

**Company Announcement**

No. 27/2023

Copenhagen, 29 August 2023

**Interim Report, 1 January - 30 June 2023****Scandinavian Tobacco Group A/S Reports Second Quarter Results and Revised Outlook**

For the second quarter of 2023, Scandinavian Tobacco Group A/S (the “Group” or “Scandinavian Tobacco Group”) delivered 2.3% negative net sales growth, an EBITDA margin of 23.1% and a free cash flow before acquisitions of DKK 159 million. The Group reports revised full year guidance as announced in Company Announcement no. 26/2023 on 29 August 2023 following a more volatile environment than expected and reflective of on-going inventory adjustments across customers and distributors, slower regain of market shares in Europe, delays in new store openings in US and changes in exchange rates. The expectation for the full year is based on some recovery in net sales growth for the second half of the year as well as a free cash flow before acquisitions slightly higher than compared with the second half of 2022. The financial performance for July and early August support the revised outlook.

The main uncertainties to the expectation for net sales relate to the volume development in Europe Branded and inventory adjustments with customers. The expectation for the EBITDA margin assumes a robust supply-chain and stable cost development.

**Q2 Highlights**

- Net sales decreased by 2.3% to DKK 2.2 billion (DKK 2.3 billion).
  - The EBITDA margin was 23.1% (23.9%).
  - Free cash flow before acquisitions was DKK 159 million (DKK 143 million).
  - Adjusted Earnings Per Share (EPS) were DKK 3.5 (DKK 3.6).
  - Return on Invested Capital (ROIC) was 13.1% (13.6%).
  - Expansion into Next Generation Products (NGP) includes the completion of the XQS acquisition and the launch of !act, and the fifth Superstore in Texas, US was opened.
  - Growth Enablers (NGPs and retail stores) account for slightly above 3% of Group net sales.
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- In the first 6 months of 2023, net sales decreased by 0.7% to DKK 4.2 billion (DKK 4.2 billion), the EBITDA margin was 23.6% (25.5%), free cash flow before acquisitions was negative DKK 20 million (DKK 272 million) and Adjusted EPS were DKK 6.7 (DKK 7.2).

CEO Niels Frederiksen commented:

“On the back of a volatile environment we had to adjust our guidance even though we are continuing to make good progress on our ambition to grow the size of the company through retail expansion, acquisitions and portfolio diversification. In the second quarter, we completed the second acquisition of the year and opened another Cigars International retail Superstore. For the remainder of the year, we are focusing on leveraging the current strength of our online business and on building a stronger momentum in our Europe Branded business”.

**Financial guidance 2023**

For the financial year 2023, the guidance has been revised to:

- Net sales in the range of DKK 8.7-9.0 billion (from DKK 9.0-9.3 billion)
- EBITDA margin before special items in the range of 23.5-24.5% (from 24-25%)
- Free cash flow before acquisitions in the range DKK 1.1-1.3 billion (from DKK 1.2-1.4 billion)
- Adjusted EPS in the range of DKK 14.0-16.0 (from DKK 14.5-16.5)

**For further information, please contact:**

Torben Sand, Head of IR & Communication, phone +45 5084 7222 or [torben.sand@st-group.com](mailto:torben.sand@st-group.com)

Eliza Dabbagh, IR and Communication, phone +45 5080 7619 or [eliza.michael@st-group.com](mailto:eliza.michael@st-group.com)

A conference call will be held on 30 August 2023 at 10.00 CEST. Dial-in information and an accompanying presentation will be available at [investor.st-group.com/investor](http://investor.st-group.com/investor) around 09:00 CEST.

# Key Figures

DKK million	Q2 2023	Q2 2022	6M 2023	6M 2022	FY2022
<b>INCOME STATEMENT</b>					
Net sales	2,225	2,278	4,188	4,215	8,762
Gross profit before special items	1,044	1,074	2,023	2,093	4,307
EBITDA before special items	514	544	987	1,076	2,270
Special items	-16	-23	-44	-40	35
EBIT	406	433	764	860	1,953
Net financial items <sup>1</sup>	-22	-44	-53	-57	-137
Profit before tax	392	400	727	823	1,856
Income taxes	-88	-90	-164	-185	-380
Net profit	304	310	563	638	1,476
<b>BALANCE SHEET</b>					
Total assets			16,350	15,582	15,122
Equity			8,994	9,055	9,342
Net interest-bearing debt (NIBD)			5,059	4,268	3,629
Investment in property, plant and equipment	40	59	88	113	264
Total capital expenditures	66	120	146	187	390
<b>CASH FLOW STATEMENT</b>					
Cash flow from operating activities	222	258	120	449	1,393
Cash flow from investing activities	-132	-119	-722	-180	-132
Free cash flow	90	140	-603	269	1,261
Free cash flow before acquisitions	159	143	-20	272	1,264
<b>KEY RATIOS<sup>2</sup></b>					
Net sales growth	-2.3%	5.7%	-0.7%	4.4%	6.4%
Gross margin before special items	46.9%	47.2%	48.3%	49.7%	49.2%
EBITDA margin before special items	23.1%	23.9%	23.6%	25.5%	25.9%
Effective tax percentage	22.5%	22.5%	22.5%	22.5%	20.5%
Equity ratio			55.0%	58.1%	61.8%
Cash conversion	78.3%	77.2%	42.0%	64.3%	87.2%
Organic net sales growth	-1.8%	-1.8%	-1.3%	-1.7%	-0.8%
Organic EBITDA growth	-2.9%	-14.6%	-7.5%	-9.0%	-3.5%
NIBD / EBITDA before special items			2.3	2.0	1.6
ROIC			13.1%	13.6%	14.3%
ROIC ex. Goodwill			21.3%	22.6%	23.6%
Adjusted earnings per share (DKK)	3.5	3.6	6.7	7.2	16.0
Basic earnings per share (DKK)	3.5	3.4	6.5	6.9	16.3
Diluted earnings per share (DKK)	3.5	3.4	6.5	6.9	16.2
Number of shares issued ('000)			87,000	93,000	93,000
Number of treasury shares ('000)			382	2,104	5,751
Number of outstanding shares ('000) <sup>3</sup>			86,786	92,250	90,851
Share price at balance date (DKK)			113.50	138.80	122.10
Dividend per share (DKK)					8.3
Pay-out ratio					52.0%

