SCANDINAVIAN TOBACCO GROUP

ANNUAL REPORT 2023

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CONTENTS

→ Whether it's a cigar, pipe or fine-cut tobacco, Scandinavian Tobacco Group has spent years nurturing unique and flavoursome blends to complement life's rituals.

OVERVIEW

SCANDINAVIAN TOBACCO GROUP

CRAFT THE RITUALS THAT MAKE US MORE

Our defining purpose is to create moments of great enjoyment for our consumers. For more than 250 years, we have produced premium tobacco products embedded with textures, flavours and aromas derived from crops in optimal climates throughout the world. We take pride in our portfolio of leading international and regional brands which are all developed, refined and innovated by talented artisans who are passionate about what they do.

#1

in handmade cigars in the US – world's biggest cigar market

#1

in machine-rolled cigars in Europe

GLOBAL

consumer base within cigars & related niche products

VALUE CREATION

supported through market consolidation, growth enablers & clear capital allocation policy

5.0DKKbn

in shareholder returns in the past 5 years

2023

PERFORMANCE HIGHLIGHTS

Group net sales decreased slightly to DKK 8.7 billion and the EBITDA-margin decreased to 24.1% (from 25.9% in 2022) resulting in an EBITDA before special items of DKK 2.1 billion (DKK 2.3 billion). Free cash flow before acquisitions declined to DKK 1.1 billion (DKK 1.3 billion). Decreasing volumes in most product categories driven by lower consumption were mostly offset by solid pricing and increasing sales in growth opportunities like new products, retail stores and international sales of handmade cigars. The financial results were impacted by the acquisitions of the Alec Bradley and XQS brands, as well as a weaker USD.

The Group's organic net sales increased by 0.3% which was driven by positive organic net sales growth in NAOR and EUB, and a negative growth in NABROW.

The EBITDA margin before special items was 24.1% and despite declining versus 2022, the margin remained well above the pre-pandemic level of 23%.

In 2023, the EBITDA margin was impacted by the return to the pre-pandemic market mix, increasing cost inflation across the entire value chain, high promotional pressure in the online business and our continued investments in the Company, including our Growth Enablers.

The ROIC was 11.4% (14.3%) reflecting the financial performance and an increase in the net debt. The free cash flow before acquisitions declined to DKK 1.1 billion (DKK 1.3 billion) as result of the financial performance. The leverage ratio was 1.9 times (1.6 times).

The Group returned close to DKK 900 million of capital to our shareholders during 2023. In April, we paid DKK 715 million in ordinary dividends and throughout the year we have bought own shares for a total of DKK 181 million.

During 2023, the Group delivered further progress in its sustainability ambitions as expressed in the sustainability agenda including, the reduction of its scope 1 and scope 2 emissions by 4.3% compared with 2022 and by 22.9% compared with the 2020 baseline. The baseline for measuring the Groups scope 3 emissions was also established in 2023.

NET SALES

8,731 DKKm

▲0.3% Organic growth

EBITDA*

2,106 DKKm

EBITDA MARGIN*

24.1%

FREE CASH FLOW**

1,053 DKKm

SCOPE 1 & 2 EMISSIONS

28,113 Tonnes CO_2e

▼4.3% Compared with 2022

ROIC

11.4%

* Before special items
** Before acquisitions

5 YEAR SUMMARY *

DKK million	2023	2022	2021	2020	2019
INCOME STATEMENT					
Net sales	8,731	8,762	8,233	8,006	6,719
Gross profit before special items	4,204	4,307	4,113	3,712	3,142
EBITDA before special items	2,106	2,270	2,233	1,826	1,513
Special items	-92	35	-55	-435	-133
EBIT	1,638	1,953	1,814	986	977
Net financial items	-177	-137	-77	-53	-45
Profit before tax	1,491	1,856	1,769	951	949
Income taxes	-308	-380	-378	-274	-201
Net profit	1,182	1,476	1,391	678	748
BALANCE SHEET					
Total assets	15,853	15,122	14,584	13,996	13,872
Equity	9,434	9,342	8,968	8,372	9,103
Net interest-bearing debt (NIBD)	4,057	3,629	3,266	3,274	2,330
Investment in property, plant and equipment	199	264	212	157	94
Total capital expenditures	308	390	240	201	122
CASH FLOW STATEMENT					
Cash flow from operating activities	1,347	1,393	1,567	1,585	1,300
Cash flow from investing activities	-875	-132	-178	-1,752	-50
Free cash flow	472	1,261	1,389	-166	1,250
Free cash flow before acquisitions	1,053	1,264	1,393	1,394	1,187

DKK million	2023	2022	2021	2020	2019
KEY RATIOS					
Net sales growth	-0.4%	6.4%	2.8%	19.2%	2.4%
Gross margin before special items	48.2%	49.2%	50.0%	46.4%	46.8%
EBITDA margin before special items	24.1%	25.9%	27.1%	22.8%	22.5%
Effective tax percentage	20.7%	20.5%	21.4%	28.7%	21.2%
Equity ratio	59.5%	61.8%	61.5%	59.8%	65.6%
Cash conversion	103.0%	87.2%	108.6%	135.4%	118.6%
Organic net sales growth	0.3%	-0.8%	4.5%	6.6%	-2.5%
Organic EBITDA growth	-5.0%	-3.5%	18.4%	14.0%	7.1%
NIBD / EBITDA before special items	1.9	1.6	1.5	1.8	1.5
ROIC	11.4%	14.3%	14.5%	7.7%	8.2%
ROIC ex. goodwill	18.1%	23.6%	24.3%	12.7%	13.5%
Adjusted earnings per share (DKK)	14.4	16.0	14.8	9.8	8.3
Basic earnings per share (DKK)	13.7	16.3	14.6	6.8	7.5
Diluted earnings per share (DKK)	13.6	16.2	14.5	6.8	7.5
Number of shares issued ('000)	87,000	93,000	97,500	100,000	100,000
Number of treasury shares ('000)	1,105	5,751	4,526	2,324	316
Number of outstanding shares ('000)**	86,668	90,851	95,689	99,659	99,940
Share price at year end (DKK)	117.30	122.10	137.30	104.10	81.25
Dividend per share (DKK)	8.40	8.25	7.50	6.50	6.10
Pay-out ratio	61.8%	52.0%	52.6%	95.9%	81.6%

* See definition/explanation of financial ratios in note 5.8.
** Average number of shares outstanding including diluting effect of PSUs.

LETTER FROM CHAIR AND CEO

INVESTING IN THE FUTURE

Scandinavian Tobacco Group is on track to meet the objectives set out in the five-year strategy Rolling Towards 2025, and we have taken important steps to become the undisputed global and sustainable leader in cigars. We have added multiple strong brands in both the US and in Europe, expanded our product portfolio to Next Generation Products to meet changing consumer demands and launched an updated sustainability strategy striving to craft a better tomorrow for our communities and the climate. We have done so while growing the size of our company measured by net sales and profits.

Strategic progress was realised in another year influenced by increasing macro-economic uncertainties and inflationary pressure impacting consumer behaviour, supply-chain flows, and cost developments. Our financial performance was impacted by the changes in these factors, but while having to revise our full-year expectations in August, we are satisfied with the continued strategic progress made and the commitment and performance delivered by our employees across the globe.

We delivered the revised guidance with reported net sales of DKK 8.7 billion, which was in line with 2022, and an EBITDA margin of 24.1% compared with 25.9% the year before. The free cash flow before acquisition was DKK 1.1 billion, and adjusted earnings per share were DKK 14.4. All in all, these financial key results were solid and added to our track record of historic growth and profitability improvements.

Compared to the pre-pandemic year 2019, the year before the launch of Rolling towards 2025, group net sales and EBITDA before special items have increased by 30% and 39% respectively resulting in an increase in the group EBITDA margin from 22.5% to 24.1%, free cash before acquisitions remains well above DKK 1 billion and close to DKK 5 billion of capital returned to our shareholders. In perspective, these are results we are proud to have accomplished.

ROLLING TOWARDS 2025 ON COURSE

We made further progress to reach our vision of becoming the undisputed and sustainable global leader in cigars, while remaining relevant to our consumers. The acquisition of the Alec Bradley cigar business, the continued expansion of our cigar retail network in the US, the opening of the first Cohiba Lounge in cooperation with Ritz-Carlton and by growing our international handmade cigars business by double-digit rates, we have made good progress towards our vision. We are a clear number one within handmade cigars in the US, and within machine-rolled cigars we hold market leading positions in many European countries. We aim to build further on these strongholds in the future by growing organically and through mergers and acquisitions in the cigar categories.

LETTER FROM CHAIR AND CEO

COHIBA

Handcrafted in the Dominican Republic, Nicaragua, Honduras and the US, Cohiba cigars are critically acclaimed for their meticulous construction and the refined smoking experiences they provide. With its iconic red dot logo, the core brand of Cohiba is complemented by super premium collections, each offering memorable smoking experiences.

The acquisition of the oral pouch brand, XQS marks our first acquisition within the Next Generation Products category and emphasizes our ambition to stay relevant to multi-category-users and consumers seeking alternatives. We aim to leverage our agility, our consumer insights and our distribution capabilities to explore growth opportunities in these new categories that will complement our core categories with increasing investments in the roll-out to new markets.

Our increased investments in the Growth Enablers will impact our EBITDA margin in the near-term but these investments are important to support our ability to deliver stronger and sustainable financial performance over time.

LOOKING AHEAD

We look ahead with great confidence and a strong commitment to deliver on our strategy and to deliver growth in both net sales and earnings over time. We see opportunities, uncertainties and a faster changing consumer behavior, and we are ready to adapt to this. We have a strong underlying business with many routes to growth. We are calibrating and aligning our organisational structure to create an even stronger fit with our markets and consumers as we continue to strive to optimise our cost structure and prioritise business opportunities better.

The adverse impact on the Group EBITDA margin in 2024 from the current level of investments in the Growth Enablers is temporary and we expect margins to revert towards 24% by the end of the strategy period. Beyond "Rolling Towards 2025" we expect to continue to deliver annual topline growth, led by our investments in the Growth Enablers, and with like-for-like margin enhancements driven by the Growth Enablers as well as continuous cost efficiencies. We expect to update the market on our strategy plan beyond "Rolling Towards 2025", in the first half of 2025.

OUR COMMITMENT TO THE SHAREHOLDERS

The aim to create solid shareholder value remains unchanged and our commitment is to consistently operate in a way which encompasses this ambition. The capital allocations throughout 2023 are another testimony to this commitment. Through a disciplined capital allocation strategy focused on capital efficiency and shareholder returns we returned slightly more than DKK 900 million to our shareholders through ordinary dividends and share repurchases. The total capital allocation corresponds to about 9% of the market value of Scandinavian Tobacco Group at the beginning of the year. We intend to continue returning excess capital going forward, though always subject to business needs for investment and potential acquisitions.

In line with this intention a new share buy-back program was launched in November 2023 with a total value of up to DKK 850 million. The new program runs to the end of February 2025. Additionally, based on the financial performance in 2023, we propose an ordinary dividend of DKK 8.40 per share, which equals an increase of 2% versus 2022.

INTEGRATED SUSTAINABILITY REPORTING

Conducting business sustainably and responsibly is critical to the future of both society and our company. In 2022, we launched the revised sustainability strategy, Rolling Responsibly, and during 2023, we have made good progress in implementing the strategy and anchoring it into the organization. Based on this, we have decided to integrate the sustainability reporting into the Annual Report, one year ahead of the deadline for being compliant with the Corporate Sustainability Reporting Directive.

THANK YOU

On behalf of the Board of Directors and the Executive Board of Scandinavian Tobacco Group, we would like to thank our shareholders and consumers for their confidence and trust in our company and we would also look to place a warm thank you to all our employees across the globe for delivering an excellent contribution to the progress of Scandinavian Tobacco Group during a year of macroeconomic uncertainty.

Niels Frederiksen
Chief Executive Officer

HENRIK BRANDT
Chair of the Board of Directors

OUR BUSINESS

→ All leaves for the filler tobacco are hand selected by our artisans to ensure the perfect draw of our handmade cigars.

We are a leading company in the cigar industry and are better positioned to drive consolidation than any other cigar company. We also hold strong positions in select markets within pipe and fine-cut tobacco, and are developing our presence within Next Generation Products (NGPs). We have the financial strength, expertise and flexibility to make strategic mergers and acquisitions (M&A) that will grow our business and the product suite for our consumers. Our experienced management team leads us confidently through transformations, integrations and adapts to a constantly changing industry with increasing regulation.

NATURE'S FINEST

Tobacco farming dates back nearly 8,000 years in the Americas. It is an artform that has lasted centuries and requires a delicate mix of tradition, science and intuition to create the perfect leaf. Many of our consumers hold a deep passion for our products and take an active interest in knowing where the tobacco is cultivated, how it is cured, fermented, blended and aged. From leaf sourcing to shelf, we strive to uphold this enduring artform to create products that deliver great moments of enjoyment.

WORLDWIDE PRESENCE

We firmly believe our products can be enjoyed by enthusiasts worldwide, which is why we have established a strong global presence. We employ approximately 10,000 people globally, have 18 sales offices in North America and Europe, and sell to more than 100 countries around the world. In the US, we have a market leading position in handmade cigars, catalogue/internet sales and a growing retail presence.

LEADING BRANDS

Our portfolio is made up of a diverse range of brands, including the world-renowned Macanudo, CAO, Alec Bradley, Mehari's, Panter, Signature and La Paz. In the US, this includes Cohiba, Punch, Partagas and La Gloria Cubana. Our pipe tobacco brands include Captain Black, Erinmore, Borkum Riff and W.Ø. Larsen, and our fine-cut tobacco brands include Bugler, Break, Escort, Bali Shag and Tiedemanns. We strive to continuously build on this portfolio through our robust M&A strategy, to ensure we progress towards becoming a larger company.

PRODUCT CATEGORIES

Our handmade cigars are individually crafted at our sites in three of the world's most significant tobacco-growing countries: the Dominican Republic, Honduras and Nicaragua. Together with our partners on the ground in these locations, we meticulously care for the tobacco from first plantation through to the final transformation into a cigar itself. Whilst machine-rolled cigars mimic the handmade process, they produce a more diverse range of products by using smaller pieces of tobacco to deliver high quality cigars at affordable prices. The binder and wrapper (which both play a critical role in the formation of a cigar) for our machine-rolled cigars are produced in Indonesia, Sri Lanka and the Dominican Republic, with the production taking place in Belgium, Indonesia and the Dominican Republic. Smoking tobacco comprises pipe and fine-cut, and our pipe tobacco is produced at our site in Assens, Denmark, which remains one of the largest manufacturers of traditional pipe tobacco globally. Our fine-cut tobacco is manufactured at our sites in Holstebro, Denmark. Within NGPs, our oral pouches are produced in Europe (Sweden, Denmark and Poland), close to our largest active consumer base and our US-based hemp product is produced in-country.

OUR CONSUMERS

Our large and diverse consumer base is one of the reasons we strive to constantly expand and strengthen our portfolio. We value our consumers and understand that trends and tastes evolve and change, which is why we have built agility and adaptability into our business strategy - to consistently be our consumers' first choice. Our handmade cigars are created for our consumers who seek a high quality, luxurious smoking experience. Handmade cigars give the consumer a true moment of enjoyment lasting an extended period of time and

OUR BUSINESS

ALEC BRADLEY

Alec Bradley is a leading player in the premium cigar space. The brand stands for critically acclaimed cigars and the portfolio includes brands such as Prensado, Kintsugi, Alec Bradley Double Broadleaf, Fine and Rare, Black Market and others.

we understand this consumer tends to look for distinguishing characteristics. Our machine-rolled cigars provide a different and more cost-effective alternative for those wishing to enjoy the cigar experience. This reduced pricing structure makes them more accessible, which establishes a wider consumer base. These consumers tend to remain loyal to their preferred brand which lays the foundation for our factories to deliver high-quality value priced cigars consistently.

Our pipe and fine-cut tobacco consumers are more traditional in their rituals and in most cases, smoke frequently. These consumers show similar traits to our machine-rolled cigar consumers in that they demand consistency, quality and market availability, which are values we pride ourselves on.

Our NGP consumers fall into two main categories: those seeking alternatives to smoking and those who are multi-use consumers who enjoy products across different tobacco categories. The first type of consumer tends to show similar characteristics to those of machine-rolled cigars and fine-cut tobacco (frequent use, value priced products) and the multi-use consumer most commonly follows a ritualistic approach to their consumption and seek distinguishing characteristics that cannot be found elsewhere.

PATHWAY TO INNOVATION

Consumer demand for alternative products is rapidly growing, particularly within NGPs. These products will remain relevant and we aim to stay at the forefront of this category to engage and retain our multitude of consumers.

Many consumers use multiple types of tobacco and nicotine products, and the megatrends we are seeing across the globe, show that consumers are embracing smoke-free products more extensively. Throughout 2023, NGPs were further established within the Group's portfolio, which was developed using our extensive knowledge and strength within the industry. To support this strategic development, the Growth Incubator continues to ensure we remain relevant, competitive and evolve with our consumers' needs by researching opportunities outside our core categories to expand and diversify the new era of modern pleasure and ritualistic enjoyment.

Our entrance into the NGP category has provided an exciting opportunity to leverage our agility. Our consumer insights and our distribution capabilities to explore ways we can further embrace the dynamic consumer environment and develop our presence in a way that will complement our core categories. As market and consumer trends evolve, so do legislation and regulatory requirements. Scandinavian Tobacco Group boasts a long history of adaptability and responsible operations when it comes to the evolving regulatory environment. We place the utmost importance on ensuring we are compliant in every market in which we operate.

THE DIVISIONAL STRUCTURE

We are organised into 3 commercial divisions covering more than 100 countries.

The Europe Branded division 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 and Ireland. The Europe Branded division includes leading brands such as La Paz, Balmoral, Break, Panter, Mehari's and Signature.

North America Branded & Rest of World comprises the sale of all product categories to wholesalers and distributors that supply retail in North America (US and Canada) and Rest of World which includes Australia, Middle East, Africa, South America, Asia, European markets (where we do not have own sales organisations), Global Travel Retail and Contract Manufacturing and Accessories (CMA). The leading brands for this division include the world renowned Macanudo, Cohiba (US), CAO, Alec Bradley, Captain Black and Tiedemanns.

The North America Online & Retail division includes direct-to-consumer sales of all product categories sold via the online and catalogue channels, and numerous retail stores in North America. We have six major business units supplying our products to consumers, with the largest being Cigars International, which hosts about one million active customers. The business sells a wide range of well known national brands as well as strong private label brands created by the division, including Diesel, Mark Twain, Man O'War, Ave Maria and 5 Vegas.

STRATEGY

HERITAGE & TRANSFORMATION

Scandinavian Tobacco Group dates back to 1750 and was given its current company name in 2008, following the cigarette activity divestment of Skandinavisk Tobakskompagni A/S. Skandinavisk Tobakskompagni A/S was established in 1961 when the three Danish tobacco companies, Chr. Augustinus Fabrikker (founded in 1750), C.W. Obel (1787) and R. Færchs Fabrikker (1869) merged their tobacco activities.

Since 2009, the Group's net sales have almost quadrupled to approximately DKK 9 billion. In 2010, the combination of the cigar and pipe tobacco business of Swedish Match created the foundation for the Group's exisiting market-leading positions in cigars and smoking tobacco.

Growth has been achieved by a combination of organic net sales growth and multiple acquisitions, which have positioned mergers and acquisitions as a solid foundation of the Group's vision to become the undisputed and sustainable global leader in cigars.

In recent years, we have made a number of transactions that have created value for our shareholders which is reflected in improving profit margins, strengthening cashflows and contributing to topline growth of the business.

The Group is on a transformation journey, which will lead us towards our goal of being a truly global company with fully intergrated processes and capabilities. As we transform the business, we will add new categories in parallel with our core categories and become more consumer focused.

Since 2016, the Group has executed a number of optimisation and efficiency programmes to support the transformation journey.

NET SALES
2.4 DKKbn

- 2009
- 2010 Swedish Match
- 2011 Scandinavian Tobacco Group Lane
- 2013 Pipes and Cigars
- 2014 Verellen, Toraño
- 2018 Thompson Cigar, Peterson
- 2019 Dunhill
- 2020 Agio
- 2021
- 2022 Room 101 Farce
- 2023 Alec Bradley, XQS, La Perla Habana

NET SALES
8.7 DKKbn

RUBENCINDO VENTURA
With more than 26 years at Scandinavian Tobacco Group in Dominican Republic, Ruben leads the bulking process. He saves his cigars for the weekend, when he can enjoy them listening to boleros music or playing chess.

OUR VALUE CHAIN

As a tobacco company focused on the production of cigars, our value chain extends from tobacco fields across the globe to production sites on three continents into worldwide distribution networks. Consumers access our products both in retail and online stores (US only).*

1 SOURCING

Our tobacco leaves are responsibly sourced from farms globally, with a network of 5,000 suppliers.

- Tobacco leaves
- Non-tobacco materials; filters, flavours and casings

2 MANUFACTURING

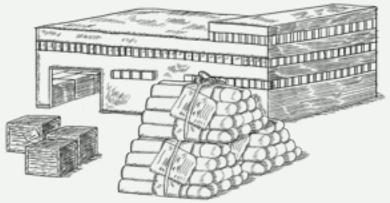
There are 12 global production sites.

- Smoking tobacco
- Cigars
- Semi-finished products

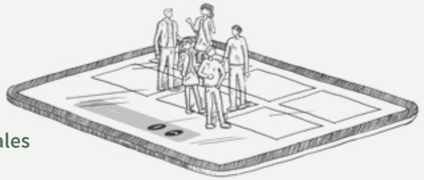
- Tobacco products
- Accessories

3 DISTRIBUTION & SALES

18 sales offices in North America and Europe, all of which follow our firmly established internal marketing principles.



- Third party distributors
- Wholesalers
- Retailers



Direct to consumers
- Online platforms
- Retail stores
- Catalogues & Tele-sales

4 CONSUMPTION

Large and diverse consumer base across the globe.

*Across the value chain, resources and energy are consumed, with waste being generated during manufacturing and other activities.

OUR VALUE CHAIN

1. SOURCING

Procurement engages with a vast network of over 5,000 suppliers, strategically sourcing goods and services worldwide. In 2023, the direct procurement team, responsible for the purchase of goods and services that are directly incorporated into a product being manufactured, engaged with suppliers from over 40 countries. Indirect procurement, responsible for purchasing all goods and services for a business to enable it to maintain and develop its operations, extended its reach to over 60 countries.

Agriculture and farming: tobacco

Scandinavian Tobacco Group does not engage significantly in tobacco farming, but instead procures tobacco from diverse suppliers, ranging from small farmers to multinational wholesalers. Operating globally, the Group has committed to building a responsible supply chain, recognising the potential risks associated with sourcing from regions that may have a high prevalence of child and forced labor. This commitment extends across all procurement activities. For more information see Responsible Supply Chain & Procurement section.

Non-tobacco materials (filters, flavours, and casings)

The Group also procures non-tobacco materials, including ingredients manufacturing and packaging materials, which are supplied globally.

Tobacco products & accessories

This segment includes contract manufacturing and sales from fire products and accessories (cutters, humidors and ashtrays), widely available internationally across the majority of markets.

2. OWN OPERATIONS – MANUFACTURING

- At the close of 2023, the global supply chain comprises 12 manufacturing sites. The Group endeavours to strategically place production sites close to both tobacco growers and consumers.
- Handmade cigars are individually crafted at sites: the Dominican Republic, Honduras and Nicaragua.
- The binder and wrapper (which both play a critical role in the formation of a cigar) for our machine-rolled cigars are produced in Indonesia, Sri Lanka and the Dominican Republic, and the automated cigar production takes place in Belgium, Indonesia and the Dominican Republic.
- Our pipe tobacco is produced at our site in Assens, Denmark and the facility remains one of the largest manufacturers of traditional pipe tobacco globally.
- Our fine-cut tobacco is manufactured at our sites in Holstebro, Denmark.

3. DISTRIBUTION & SALES

Distribution and logistics

The distribution mode differs across the value chain. Transportation of the tobacco leaves, non-tobacco materials, and accessories to the production sites, is done mainly via cargo ships. The same mode of transportation is being used for internal logistics between our factories, wholesalers and warehouses. In relation to its outbound logistics, the Group transports its products to the consumer, wholesalers, and third-party distributors predominantly using land freight (trucks).

Sales and marketing

Sales are conducted through a diversified global network including retail, online and catalogue sales. The Group sells its products and accessories to wholesalers, retailers, and consumers in more than 100 countries around the world via the Group's own sales companies and through third-party importers. In the US, the Group has a market leading position in handmade cigars, catalogue/internet sales and a growing retail presence, including brick-and-mortar shops.

In the US, Cigars International, distributes a significant number of catalogues on an annual basis, and is a fast-growing retailer and an industry leader in online and direct marketing of premium to value segmented handmade cigars and tobacco accessories.

4. CONSUMPTION

Our handmade cigars are created for our consumers who seek a high quality, luxurious smoking experience. These products are available globally, with the majority of consumers located in the US.

Our machine-rolled cigars provide a different and more cost-effective alternative for those wishing to enjoy the cigar experience. The majority of our machine rolled consumers are located in Europe.

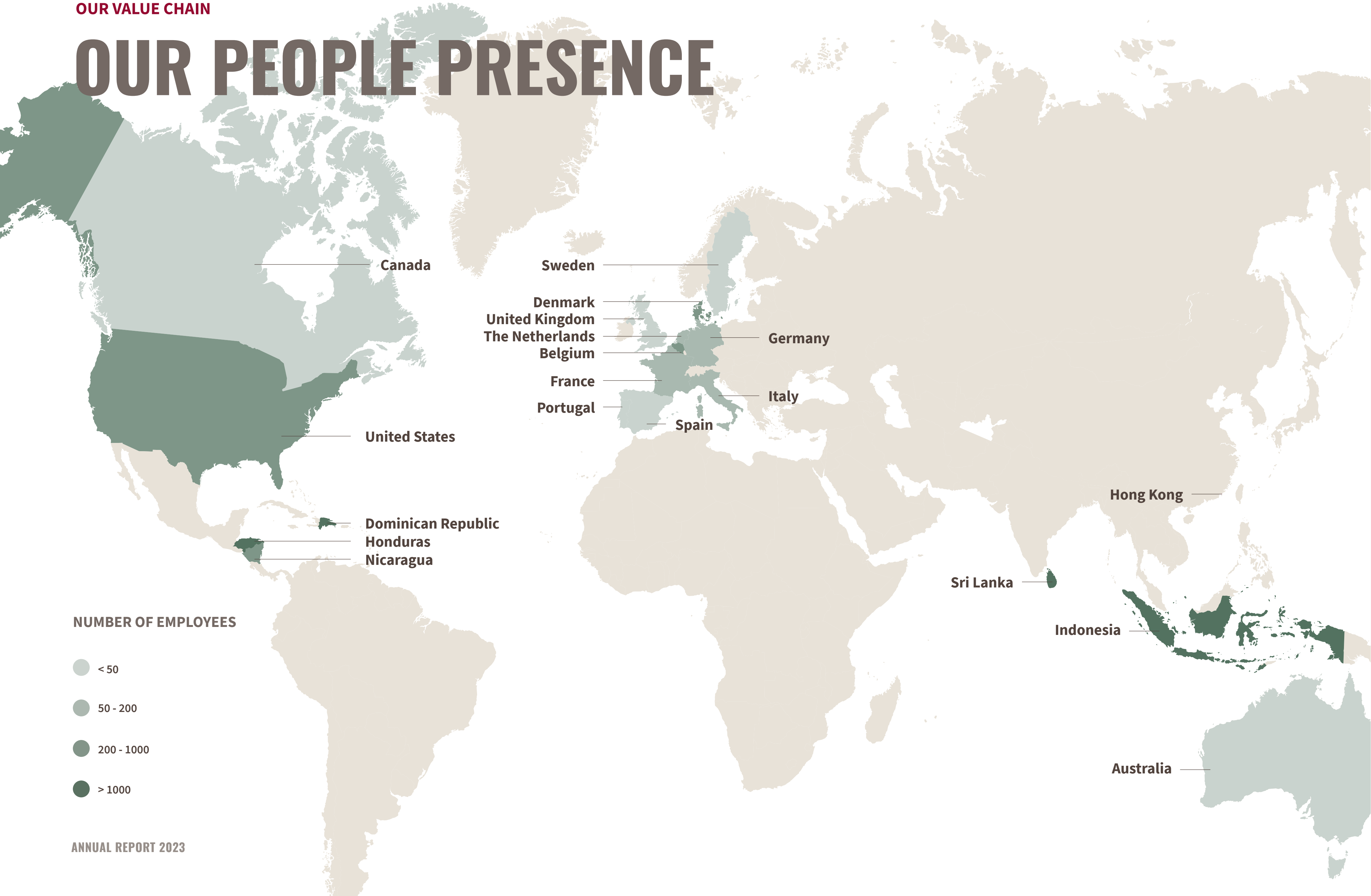
Our pipe and fine-cut tobacco consumers are more traditional in their rituals and, in most cases, smoke frequently, a frequency which differs consumer to consumer. Our pipe and fine-cut consumers are primarily located in Europe.

Our Next Generation Product consumers seek alternative products within the industry and show similar characteristics to machine-rolled cigar and fine-cut tobacco consumers. The majority of consumers for our NGPs are located in Scandinavia.

The map on page 15 shows the geographical breakdown by net sales for all products within the Group.

OUR VALUE CHAIN

OUR PEOPLE PRESENCE



NUMBER OF EMPLOYEES

- < 50
- 50 - 200
- 200 - 1000
- > 1000

NET SALES BY REGION

Americas

4.7 DKKbn

Europe

3.5 DKKbn

Rest of World

0.5 DKKbn

OUR VALUE CHAIN

OUR PRODUCTION

BALANCING MASS PRODUCTION & CRAFTSMANSHIP

Two operating models in core categories:

MACHINE-ROLLED CIGARS

- Machine made and distinct premium experience
- High volume
- Convenient and suitable for different occasions
- High level of automation, capital intensive
- Efficiency & excellence

HANDMADE CIGARS

- Craftsmanship and unique materials
- Low volume, high complexity
- Premium experience
- People and skills based, labor intensive
- Uncompromising quality and innovation

ROLLING TOWARDS 2025

Rolling Towards 2025 was launched in 2020 and provides the Group with its strategic direction for the five-year period. In 2022, the vision was updated to emphasise the importance of sustainability and our increased efforts. Our vision is to become the undisputed and sustainable global leader in cigars. This is ultimately supported by our ambition to become a larger company, grow EBITDA margin over time (subject to changes in business mix and acquisitions) and create outstanding cash generation to support our continued growth.

The strategy is based on six Must-Win Battles that we aim to have successfully delivered on by 2025, in order to improve our products, internal processes and the consumer experiences that really make a difference. These Must-Win Battles are supported by four enablers on IT and data infrastructure, efficient operations, and a steady intake of new talent into the Group while identifying new paths to growth.

We made good progress across multiple areas of the strategy throughout 2023 and edged closer to our vision. Within each of the Must-Win Battles, we launched, advanced and completed initiatives that have allowed us to continue the modernisation and the increased professionalism of the Group.

<table>
<tr><td>PURPOSE</td><td colspan="12">CRAFT THE RITUALS THAT MAKE US MORE</td></tr>
<tr><td>VISION</td><td colspan="12">BE THE UNDISPUTED & SUSTAINABLE GLOBAL LEADER IN CIGARS</td></tr>
<tr><td>AMBITION</td><td colspan="4">LARGER COMPANY</td><td colspan="4">GROWING EBITDA MARGIN</td><td colspan="4">OUTSTANDING CASH GENERATION</td></tr>
<tr><td>MUST-WIN BATTLES</td><td colspan="2">GROW OUR HANDMADE CIGAR BUSINESS</td><td colspan="2">DRIVE FUTURE PROFIT GROWTH IN MACHINE ROLLED CIGARS</td><td colspan="2">LEAD SUSTAINABILITY AGENDA IN CIGARS</td><td colspan="2">INTEGRATE NEW MERGERS AND ACQUISITIONS</td><td colspan="2">SIMPLIFY EVERYTHING WE DO</td><td colspan="2">EMBRACE A PERFORMANCE CULTURE</td></tr>
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GROW OUR HANDMADE CIGAR BUSINESS

DRIVE FUTURE PROFIT GROWTH IN MACHINE-ROLLED CIGARS

LEAD SUSTAINABILITY AGENDA IN CIGARS

INTEGRATE NEW MERGERS AND ACQUISITIONS

SIMPLIFY EVERYTHING WE DO

EMBRACE A PERFORMANCE CULTURE

MUST-WIN BATTLES

GROW OUR HANDMADE CIGAR BUSINESS

We aim to continuously grow our core handmade cigar business covering the full value chain from growing, to production and direct consumer engagement. We are driving growth across the business in the world's largest handmade cigar market, North America, as well as on a global scale.

Our ambition is to increase net sales and profits from the handmade cigar business through our unmatched portfolio of brands, and through our wholesellers/distributors, including the international market. We aim to achieve this by delivering growth in the category with increasing sales of proprietary handmade brands and by building brand equity for our top brands. We are expanding our presence both in the retail sales channel and in international markets, whilst simultaneously taking advantage of our best-in-class distribution capabilities and scale-benefits.

Three years into the five-year strategy plan we are well ahead of this Must-Win Battle and have acquired three new brands. In 2022, the boutique brand Room101 was added to the portfolio and in 2023, the Alec Bradley brand and La Perla Habana became part of the portfolio. In the past three years, six Superstores have been added to our retail network in the US to reach a total of ten retail stores. We have significantly expanded our international presence through the opening of brand-specific bars/lounges and by delivering double digit net sales growth three years in a row. The total contribution to net sales and gross profits from handmade cigars to group financial performance has been an increase of 6% in net sales and 9% in gross profit, since 2020. As expected, the profit contribution declined in 2023 after the very strong contribution from the pandemic in 2020 and 2021.

DRIVE FUTURE PROFIT GROWTH IN MACHINE-ROLLED CIGARS

We want to drive sustainable profit growth in machine-rolled cigars by leveraging our market leading positions across Europe and by refining our price management capabilities. We will simplify our portfolio to drive efficiencies, while staying relevant and competitive in the eyes of our consumers. This approach is not only about growing in market share or net sales, but ensuring profits are sustainable for many years to come.

Our key focus points are to maintain or increase annual net sales of machine-rolled cigars, continue to demonstrate disciplined and smart pricing to increase profit margins, and to simplify the product portfolio by reducing the number of Stock Keeping Units (SKUs) and brands. We will continue to acquire, merge and integrate strategic brands that align with the vision to become the undisputed and sustainable global leader in cigars, conditional of creating value for our stakeholders.

During the first three years of the strategy plan, we have refined our pricing capabilities and managed to offset structural volume decline, despite a set-back during the second half of 2023. We have integrated Agio Cigars, which was acquired in 2020 and realised significant cost synergies throughout the integration process as well as the acquisition of the Italian niche player MOSI.

The total contribution to net sales and gross profits from machine-rolled cigars to group financial performance has been an increase of 3% in net sales and by 8% in gross profit since 2020.

LEAD SUSTAINABILITY AGENDA IN CIGARS

We strive to craft a better tomorrow by elevating our communities and anchoring climate action in our corporate culture. Our ambition to achieve this is rooted in our sustainability agenda – Rolling Responsibly - an integral part of Rolling Towards 2025. Rolling Responsibly covers two strategic pillars: "Net-zero along the journey of the leaf" and "Sustainable community pioneers".

In 2023, we executed on three priorities to deliver on Rolling Responsibly. This included preparation to meet regulatory compliance demands set forth by the Corporate Sustainability Reporting Directive (CSRD), reaching our targets on climate as defined in our Science Based Targets initiative (SBTi) commitments and embedding sustainability into key business processes. We made good progress across all priorities. The Group conducted a Double Materiality Assessment (DMA)

MUST-WIN BATTLES

and is now incorporating the quantitative and qualitative aspects into the material topic workstreams and preparing for data gathering to comply with the CSRD. Further, we have gathered data and analysed Scope 3 emissions and have now set the baseline for measuring these going forward.

INTEGRATE NEW MERGERS AND ACQUISITIONS

M&A has been an instrumental part of the financial performance for the Group since 2010. We will continue to explore different opportunities to grow the business, strengthen our market-leading portfolio and leverage our costs through successful mergers and acquisitions. We aim to continue building capabilities to successfully integrate new acquisitions. The key focus points are to realise synergies fast and to ensure acquisitions improve Group Return On Invested Capital (ROIC).

Since 2020, we have completed six acquisitions with a total purchase value of about DKK 2.0 billion (Agio Cigars, Alec Bradley, Room101, MOSI, XQS and La Perla Habana). We have shown an ability to integrate all acquisitions fast to extract value from near-term cost synergies and/or by strengthening long-term brand values.

In February 2023, we announced the acquisition of the Alec Bradley cigar business, a leading player in the premium cigar market in the US. In May 2023, we acquired XQS, an oral pouch brand with a strong presence in the Sweden. In October 2023, we acquired a niche handmade cigar brand in the US called La Perla Habana which adds to our exclusive portfolio of brands in the online and retail business.

SIMPLIFY EVERYTHING WE DO

We aim to reduce complexities and make it easier to drive the business by simplifying portfolios, operations and back-office functions. We will continue to simplify our IT infrastructure, increase digitalisation across the value chain, streamline the supply chain and establish simpler and more efficient distribution. Our key focus points are to build lean and efficient product portfolios through a reduction of SKUs and brands, and to increase digitalisation throughout the Group.

The most significant enabler for simplifying our business is the transformation from our current multiple ERP system landscape into one (SAP S/4HANA Cloud) system. This transformation is expected to be fully implemented around year end 2025. We have made good progress during 2023, with the first Go-Live executed in Denmark and Sweden. The second wave of the Go-Live implementation is planned for 2024 and will include our factories in Belgium.

The total investment is still expected to reach DKK 600-700 million with identified annual benefits estimated at DKK 150-250 million when fully implemented.

In 2022, we invested in a new AutoStore warehouse facility in Bethlehem, US, which has improved efficiency significantly and contributed to a margin expansion in our online and retail business during 2023.

EMBRACE A PERFORMANCE CULTURE

We aim to continuously move in the right direction by embracing a performance culture with a strong focus on learning and development in our appraisals and everyday life, allowing improvements for the company and individual employees.

Our key focus points are to position Scandinavian Tobacco Group as an attractive employer for international talent, to build competencies across the workforce, to increase efficiency and to further develop our leadership skills.

In 2023, we continued to strengthen the organisation from both a people and competency perspective, through talent acquisition and numerous training courses. We continue to strengthen the execution and functional capabilities required for us to succeed in delivering on our ambition.

→ Leaves are inspected individually for colour and condition, in order to maintain the quality and consistency of our premium brands.

STRENGTHENING OUR SUSTAINABILITY AGENDA

In 2023, we conducted a Double Materiality Assessment (DMA) with reference to the Corporate Sustainability Reporting Directive (CSRD), and updated the Sustainability Agenda and priorities accordingly.

The Sustainability Agenda is strategically centered on what we deem as crucial to advance our commitment to crafting a better tomorrow. Environmentally, our focus is to reduce our carbon emissions and initiate work towards a circular economy. Socially, we prioritise diversity and inclusion in our workforce and zero tolerance towards child and forced labour. Governance is essential to Rolling Responsibly and we focus on strong corporate ethics, transparent reporting and implementing inclusive workforce practices. Our Sustainability Centre of Excellence and responsibility towards the supply chain and consumers, make up our governance enablers.

This integrated approach reinforces our dedication to uplifting communities and instilling a climate-conscious culture throughout our business.

ROLLING RESPONSIBLY

ASPIRATION

WE CRAFT A BETTER TOMORROW - BY ELEVATING OUR COMMUNITIES AND ANCHORING CLIMATE ACTION IN OUR CULTURE

SUSTAINABILITY PRIORITIES

ENVIRONMENT

NET-ZERO ALONG THE JOURNEY OF THE LEAF

- Address climate change
- Resource use efficiency & advancement in circular economy

SOCIAL

SUSTAINABLE COMMUNITY PIONEERS

- Diversity, inclusion & employee development
- Impact for workers in the value chain
- Anti-child & forced labour
- Consumers' health and safety

KEY ENABLERS

GOVERNANCE

- Strong corporate ethics
- Sustainability Center of Excellence
- Transparent reporting
- Automated efficient data systems
- An inclusive employee experience
- Responsible supply chain and procurement
- Responsibility towards the consumer

PRIORITIES

Rolling Responsibly consists of three imperative focal points to steer our sustainable practices forward.

Our commitment to prepare diligently to meet the evolving landscape of regulatory demands, notably addressing the CSRD.

Actively engaging with the Carbon Disclosure Project and the Science Based Targets initiative (SBTi), emphasising a strong commitment to reaching carbon reduction targets.

As a core principle, we aim to embed sustainability into our day-to-day business processes, ensuring that environmental and social considerations are integral to our strategic operations.

	2023 ACCOMPLISHMENTS			2024 PLAN		
PRIORITIES	**ENVIRONMENT**	**SOCIAL**	**GOVERNANCE**	**ENVIRONMENT**	**SOCIAL**	**GOVERNANCE**
COMPLIANCE Prepare to meet regulatory compliance demands of CSRD	• Drove and conducted a Double Materiality Assessment withe reference to CSRD • Strengthened process for ESG data collection • Matured ESG data reporting to match upcoming CSRD requirements			• Achieve limited assurance on 2024 data • Ensure integrated annual report is fully compliant with reporting requirements • Develop a plan for Corporate Sustainability Due Diligence Directive (CSDDD) compliance		
REACH SCIENCE COMMITMENTS CDP & SBTi	• Achieved 4.3% year on year carbon reductions on Scope 1 and Scope 2 • Performed analysis on the 15 Scope 3 categories and created baseline year of 2022 (subject to final validation) • Filed CDP for Climate and Water			• SBTi targets to be submitted May 2024 (all 3 scopes) • Deliver on Scope 1, 2 & 3 targets • Improve CDP score for filed Climate & Water • Further analysed water and biodiversity in relation to DMA • Engage on sustainability with suppliers		
EMBED SUSTAINABILITY INTO OUR WORK Ensure sustainability aspects are included in our business processes	• Site managers implemented more sustainable solutions • Created a predictive model for determining future Scope 1 and 2 initiatives • Included questions regarding sustainable solutions in consumer insight surveys	• Site visits and surveys performed to establish lighthouse initiatives for own workforce in our communities • Policies updated and rolled-out for Diversity & Inclusion (D&I) • Trained global D&I ambassadors • Buyers educated on Anti-Child and Forced Labour	• Policies updated and rolled-out: Procurement, Code of Conduct, Data ethics • Rolled out Whistleblower awareness campaign • Began roll out Code of Conduct training • Joined Sustainable Tobacco Program (STP) • Updated Project Management business case with sustainability aspects	• Commence resource use & circular economy workstream with cross-functional involvement (packaging, Design To Value & NPD, brand marketing) • Scope 3 education and roll-out to relevant colleagues in organisation to encourage better business continuity decisions	• Continue embedding D&I into all HR processes • Roll out community ambassador group by training them in D&I aspects (including allyship, unconscious bias) • Roll out lighthouse initiatives at production sites	• Embed financial DMA in Enterprise Risk Management • Continue roll-out of updated policies • Kick off procurement workstream with focus on due diligence, also through STP • Update M&A process to screen for sustainability

GROWTH ENABLERS

Three growth enablers have been identified as opportunities - that although currently represent a small proportion of the Group's overall net sales - have significant potential to add growth to both net sales and earnings. Two of these growth enablers relate to our core cigar business and one to our NGP portfolio.

We will remain primarily a cigar company as reflected in our vision, but in parallel, it is critical to continue growing toward becoming a larger company, with increased involvement in new and emerging categories.

CONTINUOUS RETAIL EXPANSION IN US

Geographic growth of cigar Superstores across US

STRATEGY AND AMBITION

- Geographic expansion to grow the size of the company and contribute to ongoing shareholder value
- Deliver valuable contributions to the Group's financial performance

CURRENT STATUS

- 9 Superstores opened to date
- 3 more Superstores planned for 2024
- Each store has become an important part of both NAOR and Group net sales and growth

INTERNATIONAL GROWTH (HANDMADE CIGARS)

Strengthen our consumer orientation on a global scale

STRATEGY AND AMBITION

- Grow net sales, increase market share
- Increase category profitability by increasing sales of proprietary handmade brands and building brand equity for top brands

CURRENT STATUS

- Increased volume and net sales
- Competitive landscape offers exciting opportunities for expansion through:
  - Branding
  - Distribution
  - Lounge openings
- Innovation pipeline poised for a strong start in 2024

DEVELOPMENT OF NGPS IN KEY MARKETS

Adapt to consumer demands and diversifying our portfolio

STRATEGY AND AMBITION

- Grow size of company via portfolio diversification and create shareholder value through profit
- Contribute to the Group's financial performance, with strong sales growth expected in the short-term

CURRENT STATUS

- 4 different products to date, across 4 countries:
  - 2 Modern Whites (no tobacco, with nicotine) Sweden & UK
  - 1 Modern Active (no tobacco, no nicotine) Denmark
  - 1 Hemp product (no tobacco, no nicotine) US
- Recent XQS acquisition to propel the Group's white pouch presence in Sweden
- Additional markets are being considered

→ Our more distinguished connoisseurs know what they like and generally choose quality over quantity. They are not afraid to experiment in their search for the perfect ritual.

FINANCIAL PERFORMANCE

COMMERCIAL DIVISIONS

EUROPE BRANDED

33%

SHARE OF GROUP NET SALES

NORTH AMERICA BRANDED & REST OF WORLD

35%

SHARE OF GROUP NET SALES

NORTH AMERICA ONLINE & RETAIL

32%

SHARE OF GROUP NET SALES

DIVISIONAL SALES BY CATEGORY

4% HANDMADE CIGARS

73% MACHINE-ROLLED CIGARS

19% SMOKING TOBACCO

4% OTHER

EUROPE BRANDED

Division Europe Branded (EUB) comprises sale of all product categories to wholesalers, distributors and direct to retail in Germany, Denmark, Sweden, France, Italy, Belgium, the Netherlands, Luxembourg, Spain, Portugal, the UK and Ireland. Europe Branded accounts for about 33% of Group net sales with almost three quarters of its business within machine-rolled cigars. The division holds a strong brand portfolio of machine-rolled cigars and with a combined market share of close to 30% in core markets, is the leader in Europe.

The ambition for EUB is to deliver sustainable net sales and improving EBITDA margins. We aim to deliver on this through our strong market positions, brand leadership and our proven ability to drive efficiency improvements, as well as the ability to integrate acquisitions strategically. In 2023, EUB continued to build upon the four strategic priorities that will drive long-term sustainable profit growth in the machine-rolled cigar category: accelerate pricing, simplify portfolio, win in winning segments and win key customers. In the coming years, the division will leverage its leading positions to build pricing capabilities to offset declining market trends and negative mix developments.

We will simplify the product portfolio with fewer and stronger brands, focus on the pockets of growth in our categories to win where we are already strong, and reach a wider consumer base through our investments in NGPs.

STRENGTHENING AND DIVERSIFYING THE PORTFOLIO

Consumer trends and demands for alternative products in the NGP category are rapidly increasing, with consumers often developing a diverse repertoire of products across multiple categories without compromising on quality and taste.

Whilst handmade and machine-rolled cigars remain a core product within EUB, Modern Whites (no tobacco, with nicotine) have significantly grown within the Swedish market of the division, further highlighting the need to diversify our portfolio to meet consumer demands.

The Group's acquisition of the XQS brand (a leading Modern Whites brand in Sweden) coupled with our own brand STRÖM, has set the foundation for strong expansion and development within this category. To date, both brands continue to grow and during 2023, the marketshare for our brands in Sweden reached almost 4%.

EUROPE BRANDED

BRANDS AND INNOVATION

Our strong portfolio of machine-rolled cigar brands covers all meaningful segments in Europe including taste and price segments for different consumer needs. Our extensive portfolio is divided into Global Strategic Brands, Regional Strategic Brands and Other Brands. Global Strategic Brands include Signature, La Paz, Mehari's, Balmoral and Panter. Examples of Local Strategic Brands include Gold, Mercator, Henri Wintermans, Moments and many more.

Innovation has played a key part in the ongoing strategy to optimise shelf layout, streamline choices for our consumers as well as the ability to build upon our existing premium brands. One successful example of this is the launch of the brand new, super slim Signature cigarillo called "Silhouette" which offered consumers in Europe a product with a flavoured, smooth tasting smoking experience.

FOCUS ON PROFIT GROWTH

The division is primarily focused on growing profit and increasing market share by improving availability across our markets to reach a broader range of consumers. This is being achieved by:

- Strategic pricing initiatives
- Expansion in winning segments by focusing on new pockets of growth
- Better availability of our assortment through strong customer relationships and improved customer experience both on and offline
- Investment in people, their capabilities and knowledgeable resources to drive results
- Investment in NGPs to evolve with consumer demands and trends to diversify and strengthen the portfolio whilst remaining relevant to the wider consumer base across Europe.

