.8%	1.8%	3.1%
Gross margin before special items	53.8%	51.3%	55.1%	51.2%	52.9%	53.3%	53.8%	53.2%
EBITDA margin before special items	39.7%	34.2%	38.3%	35.5%	38.3%	37.4%	39.3%	38.4%
Europe Branded								
Net sales	716	712	641	731	742	2,069	2,059	2,790
Gross profit before special items	359	357	342	380	414	1,058	1,131	1,511
EBITDA before special items	176	164	146	209	231	487	563	772
Net sales grow th	-3.5%	-1.3%	7.6%	4.6%	3.4%	0.5%	1.1%	2.0%
Organic net sales grow th	-4.8%	-1.4%	8.3%	2.4%	1.4%	0.1%	-0.7%	0.1%
Gross margin before special items	50.1%	50.1%	53.2%	51.9%	55.8%	51.1%	54.9%	54.2%
EBITDA margin before special items	24.6%	23.1%	22.8%	28.6%	31.1%	23.5%	27.3%	27.7%
Group costs								
EBITDA before special items	-25	-37	-32	-30	-36	-93	-101	-131

MANAGEMENT STATEMENT

The Board of Directors and the Executive Management have today considered and approved interim report of Scandinavian Tobacco Group A/S for the period 1 January – 30 September 2023.

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 as at 30 September 2023 and of the results of the Group's operations and consolidated cash flows for the financial period 1 January – 30 September 2023.

Furthermore, in our opinion this company announcement 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, 8 November 2023

EXECUTIVE MANAGEMENT

Niels Frederiksen
CEO

Marianne Rørslev Bock
CFO

BOARD OF DIRECTORS

Henrik Brandt
CHAIRMAN

Claus Gregersen

Marlene Forsell

Dianne Neal Blixt

Anders Obel

Henrik Amsinck

Karsten Dam Larsen

Thomas Thomsen

Mark Draper

STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY - 30 SEPTEMBER

CONSOLIDATED INCOME STATEMENT

DKK million		Q3 2023	Q3 2022	9M 2023	9M 2022
Net sales	1, 2	2,268.7	2,361.9	6,456.4	6,577.3
Cost of goods sold	1, 2	-1,176.3	-1,189.9	-3,341.0	-3,312.0
Gross profit before special items	1, 2	1,092.4	1,172.0	3,115.4	3,265.3
Other external costs	1, 2	-277.8	-320.4	-847.5	-882.3
Staff costs	2	-212.6	-220.7	-678.7	-676.4
Earnings before interest, tax, depreciation, amortisation and special items (EBITDA before special items)	2	602.0	630.9	1,589.2	1,706.6
Depreciation and impairment		-52.3	-46.3	-147.1	-139.4
Earnings before interest, tax, amortisation and special items (EBITA before special items)		549.7	584.6	1,442.1	1,567.2
Amortisation and impairment		-46.2	-43.4	-130.8	-125.7
Earnings before interest, tax and special items (EBIT before special items)		503.5	541.2	1,311.3	1,441.5
Special items, costs and impairment	3	-14.2	-26.9	-57.8	-67.3
Earnings before interest and tax (EBIT)		489.3	514.3	1,253.5	1,374.2
Share of profit of associated companies, net of tax		8.1	10.2	24.2	30.6
Financial income		61.3	56.1	161.4	129.0
Financial costs		-105.7	-88.4	-259.2	-218.6
Profit before tax		453.0	492.2	1,179.9	1,315.2
Income taxes		-102.0	-110.7	-265.5	-295.9
Net profit for the period		351.0	381.5	914.4	1,019.3
Earnings per share					
Basic earnings per share (DKK)		4.1	4.2	10.6	11.1
Diluted earnings per share (DKK)		4.0	4.2	10.5	11.1
OTHER COMPREHENSIVE INCOME					
<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		-	0.1	-	8.8
Tax of cash flow hedges		-	-	-	-1.9
Foreign exchange adjustments on net investments in foreign operations		164.7	373.4	65.8	844.3
Other comprehensive income for the period, net of tax		164.7	373.5	65.8	851.2
Total comprehensive income for the period		515.7	755.0	980.2	1,870.5

Net sales

In the third quarter of 2023, net sales were DKK 2,269 million (DKK 2,362 million). Adjusted for a negative exchange rate impact of DKK 119 million and acquisitions of DKK 52 million, the organic growth in net sales was negative by 1.1%. For the first nine months of 2023, net sales came to DKK 6,456 million (DKK 6,577 million) with organic net sales growth being negative by 1.2%.

