

**Company Announcement**

No. 34/2022

Copenhagen, 19 May 2022

**Interim report, 1 January - 31 March 2022****Scandinavian Tobacco Group A/S reports Q1 results, maintains guidance for 2022 and presents revised Sustainability Strategy**

For the first quarter of 2022 Scandinavian Tobacco Group delivered 2% negative organic net sales growth and 3% negative organic EBITDA growth in line with the previously communicated expectations for the quarter. The guidance for the full year of an organic EBITDA growth in the range of 0-6% is maintained. The uncertainty related to key assumptions like consumer behaviour, cost inflation and supply-chain stability remains high. The current share buy-back programme is increased by DKK 300 million to reach up to DKK 1,000 million reflecting the strong financial position of Scandinavian Tobacco Group.

Consumer demand for handmade cigars in the US remained robust in the quarter though with signs at the end of the quarter of a return to the structural declining volume trend. Price increases across most product categories almost offset increasing cost inflation and supported the financial performance compared with a strong first quarter of 2021.

**Q1 Highlights**

- Net sales were DKK 1,938 million (DKK 1,883 million) with -1.7% organic growth.
- EBITDA before special items was DKK 532 million (DKK 527 million) with -2.7% organic growth. The EBITDA margin was 27.4% (28.0%).
- Adjusted Earnings Per Share (EPS) were DKK 3.6 (DKK 3.4).
- Free cash flow before acquisitions was DKK 129 million (DKK 89 million).
- Return on Invested Capital was 14.4% (10.7%).

CEO Niels Frederiksen: "We deliver a satisfactory first quarter result in line with our expectations with negative organic EBITDA growth against a very strong first quarter last year and a continued strong cash flow. We continue the execution of our strategy "Rolling Towards 2025" and today we are very excited to present a revised, more ambitious sustainability strategy which anchors our environmental and social commitment in the company's culture".

**Launch of updated Sustainability strategy**

Today, we launch an updated, more ambitious, and comprehensive sustainability strategy. In line with our intention to invest further in sustainability as announced in March, we have now established two strategic pillars to address climate change and enhance our social commitment in the communities where we operate. The two pillars are: Net Zero along the Journey of the Leaf and Sustainable Community Pioneers. We will continue our focus and efforts within Diversity, Equity and Inclusion and Corporate Ethics. Our commitment to the updated Sustainability Strategy is reflected in our revised vision

“Be the undisputed and sustainable global leader in cigars” and an estimated investment in 2022 of up to DKK 20 million.

### **Financial Guidance 2022 unchanged**

- EBITDA: Organic growth in the range 0-6%
- Free cash flow before acquisitions in the range DKK 1.1-1.4 billion
- Adjusted EPS >5% increase

For the second quarter we still expect organic net sales and organic EBITDA growth to be negative, whereas we expect growth to resume in the second half of the year.

### **For further information, please contact:**

Torben Sand, Head of Investor Relations, phone +45 5084 7222 or [torben.sand@st-group.com](mailto:torben.sand@st-group.com)

A conference call will be held on 20 May 2022 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 2022	3M 2021	FY 2021
<b>INCOME STATEMENT</b>			
Net sales	1,938	1,883	8,233
Gross profit before special items	1,019	955	4,113
EBITDA before special items	532	527	2,233
Special items	-18	-17	-55
EBIT	427	419	1,814
Net financial items <sup>1</sup>	-14	-12	-77
Profit before tax	423	414	1,769
Income taxes	-95	-90	-378
Net profit	328	324	1,391
<b>BALANCE SHEET</b>			
Total assets	15,057	14,547	14,584
Equity	9,281	8,799	8,968
Net interest-bearing debt (NIBD)	3,446	3,390	3,266
Investment in property, plant and equipment	54	42	212
Total capital expenditures	67	46	240
<b>CASH FLOW STATEMENT</b>			
Cash flow from operating activities	190	132	1,567
Cash flow from investing activities	-61	-43	-178
Free cash flow	129	89	1,389
Free cash flow before acquisitions	129	89	1,393
<b>KEY RATIOS<sup>2</sup></b>			
Net sales growth	2.9%	7.2%	2.8%
Gross margin before special items	52.6%	50.7%	50.0%
EBITDA margin before special items	27.4%	28.0%	27.1%
Effective tax percentage	22.5%	21.7%	21.4%
Equity ratio	61.6%	60.5%	61.5%
Cash conversion	51.1%	46.3%	108.6%
Organic net sales growth	-1.7%	12.5%	4.5%
Organic EBITDA growth	-2.7%	49.1%	18.4%
NIBD / EBITDA before special items	1.5	1.7	1.5
ROIC	14.4%	10.7%	14.5%
ROIC ex. Goodwill	24.0%	17.7%	24.3%
Adjusted earnings per share (DKK)	3.6	3.4	14.8
Basic earnings per share (DKK)	3.5	3.3	14.6
Diluted earnings per share (DKK)	3.5	3.3	14.5
Number of shares issued ('000)	97,500	100,000	97,500
Number of treasury shares ('000)	5,231	3,647	4,526
Number of outstanding shares ('000) <sup>3</sup>	92,638	97,367	95,689
Share price at balance date (DKK)	143.80	121.70	137.30
Dividend per share (DKK)			7.5
Pay-out ratio			52.6%

