

The ST Group and
Skandinavisk Tobakskompagni A/S
Annual Report for 2007/08

15 September 2008

Skandinavisk Tobakskompagni
Annual Report for 1 July 2007 - 30 June 2008

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Management's Statement on the Annual Report

The Executive and Supervisory Boards have today considered and adopted the Annual Report of Skandinavisk Tobakskompagni A/S for the financial year 1 July 2007 - 30 June 2008.

The Annual Report was prepared in accordance with the Danish Financial Statements Act and Danish Accounting Standards. We consider the accounting policies applied appropriate and the estimates made reasonable. Furthermore, we consider the overall annual report presentation true and fair. Therefore, in our opinion the Annual Report gives a true and fair view of the financial position of the Group and the Parent Company, of the results of the Group and Parent Company operations and of consolidated cash flows.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Søborg, 12 September 2008

Executive Board:

Anders Colding Friis
CEO

Niels Frederiksen

Sisse Fjelsted Rasmussen

Christian Hother Sørensen

Rob Zwarts

Supervisory Board:

Jørgen Tandrup
Chairman

Ulrich Herter

Keld Lakhøj-Hansen

Lindy Larsen

Anders Obel

Tommy Pedersen

Hans Werdelin

Niels B. Nielsen

Independent Auditor's Report

To the Shareholders of Skandinavisk Tobakskompagni A/S

We have audited the Annual Report of Skandinavisk Tobakskompagni A/S for the financial year 1 July 2007 - 30 June 2008, which comprises Management's Statement, Management's Review, significant accounting policies, income statement, balance sheet, statement of changes in equity and notes for the Group as well as for the Parent Company and consolidated cash flow statement. The Annual Report is prepared in accordance with the Danish Financial Statements Act and Danish Accounting Standards.

Management's Responsibility for the Annual Report

Management is responsible for the preparation and fair presentation of the Annual Report in accordance with the Danish Financial Statements Act and Danish Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an Annual Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the Annual Report based on our audit. We conducted our audit in accordance with Danish Auditing Standards. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Annual Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Annual Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the Annual Report 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 Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Annual Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Annual Report gives a true and fair view of the financial position at 30 June

2008 of the Group and the Parent Company and of the results of the Group and Parent Company operations and consolidated cash flows for the financial year 1 July 2007 - 30 June 2008 in accordance with the Danish Financial Statements Act and Danish Accounting Standards.

Søborg, 12 September 2008

PricewaterhouseCoopers
Statsautoriseret Revisionsaktieselskab

Carsten Gerner
State Authorised Public Accountant

Torben Jensen
State Authorised Public Accountant

Company Information

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Municipality of registered office: Gladsaxe

Supervisory Board Jørgen Tandrup, Director, Chairman
Ulrich Herter, Director
Keld Lakshøj-Hansen *, IT Systems Designer
Lindy Larsen *, Group Chief Accountant
Niels B. Nielsen *, Driver
Anders Obel, Director
Tommy Pedersen, Director
Hans Werdelin, Director

* elected by the employees

Executive Board Anders Colding Friis, CEO
Niels Frederiksen
Sisse Fjelsted Rasmussen
Christian Hother Sørensen
Rob Zwarts

Deputy Executives Knud Erik Foged
Mette Valentin
Lars Wassberg

Auditors PricewaterhouseCoopers Statsautoriseret Revisionsaktieselskab

Directorships and Managerial Responsibilities

Directorships and managerial responsibilities held by members of the Executive and Supervisory Boards in major Danish groups:

(C) Chairman of the Supervisory Board
(DC) Deputy Chairman of the Supervisory Board
(MSB) Member of the Supervisory Board
(CEO) Chief Executive Officer

Jørgen Tandrup: Skandinavisk Holding A/S (C)
Tivoli A/S (C)
Fonden til Markedsføring af Danmark (C)
Danisco A/S (DC)
Axcel A/S (MSB)
Chr. Augustinus Fabrikker Aktieselskab (MSB)

Keld Lakshøj-Hansen: Dagrofa a/s (MSB)

Anders Obel: Det Obelske Familiefond (MSB)
Erhvervsinvest Management A/S (MSB)
Powerflex ApS (MSB)
Skandinavisk Holding A/S (MSB)
C.W. Obel A/S (CEO)

Tommy Pedersen: Royal Unibrew A/S (DC)
Jeudan A/S (DC)
Kommuneforsikring A/S (DC)
Peter Bodum A/S (MSB)
Skandinavisk Holding A/S (MSB)
Tivoli A/S (MSB)
Augustinus Fonden og Chr. Augustinus Fabrikker Aktieselskab (CEO)

Hans Werdelin: C.W. Obel A/S (C)
NKB Private Equity (C)
Skandinavisk Holding A/S (DC)
BTX Group A/S (MSB)
Jensen Group B.V. (MSB)
Lomax A/S (MSB)
Novo A/S (MSB)
Novozymes A/S (MSB)

Anders Colding Friis: Dagrofa a/s (C)
Monberg & Thorsen A/S (C)
IC Companys A/S (MSB)

Niels Frederiksen: Dagrofa a/s (MSB)

List of Group Companies as of 30 June 2008

SKANDINAVISK TOBAKSKOMPAGNI A/S (ST)

HOUSE OF PRINCE A/S (HoP)

J.L. TIEDEMANN'S TOBAKSFABRIK AS (JLT)

ST CIGAR GROUP HOLDING B.V. (STCG)

ORLIK TOBACCO COMPANY A/S (50%) (OTC)

FIEDLER & LUNDGREN AB (50%) (F&L AB)

F&L 1 ApS (50%)

F&L P/S (50%)

DAGROFA a/s (55%)

ST SALES A/S

TIVOLI A/S (32%)

Where no percentage ownership is indicated, the company is wholly owned.

Financial Highlights of the ST Group

	<u>2007/08</u>	<u>2006/07</u>	<u>2005/06</u>	<u>2004/05</u>	<u>2003/04</u>
Financial highlights (DKK million)					
Income statement					
Revenue, including excise	44,085	42,007	40,130	38,446	36,012
Tobacco excise	16,666	15,833	15,106	14,481	13,952
Net revenue	27,419	26,174	25,025	23,965	22,060
Depreciation, amortisation and impairment	504	387	348	315	259
Operating profit	2,346	2,251	2,275	2,243	2,284
Net financials	25	97	66	99	66
Profit before tax	2,370	2,348	2,341	2,342	2,350
ST's share of profit after tax ¹⁾	1,620	1,616	1,547	1,567	1,547
Balance sheet					
Balance sheet total	15,516	12,879	12,603	11,522	10,226
ST's share of equity	4,023	5,234	5,104	4,664	4,176
Cash flows					
Cash flows from:					
- operating activities	1,937	1,716	1,857	2,010	2,194
- investing activities	-2,049	-903	-588	-665	-504
- invested in property, plant and equipment	-336	-397	-403	-358	-344
- financing activities	201	-1,190	-979	-1,140	-1,428
Change in cash and cash equivalents for the year	88	-376	290	205	262
Number of employees at year end	13,111	13,640	12,216	11,009	9,800
Ratios (%)					
Profit margin (on operating profit)	8.6	8.6	9.1	9.4	10.4
Return on net assets	15.1	17.5	18.1	19.5	22.3
Solvency ratio	25.9	40.6	40.5	40.5	40.8
Return on equity	35.0	31.3	31.7	35.5	38.8

¹⁾ Profit after provision for tax on the taxable income for the year and adjustment of deferred tax.
For the Danish ST companies, the tax is based on the tax rate of 30% for 2003/04,
28% for 2004/05 and 2005/06 and 25% for 2006/07 and 2007/08

Management's Review

The 2007/08 financial year was a satisfactory year for the Skandinavisk Tobakskompagni Group.

The consolidated profit before tax and minority interests' share amounted to DKK 2,369.8 million in 2007/08 compared to DKK 2,348.3 million last year. The minority interests' share amounted to DKK 199.9 million, leaving ST with a share of profit before tax of DKK 2,169.9 million compared to DKK 2,207.3 million last year. The profit after tax for the year amounted to DKK 1,620.2 million compared to DKK 1,615.9 million the previous year, which is above expectations.

The ST Group's equity share at 30 June 2008 amounted to DKK 4,734.3 million compared to DKK 5,848.7 million last year. The minority interests' share amounted to DKK 711.7 million, leaving ST with a share of equity amounting to DKK 4,022.6 million compared to DKK 5,233.9 million last year.

STCG has acquired British American Tobacco's Belgian cigar products activities in Tabacofina-Vander Elst with effect from 3 September 2007. Furthermore, STCG has entered into an agreement to acquire the remaining 50% of PT United Tobacco Processing Indonesia, after which STCG owns the company fully with effect from 1 January 2008.

At 1 October 2007, Dagrofa sold its shares of IT-Gruppen A/S to EDB-Gruppen.

