

**Company Announcement**

No. 10/2021

Copenhagen, 10 March 2021

Scandinavian Tobacco Group A/S: Annual Report 2020**Full year 2020 organic EBITDA growth of 14.0% and free cash flow before acquisitions of DKK 1.4 billion. 2021 organic EBITDA growth expected at >7%.**

For the full year 2020, Scandinavian Tobacco Group A/S delivered net sales of DKK 8,006 million and EBITDA before special items of DKK 1,826 million. This corresponds to 6.6% organic growth in net sales and 14.0% organic growth in EBITDA – and is in line with the financial guidance given 18 December 2020 of >13% organic EBITDA growth. Free cash flow before acquisitions of DKK 1,394 million was higher than expected due to timing of payables. The Board of Directors proposes an ordinary dividend of DKK 6.50 per share for 2020, an increase of 6.6% compared to the ordinary dividend for 2019. This will be supplemented by a share buy-back program of up to DKK 600 million in 2021.

Highlights 2020

- Net sales increased by 19.2% to DKK 8,006 million (DKK 6,719 million) with organic growth in net sales of 6.6%
- EBITDA before special items increased by 20.7% to DKK 1,826 million (DKK 1,513 million) with organic EBITDA growth of 14.0%.
- Special items were DKK -435 million (DKK -133 million)
- Net profit decreased to DKK 678 million (DKK 748 million)
- Adjusted Earnings Per Share increased by 18% to DKK 9.78 (DKK 8.29)
- Free cash flow before acquisitions was DKK 1,394 million (DKK 1,187 million)

The COVID-19 pandemic created significant challenges across the entire value chain, but overall Scandinavian Tobacco Group has benefitted from its strong online presence combined with increased consumption of handmade cigars in the US. The integration of Agio Cigars has progressed as planned and delivered the expected synergies and furthermore, the transformational program Fuelling the Growth was completed one year ahead of time. On the back of this, the Group's 2020 results yielded strong organic EBITDA growth and free cash flow before acquisitions.

CEO of Scandinavian Tobacco Group, Niels Frederiksen says: "In a challenging year, we delivered a satisfactory financial performance with net sales of DKK 8,006 million, 14% organic EBITDA growth and free cash flow before acquisitions of DKK 1.4 billion. We saw solid operational performance across all three divisions and we continued to deliver on all major efficiency initiatives ahead of time, but we also benefitted from an increased demand for handmade cigars in the US. A genuine team effort."

Dividend for 2020 and initiation of new share buy-back program in 2021

At the Annual General Meeting on 14 April 2021, the Board of Directors will propose an increase in the ordinary dividend of 6.6% to DKK 6.50 per share. Furthermore, it has been decided to initiate a new share buy-back program of a total value of up to DKK 600 million. The purpose of this share buy-back program is to adjust the capital structure. Further details of the share buy-back including the specific starting date will be communicated in separate Company Announcement.

Financial Guidance 2021

- EBITDA: Organic growth > 7%
- Free cash flow before acquisitions >DKK 1,000 million
- Adjusted EPS >10% increase

The COVID19 pandemic continues to impact business performance in most of our markets and is expected to have implications for consumer behaviour and overall tobacco consumption also in 2021 creating lower visibility of market developments.

We expect to generate organic EBITDA growth of more than 7% for the full year 2021. Organic growth in net sales are expected to increase in 2021 with consumption of handmade cigars in the US expected to remain strong with positive growth continuing, especially in the first half of the year. Furthermore, organic EBITDA growth is also expected to be driven by additional synergies from the integration of Agio Cigars of about DKK 70-80 million and full year effect of Fuelling the Growth.

For the Group, organic EBITDA growth is expected to be strongest in the first and second quarter of the year, while negative in the third quarter based on a very strong third quarter in 2020 and then return to positive growth in the fourth quarter.

The free cash flow before acquisitions is expected to be impacted by relatively high investments in operational footprint and digitalisation initiatives as well as a negative impact from payables in the level of DKK 150 million due to timing effects between 2020 and 2021.

The adjusted EPS guidance of an increase of >10% (from DKK 9.78) includes a positive impact from the share repurchases of about DKK 0.4 per share and a negative impact from currency developments.

The guidance and assumptions are based on current exchange rates.

The annual report for 2020 is available for download on: investor.st-group.com.

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A conference call will be held on 10 March 2021 at 10.00 CEST. Dial-in information and an accompanying presentation will be available <http://investor.st-group.com/upcoming-events> around 09:00 CEST.

<i>DKK million</i>	Q4 2020	Q4 2019	FY 2020	FY 2019
Reported data				
Net sales ¹	1,922	1,699	8,006	6,719
Gross profit before special items ¹	867	810	3,712	3,142
EBITDA before special items	397	430	1,826	1,513
Special items	-121	29	-435	-133
EBIT	180	350	986	977
Net financial items	-15	-3	-53	-45
Profit before tax	170	351	951	949
Income taxes	-122	-72	-274	-201
Net profit	48	279	678	748
Other financial key data				
Organic EBITDA growth	-14.6%	10.6%	14.0%	7.1%
Organic net sales growth	4.2%	-2.8%	6.6%	-2.5%
Gross margin before special items ¹	45.1%	47.7%	46.4%	46.8%
EBITDA margin before special items ¹	20.7%	25.3%	22.8%	22.5%
Free cash flow before acquisitions	238	368	1,394	1,187
North America Online & Retail				
Net sales	639	568	2,662	2,291
Gross profit before special items	272	211	1,075	883
EBITDA before special items	135	99	517	353
Net sales growth	12.5%	3.0%	16.2%	14.2%
Organic net sales growth	21.7%	-0.2%	18.9%	0.7%
Gross margin before special items	42.6%	37.1%	40.4%	38.5%
EBITDA margin before special items	21.1%	17.4%	19.4%	15.4%
North America Branded & RoW				
Net sales	572	614	2,527	2,436
Gross profit before special items	240	305	1,241	1,195
EBITDA before special items	128	206	813	764
Net sales growth	-6.9%	-4.1%	3.8%	-4.1%
Organic net sales growth	-8.5%	-5.6%	0.4%	-6.2%
Gross margin before special items	42.0%	49.6%	49.1%	49.0%
EBITDA margin before special items	22.4%	33.5%	32.2%	31.4%
Europe Branded				
Net sales	712	517	2,817	1,992
Gross profit before special items	355	294	1,397	1,065
EBITDA before special items	156	146	581	474
Net sales growth	37.6%	-1.8%	41.4%	-1.3%
Organic net sales growth	2.1%	-2.2%	2.3%	-1.3%
Gross margin before special items	49.9%	56.9%	49.6%	53.4%
EBITDA margin before special items	21.9%	28.2%	20.6%	23.8%
Group costs				
EBITDA before special items	-21	-21	-85	-79

1: Net sales and gross profit before special items in 2019 have been restated due to reclassification of certain type of expenses (refer to note 1.1 in the Annual Report for 2020).