

**Company Announcement**

No. 15/2022

Copenhagen, 8 March 2022

Full-year report, 1 January - 31 December 2021**Scandinavian Tobacco Group A/S reports record full year 2021 result and expects 2022 organic EBITDA growth in the range of 0-6%**

For the full year of 2021 Scandinavian Tobacco Group delivered a 18.4% organic EBITDA growth in line with the guidance of a 16-20% growth, a free cash-flow before acquisitions at DKK 1.4 billion (DKK 1.0-1.3 billion) and an increase in adjusted Earnings Per Share of 51% (>35%). The expectation for organic EBITDA growth in 2022 is in the range of 0-6%. Approval of a new share buy-back programme of up to DKK 700 million.

For the fourth quarter of 2021 organic net sales increased by 2% and organic EBITDA grew 14%. The results were driven by continued strong demand for handmade cigars in the US, price increases across most product categories and continued cost efficiencies. The integration of Agio Cigars approaches completion.

Q4 Highlights

- Net sales were DKK 2,012 million (DKK 1,922 million) with 1.8% organic growth.
- EBITDA before special items was DKK 474 million (DKK 397 million) with 14.2% organic growth. The EBITDA margin was 23.5% (20.7%).
- Adjusted Earnings Per Share (EPS) were DKK 3.1 (DKK 1.3).
- Free cash flow before acquisitions was DKK 307 million (DKK 238 million).
- Return on Invested Capital was 14.5% (7.7%).
- For the full year of 2021, net sales grew by 4.5% organically to DKK 8,233 million (DKK 8,006 million), and EBITDA before special items grew by 18.4% organically to DKK 2,233 million (DKK 1,826 million) with free cash flow before acquisitions stable at DKK 1,393 million (DKK 1,394 million).

CEO Niels Frederiksen: "We deliver particularly strong financial results for 2021 based on a strong demand for handmade cigars in the US, Agio synergies and a favorable market mix. During the year we showed good progress on our strategy "Rolling Towards 2025" across the business and edged closer to our vision of becoming the undisputed, global leader in cigars".

Dividend for 2021 and approval of new share buy-back programme in 2022

At the Annual General Meeting on 31 March 2022, the Board of Directors will propose an increase in the ordinary dividend of 15% to DKK 7.50 per share. Furthermore, the Board of Directors has approved a new share buy-back programme of a total value of up to DKK 700 million. The purpose of the share buy-back programme is to adjust the capital structure and meet obligations relating to the Group's share-based incentive programme. Further details of the share buy-back including the specific starting date will be communicated in a separate Company Announcement.

Financial Guidance 2022

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

The Annual Report for 2021 is available for download on: investor.st-group.com.

For further information, please contact:

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A conference call will be held on 9 March 2022 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	Q4 2021	Q4 2020	FY 2021	FY 2020
INCOME STATEMENT				
Net sales	2,012	1,922	8,233	8,006
Gross profit before special items	985	867	4,113	3,712
EBITDA before special items	474	397	2,233	1,826
Special items	13	-121	-55	-435
EBIT	393	180	1,814	986
Net financial items ¹	-16	-15	-77	-53
Profit before tax	385	170	1,769	951
Income taxes	-78	-122	-378	-274
Net profit	307	48	1,391	678
BALANCE SHEET				
Total assets			14,584	13,996
Equity			8,968	8,372
Net interest-bearing debt (NIBD)			3,266	3,274
Investment in property, plant and equipment	55	27	212	157
Total capital expenditures	58	43	240	201
CASH FLOW STATEMENT				
Cash flow from operating activities	311	277	1,567	1,585
Cash flow from investing activities	-8	-39	-178	-1,752
Free cash flow	303	238	1,389	-166
Free cash flow before acquisitions	307	238	1,393	1,394
KEY RATIOS²				
Net sales growth	4.7%	13.1%	2.8%	19.2%
Gross margin before special items	49.0%	45.1%	50.0%	46.4%
EBITDA margin before special items	23.5%	20.7%	27.1%	22.8%
Effective tax percentage	20.2%	71.8%	21.4%	28.7%
Equity ratio			61.5%	59.8%
Cash conversion	134.7%	129.0%	108.6%	135.4%
Organic net sales growth	1.8%	4.2%	4.5%	6.6%
Organic EBITDA growth	14.2%	-14.6%	18.4%	14.0%
NIBD / EBITDA before special items			1.5	1.8
ROIC			14.5%	7.7%
ROIC ex. Goodwill			24.3%	12.7%
Adjusted earnings per share (DKK)	3.1	1.3	14.8	9.8
Basic earnings per share (DKK)	3.3	0.5	14.6	6.8
Diluted earnings per share (DKK)	3.3	0.5	14.5	6.8
Number of shares issued ('000)			97,500	100,000
Number of treasury shares ('000)			4,526	2,324
Number of outstanding shares ('000) ³			95,689	99,659
Share price at balance date (DKK)			137.30	104.10
Dividend per share (DKK)			7.5	6.5
Pay-out ratio			52.6%	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 2021.