1. Excl. share of profit of associated companies.

2. See definition/explanation of financial ratios in note 5.8 in the Annual Report 2022.

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

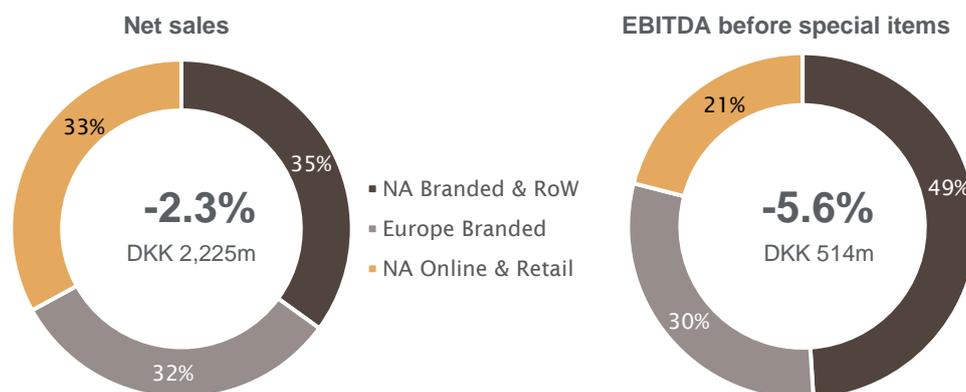
## Business overview Q2 2023

In the second quarter of 2023, the Group's reported net sales decreased by 2% to DKK 2,225 million with organic net sales being negative also by 2%. Exchange rates developments impacted net sales negatively by DKK 46 million while the acquisition of Alec Bradley and XQS, impacted net sales positively by DKK 35 million. The performance was composed of positive organic net sales growth in the North America Online & Retail division ("NAOR") and negative organic net sales growth in both the North America Branded & Rest of World ("NABROW") and Europe Branded ("EUB") divisions. The decrease in NABROW was primarily a result of inventory adjustment across several handmade cigar customers and the change in distribution model in Australia, which impacted net sales positively in the first half of 2022. The demand for our product categories is still perceived as resilient, although consumption of handmade cigars in the US continues to decrease by more than its structural decline rate. The balance between the online and retail channels in the US continue to reverse towards the pre-covid balance, to the benefit of the online business.

The EBITDA margin decreased to 23.1% compared with 23.9% in the same quarter last year primarily driven by a lower gross margin in Europe Branded and a higher OPEX ratio in North America Branded & Rest of World. The decrease in the gross margin in Europe Branded is a result of a combination of changes in market and product mix and lower production efficiency resulting from declining volumes compared with last year.

EBITDA before special items was DKK 514 million after negative organic growth of 3%. Special items comprise of an expense of DKK 16 million (DKK 23 million) relating to the ERP implementation project, OneProcess. Net profit was DKK 304 million (DKK 310 million) with Adjusted Earnings Per Share at DKK 3.5 (DKK 3.6). The Group's free cash flow before acquisitions was DKK 159 million (DKK 143 million) driven by a lower level of CAPEX and payment of special items, partly offset by higher net financial costs and taxes paid as well as a temporary increase in net working capital. The Group's leverage ratio was 2.3 times versus 2.0 times by the end of the first quarter 2023.

### Divisional split Q2 2023



### Group net sales and EBITDA Q2 2023

Table 1: Net sales

	Q2	Q2	Change
DKK million	2023	2022	in %
Net sales	2,225	2,278	-2.3%
Acquisitions		35	
Currency development	46		
<b>Organic net sales</b>	<b>2,271</b>	<b>2,312</b>	<b>-1.8%</b>

Table 2: EBITDA before special items

	Q2	Q2	Change
DKK million	2023	2022	in %
EBITDA	514	544	-5.6%
Acquisitions		9	
Currency development	23		
<b>Organic EBITDA</b>	<b>537</b>	<b>553</b>	<b>-2.9%</b>

# Rolling Towards 2025

The Group's ambition to grow through a combination of acquisitions, geographic expansion and experimentation in Next Generation Products ("NGPs") remains on track.

## Mergers and acquisitions

In March 2023, the Group completed the acquisition of the Alec Bradley cigar business, and in May 2023, the Group completed the acquisition of XQS International ABs NGP business. The combined transaction value for the two businesses was at a maximum of DKK 650 million. The integration of both businesses continues to perform according to plan.

## Growth Enablers

In June 2023, Cigars International opened its ninth retail cigar Superstore in Katy, Texas west of Houston. The Katy Superstore is the fifth store Cigars International has opened in Texas. The retail stores are expected to continue to deliver valuable contributions to the Group's financial performance. Although, a few store openings are delayed, the strategy to expand the retail network in the US continues, with additional openings expected during the coming year.

The Growth Incubator continues to explore opportunities outside the Group's core categories. To date, the Group has launched three products and acquired one brand within the NGP category.

In May 2023, the Group acquired the XQS International ABs NGP business (Modern Whites and Modern Actives) with net sales primarily in Sweden. The XQS brand continues to deliver strong performance with double-digit net sales growth continuing since the brand was integrated in Scandinavian Tobacco Group. A roll-out of XQS to additional markets is being considered.

In April 2023, the Group launched a new Modern Actives product (without tobacco and without nicotine) called *!act* in the Danish market. The product delivers energy through caffeine. *!act* has been well received by consumers in Denmark, though net sales remain immaterial to Group performance. A roll-out to additional markets is being considered.

Scandinavian Tobacco Group continues to closely monitor these growth opportunities to assess whether the Group's presence in the NGP categories is viable and profitable in the mid to long term.

Net sales from the Growth Enablers (the NGP portfolio and the retail stores), accounted for slightly above 3% of Group net sales in the second quarter of 2023 compared with less than 2% in the same quarter last year.

## Update on financial key metrics

In the second quarter of 2023, the **EBITDA margin** decreased to 23.1% (23.9%), and the gross margin decreased to 46.9% (47.2%). The OPEX ratio increased to 23.8% (23.3%).

The 12 months rolling **Return on Invested Capital (ROIC)** decreased to 13.1% versus 14.3% by the end of 2022 driven by the development in EBIT (12 months rolling) and an increase in invested capital of DKK 0.4 billion to DKK 14.1 billion compared to 31 December 2022.

**Sustainability**

The Group's sustainability agenda – Rolling Responsibly – continues to make good progress. New data collection methods and reporting processes are being implemented to streamline workflow and ongoing assessments of initiatives for the communities in which we operate are nearing finalisation.

This quarter, the Group has begun investigating Scope 3 emissions categories, in addition to delivering Scope 1 & 2 reductions. Furthermore, the Group completed the CDP filing for Climate and Water, and the Center of Excellence is incorporating needed actions into roadmaps that directly correlate to future CDP filing and Science Based Targets initiatives (SBTi) commitments. This work will assist the Group's preparation for reporting according to the upcoming Corporate Sustainability Reporting Directive (CSRD) in 2024.

The actions and initiatives implemented supports our vision to be the undisputed and sustainable global leader in cigars.

## Outlook 2023

The full year guidance has been revised down due to a lower net sales outlook.

Net sales are now expected to be DKK 8.7-9.0 billion against the previous expectation of DKK 9.0-9.3 billion, reflecting on-going inventory adjustments across customers and distributors primarily in the US, a slower regain of market shares in Europe and delays in opening retail stores in the US. Furthermore, exchange rate developments had a negative impact on the net sales outlook.

Inventory adjustments impacted the second quarter net sales as certain distributors and customers have reduced stocks of handmade cigars. We expect some additional adjustments for the second half of the year.

The consumption of products in our categories is perceived as resilient, although the consumption might deviate from its structural trends in a short to medium term perspective.

The consumption of handmade cigars in the US continued to decline by more than 2% during the first half of the year, whereas an improving balance between online and retail sales channels have materialised in recent months.

Overall, the consumption of machine-rolled cigars in our key European markets continues to develop close to its structural decline rate of 2-3%, though with variations from market to market. Currently, decline rates are higher in our main markets, and the recovery in our market share performance takes longer than originally anticipated, entailing a volume decline for the year in our machine-rolled cigar business.

