



Company Announcement

No. 24/2024

Copenhagen, 2 May 2024

Interim report, 1 January - 31 March 2024

Scandinavian Tobacco Group reports first quarter 2024 results and maintains full-year guidance

For the first quarter of 2024 Scandinavian Tobacco Group delivered a 1% decrease in reported net sales by DKK 1.9 billion with an EBITDA margin before special items at 17.2%. Net sales decreased 2% organically. Organic net sales growth in Handmade Cigars and Next Generation Oral was offset by decline in machine-rolled cigars & smoking tobacco. The EBITDA margin is impacted by declining volumes in a seasonally small quarter, mix changes and investments in growth. In the second quarter, the Group is expected to deliver organic net sales growth and a material improvement in the EBITDA-margin compared with the first quarter 2024. The full year guidance is maintained.

First Quarter 2024 - Financial Performance

- Net sales of DKK 1,948 million (DKK 1,963 million) with 2% negative organic growth.
- EBITDA before special items was DKK 335 million (DKK 474 million) with an EBITDA margin of 17.2% (24.1%).
- Adjusted Earnings Per Share (EPS) were DKK 1.8 (DKK 3.2).
- Free cash flow before acquisitions was DKK -126 million (DKK -179 million).
- Return on Invested Capital (ROIC) was 10.4% (13.6%).
- Growth Enablers delivered a high double-digit growth rate and accounted for 11% of Group net sales.

Key events

- Launch of One Commercial Organisation.
- Opening of Club Macanudo concept stores in Jakarta, Tapei and Louisianaville.

CEO Niels Frederiksen: *“Despite a slow start to the year and the first quarter profitability being impacted by mix, cost inflation and investments in growth, we maintain our expectations for the full year. Entering the second quarter, we expect the net sales development to improve and we expect to see a more normalized mix, which will impact profitability and cash-flows positively. In the quarter we have continued to execute our strategy with the opening of three Macanudo concepts stores and investments in our growth initiatives. Our growth enablers constituted around 11% of net sales in the quarter”.*

Capital Allocation

At the Annual General Meeting on 4 April 2024, the proposal for an increase in the ordinary dividend of 2% to DKK 8.40 per share was approved. A proposal to cancel 1.0 million treasury shares was also approved. When the cancellation has been completed later in May, the number of issued shares will be 86.0 million.

During the quarter the Group repurchased 1,319,050 treasury shares at a total value of DKK 164 million as part of the up to 850 million share buy-back programme which was launched November 2023. By the end of the first quarter Scandinavian Tobacco Group owned a total of 2,423,951 own treasury shares, corresponding to 2.79% of the total share capital.

Financial Guidance 2024

The financial guidance 2024 is unchanged.

- Net sales in the range of DKK 8.8-9.1 billion
- EBITDA margin before special items in the range of 22%-24%
- Free cash flow before acquisitions in the range DKK 0.8-1.0 billion
- Adjusted EPS in the range of DKK 12.5-14.5

For further information, please contact:

Torben Sand, Director of IR & Communication, phone +45 5084 7222 or torben.sand@st-group.com

A conference call will be held on 3 May 2024 at 10.00 CEST. Dial-in information and an accompanying presentation will be available at investor.st-group.com/investor around 09:00 CEST.

Key Figures

DKK million	Q1 2024	Q1 2023	FY2023
INCOME STATEMENT			
Net sales	1,948	1,963	8,731
Gross profit before special items	881	979	4,204
EBITDA before special items	335	474	2,106
Special items	-30	-27	-92
EBIT	208	358	1,638
Net financial items ¹	-54	-31	-177
Profit before tax	159	335	1,491
Income taxes	-34	-76	-308
Net profit	125	260	1,182
BALANCE SHEET			
Total assets	16,329	16,194	15,853
Equity	9,522	9,399	9,434
Net interest-bearing debt (NIBD)	4,480	4,416	4,057
Investment in property, plant and equipment	50	48	199
Total capital expenditures	58	80	308
CASH FLOW STATEMENT			
Cash flow from operating activities	-71	-103	1,347
Cash flow from investing activities	-92	-590	-875
Free cash flow	-163	-693	472
Free cash flow before acquisitions	-126	-179	1,053
KEY RATIOS²			
Net sales growth	-0.7%	1.3%	-0.4%
Gross margin before special items	45.2%	49.9%	48.2%
EBITDA margin before special items	17.2%	24.1%	24.1%
Effective tax percentage	21.5%	22.5%	20.7%
Equity ratio	58.3%	58.0%	59.5%
Cash conversion	21.5%	2.3%	103.0%
Organic net sales growth	-2.1%	-0.8%	0.3%
Organic EBITDA growth	-29.1%	-12.1%	-5.0%
NIBD / EBITDA before special items	2.3	2.0	1.9
ROIC	10.4%	13.6%	11.4%
ROIC ex. Goodwill	16.4%	22.2%	18.1%
Adjusted earnings per share (DKK)	1.8	3.2	14.4
Basic earnings per share (DKK)	1.5	3.0	13.7
Diluted earnings per share (DKK)	1.5	3.0	13.6
Number of shares issued ('000)	87,000	93,000	87,000
Number of treasury shares ('000)	2,424	6,382	1,105
Number of outstanding shares ('000) ³	85,373	86,831	86,668
Share price at balance date (DKK)	123.80	136.20	117.30
Dividend per share (DKK)			8.40
Pay-out ratio			61.8%

1. Excl. share of profit of associated companies.

2. See definition/explanation of financial ratios in note 5.8 in the Annual Report 2023.

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

First Quarter 2024 - Financial performance

In the first quarter of 2024 the Group's net sales reported in DKK decreased by 1% to DKK 1,948 million. Exchange rates developments impacted net sales negatively by 1%, whilst the acquisitions of the Alec Bradley and XQS brands impacted net sales positively by close to 2%. The organic growth in net sales was negative by 2% (see Table 1).

