



## Company Announcement

No. 12/2024

Copenhagen, 5 March 2024

# Full-year report, 1 January - 31 December 2023

## Scandinavian Tobacco Group Reports Full Year 2023 Results and Proposes DKK 8.4 in Dividend Per Share

For the full year of 2023, Scandinavian Tobacco Group A/S (“the Group” or “Scandinavian Tobacco Group”) delivered net sales of DKK 8.7 billion, an EBITDA margin of 24.1%, a free cash flow before acquisitions of DKK 1.1 billion and an adjusted EPS of DKK 14.4. The financial results were in line with expectations for the year.

For the fourth quarter of 2023, net sales were DKK 2.3 billion with an EBITDA margin before special items at 22.7%. Organic growth of 5% for net sales was driven by the Group’s Growth Enablers, which in the fourth quarter accounted for close to 10% of Group net sales, as well as an improved performance in the machine-rolled cigar business in Europe. The EBITDA margin was as expected, impacted by increased investments.

For the full year of 2024, net sales and EBITDA margin before special items are expected in the range of DKK 8.8-9.1 billion and 22-24%, respectively with free cash flow before acquisition expected in the range of DKK 0.8-1.0 billion reflecting that, we will actively pursue the multiple opportunities of expansion by further increasing our investments to deliver long term sustainable net sales and profit growth.

### Q4 Highlights

- Net sales of DKK 2,275 million (DKK 2,185 million) with 5% organic growth.
- EBITDA before special items was DKK 517 million (DKK 563 million) with an EBITDA margin of 22.7% (25.8%).
- Adjusted Earnings Per Share (EPS) were DKK 3.6 (DKK 4.4).
- Free cash flow before acquisitions was DKK 452 million (DKK 530 million).
- Return on Invested Capital (ROIC) was 11.4% (14.3%).
- For the full year of 2023, organic net sales growth was 0.3% with net sales at DKK 8,731 million (DKK 8,762 million), and the EBITDA margin was 24.1% (25.9%) with free cash flow before acquisitions at DKK 1,053 million (DKK 1,264 million).

CEO Niels Frederiksen: “ *Despite a challenging consumer environment STG delivered solid results for 2023 due to the commitment and performance of our employees across the globe. We continued to execute well on our strategy with two acquisitions, and I am particularly happy to see the progress in our Growth Enablers, where we saw healthy growth in international handmade cigars, retail expansion and Next Generation Products. As we move into 2024, we are increasing our investments in the Growth Enablers and we expect 2024 to be a year of growth for STG.*”

## Capital Allocation

At the Annual General Meeting on 4 April 2024, the Board of Directors will propose an increase in the ordinary dividend of 2% to DKK 8.40 per share complementing the up to DKK 850 million share buy-back programme, which was launched in November 2023.

## Financial Guidance 2024

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 to 2023 with the highest growth in Europe Branded 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 are 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 before acquisitions is expected in the range of DKK 0.8-1.0 billion and will be impacted by up to DKK 300 million in special investments.

- 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 DKK 0.8-1.0 billion
- Adjusted EPS in the range of DKK 12.5-14.5

**The Annual Report for 2023 is available for download at: [investor.st-group.com](https://investor.st-group.com).**

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A conference call will be held on 6 March 2024 at 10.00 CEST. Dial-in information and an accompanying presentation will be available at [investor.st-group.com/investor](https://investor.st-group.com/investor) around 09:00 CEST.

# Key Figures

DKK million	Q4 2023	Q4 2022	FY2023	FY2022
<b>INCOME STATEMENT</b>				
Net sales	2,275	2,185	8,731	8,762
Gross profit before special items	1,089	1,042	4,204	4,307
EBITDA before special items	517	563	2,106	2,270
Special items	-35	103	-92	35
EBIT	385	579	1,638	1,953
Net financial items <sup>1</sup>	-79	-47	-177	-137
Profit before tax	311	541	1,491	1,856
Income taxes	-43	-84	-308	-380
Net profit	268	457	1,182	1,476
<b>BALANCE SHEET</b>				
Total assets			15,853	15,122
Equity			9,434	9,342
Net interest-bearing debt (NIBD)			4,057	3,629
Investment in property, plant and equipment	57	86	199	264
Total capital expenditures	88	111	308	390
<b>CASH FLOW STATEMENT</b>				
Cash flow from operating activities	534	393	1,347	1,393
Cash flow from investing activities	-81	137	-875	-132
Free cash flow	452	530	472	1,261
Free cash flow before acquisitions	452	530	1,053	1,264
<b>KEY RATIOS<sup>2</sup></b>				
Net sales growth	4.1%	8.6%	-0.4%	6.4%
Gross margin before special items	47.9%	47.7%	48.2%	49.2%
EBITDA margin before special items	22.7%	25.8%	24.1%	25.9%
Effective tax percentage	13.8%	15.6%	20.7%	20.5%
Equity ratio			59.5%	61.8%
Cash conversion	147.5%	115.3%	103.0%	87.2%
Organic net sales growth	5.0%	1.7%	0.3%	-0.8%
Organic EBITDA growth	-5.7%	13.3%	-5.0%	-3.5%
NIBD / EBITDA before special items			1.9	1.6
ROIC			11.4%	14.3%
ROIC ex. Goodwill			18.1%	23.6%
Adjusted earnings per share (DKK)	3.6	4.4	14.4	16.0
Basic earnings per share (DKK)	3.1	5.2	13.7	16.3
Diluted earnings per share (DKK)	3.1	5.2	13.6	16.2
Number of shares issued ('000)			87,000	93,000
Number of treasury shares ('000)			1,105	5,751
Number of outstanding shares ('000) <sup>3</sup>			86,668	90,851
Share price at balance date (DKK)			117.30	122.10
Dividend per share (DKK)			8.40	8.25
Pay-out ratio			61.8%	52.0%