1. Excl. share of profit of associated companies.

2. See definition/explanation of financial ratios in note 5.8 in the Annual Report 2021.

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

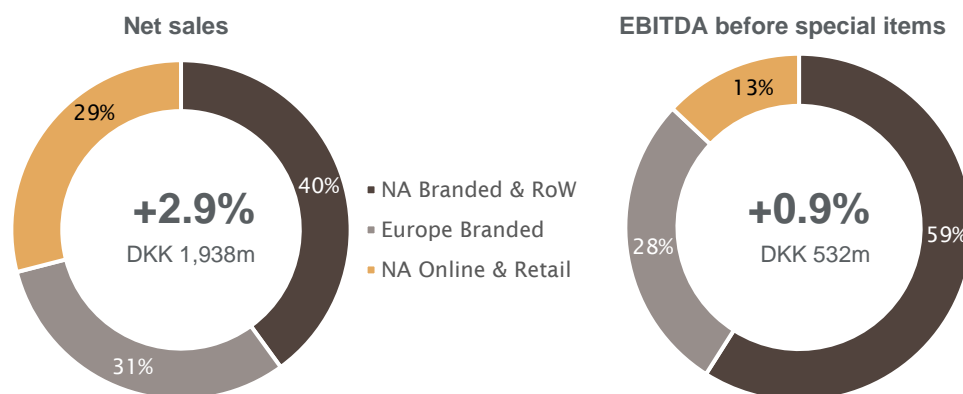
## Business overview Q1 2022

In the first quarter of 2022, the Group delivered a financial performance in line with the expectations communicated in March. Reported net sales increased by 3% to DKK 1,938 million and organic net sales decreased by 2%. Exchange rates developments impacted positively by DKK 78 million. The performance was driven by positive organic net sales growth in North America Branded & Rest of World and a negative organic net sales growth in Europe Branded and North America Online & Retail on the back of the very strong performance in 2020 and 2021. The demand for handmade cigars in the US remained robust in the quarter, though signs of a return to a slightly declining demand has occurred in the beginning of the second quarter. Pricing remains a key driver across our product categories to off-set volume declines and an increasing cost pressure.

The gross margin improved compared with the same quarter last year primarily driven by pricing. North America Branded & RoW and Europe Branded delivered improved gross margins whereas North America Online & Retail delivered a decreasing gross margin. EBITDA before special items was DKK 532 million with 3% negative organic growth resulting in an EBITDA margin before special items of 27.4%. Special items were DKK -18 million (DKK -17 million) comprising costs for the production footprint of DKK 9 million, the ERP project OneProcess of DKK 6 million and the integration of Agio Cigars of DKK 3 million. See also note 3.

The Group's free cash flow before acquisitions was DKK 129 million (DKK 89 million) driven by the operational performance. Changes in working capital were negative at DKK -269 million (DKK -280 million) and special items impacted the cash flow by DKK -40 million (DKK -53 million). The Group's leverage ratio was 1.5x.

### Divisional split Q1 2022



### Group net sales and EBITDA Q1 2022

Table 1: Net sales

DKK million	Q1 2022	Q1 2021	Change in %
Net sales	1,938	1,883	2.9%
Acquisitions		9	
Currency development	-78		
<b>Organic net sales</b>	<b>1,860</b>	<b>1,892</b>	<b>-1.7%</b>

Table 2: EBITDA before special items

DKK million	Q1 2022	Q1 2021	Change in %
EBITDA	532	527	0.9%
Acquisitions		0	
Currency development	-19		
<b>Organic EBITDA</b>	<b>513</b>	<b>527</b>	<b>-2.7%</b>

# Sustainability

## Net-zero in our value chain by 2050

Our sustainability journey continues. In 2021, we launched our first sustainability strategy (originally our CSR strategy) and took the first steps to advance our environmental commitment as we began measuring our Scope 1 and 2 emissions under the Greenhouse Gas Protocol. In line with our intention to invest further in sustainability we now launch an updated, more ambitious, and comprehensive sustainability strategy. The sustainability strategy is built into the corporate strategy Rolling Towards 2025. It is our ambition with the sustainability strategy to craft a better tomorrow by elevating our communities and anchoring climate action in our corporate culture.

We have established two strategic pillars to address climate change and enhance our social commitment in the communities where we operate: Net Zero along the Journey of the Leaf and Sustainable Community Pioneers. Extreme weather in many regions underlines the urgency to tackle climate change now, and with more than 8,500 employees at our manufacturing facilities in Central America, Sri Lanka and Indonesia, we believe it is our responsibility to pioneer sustainable initiatives to empower our communities to build better, brighter futures in areas where it matters most. We are confident that our two strategic focus areas are the right fit for Scandinavian Tobacco Group to create tangible impact and lasting value for our planet, communities and business.

We will continue our focus and efforts within Diversity, Equity and Inclusion and Corporate Ethics.

With the launch of our enhanced sustainability strategy, we commit to SBTi reduction targets of 1.5 °C for Scope 1 and 2 this year and to deliver the required emission targets by 2030. Further, we want to achieve net-zero in our entire value chain including Scope 1, 2 and 3 by the year 2050. To engage in and elevate the communities where we operate, we focus on three areas: health and well-being, education and women's enablement, under which we will offer health screenings and educational opportunities, engage in local partnerships and make impactful donations to schools and educational institutions.

The total expected investment in 2022 is up to DKK 20 million, and we expect that annual expenses in relation to the ramp-up of our sustainability initiatives will increase as we mature and intensify the work.

## Other updates

### Retail expansion

The retail network currently comprises eight retail stores including the new superstore which marked opening on 20 April 2022 in San Antonio, Texas. The existing stores deliver valuable contributions to net sales and profits with net sales growth in the first quarter being at a double-digit percentage. We plan to open another 5-7 cigar superstores in the US in the coming 2-3 years. The retail stores account for about 7% of net sales in the division North America Online & Retail.

### Update on financial key metrics

In the first quarter of 2022 the EBITDA margin decreased slightly to 27.4% (28.0%) as the first quarter of last year was exceptionally strong with sales and marketing expenses being lower than normal

during COVID-19 lockdowns and restrictions. Pricing and savings from the integration of Agio Cigars off-set general cost inflation.