At the end of the financial year, Dagrofa sold 40% of the shares of Alta Discount A/S to Norgesgruppen a/s leaving Dagrofa with 60%. The Company has changed its name to Kiwi Danmark.

ST Latvia has been transferred from ST to HoP with effect from 1 July 2007.

Investments in buildings, plant and machinery amounted to DKK 336.3 million.

At year end, i.e. 30 June 2008, the ST Group had 13,111 employees.

Distribution of Profit

Proposed profit distribution:

(DKK million)	2007/08	2006/07
Reserve for net revaluation under the equity method	-880.9	36.7
Dividend to shareholders (excluding treasury shares)	1,285.0	1,488.8
Other reserves	1,216.1	90.4
Profit for the year	1,620.2	1,615.9

Employee Profit Sharing Scheme (EPSS)

The Scheme, which extends to the employees of the Parent Company and the Group's wholly-owned Danish subsidiaries, is contingent upon a specific rate of increase in the profits of the ST Group as well as of the individual subsidiaries.

For 2006/07, the conditions for allotting shares under the Employee Profit Sharing Scheme were met, disregarding the extraordinary expenses provided for in the financial statements of J.L. Tiedemanns for 2006/07 for closure of the factory in Norway. Against this background, ST's Supervisory Board proposed allotment of ST shares under the same principles as those of ST's general Employee Profit Sharing Scheme. In November 2007, the Annual General Meeting of ST adopted the recommendation from the Supervisory Board, and 11,297 ST shares of DKK 10 each were allotted to the employees of ST, HoP and Stanwell. As in previous years, the shares were procured from ST's portfolio of series I shares.

The ST Group's share of the profit before tax for 2007/08 does not meet the conditions for allotting shares under the Employee Profit Sharing Scheme.

Financial Exposure

ST has centralised the Group's financial exposure and cash management, including the investment of excess liquidity, with the Parent Company.

ST remains active in respect of the Group's financial risks by adjusting the Group's total financial exposure, through insight into the financial circumstances of the individual companies.

Risks are hedged under an approved treasury policy. The treasury policy provides a framework for the treasury division's use of financial instruments, its use of financial institutions and risk profile. The hedging transactions of the individual companies are effected through ST which handles external hedging. ST only hedges commercial financial risks and therefore does not enter into speculative transactions.

The activities of ST involve three different financial risks: currency, interest rate and credit exposure.

Currency exposure is caused by differences between income and expenses in the respective currencies and by the Group holding net assets in foreign subsidiaries. Thus, the Group continuously has surplus income in primarily SEK, NOK, GBP and CAD as well as net expenses in USD and EUR. Currency exposure represents the Group's key financial risk.

Financial instruments are used in accordance with the Group's currency policy to actively monitor - based on the Group's expectations for future exchange rate movements - currency exposure and cash flows with a view to hedging these flows against major adverse exchange rate fluctuations. Transaction exposure is hedged by means of financial instruments such as forward contracts and options. As a general rule, translation exposure arising due to the Group holding net assets in foreign currencies is not hedged.

Interest rate exposure arises in interaction between interest-carrying assets and liabilities. ST has a positive cash balance which fluctuates to some extent over the year, the largest fluctuations being due to VAT payments, excise labels, corporation tax and major single investments as well as the annual dividend to ST shareholders. The ST Group is to a certain extent affected by interest rate fluctuations. Hedging of interest rate exposure is effected by placing funds at a fixed interest rate

and by using interest rate swaps and derivatives.

ST has no significant concentration of credit exposure as the exposure has been spread on a large number of creditworthy trading partners. The credit exposure on cash balances and derivative financial instruments is limited by the Group only entering into financial contracts and placing deposits in banks with a satisfactory high credit rating based on long-term risk assessment from recognised international credit rating agencies. Alternatively surplus cash is placed in securities with a current maturity of up to five years.

Environment

ST's environmental and safety policy applies to all Group entities. Environmental considerations have high priority - not least with ST's production entities.

The Group's tobacco producing entities have come together in a common effort regarding environmental strategy and the entities are working with an acknowledged and thoroughly tested method and process within the fields of Environment, Health and Safety (EHS).

The efforts of ST's manufacturing entities are prioritised according to a number of overall objectives that – in addition to ensuring compliance with existing legislation and ST's own, tightened rules - aim at creating and maintaining improved and safe working conditions, continuously improving environmental impacts, striving to achieve more efficient working methods with minimum waste and refuse and ensuring that sub-contractors working at the companies accept and comply with the Group's environmental policy.

The efforts and standards in the environmental area of all ST's manufacturing entities are regularly assessed. The inspection visits are made by a group of managers that are all specially trained in EHS under the supervision of an independent expert.

ST has established a number of parameters, or key performance indicators, which enable measurement of results and year-to-year comparisons.

Legislation

In August 2007, stricter Danish rules regarding no-smoking environments were introduced. As a general rule, there is now a ban against smoking at all Danish workplaces, in public areas and at establishments serving food. It is, however, possible to establish special smoking facilities and install smoking stations at both private and public workplaces. Furthermore, the individual workplace may decide that smoking should be permitted in rooms that are only used by one person at a time. Establishments serving food may establish facilities for smokers where no food and beverages are served, but guests are allowed to bring beverages themselves. Establishments that do not serve actual food and whose floorage does not exceed 40 square metres may permit smoking.

In June 2008, the Danish Parliament passed amendments to several tobacco-related acts: with effect from 1 September 2008, the age limit for purchasing tobacco is 18 against previously 16. Furthermore, a requirement is introduced to the effect that, in connection with the annual reporting to the Danish Ministry of Health of the contents of tobacco products, flavouring additives be specified by individual additives instead of the previous indication as a total category. Finally, regulation as to where and when tobacco products may be displayed at points of sale is introduced.

A few countries, including several provinces in Canada and Iceland, have in recent years introduced prohibition of visible display of tobacco products at points of sale. This trend has reached Norway whose Government in the autumn of 2007 submitted a bill for consultation to prohibit visible display of tobacco products at points of sale. During the consultation process, doubt has arisen as to whether such prohibition is in compliance with the EU principles of free competition and free trade which apply to Norway by way of the country's membership of the EEA. Therefore, the bill has been submitted for consultation in all EU countries. In light of this process, Norwegian legislation in the area is not expected to come into force until some time in 2009 at the earliest

Product Liability Cases and other Disputes

The Danish action brought against ST/HoP at the Eastern Division of the Danish High Court in 2003 is still pending and is progressing only slowly. The plaintiff claims damages of just below DKK 500k for the consequences of a disease which is allegedly caused by his smoking. Firstly, ST/HoP are accused of having used additives in the cigarettes, which has made it impossible for the plaintiff to quit smoking. Furthermore, the plaintiff believes that the companies have misled users as to the contents of tar and nicotine in the declarations on the cigarette packets. The case is at a preliminary stage but has, as requested by the court, preliminarily been set down for trial in the autumn of 2009. In Management's opinion the courts are unlikely to sustain the plaintiff's claim. However, if, contrary to expectations, judgment is given against ST/HoP in this action creating a precedent, this could have a considerable effect on the financial standing of the Group.

House of Prince A/S (HoP) and Peter Stokkebye Tobaksfabrik A/S (PST) along with a number of other, primarily American, tobacco enterprises participate in a series of leading cases related to the comprehensive American tobacco agreement, the Master Settlement Agreement (MSA). The cases concern a potential refund of part of the amount paid by the enterprises, pursuant to the MSA, in respect of their sales in 2003 and later. Actions are in progress on the dispute in the participating states (some 40) brought jointly by the majority of the tobacco enterprises participating in the MSA. HoP and PST have taken a passive stand on these actions. If the claim advanced by the tobacco enterprises is fully sustained, a total refund of some USD 5.5 million may accrue to HoP and PST. Possibly, such refund may only take place by setoff against any later payments under the MSA. A final decision in the matter will be long in coming.

Significant Subsequent Events

With effect from 1 July 2008, ST sold its cigarette activities and certain roll-your-own and snus activities to British American Tobacco (BAT). Consequently, BAT has acquired the businesses HoP, JLT and F&L, including OTC's 50% share of F&L.

At the same time, SH acquired BAT's 32.35% shareholding in the remaining ST Group. The value of the ST Group as a whole has been calculated at some DKK 27.5 billion, with some DKK 20.0 billion representing the value of the three companies transferred to BAT.

Furthermore, ST entered into an agreement with Assens Tobaksfabrik (AT) to acquire AT's 50% share of OTC making OTC a fully owned company in the ST Group.

Finally, an agreement has been made between the 3 shareholders of SH that Aktieselskabet R. Færchs Fabrikker will withdraw as a shareholder of SH, after which SH will be owned by Chr. Augustinus Fabrikker Akts. and C.W. Obel A/S.

