



## Company Announcement

No. 54/2021

Copenhagen, 4 November 2021

### Interim report, 1 January - 30 September 2021

## Scandinavian Tobacco Group A/S reports Q3 results in line with expectations and maintains full year guidance

For the third quarter of 2021 Scandinavian Tobacco Group delivered strong results against difficult 2020 comparisons. Organic net sales declined by 2% and organic EBITDA grew 1%. The results were driven by continued strong demand for handmade cigars in the US, a favourable market- and product mix, and synergies from the integration of Agio Cigars. Supply issues in Europe impacted net sales negatively in the third quarter.

### Q3 Highlights

- Net sales were DKK 2,182 million (DKK 2,231 million) with -2.2% organic growth.
- EBITDA before special items was DKK 627 million (DKK 614 million) with 0.9% organic growth. The EBITDA margin was 28.7% (27.5%).
- Organic EBITDA growth is positively impacted by a DKK 31 million income from certain duty refunds in the US.
- Adjusted Earnings Per Share (EPS) were DKK 4.2 (DKK 4.0).
- Free cash flow before acquisitions was DKK 564 million (DKK 609 million).
- Return on Invested Capital was 12.9% (9.1%).
- In the first 9 months of 2021, net sales grew by 5.4% organically to DKK 6,221 million (DKK 6,084 million), and EBITDA before special items grew by 19.5% organically to DKK 1,759 million (DKK 1,429 million) with free cash flow before acquisitions stable at DKK 1,086 million (DKK 1,156 million).

CEO Niels Frederiksen: “We deliver strong quarterly performance in line with expectations and maintain the positive momentum we have had throughout 2020 and 2021. The combination of the integration of Agio Cigars, the growth in handmade cigars and our underlying transformation have significantly improved our performance and raised our earnings and margins levels. I remain proud and impressed with the way our organization has continued to deliver a strong performance throughout a challenging period”.

Based on the results for the first nine months of 2021 the financial outlook for the full year is unchanged:

- EBITDA: Organic growth in the range of 16%-20%
- Free cash flow before acquisitions: In the range of DKK 1.0-1.3 billion
- Adjusted Earnings Per Share >35% increase

**For further information, please contact:**

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*Media:* Simon Mehl Augustesen, Director of Group Communications, phone: +1 484-379-8725 or [simon.augustesen@st-group.com](mailto:simon.augustesen@st-group.com)

A conference call will be held on 4 November 2021 at 10.00 CEST. Dial-in information and an accompanying presentation will be available at [investor.st-group.com](http://investor.st-group.com) around 09:00 CEST.

# Key Figures\*

DKK million	Q3 2021	Q3 2020	9M 2021	9M 2020	Year 2020
<b>INCOME STATEMENT</b>					
Net sales	2,182	2,231	6,221	6,084	8,006
Gross profit before special items	1,102	1,124	3,128	2,845	3,712
EBITDA before special items	627	614	1,759	1,429	1,826
Special items	-26	-80	-67	-314	-435
EBIT	510	436	1,421	806	986
Net financial items <sup>1</sup>	-29	7	-61	-38	-53
Profit before tax	489	450	1,384	781	951
Income taxes	-106	-94	-300	-151	-274
Net profit	383	356	1,083	630	678
<b>BALANCE SHEET</b>					
Total assets			14,384	14,203	13,996
Equity			8,686	8,661	8,372
Net interest-bearing debt (NIBD)			3,360	3,400	3,274
Investment in property, plant and equipment	68	40	157	130	157
Total capital expenditures	76	53	183	158	201
<b>CASH FLOW STATEMENT</b>					
Cash flow from operating activities	635	660	1,256	1,309	1,585
Cash flow from investing activities	-71	-51	-170	-1,713	-1,752
Free cash flow	564	609	1,086	-404	-166
Free cash flow before acquisitions	564	609	1,086	1,156	1,394
<b>KEY RATIOS<sup>2</sup></b>					
Net sales growth	-2.2%	23.4%	2.3%	21.2%	19.2%
Gross margin before special items	50.5%	50.4%	50.3%	46.8%	46.4%
EBITDA margin before special items	28.7%	27.5%	28.3%	23.5%	22.8%
Effective tax percentage	21.7%	20.9%	21.7%	19.4%	28.7%
Equity ratio			60.4%	61.0%	59.8%
Cash conversion	96.7%	149.2%	101.7%	137.1%	135.4%
Organic net sales growth	-2.2%	12.0%	5.4%	7.5%	6.6%
Organic EBITDA growth	0.9%	32.5%	19.5%	25.6%	14.0%
NIBD / EBITDA before special items			1.6	1.8	1.8
ROIC			12.9%	9.1%	7.7%
ROIC ex. Goodwill			21.5%	15.0%	12.7%
Adjusted earnings per share (DKK)	4.2	4.0	11.6	8.5	9.8
Basic earnings per share (DKK)	4.0	3.6	11.3	6.3	6.8
Diluted earnings per share (DKK)	4.0	3.6	11.3	6.3	6.8
Number of shares issued ('000)			97,500	100,000	100,000
Number of treasury shares ('000)			3,358	828	2,324
Number of outstanding shares ('000) <sup>3</sup>			96,220	99,918	99,659
Share price at balance date (DKK)			126.90	94.25	104.10
Dividend per share (DKK)					6.5
Pay-out ratio					95.9%

1. Excl. share of profit of associated companies.

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

3. Average number of shares outstanding, including dilutive effect of PSU's.

\* Unaudited figures

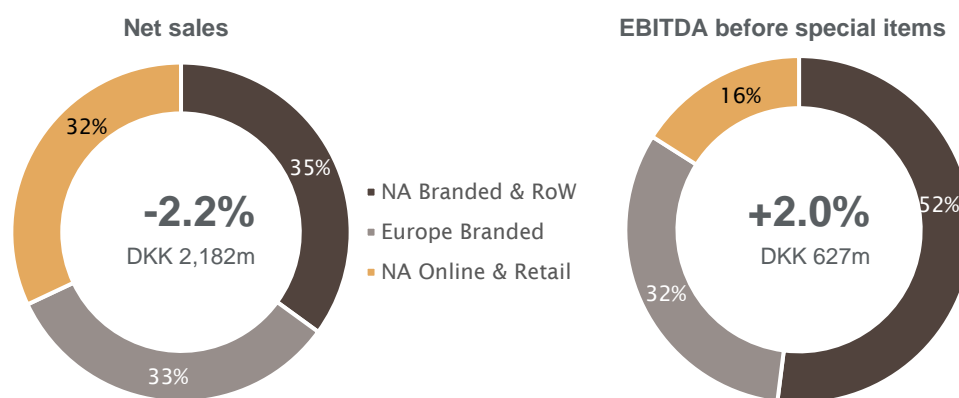
## Business overview Q3 2021

In the third quarter 2021, the Group delivered a strong financial performance in line with the expectation of a flat organic EBITDA growth. Reported and organic net sales decreased by 2% to DKK 2,182 million. The performance was driven by positive net sales growth in North America Branded & Rest of World and a negative growth in Europe Branded and North America Online & Retail. The demand for handmade cigars in the US remains strong with the channel shift from online back to retail continuing. Europe Branded remains negatively impacted by supply issues for the machine-rolled cigars which are expected to be solved before year end.