1. Excl. share of profit of associated companies.

2. See definition/explanation of financial ratios in note 5.8 in the Annual Report 2023.

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

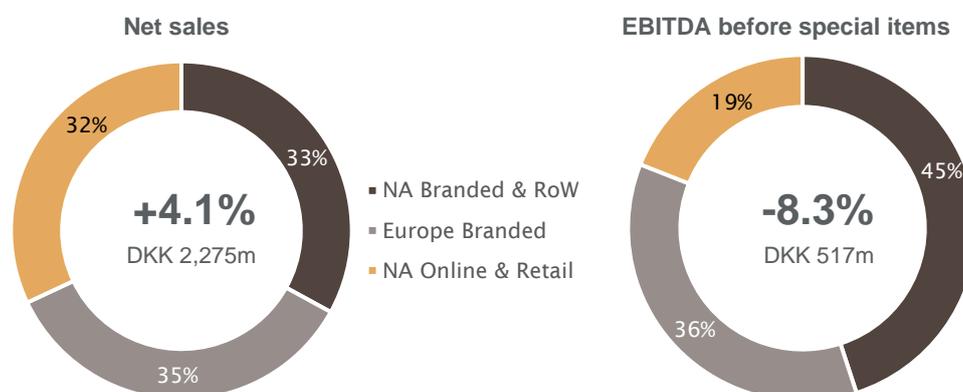
## Business overview Q4 2023

In the fourth quarter of 2023 the Group delivered, as expected, a lower EBITDA margin compared with the same quarter in 2022 on the back of an increase in net sales. Reported net sales increased by 4% to DKK 2,275 million with an organic net sales increase of 5%. Exchange rates developments impacted net sales negatively by more than 3%, whilst the acquisitions of the Alec Bradley and XQS brands impacted net sales positively by more than 2% (see *table 1*). The Group's performance was driven by positive organic net sales growth in the North America Online & Retail and Europe Branded divisions, whereas organic growth was negative in the North America Branded & Rest of World division. The consumption of handmade cigars in the US has still not stabilised following the exceptional growth during the pandemic, whereas the performance for machine-rolled cigars improved during the quarter.

EBITDA before special items was DKK 517 million (DKK 563 million) with 6% negative organic growth resulting in an EBITDA margin before special items of 22.7% (25.8%). The EBITDA margin decreased compared with the same quarter last year as indicated after the third quarter results, as result of increased investments in the Group's Growth Enablers, increased investments to help regain momentum in the machine-rolled cigar business in Europe and general cost inflation. Special items were DKK 35 million relating to OneProcess (the Group's ERP implementation programme). Net profit was DKK 268 million (DKK 457 million) with Adjusted Earnings Per Share at DKK 3.6 (DKK 4.4).

The Group's free cash flow before acquisitions was DKK 452 million (DKK 530 million) driven by the operational performance and a stronger positive impact from working capital compared with the fourth quarter of 2022. The cash flow was positively impacted by proceeds from the sale of properties in 2022. The Group's leverage ratio was 1.9 times versus 2.1 times by the end of the third quarter 2023.

### Divisional split Q4 2023



### Group net sales and EBITDA Q4 2023

Table 1: Net sales

	Q4	Q4	Change
DKK million	2023	2022	in %
Net sales	2,275	2,185	4.1%
Acquisitions		52	
Currency development	75		
<b>Organic net sales</b>	<b>2,350</b>	<b>2,237</b>	<b>5.0%</b>

Table 2: EBITDA before special items

	Q4	Q4	Change
DKK million	2023	2022	in %
EBITDA	517	563	-8.3%
Acquisitions		11	
Currency development	25		
<b>Organic EBITDA</b>	<b>542</b>	<b>575</b>	<b>-5.7%</b>

# Rolling Towards 2025

The Group's ambition to grow the size of the business through a combination of acquisitions, geographic expansion and development within Next Generation Products ("NGPs") remains on track and contributed to the Group's financial performance in the fourth quarter and the full year.

## Mergers and acquisitions

In March 2023, the Group completed the acquisition of the Alec Bradley cigar business, and in May 2023, the Group completed the acquisition of XQS International ABs NGP business. The integration of both businesses has been completed. Alec Bradley is impacted by the overall volume development for handmade cigars in the US. XQS has delivered good growth during the fourth quarter as result of more points of sales and launches of new product variants.

## Growth Enablers

The Growth Enablers comprise of international sales of handmade cigars (outside of the US), retail stores and NGPs (including distribution of third-party products).

Cigars International opened two new retail cigar Superstores in 2023, both located in Texas, bringing the total number of Superstores in the US to nine. The retail stores are delivering valuable contributions to the Group's financial performance and with additional openings expected in 2024, the retail stores have become an important part of the Group's net sales and growth.

We continue to explore opportunities outside our core categories. In addition to the acquisition of the XQS brand, the Group has to date launched other products within the NGP category like STRÖM (a non-tobacco, nicotine pouch product), launched in Sweden in 2022 and Iact (a non-tobacco, non-nicotine pouch product), launched in Denmark in 2023. A roll-out to additional markets for each of the brands within the NGP portfolio is planned.

International sales of handmade cigars continue to deliver double-digit growth. The expansion of the handmade cigar business outside the US remains a high priority and further expansion of consumer touchpoints will contribute to this growth.

Net sales from the Growth Enablers accounted for close to 10% of Group net sales in the fourth quarter of 2023 compared with 5% in the fourth quarter 2022 and 8% in the third quarter of 2023.

