Company Announcement
No. 37/2020

Copenhagen, 5 November 2020

Interim report, 1 January-30 September 2020

Scandinavian Tobacco Group A/S reports Q3 results

For the third quarter of 2020, Scandinavian Tobacco Group delivered continued positive growth in net sales, earnings and free cash flow before acquisitions. The strong results were driven by positive developments in the important US market with overall increased consumption of handmade cigars and strong volume growth in the online business.

Q3 2020 highlights

- Net sales grew to DKK 2,231 million (DKK 1,808 million) with 12.0% organic growth.
- EBITDA before special items was DKK 614 million (DKK 446 million) after 32.5% organic growth. The EBITDA margin was 27.5% (24.7%).
- Earnings Per Share (EPS) was DKK 4.2 (DKK 2.6) adjusted for special items.
- Free cash flow before acquisitions improved to DKK 609 million (DKK 503 million).
- STG issued a EUR 300 million unsecured corporate bond.
- Share repurchases of DKK 53 million out of DKK 300 million program
- In the first nine months of 2020, net sales grew 7.5% organically to DKK 6,084 million (DKK 5,020 million), and EBITDA before special items grew 25.6% organically to DKK 1,429 million (DKK 1,083 million). Free cash flow before acquisitions improved to DKK 1,156 million (DKK 819 million).

Increased tobacco consumption across markets and categories

The changes in consumer behaviour following the outbreak of the Covid-19 pandemic in the second quarter of 2020 have continued with high tobacco consumption across product categories and markets. In addition to increasing demand for handmade cigars in the US, sales of pipe tobacco and fine cut tobacco have performed better in several markets. The financial performance continues to be positively impacted by phasing.

The increased cigar consumption in the US is expected to continue in the near term. However, the Group's financial performance in the fourth quarter is expected to be negatively impacted by the loading of net sales in previous quarters and very strong comparison numbers partly driven by the change in sales taxing in France in the fourth quarter 2019. Furthermore, despite positive impacts from efficiency improvements and the integration of Agio Cigars a temporary increase is expected in the OPEX ratio driven by strategic sales and marketing initiatives. The financial outlook for 2020 is maintained.

- EBITDA: Organic growth >9%
- Free cash flow before acquisitions: >DKK 1,000 million

CEO Niels Frederiksen: *"We are able to present a very strong result for the third quarter with double-digit growth in net sales, EBITDA and cash flow – and overall our performance in the first nine months of 2020 has been better than anticipated. However, we maintain our guidance for the full year as we expect our financial performance in the fourth quarter to be negatively impacted by phasing, a temporary increase in the OPEX ratio and strong comparisons numbers."*

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A conference call will be held on 5 November 2020 at 10.00 CEST. Dial-in information and an accompanying presentation will be available at investor.st-group.com around 09:00 CEST.

Key Figures

DKK million	Q3 2020	Q3 2019	9M 2020	9M 2019	Year 2019
INCOME STATEMENT					
Net sales[1]	2,231	1,808	6,084	5,020	6,719
Gross profit before special items[1]	1,124	854	2,845	2,332	3,142
EBITDA before special items	614	446	1,429	1,083	1,513
Special items	-80	-118	-314	-162	-133
EBIT	436	229	806	627	977
Net financial items[2]	7	-16	-38	-42	-45
Profit before tax	450	217	781	598	949
Income taxes	-94	-45	-151	-129	-201
Net profit	356	172	630	469	748
BALANCE SHEET					
Total assets			14,203	13,939	13,872
Equity			8,661	8,993	9,103
Net interest-bearing debt (NIBD)			3,400	2,705	2,330
Investment in property, plant and equipment	40	26	130	57	94
Total capital expenditures	53	31	158	83	122
CASH FLOW STATEMENT					
Cash flow from operating activities	660	532	1,309	896	1,300
Cash flow from investing activities	-51	-13	-1,713	-61	-50
Free cash flow	609	519	-404	835	1,250
Free cash flow before acquisitions	609	503	1,156	819	1,187
KEY RATIOS[3]					
Net sales growth	23.4%	-1.9%	21.2%	3.6%	2.4%
Gross margin before special items[1]	50.4%	47.2%	46.8%	46.5%	46.8%
EBITDA margin before special items[1]	27.5%	24.7%	23.5%	21.6%	22.5%
Effective tax percentage	20.9%	20.8%	19.4%	21.5%	21.2%
Equity ratio			61.0%	64.5%	65.6%
Cash conversion	149.2%	140.2%	137.1%	114.6%	118.6%
Organic net sales growth	12.0%	-4.2%	7.5%	-2.4%	-2.5%
Organic EBITDA growth	32.5%	5.4%	25.6%	5.8%	7.1%
NIBD / EBITDA before special items			1.8	1.9	1.5
ROIC			8.0%	5.8%	8.2%
ROIC ex. Goodwill			12.3%	9.5%	13.5%
Earnings per share adj. special items (DKK)	4.2	2.6	8.7	5.9	8.5
Basic earnings per share (DKK)	3.6	1.7	6.3	4.7	7.5
Diluted earnings per share (DKK)	3.6	1.7	6.3	4.7	7.5
Number of shares issued ('000)			100,000		100,000
Number of treasury shares ('000)			828		316
Share price at balance date (DKK)			94.25		81.25
Dividend per share (DKK)					6.1
Pay-out ratio					81.6%

1. See note 1 for restatement of historical net sales and gross profit figures and related ratios.
2. Excl. share of profit of associated companies.
3. See definition/explanation of financial ratios in note 5.8 in the Annual Report 2019.

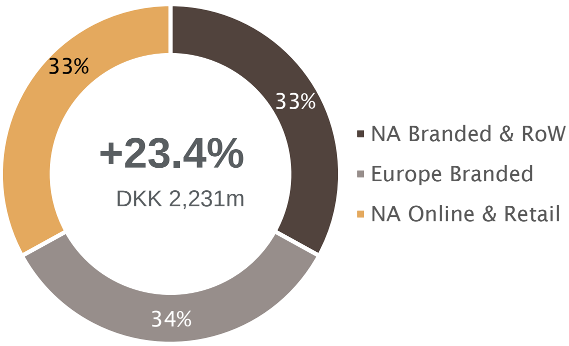
Business overview Q3 2020

The Group delivered a strong financial performance in the third quarter with 12% organic growth in net sales to DKK 2,231 million primarily based on continued strong growth in North America Online & Retail, positive growth in North America Branded & Rest of World and a stable development in Europe Branded. Reported growth was 23% with the acquisition of Agio Cigars contributing with 15% of the growth, divestment of activities by -1% and exchange rate developments by -4%. Earnings and profitability improved significantly compared with the third quarter of 2019 driven by a strong operational performance due to increased volume, improved product mix and increased efficiency following the integration of Agio Cigars and faster than anticipated implementation of Fuelling the Growth initiatives. EBITDA before special items grew 33% organically to DKK 614 million entailing an EBITDA margin before special items of 27.5%. Special items came to DKK -80 million (DKK -118 million) mainly comprising costs for the integration of Agio Cigars, see note 3. The Group's free cash flow before acquisitions improved to DKK 609 million (DKK 503 million) in the third quarter of 2020 partly driven by working capital improvements as of 30 September 2020. The Group´s leverage ratio was 1.8x.