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

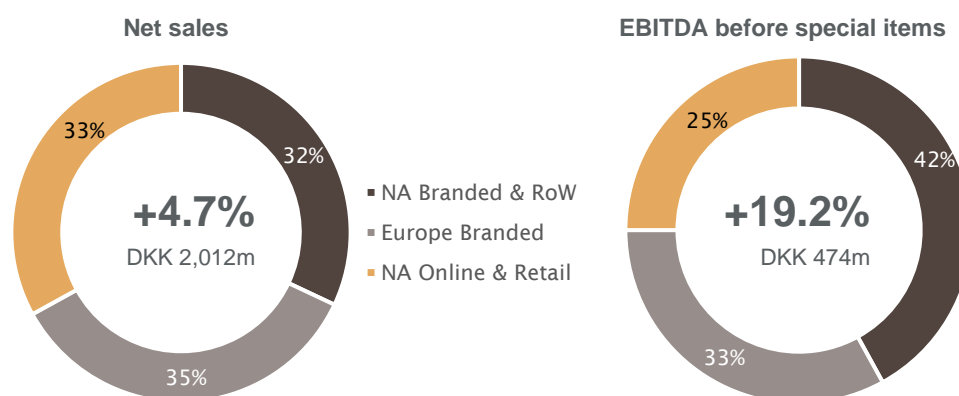
Business overview Q4 2021

In the fourth quarter of 2021, the Group delivered another strong financial performance. Reported net sales increased by 5% to DKK 2,012 million and organic net sales increased by 2%. Exchange rates developments impacted negatively by DKK 54 million. The performance was driven by positive organic 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 though the shift back to retail channel from the online channel continued to impact year-on-year developments for our online business.

Profitability improved compared with the same quarter last year driven by the increase in organic net sales, improved pricing as well as continued cost efficiencies driven by the integration of Agio Cigars. EBITDA before special items was DKK 474 million with 14% organic growth resulting in an EBITDA margin before special items of 23.5%. Special items were DKK 13 million (DKK -121 million) comprising a reversal of previously recognised non-cash impairment of machinery and equipment of DKK 19 million, gain on sale of buildings in Lane of DKK 15 million partly offset by costs for the ERP project, One Process, see note 2.

The Group's free cash flow before acquisitions was DKK 307 million (DKK 238 million) driven by the operational performance and supported by a positive impact from working capital of DKK 79 million (DKK 28 million). Special items impacted the cash flow negatively by DKK 77 million (DKK -65 million). The Group's leverage ratio declined to 1.5x.

Divisional split Q4 2021



Group net sales and EBITDA Q4 2021

Table 1: Net sales

	Q4	Q4	Change
DKK million	2021	2020	in %
Net sales	2,012	1,922	4.7%
Currency development	-54		
Organic net sales	1,958	1,922	1.8%

Table 2: EBITDA before special items

	Q4	Q4	Change
DKK million	2021	2020	in %
EBITDA	474	397	19.2%
Currency development	-20		
Organic EBITDA	454	397	14.2%

Business development

Retail expansion

The retail network currently comprises six super stores and the seventh store is planned to open in San Antonio, Texas in the beginning of the second quarter of 2022. The existing stores deliver valuable contributions to net sales and profits with net sales growth in the fourth quarter being at a double-digit percentage. In November 2021 we announced the plan to open another 6-8 cigar super stores in the US in the coming 2-3 years.

Integration of Agio Cigars

The integration of Agio Cigars is now almost complete as the closure of production facilities has been concluded. Hence, the integration is now perceived as completed.

In the full year 2021 cost savings of approximately DKK 100 million were realised with the expectations for total net synergies by the end of 2022 of DKK 250 million being maintained.

Special income in relation to the integration of Agio Cigars of DKK 5 million has been realised in the fourth quarter (cost of DKK 64 million) with a cost of DKK 22 million for the full year 2021 (DKK 234 million). In the fourth quarter DKK 19 million non-cash impairment of machinery and equipment was reversed. 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.

Acquisition of MOSI

In the fourth quarter of 2021, we acquired a majority stake in the Italian cigarmaker Moderno Opificio del Sigaro Italiano, MOSI. The acquisition gives access to the most profitable cigar segment in Italy and grows our market share position in the Italian market for machine-rolled cigars. The financial implications of the transaction are immaterial.

The ERP Project, One Process

We are exchanging the Group's Enterprise Resource Planning (ERP) systems into one global system. The project is called One Process. In 2021 the clarification phase was completed where we determined scope, implementation plan as well as needed capabilities in the organization. The findings from the clarification phase have been important as we saw a need to expand the scope and to increase the internal resources originally allocated to the project to ensure a successful implementation. At the same time, we have identified significant benefits from the implementation. The revised scope and resource need have resulted in a revised and increased investment forecast. The total investment is now expected to reach DKK 6-700 million in 2022-2025 versus previously DKK 280-340 million with annual benefits estimated at DKK 150-250 million when fully implemented in 2025.

Update on financial key metrics

In the fourth quarter of 2021 the EBITDA margin improved to 23.5% (20.7%) driven by product and market mix, pricing and savings from the integration of Agio Cigars. For the full year of 2021 the EBITDA-margin improved to 27.1% (22.8%) driven by product and market mix, price increases, 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 14.5% (7.7%) with a DKK 829 million improvement in EBIT (12 months rolling) driven by the operational performance and based on an invested capital of DKK 12.5 billion (DKK 12.8 billion).

Capital allocation

Scandinavian Tobacco Group has during the fourth quarter of 2021 bought back 1,167,332 shares at a market value of DKK 151 million and during the full year of 2021 bought back 3,942,243 shares at a

market value of DKK 503 million under the current DKK 600 million programme that was launched 11 March 2021 and was closed by the end of February 2022.

The Board of Directors has approved a new share buy-back programme of a total value of up to DKK 700 million. The purpose of the share buy-back programme is to adjust the capital structure and meet obligations relating to the Group's share-based incentive programme. Further details of the share buy-back including the specific starting date will be communicated in a separate Company Announcement.