Profit

Gross profit before special items for the third quarter of 2023 was DKK 1,092 million (DKK 1,172 million) explained by a decrease in the gross margin before special items to 48.2% (49.6%). The gross margin declined in Europe Branded but was partly offset by a margin increase in North America Branded & Rest of World.

Operating expenses for the third quarter decreased compared to same quarter last year and stood at DKK 490 million (DKK 541 million). The OPEX ratio decreased to 21.6% (22.9%).

EBITDA before special items for the third quarter of 2023 amounted to DKK 602 million (DKK 631 million). Organic EBITDA growth was negative by 0.1%.

EBITDA margin before special items for the third quarter of 2023 was 26.5% (26.7%). The development is explained by a decreasing gross margin partly offset by a decrease in the OPEX-ratio.

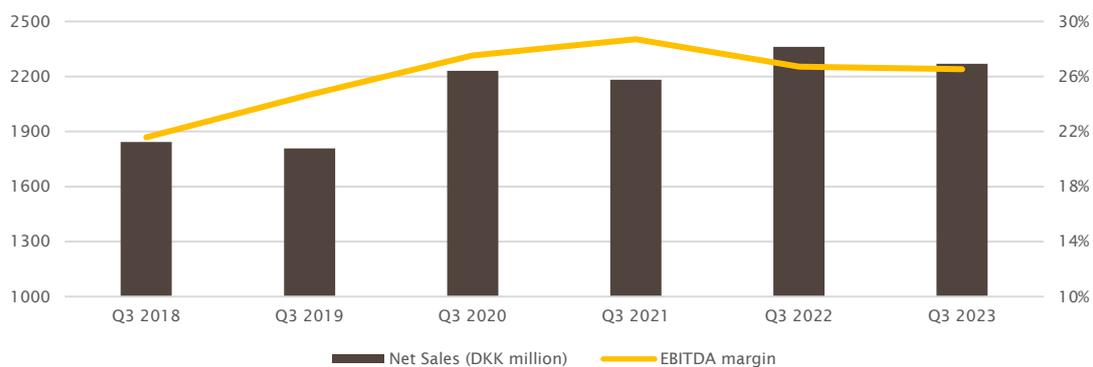
During the quarter DKK 14 million (DKK 27 million) have been expensed as special items, all relating to the ERP implementation project, OneProcess.

Net profit was DKK 351 million (DKK 382 million). Earnings Per Share (EPS) were DKK 4.1 (DKK 4.2). Earnings Per Share adjusted for special items, fair value adjustments and currency gains/losses, net of tax decreased to DKK 4.1 (DKK 4.4).

In the first nine months of 2023, gross profit before special items was DKK 3,115 million (DKK 3,265 million) with a gross margin of 48.3% (49.6%). EBITDA before special items was DKK 1,589 million (DKK 1,707 million) with an EBITDA margin of 24.6% (25.9%). Special items were DKK -58 million (DKK -67 million), net profit was DKK 914 million (DKK 1,019 million) with EPS adjusted for special items, fair value adjustments and currency gains/losses, net of tax decreased to DKK 10.8 (DKK 11.6).

Third Quarter Development, 2018-2023

Net sales and EBITDA margin b.s.i.