CONSUMER PROFILE – MACHINE-ROLLED CIGARS

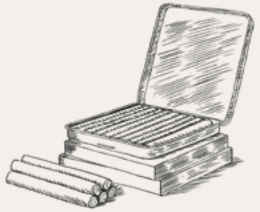
Most consumers of machine-rolled cigars are either former cigarette smokers or multi-users of cigarettes, cigars and alternative products. This implies that machine-rolled cigars are typically enjoyed by mature consumers with a range of different interests and personalities, who seek brands and products reflecting these qualities. Consumption of machine-rolled cigars has declined slightly each year, with the value-for-money and mainstream segments gaining share from the premium segment of the market. We have strong positions across all price segments of the market (super premium, premium, mainstream and value-for-money) ensuring competitiveness.

CONSUMER SPOTLIGHT

The "Sensory & Indulgence" consumer is the driving force behind continually higher expectations of quality, variety and immersive consumption experiences. They do not compromise on the taste of their comforting indulgences.

To ensure we evolve with this consumer, we focus on innovation to improve sensory exploration with the flexibility to cater to developing preferences of taste, aroma, and filter.

MOST POPULAR PRODUCT



SIGNATURE

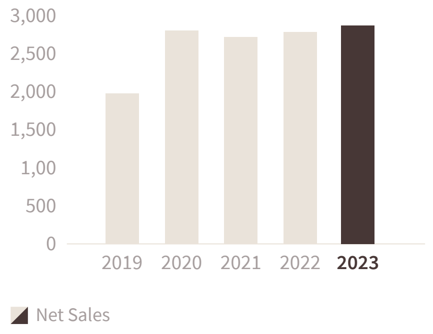
KEY BRANDS

La Paz, Panter, Mehari's, Signature

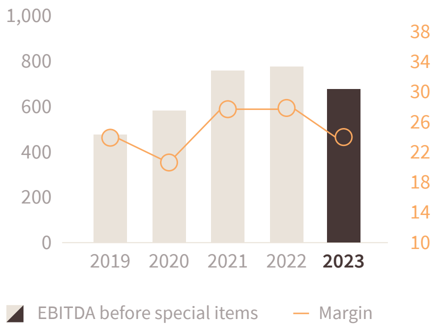
KEY CIGAR MARKETS

EUROPE BRANDED

NET SALES



EBITDA BEFORE SPECIAL ITEMS



Net sales in the division increased by 2.6% to DKK 2,863 million with a 1.8% organic net sales growth. EBITDA before special items decreased to DKK 683 million with an EBITDA margin before special items of 23.8% (27.7%).

The organic growth in net sales was driven by the product categories NGPs, smoking tobacco and handmade cigars. Machine-rolled cigars, the largest product category in the division, declined almost 2%.

By markets, the organic growth in net sales was driven by Sweden (NGPs) and Germany (smoking tobacco), partly offset by negative growth in France (machine rolled cigars) and Denmark (smoking tobacco). All other markets delivered stable organic net sales compared to 2022.

The EBITDA margin declined to 23.8% (27.7%), mostly driven by a lower gross margin, which was impacted by changes in product and market mix. Pricing remained robust. The OPEX-ratio increased by almost 1 percentage point to 27.6% driven by market investments.

The total volume market for MRCs in our key markets decreased by about 3% in 2023, with our market share decreasing to 29.9% from 31.0% in 2022. The decline in our market share partly reflects changes in market and category mix with two of our core markets declining more than the average.

DKK million	2023	2022
Net sales	2,863	2,790
Gross profit before special items	1,474	1,511
EBITDA before special items	683	772
Net sales growth	2.6%	2.0%
Organic net sales growth	1.8%	0.1%
Gross margin before special items	51.5%	54.2%
EBITDA margin before special items	23.8%	27.7%

→ The “Sensory & Indulgence” consumer demands quality, variety and immersive consumption experiences.

DIVISIONAL SALES BY CATEGORY

30% HANDMADE CIGARS

26% MACHINE-ROLLED CIGARS

21% SMOKING TOBACCO

23% CONTRACT MANUFACTURING & ACCESSORIES

NORTH AMERICA BRANDED & REST OF WORLD

North America Branded & Rest of World (NABROW) comprises the sale of all product categories to wholesalers and distributors that supply retail in North America (US and Canada) and Rest of World which includes Australia, Middle East, Africa, South America, Asia, European markets (where we do not have own sales organisations), Global Travel Retail and Contract Manufacturing and Accessories (CMA). In 2023, the division accounted for 35% of Group net sales and accounted for more than 50% of Group EBITDA before special items. The divisional net sales split between North America and Rest of World was roughly 55/45 with the most important markets in Rest of World being the Nordics and Australia.

The category split in the division was fairly even between the product categories handmade cigars, machine-rolled cigars, smoking tobacco and contract manufacturing & accessories. The NABROW division also manages the Growth Incubator team which in 2023, successfully launched its third brand, !act in Denmark (next to Versa and STRÖM). !act is a Modern Actives product (no nicotine, no tobacco) and provides energy through caffeine.

The Growth Incubator also expanded its NGP portfolio by successfully acquiring XQS, a prominent white pouch brand in Sweden. The Group is considering additional markets for both XQS and STRÖM in order to develop a stronger presence within this fast-growing category.

Our unrivalled handmade cigar portfolio in the US includes leading brands. These brands make us a leading player in the fragmented US market for handmade cigars, in combination with exclusive brands sold via our online platforms.

North America Branded sells cigars to consumers through all leading online platforms and retailers in the market. The divisional long-term path is focused on three priorities: accelerate net sales of handmade cigars globally, deliver sustainable growth in EBITDA and further pursue growth opportunities. These priorities are continuously being developed and several workstreams saw a successful outcome during 2023. Forged Cigar Company (an independent national cigar distribution salesforce for optimising our reach, and increasing focus on individual brands in our handmade cigars portfolio), expanded considerably, which resulted in high growth rates in the retail channel.

NORTH AMERICA BRANDED & REST OF WORLD

BRANDS

Our portfolio of handmade cigars covers all segments in the US and the international markets. Super exclusive brands include Cohiba (US) and Silencio, premium brands have CAO, Punch and Macanudo, and Don Tomas and Diesel are primarily considered as mainstream brands.

FOCUS ON COHIBA (US) & SILENCIO

Handcrafted in the Dominican Republic, Nicaragua, Honduras and the US, Cohiba cigars (US) are critically acclaimed for their meticulous construction and the refined smoking experiences they provide. Cohiba cigars (US) are branded as Silencio in the Rest of World market and are made from the finest, hand-selected, aged tobacco and have become synonymous with extravagant taste – which appeal to our high-end consumers.

As the brand strengthens, it provides opportunities to partner with world renowned businesses and leverage the success of these brands to create new landscapes for our consumers and cigar connoisseurs. In 2023, we launched the “Cohiba Experience” – the first of its kind – an exclusive cigar lounge, in partnership with the Ritz-Carlton in California. The cigar lounge will provide memorable smoking experiences for those high-end consumers and deepens the consumers’ affinity to the brand.

INTERNATIONAL EXPANSION OF HANDMADE CIGARS

We are focused on strengthening our consumer orientation on a global scale in order to increase market share, grow net sales and increase the category’s profitability. Throughout 2023, there has been a shift in the international market due to the high pricing and lower availability of cigars. This presented a great opportunity to bolster our expansion efforts through branding, distribution and lounge openings. This focus on international expansion illustrates the Group’s strength of scalability, manufacturing, marketing and strong distribution capabilities. The growth seen to date is a result of playing off these core strengths, whilst simultaneously differentiating the products to deliver on the international consumer’s demands in taste, size and packaging.

CONSUMER PROFILE

The premium cigar segment targets consumers who are after prestige, distinction and exclusivity. We strive to connect with these consumers by creating limited additions within our premium and high quality products, unique experiences through our lounges and clubs, and collaborations with high-end brands within adjacent categories that help deepen the consumer’s connection to the lifestyle. Ultimately, we endeavour to create moments of great enjoyment on a multitude of levels for our premium cigar consumer.

SEAN'S CIGAR RITUAL

The perfect job for a long-time cigar lover, Sean travels the world extensively hosting events, teach-ins, pairings and promoting the brand to cigar enthusiasts globally.

Sean loves music of all varieties and is an avid chess player, who loves to cook. Sean tailors his smoking experience not only to his food, but to his choice of wine or spirit that shapes the type of cigar he chooses for the exceptional smoking journey – often pairing a rich and complex bourbon with a Cohiba Riviera, a three-country, meticulously chosen blend that invites you to savour life's moments.

→ **Sean Williams**
Originally from New Orleans, now based in Atlanta, Georgia, Sean is Scandinavian Tobacco Group’s ambassador for the premium Cohiba/Silencio brand.

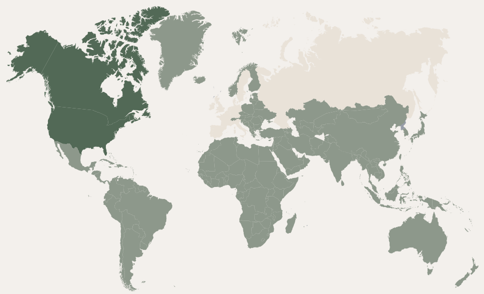
MOST POPULAR PRODUCT

COHIBA

KEY BRANDS

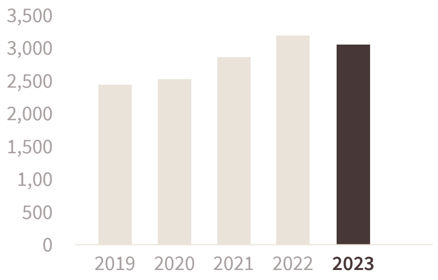
PUNCH, TIEDEMANNS, MACANUDO, COHIBA, CAO, Captain Black

KEY MARKETS

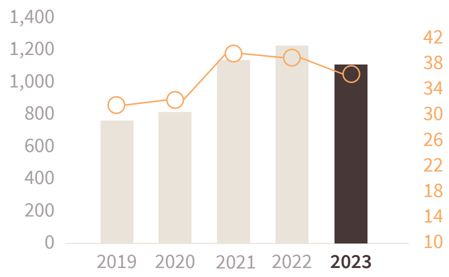


NORTH AMERICA BRANDED & REST OF WORLD

NET SALES



EBITDA BEFORE SPECIAL ITEMS



Net sales decreased by 4.7% to DKK 3,044 million comprised of a negative organic net sales growth of 4.7% with a positive impact from acquisitions being offset by exchange rate developments. EBITDA before special items decreased to DKK 1,104 million with an EBITDA margin before special items of 36.3% (38.4%).

The negative organic growth in net sales was partly driven by a one time sale of inventory in 2022 following the change of distribution model in Australia. It was also driven by lower sales of handmade cigars in the US and post-pandemic smoking tobacco sales in Norway. Handmade cigars to international markets continued its double digit growth.

The market for handmade cigars in the US continued to contract in 2023 (by an estimated 5-6% in volume) following the exceptional expansion during the pandemic. Measured by distribution channel online has gained share against offline distribution although the balance remained below pre-pandemic levels.

The EBITDA margin declined to 36.3% (38.4%) primarily as a result in the increase of the OPEX-ratio to 16.9% (14.8%). This development is mainly explained by investments in our Growth Incubator and International Sales teams. Pricing within most product categories remains strong, including handmade cigars in the US.

DKK million	2023	2022
Net sales	3,044	3,194
Gross profit before special items	1,606	1,698
EBITDA before special items	1,104	1,226
Net sales growth	-4.7%	11.0%
Organic net sales growth	-4.7%	3.1%
Gross margin before special items	52.8%	53.2%
EBITDA margin before special items	36.3%	38.4%

→ Sean's life forever changed when he enjoyed his first cigar on New Years Eve, 19 years ago. Since then, one of his most treasured rituals is his morning café Cubano and a Cohiba Connecticut – a cigar catering to a broader range of palates while maintaining the brand's commitment to excellence and sophistication.

NORTH AMERICA ONLINE & RETAIL

Division North America Online & Retail (NAOR) is an agile, omni-channel business with a proven ability to engage and retain handmade cigar consumers, build brands and remain on pace with industry competitors. The division includes direct-to-consumer sales of all product categories sold via online, retail stores and contact centres in North America. NAOR distributes brands from the Group's own branded business NABROW, as well as brands from other major brand owners in the US market, reinforcing the division's strong distribution capabilities. Furthermore, NAOR markets and distributes a selection of exclusive brands like Diesel and 5 Vegas. Our business-to-consumer business is divided by online/catalogue with 91% of net sales in 2023 and our fast-growing retail business with 9% of net sales. Handmade cigars are by far the largest product category distributed and sold through NAOR.

The division comprises nine brick-and-mortar cigar Superstores in Pennsylvania (2), Texas (5) and Florida (2) and six online business units each uniquely positioned towards a specific consumer group. The six online platforms hold a market leading position, measured by volume share of the US online market. The main KPIs for the online business are number of active customers, the retention rate and the average spend per customer.

Growth in NAOR will come from investments in consumer insights and the expansion of the brick-and-mortar retail channel to benefit the handmade cigar category. Consumer insights aim to grow the number of active consumers, improve retention rates and consumer value over time, paving the way for the online channel to deliver long-term sales growth.

OUR DIRECT-TO-CONSUMER BUSINESSES

As the leading internet retailer for cigars in the US, our online business includes website platforms which are uniquely positioned in the market tailored to target consumers with different purchasing preferences.

FOCUS ON RETAIL EXPANSION

One of the Group's key growth enablers is the geographic expansion of cigar Superstores in the US. In 2023, the Group opened two new stores in the greater Houston area of Texas (Katy and Conroe), which are already operating profitably. In total, the Group has opened nine Superstores, all of which have become an important part of both NAOR and Group net sales and growth. The Group plans to open three more stores in 2024.

DIVISIONAL SALES BY CATEGORY

81% HANDMADE CIGARS

5% MACHINE-ROLLED CIGARS

3% SMOKING TOBACCO

11% OTHER

NORTH AMERICA ONLINE & RETAIL

DISTRIBUTION CAPABILITIES

NAOR's distribution capabilities provide a competitive advantage through proprietary and private label offerings, strategic pricing, analytics and consumer personalisation, which differentiate the online platforms and retail stores.

Our assortment of higher-margin, proprietary and private label offerings differentiate the online platforms and retail stores. Private label offerings and brands created with strategic partners help to drive new consumer interest in adjacent categories. In 2023, we continued our partnership with spirits industry giant Sazerac* with several key product launches, but most notably, the highly anticipated launch of our 4th collaboration with their whiskey brands with an E.H. Taylor*-branded cigar. Additionally, other key product launches include the expansion of Fireball* cigars and the addition of a cigarillo line to the top-selling Buffalo Trace* brand.

The US distribution center in Bethlehem, Pennsylvania, relies on an innovative automation platform by Toyota called AutoStore, which fulfills orders and manages inventory utilising robots. Since its implementation, AutoStore has shifted operations from a labour-intensive model to one that is faster, more accurate and more efficient with the ability to scale. The solution has also reduced the cost to serve, taking the Group's US distribution capabilities to the next level.

NAOR's sophisticated distribution model, ecommerce expertise and ability to operate in a regulated industry contributed to a third party International awarding NAOR with the direct-to-consumer ecommerce website hosting and distribution of nicotine pouches. As part of this strategic partnership, NAOR's intelligence team collects valuable insights on the consumer's journey adding value to both sides of the partnership.

In October 2023, NAOR completed an important acquisition with the purchase of La Perla Habana, a highly regarded cigar brand that has carved out a niche in the value segment. As a proprietary offering sold primarily through Cigars International, La Perla Habana has 15 distinct, handcrafted product lines for value-for-money cigars, which are expected join the likes of 5 Vegas and Man O' War as a top-tier champion brand that serves as a strategic differentiator for our online and retail business in a competitive market, capturing the segment at an above-average margin.

*Used under license

CONSUMER SPOTLIGHT

One of the key consumers of the NAOR division is the "Steadfast" cigar enthusiast. This type of consumer represents an older smoker who is firmly set in their ways, with a passionate commitment to their favourite brands.

Although this consumer is slow to adopt new products, they are an everyday smoker who jumps at the opportunity to purchase their favourite brands at discounted prices online for home enjoyment.

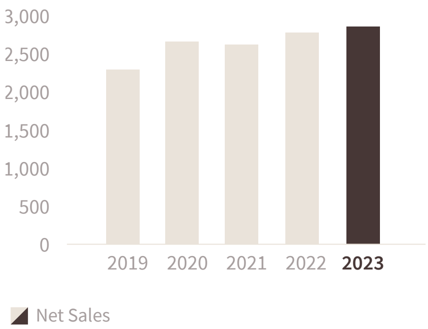
MOST POPULAR PRODUCT

KEY BRANDS

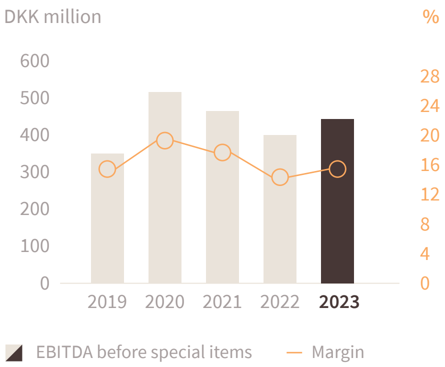
OUR ONLINE STORES

NORTH AMERICA ONLINE & RETAIL

NET SALES



EBITDA BEFORE SPECIAL ITEMS



Net sales increased by 1.7% to DKK 2,824 million comprised of a 4.8% organic net sales growth and a negative exchange rate effect of almost 3%. EBITDA before special items was DKK 443 million with an EBITDA margin before special items of 15.7% (14.5%). The organic net sales development was driven by an increase in both the online distribution channel and by continued growth in the retail channel. The proportion of divisional net sales in our retail business increased to about 9% for the year from about 8% in 2022.

The online channel continued to experience a decline in the active customer base, however stabilising by the end of the year. The overall market decline in the consumption of handmade cigars continued. The average order value increased, but the prevailing competitive situation continues to put pressure on overall pricing. The distribution of third party NGPs increased significantly during the year.

Retail continues to deliver good growth driven by the opening of new Superstores during the past two years.

The EBITDA margin increased, primarily driven by a lower OPEX-ratio with the gross margin being stable at 39.8% (39.5%). The decrease in the OPEX-ratio reflects scale benefits of increasing volumes as well as impacts from general cost efficiencies and the implementation of the AutoStore warehouse facility.

DKK million	2023	2022
Net sales	2,824	2,778
Gross profit before special items	1,124	1,098
EBITDA before special items	443	403
Net sales growth	1.7%	6.0%
Organic net sales growth	4.8%	-6.1%
Gross margin before special items	39.8%	39.5%
EBITDA margin before special items	15.7%	14.5%

GROUP FINANCIAL REVIEW

NET SALES

Net sales decreased by 0.4% to DKK 8,731 million (DKK 8,762 million) driven by a negative exchange rate developments of 2.4% partly offset by impact from acquisitions of 1.7% and positive organic growth in net sales of 0.3%. Organic net sales were primarily driven by North America Online & Retail and Europe Branded partly offset by negative organic growth in North America Branded & Rest of World. The Americas remained our largest market and grew its share of Group net sales to 54.4%. Europe and Rest of World accounted for 39.6% and 6.0% respectively.

GROSS PROFIT

Gross profit before special items decreased by 2.4% to DKK 4,204 million (DKK 4,307 million). The decrease was driven by a negative currency impact of DKK 113 million and the development in net sales partly offset by a positive contribution from acquisitions of DKK 80 million. Organic gross profit decreased by 1.6%. Gross margin before special items decreased by 1 percentage point to 48.2% (49.2%) primarily driven by mix changes.

OPERATING EXPENSES (OPEX)

OPEX before special items increased by 3.6% to DKK 2,111 million (DKK 2,037 million). Organic OPEX increased by 2.7% to DKK 2,140 million (DKK 2,083 million). The OPEX-ratio increased to 24.2% from 23.3% in 2022. The OPEX-ratio was driven by market investments in Europe Branded as well as investments in our Growth Incubator and International Sales teams. This was partly offset by a lower OPEX ratio in North America Online & Retail reflecting scale benefits of increasing volumes and impacts from cost efficiencies and the implementation of the AutoStore warehouse facility.

DKK million	2023	2022	Change in %
Net Sales			
Net Sales	8,731	8,762	-0.4%
Acquisitions		148	
Effect from currency development	209		
Organic net sales	8,940	8,910	0.3%
Gross Profit			
Gross profit before special items	4,204	4,307	-2.4%
Acquisitions		80	
Effect from currency development	113		
Organic gross profit	4,317	4,387	-1.6%
OPEX			
OPEX before special items	-2,111	-2,037	3.6%
Acquisitions		-45	
Effect from currency development	-29		
Organic OPEX	-2,140	-2,083	2.7%

EBITDA

EBITDA before special items increased by 7.2% to DKK 2,106 million (DKK 2,270 million) while organic EBITDA decreased by 5.0% driven by the development in organic gross profit and the increase in OPEX. The EBITDA margin before special items decreased to 24.1% (25.9%).

EBITDA

DKK million	2023	2022	Change in %
EBITDA before special items	2,106	2,270	-7.2%
Acquisitions		34	
Effect from currency development	83		
Organic EBITDA	2,189	2,304	-5.0%

SPECIAL ITEMS

Special items were negative by DKK 92 million (positive DKK 35 million) and relate only to OneProcess.

Special Items

DKK million	2023	2022
Integration and transactions costs (Agio Cigars)	-	13
Fuelling the Growth program	-	1
Production footprint, incl. sale of building	-	-118
OneProcess	92	68
Total special items incl. impairment, net costs	**92**	**-35**

GROUP FINANCIAL REVIEW

EBIT
EBIT decreased by 16.1% to DKK 1,638 million (DKK 1,953 million) and was negatively impacted by the decrease in EBITDA before special items, higher depreciations and amortisations as well as higher special items.

TAX AND NET PROFIT
Income taxes were DKK 308 million (DKK 380 million). The effective tax rate was 20.7% (20.5%).

Net profit decreased by 19.9% to DKK 1,182 million (DKK 1,476 million). Basic earnings per share decreased to DKK 13.7 (DKK 16.3). Adjusted earnings per share decreased by 10% to DKK 14.4 (DKK 16.0) as a result of the development in EBITDA before special items and the increase in net financial items partly offset by reduction in the number of outstanding shares (basic) which was reduced to 86.6 million (90.6 million).

BALANCE SHEET
Total assets were DKK 15,853 million (DKK 15,122 million). Net working capital decreased by 0.9% to DKK 3,080 million (DKK 3,110 million) primarily due to higher level of other liabilities partly offset by higher level of trade receivables, other receivables, inventories and prepayments.

RETURN ON INVESTED CAPITAL
The return on invested capital (ROIC) was 11.4% (14.3%) with a DKK 315 million reduction in EBIT driven by the operational performance as well as 2022 being positively impacted by special items income from sale of buildings. Also the increased level of invested capital of DKK 14.3 billion (DKK 13.7 billion) had a negative impact on the ROIC.

CASH FLOW
Cash flow from operating activities decreased to DKK 1,347 million (DKK 1,393 million) due to a decrease in cash flow from operations, increased net financial items and increased tax payments, being partly offset by a less negative cash flow from changes in working capital compared to 2022. In 2023, the change in working capital was negative by DKK 37 million versus a negative change in 2022 of DKK 364 million.

Cash flow from investing activities was an outflow of DKK 875 million (DKK 132 million) whereof outflow related to acquisitions amounted to DKK 582 million. CAPEX was DKK 308 million (DKK 390 million) and sale of property, plant and equipment contributed by only DKK 2 million compared to DKK 246 million in 2022. Free cash flow was DKK 472 million (DKK 1,261 million). Free cash flow before acquisitions was DKK 1,053million (DKK 1,264 million).

CASH FLOW

DKK million	2023	2022
EBITDA before special items	**2,106**	2,270
Fin. items, tax and other adjustments	-722	-513
Cash flow from operations before NWC	**1,384**	1,757
Changes in working capital	-37	-364
Cash flow from operations	**1,347**	1,393
Investments	-875	-132
Free cash flow	**472**	1,261

FINANCING
Net interest-bearing debt (NIBD) increased to DKK 4,057 million (DKK 3,629 million) primarily driven by positive cash flow from operations offset by dividend payments of DKK 715 million acquisitions of DKK 582 million and share repurchases of DKK 181 million. NIBD/EBITDA before special items ended at 1.9 times (1.6 times).

DIVIDEND
For the financial year 2023, the Board of Directors proposes a dividend of DKK 8.40 per share corresponding to a total dividend of DKK 731 million and a pay-out ratio of 61.8% (52.0%).

FINANCIAL ACHIEVEMENTS

1 NET SALES GROWTH
In the past five years, the net sales growth was in the range of 0% to 19% with an annual average of 7%.

2 EBITDA MARGIN
In the past five years, the EBITDA margin before special items improved by 4.2 percentage points from 19.9% in 2018 to 24.1% in 2023.

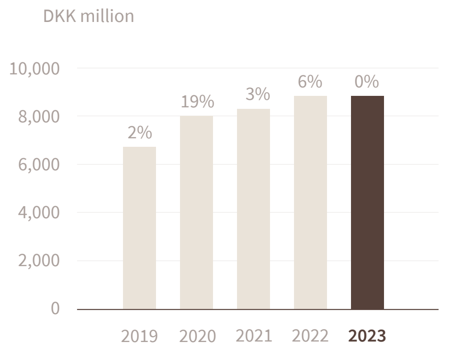
3 ADJUSTED EPS
In the past five years, the CAGR growth in adjusted Earnings Per Share was 14%.

4 FREE CASH FLOW
In the past five years, the average annual free cash flow before acquisitions was DKK 1.3 billion driven by a combination of a strong structural cash flow generation in the tobacco categories and a focus on reducing capital tied up in the operation.

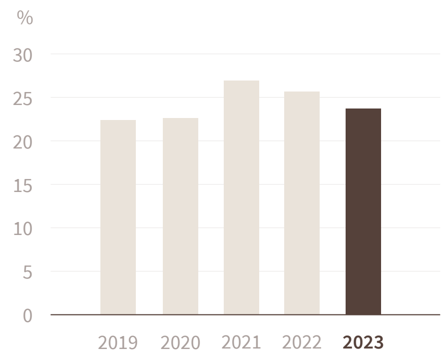
5 CAPITAL DISTRIBUTION
Including a proposed ordinary dividend for 2023 of DKK 8.4 per share, the Group will for the past five years have paid almost DKK 3.4 billion back to shareholders either as ordinary or extraordinary dividends. In the same period, the Group repurchased own shares at a value of DKK 1.8 billion resulting in a total capital distribution of DKK 5.2 billion to shareholders.

6 RETURN ON INVESTED CAPITAL
In the past five years, the pre-tax return on invested capital (ROIC) was in the range of 7.7%-14.5%. In 2023 the ROIC was 11.4%.

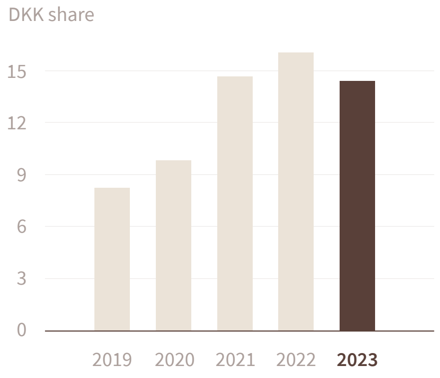
1 NET SALES GROWTH



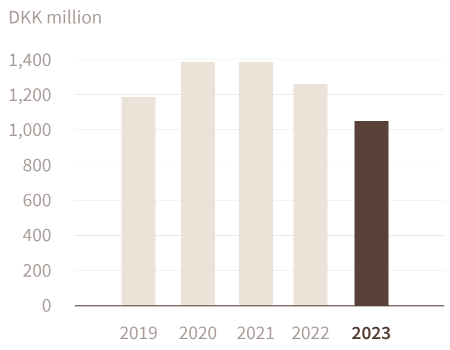
2 EBITDA MARGIN



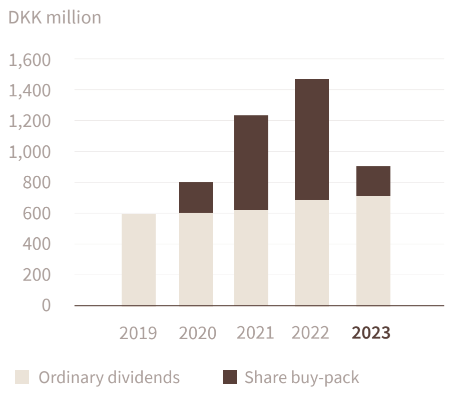
3 ADJUSTED EPS



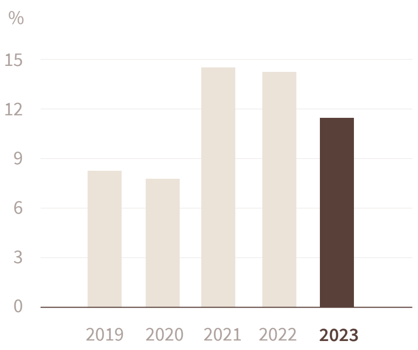
4 FREE CASH FLOW



5 CAPITAL DISTRIBUTION



6 RETURN ON INVESTED CAPITAL



FINANCIAL AMBITIONS

Scandinavian Tobacco Group's financial ambition is to deliver strong financial performance by growing net sales, EBITDA margins and cash flow over time.

Our ambition remains to deliver sustainable profit, cash flow and ROIC improvements over time. Increasing the scope and size of our activities as well as the profitability are keywords to achieve this ambition.

We believe the development in net sales and the EBITDA margin combined with cash flow and ROIC are the right performance indicators to reflect our progress in meeting these ambitions.

Our ability to realise the financial ambitions is dependent on specific market and business developments and the ambitions are supplemented by annual guidance.

EARNINGS

We aim to increase EBITDA margins over time subject to changes in business mix as well as to acquisitions on the back of stable to increasing net sales and consequently deliver a positive average annual organic EBITDA growth.

FREE CASH FLOW

It is our ambition to achieve average annual growth in free cash flow before acquisitions and sizeable investments.

RETURN ON INVESTED CAPITAL

We aim to improve Return on Invested Capital (ROIC) over time. We strive to do this through profitable growth driven by net sales and EBITDA margin improvements across our businesses.

This supports our ambition of organic EBITDA growth as well as a disciplined approach to CAPEX investments and acquisitions and by driving down working capital.

OUTLOOK AND GUIDANCE 2024

OUTLOOK

We continue to implement Rolling Towards 2025 aimed at building a larger and more profitable company and we are making good progress. Since its launch in 2020, we have added strong brands in both the US and in Europe, expanded our product portfolio to Next Generation Products and launched an updated sustainability strategy.

We have made multiple acquisitions; our growth enablers have gained traction and we have delivered strong results towards our financial ambitions.

Acquisitions have been a key source of growth historically and we expect them to remain a key pillar of our strategy, but alongside we need to accelerate organic growth. To that end, we are increasing our investments to support our ambition of delivering increasing organic net sales. These investments are focused on both our Growth Enablers (international sales of handmade cigars, retail stores and Next Generation Products "NGPs") as well as our core business to drive market share and further strengthen our brands.

We expect the Growth Enablers, which in 2023 represented 8% of net sales, to be the main drivers of net sales growth in the coming years. NGPs will now be embedded into our regular business and although small today, we expect them to develop into a sustainable and profitable business within a foreseeable timeframe.

In the coming years, we expect our core categories (cigars and smoking tobacco) to deliver flat to low single digit annual net sales growth while the Growth Enablers are expected to deliver double digit annual net sales growth.

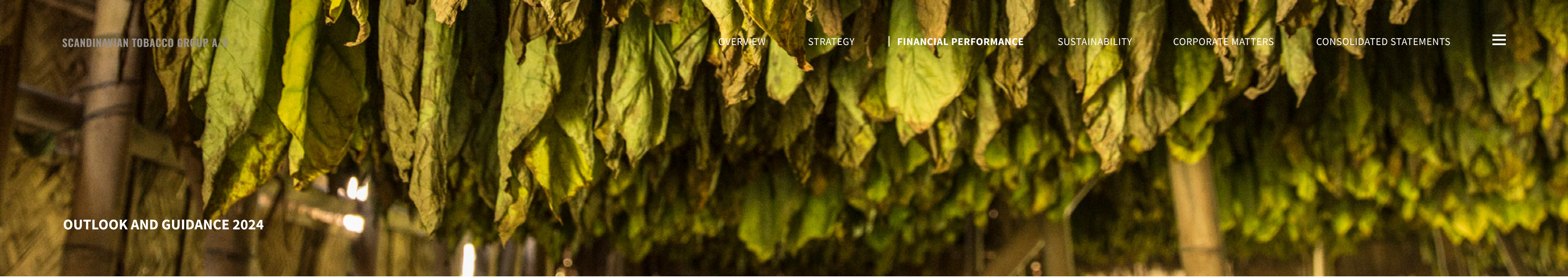
We see opportunities, uncertainties, and fast changing consumer behaviour, and we are ready to adapt to this. We are calibrating and aligning our organisational structure to create an even stronger fit with our markets and consumers as we continue to strive to optimise our cost structure and prioritise business opportunities.

Near term, the financial results and especially the EBITDA margin will be impacted by our increasing investments in Growth Enablers, but these are important to support our ability to deliver stronger and sustainable financial performance over time. The adverse impact on the Group EBITDA margin from the current level of investments in the Growth Enablers is temporary and we expect margins to revert towards 24% by the end of the strategy period. Cash flow will also, in the near term, be impacted by investments in retail expansion and efficiencies, which will taper off towards the end of the strategy period. Beyond "Rolling Towards 2025" we expect to continue to deliver annual topline growth, led by our investments in the Growth Enablers, and with like-for-like margin enhancements driven by the Growth Enablers as well as continuous cost efficiencies. We expect to update the market on our strategy plan beyond "Rolling Towards 2025", in the first half of 2025.

The largest uncertainties to deliver on our financial ambitions are major changes to consumer trends and regulation, material and fast occurring cost inflation as well as the financial performance for our Next Generation Product portfolio.

	2023 Guidance[1]	2023 Realised	2024 Guidance
Net sales (DKK billion)	**8.7-9.0**	**8.7**	**8.8-9.1**
EBITDA margin before special items	**23.5-24.5%**	**24.1%**	**22-24%**
Free cash flow before acquisitions (DKK billion)	**1.1-1.3**	**1.1**	**0.8-1.0**
Adjusted earnings per share (DKK)	**14.0-16.0**	**14.4**	**12.5-14.5**

1. As of 29 August 2023



OUTLOOK AND GUIDANCE 2024

FINANCIAL GUIDANCE 2024

The consumption of handmade cigars 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, 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 with price increases and recovery of market share expected to offset the volume decline.

We expect net sales from our NGP portfolio 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 increase to a level of 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, cost inflation and mix changes being partly offset by price increases and continued cost optimisations which will benefit coming years.

The largest uncertainties for net sales and the EBITDA margin remain changes in consumer behaviour and in market and/or product mix as well as unexpected cost inflation.

Free cash flow is expected in the range of DKK 0.8-1.0 billion and will be impacted by special investments of up to DKK 300 million, compared with a level of DKK 200 million in 2023. These special investments include the retail expansion in the US, Track & Trace implementation in the EU, and in the continued roll-out of our SAP 4/HANA ERP solution. 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.

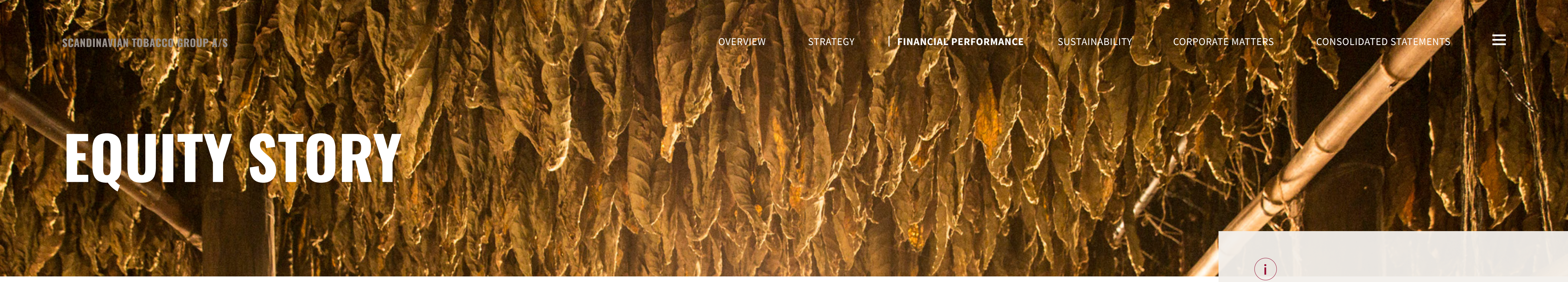
Adjusted EPS is expected in the range of DKK 12.5-14.5 including an estimated impact from the current share repurchase programme of DKK 0.5.

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

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.



EQUITY STORY

Leading brand portfolio of crafted cigars and other products for adult enjoyment and relaxation

Leading cigar company with activities spread across the entire value chain. From growing and manufacturing to distribution and sales through a diversified global network including retail, online and catalogue sales

Strong market positions in our two key markets; North America and in Europe. We are the largest manufacturer and distributor of handmade cigars in North America and the largest machine-rolled cigar manufacturer in Europe.

Experienced management team leading us confidently through transformations and optimisation, integration of acquired companies and adapting to a constantly changing industry with increasing regulation

The strategy Rolling Towards 2025 sets the scene for our long-term ambitions:

- To become the undisputed and sustainable, global leader in cigars through organic growth and driving industry consolidation through value accretive acquisitions
- To explore growth opportunities outside of our core categories
- To increase profits and to deliver outstanding cash flow

We aim to optimise value for our shareholders with:

- An increased capital efficiency
- A disciplined shareholder return policy
- A dedicated sustainability effort as embedded in our Sustainability Strategy

ACHIEVEMENTS 2019-2023

NET SALES GROWTH	CAGR	7%
EBITDA GROWTH	CAGR	12%
FREE CASH FLOW	Average	1.3 DKKbn
RETURN ON INVESTED CAPITAL	Average	11.2%
CAPITAL DISTRIBUTION	Total	5.0 DKKbn
TOTAL SHAREHOLDER RETURN	CAGR	19%

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SHAREHOLDER RETURN POLICY

The Board of Directors continuously evaluates the distribution of excess capital to shareholders based on a comparison of the projected leverage ratio against a target of 2.5x with the leverage ratio calculated as Net Interest-Bearing Debt (NIBD)/EBITDA before special items.

The Board of Directors' objective is to distribute excess capital by way of dividends and/or share buybacks with an ambition to have an annual growth in ordinary dividend payments, reflecting our financial ambition of growing the company and improving both EBITDA margin and free cash flow over time.

The Group maintains the flexibility to temporarily exceed the target leverage ratio in connection with dividend distribution, acquisitions or investments. The Group's capital distributions will always take into account potential acquisitions and other liquidity needs.

SUSTAINABILITY

DOUBLE MATERIALITY ASSESSMENT

In order to identify the material topics and sub-topics relevant to the business activities, Scandinavian Tobacco Group conducted its first Double Materiality Assessment (DMA). DMA as defined in the EU Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS). The Group conducted stakeholder identification/mapping to identify groups and individuals – inside and outside of the company - who could provide insights during the assessment.

The Group also reviewed the structure and business activities to identify concentrated areas of impacts, risks or opportunities within the Company's total value chain. The DMA was conducted with subject matter experts representing key functional areas. Materiality assessments have been conducted in the past, however this was the first carried out with reference to the DMA requirements set forth in the ESRS.

PROCESS OVERVIEW

The four phases of the DMA process are described as Interpretation, Identification, Assessment and Application.

1 Interpretation of the European Sustainability Reporting Standards (ESRS)

A high-level view of what topics and sub-topics within the ESRS matter to the tobacco industry and to the Group.

2 Identifying and shortlisting ESRS sub-topics

Sub-topics evaluated for potential materiality to create short list for in-depth analysis.

3 Impact and Financial assessments

The shortlisted sub-topics were then assessed in two ways to determine materiality.

A) The impact assessment severity for each sub-topics was calculated using three parameters as per the ESRS guidance, Scale, Scope and Irremediability. Each were scored from 1-5 and the average was deemed to represent the severity.

- Scale - scored based on the magnitude of the impact the sub-topic could have on the environment or people
- Scope - scored based on the impact to geographical coverage or the number of affected employees, right holders and total population of the surrounding area
- Irremediability - scored based on how hard it is to reverse the damage caused according to cost and time.

i

The Group's business impacts were categorized as negative, as they do not directly contribute to societal benefits; instead, actions are geared towards minimizing and mitigating the overall footprint.

THE FOUR PHASES OF OUR DMA PROCESS

1 INTERPRETATION

ENVIRONMENTAL	SOCIAL	GOVERNANCE
E1 Climate change	S1 Own workforce	G1 Business conduct
E2 Pollution	S2 Workers in value chain	
E3 Water & marine resources	S3 Affected communities	
E4 Biodiversity & ecosystems	S4 Consumers & end-users	
E5 Resource use & circular economy		

2 IDENTIFICATION

Narrow down relevant ESG topics based on the previous assesments

Identify specific value chain impacts, risks and opportunitites

3 ASSESMENT

Impact materiality assesment

Scandinavian Tobacco Group impact on the planet and people (inside-out)

Financial materiality assesment

Sustainability topics that affect Scandinavian Tobacco Group business (outside-in)

4 APPLICATION

Workstream CSRD gap assesment

Documentation for sustainability reporting

Make roadmap to close gaps

DOUBLE MATERIALITY ASSESSMENT

The likelihood that the sub-topic would have an impact was also given a score based on the probability. This is multiplied by the severity total, to give an overall score out of 5.

B) The financial assessment was scored using the size of the financial effect (1-5), based on the threshold aligned to the internal risk management. This was also multiplied by the likelihood a to give an overall score out of 5.

Sub-topics were deemed material if they scored 3 or above in either of the assessments.

4 Application of results

Findings and results were reviewed with all participants, subject matter experts, topic owners and the Executive Board, to fine-tune the outcome and ensure a thorough process was adhered to. The results of the DMA were presented to the Audit Committee and Board of Directors. During 2024 we aim to identify any gaps to the ESRS and to make a plan for achieving compliance.

DMA RESULTS

The DMA deemed 17 sub-topics, within 6 topics across all sustainability areas (Environmental, Social, Governance) material. The results reinforced priorities previously defined within the sustainability agenda and new material topics were also identified and incorporated. Additional analyses will be carried out on keys topics to increase knowledge, expertise and to build a foundation for next year's DMA review.

	MATERIAL TOPICS	SUB-TOPICS	REASONING
ENVIRONMENT	**E1 Climate Change**	• Climate change adaptation • Climate change mitigation • Energy	Presents a significant potential risk to tobacco growers and their farms and the Group contributes to a significant amount of Scope 3 emissions on top of Scope 1 & 2
ENVIRONMENT	**E5 Resource Use & Circular Economy**	• Resources inflows, including resource use • Resources outflows related to products & services	Natural resources are used in raw materials such as packaging, non-tobacco materials and accessories, many of which are non-renewable. There is a risk of packaging material ending up in landfill or nature.
SOCIAL	**S1 Own workforce**	• Equal treatment & opportunities for all - Training & skills development • Equal treatment & opportunities for all - Diversity	The absence of these aspects can reduce employees' ability to have secure employment and career development and can lead to increased staff turnover.
SOCIAL	**S2 Workers in the value chain**	• Working conditions - Working time • Working conditions - Adequate wages • Working conditions - Work-life balance • Working conditions - Health & Safety • Other work-related rights - Forced labour • Other work-related rights - Child labour	The Group recognises the need to improve working conditions for tobacco leaf suppliers. Concerns include employee wellbeing and potential societal consequences of issues like child and forced labor, that could affect the Group's reputation and finances.
SOCIAL	**S4 Consumers and end-users**	• Protection of children • Health & Safety	The use of tobacco and nicotine products carry inherent risks to the consumers' health, as well as exposure to second-hand smoke which implies a health risk.
GOVERNANCE	**G1 Business Conduct**	• Corruption & bribery - incidents • Protection of whistleblowers	As a large corporation operating internationally, including in countries with a high prevalence of corruption, there is a risk of unethical behaviour, including corruption.

NON MATERIAL TOPICS

The DMA process also assess some topics as non-material, which include:

E2 Pollution
The impact of pollution on our manufacturing processes is minimal, and the majority of our tobacco leaf suppliers adhere to good agricultural practices. Regardless, some pollution-related matters are being addressed within other material topics.

E3 Water
Tobacco is generally considered a drought-tolerant plant and water consumption is not significant during manufacturing processes.

E4 Biodiversity and Ecosystems
The Group is not directly involved in tobacco growing, the potential impacts on biodiversity are in the upstream value chain. There is little evidence of unsustainable agricultural practices by suppliers.

S3 Social Affected Communities
There is a low likelihood and financial impact related to pesticide pollution, food insecurity and agricultural land scarcity.

ENVIRONMENT

ROLLING RESPONSIBLY

NET-ZERO ALONG THE JOURNEY OF THE LEAF

Climate Change remains a focal point, and we recognise the significance of Resource Use & Circular Economy due to concerns about natural resource exploitation and the environmental impact of packaging.

E1 CLIMATE CHANGE

Scandinavian Tobacco Group adhered to a scientific approach when defining targets and developing plans for our decarbonization efforts. We committed to SBTi in 2022, to set climate mitigation targets for our Scope 1 & 2 emissions, which in line with the Paris Agreement of 2015 aimed at limiting global warming to 1.5°C. Scope 3 emissions are also being addressed in order to reach an entirely net-zero value chain by 2050. We intend to submit our targets for Scope 3 to SBTi for approval in 2024.

The Group tracks progress of the initiatives by collecting and assessing energy consumption data. The data collection process is supported by accounting principles, encompassing several validation phases with tangible data references as a required element. As we mature in our sustainability agenda, we will develop dedicated climate change related policies, as well as a full transition plan aligned with the overall strategy and financial planning.

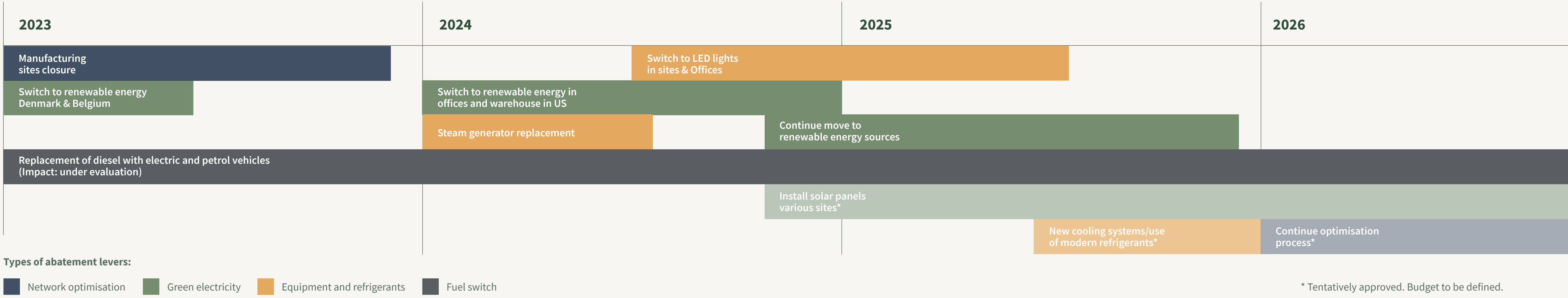
In 2023, we incorporated a sustainability questionnaire in the business case model which helps evaluate strategic initiatives against sustainability criteria. Project impacts are being scored against qualitative and quantitative impacts including: carbon emissions, resilience to climate change, resource use and others.

STRATEGY

The most impactful levers in Scope 1 and 2 were identified based on the Group's emissions profile and we developed a predictive model, to form the foundation for short-term planning of Green House Gas abatement projects. Based on the model, the pipeline for 2024 was developed in line with the targets and investment across four key areas approved for 2023-2024:

- Network Optimisation
- Green Electricity
- Equipment and refrigerants
- Fuel Switch

DECARBONISATION LEVERS 2023-2025



* Tentatively approved. Budget to be defined.

E1 CLIMATE CHANGE

DECARBONISATION LEVERS

The following decarbonisation levers were introduced in 2023.

NETWORK OPTIMISATION

Two manufacturing sites in The Netherlands were merged into existing sites in Belgium and two office locations into one new office setup. Estimated emission reduction 1,200-1,600 tonnes of CO_2e in 2023.