The ROIC improved to 14.4% versus 10.7% at the first quarter of 2021 with a DKK 483 million improvement in EBIT (12 months rolling). The EBIT improvement was driven by the operational performance, a decrease in special costs and based on an invested capital of DKK 12.6 billion (DKK 12.6 billion). ROIC measured by the end of 2021 was 14.5%.

### **Capital allocation**

Scandinavian Tobacco Group has during the first quarter of 2022 bought back 963,911 shares at a market value of DKK 137 million. By the end of February, the DKK 600 million share buy-back programme launched 11 March 2021 was completed, and by 10 March a new DKK 700 million programme was initiated with an expected closure by the end of February 2023.

The Board of Directors has approved an increase of the DKK 700 million share buy-back programme announced 10 March 2022, by DKK 300 million to a total value of up to DKK 1,000 million. The programme is still expected to be closed by the end of February 2023. 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.

Chr. Augustinus Fabrikker Aktieselskab and C.W.Obel A/S will participate on a pro rata basis to the shares repurchased in the market as from 20 May 2022. See also separate Company Announcement no 35 as of 19 May 2022 for more details.

## **Financial guidance for 2022**

The financial guidance for 2022 is maintained for organic EBITDA growth, free cash flow before acquisitions and adjusted EPS growth.

Scandinavian Tobacco Group is expected to deliver continued growth in 2022 compared with 2021 even on the backdrop of the past two years exceptionally strong performance and despite uncertainties related to consumer behaviour, cost developments and supply chain stability remain higher than normal.

The signs of a normalization for most product categories have grown stronger during the recent months with the visibility for the full year slowly improving. Currently, additional price adjustments are expected to compensate for cost inflation. The disruptions in the supply chain remain on track to be markedly improved by the end of the second quarter, though some issues will run into the 2nd half before being fully normalized. The geo-political developments continue to imply a higher risk than normal for supply-chain stability. Organic growth in net sales for the Group is expected to be positive in 2022. Signs of the consumption of handmade cigars in the US resuming to its long-term declining volume trend about - 2% per year have been reinforced in recent weeks.

Given these considerations, our guidance for 2022 is:

- EBITDA: Organic growth in the range of 0-6% (unchanged)
- Free cash flow before acquisitions in the range of DKK 1.1-1.4 billion (unchanged)
- Adjusted EPS increase >5% (unchanged)

The organic EBITDA growth expectation includes the full-year impact of synergies from the integration of Agio Cigars, an increase in operating costs relating to the ramp-up of our sustainability initiatives, increased cyber security initiatives as well as the normalization of certain costs that have been lower during the COVID-19 period like sales and marketing spending. The development in organic EBITDA growth also reflects the absence of other income from the refund of certain duty and excise taxes of DKK 31 million which was realized in 2021 and the loss of net sales and profits following the Russian invasion of Ukraine.

Organic EBITDA growth is expected to be negative in the second quarter of the year with the performance in the comparable quarter in 2021 being above normal. Organic EBITDA growth is expected to turn positive in the third quarter and fourth quarter as the comparison base normalizes and as the performance from the business initiatives starts to be reflected in financial numbers.

Based on the projected earnings growth, we expect the Group's free cash flow before acquisitions to be in the range of DKK 1.1-1.4 billion. The free cash flow before acquisitions is expected to be impacted by investments in the retail expansion in the US and the ERP-project One Process, a negative impact from working capital of up to DKK 200 million (previously about DKK 100 million) as well as a negative impact from special items of about DKK 200 million.

The adjusted EPS is expected to increase by more than 5% (from DKK 14.8 in 2021) including a positive impact from the share repurchases of about DKK 1.0 per share and a positive impact from currency developments.

The financial performance for Scandinavian Tobacco Group for the full year 2022 rests on several key assumptions:

- The positive impact of the COVID-19 pandemic on demand for handmade cigars in North America is expected to have peaked, and the demand is expected to resume its long-term structural volume decline rate of about -2%
- In Europe, we are assuming the product categories to return to their long-term structural development
- No major supply-chain disruptions are anticipated during the year

### **Annual General Meeting**

At the Annual General Meeting held on 31 March 2022, the shareholders approved a dividend of DKK 7.50 per share resulting in a total dividend pay-out of about DKK 700 million. It was also approved to reduce the share capital by 4,500,000 own shares with a nominal value of DKK 1. Following the reduction, which was implemented on 4 May 2022, the number of shares is 93,000,000.

The shareholders re-elected Henrik Brandt, Anders Obel, Dianne Neal Blixt, Marlene Forsell, Claus Gregersen and Henrik Amsinck as members of the Board of Directors. Nigel Northridge and Luc Misorten decided to retire from the Board of Directors at the Annual General Meeting.

The Board of Directors has appointed Henrik Brandt as Chairman of the Board of Directors 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 2022 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