In connection with the above transactions, ST distributed extraordinary dividend of DKK 9.1 billion in July 2008.

Prospects for 2007/08

The results of the above transactions will generate substantial extraordinary income in 2008/09. At the same time, they will imply a reduction of the Group's activities in 2008/09. For the continuing operations of the Group, a profit at the 2007/08 level is expected.

House of Prince

HoP is among Northern Europe's leading suppliers of manufactured cigarettes, manufacturing and selling, among other brands, Prince, Look, Cecil, King's and Corner as well as a number of other brands in primarily Poland and the Baltic States.

HoP has manufacturing facilities in Denmark, Poland and Latvia as well as subsidiaries in Sweden, Poland, Estonia, Latvia, Lithuania, the Czech Republic, Greece and Hungary.

With effect from 1 July 2008 ST has sold HoP.

Revenue and profit

The profit before tax amounted to DKK 1,466.4 million compared to DKK 1,407.0 million last year. After minority interests' share amounting to DKK 11.1 million, HoP's share of the profit amounted to DKK 1,456.7 million compared to DKK 1,405.0 million last year.

Net revenue amounted to DKK 4,335.6 million compared to DKK 4,085.0 million last year.

Markets

HoP is the leading cigarette manufacturer in Scandinavia with a total market share of 61% compared to 62% last year.

In Denmark the total market for manufactured cigarettes declined by 2.9% from last year reaching 7.8 billion cigarettes. HoP's volumes in the Danish market represented 6.9 billion for the year, which is a 4.0% decrease from last year. The market share for the year was 89%.

In Sweden the total market for manufactured cigarettes declined by 4.4% from last year to 6.1 billion cigarettes. HoP's volumes in the Swedish market represented 2.1 billion equivalent to a market share of 33%.

In Norway the total market for manufactured cigarettes increased by 1.9% from last year reaching 2.3 billion cigarettes. HoP's volumes in the Norwegian market represented some 1.0 billion equivalent to a market share of 41%.

In Germany the total market declined by 5.6% from last year to 88.0 billion cigarettes. HoP's volumes of 0.6 billion cigarettes represent a market share of 0.7%.

J.L. Tiedemanns Tobaksfabrik

JLT is Norway's leading manufacturer, importer and distributor of cigarettes, smoking tobacco, snus and cigars, as well as a distributor of lighters, cigarette paper and cigarette shells.

With effect from 1 July 2008 ST has sold JLT.

Revenue and profit

The profit before tax for the year amounted to NOK 366.2 million including a total profit of NOK 29.1 million on the sale of machinery and equipment to HoP, OTC and STCG. In 2006/07 the profit before tax amounted to NOK 305.4 million including expenses of NOK 71.6 million relating to the closedown of production at 30 June 2008. Translated into DKK, the profit before tax totalled DKK 343.3 million compared to DKK 278.3 million last year.

JLT's net revenue amounted to NOK 1,414.3 million compared to NOK 1,335.1 million last year. Translated into DKK, net revenue amounted to DKK 1,326.2 million compared to DKK 1,222.1 million last year.

The Norwegian market

Total sales of cigarettes in Norway increased by 1.9% from last year. JLT's total market share represented 67%.

The total market for smoking tobacco declined by 0.2% from last year, whereas JLT's market share increased to 91%.

ST Cigar Group

The ST Group is Europe's largest and the world's third largest supplier of cigars.

STCG handles ST's cigar product activities. Cigars are manufactured in Holland, Belgium and Denmark. Wrappers and binders are punched out in the Dominican Republic and in Indonesia.

STCG's cigars are sold throughout the world, and the Group's key brands are Café Crème, Nobel Petit, Henri Wintermans, Old Port and Colts. STCG is the world-leading exporter of cigars and has sales companies in France, Belgium, the UK, USA and Canada. In Denmark sales are handled by NTK handled by NTK.

Revenue and profit

The profit before tax for the year amounted to EUR 26.9 million including expenses of EUR 5.3 million relating to reorganisation and closure of the factory in Holme. In 2006/07 the profit before tax amounted to EUR 44.5 million. Translated into DKK, the profit before tax amounted to DKK

200.3 million compared to DKK 331.4 million last year.

Net revenue amounted to EUR 234.5 million compared to EUR 192.7 million last year. Translated into DKK, net revenue amounted to DKK 1,748.4 million compared to DKK 1,436.4 million last year.

Markets

Total cigar sales amounted to 1,599 million compared to 1,283 million last year. This development is primarily attributable to the acquisition of BAT's Belgian cigar activities in September 2007.

The Danish market for cigars continued to decline showing a decline of 9.6% from last year.

Orlik Tobacco Company

The smoking tobacco activities of OTC consist of pipe smoking tobacco and RYO tobacco. OTC is among the world-leading manufacturers of pipe smoking tobacco and a key manufacturer of RYO tobacco.

Moreover, OTC manufactures snus and chewing tobacco and together with ST it owns the snus business F&L.

With effect from 1 July 2008 ST has bought the remaining 50% of OTC.

Revenue and profit

The profit before tax for the year amounted to DKK 81.4 million compared to DKK 140.0 million last year, which included a profit on the sale of the Bali and McClintock brands.

Net revenue amounted to DKK 530.2 million compared to DKK 503.3 million last year.

Markets

Smoking tobacco sales in Denmark continued the negative trend and a decline was also recorded in cross-border trade from last year. Total smoking tobacco sales in Denmark thus declined by just below 10% from last year. OTC's total market share was 83% comprised by a market share of 77% of the Danish pipe smoking tobacco market and a market share of 86% of the Danish RYO tobacco market.

OTC's export sales showed an increase from last year, which is attributable to organic growth as well as the addition of the pipe tobacco brands acquired from BAT in Q2 2007.

Fiedler & Lundgren

F&L AB, the Swedish snus company, was established in 2002 with a view to manufacturing and sale of snus. In the spring of 2004, F&L AB introduced its first snus brands, Mocca and Granit, in Sweden and Norway. Retro and new Mocca varieties were introduced in 2007/08.

In continuation of the strategic decision to popularise snus brands globally, ST and OTC established F&L P/S in Denmark in June 2005, which acquired the snus and chewing tobacco brands from F&L AB. The manufacturing of snus is still handled by F&L AB in Sweden. ST and OTC each hold 50% of the companies, and they are included at 50% of the income statement and balance sheet items in the financial statements of ST and OTC, respectively.

With effect from 1 July 2008 ST has sold F&L.

Revenue and profit

The two snus companies showed a loss before tax for the year of DKK 47.3 million compared to a loss of DKK 64.5 million last year.

Net revenue amounted to DKK 120.2 million compared to DKK 76.2 million last year.

Markets

Total volumes of snus in 2007/08 amounted to 19.8 million tins compared to 15.9 million tins last year. The increase is attributable to the discount brand Granit, which realised volumes of 13.7 million tins.

The total market share in Sweden at the end of the year was 8.6% compared to 5.9% last year.

Within the borders of the EU, the sale of portioned snus is only allowed in Sweden.

Dagrofa

Dagrofa is Denmark's leading supplier of convenience goods and groceries to the retail sector focusing on operation of points of sale within the provisions trade supported by the wholesale firm SuperGros as well as Cash & Carry and FoodService.

Dagrofa's retail sector comprises the retail businesses SuperBest, Kiwi, Alta Discount, Spar Denmark and Pisiffik in Greenland.

Revenue and profit

The consolidated profit before tax for the year amounted to DKK 285.6 million compared to DKK 213.1 million last year. In the consolidated results, a profit from the sale of shares and the entry of a co-shareholder in KIWI Danmark A/S, is included. ST's share of the profit amounted to DKK 96.8 million compared to DKK 74.2 million last year.

Dagrofa's revenue increased to DKK 23.5 billion from DKK 23.1 billion last year. The increase is primarily attributable to SuperGros.

In the retail sector, Pisiffik performed satisfactorily, whereas developments in Dagrofa SuperBest comprising ISO Supermarked, Dreisler Storkøb and Dagrofa Detail did not meet expectations. The earnings of Alta Discount were not satisfactory. In April 2008, the ownership of Alta Discount changed to the effect that Norgesgruppen a/s became a shareholder with 40% of the share capital, leaving Dagrofa with 60%.

ST Sales

At 1 July 2006, ST Sales acquired NTK and Stanwell Nobel from ST. NTK's handling of marketing and sale of cigar products, pipes and smoking articles in Denmark as well as Stanwell Nobel's corresponding function for cigars, pipe smoking tobacco, pipes and smoking articles in Germany have now been combined in ST Sales.

Revenue and profit

The loss before tax amounted to DKK 2.0 million compared to a profit of DKK 14.3 million last year, when a profit of DKK 12.0 million from the sale of NTK's property in the autumn of 2006 was included.

Net revenue amounted to DKK 277.6 million compared to DKK 301.9 million last year.