Profitability improved compared with the same quarter last year driven by favourable product and market mix, improved pricing as well as continued cost efficiencies driven by the integration of Agio Cigars. EBITDA before special items was DKK 627 million with 1% organic growth resulting in an EBITDA margin before special items of 28.7%. The result was impacted by DKK 31 million in other income from a refund of certain duty and excise taxes in the US partly off-set by IT expenses previously being capitalised. Special items were DKK -26 million (DKK -80 million) comprising costs for the integration of Agio Cigars, the integration of production facilities, a DKK 55 million non-cash impairment of trademarks and a reversal of previously recognised non-cash impairment of buildings of DKK 42 million, see note 3.

The Group's free cash flow before acquisitions was DKK 564 million (DKK 609 million) driven by the operational performance and supported by a positive impact from working capital of DKK 136 million (DKK 237 million). The Group's leverage ratio declined to 1.6x.

### Divisional split Q3 2021



### Group net sales and EBITDA Q3 2021

Table 1: Net sales

DKK million	Q3 2021	Q3 2020	Change in %
Net sales	2,182	2,231	-2.2%
Currency development	0		
<b>Organic net sales</b>	<b>2,182</b>	<b>2,231</b>	<b>-2.2%</b>

Table 2: EBITDA before special items

DKK million	Q3 2021	Q3 2020	Change in %
EBITDA	627	614	2.0%
Currency development	-7		
<b>Organic EBITDA</b>	<b>620</b>	<b>614</b>	<b>0.9%</b>

# Business development

## Retail expansion

The retail network currently comprises six super stores and with the announcement of the seventh store to be opened in San Antonio, Texas the first phase of the retail expansion will be completed. The existing stores deliver valuable contributions to net sales and profits with net sales growth in the third quarter being a high double-digit percentage.

## Integration of Agio Cigars

The integration of Agio Cigars is progressing according to the plan. The closure of the facilities in Eersel and in Duizel, the Netherlands is planned to be completed by the end of 2021.

The expectations for total net synergies by the end of 2022 of DKK 250 million and cost savings in 2021 of about DKK 100 million are maintained.

Special costs in relation to the integration of Agio Cigars of DKK 4 million have been expensed in the third quarter (DKK 61 million) with DKK 27 million for the nine-months period (DKK 170 million). In the third quarter DKK 42 million non-cash impairment of buildings was reversed based on external valuations. The expectation is maintained that total special costs related to the integration until end of 2022 will be at the level of DKK 450 million.

## Update on financial key metrics

In the third quarter of 2021 the EBITDA margin improved to 28.7% (27.5%) driven by product and market mix, savings from the integration of Agio Cigars and other income. For the first nine months of 2021 the EBITDA-margin improved to 28.3% (23.5%) driven by positive net sales growth, product and market mix, savings from the integration of Agio Cigars and a DKK 62 million fair value adjustment impacting the results negatively in 2020.

The ROIC improved to 12.9% (9.1%) with a DKK 445 million improvement in EBIT (12 months rolling) driven by the operational performance and based on an invested capital of DKK 12.4 billion (DKK 12.7 billion).

## Capital allocation

During the third quarter of 2021 Scandinavian Tobacco Group has bought back 1,199,578 shares at a market value of DKK 155 million under the current DKK 600 million share buy-back programme. During the first nine months of 2021, the Company has bought 2,774,911 shares at a market value of DKK 352 million under the current programme that was launched 11 March 2021 and is expected to close by the end of February 2022.

# Financial guidance for 2021

Scandinavian Tobacco Group has delivered a strong financial performance in the first nine months of 2021 with the outlook for the fourth quarter of 2021 supported by a persistently high demand for handmade cigars and savings from the integration of Agio Cigars.

Consequently, the guidance for the full year 2021 is maintained:

- EBITDA: Organic growth in the range of 16%-20%
- Free cash flow before acquisitions in the range of DKK 1.0-1.3 billion
- Adjusted EPS >35%

Organic EBITDA growth is still expected to be supported by synergies from the integration of Agio Cigars of about DKK 100 million and the full year effect of Fuelling the Growth.

The high end of the guidance range for organic EBITDA growth presupposes continued positive demand for handmade cigars in the US as well as fully solving the current supply issues for machine-rolled cigars in Europe and not encountering any additional constraints in the global supply chain.

However, visibility in the market development remains lower than normal and can impact the accuracy in predictions on consumer behaviour and consumption.

The expectation for free cash flow before acquisitions is maintained with the high activity level tying-up more working capital. Total capex is maintained at DKK 370 million and includes relatively high investments in production footprint and digitalisation initiatives. The impact from working capital is assumed to be slightly negative. The expectations for total capex and working capital movements may be impacted by decisions to delay investments and to change inventory positions should COVID-19, disruptions in the supply chain or the development in consumer demand across product categories necessitate that.

The guidance of an increase of >35% (from DKK 9.78) in adjusted EPS includes a positive impact from share repurchases and a negative impact from currency developments. The guidance and assumptions are based on current exchange rates.

**Events after the reporting period**

There are no other events than those mentioned in the above that have occurred after 30 September 2021 and that are expected to have material impact on the financial position of the Group.

**Forward-looking statements**

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

**Capital Markets Day on 23 November 2021**

Scandinavian Tobacco Group invites analysts, investors, and members of the media to its Capital Markets Day to be held on 23 November in London, United Kingdom.