GREEN ELECTRICITY

100% green electricity now supplies our sites in Belgium and Denmark. In 2023 we signed contracts committing to the transition to green electricity in several US locations. The full impact to be realised in 2024 and estimated at 900-1250 tonnes of CO_2e.

EQUIPMENT & REFRIGERANTS

A new cooling unit in San Pedro, Dominican Republic was installed, which replaced outdated refrigeration system. Additionally, a new steam generator replaced an outdated equipment in Belgium. Estimated carbon emission reduction of 60-85% to be fully realised in 2024.

FUEL SWITCH

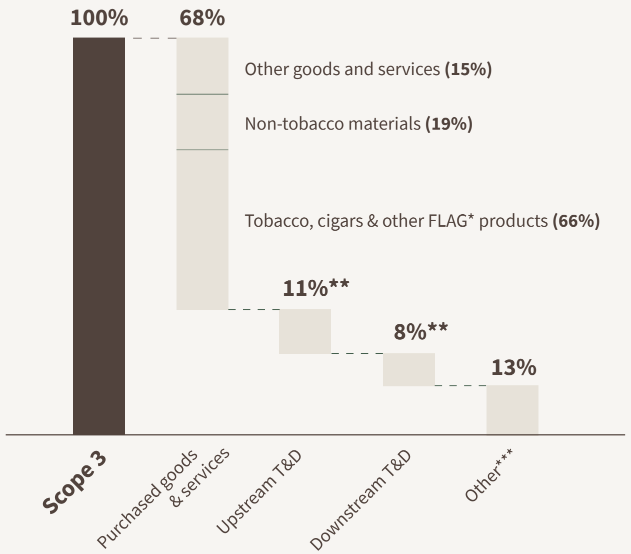
The Group continued moving vehicles from diesel to electric and less carbon intensive petrol cars, as part of the wider fleet strategy.

A MIX OF SUSTAINABLE INITIATIVES ON SITE LEVEL

In 2023, our sites started implementing smaller scale sustainable initiatives to conserve energy. At the Group's Headquarters in Denmark, we saw a 30% reduction on the annual electricity consumption after introducing these changes. In 2024, we will continue close collaboration with site and facility managers and the organisation in general to develop and drive sustainable changes in our daily work.

APPROXIMATED SCOPE 3 EMISSIONS

Thousand tonnes CO_2e



Scope 3 GHG emissions comprise most of the Group‘s total value chain footprint and a thorough plan for engagement with suppliers to address these will be a priority in 2024. The baseline calculation included extensive data collection on emissions related to the upstream and downstream value chain.

* FLAG – Forest, Land and Agriculture

** Transport & Distribution (T&D) is directional.

*** Is topics with less than 3% each. Includes: Commuting, Fuel & energy, Business travel, Processing, etc.

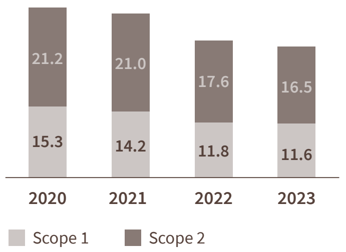
E1 CLIMATE CHANGE

2023 ACHIEVEMENTS

The Group reduced Scope 1 and 2 emissions by 4.3% in 2023. Between 2020 and 2023, the Group successfully reduced its carbon emissions by absolute 8,365 tCO_2e for Scope 1 and 2 since 2020, equal to a 22.9% decrease.

GHG EMISSIONS REDUCTION RESULTS

Thousand tonnes CO_2e



Please refer to note 2.2 Energy, page 131

In 2023, we consumed 86,575 MWh of energy, 6.4% less than 2022. Total non-renewable energy consumption declined by 11.8% compared to the previous year, while the percentage of energy from renewable sources in the mix reached 21.3%.

2024 AND BEYOND

A thorough assessment of climate-related hazards and events which impact assets or business activities will be conducted to build a solid ground for a long-term transition plan. The Group will also conduct resilience analysis to calibrate the business model and further embed climate considerations into business decisions.

Projects such as, the installation of solar panels in production sites (Dominican Republic, Indonesia, Sri Lanka), further network optimisations and the use of more modern refrigerants will be evaluated in 2024.

A solid roadmap for Scope 3 emission reduction will be generated and we will make first steps in addressing the up and downstream value chain emissions. This will calibrate our climate agenda, making sure climate change adaptation and mitigation plans are science-based and fully compatible with limiting global warming to 1.5 °C by 2030.

GHG EMISSION REDUCTION TARGETS

2020

- Scope 1 & 2 baseline

2022

- Scope 3 baseline

2024-2025

- SBTi targets for Scope 1, 2 & 3 submitted & approved

2030

- Scope 1 & 2 emission reduced by 42% compared to 2020 baseline
- 67% of Scope 3 emissions addressed

2050

- Net zero along the entire value chain

Scope 1, 2 & 3 emission targets are subject to adjustment in 2024-2025 following SBTi validation process

E5 RESOURCE USE & CIRCULAR ECONOMY CHANGE

The Group uses diverse natural resources which pose a risk of improper waste disposal impacting the environment. The Scope 3 analysis highlighted two focal areas: packaging and tobacco waste, which have been reviewed alongside the previously reported focus area (water consumption).

STRATEGY

The signature quality of some products rely on single use materials for the packaging, including plastics, cardboard and wood. Our packaging has the largest impact and potential to contribute to a circular economy. There are opportunities to improve our packaging footprint by eliminating plastic foils and transitioning to paper-based alternatives, as well as weight and dimension reductions. These changes were implemented in in the packaging of one of our products, with the sustainability implications to be evaluated in 2024.

Waste management has for a long time been and continues to be a priority and we strive for full utilisation of the tobacco we source to reduce tobacco waste. We aim to recycle and use it in other tobacco products, for the local communities to use as fertilisers.

Our water consumption is relatively low and water was not considered a material topic during the DMA process. However, we continue to monitor and minimise our water footprint by:

- Evaluating cooling, processing and moistening procedures to reduce water consumption
- Increasing water recycling including collection of rainwater for garden irrigation
- Enhancing water use efficiency across sites and ensure better wastewater disposal
- Engaging suppliers and partners to reduce water consumption and improve quality

2024 AND BEYOND

The Group aims to pinpoint effective strategies for achieving more sustainable packaging. This involves identifying key metrics and respective targets and developing a nuanced understanding of the financial implications, risks, and opportunities. This will supplement our design and product development processes to ensure colleagues embed sustainability into the way they work.

WASTE MANAGEMENT[1]

Total amount of waste generated, tonnes: **6,117** (2023) **-7.5%** (2022)

WATER CONSUMPTION[2]

The overall water withdrawal, M^3: **241,720** (2023) **+1.2%** (2022)

Total water withdrawal, DKKm: **27.7** Per Net turnover

PACKAGING[3]

Share of packaging materials*: **11.5%** Of total Scope 3

*Excluding other Non-Tobacco Materials
1. Please refer to note 2.4 Waste, page 132
2. Please refer to note 2.3 Water, page 132
3. Please refer to E1 - Climate change page 47

SOCIAL

SUSTAINABLE COMMUNITY PIONEERS

We focus on providing our employees with fair and safe working conditions across all operations. We encourage a diverse and inclusive culture, fund local community initiatives and we work against child and forced labour.

S1 OWN WORKFORCE

DIVERSITY & INCLUSION

Embracing Diversity & Inclusion (D&I) means fostering creativity, innovation and enhanced problem-solving, to empower employees to flourish, and to attract talented individuals for immediate impact. The diversity of locations and nationalities within the Group's global organisation means setting a standard for D&I and employee development is not easy, but understanding local customs, traditions and cultural differences is critical to embedding an inclusive culture. The Group acknowledges ethnic and gender-specific challenges which exist in society and prioritises the need to provide equal opportunities for professional development and training to all. Without this, our employees' job security, professional growth and ability to adapt could be jeopardised, which could contribute to increased employee turnover. This is not only an investment in the success of our employees, it fortifies the foundation of our company for sustained growth and prosperity. The Group's D&I Policy is available at st-group.com.

STRATEGY

We strive to improve gender diversity in managerial positions while being representative of the communities in which we operate. Our definition of D&I resonates with our purpose, values, strategy, culture and most importantly, our employees. The policy reflects our employees' perception of a diverse workforce and what it means to be inclusive.

The Human Resources (HR) department provide the mechanisms, processes, training and structure to embed D&I into the People Agenda, across three categories:

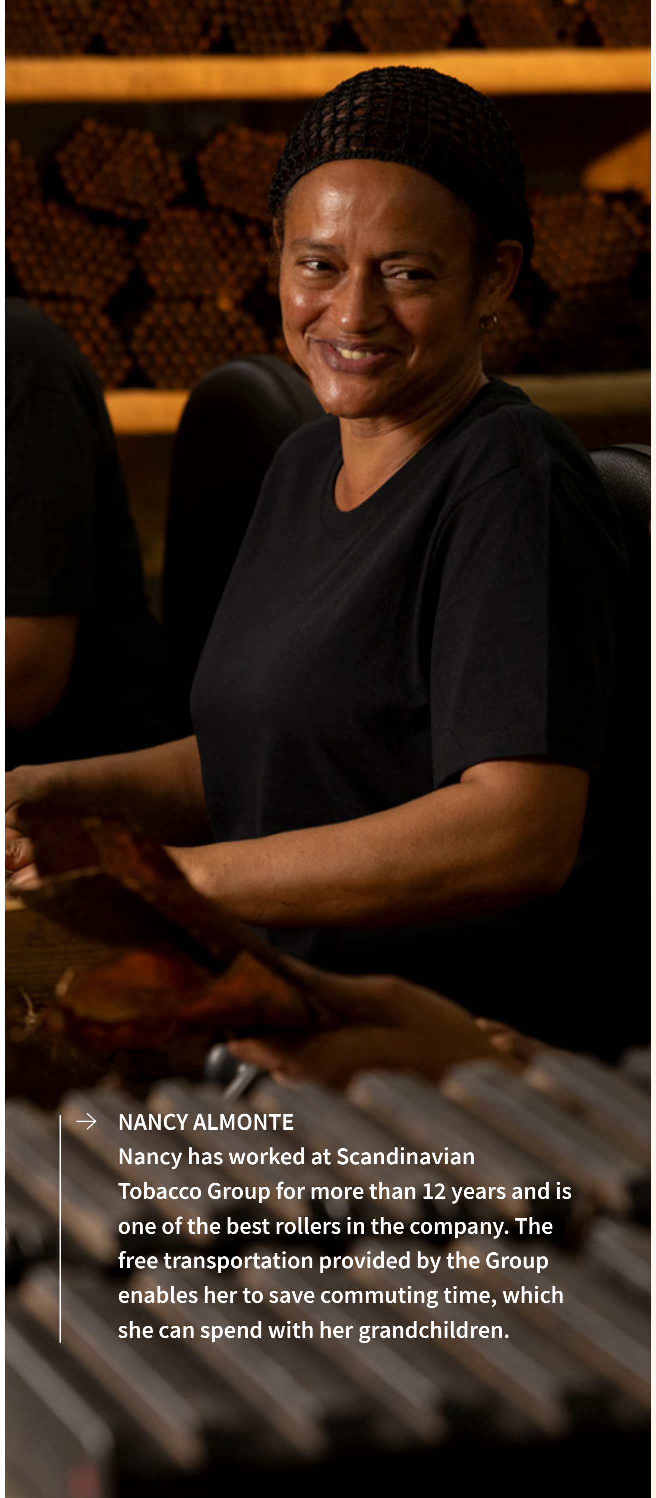
- Culture
- People
- Learning

This guides the D&I work to achieve key deliverables, while making certain D&I is a part of every step in the employee journey. The Group laid the foundation last year for our D&I work by embedding it into our sustainability agenda and undertook the following initiatives on the next page.

DIVERSITY AT MANAGEMENT LEVEL

The Board of Directors and the Executive Board have valuable international backgrounds. 2 of the 6 shareholder-elected members of the Board of Directors have a nationality other than Danish, and there are three nationalities represented in total in the Board of Directors. The members of the Board of Directors have extensive and differing experience of managing international companies in the FMCG and tobacco industries, as well as considerable financial expertise. Our Executive Board, the wider body which manages the day-to-day operations of the Group, counts four nationalities.

* Cf. the Danish Business Authority's guidelines on target figures, policies and reporting on the gender composition of management "other management levels" only include management positions in Scandinavian Tobacco Group A/S with managerial responsibilities over employees of Scandinavian Tobacco Group A/S.



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GENDER DIVERSITY

This chapter constitutes our statutory report on gender composition of the management and the policies, targets and activities for diversity and inclusion for the financial year 2023, according to Sections 99b and 107d of the Danish Financial Statements Act.

At the end of 2023, 2 of 6 (33%) of the shareholder-elected members of the Board of Directors were female which constitutes an equal distribution under the Danish Companies Act. The current gender balance in the Executive Management is 50:50 and within the Company's "other management levels" as defined under the Danish Companies Act, 7 out of 18 managers were female (39%)*. These numbers are distorted by vacancies at the end of 2023 resulting in temporary reporting lines. It is our ambition by 2030 to achieve an equal gender distribution at the Company's "other management levels" which by the relevant regulation is defined to be a 40:60 gender distribution.

The gender representation in the Executive Board is 3 women (43%) and 4 men (57%). To achieve our ambitious targets, we are creating a stronger foundation for D&I in the organization, through our past actions and future plans as described in this section.

D&I ACHIEVEMMENTS AND PLANS

CULTURE

2023

- Created the structure needed to embed D&I concepts, organizational data and training into the core HR processes to ensure the right foundation is in place.
- Included all employees in the company's global Human Resource Information System (HRIS) enabling insights from circa 10,000 employees to establish metric-based KPIs supporting strategic priorities and decision-making.

2024

- Launch a global D&I Committee to create a sense of inclusivity amongst our current employees, and an ambassador programme to help welcome new employees and to spearhead initiatives.
- Include questions related to D&I in the formal engagement survey, which is conducted every two years, and in the quarterly pulse surveys.

LEARNING

2023

- Gender data was incorporated into the People Calibration and Salary Review processes to provide transparency and actionable insights for leaders and HR.

2024

- Create a common framework and language around D&I and roll out foundations of D&I training as part of the new Leadership Assimilation Programme.
- Allyship and Inclusive Leadership Communication training courses will provide leaders with the skills to support marginalised groups and foster a sense of belonging and inclusion.
- Education and open dialogue for a D&I culture and environment will be expanded to include training for all employees regardless of their access to computers and systems during their work.

PEOPLE

2023

- Trained managers on unconscious bias during recruiting and identified new avenues for finding candidates including external partnerships that target diversity.
- Reviewed team demographics for female representation and branched out from LinkedIn and Indeed, to include strategic recruiting sites targeting women in areas where disparities were identified.

2024

- Build partnerships with schools and other organisations to bring in candidates from backgrounds underrepresented in our geographical locations.
- Create a systematic approach to the candidate funnel and hiring processes to mitigate unconscious bias, such as concealing the candidate's personal information to ensure advancement is based on skills and qualifications only.

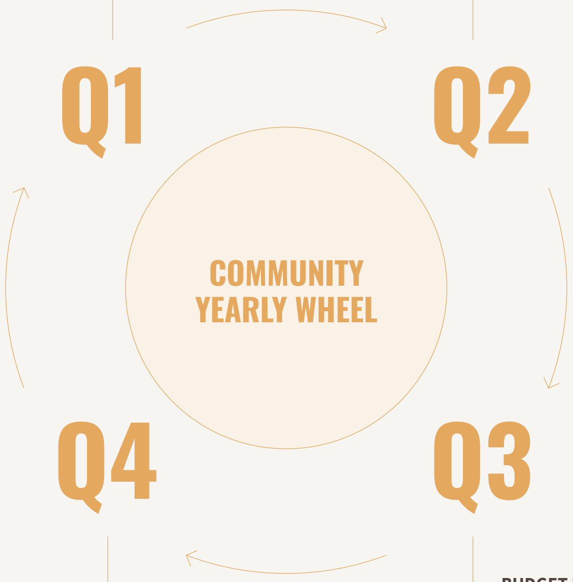
TRAIN THE TRAINER

Three employees were trained on Inclusive Leadership Communication and Allyship, and shown how to educate other people leaders and key stakeholders. They will identify the next wave and provide training to other employees, who can continue the process. This will spread D&I knowledge and skills throughout the organisation.

COMMUNITY YEARLY WHEEL

KICK-OFF
- Onboarding meetings for current year's initiatives to be held with relevant participants
- Community pioneers start drafting survey for next years' initiative proposals
- Previous year initiatives to be evaluated

INITIATIVE IDENTIFICATION
- Implementation of community surveys to decide next years' initiatives
- Mid term review on current year's initiatives to measure results



APPROVAL
- Initiative proposals and budget request to be presented and approved by the Executive Board
- Prepare and submit annual report on current years' results and stories

BUDGET PLANNING
- Submit next year's evaluated initiative proposals and budget requirements
- Budget and initiative proposals to be approved

S1 OWN WORKFORCE

EMPLOYEE DEVELOPMENT

Site visits to Nicaragua, Honduras, the Dominican Republic, Sri Lanka and Indonesia were conducted since they carry a heightened risk of social impact. The visits provide an opportunity to connect with the heart of our operations in the local environments and to better understand the community's needs, aspirations, challenges and opportunities. They also enable the Group to reaffirm trust and foster open communication. Skills development programmes, educational initiatives, and healthcare and wellbeing improvement projects, all contribute to creating long-lasting impacts for our workforce, their livelihoods and the local communities.

STRATEGY

Local leaders and HR provided valuable insights into the priorities and challenges in each country and collaborated to create a survey for each site, tailored to the specific cultural, social and economic context. The results were analysed to identify where the interventions would create the largest impact. Findings and results were shared with the community for feedback, to facilitate transparency and ensure choices are co-created.

There are also several socio-economic factors taken into consideration when prioritizing support needed and choosing the right initiative for each country, which include: country risks, average wage vs average cost of living, inflation rates and the multi-dimensional poverty index in each country.

2023 ACHIEVEMENTS

The surveys revealed the unique needs and challenges for each country and initiatives were prioritized across three key areas:

- Healthcare and Well-being
- Education
- Women's enablement

The Group will continue to work collaboratively to progress initiatives and try to improve the lives of the surrounding communities.

2024 AND BEYOND

- Roll out funding to implement the selected initiatives
- Establish KPIs to evaluate and measure the impact throughout the year
- Continually improve the yearly process and funding choices

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COMMUNITY YEARLY WHEEL

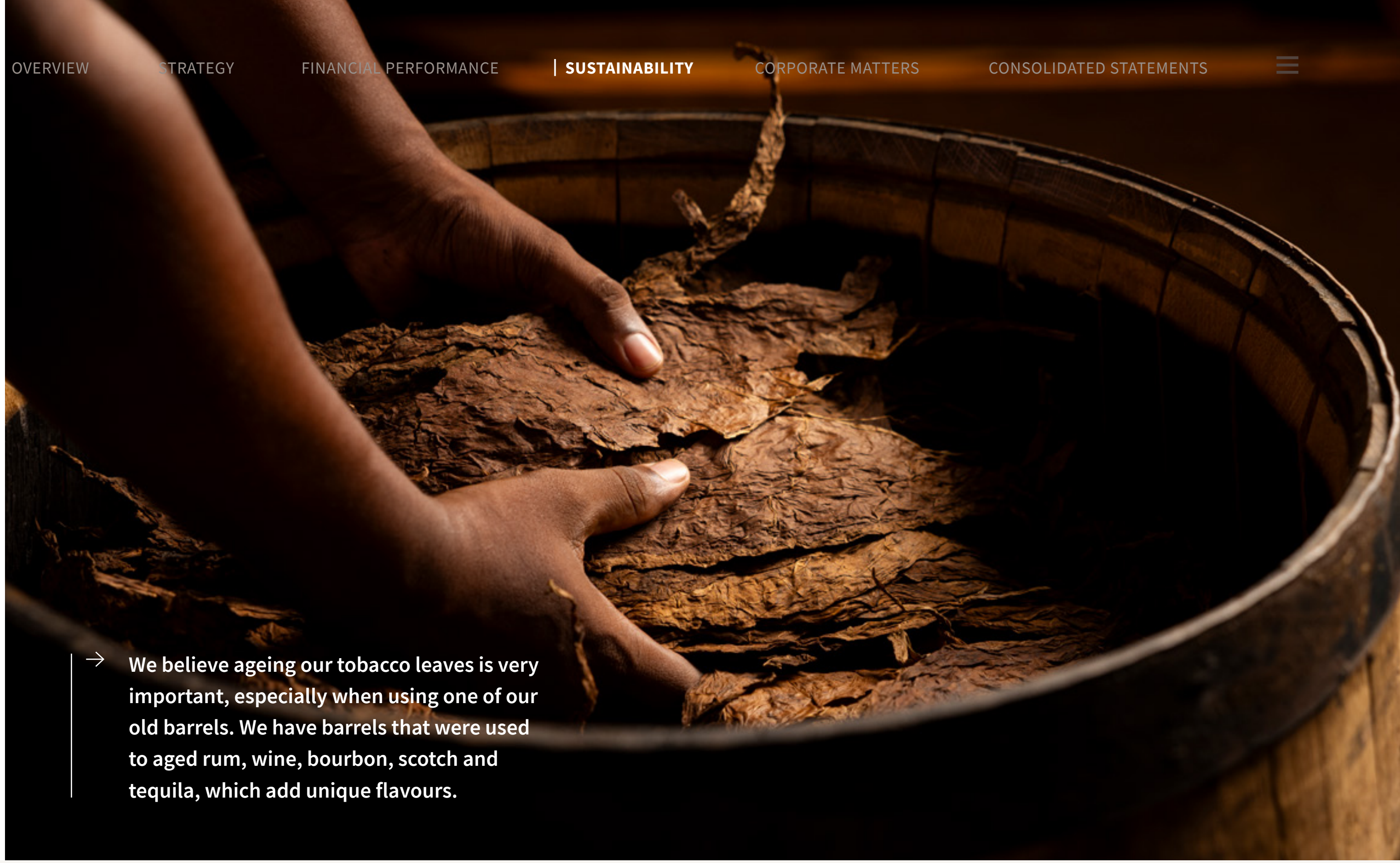
This process is aimed at identifying and addressing social issues. The goal is to improve the lives of all employees, their families, local farmers and the wider communities.

S1 OWN WORKFORCE

CODE OF CONDUCT

The Code includes the commitment that all employees shall enjoy safe and healthy working conditions and that we seek to reduce the risk of accidents, injuries, and work-related illnesses. It is also in the Code of Conduct that you can read that we embrace diversity as a source of strength and value a diverse workforce that includes people of different nations, cultures, ethnic groups, generations, backgrounds, skills, abilities and all the other unique differences that make each of us who we are. It is clearly stated that we do not tolerate any form of harassment or discrimination, including harassment and discrimination based on gender, age, race, religion, nationality, ethnicity, political opinion, sexual orientation, union membership, disability, health status, or any other basis. The Code states that the Group respects internationally recognized human rights with an express reference to a list of the most relevant conventions.

Namely those expressed in the International Bill of Human Rights, the fundamental rights set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the UN Guiding Principles on Business and Human Rights, the Children's Rights & Business Principles, the UN Convention on the Rights of the Child and its corresponding General Commitment No. 16, the ILO Convention No. 182 concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour, the ILO Convention No. 138 concerning Minimum Age for Admission to Employment, and the ILO Convention No. 184 concerning Safety and Health in Agriculture.



We believe ageing our tobacco leaves is very important, especially when using one of our old barrels. We have barrels that were used to aged rum, wine, bourbon, scotch and tequila, which add unique flavours.

INITIATIVES IDENTIFIED

Country	Dominican Republic	Nicaragua	Honduras	Sri Lanka	Indonesia
Total employees	2,826	396	1,395	1,395	1,706
Surveyed employees	673 (24%)	352 (89%)	1,322 (95%)	1,322 (95%)	1,702 (99.9%)
Topic area	Healthcare and Well-being	Education	Education	Education	Women's enablement
Initiative	Focus on establishing an aid system for employees to purchase discounted medicine in San Pedro and Santiago.	Expansion of the 'Manos a Manitas'* programme.	Expansion of the 'Manos a Manitas'* programme.	Enable access to school materials before the school year starts.	Focus on programmes for skill-building, general education and entrepreneurship to invest in the potential of women.

Surveys were translated into the local language of each country to ensure maximum participation.

In Dominican Republic, a representative was chosen by colleagues to participate in the survey asnd represent the whole team. The survey methodology applied was different due to the number of employees in both factories (Santiago & San Pedro).

*Manos a Manitas is a social programme running in Central America and Dominican Republic for some years. The programme provides annual economic help to the children of employees, enabling parents to buy school materials, shoes, uniforms etc. for the new school year, continuing our commitment to education and development.

→ Biyagama, Sri Lanka
In Biyagama, Sri Lanka, all management and production teams were given EHS manual and defensive driver training. The implementation of the Dupont safety stop card system was implemented and safety communication posters placed strategically on the shop floor.

S1 OWN WORKFORCE

EMPLOYEE HEALTH AND SAFETY

Despite the broad scope of exposure in production this topic was deemed non-material due to the historical low likelihood and minimal severity of accidents across all operations. The health and safety of employees is vital and the Group remains committed to adhering to strict guidelines and continuous improvements.

Scandinavian Tobacco Group implements comprehensive range of Health and Safety initiatives targeting higher-risk production employees.

2023 ACHIEVEMENTS

The Group has maintained its lost-time accident (LTA) levels, excluding non-employees, in 2023 compared with 2022 and is continuing to put measures in place to reach our ambitious goals set in 2021 of 1.9 or better. The Group has expanded the scope of our responsibility to include non-employees in its reporting. With this new scope, the LTA was 2.7, and the Group will be reviewing the goal. The accident rate is estimated as the number of accidents per 1,000,000 hours worked. See notes on Health and Safety management for more information.

Some of the activities during the reporting year include:

- Obtaining licenses to operate new machines, employees, and products, as well as initiating safety timelines for all manufacturing site employees.
- Training to help gauge and prioritise safety interventions concerning potential harm or danger in given situations.
- Regular safety walks are conducted to observe behaviors and identify opportunities for improvement and monthly walks ensure management actively listen and engage with employees.
- Active EHS employee involvement when investigating new equipment, premises and plant investments, considering ergonomic considerations.
- A service protocol was established to cover all EHS issues.

2024 AND BEYOND

The Group has set the following initiatives:

- Strengthen the safety programme
- Improve onboarding programme for all new employees
- Refreshment training for employees
- Perform a psychosocial risk (human wellbeing) assessment in the two largest sites in Belgium
- Pilot a safety timeline for each employee to create a culture of safety

EHS education is the cornerstone of our safety strategy. Training new and existing employees not only fosters awareness but also cultivates engagement and safe behaviors, shaping a resilient workplace.

POLICY AND PROCESS

The Environment, Health & Safety (EHS) policy governs employee safety and includes a formal statement, endorsed by the Chief Supply Chain Officer. The EHS Policy Statement complies with all applicable regulations and with the company's policy standards. It enables the Group to maintain a safer workplace, strive for a more efficient flow of work and to ensure that contractors working on-site, engage and commit equally to this policy. Safety audits are essential to identify process, policy, or equipment gaps and to mitigate risks to EHS objectives. Also, regular audits are conducted, including a full survey of the entire plant with top management involvement. Scandinavian Tobacco Group's EHS manual supports an EHS Management System inspired by ISO14001, 45001, and OSHA 18001 standards.

→ JOHAIRA SANCHEZ

Johaira has 15 years experience as a roller and loves to joking and laughing with her co-workers. She is not a smoker, but loves the tobacco smell in the factory. She really appreciates the free transport so she can get home safely and enjoy watching movies and reading comedy books.

S2 WORKERS IN THE VALUE CHAIN

ANTI CHILD AND FORCED LABOUR

Unfortunately, tobacco growing, like other types of agricultural work, in certain parts of the world involves a risk of child labour, below-standard working conditions, and in extreme cases, forced labour. The Group respects internationally recognised human rights, and children's fundamental right to develop, be educated, rest and play. We do not accept or use child or forced labour, and we also aim for our value chain to be free of child and forced labour. This is expressed in the Code of Conduct and Supplier Code of Conduct.

Buyers of tobacco leaf and other goods and services completed the first e-learning modules of a wider training programme to enable open dialogue and cooperation with the suppliers to detect issues that require action. The Group supports the Eliminating Child Labour in Tobacco-growing Foundation, which advocates internationally for strong anti-child labour policies and our aim is for a tobacco supply free of child and forced labour that reflects Scandinavian Tobacco Group's own standards as described in its Code of Conduct. **www.eclt.org**.

2023 ACHIEVEMENTS

We launched a training programme to ensure the Code of Conduct is better known and understood by all employees. The new Supplier Code of Conduct was disseminated with the aim to ensure that it forms part of the cooperation with all suppliers. All suppliers of leaf tobacco have received it and are informed of the Group's expectation that business relationships are based on shared values related to labour and human rights, health and safety, the environment and business ethics.

2024 AND BEYOND

- Continue to build capabilities in our organization to identify and react adequately to signs of child and forced labour with the aim to avoid and eradicate both in our supply chain
- Build general competences to conduct due diligence in our supply chain
- Conduct our first systematic due diligence with tobacco leaf suppliers via STP, which includes among several themes child and forced labour
- Continue the dissemination of our Supplier Code of Conduct to ensure a supply chain that lives up to our expectations of safe and healthy working conditions and compliance with human rights

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CHILD & FORCED LABOUR

Child labour is defined as work for which the child is too young (i.e. below the applicable minimum working age), work that is mentally, physically, socially, or morally dangerous to children, or work that interferes with children's schooling. Children who have reached the legal working age, which is normally 15 years (i.e. children between 15 and 18 years of age) may work but they shall never perform hazardous work as defined under national regulations. Child labour exists for complex reasons and is typically rooted in poverty, but other factors such as low levels of awareness and education, lack of available schooling and lack of social programmes can also contribute.

Forced labour is work which is carried out involuntarily or under the menace of a penalty of some kind, including of violence or intimidation. People who are exposed to forced labour may have their identity papers withheld, may be subjected to some kind of debt bondage, threats of reporting to authorities or other threats, which prevent them from leaving the work.

S4 CONSUMERS AND END USERS' HEALTH & SAFTEY

The use of tobacco and nicotine products should be a personal choice and those who do use them must weigh the associated health risks and balance those against their enjoyment. Nobody under the age of 18 (or higher as determined by local law) should buy or consume tobacco or nicotine products. We grow our business by improving our market share rather than trying to increase the number of smokers or to grow the total market for tobacco or nicotine products.

STRATEGY

The Group acknowledges the health risks associated with smoking, including second hand smoke, and nicotine products. We engage with a broad range of consumers who seek individualism and consistent quality and we place the utmost importance on ensuring that these consumers are exclusively adults. It would be a clear breach of our Code of Conduct and Marketing Principles to target, market or sell to any person under the age of what is considered a legal adult. The health risks are the basis of regulation of our product categories globally, as well as for the responsible approach we take toward our consumers. The Group works to engage responsibly and ethically with regulators to ensure that tobacco regulation is evidence-based and proportionate.

OUR MARKETING PRINCIPLES

Our Marketing Principles ensure that we develop, market and promote our products in accordance with the law and our core values. In the US, where the legal minimum age for purchasing tobacco is 21, the Group sells directly to consumers on our websites and in our retail stores. Our US retail websites ensure legal age verification of all consumers, utilizing a state-of-the-art third-party age verification solution to ensure compliance. We ensure compliance with the minimum age in our stores in the US by requesting age verification.

Our Marketing Principles are ingrained in the way we work and are front of mind in our consumer-focused teams. They are reviewed annually and revised as needed. We conduct training in the Marketing Principles to the relevant functions in the Group and this will continue in 2024.

CONSUMER ENGAGEMENT

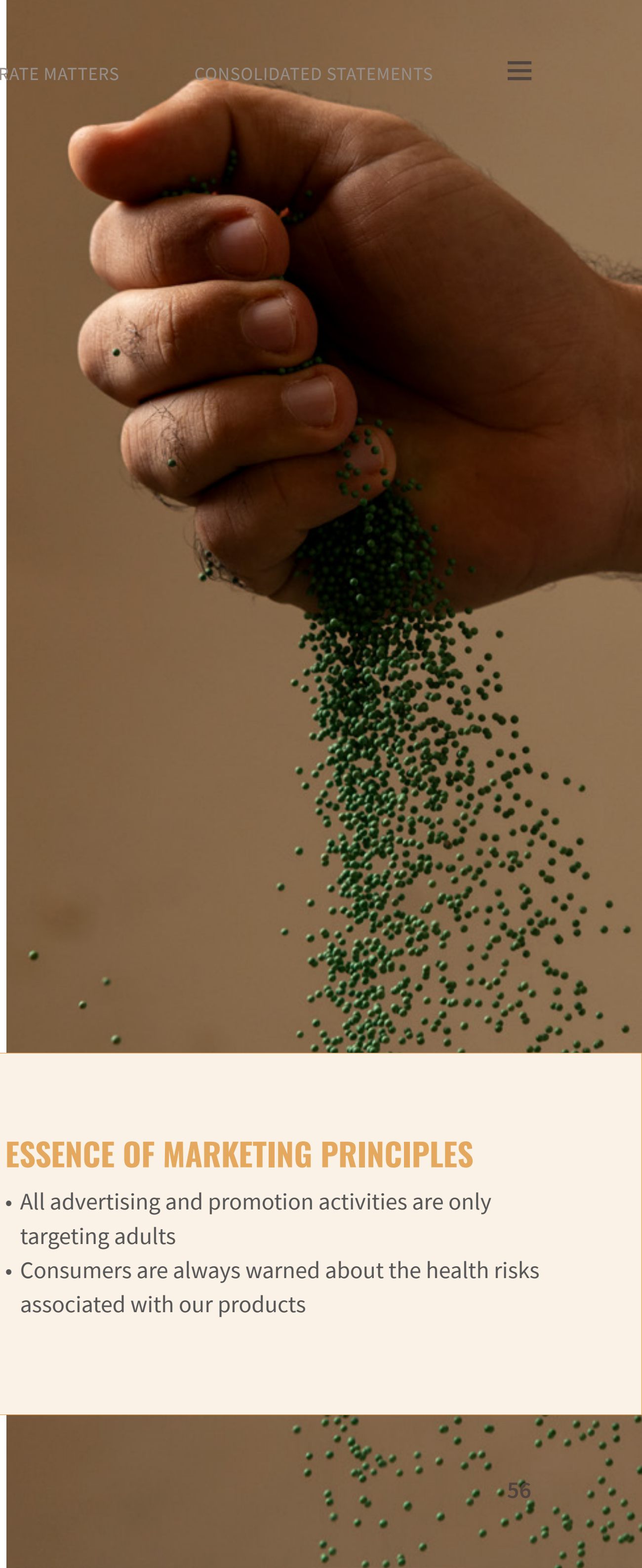
In most of our markets, regulation prevents us from any engagement with consumers.

Product complaints are the main form of enquiries that we receive from consumers. Should we receive concerns from consumers about the way we market or sell our products, we would meet it with the responsibility and attention it deserves. Compliance with laws, regulations and our own ethical standards is fundamental to us.

NEW PRODUCTS

Although cigars (handmade and machine-rolled) are our main product types, we entered the Next Generation Product (NGP) category in 2022 with two new product types – Modern Whites (oral pouches with nicotine, without tobacco) and Modern Actives (oral pouches without nicotine, without tobacco).

NGPs are still relatively new and in many countries still not clearly regulated. With a long history of ethical business practices and marketing our products responsibly, the Group is taking a responsible approach to the category and products through mature designs and marketing communication and the inclusion of these products in our Marketing Principles



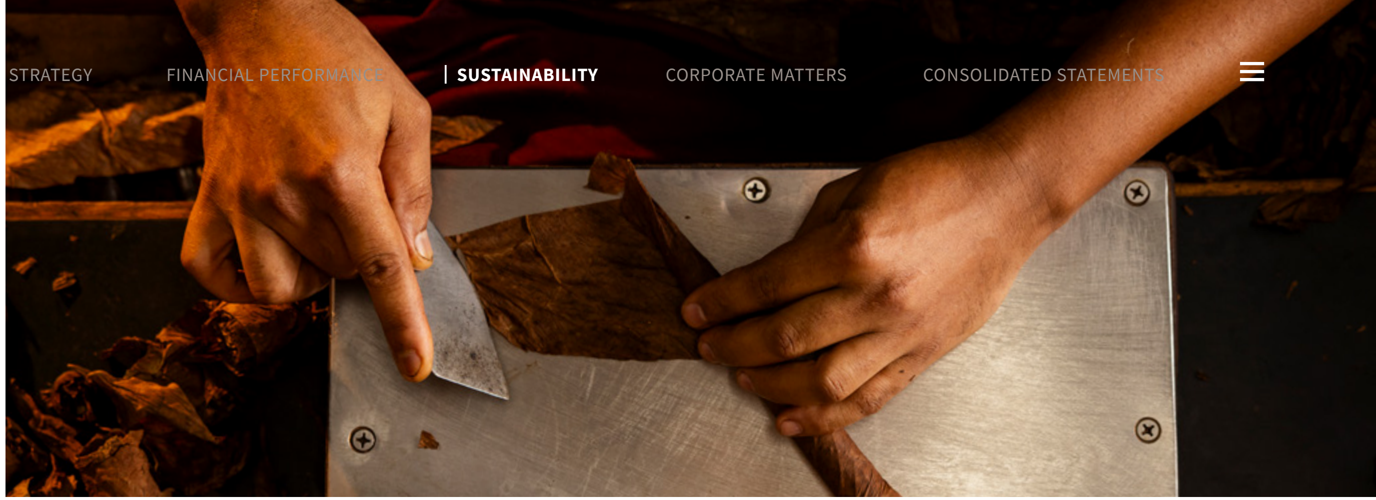
ESSENCE OF MARKETING PRINCIPLES

- All advertising and promotion activities are only targeting adults
- Consumers are always warned about the health risks associated with our products

GOVERNANCE

BUSINESS CONDUCT

Spans the entire Sustainability agenda and has been divided into five key enablers to allow the Group to accomplish our corporate strategy and achieve our goals.



ESG GOVERNANCE

Good governance is central to responsible business practices and to managing the risks, impacts and opportunities arising from the Group strategy and business model. It is about transparency, credibility, accountability and creating a robust and sustainable organisation.

DESCRIPTION OF ROLES AND RESPONSIBILITIES REGARDING SUSTAINABILITY MATTERS

Body	Roles and Responsibilities
Board of Directors	Oversees sustainability initiatives, communicates their purpose as well as results achieved externally and linking executive compensation to sustainability goals.
Audit Committee	Reporting to the Board of Directors, assesses the sustainability reporting processes for transparency and compliance, and makes recommendations on sustainability to the Board of Directors.
Executive Board / Sustainability SteerCo	Oversees and directs the sustainability strategy and business model, and approves changes to material topics and responsible for final decision for the DMA. The CEO is responsible for updates to the Board and the CFO ensures data quality. As the topic owners are mostly members of the Executive Board, they are heavily involved in validating the outcomes through dialogue and discussion to agree on the recommendations.
Head of Sustainability / Center of Excellence	Owns and prioritises the sustainability agenda, including developing and embedding programmes into the Group. Sets targets and metrics, reports to the Executive Board and Board of Directors, builds sustainability knowledge within the organisation.
Topic Owners	Part of the Executive Board, ensures initiatives within material topics are delivered successfully. Define strategies, policies, and plans for each topic, support delivery teams and remove obstacles. Topic owners are accountable for material topics in their respective areas and are essential in determining the DMA outcome.
Workstream Lead	Accountable for delivering material topics, and collaborating with topic owners to create strategies, policies, metrics and plans. Define and oversee initiatives, coordinate efforts, engage stakeholders, identify resources and lead reporting on material topics, bringing necessary matters to the attention of the Executive Board sponsor and Center of Excellence.
Delivery Team	Executes initiatives within plan, monitors impact, supports Center of Excellence in reporting and provides material topic data.

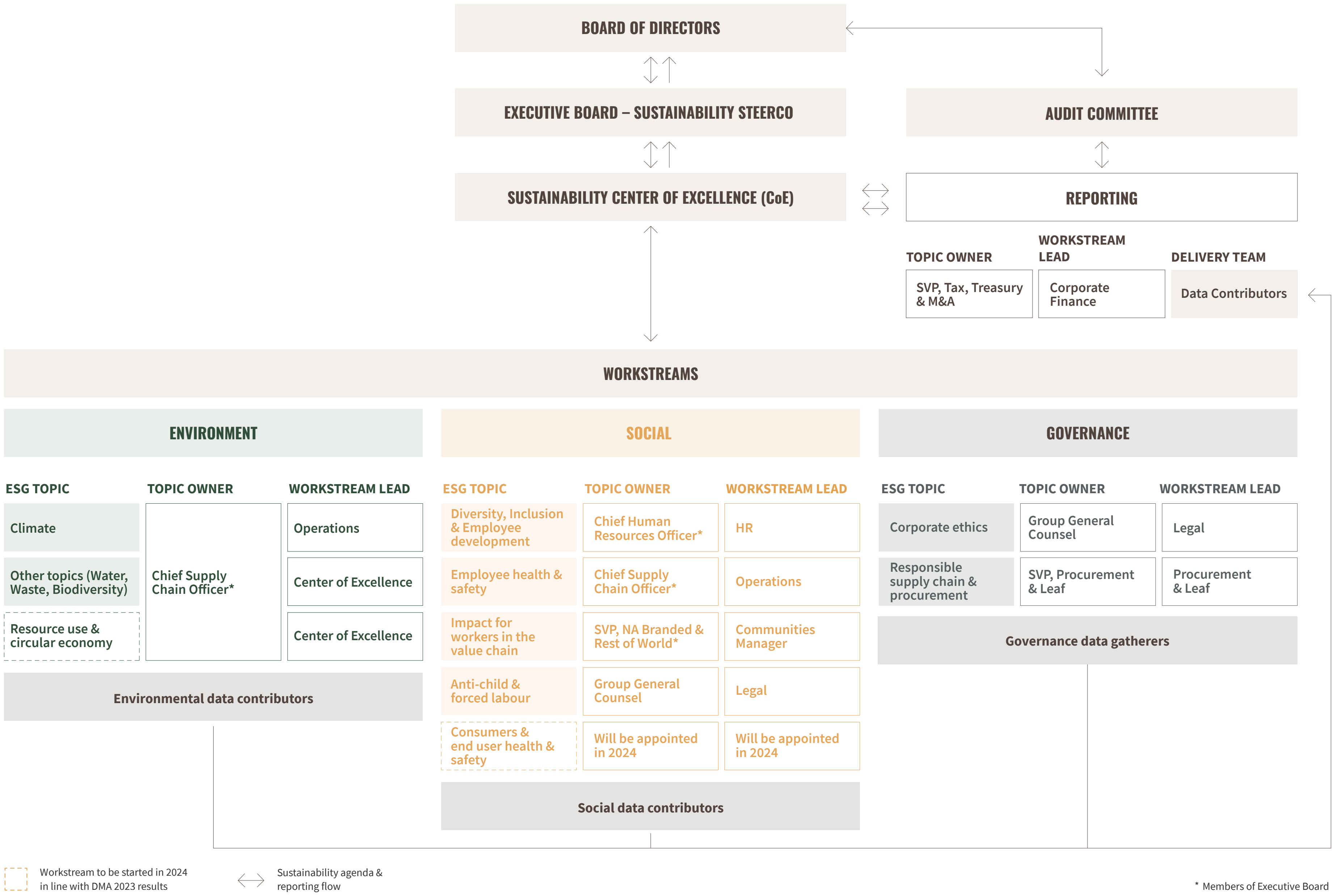
ESG GOVERNANCE

OVERSEEING AND GOVERNING BODIES

The Executive Board is the Steering Committee for the sustainability agenda. The EB consists of eight members including the Executive Management, namely the CEO and the CFO, while the material topics are the responsibility of the various Executive Board members or SVPs in Legal and Corporate Finance. Sustainability is anchored at the very top of the Group's organisation, with the Center of Excellence driving the agenda and creating accountability, dedication and traction. Engaging work with all topic owners and workstream leads, which enables the Group to progress and embed sustainability into its ways of working.

SUSTAINABILITY CENTER OF EXCELLENCE

The Center of Excellence runs the sustainability agenda, Rolling Responsibly, via a clear organisation and governance structure. This robust structure aided the conduction and completion of the DMA in 2023, an essential step towards CSRD compliance.



* Members of Executive Board

G1 BUSINESS CONDUCT

POLICIES THAT SUPPLEMENT OUR CODE OF CONDUCT

- MARKETING PRINCIPLES
- ANTI-CORRUPTION/ANTI-BRIBERY
- COMPETITION LAW
- DATA ETHICS
- TRADE RESTRICTIONS
- PROTECTION OF PERSONAL DATA
- DIVERSITY & INCLUSION
- IT SECURITY

Scandinavian Tobacco Group's corporate culture is woven into every aspect of the employee journey. Commencing with recruitment, onboarding, and through the annual performance management cycle, which is based on objectives and values combined, the Group emphasises its corporate business conduct across its people, processes and policies.

Corporate culture is reinforced through a dedicated training system and the learning management system used is integrated within global Human Resources. The training covers the Group's policies and Code of Conduct. The Group offers continuous learning and a reminder to employees throughout their employment on corporate culture, and allows for clarification and dialogue around processes and policies, which fosters an ongoing feedback loop.

Events organised by the company are also a key part of the corporate culture, ranging from team-building activities to awards ceremonies to Town Halls with performance updates. Communication via email, Intranet and divisional Town Halls cater to diverse work environments for office workers, where information and dialogue are presented physically and online. For the Group's non-office workers, communication occurs through physical meetings such as Town Halls, factory meetings or posters and screens around the workspace.

POLICIES

Scandinavian Tobacco Group has policies applicable across the whole group that serve the purpose of maintaining high ethical standards and compliance with laws and regulations for all functions within the Group.

We believe that honest and ethical behaviour are central to our success as a company. The Group's Code of Conduct articulates a framework to guide our behaviour and applies to all Group entities and employees in Group entities worldwide.

As a framework, the Code does not address every situation that may be encountered, and therefore the Group has policies, guidelines, procedures, and principles that supplement the Code to support the Group in understanding and applying them to daily work. The Code of Conduct and several of the pertaining group policies are approved by the Board of Directors. All other policies are approved by the Executive Management/Executive Board.

The Code serves to ensure proper business conduct concerning labour and human rights, environmental management, fair competition, health and safety, anti-corruption, and data management.

Find more on link to code of conduct.

G1 BUSINESS CONDUCT

As stated in the Code, the Company aims to apply good labour practice in all Group operations, and values ongoing dialogue and collaboration with employees. The Company respects its employees' freedom of association and their right to be represented by unions and to bargain collectively. The Code of Conduct includes our express statements that we do not accept and do not in our own facilities, use forced labour or child labour and respect minimum working ages. Group policies are published and remain available on the Group's website and internal Intranet and where relevant, the policies are translated into the local languages spoken at different offices/work sites. All group policies are reviewed annually and approved (with or without changes) by the relevant management body.

CORPORATE CULTURE – STRONG CORPORATE ETHICS

Responsibility is integral to our values and has been embedded in the culture for many years. We believe in honest and ethical behaviour and acting responsibly towards our stakeholders, the community, and the environment.

Employees are required to complete training related to the Group's policies relevant to them upon onboarding, and at regular intervals (approximately 18 months) throughout their employment.

The training is primarily conducted virtually, but can also be completed in person. In 2023, we launched our first training on our Code of Conduct, which is directed at all employees, either as e-learning or as in person training in town halls etc.

The Company's values (please refer to p. 17) are promoted by the Executive Board and the wider leadership. These values are integral to the Group's internal communications are integrated into each employee's behaviour/leadership performance evaluation. The Company conducts employee engagement surveys on regular cadences, sometimes brief and sometimes more comprehensive, and the results of every survey are analysed by HR and the Executive Board. Key takeaway points are then communicated across the Group, and – when deemed necessary – accompanied by action plans, be it at the very top management level, in bigger parts of the organization or in individual teams.