Markets

The total market for cigars in Denmark was 9.6% lower than last year. NTK's market share represented 82% compared to 85% last year.

The total market for cigars in Germany was 5.2% below that of last year. Stanwell Nobel's market share was 4.8% compared to 5.2% last year. Cigar volumes were 40.9 million compared to 46.8 million last year.

The total market for pipe smoking tobacco in Germany declined by 9.7% from last year. Stanwell Nobel's market share of some 30% was at the level of last year. Pipe smoking tobacco volumes were 179 tons compared to 200 tons last year.

Tivoli

Tivoli is Denmark's most popular tourist attraction and it is a business, an institution, a transmitter of tradition and a national treasure, all at the same time. Factually, Tivoli is an amusement park situated in the middle of Copenhagen, but Tivoli is famous far beyond the borders of Denmark.

Profit

The profit before tax for the year ended at 31 March 2008 amounted to DKK 28.4 million with ST's share amounting to DKK 9.0 million. Last year the profit before tax amounted to DKK 52.3 million and ST's share was DKK 16.6 million.

Significant Accounting Policies

The Annual Report of the Skandinavisk Tobakskompagni Group and of the Parent Company Skandinavisk Tobakskompagni A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C and Danish accounting standards.

The Annual Report is presented under the same accounting policies as last year.

The Annual Report is presented in DKK million.

Recognition and measurement

Revenues are recognised in the income statement as earned, whereas expenses are recognised at the amounts relating to the financial year. Value adjustments of financial assets and liabilities are recognised in the income statement as financial income and financial expenses.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when - in consequence of a past event - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount.

Consolidated Financial Statements

The Consolidated Financial Statements comprise the financial statements of the Parent Company and subsidiaries in which the Parent Company, directly or indirectly, holds more than 50% of the votes. 50%-owned enterprises (joint ventures) are proportionally consolidated, which means that 50% of the income and expenses, assets and liabilities are included in the items to which they relate. Investments in enterprises in which the ST Group holds between 20% and 50% of the votes and exercises significant influence on the operations of the enterprises (associates) are measured at net asset value. The proportionately owned share of the profit before tax of such associates is included as a separate item in the income statement. Tax on the share of profit is included in the item "Tax on the profit for the year".

The Consolidated Financial Statements are prepared on the basis of the audited financial statements of the Parent Company and the subsidiaries by combining items of a uniform nature. Intercompany sales and other intercompany items pertaining to operations, intercompany balances and intercompany profits are eliminated. The carrying value of the Parent Company's investments in subsidiaries is offset against the proportionate share of subsidiaries' net asset value at the date of acquisition.

Any positive difference between the cost of investments and the fair value of the acquired assets and liabilities at the time of acquisition is recognised as goodwill in intangible assets and amortised over its estimated useful life not exceeding 20 years.

Translation policies

Transactions in foreign currencies are initially translated at the exchange rates at the date of transaction.

Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment as well as exchange adjustments of balances in foreign currencies are recognised in financial income and expenses.

The income statements of foreign subsidiaries are translated into Danish kroner at average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Any exchange adjustments, whether arising from translation of the opening equity of such enterprises at the exchange rates at the balance sheet date, or from translating the income statements from average exchange rates to exchange rates at the balance sheet date, are recognised directly in equity.

Derivative financial instruments

Derivative financial instruments are used to hedge against commercially related financial risks.

Forward exchange contracts and options entered into to hedge against risks relating to assets and liabilities in foreign currencies are measured at fair value at the balance sheet date, and value adjustments are recognised in financial income and financial expenses in the income statement.

Forward exchange contracts and options entered into to hedge future revenues and expenses are measured at fair value at the balance sheet date, and value adjustments are recognised directly in equity.

Revenue

Revenue comprises invoiced sales for the year.

Development costs

Development costs do not qualify for recognition in the balance sheet and are therefore expensed as incurred since development costs are not incurred to any significant extent.

Corporation tax and deferred tax

Tax for the year consists of current tax for the year, movements in deferred tax and any adjustments relating to prior years. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity entries is recognised directly in equity.

Deferred tax is recognised under the balance sheet liability method in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised in the balance sheet if it is probable that the asset will be utilised. Deferred tax is measured under current tax rules and at the tax rates

expected to be effective when the temporary differences are eliminated. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with Skandinavisk Holding A/S and its Danish group enterprises. The tax effect of the joint taxation is allocated to both profits and losses of the subsidiaries in proportion to their taxable incomes.

Skandinavisk Holding A/S acts as a management company. The total Danish tax on the taxable income of the Danish subsidiaries is provided for and paid to Skandinavisk Holding A/S.

Intangible assets

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, but not exceeding:

Trademarks	20 years
Goodwill	20 years
IT software	3 years

Goodwill relating to acquisitions made before 1 July 2002 is set off directly against equity.

Major IT projects with a cost in excess of DKK 1 million for acquisition or development of IT software expected to generate future economic benefits to the Company are capitalised and amortised over three years. Other IT software is expensed.

Property, plant and equipment

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 time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials and maintenance, etc.

Depreciation based on cost reduced by any estimated residual value is calculated on a straight-line basis over the expected useful lives of the assets, but not exceeding:

Land and buildings:	
Buildings	33 years
Installations	10 years
Plant and machinery	3-5 years
Tobacco processing machinery	6 years
Other equipment, furniture and fixtures:	
Factory and warehouse equipment	10 years
Transport vehicles	5 years
Office furniture and machinery	3-5 years
Leasehold improvements	10 years

Investments in buildings at a cost below DKK 100k and other property, plant and equipment cost-

ing less than DKK 25k are expensed fully in the year of acquisition.

Assets acquired under finance leases are recognised in the balance sheet and depreciated under the same principles as similar owned assets. Lease obligations relating to assets acquired under finance leases are recognised in debt in the balance sheet. The interest element on the lease payments is recognised in financial expenses in the income statement.

Gains and losses on current replacement of property, plant and equipment are recognised in other operating income or other external charges in the income statement.

Impairment of fixed assets

Both intangible assets and property, plant and equipment are written down to recoverable amount if this is lower than the carrying amount. The recoverable amount of the asset is calculated as the higher of net selling price and value in use.

Fixed asset investments

Investments in subsidiaries, associates and enterprises owned by 50% are recognised and measured under the equity method in the financial statements of the Parent Company. The proportionate share of the net asset value of these enterprises reduced by intercompany profits and increased by goodwill is recognised in the balance sheet.

The proportionate share of the net profit of these enterprises after eliminating intercompany profits and deducting amortisation of goodwill is recognised in the income statement.

Inventories

Raw materials, consumables and goods for resale are measured at the lower of cost calculated under the FIFO method and net realisable value.

Finished goods and work in progress are measured at the cost of direct materials and labour plus indirect production costs and excise stamps. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Financing costs are not recognised in cost.

The net realisable value of inventories is calculated as the expected sales sum less costs of completion and expenses necessary to make the sale and is determined allowing for marketability and obsolescence.

Receivables

Receivables are measured at the value at which they are estimated based on an individual assessment. Provision is made for bad debts.

Other securities and investments

Securities are measured at fair value at the balance sheet date. Listed securities are measured at market price. Other securities are measured at selling price based on the estimated value in use. Value adjustments are included in the income statement.

Dividend

Proposed dividend is recognised as a liability at the time of adoption at the Annual General Meeting. Dividend expected to be distributed for the year is disclosed as a separate equity item.

Treasury shares

Acquisition, sale and distribution of treasury shares are recognised directly in equity.

Provisions

Provisions are recognised when - in consequence of a past event - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation. Provisions are measured as the best estimate on the balance sheet date of the expenses necessary to settle the obligation.

Pension schemes not covered by insurance are stated as pension obligations under provisions.

Financial debts

Fixed-interest loans, such as mortgage loans and loans from credit institutions, intended held to maturity are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost equal to the capitalised value using the effective interest method; the difference between the proceeds and the nominal value (the capital loss) is recognised in the income statement over the loan period.

Trade payables, payables to subsidiaries and associates as well as other payables are measured at amortised cost.

Consolidated cash flow statement

The cash flow statement shows the Group's cash flows for the year as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated under the indirect method based on profit before depreciation and amortisation adjusted for changes in working capital, interest received and paid and corporation tax paid.

Cash flows from investing activities comprise payments relating to the acquisition and sale of intangible assets and property, plant and equipment, fixed asset investments and securities classified as investing activities. Upon the acquisition and sale of businesses, cash flows are adjusted for additions to and disposals of assets and liabilities. Cost is stated at acquisition price adjusted for cash and cash equivalents acquired.

Cash flows from financing activities comprise proceeds from and repayment of mortgage debt and bank loans as well as payment of dividend.

Cash and cash equivalents comprise cash at bank and in hand as well as easily negotiable securities subject to an insignificant risk of value changes.