During the Capital Markets Day, CEO Niels Frederiksen and CFO Marianne Rørslev Bock will provide an update on the strategic and financial direction of Scandinavian Tobacco Group. In addition, representatives from the commercial divisions and supply chain will provide a deep dive into specific business areas and the opportunities ahead. The event is held in English and presentations will be followed by a Q&A-session.

Additional information on the agenda, venue and presenters for the event will be available on Scandinavian Tobacco Group's website. Registration form is available at: <https://investor.st-group.com/upcoming-events>

**Financial calendar for 2022**

Annual Report 2021	8 March, 2022
Annual General Meeting	31 March, 2022
Interim report Q1 2022	18 May, 2022
Interim report Q2 2022	24 August, 2022
Interim report Q3 2022	9 November, 2022

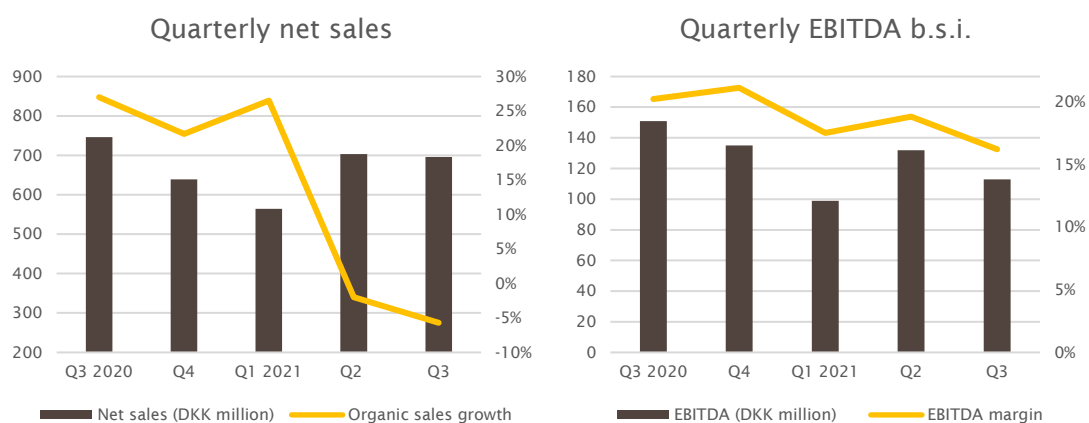
## Divisional update

### North America Online & Retail

In the third quarter of 2021 the shift back to retail channel from the online channel continued to impact year-on-year developments. The North American online channel experienced a decline in the active customer base versus previous quarters and the same quarter of last year but it remains to deliver a +10% upside compared to 2019-levels. A very strong growth in the retail business was not enough to compensate resulting in a 6% negative organic net sales growth.

The retail business continues to perform well with high double-digit organic net sales growth versus last year. Retail now accounts for 7% of net sales in the division. The super stores, which opened in 2020, perform better than planned. The new super store in San Antonio, Texas is on track to open early next year.

#### Quarterly development, Q3 2020-Q3 2021



Net sales decreased by 7% to DKK 696 million during the quarter composed of a 6% negative organic net sales growth and an exchange rate effect of -1%. The organic development was driven by a negative contribution in the online channel only partly being offset by a strong growth in our retail super stores. Last year retail customers moved to the online channel driven by restrictions and closures of parts of the physical trade due to the pandemic.

EBITDA before special items decreased by 25% to DKK 113 million with an EBITDA margin before special items of 16.2% (20.2%). The margin development is driven by higher sales related costs, the retail expansion, an increase in promotional spending and a very strong performance in the third quarter of 2020.

#### First nine months of 2021

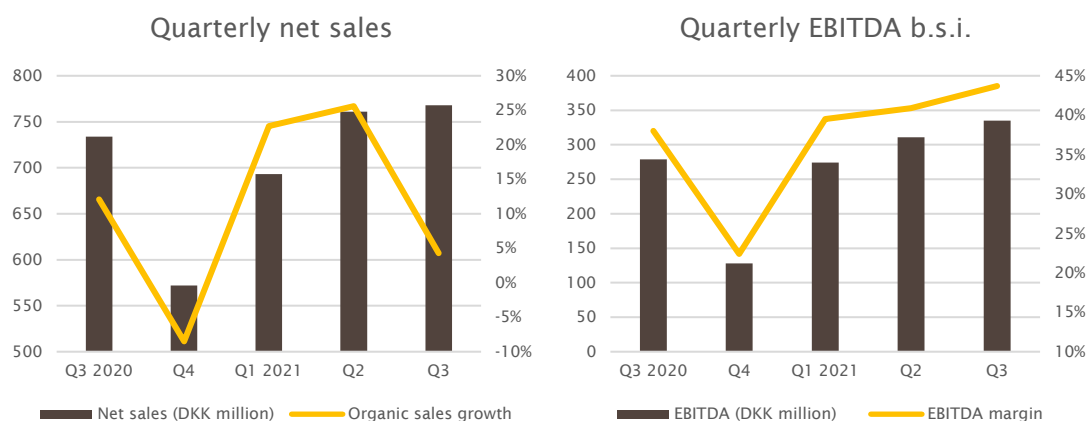
Net sales for the first nine months of 2021 decreased by 3% to DKK 1,963 million and organic growth was positive by 3.5%. Gross profit before special items decreased by 2% to DKK 786 million and the gross margin was 40.1% (39.7%). EBITDA before special items decreased to DKK 344 million with an EBITDA margin of 17.5% (18.9%).



## North America Branded & RoW

In the third quarter of 2021 organic net sales growth remained strong compared with the third quarter of last year. The performance – on a background of a strong comparison base in the third quarter of last year - was driven by continued volume growth across most product categories and a favourable market mix. The consumption of handmade cigars in the US remains at a high level, though growth rates now start to reflect the comparison to the higher level of last year. The divisional net sales continue to be strong in the retail sales channel and the new national distribution network, the Forged Cigar Company is contributing with growth to the division.

### Quarterly development, Q3 2020-Q3 2021



Net sales increased by 5% to DKK 768 million during the quarter composed of a 4% positive organic net sales growth and a positive exchange rate effect of 0.4%. The organic development was primarily driven by a continued strong increase in the volumes of handmade cigars. Machine-rolled cigars in Canada and smoking tobacco in the US also delivered growth in net sales.