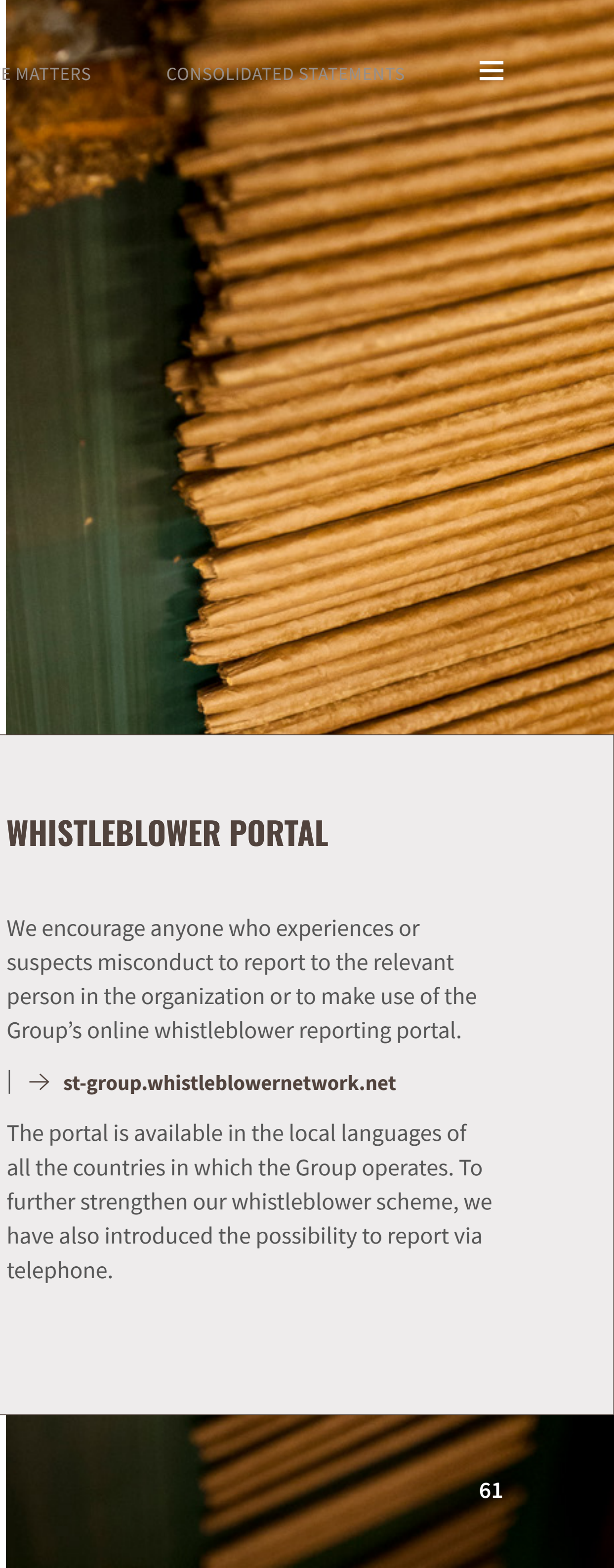
WHISTLEBLOWER SCHEME

The Group has established a reporting channel to enable employees, customers, suppliers, business partners and other stakeholders to raise concerns and report behaviour that appears to be illegal, dishonest, or otherwise contrary to the Group's policies and Code of Conduct. The Whistleblower Policy ensures confidential and secure reporting, while providing safeguards and remedies for those harmed by inaccurate or malicious reports.

Anyone who reports an incident via the whistleblower portal or in person can choose to remain anonymous. The Group has a clear policy to protect anyone who reports in good faith against retaliation, regardless of the reporting channel used, in accordance with the applicable laws transposing Directive (EU) 2019/1937 of the European Parliament and of the Council.

The Group has procedures in place to ensure that reports received under the whistleblower scheme are followed up and incidents, including incidents of corruption and bribery, are investigated promptly and objectively and in accordance with the EU Whistleblower Directive. All incoming reports are reviewed by an external law firm to avoid any conflict of interest before being forwarded to the Company's Group General Counsel. Should the external law firm identify a conflict of interest, the report will be forwarded to the chairman of the Audit Committee or the chairman of the Board of Directors.

Information on the Group's Whistleblower Policy is available to employees on the Intranet and through information material distributed at all offices and work sites. Employees and managers receiving reports are informed about the scheme and instructed on how to deal with incoming reports. To raise awareness and provide guidance on the available reporting channels and whistleblower protection, a global awareness campaign was launched in 2023. The Group's whistleblower scheme and compliance with the Whistleblower Policy is overseen by the Audit Committee.

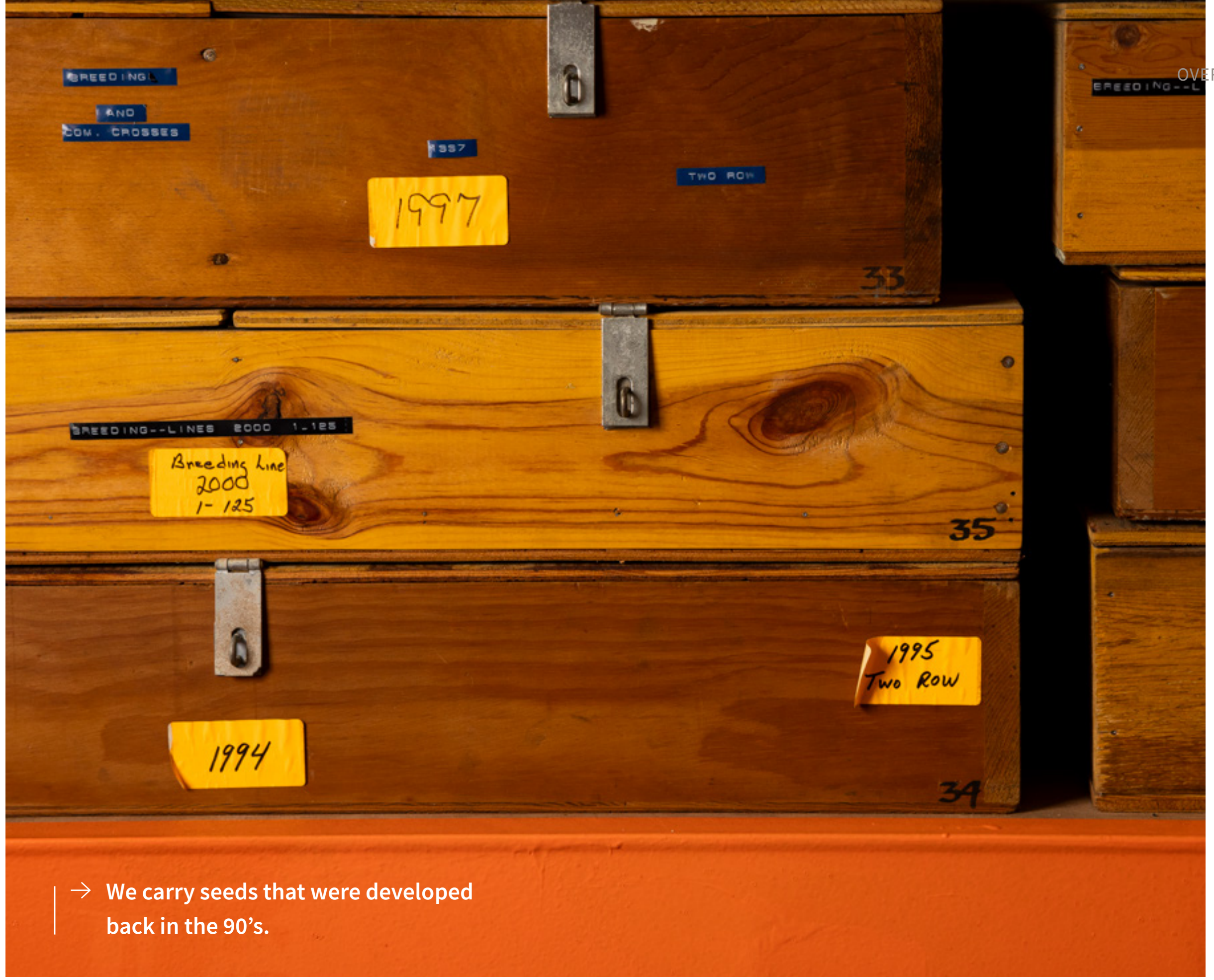


WHISTLEBLOWER PORTAL

We encourage anyone who experiences or suspects misconduct to report to the relevant person in the organization or to make use of the Group's online whistleblower reporting portal.

→ **st-group.whistleblowernetwork.net**

The portal is available in the local languages of all the countries in which the Group operates. To further strengthen our whistleblower scheme, we have also introduced the possibility to report via telephone.



→ We carry seeds that were developed back in the 90's.

G1 BUSINESS CONDUCT

ANTI-CORRUPTION AND BRIBERY

The Group is active in countries where the risk of corruption and bribery can be present. Functions in those countries that are in touch with authorities are most at risk of bribery and corruption. However, the Group's business model and the type of products sold/distributed are not at great risk of being associated with corruption. The Group has a zero-tolerance approach towards corruption and bribery throughout the entire value chain. The Anti-corruption Policy sets forth guidelines to prevent the company and its employees from being involved in any form of bribery or corruption and reflects the principles of integrity, transparency, and accountability laid down in the Code of Conduct. The policy applies worldwide to the Group's management and all employees as well as all third parties representing the Group. The zero-tolerance policy also applies to distributors and is integrated into the Group's Supplier Code of Conduct.

Reporting mechanisms, including escalation to superiors, The Group's legal department and the Whistleblower Policy, are established to address and investigate any suspected misconduct promptly. The Group has procedures in place to ensure that incidents of bribery and corruption are dealt with and investigated in a centralised manner and are separate from the chain of management involved in the matter. Depending on the severity and nature of the incident, the investigation may result in the Executive Management and the Audit Committee becoming involved.

The Anti-corruption Policy is available to all employees on the Group's Intranet. Third parties can access the policy via the company's external website. The Supplier Code of Conduct reflects the expectation that suppliers comply with all applicable anti-corruption and anti-bribery laws and regulations where they operate and prevent conflicts of interest in their business dealings. The Group's standard contracts with third parties include anti-corruption clauses that, if breached, may result in the termination of the contract.

TRAINING

Training is mandatory for all office-based employees and an integral part of the onboarding of those employees, including the Executive Management.

The online training is available in the relevant languages and includes training on how to identify risks of corruption, the implications of corruption and bribery as well as conflicts of interest, and how to react to it and raise concerns. Interactive exercises and questions serve to ensure that the employees are aware of the Group's Anti-corruption Policy and understand the consequences of breaching it. Both the course material and the accompanying policy material can be accessed at any time via the Group's internal training platform. The policy is available on the Intranet along with all other Group policies. The Company is currently exploring ways to deliver additional tailored training to functions that are in direct contact with authorities in countries where there is a higher risk of corruption and bribery.

The online training is repeated every 18 months, and to further develop our training over the coming years to improve awareness and compliance. We are currently creating processes that are tailored specifically to countries that are at higher risk of corruption and bribery.

RESPONSIBLE SUPPLY CHAIN & PROCUREMENT

Scandinavian Tobacco Group collaborates with a global network of approximately 5,000 suppliers, strategically sourcing goods and services from more than 100 countries. Building responsible and sustainable procurement requires proactive measures and strong initiatives. In 2023, Strategic Procurement has worked on three key areas:

- Scope 3 emissions
- Supplier Code of Conduct
- Planning improved due diligence work

G1 BUSINESS CONDUCT

Scope 3 emissions
In 2023, the Procurement team collaborated closely with the Sustainability Center of Excellence and external consultants to calculate and account for Scope 3 emissions. This project included extensive data collection processes and the extraction of key documentation across the expenditures of the Group's upstream and downstream of the value chain. The Group followed the spend-based methodology from the Green House Gas Protocol. This method estimates emissions by multiplying the economic value of goods and services purchased by relevant secondary emission factors, and it uses the Procurement spend management tool as its main data source. Accounting for Scope 3 greenhouse gas emissions is an essential step in identifying hotpots across the value chain, to enable a reduction of CO_2 emissions through effective actions.

Supplier Code of Conduct
Implementing the Supplier Code of Conduct is critical in ensuring compliance with the Group's fundamental standards for labour and human rights, health and safety, environmental matters, and business ethics across the upstream value chain. The rollout of the Supplier Code of Conduct consists of a communication plan, a supplier risk assessment and an action plan.

Planned Improved Due Diligence
In 2023, Scandinavian Tobacco Group joined the Sustainable Tobacco Program, a platform enabling the Group to conduct due diligence on various ESG matters related to our leaf tobacco suppliers and facilitate continuous improvement of their standards.

2024 AND BEYOND
In 2024, we plan to reach more than 80% of the indirect supplier base with our Supplier Code of Conduct and aim to complete a risk assessment for 80% of the contracted direct suppliers.

We are committed to continuing the roll-out of the Supplier Code of Conduct and enhancing collaboration with suppliers on ESG matters. We aim to embed ESG criteria more firmly into the sourcing of goods and services, ultimately forming criteria to be applied in the selection of suppliers in the future.

§

DATA ETHICS

This section constitutes our statutory reporting according to the Danish Companies Act, section 99 d.

In Scandinavian Tobacco Group we process various types of data, both personal (including HR-related), and customer, including consumer, supplier, market, sales, technical, statistical, test, and production data.

Data Ethics is not limited to personal data issues, which is already extensively regulated in many jurisdictions. Data Ethics concerns data in general, and thus our policy covers our ethical approach to data issues in a wider perspective, including personal data, advanced technology, data quality and security.

Our Data Ethics Policy is available at our website **st-group.com**

We disseminated our Data Ethics Policy to all relevant employees who are required to understand and apply the fundamental principles for our ethical approach in relation to the generation, use and other processing of data.

We have also established a Data Ethics Committee that will decide on specific data ethical issues that may arise over time and ensure that such are handled and decided upon in accordance with our Data Ethics Policy.

Further to this, we have initiated the development of Data Ethics Guidelines to facilitate a consistent and coherent understanding and application of the Company's data ethical principles. These guidelines are supplemented by specific guidelines issued in 2023 to the use of artificial intelligence. In 2024, we will review our Data Ethics Policy in accordance with the general policy governance principles of Scandinavian Tobacco Group. We also plan to publish the Data Ethics Guidelines, and continue to develop our data ethical mindset and tools, including training sessions on issues relating to data ethics for relevant groups of employees. Data Ethics is still a new discipline that will develop over time, in society in general and within the Group.

ENGAGEMENT WITH STAKEHOLDERS

Scandinavian Tobacco Group is actively engaging with key stakeholders at least once a year, across different communication channels, ranging from meetings, surveys, online, and other forms. This commitment enhances trust, aligns with ethical business practices, and contributes to long-term stability. An overview of how the Group interacts with the various stakeholder groups across its value chain and business model is shown.

During each interaction, information is collected which is filtered and shared with supervisors. If deemed necessary, it is escalated to management, who then decide on the necessary course of action or required steps to adapt the business model or strategy.

Stakeholder Group	Stakeholder Relationship description on sustainability matters (interest and expectations)	Engagement channels
Employees (current and future talents)	Employees seek job satisfaction, fair compensation and growth in a collaborative, ethical culture with transparent communication. Supportive leadership, opportunities and purpose are key for fulfillment.	Engagements between supervisors and coworkers in the form of meetings, as well as a surveying system in place to capture feedback from employees.
Suppliers	Suppliers, including leaf suppliers, are vital for manufacturing and can impact operations, sustainability and social responsibility. They seek lasting and transparent partnerships.	Engagements through online channels (calls and emails), meetings and visits in some cases.
Logistics partners & distributors	Logistics partners ensure the product delivery, which impact downstream logistics, sustainability, and social responsibility. They seek fair, transparent, and lasting relationships.	Engagements through online channels (calls and emails), meetings and visits in some cases.
Consumers (end-users)	Consumers are essential stakeholders, forming the foundation of the business by creating demand for products. They seek satisfaction, enjoyment, high and consistent quality, and fair prices.	Limited opportunities to communicate with consumers due to legal restrictions in most markets.
Customers	Customers are integral to the B2B model, delivering and making tobacco products available to consumers. They impact sales, sustainability and social responsibility, expecting fair margins, and lasting, transparent, and sustainable relationships.	Engagements through online channels (calls and emails), meetings and visits in some cases.
Workers in the Value Chain (leaf farmers)	Leaf-growing workers in the value chain are crucial for the primary raw material - tobacco leaf. They seek secure employment, fair wages, good working conditions and opportunities for satisfactory living conditions with access to health and education.	Direct or indirect support, through associations, and initiatives towards workers in the value chain (farmers, others). In special cases visits for mutual understanding of each other's businesses.
Local communities at production sites	Local communities at manufacturing sites are vital stakeholders, impacting operations, sustainability and social responsibility. They provide a valuable workforce, expecting transparent and ethical conduct for a harmonious relationship with the company.	Physical workshops and feedback rounds are conducted, as well as surveys and open dialogue.
Regulators, Government agencies & Policy Makers	These stakeholders set legal and regulatory standards for the industry in which the Group operates. Increasingly, ESG considerations are factored into policy development and can be influenced by new regulations.	The Group engages responsibly and ethically with regulators to ensure that tobacco regulation is evidence-based and proportionate. The dialogue is direct and through national/regional industry associations.
Works councils, unions for employees	These groups represent employees' interests to the employer, aiming to secure economic and social interests. Work councils and unions focus on social and governance aspects in the Group's policies and strategy, with rights varying based on legislation.	Negotiation and contribution to the definition of social policies, work conditions,and other social considerations.
Investors/ shareholders	Some shareholders are concerned about the potential ESG impacts, and adressing these concerns can therefore safeguard shareholder value. Shareholders have high and direct influence on the Group's value and overall market performance.	Proactive communication across different channels on company overall strategy and performance.
Banks	Banks look closely at all ESG elements the Group communicates. They provide financing to the organization and often take ESG considerations into account when setting their interest rates and financing conditions.	Proactive communication across different channels on company overall strategy and performance.

SUPPORTING THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Scandinavian Tobacco Group wants our sustainability work to have a meaningful and recognisable impact in our business and in the world around us.

We are fully supportive of the aspirations and targets set out in the United Nations Sustainable Development Goals (UN SDGs) and with with the upcoming Corporate Sustainability Due Diligence Directive, we remain committed to analyse our procedures to ensure ongoing responsibility.

ENVIRONMENT

NET ZERO ALONG THE JOURNEY OF THE LEAF

13 CLIMATE ACTION

We seek to measure, report and ultimately reduce our greenhouse gas emissions

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

We seek to reduce energy use and waste through prevention, reduction, recycling and reuse

SOCIAL

SUSTAINABLE COMMUNITY PIONEERS

5 GENDER EQUALITY

We do not tolerate any kind of discrimination

8 DECENT WORK AND ECONOMIC GROWTH

We seek to protect labour rights and ensure safe and secure working environments

We commit to eliminating child labour in all forms in our value chain

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

We commit to non-discrimination under human rights laws and conventions

GOVERNANCE

RESPONSIBLE BUSINESS CONDUCT

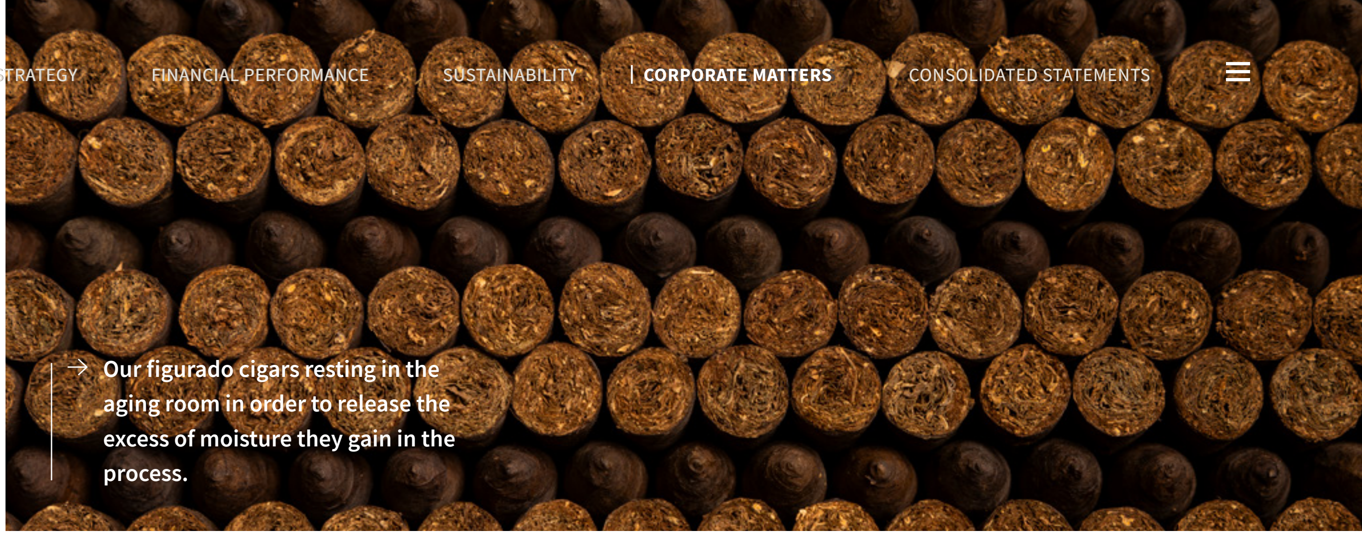
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

We work to adopt sustainable business practices

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

We do not tolerate any form of corruption or bribery

CORPORATE MATTERS



→ Our figurado cigars resting in the aging room in order to release the excess of moisture they gain in the process.

REGULATION

Tobacco products are subject to extensive and increasing regulation. The tobacco products themselves as well as the labelling, packaging, marketing, display, sale and consumption of tobacco products are generally regulated.

In many markets, operators in the manufacturing and sale of tobacco products have an obligation to file with the authorities information on their products and ingredients as well as available research related to the health aspects of these.

Standardised consumer packaging and prohibitions on the display of tobacco products at the retail level are examples of regulation introduced by some countries in recent years. Scandinavian Tobacco Group expects the development of increasing regulation to continue. We monitor regulatory developments, and via national and international trade associations, we engage with stakeholders to support evidence-based and reasonable regulation that takes into account the different characteristics of the various tobacco product categories. When new product categories are regulated, for instance nicotine pouches, it is typically done with the same type of regulation as for traditional combustible tobacco products (including ingredients restrictions, health warnings, advertising restrictions, legal purchase age, etc.).

Regulation generates risk for our industry as it adds complexity and costs, but it also offers opportunities for Scandinavian Tobacco Group where we can leverage our scale and agility in implementing increasingly complex regulatory requirements.

REGULATORY DEVELOPMENTS IN THE US

The Food and Drug Administration (FDA) has the regulatory responsibility for tobacco products, including cigars and pipe tobacco. The regulation of cigars and pipe tobacco, which was first introduced in 2016, is complex and often requires essential additional FDA guidance and involves great uncertainty in terms of the specific requirements as well as timing. In 2023, FDA's regulation on premium cigars was vacated in a federal court. Following an appeal by the FDA the matter is now pending before the US Court of Appeals for the District of Columbia. A ruling is expected in 2024 or 2025 setting the direction for the future regulation of premium cigars in the US.

The FDA has in recent years issued draft rules and guidance documents covering several topics and asked for comments on these, including flavoured tobacco products and reduction of nicotine in tobacco products to minimal/non-addictive levels. The agency has stated that it will issue a proposed rule that would ban menthol in cigarettes (the only non-tobacco flavour allowed in cigarettes) and ban all non-tobacco characterizing flavours in cigars. It has been announced that a decision on such a federal ban will be made in March 2024. Meanwhile, some US states, as well as several counties and cities, have banned the local sale of flavoured tobacco products, often including cigars. Flavoured tobacco products sold in the US only make up about 5% of the Group's net sales and profit.

Online sales of tobacco products are subject to a requirement by the individual states that the seller collects the sales tax applicable in the state where the customer is residing. Some states have enacted regulation to have out-of-state retailers also collect and remit state excise tax on tobacco products, and more states are expected to implement similar regulation over time.

REGULATORY DEVELOPMENTS IN EUROPE

In the EU, the so-called Tobacco Products Directive sets the framework for most regulation of tobacco products. One example of regulation in the Tobacco Products Directive and its impact, is the so called "Track and Trace" regime that took effect in May 2019 for cigarettes and fine-cut tobacco. Under Track and Trace, each individual consumer package must be traceable from the manufacturer/importer to the last stop before the retailer. Scandinavian Tobacco Group is leveraging the extensive experience gathered in connection with the implementation of Track and Trace in its fine-cut tobacco business as the company prepares for similar Track and Trace requirements for cigars and pipe tobacco that take effect in May 2024.

The EU Tobacco Excise Directive sets out definitions of the various tobacco product categories for excise purposes and determines the structure and minimum rates of tobacco excise tax in the EU, while each member state within that limit sets own rates. Increases in excise rates are common. Occasionally these changes impact consumer behaviour in the shorter or longer term. The EU Tobacco Products Directive and the EU Tobacco Excise Directive are expected to undergo a statutory review within the next couple of years.

Standardised consumer packaging requirements as well as the regulation of display and marketing of tobacco products at the points of sale are only subject to national regulation. Several EU member states have introduced requirements for standardised packaging and display bans at the retail level for some or all types of tobacco products.

RISK MANAGEMENT

Enterprise Risk Management (ERM) is designed to identify and manage uncertainties and risks affecting Scandinavian Tobacco Group in the global marketplace. ERM seeks to identify, prioritise and manage key risks at all levels of the business to support the organisation in better decision making, proper allocation of resources and better and faster utilisation of opportunities that arise.

> *Appropriate actions are taken to reduce, prevent or mitigate risks and to ensure that the Group is transparent and compliant*

GOVERNANCE

The responsibility for the governance of risks lies with the Board of Directors. On behalf of the Board of Directors, the Audit Committee monitors the effectiveness of the Group's risk management and evaluates the design annually. The Executive Board manages the operational part of ERM and ensures proper and complete reporting to the Audit Committee.

RISK ASSESSMENT PROCESS

Scandinavian Tobacco Group operates with a framework including various principles that secure a structured and cross-functional approach to risk management.

The approach is a top-down facilitated process with the intent to identify risks and support ERM throughout the organisation, and to ensure consistent follow-up and reporting on risks to the Executive Board during the year. To receive input from the organisation, a risk team works with key stakeholders across the business to ensure an effective assessment before presenting recommendations to the Executive Board. The Executive Board performs an annual risk assessment based on the impact and likelihood of a risk materialising. The process ensures that appropriate actions are taken to reduce, prevent or mitigate risks and to ensure that the Group is transparent and compliant in the external communication on these risks.

RISKS IN SCANDINAVIAN TOBACCO GROUP

The main risk categories identified are regulation, excise taxes, total market development, cyber risk and implementation of a new Group Enterprise Resource Planning (ERP) system. The identified financial risks, including foreign exchange, interest rate, credit and liquidity risks, can be found in note 4.2. Furthermore, a significant number of initiatives are currently ongoing in Scandinavian Tobacco Group and execution depends on balancing all projects simultaneously.

REGULATION

There is a strong regulatory focus on the tobacco industry - a trend that is expected to continue.

EXCISE TAXES

Excise tax rates are a major component of the retail price of tobacco products.

TOTAL MARKET DEVELOPMENT

The total market for tobacco products is declining. Although cigar volumes have shown higher resilience than cigarettes in some of our markets, the markets for machine-rolled cigars and pipe tobacco are declining.

CYBER RISK

Cyber security threats are growing in number and are becoming more sophisticated.

IMPLEMENTATION OF ERP SYSTEM

A project that aims to harmonise Group processes and upgrade the ERP platform.

RISK MANAGEMENT

REGULATION

RISK DESCRIPTION

There is a strong regulatory focus on the tobacco industry. Regulatory initiatives could affect consumer behaviour, discourage use of tobacco products, control new product development and place significant burdens on the tobacco industry. Regulatory initiatives could include significant reporting obligations, bans on tobacco product displays, labelling requirements, standardised packaging and bans on certain flavourings as well as restrictions on sale and consumption of tobacco products and Track & Trace requirements. Regulatory changes could lead to an increase in costs and operational complexity, impact the ability to compete or differentiate products, erode brand values, reduce possibilities to launch new products and cause loss of sales and profitability.

MITIGATING ACTIONS

We engage with regulators and stakeholders to ensure proper insights and knowledge about our product categories and facilitate reasonable, transparent and balanced regulation. We have dedicated resources monitoring regulatory initiatives and use significant resources preparing for and implementing new and updated regulations.

We focus our sales in categories with mainly mature consumers and on the non-aromatic segment for cigars which has been less exposed to regulatory focus than the aromatic segment.

EXCISE TAXES

RISK DESCRIPTION

Excise taxes are a major component of the retail price of tobacco products. This component can be changed by national governments and is actively used to increase tax revenue and to limit tobacco consumption. An alignment of excise tax rates across tobacco product categories could increase the excise tax, impact the consumer price of our products and negatively impact our sales volumes and profitability. Increases of excise taxes implemented unexpectedly or unusually high excise increases could limit our ability to pass on excise increases to consumers through price increases. It could also provide us limited time to adjust our production and sales efforts which could have an additional adverse effect on our profitability and lead to lower consumer demand. In the US we expect an increase in the number of states requiring remote sellers to collect excise tax. This could lead to additional costs and complexity for our operations, affect consumer behaviour and impact our sales volumes and profitability.

MITIGATING ACTIONS

We continuously monitor potential changes to excise taxes for our product categories. We adjust prices to the extent possible to pass on the effect of excise tax increases to consumers, if the market conditions allow. We actively participate in relevant industry associations and in collaboration with trade industry partners, we engage in dialogue with regulators to limit the risk of market disruption based on excise tax alignment and excise tax changes.

TOTAL MARKET DEVELOPMENT

RISK DESCRIPTION

The total market for tobacco products is declining. Although cigar volumes have shown higher resilience than cigarettes in some markets, the markets for machine-rolled cigars and pipe tobacco are also declining. With a presence in approximately 100 markets around the world, we have a high degree of geographic diversification. Still, a significant and unexpected decrease in demand for tobacco products in one or more of our core markets could negatively impact our net sales and profitability.

MITIGATING ACTIONS

We continuously monitor the market trends, collect market research data and perform forecasts to project market developments and trends. The trend analysis helps us address adverse market conditions more promptly. We have a strong focus on portfolio and pricing strategies. We strive to gain market share and implement price increases to offset the negative impact of declining markets. We aim at being present in all price points and product categories to remain relevant for the consumers if they change spending patterns.

→ **JUAN BAUTISTA "TONY"**
With more than 20 years' experience at Scandinavian Tobacco Group, Tony can produce an impressive 500 bunches per day. His favorite blend is LGC serie #5, he loves to smoke toro size cigars and listen to classical music.

RISK MANAGEMENT

CYBER RISK

RISK DESCRIPTION
Scandinavian Tobacco Group operates in an environment with cyber security threats that are growing in number and sophistication. Successful attacks might result in business disruption, production stops, loss of image, compromise of customer information and personal data, and direct financial loss. Disruptions to our online retail business platforms resulting in these becoming unavailable to customers could impact our sales and profitability. Further, if our business platforms were unavailable, it could lead to supply chain and general business disruption, which could keep us from fulfilling our engagements and responsibilities towards customers and other parties.

MITIGATING ACTIONS
Our focus is on implementation of security policies, business continuity management, recovery plans, proactive monitoring, global penetration tests and keeping our defences updated. We evaluate, monitor and test our cyber resilience and IT enhancements – and we educate our employees in cyber security awareness.

IMPLEMENTATION OF ERP SYSTEM

RISK DESCRIPTION
Scandinavian Tobacco Group is investing significantly in updating the Group's ERP system. This represents a significant business transformation and will strengthen our ability to deliver growth and profitability in a declining market. Further, a higher degree of digitalisation, process simplification and automation will provide the Group with an improved basis for participating in further industry consolidation. Implementation of the new ERP system requires significant resources and affects many divisions across the Group, not least supply chain, business operations, finance and IT. Disruptions, delays or deficiencies in the transition, design and implementation of the new system could have an adverse effect on the Group's business.

MITIGATING ACTIONS
Senior management is committed to the project's governance and is securing key resources across the organisation. Also, the Group has a structured and systematic approach to monitoring and tracking the status of large projects. Risk mitigation will be a priority throughout the project and a thorough clarification phase will contribute to risk mitigation.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Scandinavian Tobacco Group A/S is incorporated in Denmark under Danish law. The company's shares have been publicly listed on Nasdaq Copenhagen since February 2016.

The Group's corporate governance is based on the Danish Companies Act, the Danish Financial Statements Act, the International Financial Reporting Standards (IFRS), the EU Market Abuse Regulation, Nasdaq Copenhagen A/S' Rulebook for Issuers of Shares and its Rules for Issuers of Bonds as well as the company's Articles of Association, among others. Further, the Danish Recommendations on Corporate Governance are taken into account. The ultimate authority over the company is held by the shareholders who exercise their rights at general meetings. The annual report, the remuneration report and amendments to the Articles of Association are approved at the general meeting which also elects members of the Board of Directors and the independent auditor. The general meeting exercises its powers pursuant to the provisions of Scandinavian Tobacco Group's Articles of Association which are available at st-group.com. The Articles of Association were last updated in connection with the Annual General Meeting held on 13 April 2023. The minutes of the Annual General Meeting are available at investor.st-group.com. As a publicly listed company, Scandinavian Tobacco Group is required by law to report on its compliance with the Danish Recommendations on Corporate Governance, which can be found at corporategovernance.dk. Reports by companies on corporate governance must be presented in accordance with the 'comply or explain approach', which means that a company may choose not to comply with a specific recommendation, but instead explain why it has chosen not to comply with the recommendation, and what it has chosen to do instead. Scandinavian Tobacco Group complies with all of the current Danish Recommendations on Corporate Governance (with one minor exception as the election of a Vice-Chairman of the Board of Directors is optional, not mandatory).

A detailed overview can be found in Scandinavian Tobacco Group's 2023 Statutory Report on Corporate Governance. The report is available **here**.

REMUNERATION

Scandinavian Tobacco Group's Remuneration Policy lays down the principles governing the remuneration of the Board of Directors and Executive Management, and it acts as a framework around which their contractual terms and compensation are set, reviewed and managed in accordance with the Danish Companies Act and the Corporate Governance Recommendations.

The overall objective of the Remuneration Policy is to enable the company to attract and retain high calibre, experienced and qualified individuals to its Board of Directors and Executive Management. Further, the Remuneration Policy enables the company to incentivise the Executive Management to deliver the company's strategic ambitions in a way which creates sustained shareholder value and to reward the Executive Management appropriately for achieving core short-term and long-term business goals, while managing and growing the company to ensure its continued sustainability in a way which aligns with shareholders' and stakeholders' interests. The current Remuneration Policy was originally adopted at the Annual General Meeting in 2020. In accordance with the legal requirements, the Remuneration Policy will be presented again for adoption at the Annual General Meeting in 2024. The current Remuneration Policy can be found at st-group.com. A detailed description of the main elements of the remuneration of the Board of Directors and the Executive Management and the remuneration paid in 2023 is outlined in the 2023 Remuneration Report available at st-group.com.

The Executive Management's remuneration includes incentives related to sustainability. For more information, visit the 2023 Remuneration Report.

Scandinavian Tobacco Group complies with the Danish recommendations on Corporate Governance. A detailed overview can be found in Scandinavian Tobacco Group's 2023 Statutory Report on Corporate Governance:

www.st-group.com/annual-reports/statutory-corporate-governance-report-2023/

The Group has already begun its journey of aligning financial rewards with broader goals of environmental responsibility and social impact with an incentive tied to the outcomes of some key ESG work. For more information, visit the Remuneration section in the report.

www.st-group.com/annual-reports/remuneration-report-2023/

BOARD OF DIRECTORS

★ Year of birth ▪ Nationality ◷ Election period 👤 Joined the board in



	HENRIK BRANDT	ANDERS C. OBEL	CLAUS GREGERSEN
Year of birth / Nationality	★ 1955 ▪ Danish	★ 1960 ▪ Danish	★ 1961 ▪ Danish
Election period	2022-2024	2022-2024	2022-2024
Joined the board in	2017 and was elected Vice-Chairman in 2017 and Chairman in 2022	2018	2019
EDUCATION	MBA from Stanford University Master of Science (Econ), Copenhagen Business School	Bachelor of Science in Economics and Business Administration from Copenhagen Business School.	Bachelor of Commerce degree (HD) in Business Finance from Copenhagen Business School
COMPETENCIES	• Extensive executive and non-executive experience in leading international, publicly listed and private equity businesses • Sales and marketing of fast-moving consumer goods • Strategic business development	• Extensive experience in management of industrial and investment companies • Strategic business development • Economic and financial expertise	• Board experience from international, private and public enterprises • Management experience from Danish and international enterprises • Extensive experience with M&A, capital markets, strategic development, risk management and operations
SELECTED FORMER EMPLOYMENT POSITIONS	• President and CEO Royal Unibrew A/S 2008-2017 • President and CEO of Unomedical A/S 2003-2008 • President and CEO of Sophus Berendsen A/S (now Berendsen A/S) 1999-2002 • CEO of House of Prince A/S (1990-1999) and Group Executive of Skandinavisk Tobakskompagni A/S 1992-1999 • President and CEO of Fritz Hansen A/S 1989-1992 • President and CEO of Kevi A/S 1987-1989	• Member of the Board of Directors of Forenet Kredit f.m.b.a., Nykredit Holding A/S and Nykredit Realkredit 2009-2017 • Member of the Board of Directors of Scandinavian Tobacco Group A/S 2010-2016 • Vice President at Gemini Consulting/Cap Gemini 1996-2002 • Various positions, including Manager, at Hambros Bank Plc., 1985-1996	• Chairman, The Danish Growth Fund (Vækstfonden) 2018-2020 • CEO and Country Manager at Carnegie Investment Bank 2010-2017 • Partner, Select Partners, Asset Management 2005-2010
MANAGEMENT POSITIONS WITH OTHER ENTITIES	**Chairman of the Board of** Toms Gruppen A/S, Fritz Hansen A/S, Intervare A/S (and its subsidiary nemlig.com A/S) and of Gerda & Victor B. Strand Holding A/S. **Member of the Board of** Ferd Holding as, Norway and Gerda & Victor B. Strands Fond/Toms Gruppens Fond	**Chairman of the Board of** C.W. Obel Bolig A/S, C.W. Obel Ejendomme A/S, Obel-LFI Ejendomme A/S, Semco Maritime A/S, Semco Maritime Holding A/S, Goodvalley A/S, Woodmancott Fonden and Haxholm v/ Anders Christen Obel. **Vice-Chairman of the Board of** Fritz Hansen A/S and Skandinavisk Holding A/S. **Member of the Board of** STG's Gavefond, Minkpapir A/S, Palcut A/S, C.W. Obels Fond, Danmark-Amerika Fondet (Danmarks amerikanske selskab), Fonden Det Obelske Jubilæumskollegium, Mullerupgaard- og Gl. Estrupfonden, Høvdingsgaard Fonden, Skjørringefonden, Aktieselskabet Dampskibsselskabet Orient's Fond, Kilsmark A/S, Rexholm A/S, A/S Motortramp, Skovselskabet af 13. December 2017 A/S and Ejendomsselskabet Amaliegade 49 A/S. **CEO of** C.W. Obel A/S, Anders Christen Obel ApS and Det Obelske Familiefond	**Chairman of the Board of** Skandinavisk Holding A/S, Skodsborg Sundhedscenter A/S, Kurhotel Skodsborg A/S, Skodsborg Sundpark A/S, The Scandinavian ApS and STG's Gavefond. **Member of the Board of** Jeudan A/S (Member of the Risk and Audit Committee), Gyldendal A/S (Member of the Remuneration Committee and the Nomination Committee), Fritz Hansen A/S, Tivoli A/S (Member of the Audit Committee), Axcelfuture, Aktive Ejere and Søren Gyldendal Fonden. **CEO of** Chr. Augustinus Fabrikker Aktieselskab and CAF Invest A/S
STG COMMITTEES	Chair of the Nomination and Remuneration Committees	Member of the Audit Committee	Member of the Nomination and Remuneration Committees
CONSIDERED INDEPENDENT	Yes	Yes	No
HOLDING OF SHARES AT 31 DECEMBER 2023	112,670	8,570	15,928

BOARD OF DIRECTORS

★ Year of birth ■ Nationality ◷ Election period 👤 Joined the board in




	MARLENE FORSELL	DIANNE NEAL BLIXT	HENRIK AMSINCK	KARSTEN DAM LARSEN
	★ 1976 ■ Swedish	★ 1959 ■ American	★ 1961 ■ Danish	★ 1961 ■ Danish
	◷ 2022-2024	◷ 2022-2024	◷ 2022-2024	◷ 2023-2027
	👤 2019	👤 2016	👤 2021	👤 2023
EDUCATION	Master of Science degree in Business Administration and Economics from Stockholm School of Economics	Master's degree in Business Administration and Finance from University of North Carolina at Greensboro	Master of Science Business Economics from Aarhus University	Construction and Machinery blacksmith
COMPETENCIES	• Extensive experience with and insight into financial matters • Enterprise performance management • Reporting processes in listed companies • Considerable insight into the tobacco industry	• Significant experience in business analysis and strategy development • Financial management and reporting expertise • Considerable insight into the US tobacco industry	• Executive experience from contributing to the running of large, international and global corporations • Extensive experience with strategy development, change and program management • Considerable insight into digital transformation, global IT management and cyber security & compliance • Experience with retail and online business	• Elected by the employees
SELECTED FORMER EMPLOYMENT POSITIONS	• Senior Vice President and CFO of Swedish Match AB 2013-2018 • Member of the Board of Scandinavian Tobacco Group A/S 2014-2017 • Various positions in the Swedish Match group, including Vice President Group Reporting and Vice President Business Control 2004-2013 • Analyst Ernst & Young 2001-2004	• Member of the Board of Directors of Lorillard, Inc. 2011-2015 • Executive Vice President and Chief Financial Officer of Reynolds American, Inc., 2004-2007 • Various positions in Reynolds American and its subsidiaries 1988-2003 • Executive Vice President and Chief Financial Officer of R. J. Reynolds Tobacco Holdings, Inc. 2003-2004	• CIO and Corporate Management Member in the LEGO Group, 2007-2021 • CIO and Board Member, TDC Totalløsninger A/S & TDC A/S, 2005-2007 • Finance and IT Director, Management Board Member, AAK A/S, 2004-2005 • CIO, Aarhus Oliefabrik A/S, 1999-2004	-
MANAGEMENT POSITIONS WITH OTHER ENTITIES	**Member of the Board of** Kambi Group plc (Chair of the Audit Committee), Lime Technologies AB (Chair of the Audit Committee), Nobia AB (Chair of the Audit Committee), InDex Pharmaceuticals Holding AB, AddSecure AB (Chair of the Audit Committee) and Viedoc technologies AB	**Member of the Board of** Ameriprise Financial Services, Inc. (Chairperson of the Compensation Committee, Member of the Audit and Risk Committee, Member of the Executive Committee), Triad Business Bank (Member of the Operating Risk Committee and Member of the Audit Committee) and Winston-Salem Police Foundation	**Member of the Board of** DSB SOV (Member of the Audit Committee), Eltronic A/S and Falck IT Poland Sp. z.o.o.. **CIO of** Falck Danmark A/S	-
STG COMMITTEES	Chair of the Audit Committee	Member of the Audit, Nomination and Remuneration Committees	-	-
CONSIDERED INDEPENDENT	Yes	Yes	Yes	No
HOLDING OF SHARES AT 31 DECEMBER 2023	3,250	1,700	1,000	600

→ FAUSTO PEREZ
Fausto has over 24 years' experience as a buncher at Scandinavian Tobacco Group. He loves cigars that use Dominican tobacco as it's a great way to support local producers and the community. Fausto's work enables him to support his family, and in his spare time he enjoys watching baseball and playing dominoes.

BOARD OF DIRECTORS

★ Year of birth · Nationality · Election period · Joined the board in

	MARK DRAPER	THOMAS THOMSEN
	★ 1966 · American / Danish	★ 1976 · Danish
	2023-2027	2023-2027
	2023	2023
EDUCATION	Master's degree in strategic studies from the US Army War College	Degree in Sales and Marketing from Lyngby Business College
COMPETENCIES	• Elected by the employees	• Elected by the employees
SELECTED FORMER EMPLOYMENT POSITIONS	-	-
MANAGEMENT POSITIONS WITH OTHER ENTITIES	-	Partner of Lyngby Multi Service I/S
STG COMMITTEES	-	-
CONSIDERED INDEPENDENT	No	No
HOLDING OF SHARES AT 31 DECEMBER 2023	200	3,500

MEETING ATTENDANCE 2023

Board of Directors Meetings

Henrik Brandt	✓	✓	✓	✓	✓	✓	✓
Claus Gregersen	✓	✓	✓	✓	✓	✓	✓
Dianne Neal Blixt	✓	✓	✓	✓	✓	✓	✓
Anders Obel	✓	✓	✓	✓	✓	✓	✓
Marlene Forsell	✓	✓	✓	✓	✓	✓	✓
Henrik Amsinck	✓	✓	✓	✓	✓	✓	✓
Mogens Olsen	✓	✓	–	–	–	–	–
Hanne Malling	✓	✓	–	–	–	–	–
Lindy Larsen	✓	✓	–	–	–	–	–
Mark Draper	–	–	✓	✓	✓	✓	✓
Thomas Thomsen	–	–	✓	✓	✓	✓	✓
Karsten Dam Larsen	–	–	–	–	✓	✓	✓
Trine Eriksen	–	–	✓	✓	–	–	–

Audit Committee Meetings

Marlene Forsell	✓	✓	✓	✓	✓	✓
Dianne Neal Blixt	✓	✓	✓	✓	✓	✓
Anders Obel	✓	✓	✓	✓	✓	✓

Nomination Committee Meetings

Henrik Brandt	✓	✓	✓
Claus Gregersen	✓	✓	✓
Dianne Neal Blixt	✓	✓	✓

Remuneration Committee Meetings

Henrik Brandt	✓	✓	✓	✓
Claus Gregersen	✓	✓	✓	✓
Dianne Neal Blixt	✓	✓	✓	✓

- ✓ Attended
- ✗ Did not attend
- – Not a member at the time

Aging, fermenting and drying are vital parts of the tobacco leaf preparation, without which our signature flavours could not be created.

EXECUTIVE BOARD

The Executive Management consists of the CEO and the CFO. The day-to-day operations of the Group are managed by the Executive Board presented here.

1 NIELS FREDERIKSEN

CHIEF EXECUTIVE OFFICER

Niels Frederiksen (1964) became CEO of Scandinavian Tobacco Group in March 2015 and has held various positions in the Group since 1999, including Senior Vice President and Executive Vice President. Niels is currently also the Chairman of the Board of Directors of Boman A/S.

2 MARIANNE RØRSLEV BOCK

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Marianne Rørslev Bock (1963) joined Scandinavian Tobacco Group in 2018 as Executive Vice President and Chief Financial Officer (CFO). Marianne joined the Group from a position as CFO of Brdr. Hartmann and has previously held various finance leadership positions in Danisco (1994-2012). Marianne is currently also Vice-Chairman of the Board of Directors of Kemp & Lauritzen A/S, the Axel Muusfeldts Foundation and the Danish Financial Supervisory Authority (Chairman of the Accounting Committee), and she is a member of the Board of Directors of Mahia 17 ApS, Dagrofa ApS (Chairman of the Audit Committee), and Axel Muusfeldts Fond Holding A/S, as well as a member of the Danish Committee on Corporate Governance.

3 RÉGIS BROERSMA

PRESIDENT AND SENIOR VICE PRESIDENT, NORTH AMERICA BRANDED & ROW DIVISION

Régis Broersma (1977) joined Scandinavian Tobacco Group in 2002 and has since held various positions in the Group including Managing Director of Scandinavian Tobacco Group Germany and President of General Cigar Co. Ltd. Régis became Senior Vice President of the North America Branded Business Division in 2018 and Senior Vice President of the Smoking Tobacco & Accessories Division in 2019. In April 2020, he became Senior Vice President of North America Branded and Rest of World (RoW) Division.

4 YULIA LYUSINA

SENIOR VICE PRESIDENT, STRATEGY AND TRANSFORMATION

Yulia Lyusina (1986) joined Scandinavian Tobacco Group as Senior Vice President of Strategy & Transformation in 2019. Prior to this, Yulia has worked for 8 years in the Boston Consulting Group, and she has held different positions at other consulting and audit companies before that. Yulia is also a member of the Advisory Board of Unify Partners P/S.

5 JURJAN KLEP

PRESIDENT AND SENIOR VICE PRESIDENT, EUROPE BRANDED DIVISION

Jurjan Klep (1971) joined Scandinavian Tobacco Group in 1997 and has since held various sales and marketing positions in the Group. From 2008 to 2011 he was Managing Director of Scandinavian Tobacco Group Iberia before being appointed Senior Vice President of Sales. Jurjan became Senior Vice President of the Machine-made Cigar Division in 2018. In April 2020, he became Senior Vice President of Europe Branded Division.

6 SARAH SANTOS

PRESIDENT AND SENIOR VICE PRESIDENT, NORTH AMERICA ONLINE & RETAIL DIVISION

Sarah Santos (1978) started at Cigars International as a marketing and operations consultant in 2003 and joined Scandinavian Tobacco Group as a full time Marketing Director in 2008. In the years since she has held various leadership positions in the division, becoming the Senior Vice President of the North American Online and Retail Division in 2018. Sarah is also a member of the Board of the LifePath Foundation and is a member of the foundation’s investment Board committee.