In most of our product categories price increases are expected to offset the volume decline. The Growth Enablers are expected to deliver an increasing contribution to net sales driven by the retail expansion in the US and the NGP portfolio.

The EBITDA margin is assumed to be impacted negatively by the changes in product and market mix. The expectation for the EBITDA margin before special items has been revised to the range of 23.5-24.5% from the previous range of 24-25% as result of the lower expectation for net sales in Europe Branded and inventory adjustments.

The free cash flow before acquisitions will also be impacted by the lower expectation for net sales and EBITDA margin, though it is still assumed to increase to more than DKK 1.1 billion in the second half of the year compared with DKK 1.0 billion in the second half of last year. The increase is primarily expected to be driven by an improvement in the cash flow from changes in working capital primarily as result of lower inventories.

The largest uncertainties for the outlook are changes in consumer behaviour, the volume development in Europe Branded, changes in market and product mix and larger inventory adjustments for distributors. Given these considerations the guidance for 2023 has been revised to:

- Reported net sales in the range of DKK 8.7-9.0 billion (from DKK 9.0-9.3 billion).
- EBITDA-margin before special items in the range of 23.5-24.5% (from 24-25%).
- Free cash flow before acquisitions in the range of DKK 1.1-1.3 billion (from DKK 1.2-1.4 billion).
- Adjusted EPS in the range of DKK 14.0-16.0 (from DKK 14.5-16.5).

The guidance rests on several assumptions:

- No contribution or expenses related to potential new acquisitions.
- The effective tax rate is expected to be in the range of 22-23%
- Working capital is expected to deliver a positive contribution.
- Capital expenditure, net is expected at up to DKK 400 million (DKK 500 million).
- Guidance and assumptions are based on 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 30 June 2023 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.

## Europe Branded

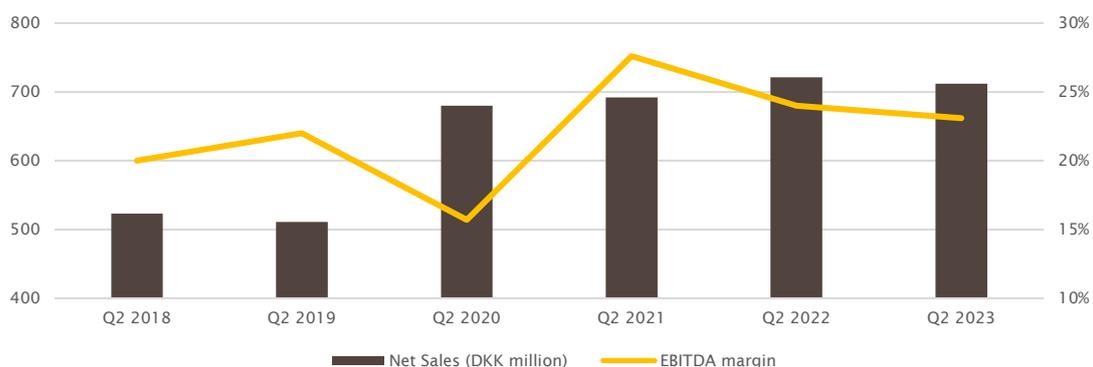
During the second quarter of 2023 net sales decreased by 1% compared to the second quarter of 2022 and the EBITDA margin decreased to 23.1%. The development in net sales was driven by total markets, which continue to decline close to their structural decline rates, and a decrease in our market shares in machine-rolled cigars partly offset by solid pricing across all product categories.

The development in consumer demand for machine-rolled cigars in Europe remains unchanged with the volume decline rate remaining stable at an annual decline rate of close to 3%, though with variations across markets. Several of Scandinavian Tobacco Group's main markets, like France and the UK, are impacted by higher decline rates than the European average. Market volumes declined by more than 5% in France and the UK. Germany was the only market showing volume growth in the quarter.

According to preliminary data, the market share index for our key markets was 29.8% for the second quarter 2023 versus 30.7% for the first quarter of 2023 and 31.1% for the full year of 2022. The decline in the weighted market share index is result of our relatively strong position in markets like France, the UK and the Netherlands, which experienced higher decline rates, and our strong position in non-flavoured cigars, which has lost share to flavoured cigars in these markets.

### Second Quarter Development, 2018-2023

Net sales and EBITDA margin b.s.i.



Net sales decreased by 1% to DKK 712 million during the quarter driven by the development in organic net sales. The negative organic growth was driven by machine-rolled cigars and pipe tobacco (within smoking tobacco), whereas handmade cigars and fine cut, especially in Germany, delivered a positive contribution to net sales growth. Pricing for all product categories was solid with price/mix impact for the largest product category, machine-rolled cigars being up by almost 8%.

EBITDA before special items decreased to DKK 164 million (DKK 173 million) with an EBITDA margin before special items of 23.1% (24.0%). The margin development was driven by a decreasing gross margin as a result of changes in market and product mix, primarily the decline in net sales in France, and the adverse scale impact on production efficiency from decline in volumes. The OPEX ratio increased slightly driven by cost inflation and increasing investments in Next Generation Products.

### First six months of 2023

Net sales for the first six months of 2023 increased to DKK 1,353 million with an organic growth of 3%. Gross profit before special items decreased by 3% to DKK 699 million and the gross margin was 51.7% (54.5%). EBITDA before special items decreased by 7% to DKK 310 million with an EBITDA margin of 22.9% (25.2%).

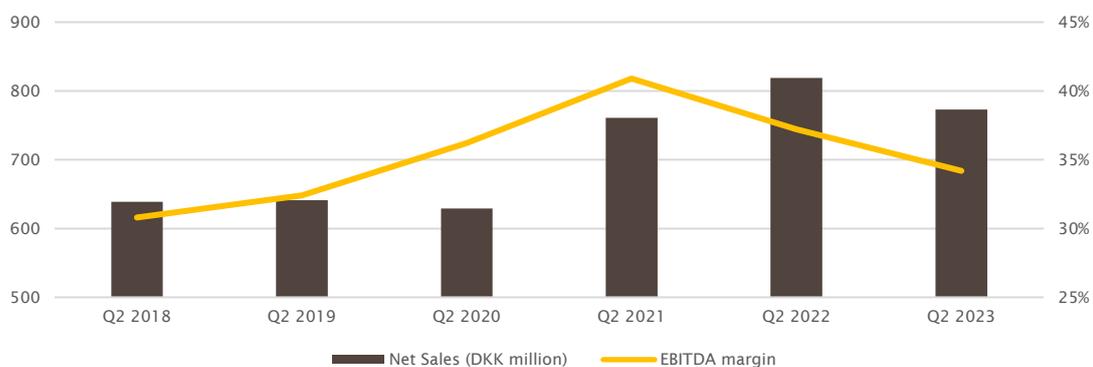
## North America Branded & RoW

During the second quarter of 2023 net sales decreased by 6% compared to the second quarter of 2022 and the EBITDA margin decreased to 34.2%. The second quarter of 2023 has primarily been impacted by lower contract manufacturing volumes as these customers have been adjusting inventories as well as the lower volumes of handmade cigars in the US, which was partly offset by solid pricing across product categories and the inclusion of the Alec Bradley brand to the handmade cigar portfolio.