## Sustainability

The Group's sustainability agenda – Rolling Responsibly – is based on three priorities:

1. Preparation to meet regulatory compliance demands set forth by the Corporate Sustainability Reporting Directive ("CSRD")
2. Reaching our commitments on climate
3. Embedding sustainability into key business processes

The CSRD's European Sustainability Reporting Standards ("ESRS") are now final, and dictate that the Double Materiality Assessment ("DMA") is to define the Group's reporting requirements. The Group has finalised the DMA and plan to implement the quantitative and qualitative aspects into material topic workstreams in 2024. The Group has conducted data gathering processes and has initiated the process of delivering a fully integrated Annual Report to meet the regulatory requirement demands in 2024.

The Group reduced its scope 1 and scope 2 emissions by 4.3% in 2023 and since the baseline was set in 2020, the reduction equals 22.9%. During 2023, the baseline for our scope 3 emissions has

been calculated and we intend to submit our targets for scope 3 emissions to Science Based Targets initiative "SBTi" for approval in 2024. The educational roll-out to relevant business partners is planned for the first half of 2024, which is also when the Group will file the plan for SBTi.

During the fourth quarter and throughout 2023, the sustainability team continued to work across the global organisation to embed sustainability considerations and initiatives into key business processes. This initiative will continue to ensure progress is being made across the business.

The Rolling Responsibility actions and initiatives implemented support the Group's vision to be the undisputed and sustainable global leader in cigars.

### **Update on financial key metrics**

In the fourth quarter of 2023, the **EBITDA margin** decreased to 22.7% (25.8%). The gross margin increased to 47.9% (47.7%). The OPEX ratio was to 25.7% (21.9%).

The 12 months rolling **Return on Invested Capital (ROIC)** decreased to 11.4% versus 14.3% by the end of 2022 driven by the development in EBIT (12 months rolling) and an increase in invested capital of DKK 0.6 billion to DKK 14.3 billion compared to 31 December 2022.

### **Capital Allocation**

During the fourth quarter of 2023, the Company bought back 0.72 million shares at a market value of DKK 85 million.

During the full year of 2023 the Company bought back 1.53 million shares at a market value of DKK 181 million under the up to DKK 850 million programme that was initiated in November 2023 and the up to DKK 1,000 million programme that was initiated in 2022 and closed at the end of February 2023. Including the payment of ordinary dividends in April 2023, the total capital allocation for the year was DKK 896 million.

# 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 “NGP”) 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 organizational structure to create an even stronger fit with our markets and consumers as we continue to strive to optimize our cost structure and prioritize 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.

## 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.

### **Events after the reporting period**

There are no other events than those mentioned in the above that have occurred after 31 December 2023 and that are expected to have material impact on the financial position of the Group.

### **Forward-looking statements**

This report contains forward-looking statements. Such statements are subject to risk and uncertainties as various factors, many of which are beyond Scandinavian Tobacco Group's control, may cause actual developments and results to differ materially from the expectations set out in this report.

## Divisional update

### Europe Branded

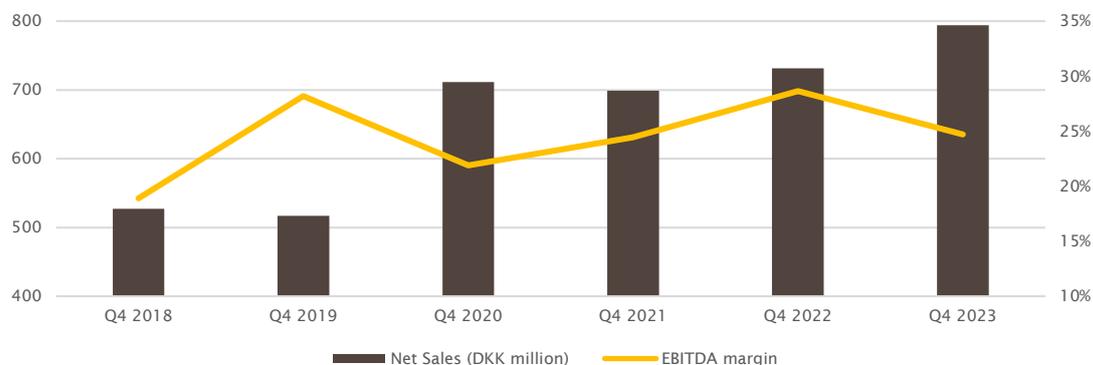
During the fourth quarter of 2023 net sales increased by 9% compared to the fourth quarter of 2022 and the EBITDA margin decreased to 24.7%. All product categories delivered organic net sales growth with pricing being a key driver across all categories. New products delivered the strongest organic net sales growth.

For machine-rolled cigars, the total market decline was about 2% compared with a decline of 3% for the full year. Despite the lower decline rate in the fourth quarter, the trend in the consumer demand for machine-rolled cigars in Europe is perceived as unchanged with the biggest decline rates being in some of our largest markets, like France, Belgium and the UK.

According to preliminary data, the market share index for the key markets in machine-rolled cigars was 29.8% for the fourth quarter 2023 versus 29.3% for the third quarter of 2023. For the full year 2023, the market share index was 29.9% compared with 31.0% for 2022. The decline in our market share for the full year is primarily result of the performance in France, the UK, the Netherlands and Belgium, whereas our positions in Germany, Spain and Italy are stable.

#### Fourth Quarter Development, 2018-2023

Net sales and EBITDA margin b.s.i.



Net sales increased by 9% to DKK 794 million during the quarter driven by a 7% organic growth in net sales. The impact from acquisitions was about 2%. The organic growth was result of strong performance in NGPs (driven by XQS); smoking tobacco (driven by BREAK, our fine-cut brand in Germany) and handmade cigars, with all product categories delivering growth in the quarter. In machine-rolled cigars pricing more than offset a 6% volume decline.