CONSOLIDATED BALANCE SHEET**ASSETS**

DKK million	30 Sep 2023	30 Sep 2022	31 Dec 2022
INTANGIBLE ASSETS			
Goodwill	5,363.8	5,616.0	5,331.5
Trademarks	3,287.3	3,099.5	2,987.6
IT software	78.7	51.1	50.5
Other intangible assets	416.3	217.6	195.1
Intangible assets under development	152.9	102.0	125.4
Total intangible assets	9,299.0	9,086.2	8,690.1
Property, plant and equipment	1,779.8	1,768.1	1,739.6
Investments in associated companies	242.3	238.8	223.6
Deferred income tax assets	109.9	147.1	104.6
Total non-current assets	11,431.0	11,240.2	10,757.9
Inventories	3,543.7	3,424.1	3,248.9
Trade receivables	1,117.8	1,052.7	884.6
Other receivables	95.3	105.3	86.4
Corporate tax	104.8	43.2	21.4
Prepayments	137.6	133.7	100.7
Cash and cash equivalents	53.9	37.1	22.2
Assets classified as held for sale	-	108.5	-
Total current assets	5,053.1	4,904.6	4,364.2
Total assets	16,484.1	16,144.8	15,122.1

CONSOLIDATED BALANCE SHEET**EQUITY AND LIABILITIES**

DKK million	30 Sep 2023	30 Sep 2022	31 Dec 2022
Share capital	87.0	93.0	93.0
Reserve for currency translation	1,029.6	1,538.0	963.8
Treasury shares	-56.2	-548.8	-748.1
Retained earnings	8,450.8	8,494.2	9,032.9
Total equity	9,511.2	9,576.4	9,341.6
Borrowings	4,000.1	3,490.9	3,101.1
Deferred income tax liabilities	687.3	695.9	673.5
Pension obligations	219.9	315.0	204.7
Other provisions	17.5	17.6	17.9
Leasing liabilities	282.8	319.7	275.1
Other liabilities	99.3	65.5	31.0
Total non-current liabilities	5,306.9	4,904.6	4,303.3
Trade payables	578.2	573.1	506.8
Corporate tax	233.4	254.8	207.4
Other provisions	17.2	20.9	19.8
Leasing liabilities	34.5	42.5	56.3
Other liabilities	802.7	772.5	686.9
Total current liabilities	1,666.0	1,663.8	1,477.2
Total liabilities	6,972.9	6,568.4	5,780.5
Total equity and liabilities	16,484.1	16,144.8	15,122.1

Net interest-bearing debt

Net interest-bearing debt increased by DKK 853 million to DKK 4,482 million versus the end of 2022. The development is explained mainly by the acquisition of the Alec Bradley cigar business and the XQS business as well as purchase of own shares in the first quarter of the year and dividend payment in April 2023. The leverage ratio (net interest-bearing debt to LTM EBITDA before special items) increased to 2.1x (1.6x on 31 December 2022) but decreased compared with the end of the second quarter 2023 (2.3x).

Return on Invested Capital

The return on invested capital (ROIC) decreased to 12.9% versus 14.3% by the end of 2022, explained by a DKK 121 million decrease in EBIT (12 months rolling), driven by the operational performance, and a slightly increased invested capital of DKK 14.2 billion (DKK 13.7 billion).

CONSOLIDATED CASH FLOW STATEMENT**1 JANUARY - 30 SEPTEMBER**

DKK million	Q3 2023	Q3 2022	9M 2023	9M 2022
Net profit for the period	351.0	381.5	914.4	1,019.3
Depreciation, amortisation and impairment	98.5	89.7	277.9	265.1
Adjustments	159.9	170.8	431.9	422.7
Changes in working capital	302.9	-28.7	-291.1	-421.9
Special items, paid	-17.0	-30.8	-64.2	-106.9
Cash flow from operating activities before financial items	895.3	582.5	1,268.9	1,178.3
Financial income received	15.2	49.5	38.1	89.2
Financial costs paid	-81.8	-66.5	-174.7	-125.3
Cash flow from operating activities before tax	828.7	565.5	1,132.3	1,142.2
Tax payments	-135.0	-14.6	-319.0	-142.8
Cash flow from operating activities	693.7	550.9	813.3	999.4
Acquisitions	-	-	-582.5	-3.7
Investment in intangible assets	-20.7	-26.2	-79.0	-100.1
Investment in property, plant and equipment	-54.1	-65.8	-141.9	-178.5
Sale of property, plant and equipment	-	-	0.2	2.8
Dividend from associated companies	3.2	3.4	9.2	11.1
Cash flow from investing activities	-71.6	-88.6	-794.0	-268.4
Free cash flow	622.1	462.3	19.3	731.0
Repayment of lease liabilities	-18.9	-16.6	-50.6	-48.0
RCF	-660.0	-245.3	891.0	443.2
Repayment bank loans	-1.0	-1.0	-3.2	-3.1
Dividend payment	-	-	-714.6	-692.0
Purchase of treasury shares	-	-236.6	-103.8	-564.3
Cash flow from financing activities	-679.9	-499.5	18.8	-864.2
Net cash flow for the period	-57.8	-37.2	38.1	-133.2
Cash and cash equivalents, net at 1 July / 1 January	112.1	74.7	22.2	173.6
Exchange gains/losses on cash and cash equivalents	-0.4	-0.4	-6.4	-3.3
Net cash flow for the period	-57.8	-37.2	38.1	-133.2
Cash and cash equivalents, net at 30 September	53.9	37.1	53.9	37.1