EBITDA before special items increased by 20% to DKK 335 million with an EBITDA margin before special items of 43.7% (38.0%). The margin improvement was realised with an improved gross margin driven by market and product mix and other income of DKK 31 million.

#### First nine months of 2021

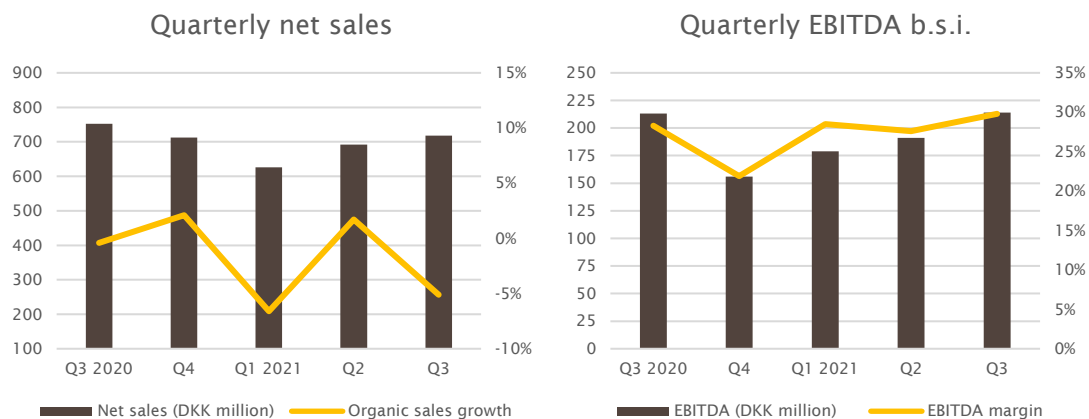
Net sales for the first nine months of 2021 increased by 14% to DKK 2,222 million and organic growth was positive by 17%. Gross profit before special items increased by 22% to DKK 1,216 million and the gross margin was 54.7% (51.2%) primarily driven by market and product mix and price increases. EBITDA before special items increased by 34% to DKK 920 million with an EBITDA margin of 41.4% (35.0%).

## Europe Branded

Market developments have started to normalise with all domestic sales channels now being open again. Only certain border and tourist markets continue to see a negative development. The net sales performance during the third quarter of 2021 have been negatively impacted by the structural volume decline of machine-rolled cigars and the supply issue, which surfaced by the end of the second quarter of 2021 and continued into the third quarter. The structural volume decline in machine-rolled cigars continues to be managed through price increases.

The integration of Agio Cigars progresses well with the integration of the production facilities expected to be concluded by the end of this year. The market share index continues to be negatively impacted by the previously mentioned supply issue and as consequence the combined market share of machine-rolled cigars in the key markets declined in the third quarter of 2021 to 31.9% versus 33.0% in the third quarter of 2020 and versus 33.1% in the full year of 2020.

### Quarterly development, Q3 2020-Q3 2021



Net sales decreased by 5% to DKK 718 million during the quarter explained by a negative organic net sales growth of 5%. The organic development was primarily driven by a negative volume development in machine-rolled cigars as well as a 1% negative impact from the termination of a distribution agreement. Price/mix remains favourable.

EBITDA before special items remained unchanged at DKK 214 million with an EBITDA margin before special items of 29.8% (28.3%). The increase in margin was driven by pricing and mix, savings in relation to the integration of Agio Cigars and the termination of the said distribution agreement.

### First nine months of 2021

Net sales for the first nine months of 2021 decreased by 3% to DKK 2,036 million and organic growth was negative by -3%. Gross profit before special items increased by 8% to DKK 1,125 million and the gross margin was 55.3% (49.5%). EBITDA before special items increased by 37% to DKK 584 million with an EBITDA margin of 28.7% (20.2%). The margin improvement was driven by price/mix, integration of Agio Cigars, the termination of a distribution agreement and a DKK 62 million fair value adjustment of inventories impacting negatively in the first half of 2020.

# Quarterly Financial Data

DKK million	2021			2020		2021	2020	
	Q3	Q2	Q1	Q4	Q3	9M	9M	12M
<b>Reported data</b>								
Net sales	2,182	2,156	1,883	1,922	2,231	6,221	6,084	8,006
Gross profit before special items	1,102	1,071	955	867	1,124	3,128	2,845	3,712
EBITDA before special items	627	606	527	397	614	1,759	1,429	1,826
Special items	-26	-24	-17	-121	-80	-67	-314	-435
EBIT	510	492	419	180	436	1,421	806	986
Net financial items	-29	-21	-12	-15	7	-61	-38	-53
Profit before tax	489	480	414	170	450	1,384	781	951
Income taxes	-106	-104	-90	-122	-94	-300	-151	-274
Net profit	383	376	324	48	356	1,083	630	678
<b>Other financial key data</b>								
Organic EBITDA growth	0.9%	20.8%	49.1%	-14.6%	32.5%	19.5%	25.6%	14.0%
Organic net sales growth	-2.2%	7.5%	12.5%	4.2%	12.0%	5.4%	7.5%	6.6%
Gross margin before special items	50.5%	49.7%	50.7%	45.1%	50.4%	50.3%	46.8%	46.4%
EBITDA margin before special items	28.7%	28.1%	28.0%	20.7%	27.5%	28.3%	23.5%	22.8%
Free cash flow before acquisitions	564	434	89	238	609	1,086	1,156	1,394
<b>North America Online &amp; Retail</b>								
Net sales	696	703	564	639	746	1,963	2,023	2,662
Gross profit before special items	279	277	231	272	309	786	803	1,075
EBITDA before special items	113	132	99	135	151	344	382	517
Net sales growth	-6.6%	-10.8%	15.3%	12.5%	20.5%	-3.0%	17.4%	16.2%
Organic net sales growth	-5.7%	-2.0%	26.5%	21.7%	27.0%	3.5%	18.0%	18.9%
Gross margin before special items	40.0%	39.4%	41.0%	42.6%	41.5%	40.1%	39.7%	40.4%
EBITDA margin before special items	16.2%	18.8%	17.5%	21.1%	20.2%	17.5%	18.9%	19.4%
<b>North America Branded &amp; RoW</b>								
Net sales	768	761	693	572	734	2,222	1,956	2,527
Gross profit before special items	422	422	373	240	386	1,216	1,001	1,241
EBITDA before special items	335	311	274	128	279	920	685	813
Net sales growth	4.7%	21.0%	16.8%	-6.9%	12.4%	13.6%	7.4%	3.8%
Organic net sales growth	4.3%	25.6%	22.7%	-8.5%	12.1%	16.7%	3.5%	0.4%
Gross margin before special items	54.9%	55.4%	53.8%	42.0%	52.6%	54.7%	51.2%	49.1%
EBITDA margin before special items	43.7%	40.9%	39.5%	22.4%	38.0%	41.4%	35.0%	32.2%
<b>Europe Branded</b>								
Net sales	718	692	626	712	752	2,036	2,105	2,817
Gross profit before special items	402	373	351	355	428	1,125	1,041	1,397
EBITDA before special items	214	191	179	156	213	584	425	581
Net sales growth	-4.6%	1.8%	-7.0%	37.6%	40.1%	-3.3%	42.7%	41.4%
Organic net sales growth	-5.1%	1.7%	-6.6%	2.1%	-0.4%	-3.4%	2.4%	2.3%
Gross margin before special items	56.1%	53.8%	56.0%	49.9%	57.0%	55.3%	49.5%	49.6%
EBITDA margin before special items	29.8%	27.6%	28.5%	21.9%	28.3%	28.7%	20.2%	20.6%
<b>Group costs</b>								
EBITDA before special items	-36	-28	-24	-21	-28	-88	-63	-85