Financial guidance for 2022

The Group is expected to deliver continued growth in 2022 even on the backdrop of the past two years exceptionally strong performance and despite current uncertainties related to consumer behaviour, cost developments and supply chain stability. Further, Russia's invasion of Ukraine and the geopolitical tension in the area have added to the uncertainty negatively impacting the visibility for the financial performance for the full year.

However, signs of a normalization have started to materialize for most product categories and for most markets and we expect visibility to improve during the year. Currently, additional price adjustments are expected to compensate for cost inflation and the disruptions in the supply chain are improving. Organic growth in net sales for the Group is expected to be positive in 2022. Consumption of handmade cigars in the US is expected to stabilize at its end 2021 level. Furthermore, the consumer behaviour across our product categories and markets has started to normalize as COVID-19 restrictions as well as travel and border restrictions are being removed.

Given these considerations, our guidance for 2022 is:

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

The organic EBITDA growth expectation includes the full-year impact of synergies from the integration of Agio Cigars of approximately DKK 50 million and an increase in operating costs relating to the ramp-up of our sustainability initiatives, which are anticipated in the level of DKK 10-20 million, increased cyber security initiatives as well as the normalization of certain costs that have been lower during the COVID-19 period. The development in organic EBITDA growth also reflects the absence of other income from the refund of certain duty and excise taxes of DKK 31 million which was realized in 2021 and the potential loss of net sales and profits from the Russian/Ukrainian crisis.

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

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

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

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

- The positive impact of the COVID-19 pandemic on demand for handmade cigars in North America is expected to stabilize in 2022 on the existing levels
- In Europe, we are assuming that most restrictions will be lifted and the product categories to return to their long-term structural development
- No major supply-chain disruptions are anticipated during the year

Other financial assumptions are:

- Organic growth in net sales is expected to be positive for the Group with positive organic growth in North America Online & Retail and in Europe Branded, whereas North America Branded & Rest of World is expected to deliver negative organic net sales growth as product and market mix normalizes.
- Special items are expected to be approximately DKK -100 million relating to an expense for the ERP project One Process of approx. DKK 110 million, an expense for the Agio integration of approx. DKK 30 million and an income of approx. DKK 40 million from sale of property, plant and equipment.
- Financial expenses, excluding currency effects, are expected at DKK 100-110 million
- The effective tax rate is expected to be in the range of 22-23%
- Working capital is expected to deliver a negative net contribution of approx. DKK 100 million due to rebuilding of inventories
- Capital expenditure, net is expected at approximately DKK 350 million including special investments relating to the ERP project "One Process" of about DKK 100 million, investments relating to the expansion of the retail network and a new warehouse building in the US at about DKK 175 million and an estimated income from sale of property, plant and equipment of approximately DKK 150 million.
- Guidance and assumptions are based on current exchange rates. A 5% change in the USD/DKK exchange rate would impact net sales by approximately 2.5 percentage points and EBITDA by approximately 2.0 percentage points
- No contribution or expenses related to potential acquisitions are included

Revised Financial Calendar for 2022

Annual Report 2021	8 March, 2022
Annual General Meeting	31 March, 2022
Interim report Q1 2022	19 May, 2022 (revised from 18 May, 2022)
Interim report Q2 2022	24 August, 2022
Interim report Q3 2022	9 November, 2022

Events after the reporting period

Scandinavian Tobacco Group's Board of Directors intends to elect Henrik Brandt as Chairman as Nigel Northridge has decided to retire at the next Annual General Meeting. See also Company Announcement 6 of 24 January 2022.

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

Forward-looking statements

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

Divisional update

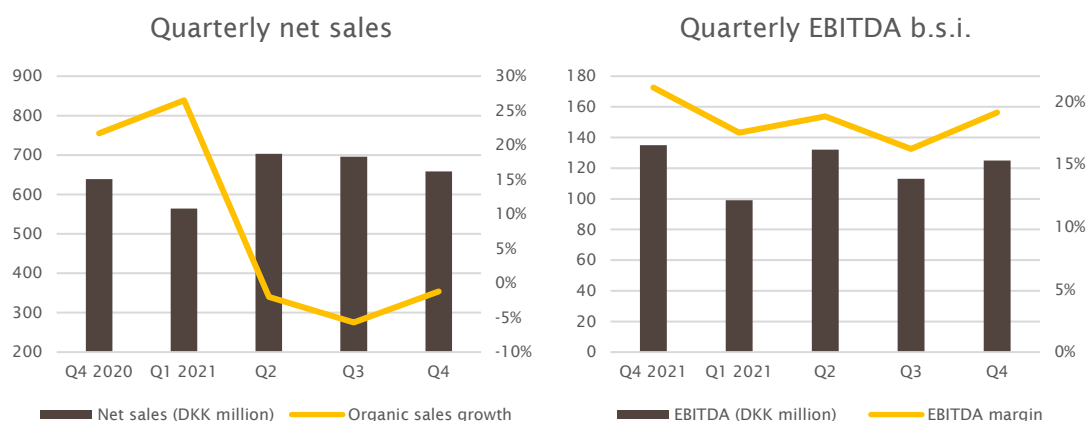
North America Online & Retail

In the fourth 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 slight decline in the active customer base versus the third quarter 2021 and a 7% decline versus the fourth quarter of 2020. However, the consumer file remains 15% higher than compared to 2019-levels.

A strong growth in the retail business continued and could almost compensate for the decline in online sales resulting in a marginal 1% negative organic net sales growth for the division.

The retail business continues to perform well with solid double-digit organic net sales growth versus last year. Retail in the quarter accounts for 7% of net sales in the division. The new super store in San Antonio, Texas is on track to open in the second quarter of 2022.