Explanation of financial ratios

Profit margin:
$$\frac{\text{Operating profit} \times 100}{\text{Net revenue}}$$

Return on assets:
$$\frac{\text{Operating profit} \times 100}{\text{Total assets}}$$

Solvency ratio:
$$\frac{\text{Equity} \times 100}{\text{Total assets}}$$

Return on equity:
$$\frac{\text{ST's share of profit after tax} \times 100}{\text{Average equity}}$$

Consolidated Income Statement
1 July 2007 – 30 June 2008

(DKK million)	<u>Note</u>	<u>2007/08</u>	<u>2006/07</u>
Revenue, including excise		44,085.1	42,007.0
Tobacco excise		16,666.3	15,832.7
Revenue, excluding excise	1	27,418.8	26,174.3
Change in inventories of finished goods and work in progress		48.7	36.5
Other operating income		157.3	108.7
Total income		27,624.8	26,319.5
Product costs and overheads:			
Raw materials, consumables and goods for resale		19,021.7	18,493.9
Other external charges		3,101.3	2,737.0
Staff expenses	2	2,653.2	2,451.0
		24,776.2	23,681.9
Profit before depreciation and amortisation		2,848.6	2,637.6
Depreciation, amortisation and impairment losses	4.5	503.9	386.5
Operating profit		2,344.7	2,251.1
Income from investments in associates		10.9	26.7
Other financial income		456.6	264.6
		467.5	291.3
Other financial expenses		442.4	194.1
		25.1	97.2
Consolidated profit before tax		2,369.8	2,348.3
Minority interests' share		-199.9	-141.0
ST's share of the profit for the year		2,169.9	2,207.3
Tax on the profit of the year	3	-593.9	-627.7
Minority interests' share		44.2	36.3
ST's share of the profit for the year		1,620.2	1,615.9

Consolidated Balance Sheet
30 June 2008

ASSETS

(DKK million)	<u>Note</u>	<u>30/6 2008</u>	<u>30/6 2007</u>
Goodwill		1,063.5	380.9
Trademarks, IT software, etc		992.7	401.3
Intangible assets	4	<u>2,056.2</u>	<u>782.2</u>
Land and buildings		1,243.0	1,182.6
Plant and machinery		408.6	418.3
Other equipment, furniture and fixtures		323.6	312.1
Leasehold improvements		71.1	53.5
Prepayments for property, plant and equipment in course of construction		354.3	156.6
Property, plant and equipment	5	<u>2,400.6</u>	<u>2,123.1</u>
Investments in associates		172.0	174.5
Other securities and investments		39.3	30.9
Other receivables		47.0	66.1
Fixed asset investments	6	<u>258.3</u>	<u>271.5</u>
Total fixed assets		<u>4,715.1</u>	<u>3,176.8</u>
Inventories	7	<u>4,076.6</u>	<u>3,586.2</u>
Trade receivables		3,741.2	3,208.7
Receivables from group enterprises		23.3	24.6
Receivables from associates		194.9	204.9
Other receivables		323.8	281.8
Deferred tax asset	3	88.3	54.6
Prepayments		51.2	70.7
Receivables		<u>4,422.7</u>	<u>3,845.3</u>
Securities	8	<u>0.6</u>	<u>393.1</u>
Cash at bank and in hand		<u>2,300.5</u>	<u>1,878.0</u>
Total current assets		<u>10,800.4</u>	<u>9,702.6</u>
Total assets		<u>15,515.5</u>	<u>12,879.4</u>

Consolidated Balance Sheet
30 June 2008

LIABILITIES AND EQUITY

(DKK million)	Note	30/6 2008	30/6 2007
Share capital		375.7	375.7
Other reserves		3,646.9	3,369.4
Proposed dividend		-	1,488.8
ST's share of equity		4,022.6	5,233.9
Minority interests' share of equity		711.7	614.8
Total equity		4,734.3	5,848.7
Provision for pensions and similar obligations	9	131.1	116.7
Provision for deferred tax	3	133.4	137.5
Other provisions	10	50.6	8.4
Total provisions		315.1	262.6
Mortgage debt		221.7	226.7
Bank loans		21.5	28.0
Other debts		23.7	17.0
Long-term debt	11	266.9	271.7
Bank debt		2,060.9	359.0
Current part of long-term debt due within 1 year		14.2	14.8
Trade payables		2,476.8	2,171.7
Payables to group enterprises		302.4	210.5
Payables to associates		-	-
Corporation tax	3	471.3	391.6
Tobacco excise, duty and VAT		2,717.6	2,572.2
Other payables		796.1	720.4
Dividend for the financial year		1,285.0	
Deferred income		74.9	56.2
Short-term debt		10,199.2	6,496.4
Total debt		10,466.1	6,768.1
Total liabilities and equity		15,515.5	12,879.4
Contingent liabilities	12		
Financial instruments	13		
Related-party transactions	14		
Cash flows from acquisitions	15		
Fee to auditors appointed at the General Meeting	16		

Consolidated Cash Flow Statement
1 July 2007 – 30 June 2008

(DKK million)	<u>Note</u>	<u>2007/08</u>	<u>2006/07</u>
Profit before depreciation and amortisation		2,848.6	2,637.6
Adjusted for changes in working capital:			
Receivables		-543.5	-123.7
Inventories		-372.7	158.7
Other short-term debt		519.4	-303.2
Cash flows from ordinary activities		<u>2,451.8</u>	<u>2,369.4</u>
Interest paid etc		-442.4	-194.1
Interest received etc		456.6	264.6
Taxes paid		-529.5	-724.1
Total cash flows from operating activities		<u>1,936.5</u>	<u>1,715.8</u>
Investment in intangible assets		-472.9	-107.4
Investment in property, plant and equipment		-336.3	-396.9
Prepayments		-264.0	-131.9
Sale of fixed assets		211.7	88.3
Acquisitions	15	-1,215.0	-341.5
Fixed asset investments made		27.4	-13.3
Total cash flows from investing activities		<u>-2,049.1</u>	<u>-902.7</u>
Long-term loans		-12.6	-3.7
Bank debt		1,701.9	302.3
Dividend paid		-1,488.8	-1,488.1
Total cash flows from financing activities		<u>200.5</u>	<u>-1,189.5</u>
Net movement in cash and cash equivalents		87.9	-376.4
Cash and cash equivalents acquired		-57.9	-0.7
Cash and cash equivalents at the beginning of the year		<u>2,271.1</u>	<u>2,648.2</u>
Cash and cash equivalents at the end of the year		<u>2,301.1</u>	<u>2,271.1</u>

Consolidated Statement of Changes in Equity

2007/08 (DKK million)	Share capital	Other reserves	Proposed dividend
Balance at 1 July 2007	375.7	3,369.4	1,488.8
Dividend paid re 2006/07			-1,488.8
Exchange adjustment		-38.8	
Acquisition of shares for treasury		1.3	
Fair value adjustment of financial instruments		-20.2	
Non-distributed profit		335.2	
Balance at 30 June 2008	375.7	3,646.9	-

2006/07 (DKK million)	Share capital	Other reserves	Proposed dividend
Balance at 1 July 2006	375.7	3,239.8	1,488.1
Dividend paid re 2005/06			-1,488.1
Dividend proposed re 2006/07			1,488.8
Exchange adjustment		-5.3	
Acquisition of shares for treasury		-0.1	
Fair value adjustment of financial instruments		7.9	
Non-distributed profit		127.1	
Balance at 30 June 2007	375.7	3,369.4	1,488.8

Notes to Consolidated Financial Statements

1. Revenue excluding excise

<u>(DKK million)</u>	<u>2007/08</u>	<u>2006/07</u>
Revenue domestic	20,301.7	19,907.6
Revenue abroad (including licences)	7,117.1	6,266.7
<u>Total net revenue, excluding excise</u>	<u>27,418.8</u>	<u>26,174.3</u>

2. Staff expenses

<u>(DKK million)</u>	<u>2007/08</u>	<u>2006/07</u>
Salaries	2,322.3	2,166.6
Pensions	168.6	152.0
Other social security costs	162.3	132.4
<u>Total staff expenses</u>	<u>2,653.2</u>	<u>2,451.0</u>

The following salaries and fees, etc were paid to the Parent Company Supervisory and Executive Boards:

<u>(DKK million)</u>	<u>2007/08</u>	<u>2006/07</u>
Supervisory Board	3.8	3.9
Executive Board	31.5	54.3

The average number of employees during the year amounted to 10,017, including 372 in the 50%-owned and proportionally consolidated Orlik Tobacco Company, 79 in the 75%-owned but proportionally consolidated Fiedler & Lundgren, 800 in PT United Tobacco Processing Indonesia, of which Nobel Cigars holds 50%, and 695 in the 32%-owned Tivoli A/S. The average number of employees in 2006/07 was 9,950.