By categories, the Group's organic net sales performance was driven by positive contributions from Handmade Cigars and Next Generation Oral, whereas Machine-Rolled Cigars & Smoking Tobacco delivered negative organic sales growth. By divisions, the net sales performance was driven by a positive contribution from North America Online & Retail, whereas Europe Branded and North America Branded and Rest of World declined.

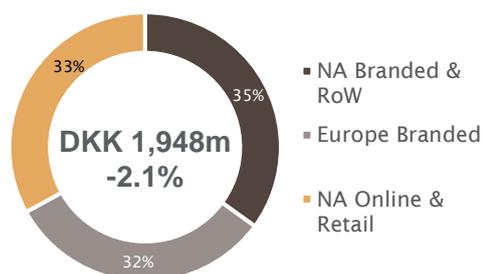
The EBITDA margin (before special items) decreased to 17.2% (24.1%). The EBITDA margin decreased compared with the same quarter last year primarily as result of cost increases and changes in category and market mix including the impact from new categories and the online business' share of group net sales increasing compared with last year. Furthermore, investments in the Group's initiatives to strengthen long-term net sales and profit growth impacted margins negatively in the quarter. Special items were DKK 30 million relating to the Group's ERP implementation programme and the reorganisation to One Commercial Organisation. Net profit was DKK 125 million (DKK 260 million) with Adjusted Earnings Per Share at DKK 1.8 (DKK 3.2).

The Group's free cash flow before acquisitions was DKK -126 million (DKK -179 million). The development is impacted by the operational performance as well as changes in working capital, which was negative by DKK 252 million compared with a negative DKK 453 million in the first quarter of 2023. The Group's leverage ratio was 2.3 times versus 1.9 times by the end of the fourth quarter 2023.

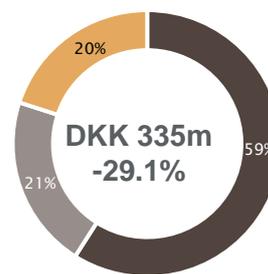
The 12 months rolling **Return on Invested Capital (ROIC)** decreased to 10.4% versus 11.4% by the end of 2023 driven by the development in EBIT (12 months rolling). Invested capital was unchanged compared to 31 December 2023 and stood at DKK 14.3 billion (DKK 14.3 billion).

Divisional split Q1 2024

Net sales and organic growth



EBITDA before special items and organic growth



Group net sales and EBITDA Q1 2024

Table 1: Net sales

DKK million	Q1 2024	Q1 2023	Change in %
Net sales	1,948	1,963	-0.7%
Acquisitions		39	
Currency development	13		
Organic net sales	1,961	2,002	-2.1%

Table 2: EBITDA before special items

DKK million	Q1 2024	Q1 2023	Change in %
EBITDA	335	474	-29.3%
Acquisitions		4	
Currency development	4		
Organic EBITDA	339	478	-29.1%

Update Strategy and Other Key Events

Growth Enablers

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

Cigars International opened two new retail cigar superstores in 2023, both located in Texas, bringing the total number of superstores in the US to nine. The retail stores are delivering valuable contributions to the Group's financial performance and with three additional openings expected in the second half of 2024, the retail stores have become an important part of the Group's net sales and growth. Retail delivered double-digit growth with same-store sales up by about 4%.

International sales of handmade cigars delivered double-digit growth in net sales. The expansion of the handmade cigar business outside the US remains a high priority and further expansion of consumer touchpoints will contribute to this growth. During the first quarter of 2024, we have opened two Club Macanudo concept stores, in Taipei and Jakarta, respectively.

A third Club Macanudo concept store was opened in Louisianaville in the US in March.

Net sales from the Growth Enablers accounted for 11% of Group net sales in the first quarter of 2024 compared with 10% in the fourth quarter 2023 and 8% in the full-year 2023. The Next Generation Oral portfolio accounted for 5% of Group net sales.

Capital Allocation

During the quarter the Group repurchased 1,319,050 treasury shares at a total value of DKK 164 million as part of the up to 850 million share buy-back programme which was launched November 2023. By the end of the first quarter Scandinavian Tobacco Group owned a total of 2,423,951 own treasury shares, corresponding to 2.79% of the total share capital.

At the Annual General Meeting on 4 April 2024, the proposal to increase the ordinary dividend to DKK 8.40 per share was approved resulting in a total dividend payment of DKK 731 million.

The capital distribution to shareholders, including the ordinary dividend payment in April, amounts to DKK 895 million.

A proposal to cancel 1.0 million treasury shares was also approved at the Annual General Meeting. When the cancellation has been completed later in May, the number of issued shares will be 86.0 million.