Quarterly development, Q4 2020-Q4 2021



Net sales increased by 3% to DKK 658 million during the quarter composed of a 1% negative organic net sales growth and an exchange rate effect of 4%. The organic development was driven by a negative contribution in the online channel partly being offset by a strong growth in our retail super stores.

EBITDA before special items decreased by 7% to DKK 125 million with an EBITDA margin before special items of 19.1% (21.1%). The margin development is driven by higher sales-related costs and an increase in promotional spending versus an unusually low spend in the second half of 2020 and the retail expansion.

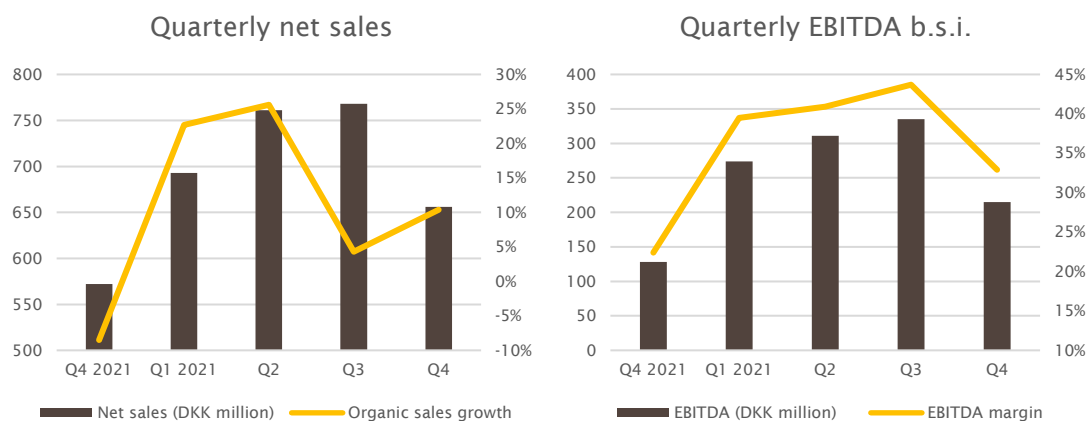
Full year 2021

Net sales for the full year 2021 decreased by 2% to DKK 2,620 million with organic growth being positive by 2%. Gross profit before special items decreased by 2% to DKK 1,050 million and the gross margin was 40.1% (40.4%). EBITDA before special items decreased to DKK 470 million with an EBITDA margin of 17.9% (19.4%).

North America Branded & RoW

In the fourth quarter of 2021 organic net sales growth was strong compared with the fourth quarter of last year. The performance was driven by continued strong demand of handmade cigars in the US, strong volume growth in international markets, machine-rolled cigars in the US as well by accessories and contract manufacturing (CMA). Net sales in smoking tobacco decreased on the back of the very strong development in the previous quarters.

Quarterly development, Q4 2020-Q4 2021



Net sales increased by 15% to DKK 656 million during the quarter composed of a 10% positive organic net sales growth and a positive exchange rate effect of 4%. The organic development was driven by an increase in the volumes of handmade cigars in international markets, machine-rolled cigars in the US as well as in the product category Accessories and CMA. Handmade cigars in the US also delivered positive organic net sales growth driven by price increases. Net sales in both Canada and Norway, which in previous quarters have experienced exceptional growth, have started to normalise in the fourth quarter.

EBITDA before special items increased by 68% to DKK 215 million with an EBITDA margin before special items of 32.9% (22.4%). The margin improvement was realised with an improved gross margin driven by market and product mix and a relatively easy comparison with the fourth quarter of 2020.

Full year 2021

Net sales for the full year 2021 increased by 14% to DKK 2,877 million and organic growth was positive by 15%. Gross profit before special items increased by 26% to DKK 1,562 million and the gross margin was 54.3% (49.1%) driven by market and product mix and price increases. EBITDA before special items was DKK 1,135 million with an EBITDA margin of 39.5% (32.2%) driven by the gross margin development, cost improvements and a DKK 31 million refund of certain duty and excise taxes in the US.

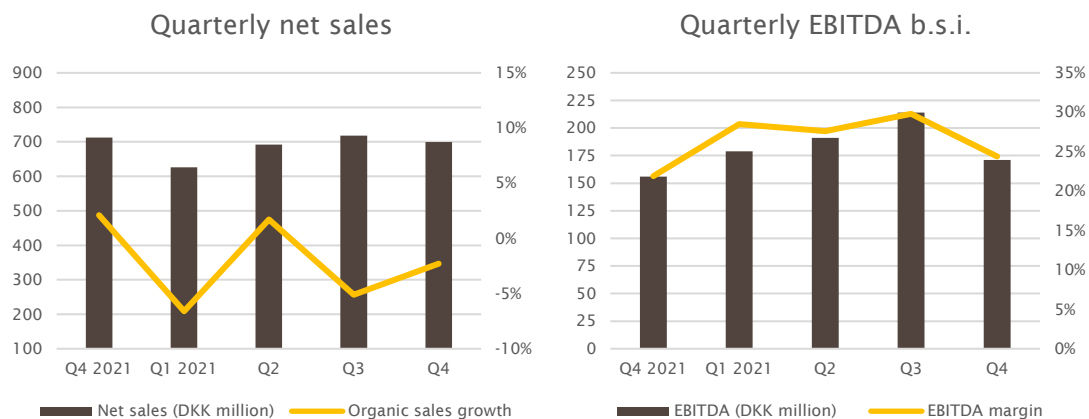
Europe Branded

Markets have continued their normalisation with all domestic sales channels being open again. The net sales performance during the fourth quarter of 2021 has been impacted by the structural volume decline of machine-rolled cigars though this is being managed through price increases.