7 JESPER TERNDRUP MADSEN

CHIEF SUPPLY CHAIN OFFICER

Jesper Terndrup Madsen (1975) joined Scandinavian Tobacco Group as Chief Supply Chain Officer in 2023. Prior to this, he spent more than seven years with Nilfisk A/S where he was Chief Operating Officer since 2017. Jesper has also held various leadership positions in operations in Nilfisk A/S, Royal Copenhagen A/S and GN Netcom A/S.

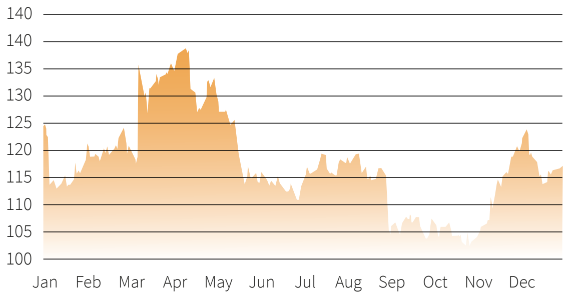
SHAREHOLDER INFORMATION

SHAREHOLDER RETURN 2023

Scandinavian Tobacco Group is listed on the Nasdaq Copenhagen Stock Exchange. In 2023, the share price decreased from DKK 122.1 to DKK 117.3 equivalent to a 4% decrease. In the same period the Nasdaq OMX25 index increased by 7%.

Including dividends paid out, the Total Shareholder Return was 4% in the period ending 31 December 2023.

SHARE PRICE DEVELOPMENT



SHAREHOLDERS

Scandinavian Tobacco Group had approximately 6,800 shareholders by the end of 2023. The Company owned 1.3% of the share capital. As of 29 February, 2024 the following investors have reported holdings of more than 5% of Scandinavian Tobacco Group's share capital and voting rights.

Chr. Augustinus Fabrikker Aktieselskab	>25%
C.W.Obel A/S	>10%
Parvus Asset Management Europe Limited	>5%
Capital Group Companies, Inc	>10%

SHARE INFORMATION AND AUTHORISATIONS

At the Annual General Meeting on 13 April 2023, the shareholders approved that the Company's share capital be reduced by cancelling treasury shares with a nominal value of DKK 6,000,000. After the reduction, the nominal value of the Company's share capital is DKK 87,000,000.

Until 26 March 2025, the Board of Directors is authorised to increase the share capital by issuance of new shares up to 10% of the share capital. Further, until 26 March 2025 the Board of Directors may increase the share capital by cash contribution by issuing new shares of up to DKK 1,000,000 nominally by a subscription by officers and employees of the Company and its subsidiaries at a price below market price. The Board of Directors is also authorised until 26 March 2025 to allow the Company to acquire up to 10% of own shares at a price deviating by no more than 10% from the listed price at the time of acquisition. Reference is made to articles 5 and 6 of the Articles of Association.

Trading symbol	STG
ISIN	DK0060696300
Share capital (DKK)	87,000,000
Number of shares	87,000,000
Nominal value (DKK)	1 per share
Votes per share	1

DIVIDENDS AND SHARE REPURCHASES

At the Annual General Meeting held on 13 April 2023, the shareholders approved an ordinary dividend of DKK 8.25 per share to be paid out for the financial year 2022.

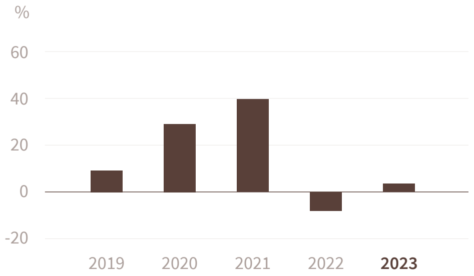
For the financial year 2023, the Board of Directors proposes that the Annual General Meeting approves a dividend of DKK 8.4 per share is paid to the shareholders. This will be equivalent to a total payment of DKK 731 million and a pay-out ratio of 62%. The proposed dividend of DKK 8.40 per share corresponds to an increase of 2% versus last year's ordinary dividend.

During 2023, Scandinavian Tobacco Group has bought back 1,532,727 shares in total at a market value of DKK 181 million under the up to DKK 1,000 million share buy-back programme and the up to DKK 850 million share buy-back programme that was completed in February 2023 and initiated in November 2023, respectively.

TOTAL SHAREHOLDER RETURN

In the past five years, Total Shareholder Return (TSR) equals 93% or DKK 73 per share. TSR is shareholder return including share price performance and dividends paid. The share price increase in the period was 50% and dividends have in total accounted for 43%. This implies a CAGR of 19% over the past five years.

5 YEAR SUMMARY (TSR)



INVESTOR RELATIONS POLICY

We strive to ensure that relevant, accurate, balanced and timely information is made available to investors. All company announcements are published through Nasdaq Copenhagen and, when required, the Financial Supervisory Authority. Our Investor Relations Policy contains the main principles for the communication with our investors, analysts and other stakeholders in the capital market.

Scandinavian Tobacco Group publishes quarterly interim reports after which the Executive Management delivers investor presentations and webcasted conference calls to provide participants with the opportunity to ask questions. Recorded webcasts of such presentations by the Executive Management will subsequently be available online. For more information, please visit our investor relations website: **investor.st-group.com**.

FINANCIAL CALENDAR 2024

04 APR	**Annual General Meeting**
02 MAY	**Q1 Interim Report**
22 AUG	**Q2 Interim Report**
12 NOV	**Q3 Interim Report**

QUARTERLY FINANCIAL HIGHLIGHTS

	2023					2022				
DKK million	**Q4**	**Q3**	**Q2**	**Q1**	**Full year**	**Q4**	**Q3**	**Q2**	**Q1**	**Full year**
REPORTED DATA										
Net sales	2,275	2,269	2,225	1,963	8,731	2,185	2,362	2,278	1,938	8,762
Gross profit before special items	1,089	1,092	1,044	979	4,204	1,042	1,172	1,074	1,019	4,307
EBITDA before special items	517	602	514	474	2,106	563	631	544	532	2,270
Special items	-35	-14	-16	-27	-92	103	-27	-23	-18	35
EBIT	385	489	406	358	1,638	579	514	433	427	1,953
Net financial item	-79	-44	-22	-31	-177	-47	-32	-44	-14	-137
Profit before tax	311	453	392	335	1,491	541	492	400	423	1,856
Income taxes	-43	-102	-88	-76	-308	-84	-111	-90	-95	-380
Net profit	268	351	304	260	1,182	457	382	310	328	1,476
OTHER FINANCIAL KEY DATA										
Reported Net sales growth	4.1%	-3.9%	-2.3%	1.3%	-0.4%	8.6%	8.2%	5.7%	2.9%	6.4%
EBITDA Margin	22.7%	26.5%	23.1%	24.1%	24.1%	25.8%	26.7%	23.9%	27.4%	25.9%
Free cash flow before acquisitions	452	622	159	-179	1,053	530	462	143	129	1,264

QUARTERLY FINANCIAL HIGHLIGHTS

	2023					2022				
DKK million	Q4	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1	Full year
NORTH AMERICA ONLINE & RETAIL										
Net sales	738	745	740	602	2,824	703	770	737	568	2,778
Gross profit before special items	293	299	290	242	1,124	278	308	285	227	1,098
EBITDA before special items	108	129	122	83	443	117	110	101	75	403
Net sales growth	4.9%	-3.2%	0.4%	5.9%	1.7%	6.9%	10.5%	4.9%	0.8%	6.0%
Organic net sales growth	10.4%	4.4%	2.7%	1.3%	4.8%	-4.8%	-5.6%	-7.5%	-6.3%	-6.1%
Gross margin before special items	39.8%	40.1%	39.2%	40.2%	39.8%	39.5%	40.1%	38.7%	39.9%	39.5%
EBITDA margin before special items	14.7%	17.4%	16.4%	13.9%	15.7%	16.7%	14.3%	13.7%	13.2%	14.5%
NORTH AMERICA BRANDED & REST OF WORLD										
Net sales	743	809	773	720	3,044	751	851	819	773	3,194
Gross profit before special items	380	435	397	395	1,606	385	450	416	448	1,698
EBITDA before special items	242	321	265	276	1,104	267	326	305	328	1,226
Net sales growth	-1.0%	-4.9%	-5.7%	-6.9%	-4.7%	14.5%	10.7%	7.7%	11.6%	11.0%
Organic net sales growth	-1.4%	-2.6%	-6.1%	-9.2%	-4.7%	7.4%	-0.2%	-0.5%	6.6%	3.1%
Gross margin before special items	51.1%	53.8%	51.3%	55.1%	52.8%	51.2%	52.9%	50.8%	57.9%	53.2%
EBITDA margin before special items	32.6%	39.7%	34.2%	38.3%	36.3%	35.5%	38.3%	37.2%	42.4%	38.4%
EUROPE BRANDED										
Net sales	794	716	712	641	2,863	731	742	721	596	2,790
Gross profit before special items	416	359	357	342	1,474	380	414	373	345	1,511
EBITDA before special items	196	176	164	146	683	209	231	173	159	772
Net sales growth	8.6%	-3.5%	-1.3%	7.6%	2.6%	4.6%	3.4%	4.2%	-4.8%	2.0%
Organic net sales growth	6.7%	-4.8%	-1.4%	8.3%	1.8%	2.4%	1.4%	2.4%	-6.6%	0.1%
Gross margin before special items	52.4%	50.1%	50.1%	53.2%	51.5%	51.9%	55.8%	51.7%	57.8%	54.2%
EBITDA margin before special items	24.7%	24.6%	23.1%	22.8%	23.8%	28.6%	31.1%	24.0%	26.7%	27.7%
GROUP COSTS										
EBITDA before special items	-30	-25	-37	-32	-123	-30	-36	-34	-31	-131

EU TAXONOMY

ABOUT THE TAXONOMY

The Taxonomy Regulation is a key component of the European Commission's action plan to redirect capital flows towards a more sustainable economy. It represents an important step towards the European Green Deal objectives, achieving carbon neutrality by 2050 in line with EU climate goals, because the Taxonomy is a classification system for environmentally sustainable economic activities.

OUR ACTIVITIES

In order to determine Taxonomy eligible activities, firstly we compared economic activities involved in the manufacture and retail of tobacco products to the Climate Delegated Act (CDA), which covers activities and sectors including, impact to water and marine resources, circular economy, pollution, biodiversity, and also those which have the greatest potential towards climate change mitigation and climate change adaptation. No Taxonomy eligible activities were identified, which means none of our turnover can be considered as Taxonomy eligible.

We have activity within our value chain that is not revenue-generating, but that result in assets or processes that are essential for our revenue-generating activities, which are not reported as Taxonomy-eligible economic activities on their own. This includes acquisition or construction of new buildings and transportation of our products to retailers and consumers. The Group discloses capital expenditures (CAPEX) and operational expenditures (OPEX) relating to the purchase of output from these activities.

KPIS

Expenses related to CAPEX and OPEX activities within the value chain which are Taxonomy eligible but not revenue generating are used as the numerator to calculate KPIs.
For CAPEX this consists of additions to fixed assets (IAS 16), intangible assets (IAS 38) and right-of-use assets (IFRS 16) during the financial year, before depreciation, amortisation and any re-measurements, revaluation, impairments, or changes in fair value. Additions from business combinations are also included, but goodwill is not. The total is divided by our total CAPEX to calculate the KPI.

OPEX in the taxonomy consist of direct non-capitalised costs for building renovation, maintenance and repair, and other direct expenditures relating to the day-to-day servicing of our assets of property, plant, and equipment. This includes the volume of non-capitalised leases (FRS 16), and expenses for short-term leases and low-value assets. Reference is made to note 3.3 Right-of-use assets page 108. The OPEX numerator is defined as taxonomy-eligible OPEX divided by our total taxonomy OPEX in order to establish the OPEX KPIs.

The total CAPEX is reconciled to our consolidated financial statement. For details on policies refer to note 3.1 Intangible assets page 103, note 3.2 Property, plant and equipment page 106 and note 3.3 Right-of-use assets page 107.

Since the numerator for the KPI is derived from the Taxonomy eligible activities and it was concluded that there are no Taxonomy eligible activities associated with our turnover, it is not possible to generate turnover KPIs or to assess alignment.

For further details on our accounting policies regarding consolidated net sales, please refer to note 2.1 Gross profit (net sales and cost of goods sold) page 94. Our turnover can be reconciled to our consolidated financial statements, cf. consolidated statement of income on page 87 (Net sales).

ELIGIBILITY AND ALIGNMENT

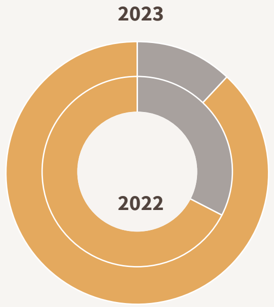
The Group has not recorded any category A, CAPEX or OPEX, and does not plan to expand any category B, Taxonomy-eligible economic activities. Therefore, we only have category C expenses which can qualify. These individual measures correspond to economic activities listed in the delegated acts supplementing the Taxonomy Regulation.

In order to determine if an economic activity is Taxonomy-aligned, it must contribute substantially to one or more of the environmental objectives and meet technical criteria as stated within the specific associated Appendix to the Delegated Act. The Group's purchases did not meet all the technical screening requirements, and consequently cannot be deemed Taxonomy-aligned.

TAXONOMY CAPEX
DKKm

990
2023

586
2022



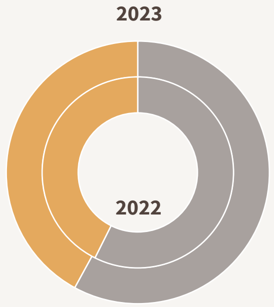
2023
- Aligned
- Eligible (12%)
- Non-eligible (88%)

2022
- Aligned
- Eligible (33%)
- Non-eligible (67%)

TAXONOMY OPEX
DKKm

217
2023

228
2022



2023
- Aligned
- Eligible (58%)
- Non-eligible (42%)

2022
- Aligned
- Eligible (57%)
- Non-eligible (43%)

Description of the individually Taxonomy-eligible purchased output or measure	Eligibility (E) / Alignment (A)
All of our vehicle fleet (leasing) including maintenance and repair (CCM 6.5)	(E)
All renovation measures of our existing buildings (CCM 7.2)	(E)
Maintenance and repair of the energy efficiency equipment in our existing buildings (CCM 7.3)	(E)

EU TAXONOMY

REPORTING ON TURNOVER

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code	Turnover	Proportion of Turnover	Climate change mitigations	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) Turnover 2022	Category (enabling activity)	Category (transi-tional activity)
		DKK million	%														%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
None		-	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0%	N/A	N/A
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		-	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0%		
Of which enabling		0	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0%		
Of which transitional		0	0%							N	N	N	N	N	N	N	0%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-alligned activities)																			
None		-	0%	N	N	N	N	N	N								0%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-alligned activities) (A.2.)		-	0%	N	N	N	N	N	N								0%		
A. Turnover of Taxonomy eligible activities (A.1+A.2)		-	0%														-		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		8,730.9	100%																
Total (A+B)		8,730.9	100%																

CCM	Climate change mitigation
Y	Yes (Taxonomy-eligible and Taxonomy-aligned activity with the relecant environmental objective)
N	No (Taxonomy-eligible but not Taxonomy-aligned activity with the relecant environmental objective)
EL	Taxonomy-eligible activity for the relevant objective. The code for the most relevant objective is stated in bold
N/EL	Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

EU TAXONOMY

REPORTING ON CAPEX

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities	Code	CAPEX	Proportion of CAPEX	Climate change mitigations	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) CAPEX 2022	Category (enabling activity)	Category (transi-tional activity)
		DKK million	%														%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
None		-	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0%	N/A	N/A
CAPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		-	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0%		
Of which enabling		0	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0%		
Of which transitional		0	0%							N	N	N	N	N	N	N	0%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-alligned activities)																			
Transportation by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	33.4	3%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								4%		
Renovation of existing buildings	CCM 7.2	2.1	0%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								0%		
Acquisition and ownership of buildings	CCM 7.7	86.5	9%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								29%		
CAPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-alligned activities) (A.2.)		122.0	12%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								33%		
A. CAPEX of Taxonomy eligible activities (A.1+A.2)		122.0	12%																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CAPEX of Taxonomy-non-eligible activities		868.4	88%																
Total (A+B)		**990.4**	**100%**																

Activity	Additions to Property, Plant and Equipment	Internally generated or purchased intangibles	Right-of-use assets	Total	Thereof acquired through business combinations	Thereof part of a Capex plan
6.5	-	-	33.4	**33.4**	-	-
7.2	2.1	-	-	**2.1**	-	-
7.7	70.2	-	16.3	**86.5**	-	-
Total	**72.3**	**0.0**	**49.7**	**122.0**	**0.0**	**0.0**

CCM	Climate change mitigation
Y	Yes (Taxonomy-eligible and Taxonomy-aligned activity with the relecant environmental objective)
N	No (Taxonomy-eligible but not Taxonomy-aligned activity with the relecant environmental objective)
EL	Taxonomy-eligible activity for the relevant objective. The code for the most relevant objective is stated in bold
N/EL	Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

EU TAXONOMY

REPORTING ON OPEX

Economic Activities	Code	OPEX	Proportion of OPEX	Substantial contribution criteria: Climate change mitigations	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity and ecosystems	DNSH criteria ('Does Not Significantly Harm'): Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) OPEX 2022	Category (enabling activity)	Category (transi-tional activity)
		DKK million	%														%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
None		-	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0%	N/A	N/A
OPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		-	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0%		
Of which enabling		0	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0%		
Of which transitional		0	0%							N	N	N	N	N	N	N	0%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-alligned activities)																			
Transportation by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	23.8	11%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								10%		
Renovation of existing buildings	CCM 7.2	101.4	47%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								47%		
OPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-alligned activities) (A.2.)		125.2	58%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								57%		
A. OPEX of Taxonomy eligible activities (A.1+A.2)		125.2	58%																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OPEX of Taxonomy-non-eligible activities		91.8	42%																
Total (A+B)		**217.0**	**100%**																

CCM	Climate change mitigation
Y	Yes (Taxonomy-eligible and Taxonomy-aligned activity with the relecant environmental objective)
N	No (Taxonomy-eligible but not Taxonomy-aligned activity with the relecant environmental objective)
EL	Taxonomy-eligible activity for the relevant objective. The code for the most relevant objective is stated in bold
N/EL	Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

GLOSSARY

Acronym	Meaning
AC	Audit Committee
AGM	Annual General Meeting
BoD	Board of Directors
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditures
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHRO	Chief Human Resources Officer
CO_2e	Carbon Dioxide Equivalent
CoE	Center of Excellence
CSCO	Chief Supply Chain Officer
CSDDD	Corporate Sustainability Due Diligence Directive
CSRD	Corporate Sustainability Reporting Directive
D&I	Diversity & Inclusion
DMA	Double Materiality Assessment
DTV	Design To Value
EB	Executive Board
EBIT	Earnings Before Interest & Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization
ECLT	Eliminating Child Labour in Tobacco
EHS	Environment, Health & Safety
EPS	Earnings Per Share
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
ESG	Environmental, Social & Governance
ESRS	European Sustainability Reporting Standards
EU	European Union
EUB	Europe Branded
FDA	Food & Drug Administration
FLAG	Forest, Land and Agriculture
FMCG	Fast Moving Consumer Goods
GHG	Greenhouse Gas
HMC	Handmade Cigars
HR	Human Resources
IFRS	International Financial Reporting Standards
IT	Information & Technology
KPI	Key Performance Indicators
LTA	Lost Time Accidents
M&A	Mergers & Acquisitions
MRC	Machine-Rolled Cigars
MWh	Megawatt Hours
NABROW	North America Branded & Rest of World
NAOR	North America Online & Retail
NGP	Next Generation Products
NIBD	Net Interest-Bearing Debt
NPD	New Product Development
OPEX	Operational Expenditures
ROIC	Return on Invested Capital
SASB	Sustainability Accounting Standards Board
SBTi	Science Based Targets initiative
SKU	Stock Keeping Units
SME	Subject Matter Expert
SteerCo	Steering Committee
STG	Scandinavian Tobacco Group
STP	Sustainable Tobacco Program
SVP	Senior Vice President
T&D	Transport & Distribution
TSR	Total Shareholder Return
UN SDGs	United Nations Sustainable Development Goals
US	United States

CONSOLIDATED STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

NOTES

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1 JANUARY - 31 DECEMBER

CONSOLIDATED STATEMENT OF INCOME

DKK million	Note	2023	2022
INCOME STATEMENT			
Net sales	2.1	**8,730.9**	**8,762.2**
Cost of goods sold	2.1	-4,526.8	-4,454.9
Gross profit before special items	2.1	**4,204.1**	**4,307.3**
Other external costs		-1,142.6	-1,126.4
Staff costs	2.2	-968.0	-910.9
Other income		12.2	-
Earnings before interest, tax, depreciation, amortisation and special items (EBITDA before special items)		**2,105.7**	**2,270.0**
Depreciation and impairment	3.2, 3.3	-201.0	-183.8
Earnings before interest, tax, amortisation and special items (EBITA before special items)		**1,904.7**	**2,086.2**
Amortisation and impairment	3.1	-174.0	-168.5
Earnings before interest, tax and special items (EBIT before special items)		**1,730.7**	**1,917.7**
Special items incl. impairment, net costs	2.5	-92.4	35.3
Earnings before interest and tax (EBIT)		**1,638.3**	**1,953.0**
Share of profit of associated companies, net of tax	4.3	29.4	40.4
Financial income	4.4	184.6	197.3
Financial costs	4.4	-361.5	-334.2
Profit before tax		**1,490.8**	**1,856.5**
Income taxes	2.6	-308.4	-380.2
Net profit for the year		**1,182.4**	**1,476.3**
Earnings per share			
Basic earnings per share (DKK)	4.5	13.7	16.3
Diluted earnings per share (DKK)	4.5	13.6	16.2

DKK million	2023	2022
STATEMENT OF COMPREHENSIVE INCOME		
Net profit for the year	**1,182.4**	**1,476.3**
OTHER COMPREHENSIVE INCOME		
Items that will not be recycled subsequently to the Consolidated Income Statement:		
Actuarial gains and losses on pension obligations	12.8	96.8
Tax of actuarial gains and losses on pension obligations	-3.0	-26.3
Items that will be recycled subsequently to the Consolidated Income Statement, when specific conditions are met:		
Cash flow hedges, realisation of previously deferred gains/losses to financial items	-	8.8
Tax of cash flow hedges	-	-1.9
Foreign exchange adjustments on net investments in foreign operations	-198.4	270.1
Other comprehensive income for the year, net of tax	**-188.6**	**347.5**
Total comprehensive income for the year	**993.8**	**1,823.8**

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CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

DKK million	Note	2023	2022
ASSETS			
Goodwill		5,235.6	5,331.5
Trademarks		3,226.1	2,987.6
IT software		74.4	50.5
Other intangible assets		404.0	195.1
Intangible assets under construction		183.1	125.4
Total intangible assets	3.1	**9,123.2**	**8,690.1**
Property, plant and equipment	3.2	1,475.1	1,425.4
Right-of-use assets	3.3	284.6	314.2
Investments in associated companies	4.3	234.0	223.6
Deferred income tax assets	2.6	93.7	104.6
Total non-current assets		**11,210.6**	**10,757.9**
Inventories	3.4	3,269.6	3,248.9
Trade receivables	3.5	963.7	884.6
Other receivables		113.7	86.4
Corporate tax	2.6	63.3	21.4
Prepayments	3.6	132.9	100.7
Cash and cash equivalents		99.6	22.2
Total current assets		**4,642.8**	**4,364.2**
Total assets		**15,853.4**	**15,122.1**

DKK million	Note	2023	2022
EQUITY AND LIABILITIES			
Share capital	4.5	87.0	93.0
Reserve for currency translation		765.4	963.8
Treasury shares	4.5	-141.4	-748.1
Retained earnings		8,723.0	9,032.9
Total equity		**9,434.0**	**9,341.6**
Borrowings	4.1	3,656.7	3,101.1
Deferred income tax liabilities	2.6	706.8	673.5
Pension obligations	3.8	195.3	204.7
Other provisions	3.7	17.9	17.9
Lease liabilities		245.8	275.1
Other liabilities		46.2	31.0
Total non-current liabilities		**4,868.7**	**4,303.3**
Trade payables		508.2	506.8
Corporate tax	2.6	120.3	207.4
Other provisions	3.7	17.8	19.8
Lease liabilities		59.1	56.3
Other liabilities		845.3	686.9
Total current liabilities		**1,550.7**	**1,477.2**
Total liabilities		**6,419.4**	**5,780.5**
Total equity and liabilities		**15,853.4**	**15,122.1**

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1 JANUARY - 31 DECEMBER

CONSOLIDATED CASH FLOW STATEMENT

DKK million	Note	2023	2022
Net profit for the year		1,182.4	1,476.3
Depreciation, amortisation and impairment		375.0	352.3
Adjustments	5.2	513.0	428.4
Changes in working capital	4.6	-36.7	-363.9
Special items, paid		-98.3	-140.8
Cash flow from operating activities before financial items		**1,935.4**	**1,752.3**
Financial income received		49.9	93.0
Financial costs paid		-248.7	-199.2
Cash flow from operating activities before tax		**1,736.6**	**1,646.1**
Tax payments	2.6	-389.6	-253.6
Cash flow from operating activities		**1,347.0**	**1,392.5**
Acquisitions	5.1	-581.7	-3.7
Investment in intangible assets	3.1	-109.4	-125.4
Investment in property, plant and equipment	3.2	-199.0	-264.1
Sale of property, plant and equipment		2.4	245.8
Dividend from associated companies	4.3	12.4	15.6
Cash flow from investing activities		**-875.3**	**-131.8**
Free cash flow		**471.7**	**1,260.7**

DKK million	Note	2023	2022
Repayment of lease liabilities		-67.8	-67.4
New external funding		581.0	138.3
Repayment bank loans		-4.2	-4.0
Dividend payment		-714.6	-692.0
Purchase of treasury shares		-180.6	-776.4
Cash flow from financing activities		**-386.2**	**-1,401.5**
Net cash flow for the year		**85.5**	**-140.8**
Cash and cash equivalents, net at 1 January		22.2	173.6
Exchange gains/losses on cash and cash equivalents		-8.1	-10.6
Net cash flow for the year		85.5	-140.8
Cash and cash equivalents, net at 31 December		**99.6**	**22.2**

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1 JANUARY - 31 DECEMBER

STATEMENT OF CHANGES IN GROUP EQUITY

DKK million	Share capital	Reserve for hedging	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**
COMPREHENSIVE INCOME FOR THE YEAR						
Net profit for the year	**-**	**-**	**-**	**-**	**1,182.4**	**1,182.4**
OTHER COMPREHENSIVE INCOME						
Cash flow hedge	-	-	-	-	-	-
Tax of cash flow hedges	-	-	-	-	-	-
Foreign exchange adjustments on net investments in foreign operations	-	-	-198.4	-	-	-198.4
Actuarial gains and losses on pension obligations	-	-	-	-	12.8	12.8
Tax of actuarial gains and losses on pension obligations	-	-	-	-	-3.0	-3.0
Total other comprehensive income	**-**	**-**	**-198.4**	**-**	**9.8**	**-188.6**
Total comprehensive income for the year	**-**	**-**	**-198.4**	**-**	**1,192.2**	**993.8**
TRANSACTIONS WITH SHAREHOLDERS						
Capital reduction	-6.0	-	-	762.7	-756.7	-
Purchase of treasury shares	-	-	-	-181.1	-	-181.1
Share-based payments	-	-	-	-	0.5	0.5
Tax on share-based payments	-	-	-	-	0.7	0.7
Settlement of vested PSUs	-	-	-	25.1	-25.1	-
Settlement in cash of vested PSUs	-	-	-	-	-6.9	-6.9
Dividend paid to shareholders (note 4.5)	-	-	-	-	-767.3	-767.3
Dividend, treasury shares	-	-	-	-	52.7	52.7
Total transactions with shareholders	**-6.0**	**-**	**-**	**606.7**	**-1,502.1**	**-901.4**
Equity at 31 December 2023	**87.0**	**-**	**765.4**	**-141.4**	**8,723.0**	**9,434.0**

DKK million	Share capital	Reserve for hedging	Reserve for currency translation	Treasury shares	Retained earnings	Total
Equity at 1 January 2022	**97.5**	**-6.9**	**693.7**	**-570.5**	**8,754.0**	**8,967.8**
COMPREHENSIVE INCOME FOR THE YEAR						
Net profit for the year	**-**	**-**	**-**	**-**	**1,476.3**	**1,476.3**
OTHER COMPREHENSIVE INCOME						
Cash flow hedge	-	8.8	-	-	-	8.8
Tax of cash flow hedges	-	-1.9	-	-	-	-1.9
Foreign exchange adjustments on net investments in foreign operations	-	-	270.1	-	-	270.1
Actuarial gains and losses on pension obligations	-	-	-	-	96.8	96.8
Tax of actuarial gains and losses on pension obligations	-	-	-	-	-26.3	-26.3
Total other comprehensive income	**-**	**6.9**	**270.1**	**-**	**70.5**	**347.5**
Total comprehensive income for the year	**-**	**6.9**	**270.1**	**-**	**1,546.8**	**1,823.8**
TRANSACTIONS WITH SHAREHOLDERS						
Capital reduction	-4.5	-	-	569.5	-565.0	-
Purchase of treasury shares	-	-	-	-776.7	-	-776.7
Share-based payments	-	-	-	-	23.0	23.0
Tax on share-based payments	-	-	-	-	2.9	2.9
Settlement of vested PSUs	-	-	-	29.6	-29.6	-
Settlement in cash of vested PSUs	-	-	-	-	-7.2	-7.2
Dividend paid to shareholders (note 4.5)	-	-	-	-	-731.3	-731.3
Dividend, treasury shares	-	-	-	-	39.3	39.3
Total transactions with shareholders	**-4.5**	**-**	**-**	**-177.6**	**-1,267.9**	**-1,450.0**
Equity at 31 December 2022	**93.0**	**-**	**963.8**	**-748.1**	**9,032.9**	**9,341.6**

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SECTION 1

1.1 BASIS OF REPORTING

The Consolidated Financial Statements of Scandinavian Tobacco Group have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) and additional Danish disclosure requirements for listed companies and further requirements in the Danish Financial Statements Act.

RECOGNITION AND MEASUREMENT

The Consolidated Financial Statements have been prepared under the historical cost basis except when IFRS explicitly require the use of fair value. Danish kroner is the Group's presentation currency and the functional currency of the parent company. The principal accounting policies set out below have been applied consistently in the preparation of the Consolidated Financial Statements for all the years presented.

PRINCIPAL ACCOUNTING POLICIES

The Group's accounting policies are described in relation to the individual notes to the Consolidated Financial Statements. Considering all the accounting policies applied in the preparation of the Consolidated Financial Statements, Executive Management regards the following as the most material accounting policy information for the recognition and measurement of reported amounts as well as relevant to an understanding of the Consolidated Financial Statements:

- Gross profit (net sales and cost of goods sold) (note 2.1)
- Income and deferred income taxes (note 2.6)
- Intangible assets and property, plant and equipment including impairment (notes 3.1 and 3.2)
- Inventories (note 3.4)

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Impact of new accounting standards

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 in 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.

IAS 12, Income taxes, has been amended with the introduction of the international Pillar Two Model rules published by the Organisation for Economic Co-operation and Development (OECD). The Group has adopted these amendments covering an exemption to recognise deferred tax assets and liabilities arising from the implementation of the Pillar Two Model rules, and disclosed information about potential exposure related to the Pillar Two model rules below.

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates, and the Group is in scope of the enacted or substantively enacted legislation. Under the legislation, the Group is liable to pay a top-up tax for the difference between its GloBE (Global Anti-Base Erosion Rules) effective tax rate per jurisdiction and the minimum rate of 15%. The legislation will be effective for the Group's financial year beginning on 1 January 2024.

The Group has reviewed its corporate structure and performed a preliminary assessment of the Group's potential exposure to Pillar Two income taxes. The preliminary assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting, and financial statements for the relevant entities within the Group. Furthermore, the assessments and estimates are based on the current legislation. The Group has assessed that the group effective tax rate will be well above 15%. The Group has furthermore assessed that the impact of introducing Pillar Two Model Rules will not result in any exposure to Pillar Two income taxes in 2024.

New or amended IFRS that have been issued but have not yet come into effect and have not been early adopted

The IASB has issued a number of new or amended and revised accounting standards and interpretations that have not yet come into effect. It has been assessed that the application of these new IFRS will not have a material impact on future reporting periods.

SUBTOTALS AND ALTERNATIVE PERFORMANCE MEASURES

In the Annual Report the Group presents certain financial performance measures such as subtotals and key ratios which are not required or defined under IFRS. It is considered that these alternative measures provide relevant supplementary information for the stakeholders of the Group. Significant income and expenses which, by their nature, are assessed not to be related to the Group's core performance are presented in the Income statement in a separate line item called 'Special items incl. impairment, net costs' in order to distinguish these items from other income statement items. Please refer to note 2.5 for more details on Special items.

The Income statement includes the subtotals "Gross profit before special items", "Earnings before interest, tax, depreciation, amortisation and special items (EBITDA before special items)", "Earnings before interest, tax, amortisation and special items (EBITA before special items)" and "Earnings before interest, tax and special items (EBIT before special items)" as these are assessed to provide a more transparent and comparable view of the Group's recurring earnings. In note 2.5 it is disclosed how the line items in the Income statement would have been affected if "Special items" had not been presented in a separate line item.

For definitions of key ratios please refer to "five-year summary" and note 5.8.

BASIS OF CONSOLIDATION

Subsidiaries are all entities (including structured entities) which the Group controls. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entitiy. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associated companies. At consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

CONTENTS

1.1 (CONTINUED)

BASIS OF REPORTING

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

On the acquisition of subsidiaries, the difference between cost and net asset value of the enterprise acquired is determined at the date of acquisition after the individual assets and liabilities have been adjusted to fair value (the acquisition method). Transaction costs relating to the acquisition of subsidiaries are not included in the value of the acquired assets. All acquisition-related costs are expensed in the period in which they incur. Any remaining positive differences are recognised as goodwill in intangible assets in the balance sheet. Goodwill is not amortised, but instead tested for impairment on an annual basis and when there is an indication of impairment.

Positive and negative differences from enterprises acquired may, due to changes to the recognition and measurement of net assets, be adjusted until one year from the acquisition date. These adjustments are also reflected in the value of goodwill.

TRANSLATION POLICIES

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Income statements of foreign subsidiaries and associated companies are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising from the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

OTHER EXTERNAL COSTS

Other external costs comprise expenses for premises, sales, marketing, distribution and bad debt allowance as well as office expenses, fee to statutory auditor, etc.

OTHER INCOME

Other income consists mainly of items of a secondary nature to the core activities, including gains on the sale of intangible assets, property, plant and equipment.

EQUITY

Proposed dividend is recognised as a liability at the time of approval by the general meeting. Dividend which is expected to be distributed for the year is disclosed in note 4.5.

The reserve for currency translation in the Consolidated Financial Statements comprises foreign exchange differences arising from translation of financial statements of foreign enterprises from their functional currencies to the presentation currency of the Group (Danish kroner). When there is full or partial disposal of the net investment, the foreign exchange adjustments are recognised in the income statement. The reserve for hedges includes the accumulated net change in the fair value of hedging transactions qualifying for hedge accounting.

Cost of acquisition and proceeds from sale of treasury shares are recognised in reserve for treasury shares. Dividends received in relation to treasury shares are recognised in retained earnings.

CASH FLOW STATEMENT

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flow from operating activities is determined as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses and provisions. Working capital comprises current assets less current liabilities excluding items included in cash and cash equivalents, prepaid tax, assets classified as held for sale, other provisions, lease liabilities and corporate tax liabilities.

Cash flow from investing activities comprises cash flows from addition and disposals of intangible assets, property, plant and equipment, fixed asset investments, acquisition of entities, as well as dividends from associated companies.

Cash flow from financing activities comprises cash flows from repayment of lease liabilities, other financing, the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents comprises 'Cash at bank and in hand'.

The cash flow statement cannot be derived directly from the Consolidated Financial Statements.

REPORTING UNDER ESEF REGULATION

The Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) has introduced a single electronic reporting format for the annual reports of issuers with securities listed on the EU regulated markets.

The single electronic reporting format combines a XHTML format with iXBRL tags, which makes the annual financial reports readable by both humans and machines, thus enhancing accessibility, analysis and comparability of the information included in the annual financial reports.

The Group's iXBRL tags have been prepared in accordancewith the ESEF taxonomy, which is part of the ESEF Regulation and developed based on the IFRS taxonomy, published by the IFRS Foundation.

The line items in the consolidated financial statement have been tagged to elements in the ESEF taxonomy. For financial statement line items, that are not directly defined in the ESEF taxonomy, an extension to the taxonomy has been created. Extensions are anchored to elements in the ESEF taxonomy, except for extensions which are subtotals.

The annual report submitted to the Danish Financial Supervisory Authority (The Officially Appointed Mechanisms) consists of the XHTML document together with the technical files, all included in the ZIP-file named; 5299003KG4JS99TRML67-2023-12-31-en.zip.

CONTENTS

1.2
CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

When preparing the Group's Consolidated Financial Statements, Management makes various accounting estimates, judgements and assumptions which form the basis of presentation, recognition and measurement of the Group's assets and liabilities. Accounting estimates and underlying assumptions are reviewed on an ongoing basis. In some circumstances a change in the estimates may be necessary because of changes in the underlying assumptions.

ESTIMATION UNCERTAINTY
Determining the carrying amount of some assets and liabilities requires judgements, estimates and assumptions concerning future events.

The judgements, estimates and assumptions made are based on historical experience and other factors which Management assesses to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise.

The Group is also subject to risks and uncertainties which may lead to actual results differing from these estimates, both positively and negatively. Assumptions about the future and estimation uncertainty on the balance sheet date are described in the notes if there is a significant risk of changes that could result in material adjustments to the carrying amount of assets or liabilities within the next financial year.

Executive Management regards the following areas to include the key accounting estimates and assumptions used in the preparation of the Consolidated Financial Statements:

- Income and deferred income taxes (note 2.6)
- Goodwill (note 3.1)
- Trademarks (note 3.1)
- Property, plant and equipment (note 3.2)
- Inventories (note 3.4)
- Pension obligations (note 3.8)
- Business combinations (note 5.1)

Please refer to the specific notes for further information on the key accounting estimates and assumptions applied.

DEFINING MATERIALITY
The Consolidated Financial Statements are a result of processing large numbers of transactions and aggregating those transactions into classes according to their nature or function. When aggregated, the transactions are presented in classes of similar items in the Consolidated Financial Statements. If a line item is not individually material, it is aggregated with other items of a similar nature in the Consolidated Financial Statements or in the notes. There are substantial disclosure requirements throughout the IFRS. Management provides the specific disclosures required by the IFRS unless the information is considered immaterial to the economic decision making of the users of these financial statements or not applicable.

CONTENTS

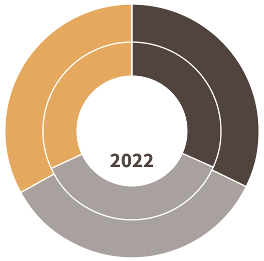
SECTION 2

2.1 GROSS PROFIT (NET SALES AND COST OF GOODS SOLD)

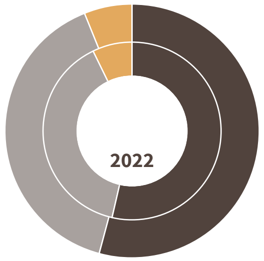
8,731

NET SALES (DKK million)

NET SALES PER DIVISION (DKK MILLION)



NET SALES PER REGION (DKK MILLION)



2023

DKK million	North America Online & Retail	North America Branded & RoW	Europe Branded	Group costs / not allocated	Total
Net sales	2,824.0	3,044.2	2,862.7	-	8,730.9
Cost of goods sold	-1,700.0	-1,437.8	-1,389.0	-	-4,526.8
Gross profit before special items	**1,124.0**	**1,606.4**	**1,473.7**	**-**	**4,204.1**
Staff and other external costs	-681.5	-514.7	-791.0	-123.4	-2,110.6
Other income	-	12.2	-	-	12.2
EBITDA before special items	**442.5**	**1,103.9**	**682.7**	**-123.4**	**2,105.7**
Depreciation and impairment	-	-	-	-201.0	-201.0
Amortisation and impairment	-	-	-	-174.0	-174.0
EBIT before special items	**-**	**-**	**-**	**-498.4**	**1,730.7**
Special items incl. impairment, net costs	-	-	-	-92.4	-92.4
EBIT	**-**	**-**	**-**	**-590.8**	**1,638.3**
Share of profit of associated companies, net of tax	-	-	-	29.4	29.4
Financial income	-	-	-	184.6	184.6
Financial costs	-	-	-	-361.5	-361.5
Profit before tax	**-**	**-**	**-**	**-738.3**	**1,490.8**

2022

DKK million	North America Online & Retail	North America Branded & RoW	Europe Branded	Group costs / not allocated	Total
Net sales	2,778.0	3,193.9	2,790.3	-	8,762.2
Cost of goods sold	-1,679.8	-1,495.9	-1,279.2	-	-4,454.9
Gross profit before special items	**1,098.2**	**1,698.0**	**1,511.1**	**-**	**4,307.3**
Staff and other external costs	-695.0	-472.2	-739.0	-131.1	-2,037.3
Other income	-	-	-	-	-
EBITDA before special items	**403.2**	**1,225.8**	**772.1**	**-131.1**	**2,270.0**
Depreciation and impairment	-	-	-	-183.8	-183.8
Amortisation and impairment	-	-	-	-168.5	-168.5
EBIT before special items	**-**	**-**	**-**	**-483.4**	**1,917.7**
Special items incl. impairment, net costs	-	-	-	35.3	35.3
EBIT	**-**	**-**	**-**	**-448.1**	**1,953.0**
Share of profit of associated companies, net of tax	-	-	-	40.4	40.4
Financial income	-	-	-	197.3	197.3
Financial costs	-	-	-	-334.2	-334.2
Profit before tax	**-**	**-**	**-**	**-544.6**	**1,856.5**

CONTENTS

2.1 (CONTINUED)
GROSS PROFIT (NET SALES AND COST OF GOODS SOLD)

DKK million	2023	2022
Category split, net sales		
Handmade cigars	3,235.3	3,302.2
Machine-rolled cigars	3,031.6	3,009.8
Smoking tobacco	1,239.0	1,279.5
Accessories and Contract Manufacturing	1,225.0	1,170.7
Total net sales	**8,730.9**	**8,762.2**

Licence income and other sales of DKK 76.3 million (DKK 64.5 million) are included in the category 'Accessories and Contract Manufacturing'.

DKK million	2023	2022
Geographical split, net sales		
Americas	4,745.8	4,715.3
Europe	3,459.6	3,418.2
Rest of world	525.5	628.7
Total net sales	**8,730.9**	**8,762.2**

GEOGRAPHIC INFORMATION

In the table above, sales to external customers are attributable to the country of the customers' domicile, and in the table non-current assets are based on the country of the entities' domicile.

The Group is domiciled in Denmark. Net sales from external customers in Denmark amount to DKK 159.0 million (DKK 166.5 million), and net sales from external customers outside Denmark amount to DKK 8,571.9 million (DKK 8,595.7 million). Individual, material country (>10% of total net sales) are the US DKK 4,364.8 million (DKK 4,277.0 million).

Individual, material countries (>10% of total non-current assets) are the US DKK 4,481.5 million (DKK 4,627.4 million) and the Netherlands DKK 2,850.6 million (DKK 2,898.6 million).

DKK million	2023	2022
Non-current assets[1]		
Denmark	2,490.6	1,847.9
Americas	4,713.3	4,873.0
Europe	3,853.9	3,883.5
Rest of world	59.1	48.9
Total non-current assets	**11,116.9**	**10,653.3**

1. Non-current assets other than deferred income tax.

§ ACCOUNTING POLICIES

Net Sales
The Group derives revenue from the transfer of goods at a point in time. Revenue is measured at the fair value of the consideration received or receivable and is recognised exclusive of VAT, excise and net of discounts/rebates relating to the sale. Revenue from our retail activities includes excise. Revenue from external customers come from the sale of goods on the basis of wholesale, retail, online & catalogue and business to business.

Revenue from the sale of goods is recognised in the income statement when the control of the goods has been transferred to the customer.

The Group does not have any contracts where the period between the transfer of the goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Cost of Goods Sold
Cost of goods sold comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance as well as operation, administration and management of factories.

Segments
The segment reporting is prepared in a manner consistent with the Group's internal management and reporting structure, thus our reportable segments are equal to our three commercial divisions, which are generally managed based on geographical areas combined with type of sales/customers. Segment performance is evaluated on the basis of EBITDA before special items consistent with the Consolidated Financial Statements.

The Executive Board is considered to be the chief operating decision maker.

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.

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

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 and Ireland.

Operating expenses that are not directly inherent in the divisions are to some extent allocated to the divisions based on allocation keys defined by activities or other relevant components. Certain costs relating to Group functions are managed on Group level. These items are not included in the reportable divisions and therefore reported as 'Group costs'.

Depreciation, amortisation, impairment costs, special items, share of profit of associated companies, net of tax and financial items are not allocated to the different segments.

No operating segments have been aggregated to form the reported business segments.

No assets and liabilities are allocated to segments in the internal reporting.

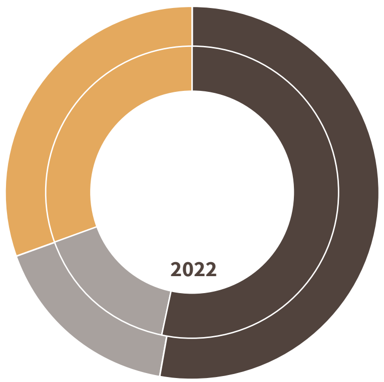
CONTENTS

2.2
STAFF COSTS

DKK million	2023	2022
Wages and salaries	1,429.3	1,449.3
Pensions - defined contribution plans	65.2	57.3
Pensions - defined benefit plans	24.7	12.9
Social security costs	224.5	168.8
Total staff costs for the year	**1,743.7**	**1,688.3**
Staff cost included in intangible assets	-4.9	-5.2
Change in employee costs included in inventories	9.4	12.8
Total staff costs expensed to the income statement	**1,748.2**	**1,695.8**

DKK million	2023	2022
Included in the income statement:		
Cost of goods sold	780.2	784.9
Staff costs	968.0	910.9
Total included in the income statement	**1,748.2**	**1,695.8**
Average number of employees in the Group	**10,141**	**10,098**

EMPLOYEES PER REGION (%)



2023
- Americas 53%
- Europe 17%
- Rest of world 30%

2022
- Americas 54%
- Europe 16%
- Rest of world 30%

REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE BOARD

Total fees to the Board of Directors and Executive Board amounted to DKK 43.8 million (DKK 51.8 million).

Executive Board

The members of the Executive Management are subject to a notice period of 12-24 months and other Executive Board members to 6-12 months notice.

Remuneration of the members of the Executive Management complies with the principles of the Company's Remuneration Policy.

For the year 2023, the total cost of remuneration for the Executive Board amounts to DKK 37.5 million (DKK 45.3 million).

CONTENTS

2.2 (CONTINUED)
STAFF COSTS

§ ACCOUNTING POLICIES

Staff costs comprise wages and salaries as well as payroll expenses other than production wages, and staff costs capitalised on assets.

EXECUTIVE BOARD 2023

DKK million	Salary and benefits	Bonus	Pension	Extraordinary remuneration /stay-on and loyalty bonus	Share-based incentive programme	Total
Niels Frederiksen	7.9	-	-	2.0	0.2	10.1
Marianne Rørslev Bock	4.9	-	-	-	0.2	5.1
Total Executive Management	**12.8**	**-**	**-**	**2.0**	**0.4**	**15.2**
Other key management	18.1	2.7	1.6	-	-0.1	22.3
Total Executive Board	**30.9**	**2.7**	**1.6**	**2.0**	**0.3**	**37.5**

EXECUTIVE BOARD 2022

DKK million	Salary and benefits	Bonus	Pension	Extraordinary remuneration /stay-on and loyalty bonus	Share-based incentive programme	Total
Niels Frederiksen	7.6	0.1	-	2.0	6.6	16.3
Marianne Rørslev Bock	4.7	0.0	-	-	3.0	7.7
Total Executive Management	**12.3**	**0.1**	**-**	**2.0**	**9.6**	**24.0**
Other key management	14.6	0.2	1.3	-	5.2	21.3
Total Executive Board	**26.9**	**0.3**	**1.3**	**2.0**	**14.8**	**45.3**

BOARD OF DIRECTORS

Members of the Board of Directors receive fixed annual fees. Remuneration of the members of the Board of Directors may not include any incentive element. Ordinary members receive a fixed annual fee while the Chairman receives multiples thereof. Board members who are also members of a board committee as chairperson or ordinary committee member receive an additional fixed fee reflecting the additional work and responsibility that follows from being on a committee.