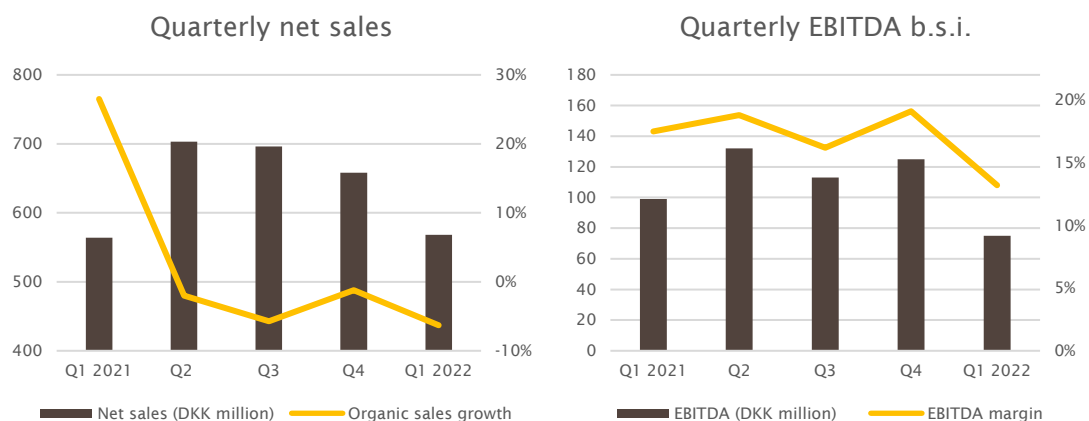
### North America Online & Retail

In the first quarter of 2022, organic net sales continued to be impacted by the channel shift back to retail from online which occurred during 2021. The North American online channel experienced a 12% decline in the active customer base versus the all-time-high first quarter 2021 driven by lower traffic across our various e-commerce platforms.

However, compared to pre-COVID levels in 2019, the active consumer file remains more than 10% stronger and it is expected that the decline rate will improve in the coming quarters as the comparison base gradually normalises.

The retail business continues to perform according to plan with solid double-digit organic net sales growth versus last year. Retail accounts for 7% of net sales in the division. The new superstore in San Antonio, Texas opened after the close of the quarter on 20 April 2022.

#### Quarterly development, Q1 2021-Q1 2022



Net sales increased by 1% to DKK 568 million during the quarter composed of a 6% negative organic net sales growth and an exchange rate effect of 7%. The organic development was driven by a negative contribution in the online channel being partly offset by a double-digit growth in the retail superstores. Net sales were negatively impacted by an increase in promotional activity as a response to an increasing competitive pressure and mix changes.

EBITDA before special items decreased by 24% to DKK 75 million with an EBITDA margin before special items of 13.2% (17.5%). The margin development is driven by the decrease in organic net sales and a normalisation of the promotional spending versus an unusually low spend in the first quarter of 2021 as well as the retail expansion which also impacts negatively with almost half of the stores being newly opened.



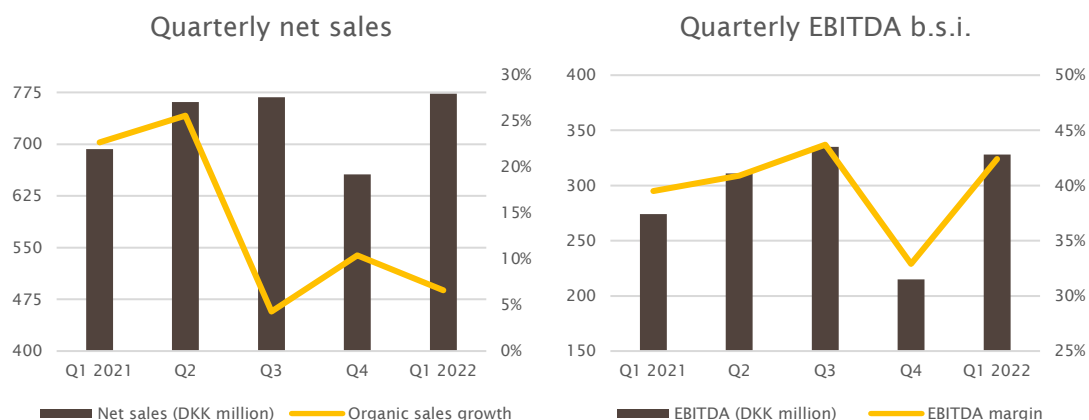
## North America Branded & RoW

In the first quarter of 2022 organic net sales growth continued to be strong despite a tough comparison to the first quarter last year. The performance was driven by the handmade cigar category in the US, recovery in Global Travel Retail as well as a one-time positive impact from the implementation of a new distribution set-up in Australia.

The positive volume effect in most product categories since the outbreak of COVID-19 has begun to return to pre-pandemic levels. The categories smoking tobacco and machine-rolled cigars are normalising and demand for handmade cigars in the US is from its substantial higher than pre-COVID level beginning to trend back to its long-term volume decline rate of about-2%.

Consequently, as previously communicated North America Branded and Rest of World is expected to deliver negative organic net sales growth in the second quarter of 2022.

### Quarterly development, Q1 2021-Q1 2022



Net sales increased by 12% to DKK 773 million during the quarter composed of a 7% positive organic net sales growth and a positive exchange rate effect of 5%. The organic development was driven by continued volume growth and price increases for handmade cigars in the US and a recovery in Global Travel Retail, which was severely negatively impacted by travel restrictions following the outbreak of COVID-19. Both machine-rolled cigars in Canada and pipe tobacco in the US experienced decreasing net sales in the quarter as markets have started to normalise.

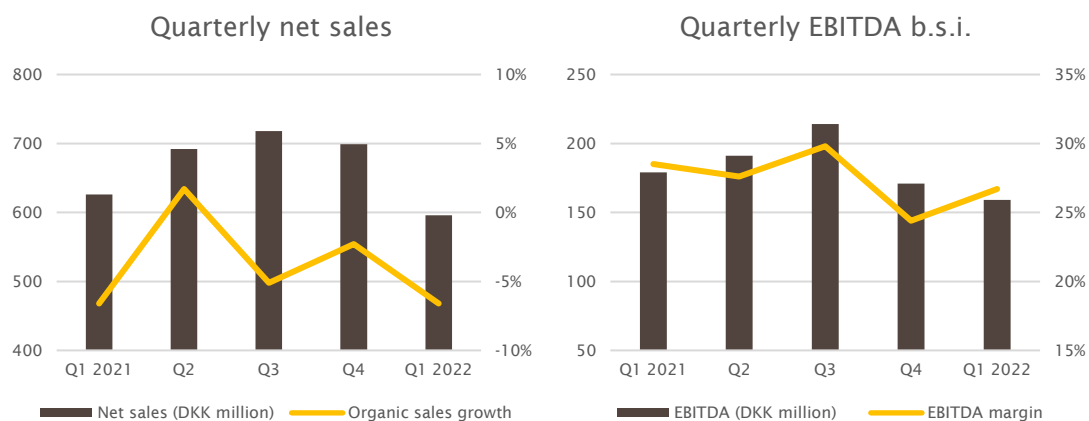
EBITDA before special items increased by 20% to DKK 328 million with an EBITDA margin before special items of 42.4% (39.5%). The margin improvement is the result of an improved gross margin driven by strong pricing and a positive mix development versus the first quarter of last year. The OPEX ratio increased to 15.5% (14.3%) as promotional activities were very low last year and as the operating costs of Forged Cigar Company in the first quarter of 2021 only were impacted from the launch in the middle of the quarter.