The integration of Agio Cigars is now almost completed as the closure of production facilities has been concluded. The savings from the integration have impacted full year 2021 and will also impact 2022 as the full year impact materialises.

In the fourth quarter the market share index was - as in previous quarters - negatively impacted by the supply issue for machine-rolled cigars. The combined market share in the key markets declined to 31.5% versus 33.1% in the fourth quarter of 2020. For the full year 2021 the market share index was 32.2% versus 33.0% in the full year of 2020.

Quarterly development, Q4 2020-Q4 2021



Net sales decreased by 2% to DKK 699 million during the quarter explained by a negative organic net sales growth of 2%. The organic development was driven by a negative impact from the termination of a distribution agreement, while a negative volume development in machine-rolled cigars almost was fully off-set by a strong price/mix impact.

EBITDA before special items increased by 10% to DKK 171 million with an EBITDA margin before special items of 24.4% (21.9%). The increase in margin was driven by pricing and mix, savings in relation to the integration of Agio Cigars and termination of the mentioned low-margin distribution agreement.

Full year 2021

Net sales for the full year 2021 decreased by 3% to DKK 2,735 million. Organic growth was negative by 3% with a termination of a distribution agreement impacting growth negatively by almost 2%. Gross profit before special items increased by 7% to DKK 1,501 million and the gross margin was 54.9% (49.6%). EBITDA before special items was DKK 754 million with an EBITDA margin of 27.6% (20.6%). The margin improvement was driven by price/mix, savings from the integration of Agio Cigars, the termination of the distribution agreement and a DKK 62 million fair value adjustment of inventories impacting negatively in the first half of 2020.

Quarterly Financial Data

<i>DKK million</i>	2021				2020	2021	2020
	Q4	Q3	Q2	Q1	Q4	FY	FY
Reported data							
Net sales	2,012	2,182	2,156	1,883	1,922	8,233	8,006
Gross profit before special items	985	1,102	1,071	955	867	4,113	3,712
EBITDA before special items	474	627	606	527	397	2,233	1,826
Special items	13	-26	-24	-17	-121	-55	-435
EBIT	393	510	492	419	180	1,814	986
Net financial items	-16	-29	-21	-12	-15	-77	-53
Profit before tax	385	489	480	414	170	1,769	951
Income taxes	-78	-106	-104	-90	-122	-378	-274
Net profit	307	383	376	324	48	1,391	678
Other financial key data							
Organic EBITDA grow th	14.2%	0.9%	20.8%	49.1%	-14.6%	18.4%	14.0%
Organic net sales grow th	1.8%	-2.2%	7.5%	12.5%	4.2%	4.5%	6.6%
Gross margin before special items	49.0%	50.5%	49.7%	50.7%	45.1%	50.0%	46.4%
EBITDA margin before special items	23.5%	28.7%	28.1%	28.0%	20.7%	27.1%	22.8%
Free cash flow before acquisitions	307	564	434	89	238	1,393	1,394
North America Online & Retail							
Net sales	658	696	703	564	639	2,620	2,662
Gross profit before special items	264	279	277	231	272	1,050	1,075
EBITDA before special items	125	113	132	99	135	470	517
Net sales grow th	2.9%	-6.6%	-10.8%	15.3%	12.5%	-1.6%	16.2%
Organic net sales grow th	-1.2%	-5.7%	-2.0%	26.5%	21.7%	2.4%	18.9%
Gross margin before special items	40.1%	40.0%	39.4%	41.0%	42.6%	40.1%	40.4%
EBITDA margin before special items	19.1%	16.2%	18.8%	17.5%	21.1%	17.9%	19.4%
North America Branded & RoW							
Net sales	656	768	761	693	572	2,877	2,527
Gross profit before special items	346	422	422	373	240	1,562	1,241
EBITDA before special items	215	335	311	274	128	1,135	813
Net sales grow th	14.6%	4.7%	21.0%	16.8%	-6.9%	13.8%	3.8%
Organic net sales grow th	10.4%	4.3%	25.6%	22.7%	-8.5%	15.3%	0.4%
Gross margin before special items	52.8%	54.9%	55.4%	53.8%	42.0%	54.3%	49.1%
EBITDA margin before special items	32.9%	43.7%	40.9%	39.5%	22.4%	39.5%	32.2%
Europe Branded							
Net sales	699	718	692	626	712	2,735	2,817
Gross profit before special items	375	402	373	351	355	1,501	1,397
EBITDA before special items	171	214	191	179	156	754	581
Net sales grow th	-1.7%	-4.6%	1.8%	-7.0%	37.6%	-2.9%	41.4%
Organic net sales grow th	-2.3%	-5.1%	1.7%	-6.6%	2.1%	-3.1%	2.3%
Gross margin before special items	53.7%	56.1%	53.8%	56.0%	49.9%	54.9%	49.6%
EBITDA margin before special items	24.4%	29.8%	27.6%	28.5%	21.9%	27.6%	20.6%
Group costs							
EBITDA before special items	-38	-36	-28	-24	-21	-126	-85

MANAGEMENT STATEMENT

The Board of Directors and the Executive Management have today considered and approved the Annual Report 2021 of Scandinavian Tobacco Group A/S including the audited consolidated financial statements. The Board of Directors and Executive Management have also approved this financial statement containing condensed financial information for 2021

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act. Moreover, the Consolidated Financial Statements are prepared in accordance with additional Danish disclosure requirements for listed companies. The Management Report is also prepared in accordance with Danish disclosure requirements for listed companies.