Consumer demand for cigars is still considered resilient, although volumes of handmade cigars in the US continue to decline by more than the structural decline rate from the exceptionally strong two years during the pandemic trails off. Additionally, several distributors and customers have been reducing inventories enforcing the decrease in organic net sales in the quarter. The Alec Bradley business, which was acquired during the first quarter of the year, constitutes a strong addition to the Group's portfolio of handmade cigars and the integration has met most milestones to date.

### Second Quarter Development, 2018-2023

Net sales and EBITDA margin b.s.i.



Net sales decreased by 6% to DKK 773 million during the quarter as a result of a 6% decrease in organic net sales. The development was primarily a result of inventory adjustments across handmade cigar customers as well as the change in distribution model in Australia, which impacted net sales positively in the first half of 2022. All product categories delivered solid price/mix impact.

EBITDA before special items decreased to DKK 265 million (DKK 305 million) with an EBITDA margin before special items of 34.2% (37.2%). The decrease in profitability was driven by an increase in the OPEX ratio following cost inflation and lower sales in contract manufacturing, which carry little operating expenses.

### First six months of 2023

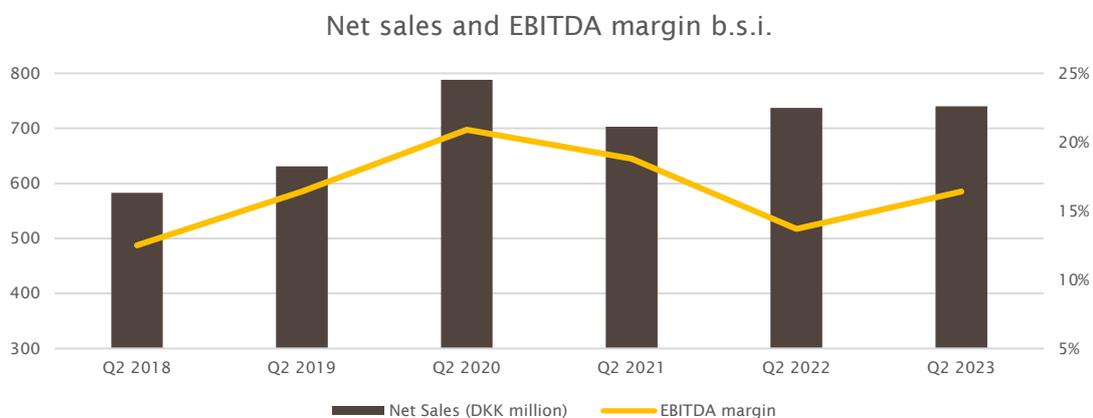
Net sales for the first six months of 2023 decreased by 6% to DKK 1,493 million and organic growth was negative by 8%. Gross profit before special items decreased by 8% to DKK 792 million and the gross margin was 53.1% (54.2%). EBITDA before special items decreased by 15% to DKK 541 million with an EBITDA margin of 36.2% (39.7%).

## North America Online & Retail

During the second quarter of 2023 net sales increased by 0.4% compared to the second quarter of 2022 and the EBITDA margin improved to 16.4%. Organic net sales were 2.7% and continued to improve reversing the declining trend since early 2021 driven by improved performance in the online business and continued growth in the retail business.

The performance was positively impacted by the online sales channel regaining share from the retail sales channel. NAOR's high proportion of online sales compared with retail sales implies the division has started to perform better than the general market development as a result of a more dynamic promotion strategy having been implemented and the channel mix. Retail accounts for an increasing share of net sales in NAOR and was above 9% in the second quarter.

### Second Quarter Development, 2018-2023



Net sales increased by 0.4% to DKK 740 million during the quarter composed of a 3% organic net sales growth and a negative exchange rate effect of more than 2%. Both online and retail delivered positive organic net sales growth in the quarter with the growth in Retail being driven by the opening of new stores, most recently in Conroe, Texas in the first quarter and Katy, Texas in the second quarter of the year.

Although, Online continued to experience a decline in the active customer base versus the same quarter last year, it remained broadly unchanged versus the previous quarter for the first time in more than two years supported by strategic pricing across the different channels. The balance between online and retail has reversed in recent quarters in favour of online and we expect the balance to reverse further in favour of online. The increase in net sales was supported by the distribution of ZYN products which is developing well.

Retail continues to deliver double-digit net sales growth versus last year driven by new store openings. The Retail business contributes positively to the gross margin in NAOR.

EBITDA before special items increased to DKK 122 million (DKK 101 million) with an EBITDA margin before special items of 16.4% (13.7%). The margin development is primarily driven by increasing net sales and efficiency improvements including the impact from the modernisation of our warehouse facilities.

### First six months of 2023

Net sales for the first six months of 2023 increased by 3% to DKK 1,342 million driven by organic net sales growth of 2.0% and a 1% impact from exchange rate developments. Gross profit before special items increased by 4% and the gross margin was 39.6% (39.2%). EBITDA before special items increased by 17% to DKK 205 million with an EBITDA margin of 15.3% (13.5%).

# Quarterly Financial Data

DKK million	2023		2022			2023	2022	
	Q2	Q1	Q4	Q3	Q2	6M	6M	12M
<b>Reported data</b>								
Net sales	2,225	1,963	2,185	2,362	2,278	4,188	4,215	8,762
Gross profit before special items	1,044	979	1,042	1,172	1,074	2,023	2,093	4,307
EBITDA before special items	514	474	563	631	544	987	1,076	2,270
Special items	-16	-27	103	-27	-23	-44	-40	35
EBIT	406	358	579	514	433	764	860	1,953
Net financial items	-22	-31	-47	-32	-44	-53	-57	-137
Profit before tax	392	335	541	492	400	727	823	1,856
Income taxes	-88	-76	-84	-111	-90	-164	-185	-380
Net profit	304	260	457	382	310	563	638	1,476
<b>Other financial key data</b>								
Organic EBITDA growth	-2.9%	-12.1%	13.3%	-6.2%	-14.6%	-7.5%	-9.0%	-3.5%
Organic net sales growth	-1.8%	-0.8%	1.7%	-1.4%	-1.8%	-1.3%	-1.7%	-0.8%
Gross margin before special items	46.9%	49.9%	47.7%	49.6%	47.2%	48.3%	49.7%	49.2%
EBITDA margin before special items	23.1%	24.1%	25.8%	26.7%	23.9%	23.6%	25.5%	25.9%
Free cash flow before acquisitions	159	-179	530	462	143	-20	272	1,264
<b>North America Online &amp; Retail</b>								
Net sales	740	602	703	770	737	1,342	1,305	2,778
Gross profit before special items	290	242	278	308	285	532	512	1,098
EBITDA before special items	122	83	117	110	101	205	176	403
Net sales growth	0.4%	5.9%	6.9%	10.5%	4.9%	2.8%	3.1%	6.0%
Organic net sales growth	2.7%	1.3%	-4.8%	-5.6%	-7.5%	2.1%	-7.0%	-6.1%
Gross margin before special items	39.2%	40.2%	39.5%	40.1%	38.7%	39.6%	39.2%	39.5%
EBITDA margin before special items	16.4%	13.9%	16.7%	14.3%	13.7%	15.3%	13.5%	14.5%
<b>North America Branded &amp; RoW</b>								
Net sales	773	720	751	851	819	1,493	1,593	3,194
Gross profit before special items	397	396	385	450	416	792	864	1,698
EBITDA before special items	265	280	267	326	305	541	633	1,226
Net sales growth	-5.7%	-6.9%	14.5%	10.7%	7.7%	-6.3%	9.6%	11.0%
Organic net sales growth	-6.1%	-9.2%	7.4%	-0.2%	-0.5%	-7.6%	2.9%	3.1%
Gross margin before special items	51.3%	55.1%	51.2%	52.9%	50.8%	53.1%	54.2%	53.2%
EBITDA margin before special items	34.2%	38.8%	35.5%	38.3%	37.2%	36.2%	39.7%	38.4%
<b>Europe Branded</b>								
Net sales	712	641	731	742	721	1,353	1,317	2,790
Gross profit before special items	357	341	380	414	373	699	717	1,511
EBITDA before special items	164	143	209	231	173	310	332	772
Net sales growth	-1.3%	7.6%	4.6%	3.4%	4.2%	2.7%	-0.1%	2.0%
Organic net sales growth	-1.4%	8.3%	2.4%	1.4%	2.4%	3.0%	-1.9%	0.1%
Gross margin before special items	50.1%	53.2%	51.9%	55.8%	51.7%	51.7%	54.5%	54.2%
EBITDA margin before special items	23.1%	22.3%	28.6%	31.1%	24.0%	22.9%	25.2%	27.7%
<b>Group costs</b>								
EBITDA before special items	-37	-32	-30	-36	-34	-68	-65	-131

