



Company Announcement
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Scandinavian Tobacco Group A/S announces new financial reporting structure

In order to increase speed to market and unlock synergies, Scandinavian Tobacco Group A/S on 19 May, 2020 announced a new organisational structure with three new commercial divisions. To align financial reporting with the new organisational structure and ensure consistency with internal management reporting, the Group's external reporting structure has been revised accordingly. Comparative figures have been restated to reflect the new reporting structure. The three divisions are:

Division North America Online & Retail includes direct to consumer sales of all product categories sold via the online, catalogue and retail channel in North America.

In 2019 North America Online & Retail accounted for 34% of Group net sales, 28% of gross profit before special items and 23% of EBITDA before special items. In 2019 handmade cigars accounted for 83% of divisional net sales.

Division North America Branded & Rest of World includes sales of all product categories to wholesalers and distributors that supply retail in US, Canada, Australia, New Zealand, International Sales (Norway, Finland, Switzerland, Israel and Russia), Asia, Global Travel Retail and contract manufacturing for third parties.

In 2019 North America Branded & RoW accounted for 36% of Group net sales, 38% of gross profit before special items and 51% of EBITDA before special items. In 2019 handmade cigars accounted for 25% of divisional net sales and machine-made cigars for 29%.

Division Europe Branded includes sales of all product categories to wholesalers and distributors that supply retail in Germany, Denmark, Sweden, France, Italy, Belgium, the Netherlands, Luxembourg, Spain, Portugal, as well as the UK & Ireland.

In 2019 Europe Branded accounted for 30% of Group net sales, 34% of gross profit before special items and 31% of EBITDA special items. In 2019 machine-made cigars accounted for 69% of divisional net sales.

Historical Data

Following the new reporting structure, divisional quarterly data for Q1 2018-Q1 2020 are included in this company announcement. The historical data include net sales, gross profit and EBITDA before special items, organic growth in net sales as well as gross margins and EBITDA-margins before special items.

The 2020 second quarter results will be announced 28 August 2020.

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Quarterly Financial Data by Divisions

<i>DKK million</i>	2020	2019				Full-year
	Q1	Q4	Q3	Q2	Q1	
Reported data						
Net sales*	1,756	1,699	1,808	1,782	1,429	6,719
Gross profit before special items*	781	810	854	832	646	3,142
EBITDA before special items	326	430	446	398	239	1,513
Special items	-155	29	-118	-20	-24	-133
EBIT	66	350	229	280	119	977
Net financial items	-43	-3	-16	-22	-4	-45
Profit before tax	26	351	217	262	119	949
Income taxes	-6	-72	-45	-57	-26	-201
Net profit	21	279	172	205	93	748
Other financial key data						
Organic EBITDA growth	23.9%	10.6%	5.4%	5.5%	7.3%	7.1%
Organic net sales growth	5.3%	-2.8%	-4.2%	-0.9%	-1.9%	-2.5%
Gross margin before special items*	44.5%	47.7%	47.2%	46.7%	45.2%	46.8%
EBITDA margin before special items*	18.5%	25.3%	24.7%	22.3%	16.7%	22.5%
Free cash flow before acquisitions	122	368	503	243	72	1,187
North America Online & Retail						
Net sales	489	568	619	631	473	2,291
Gross profit before special items	183	211	242	252	178	883
EBITDA before special items	66	99	107	103	44	353
Net sales growth	3.4%	3.0%	3.6%	8.3%	71.7%	14.2%
Organic net sales growth	0.3%	-0.2%	-1.0%	2.0%	2.3%	0.7%
Gross margin before special items	37.5%	37.1%	39.2%	40.0%	37.5%	38.5%
EBITDA margin before special items	13.6%	17.4%	17.3%	16.4%	9.3%	15.4%
North America Branded & RoW						
Net sales	593	614	653	641	528	2,436
Gross profit before special items	286	305	321	319	249	1,195
EBITDA before special items	176	206	214	207	137	764
Net sales growth	12.3%	-4.1%	-8.0%	0.3%	-4.3%	-4.1%
Organic net sales growth	2.2%	-5.6%	-10.1%	-2.3%	-6.4%	-6.2%
Gross margin before special items	48.1%	49.6%	49.3%	49.8%	47.1%	49.0%
EBITDA margin before special items	29.6%	33.5%	32.7%	32.4%	26.0%	31.4%
Europe Branded						
Net sales	673	517	537	511	428	1,992
Gross profit before special items	312	294	290	261	219	1,065
EBITDA before special items	106	146	136	112	80	474
Net sales growth	57.4%	-1.8%	-0.1%	-2.4%	0.0%	-1.3%
Organic net sales growth	12.3%	-2.2%	0.0%	-2.5%	-0.2%	-1.3%
Gross margin before special items	46.4%	56.9%	54.0%	51.1%	51.3%	53.4%
EBITDA margin before special items	15.7%	28.2%	25.4%	22.0%	18.7%	23.8%
Group costs						
EBITDA before special items	-23	-21	-11	-25	-22	-79