3. Corporation tax

(DKK million)	Tax as per income statement	Current tax	Deferred tax
Balance at 1 July 2007		391.6	82.9
Exchange adjustment etc	1.8	4.8	-12.3
Additions upon acquisition		1.9	4.3
Equity entries			-19.4
Adjustments relating to previous years	-11.5	-3.6	-7.9
Tax on the profit for the year	603.6	606.1	-2.5
	593.9	1,000.8	45.1
Paid relating to previous years		342.7	
Paid on account relating to 2007/08		186.8	
	-	529.5	-
Balance at 30 June 2008	593.9	471.3	45.1

Deferred tax is recognised in provisions at DKK 133.4 million and in receivables at DKK 88,3 million.

In calculating deferred tax, the current tax rate of the country in which the individual company is registered has been used. The effect of changes in tax rates is recorded as an adjustment of the opening balance. Deferred tax primarily relates to differences between book and tax depreciation of fixed assets of DKK 54 million, deferred tax relating to goodwill/trademarks of DKK 55 million, deferred tax assets relating to provisions of DKK 39 million and financial contracts DKK 21 million.

Tax on profit for the year before minority interests:

Calculated 25% tax on profit before tax	592.5
Permanent differences	-4.9
Different tax rate	26.4
Unrecorded deferred tax assets	-22.3
Other	2.2
Tax as per income statement	593.9

4. Intangible assets

(DKK million)	Goodwill	Trademarks, IT software, etc
Cost at 1 July 2007	522.6	461.5
Exchange adjustment etc of opening balance	-15.0	-34.7
Additions upon acquisition	356.7	710.4
Additions for the year	454.5	18.4
Disposals	32.9	1.7
Cost at 30 June 2008	1,285.9	1,153.9
Amortisation and impairment losses at 1 July 2007	141.7	60.2
Exchange adjustment etc of opening balance	-0.7	-1.5
Additions upon acquisition	-	30.5
Amortisation and impairment losses on disposals	8.4	1.1
Amortisation and impairment losses for the year	89.8	73.1
Amortisation and impairment losses at 30 June 2008	222.4	161.2
Balance at 30 June 2008	1,063.5	992.7

5. Property, plant and equipment

(DKK million)	Land and buildings	Plant and machinery	Other equipment, furniture and fixtures	Leasehold improve- ments	Prepayments for property, plant and equipment
Cost at 1 July 2007	1,850.6	2,173.0	1,255.0	127.9	156.6
Exchange adjustment etc of opening balance	13.3	45.4	12.4	-0.3	3.7
Additions upon acquisition	49.5	160.4	20.0	47.3	5.3
Additions for the year	72.7	110.8	141.2	11.6	264.0
Disposals	26.1	267.1	104.3	6.2	66.2
Overførsel	1.3	6.5	0.5	0.8	-9.1
Cost at 30 June 2008	1,961.3	2,229.0	1,324.8	181.1	354.3
Depreciation and impairment losses at 1 July 2007	668.0	1,754.7	942.9	74.4	
Exchange adjustment etc of opening balance	2.7	33.4	7.0	-0.2	
Additions upon acquisition	1.7	115.7	17.4	28.1	
Depreciation and impairment losses on disposals	10.1	229.2	92.0	5.6	
Depreciation and impairment losses for the year	56.0	145.8	125.9	13.3	
Depreciation and impairment losses at 30 June 2008	718.3	1,820.4	1,001.2	110.0	-
Balance at 30 June 2008	1,243.0	408.6	323.6	71.1	354.3

According to the latest official property assessment, the value of the Danish properties amounts to DKK 1,158.1 million. The carrying amount is DKK 805.2 million.

6. Fixed asset investments

(DKK million)	Invest- ments in associates	Other securities and invest- ments	Other receivables
Cost at 1 July 2007	346.2	31.2	64.9
Additions at cost	1.7	5.8	2.4
Disposals	9.1	7.2	21.1
Cost at 30 June 2008	338.8	29.8	46.2
Revaluation at 1 July 2007	37.1	7.9	1.2
Revaluation for the year	1.4	6.1	
Disposals	12.6	0.9	-
Revaluation at 30 June 2008	25.9	13.1	1.2
Impairment losses at 1 July 2007	208.8	8.3	
Received dividends for the year and impairment losses	16.1	4.7	
Impairment losses at 30 June 2008	192.7	3.6	0.4
Balance at 30 June 2008	172.0	39.3	47.0

Investments in associates are specified as follows:

(DKK million)	Share capital	Ownership	Share of equity
Det Danske Madhus A/S, Thisted	DKK 0.2	50%	3.4
Tivoli A/S, Copenhagen	DKK 18.2	32%	168.6
			172.0

The voting rights do not exceed 50% in any of the above enterprises.

7. Inventories

(DKK million)	2007/08	2006/07
Raw materials and consumables	1,348.4	1,137.1
Work in progress (including excise stamps not affixed)	199.0	264.6
Finished goods and goods for resale (including excise stamps affixed)	2,495.7	2,146.0
Spare parts, fuel oil, etc	33.5	38.5
Total inventories	4,076.6	3,586.2

8. Securities

(DKK million)	2007/08	2006/07
Bonds	0.6	393.1
Total securities	0.6	393.1

9. Provisions for pensions and similar obligations

(DKK million)	2007/08	2006/07
Net pension obligation at 1 July 2007	116.7	142.0
Adjustment re previous years	-	-16.2
Exchange adjustment etc of opening balance	0.3	-0.8
Additions upon acquisition	7.2	
Expensed during the year	19.0	17.8
Utilised during the year	-12.1	-26.1
Total provisions and similar obligations	131.1	116.7

10. Other provisions

(DKK million)	Other provisions
Balance at 1 July 2007	8.4
Additions during the year	44.7
Utilised during the year	-2.5
Balance at 30 June 2008	50.6
Expected maturity of other provisions:	
Long-term	35.3
Short-term	15.3
Total other provisions	50.6

11. Long-term debt

Of the total long-term debt of DKK 266.9 million, an amount of DKK 177.1 million falls due after 5 years.

12. Contingent liabilities

A mortgage has been registered on land and buildings with a carrying amount of DKK 375.8 million as security for mortgage debt and other liabilities totalling DKK 292.0 million.

In addition, owners' mortgages representing a value of DKK 90.8 million registered on properties are held by the Group.

Guarantee obligations:

The Group has provided guarantees totalling DKK 406.1 million.

Lease obligations etc:

The Group has entered into lease obligations etc totalling DKK 960.1 million in respect of plant and machinery, equipment, properties and software, and IT services. Of this amount, DKK11.2 million falls due within 1 year. After 5 years, the total future lease obligations will aggregate DKK 120.5 million.

Product liability and other disputes:

As mentioned in Management's Review, lawsuits have been filed against the Group.

In Management's opinion, the plaintiffs will not succeed in their claims.

13. Financial instruments

Primary financial instruments

<u>Financial instrument</u>	<u>DKK million at 30 June 2008</u>	<u>Cash flow</u>	<u>Terms and conditions</u>
Trade receivables	3,741.2	The credit period varies from one market to another from 0 days up to 130 days.	Interest-free. Receivables are partly covered through guarantees. The excise parts of the receivables are preferential claims in Denmark.
Other receivables	323.8	Credit period up to 12 months.	Interest-free
Securities	0.6	The portfolio consist of unquoted shares in Dagrofa	The effective interest rate is 3,9%
Cash at bank and in hand	2,300.5	Average maturity at 30 June 2008 is very short because all amounts are placed on open accounts.	The average interest on the balances is 3.95% at 30 June 2008. The major part of cash in hand is placed in EUR and DKK. The interest 30 June 2008 on EUR was 3.95% and interst on DKK was 4.2%
Mortgage debt	235.9	Average term to maturity of some 4.5 years.	The average interest on mortgage debt is 4.1% at 30 June 2008. The main part of the debt has a floating interest rate. There has been entered a floating to fixed swap for a half of the debts nominal amount (DKK 127 million.)
Bank debt	2,082.4	Bank debt comprises primarily drawing on overdraft facilities. Minor parts of the debt are bullet loans. The average maturity is 0.3 years.	The average interest on bank debt is 5.65%. The bank debt is denominated in PLN, LVL and DKK.