Cash flows

Cash flow from operations before changes in working capital in the third quarter of 2023 was DKK 391 million (DKK 580 million). The development was driven by the operational result, higher net financial costs paid, as well as higher tax payments.

Changes in working capital in the third quarter of 2023 had a positive impact on the cash flow of DKK 303 million (negative DKK 29 million) mainly due to increased trade payables and other liabilities as well as inventory reductions.

Cash flow from investing activities amounted to DKK -72 million in the third quarter of 2023 (DKK -89 million). The decrease was driven by the by a lower level of CAPEX investments.

Free cash flow before acquisitions in the third quarter of 2023 was positive by DKK 622 million (positive DKK 462 million). The cash conversion ratio was 165% (101%).

For the first nine months of 2023 cash flow from operations before changes in working capital was DKK 1,104 million (DKK 1,421 million). The less negative impact from working capital compared to last year is driven by an increase in trade payables and other liabilities, as both inventory and trade receivables remained at approximately the same level. Free cash flow before acquisitions was positive DKK 602 million (positive DKK 735 million) and the cash conversion ratio was 89% (78%).

STATEMENT OF CHANGES IN GROUP EQUITY

1 JANUARY - 30 SEPTEMBER 2023

DKK million	Share capital	Reserve for currency translation	Treasury shares	Retained earnings	Total
Equity at 1 January 2023	93.0	963.8	-748.1	9,032.9	9,341.6
<i>Comprehensive income for the period</i>					
Net profit for the period	-	-	-	914.4	914.4
<i>Other comprehensive income</i>					
Foreign exchange adjustments on net investments in foreign operations	-	65.8	-	-	65.8
Total other comprehensive income	-	65.8	-	-	65.8
Total comprehensive income for the period	-	65.8	-	914.4	980.2
<i>Transactions with shareholders</i>					
Capital reduction	-6.0	-	762.7	-756.7	-
Purchase of treasury shares	-	-	-95.9	-	-95.9
Share-based payments	-	-	-	6.9	6.9
Settlement of vested PSUs	-	-	25.1	-25.1	-
Settlement in cash of vested PSU's	-	-	-	-7.0	-7.0
Dividend paid to shareholders	-	-	-	-767.3	-767.3
Dividend, treasury shares	-	-	-	52.7	52.7
Total transactions with shareholders	-6.0	-	691.9	-1,496.5	-810.6
Equity at 30 September 2023	87.0	1,029.6	-56.2	8,450.8	9,511.2

Equity

Total shareholders' equity as of 30 September 2023 amounted to DKK 9,511 million (DKK 9,342 million at 31 December 2022). The equity was positively impacted by profit for the period and impact from foreign exchange adjustments on net investments in foreign operations. This was partly offset by negative impact from purchase of treasury shares and dividend payment to shareholders. As of 30 September 2023, the equity ratio was 57.7% (61.8% at 31 December 2022).

At the Annual General Meeting held on 13 April 2023 the shareholders approved to reduce the share capital by nominally DKK 6,000,000 by cancelling treasury shares. After the reduction, which took place 25 May 2023, the nominal value of the Company's share capital is DKK 87,000,000. Please refer to Company Announcement 21/2023.