# 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 – 30 September 2021.

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

In our opinion, the interim consolidated financial statements give a true and fair view of the Group's assets, liabilities and financial position at 30 September 2021 and of the results of the Group's operations and consolidated cash flows for the financial period 1 January – 30 September 2021.

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

Gentofte, 4 November 2021

## EXECUTIVE MANAGEMENT

Niels Frederiksen  
CEO

Marianne Rørslev Bock  
CFO

## BOARD OF DIRECTORS

Nigel Northridge  
CHAIRMAN

Henrik Brandt  
VICE-CHAIRMAN

Marlene Forsell

Dianne Neal Blixt

Anders Obel

Luc Missorten

Claus Gregersen

Henrik Amsinck

Hanne Malling

Mogens Olsen

Lindy Larsen

1 JANUARY - 30 SEPTEMBER

## CONSOLIDATED INCOME STATEMENT

DKK million		Q3 2021	Q3 2020	9M 2021	9M 2020
<b>Net sales</b>	2	<b>2,181.9</b>	<b>2,231.3</b>	<b>6,220.5</b>	<b>6,083.5</b>
Cost of goods sold	2	-1,080.0	-1,107.5	-3,092.7	-3,238.6
<b>Gross profit before special items</b>	2	<b>1,101.9</b>	<b>1,123.8</b>	<b>3,127.8</b>	<b>2,844.9</b>
Other external costs	2	-279.5	-277.3	-752.8	-741.1
Staff costs	2	-226.9	-232.4	-646.7	-675.1
Other income		31.0	-	31.0	-
<b>Earnings before interest, tax, depreciation, amortisation and special items (EBITDA before special items)</b>		<b>626.5</b>	<b>614.1</b>	<b>1,759.3</b>	<b>1,428.7</b>
Depreciation and impairment		-50.2	-58.0	-150.4	-184.6
<b>Earnings before interest, tax, amortisation and special items (EBITA before special items)</b>		<b>576.3</b>	<b>556.1</b>	<b>1,608.9</b>	<b>1,244.1</b>
Amortisation and impairment		-40.2	-40.1	-120.9	-124.7
<b>Earnings before interest, tax and special items (EBIT before special items)</b>		<b>536.1</b>	<b>516.0</b>	<b>1,488.0</b>	<b>1,119.4</b>
Special items, costs and impairment	3	-26.3	-80.1	-67.2	-313.9
<b>Earnings before interest and tax (EBIT)</b>		<b>509.8</b>	<b>435.9</b>	<b>1,420.8</b>	<b>805.5</b>
Share of profit of associated companies, net of tax		8.3	7.1	23.9	14.2
Financial income		13.3	29.9	37.4	66.0
Financial costs		-42.1	-23.4	-98.4	-104.4
<b>Profit before tax</b>		<b>489.3</b>	<b>449.5</b>	<b>1,383.7</b>	<b>781.3</b>
Income taxes		-106.2	-93.9	-300.3	-151.3
<b>Net profit for the period</b>		<b>383.1</b>	<b>355.6</b>	<b>1,083.4</b>	<b>630.0</b>
<b>Earnings per share</b>					
Basic earnings per share (DKK)		4.0	3.6	11.3	6.3
Diluted earnings per share (DKK)		4.0	3.6	11.3	6.3
<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		1.7	8.5	5.5	-3.3
Tax of cash flow hedges		-0.3	-1.9	-1.1	0.7
Foreign exchange adjustments on net investments in foreign operations		130.4	-325.2	296.9	-425.3
<b>Other comprehensive income for the period, net of tax</b>		<b>131.8</b>	<b>-318.6</b>	<b>301.3</b>	<b>-427.9</b>
<b>Total comprehensive income for the period</b>		<b>514.9</b>	<b>37.0</b>	<b>1,384.7</b>	<b>202.1</b>

## Net sales

In the third quarter of 2021, net sales were DKK 2,182 million (DKK 2,231 million). Exchange rates did not impact the total sales and the organic growth in net sales was negative by 2.2%. For the first nine months of 2021, net sales were DKK 6,221 million (DKK 6,084 million).

## Profit

Gross profit before special items for the third quarter of 2021 was DKK 1,102 million (DKK 1,124 million) explained by the negative organic growth in net sales. The gross margin before special items was 50.5% (50.4%) with increasing margins in North America Branded & RoW and small declines in Europe Branded and North America Online & Retail.

Operating expenses for the third quarter were stable at DKK 506 million (DKK 510 million) explained by volume related costs and cost discipline in general. The OPEX ratio slightly increased to 23.2% (22.8%) as consequence of the lower sales for the third quarter.

EBITDA before special items for the third quarter of 2021 amounted to DKK 627 million (DKK 614 million). The development is explained by other income of DKK 31 million which more than compensated for the negative organic growth and for a slightly higher OPEX ratio. Organic EBITDA growth was 0.9%.