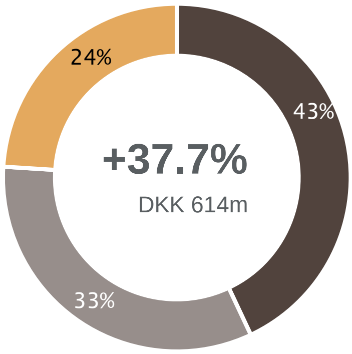
The overall consumption of tobacco products remains high with sales of premium handmade cigars in the US growing, as the overall number of smoking opportunities has increased, which has also benefitted pipe tobacco and fine-cut tobacco.

Divisional split Q3 2020

Net sales



EBITDA before special items



Group net sales and EBITDA Q3 2020

Table 1: Net sales

DKK million	Q3 2020	Q3 2019	Change in %
Net sales[1]	2,231	1,808	23.4%
Acquisitions		273	
Divestments		-23	
Currency development	74		
Organic net sales	**2,305**	**2,058**	**12.0%**

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

Table 2: EBITDA

DKK million	Q3 2020	Q3 2019	Change in %
EBITDA b.s.i.	614	446	37.7%
Acquisitions		44	
Divestments		-15	
Currency development	16		
Organic EBITDA	**630**	**475**	**32.5%**

Covid-19 Update

During the third quarter, the overall demand for handmade cigars and smoking tobacco (fine-cut and pipe tobacco) was above the long-term structural trends. Restrictions and actions taken to counter the outbreak of Covid-19 have impacted and changed consumer behaviour in most product categories and markets. In the handmade cigars and smoking tobacco categories smoking opportunities increased as people work more from home at the same time as private consumption has been supported by aid packages and have fuelled increased demand. In machine-made cigars the consumption in Europe has proved resilient despite lock-downs and travel restrictions. The long-term impact on consumer behaviour in the different product categories remains uncertain and no assurances exist that the increase in consumption will persist, though it is expected near-term.

The overall supply of premium cigars has been under pressure as a result of the strong demand and inventories throughout the supply-chain were reduced in recent months. However, production output has increased and inventory levels are expected to normalise early next year assuming no material disruptions and lock-down throughout the supply-chain.

With the recent worsening of the pandemic in several countries and regions, especially in Europe, preparations and precautions have been reintroduced.

Agio Cigars

Overall the integration of Agio Cigars is progressing as planned. The commercial integration is expected to be finalised in the fourth quarter and it is encouraging that the combined like-for-like market shares improves quarter by quarter. The expectations to deliver total net synergies of estimated DKK 225 million by the end of 2022 and cost savings of about DKK 70-80 million in 2020 remain unchanged.

Special costs in relation to the integration of Agio Cigars of DKK 74 million have been expensed in the third quarter. The expectation is maintained that total special costs until end of 2022 will be at the level of DKK 450 million with cash impact and DKK 122 million in non-cash impairments. The latter were primarily expensed in the first quarter of the year.

Funding and status on share buy-back program

In September 2020, STG Global Finance B.V., a wholly-owned subsidiary of Scandinavian Tobacco Group A/S, issued a 5-year unsecured corporate bond for a principal amount of EUR 300 million with maturity in September 2025 and with a coupon of 1.375%. The bonds which are guaranteed by Scandinavian Tobacco Group A/S have been assigned a Baa3 rating with a stable outlook by Moody´s Investor Services in line with a first-time issuer rating of Scandinavian Tobacco Group A/S. The proceeds of the offering have been used to refinance a bridge loan facility in the Group, see also note 4.

In the quarter, the Group has initiated a share buy-back programme at a total value of up to DKK 300 million. The purpose of the share buy-back is to adjust the capital structure and meet obligations in relation to the Group’s share-based incentive programme. The share buy-back programme will be executed from 31 August 2020 to 26 February 2021 at the latest and is executed as a Safe Harbour program. Under the program Scandinavian Tobacco Group bought back 550,558 shares at a market value of DKK 53 million in the third quarter of 2020, after which Scandinavian Tobacco Group held 827,604 treasury shares at 30 September 2020.

Financial guidance for 2020

The financial guidance remains unchanged with expectations of

- EBITDA: Organic growth > 9%
- Free cash flow before acquisitions >DKK 1,000 million

The guidance is based on assumptions that the change in consumer behaviour in the US will continue for the rest of the year and no material disruptions to the supply chain occur. Furthermore, the Group expects a contribution from cost savings in relation to the integration of Agio Cigars of about DKK 70-80 million in 2020 as well as further benefits from the Fuelling the Growth restructuring program.

However, the fourth quarter 2020 financial performance is anticipated to be negatively affected by loading of net sales by an estimated DKK 100 million in previous quarters as well as a strong fourth quarter 2019, which was partly driven by the change in sales taxing in France while the cost level in the fourth quarter 2019 was low. Furthermore, strategic initiatives in sales and marketing to support net sales in 2021 as well as investments driven by our recent retail expansion is expected temporarily to increase the Group OPEX ratio by more than 3% in the fourth quarter. Overall, the fourth quarter 2020 EBITDA before special items is expected to be below the same quarter last year.

Free cash flow in the fourth quarter is expected to be impacted significantly by increasing inventories to support the growth in North America as well as Brexit and a timing effect in payables. Further, the cash flow in the fourth quarter is expected to be negatively impacted by investments in retail and operational footprint.

For the full year 2020 the expectation for special costs have been revised down due to timing and are now expected to be about DKK 375-400 million (DKK 415-435 million). The special costs are divided by cash costs in relation to the integration of Agio Cigars of DKK 220-240 million, a non-cash impairment charge of DKK 122 million for the closure of facilities in Moca (DO), Duizel (NL) and Eersel (NL) and DKK 35 million in relation to Fuelling the Growth and the closure of the facility in Tucker (US). The previously announced total special costs for the integration of Agio Cigars and Fuelling the Growth are unchanged.

Capital expenditure is expected to be in the level of DKK 250 million (revised down from DKK 300 million), financial expenses, excluding currency losses or gains at DKK 90-100 million and the tax rate is expected to be 21-22%.

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.