STATEMENT OF CHANGES IN GROUP EQUITY

1 JANUARY - 30 SEPTEMBER 2022

DKK million	Share capital	Reserve for hedging	Reserve for currency translation	Treasury shares	Retained earnings	Total
Equity at 1 January 2022	97.5	-6.9	693.7	-570.5	8,754.0	8,967.8
<i>Comprehensive income for the period</i>						
Net profit for the period	-	-	-	-	1,019.3	1,019.3
<i>Other comprehensive income</i>						
Cash flow hedges	-	8.8	-	-	-	8.8
Tax of cash flow hedges	-	-1.9	-	-	-	-1.9
Foreign exchange adjustments on net investments in foreign operations	-	-	844.3	-	-	844.3
Total other comprehensive income	-	6.9	844.3	-	-	851.2
Total comprehensive income for the period	-	6.9	844.3	-	1,019.3	1,870.5
<i>Transactions with shareholders</i>						
Capital reduction	-4.5	-	-	569.5	-565.0	-
Purchase of treasury shares	-	-	-	-577.4	-	-577.4
Share-based payments	-	-	-	-	14.7	14.7
Settlement of vested PSUs	-	-	-	29.6	-29.6	-
Settlement in cash of vested PSU's	-	-	-	-	-7.2	-7.2
Dividend paid to shareholders	-	-	-	-	-731.3	-731.3
Dividend, treasury shares	-	-	-	-	39.3	39.3
Total transactions with shareholders	-4.5	-	-	21.7	-1,279.1	-1,261.9
Equity at 30 September 2022	93.0	-	1,538.0	-548.8	8,494.2	9,576.4

NOTES

NOTE 1

BASIS OF PREPARATION

This unaudited 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 2022.

Accounting policies

This report has been prepared in accordance with the accounting policies set out in the Annual Report for 2022.

Based on an assessment of new or amended and revised accounting standards and interpretations ('IFRS') issued by the International Accounting Standards Board (IASB) and IFRS, endorsed by the European Union, effective on or after 1 January 2023, it has been assessed that the application of these new IFRS has not had a material impact on the Consolidated Financial Statements for 2023, and the Group does not anticipate any significant impact on future periods from the adoption of these new IFRS. The Group has adopted all new, amended, and revised standards and interpretations.

NOTE 2

SEGMENT INFORMATION AND NET SALES

9M 2023 DKK million	North America Online & Retail	North America Branded & RoW	Europe Branded	Group costs / not allo- cated	Total
Net sales	2,086.2	2,301.3	2,068.9	-	6,456.4
Cost of goods sold	-1,255.5	-1,074.6	-1,010.9	-	-3,341.0
Gross profit before special items	830.7	1,226.7	1,058.0	-	3,115.4
Staff and other external costs	-496.5	-365.3	-571.4	-93.0	-1,526.2
EBITDA before special items	334.2	861.4	486.6	-93.0	1,589.2
Depreciation and impairment				-147.1	-147.1
Amortisation and impairment				-130.8	-130.8
EBIT before special items				-370.9	1,311.3
Special items, costs and impairment				-57.8	-57.8
EBIT				-428.7	1,253.5
Share of profit of associated companies, net of tax				24.2	24.2
Financial income				161.4	161.4
Financial costs				-259.2	-259.2
Profit before tax				-502.3	1,179.9

SEGMENT INFORMATION AND NET SALES (continued)

9M 2022 DKK million	North America Online & Retail	North America Branded & RoW	Europe Branded	Group costs / not allo- cated	Total
Net sales	2,074.9	2,443.3	2,059.1	-	6,577.3
Cost of goods sold	-1,254.5	-1,129.9	-927.6	-	-3,312.0
Gross profit before special items	820.4	1,313.4	1,131.5	-	3,265.3
Staff and other external costs	-534.6	-354.2	-569.0	-100.9	-1,558.7
EBITDA before special items	285.8	959.2	562.5	-100.9	1,706.6
Depreciation and impairment				-139.4	-139.4
Amortisation and impairment				-125.7	-125.7
EBIT before special items				-366.6	1,441.5
Special items, costs and impairment				-67.3	-67.3
EBIT				-433.3	1,374.2
Share of profit of associated companies, net of tax				30.6	30.6
Financial income				129.0	129.0
Financial costs				-218.6	-218.6
Profit before tax				-492.3	1,315.2

DKK million	9M 2023	9M 2022
Category split, net sales		
Handmade cigars	2,409.5	2,474.6
Machine-rolled cigars	2,260.7	2,251.7
Smoking tobacco	925.7	946.5
Accessories and CMA	860.5	904.5
Total net sales	6,456.4	6,577.3

License income and other sales of DKK 61.4 million (DKK 48.2 million) are included in the category 'Accessories and Contract Manufacturing'.