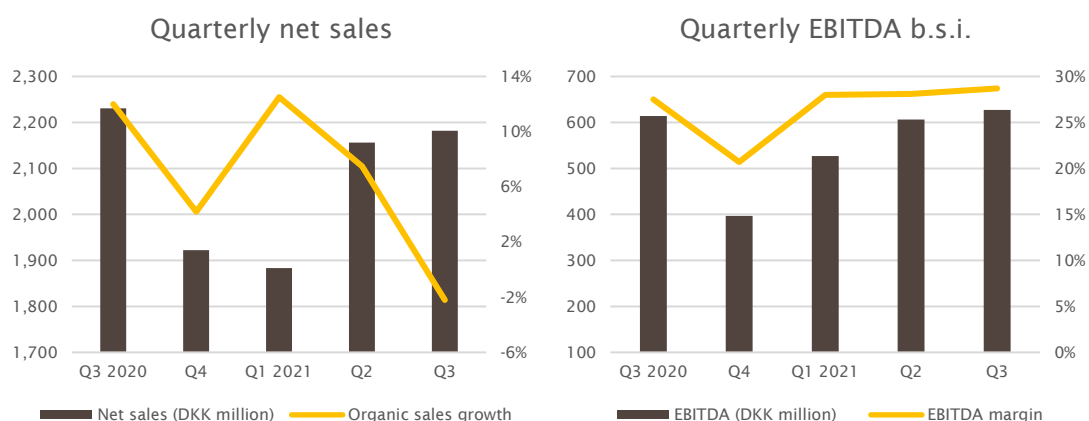
EBITDA margin before special items for the third quarter of 2021 was 28.7% (27.5%).

During the quarter DKK 26 million (DKK 80 million) have been expensed as special items. Special items relating to the integration of Agio Cigars were DKK 4 million (DKK 61 million). DKK 7 million have been expensed in relation to the production footprint (DKK 6 million). Income of DKK 42 million relating to a reversal of previously recognised impairment of buildings. DKK 55 million relating to impairment of trademarks have been expensed as part of the Group's portfolio simplification. See note 3 for an overview of special items.

Net profit was DKK 383 million (DKK 356 million). Earnings Per Share (EPS) were DKK 4.0 (DKK 3.6). Earnings Per Share adjusted for special items, fair value adjustments and currency gains/losses, net of tax increased to DKK 4.2 (DKK 4.0).

In the first nine months of 2021, gross profit before special items was DKK 3,128 million (DKK 2,845 million) with a gross margin of 50.3% (46.8%). EBITDA before special items was DKK 1,759 million (DKK 1,429 million) with an EBITDA margin of 28.3% (23.5%) Special items were DKK 67 million (DKK 314 million), net profit was DKK 1,083 million (DKK 630 million) with Earnings Per Share adjusted for special items, fair value adjustments and currency gains/losses, net of tax increased to DKK 11.6 (DKK 8.5).

## Quarterly development, Q3 2020-Q3 2021



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

DKK million	30 Sep 2021	30 Sep 2020	31 Dec 2020
<b>INTANGIBLE ASSETS</b>			
Goodwill	5,052.4	4,995.4	4,895.1
Trademarks	2,981.5	3,150.1	3,067.5
IT software	84.5	37.8	77.9
Other intangible assets	221.8	276.3	239.2
<b>Total intangible assets</b>	<b>8,340.2</b>	<b>8,459.6</b>	<b>8,279.7</b>
Property, plant and equipment	1,394.9	1,388.8	1,405.5
Investments in associated companies	178.6	157.4	152.0
Deferred income tax assets	137.1	135.9	129.3
<b>Total non-current assets</b>	<b>10,050.8</b>	<b>10,141.7</b>	<b>9,966.5</b>
Inventories	2,918.3	2,859.7	2,816.3
Trade receivables	936.9	901.1	830.2
Other receivables	85.9	82.6	113.3
Corporate tax	59.7	71.9	72.2
Prepayments	66.8	50.4	48.7
Cash and cash equivalents	123.0	95.3	117.0
Assets classified as held for sale	142.6	-	31.8
<b>Total current assets</b>	<b>4,333.2</b>	<b>4,061.0</b>	<b>4,029.5</b>
<b>Total assets</b>	<b>14,384.0</b>	<b>14,202.7</b>	<b>13,996.0</b>

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

DKK million	30 Sep 2021	30 Sep 2020	31 Dec 2020
Share capital	97.5	100.0	100.0
Reserve for hedging	-10.1	-17.7	-14.5
Reserve for currency translation	581.3	489.1	284.4
Treasury shares	-419.1	-30.8	-227.7
Retained earnings	8,436.5	8,120.0	8,230.1
<b>Total equity</b>	<b>8,686.1</b>	<b>8,660.6</b>	<b>8,372.3</b>
Borrowings	2,950.9	2,936.7	2,843.5
Deferred income tax liabilities	618.3	622.5	628.2
Pension obligations	304.8	292.7	289.3
Other provisions	20.0	23.0	20.0
Leasing liabilities	161.3	150.9	159.8
Other liabilities	-	25.8	19.0
<b>Total non-current liabilities</b>	<b>4,055.3</b>	<b>4,051.6</b>	<b>3,959.8</b>
Trade payables	421.3	463.0	525.1
Corporate tax	216.2	129.2	136.7
Other provisions	116.2	88.1	211.2
Leasing liabilities	41.2	62.5	54.6
Other liabilities	847.7	747.7	736.3
<b>Total current liabilities</b>	<b>1,642.6</b>	<b>1,490.5</b>	<b>1,663.9</b>
<b>Total liabilities</b>	<b>5,697.9</b>	<b>5,542.1</b>	<b>5,623.7</b>
<b>Total equity and liabilities</b>	<b>14,384.0</b>	<b>14,202.7</b>	<b>13,996.0</b>

**Equity**

Total shareholders' equity as at 30 September 2021 amounted to DKK 8,686 million (DKK 8,372 million on 31 December 2020). The equity was positively impacted by profit for the period and a positive impact from foreign exchange adjustments on net investments in foreign operations partly offset by the current share buy-back programme and dividend payment. As at 30 September 2021 the equity ratio was 60.4% (59.8% on 31 December 2020).

**Net interest-bearing debt**

Net interest-bearing debt decreased by DKK 372 million to DKK 3,360 million versus the end of the second quarter of 2021. The development is explained by positive a free cash flow partly offset by the purchase of own shares. The leverage ratio (net interest-bearing debt to LTM EBITDA before special items) decreased to 1.6x (1.7x at 30 June 2021). The development is explained by the improvement of LTM EBITDA before special items combined with the decreased level of net interest-bearing debt.