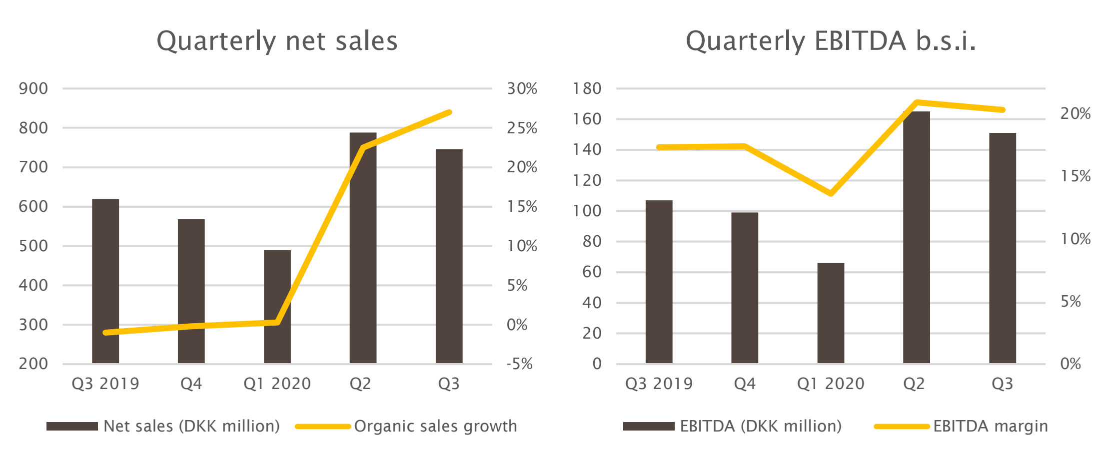
Divisional update

North America Online & Retail

Compared with the third quarter of last year, the North American online channel continued to experience a solid increase in the number of active customers, an increase in the average order size as well as improved customer retention rates. In September 2020 a consumer survey indicated that consumption continues to be above last year as opportunities to enjoy cigars have increased. Despite, the reopening of the brick and mortar retail channel during the quarter, the online growth rate has remained at a high level. The ongoing modernisation and upgrades of the online website platforms and marketing initiatives continued in the quarter.

The expansion of Cigars International's super store network progresses as planned with the opening of the second Texas store in Fort Worth in July 2020 and the first Florida store in Lutz, Tampa in September 2020. The second Florida store was opened in October 2020. With these openings the first phase of the retail expansion has been finalised.

Quarterly development, Q3 2019-Q3 2020



Net sales increased by 21% to DKK 746 million during the quarter composed by a 27% positive organic net sales growth and a negative exchange rate effect of 6%. The organic development was driven by a significant positive contribution in the online channel from all product categories, but in particular handmade cigars.

EBITDA before special items increased by 41% to DKK 151 million with an EBITDA margin before special items of 20.2% (17.3%). The margin improvement is driven by scale benefits, lower promotional and marketing expenses with the competitive pressure remaining low as well as continued benefits from cost efficiencies and optimisations.

First nine months of 2020
Net sales for the first nine months of 2020 increased by 17% to DKK 2,023 million and organic growth was 18%. Gross profit before special items increased by 19% to DKK 803 million and the gross margin was 39.7% (39.0%). EBITDA before special items increased by 50% to DKK 382 million with an EBITDA margin of 18.9% (14.8%).

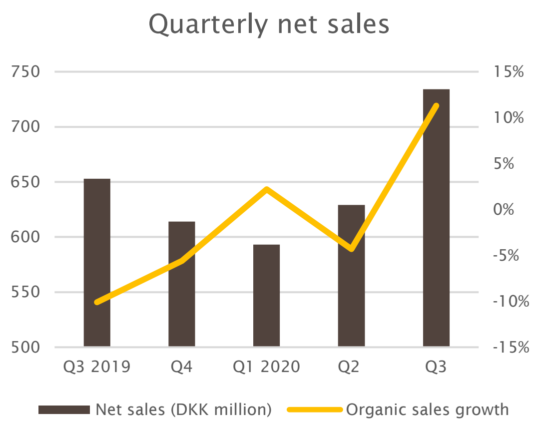
North America Branded & RoW

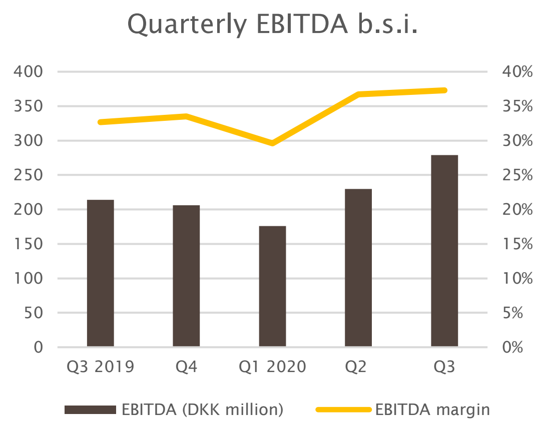
For the third quarter 2020 organic net sales growth was the strongest on record driven by a strong development in handmade cigars and smoking tobacco. The combination of private consumption being supported by governmental aid packages and consumers working from home and having more smoking occasions has positively impacted total consumption of several product categories.

While demand for handmade cigars from the online channel continues to be strong, the reopening of the brick and mortar retail channel in the US also impacted total sales volumes positively. Sales in the brick and mortar retail channel has rebounded in the third quarter and experienced growth compared to last year following the closures across the country during the second quarter.

In smoking tobacco, the structural declining trend has been offset by consumers having more smoking occasions. Fine-cut tobacco in particular realised strong volume growth in the quarter.

Quarterly development, Q3 2019-Q3 2020





Net sales increased by 12% to DKK 734 million during the quarter composed by a 12% positive organic net sales growth, a 5% impact from acquisitions and a negative exchange rate effect of 5%. The organic development was driven by a significant increase in volumes of handmade cigars driven by both the online channel and the reopening of the retail channel. Smoking tobacco also contributed to the organic growth in net sales primarily driven by the US and Norway. The product category machine-made cigars was unchanged.

EBITDA before special items increased by 30% to DKK 279 million with an EBITDA margin before special items of 38.0% (32.7%). The margin improvement was realised with an improved gross margin driven by product mix and pricing as well as an improved OPEX ratio which decreased due to lower sales and marketing spending and general efficiency improvements.

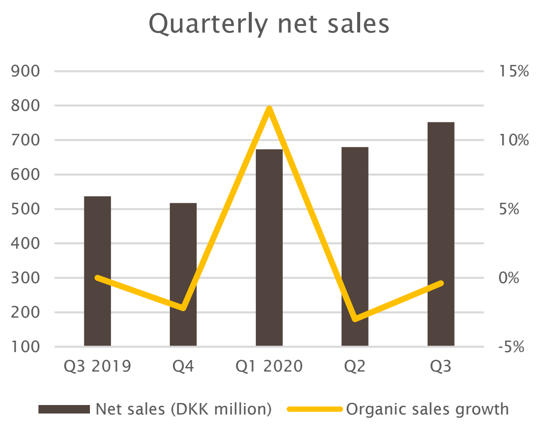
First nine months of 2020
Net sales for the first nine months of 2020 increased by 7% to DKK 1,956 million and organic growth was positive by 3.5%. Gross profit before special items increased by 12% to DKK 1,001 million and the gross margin was 51.2% (48.8%) primarily driven by product mix and price increases. EBITDA before special items increased by 23% to DKK 685 million with an EBITDA margin of 35.0% (30.7%).