DKK million	9M 2023	9M 2022
Geographical split, net sales		
Americas	3,567.1	3,552.3
Europe	2,496.4	2,522.9
Rest of World	392.9	502.1
Total net sales	6,456.4	6,577.3

NOTE 3**SPECIAL ITEMS**

DKK million	9M 2023	9M 2022
Integration and transactions costs (Agio Cigars)	-	8.6
Production footprint	-	15.7
OneProcess	57.8	43.0
Total special items	57.8	67.3

NOTE 4**BUSINESS COMBINATIONS****Alec Bradley Cigar Distributors Inc. and associated companies**

With effect from 1 March 2023, Scandinavian Tobacco Group A/S acquired, substantially all assets of Alec Bradley Cigar Distributors Inc. and associated companies ("Alec Bradley"). The total consideration of USD 72.5 million was paid in cash.

The below disclosure for the business combination is considered provisional as the figures are based on the unaudited balance of Alec Bradley.

The provisional figures can be changed up until 29 February 2024.

Alec Bradley

Alec Bradley is a family-owned business established in 1996 by entrepreneur Alan Rubin and is based in Fort Lauderdale, Florida.

The business model is asset-light with outsourcing of the cigar production and with approximately 30 full-time employees in the US and Canada.

Alec Bradley reported annual net sales in 2021 of USD 25 million and an EBITDA margin before special items of 24%. Both net sales and EBITDA margin improved during 2022 where Alec Bradley sold almost 10 million cigars – an increase of 5% versus 2021 – primarily in the US and Canada, but also in international markets.

Brands within the Alec Bradley portfolio include among others Prensado, Kintsugi, Alec Bradley Double Broadleaf, Fine and Rare and Black Market.

Fair value of acquired net assets

Net assets are provisional and may be adjusted and off-balance sheet items may be recorded within 12 months of the acquisition date in compliance with IFRS 3.

Transaction costs

Total transaction costs related to the acquisition are considered immaterial and therefore not disclosed.

BUSINESS COMBINATIONS (continued)

DKK million	Provisional fair value at date of acquisition
Trademarks	294.6
Other Intangible assets	196.4
Inventories	14.3
Trade receivables	18.7
Prepayments	0.8
Total assets	524.8
Trade payables	10.7
Other liabilities	0.5
Total liabilities	11.2
Acquired net assets	513.6
Consideration transferred	513.6

XQS International AB ("XQS")

With effect from 31 May 2023, Scandinavian Tobacco Group A/S acquired, substantially all assets of XQS International AB ("XQS"). The transaction value consists of an upfront payment in cash as well as an earn-out agreement.

The below disclosure for the business combination is considered provisional as the figures are based on the unaudited balance of XQS.

The provisional figures can be changed up until 31 May 2024.

XQS

XQS is active in smoke-free products and its products are primarily sold in Sweden.

XQS reported annual net sales in 2022 of DKK 50 million with a low single-digit EBITDA margin and a total volume of 3 million cans.

Fair value of acquired net assets

Net assets are provisional and may be adjusted and off-balance sheet items may be recorded within 12 months of the acquisition date in compliance with IFRS 3.

Transaction costs

Total transaction costs related to the acquisition are considered immaterial and therefore not disclosed.

BUSINESS COMBINATIONS (continued)

DKK million	Provisional fair value at date of acquisition
Trademarks	80.1
Other Intangible assets	53.4
Fixed assets	0.3
Inventories	4.9
Trade receivables	13.6
Other receivables	1.4
Total assets	153.7
Trade payables	12.0
Other liabilities	2.6
Total liabilities	14.5
Acquired net assets	139.1
Total consideration transferred including value of earn-out	139.1