## Europe Branded

The consumer demand for machine-rolled cigars in Europe is generally back to pre-Covid trends with an overall negative volume growth of about 3%. During the first quarter of 2022, the net sales performance for Europe Branded reflects the structural volume decline of machine-rolled cigars, though this is being partly off-set by price increases. France and the UK delivered positive organic net sales growth while the other key markets delivered negative growth. In France, both volume and price/mix were positive and in the UK pricing more than compensated for decreasing volumes. The previously mentioned supply issue has remarkably improved, but some issues will run into the 2<sup>nd</sup> half of 2022.

In the first quarter of 2022, the market share index for our key markets declined to 31.5% versus 32.9% in the first quarter of 2021. The decline in market share is impacted by the mentioned supply situation.

### Quarterly development, Q1 2021-Q1 2022



Net sales decreased by 5% to DKK 596 million during the quarter explained by a negative organic net sales growth of 7% and a positive exchange rate effect of almost 2%. Approximately half of the organic development was driven by a negative impact from the termination of a distribution agreement as of April 2021. For machine-rolled cigars, pricing was a key focus area with price/mix impact being up by more than 4%. Pricing was also positive in the other product categories.

EBITDA before special items decreased by 11% to DKK 159 million with an EBITDA margin before special items of 26.7% (28.5%). The margin development reflects a normalisation of the sales and marketing spending and increasing expenses for freight and distribution. Pricing, savings in relation to the integration of Agio Cigars and a positive impact from product mix could not fully off-set the margin impact from the higher costs mainly driven by freight and IT services.

# Quarterly Financial Data

DKK million	2022	2021				
	Q1	Q4	Q3	Q2	Q1	12M
<b>Reported data</b>						
Net sales	1,938	2,012	2,182	2,156	1,883	8,233
Gross profit before special items	1,019	985	1,102	1,071	955	4,113
EBITDA before special items	532	474	627	606	527	2,233
Special items	-18	13	-26	-24	-17	-55
EBIT	427	393	510	492	419	1,814
Net financial items	-14	-16	-29	-21	-12	-77
Profit before tax	423	385	489	480	414	1,769
Income taxes	-95	-78	-106	-104	-90	-378
Net profit	328	307	383	376	324	1,391
<b>Other financial key data</b>						
Organic EBITDA grow th	-2.7%	14.2%	0.9%	20.8%	49.1%	18.4%
Organic net sales grow th	-1.7%	1.8%	-2.2%	7.5%	12.5%	4.5%
Gross margin before special items	52.6%	49.0%	50.5%	49.7%	50.7%	50.0%
EBITDA margin before special items	27.4%	23.5%	28.7%	28.1%	28.0%	27.1%
Free cash flow before acquisitions	129	307	564	434	89	1,393
<b>North America Online &amp; Retail</b>						
Net sales	568	658	696	703	564	2,620
Gross profit before special items	227	264	279	277	231	1,050
EBITDA before special items	75	125	113	132	99	470
Net sales grow th	0.8%	2.9%	-6.6%	-10.8%	15.3%	-1.6%
Organic net sales grow th	-6.3%	-1.2%	-5.7%	-2.0%	26.5%	2.4%
Gross margin before special items	39.9%	40.1%	40.0%	39.4%	41.0%	40.1%
EBITDA margin before special items	13.2%	19.1%	16.2%	18.8%	17.5%	17.9%
<b>North America Branded &amp; RoW</b>						
Net sales	773	656	768	761	693	2,877
Gross profit before special items	448	346	422	422	373	1,562
EBITDA before special items	328	215	335	311	274	1,135
Net sales grow th	11.6%	14.6%	4.7%	21.0%	16.8%	13.8%
Organic net sales grow th	6.6%	10.4%	4.3%	25.6%	22.7%	15.3%
Gross margin before special items	57.9%	52.8%	54.9%	55.4%	53.8%	54.3%
EBITDA margin before special items	42.4%	32.9%	43.7%	40.9%	39.5%	39.5%
<b>Europe Branded</b>						
Net sales	596	699	718	692	626	2,735
Gross profit before special items	345	375	402	373	351	1,501
EBITDA before special items	159	171	214	191	179	754
Net sales grow th	-4.8%	-1.7%	-4.6%	1.8%	-7.0%	-2.9%
Organic net sales grow th	-6.6%	-2.3%	-5.1%	1.7%	-6.6%	-3.1%
Gross margin before special items	57.8%	53.7%	56.1%	53.8%	56.0%	54.9%
EBITDA margin before special items	26.7%	24.4%	29.8%	27.6%	28.5%	27.6%
<b>Group costs</b>						
EBITDA before special items	-31	-38	-36	-28	-24	-126

# 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 2022.

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 2022 and of the results of the Group's operations and consolidated cash flows for the financial period 1 January – 31 March 2022.