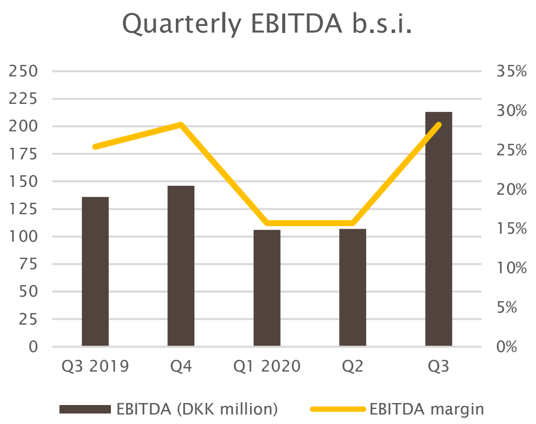
Europe Branded

In the third quarter the overall market for machine-made cigars returned to the pre Covid-19 declining trend following a somewhat weaker second quarter. However, the impact in segments/markets like border trading and tourist areas continue to be profound. Preparations are currently being taken for potential new lock-downs during the fourth quarter with the European sales force to revert to tele sales if necessary. For the division, the organic growth in net sales was stable with market shares in machine-made cigars slightly down and smoking tobacco delivered positive growth.

The integration of Agio Cigars progresses according to plan with the commercial integration expected to finalise during the fourth quarter. Overall, the combined market shares of machine-made cigars in the key markets have been maintained or improved since the acquisition. The combined market share in the largest European markets (France, Belgium, the Netherlands, UK, Germany, Spain and Italy) was 33.0% versus 33.3% in the second quarter of 2020 and 32.9% in the fourth quarter of 2019 with especially France delivering good progress, but with market mix lowering the weighted market share.

Quarterly development, Q3 2019-Q3 2020





Net sales increased by 40% to DKK 752 million during the quarter composed by a 0% organic net sales growth and a 40% positive impact from the acquisition of Agio Cigars. The organic development was driven by a negative contribution from machine-made cigars countered by positive growth in primarily smoking tobacco.

EBITDA before special items increased by 56% to DKK 213 million with an EBITDA margin before special items of 28.3% (25.4%). The increase was driven by a positive gross margin due to product mix and price increases.

First nine months of 2020

Net sales for the first nine months of 2020 increased by 43% to DKK 2,105 million and organic growth was 2.4%. Gross profit before special items increased by 35% to DKK 1,041 million and the gross margin was 49.5% (52.2%). The gross profit was negatively impacted by a fair value adjustment relating to Agio Cigars inventories of DKK 62 million in the first half of 2020. EBITDA before special items increased by 29% to DKK 425 million with an EBITDA margin of 20.2% (22.3%). Excluding the fair value adjustment the EBITDA margin was 23.1% (22.3%). The change in sales taxing in France by the end of 2019 has had a positive impact on EBITDA for the first nine months of 2020, but will as previously communicated have an adverse negative impact in the fourth quarter of 2020.

Quarterly Financial Data

	2020			2019		2020	2019	2019
DKK million	Q3	Q2	Q1	Q4	Q3	9M	9M	12M
Reported data								
Net sales[1]	2,231	2,097	1,756	1,699	1,808	6,084	5,020	6,719
Gross profit before special items[1]	1,124	940	781	810	854	2,845	2,332	3,142
EBITDA before special items	614	489	326	430	446	1,429	1,083	1,513
Special items	-80	-78	-155	29	-118	-314	-162	-133
EBIT	436	304	66	350	229	806	627	977
Net financial items	7	-2	-43	-3	-16	-38	-42	-45
Profit before tax	450	305	26	351	217	781	598	949
Income taxes	-94	-52	-6	-72	-45	-151	-129	-201
Net profit	356	254	21	279	172	630	469	748
Other financial key data								
Organic EBITDA growth	32.5%	19.1%	23.9%	10.6%	5.4%	25.6%	5.8%	7.1%
Organic net sales growth	12.0%	4.6%	5.3%	-2.8%	-4.2%	7.5%	-2.4%	-2.5%
Gross margin before special items[1]	50.4%	44.8%	44.5%	47.7%	47.2%	46.8%	46.5%	46.8%
EBITDA margin before special items[1]	27.5%	23.3%	18.5%	25.3%	24.7%	23.5%	21.6%	22.5%
Free cash flow before acquisitions	609	425	122	368	503	1,156	819	1,187
North America Online & Retail								
Net sales	746	788	489	568	619	2,023	1,723	2,291
Gross profit before special items	309	310	183	211	242	803	672	883
EBITDA before special items	151	165	66	99	107	382	254	353
Net sales growth	20.5%	24.9%	3.4%	3.0%	3.6%	17.4%	18.4%	14.2%
Organic net sales growth	27.0%	22.5%	0.3%	-0.2%	-1.0%	18.0%	0.9%	0.7%
Gross margin before special items	41.5%	39.3%	37.5%	37.1%	39.2%	39.7%	39.0%	38.5%
EBITDA margin before special items	20.2%	20.9%	13.6%	17.4%	17.3%	18.9%	14.8%	15.4%
North America Branded & RoW								
Net sales	734	629	593	614	653	1,956	1,821	2,436
Gross profit before special items	386	329	286	305	321	1,001	890	1,195
EBITDA before special items	279	230	176	206	214	685	558	764
Net sales growth	12.4%	-1.9%	12.3%	-4.1%	-8.0%	7.4%	-4.1%	-4.1%
Organic net sales growth	12.1%	-4.3%	2.2%	-5.6%	-10.1%	3.5%	-6.4%	-6.2%
Gross margin before special items	52.6%	52.4%	48.1%	49.6%	49.3%	51.2%	48.8%	49.0%
EBITDA margin before special items	38.0%	36.7%	29.6%	33.5%	32.7%	35.0%	30.7%	31.4%
Europe Branded								
Net sales	752	680	673	517	537	2,105	1,475	1,992
Gross profit before special items	428	301	312	294	290	1,041	771	1,065
EBITDA before special items	213	107	106	146	136	425	328	474
Net sales growth	40.1%	33.1%	57.4%	-1.8%	-0.1%	42.7%	-0.9%	-1.3%
Organic net sales growth	-0.4%	-3.0%	12.3%	-2.2%	0.0%	2.4%	-1.0%	-1.3%
Gross margin before special items	57.0%	44.2%	46.4%	56.9%	54.0%	49.5%	52.2%	53.4%
EBITDA margin before special items	28.3%	15.7%	15.7%	28.2%	25.4%	20.2%	22.3%	23.8%
Group costs								
EBITDA before special items	-28	-13	-23	-21	-11	-63	-58	-79

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

MANAGEMENT STATEMENT

The Board of Directors and the Executive Management have today considered and approved the interim report of Scandinavian Tobacco Group A/S for the period 1 January – 30 September 2020.