* Net sales, gross profit before special items, gross margin before special items and EBITDA margin before special items are impacted by reclassification. Please refer to section regarding restated historical figures.

Quarterly Financial Data by Divisions (continued)

<i>DKK million</i>	2018				
	Q4	Q3	Q2	Q1	Full-year
	----- Excluding IFRS 16 -----				
Reported data					
Net sales*	1,718	1,844	1,745	1,256	6,563
Gross profit before special items*	787	864	814	579	3,044
EBITDA before special items	362	398	346	199	1,304
Special items	-229	-23	-11	-3	-266
EBIT	63	292	258	125	738
Net financial items	-14	-9	1	-15	-37
Profit before tax	51	288	264	114	717
Income taxes	101	-67	-59	-26	-51
Net profit	152	221	205	88	666
Other financial key data					
Gross margin before special items*	45.8%	46.9%	46.6%	46.1%	46.4%
EBITDA margin before special items*	21.1%	21.6%	19.8%	15.8%	19.9%
Free cash flow before acquisitions	204	327	213	-76	668
North America Online & Retail					
Net sales	551	597	583	276	2,007
Gross profit before special items	215	233	218	107	773
EBITDA before special items	80	92	73	22	267
Gross margin before special items	39.0%	39.1%	37.3%	38.8%	38.5%
EBITDA margin before special items	14.5%	15.4%	12.5%	7.8%	13.3%
North America Branded & RoW					
Net sales	640	709	639	552	2,541
Gross profit before special items	316	345	323	256	1,240
EBITDA before special items	202	199	197	139	737
Gross margin before special items	49.3%	48.7%	50.5%	46.3%	48.8%
EBITDA margin before special items	31.5%	28.0%	30.8%	25.3%	29.0%
Europe Branded					
Net sales	527	537	523	428	2,015
Gross profit before special items	256	285	274	217	1,031
EBITDA before special items	99	126	105	60	390
Gross margin before special items	48.6%	53.0%	52.3%	50.6%	51.1%
EBITDA margin before special items	18.9%	23.5%	20.0%	14.0%	19.4%
Group costs					
EBITDA before special items	-19	-19	-28	-24	-90

* Net sales, gross profit before special items, gross margin before special items and EBITDA margin before special items are impacted by reclassification. Please refer to section regarding restated historical figures.

Restated historical figures

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

DKK million	Q1 2020 reported	Reclassification	Q1 2020 restated
Net sales	1,790.8	-35.1	1,755.7
Cost of goods sold	-971.4	-3.2	-974.6
Gross profit before special items	819.4	-38.3	781.1
Other external costs	-286.1	38.3	-247.8
Staff costs	-207.8		-207.8
Earnings before interest, tax, depreciation, amortisation and special items (EBITDA before special items)	325.5	0.0	325.5
Gross margin before special items	45.8%		44.5%
EBITDA margin before special items	18.2%		18.5%

DKK million	Q1 2019 reported	Reclassification	Q1 2019 restated	Q2 2019 reported	Reclassification	Q2 2019 restated
Net sales	1,463.7	-34.5	1,429.2	1,817.8	-35.5	1,782.3
Cost of goods sold	-779.3	-3.8	-783.1	-944.4	-5.5	-949.9
Gross profit before special items	684.4	-38.3	646.1	873.4	-41.0	832.4
Other external costs	-256.0	38.3	-217.7	-288.9	41.0	-247.9
Staff costs	-189.1		-189.1	-186.6		-186.6
Earnings before interest, tax, depreciation, amortisation and special items (EBITDA before special items)	239.3	0.0	239.3	397.9	0.0	397.9
Gross margin before special items	46.8%		45.2%	48.0%		46.7%
EBITDA margin before special items	16.3%		16.7%	21.9%		22.3%