**Return on Invested Capital**

The return on invested capital (ROIC) improved to 12.9% (9.1%) with a DKK 445 million improvement in EBIT (12 months rolling) driven by the operational performance and based on an invested capital of DKK 12.4 billion (DKK 12.7 billion).



## CONSOLIDATED CASH FLOW STATEMENT

1 JANUARY - 30 SEPTEMBER

DKK million	Q3 2021	Q3 2020	9M 2021	9M 2020
Net profit for the period	383.1	355.6	1,083.4	630.0
Depreciation, amortisation and impairment	103.8	111.1	284.7	431.6
Adjustments	171.5	124.4	422.3	411.0
Changes in working capital	136.2	237.4	-84.9	266.6
Special items, paid	-41.4	-45.0	-141.8	-131.8
<b>Cash flow from operating activities before financial items</b>	<b>753.2</b>	<b>783.5</b>	<b>1,563.7</b>	<b>1,607.4</b>
Financial income received	1.0	29.2	16.0	107.2
Financial costs paid	-49.4	-116.9	-97.0	-263.8
<b>Cash flow from operating activities before tax</b>	<b>704.8</b>	<b>695.8</b>	<b>1,482.7</b>	<b>1,450.8</b>
Tax payments	-69.6	-35.5	-226.5	-141.9
<b>Cash flow from operating activities</b>	<b>635.2</b>	<b>660.3</b>	<b>1,256.2</b>	<b>1,308.9</b>
Acquisitions	-	-	-	-1,560.1
Investment in intangible assets	-8.3	-13.1	-26.4	-28.2
Investment in property, plant and equipment	-67.7	-39.5	-156.5	-130.0
Sale of property, plant and equipment	2.0	-	6.0	-
Dividend from associated companies	2.6	1.2	7.1	5.2
<b>Cash flow from investing activities</b>	<b>-71.4</b>	<b>-51.4</b>	<b>-169.8</b>	<b>-1,713.1</b>
<b>Free cash flow</b>	<b>563.8</b>	<b>608.9</b>	<b>1,086.4</b>	<b>-404.2</b>
Repayment of lease liabilities	-14.3	-18.0	-43.6	-55.0
Other financing	-	7.8	-21.5	14.7
RCF / New external funding	-492.2	2,205.3	62.9	7,549.5
Repayment bank loans	-	-2,864.1	-	-7,238.4
Dividend payment	-	-	-626.7	-608.3
Purchase of treasury shares	-160.2	-48.7	-455.0	-48.7
<b>Cash flow from financing activities</b>	<b>-666.7</b>	<b>-717.7</b>	<b>-1,083.9</b>	<b>-386.2</b>
<b>Net cash flow for the period</b>	<b>-102.9</b>	<b>-108.8</b>	<b>2.5</b>	<b>-790.4</b>
Cash and cash equivalents, net at 1 July / 1 January	225.2	211.7	117.0	897.5
Exchange gains/losses on cash and cash equivalents	0.7	-7.6	3.5	-11.8
Net cash flow for the period	-102.9	-108.8	2.5	-790.4
<b>Cash and cash equivalents, net at 30 September</b>	<b>123.0</b>	<b>95.3</b>	<b>123.0</b>	<b>95.3</b>

### Cash flows

Cash flow from operations before changes in working capital in the third quarter of 2021 was DKK 499 million (DKK 423 million). The development was driven by lower financial costs and the improved operational results partly offset by higher tax payments.

Working capital in the third quarter of 2021 had a positive impact on the cash flow by DKK 136 million (DKK 237 million) mainly due to a reduced level of finished goods inventories and higher payables.

Cash flow from investing activities amounted to DKK -71 million (DKK -51 million). The increase is explained by higher investments in property, plant and equipment.

Free cash flow before acquisitions in the third quarter of 2021 was positive by DKK 564 million (DKK 609 million). The cash conversion ratio was 97% (149%).

For the first nine months of 2021 cash flow from operations before changes in working capital was DKK 1,341 million (DKK 1,042 million). Working capital had a negative impact of DKK -85 million (DKK 267 million) on the cash flow explained by higher trade receivables due to the sales mix. Free cash flow before acquisitions was DKK 1,086 million (DKK 1,156 million) and the cash conversion ratio was 102% (137%).

## STATEMENT OF CHANGES IN GROUP EQUITY

1 JANUARY - 30 SEPTEMBER 2021

DKK million	Share capital	Reserve for hedging	Reserve for currency translation	Treasury shares	Retained earnings	Total
<b>Equity at 1 January 2021</b>	<b>100.0</b>	<b>-14.5</b>	<b>284.4</b>	<b>-227.7</b>	<b>8,230.1</b>	<b>8,372.3</b>
<i>Comprehensive income for the period</i>						
<b>Net profit for the period</b>	-	-	-	-	<b>1,083.4</b>	<b>1,083.4</b>
<i>Other comprehensive income</i>						
Cash flow hedges	-	5.5	-	-	-	<b>5.5</b>
Tax of cash flow hedges	-	-1.1	-	-	-	<b>-1.1</b>
Foreign exchange adjustments on net investments in foreign operations	-	-	296.9	-	-	<b>296.9</b>
<b>Total other comprehensive income</b>	-	<b>4.4</b>	<b>296.9</b>	-	-	<b>301.3</b>
<b>Total comprehensive income for the period</b>	-	<b>4.4</b>	<b>296.9</b>	-	<b>1,083.4</b>	<b>1,384.7</b>
<i>Transactions with shareholders</i>						
Capital reduction	-2.5	-	-	247.2	-244.7	-
Purchase of treasury shares	-	-	-	-455.0	-	<b>-455.0</b>
Share-based payments	-	-	-	-	15.3	<b>15.3</b>
Settlement of vested PSUs	-	-	-	16.4	-16.4	-
Settlement in cash of vested PSU's	-	-	-	-	-4.5	<b>-4.5</b>
Dividend paid to shareholders	-	-	-	-	-650.0	<b>-650.0</b>
Dividend, treasury shares	-	-	-	-	23.3	<b>23.3</b>
<b>Total transactions with shareholders</b>	<b>-2.5</b>	-	-	<b>-191.4</b>	<b>-877.0</b>	<b>-1,070.9</b>
<b>Equity at 30 September 2021</b>	<b>97.5</b>	<b>-10.1</b>	<b>581.3</b>	<b>-419.1</b>	<b>8,436.5</b>	<b>8,686.1</b>