13. Financial instruments continued

Derivative financial instruments

DKK million	Contract amount stated at exercise price	Gain/loss on adjustment to market value 30 June 2008	Included in income statement for 2007/08	Included in equity at 30 June 2008	Maturity
Forward contracts:					
EUR/GBP (Sale GBP)	29.5	1.3		1.3	15/08/2008
EUR/CAD (Sale CAD)	48.2	6.0		6.0	15/08/2008
EUR/CAD (Sale CAD)	3.4	0.4		0.4	26/08/2008
EUR/USD (Purchase USD)	57.3	-5.1		-5.1	29/08/2008
EUR/GBP (Sale GBP)	59.2	2.8		2.8	15/01/2008
	197.6	5.4		5.4	
Currency swaps					
USD/DKK (Purchase USD)	62.9	-1.4	-1.4		16/07/2008
USD/DKK (Sale USD)	23.8	0.1	0.1		16/07/2008
EUR/DKK (Sale EUR)	1,268.2	0.4	0.4		10/10/2008
	1,354.9	-0.9	-0.9		
Interest rate swaps					
3-month Cibur DKK (receiver) / 5-year fixed DKK (payer)	200.0	9.8		0.0	05/12/2011
	200.0	9.8		0.0	
Currency options					
GBP/EUR (Sale GBP)	90.1	-		-	01/08/2008
GBP/EUR (Sale GBP)	88.9	4.3		4.3	01/08/2008
	179.1	4.3		4.3	

14. Related-party transactions

Related parties comprise companies of the Skandinavisk Holding Group, British American Tobacco (BAT) through Precis (1789) B.V. and ST Management.

During the year, transactions with BAT have been carried out on an arm's-length basis as follows:

Purchase of tobacco products for some DKK 221 million and sale of tobacco products for some DKK 217 million. Purchase of cigar product activities for some DKK 1.215 million.

Apart from the above, there have been no material transactions, except for normal management remuneration, with ST Management or other related parties during the year.

15. Cash flows from acquisitions

<u>(DKK million)</u>	<u>2007/08</u>	<u>2006/07</u>
Goodwill on consolidation	356.7	195.7
Property, plant and equipment	119.6	28.6
Intangible assets	679.9	245.5
Inventories	117.7	78.9
Receivables	12.4	34.8
Cash at bank and in hand and bank debt	-57.9	-0.7
Deferred tax	-4.3	-101.6
Trade payables and other payables, etc	-9.1	-139.7
<u>Total cash flow</u>	<u>1,215.0</u>	<u>341.5</u>

16. Fee to auditors appointed at the General Meeting

<u>(DKK million)</u>	<u>2007/08</u>	<u>2006/07</u>
Audit fee to PricewaterhouseCoopers	8.3	8.1
Audit fee to others	1.4	1.3
Non-audit services	5.7	2.9
<u>Total fee</u>	<u>15.4</u>	<u>12.3</u>

Parent Company Income Statement
1 July 2007 – 30 June 2008

(DKK million)	<u>Note</u>	<u>2007/08</u>	<u>2006/07</u>
Share of profit before tax of group enterprises and associates	1	2,114.1	2,175.1
Other operating income		<u>161.1</u>	<u>144.0</u>
Total income		2,275.2	2,319.1
Other external charges		78.2	49.2
Staff expenses	2	105.1	96.9
Depreciation and amortisation	4	<u>1.9</u>	<u>2.4</u>
Profit before financial income and expenses		2,090.0	2,170.6
Financial income and expenses:	3		
Financial income		331.9	177.7
Financial expenses		<u>252.0</u>	<u>141.0</u>
		79.9	36.7
Profit before tax		2,169.9	2,207.3
Tax on the profit for the year		<u>549.7</u>	<u>591.4</u>
Profit for the year		<u>1,620.2</u>	<u>1,615.9</u>
which the Supervisory Board proposes to distribute as follows:			
Reserve for net revaluation under the equity method		-880.9	36.7
Aconto dividend to shareholders (excluding treasury shares)		1,285.0	1,488.8
Other reserves		<u>1,216.1</u>	<u>90.4</u>
		<u>1,620.2</u>	<u>1,615.9</u>

**Parent Company Balance Sheet
30 June 2008**

ASSETS

(DKK million)	<u>Note</u>	<u>30/6 2008</u>	<u>30/6 2007</u>
Goodwill		21.3	22.7
Intangible assets	4	<u>21.3</u>	<u>22.7</u>
Furniture and fixtures		0.8	1.8
Property, plant and equipment	4	<u>0.8</u>	<u>1.8</u>
Investments in group enterprises		3,090.3	4,134.2
Investments in associates		386.3	356.3
Receivables from group enterprises		200.0	200.0
Fixed asset investments	5	<u>3,676.6</u>	<u>4,690.5</u>
Total fixed assets		<u>3,698.7</u>	<u>4,715.0</u>
Receivables from group enterprises		2,744.4	717.6
Receivables from associates		210.4	267.6
Other receivables		23.6	22.0
Deferred tax asset		22.2	8.2
Receivables		<u>3,000.6</u>	<u>1,015.4</u>
Securities	6	<u>-</u>	<u>392.5</u>
Cash at bank and in hand		<u>1,683.6</u>	<u>1,474.8</u>
Total current assets		<u>4,684.2</u>	<u>2,882.7</u>
Total assets		<u>8,382.9</u>	<u>7,597.7</u>

Parent Company Balance Sheet
30 June 2008

LIABILITIES AND EQUITY

(DKK million)	<u>Note</u>	<u>30/6 2008</u>	<u>30/6 2007</u>
Share capital	7	375.7	375.7
Reserve for net revaluation under the equity method		78.7	1,013.3
Other reserves		3,568.2	2,356.1
Proposed dividend		-	1,488.8
Total equity		<u>4,022.6</u>	<u>5,233.9</u>
Provisions for pensions and similar obligations		23.8	20.2
Total provisions	8	<u>23.8</u>	<u>20.2</u>
Bankdebt		1,951.2	-
Payables to group enterprises		1,015.4	2,285.6
Payables to associates		24.5	15.9
Other payables		60.4	42.1
Deferred income		1,285.0	-
Short-term debt		<u>4,336.5</u>	<u>2,343.6</u>
Total liabilities and equity		<u>8,382.9</u>	<u>7,597.7</u>
Contingent liabilities	9		
Fee to auditors appointed at the General Meeting	10		

Parent Company Statement of Changes in Equity

2007/08 (DKK million)	Share capital	Reserve for net revaluation	Other reserves	Proposed dividend
Balance at 1 July 2007	375.7	1,013.3	2,356.1	1,488.8
Dividend paid re 2006/07				-1,488.8
Exchange adjustment		-38.8		
Acquisition of own shares			1.3	
Fair value adjustment of financial instruments		-14.9	-5.3	
Non-distributed profit		-880.9	1,216.1	
Balance at 30 June 2008	375.7	78.7	3,568.2	-

2006/07 (DKK million)	Share capital	Reserve for net revaluation	Other reserves	Proposed dividend
Balance at 1 July 2006	375.7	980.2	2,259.6	1,488.1
Dividend paid re 2005/06				-1,488.1
Dividend proposed re 2006/07				1,488.8
Exchange adjustment		-5.3		
Acquisition of own shares			-0.1	
Fair value adjustment of financial instruments		1.7	6.2	
Non-distributed profit		36.7	90.4	
Balance at 30 June 2007	375.7	1,013.3	2,356.1	1,488.8

Notes to Parent Company Financial Statements

1. Share of profit before tax of group enterprises and associates

(DKK million)	Group enterprises		Associates		Total	
	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
Dividend for the year	1,115.3	1,430.0	151.6	14.7	1,266.9	1,444.7
Share of profit before tax, after deduction of dividend	949.1	658.5	-101.9	71.9	847.2	730.4
	2,064.4	2,088.5	49.7	86.6	2,114.1	2,175.1

2. Staff expenses

(DKK million)	2007/08	2006/07
Salaries	98.7	92.9
Pensions	6.4	4.2
Other social security costs	-	-0.2
Total staff expenses	105.1	96.9

The following salaries and fees, etc were paid to the Supervisory and Executive Boards:

(DKK million)	2007/08	2006/07
Supervisory Board	3.8	3.9
Executive Board	23.7	45.8

The average number of employees during the year was 93 compared to 92 last year.

3. Financial income and expenses

Financial income and expenses include interest income of DKK 151.8 million and interest expenses of DKK 107.8 million relating to group enterprises and associates.