EBITDA before special items decreased to DKK 196 million (DKK 209 million) with an EBITDA margin before special items of 24.7% (28.6%). The margin development was driven by significantly higher OPEX ratio, which was impacted by cost inflation and increasing expenses to support net sales growth both within our core categories and within NGPs. The gross margin improved as result of mix changes and price increases.

#### Full year 2023

Net sales for the full year of 2023 increased by 3% to DKK 2,863 million with an organic growth of 2%. Gross profit before special items decreased by 2% to DKK 1,474 million and the gross margin was 51.5% (54.2%). EBITDA before special items decreased by 12% to DKK 683 million with an EBITDA margin of 23.8% (27.7%).

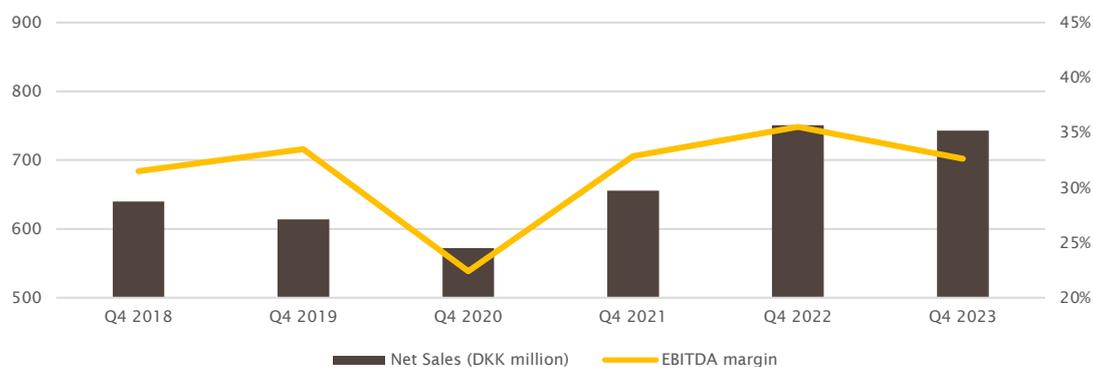
## North America Branded & RoW

During the fourth quarter of 2023, net sales decreased by 1% compared to the fourth quarter of 2022 and the EBITDA margin decreased to 32.6%. The fourth quarter of 2023 continued to be impacted by lower contract manufacturing volumes as well as lower volumes of handmade cigars in the US. These developments were partly offset by solid pricing across product categories and the inclusion of the Alec Bradley brand to the handmade cigar portfolio. Consumer demand for cigars has still not stabilised since the strong growth during the pandemic and is estimated to have declined by a mid-single digit percentage throughout 2023.

In 2023, the strategic ambition to grow our handmade cigars business continued with the acquisition of the Alec Bradley brand, the launch of the “Cohiba Experience” by opening an exclusive Cohiba Cigar Lounge in partnership with Ritz-Carlton in California and the continued expansion of the sales of handmade cigars in international markets.

### Fourth Quarter Development, 2018-2023

Net sales and EBITDA margin b.s.i.



During the fourth quarter, net sales decreased by 1% to DKK 743 million as result of a 1% decrease in organic net sales. Inorganic growth was close to zero, composed by a positive impact from acquisitions by 5% and negative impact from exchange rate developments by 5%. Volumes of handmade cigars in the US continued to decline faster than the structural decline rate across distribution channels. The unrest in the Middle East has impacted the Global Travel Retail sale of our largest fine-cut tobacco brand in Israel, Bali. All product categories delivered solid price/mix impact.

EBITDA before special items decreased to DKK 242 million (DKK 267 million) with an EBITDA margin before special items of 32.6% (35.5%). The development in the profitability was result of an increase in the OPEX ratio driven mostly by cost inflation. The gross margin was unchanged compared with the fourth quarter of 2022.

### Full year 2023

Net sales for the full year of 2023 decreased by 5% to DKK 3,044 million and organic growth was negative by 5%. Gross profit before special items decreased by 5% to DKK 1,606 million and the gross margin was 52.8% (53.2%). EBITDA before special items decreased by 10% to DKK 1,104 million with an EBITDA margin of 36.3% (38.4%).

## North America Online & Retail

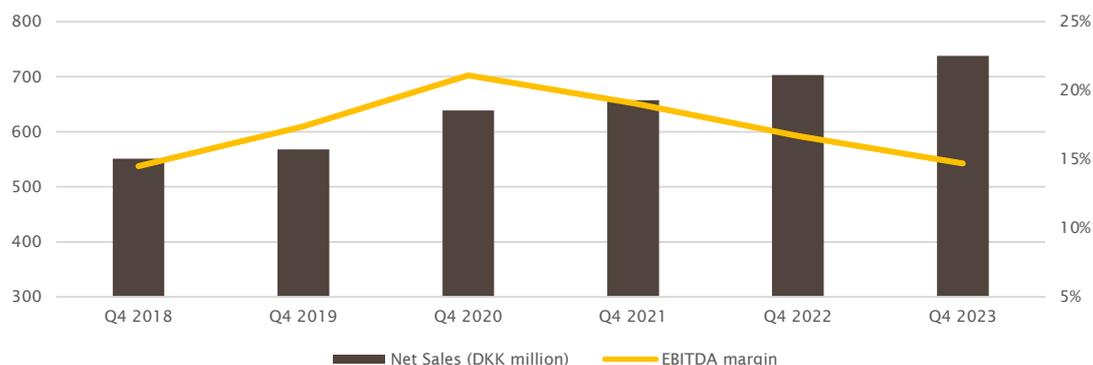
During the fourth quarter of 2023, net sales increased by 5% compared to the fourth quarter of 2022 and the EBITDA margin decreased to 14.7% compared to a strong quarter the year before.