## STATEMENT OF CHANGES IN GROUP EQUITY

1 JANUARY - 30 SEPTEMBER 2020

DKK million	Share capital	Reserve for hedging	Reserve for currency translation	Treasury shares	Retained earnings	Total
<b>Equity at 1 January 2020</b>	<b>100.0</b>	<b>-15.1</b>	<b>914.4</b>	<b>-35.0</b>	<b>8,138.4</b>	<b>9,102.7</b>
<i>Comprehensive income for the period</i>						
<b>Net profit for the period</b>	-	-	-	-	<b>630.0</b>	<b>630.0</b>
<i>Other comprehensive income</i>						
Cash flow hedges	-	-3.3	-	-	-	<b>-3.3</b>
Tax of cash flow hedges	-	0.7	-	-	-	<b>0.7</b>
Foreign exchange adjustments on net investments in foreign operations	-	-	-425.3	-	-	<b>-425.3</b>
<b>Total other comprehensive income</b>	-	<b>-2.6</b>	<b>-425.3</b>	-	-	<b>-427.9</b>
<b>Total comprehensive income for the period</b>	-	<b>-2.6</b>	<b>-425.3</b>	-	<b>630.0</b>	<b>202.1</b>
<i>Transactions with shareholders</i>						
Purchase of treasury shares	-	-	-	-	-48.7	<b>-48.7</b>
Share-based payments	-	-	-	-	14.1	<b>14.1</b>
Settlement of vested PSUs	-	-	-	4.2	-4.2	-
Settlement in cash of vested PSU's	-	-	-	-	-1.3	<b>-1.3</b>
Dividend paid to shareholders	-	-	-	-	-610.0	<b>-610.0</b>
Dividend, treasury shares	-	-	-	-	1.7	<b>1.7</b>
<b>Total transactions with shareholders</b>	-	-	-	<b>4.2</b>	<b>-648.4</b>	<b>-644.2</b>
<b>Equity at 30 September 2020</b>	<b>100.0</b>	<b>-17.7</b>	<b>489.1</b>	<b>-30.8</b>	<b>8,120.0</b>	<b>8,660.6</b>

**NOTES****NOTE 1****BASIS OF PREPARATION**

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

**Significant accounting estimates**

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

**Accounting policies**

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

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

<b>9M 2021</b> DKK million	<b>North America Online &amp; Retail</b>	<b>North America Branded &amp; RoW</b>	<b>Europe Branded</b>	<b>Group costs / not allocated</b>	<b>Total</b>
Net sales	1,962.9	2,221.7	2,035.9	-	6,220.5
Cost of goods sold	-1,176.6	-1,005.4	-910.7	-	-3,092.7
<b>Gross profit before special items</b>	<b>786.3</b>	<b>1,216.3</b>	<b>1,125.2</b>	<b>-</b>	<b>3,127.8</b>
Staff and other external costs	-442.7	-327.0	-541.6	-88.2	-1,399.5
Other income	-	31.0	-	-	31.0
<b>EBITDA before special items</b>	<b>343.6</b>	<b>920.3</b>	<b>583.6</b>	<b>-88.2</b>	<b>1,759.3</b>
Depreciation and impairment				-150.4	-150.4
Amortisation and impairment				-120.9	-120.9
<b>EBIT before special items</b>				<b>-359.5</b>	<b>1,488.0</b>
Special items, costs and impairment				-67.2	-67.2
<b>EBIT</b>				<b>-426.7</b>	<b>1,420.8</b>
Share of profit of associated companies, net of tax				23.9	23.9
Financial income				37.4	37.4
Financial costs				-98.4	-98.4
<b>Profit before tax</b>				<b>-463.8</b>	<b>1,383.7</b>

## NOTE 2

## SEGMENT INFORMATION AND NET SALES (continued)

9M 2020 DKK million	North America Online & Retail	North America Branded & RoW	Europe Branded	Group costs / not allocated	Total
Net sales	2,022.7	1,955.6	2,105.2	-	6,083.5
Cost of goods sold	-1,219.9	-954.9	-1,063.8	-	-3,238.6
<b>Gross profit before special items</b>	<b>802.8</b>	<b>1,000.7</b>	<b>1,041.4</b>	-	<b>2,844.9</b>
Staff and other external costs	-420.8	-315.7	-616.5	-63.2	-1,416.2
<b>EBITDA before special items</b>	<b>382.0</b>	<b>685.0</b>	<b>424.9</b>	<b>-63.2</b>	<b>1,428.7</b>
Depreciation and impairment				-184.6	-184.6
Amortisation and impairment				-124.7	-124.7
<b>EBIT before special items</b>				<b>-372.5</b>	<b>1,119.4</b>
Special items, costs and impairment				-313.9	-313.9
<b>EBIT</b>				<b>-686.4</b>	<b>805.5</b>
Share of profit of associated companies, net of tax				14.2	14.2
Financial income				66.0	66.0
Financial costs				-104.4	-104.4
<b>Profit before tax</b>				<b>-710.6</b>	<b>781.3</b>

DKK million	9M 2021	9M 2020
<b>Category split, net sales</b>		
Handmade cigars	2,293.2	2,192.2
Machine-rolled cigars	2,193.7	2,220.6
Smoking tobacco	925.8	861.1
Accessories and CMA	807.8	809.6
<b>Total net sales</b>	<b>6,220.5</b>	<b>6,083.5</b>

Licence income and other sales of DKK 37.8 million (DKK 33.0 million) are included in the category 'Accessories and Contract Manufacturing'.

DKK million	9M 2021	9M 2020
<b>Geographical split, net sales</b>		
Americas	3,295.4	3,130.0
Europe	2,601.6	2,623.7
Rest of World	323.5	329.8
<b>Total net sales</b>	<b>6,220.5</b>	<b>6,083.5</b>

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

DKK million	9M 2021	9M 2020
Integration and transactions costs (Agio Cigars)	26.9	169.6
Fuelling the Growth programme	1.9	2.9
Production footprint	25.0	19.1
Impairment tangible assets	-	122.3
Reversal of impairments, tangible assets	-41.6	-
Impairment intangible assets	55.0	-
<b>Total special items</b>	<b>67.2</b>	<b>313.9</b>