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, 19 May 2022

## 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

Mogens Olsen

Lindy Larsen

Hanne Malling

## STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY - 31 MARCH

## CONSOLIDATED INCOME STATEMENT

DKK million	Note	3M 2022	3M 2021
<b>Net sales</b>	<b>1, 2</b>	<b>1,937.7</b>	<b>1,882.9</b>
Cost of goods sold	1, 2	-918.4	-928.2
<b>Gross profit before special items</b>	<b>1, 2</b>	<b>1,019.3</b>	<b>954.7</b>
Other external costs	1, 2	-265.4	-233.0
Staff costs	2	-222.4	-195.0
<b>Earnings before interest, tax, depreciation, amortisation and special items (EBITDA before special items)</b>	<b>2</b>	<b>531.5</b>	<b>526.7</b>
Depreciation and impairment		-46.0	-50.3
<b>Earnings before interest, tax, amortisation and special items (EBITA before special items)</b>		<b>485.5</b>	<b>476.4</b>
Amortisation and impairment		-40.7	-40.5
<b>Earnings before interest, tax and special items (EBIT before special items)</b>		<b>444.8</b>	<b>435.9</b>
Special items, costs and impairment	3	-17.7	-16.8
<b>Earnings before interest and tax (EBIT)</b>		<b>427.1</b>	<b>419.1</b>
Share of profit of associated companies, net of tax		9.8	6.6
Financial income		42.0	13.1
Financial costs		-55.7	-24.6
<b>Profit before tax</b>		<b>423.2</b>	<b>414.2</b>
Income taxes		-95.2	-89.9
<b>Net profit for the period</b>		<b>328.0</b>	<b>324.3</b>
<b>Earnings per share</b>			
Basic earnings per share (DKK)		3.5	3.3
Diluted earnings per share (DKK)		3.5	3.3
<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		5.7	1.6
Tax of cash flow hedges		-1.3	-0.4
Foreign exchange adjustments on net investments in foreign operations		116.0	240.8
<b>Other comprehensive income for the period, net of tax</b>		<b>120.4</b>	<b>242.0</b>
<b>Total comprehensive income for the period</b>		<b>448.4</b>	<b>566.3</b>

## Net sales

For the first quarter of 2022, net sales were DKK 1,938 million (DKK 1,883 million). Adjusted for positive exchange rate impact of DKK 78 million and the acquisition of Moderno Opificio del Sigaro Italiano of DKK 9 million, the organic growth in net sales was negative by -1.7%.

## Profit

Gross profit before special items for the first quarter of 2022 was DKK 1,019 million (DKK 955 million) driven by an improved gross margin offsetting the negative organic growth in net sales, as well as positive impact from exchange rates. Gross margin before special items was 52.6% (50.7%) with increasing margins in North America Branded & RoW, and Europe Branded, offset by a decreasing margin in North America Online & Retail.

Operating expenses for the first quarter increased to DKK 488 million (DKK 428 million) driven by the inflating freight and utility costs, increased consultancy costs, as well as increased travel activities as result of diminishing COVID-19 restrictions. The OPEX ratio increased to 25.2% (22.7%) driven by the higher cost base combined with stable sales for the first quarter.

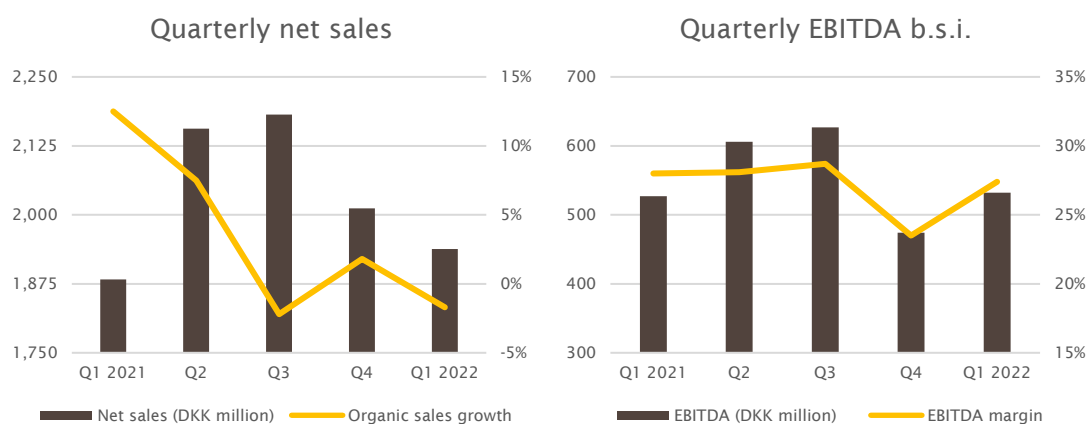
EBITDA before special items for the first quarter of 2022 amounted to DKK 532 million (DKK 527 million). The development is explained by stable net sales, and positive contributions from the integration of Agio Cigars and production footprint, securing an improved gross profit margin, being offset by the increased operating expenses. Exchange rate developments impacted positively by DKK 19 million. Organic EBITDA growth was negative by -2.7%.

EBITDA margin before special items for the first quarter of 2022 was 27.4% (28.0%).

During the quarter DKK 18 million (DKK 17 million) have been expensed as special items. Special items relating to the integration of Agio Cigars was DKK 3 million (DKK 5 million). DKK 9 million have been expensed in relation to the production footprint (DKK 12 million). Cost expensed in relation to Project OneProcess was DKK 6 million (DKK nil million). See note 3 for an overview of special items.

Net profit was DKK 328 million (DKK 324 million). Earnings per share (EPS) were DKK 3.5 (DKK 3.3). Earnings per share adjusted for special items, fair value adjustments and currency gains/losses, net of tax increased to DKK 3.6 (DKK 3.4).