Financial Guidance 2024

The full-year 2024 expectations remain unchanged compared with the those communicated in relation to the release of the Annual Report 2023 on 5 March 2024.

The consumption of handmade cigars in the US is expected to remain resilient over time, although 2024 may be another year with consumption declining more than the historic structural decline rate. The market for handmade cigars has not yet fully stabilised since the exceptional volume growth during the pandemic and consumers are still adapting to changes in disposable income and higher interest rates. However, consumption remains well above pre-pandemic levels. However, we expect price increases on our products, continued growth in our online and retail distribution channels as well as in our international markets will more than offset the decrease in consumption. We expect organic net sales of handmade cigars to increase compared with last year.

The consumption of machine-rolled cigars and smoking tobacco in our European markets is expected to develop close to their structural decline rates, though with volatility from quarter to quarter. We have worked actively to stop the decline in market share in machine-rolled cigars in Europe, but the current activities are not sufficient. We have decided on a set of additional activities which are currently being implemented, including a more differentiated pricing strategy. To regain market share remains one of our highest Group priorities for 2024.

We expect net sales from our own NGO brands will increase by more than 50% driven by market share expansion and roll-out to new markets.

Based on the above and at current exchange rates, the Group reported net sales are expected in the range of DKK 8.8-9.1 billion (2023: DKK 8.7 billion). All three commercial divisions are expected to deliver growth in net sales compared with 2023 with the highest growth in EUB driven by increasing sales of NGPs and pricing in the core categories. The Growth Enablers are expected to account for at least 10% of Group net sales in 2024.

The EBITDA margin before special items is expected in the range of 22-24% (2023: 24.1%). The margin is being diluted by increased investments in our Growth Enablers and machine-rolled cigars in Europe, cost inflation and mix changes being partly offset by price increases and continued cost optimisations which will benefit coming years.

Free cash flow is expected in the range of DKK 0.8-1.0 billion and will be impacted by investments in the retail expansion in the US, track and trace implementation in the EU and in the ERP-roll-out of up to DKK 300 million compared with a level of DKK 200 million in 2023. Working capital is expected to deliver a negative contribution primarily relating to the expected increase in net sales, higher cost prices and the expansion into new product groups.

Adjusted EPS is expected in the range of DKK 12.5-14.5 including an estimated impact from the current share repurchase programme of DKK 0.5.

Given these considerations, guidance for 2024 is:

- Reported net sales in the range of DKK 8.8-9.1 billion.
- EBITDA-margin before special items in the range of 22-24%.
- Free cash flow before acquisitions in the range of DKK 0.8-1.0 billion.
- Adjusted EPS in the range of DKK 12.5-14.5.

In the second quarter, the Group is expected to deliver organic net sales growth and an improvement in the EBITDA-margin compared with the first quarter of 2024. All three commercial divisions are

expected to deliver net sales growth. The expectation for the second quarter assumes continued strong growth in NAOR, an improvement in the business mix and lower volume decline in machine-rolled cigars in Europe.

The largest uncertainties for the guidance are changes in consumer behaviour, the market share development in machine-rolled cigars in Europe and changes in market and/or product mix. Guidance and assumptions are based on no impact from potential new acquisitions and at current exchange rates*.

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

Events after the reporting period

There are no other events than those mentioned in the above that have occurred after 31 March 2024 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.

Sales performance by category

Q1 2024: Net sales distribution and organic growth by category

Table 3: Net sales distribution and organic growth by category	% of Group	Organic Growth
Handmade cigars	37%	4%
MRC and Smoking Tobacco	46%	-12%
Next Generation Oral	5%	>100%
Other	12%	-3%
Group	100%	-2%

Handmade Cigars

Handmade cigars net sales increased in the first quarter of the year by 4% organically driven by stable volumes and positive pricing. International sales of handmade cigars delivered close to double-digit volume growth with particular good performance by the Macanudo and Silencio brands. Our US retail superstores continued to deliver double-digit growth primarily as result of stores openings in 2022 and 2023. Online sales of handmade cigars remained stable with the active consumer base having stabilised. The sales of handmade cigars to external wholesalers and distributors supplying retail in North America continued to reset following the strong increase in consumption during the pandemic.

The consumption of handmade cigars in the US market is estimated to be down by a mid-single digit percentage during the first quarter of the year.

Machine-rolled Cigars and Smoking Tobacco

Machine-rolled cigars (MRC) and smoking tobacco (ST) net sales decreased in the first quarter of the year by 12% organically as result of double-digit volume decrease in both machine-rolled cigars and pipe tobacco. Fine-cut tobacco delivered growth driven by good performance by Middle East/Africa and the BREAK brand in Germany. Pricing remains positive in machine-rolled cigars.

The organic development was driven by an almost 15% decrease in MRC with the key European markets France, the UK and Belgium delivering higher volume decline rates than the average. In our key European markets, preliminary data indicate the volume market share declined to 28.1% compared with 29.9% in the fourth quarter of 2023. Additionally, Canada contributed negatively to the performance of machine-rolled cigars with a double-digit volume decline driven by the implementation of plain packaging, which resulted in phasing of net sales. Pricing remains sound in all MRC markets.

The organic development within Smoking Tobacco was negative by 4% driven by a double-digit volume decrease in pipe tobacco and a slightly positive development for fine-cut tobacco. Net sales of fine-cut tobacco were driven by international markets and good volume growth in Germany, where our brand BREAK continue to take market share.