4. Intangible assets and property, plant and equipment

(DKK million)	Goodwill	Furniture and fixtures
Cost at 1 July 2007	29.3	6.6
Disposals		1.7
Cost at 30 June 2008	29.3	4.9
Depreciation, amortisation and impairment losses at 1 July 2007	6.6	4.8
Depreciation, amortisation and impairment losses on disposals for the year		1.2
Depreciation, amortisation and impairment losses for the year	1.4	0.5
Depreciation, amortisation and impairment losses at 30 June 2008	8.0	4.1
Balance at 30 June 2008	21.3	0.8

5. Fixed asset investments

(DKK million)	Investments in group enterprises	Investments in associates	Receivables from group enterprises
Cost at 1 July 2007	4,468.6	331.9	200.0
Disposals	96.7		
Cost at 30 June 2008	4,371.9	331.9	200.0
Revaluation and impairment losses at 1 July 2007	-301.4	24.4	-200.0
Profit after tax for the year	1,521.8	37.9	
Dividend	2,428.4	13.4	
Other adjustments	-41.9	5.5	200.0
Revaluation and impairment losses at 30 June 2008	-1,249.9	54.4	
-less unrealised intercompany profit	-31.7	-	-
Balance at 30 June 2008	3,090.3	386.3	200.0

5. Fixed asset investments continued

Group enterprises:

	Place of reg. office	Share capital million	Owner- ship
House of Prince A/S	Gladsaxe	DKK 201,0	100%
J.L. Tiedemanns Tobaksfabrik AS	Oslo	NOK 100,0	100%
ST Cigar Group Holding B.V.	Eersel	EUR 14,0	100%
Dagrofa a/s	Brøndby	DKK 100,0	55%
Fiedler & Lundgren AB*	Malmø	SEK 5,0	75%
F&L 1 ApS*	Gladsaxe	DKK 0,1	75%
F&L P/S*	Gladsaxe	DKK 0,5	75%
ST Sales A/S	Gladsaxe	DKK 1,0	100%

* The share capital of Fiedler & Lundgren AB, F&L 1 ApS and F&L P/S is held by Skandinavisk Tobakskompagni A/S and Orlik Tobacco Company A/S at 50% each.

Associates:

	Place of reg. office	Share capital million	Owner- ship
Orlik Tobacco Company A/S	Assens	DKK 100,0	50%
Tivoli A/S	Copenhagen	DKK 57,2	32%

6. Securities

(DKK million)	2007/08	2006/07
Bonds	-	392.5
Total securitites	-	392.5

7. Share capital

The share capital of the Parent Company is divided into two series.

Series I comprises the shares subscribed for by the employees in 1978/79, 1981/82 and 1985/86 amounting to a nominal value of DKK 9,990,000 including bonus shares and employee shares issued as bonus shares in 1989/90 and 1990/91 amounting to a nominal value of DKK 1,059,160.

Series II consists of shares worth DKK 364.6 million owned by Skandinavisk Holding A/S, Gladsaxe, Precis (1789) B.V., Amsterdam.

Series I shares carry special rights as defined in the Company's Articles of Association.

	(DKK million)
Series I shares:	
1,104,916 shares of DKK 10 each	11.1
Series II shares:	
1 share of DKK 50,000k	
1 share of DKK 100,000k	
1 share of DKK 150,000k	
1 share of DKK 43,076k	
1 share of DKK 21,538k	364.6
Total share capital	375.7

Share capital has not changed in the last 5 years.

Treasury shares:	Number	Nominal value DKK	% of share capital
Portfolio at 1 July 2007	346,539	3,465,390	0.92
Acquired in 2007/08	-1,949	-19,490	0.00
Allocated to employees in connection with profit sharing scheme for 2006/07	-11,297	-112,970	-0.03
Portfolio at 30 June 2008	333,293	3,332,930	0.89

The portfolio of treasury shares is recognised without any value.

8. Provisions for pensions and similar obligations

<u>(DKK million)</u>	<u>2007/08</u>	<u>2006/07</u>
Net pension obligation at 1 July 2005	20.2	39.4
Charge-back	-	-5.5
Expensed during the year	3.8	4.1
Utilised during the year	-0.2	-17.8
<u>Total provisions for pensions and similar obligations</u>	<u>23.8</u>	<u>20.2</u>

9. Contingent liabilities

Security for debt:

None.

Guarantee obligations

None.

Lease obligations

The Company has entered into lease obligations etc totalling DKK 33.2 million. Of this amount, DKK 11.2 million falls due within one year.

Liability:

A number of group companies operate under the same VAT registration number.

The jointly taxed companies are jointly and severally liable for income tax relating to the income years up until 2004/05 when the companies were jointly taxed.

Derivative financial instruments:

Please refer to note 13 to the Consolidated Financial Statements.

Product liability and other disputes:

As mentioned in Management's Review, lawsuits have been filed against the Group. In Management's opinion, the plaintiffs will not succeed in their claims.

Related parties:

Related parties comprise companies of the Skandinavisk Holding Group and ST Management.

There have been no material transactions, except for normal management remuneration, with ST Management or other related parties during the year.

10. Fee to auditors appointed at the General Meeting

<u>(DKK million)</u>	<u>2007/08</u>	<u>2006/07</u>
Audit fee to PricewaterhouseCoopers	0.5	0.5
Non-audit services	3.2	-
<u>Total fees</u>	<u>3.7</u>	<u>0.5</u>

List of Group Companies

SKANDINAVISK TOBAKSKOMPAGNI A/S

HOUSE OF PRINCE A/S *)

- House of Prince AB
- Scandinavian Tobacco S.A. (75.5%)
- Scandinavian Tobacco SIA
- Scandinavian Tobacco Eesti AS
- UAB House of Prince Lietuva
- Scandinavian Tobacco s.r.o.
- Scandinavian Tobacco Company Hellas Proionta Kapnou S.A.
- Scandinavian Tobacco Hungary Kft.
- House of Prince Poland Holding ApS
 - Scandinavian Tobacco S.A. (24.5%)

Gladsaxe, Denmark

Stockholm, Sweden
Jawornik, Poland
Riga, Latvia
Tallinn, Estonia
Vilnius, Lithuania
Prag, Czech Republic

Athens, Greece
Budapest, Hungary
Søborg, Denmark
Jawornik, Poland

J.L. TIEDEMANN'S TOBAKSFABRIK AS *)

ST CIGAR GROUP HOLDING B.V.

- Henri Wintermans Cigars B.V.
- Henri Wintermans Cigars Services B.V.
- Henri Wintermans Cigars Benelux N.V.
- Nobel Cigars ApS
 - Nobel Cigars Production ApS
 - PT United Tobacco Processing Indonesia
- Henri Wintermans Cigars Belgium N.V.
- Henri Wintermans Cigars Dominicana S.A.
- Henri Wintermans Cigars France S.A.S.
- Henri Wintermans Cigars UK Ltd.
- Old Port Canada Holding Ltd.
 - The Old Port and Colts Cigar Company Ltd.
- Henri Wintermans Cigars USA Inc..
 - CAO International Inc.

Oslo, Norway

Eersel, Holland

Eersel, Holland
Eersel, Holland
Geel, Belgium
Århus, Denmark
Århus, Denmark
Surabaya, Indonesia
Geel, Belgium
Moca, Dom. Republic
Bracieux, France
Elstree, UK
Montreal, Canada
Montreal, Canada
Nashville, USA
Nashville, USA

ORLIK TOBACCO COMPANY A/S (50%)

- Peter Stokkebye Tobaksfabrik A/S
 - Peter Stokkebye International Ltd.
- Fiedler & Lundgren AB (50%)
- F&L 1 ApS (50%)
- F&L P/S (50%)
- Orlik Nobel A/S (50%)

Assens, Denmark

Assens, Denmark
Charlotte, USA
Malmö, Sweden
Gladsaxe, Denmark
Gladsaxe, Denmark
Vallensbæk, Denmark

FIEDLER & LUNDGREN AB (50%) *)

Malmö, Sweden

F&L 1 ApS (50%) *)
F&L P/S (50%) *)

Gladsaxe, Denmark
Gladsaxe, Denmark

DAGROFA a/s (55%)

- SuperGros a/s (53%)
- FoodService Danmark A/S
 - Dagrofa Bornholm A/S (51%)
 - Catering Engros A/S (51%)
 - HKI Catering ApS (60%)
 - Inco Food A/S
 - Madsen Kød ApS (55%)
 - KK Engros I/S (38%)
- ISO Supermarked A/S
- Dreisler Storkøb A/S
- Pisiffik A/S (62%)
 - KK Engros I/S (62%)
- KIWI Danmark A/S (60%)
- Dagrofa Superbest a/s
- Det Danske Madhus Holding A/S (50%)

ST SALES A/S

- Nordisk Tobaks Kompagni A/S
 - Stanwell A/S
 - Orlik Nobel A/S (50%)
- Stanwell Nobel Vertriebs-GmbH

TIVOLI A/S (32%)

- Tivoli International A/S
- Eatertainment A/S

Brøndby, Denmark

Vejle, Denmark
Hvidovre, Denmark
Bornholm, Denmark
Varde, Denmark
Brøndby, Denmark
Middelfart, Denmark
Slagelse, Denmark
Nuuk, Greenland
Brøndby, Denmark
Aalborg, Denmark
Sisimiut, Greenland
Nuuk, Greenland
Vejle, Denmark
Odense, Denmark
Thisted, Denmark

Gladsaxe, Denmark

Vallensbæk, Denmark
Køge, Denmark
Vallensbæk, Denmark
Bremen, Germany

Copenhagen, Denmark

Copenhagen, Denmark
Copenhagen, Denmark

Where no percentage ownership is indicated, the company is wholly owned.

*) With effect from 1 July 2008 ST has sold the businesses HoP, JLT and F&L.