This financial statement has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and additional Danish disclosure requirements for listed companies. This financial statement report has not been reviewed or audited.

In our opinion, this company announcement give a true and fair view of the Group's assets, liabilities and financial position at 31 December 2021 and of the results of the Group's operations and consolidated cash flows for the financial period 1 January – 31 December 2021 and the fourth quarter of 2021.

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

Gentofte, 8 March 2022

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 - 31 DECEMBER

CONSOLIDATED INCOME STATEMENT

DKK million	Q4 2021	Q4 2020	FY 2021	FY 2020
Net sales	2,012.2	1,922.4	8,232.7	8,005.9
Cost of goods sold	-1,026.9	-1,055.1	-4,119.6	-4,293.7
Gross profit before special items	985.3	867.3	4,113.1	3,712.2
Other external costs	-300.1	-266.8	-1,052.9	-1,007.9
Staff costs	-211.7	-203.3	-858.4	-878.4
Other income	-	-	31.0	-
Earnings before interest, tax, depreciation, amortisation and special items (EBITDA before special items)	473.5	397.2	2,232.8	1,825.9
Depreciation and impairment	-52.3	-53.5	-202.7	-238.1
Earnings before interest, tax, amortisation and special items (EBITA before special items)	421.2	343.7	2,030.1	1,587.8
Amortisation and impairment	-40.3	-42.3	-161.2	-167.0
Earnings before interest, tax and special items (EBIT before special items)	380.9	301.4	1,868.9	1,420.8
Special items, costs and impairment	2	12.5	-121.3	-54.7
Earnings before interest and tax (EBIT)	393.4	180.1	1,814.2	985.6
Share of profit of associated companies, net of tax	7.6	4.5	31.5	18.7
Financial income	37.6	15.1	75.0	81.1
Financial costs	-53.8	-29.6	-152.2	-134.0
Profit before tax	384.8	170.1	1,768.5	951.4
Income taxes	-77.6	-122.2	-377.9	-273.5
Net profit for the period	307.2	47.9	1,390.6	677.9
Earnings per share				
Basic earnings per share (DKK)	3.3	0.5	14.6	6.8
Diluted earnings per share (DKK)	3.3	0.5	14.5	6.8
OTHER COMPREHENSIVE INCOME				
<i>Items that will not be recycled subsequently to the Consolidated Income Statement:</i>				
Actuarial gains and losses on pension obligations			5.9	9.4
Tax of actuarial gains and losses on pension obligations			-4.7	-2.4
<i>Items that will be recycled subsequently to the Consolidated Income Statement, when specific conditions are met:</i>				
Cash flow hedges, realisation of previously deferred (gains)/losses to financial items			9.7	4.6
Cash flow hedges, deferred gains/losses incurred during the period			0.1	-3.8
Tax of cash flow hedges			-2.2	-0.2
Foreign exchange adjustments on net investments in foreign operations			409.3	-630.0
Other comprehensive income for the period, net of tax			418.1	-622.4
Total comprehensive income for the period			1,808.7	55.5

Net sales

In the fourth quarter of 2021, net sales were DKK 2,012 million (DKK 1,922 million). Adjusted for positive exchange rate impact of DKK 54 million, the organic growth in net sales was positive by 1.8%. For the full year 2021, net sales were DKK 8,233 million (DKK 8,006 million).

Profit

Gross profit before special items for the fourth quarter of 2021 was DKK 985 million (DKK 867 million) explained by the positive organic growth in net sales and an increase in the gross margin before special items to 49.0% (45.1%). Margins improved in North America Branded & RoW and Europe Branded and declined in North America Online & Retail.

Operating expenses for the fourth quarter increased by 9% to DKK 512 million (DKK 470 million) explained by increased commercial activities compared to Q4 last year and a negative impact from exchange rates. The OPEX ratio slightly increased to 25.4% (24.5%).

EBITDA before special items for the fourth quarter of 2021 amounted to DKK 474 million (DKK 397 million). The development is explained by the increase in gross profit which more than compensated for the higher OPEX ratio. Organic EBITDA growth was 14%.

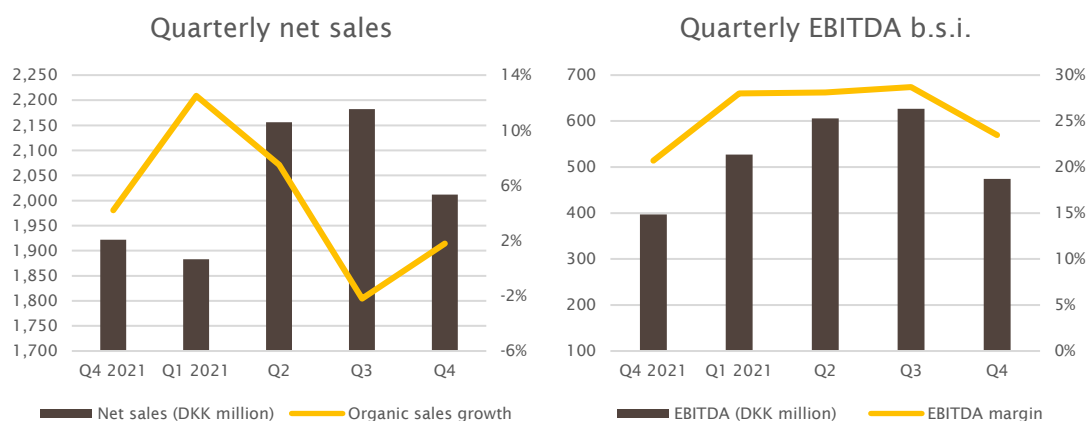
EBITDA margin before special items for the fourth quarter of 2021 was 23.5% (20.7%).