Next Generation Oral

Next Generation Oral (NGO) net sales more than doubled organically driven by good performance of the nicotine pouch brand XQS and accounted for 5% of Group net sales in the first quarter. Both STRÖM and Iact delivered positive growth. The strong NGO development relates primarily to the XQS brand taking market share in Sweden as well as the growth in the distribution of third-party products in the US. Roll-out of the XQS brand is expected in multiple markets during 2024.

Financial performance by division

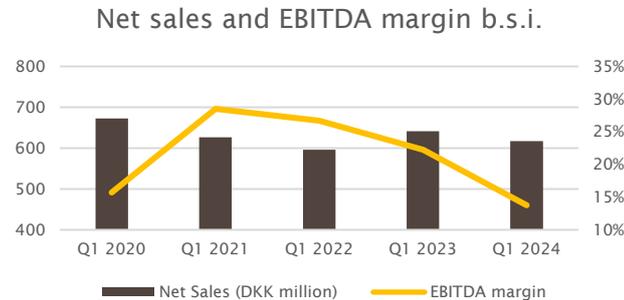
Europe Branded

Europe Branded delivered an 8% negative organic net sales growth in the first quarter of 2024, while reported net sales decreased by 4%. Acquisitions impacted net sales by about 4%. Handmade Cigars and NGOs delivered double-digit organic net sales growth, whereas machine-rolled cigars delivered a double-digit negative organic net sales growth, despite sound pricing. The volume decline is driven by the structural market decline rate, market share decline and timing of net sales to the trade. France and Benelux delivered the largest declines in organic net sales during the quarter.

Total market volumes for machine-rolled cigars in Europe was negative by 5% compared with a 3% decline for the full year 2023. Despite the higher decline rate in the first quarter the outlook for the structural development in total market volumes at this point is still perceived to be negative by around 3% annually.

According to preliminary data, the market share index for the key markets in machine-rolled cigars was 28.1% for the first quarter 2024 versus 29.9% for the fourth quarter of 2023. For the full year 2023, the market share index was 29.9%. The decline in our market share for the first quarter is primarily result of the performance in France, the UK and Belgium, whereas our positions in Germany, Spain and the Netherlands were relatively stable versus the fourth quarter 2023.

First Quarter Development, 2020-2024



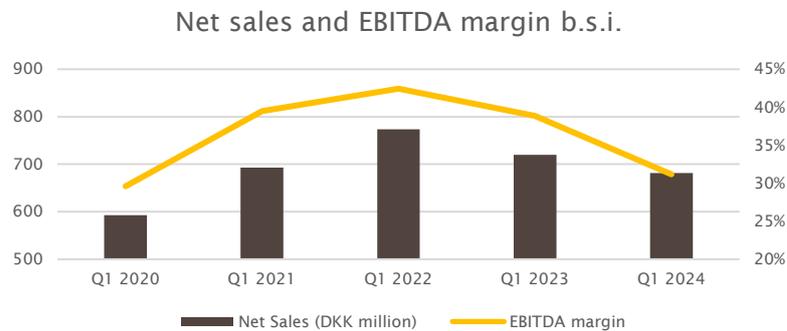
EBITDA before special items decreased to DKK 85 million (DKK 146 million) with an EBITDA margin before special items of 13.8% (22.8%). The margin development was impacted by mix changes (category and country mix), general cost inflation, higher expenses to support net sales long-term growth within both our core categories as well as within Next Generation Oral.

North America Branded & RoW

North America Branded & Rest of World delivered a 6% negative organic net sales growth, while reported net sales decreased by 5% including a positive impact from acquisitions of 2% and a negative impact from exchange rate developments, primarily the USD, by 1%.

The development was impacted by a double-digit negative volume impact from machine-rolled cigars primarily in Canada, where volumes were temporarily impacted negatively by new regulation on plain-packaging. In the US, the decline in the consumption of handmade cigars and inventory adjustments in the trade continued to result in a higher than traditional volume decline. However, this was offset by a sound price/mix impact. Net sales of handmade cigars to the international markets continue to develop well, in line with our growth ambitions for the segment.

First Quarter Development, 2020-2024



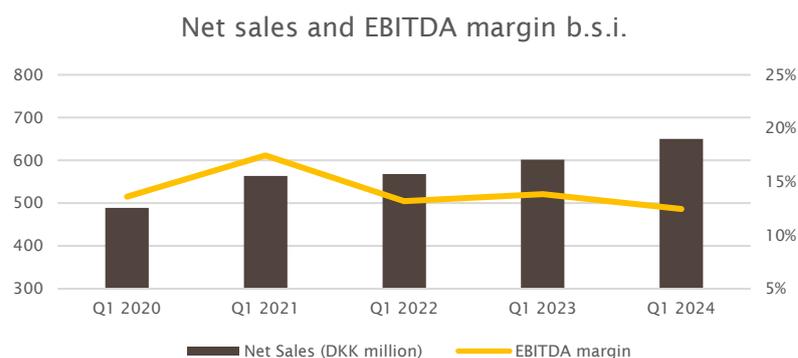
EBITDA before special items decreased to DKK 212 million (DKK 276 million) with an EBITDA margin before special items of 31.2% (38.3%). The development in the profitability was primarily result of a decrease in the gross margin driven by mix changes (machine-rolled cigars in Canada down and fine-cut in Middle East/Africa up).