Organic net sales growth was close to 10% driven by positive momentum in the online business and double-digit growth in the retail business. Both the expansion of the retail network, with the opening of two Superstores in Conroe and Katy, Texas as well as the existing Superstores contributed to the net sales performance. With the openings during 2023, the total number of Superstores is now nine, with Retail accounting for about 9% of total net sales in NAOR during 2023.

In October 2023, NAOR acquired La Perla Habana, a highly regarded niche cigar brand, which will be sold via the online channel, Cigars International. Other important milestones during 2023 included the distribution expansion of a third-party nicotine pouch brand utilising our strong distribution capabilities and the continuation of our partnership with a larger spirits company.

### Fourth Quarter Development, 2018-2023

Net sales and EBITDA margin b.s.i.



Net sales increased by 5% to DKK 738 million during the quarter with a 10% organic net sales growth. Exchange rate developments impacted net sales negatively by more than 5%. Both Online and Retail delivered positive organic net sales growth in the quarter.

Retail delivered double-digit growth in net sales driven by the opening of new stores. The active customer base in Online slightly increased throughout 2023, although it continued to decline versus the same quarter in 2022. The improving balance - throughout the year - between Online and Retail purchasing of cigars in favour of Online stagnated during the fourth quarter while third-party distribution of NGP products continued to support net sales growth for the NAOR division.

EBITDA before special items decreased to DKK 108 million (DKK 117 million) with an EBITDA margin before special items of 14.7% (16.7%). The gross margin increased slightly with EBITDA margin decrease being result of an increase in the OPEX ratio to 25.1% (22.8%). The increase in OPEX ratio is primarily driven by increased promotional spending and general cost inflation.

### Full year 2023

Net sales for the full year 2023 increased by 2% to DKK 2,824 million with an organic growth of 5%. Gross profit before special items increased by 2% to DKK 1,124 million and the gross margin was 39.8% (39.5%). EBITDA before special items increased by 10% to DKK 443 million with an EBITDA margin of 15.7% (14.5%).

# Quarterly Financial Data

DKK million	2023				2022	2023	2022
	Q4	Q3	Q2	Q1	Q4	12M	12M
<b>Reported data</b>							
Net sales	2,275	2,269	2,225	1,963	2,185	8,731	8,762
Gross profit before special items	1,089	1,092	1,044	979	1,042	4,204	4,307
EBITDA before special items	517	602	514	474	563	2,106	2,270
Special items	-35	-14	-16	-27	103	-92	35
EBIT	385	489	406	358	579	1,638	1,953
Net financial items	-79	-44	-22	-31	-47	-177	-137
Profit before tax	311	453	392	335	541	1,491	1,856
Income taxes	-43	-102	-88	-76	-84	-308	-380
Net profit	268	351	304	260	457	1,182	1,476
<b>Other financial key data</b>							
Organic EBITDA growth	-5.7%	-0.1%	-2.9%	-12.1%	13.3%	-5.0%	-3.5%
Organic net sales growth	5.0%	-1.1%	-1.8%	-0.8%	1.7%	0.3%	-0.8%
Gross margin before special items	47.9%	48.2%	46.9%	49.9%	47.7%	48.2%	49.2%
EBITDA margin before special items	22.7%	26.5%	23.1%	24.1%	25.8%	24.1%	25.9%
Free cash flow before acquisitions	452	622	159	-179	530	1,053	1,264
<b>North America Online &amp; Retail</b>							
Net sales	738	745	740	602	703	2,824	2,778
Gross profit before special items	293	299	290	242	278	1,124	1,098
EBITDA before special items	108	129	122	83	117	443	403
Net sales growth	4.9%	-3.2%	0.4%	5.9%	6.9%	1.7%	6.0%
Organic net sales growth	10.4%	4.4%	2.7%	1.3%	-4.8%	4.8%	-6.1%
Gross margin before special items	39.8%	40.1%	39.2%	40.2%	39.5%	39.8%	39.5%
EBITDA margin before special items	14.7%	17.4%	16.4%	13.9%	16.7%	15.7%	14.5%
<b>North America Branded &amp; RoW</b>							
Net sales	743	809	773	720	751	3,044	3,194
Gross profit before special items	380	435	397	395	385	1,606	1,698
EBITDA before special items	242	321	265	276	267	1,104	1,226
Net sales growth	-1.0%	-4.9%	-5.7%	-6.9%	14.5%	-4.7%	11.0%
Organic net sales growth	-1.4%	-2.6%	-6.1%	-9.2%	7.4%	-4.7%	3.1%
Gross margin before special items	51.1%	53.8%	51.3%	55.1%	51.2%	52.8%	53.2%
EBITDA margin before special items	32.6%	39.7%	34.2%	38.3%	35.5%	36.3%	38.4%
<b>Europe Branded</b>							
Net sales	794	716	712	641	731	2,863	2,790
Gross profit before special items	416	359	357	342	380	1,474	1,511
EBITDA before special items	196	176	164	146	209	683	772
Net sales growth	8.6%	-3.5%	-1.3%	7.6%	4.6%	2.6%	2.0%
Organic net sales growth	6.7%	-4.8%	-1.4%	8.3%	2.4%	1.8%	0.1%
Gross margin before special items	52.4%	50.1%	50.1%	53.2%	51.9%	51.5%	54.2%
EBITDA margin before special items	24.7%	24.6%	23.1%	22.8%	28.6%	23.8%	27.7%
<b>Group costs</b>							
EBITDA before special items	-30	-25	-37	-32	-30	-123	-131

# MANAGEMENT STATEMENT

The Board of Directors and the Executive Management have today considered and approved the Annual Report 2023 of Scandinavian Tobacco Group A/S including the audited consolidated financial statements. The Board of Directors and Executive Management have also approved this financial statement containing condensed financial information for 2023.