# 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 – 30 June 2023.

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 30 June 2023 and of the results of the Group's operations and consolidated cash flows for the financial period 1 January – 30 June 2023.

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, 29 August 2023

## EXECUTIVE MANAGEMENT

Niels Frederiksen  
CEO

Marianne Rørslev Bock  
CFO

## BOARD OF DIRECTORS

Henrik Brandt  
CHAIRMAN

Claus Gregersen

Marlene Forsell

Dianne Neal Blixt

Anders Obel

Henrik Amsinck

Karsten Dam Larsen

Thomas Thomsen

Mark Draper

## STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY - 30 JUNE

## CONSOLIDATED INCOME STATEMENT

DKK million		Q2 2023	Q2 2022	6M 2023	6M 2022
<b>Net sales</b>	1, 2	<b>2,224.8</b>	<b>2,277.7</b>	<b>4,187.7</b>	<b>4,215.4</b>
Cost of goods sold	1, 2	-1,181.0	-1,203.7	-2,164.7	-2,122.1
<b>Gross profit before special items</b>	<b>1, 2</b>	<b>1,043.8</b>	<b>1,074.0</b>	<b>2,023.0</b>	<b>2,093.3</b>
Other external costs	1, 2	-307.6	-296.5	-569.7	-561.9
Staff costs	2	-222.6	-233.3	-466.1	-455.7
<b>Earnings before interest, tax, depreciation, amortisation and special items (EBITDA before special items)</b>	<b>2</b>	<b>513.6</b>	<b>544.2</b>	<b>987.2</b>	<b>1,075.7</b>
Depreciation and impairment		-48.5	-47.1	-94.8	-93.1
<b>Earnings before interest, tax, amortisation and special items (EBITA before special items)</b>		<b>465.1</b>	<b>497.1</b>	<b>892.4</b>	<b>982.6</b>
Amortisation and impairment		-42.9	-41.6	-84.6	-82.3
<b>Earnings before interest, tax and special items (EBIT before special items)</b>		<b>422.2</b>	<b>455.5</b>	<b>807.8</b>	<b>900.3</b>
Special items, costs and impairment	3	-16.4	-22.7	-43.6	-40.4
<b>Earnings before interest and tax (EBIT)</b>		<b>405.8</b>	<b>432.8</b>	<b>764.2</b>	<b>859.9</b>
Share of profit of associated companies, net of tax		7.8	10.6	16.1	20.4
Financial income		43.3	30.9	100.1	72.9
Financial costs		-65.4	-74.5	-153.5	-130.2
<b>Profit before tax</b>		<b>391.5</b>	<b>399.9</b>	<b>726.9</b>	<b>823.0</b>
Income taxes		-88.0	-90.0	-163.5	-185.2
<b>Net profit for the period</b>		<b>303.5</b>	<b>309.9</b>	<b>563.4</b>	<b>637.8</b>
<b>Earnings per share</b>					
Basic earnings per share (DKK)		3.5	3.4	6.5	6.9
Diluted earnings per share (DKK)		3.5	3.4	6.5	6.9
<b>OTHER COMPREHENSIVE INCOME</b>					
<i>Items that will be recycled subsequently to the Consolidated Income Statement, when specific conditions are met:</i>					
Cash flow hedges, deferred gains/losses incurred during the period		-	3.0	-	8.7
Tax of cash flow hedges		-	-0.6	-	-1.9
Foreign exchange adjustments on net investments in foreign operations		9.4	354.9	-98.9	470.9
<b>Other comprehensive income for the period, net of tax</b>		<b>9.4</b>	<b>357.3</b>	<b>-98.9</b>	<b>477.7</b>
<b>Total comprehensive income for the period</b>		<b>312.9</b>	<b>667.1</b>	<b>464.5</b>	<b>1,115.5</b>

## Net sales

In the second quarter of 2023, net sales were DKK 2,225 million (DKK 2,278 million). Adjusted for a negative exchange rate impact of DKK 46 million and acquisitions of DKK 35 million, the organic growth in net sales was negative by 1.8%. For the first six months of 2022, net sales came to DKK 4,188 million (DKK 4,215 million) with organic net sales growth being negative by 1.3%.

## Profit

Gross profit before special items for the second quarter of 2023 was DKK 1,044 million (DKK 1,074 million) explained by a slight decrease in the gross margin before special items to 46.9% (47.2%). The gross margin declined in Europe Branded but was partly offset by a margin increase in North America Online & Retail and North America Branded & Rest of World.

Operating expenses for the first quarter were flat compared to same quarter last year and stood at DKK 530 million (DKK 530 million). The OPEX ratio increased to 23.8% (23.3%).

EBITDA before special items for the second quarter of 2023 amounted to DKK 514 million (DKK 544 million). The development is explained by the decreased gross margin as well as the increased OPEX-ratio. Organic EBITDA growth was negative by 3%.

EBITDA margin before special items for the second quarter of 2023 was 23.1% (23.9%).