North America Online & Retail

North America Online & Retail delivered a 9% organic net sales growth, while the reported net sales increased by 8% including a slightly negative impact from exchange rates developments.

Organic net sales growth was driven by positive momentum in the online business with stable volumes and positive pricing as well as double-digit net sales growth in the retail business. Both the expansion of the retail network, with the opening of two superstores in Conroe and Katy, Texas as well as the existing superstores contributed to the net sales performance. The third-party distribution of NGO continued to support net sales growth for the NAOR division.

First Quarter Development, 2020-2024



EBITDA before special items decreased to DKK 81 million (DKK 83 million) with an EBITDA margin before special items of 12.5% (13.9%). The gross margin decreased by 1%-point to 39.2% driven by mix changes. Traditionally, the EBITDA-margin in the first quarter is impacted by net sales being the lowest during the year.

Quarterly Financial Data

<i>DKK million</i>	2024	2023				
	Q1	Q4	Q3	Q2	Q1	FY
Reported data						
Net sales	1,948	2,275	2,269	2,225	1,963	8,731
Gross profit before special items	881	1,089	1,092	1,044	979	4,204
EBITDA before special items	335	517	602	514	474	2,106
Special items	-30	-35	-14	-16	-27	-92
EBIT	208	385	489	406	358	1,638
Net financial items	-54	-79	-44	-22	-31	-177
Profit before tax	159	311	453	392	335	1,491
Income taxes	-34	-43	-102	-88	-76	-308
Net profit	125	268	351	304	260	1,182
Other financial key data						
Organic EBITDA growth	-29.1%	-5.7%	-0.1%	-2.9%	-12.1%	-5.0%
Organic net sales growth	-2.1%	5.0%	-1.1%	-1.8%	-0.8%	0.3%
Gross margin before special items	45.2%	47.9%	48.2%	46.9%	49.9%	48.2%
EBITDA margin before special items	17.2%	22.7%	26.5%	23.1%	24.1%	24.1%
Free cash flow before acquisitions	-126	452	622	159	-179	1,053
North America Online & Retail						
Net sales	650	738	745	740	602	2,824
Gross profit before special items	255	293	299	290	242	1,124
EBITDA before special items	81	108	129	122	83	443
Net sales growth	8.1%	4.9%	-3.2%	0.4%	5.9%	1.7%
Organic net sales growth	9.2%	10.4%	4.4%	2.7%	1.3%	4.8%
Gross margin before special items	39.2%	39.8%	40.1%	39.2%	40.2%	39.8%
EBITDA margin before special items	12.5%	14.7%	17.4%	16.4%	13.9%	15.7%
North America Branded & RoW						
Net sales	681	743	809	773	720	3,044
Gross profit before special items	340	380	435	397	395	1,606
EBITDA before special items	212	242	321	265	276	1,104
Net sales growth	-5.4%	-1.0%	-4.9%	-5.7%	-6.9%	-4.7%
Organic net sales growth	-6.1%	-1.4%	-2.6%	-6.1%	-9.2%	-4.7%
Gross margin before special items	50.0%	51.1%	53.8%	51.3%	55.1%	52.8%
EBITDA margin before special items	31.2%	32.6%	39.7%	34.2%	38.3%	36.3%
Europe Branded						
Net sales	617	794	716	712	641	2,863
Gross profit before special items	286	416	359	357	342	1,474
EBITDA before special items	85	196	176	164	146	683
Net sales growth	-3.8%	8.6%	-3.5%	-1.3%	7.6%	2.6%
Organic net sales growth	-7.7%	6.7%	-4.8%	-1.4%	8.3%	1.8%
Gross margin before special items	46.3%	52.4%	50.1%	50.1%	53.2%	51.5%
EBITDA margin before special items	13.8%	24.7%	24.6%	23.1%	22.8%	23.8%
Group costs						
EBITDA before special items	-44	-30	-25	-37	-32	-123

MANAGEMENT STATEMENT

The Board of Directors and the Executive Management have today considered and approved interim report of Scandinavian Tobacco Group A/S for the period 1 January – 31 March 2024.

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

In our opinion, the interim consolidated financial statements give a true and fair view of the Group's assets, liabilities and financial position as at 31 March 2024 and of the results of the Group's operations and consolidated cash flows for the financial period 1 January – 31 March 2024.