## Quarterly development, Q1 2021-Q1 2022



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

DKK million	31 Mar 2022	31 Mar 2021	31 Dec 2021
<b>INTANGIBLE ASSETS</b>			
Goodwill	5,202.9	5,018.5	5,142.5
Trademarks	3,036.0	3,083.3	3,044.6
IT software	95.5	77.8	88.4
Other intangible assets	214.4	236.8	218.9
<b>Total intangible assets</b>	<b>8,548.8</b>	<b>8,416.4</b>	<b>8,494.4</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Property, plant and equipment	1,618.4	1,425.2	1,448.3
Investments in associated companies	195.8	163.7	187.5
Deferred income tax assets	137.9	130.3	130.2
<b>Total non-current assets</b>	<b>10,500.9</b>	<b>10,135.6</b>	<b>10,260.4</b>
Inventories	3,166.8	3,102.5	2,935.9
Trade receivables	906.2	882.7	852.4
Other receivables	94.2	106.2	98.8
Corporate tax	45.7	72.9	69.5
Prepayments	117.0	46.3	84.6
Cash and cash equivalents	118.0	167.7	173.6
Assets classified as held for sale	108.5	33.3	108.5
<b>Total current assets</b>	<b>4,556.4</b>	<b>4,411.6</b>	<b>4,323.3</b>
<b>Total assets</b>	<b>15,057.3</b>	<b>14,547.2</b>	<b>14,583.7</b>

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

DKK million	31 Mar 2022	31 Mar 2021	31 Dec 2021
Share capital	97.5	100.0	97.5
Reserve for hedging	-2.5	-13.3	-6.9
Reserve for currency translation	809.7	525.2	693.7
Treasury shares	-678.2	-369.4	-570.5
Retained earnings	9,054.7	8,556.4	8,754.0
<b>Total equity</b>	<b>9,281.2</b>	<b>8,798.9</b>	<b>8,967.8</b>
Borrowings	2,899.6	3,011.7	2,918.0
Deferred income tax liabilities	713.2	627.1	698.9
Pension obligations	311.4	295.3	307.4
Other provisions	17.9	20.0	17.9
Leasing liabilities	285.8	164.3	149.4
Other liabilities	62.2	12.9	58.4
<b>Total non-current liabilities</b>	<b>4,290.1</b>	<b>4,131.3</b>	<b>4,150.0</b>
Trade payables	410.2	503.5	504.5
Corporate tax	134.6	181.3	102.4
Other provisions	40.0	171.1	64.3
Leasing liabilities	56.6	48.1	48.5
Other liabilities	844.6	713.0	746.2
<b>Total current liabilities</b>	<b>1,486.0</b>	<b>1,617.0</b>	<b>1,465.9</b>
<b>Total liabilities</b>	<b>5,776.1</b>	<b>5,748.3</b>	<b>5,615.9</b>
<b>Total equity and liabilities</b>	<b>15,057.3</b>	<b>14,547.2</b>	<b>14,583.7</b>

**Net interest-bearing debt**

Net interest-bearing debt increased by DKK 180 million to DKK 3,446 million versus the end of 2021. The development was primarily driven by the purchase of own shares partly being off-set by the positive free cash flow from operations. The leverage ratio (net interest-bearing debt to LTM EBITDA before special items) remained at 1.5x (1.5x at 31 December 2021). The stable leverage was driven by the improvement of LTM EBITDA before special items offset by a higher net interest-bearing debt.

**Return on Invested Capital**

The return on invested capital (ROIC) decreased to 14.4% versus 14.5% by the end of 2021 driven by an increase in invested capital of DKK 170 million totalling DKK 12.6 billion (DKK 12.4 billion), being partly offset by an improvement of DKK 8 million in EBIT (12 months rolling) driven by the operational performance.



**CONSOLIDATED CASH FLOW STATEMENT**

1 JANUARY - 31 MARCH

DKK million	3M 2022	3M 2021
Net profit for the period	328.0	324.3
Depreciation, amortisation and impairment	86.7	90.8
Adjustments	119.2	112.4
Changes in working capital	-269.3	-280.3
Special items, paid	-40.2	-53.2
<b>Cash flow from operating activities before financial items</b>	<b>224.4</b>	<b>194.0</b>
Financial income received	23.3	4.0
Financial costs paid	-23.7	-18.2
<b>Cash flow from operating activities before tax</b>	<b>224.0</b>	<b>179.8</b>
Tax payments	-33.6	-48.1
<b>Cash flow from operating activities</b>	<b>190.4</b>	<b>131.7</b>
Investment in intangible assets	-12.8	-4.5
Investment in property, plant and equipment	-53.8	-41.5
Sale of property, plant and equipment	-	1.0
Dividend from associated companies	5.4	2.2
<b>Cash flow from investing activities</b>	<b>-61.2</b>	<b>-42.8</b>
<b>Free cash flow</b>	<b>129.2</b>	<b>88.9</b>
Repayment of lease liabilities	-14.9	-15.9
Other financing	-	-21.5
RCF / New external funding	-33.7	138.4
Repayment bank loans	-1.2	-
Purchase of treasury shares	-133.4	-141.7
<b>Cash flow from financing activities</b>	<b>-183.2</b>	<b>-40.7</b>
<b>Net cash flow for the period</b>	<b>-54.0</b>	<b>48.2</b>
Cash and cash equivalents, net at 1 January	173.6	117.0
Exchange gains/losses on cash and cash equivalents	-1.6	2.5
Net cash flow for the period	-54.0	48.2
<b>Cash and cash equivalents, net at 31 March</b>	<b>118.0</b>	<b>167.7</b>

**Cash flows**

Cash flow from operations before changes in working capital in the first quarter of 2022 was DKK 460 million (DKK 412 million). The development was driven by the improved operational results.