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 2020 and of the results of the Group's operations and consolidated cash flows for the financial period 1 January – 30 September 2020.

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

Gentofte, 5 November 2020

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

Lindy Larsen

Hanne Malling

Mogens Olsen

1 JANUARY - 30 SEPTEMBER

CONSOLIDATED INCOME STATEMENT

DKK million	Note	Q3 2020	Q3 2019	9M 2020	9M 2019
Net sales	**1, 2**	**2,231.3**	**1,808.1**	**6,083.5**	**5,019.6**
Cost of goods sold	1, 2	-1,107.5	-954.2	-3,238.6	-2,687.2
Gross profit before special items	**1, 2**	**1,123.8**	**853.9**	**2,844.9**	**2,332.4**
Other external costs	1, 2	-277.3	-253.2	-741.1	-718.8
Staff costs	2	-232.4	-160.6	-675.1	-536.3
Other income		-	5.9	-	5.9
Earnings before interest, tax, depreciation, amortisation and special items (EBITDA before special items)	**2**	**614.1**	**446.0**	**1,428.7**	**1,083.2**
Depreciation and impairment		-58.0	-54.0	-184.6	-161.1
Earnings before interest, tax, amortisation and special items (EBITA before special items)		**556.1**	**392.0**	**1,244.1**	**922.1**
Amortisation and impairment		-40.1	-45.3	-124.7	-133.1
Earnings before interest, tax and special items (EBIT before special items)		**516.0**	**346.7**	**1,119.4**	**789.0**
Special items, costs and impairment	3	-80.1	-118.1	-313.9	-161.9
Earnings before interest and tax (EBIT)		**435.9**	**228.6**	**805.5**	**627.1**
Share of profit of associated companies, net of tax		7.1	4.2	14.2	12.8
Financial income		29.9	10.9	66.0	38.2
Financial costs		-23.4	-26.8	-104.4	-80.3
Profit before tax		**449.5**	**216.9**	**781.3**	**597.8**
Income taxes		-93.9	-45.2	-151.3	-128.6
Net profit for the period		**355.6**	**171.7**	**630.0**	**469.2**
Earnings per share					
Basic earnings per share (DKK)		3.6	1.7	6.3	4.7
Diluted earnings per share (DKK)		3.6	1.7	6.3	4.7
OTHER COMPREHENSIVE INCOME					
Items that will be recycled subsequently to the Consolidated Income Statement, when specific conditions are met:					
Cash flow hedges, deferred gains/losses incurred during the period		8.5	-1.7	-3.3	-33.6
Tax of cash flow hedges		-1.9	0.4	0.7	7.4
Foreign exchange adjustments on net investments in foreign operations		-325.2	271.6	-425.3	322.2
Other comprehensive income for the period, net of tax		**-318.6**	**270.3**	**-427.9**	**296.0**
Total comprehensive income for the period		**37.0**	**442.0**	**202.1**	**765.2**

Net sales

For the third quarter of 2020, net sales was DKK 2,231 million (DKK 1,808 million). Adjusted for the acquisition of Agio Cigars and the divested sales activities in Slovenia and Croatia by DKK 250 million and a negative exchange rate impact by DKK 74 million, the organic growth in net sales was positive by 12.0%. For the first nine months of 2020, net sales came to DKK 6,084 million (DKK 5,020 million).

Profit

Gross profit before special items for the third quarter of 2020 was DKK 1,124 million (DKK 854 million) driven by Agio Cigars and the positive organic growth in net sales. The gross margin before special items was 50.4% (47.2%) with increasing margins in all three divisions, North America Online & Retail, North America Branded & RoW, and Europe Branded.

Operating expenses for the third quarter increased to DKK 510 million (DKK 408 million) driven by Agio Cigars. The OPEX ratio increased to 22.9% (22.6%) due to the integration of Agio Cigars and despite underlying cost efficiencies and savings from the Fuelling the Growth program.

EBITDA before special items for the third quarter of 2020 amounted to DKK 614 million (DKK 446 million). The development is explained by the organic growth in net sales, a positive contribution from acquisitions and divestments of DKK 29 million, a positive impact of cost efficiency improvements and a negative impact from exchange rate developments of DKK 16 million. Organic EBITDA growth was 32.5%.

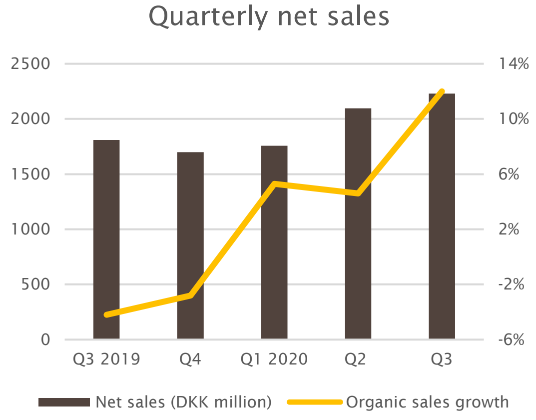
EBITDA margin before special items for the third quarter of 2020 was 27.5% (24.7%).

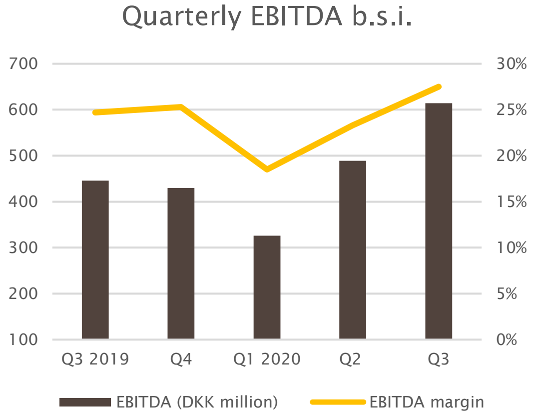
During the quarter DKK 80 million (DKK 118 million) has been expensed as special items. Special items relating to the integration of Agio Cigars was DKK 74 million (DKK 14 million). DKK 0.3 million has been expensed in relation to Fuelling the Growth and DKK 6 million in relation to the closure of the factory in Tucker (US). The total special items for Fuelling the Growth is still seen at up to a total of DKK 250 million. See note 3 for an overview of special items.

Net profit was DKK 356 million (DKK 172 million). Earnings per share (EPS) were DKK 3.6 (DKK 1.7). EPS adjusted for special items net of tax were DKK 4.2 (DKK 2.6).