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, 2 May 2024

EXECUTIVE MANAGEMENT

Niels Frederiksen
CEO

Marianne Rørslev Bock
CFO

BOARD OF DIRECTORS

Henrik Brandt
CHAIRMAN

Anders C. Obel

Dianne Neal Blixt

Henrik Amsinck

Jörg Biebernck

Marlene Forsell

Karsten Dam Larsen

Thomas Thomsen

Mark Draper

CONSOLIDATED STATEMENT OF INCOME

1 JANUARY - 31 MARCH

DKK million	Note	Q1 2024	Q1 2023
INCOME STATEMENT			
Net sales	2	1,948.3	1,962.9
Cost of goods sold	2	-1,067.1	-983.7
Gross profit before special items	2	881.2	979.2
Other external costs	2	-295.7	-262.1
Staff costs	2	-254.3	-243.5
Other income		3.6	-
Earnings before interest, tax, depreciation, amortisation and special items (EBITDA before special items)	2	334.8	473.6
Depreciation and impairment		-53.1	-46.3
Earnings before interest, tax, amortisation and special items (EBITA before special items)		281.7	427.3
Amortisation and impairment		-43.9	-41.7
Earnings before interest, tax and special items (EBIT before special items)		237.8	385.6
Special items, costs and impairment	3	-29.8	-27.2
Earnings before interest and tax (EBIT)		208.0	358.4
Share of profit of associated companies, net of tax		5.1	8.3
Financial income		15.0	56.7
Financial costs		-69.2	-88.1
Profit before tax		158.9	335.3
Income taxes		-34.1	-75.5
Net profit for the period		124.8	259.8
Earnings per share			
Basic earnings per share (DKK)		1.5	3.0
Diluted earnings per share (DKK)		1.5	3.0
STATEMENT OF COMPREHENSIVE INCOME			
Net profit for the period		124.8	259.8
OTHER COMPREHENSIVE INCOME			
<i>Items that will be recycled subsequently to the Consolidated Statement of Income, when specific conditions are met:</i>			
Foreign exchange adjustments on net investments in foreign operations		123.0	-108.3
Other comprehensive income for the period, net of tax		123.0	-108.3
Total comprehensive income for the period		247.8	151.5

Net sales

In the first quarter of 2024, net sales were DKK 1,948 million (DKK 1,963 million). Adjusted for a negative exchange rate impact of DKK 12 million and acquisitions of DKK 39 million, the organic growth in net sales was negative by 2.1%.

Profit

Gross profit before special items for the first quarter of 2024 was DKK 881 million (DKK 979 million) explained by the development in net sales and a decreasing gross margin before special items to 45.2% (49.9%).

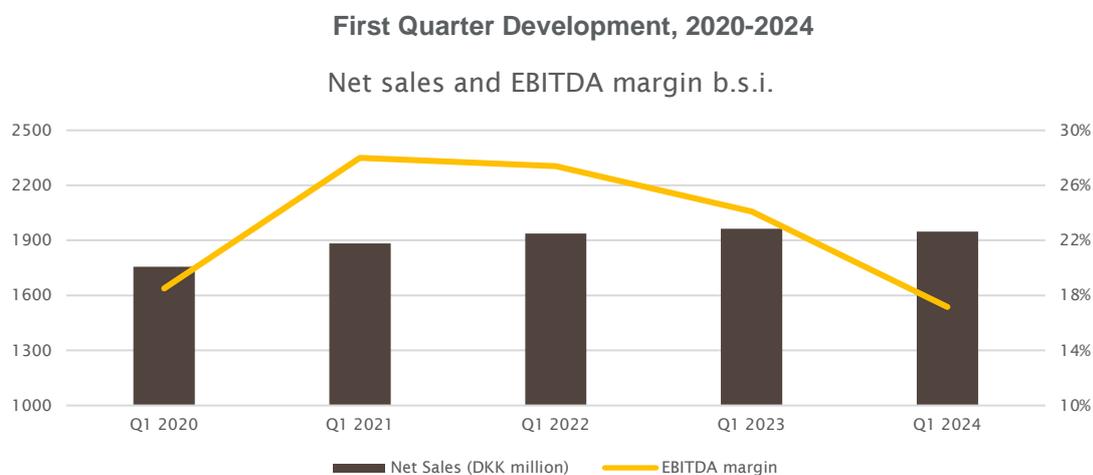
Operating expenses for the first quarter of 2024 increased by 9% compared to same quarter last year and stood at DKK 550 million (DKK 506 million). The OPEX ratio increased to 28.2% (25.8%).

EBITDA before special items for the first quarter of 2024 amounted to DKK 335 million (DKK 474 million). The development is mainly explained by the lower gross profit and increased OPEX ratio. Organic EBITDA growth was negative by 29.1%.

EBITDA margin before special items for the first quarter of 2024 was 17.2% (24.1%).

During the quarter DKK 30 million (DKK 27 million) have been expensed as special items, relating to the ERP implementation project, OneProcess and the reorganisation to One Commercial Organisation.

Net profit was DKK 125 million (DKK 260 million). Earnings Per Share (EPS) were DKK 1.5 (DKK 3.0). Earnings Per Share adjusted for special items, fair value adjustments and currency gains/losses, net of tax decreased to DKK 1.8 (DKK 3.2).



CONSOLIDATED BALANCE SHEET

ASSETS

DKK million	31 Mar 2024	31 Mar 2023	31 Dec 2023
INTANGIBLE ASSETS			
Goodwill	5,301.8	5,280.2	5,235.6
Trademarks	3,211.8	3,230.3	3,226.1
IT software	70.0	49.1	74.4
Other intangible assets	396.3	381.0	404.0
Intangible assets under development	190.8	154.4	183.1
Total intangible assets	9,170.7	9,095.0	9,123.2
Property, plant and equipment	1,851.0	1,749.2	1,759.7
Investments in associated companies	241.7	224.8	234.0
Deferred income tax assets	94.1	108.8	93.7
Total non-current assets	11,357.5	11,177.8	11,210.6
Inventories	3,508.9	3,686.1	3,269.6
Trade receivables	998.5	956.0	963.7
Other receivables	97.0	93.0	113.7
Corporate tax	131.4	62.5	63.3
Prepayments	132.2	114.7	132.9
Cash and cash equivalents	103.3	104.3	99.6
Total current assets	4,971.3	5,016.6	4,642.8
Total assets	16,328.8	16,194.4	15,853.4