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act. Moreover, the Consolidated Financial Statements are prepared in accordance with additional Danish disclosure requirements for listed companies. The Management Report is also prepared in accordance with Danish disclosure requirements for listed companies.

This financial statement has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and additional Danish disclosure requirements for listed companies. This financial statement report has not been reviewed or audited.

In our opinion, this company announcement gives a true and fair view of the Group's assets, liabilities and financial position as at 31 December 2023 and of the results of the Group's operations and consolidated cash flows for the financial period 1 January – 31 December 2023 and the fourth quarter of 2023.

Furthermore, in our opinion this company announcement gives a fair review of the development and performance of the Group's activities and of the Group's results for the period and financial position taken as a whole, together with a description of the most significant risks and uncertainties that the Group may face.

Gentofte, 5 March 2024

## EXECUTIVE MANAGEMENT

Niels Frederiksen  
CEO

Marianne Rørslev Bock  
CFO

## BOARD OF DIRECTORS

Henrik Brandt  
CHAIRMAN

Claus Gregersen

Marlene Forsell

Dianne Neal Blixt

Anders C. Obel

Henrik Amsinck

Karsten Dam Larsen

Thomas Thomsen

Mark Draper

## 1 JANUARY - 31 DECEMBER

## CONSOLIDATED INCOME STATEMENT

DKK million	Q4 2023	Q4 2022	FY 2023	FY 2022
<b>Net sales</b>	<b>2,274.5</b>	<b>2,184.9</b>	<b>8,730.9</b>	<b>8,762.2</b>
Cost of goods sold	-1,185.8	-1,142.9	-4,526.8	-4,454.9
<b>Gross profit before special items</b>	<b>1,088.7</b>	<b>1,042.0</b>	<b>4,204.1</b>	<b>4,307.3</b>
Other external costs	-295.1	-244.1	-1,142.6	-1,126.4
Staff costs	-289.3	-234.5	-968.0	-910.9
Other income	12.2	-	12.2	-
<b>Earnings before interest, tax, depreciation, amortisation and special items (EBITDA before special items)</b>	<b>516.5</b>	<b>563.4</b>	<b>2,105.7</b>	<b>2,270.0</b>
Depreciation and impairment	-53.9	-44.4	-201.0	-183.8
<b>Earnings before interest, tax, amortisation and special items (EBITA before special items)</b>	<b>462.6</b>	<b>519.0</b>	<b>1,904.7</b>	<b>2,086.2</b>
Amortisation and impairment	-43.2	-42.8	-174.0	-168.5
<b>Earnings before interest, tax and special items (EBIT before special items)</b>	<b>419.4</b>	<b>476.2</b>	<b>1,730.7</b>	<b>1,917.7</b>
Special items, costs and impairment	-34.6	102.6	-92.4	35.3
<b>Earnings before interest and tax (EBIT)</b>	<b>384.8</b>	<b>578.8</b>	<b>1,638.3</b>	<b>1,953.0</b>
Share of profit of associated companies, net of tax	5.2	9.8	29.4	40.4
Financial income	23.2	68.3	184.6	197.3
Financial costs	-102.3	-115.6	-361.5	-334.2
<b>Profit before tax</b>	<b>310.9</b>	<b>541.3</b>	<b>1,490.8</b>	<b>1,856.5</b>
Income taxes	-42.9	-84.3	-308.4	-380.2
<b>Net profit for the period</b>	<b>268.0</b>	<b>457.0</b>	<b>1,182.4</b>	<b>1,476.3</b>
<b>Earnings per share</b>				
Basic earnings per share (DKK)	3.1	5.2	13.7	16.3
Diluted earnings per share (DKK)	3.1	5.2	13.6	16.2
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Items that will not be recycled subsequently to the Consolidated Income Statement:</i>				
Actuarial gains and losses on pension obligations	12.8	96.8	12.8	96.8
Tax of actuarial gains and losses on pension obligations	-3.0	-26.3	-3.0	-26.3
<i>Items that will be recycled subsequently to the Consolidated Income Statement, when specific conditions are met:</i>				
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	-264.2	-574.2	-198.4	270.1
<b>Other comprehensive income for the period, net of tax</b>	<b>-254.4</b>	<b>-503.7</b>	<b>-188.6</b>	<b>347.5</b>
<b>Total comprehensive income for the period</b>	<b>13.6</b>	<b>-46.7</b>	<b>993.8</b>	<b>1,823.8</b>

## Net sales

In the fourth quarter of 2023, net sales were DKK 2,275 million (DKK 2,185 million). Adjusted for a negative exchange rate impact of DKK 75 million and a positive impact from acquisitions of DKK 52 million, the organic growth in net sales was 5.0%. For the full year 2023, net sales were DKK 8,731 million (DKK 8,762 million) with a 0.3% organic net sales growth.

## Profit

Gross profit before special items for the fourth quarter of 2023 was DKK 1,089 million (DKK 1,042 million) explained by the development in net sales and a slightly increasing gross margin before special items to 47.9% (47.7%).

Operating expenses for the fourth quarter of 2023 increased by 22% to DKK 584 million (DKK 479 million) explained by increased expenses to support our net sales growth and general cost inflation. The OPEX ratio increased to 25.7% (21.9%).

EBITDA before special items for the fourth quarter of 2023 amounted to DKK 517 million (DKK 563 million). The development is mainly explained by the increased OPEX ratio. Organic EBITDA growth was negative by 6%.

EBITDA margin before special items for the fourth quarter of 2023 was 22.7% (25.8%).