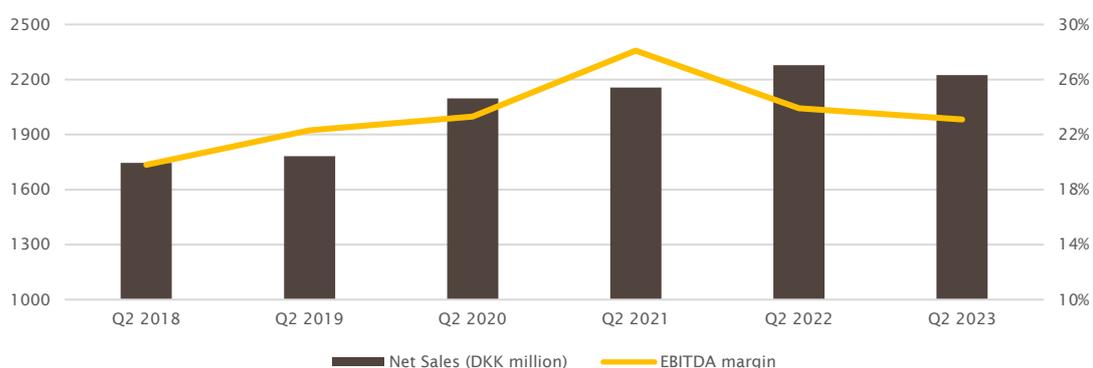
During the quarter DKK 16 million (DKK 23 million) have been expensed as special items, all relating to OneProcess.

Net profit was DKK 304 million (DKK 310 million). Earnings Per Share (EPS) were DKK 3.5 (DKK 3.4). Earnings Per Share adjusted for special items, fair value adjustments and currency gains/losses, net of tax decreased to DKK 3.5 (DKK 3.6).

In the first six months of 2023, gross profit before special items was DKK 2,023 million (DKK 2,093 million) with a gross margin of 48.3% (49.7%). EBITDA before special items was DKK 987 million (DKK 1,076 million) with an EBITDA margin of 23.6% (25.5%). Special items were DKK -44 million (DKK -40 million), net profit was DKK 563 million (DKK 638 million) with EPS adjusted for special items, fair value adjustments and currency gains/losses, net of tax decreased to DKK 6.7 (DKK 7.2).

## Second Quarter Development, 2018-2023

Net sales and EBITDA margin b.s.i.



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

DKK million	30 June 2023	30 June 2022	31 Dec 2022
<b>INTANGIBLE ASSETS</b>			
Goodwill	5,282.0	5,403.2	5,331.5
Trademarks	3,278.8	3,073.8	2,987.6
IT software	43.7	56.1	50.5
Other intangible assets	424.0	215.6	195.1
Intangible assets under development	181.3	78.3	125.4
<b>Total intangible assets</b>	<b>9,209.8</b>	<b>8,827.0</b>	<b>8,690.1</b>
Property, plant and equipment	1,746.8	1,688.2	1,739.6
Investments in associated companies	230.2	217.7	223.6
Deferred income tax assets	106.0	149.8	104.6
<b>Total non-current assets</b>	<b>11,292.8</b>	<b>10,882.7</b>	<b>10,757.9</b>
Inventories	3,576.0	3,246.1	3,248.9
Trade receivables	1,095.2	986.6	884.6
Other receivables	80.6	111.7	86.4
Corporate tax	81.3	49.0	21.4
Prepayments	111.7	122.3	100.7
Cash and cash equivalents	112.0	74.7	22.2
Assets classified as held for sale	-	108.5	-
<b>Total current assets</b>	<b>5,056.8</b>	<b>4,698.9</b>	<b>4,364.2</b>
<b>Total assets</b>	<b>16,349.6</b>	<b>15,581.6</b>	<b>15,122.1</b>

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

DKK million	30 June 2023	30 June 2022	31 Dec 2022
Share capital	87.0	93.0	93.0
Reserve for hedging	-	-0.1	-
Reserve for currency translation	864.9	1,164.6	963.8
Treasury shares	-56.2	-307.5	-748.1
Retained earnings	8,098.6	8,104.6	9,032.9
<b>Total equity</b>	<b>8,994.3</b>	<b>9,054.6</b>	<b>9,341.6</b>
Borrowings	4,637.2	3,673.0	3,101.1
Deferred income tax liabilities	682.5	691.1	673.5
Pension obligations	214.1	319.8	204.7
Other provisions	17.5	17.6	17.9
Leasing liabilities	273.6	308.0	275.1
Other liabilities	96.3	63.9	31.0
<b>Total non-current liabilities</b>	<b>5,921.2</b>	<b>5,073.4</b>	<b>4,303.3</b>
Trade payables	443.2	485.0	506.8
Corporate tax	240.1	170.4	207.4
Other provisions	19.9	26.9	19.8
Leasing liabilities	45.5	48.7	56.3
Other liabilities	685.4	722.6	686.9
<b>Total current liabilities</b>	<b>1,434.1</b>	<b>1,453.6</b>	<b>1,477.2</b>
<b>Total liabilities</b>	<b>7,355.3</b>	<b>6,527.0</b>	<b>5,780.5</b>
<b>Total equity and liabilities</b>	<b>16,349.6</b>	<b>15,581.6</b>	<b>15,122.1</b>

**Net interest-bearing debt**

Net interest-bearing debt increased by DKK 1,430 million to DKK 5,059 million versus the end of 2022. The development is explained mainly by the acquisition of the Alec Bradley cigar business and XQS as well as purchase of own shares in the first quarter of the year and dividend payment in April 2023. The leverage ratio (net interest-bearing debt to LTM EBITDA before special items) increased to 2.3x (1.6x on 31 December 2022).

**Return on Invested Capital**

The return on invested capital (ROIC) decreased to 13.1% versus 14.3% by the end of 2022, explained by a DKK 96 million decrease in EBIT (12 months rolling), driven by the operational performance, and a slightly increased invested capital of DKK 14.1 billion (DKK 13.7 billion).

## CONSOLIDATED CASH FLOW STATEMENT

1 JANUARY - 30 JUNE

DKK million	Q2 2023	Q2 2022	6M 2023	6M 2022
Net profit for the period	303.5	309.8	563.4	637.8
Depreciation, amortisation and impairment	91.4	88.7	179.4	175.4
Adjustments	141.9	132.7	272.0	251.9
Changes in working capital	-141.5	-123.9	-594.0	-393.2
Special items, paid	-19.0	-35.9	-47.2	-76.1
<b>Cash flow from operating activities before financial items</b>	<b>376.3</b>	<b>371.4</b>	<b>373.6</b>	<b>595.8</b>
Financial income received	10.6	16.4	22.9	39.7
Financial costs paid	-36.8	-35.1	-92.9	-58.8
<b>Cash flow from operating activities before tax</b>	<b>350.1</b>	<b>352.7</b>	<b>303.6</b>	<b>576.7</b>
Tax payments	-127.8	-94.6	-184.0	-128.2
<b>Cash flow from operating activities</b>	<b>222.3</b>	<b>258.1</b>	<b>119.6</b>	<b>448.5</b>
Acquisitions	-68.9	-3.7	-582.5	-3.7
Investment in intangible assets	-26.2	-61.1	-58.3	-73.9
Investment in property, plant and equipment	-40.0	-58.9	-87.8	-112.7
Sale of property, plant and equipment	0.1	2.8	0.2	2.8
Dividend from associated companies	2.7	2.3	6.0	7.7
<b>Cash flow from investing activities</b>	<b>-132.3</b>	<b>-118.6</b>	<b>-722.4</b>	<b>-179.8</b>
<b>Free cash flow</b>	<b>90.0</b>	<b>139.5</b>	<b>-602.8</b>	<b>268.7</b>
Repayment of lease liabilities	-15.9	-16.5	-31.7	-31.4
RCF	771.7	722.2	1,551.0	688.5
Repayment bank loans	-1.1	-0.9	-2.2	-2.1
Dividend payment	-714.6	-692.0	-714.6	-692.0
Purchase of treasury shares	-	-194.3	-103.8	-327.7
<b>Cash flow from financing activities</b>	<b>40.1</b>	<b>-181.5</b>	<b>698.7</b>	<b>-364.7</b>
<b>Net cash flow for the period</b>	<b>130.1</b>	<b>-42.0</b>	<b>95.9</b>	<b>-96.0</b>
Cash and cash equivalents, net at 1 April / 1 January	-17.6	118.0	22.2	173.6
Exchange gains/losses on cash and cash equivalents	-0.4	-1.3	-6.0	-2.9
Net cash flow for the period	130.1	-42.0	95.9	-96.0
<b>Cash and cash equivalents, net at 30 June</b>	<b>112.1</b>	<b>74.7</b>	<b>112.1</b>	<b>74.7</b>