In 2023, members of the Board of Directors and the board committees received fixed annual fees in the aggregate amount of DKK 6.0 million (DKK 6.4 million).

DKK 0.2 million (DKK 0.2 million) was paid during 2023 related to social security taxes and similar taxes imposed by non-Danish authorities in relation to the remuneration.

BOARD OF DIRECTORS

DKK thousand	Position	Joined the Board	Left the Board	Board	Committees	Other	Total
Henrik Brandt	Chairman	Apr 2017		1,320	220	-	1,540
Dianne Neal Blixt	Board member	Feb 2016		440	275	-	715
Anders C. Obel	Board member	Apr 2018		440	165	-	605
Claus Gregersen	Board member	Apr 2019		440	110	-	550
Marlene Forsell	Board member	Apr 2019		440	330	-	770
Henrik Amsinck	Board member	Apr 2021		440	-	110	550
Hanne Malling	Employee-elected	Oct 2010	Apr 2023	126	-	-	126
Lindy Larsen	Employee-elected	Jul 2016	Apr 2023	126	-	-	126
Mogens Olsen	Employee-elected	Jul 2017	Apr 2023	126	-	-	126
Thomas Thomsen	Employee-elected	Apr 2023		314	-	-	314
Mark Draper	Employee-elected	Apr 2023		314	-	-	314
Trine Eriksen	Employee-elected	Apr 2023	June 2023	58	-	-	58
Karsten Dam Larsen	Employee-elected	Jun 2023		231	-	-	231
Total 2023				**4,815**	**1,100**	**110**	**6,025**
Total 2022				**5,170**	**1,128**	**55**	**6,353**

SOCIAL SECURITY TAXES AND SIMILAR TAXES

In addition to the above remuneration to the Board of Directors, the Company may pay social security taxes and similar taxes imposed by non-Danish authorities in relation to the remuneration. In 2023 the Company paid DKK 239 thousand compared to DKK 192 thousand in 2022.

CONTENTS

2.3 SHARE-BASED PAYMENTS

VALUE OF THE PROGRAMMES AND IMPACT ON THE INCOME STATEMENT

	LTIP 2020	LTIP 2021	LTIP 2022	LTIP 2023
Total PSUs granted	158,684	102,647	99,207	101,462
Fair value of PSUs expected to vest at grant date, DKK million	12.6	10.6	13.0	11.5
Fair value of PSUs expected to vest at 31 December 2023, DKK million	-	-	12.8	11.7
Recognised in the income statement in 2023, DKK million*	-	-7.3	4.8	3.0
Not yet recognised in respect of PSUs expected to vest, DKK million	-	-	4.6	8.7

* DKK 0.5 million (DKK 23.0 million) was recognised in staff costs.

	Executive Board				
LTIP 2020 (number of PSUs)	Niels Frederiksen	Marianne Rørslev Bock	Other Key Management	Senior Management	Total
Outstanding at 1 January 2022	37,556	16,912	44,246	38,030	136,744
Granted	2,027	913	2,387	2,053	7,380
Adjustment	24,146	10,873	28,446	24,451	87,916
Outstanding at 31 December 2022	**63,729**	**28,698**	**75,079**	**64,534**	**232,040**
Outstanding at 1 January 2023	63,729	28,698	75,079	64,534	232,040
Cancelled	-	-	-	-90	-90
Vested	-63,729	-28,698	-75,079	-64,444	-231,950
Outstanding at 31 December 2023	**-**	**-**	**-**	**-**	**-**

	Executive Board				
LTIP 2021 (number of PSUs)	Niels Frederiksen	Marianne Rørslev Bock	Other Key Management	Senior Management	Total
Outstanding at 1 January 2022	25,115	11,337	27,420	27,215	91,087
Granted	1,356	612	1,480	1,469	4,917
Outstanding at 31 December 2022	**26,471**	**11,949**	**28,900**	**28,684**	**96,004**
Outstanding at 1 January 2023	26,471	11,949	28,900	28,684	96,004
Transferred	-	-	-9,887	9,887	-
Granted	1,684	760	1,209	2,275	5,928
Cancelled	-	-	-	-6,124	-6,124
Adjustment	-28,155	-12,709	-20,222	-34,722	-95,808
Outstanding at 31 December 2023	**-**	**-**	**-**	**-**	**-**

	Executive Board				
LTIP 2022 (number of PSUs)	Niels Frederiksen	Marianne Rørslev Bock	Other Key Management	Senior Management	Total
Outstanding at 1 January 2022	-	-	-	-	-
Granted	25,215	12,158	26,627	29,458	93,458
Outstanding at 31 December 2022	**25,215**	**12,158**	**26,627**	**29,458**	**93,458**
Outstanding at 1 January 2023	25,215	12,158	26,627	29,458	93,458
Transferred	-	-	-9,705	9,705	-
Granted	1,604	773	1,077	2,295	5,749
Cancelled	-	-	-	-10,809	-10,809
Outstanding at 31 December 2023	**26,819**	**12,931**	**17,999**	**30,649**	**88,398**

CONTENTS

2.3 (CONTINUED)
SHARE-BASED PAYMENTS

LTIP 2023 (number of PSUs)	Executive Board		Other Key Management	Senior Management	Total
	Niels Frederiksen	Marianne Rørslev Bock			
Outstanding at 1 January 2023	-	-	-	-	-
Granted	27,639	13,326	26,426	34,071	101,462
Cancelled	-	-	-	-4,152	-4,152
Outstanding at 31 December 2023	**27,639**	**13,326**	**26,426**	**29,919**	**97,310**

All of the outstanding PSUs at 31 December 2023 are hedged by treasury shares.

§ ACCOUNTING POLICIES

Scandinavian Tobacco Group operates a number of equity-settled, share-based compensation plans.

The value of services received in exchange for granted performance-based share units (PSUs) is measured at fair value at the grant date and recognised in the income statement under staff costs over the vesting period with a corresponding increase in equity.

The fair value of granted PSUs is measured at the share price at grant date.

On initial recognition, an estimate is made of the number of PSUs expected to vest. The estimated number is subsequently revised for changes in the number of PSUs expected to vest due to non-market based vesting conditions.

Share-based incentive programmes
Scandinavian Tobacco Group has a long-term incentive programme (LTIP) for members of the Executive Board and members of senior management.

Upon vesting, each PSU entitles the holder to receive one share in Scandinavian Tobacco Group at no cost. The actual number of shares vesting may range between 0 and 200% of the grant and is determined by a service period of 3 years and the achievement of certain performance indicators which for LTIP 2020 and LTIP 2021 are organic EBITDA growth and cash conversion and for LTIP 2022 and LTIP 2023 organic EBITDA growth, ROIC growth, EPS growth and ESG scorecard.

In March 2023, PSUs granted under the LTIP 2020 were vested and the participants received shares in Scandinavian Tobacco Group A/S at no cost. The shares received corresponded to 161% of the grant, based on the actual achieved performance. Consequently the programme has lapsed.

Under the LTIP programme, new PSUs were granted to participants in 2023. This was the eight grant following the IPO in 2016.

Prior to vesting, holders of PSUs are not entitled to any of the rights which shareholders hold, except from the right to dividends which will be converted into additional PSUs (both ordinary and extraordinary dividends).

APPLIED ASSUMPTIONS AT THE TIME OF GRANT

	LTIP 2023	LTIP 2022	LTIP 2021	LTIP 2020
Share price (DKK)	120.60	146.90	122.70	94.80

2.4
MANAGEMENT'S HOLDINGS OF STG SHARES

Management's Holdings of Shares	At the beginning of the year	Additions during the year	Disposals during the year	At the end of the year	Market value[1] DKK million
Henrik Brandt	112,670	-	-	112,670	13.2
Marlene Forsell	3,250	-	-	3,250	0.4
Dianne Neal Blixt	1,700	-	-	1,700	0.2
Anders Obel	8,570	11,700	-	20,270	2.4
Claus Gregersen	15,928	-	-	15,928	1.9
Henrik Amsinck	1,000	-	-	1,000	0.1
Karsten Dam Larsen	-	600	-	600	0.1
Mark Draper	-	200	-	200	0.0
Thomas Thomsen	-	3,500	-	3,500	0.4
Board of Directors in total	**143,118**	**16,000**	**-**	**159,118**	**18.7**
Niels Frederiksen	262,636	63,729	-	326,365	38.3
Marianne Rørslev Bock	42,674	28,698	-	71,372	8.4
Sarah Santos	14,269	-	-	14,269	1.7
Yulia Lyusina	1,850	5,579	-7,429	-	-
Jurjan Klep	18,860	7,200	-4,000	22,060	2.6
Régis Broersma	15,930	4,850	-	20,780	2.4
Jesper Madsen	-	-	-	-	-
Executive Board in total	**356,219**	**110,056**	**-11,429**	**454,846**	**53.4**
Total Board of Directors and Executive Board	**499,337**	**126,056**	**-11,429**	**613,964**	**72.1**

1) Calculation of market value is based on the quoted share price of DKK 117.30 at the end of the year.

CONTENTS

2.5
SPECIAL ITEMS

§ **ACCOUNTING POLICIES**

Special items are used in connection with the presentation of profit or loss for the year to distinguish consolidated EBITDA and EBIT from special items, which by their nature are not related to the Group's core performance.

Special items are by nature of a significant character and comprise restructuring costs from larger structural and M&A reorganisations, M&A transaction costs, impairment losses, gains or losses from sale of assets and other non-recurring items.

DKK million	2023	2022
Integration and transactions costs (Agio Cigars)	-	13.3
Fuelling the Growth programme	-	1.1
Production footprint, incl. sale of building	-	-118.0
OneProcess	92.4	68.3
Total special items incl. impairment, net costs	**92.4**	**-35.3**

DKK million	2023	2022
Specified by line items in the consolidated income statement		
Cost of goods sold	12.2	35.5
Other income	-	-139.3
Other external costs	68.8	53.6
Staff costs	11.4	14.9
Total special items incl. impairment, net costs	**92.4**	**-35.3**

2.6
INCOME AND DEFERRED INCOME TAXES

20.7

EFFECTIVE TAX RATE (%)

308.4

INCOME STATEMENT TAX EXPENSE (DKK million)

DKK million	2023	2022
Tax expense		
Current income tax	265.0	406.8
Deferred income tax	45.7	-1.3
Total	**310.7**	**405.5**
Tax is allocated as follows		
Tax in the income statement	308.4	380.2
Tax in equity - share-based payments	-0.7	-2.9
Tax on other comprehensive income related to		
Hedging instruments	-	1.9
Actuarial gains and losses on pension obligations	3.0	26.3
Total	**310.7**	**405.5**
Income tax receivable/payable (net) - in the balance sheet		
Corporate tax receivables	63.3	21.4
Corporate tax payables	120.3	207.4
Total (net)	**57.0**	**186.0**

CONTENTS

2.6 (CONTINUED)

INCOME AND DEFERRED INCOME TAXES

DKK million	2023	2022
Income tax receivable/payable (net)		
Balance at 1 January	186.0	32.9
Currency adjustments	-4.4	-0.1
Prior-year tax adjustment	6.0	11.8
Tax paid on account in current year	-276.0	-301.4
Received regarding previous years	39.6	88.5
Paid regarding previous years	-153.2	-40.7
Current income tax	259.0	395.0
Balance at 31 December	**57.0**	**186.0**
Deferred tax (net) – in the balance sheet		
Deferred income tax assets	93.7	104.6
Deferred income tax liabilities	706.8	673.5
Deferred income tax liabilities (net)	**613.1**	**568.9**
Deferred tax (net)		
Balance 1 January	568.9	568.7
Currency adjustments	-1.5	1.5
Change in deferred tax charge	45.7	-1.3
Balance at 31 December	**613.1**	**568.9**
Breakdown of deferred income tax liabilities (net)		
Intangible assets	773.4	733.9
Property, plant and equipment	38.0	19.6
Inventories	-45.3	-49.0
Receivables	-4.2	-3.3
Pensions	-34.8	-35.9
Other liabilities	-31.6	-20.8
Tax losses to be carried forward	-37.2	-35.4
Other	-45.2	-40.2
Total (net)	**613.1**	**568.9**

DKK million	2023	2022
Breakdown of tax in the income statement		
Tax calculated at 22.0% of profit before tax	328.0	408.4
Tax according to income statement	308.4	380.2
Variance	**-19.6**	**-28.2**
Tax effect of		
Non-deductable costs	16.6	7.2
Income from associated companies	-6.5	-8.9
Non-taxable income	-	-16.4
Prior-year adjustments	0.2	-5.3
Other tax percentages	-8.5	5.2
Effect of enacted changes of tax rates	-	0.6
Other*	-21.4	-10.6
Total	**-19.6**	**-28.2**

*) Other includes the impact from movement on the provision for uncertain tax positions.

At 31 December 2023 the Group has no unrecognised tax assets (DKK 0.0 million).

UNCERTAIN TAX POSITIONS

As an international business the Group is exposed to uncertain tax positions and changes in legislation in the jurisdictions in which it operates. The Group's uncertain tax positions relate to cross-border transfer pricing, interpretation of new or complex tax legislation and tax arising on the valuation of assets. The assessment of uncertain tax positions is subjective and significant management judgement is required. This judgement is based on interpretation of legislation, management experience and professional advice.

Uncertain tax positions are considered separately and the most likely amount is the basis for the calculated provision. The judgements, methods and assumptions are unchanged from the previous year.

Provisions arising from uncertain tax positions reflected in the calculation of tax assets and liabilities are included in current corporate tax liabilities.

It is possible that amounts paid will be different from the amounts provided.

CONTENTS

2.6 (CONTINUED)

INCOME AND DEFERRED INCOME TAXES

ACCOUNTING POLICIES

Income taxes

The tax expense for the period comprises current and deferred tax including adjustments to previous years and changes in liability for uncertain tax positions. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income.

Any changes in deferred tax due to changes in tax rates are recognised in the income statement or in other comprehensive income depending on the original recognition.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year and prior year adjustments. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carryforwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

KEY ACCOUNTING ESTIMATES

Management has made estimates in determining the liabilities for uncertain tax positions, deferred tax assets and deferred tax liabilities and the extent to which deferred tax assets are recognised. The Group recognises only deferred tax assets if these tax assets can be offset against positive taxable income in the foreseeable future. The estimates are made on the basis of business plans for the forthcoming years.

CONTENTS

SECTION 3

3.1 INTANGIBLE ASSETS

109.4

ADDITIONS (DKK million)

KEY ACCOUNTING ESTIMATES

Impairment of intangible assets
The carrying amounts of intangible assets are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation. If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount and the asset is written down to its lower recoverable amount.
The impairment test includes significant judgments made by Management, such as assumption of projected future cash flows used in the valuation of the intangible assets. Future events could cause Management to conclude that impairment indicators exist and that intangible assets are impaired. Any resulting impairment loss could have a material impact on the financial condition and on the result of operations.

2023

DKK million	Goodwill	Trade-marks	IT software	Other intangible assets	Intangible assets under construction*	Total
Accumulated cost at 1 January	5,332.4	4,797.6	427.4	485.4	125.4	11,168.2
Exchange rate adjustment	-95.9	-54.0	-1.8	-6.9	-	-158.6
Acquisition	-	378.4	-	253.0	-	631.4
Additions	-	9.2	0.2	0.1	99.9	109.4
Disposals	-	-	-83.5	-	-	-83.5
Transfers	-	-	42.2	-	-42.2	-
Accumulated cost at 31 December	5,236.5	5,131.2	384.5	731.6	183.1	11,666.9
Accumulated amortisation and impairment at 1 January	0.9	1,810.0	376.9	290.3	-	2,478.1
Exchange rate adjustment	-	-19.0	-2.6	-3.4	-	-25.0
Amortisation	-	114.1	19.2	40.7	-	174.0
Disposals	-	-	-83.4	-	-	-83.4
Accumulated amortisation and impairment at 31 December	0.9	1,905.1	310.1	327.6	-	2,543.7
Carrying amount at 31 December	**5,235.6**	**3,226.1**	**74.4**	**404.0**	**183.1**	**9,123.2**

* By the end of 2023 capitalised internal resources amounts to DKK 12.1 million (DKK 7.2 million).

2022

DKK million	Goodwill	Trade-marks	IT software	Other intangible assets	Intangible assets under construction*	Total
Accumulated cost at 1 January	5,143.4	4,705.8	401.6	472.7	54.7	10,778.2
Exchange rate adjustment	178.2	74.2	4.9	13.2	0.1	270.6
Acquisition	10.8	-	-	-	-	10.8
Additions	-	17.6	0.4	0.1	107.3	125.4
Disposals	-	-	-14.9	-0.6	-1.3	-16.8
Transfers	-	-	35.4	-	-35.4	-
Accumulated cost at 31 December	5,332.4	4,797.6	427.4	485.4	125.4	11,168.2
Accumulated amortisation and impairment at 1 January	0.9	1,661.2	367.9	253.8	-	2,283.8
Exchange rate adjustment	-	30.5	4.5	5.6	-	40.6
Amortisation	-	118.3	19.2	31.0	-	168.5
Disposals	-	-	-14.7	-0.1	-	-14.8
Accumulated amortisation and impairment at 31 December	0.9	1,810.0	376.9	290.3	-	2,478.1
Carrying amount at 31 December	**5,331.5**	**2,987.6**	**50.5**	**195.1**	**125.4**	**8,690.1**

* By the end of 2022 capitalised internal resources amounts to DKK 7.2 million (DKK 2.0 million).

§ ACCOUNTING POLICIES

Goodwill
Goodwill represents any cost in excess of identifiable net assets, measured at fair value, in the acquired company. Goodwill is valued at acquisition value less any accumulated impairment losses. Goodwill is tested annually, or upon indication, for impairment.

Trademarks
Trademarks are measured at cost less accumulated amortisation and less any accumulated impairment losses. Strategic trademarks with indefinite lives are not amortised, but are reviewed annually for impairment. Strategic trademarks are defined as trademarks of a sizeable significance measured on contribution and the trademarks potential to grow across geographies. Other trademarks are amortised on a straight-line basis over the estimated useful lives determined on the basis of Management's experience with the individual trademarks. The amortisation period is typically in the range of 5–25 years.

IT software
IT software is measured at cost less accumulated amortisation and less any accumulated impairment losses. Cost comprises payments for the IT software and other directly attributable expenses of preparing the software for its intended use. Amortisation is calculated on a straight-line basis over the expected useful lives of the assets, which are typically in the range of 5-10 years.

Other intangible assets
Other intangible assets are measured at cost less accumulated amortisation and less any accumulated impairment losses. Amortisation is calculated on a straight-line basis over the expected useful lives of the assets, which are typically in the range of 5–20 years.

Intangible assets under construction
Intangible assets under construction comprise IT software in progress and are measured at cost less any accumulated impairment losses. Cost comprises payments for the IT software and other directly attributable expenses of preparing the IT software for its intended use. When the IT software is finalised, it is amortised on a straight-line basis as IT software.

CONTENTS

3.1 (CONTINUED)

INTANGIBLE ASSETS

GOODWILL

The main part of the Group's goodwill is attributable to the merger between Scandinavian Tobacco Group and Swedish Match in 2010, and the subsequent acquisitions of Lane Ltd. (2011), Verellen N.V. (2014), Thompson Cigar (2018), Agio Cigars (2020) and Moderno Opificio del Sigaro Italiano (2021).

Goodwill is tested for impairment annually and whenever there is an indication of impairment.

The carrying amount of goodwill at 31 December 2023 amounted to DKK 5,235.6 million (DKK 5,331.5 million).

As per 31 December 2023 the carrying amount of goodwill was allocated to the reportable segments as follows:

DKK million	North America Online & Retail	North America Branded & RoW	Europe Branded	Total
2023	1,687.0	1,418.4	2,130.2	5,235.6
2022	1,740.4	1,463.5	2,127.6	5,331.5

When carrying out the impairment test for goodwill, the Group is seen as several cash generating units split according to the internal segment reporting. The carrying values of the individual cash generating units are compared to the values in use (discounted value of future cash flows). If the carrying values are higher, the difference is charged to the income statement. The values in use are calculated using a valuation model based on discounted expected future cash flows (DCF-model covering a five-year budget period) based on Management's projections.

When goodwill was tested for impairment in 2023 (and 2022), the value in use exceeded the carrying value for the individual cash generating units and no basis for impairment was found.

When performing sensitivity analysis by increasing the discount rate by 1 percentage point or lowering the terminal growth by 1 percentage point, the value in use still exceeded the carrying value per segment.

EBITDA growth in the budget period, terminal growth and discount rate constitute the key assumptions in calculating the value in use. The applied key assumptions, both overall as well as for each individual cash generating unit, are described in the following.

2023

APPLIED KEY ASSUMPTIONS – Goodwill impairment test	North America Online & Retail	North America Branded & RoW	Europe Branded
EBITDA Growth	An average growth rate of 7.7% in the five-year budget period has been applied for EBITDA for the overall Group (accumulated for the three cash generating units). The growth projection is expected to be reached through volume growth in North America, also coming from opening of new super stores in the US, expansion in the handmade cigar category, price increases in all divisions, as well as cost saving initiatives and development in acquired businesses.		
Terminal growth (based on adjusted historical development taking into account expected future development)	1.0%	0.0%	0.0%
Discount rate after-tax (%)	9.3%	9.3%	8.2%
Discount rate pre-tax (%)	11.4%	11.7%	10.2%

2022

APPLIED KEY ASSUMPTIONS – Goodwill impairment test	North America Online & Retail	North America Branded & RoW	Europe Branded
EBITDA Growth	An average growth rate of 4.2% in the five-year budget period has been applied for EBITDA for the overall Group (accumulated for the three cash generating units). The growth projection is expected to be reached through volume growth in North America, also coming from opening of new super stores in US, market share gains in Europe Branded, price increases in all divisions, as well as cost saving initiatives.		
Terminal growth (based on adjusted historical development taking into account expected future development)	1.0%	0.0%	0.0%
Discount rate after-tax (%)	8.5%	8.5%	7.9%
Discount rate pre-tax (%)	10.5%	10.8%	9.8%

KEY ACCOUNTING ESTIMATES

Impairment test of goodwill

In the annual impairment test of goodwill, an estimate is made to determine how the enterprise will be able to generate sufficient positive net cash flow in the future to support the value of goodwill, trademarks and other net assets of the enterprise in question. For the purpose of the annual impairment test of goodwill, the costs and income in segment note 2.1 have been allocated to each cash generating unit based on either direct allocation or by using relevant allocation keys. The estimates of the anticipated future net cash flow are based on budgets, business plans as well as Management's projections for the coming years. Contribution expectations are based upon projections made on the development in volume, average sales and cost prices as well as operating cost development for each market in each of the defined cash generating units.

CONTENTS

3.1 (CONTINUED)

INTANGIBLE ASSETS

TRADEMARKS

The main part of the Group's trademarks is attributable to the merger between Scandinavian Tobacco Group and Swedish Match in 2010, the acquisition of Lane Ltd. in 2011, Agio Cigars in 2020 and Alec Bradley in 2023. In connection with the merger and the acquisitions, intangible assets were identified and measured at fair value at the date of the merger/acquisition. Strategic trademarks with indefinite useful lives are not amortised but are reviewed annually for impairment. Other trademarks are amortised in a straight line over the expected useful lives.

The carrying amount of trademarks at 31 December 2023 amounted to DKK 3,226.1 million (DKK 2,987.6 million).

	Carrying amount	
DKK million	2023	2022
Trademarks indefinite lives	2,359.0	2,091.0
Other trademarks (definite useful lives)	867.1	896.6
Total	**3,226.1**	**2,987.6**

Trademarks with the highest carrying amounts are listed below.

			Carrying amount	
DKK million	Indefinite trademarks allocated to segment*	Remaining amortisation period	2023	2022
Captain Black and Bugler	1,2	Indefinite / 7 years	696.2	728.1
Café Crème/Signature	2,3	Indefinite	482.4	482.4
Mehari's	2,3	Indefinite	356.9	356.0
Alec Bradley	1,2,3	Indefinite	291.3	-
Tiedemanns	2,3	12 years	106.4	125.6
Mercator	3	4 years	112.1	139.4
La Paz	2,3	Indefinite	215.2	215.2
Other trademarks	1,2,3	Indefinite / 1-19 years	965.6	940.9
Total			**3,226.1**	**2,987.6**

* 1) North America Online & Retail, 2) North America Branded & Rest of World , 3) Europe Branded

As per 31 December the carrying amount of trademarks with indefinite useful lives was allocated to the reportable segments as follows:

DKK million	North America Online & Retail	North America Branded & RoW	Europe Branded	Total
2023	243.8	1,148.5	966.7	2,359.0
2022	148.1	978.6	964.3	2,091.0

Trademarks with indefinite useful lives are tested for impairment annually and whenever there is an indication of impairment.

When carrying out the impairment test for trademarks with indefinite useful lives, each trademark is seen as a separate asset capable of generating cash flow. The carrying value of each trademark is compared to the values in use (discounted value of future cash flows). If the carrying value is higher, the difference is charged to the income statement.

The value in use for each trademark is calculated by using a valuation model based on discounted expected future cash flows (Multi-period Excess Earnings-Method ("MEEM") in an adapted form, covering a five-year budget period) based on Management's projections.

When trademarks with indefinite useful lives were tested for impairment in 2023 (and 2022), the value in use exceeded the carrying value for each of the individual trademarks and no basis for impairment was found.

When performing sensitivity analysis by increasing the discount rate by 1 percentage point or lowering the terminal growth by 1 percentage point, the value in use still exceeded the carrying value for each individual trademark.

EBITDA growth in the budget period, terminal growth and discount rate constitute the key assumptions in calculating the value in use.

Management has used a discount rate (WACC after tax) between 8.2% and 9.3% (pre-tax WACC between 10.0% and 11.4%). Terminal growth in EBITDA is set between 0.0% and 1.0% and is based on historical development and expected future development.

KEY ACCOUNTING ESTIMATES

Impairment test – trademarks with indefinite useful lives
In the annual impairment test of trademarks with indefinite useful lives, an estimate is made to determine how the trademarks will be able to generate sufficient positive net cash flow in the future to support the value of the trademark in question. The estimates of the anticipated future net cash flow are based on Management's projections for the coming years. Contribution expectations are based upon projections made on the development in volume, average sales and cost prices for each trademark.

Other trademarks (definite useful lives)
Acquired trademarks that have been deemed to have definite useful lives are in general amortised over a period of 5–25 years. Trademarks are tested for impairment when circumstances indicate that the value of a trademark is impaired.

In 2023, as well as in 2022, Management did not identify any indications of impairment.

IT software
Software comprises expenses for acquired software and expenses related to internally developed software.

In 2023, as well as in 2022, Management did not identify any indications of impairment.

Other intangible assets
Other intangible assets mainly comprise acquired name rights, know-how, customer relations and distribution rights. In 2023, as well as in 2022, Management did not identify any indications of impairment.

Intangible assets under construction
Intangible assets under construction comprise expenses for acquired IT software and expenses related to preparing the software for its intended use, being both external expenses and internal resources. In 2023, as well as in 2022, Management did not identify any indications of impairment.

CONTENTS

3.2

PROPERTY, PLANT AND EQUIPMENT

199.0

ADDITIONS (DKK million)

2023

DKK million	Land and buildings	Plant and machinery	Equipment, tools and fixtures	Leasehold improve-ments	Construc-tion in progress	Total
Accumulated cost at 1 January	857.7	712.7	186.2	80.3	334.3	2,171.2
Exchange rate adjustment	-9.7	-3.3	-4.9	-2.1	-5.6	-25.6
Acquisition	-	-	0.3	-	-	0.3
Additions	9.6	15.5	4.5	-	169.4	199.0
Disposals	-1.9	-10.4	-6.6	-44.0	-11.5	-74.4
Transfers	116.1	10.0	116.9	46.8	-289.8	-
Accumulated cost at 31 December	**971.8**	**724.5**	**296.4**	**81.0**	**196.8**	**2,270.5**
Accumulated depreciation and impairment at 1 January	236.3	314.6	130.9	63.7	0.3	745.8
Exchange rate adjustment	-2.5	-1.0	-2.4	-0.6	-	-6.5
Depreciation	35.9	66.0	20.5	6.1	-	128.5
Disposals	-1.8	-20.5	-6.6	-43.8	-	-72.7
Impairment	-	0.3	-	-	-	0.3
Accumulated amortisation and impairment at 31 December	267.9	359.4	142.4	25.4	0.3	795.4
Carrying amount at 31 December	**703.9**	**365.1**	**154.0**	**55.6**	**196.5**	**1,475.1**

2022

DKK million	Land and buildings	Plant and machinery	Equipment, tools and fixtures	Leasehold improve-ments	Construc-tion in progress	Total
Accumulated cost at 1 January	802.6	746.2	240.6	75.7	214.4	2,079.5
Exchange rate adjustment	9.1	-4.3	4.9	4.5	3.7	17.9
Acquisition	-	-	-	-	-	-
Additions	0.1	18.9	6.1	4.3	234.7	264.1
Disposals	-3.1	-109.7	-74.1	-2.8	-0.6	-190.3
Transfers	49.0	61.6	8.7	-1.4	-117.9	-
Accumulated cost at 31 December	**857.7**	**712.7**	**186.2**	**80.3**	**334.3**	**2,171.2**
Accumulated depreciation and impairment at 1 January	206.3	365.2	187.0	59.3	0.6	818.4
Exchange rate adjustment	1.1	-0.6	1.5	3.6	-	5.6
Depreciation	32.0	58.8	16.4	3.5	-	110.7
Disposals	-3.1	-108.9	-74.0	-2.7	-0.3	-189.0
Impairment	-	0.1	-	-	-	0.1
Accumulated amortisation and impairment at 31 December	236.3	314.6	130.9	63.7	0.3	745.8
Carrying amount at 31 December	**621.4**	**398.1**	**55.3**	**16.6**	**334.0**	**1,425.4**

IMPAIRMENT

In 2023, impairment costs of DKK 0.3 million were recognised in the income statement. Management did not identify any other indications of impairment.

IMPAIRMENT

In 2022, impairment costs of DKK 0.1 million were recognised in the income statement. Management did not identify any other indications of impairment.

CONTENTS

3.2 (CONTINUED)
PROPERTY, PLANT AND EQUIPMENT

§ ACCOUNTING POLICIES

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Buildings	10–40 years
Plant and machinery	12–20 years
Equipment, tools and fixtures	3–10 years
Leasehold improvements	1–10 years

Assessment of residual value and useful life is performed annually for assets under property, plant and equipment.

KEY ACCOUNTING ESTIMATES

Impairment of property, plant and equipment
The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by depreciation. If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount and the asset is written down to its lower recoverable amount. The impairment test includes significant judgments made by Management, such as assumption of projected future cash flows used in the valuation.

3.3
RIGHT-OF-USE ASSETS

THE GROUP AS A LESSEE

The Group has entered into lease contracts for land, offices, warehouses, motor vehicles and other equipment utilised across the entire Group. Leases of land have lease terms up to 20 years, offices and warehouses generally have lease terms between three and ten years, while motor vehicles and other equipment generally have lease terms between three and five years. Lease contracts that include extension and termination options are recognised based on the outcome of the lease term that is considered reasonably certain at the commencement date.

Information on the corresponding lease liabilities is included in note 4.2 financial risks and instruments.

2023

DKK million	Land, buildings, offices and warehouses	Motor vehicles	Other equipment	Total
Carrying amount at 1 January	**274.6**	**35.8**	**3.8**	**314.2**
Exchange rate adjustment	-5.6	-0.1	-	-5.7
Additions	16.3	33.5	1.0	50.8
Disposals	-2.0	-0.5	-	-2.5
Depreciation and impairment	-45.0	-24.9	-2.3	-72.2
Carrying amount at 31 December	**238.3**	**43.8**	**2.5**	**284.6**

2022

DKK million	Land, buildings, offices and warehouses	Motor vehicles	Other equipment	Total
Carrying amount at 1 January	**145.4**	**37.8**	**4.0**	**187.2**
Exchange rate adjustment	8.0	0.3	0.0	8.3
Additions	170.0	23.8	1.9	195.7
Disposals	-1.2	-2.8	-	-4.0
Depreciation and impairment	-47.6	-23.3	-2.1	-73.0
Carrying amount at 31 December	**274.6**	**35.8**	**3.8**	**314.2**

The following amounts are recognised in the income statement:

DKK million	2023	2022
Depreciation expense of right-of-use assets	72.2	73.0
Interest expense on lease liabilities	10.7	11.8
Expense relating to short-term leases	4.6	3.6
Expense relating to leases of low-value assets	0.1	0.1
Variable lease payments	-	0.2
Total amount recognised in the income statement	**87.6**	**88.7**

In 2023, the Group had total cash outflows for leases of DKK 83.2 million (DKK 83.1 million). The Group has entered into lease contracts at a value of DKK 0.3 million (DKK 0.4 million) that have not yet commenced. The Group has extension options of a total value of DKK 25.2 million (DKK 24.9 million) that are not included in the recognised leases, as it is not considered reasonable certain that the Group will exercise the options.

CONTENTS

3.3 (CONTINUED)
RIGHT-OF-USE ASSETS

§ ACCOUNTING POLICIES

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. Based on the contract the right-of-use asset and the lease liability are recognised at commencement of the lease. The initial measurement of the right-of-use asset is at cost and comprises the initial value of the lease liability and lease payments made at or before the commencement date. The right-of-use assets are depreciated on a straight-line basis over the shorter period of the lease term or the useful life of the underlying asset.

The lease liabilities are initially measured at the present value of lease payments that are not paid at the commencement date. Lease payments include fixed payments and variable payments that depend on an index such as an inflation index as well as lease payments from an extension option that the Group considers reasonably certain to be exercised.

Extension and termination options exist for a number of leases, particular for offices and warehouses. In determining lease terms, all facts and circumstances offering economic incentives for exercising extension options or not exercising termination options are taken into account. Lease terms can be subject to changes following the occurrence of significant events or circumstances.

The Group applies the recognition exemption to short-term leases and low-value leases.

Impairment of right-of-use assets
The carrying amounts are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by depreciation. If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount and the right-of-use asset is written down to its lower recoverable amount.

3.4
INVENTORIES

Inventories at 31 December, net of allowances for obsolescence, comprise the following items:

DKK million	2023	2022
Raw materials and consumables	1,351.7	1,464.6
Work in progress	384.1	348.0
Finished goods, goods for resale and excise stamps	1,533.8	1,436.3
Total	**3,269.6**	**3,248.9**
Movements in the Group provision for obsolete stock are as follows:		
Provision for obsolete stock 1 January	-96.2	-97.6
Additions for the year	-40.6	-74.1
Reversal for the year	35.9	15.7
Write-downs during the year	45.4	59.2
Effect of exchange rate adjustments	0.4	0.6
Total provision at 31 December	**-55.1**	**-96.2**

The net movement in the year in respect of inventory provision is included in 'cost of goods sold'. The cost of inventories recognised as cost and included in 'cost of goods sold' amounted to DKK 3,746.6 million (DKK 3,670.0 million).

§ ACCOUNTING POLICIES

Inventories are measured at the lower of cost under the FIFO method and net realisable value. The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales prices.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of labour, maintenance and depreciation of the machinery, factory buildings, equipment and right-of-use assets used in the manufacturing process as well as costs of factory administration and management.

KEY ACCOUNTING ESTIMATES

Inventories are measured at the lower of cost price under the FIFO method and net realisable value.

The estimated uncertainty in inventories is related to the write-down to net realisable value. Inventories are written down in accordance with Group policy, including individual assessment of inventories for potential losses due to obsolescence.

3.5
TRADE RECEIVABLES

DKK million	2023	2022
Trade receivables (net) at 31 December comprise the following:		
Trade receivables (gross)	981.6	899.0
Provision for bad debt	-17.9	-14.4
Trade receivables (net)	**963.7**	**884.6**
Movements in the Group provision for bad debt are as follows:		
Provision for bad debt at 1 January	-14.4	-19.9
Additions for the year	-8.2	-2.6
Reversal for the year	3.8	6.4
Confirmed losses	0.6	2.0
Effect of exchange rate adjustments	0.3	-0.3
Total provision at 31 December	**-17.9**	**-14.4**

CONTENTS

3.5 (CONTINUED)
TRADE RECEIVABLES

2023

Impairment of trade receivables can be specified as follows	Receivables, DKK million	Loss rate, %	Provision, DKK million
Current	761.0	0.3%	-2.4
Overdue < 30 days	121.9	0.2%	-0.2
Overdue 31 - 60 days	39.9	5.8%	-2.3
Overdue 61 - 90 days	18.0	15.2%	-2.8
Overdue 91 - 180 days	29.4	19.8%	-5.8
Overdue > 180 days	11.4	39.0%	-4.4
Total	**981.6**		**-17.9**

2022

Impairment of trade receivables can be specified as follows	Receivables, DKK million	Loss rate, %	Provision, DKK million
Current	725.8	0.1%	-1.1
Overdue < 30 days	107.3	0.3%	-0.3
Overdue 31 - 60 days	19.6	6.2%	-1.2
Overdue 61 - 90 days	7.7	18.2%	-1.4
Overdue 91 - 180 days	18.8	19.6%	-3.6
Overdue > 180 days	19.8	34.1%	-6.8
Total	**899.0**		**-14.4**

§ ACCOUNTING POLICIES

Trade receivables are measured in the balance sheet at amortised cost less provisions for expected credit losses. Expected credit losses are determined by using the simplified expected credit loss model (ECL), which has the approach of assessing the lifetime expected credit loss.

The ECLs on trade receivables are estimated by using a matrix based on aging of customers, and includes both historical as well as forward-looking information. The estimation takes into account geography, past default experience, analysis of the debtor's current financial position, factors that are specific to the debtors, general economic conditions in which the debtors operate and an assessment of the forecast direction of developments at the reporting date.

3.6
PREPAYMENTS

§ ACCOUNTING POLICIES

Prepayments are measured at cost and comprise prepaid costs concerning licences, insurance premiums, subscriptions, etc.

CONTENTS

3.7
OTHER PROVISIONS

DKK million	2023	2022
Balance at 1 January	37.7	82.2
Exchange rate adjustment	0.0	-0.4
Discounting cost	0.0	0.0
Addition during the year	17.1	10.8
Utilised during the year	-17.4	-46.2
Reversed provision unused	-1.7	-8.7
Carrying amount at 31 December	**35.7**	**37.7**
Non-current	17.9	17.9
Current	17.8	19.8
Total	**35.7**	**37.7**

Other provisions mainly consist of restructuring costs, reestablishment costs and "other". The restructuring costs are primarily related to redundancy payments expected to take place in 2024. The amounts and timing of the restructurings depend on negotiations with the affected employees.

§ ACCOUNTING POLICIES

Provisions are recognised when – in consequence of an event occurred before or on the balance sheet date – the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation. Provisions are measured at the present value of the anticipated expenditure for settlement of the legal or constructive obligation based on Management's best estimate. If considered material, the anticipated future expenditure is discounted, using a pretax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

3.8
PENSION OBLIGATIONS

Post-employment defined benefit – recognised in the balance sheet

DKK million	2023	2022
Present value of funded obligations	316.6	280.8
Fair value of plan assets	-186.2	-180.8
Deficit (+) / surplus (-)	130.4	100.0
Present value of unfunded obligations	64.9	104.7
Net asset (-) / liability (+) in the balance sheet	**195.3**	**204.7**
Amounts in the balance sheet		
Liabilities	195.3	204.7
Assets	-	-
Net asset (-) / liability (+) in the balance sheet	**195.3**	**204.7**

DKK million	2023	2022
Movement during the period in the net asset (-)/ liability (+)		
Balance at 1 January	204.7	307.4
Recognised in the income statement	34.9	19.8
Actuarial gain recognised in other comprehensive income, financial assumptions	-13.4	-96.8
Benefit payments to employees	-15.4	-14.2
Employer contributions	-12.3	-10.9
Other	-0.9	0.0
Exchange rate adjustment	-2.4	-0.6
Balance at 31 December	**195.3**	**204.7**

3.8 (CONTINUED)

PENSION OBLIGATIONS

Actuarial assumptions

Actuarial assumptions used for valuation (expressed as weighted averages and in %)	2023	2022
Discount rate	4.6	3.8
Future salary increases	3.7	3.1

Significant actuarial assumptions regarding the determination of the pension obligation are the discount rate and future salary increase. The sensitivity analysis below has been determined based on likely changes in the discount rate and future salary increase occuring at the end of the period.

	2023		2022	
DKK million	1%-point increase	1%-point decrease	1%-point increase	1%-point decrease
Discount rate	-25.4	34.0	-28.1	35.9
Future salary increases	26.6	-16.7	30.7	-19.4

DKK million	2023	2022
CHANGE IN THE DEFINED BENEFIT OBLIGATIONS AND PLAN ASSETS		
Defined benefit obligations – movements		
Balance at 1 January	385.4	496.9
Current service costs	26.0	25.2
Interest cost	17.0	8.4
Change in plan provisions	-1.7	-14.3
Actuarial losses (+)/gains (-)	-13.4	-91.4
Benefits paid	-29.1	-40.7
Settlements	-0.7	1.9
Exchange rate adjustment	-2.1	-0.6
Balance at 31 December	**381.5**	**385.4**

DKK million	2023	2022
Plan assets – movements in fair value		
Balance at 1 January	180.8	189.5
Interest income	6.8	1.5
Actuarial losses (-)/gains (+)	-0.1	5.4
Employer contributions	15.2	14.2
Benefits paid	-16.9	-29.8
Exchange rate adjustment	0.4	0.0
Balance at 31 December	**186.2**	**180.8**

The actual return on plan assets in 2023 was a gain of DKK 6.7 million (DKK 6.9 million).

Categories of plan assets:

DKK million	2023	2022
Other*	186.2	180.8
Total	**186.2**	**180.8**

* Plan assets primarily relates to pension plans in Belgium and Germany. The pension plans, including plan assets, are administrated by different insurance companies and funded via Group insurance contracts and life insurance contracts why no further information can be given on categories of plan assets.

The weighted average duration of the defined benefit obligation is 9.4 years (10.8 years).

DKK million	2023	2022
Post-employment benefit plans recognised in income statement		
Current service costs	26.0	25.2
Interest on net obligation	10.2	6.9
Change in plan provisions	0.0	-14.2
Settlements	-0.7	1.9
Recognised net actuarial gain/loss	-1.3	0.0
Net income (-)/expense (+) reported in the income statement	**34.2**	**19.8**

CONTENTS

3.8 (CONTINUED)
PENSION OBLIGATIONS

DKK million	2023	2022
The income/expenses for defined benefit plans are reported under the following headings in the income statement:		
Staff costs	24.7	12.9
Financial costs	10.2	6.9
Net income (-)/expense (+) reported in the income statement	**34.9**	**19.8**
Amounts recognised in other comprehensive income		
For the post-employement defined benefit plans all actuarial gains and losses are recognised in other comprehensive income as they occur in accordance with the year-end valuation.		
Net actuarial losses (+)/ gains (-)	-12.8	-96.8

EXPECTED CONTRIBUTION NEXT YEAR

Expected contributions to post-employment benefit plans for the year ending 31 December 2023 amount to DKK 25.7 million.

DEFINED CONTRIBUTION PLANS

The Group has certain obligations under defined contributions plans. Contributions to these plans are determined by provisions in the respective plans. Costs for defined contribution plans charged to the income statement for the year amount to DKK 65.2 million (DKK 57.3 million).

DEFINED BENEFIT PLANS IN PRIMARILY BELGIUM, GERMANY, FRANCE, INDONESIA, THE DOMINICAN REPUBLIC AND THE US

The Group operates a number of defined contribution plans throughout the world. In a few countries, the Group also operates defined benefit plans, which are effective in primarily Belgium, Germany, France, Indonesia, the Dominican Republic and the US. The defined benefit plans for Belgium total six different step-rate plans covering both blue and white collar employees and one offset defined benefit plan for Managers. Furthermore, a number of defined contribution plans with minimum guarantee (imposed by law) exists. These plans are insured but the guarantee given by the insurance company does not cover the full guarantee required under the pension law, why these are considered and treated as defined benefit plans. The defined benefit plans for Germany cover employees who entered service before August 1991 and have since then been closed for new employees. Further, a defined benefit plan exist for former Agio employees in Germany, where all employees of the company on 1 April 2003 qualify for benefits.

The defined benefit plan in France is mandatory for all employees and has no minimum requirements for years of service with the company. The defined benefit plans for Indonesia cover all employees in the form of severance and gratuity in accordance with labour regulation (Labour Law 11/2020). The defined benefit plans for the Dominican Republic are enacted by law and cover all employees with at least three months of service. The defined benefit plans in the US are non-qualified plans that cover a small group of inactive employee benefits which are paid out of corporate assets.

§ ACCOUNTING POLICIES

Under a defined benefit plan, the amount of retirement benefit that will be received by an employee is defined with respect to period of service and final salary. The amount recognised in the balance sheet is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of the scheme assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows.

The service cost of providing retirement benefits to employees during the year is charged to operating profit. The costs for the year for defined benefit plans are determined using the projected unit credit method.

Past service costs are recognised immediately in the income statement.

All actuarial gains and losses are recognised immediately in full in the statement of other comprehensive income for the period in which they arise.

Pension assets are only recognised to the extent that the Group is able to derive future economic benefits such as refunds from the plan or reductions of future contributions. The Group's most significant defined benefit pension plans are financed by payments from Group companies and by employees to funds which are independent of the Group.

Contributions for defined contribution plans are reported as expenses in the income statement when they occur.

Post-employment employee benefits

The Group has defined benefit pension plans in a number of subsidiaries, through which the employees are entitled to post-employment benefits based on their pensionable income and the number of years of service.

Provisions for post-employment defined benefit plans are reported based on actuarial valuations. The Group recognises the full amount of actuarial gains and losses in other comprehensive income, i.e. the net pension liability in the balance sheet includes all cumulative actuarial gains and losses.

The Group does not plan for any new defined benefit plans.

KEY ACCOUNTING ESTIMATES

Actuarial assumptions

The discount rate is set per country with reference to high quality corporate bond yields of appropriate duration or government bond yields for countries where a deep market of high quality corporate bonds is not available.

CONTENTS

SECTION 4

4.1 BORROWINGS

DKK million	2023	2022
Borrowings are recognised in the balance sheet as follows:		
Non-current liabilities	3,656.7	3,101.1
Total	**3,656.7**	**3,101.1**

The Group has the following external borrowings at 31 December:

Currency	Fixed/ floating	Term/revolving credit facility	Maturity date	Carrying amount 2023	Carrying amount 2022
USD	Floating	RCF	19/03/2027	741.9	871.5
DKK	Floating	RCF	19/03/2027	680.0	-
EUR	Floating	Term	Multiple	7.1	11.3
EUR	Fixed	Bond	24/09/2025	2,227.7	2,218.3
Total				**3,656.7**	**3,101.1**

Fixed interest swap contracts related to USD loan balance matured on 30 September 2022 and have not been renewed.

§ ACCOUNTING POLICIES

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently at amortised cost using the effective interest method.

Any difference between the proceeds initially received and the nominal value is recognised in financial costs over the term of the loan.

4.2 FINANCIAL RISKS AND INSTRUMENTS

Maturity at 31 december 2023	0-1 Year	2-5 Years	After 5 years	Total*	Fair value level 1	Fair value level 2**	Carrying amount
LIQUIDITY							
Recognised at amortised cost							
Financial institutions	86.1	1,607.3	-	1,693.4	-	1,429.0	1,429.0
Bonds	30.7	2,266.1	-	2,296.8	2,090.1	-	2,227.7
Trade payables	508.2	-	-	508.2	-	-	508.2
Lease liabilities	70.5	142.9	119.5	332.9	-	-	304.9
Other liabilities	844.7	57.4	-	902.1	-	-	891.1
Total	**1,540.2**	**4,073.7**	**119.5**	**5,733.4**	**2,090.1**	**1,429.0**	**5,360.9**
Recognised at fair value							
Currency swaps	0.4	-	-	0.4	-	0.4	0.4
Total	**0.4**	**-**	**-**	**0.4**	**-**	**0.4**	**0.4**
Total financial liabilities	**1,540.6**	**4,073.7**	**119.5**	**5,733.8**	**2,090.1**	**1,429.4**	**5,361.3**
Recognised at amortised cost							
Cash and cash equivalents	99.6	-	-	99.6	-	-	99.6
Trade receivables	963.7	-	-	963.7	-	-	963.7
Other receivables	113.4	-	-	113.4	-	-	113.4
Total	**1,176.7**	**-**	**-**	**1,176.7**	**-**	**-**	**1,176.7**
Recognised at fair value							
Currency swaps	0.3	-	-	0.3	-	0.3	0.3
Total	**0.3**	**-**	**-**	**0.3**	**-**	**0.3**	**0.3**
Total financial assets	**1,177.0**	**-**	**-**	**1,177.0**	**-**	**0.3**	**1,177.0**

* All cash flows are non-discounted and include all liabilities according to contracts. The DKK values of future interest and principal of loans in foreign currencies are calculated based on the rates at the balance sheet date.