For the first nine months of 2020, gross profit before special items was DKK 2,845 million (DKK 2,332 million) with a gross margin of 46.8% (46.5%). EBITDA before special items was DKK 1,429 million (DKK 1,083 million) with an EBITDA margin of 23.5% (21.6%) Special items were DKK -314 million (DKK -162 million), net profit was DKK 630 million (DKK 469 million) with EPS adjusted for special items net of tax at DKK 8.7 (DKK 5.9).

Quarterly development, Q3 2019-Q3 2020





CONSOLIDATED BALANCE SHEET

ASSETS

DKK million	**30 Sep 2020**	**30 Sep 2019**	**31 Dec 2019**
INTANGIBLE ASSETS			
Goodwill	4,995.4	4,707.8	4,629.8
Trademarks	3,150.1	2,899.4	2,840.2
IT software & other intangible assets	314.1	355.7	326.8
Total intangible assets	**8,459.6**	**7,962.9**	**7,796.8**
Property, plant and equipment	1,388.8	1,286.7	1,323.7
Investments in associated companies	157.4	158.1	155.9
Deferred income tax assets	135.9	123.0	136.3
Other financial fixed assets	-	1.7	1.7
Total non-current assets	**10,141.7**	**9,532.4**	**9,414.4**
Inventories	2,859.7	2,674.0	2,530.0
Trade receivables	901.1	850.9	800.6
Other receivables	82.6	101.1	93.6
Corporate tax	71.9	113.0	82.0
Prepayments	50.4	60.9	53.9
Cash and cash equivalents	95.3	606.8	897.5
Total current assets	**4,061.0**	**4,406.7**	**4,457.6**
Total assets	**14,202.7**	**13,939.1**	**13,872.0**

CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES

DKK million	Note	30 Sep 2020	30 Sep 2019	31 Dec 2019
Share capital		100.0	100.0	100.0
Reserve for hedging		-17.7	-19.2	-15.1
Reserve for currency translation		489.1	1,064.5	914.4
Treasury shares		-30.8	-35.0	-35.0
Retained earnings		8,120.0	7,882.2	8,138.4
Total equity		**8,660.6**	**8,992.5**	**9,102.7**
Borrowings	4	2,936.7	2,820.4	2,682.1
Deferred income tax liabilities		622.5	503.8	516.7
Pension obligations		292.7	257.1	281.7
Other provisions		23.0	26.1	18.5
Leasing liabilities		150.9	125.2	159.8
Other liabilities		25.8	37.6	31.4
Total non-current liabilities		**4,051.6**	**3,770.2**	**3,690.2**
Trade payables		463.0	340.0	334.0
Corporate tax		129.2	130.8	121.5
Other provisions		88.1	38.1	38.4
Leasing liabilities		62.5	66.9	67.0
Other liabilities		747.7	600.6	518.2
Total current liabilities		**1,490.5**	**1,176.4**	**1,079.1**
Total liabilities		**5,542.1**	**4,946.6**	**4,769.3**
Total equity and liabilities		**14,202.7**	**13,939.1**	**13,872.0**

Equity

Total shareholders' equity as at 30 September 2020 amounted to DKK 8,661 million (DKK 9,103 million on 31 December 2019). The equity was mainly impacted by profit for the period, distribution of dividends and a negative impact from foreign exchange adjustments on net investments in foreign operations. As at 30 September 2020 the equity ratio was 61.0% (65.6% on 31 December 2019).

Net interest bearing debt

Net interest-bearing debt decreased by DKK 595 million to DKK 3,400 million versus the end of the second quarter of 2020. The leverage ratio (net interest-bearing debt to LTM EBITDA before special items) decreased to 1.8x (2.4x at 30 June 2020 and 1.5x at 31 December 2019). The decrease was driven by cash flow generated in the quarter.

CONSOLIDATED CASH FLOW STATEMENT

1 JANUARY - 30 SEPTEMBER

DKK million	**Q3 2020**	**Q3 2019**	**9M 2020**	**9M 2019**
Net profit for the period	355.6	171.7	630.0	469.2
Depreciation, amortisation and impairment	111.1	199.3	431.6	394.2
Adjustments	124.4	88.0	411.0	242.7
Changes in working capital	237.4	112.8	266.6	21.1
Special items, paid	-45.0	-39.9	-131.8	-130.0
Cash flow from operating activities before financial items	**783.5**	**531.9**	**1,607.4**	**997.2**
Financial income received	29.2	47.3	107.2	104.6
Financial costs paid	-116.9	-24.6	-263.8	-84.3
Cash flow from operating activities before tax	**695.8**	**554.6**	**1,450.8**	**1,017.5**
Tax payments	-35.5	-22.2	-141.9	-121.9
Cash flow from operating activities	**660.3**	**532.4**	**1,308.9**	**895.6**
Acquisitions	0.0	-5.9	-1,560.1	-5.9
Divestments	0.0	21.8	0.0	21.8
Investment in intangible assets	-13.1	-5.1	-28.2	-26.0
Investment in property, plant and equipment	-39.5	-25.9	-130.0	-56.9
Dividend from associated companies	1.2	1.7	5.2	6.0
Cash flow from investing activities	**-51.4**	**-13.4**	**-1,713.1**	**-61.0**
Free cash flow	**608.9**	**519.0**	**-404.2**	**834.6**
Repayment of lease liabilities	-18.0	-21.8	-55.0	-67.4
Other financing	7.8	0.0	14.7	0.0
New external funding incl. revolving credit facility	2,205.3	-186.6	7,549.5	111.9
Repayment bank loans incl. revolving credit facility	-2,864.1	0.0	-7,238.4	0.0
Dividend payment	0.0	0.0	-608.3	-598.0
Purchase of treasury shares	-48.7	0.0	-48.7	0.0
Cash flow from financing activities	**-717.7**	**-208.4**	**-386.2**	**-553.5**
Net cash flow for the period	**-108.8**	**310.6**	**-790.4**	**281.1**
Cash and cash equivalents, net at 1 July / 1 January	211.7	284.6	897.5	310.8
Exchange gains/losses on cash and cash equivalents	-7.6	11.6	-11.8	14.9
Net cash flow for the period	-108.8	310.6	-790.4	281.1
Cash and cash equivalents, net at 30 September	**95.3**	**606.8**	**95.3**	**606.8**

Cash flows

Cash flow from operations before changes in working capital in the third quarter of 2020 was DKK 423 million (DKK 420 million). The development was driven by the improved operational results and higher financial costs paid.

Working capital in the third quarter of 2020 contributed positively to the cash flow by DKK 237 million (DKK 113 million) with inventories declining throughout the supply-chain as well as continued positive timing of payables. It is expected that a partial normalisation of working capital will take place by year-end 2020.