### Cash flows

Cash flow from operations before changes in working capital in the second quarter of 2023 was DKK 364 million (DKK 382 million). The development was driven by the operational result, higher net financial costs paid, as well as higher tax payments.

Changes in working capital in the second quarter of 2023 had a negative impact on the cash flow of DKK 142 million (negative DKK 124 million) mainly due to increased trade receivables and lower level of other liabilities and trade payables partly offset by a reduction in inventory.

Cash flow from investing activities amounted to DKK -132 million (DKK -119 million). The increase was driven by the acquisition of XQS partly offset by a lower level of CAPEX.

Free cash flow before acquisitions in the second quarter of 2023 was positive by DKK 159 million (positive DKK 143 million). The cash conversion ratio was 78% (77%).

For the first six months of 2023 cash flow from operations before changes in working capital was DKK 714 million (DKK 842 million). Working capital had a negative impact of DKK 594 million (DKK -393 million) with a significant impact from a higher level of inventories, increase in trade receivables and a lower level of trade payables. Free cash flow before acquisitions was negative DKK 20 million (positive DKK 272 million) and the cash conversion ratio was 42% (64%).

## STATEMENT OF CHANGES IN GROUP EQUITY

1 JANUARY - 30 JUNE 2023

DKK million	Share capital	Reserve for currency translation	Treasury shares	Retained earnings	Total
<b>Equity at 1 January 2023</b>	<b>93.0</b>	<b>963.8</b>	<b>-748.1</b>	<b>9,032.9</b>	<b>9,341.6</b>
<i>Comprehensive income for the period</i>					
<b>Net profit for the period</b>	-	-	-	<b>563.4</b>	<b>563.4</b>
<i>Other comprehensive income</i>					
Foreign exchange adjustments on net investments in foreign operations	-	-98.9	-	-	<b>-98.9</b>
<b>Total other comprehensive income</b>	-	<b>-98.9</b>	-	-	<b>-98.9</b>
<b>Total comprehensive income for the period</b>	-	<b>-98.9</b>	-	<b>563.4</b>	<b>464.5</b>
<i>Transactions with shareholders</i>					
Capital reduction	-6.0	-	762.7	-756.7	-
Purchase of treasury shares	-	-	-95.9	-	<b>-95.9</b>
Share-based payments	-	-	-	5.7	<b>5.7</b>
Settlement of vested PSUs	-	-	25.1	-25.1	-
Settlement in cash of vested PSU's	-	-	-	-7.0	<b>-7.0</b>
Dividend paid to shareholders	-	-	-	-767.3	<b>-767.3</b>
Dividend, treasury shares	-	-	-	52.7	<b>52.7</b>
<b>Total transactions with shareholders</b>	<b>-6.0</b>	-	<b>691.9</b>	<b>-1,497.7</b>	<b>-811.8</b>
<b>Equity at 30 June 2023</b>	<b>87.0</b>	<b>864.9</b>	<b>-56.2</b>	<b>8,098.6</b>	<b>8,994.3</b>

**Equity**

Total shareholders' equity as at 30 June 2023 amounted to DKK 8,994 million (DKK 9,342 million at 31 December 2022). The equity was positively impacted by profit for the period partly offset by a negative impact from foreign exchange adjustments on net investments in foreign operations, purchase of treasury shares and dividend payment to shareholders. As of 30 June 2022, the equity ratio was 55.0% (61.8% at 31 December 2022).

At the Annual General Meeting held on 13 April 2023 the shareholders approved to reduce the share capital by nominally DKK 6,000,000 by cancelling treasury shares. After the reduction, which took place 25 May 2023, the nominal value of the Company's share capital is DKK 87,000,000. Please refer to Company Announcement 21/2023.

## STATEMENT OF CHANGES IN GROUP EQUITY

1 JANUARY - 30 JUNE 2022

DKK million	Share capital	Reserve for hedging	Reserve for currency translation	Treasury shares	Retained earnings	Total
<b>Equity at 1 January 2022</b>	<b>97.5</b>	<b>-6.9</b>	<b>693.7</b>	<b>-570.5</b>	<b>8,754.0</b>	<b>8,967.8</b>
<i>Comprehensive income for the period</i>						
<b>Net profit for the period</b>	-	-	-	-	<b>637.8</b>	<b>637.8</b>
<i>Other comprehensive income</i>						
Cash flow hedges	-	8.7	-	-	-	<b>8.7</b>
Tax of cash flow hedges	-	-1.9	-	-	-	<b>-1.9</b>
Foreign exchange adjustments on net investments in foreign operations	-	-	470.9	-	-	<b>470.9</b>
<b>Total other comprehensive income</b>	-	<b>6.8</b>	<b>470.9</b>	-	-	<b>477.7</b>
<b>Total comprehensive income for the period</b>	-	<b>6.8</b>	<b>470.9</b>	-	<b>637.8</b>	<b>1,115.5</b>
<i>Transactions with shareholders</i>						
Capital reduction	-4.5	-	-	569.5	-565.0	-
Purchase of treasury shares	-	-	-	-336.0	-	<b>-336.0</b>
Share-based payments	-	-	-	-	5.6	<b>5.6</b>
Settlement of vested PSUs	-	-	-	29.6	-29.6	-
Settlement in cash of vested PSU's	-	-	-	-	-6.2	<b>-6.2</b>
Dividend paid to shareholders	-	-	-	-	-731.3	<b>-731.3</b>
Dividend, treasury shares	-	-	-	-	39.3	<b>39.3</b>
<b>Total transactions with shareholders</b>	<b>-4.5</b>	-	-	<b>263.1</b>	<b>-1,287.2</b>	<b>-1,028.6</b>
<b>Equity at 30 June 2022</b>	<b>93.0</b>	<b>-0.1</b>	<b>1,164.6</b>	<b>-307.5</b>	<b>8,104.6</b>	<b>9,054.6</b>

## 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 2022.

**Accounting policies**

This report has been prepared in accordance with the accounting policies set out in the Annual Report for 2022.