Restated historical figures (continued)

DKK million	Q3 2019 reported	Reclassi- fication	Q3 2019 restated	Q4 2019 reported	Reclassi- fication	Q4 2019 restated
Net sales	1,845.7	-37.6	1,808.1	1,743.1	-43.7	1,699.4
Cost of goods sold	-946.8	-7.4	-954.2	-885.9	-3.4	-889.3
Gross profit before special items	898.9	-45.0	853.9	857.2	-47.1	810.1
Other external costs	-298.2	45.0	-253.2	-226.6	47.1	-179.5
Staff costs	-160.6		-160.6	-200.8		-200.8
Other income	5.9		5.9	0.0		0.0
Earnings before interest, tax, deprecia- tion, amortisation and special items (EBITDA before special items)	446.0	0.0	446.0	429.8	0.0	429.8
Gross margin before special items	48.7%		47.2%	49.2%		47.7%
EBITDA margin before special items	24.2%		24.7%	24.7%		25.3%

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, deprecia- tion, amortisation and special items (EBITDA before special items)	1,513.0	0.0	1,513.0
Gross margin before special items	48.2%		46.8%
EBITDA margin before special items	22.0%		22.5%

Restated historical figures (continued)

DKK million	Q1 2018 reported	Reclassi- fication	Q1 2018 restated	Q2 2018 reported	Reclassi- fication	Q2 2018 restated
Net sales	1,285.1	-29.6	1,255.5	1,779.8	-34.8	1,745.0
Cost of goods sold	-672.3	-3.7	-676.0	-926.8	-4.7	-931.5
Gross profit before special items	612.8	-33.3	579.5	853.0	-39.5	813.5
Other external costs	-224.7	33.3	-191.4	-307.6	39.5	-268.1
Staff costs	-189.5		-189.5	-199.8		-199.8
Earnings before interest, tax, depreciation, amortisation and special items (EBITDA before special items)	198.6	0.0	198.6	345.6	0.0	345.6
Gross margin before special items	47.7%		46.2%	47.9%		46.6%
EBITDA margin before special items	15.5%		15.8%	19.4%		19.8%

DKK million	Q3 2018 reported	Reclassi- fication	Q3 2018 restated	Q4 2018 reported	Reclassi- fication	Q4 2018 restated
Net sales	1,887.2	-43.4	1,843.8	1,765.4	-47.2	1,718.2
Cost of goods sold	-971.2	-8.6	-979.8	-927.8	-3.9	-931.7
Gross profit before special items	916.0	-52.0	864.0	837.6	-51.1	786.5
Other external costs	-324.7	52.0	-272.7	-285.8	51.1	-234.7
Staff costs	-193.6		-193.6	-189.4		-189.4
Earnings before interest, tax, depreciation, amortisation and special items (EBITDA before special items)	397.7	0.0	397.7	362.4	0.0	362.4
Gross margin before special items	48.5%		46.9%	47.4%		45.8%
EBITDA margin before special items	21.1%		21.6%	20.5%		21.1%

Restated historical figures (continued)

DKK million	2018 reported	Reclassi- fication	2018 restated
Net sales	6,717.5	-155.0	6,562.5
Cost of goods sold	-3,498.1	-20.9	-3,519.0
Gross profit before special items	3,219.4	-175.9	3,043.5
Other external costs	-1,142.8	175.9	-966.9
Staff costs	-772.3		-772.3
Earnings before interest, tax, depreciation, amortisation and special items (EBITDA before special items)	1,304.3	0.0	1,304.3
Gross margin before special items	47.9%		46.4%
EBITDA margin before special items	19.4%		19.9%

About Scandinavian Tobacco Group

Scandinavian Tobacco Group A/S is a world-leading manufacturer of cigars and pipe tobacco with an annual production of four billion cigars and 5,000 tonnes of pipe and fine-cut tobacco.

The Group holds market-leading positions in several categories and has a portfolio of more than 200 global and local brands.

Scandinavian Tobacco Group has its headquarters in Copenhagen, Denmark – and employs approximately 11,000 people in Europe, the US, Canada, Australia, New Zealand, the Dominican Republic, Honduras, Nicaragua, Indonesia and Sri Lanka. For more information please visit www.st-group.com