Cash flow from investing activities amounted to DKK -51 million (DKK -13 million). The increase is driven by the increase in retail investments in the US.

Free cash flow before acquisitions in the third quarter of 2020 was positive by DKK 609 million (DKK 503 million). The cash conversion ratio was 149% (140%).

For the first nine months of 2020 cash flow from operations before changes in working capital was DKK 1,042 million (DKK 875 million). Working capital contributed by DKK 267 million (DKK 21 million). Free cash flow before acquisitions was DKK 1,156 million (DKK 819 million) and the cash conversion ratio was 137% (115%).

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

STATEMENT OF CHANGES IN GROUP EQUITY

1 JANUARY - 30 SEPTEMBER 2019

DKK million	Share capital	Reserve for hedging	Reserve for currency translation	Treasury shares	Retained earnings	Total
Equity at 1 January 2019	**100.0**	**7.0**	**742.3**	**-40.5**	**8,009.4**	**8,818.2**
Comprehensive income for the period						
Net profit for the period	**-**	**-**	**-**	**-**	**469.2**	**469.2**
Other comprehensive income						
Cash flow hedges	-	-33.6	-	-	**-**	**-33.6**
Tax of cash flow hedges	-	7.4	-	-	**-**	**7.4**
Foreign exchange adjustments on net investments in foreign operations	-	-	322.2	-	**-**	**322.2**
Total other comprehensive income	**-**	**-26.2**	**322.2**	**-**	**-**	**296.0**
Total comprehensive income for the period	**-**	**-26.2**	**322.2**	**-**	**469.2**	**765.2**
Transactions with shareholders						
Share-based payments	-	-	-	**-**	7.1	**7.1**
Settlement of vested PSUs				5.5	-5.5	**-**
Dividend paid to shareholders	-	-	-	**-**	-600.0	**-600.0**
Dividend, treasury shares	-	-	-	**-**	2.0	**2.0**
Total transactions with shareholders	**-**	**-**	**-**	**5.5**	**-596.4**	**-590.9**
Equity at 30 September 2019	**100.0**	**-19.2**	**1,064.5**	**-35.0**	**7,882.2**	**8,992.5**

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 2019. As a consequence of the impairments related to factory closures, we have in this interim report added ‘Property, plant and equipment’ to the accounting areas that include key accounting estimates and assumptions used in the preparation of the Interim report.

Accounting policies

The interim report has been prepared in accordance with the accounting policies set out in the Annual Report for 2019 except for any new, amended, or revised accounting standards and interpretations (IFRSs) endorsed by the EU, effective for the accounting period beginning on 1 January 2020. Below, the most relevant new or amended standards and interpretations are presented.

Implementation of new or changed accounting standards and interpretations

Effective from 1 January 2020, we have implemented the following new or changed accounting standards (IAS and IFRS) and interpretations:

- Amendments to IFRS 3: Business Combinations.
- Amendments to IFRS 9 and IFRS 7: Interest Rate Benchmark Reform.

The adoption of the new and changed standards has not impacted our interim financial report and is not expected to impact the Consolidated Financial Statements for 2020.

Reclassification

As part of changing from four to three reportable segments (see note 2) certain type of expenses have been realigned between markets within the new segments. The alignment of the presentation of these expenses have led to reclassifications between the separate line items in the income statement. The comparison figures have been restated. The impact on the historical figures is stated below.

DKK million	Q1 2020 reported	Reclassi-fication	Q1 2020 restated	Q1 2019 reported	Reclassi-fication	Q1 2019 restated
Net sales	**1,790.8**	**-35.1**	**1,755.7**	**1,463.7**	**-34.5**	**1,429.2**
Cost of goods sold	-971.4	-3.2	-974.6	-779.3	-3.8	-783.1
Gross profit before special items	**819.4**	**-38.3**	**781.1**	**684.4**	**-38.3**	**646.1**
Other external costs	-286.1	38.3	-247.8	-256.0	38.3	-217.7
Staff costs	-207.8		-207.8	-189.1		-189.1
Earnings before interest, tax, depreciation, amortisation and special items (EBITDA before special items)	**325.5**	**-**	**325.5**	**239.3**	**-**	**239.3**
Gross margin before special items	45.8%		44.5%	46.8%		45.2%
EBITDA margin before special items	18.2%		18.5%	16.3%		16.7%

NOTE 1 (continued)

Reclassification (continued)

The impact on the restated figures is stated below.

DKK million	Q3 2019 reported	Reclassi-fication	Q3 2019 restated	9M 2019 reported	Reclassi-fication	9M 2019 restated
Net sales	**1,845.7**	**-37.6**	**1,808.1**	**5,127.2**	**-107.6**	**5,019.6**
Cost of goods sold	-946.8	-7.4	-954.2	-2,670.5	-16.7	-2,687.2
Gross profit before special items	**898.9**	**-45.0**	**853.9**	**2,456.7**	**-124.3**	**2,332.4**
Other external costs	-298.2	45.0	-253.2	-843.1	124.3	-718.8
Staff costs	-160.6		-160.6	-536.3		-536.3
Other income	5.9		5.9	5.9		5.9
Earnings before interest, tax, depreciation, amortisation and special items (EBITDA before special items)	**446.0**	**-**	**446.0**	**1,083.2**	**-**	**1,083.2**
Gross margin before special items	48.7%		47.2%	47.9%		46.5%
EBITDA margin before special items	24.2%		24.7%	21.1%		21.6%

DKK million	2019 reported	Reclassi-fication	2019 restated
Net sales	**6,870.3**	**-151.3**	**6,719.0**
Cost of goods sold	-3,556.4	-20.1	-3,576.5
Gross profit before special items	**3,313.9**	**-171.4**	**3,142.5**
Other external costs	-1,069.7	171.4	-898.3
Staff costs	-737.1		-737.1
Other income	5.9		5.9
Earnings before interest, tax, depreciation, amortisation and special items (EBITDA before special items)	**1,513.0**	**-**	**1,513.0**
Gross margin before special items	48.2%		46.8%
EBITDA margin before special items	22.0%		22.5%

NOTE 2

SEGMENT INFORMATION AND NET SALES

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

In order to increase speed to market and unlock synergies, Scandinavian Tobacco Group now conducts commercial activities in three divisions by the integration of the former Smoking Tobacco and Accessories Division into the former North America Branded Division (NAB) and the former Region Machine-made Cigar Division (MMC).
NAB has changed name to Division North America Branded & RoW (Rest of World) and MMC has changed name to Division Europe Branded. The North America Online & Retail Division (NAOR) will remain unchanged except for a move of its cigar wholesale business to Division North America Branded & RoW.

Comparison figures for segments have been restated.