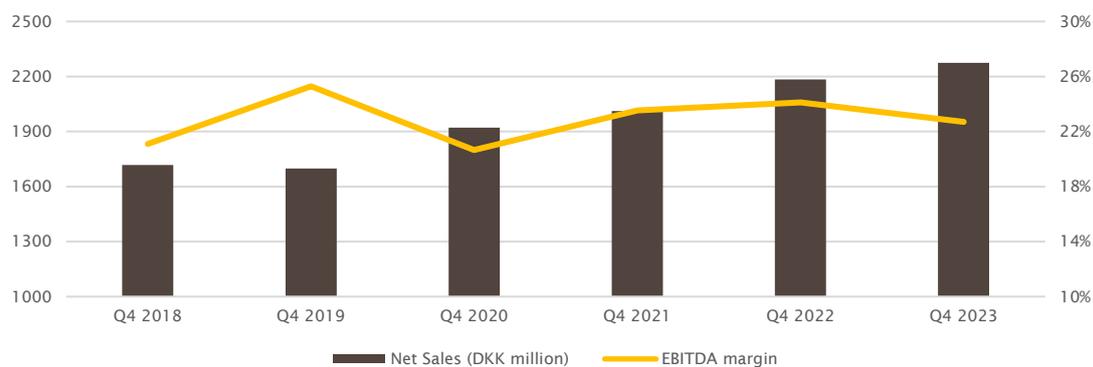
During the quarter special items was negative by 35 million (positive by DKK 103 million), all relating to the ERP implementation project, OneProcess. Please refer to the Annual Report, note 2.5, for further details on special items.

Net profit was DKK 268 million (DKK 457 million). Earnings Per Share (EPS) were DKK 3.1 (DKK 5.2). Earnings Per Share adjusted for special items, fair value adjustments and currency gains/losses, net of tax increased to DKK 3.6 (DKK 4.4).

For the full year of 2023, gross profit before special items was DKK 4,204 million (DKK 4,307 million) with a gross margin of 48.2% (49.2%). EBITDA before special items was DKK 2,106 million (DKK 2,270 million) with an EBITDA margin of 24.1% (25.9%). Special items were negative by DKK 92 million (DKK 35 million), net profit was DKK 1,182 million (DKK 1,476 million) with adjusted Earnings Per Share decreasing to DKK 14.4 (DKK 16.0).

### Fourth Quarter Development, 2018-2023

#### Net sales and EBITDA margin b.s.i.



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

DKK million	31 Dec 2023	31 Dec 2022
<b>INTANGIBLE ASSETS</b>		
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 development	183.1	125.4
<b>Total intangible assets</b>	<b>9,123.2</b>	<b>8,690.1</b>
Property, plant and equipment	1,759.7	1,739.6
Investments in associated companies	234.0	223.6
Deferred income tax assets	93.7	104.6
<b>Total non-current assets</b>	<b>11,210.6</b>	<b>10,757.9</b>
Inventories	3,269.6	3,248.9
Trade receivables	963.7	884.6
Other receivables	113.7	86.4
Corporate tax	63.3	21.4
Prepayments	132.9	100.7
Cash and cash equivalents	99.6	22.2
<b>Total current assets</b>	<b>4,642.8</b>	<b>4,364.2</b>
<b>Total assets</b>	<b>15,853.4</b>	<b>15,122.1</b>

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

DKK million	31 Dec 2023	31 Dec 2022
Share capital	87.0	93.0
Reserve for currency translation	765.4	963.8
Treasury shares	-141.4	-748.1
Retained earnings	8,723.0	9,032.9
<b>Total equity</b>	<b>9,434.0</b>	<b>9,341.6</b>
Borrowings	3,656.7	3,101.1
Deferred income tax liabilities	706.8	673.5
Pension obligations	195.3	204.7
Other provisions	17.9	17.9
Leasing liabilities	245.8	275.1
Other liabilities	46.2	31.0
<b>Total non-current liabilities</b>	<b>4,868.7</b>	<b>4,303.3</b>
Trade payables	508.2	506.8
Corporate tax	120.3	207.4
Other provisions	17.8	19.8
Leasing liabilities	59.1	56.3
Other liabilities	845.3	686.9
<b>Total current liabilities</b>	<b>1,550.7</b>	<b>1,477.2</b>
<b>Total liabilities</b>	<b>6,419.4</b>	<b>5,780.5</b>
<b>Total equity and liabilities</b>	<b>15,853.4</b>	<b>15,122.1</b>

**Equity**

Total shareholders' equity as at 31 December 2023 amounted to DKK 9,434 million (DKK 9,342 million on 31 December 2022). The equity was positively impacted by profit for the period partly offset by share buy-back programme, dividend payment and negative impact from foreign exchange adjustments on net investments in foreign operations. As of 31 December 2023, the equity ratio was 59.5% (61.8% on 31 December 2022).

**Net interest-bearing debt**

Net interest-bearing debt increased by DKK 429 million to DKK 4,057 million versus the end of 2022. The development is mainly explained mainly by the acquisition of the Alec Bradley cigar business and the NGP business of XQS. The leverage ratio (net interest-bearing debt to LTM EBITDA before special items) increased to 1.9x (1.6x on 31 December 2022).

**Return on Invested Capital**

The return on invested capital (ROIC) decreased to 11.4% versus 14.3% by the end of 2022, explained by a DKK 315 million decrease in EBIT (12 months rolling) driven by the operational performance and an increase in invested capital to DKK 14.3 billion (DKK 13.7 billion).