** The fair value of the financial liabilities is the present value of the expected future instalments and interest payments except for trade payables, other liabilities, trade receivables and other receivables which are stated at the net carrying amount at year-end.

CONTENTS

4.2 (CONTINUED)
FINANCIAL RISKS AND INSTRUMENTS

Maturity at 31 december 2022	0-1 Year	2-5 Years	After 5 years	Total*	Fair value level 1	Fair value level 2**	Carrying amount
LIQUIDITY							
Recognised at amortised cost							
Financial institutions	56.1	1,044.4	-	1,100.5	-	882.8	882.8
Bonds	31.1	2,292.8	-	2,323.9	2,021.0	-	2,218.3
Trade payables	506.8	-	-	506.8	-	-	506.8
Lease liabilities	67.1	150.4	139.0	356.5	-	-	331.4
Other liabilities	635.9	74.6	-	710.5	-	-	704.1
Total	**1,297.0**	**3,562.2**	**139.0**	**4,998.2**	**2,021.0**	**882.8**	**4,643.4**
Recognised at fair value							
Currency swaps	13.8	-	-	13.8	-	13.8	13.8
Total	**13.8**	**-**	**-**	**13.8**	**-**	**13.8**	**13.8**
Total financial liabilities	**1,310.8**	**3,562.2**	**139.0**	**5,012.0**	**2,021.0**	**896.6**	**4,657.2**
Recognised at amortised cost							
Cash and cash equivalents	22.2	-	-	22.2	-	-	22.2
Trade receivables	884.6	-	-	884.6	-	-	884.6
Other receivables	86.4	-	-	86.4	-	-	86.4
Total	**993.2**	**-**	**-**	**993.2**	**-**	**-**	**993.2**
Total financial assets	**993.2**	**-**	**-**	**993.2**	**-**	**-**	**993.2**

* All cash flows are non-discounted and include all liabilities according to contracts. The DKK values of future interest and principal of loans in foreign currencies are calculated based on the rates at the balance sheet date.

** The fair value of the financial liabilities is the present value of the expected future instalments and interest payments except for trade payables, other liabilities, trade receivables and other receivables which are stated at the net carrying amount at year-end.

FINANCIAL RISKS

FINANCIAL RISK MANAGEMENT POLICY AND STRATEGY

The Group has centralised the management of financial risks. The overall objectives and policies for the Group's financial risk management are outlined in the Treasury Policy approved by the Board of Directors.

The Group do not engage in financial transactions or manage risk exposures that are not related to the underlying business driven risks, and consequently, the Group does not enter into any speculative transactions.

The Group's financial risks is managed with the aim of protecting the value and financial stability of the Group, taking into consideration the cost and accounting consequences of such transactions.

The main financial risks that the Group is exposed to include foreign exchange risk, credit risk, interest rate risk and liquidity risk.

FOREIGN EXCHANGE RISK

Fluctuating currency rates influence the Group's reported income statement, balance sheet and value of future cash flows denominated in foreign currencies.

The Group closely monitors the foreign exchange risk mainly related to USD, NOK, GBP, CAD and AUD.
The Group considers both DKK and EUR as base currencies due to the fixed currency band between DKK and EUR.

Key currencies

Movement of exchange rates against DKK

Exchange rate DKK	2023	2022
USD		
Average	688.97	707.68
Year-end	674.47	697.22
Average change	-2.6%	12.6%
NOK		
Average	65.28	73.75
Year-end	66.30	70.73
Average change	-11.5%	0.8%
GBP		
Average	856.64	872.88
Year-end	857.59	838.45
Average change	-1.9%	0.9%
CAD		
Average	510.51	543.64
Year-end	509.01	514.99
Average change	-6.1%	8.4%
AUD		
Average	457.83	490.47
Year-end	458.27	473.87
Average change	-6.7%	3.8%

CONTENTS

4.2 (CONTINUED)
FINANCIAL RISKS AND INSTRUMENTS

Foreign exchange exposure in the Group consists of two types of risk (a) translation risk and (b) transaction risk.

TRANSLATION RISK
Translation risk arises from the translation of subsidiaies' income statement and net assets into DKK. The single most significant currency is USD.

The Group does not hedge with financial contracts against translation effects, although borrowings in currencies other than DKK are used to partly mitigate translation risk.

Sensitivity Analysis on Exchange

2023

DKK million	Change in exchange rate	Net sales	EBITDA
USD	5%	227.3	56.8
NOK	5%	8.6	8.6
GBP	5%	13.8	12.7
CAD	5%	12.2	7.3
AUD	5%	10.8	10.7

2022

DKK million	Change in exchange rate	Net sales	EBITDA
USD	5%	221.5	45.2
NOK	5%	11.9	11.9
GBP	5%	14.1	13.3
CAD	5%	12.8	8.1
AUD	5%	13.6	10.4

TRANSACTION RISK
Transaction risk arises from cash flows in currencies other than the functional currencies of the Group's subsidiaries. Transaction risk is not hedged with financial contracts as the impact from transaction risk is considered to be within the Group's risk appetite. The sensitivity analysis below shows the gain/loss on net profit for the year and other comprehensive income of a 5% percent increase in the specified currencies towards DKK.

The sensitivity analysis does not include financial assets and liabilities in the functional currency of the Group's subsidiaries or translation risk from consolidation of income statement.

31 December 2023

DKK million	Change in exchange rate	Net profit	Other comprehensive income
USD	5%	-1.8	-
CAD	5%	-0.1	-
AUD	5%	-2.7	-
GBP	5%	-1.7	-
NOK	5%	-1.2	-

31 December 2022

DKK million	Change in exchange rate	Net profit	Other comprehensive income
USD	5%	2.2	-
CAD	5%	-0.1	-
AUD	5%	-1.2	-
GBP	5%	-2.9	-
NOK	5%	-0.9	-

INTEREST RATE RISK
The Group's interest-bearing assets / liabilities consist of cash & cash equivalents, bank loans, revolving credit facility (RCF) at floating rate and EUR bond issued at fixed rate.

As of 31 December 2023, the Group has 61% of the total debt with fixed interest rate.

An increase in relevant interest rates of 1%-point would have decreased net profit by DKK 14.2 million. The estimate was based on the Group's average floating rate loans and borrowings, i.e. disregarding cash and cash equivalents. The analysis assumes that all other variables remain constant.

CREDIT RISK
The Group's credit risk is primarily related to receivables, bank deposits and derivative financial instruments and can be divided into two main risk types.

OPERATIONAL CREDIT RISK
The Group's balance sheet at 31 December 2023 included trade receivables with a net book value of DKK 963.7 million (DKK 884.6 million), representing a gross receivable balance of DKK 981.6 million (DKK 899.0 million) and a provision for expected credit losses of DKK 17.9 million (DKK 14.4 million), based on the expected credit loss model (ECL). The ECLs on trade receivables are estimated by using a matrix based on aging of customers, and includes both historical as well as forward-looking information. The estimation takes into account geography, past default experience, analysis of the debtor's current financial position, factors that are specific to the debtors, general economic conditions in which the debtors operate and an assessment of the forecast direction of developments at the reporting date. The Group's net sales primarily comprise sales of tobacco to different distributors, retailers and direct to consumers. The Group has historically experienced limited risk with regard to the solvency of its customers. As part of the Group's internal procedures regarding risk management, the operational credit risk relating to customers is monitored on a monthly basis. The Group has no significant concentration of credit exposure as the exposure has been spread on a large number of creditworthy trading partners.

FINANCIAL CREDIT RISK
Financial credit risk management has the objective of minimising financial loss through a financial distress or the default of a financial counterparty whether due to the financial insolvency of the counterparty, the inability of the counterparty to perform due to changed national legislation or any other circumstance.

The Group's exposure to counterparty risk is managed by establishing approved counterparty limits detailing the maximum exposure that the Group is prepared to accept with respect to the individual counterparty.

LIQUIDITY RISK
The Group ensures the availability of the required liquidity through a combination of cash management and uncommitted as well as committed credit facilities. To centralise and optimise liquidity the Group utilises cash pooling, currency swaps, intercompany lending and borrowing.

CONTENTS

4.2 (CONTINUED)

FINANCIAL RISKS AND INSTRUMENTS

The Group ensures diversification of debt portfolio, maturity dates and lenders to reduce refinancing risk. The Group has a committed revolving credit facility of EUR 450.0 million (EUR 450.0 million) maturing in 2027 equally split between providers. The undrawn amount of the credit facility at 31 December 2023 was EUR 259.2 million (EUR 332.8 million).

In addition, the Group has issued a rated bond of EUR 300 million maturing in 2025.

Financial instruments measured at fair value are broken down according to the following measuring hierarchy:

Level 1: Observable market prices of identical instruments.

Level 2: Valuation models primarily based on observable prices or traded prices of comparable instruments.

Level 3: Valuation models primarily based on non-observable prices.

The fair value of the Group's financial instruments (currency swaps) are considered a level 2 fair value measurement as the fair value is determined directly based on the published exchange rates, quoted swap and forward rates on the balance sheet date. There are no financial instruments in level 3 (none).

OTHER TRANSACTIONS

The Group uses financial transactions which do not qualify as hedge accounting according to the IFRS.

The Group uses currency swaps to manage and centralise liquidity. These swaps are in USD, AUD, NOK, CAD, SEK, GBP to DKK and are actively managed. As of 31 December, the fair value of outstanding currency swaps was as stated below.

2023

DKK million (fair value)	Nominal	Fair value
Currency swaps, USD	6.8	-0.2
Currency swaps, NOK	16.3	0.0
Currency swaps, CAD	68.2	0.2
Currency swaps, SEK	29.2	-0.1
Total		**-0.1**

2022

DKK million (fair value)	Nominal	Fair value
Currency swaps, USD	44.0	-5.4
Currency swaps, NOK	32.0	-0.1
Currency swaps, CAD	47.0	-8.2
Currency swaps, SEK	3.0	-0.1
Total		**-13.8**

§ ACCOUNTING POLICIES

Derivative financial instruments
Derivative financial instruments are initially recognised in the balance sheet at fair value and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as other receivables/ financial fixed assets and other liabilities, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualifies as hedge accounting, see below.

Hedge accounting
Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement like changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised directly in other comprehensive income as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in other comprehensive income is transferred from other comprehensive income and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in other comprehensive income is transferred from other comprehensive income to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

CONTENTS

4.3
FINANCIAL FIXED ASSETS

12.4

DIVIDEND (DKK million)

2023

DKK million	Investments in associated companies
Cost at 1 January	92.6
Acquisition	1.3
Accumulated cost at 31 December	93.9
Accumulated revaluation and impairment at 1 January	131.0
Dividends	-12.4
Currency translation	-7.9
Profit after tax	29.4
Accumulated revaluation and impairment at 31 December	140.1
Carrying amount at 31 December	**234.0**

2022

DKK million	Investments in associated companies
Cost at 1 January	92.6
Accumulated cost at 31 December	92.6
Accumulated revaluation and impairment at 1 January	94.9
Dividends	-15.6
Currency translation	11.3
Profit after tax	40.4
Accumulated revaluation and impairment at 31 December	131.0
Carrying amount at 31 December	**223.6**

NAME AND COUNTRY OF INCORPORATION

	Caribbean Cigar Holdings Group Co. S.A, Panama*		!Act A/S, Denmark**	
DKK million	2023	2022	2023	2022
Profit or loss				
Revenue	668.1	709.2	4.4	-
Profit for the year	151.5	200.1	-1.7	-
Total comprehensive income	**151.5**	**200.1**	**-1.7**	**-**
Financial position				
Non-current assets	88.0	79.6	-	-
Current assets	917.2	872.7	5.9	-
Non-current liabilities	3.9	5.2	-	-
Current liabilities	91.3	86.1	5.0	-
% Interest held	**20%**	**20%**	**50%**	**-**
Reconciliation carrying amount				
Scandinavian Tobacco Group's share of equity	182.0	172.2	0.4	-
Goodwill	55.7	57.6	-	-
Elimination of internal profit	-4.1	-6.2	-	-
Carrying amount at 31 December	**233.6**	**223.6**	**0.4**	**-**

* The financial information stated above is based on estimates, with subsequently adjustents in the current year.
** The financial information stated above is based non-audited financial statement.

§ ACCOUNTING POLICIES

Investments in associated companies are recognised and measured under the equity method.

The item 'Investments in associated companies' in the balance sheet includes the proportionate ownership share of the net asset value of the enterprises with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill) calculated on the basis of the fair values of identifiable net assets at the time of acquisition.

The item 'Share of profit of associated companies, net of tax' in the income statement includes the proportionate share of the profit after tax for the year regarding the associated companies.

CONTENTS

4.4
FINANCIAL INCOME AND COSTS

DKK million	2023	2022
FINANCIAL INCOME		
Interest on deposits in financial institutions etc.	4.2	1.7
Exchange gains	179.4	185.6
Other financial income	1.0	10.0
Total	**184.6**	**197.3**

DKK million	2023	2022
FINANCIAL COSTS		
Interest on borrowings	141.4	96.2
Interest part of pension cost	10.2	6.9
Exchange losses	167.1	189.1
Lease interest costs	10.7	11.8
Other financial costs	32.1	30.2
Total	**361.5**	**334.2**

Effective interest expenses on financial liabilities measured at amortised cost amounted to DKK 152.1 million (DKK 108.0 million). Interest on debt to financial institutions etc. included in 2022 realisation of previously deferred losses from interest rate swaps of DKK 8.8 million. Ineffectiveness of interest rate swaps of DKK 9.9 million was included in other financial income in 2022.

§ **ACCOUNTING POLICIES**

Financial income and costs comprise interests, realised and unrealised exchange adjustments, hedging costs, interest part of pension costs, lease interest costs and other financial income and costs.

4.5
SHARE CAPITAL, TREASURY SHARES, DIVIDEND AND EARNINGS PER SHARE

731

PROPOSED DIVIDEND (DKK million)

Development in share capital

DKK million	
2019-2020	**100.0**
2021 reduction	-2.5
2022 reduction	-4.5
At the beginning of the year	**93.0**
2023 reduction	-6.0
At the end of the year	**87.0**

At the Annual General Meeting on 13 April 2023, it was decided to reduce the share capital by DKK 6,000,000. The reduction of the share capital was effectuated 25 May 2023. At 31 December 2023 the share capital consists of 87,000,000 shares of a nominal value of DKK 1. No shares carry any special rights.

Treasury shares

	Nominal value (DKK million)	Number of shares (in thousands)	Purchase price (DKK million)	% of share capital
Treasury shares at 1 January 2023	5.8	5,751	748.1	6.2
Addition	1.5	1,533	181.1	1.6
Settlement of vested PSUs	-0.2	-178	-25.1	-0.2
Share capital reduction	-6.0	-6,000	-762.7	-6.5
Treasury shares at 31 December 2023	**1.1**	**1,105**	**141.4**	**1.3**

The market value of treasury shares at 31 December 2023 was DKK 129.6 million (DKK 702.1 million). Treasury shares are acquired for the purpose of adjusting the Company's capital structure and to hedge the Group's share-based incentive programmes.

According to the authorisation granted by the General Meeting, the Board of Directors may allow the Company to acquire treasury shares up to a total holding of 10% of the nomimal share capital at a price quoted on Nasdaq Copenhagen at the time of acquisition with a deviation of up to 10%. In addition, the Board of Directors is authorised to increase the share capital by up to 10%. The authorisation granted to the Board of Directors is in effect until 26 March 2025.

CONTENTS

4.5 (CONTINUED)

SHARE CAPITAL, TREASURY SHARES, DIVIDEND AND EARNINGS PER SHARE

	Dividend DKK million	Per share DKK
2019 (proposed dividend in 2018 Annual Report)	600.0	6.0
2020 (proposed dividend in 2019 Annual Report)	610.0	6.1
2021 (proposed dividend in 2020 Annual Report)	650.0	6.5
2022 (proposed dividend in 2021 Annual Report)	731.3	7.5
2023 (proposed dividend in 2022 Annual Report)	767.3	8.3

Retained earnings end of 2023 include proposed dividend of DKK 731 million (DKK 8.40 per share).

EARNINGS PER SHARE:

Earnings per share are presented as both basic and diluted earnings per share. Basic earnings per share are calculated as net profit divided by the average number of shares outstanding. Diluted earnings per share are calculated as net profit divided by the sum of average number of shares outstanding, including the dilutive effect of outstanding share bonus programmes. Please refer to note 5.8 'Explanation of financial ratios' for a description of the calculation of basic and diluted earnings per share.

DKK million	2023	2022
Net profit for the year	1,182.4	1,476.3
Average number of shares outstanding (in 1,000 shares)	89,367	94,516
Average number of treasury shares (in 1,000 shares)	-2,766	-3,950
Average number of shares - basic (in 1,000 shares)	86,601	90,566
Dilutive effect of outstanding PSUs (in 1,000 shares)	67	285
Average number of shares outstanding, including dilutive effect of PSUs (in 1,000 shares)	86,668	90,851
Basic earnings per share (DKK)	13.7	16.3
Diluted earnings per share (DKK)	13.6	16.2

4.6

CHANGES IN WORKING CAPITAL (CASH FLOW STATEMENT)

DKK million	2023	2022
Change in receivables	-113.8	-26.9
Change in inventories	-16.6	-228.1
Change in liabilities	93.7	-108.9
Total	**-36.7**	**-363.9**

§ ACCOUNTING POLICIES

Working capital is defined as current assets less current liabilities. It measures how much in liquid assets the Group has available for the business.

4.7

NET INTEREST-BEARING DEBT

DKK million	2023	2022
Interest-bearing liabilities, net	3,961.7	3,446.2
Pensions	195.3	204.7
Cash equivalents	-99.6	-22.2
Total	**4,057.4**	**3,628.7**

FINANCIAL POLICY

According to the financial policy, the Group has a leverage ratio target of 2.5 (measured as net interest-bearing debt divided by EBITDA before special items) while maintaining flexibility to increase leverage temporarily, for example to pursue acquisitions. At 31 December 2023 the ratio was 1.9 (1.6).

CONTENTS

4.8

CHANGES IN FINANCING LIABILITIES

DKK million	2023	2022
Balance at 1 January	3,432.5	3,115.9
Lease liabilities	-20.3	124.8
New external funding	581.0	138.3
Repayment bank loans	-4.2	-4.0
Other financing	4.5	4.4
Exchange rate adjustment	-31.9	53.1
Carrying amount at 31 December	**3,961.6**	**3,432.5**

CONTENTS

SECTION 5

5.1 BUSINESS COMBINATIONS

2023

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 72.4 million was paid in cash.

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.

TRANSACTION COSTS

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

DKK million	Provisional fair value at date of acquisition
Trademarks	291.3
Other Intangible assets	194.2
Inventories	12.9
Trade receivables	18.8
Prepayments	1.4
Total assets	**518.6**
Trade payables	10.7
Other liabilities	0.4
Total liabilities	**11.1**
Acquired net assets	**507.5**
Consideration transferred	**507.5**

XQS INTERNATIONAL AB

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 of DKK 70.5 million as well as an earn-out agreement with a fair value of DKK 81.1 million at the effective date.

The below disclosure for the business combination is considered provisional and 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.

EARN-OUT

The earn-out becomes payable subject to net sales within a qualifying period being greater than an earn-out threshold. There are five thresholds and three qualifying periods, last one ending 31 December 2025. It is expected that all five thresholds will be reached before the end of the last qualifying period.

DKK million	Provisional fair value at date of acquisition
Trademarks	87.1
Other Intangible assets	58.9
Fixed assets	0.3
Inventories	4.9
Trade receivables	13.6
Other receivables	1.4
Total assets	**166.2**
Trade payables	12.0
Other receivables	2.6
Total liabilities	**14.6**
Acquired net assets	**151.6**
Consideration transferred including value of earn-out	**151.6**

2022

There was no significant business combinations during 2022.

CONTENTS

5.1 (CONTINUED) BUSINESS COMBINATIONS

KEY ACCOUNTING ESTIMATES

The most significant assets acquired generally comprise goodwill, trademarks, tradenames, know-how, customer relations and inventories. As no active market exists for the majority of acquired assets, the fair value is based on Management's projections and estimates. The methods applied are based on the present value of future cash flows related to the specific asset. Estimates of fair value are associated with uncertainty and may be adjusted subsequently.

§ ACCOUNTING POLICIES

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measued at acquisition date fair value.

Acquisition-related costs are expensed as incurred and, if material, included in "Special items" in the Income statement.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. If uncertainties exist at the acquisition date regarding identification or measurement of identifiable assets, liabilities and contingent liabilities or regarding the consideration transferred, initial recognition will take place on the basis of provisionally determined fair values. If identifiable assets, liabilities and contingent liabilities are subsequently determined to have a different fair value at the acquisition date from that first assumed, goodwill is adjusted up until 12 months after the acquisition date. Thereafter no adjustments are made to goodwill, and changes in estimates of contingent consideration relating to business combinations are recognised under "Other income and costs".

Goodwill is initially measured at cost. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all assets acquired and all liabilities assumed, and the Group reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, the gain is recognised in the income statement. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination.

5.2 CASH FLOW ADJUSTMENTS

For the purpose of presenting the cash flow statement, non-cash items with effect on the income statement must be reversed to identify the actual cash flow effect from the income statement. The adjustments are specified as follows:

DKK million	2023	2022
Financial items	176.9	136.9
Share of profit of associated companies, net of tax	-29.4	-40.4
Income taxes	308.4	380.2
(Gains)/losses from sale of fixed assets	0.4	-139.5
Special items, paid	98.3	140.8
Other provisions movement	-2.0	-44.5
Bad debt allowance and provision for obselete stock movements	-37.6	-6.9
Other adjustments	-2.0	1.8
Total	**513.0**	**428.4**

5.3 CONTINGENT LIABILITIES

GUARANTEE OBLIGATIONS

The Group has (via 3rd parties) issued guarantees totalling DKK 746.0 million (DKK 734.1 million), which are primarily issued towards local tax authorities in relation to excise and tax stamps.

LAWSUITS ETC.

From time to time the Group faces legal claims and disputes as part of the ordinary course of business, mainly related to employees and trademarks. Management continuously assesses the risks associated with the legal claims and disputes and their likely outcome. It is the opinion of Management that, apart from items recognised in the financial statements, the outcome of any of these legal claims and disputes is highly uncertain and/or cannot be reliably estimated in terms of amount or timing. The Group does not expect any of the pending claims or disputes to have a material impact on the consolidated financial statements.

DISCLOSURE REGARDING CHANGE OF CONTROL

The Group's loan facilities at financial institutions and issued bonds are subject to change of control clauses.

The Group's investments in associated companies are subject to change of control clauses.

CONTENTS

5.4
RELATED-PARTY TRANSACTIONS

The Group has had the following transactions with related parties, income/expense (+/-):

DKK million	2023	2022
Caribbean Cigar Holdings Group Co. S.A.		
Purchase of products by Scandinavian Tobacco Group	-106.5	-104.0
!Act A/S		
Purchase of products by Scandinavian Tobacco Group	-4.8	-
Sale of services provided by Scandinavian Tobacco Group	2.3	-

The Group has the following balances with related parties, receivables/payables (+/-):

DKK million	2023	2022
Caribbean Cigar Holdings Group Co. S.A.		
Payables for products to Scandinavian Tobacco Group	-11.0	-5.7
!Act A/S		
Receivables for services provided by Scandinavian Tobacco Group	4.6	-

During 2023 STG A/S have purchased 401,426 (1,142,287) own shares from Chr. Augustinus Fabrikker A/S at a market value of DKK 47.3 million (DKK 142.8 million).

Related parties comprise companies controlled by the Augustinus Foundation, key management and the associated companies Caribbean Cigar Holdings Group Co. S.A and !Act A/S.
Key management is Scandinavian Tobacco Group A/S' Board of Directors and Executive Board as well as management in the controlling companies.

For information on remuneration to the Management of Scandinavian Tobacco Group A/S, please refer to note 2.2 and note 2.3. For an overview of Group companies, please refer to note 5.7. There have not been and there are no loans to key management personnel in 2023 or 2022.

Dividends to shareholders have not been included in the above overview. For further information around dividends received from associated companies, please refer to note 4.3.

OWNERSHIP AND CONSOLIDATED FINANCIAL STATEMENTS
For information concerning major shareholders, please refer to Shareholder information in the Management Report, page 77. No major shareholders have controlling influence on the Group.

5.5
EVENTS AFTER THE REPORTING PERIOD

The Group has not experienced any significant events after 31 December 2023 which have an impact on the Annual Report.

5.6
FEE TO STATUTORY AUDITOR

DKK million	2023	2022
Statutory audit	6.4	6.4
Audit-related services	0.1	0.1
Tax advisory services	-	0.1
Other services	1.7	5.5
Total	**8.2**	**12.1**

Fees for other services in addition to the statutory audit of the financial statements, which were provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to the Group amounted to DKK 1.7 million. Non-audit services in addition to the statutory audit of the financial statements comprise services relating to ESG strategy and reporting and M&A activities.

CONTENTS

5.7

ENTITIES IN SCANDINAVIAN TOBACCO GROUP

Company	Country	Ownership	Activity: Production	Activity: Sales and marketing	Activity: Administration	Activity: Finance
PARENT COMPANY						
Scandinavian Tobacco Group A/S	Denmark	–	✓	✓	✓	✓
SUBSIDIARIES BY REGION						
EUROPE						
Agio Cigars Belgium N.V.	Belgium	100%	✓			
Scandinavian Tobacco Group Belux N.V.	Belgium	100%		✓		
Scandinavian Tobacco Group Lummen N.V.	Belgium	100%	✓			
Scandinavian Tobacco Group Belgium Services N.V.	Belgium	100%			✓	
Insurgent Ventures II A/S	Denmark	100%		✓		
Peter Stokkebye Tobaksfabrik A/S	Denmark	100%		✓		
Scandinavian Tobacco Group France S.A.S	France	100%		✓		
Scandinavian Tobacco Group Deutschland GmbH	Germany	100%		✓		
Scandinavian Tobacco Group Italy S.R.L.	Italy	100%		✓		
Moderno Opificio del Sigaro Italiano S.r.l. **	Italy	65%	✓	✓	✓	
Scandinavian Tobacco Group Norway AS	Norway	100%		✓		
STG Portugal S.A.	Portugal	100%		✓		
Scandinavian Tobacco Group Spain S.A.U.	Spain	100%		✓		
STG Sweden AB	Sweden	100%		✓		
Agio Beheer B.V.	The Netherlands	100%			✓	
Agio Sigarenfabrieken N.V.	The Netherlands	100%			✓	
P.G.C. Hajenius B.V.	The Netherlands	100%		✓		
Scandinavian Tobacco Group Eersel B.V.	The Netherlands	100%		✓	✓	
Scandinavian Tobacco Group Nederland B.V.	The Netherlands	100%		✓		
ST Cigar Group Holding B.V.	The Netherlands	100%			✓	
STG Global Finance B.V.	The Netherlands	100%				✓
Scandinavian Tobacco Group Bethlehem Sales B.V.	The Netherlands	100%		✓	✓	
Scandinavian Tobacco Group United Kingdom Limited	United Kingdom	100%		✓		
ASIA						
Scandinavian Tobacco Group Hong Kong Limited	Hong Kong	100%		✓		
PT Scandinavian Tobacco Group Indonesia	Indonesia	100%	✓			
Agio Tobacco Processing Company Ltd.	Sri Lanka	100%	✓			
AUSTRALIA AND NEW ZEALAND						
Scandinavian Tobacco Group Australia Pty Ltd	Australia	100%		✓		
AMERICA						
Agio Caribbean Tobacco Company Ltd.*	British Virgin Islands	100%	✓			
Scandinavian Tobacco Group Canada Holding Inc.	Canada	100%			✓	
Scandinavian Tobacco Group Canada Inc.	Canada	100%		✓		
General Cigar Dominicana S.A.S.	The Dominican Republic	100%	✓			

CONTENTS

5.7 (CONTINUED)

ENTITIES IN SCANDINAVIAN TOBACCO GROUP

			Activity			
Company	Country	Ownership	Production	Sales and marketing	Administration	Finance
Honduras American Tabaco SA de CV	Honduras	100%	•			
Scandinavian Tobacco Group Danli S.A.	Honduras	100%				•
Scandinavian Tobacco Group Esteli, S.A.	Nicaragua	100%	•			
Scandinavian Tobacco Group Moca, S.A.*	Panama	100%	•			
Scandinavian Tobacco Group US Holding, Inc.	United States	100%			•	
General Cigar Co., Inc.	United States	100%		•		
Cigar Masters Inc.	United States	100%			•	
GCMM Co., Inc.	United States	100%			•	
Club Macanudo (Chicago), Inc.	United States	100%		•		
Club Macanudo, Inc.	United States	100%		•		
Henri Wintermans Cigars USA, Inc.	United States	100%			•	
M&D Wholesale Distributors, Inc.	United States	100%		•		
Bethlehem Shared Services, LLC	United States	100%			•	
Bethlehem Sales, LLC	United States	100%			•	
Specialty Cigars, LLC	United States	100%		•		
BPA Sales, LP	United States	100%		•		
Bethlehem IP Holdings, LLC	United States	100%			•	
LVPenn Sales, LLC	United States	100%		•		
Scandinavian Tobacco Group Lane Holding, Inc.	United States	100%			•	
Scandinavian Tobacco Group Lane Ltd	United States	100%		•		
Cigar Smokers Restaurant Holdings, Inc.	United States	100%			•	
Cigars International Ohio, LLC	United States	100%		•		
Cigars International Texas, LLC	United States	100%		•		
Cigars International Tennessee, LLC	United States	100%		•		
Bethlehem Restaurant Corporation, Inc.	United States	100%			•	
CI Hamburg Superstore Lounge, LLC	United States	100%		•		
CI Florida, LLC	United States	100%		•		
Lilly Online, LLC	United States	100%		•		
Insurgent Ventures Holdings, Inc.	United States	100%			•	
Insurgent Ventures, Inc.	United States	100%		•		

* Doing business in the Dominican Republic.

** The non-controlling shareholder holds a put option which is accounted for as if the put option has already been exercised. Accordingly, the subsidiary is consolidated with no non-controlling interest.

CONTENTS

5.8
EXPLANATION OF FINANCIAL RATIOS

GROSS MARGIN BEFORE SPECIAL ITEMS = Gross profit before special items / Net sales

EBIT MARGIN = EBIT / Net sales

CASH CONVERSION = CFFO before interest and tax, excluding payment of special items – Maintenance CAPEX / Adjusted operating profit (EBITA before special items)

NET INTEREST-BEARING DEBT = Interest-bearing liabilites and pensions less cash equivalents and interest-bearing receivables

BASIC EARNINGS PER SHARE = Net profit / Average number of shares outstanding

DIVIDEND PER SHARE = Proposed and interim dividend / Number of shares issued

EBITDA MARGIN BEFORE SPECIAL ITEMS = EBITDA before special items / Net sales

TAX PERCENTAGE = Tax / Profit before tax

EQUITY RATIO = Equity / Total assets

ROIC = EBIT / 12 months average invested capital*

ROIC EX. GOODWILL = EBIT / 12 months average invested capital* ex. goodwill

ADJUSTED EARNINGS PER SHARE = Net profit adjusted for special items and fair value adjustments and currency gains/losses, net of tax / Average number of shares outstanding

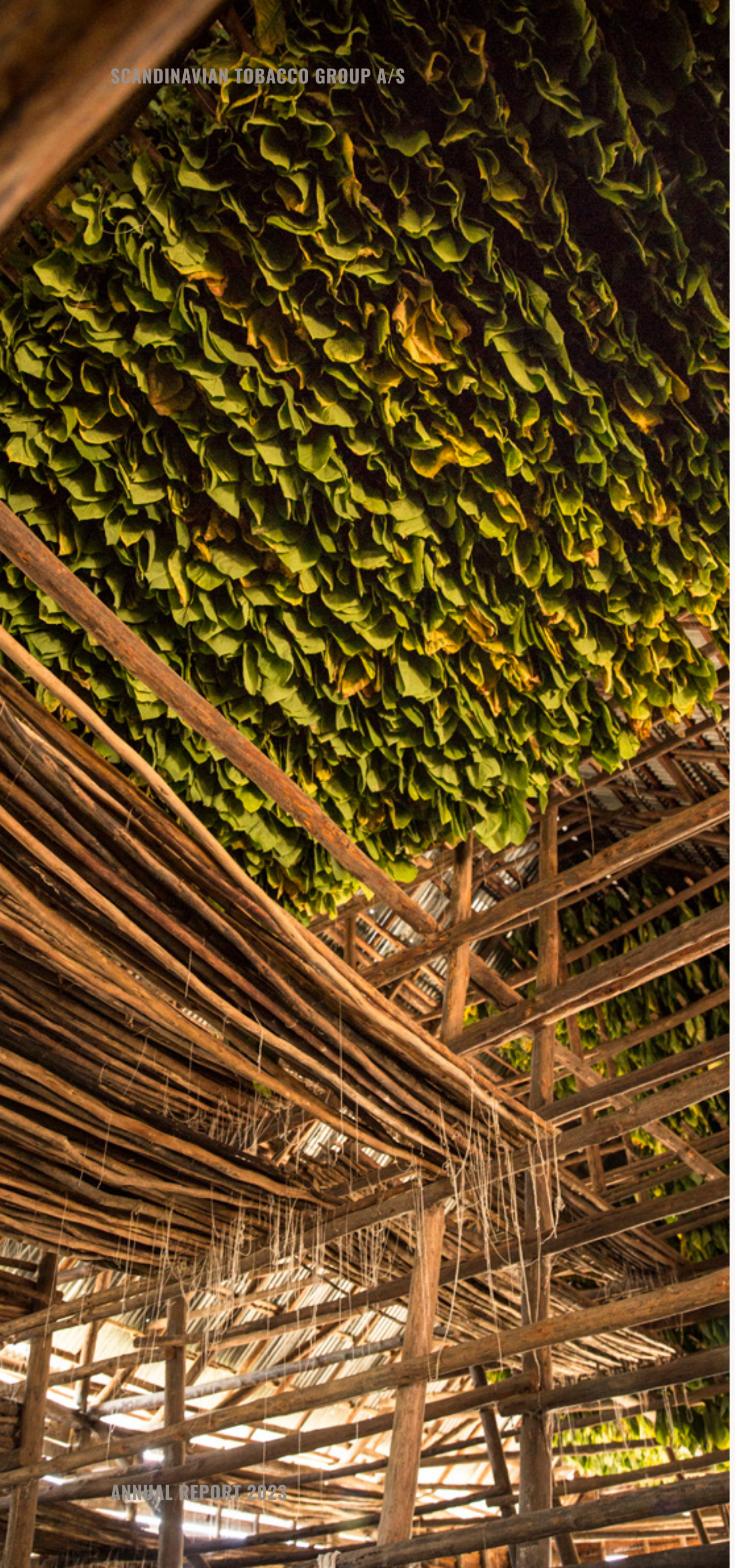
DILUTED EARNINGS PER SHARE = Net profit / Average number of shares outstanding + dilutive effect of the outstanding performance stock units (PSUs)

PAY-OUT RATIO = Proposed and interim dividend / Net profit

ORGANIC NET SALES GROWTH: is defined as growth in net sales before special items and impact from currencies, acquisitions and changes in accounting policies

ORGANIC EBITDA GROWTH: is defined as growth in EBITDA before special items and impact from currencies, acquisitions and changes in accounting policies

* Average invested capital comprises intangible assets, property, plant and equipment, right-of-use assets, inventories, receivables (excluding receivables recognised at fair value) and prepayments less trade creditors, provisions and other liabilities (excluding other liabilities recognised at fair value).



CONSOLIDATED SUSTAINABILITY STATEMENTS (NOT AUDITED)

NOTES

CONTENTS

1 JANUARY - 31 DECEMBER

STATEMENT OF ENVIRONMENTAL DATA

	Note	2023	2022
Climate impact			
Scope 1 emissions (tCO_2e)	2.1	11,570.1	11,814.6
Scope 2 emissions* (tCO_2e)	2.1	16,542.8	17,557.4
Total Greenhouse gas emissions (Scope 1 + 2) (tCO_2e)	**2.1**	**28,112.9**	**29,372.0**
Energy			
Energy consumption (MWh)	2.2	86,575.1	92,542.8
Renewable energy (%)	2.2	21.3	16.4
Water			
Water consumption (M^3)	2.3	241,720.2	238,960.0
Waste			
Total waste (t)	2.4	6,116.9	6,613.7

* Scope 2 is calculated based on the market-based method, when included in our total GHG emissions.

1 JANUARY - 31 DECEMBER

STATEMENT OF SOCIAL AND GOVERNANCE DATA

	Note	2023	2022
Human rights and labour characteristics			
Total employees (no.)	3.1	10,020	10,181
– hereof women (%)	3.1	65.1	65.7
Diversity and inclusion			
Women in the Board of Directors (no.)	3.2	2	3
Women in the Executive Management (no.)	3.2	1	1
Women in Senior leadership (no.)	3.2	21	19
Health and safety management			
Fatalities (no.)	3.3	None	None
Lost-time accidents (no.)	3.3	48	N/A
Lost-time accidents, rate*	3.3	2.7	N/A
Board characteristics and Meetings attendance			
Board of Directors nationalities (nationalities)	3.4	3	3
Total committees meetings (no.)	3.4	13	13
Whistleblowing, anti-corruption, and anti-bribery			
Reported whistleblowings (no.)	3.5	1	None
Reported incidents - other (no.)	3.5	1	None

* Accidents/1,000,000 hours worked.

CONTENTS

SECTION 1

1.1 BASIS OF PREPARATION

GENERAL REPORTING STANDARDS AND PRINCIPLES

This report serves as the statutory statement on Corporate Social Responsibility for Scandinavian Tobacco Group A/S and our group of companies in accordance with Section 99a of the Danish Financial Statement Act. Similarly, the pages 50-51 of section "Diversity & Inclusion" of this report constitute our statutory report on the gender composition and diversity of management, in accordance with Sections 99b and 107d of the said Act. Our statement on data ethics in accordance with Section 99d of the Act can be found on page 63. This report also contains our statement regarding compliance with the EU Sustainable Finance Taxonomy, which can be found on pages 80-83.

Scope 1 and 2 emissions have been prepared in accordance with the Greenhouse Gas (GHG) Protocol.

MATERIALITY

The provisional Double Materiality Assessment described on page 42-43, performed during 2023, will form the basis of our ESG reporting in 2024 in accordance with the Corporate Sustainability Reporting Directive (CSRD) and will be updated regularly.

The 2023 consolidated sustainability statement includes KPIs aligned with STG's ESG strategy and ongoing external stakeholder engagement. When assessing whether a KPI is material to the consolidated sustainability statement, Management considers whether the matter is of such relevance and importance that it could substantially influence the assessment of STG's sustainability performance by the users of the Annual Report 2023.

PRINCIPLES OF CONSOLIDATION

Unless otherwise stated, the data and reporting included in the performance tables cover the entire Scandinavian Tobacco Group organisation, i.e., production sites, warehouses, administration, sales, and representative offices. An illustration of the value chain can be found on page 13.

CONTENTS

SECTION 2

2.1 CLIMATE CHANGE

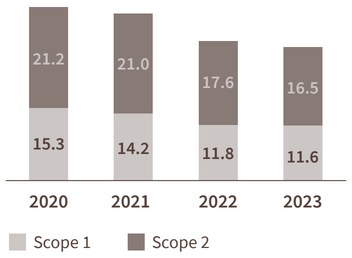
Tonnes CO_2e emissions	2023	2022
Natural gas	3,882.6	4,092.8
Refrigerants	3,144.3	2,715.1
Diesel	1,863.3	2,735.1
Bio-diesel	0.2	-
Gasoline	1,721.6	1,156.8
Dry ice	371.4	381.0
Gas oil	66.9	185.4
Fuel oil	339.1	297.1
Liquified Petruleum Gas (LPG)	180.6	251.3
Scope 1	**11,570.1**	**11,814.6**
Electricity	16,453.9	17,470.2
District heating & steam	89.0	87.2
Scope 2 (market-based)	**16,542.8**	**17,557.4**
Total CO_2e emissions from scope 1+2	**28,112.9**	**29,372.0**

Tonnes CO_2e per net sales in DKK million	2023	2022
GHG Intensity	3.2	3.4

Market-based vs location-based scope 2 emissions in tonnes	2023
Scope 2 CO_2e emissions - market-based	16,542.8
Scope 2 CO_2e emissions - location-based	18,931.5

OPERATIONAL EMISSIONS

Thousand tonnes CO_2e



§ ACCOUNTING POLICIES

Reported CO_2e emissions comprise of scope 1 and scope 2. Emissions are calculated and reported in accordance with the Greenhouse Gas (GHG) protocol. Reporting is based on actual and estimated data based on availability, from all STG entities and locations where STG has operational control.

Scope 1:
CO_2e from internally generated energy (scope 1) is calculated based on the internal consumption of fuel consumed multiplied by the relevant CO_2e emission factor supplied by the Department for Environment Food & Rural Affairs UK (DEFRA).

The reporting of emission from refrigerant leaks is calculated based on internal consumption of refrigerants (replacement of leakages only), multiplied by relevant emission factors provided by DEFRA UK (Department of for Environment Food & Rural Affairs). Emissions associated with refrigerant leaks are included in Scope 1.

Scope 2:
CO_2e from externally generated energy (scope 2) is reported applying both the market-based and location-based method, in accordance with the GHG protocol. The reporting of Scope 2 CO_2e indirect emissions is calculated based on purchased electricity and district heating.

Scope 2 (market-based):
The CO_2e emissions for the market-based method is calculated based on site and supplier specific emissions factors where available and remaining emission factors from IEA (International Energy Agency). Renewable sources of energy are included under the assumption of zero emissions.

Scope 2 (location-based):
Our location-based Scope 2 CO_2 emissions are based on emission factors from IEA (International Energy Agency) or country specific databases (such as Energinet in Denmark), where location-based average emissions are used, not taking company specific renewable energy mix into consideration.

Total CO_2e emissions from Scope 1 + 2:
Sum of emissions from scope 1 and scope 2 (market-based).

GHG intensity:
Total GHG emissions in metric tonnes of CO_2e per net sales in DKK million.

CLIMATE CHANGE

At Scandinavian Tobacco Group we are fully committed to doing our part towards accelerating towards a climate-neutral world. We work dedicated towards our net-zero targets, backed by our strategy Net-zero along the journey of the leaf. Scandinavian Tobacco Group's total CO_2 emissions were 28,112.9 tonnes in 2023 (2022: CO_2e 29,372.0 tonnes), corresponding to a decrease of 4.3% (2022: CO_2e 19.5%).

The main levers to the reduction has been network optimisation, gradually swich towards 100% renewable electricity, improvement of equipment and a decrease in refrigerants leakages, as well as a transition towards less CO_2 emitting fuels.

CONTENTS

2.2
ENERGY

Energy consumption mix in MWh	2023	2022
Natural gas	19,194.9	22,334.6
Diesel	7,300.7	10,801.3
Bio-diesel	11.5	-
Gasoline	7,061.4	4,789.0
Gas oil	248.1	722.0
Fuel oil	1,193.6	1,107.2
Liquified Petruleum Gas (LPG)	785.3	1,171.6
Electricity - 100% Renewable	849.1	1,343.0
Direct energy consumption	**36,644.5**	**42,268.8**
Electricity - 100% Renewable	17,540.3	13,879.0
Electricity - Non-renewable	30,002.2	34,696.0
Electricity - Nuclear	832.5	-
District heating & steam - Non-renewable	1,555.6	1,699.0
Indirect energy consumption	**49,930.6**	**50,274.0**
Total energy consumption	**86,575.1**	**92,542.8**
Energy intensity		
Net sales in DKK million	8,730.9	8,762.2
Energy intensity - MWh/net sales in DKK million	9.9	10.6
Electricity mix		
Electricity from renewable sources	37.4%	30.5%
Electricity from nuclear sources	1.7%	N/A
Total electricity consumption	**49,224.0**	**49,918.0**
Energy mix		
Energy from non-renewable sources	78.7%	83.6%
Energy from renewable sources	21.3%	16.4%

ENERGY CONSUMPTION

The energy consumption in the Group was 86,575.1 MWh (2022: 92,542.8MWh) resulting in a decrease of 6.4% (2022: 4.4%).

The decrease in energy consumption is primarily driven by gradually upgrade of equipment and improvement of the energy efficiency.

The energy mix also improved with a 4.9 %-point increase in the energy consumed from renewable sources, on top of the overall decline in energy consumption.

§ ACCOUNTING POLICIES

Our reporting of energy consumption is based on data collected from all STG companies and all locations where STG has operational control. Reporting is based on actual and estimated data based on availability.

Direct energy consumption:
Total energy consumption from relevant fuel types and self-generated electricity that has been used directly without grid connection.

Indirect energy consumption:
Total energy consumption from externally purchased or acquired electricity, district heating, steam and cooling.

Total energy consumption:
Sum of direct and indirect energy consumption.

Energy intensity:
Total energy consumption in MWh per net sales in DKK million.

Renewable energy mix:
Total energy consumption split in renewable and non-renewable sources.

CONTENTS

2.3 WATER

Water management performance in M^3	2023	2022
Total water withdrawal	**241,720.2**	**238,960.0**
Net sales in DKK million	8,730.9	8,762.2
Rate of water withdrawal - M^3/net sales in DKK million	27.7	27.3

WATER WITHDRAWAL

Water withdrawal was 241,720.2 m3 in 2023 (2022: 238,960.0m3) corresponding to an increase of 1.2% (2022: -3.3%) primarily due to improvement of the data scope including the entire organisation in the reporting, for the first time, and not a result of organic growth in water withdrawal. STG continues to stay comitted to monitor and minimize our water footprint across operations.

§ ACCOUNTING POLICIES

Water withdrawal:
For 2023 total water consumed by all STG companies and all buildings where STG has operational control, reported in m3, while 2022 only included the reporting on production facilities and material administration and sales offices. Reporting is based on actual and estimated data based on availability.

Water intensity:
Total water withdrawal in M3 per net sales in DKK million.

2.4 WASTE

Waste in tonnes	2023	2022
Hazardous waste	46.0	58.5
Non-hazardous waste	6,070.9	6,555.2
Total generated waste	**6,116.9**	**6,613.7**
Tobacco waste	2,372.7	3,585.2
Other non-hazardous waste	3,698.2	2,970.0
Total non-hazardous waste	**6,070.9**	**6,555.2**

WASTE MANAGEMENT

The total waste generated saw a 7.5% decrease, amounting to 6,116.9 tonnes, encompassing both hazardous and non-hazardous waste.

Non-hazardous waste (excluding tobacco waste) exhibited a significant 24.5% increase, rising from 2,970.0 in 2022 to 3,698.2 tonnes in 2023, primarily due to additional non-manufacturing sites reporting for the first time, not a result of organic growth in waste generation. Notably, tobacco waste decreased by 33.8%, with the reduction largely attributed to the exclusion of 'reused' tobacco waste from the 2023 reporting data, contributing to the observed deviation. 'Reused' tobacco originates from cuttings and leftovers in bobbin-making and handmade cigar factories. In 2023, 'reused' tobacco waste remained mostly stable compared to 2022 figures. Hazardous waste, though experiencing a substantial 21% decrease, amounted to 46.0 tonnes, reflecting a comparatively low absolute quantity.

§ ACCOUNTING POLICIES

Our reporting of waste is based on data collected from all STG companies and all locations where STG has operational control, reported in tonnes.

The total amount of waste is split into hazardous waste and non-hazardous waste. Non-hazardous waste is split in tobacco waste and others. Reporting is based on actual and estimated data based on availability.

Hazardous waste:
Total amount of generated hazardous waste. Hazardous waste is classified based on local legislation in the country of reporting. It includes oil products, paints, certain types of sludge, chemicals, batteries, toxics, cleaning materials, solvents, pesticides, explosives, flammables etc.

Non-hazardous waste:
Total amount of generated non-hazardous waste directed to recovery, composting or disposal. Non-hazardous waste is classified based on local legislation in the country of reporting.

Tobacco waste:
Tobacco waste from STG operations is considered non-hazardous.

CONTENTS

SECTION 3

3.1 EMPLOYEE CHARACTERISTICS

2023

Employee overview by contract type	Male	Female	Other	Total
Full time	3,122	6,036	1	**9,159**
Part time	369	491	1	**861**
Total	**3,491**	**6,527**	**2**	**10,020**

2022

Employee overview by contract type	Male	Female	Other	Total
Full time	3,306	6,342	-	**9,648**
Part time	190	342	1	**533**
Total	**3,496**	**6,684**	**1**	**10,181**

EMPLOYEE CHARACTERISTICS

The total number of employees of 10,020 in 2023 vs. 10,181 in 2022 has remained mostly stable, with a slight decrease of 1.6%, with a balanced distribution across the different geographies and age distributions.