During the quarter a net income of DKK 13 million (DKK 121 million expense) have been realised as special items. Income of DKK 16 million relating to the integration of Agio Cigars and the production footprint. Income of DKK 19 million relating to a reversal of previously recognised impairment of machinery and equipment. DKK 19 million expense relating to One Process and DKK 4 million relating to impairment of trademarks as part of the Group's portfolio simplification. See note 2 for an overview of special items.

Net profit was DKK 307 million (DKK 48 million). Earnings Per Share (EPS) were DKK 3.3 (DKK 0.5). Earnings Per Share adjusted for special items, fair value adjustments and currency gains/losses, net of tax increased to DKK 3.1 (DKK 1.3).

For the full year of 2021, gross profit before special items was DKK 4,113 million (DKK 3,712 million) with a gross margin of 50.0% (46.4%). EBITDA before special items was DKK 2,233 million (DKK 1,826 million) with an EBITDA margin of 27.1% (22.8%) Special items were DKK 55 million (DKK 435 million), net profit was DKK 1,391 million (DKK 678 million) with adjusted Earnings Per Share increasing to DKK 14.8 (DKK 9.8).

Quarterly development, Q4 2020-Q4 2021



CONSOLIDATED BALANCE SHEET**ASSETS**

DKK million	31 Dec 2021	31 Dec 2020
INTANGIBLE ASSETS		
Goodwill	5,142.5	4,895.1
Trademarks	3,044.6	3,067.5
IT software	88.4	77.9
Other intangible assets	218.9	239.2
Total intangible assets	8,494.4	8,279.7
PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	1,448.3	1,405.5
Investments in associated companies	187.5	152.0
Deferred income tax assets	130.2	129.3
Total non-current assets	10,260.4	9,966.5
Inventories	2,935.9	2,816.3
Trade receivables	852.4	830.2
Other receivables	98.8	113.3
Corporate tax	69.5	72.2
Prepayments	84.6	48.7
Cash and cash equivalents	173.6	117.0
Assets classified as held for sale	108.5	31.8
Total current assets	4,323.3	4,029.5
Total assets	14,583.7	13,996.0

CONSOLIDATED BALANCE SHEET**EQUITY AND LIABILITIES**

DKK million	31 Dec 2021	31 Dec 2020
Share capital	97.5	100.0
Reserve for hedging	-6.9	-14.5
Reserve for currency translation	693.7	284.4
Treasury shares	-570.5	-227.7
Retained earnings	8,754.0	8,230.1
Total equity	8,967.8	8,372.3
Borrowings	2,918.0	2,843.5
Deferred income tax liabilities	698.9	628.2
Pension obligations	307.4	289.3
Other provisions	17.9	20.0
Leasing liabilities	149.4	159.8
Other liabilities	58.4	19.0
Total non-current liabilities	4,150.0	3,959.8
Trade payables	504.5	525.1
Corporate tax	102.4	136.7
Other provisions	64.3	211.2
Leasing liabilities	48.5	54.6
Other liabilities	746.2	736.3
Total current liabilities	1,465.9	1,663.9
Total liabilities	5,615.9	5,623.7
Total equity and liabilities	14,583.7	13,996.0

Equity

Total shareholders' equity as at 31 December 2021 amounted to DKK 8,968 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 share buy-back programme and dividend payment. As at 31 December 2021 the equity ratio was 61.5% (59.8% on 31 December 2020).

Net interest-bearing debt

Net interest-bearing debt decreased by DKK 94 million to DKK 3,266 million versus the end of the third quarter of 2021. The development is explained by positive 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 1.5x (1.6x at 30 September 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 14.5% (7.7%) with a DKK 829 million improvement in EBIT (12 months rolling) driven by the operational performance and based on an invested capital of DKK 12.5 billion (DKK 12.8 billion).

CONSOLIDATED CASH FLOW STATEMENT

1 JANUARY - 31 DECEMBER

DKK million	Q4 2021	Q4 2020	FY 2021	FY 2020
Net profit for the period	307.2	47.9	1,390.6	677.9
Depreciation, amortisation and impairment	76.8	28.4	361.5	460.0
Adjustments	75.9	363.1	498.2	774.1
Changes in working capital	78.7	27.6	-6.2	294.2
Special items, paid	-77.3	-64.6	-219.1	-196.4
Cash flow from operating activities before financial items	461.3	402.4	2,025.0	2,009.8
Financial income received	17.9	8.6	33.9	115.8
Financial costs paid	-21.0	-48.4	-118.0	-312.2
Cash flow from operating activities before tax	458.2	362.6	1,940.9	1,813.4
Tax payments	-147.7	-86.1	-374.2	-228.0
Cash flow from operating activities	310.5	276.6	1,566.7	1,585.4
Acquisitions	-3.9	-	-3.9	-1,560.1
Investment in intangible assets	-2.4	-16.0	-28.8	-44.2
Investment in property, plant and equipment	-55.1	-26.5	-211.6	-156.5
Sale of property, plant and equipment	51.2	1.6	57.2	1.6
Dividend from associated companies	2.5	2.3	9.6	7.5
Cash flow from investing activities	-7.7	-38.6	-177.5	-1,751.7
Free cash flow	302.8	238.0	1,389.2	-166.3
Repayment of lease liabilities	-15.2	-15.3	-58.8	-70.3
Other financing	-23.7	-	-45.2	14.7
RCF / New external funding	-62.9	-	-	7,549.5
RCF / Repayment bank loans	-	-60.6	-	-7,299.0
Dividend payment	-	-	-626.7	-608.3
Purchase of treasury shares	-152.1	-139.8	-607.1	-188.5
Cash flow from financing activities	-253.9	-215.7	-1,337.8	-601.9
Net cash flow for the period	48.9	22.3	51.4	-768.2
Cash and cash equivalents, net at 1 October / 1 January	123.0	95.3	117.0	897.5
Exchange gains/losses on cash and cash equivalents	1.7	-0.5	5.2	-12.3
Net cash flow for the period	48.9	22.2	51.4	-768.2
Cash and cash equivalents, net at 31 December	173.6	117.0	173.6	117.0