## CONSOLIDATED CASH FLOW STATEMENT

1 JANUARY - 31 DECEMBER

DKK million	Q4 2023	Q4 2022	FY 2023	FY 2022
Net profit for the period	268.0	457.0	1,182.4	1,476.3
Depreciation, amortisation and impairment	97.1	87.2	375.0	352.3
Adjustments	81.1	5.7	513.0	428.4
Changes in working capital	254.4	58.0	-36.7	-363.9
Special items, paid	-34.1	-33.9	-98.3	-140.8
<b>Cash flow from operating activities before financial items</b>	<b>666.5</b>	<b>574.0</b>	<b>1,935.4</b>	<b>1,752.3</b>
Financial income received	11.8	3.8	49.9	93.0
Financial costs paid	-74.0	-73.9	-248.7	-199.2
<b>Cash flow from operating activities before tax</b>	<b>604.3</b>	<b>503.9</b>	<b>1,736.6</b>	<b>1,646.1</b>
Tax payments	-70.6	-110.8	-389.6	-253.6
<b>Cash flow from operating activities</b>	<b>533.7</b>	<b>393.1</b>	<b>1,347.0</b>	<b>1,392.5</b>
Acquisitions	0.8	-	-581.7	-3.7
Investment in intangible assets	-30.4	-25.3	-109.4	-125.4
Investment in property, plant and equipment	-57.1	-85.6	-199.0	-264.1
Sale of property, plant and equipment	2.2	243.0	2.4	245.8
Dividend from associated companies	3.2	4.5	12.4	15.6
<b>Cash flow from investing activities</b>	<b>-81.3</b>	<b>136.6</b>	<b>-875.3</b>	<b>-131.8</b>
<b>Free cash flow</b>	<b>452.4</b>	<b>529.7</b>	<b>471.7</b>	<b>1,260.7</b>
Repayment of lease liabilities	-17.2	-19.4	-67.8	-67.4
RCF	-310.0	-304.9	581.0	138.3
Repayment bank loans	-1.0	-0.9	-4.2	-4.0
Dividend payment	-	-	-714.6	-692.0
Purchase of treasury shares	-76.8	-212.1	-180.6	-776.4
<b>Cash flow from financing activities</b>	<b>-405.0</b>	<b>-537.3</b>	<b>-386.2</b>	<b>-1,401.5</b>
<b>Net cash flow for the period</b>	<b>47.4</b>	<b>-7.6</b>	<b>85.5</b>	<b>-140.8</b>
Cash and cash equivalents, net at 1 October / 1 January	53.9	37.1	22.2	173.6
Exchange gains/losses on cash and cash equivalents	-1.7	-7.3	-8.1	-10.6
Net cash flow for the period	47.4	-7.6	85.5	-140.8
<b>Cash and cash equivalents, net at 31 December</b>	<b>99.6</b>	<b>22.2</b>	<b>99.6</b>	<b>22.2</b>

**Cash flows**

Cash flow from operations before changes in working capital in the fourth quarter of 2023 was DKK 279 million (DKK 335 million). The development was driven by the operational result partly offset by lower tax payments.

Changes in working capital in the fourth quarter of 2023 had a positive impact on the cash flow by DKK 254 million (DKK 58 million) mainly due to increased trade payables and other liabilities as well as inventory reductions.

Cash flow from investing activities amounted to DKK -81 million (DKK 137 million). The fourth quarter of 2022 was positively impacted by income from sale of property, plant, and equipment.

Free cash flow before acquisitions in the fourth quarter of 2023 was positive by DKK 452 million (DKK 530 million). The cash conversion ratio was 148% (115%).

For the full year of 2023 cash flow from operations before changes in working capital was DKK 1,384 million (DKK 1,756 million). Working capital had a negative impact of DKK 37 million (negative DKK 364 million). Free cash flow before acquisitions was DKK 1,053 million (DKK 1,264 million) and the cash conversion ratio was 103% (87%).

## STATEMENT OF CHANGES IN GROUP EQUITY

1 JANUARY – 31 DECEMBER 2023

DKK million	Share capital	Reserve for hedging	Reserve for currency translation	Treasury shares	Retained earnings	Total
<b>Equity at 1 January 2023</b>	<b>93.0</b>	<b>-</b>	<b>963.8</b>	<b>-748.1</b>	<b>9,032.9</b>	<b>9,431.6</b>
<i>Comprehensive income for the year</i>						
<b>Net profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,182.4</b>	<b>1,182.4</b>
<i>Other comprehensive income</i>						
Cash flow hedges	-	-	-	-	-	-
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
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-198.4</b>	<b>-</b>	<b>9.8</b>	<b>-188.6</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-198.4</b>	<b>-</b>	<b>1,192.2</b>	<b>993.8</b>
<i>Transactions with shareholders</i>						
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 PSU's	-	-	-	-	-6.9	-6.9
Dividend paid to shareholders	-	-	-	-	-767.3	-767.3
Dividend, treasury shares	-	-	-	-	52.7	52.7
<b>Total transactions with shareholders</b>	<b>-6.0</b>	<b>-</b>	<b>-</b>	<b>606.7</b>	<b>-1,502.1</b>	<b>-901.4</b>
<b>Equity at 31 December 2023</b>	<b>87.0</b>	<b>-</b>	<b>765.4</b>	<b>-141.4</b>	<b>8,723.0</b>	<b>9,434.0</b>

## STATEMENT OF CHANGES IN GROUP EQUITY

1 JANUARY – 31 DECEMBER 2022

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

**NOTES****NOTE 1****BASIS OF PREPARATION**

This unaudited report has been prepared in accordance with IAS 34 and additional Danish disclosure requirements for listed companies.

**Significant accounting estimates**

The estimates made by STG in the determination of the carrying amounts of assets and liabilities are based on assumptions that are subject to future events. For a description of risks and accounting estimates, see the Annual Report for 2023.

**Accounting policies**

This report has been prepared in accordance with the accounting policies set out in the Annual Report for 2023.