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 2023, 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 2023, 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**

6M 2023 DKK million	North America Online & Retail	North America Branded & RoW	Europe Branded	Group costs / not allo- cated	Total
Net sales	1,341.6	1,492.8	1,353.3	-	4,187.7
Cost of goods sold	-809.8	-700.8	-654.1	-	-2,164.7
<b>Gross profit before special items</b>	<b>531.8</b>	<b>792.0</b>	<b>699.2</b>	<b>-</b>	<b>2,023.0</b>
Staff and other external costs	-327.0	-251.3	-389.0	-68.5	-1,035.8
<b>EBITDA before special items</b>	<b>204.8</b>	<b>540.7</b>	<b>310.2</b>	<b>-68.5</b>	<b>987.2</b>
Depreciation and impairment				-94.8	-94.8
Amortisation and impairment				-84.6	-84.6
<b>EBIT before special items</b>				<b>-247.9</b>	<b>807.8</b>
Special items, costs and impairment				-43.6	-43.6
<b>EBIT</b>				<b>-291.5</b>	<b>764.2</b>
Share of profit of associated companies, net of tax				16.1	16.1
Financial income				57.7	57.7
Financial costs				-111.1	-111.1
<b>Profit before tax</b>				<b>-328.8</b>	<b>726.9</b>

## SEGMENT INFORMATION AND NET SALES (continued)

6M 2022 DKK million	North America Online & Retail	North America Branded & RoW	Europe Branded	Group costs / not allo- cated	Total
Net sales	1,305.4	1,592.7	1,317.3	-	4,215.4
Cost of goods sold	-793.2	-729.0	-599.9	-	-2,122.1
<b>Gross profit before special items</b>	<b>512.2</b>	<b>863.7</b>	<b>717.4</b>	<b>-</b>	<b>2,093.3</b>
Staff and other external costs	-336.5	-230.6	-385.6	-64.9	-1,017.6
<b>EBITDA before special items</b>	<b>175.7</b>	<b>633.1</b>	<b>331.8</b>	<b>-64.9</b>	<b>1,075.7</b>
Depreciation and impairment				-93.1	-93.1
Amortisation and impairment				-82.3	-82.3
<b>EBIT before special items</b>				<b>-240.3</b>	<b>900.3</b>
Special items, costs and impairment				-40.4	-40.4
<b>EBIT</b>				<b>-280.7</b>	<b>859.9</b>
Share of profit of associated companies, net of tax				20.4	20.4
Financial income				72.9	72.9
Financial costs				-130.2	-130.2
<b>Profit before tax</b>				<b>-317.6</b>	<b>823.0</b>

DKK million	6M 2023	6M 2022
<b>Category split, net sales</b>		
Handmade cigars	1,534.7	1,548.6
Machine-rolled cigars	1,488.9	1,451.0
Smoking tobacco	635.2	611.8
Accessories and CMA	528.9	604.0
<b>Total net sales</b>	<b>4,187.7</b>	<b>4,215.4</b>

Licence income and other sales of DKK 40.0 million (DKK 32.1 million) are included in the category 'Accessories and Contract Manufacturing'.

DKK million	6M 2023	6M 2022
<b>Geographical split, net sales</b>		
Americas	2,290.0	2,253.5
Europe	1,640.4	1,621.3
Rest of World	257.3	340.6
<b>Total net sales</b>	<b>4,187.7</b>	<b>4,215.4</b>

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

DKK million	6M 2023	6M 2022
Integration and transactions costs (Agio Cigars)	-	5.0
Production footprint, incl. sale of building	-	13.5
OneProcess	43.6	21.9
<b>Total special items</b>	<b>43.6</b>	<b>40.4</b>

**NOTE 4****BUSINESS COMBINATIONS****Alec Bradley Cigar Distributors Inc. and associated companies**

With effect from 1 March 2023, Scandinavian Tobacco Group A/S acquired, substantially all assets of Alec Bradley Cigar Distributors Inc. and associated companies ("Alec Bradley"). The total consideration of USD 72.5 million was paid in cash.

The below disclosure for the business combination is considered provisional as the figures are based on the unaudited balance of Alec Bradley.

The provisional figures can be changed up until 29 February 2024.

**Alec Bradley**

Alec Bradley is a family-owned business established in 1996 by entrepreneur Alan Rubin and is based in Fort Lauderdale, Florida.

The business model is asset-light with outsourcing of the cigar production and with approximately 30 full-time employees in the US and Canada.

Alec Bradley reported annual net sales in 2021 of USD 25 million and an EBITDA margin before special items of 24%. Both net sales and EBITDA margin improved during 2022 where Alec Bradley sold almost 10 million cigars – an increase of 5% versus 2021 – primarily in the US and Canada, but also in international markets.

Brands within the Alec Bradley portfolio include among others Prensado, Kintsugi, Alec Bradley Double Broadleaf, Fine and Rare and Black Market.

**Fair value of acquired net assets**

Net assets are provisional and may be adjusted and off-balance sheet items may be recorded within 12 months of the acquisition date in compliance with IFRS 3.

**Transaction costs**

Total transaction costs related to the acquisition are considered immaterial and therefore not disclosed.

**BUSINESS COMBINATIONS (continued)**

DKK million	Provisional fair value at date of acquisition
Trademarks	294.6
Other Intangible assets	196.4
Inventories	14.3
Trade receivables	18.7
Prepayments	0.8
<b>Total assets</b>	<b>524.8</b>
Trade payables	10.7
Other liabilities	0.5
<b>Total liabilities</b>	<b>11.2</b>
<b>Acquired net assets</b>	<b>513.6</b>
<b>Consideration transferred</b>	<b>513.6</b>

**XQS International AB ("XQS")**

With effect from 31 May 2023, Scandinavian Tobacco Group A/S acquired, substantially all assets of XQS International AB ("XQS"). The transaction value consists of an upfront payment in cash as well as an earn-out agreement.

The below disclosure for the business combination is considered provisional as the figures are based on the unaudited balance of XQS.

The provisional figures can be changed up until 31 May 2024.

**XQS**

XQS is active in smoke-free products and its products are primarily sold in Sweden.

XQS reported annual net sales in 2022 of DKK 50 million with a low single-digit EBITDA margin and a total volume of 3 million cans.

**Fair value of acquired net assets**

Net assets are provisional and may be adjusted and off-balance sheet items may be recorded within 12 months of the acquisition date in compliance with IFRS 3.

**Transaction costs**

Total transaction costs related to the acquisition are considered immaterial and therefore not disclosed.

**BUSINESS COMBINATIONS (continued)**

<b>DKK million</b>	<b>Provisional fair value at date of acquisition</b>
Trademarks	80.1
Other Intangible assets	53.4
Fixed assets	0.3
Inventories	4.9
Trade receivables	13.6
Other receivables	1.4
<b>Total assets</b>	<b>153.7</b>
Trade payables	12.0
Other liabilities	2.6
<b>Total liabilities</b>	<b>14.5</b>
<b>Acquired net assets</b>	<b>139.1</b>
<b>Total consideration transferred including value of earn-out</b>	<b>139.1</b>