CONSOLIDATED BALANCE SHEET**EQUITY AND LIABILITIES**

DKK million	31 Mar 2024	31 Mar 2023	31 Dec 2023
Share capital	87.0	93.0	87.0
Reserve for currency translation	888.4	855.5	765.4
Treasury shares	-305.1	-818.9	-141.4
Retained earnings	8,851.4	9,269.8	8,723.0
Total equity	9,521.7	9,399.4	9,434.0
Borrowings	3,834.7	3,863.7	3,656.7
Deferred income tax liabilities	717.5	685.2	706.8
Pension obligations	198.3	209.0	195.3
Other provisions	18.0	18.0	17.9
Lease liabilities	311.7	276.3	245.8
Other liabilities	47.0	26.4	46.2
Total non-current liabilities	5,127.2	5,078.6	4,868.7
Credit facilities	183.0	121.9	-
Trade payables	487.9	462.5	508.2
Corporate tax	131.1	259.7	120.3
Other provisions	18.6	15.5	17.8
Lease liabilities	56.5	50.1	59.1
Other liabilities	802.8	806.7	845.3
Total current liabilities	1,679.9	1,716.4	1,550.7
Total liabilities	6,807.1	6,795.0	6,419.4
Total equity and liabilities	16,328.8	16,194.4	15,853.4

Net interest-bearing debt

Net interest-bearing debt increased by DKK 422 million to DKK 4,480 million versus the end of 2023. The development is mainly explained by additional draw on RCF/credit facilities during Q1 2024. The leverage ratio (net interest-bearing debt to LTM EBITDA before special items) increased to 2.3x (1.9x on 31 December 2023).

Return on Invested Capital

The return on invested capital (ROIC) decreased to 10.4% versus 11.4% by the end of 2023, explained by a DKK 150 million decrease in EBIT (12 months rolling) driven by the operational performance. Invested capital was unchanged and stood at DKK 14.3 billion (DKK 14.3 billion).

CONSOLIDATED CASH FLOW STATEMENT

1 JANUARY - 31 MARCH

DKK million	Q1 2024	Q1 2023
Net profit for the period	124.8	259.8
Depreciation, amortisation and impairment	97.0	88.0
Adjustments	100.8	130.2
Changes in working capital	-252.2	-452.5
Special items, paid	-23.9	-28.2
Cash flow from operating activities before financial items	46.5	-2.7
Financial income received	9.3	12.3
Financial costs paid	-43.6	-56.1
Cash flow from operating activities before tax	12.2	-46.5
Tax payments	-83.2	-56.2
Cash flow from operating activities	-71.0	-102.7
Acquisitions	-37.3	-513.6
Investment in intangible assets	-7.6	-32.1
Investment in property, plant and equipment	-49.9	-47.8
Sale of property, plant and equipment	-	0.1
Dividend from associated companies	3.0	3.3
Cash flow from investing activities	-91.8	-590.1
Free cash flow	-162.8	-692.8
Repayment of lease liabilities	-17.8	-15.8
RCF	159.6	779.3
Repayment bank loans	-1.0	-1.1
Purchase of treasury shares	-157.6	-103.8
Cash flow from financing activities	-16.8	658.6
Net cash flow for the period	-179.6	-34.2
Cash and cash equivalents, net at 1 January	99.6	22.2
Exchange gains/losses on cash and cash equivalents	0.3	-5.6
Net cash flow for the period	-179.6	-34.2
Cash and cash equivalents, net at 31 March	-79.7	-17.6

Cash flows

Cash flow from operations before changes in working capital in the first quarter of 2024 was DKK 181 million (DKK 350 million). The development was driven by the operational result and higher tax payments partly offset by lower net financial costs paid.

Changes in working capital in the first quarter of 2024 had a negative impact on the cash flow by DKK 252 million (negative DKK 453 million) mainly due to increased inventories and lower trade payables and other liabilities.

Cash flow from investing activities amounted to DKK -92 million (DKK -590 million). The first quarter of 2023 was impacted by the acquisition of Alec Bradley Cigar business.

Free cash flow before acquisitions in the first quarter of 2024 was negative by DKK 126 million (negative DKK 179 million). The cash conversion ratio was 21.5% (2.3%).

STATEMENT OF CHANGES IN GROUP EQUITY

1 JANUARY – 31 MARCH 2024

DKK million	Share capital	Reserve for currency translation	Treasury shares	Retained earnings	Total
Equity at 1 January 2024	87.0	765.4	-141.4	8,723.0	9,434.0
<i>Comprehensive income for the period</i>					
Net profit for the period	-	-	-	124.8	124.8
<i>Other comprehensive income</i>					
Foreign exchange adjustments on net investments in foreign operations	-	123.0	-	-	123.0
Total other comprehensive income	-	123.0	-	-	123.0
Total comprehensive income for the period	-	123.0	-	124.8	247.8
<i>Transactions with shareholders</i>					
Purchase of treasury shares	-	-	-163.7	-	-163.7
Share-based payments	-	-	-	3.6	3.6
Total transactions with shareholders	-	-	-163.7	3.6	-160.1
Equity at 31 March 2024	87.0	888.4	-305.1	8,851.4	9,521.7

Equity

Total shareholders' equity as at 31 March 2024 amounted to DKK 9,522 million (DKK 9,434 million on 31 December 2023). The equity was positively impacted by profit for the period and impact from foreign exchange adjustments on net investments in foreign operations, partly offset by share buy-back programme. As of 31 March 2024, the equity ratio was 58.3% (59.5% on 31 December 2023).