§ ACCOUNTING POLICIES

Our reporting of employee characteristics is based on data extracted from our HRIS systems at year end (December 31st) and represents an actual headcount representation of that date.

Full time employees:
Total headcount of full-time employees. Full-time employees are defined as individuals employed who meets the home country requirements to be considered full-time.

Part time employees:
Total headcount of part-time employees. Part-time employees are defined as individuals employed who meets the home country requirements to be considered part-time.

Age distribution of total employees	2023	2022
<30 years old	2,374	2,535
30-50 years old	5,860	5,986
>50 years old	1,786	1,660
Employee head count by gender		
Male	3,491	3,496
Female	6,527	6,684
Other	2	1
Total employees	**10,020**	**10,181**

§ ACCOUNTING POLICIES

Age distribution of employees:
Headcount of own employees (i.e. not including non-employees) by age group.

Employees by gender:
Total headcount of employees split by gender registered by the employee or by HR in the HRIS system, as either female, male, other or “not disclosed”.

CONTENTS

3.1 (CONTINUED)

EMPLOYEE CHARACTERISTICS

Turnover	2023
Total employee turnover	18.3%
Total number of employees who have left	1,856

Number of employees by country	2023	2022
Belgium	828	780
Denmark	438	410
Dominican Republic	2,713	2,806
France	87	89
Germany	78	82
Honduras	1,348	1,486
Indonesia	1,701	1,736
Italy	87	n/a
The Netherlands	154	165
Nicaragua	391	414
Sri Lanka	1,282	1,364
United States	760	692
Other*	153	157
Total	**10,020**	**10,181**

*Other comprises the total of STG companies with less than 50 employees in each. These include Australia, Canada, Hong Kong, Italy (2022), Portugal, Spain, Sweden and United Kingdom.

2023

Employee by Region	Americas	Asia	Europe
Full time	4,913	2,883	1,363
Part time	346	101	414
Total	5,259	2,984	1,777

2022

Employee by Region	Americas	Asia	Europe
Full time	5,275	3,078	1,295
Part time	170	23	340
Total	5,445	3,101	1,635

EMPLOYEE TURNOVER

The employee turnover rate was 18%, and this is the first time the Group report on this metric. The turnover was primarily attributed to production employees in Latin America and retail employees in NA, where a naturally high turnover trend exists. To address this area, in 2023 we created and implemented several key initiatives within the retail divisions designed to specifically address leadership development and employee engagement. For example, a retail leadership development programme for associates so they could learn how to be a manager.

§ ACCOUNTING POLICIES

Our reporting of employee characteristics is based on data extracted from our HRIS systems at year end (December 31st) and represents an actual headcount representation of that date.

Employee turnover:
The turnover rate is calculated by dividing the number of terminations that occur during the reporting period by the average number of employees (headcount) during the same period expressed as a percentage. The rate is based on own employee. (i.e. not including non-employees)

Employees by country:
Total headcount of employees split by country. Countries with fewer employees than 50, will be consolidated into the "Other" category.

Employees by region:
Total headcount of employees split by region.

CONTENTS

3.1 (CONTINUED)

EMPLOYEE CHARACTERISTICS

2023

Collective Bargaining Coverage and Workers Representative	Collective Bargaining Cov. Employees EEA	Collective Bargaining Cov. Employees non EEA	Workers Representative (only in EEA)
0-19%	Germany Netherlands	USA Dominican Rep. Honduras Nicaragua	Germany Italy
20-39%		Sri Lanka	
40-59%	Denmark		
60-79%			
80-100%	France Belgium Italy	Indonesia	Denmark France Belgium Netherlands

Collective Bargaining Agreements - coverage	2023
Percentage of total employees (in the EEA)	71%
Percentage of total employees (outside the EEA)	24%
Percentage of total employees (in and outside the EEA)	32%

BARGAINING COVERAGE AND WORKERS REPRESENTATIVE

The Percentage of total employees covered by collective bargaining agreements (inside EEA) was almost three times higher than (outside EEA). With most of the share of employees (outside EEA), the Percentage of total employees covered by collective bargaining agreements is 32%.

§ ACCOUNTING POLICIES

Our reporting on collective bargaining coverage and social dialogue is based on a survey conducted by Group HR, covering the STG organisation.

Collective bargaining coverage:
The coverage rate is determined by dividing the headcount of employees covered by bargaining agreements in a country by the overall employee headcount in the same country, expressed as a percentage. The KPI is split in EEA and non-EEA.

Worker’s representative coverage:
The coverage rate is determined by dividing the headcount of employees at establishments with worker’s representation in a country by the overall employee headcount in the same country, expressed as a percentage. The rate covers only employees in EEA, in countries with >50 employees.

CONTENTS

3.2
DIVERSITY AND INCLUSION

Diversity in Top Management	Male	Female	Other	Total
Board of Directors	7	2	-	9
Executive Management	1	1	-	2
Senior Leadership	66	21	-	87
Top Management	**74**	**24**	**-**	**98**

DIVERSITY & INCLUSION

Gender distribution in Top Management presented a slight increase in Females from 22.5% in 2022 to 24.5% in 2023, attributed to the number of Senior Leadership increasing from 20.9% to 24.1%. The Board of Directors (including employee elected members) has shown a decrease in the female representation from 33.3% to 22.2% due to the fact that in 2023, the three employee-elected board members are male, compared to one female and two male in 2022.

§ ACCOUNTING POLICIES

Our reporting on diversity in management is based on data from our HRIS systems and Group Legal. Data within this category is extracted or counted as per the last day of the year (December 31st)

Board of Directors:
Total headcount of individuals in the Board of Directors, by gender.

Executive Management:
Total headcount of individuals in the Executive Management, by gender.

Senior Leadership:
Total headcount of individuals in the Senior Leadership, by gender. Senior Leadership is defined as employees with titles: Senior Vice President, Vice President, or Director.

3.3
HEALTH AND SAFETY MANAGEMENT

Health and safety management	2023	2022
Number of fatalities	None	None
Number of lost-time accidents	48	N/A
Number of lost-time accidents (ex. non-employees)	40	41
Number of days of absence due to work related injuries	423	N/A
Lost-time accidents, rate of injuries pr 1,000,000 worked hours	2.7	N/A

HEALTH AND SAFETY MANAGEMENT

The Group has maintained very similar numbers of lost time accidents (LTA) compared to 2022, when excluding non-employees, in 2023 there were 40 LTAs compared to 41 in 2022. In the reporting year 2023, the Group expanded the scope of reporting to include non-employees, the number of LTAs was 2.7. The accident rate is estimated as the number of accidents per 1,000,000 hours worked. The Group's ongoing goal is to achieve the overall target accident rate of 1.9. which was established in 2021.

§ ACCOUNTING POLICIES

Our reporting on health and safety is based on actual data reported by STG production sites.

Number of fatalities:
Number of fatalities among STG Group own employees and non-employees on and off site due to work-related incidents during the reporting period.

Number of lost-time accidents:
Number of recordable work-related accidents among STG Group own employees and non-employees during the reporting period.

Number of days lost due to work related accidents:
Number of days lost to work-related accidents and fatalities for the reporting period. Days lost to accidents are actual recorded days. Days lost due to fatalities are counted using OSHA General recording criteria, capping the days lost to 180 days per incident.

LTA (Lost time accidents):
The rate is calculated by dividing the total number of work-related accidents by the total number of hours worked including non-employees. The result is multiplied by 1,000,000 hours worked to standardize the rate. This calculation has been adjusted to method used in the European Sustainability Reporting Standards (ESRS).

CONTENTS

3.4
BOARD CHARACTERISTICS AND MEETINGS ATTENDANCE

Board characteristics	2023	2022
Share of Board of directors - female	33.33 %	33.33 %
Share of Board of directors - male	66.67 %	66.67 %
Share of Board of directors - others	-	-
Board of directors diversity - number of nationalities	3	3
Percentage of non-executive board members	100 %	100 %
Board of directors independent	5	5
Board of directors non-independent	4	4

Board meetings	2023	2022
Audit committee - Number of meetings	6	6
Audit committee - Rate of attendance	100 %	94 %
Nomination committee - Number of meetings	3	3
Nomination committee - Rate of attendance	100 %	100 %
Remuneration committee - Number of meetings	4	4
Remuneration committee - Rate of attendance	100 %	100 %

BOARD CHARACTERISTICS AND MEETING ATTENDANCE

The number of female and male board members in 2023 remains the same as in 2022 (excluding employee-elected board members).

§ ACCOUNTING POLICIES

Our reporting on Board characteristics and meeting attendance is based data collected by Group Legal.

Board of Directors - gender diversity:
Gender split of shareholder-elected members of the Board of Directors as per year-end.

Board of Directors - national diversity:
Number of nationalities represented in the shareholder-elected board members as per year-end.

Board of Directors - non-executive members:
Proportion of members of the Board of Directors that are also part of the Executive Board as per year-end.

Board of Directors - independence:
Split on number of members of the Board of Directors in terms of independence. Independence is defined according to the Danish Recommendations on Corporate Governance. Reported as per year end.

Meeting and attendance rate: Number of meetings and rate of attendance for the reporting period, based on meeting minutes reported by Group Legal.

CONTENTS

3.5
WHISTLEBLOWING, ANTI-CORRUPTION AND ANTI-BRIBERY

	2023
Convictions (corruption and bribery)	none
Amount of fines (corruption and bribery) in DKK	-
Total confirmed incidents (human rights issues)	none
Confirmed incidents that are considered human rights violations (see description)	none
Amount of fines (human rights violations) in DKK	-
Reported incidents (discrimination and harassment)	1
Reported incidents (other reports)	1
Amount of fines (work-related grievances) in DKK	-

WHISTLEBLOWING
Whistleblower cases are taken very seriously, and we continuously enhance the awareness of good business conduct through education and awareness campaigns to minimise future cases.

None of the reported cases were critical to our business or caused adjustments to our financial results.

ACCOUNTING POLICIES

Our reporting on whistleblowing, anti-corruption and anti-bribery is based on data collected by Group Legal, representing the knowledge of the company at time of reporting. Statistics on incident reporting is based on data from STGs Whistleblower system.

Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws:
The number of convictions and the amount of fines (in DKK) received during the reporting period, for violation of anti-corruption and anti-bribery laws. Data is collected by Group Legal.

Reported incidents of discrimination and harrasment: Number of work-related incidents of discrimination or harassment reported in the reporting period. Based on data from STGs Whistleblower system and manually collected data by Group Legal.

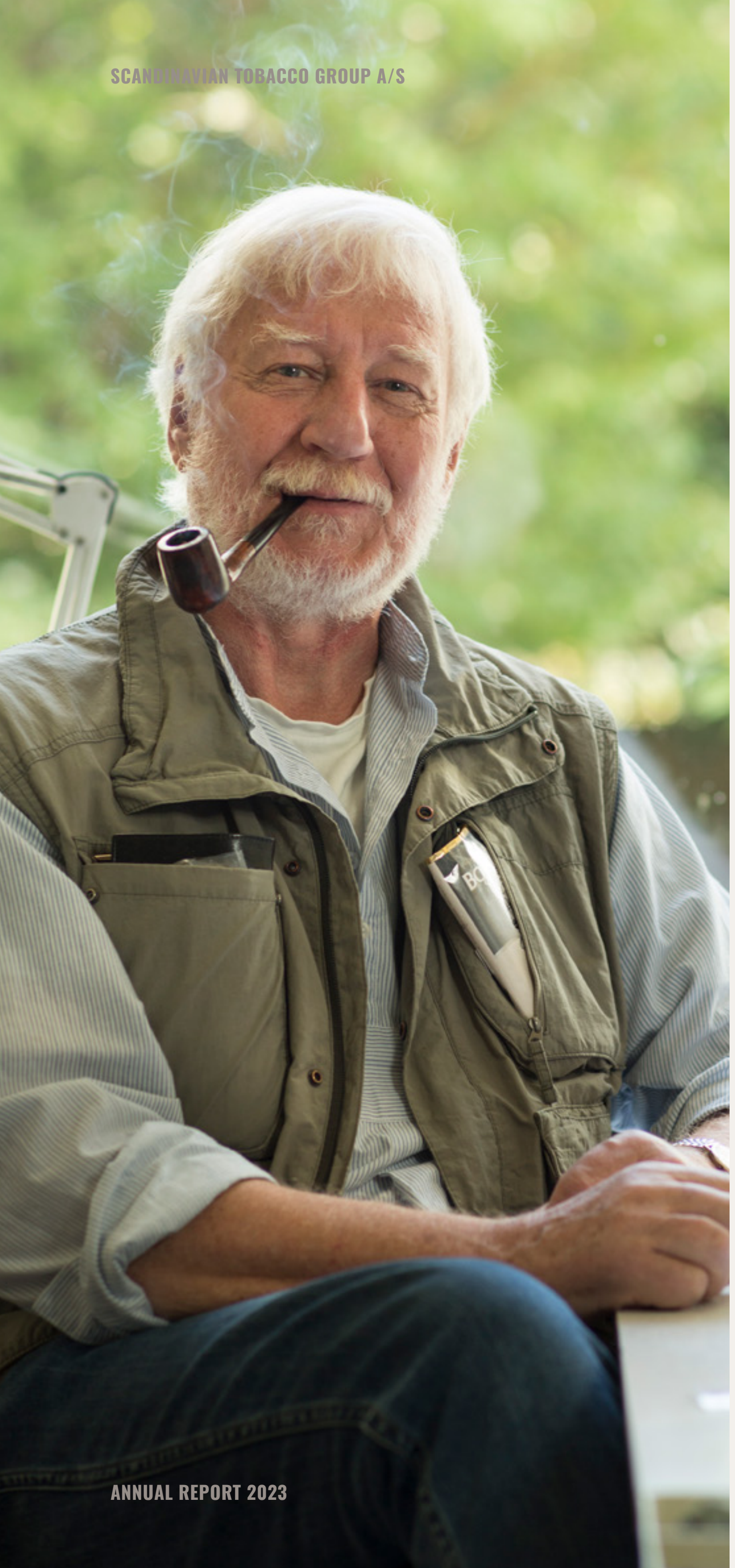
Other reported incidents: Number of other work-related incidents reported during the reporting period in the STG Whistleblower system or manually collected data by Group Legal. This excludes incidents categorized as “discrimination” or “harassment” as already reported in separate indicator.

Amount of fines related to reported incidents: The total amount of fines, penalties, and compensation for damages (in DKK) received during the reporting year as a result of incidents and complaints reported, incl. those considered discrimination or harassment. If fines are received for cases reported in a previous reporting period, this would be stated. Data is manually collected by Group Legal.

Total confirmed incidents considered severe human rights :
The number of incidents considered severe human rights issues (E.g. forced labour, human trafficking or child labour) connected to STGs workforce during the reporting period in the STG Whistleblower system or manually collected data by Group Legal.

Total confirmed incidents considered human rights violations:
The number of severe human rights issues and incidents reported during the reporting period, that are also violations of the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises. Data collected through STG Whistleblower system or manually collected data by Group Legal.

Amount of fines related to human rights issues:
The total amount of fines, penalties, and compensation for damages (in DKK) received during the reporting year as a result of the incidents of human rights violations. If fines are received for cases reported in a previous reporting period, this would be stated. Data is manually collected by Group Legal.



FINANCIAL STATEMENTS OF THE PARENT COMPANY

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1 JANUARY - 31 DECEMBER

INCOME STATEMENT – PARENT COMPANY

DKK million	Note	2023	2022
Net sales	2	**1,285.2**	**1,226.9**
Cost of goods sold		-581.6	-538.7
Gross profit		**703.6**	**688.2**
Other external costs		-233.4	-257.4
Staff costs	3	-273.3	-224.2
Other income		322.6	345.3
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**519.5**	**551.9**
Depreciation and impairment	4	-40.2	-40.5
Earnings before interest, tax and amortisation (EBITA)		**479.3**	**511.4**
Amortisation and impairment	4	-97.2	-77.7
Earnings before interest and tax (EBIT)		**382.1**	**433.7**
Result of investments in affiliated companies, net of tax	5	596.4	812.9
Financial income	6	196.6	111.8
Financial costs	7	-291.4	-165.7
Profit before tax		**883.7**	**1,192.7**
Income taxes	8	-73.3	-84.2
Net profit for the year		**810.4**	**1,108.5**
Distribution of profit	9		

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BALANCE SHEET AT 31 DECEMBER – PARENT COMPANY

DKK million	Note	2023	2022
ASSETS			
Trademarks	10	397.7	160.9
IT software	10	70.8	43.2
Other intangible assets	10	245.7	78.8
Intangible assets under construction	10	182.6	124.8
Total intangible assets	**10**	**896.8**	**407.7**
Land and buildings	11	76.8	86.3
Plant and machinery	11	125.1	147.4
Equipment, tools, and fixtures	11	1.3	1.0
Leasehold improvements	11	2.5	3.1
Construction in process	11	10.9	9.7
Right-of-use assets	12	30.2	34.8
Total tangible assets		**246.8**	**282.3**
Investments in affiliated companies	13	6,761.6	7,799.7
Receivables from affiliated companies		3,056.1	2,106.2
Financial fixed assets		**9,817.7**	**9,905.9**
Fixed assets		**10,961.3**	**10,595.9**
Inventories	**14**	**517.5**	**486.6**
Receivables from affiliated companies		1,102.5	1,068.5
Trade receivables		234.1	165.7
Other receivables		20.0	14.8
Income tax receivable		0.9	11.9
Prepayments	15	28.4	29.5
Total receivables		**1,385.9**	**1,290.4**
Current assets		**1,903.4**	**1,777.0**
Assets		**12,864.7**	**12,372.9**

DKK million	Note	2023	2022
EQUITY, PROVISIONS AND LIABILITIES			
Share capital		87.0	93.0
Retained earnings		4,082.6	4,730.0
Reserve for development costs		9.0	7.2
Revaluation reserve according to the equity method		619.6	754.9
Treasury shares		-141.4	-748.1
Proposed dividend		730.4	766.7
Equity		**5,387.2**	**5,603.7**
Deferred income tax liabilities	8	100.9	89.3
Other provisions	16	2.5	2.5
Provisions		**103.4**	**91.8**
Bank loans		1,421.9	871.5
Lease liabilities	17	26.4	31.1
Liabilities to affiliated companies		2,814.0	2,807.8
Other liabilities		27.5	68.2
Long-term liabilities		**4,289.8**	**3,778.6**
Bank loans		3.0	60.3
Liabilities to affiliated companies		2,723.9	2,550.4
Income tax payable		3.0	-
Trade creditors		165.3	156.6
Lease liabilities	17	7.8	7.1
Other liabilities		181.3	124.4
Current liabilities		**3,084.3**	**2,898.8**
Liabilities		**7,477.5**	**6,769.2**
Equity, provisions and liabilities		**12,864.7**	**12,372.9**
Contingent liabilities	18		
Financial instruments	19		
Related-party transactions	20		
Fee to statutory auditor	21		
Ownership	22		
Events after the reporting date	23		

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1 JANUARY - 31 DECEMBER

STATEMENT OF CHANGES IN EQUITY – PARENT COMPANY

DKK million	Share capital	Retained earnings	Reserve for develop-ment costs	Revaluation reserve according to the equity method	Treasury shares	Proposed dividend	Total
Equity at 1 January 2023	93.0	4,730.0	7.2	754.9	-748.1	766.7	5,603.7
Capital reduction	-6.0	-756.7	-	-	762.7	-	-
Cash flow hedges	-	-	-	-	-	-	-
Tax of cash flow hedges	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-181.1	-	-181.1
Share-based payments	-	0.5	-	-	-	-	0.5
Tax on share-based payments	-	0.7	-	-	-	-	0.7
Settlement of vested PSUs	-	-25.1	-	-	25.1	-	-
Settlement in cash of vested PSUs	-	-6.9	-	-	-	-	-6.9
Equity movement in subsidiaries	-	9.8	-	-	-	-	9.8
Foreign exchange adjustments of net investments in foreign subsidiaries	-	-	-	-135.3	-	-	-135.3
Dividend paid to shareholders	-	-	-	-	-	-767.3	-767.3
Dividend, treasury shares	-	52.7	-	-	-	-	52.7
Profit / loss for the year	-	77.6	1.8	-	-	731.0	810.4
Equity at 31 December 2023	**87.0**	**4,082.6**	**9.0**	**619.6**	**-141.4**	**730.4**	**5,387.2**

The share capital consists of 87,000,000 shares of a nominal value of DKK 1. No shares carry any special rights.
The share capital was in May 2021 reduced by 2,500,000 shares, in May 2022 reduced by further 4,500,000 shares and in May 2023 reduced by 6,000,000 shares.
No other changes have been made to the share capital in the past five years.

DKK million	Share capital	Retained earnings	Reserve for develop-ment costs	Revaluation reserve according to the equity method	Treasury shares	Proposed dividend	Total
Equity at 1 January 2022	97.5	4,852.9	2.0	579.2	-570.5	731.0	5,692.1
Capital reduction	-4.5	-565.0	-	-	569.5	-	-
Cash flow hedges	-	8.8	-	-	-	-	8.8
Tax of cash flow hedges	-	-1.9	-	-	-	-	-1.9
Purchase of treasury shares	-	-	-	-	-776.7	-	-776.7
Share-based payments	-	23.0	-	-	-	-	23.0
Tax on share-based payments	-	2.9	-	-	-	-	2.9
Settlement of vested PSUs	-	-29.6	-	-	29.6	-	-
Settlement in cash of vested PSUs	-	-7.2	-	-	-	-	-7.2
Equity movement in subsidiaries	-	70.5	-	-	-	-	70.5
Foreign exchange adjust-ments of net investments in foreign subsidiaries	-	-	-	175.7	-	-	175.7
Dividend paid to shareholders	-	-	-	-	-	-731.3	-731.3
Dividend, treasury shares	-	39.3	-	-	-	-	39.3
Profit / loss for the year	-	336.3	5.2	-	-	767.0	1,108.5
Equity at 31 December 2022	**93.0**	**4,730.0**	**7.2**	**754.9**	**-748.1**	**766.7**	**5,603.7**

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NOTE 1

ACCOUNTING POLICIES

§ ACCOUNTING POLICIES

The Parent Company has prepared its Financial Statements in accordance with the provisions of the Danish Financial Statements Act (Class D) and other accounting regulations for companies listed on NASDAQ Copenhagen.

The Consolidated Financial Statements have been prepared in accordance with IFRS. The accounting policies applied for the Consolidated Financial Statements regarding recognition and measurement have also been applied for the Parent Company with the below exceptions.

No separate statement of cash flows has been prepared for the Parent Company. Please refer to the Statement of cash flows for the Group.

In the financial year 2023, the Parent Company has acquired activities from its subsidiaries Scandinavian Tobacco Assens A/S and Scandinavian Tobacco Group Denmark A/S, as part of a vertical merger, where the relevant subsidiaries have been ceased to exist. The annual report is significantly impacted by the merger, where the assets, liabilities, income and costs of the discontinued subsidiaries are incorporated into the annual report of Scandinavian Tobacco Group A/S, based on the values in the consolidated financial statement (the "group method"). The values from the discontinued subsidiaries have been incorporated in the Parent Company's annual report, as if they had always been part of the Parent Company's activities. As a result, comparative figures, Financial Statement and notes, are affected by the values from the discontinued subsidiaries.

Result of investments in affiliated companies, net of tax
The item 'Result of investments in affiliated companies, net of tax' in the income statement includes the proportionate share of the profit for the year after tax less goodwill amortisation.

Goodwill
Goodwill is amortised on a straight-line basis over the estimated useful life determined on the basis of Management's experience with the individual business areas. The maximum amortisation period is 20 years, the longest period applying to enterprises acquired for strategic purposes with a strong market position and a long earnings profile.

Trademarks
Trademarks are amortised on a straight-line basis over the estimat-eduseful life determined on the basis of Management's experience. The maximum amortisation period is 20 years, the longest period applying to strategic trademarks with a strong market position and a long earnings profile.

Investments in affiliated companies
Investments in affiliated companies are recognised and measured under the equity method.

The item 'Investments in affiliated companies' in the balance sheet includes the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to 'Reserve for retained earnings – equity method' under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in subsidiaries.

Defined benefit pension plans
In relation to defined benefit plans, the company follow the requirements in the Danish Financial Statement Act (dated 1 July 2015 for financial statements starting 1 January 2016), meaning that actuarial gains and losses are recognised directly in other comprehensive income instead of directly in the income statement. For the monetary impact, please refer to the statement of changes in equity and note 3.8 'pension obligation' for the Group.

Share based payments
In relation to share-based payments, the provisions in IFRS 2 have been adopted as the Danish Financial Statements Act does not regulate share-based payments settled via equity instruments, but only cash-settled share-based payments. Derogation from the Danish Financial Statements Act for share based payments means that the year's cost for share-based payments are not recognised as a liability in the balance sheet, but directly in the statement of equity. For the monetary impact, please refer to the statement of changes in equity and note 3 'Staff costs'.

NOTE 2

NET SALES

DKK million	2023	2022
Category split, net sales		
Handmade cigars	4.8	5.1
Machine-rolled cigars	40.2	52.0
Smoking tobacco	931.6	900.9
Accessories and Contract Manufacturing	308.6	268.9
Total net sales	**1,285.2**	**1,226.9**

Licence income and other sales of DKK 63.1 million (DKK 42.0 million) are included in the category 'Accessories and Contract Manufacturing.

DKK million	2023	2022
Geographical split		
Americas	122.7	89.3
Europe	900.6	872.4
Rest of World	261.9	265.2
Total net sales	**1,285.2**	**1,226.9**

GEOGRAPHICAL INFORMATION

In the table above, sales to external customers are attributable to the country of the customers' domicile. STG A/S is domiciled in Denmark.

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NOTE 3
STAFF COSTS

DKK million	2023	2022
Wages and salaries	276.6	296.3
Pensions defined contribution plans	27.9	24.4
Social security costs	1.9	3.6
Total staff costs for the year	**306.4**	**324.3**
Staff costs included in intangible assets	-4.9	-5.2
Change in employee costs included in inventories	2.6	-0.5
Total staff costs expensed to the income statement	**304.1**	**318.6**

DKK million	2023	2022
Cost of goods sold	30.8	94.4
Staff costs	273.3	224.2
Total included in the income statement	**304.1**	**318.6**
Average number of employees	**419**	**410**

Remuneration of the board of directors and executive board*
Total fees to the Board of Directors and Executive Board amounted to DKK 43.8 million (DKK 51.8 million).

2023

DKK million Executive Management	Salary and benefits	Bonus	Pension	Stay-on bonus / loyalty programme	Share-based incentive programme	Total
Niels Frederiksen	7.9	-	-	2.0	0.2	10.1
Marianne Rørslev Bock	4.9	-	-	-	0.2	5.1
Total	**12.8**	**-**	**-**	**2.0**	**0.4**	**15.2**
Other key management	18.1	2.7	1.6	-	-0.1	22.3
Total Executive Board	**30.9**	**2.7**	**1.6**	**2.0**	**0.3**	**37.5**

* Executive Board comprises the Executive Management (registered members) and other key management (not registered members).

2022

DKK million Executive Management	Salary and benefits	Bonus	Pension	Stay-on bonus / loyalty programme	Share-based incentive programme	Total
Niels Frederiksen	7.6	0.1	-	2.0	6.6	16.3
Marianne Rørslev Bock	4.7	0.0	-	-	3.0	7.7
Total	**12.3**	**0.1**	**-**	**2.0**	**9.6**	**24.0**
Other key management	14.6	0.2	1.3	-	5.2	21.3
Total Executive Board	**26.9**	**0.3**	**1.3**	**2.0**	**14.8**	**45.3**

* Executive Board comprises the Executive Management (registered members) and other key management (not registered members).

DKK thousand	Position	Joined the Board	Left the Board	Board	Committees	Other	Total
Henrik Brandt	Chairman	Apr 2017		1,320	220	-	1,540
Dianne Neal Blixt	Board member	Feb 2016		440	275	-	715
Anders Obel	Board member	Apr 2018		440	165	-	605
Claus Gregersen	Board member	Apr 2019		440	110	-	550
Marlene Forsell	Board member	Apr 2019		440	330	-	770
Henrik Amsinck	Board member	Apr 2021		440	-	110	550
Hanne Malling	Employee-elected	Oct 2010	Apr 2023	126	-	-	126
Lindy Larsen	Employee-elected	Jul 2016	Apr 2023	126	-	-	126
Mogens Olsen	Employee-elected	Jul 2017	Apr 2023	126	-	-	126
Thomas Thomsen	Employee-elected	Apr 2023		314	-	-	314
Mark Draper	Employee-elected	Apr 2023		314	-	-	314
Trine Eriksen	Employee-elected	Apr 2023	June 2023	58	-	-	58
Karsten Dam Larsen	Employee-elected	Jun 2023		231	-	-	231
Total 2023				**4,815**	**1,100**	**110**	**6,025**
Total 2022				**5,170**	**1,128**	**55**	**6,353**

SOCIAL SECURITY TAXES AND SIMILAR TAXES:
In addition to the above remuneration to the Board of Directors, the company may pay social security taxes and similar taxes imposed by non-Danish authorities in relation to the remuneration. In 2023 the company paid DKK 239 thousand compared to DKK 192 thousand in 2022.

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NOTE 4

DEPRECIATION AND AMORTISATION

DKK million	2023	2022
Depreciation		
Land and buildings	7.9	9.3
Plant and machinery	23.4	22.3
Equipment, tools, and fixtures	1.2	1.3
Leasehold improvements	0.6	0.5
Right-of-use assets	7.1	7.1
Total	**40.2**	**40.5**
Amortisation		
Trademarks	54.4	44.4
IT software	15.5	12.8
Other intangible assets	27.3	20.5
Total	**97.2**	**77.7**

NOTE 5

RESULT OF INVESTMENTS IN AFFILIATED COMPANIES, NET OF TAX

DKK million	2023	2022
Result of investments in affiliated companies, net of tax	596.4	812.9
Total	**596.4**	**812.9**

NOTE 6

FINANCIAL INCOME

DKK million	2023	2022
Interest on deposits in financial institutions, etc.	2.6	1.3
Interest on balances with affiliated companies	158.7	88.5
Exchange gains, net	35.3	21.9
Other financial income	-	0.1
Total	**196.6**	**111.8**

NOTE 7

FINANCIAL COSTS

DKK million	2023	2022
Interest on debt to financial institutions, etc.	-105.0	-56.6
Interest on balances with affiliated companies	-158.5	-77.3
Other financing costs	-3.8	-13.7
Lease interest costs	-0.7	-0.6
Exchange losses, net	-23.4	-17.5
Total	**-291.4**	**-165.7**

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NOTE 8

INCOME TAXES

DKK million	2023	2022
Current income tax	42.0	83.3
Deferred income tax	31.6	3.2
Adjustment regarding prior years, current income tax	19.7	11.9
Adjustment regarding prior years, deferred income tax	-20.0	-14.2
Total	**73.3**	**84.2**

Scandinavian Tobacco Group A/S, its Danish subsidiaries and STG Global Finance B.V. are jointly taxed which is why all the Danish companies are jointly and individually liable for the joint taxation. The tax for the individual companies is allocated in full on the basis on the expected taxable income. Scandinavian Tobacco Group A/S is the management company of the jointly taxed companies and settles corporate taxes with the tax authorities.

DKK million	2023	2022
BREAKDOWN OF DEFERRED INCOME TAX:		
Intangible assets	96.3	70.0
Property, plant and equipment	16.9	20.5
Financial fixed assets	-1.4	-1.3
Receivables	-1.1	-
Inventories	-0.5	1.3
Other liabilities	-9.3	-1.2
Total	**100.9**	**89.3**
BREAKDOWN OF INCOME TAX:		
Tax calculated at 22% of profit before tax	194.4	262.4
TAX EFFECT OF:		
Adjustment regarding prior years	-0.3	-2.3
Non-deductable costs	10.4	0.8
Other	-	2.1
Result of investments in affiliated companies	-131.2	-178.8
Total	**73.3**	**84.2**
Deferred income tax 1 January	89.3	100.3
Deferred income tax in income statement	11.6	-11.0
Deferred income tax at 31 December	**100.9**	**89.3**

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NOTE 9

DISTRIBUTION OF PROFIT

DKK million	Note	2023	2022
DISTRIBUTION OF PROFIT			
Proposed distribution of profit:			
Proposed dividend		731.0	767.0
Retained earnings		77.6	336.3
Reserve for development costs		1.8	5.2
Total		**810.4**	**1,108.5**

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NOTE 10
INTANGIBLE ASSETS

2023

DKK million	Trademarks	IT software	Other intangible assets	Other intangible assets under construction	Total
Accumulated cost at 1 January	753.6	260.7	403.0	124.8	1,542.1
Additions through merger	-	-	-	-	-
Acquisition	291.2	-	194.2	-	485.4
Additions	-	-	-	99.9	99.9
Disposals	-	-82.3	-	-	-82.3
Transfers	-	42.1	-	-42.1	-
Accumulated cost at 31 December	**1,044.8**	**220.5**	**597.2**	**182.6**	**2,045.1**
Accumulated amortisation at 1 January	592.7	217.5	324.2	-	1,134.4
Additions through merger	-	-	-	-	-
Amortisation	54.4	15.5	27.3	-	97.2
Disposals	-	-83.3	-	-	-83.3
Accumulated amortisation at 31 December	**647.1**	**149.7**	**351.5**	**-**	**1,148.3**
Carrying amount at 31 December	**397.7**	**70.8**	**245.7**	**182.6**	**896.8**

2022

DKK million	Trademarks	IT software	Other intangible assets	Other intangible assets under construction	Total
Accumulated cost at 1 January	-	134.0	-	52.7	186.7
Additions through merger	753.6	91.5	403.0	-	1,248.1
Acquisition	-	-	-	-	-
Additions	-	-	-	107.3	107.3
Disposals	-	-	-	-	-
Transfers	-	35.2	-	-35.2	-
Accumulated cost at 31 December	**753.6**	**260.7**	**403.0**	**124.8**	**1,542.1**
Accumulated amortisation at 1 January	-	118.3	-	-	118.3
Additions through merger	548.3	86.4	303.7	-	938.4
Amortisation	44.4	12.8	20.5	-	77.7
Disposals	-	-	-	-	-
Accumulated amortisation at 31 December	**592.7**	**217.5**	**324.2**	**-**	**1,134.4**
Carrying amount at 31 December	**160.9**	**43.2**	**78.8**	**124.8**	**407.7**

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NOTE 11

PROPERTY, PLANT AND EQUIPMENT

2023

DKK million	Land and buildings	Plant and machinery	Equipment, tools and fixtures	Leasehold improve-ments	Construc-tion in progress	Total
Accumulated cost at 1 January	225.7	428.4	26.7	7.0	9.7	697.5
Additions through merger	-	-	-	-	-	-
Additions	-	-	1.3	-	0.9	2.2
Disposals	-	-	-	-	-	-
Transfers	-1.6	1.1	0.2	-	0.3	-
Accumulated cost at 31 December	**224.1**	**429.5**	**28.2**	**7.0**	**10.9**	**699.7**
Accumulated depreciation at 1 January	139.4	281.0	25.7	3.9	-	450.0
Additions through merger	-	-	-	-	-	-
Depreciation	7.9	23.4	1.2	0.6	-	33.1
Disposals	-	-	-	-	-	-
Accumulated depreciation at 31 December	**147.3**	**304.4**	**26.9**	**4.5**	**-**	**483.1**
Carrying amount at 31 December	**76.8**	**125.1**	**1.3**	**2.5**	**10.9**	**216.6**

2022

DKK million	Land and buildings	Plant and machinery	Equipment, tools and fixtures	Leasehold improve-ments	Construc-tion in progress	Total
Accumulated cost at 1 January	-	-	0.8	3.0	-	3.8
Additions through merger	225.1	420.0	30.5	4.0	9.8	689.4
Additions	-	-	0.2	-	9.1	9.3
Disposals	-	-	-5.0	-	-	-5.0
Transfers	0.6	8.4	0.2	-	-9.2	-
Accumulated cost at 31 December	**225.7**	**428.4**	**26.7**	**7.0**	**9.7**	**697.5**
Accumulated depreciation at 1 January	-	-	0.4	0.6	-	1.0
Additions through merger	130.1	258.7	29.0	2.8	-	420.6
Depreciation	9.3	22.3	1.3	0.5	-	33.4
Disposals	-	-	-5.0	-	-	-5.0
Accumulated depreciation at 31 December	**139.4**	**281.0**	**25.7**	**3.9**	**-**	**450.0**
Carrying amount at 31 December	**86.3**	**147.4**	**1.0**	**3.1**	**9.7**	**247.5**

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NOTE 12
RIGHT-OF-USE ASSETS

2023

DKK million	Land, buildings, offices, and warehouses	Motor vehicles	Other equipment	Total
Accumulated cost at 1 January	42.4	8.7	2.3	53.4
Additions through merger	-	-	-	-
Additions	2.0	0.8	-	2.8
Disposals	-	-0.8	-	-0.8
Accumulated cost at 31 December	**44.4**	**8.7**	**2.3**	**55.4**
Accumulated depreciation at 1 January	14.1	4.3	0.2	18.6
Additions through merger	-	-	-	-
Depreciation	4.5	2.2	0.4	7.1
Depreciation on disposals	-	-0.5	-	-0.5
Accumulated depreciation at 31 December	**18.6**	**6.0**	**0.6**	**25.2**
Carrying amount at 31 December	**25.8**	**2.7**	**1.7**	**30.2**

2022

DKK million	Land, buildings, offices, and warehouses	Motor vehicles	Other equipment	Total
Accumulated cost at 1 January	33.9	3.8	-	37.7
Additions through merger	8.7	6.1	0.4	15.2
Additions	-	2.0	1.9	3.9
Disposals	-0.2	-3.2	-	-3.4
Accumulated cost at 31 December	**42.4**	**8.7**	**2.3**	**53.4**
Accumulated depreciation at 1 January	7.0	1.7	-	8.7
Additions through merger	2.8	3.0	0.1	5.9
Depreciation	4.3	2.7	0.1	7.1
Depreciation on disposals	-	-3.1	-	-3.1
Accumulated depreciation at 31 December	**14.1**	**4.3**	**0.2**	**18.6**
Carrying amount at 31 December	**28.3**	**4.4**	**2.1**	**34.8**

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NOTE 13

INVESTMENTS IN AFFILIATED COMPANIES

DKK million	2023	2022
Accumulated cost at 1 January	14,217.6	15,628.5
Additions	70.0	4.0
Additions through merger	-	1.5
Disposals	2.5	-802.7
Disposals through merger	-	-613.7
Accumulated cost at 31 December	**14,290.1**	**14,217.6**
Revaluation and impairment		
Accumulated revaluation and impairment at 1 January	-6,417.9	-6,389.2
Dividends	-1,514.3	-1,383.7
Currency translation	-135.3	175.7
Equity adjustments	2.9	70.5
Additions through merger	-	8.0
Disposals	-60.3	411.0
Disposals through merger	-	-123.1
Profit after tax	596.4	812.9
Accumulated revaluation and impairment at 31 December	**-7,528.5**	**-6,417.9**
Carrying amount at 31 December	**6,761.6**	**7,799.7**

Goodwill of DKK 2,144.2 million (DKK 2,453.1 million) is included in the carrying amount at 31 December 2023.

Investments in affiliated companies can be specified as follows:

Name	Country	Ownership
Scandinavian Tobacco Group Australia Pty Ltd	Australia	100%
Peter Stokkebye Tobaksfabrik A/S	Denmark	100%
Insurgent Ventures II	Denmark	100%
General Cigar Dominicana S.A.S.	The Dominican Republic	100%
Scandinavian Tobacco Group Esteli S.A.	Nicaragua	100%
Scandinavian Tobacco Group Danli S.A.	Honduras	100%
Scandinavian American Tabaco SA de CV	Honduras	100%
Scandinavian Tobacco Group Hong Kong Limited	Hong Kong	100%
Scandinavian Tobacco Group Italy S.R.L.	Italy	100%
Moderno Opificio del Sigaro Italiano S.r.l. *	Italy	65%
ST Cigar Group Holding B.V.	The Netherlands	100%
STG Global Finance B.V.	The Netherlands	100%
Scandinavian Tobacco Group Norway AS	Norway	100%
STG Portugal S.A.	Portugal	100%
Scandinavian Tobacco Group Spain S.A.U.	Spain	100%
STG Sweden AB	Sweden	100%
Cigar Smokers Restaurant Holdings, Inc.	United States	100%
Insurgent Ventures Holdings, Inc.	United States	100%
Scandinavian Tobacco Group Lane Holding, Inc.	United States	100%
Scandinavian Tobacco Group US Holding, Inc.	United States	100%

For a complete list of all entities in the Group please refer to Group note 5.7.

* The non-controlling shareholder holds a put option which is accounted for as if the put option has already been exercised. Accordingly, the subsidiary is consolidated with no non-controlling interest.

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NOTE 14
INVENTORIES

DKK million	2023	2022
Raw materials and consumables	226.3	249.9
Work in progress	26.2	22.1
Finished goods, goods for resale and excise stamps	265.0	214.6
Total	**517.5**	**486.6**

Movements in provision for obsolete stock are as follows:		
Provision for obsolete stock 1 January	-1.9	-
Additions through merger	-	-9.1
Additions for the year	-2.5	-4.3
Write-downs during the year	1.9	11.5
Total provision at 31 December	**-2.5**	**-1.9**

NOTE 15
PREPAYMENTS

Prepayments comprise prepaid costs relating to up-front fee, licences, etc.

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NOTE 16 OTHER PROVISIONS

2023

DKK million	Other provisions
Balance at 1 January	2.5
Utilised during the year	-
Balance at 31 December	**2.5**
Expected due:	
Within 1 year	-
Between 1 and 5 years	-
After 5 years	2.5
Total	**2.5**

NOTE 17 LEASE LIABILITIES

DKK million	2023	2022
Expected due:		
Within 1 year	7.8	7.1
Between 1 and 5 years	22.7	23.1
After 5 years	3.7	8.0
Total	**34.2**	**38.2**

NOTE 18 CONTINGENT LIABILITIES

GUARANTEE OBLIGATIONS

The Company has guarantee obligations totalling DKK 743 million at 31 December 2023 (DKK 727 million).

PARENT COMPANY GUARANTEES

Scandinavian Tobacco Group A/S has guaranteed the EUR 300 million bond issued by the wholly-owned subsidiary STG Global Finance B.V.

NOTE 19 FINANCIAL INSTRUMENTS

Reference is made to Group note 4.2.

NOTE 20 RELATED-PARTY TRANSACTIONS

Related parties comprise companies controlled by the Augustinus Foundation and key management. Key management is Scandinavian Tobacco Group A/S' Board of Directors and Executive Board (Executive Management and other key management) as well as management in the controlling companies.

The income statement includes the following transactions with related parties:

DKK million	2023	2022
Affiliated companies		
Services provided by Scandinavian Tobacco Group A/S	1,478.5	1,126.0
Services provided to Scandinavian Tobacco Group A/S	-626.2	-482.0
Financial income	158.7	88.5
Financial costs	-158.5	-77.3

For information on remuneration to the Management of Scandinavian Tobacco Group A/S, please refer to note 3. For an overview of affiliated companies, please refer to note 13. There have not been and there are no loans to key management personnel in 2023 or 2022.

NOTE 21 FEE TO STATUTORY AUDITOR

DKK million	2023	2022
Statutory audit	1.2	1.8
Audit-related services	-	-
Tax advisory services	-	-
Other services	1.7	4.8
Total	**2.9**	**6.6**

NOTE 22 OWNERSHIP

As of 29 February 2024 the following investors have reported holdings of more than 5% of Scandinavian Tobacco Group's share capital/voting rights:

Chr. Augustinus Fabrikker Aktieselskab	> 25%
C.W.Obel A/S	> 10%
Capital Group Companies, Inc	> 10%
Parvus Asset Management Europe Limited	> 5%

NOTE 23 EVENTS AFTER THE REPORTING DATA

The Company has not experienced any significant events after 31 December 2023 which have an impact on the Annual Report.

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MANAGEMENT'S STATEMENT

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of Scandinavian Tobacco Group A/S for the financial year 1 January – 31 December 2023.

The Consolidated Financial Statements have been prepared in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act. The Financial Statements of the Parent Company have been prepared in accordance with the Danish Financial Statements Act. Management's Review has been prepared in accordance with the Danish Financial Statements Act and Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation).

In our opinion, the Consolidated Financial Statements and the Financial Statements of the Parent Company give a true and fair view of the financial position at 31 December 2023 of the Group and the Parent Company and of the results of the Group and Parent Company's operations and consolidated cash flows for the financial year 1 January - 31 December 2023.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

In our opinion, the Sustainability statements included in Management's Review and Consolidated Statements represents a reasonable, fair, and balanced representation of the Group's sustainability performance and are prepared in accordance with the stated accounting policies.

In our opinion, the Annual Report of Scandinavian Tobacco Group A/S for the financial year 1 January to 31 December 2023 with the file name 5299003KG4JS99TRML67-2023-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

We recommend the Annual Report for adoption at the Annual General Meeting.

GENTOFTE, 5 MARCH 2024

EXECUTIVE MANAGEMENT

Niels Frederiksen
Chief Executive Officer

Marianne Rørslev Bock
Chief Financial Officer

BOARD OF DIRECTORS

Henrik Brandt
Chair of the Board of Directors

Marlene Forsell

Dianne Neal Blixt

Anders C. Obel

Mark Kristen Draper

Claus Gregersen

Henrik Amsinck

Thomas Thomsen

Karsten Dam Larsen

CONTENTS

INDEPENDENT AUDITOR'S REPORTS

To the shareholders of Scandinavian Tobacco Group A/S

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OUR OPINION

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2023 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2023 in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2023 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2023 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The Consolidated Financial Statements of Scandinavian Tobacco Group A/S, pages 86-126 for the financial year 1 January to 31 December 2023 comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes, including material accounting policy information.

The Parent Company Financial Statements of Scandinavian Tobacco Group A/S, pages 139-153 for the financial year 1 January to 31 December 2023 comprise the income statement, the balance sheet, the statement of changes in equity and the notes, including material accounting policy information. Collectively referred to as the "Financial Statements".

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of Scandinavian Tobacco Group A/S on 26 April 2017 for the financial year 2017. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 7 years including the financial year 2023.

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INDEPENDENT AUDITOR'S REPORTS (CONTINUED)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2023. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
IMPAIRMENT OF TRADEMARKS The principal risks are in relation to Management's assessment of the future timing and amount of cash flows that are used to project the recoverability of the carrying amount of trademarks with indefinite lives. There are specific risks related to macroeconomic conditions and volatile earnings caused by volume decline, intensified competition and changed regulations in key markets. Bearing in mind the generally long-lived nature of the assets, the significant assumptions are Management's view of prices, volumes, terminal growth rates and discount rates. We focused on this area, as there is a high level of subjectivity exercised by Management in determining significant assumptions and estimating cash flows. The key assumptions and accounting treatment are described in Section 3.1 'Intangible Assets' in the Consolidated Financial Statements.	We assessed whether the Group's accounting policies are in accordance with IFRS Accounting Standards. We updated our understanding of relevant controls, including Group controlling procedures and IT systems, and business processes regarding impairment of trademarks. For the controls, we assessed whether they were designed and implemented to effectively address the risk of material misstatement. We obtained and assessed the impairment tests on trademarks with indefinite lives. We examined the methodology used by Management to assess the carrying amount of trademarks with indefinite lives and tested the mathematical accuracy of the relevant value-in-use models prepared by Management. We made use of our internal valuation specialists in the audit. We challenged Management and evaluated the appropriateness of the significant assumptions regarding prices, volumes, terminal growth rates and discount rates applied by Management in the cash flow forecasts. As part of this we also assessed Management's sensitivity calculation and assessed the appropriateness of the disclosures.

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INDEPENDENT AUDITOR'S REPORTS (CONTINUED)

STATEMENT ON MANAGEMENT'S REVIEW

Management is responsible for Management's Review, pages 3-85 and 127-138.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act and Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation).

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act and the disclosure requirements of Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation). We did not identify any material misstatement in Management's Review.

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

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INDEPENDENT AUDITOR'S REPORTS (CONTINUED)

AUDITOR'S RESPONSIBILITIES
FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

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INDEPENDENT AUDITOR'S REPORTS (CONTINUED)

REPORT ON COMPLIANCE WITH THE ESEF REGULATION

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of Scandinavian Tobacco Group A/S for the financial year 1 January to 31 December 2023 with the filename 5299003KG4JS99TRML67-2023-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements including notes.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements including notes;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of Scandinavian Tobacco Group A/S for the financial year 1 January to 31 December 2023 with the file name 5299003KG4JS99TRML67-2023-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

HELLERUP, 5 MARCH 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

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