Cash flows

Cash flow from operations before changes in working capital in the fourth quarter of 2021 was DKK 232 million (DKK 249 million). The development was driven by lower financial costs and the improved operational results partly offset by higher tax payments.

Changes in working capital in the fourth quarter of 2021 had a positive impact on the cash flow by DKK 79 million (DKK 28 million) mainly due to reduced level of inventories and trade receivables.

Cash flow from investing activities amounted to DKK -8 million (DKK -39 million). The decrease is explained by the income from sale of property, plant and equipment.

Free cash flow before acquisitions in the fourth quarter of 2021 was positive by DKK 307 million (DKK 238 million). The cash conversion ratio was 135% (129%).

For the full year of 2021 cash flow from operations before changes in working capital was DKK 1,573 million (DKK 1,291 million). Working capital had a negative impact of DKK 6 million (DKK 294 million positive) on the cash flow explained by higher payables and higher trade receivables. Free cash flow before acquisitions was DKK 1,393 million (DKK 1,394 million) and the cash conversion ratio was 109% (135%).

STATEMENT OF CHANGES IN GROUP EQUITY

1 JANUARY – 31 DECEMBER 2021

DKK million	Share capital	Reserve for hedging	Reserve for currency translation	Treasury shares	Retained earnings	Total
Equity at 1 January 2021	100.0	-14.5	284.4	-227.7	8,230.1	8,372.3
<i>Comprehensive income for the year</i>						
Net profit for the year	-	-	-	-	1,390.6	1,390.6
<i>Other comprehensive income</i>						
Cash flow hedges	-	9.8	-	-	-	9.8
Tax of cash flow hedges	-	-2.2	-	-	-	-2.2
Foreign exchange adjustments on net investments in foreign operations	-	-	409.3	-	-	409.3
Actuarial gains and losses on pension Obligations	-	-	-	-	5.9	5.9
Tax of actuarial gains and losses on pension obligations	-	-	-	-	-4.7	-4.7
Total other comprehensive income	-	7.6	409.3	-	1.2	418.1
Total comprehensive income for the year	-	7.6	409.3	-	1,391.8	1,808.7
<i>Transactions with shareholders</i>						
Capital reduction	-2.5	-	-	247.2	-244.7	-
Purchase of treasury shares	-	-	-	-606.4	-	-606.4
Share-based payments	-	-	-	-	23.7	23.7
Tax on share-based payments	-	-	-	-	0.7	0.7
Settlement of vested PSUs	-	-	-	16.4	-16.4	-
Settlement in cash of vested PSU's	-	-	-	-	-4.5	-4.5
Dividend paid to shareholders	-	-	-	-	-650.0	-650.0
Dividend, treasury shares	-	-	-	-	23.3	23.3
Total transactions with shareholders	-2.5	-	-	-342.8	-867.9	-1,213.2
Equity at 31 December 2021	97.5	-6.9	693.7	-570.5	8,754.0	8,967.8

STATEMENT OF CHANGES IN GROUP EQUITY

1 JANUARY – 31 DECEMBER 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
<i>Comprehensive income for the year</i>						
Net profit for the year	-	-	-	-	677.9	677.9
<i>Other comprehensive income</i>						
Cash flow hedges	-	0.8	-	-	-	0.8
Tax of cash flow hedges	-	-0.2	-	-	-	-0.2
Foreign exchange adjustments on net investments in foreign operations	-	-	-630.0	-	-	-630.0
Actuarial gains and losses on pension obligations	-	-	-	-	9.4	9.4
Tax of actuarial gains and losses on pension obligations	-	-	-	-	-2.4	-2.4
Total other comprehensive income	-	0.6	-630.0	-	7.0	-622.4
Total comprehensive income for the year	-	0.6	-630.0	-	684.9	55.5
<i>Transactions with shareholders</i>						
Purchase of treasury shares	-	-	-	-196.9	-	-196.9
Share-based payments	-	-	-	-	20.6	20.6
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	-	-	-	-192.7	-593.2	-785.9
Equity at 31 December 2020	100.0	-14.5	284.4	-227.7	8,230.1	8,372.3

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

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

Significant accounting estimates

The estimates made by STG in the determination of the carrying amounts of assets and liabilities are based on assumptions that are subject to future events. For a description of risks and accounting estimates, see the Annual Report for 2021.

Accounting policies

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

NOTE 2**SPECIAL ITEMS**

DKK million	FY 2021	FY 2020
Integration and transactions costs (Agio Cigars)	22.1	234.0
Fuelling the Growth programme	1.7	5.2
Production footprint, incl. sale of building	13.9	141.1
One Process	19.4	-
Impairment tangible assets and right-of-use assets	-	106.7
Impairment intangible assets	58.5	-
Reversal of impairments, tangible assets	-60.9	-51.8
Total special items	54.7	435.2