STATEMENT OF CHANGES IN GROUP EQUITY (continued)

1 JANUARY – 31 MARCH 2023

DKK million	Share capital	Reserve for currency translation	Treasury shares	Retained earnings	Total
Equity at 1 January 2023	93.0	963.8	-748.1	9,032.9	9,341.6
<i>Comprehensive income for the period</i>					
Net profit for the period	-	-	-	259.8	259.8
<i>Other comprehensive income</i>					
Foreign exchange adjustments on net investments in foreign operations	-	-108.3	-	-	-108.3
Total other comprehensive income	-	-108.3	-	-	-108.3
Total comprehensive income for the period	-	-108.3	-	259.8	151.5
<i>Transactions with shareholders</i>					
Purchase of treasury shares	-	-	-95.9	-	-95.9
Share-based payments	-	-	-	2.2	2.2
Settlement of vested PSUs	-	-	25.1	-25.1	-
Total transactions with shareholders	-	-	-70.8	-22.9	-93.7
Equity at 31 March 2023	93.0	855.5	-818.9	9,269.8	9,399.4

NOTES

NOTE 1

BASIS OF PREPARATION

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

Significant accounting estimates

The estimates made by STG in the determination of the carrying amounts of assets and liabilities are based on assumptions that are subject to future events. For a description of risks and accounting estimates, see the Annual Report for 2023.

Accounting policies

This report has been prepared in accordance with the accounting policies set out in the Annual Report for 2023.

Based on an assessment of new or amended and revised accounting standards and interpretations ('IFRS') issued by the International Accounting Standards Board (IASB) and IFRS, endorsed by the European Union, effective on or after 1 January 2024, it has been assessed that the application of these new IFRS has not had a material impact on the Consolidated Financial Statements for the first quarter of 2024, and the Group does not anticipate any significant impact on future periods from the adoption of these new IFRS. The Group has adopted all new, amended, and revised standards and interpretations.

NOTE 2

SEGMENT INFORMATION AND NET SALES

3M 2024 DKK million	North America Online & Retail	North America Branded & RoW	Europe Branded	Group costs / not allo- cated	Total
Net sales	650.3	681.2	616.8	-	1,948.3
Cost of goods sold	-395.1	-340.7	-331.3	-	-1,067.1
Gross profit before special items	255.2	340.5	285.5	-	881.2
Staff and other external costs	-174.2	-131.7	-200.6	-43.5	-550.0
Other income	-	3.6	-	-	3.6
EBITDA before special items	81.0	212.4	84.9	-43.5	334.8
Depreciation and impairment				-53.1	-53.1
Amortisation and impairment				-43.9	-43.9
EBIT before special items				-140.5	237.8
Special items, costs and impairment				-29.8	-29.8
EBIT				-170.3	208.0
Share of profit of associated companies, net of tax				5.1	5.1
Financial income				15.0	15.0
Financial costs				-69.2	-69.2
Profit before tax				-219.4	158.9

SEGMENT INFORMATION AND NET SALES (continued)

3M 2023 DKK million	North America Online & Retail	North America Branded & RoW	Europe Branded	Group costs / not allo- cated	Total
Net sales	601.8	719.8	641.3	-	1,962.9
Cost of goods sold	-360.0	-323.4	-300.3	-	-983.7
Gross profit before special items	241.8	396.4	341.0	-	979.2
Staff and other external costs	-158.4	-116.8	-198.3	-32.1	-505.6
EBITDA before special items	83.4	279.6	142.7	-32.1	473.6
Depreciation and impairment				-46.3	-46.3
Amortisation and impairment				-41.7	-41.7
EBIT before special items				-120.1	385.6
Special items, costs and impairment				-27.2	-27.2
EBIT				-147.3	358.4
Share of profit of associated companies, net of tax				8.3	8.3
Financial income				56.7	56.7
Financial costs				-88.1	-88.1
Profit before tax				-170.4	335.3

DKK million	3M 2024	3M 2023
Category split, net sales		
Handmade cigars	716.2	680.8
Machine-rolled cigars	591.2	696.7
Smoking tobacco	307.2	321.8
Accessories, Contract Manufacturing & other	333.7	263.6
Total net sales	1,948.3	1,962.9

License income and other sales of DKK 24.5 million (DKK 24.9 million) are included in the category 'Accessories, Contract Manufacturing & other'.

DKK million	3M 2024	3M 2023
Geographical split, net sales		
Americas	1,086.2	1,051.9
Europe	768.4	795.6
Rest of World	93.7	115.4
Total net sales	1,948.3	1,962.9

NOTE 3**SPECIAL ITEMS**

DKK million	3M 2024	3M 2023
One Commercial Organisation	9.1	-
OneProcess	20.7	27.2
Total special items	29.8	27.2