Working capital in the first quarter of 2022 had a negative impact on the cash flow by DKK 269 million (DKK 280 million) with a significant impact from a planned higher level of inventories of finished goods including excise and tax stamps. Furthermore, sales tied up cash in receivables.

Cash flow from investing activities amounted to DKK -61 million (DKK -43 million). The increase was driven by higher investments in intangible- and tangible assets, primarily driven by production footprint, One Process and retail expansion.

Free cash flow before acquisitions in the first quarter of 2022 was positive by DKK 129 million (DKK 89 million). The cash conversion ratio was 51% (46%).

## STATEMENT OF CHANGES IN GROUP EQUITY

1 JANUARY – 31 MARCH 2022

DKK million	Share capital	Reserve for hedging	Reserve for currency translation	Treasury shares	Retained earnings	Total
<b>Equity at 1 January 2022</b>	<b>97.5</b>	<b>-6.9</b>	<b>693.7</b>	<b>-570.5</b>	<b>8,754.0</b>	<b>8,967.8</b>
<i>Comprehensive income for the period</i>						
<b>Net profit for the year</b>	-	-	-	-	<b>328.0</b>	<b>328.0</b>
<i>Other comprehensive income</i>						
Cash flow hedges	-	5.7	-	-	-	<b>5.7</b>
Tax of cash flow hedges	-	-1.3	-	-	-	<b>-1.3</b>
Foreign exchange adjustments on net investments in foreign operations	-	-	116.0	-	-	<b>116.0</b>
<b>Total other comprehensive income</b>	-	<b>4.4</b>	<b>116.0</b>	-	-	<b>120.4</b>
<b>Total comprehensive income for the year</b>	-	<b>4.4</b>	<b>116.0</b>	-	<b>328.0</b>	<b>448.4</b>
<i>Transactions with shareholders</i>						
Purchase of treasury shares	-	-	-	-137.3	-	<b>-137.3</b>
Share-based payments	-	-	-	-	2.3	<b>2.3</b>
Settlement of vested PSUs	-	-	-	29.6	-29.6	-
<b>Total transactions with shareholders</b>	-	-	-	<b>-107.7</b>	<b>-27.3</b>	<b>-135.0</b>
<b>Equity at 31 March 2022</b>	<b>97.5</b>	<b>-2.5</b>	<b>809.7</b>	<b>-678.2</b>	<b>9,054.7</b>	<b>9,281.2</b>

**Equity**

Total shareholders' equity as at 31 March 2022 amounted to DKK 9,281 million (DKK 8,968 million on 31 December 2021). 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 2022 the equity ratio was 61.6% (61.5% on 31 December 2021).

At the Annual General Meeting held on 31 March 2022 the shareholders approved to reduce the share capital by nominally DKK 4,500,000 by cancelling some of the Company's treasury shares. After the reduction, which took place 4 May 2022, the nominal value of the Company's share capital is DKK 93,000,000. Please refer to Company Announcement 29/2022.

## 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 year</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 year</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>

## 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 2021.

**Accounting policies**

This report has been prepared in accordance with the accounting policies set out in the Annual Report for 2021.

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 2022, it has been assessed that the application of these new IFRS has not had a material impact on the Consolidated Financial Statements for the first quarter of 2022, 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**

3M 2022 DKK million	North America Online & Retail	North America Branded & RoW	Europe Branded	Group costs / not al- located	Total
Net sales	568.5	773.4	595.8	-	1,937.7
Cost of goods sold	-341.5	-325.7	-251.2	-	-918.4
<b>Gross profit before special items</b>	<b>227.0</b>	<b>447.7</b>	<b>344.6</b>	-	<b>1,019.3</b>
Staff and other external costs	-152.0	-119.5	-185.6	-30.7	-487.8
<b>EBITDA before special items</b>	<b>75.0</b>	<b>328.2</b>	<b>159.0</b>	<b>-30.7</b>	<b>531.5</b>
Depreciation and impairment				-46.0	-46.0
Amortisation and impairment				-40.7	-40.7
<b>EBIT before special items</b>				<b>-117.4</b>	<b>444.8</b>
Special items, costs and impairment				-17.7	-17.7
<b>EBIT</b>				<b>-135.1</b>	<b>427.1</b>
Share of profit of associated companies, net of tax				9.8	9.8
Financial income				42.0	42.0
Financial costs				-55.7	-55.7
<b>Profit before tax</b>				<b>-139.0</b>	<b>423.2</b>

## NOTE 2

## SEGMENT INFORMATION AND NET SALES (continued)

3M 2021 DKK million	North America Online & Retail	North America Branded & RoW	Europe Branded	Group costs / not al- located	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, costs and impairment				-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>

DKK million	3M 2022	3M 2021
<b>Category split, net sales</b>		
Handmade cigars	684.1	649.2
Machine-rolled cigars	660.8	675.4
Smoking tobacco	300.2	279.8
Accessories and CMA	292.6	278.5
<b>Total net sales</b>	<b>1,937.7</b>	<b>1,882.9</b>

Licence income and other sales of DKK 17.5 million (DKK 13.1 million) are included in the category 'Accessories and Contract Manufacturing'.

DKK million	3M 2022	3M 2021
<b>Geographical split, net sales</b>		
Americas	1,013.8	978.1
Europe	760.8	800.0
Rest of World	163.1	104.8
<b>Total net sales</b>	<b>1,937.7</b>	<b>1,882.9</b>

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

DKK million	3M 2022	3M 2021
Integration and transactions costs (Agio Cigars)	2.6	5.1
Production footprint	8.7	11.7
OneProcess	6.4	-
<b>Total special items</b>	<b>17.7</b>	<b>16.8</b>