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

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

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

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

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
Gross profit before special items	**802.8**	**1,000.7**	**1,041.4**	**-**	**2,844.9**
Staff and other external costs	-420.8	-315.7	-616.5	-63.2	-1,416.2
EBITDA before special items	**382.0**	**685.0**	**424.9**	**-63.2**	**1,428.7**
Depreciation and impairment				-184.6	-184.6
Amortisation and impairment				-124.7	-124.7
EBIT before special items				**-372.5**	**1,119.4**
Special items, costs and impairment				-313.9	-313.9
EBIT				**-686.4**	**805.5**
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
Profit before tax				**-710.6**	**781.3**

NOTE 2

SEGMENT INFORMATION AND NET SALES (continued)

9M 2019 DKK million	**North America Online & Retail**	**North America Branded & RoW**	**Europe Branded**	**Group costs / not allocated**	**Total**
Net sales	1,722.9	1,821.5	1,475.2	-	5,019.6
Cost of goods sold	-1,050.8	-931.8	-704.6	-	-2,687.2
Gross profit before special items	**672.1**	**889.7**	**770.6**	**-**	**2,332.4**
Staff and other external costs	-417.6	-337.2	-442.2	-58.1	-1,255.1
Other income	-	5.9	-	-	5.9
EBITDA before special items	**254.5**	**558.4**	**328.4**	**-58.1**	**1,083.2**
Depreciation and impairment				-161.1	-161.1
Amortisation and impairment				-133.1	-133.1
EBIT before special items				**-352.3**	**789.0**
Special items, costs and impairment				-161.9	-161.9
EBIT				**-514.2**	**627.1**
Share of profit of associated companies, net of tax				12.8	12.8
Financial income				38.2	38.2
Financial costs				-80.3	-80.3
Profit before tax				**-543.5**	**597.8**

DKK million	**9M 2020**	**9M 2019**
Category split, net sales		
Handmade cigars	2,192.2	1,936.4
Machine-made cigars	2,220.6	1,652.6
Smoking tobacco	861.1	736.4
Accessories and CMA	809.6	694.2
Total net sales	**6,083.5**	**5,019.6**

Licence income and other sales of DKK 33.0 million (DKK 32.3 million) are included in the category 'Accessories and Contract Manufacturing'.

Geographical split, net sales	**9M 2020**	**9M 2019**
Americas	3,130.0	2,722.1
Europe	2,623.7	1,931.3
Rest of World	329.8	366.1
Total net sales	**6,083.5**	**5,019.6**

NOTE 3

SPECIAL ITEMS

DKK million	**9M 2020**	**9M 2019**
Integration and transactions costs (Thompson Cigar)	-	22.3
Integration and transactions costs (Agio Cigars)	169.6	13.5
Fuelling the Growth program	2.9	26.1
Manufacturing footprint, factory close-down	19.1	-
Impairment tangible assets	122.3	100.0
Total special items	**313.9**	**161.9**

NOTE 4

BORROWINGS

In the first nine months of 2020 we refinanced our debt in a new club deal financing agreement, with a EUR 450 million five-year committed RCF and a EUR 300 million 18 months bridge loan. The bridge loan was repaid with the issuance of a 5 year corporate bond for a principal amount of EUR 300 million.

DKK million	**30 Sep 2020**	**31 Dec 2019**
Bank loans	731.4	2,682.1
Bonds	2,205.3	0.0
Total borrowings	**2,936.7**	**2,682.1**

Currency	**Fixed/ floating**	**Term/revolving credit facility/bond**	**Maturity date**	**30 Sep 2020**	**31 Dec 2019**
EUR	Floating	Term	Early repaid	-	560.2
EUR	Floating	Term	Early repaid	-	1,120.5
USD	Floating	Term	Early repaid	-	333.8
USD	Floating	Term	Early repaid	-	667.6
USD	Floating	RCF	31-03-25	731.4	-
EUR	Fixed	Bond	24-09-25	2,205.3	-
DKK	Floating	RCF	31-03-25	0.0	-
Total				**2,936.7**	**2,682.1**

NOTE 5

BUSINESS COMBINATIONS

With effect from 2 January 2020, the Group acquired 100% of the shares in Agio Beheer B.V. (Agio Cigars) a leading European cigar company. The total consideration transferred of EUR 220 million was paid in cash. The disclosure for the business combination is considered provisional and can be changed up until 1 January 2021.

Agio Cigars

Agio Cigars is a leading European cigar company with a strong cigar portfolio including key brands such as Mehari´s, Panter and Balmoral. The company is based in Duizel, the Netherlands and has approximately 3,200 full-time employees. Agio Cigar’s annual net sales for 2019 were EUR 133 million (DKK 1 billion) with a net profit of EUR 7 million (DKK 55 million). Agio Cigars will provide the Group access to a strong product portfolio and important market positions in key European machine-made cigar markets. The acquisition will secure leading positions in France, Belgium and the Netherlands and significantly improve the position in key cigar markets such as Spain and Italy.

Fair value of acquired net assets and recognised goodwill

Net assets and goodwill are provisional and may be adjusted and off-balance sheet items may be recorded within the 12 months period of the acquisition date in compliance with IFRS 3. Net assets have been adjusted to comply with the Group's accounting policies and financial reporting requirements. The provisional calculated goodwill relates to synergies from integrating Agio Cigars into the existing divisions 'Europe Branded' and 'North America Branded & RoW' including optimisations within sales, marketing, procurement, workforce and manufacturing expertise.

Transaction costs

Total transaction costs related to the acquisition amount to DKK 27 million, of which DKK 22 million was recognised in 2019 Financial Statements and DKK 5 million will be recognised in the 2020 Financial Statements. Transaction costs for 2019 are recognised by DKK 20 million in 'Special items' and by DKK 2 million in the 'balance sheet' that subsequently will be amortised during the financing period.

Impact on Consolidated Income Statement

The interim Report includes in the first nine months of 2020 net sales of DKK 727 million with a net result showing a profit of DKK 3 million from the acquisition for the period 2 January 2020 to 30 September 2020. The net result is negatively impacted by the high level of ‘cost of goods sold’ as the inventories in the acquisition balance is recognised at fair value, which is higher than ordinary value of production costs. Furthermore, special items contributed negatively.

NOTE 5

BUSINESS COMBINATIONS (continued)

DKK million	Provisional fair value at date of acquisition
Trademarks	452.9
IT software	9.9
Property, plant and equipment	235.6
Right-of-use assets	13.0
Inventories	512.4
Trade receivables	124.9
Other Receivables	3.3
Prepayments	4.3
Corporate tax	9.1
Total assets	**1,365.4**
Deferred tax liabilities	112.4
Pension obligations	18.8
Trade payables	34.9
Lease liabilities	13.0
Other liabilities	128.3
Total liabilities	**307.4**
Acquired net assets	**1,058.0**
Goodwill from acquisition	501.1
Acquisition (cash flow)	**1,559.1**
Cash and cash equivalents in acquired business	83.8
Consideration transferred	**1,642.9**

The recognised goodwill is not tax deductible.