ANNUAL REPORT 2022

CVR NR: 31080185
Sandtoften 9
2820 Gentofte

CONTENTS

MANAGEMENT REVIEW

FINANCIAL STATEMENTS

FIND OUT MORE

SUSTAINABILITY REPORT

Our 2022 Sustainability Report provides detailed information on our sustainability efforts and responsible business behaviour.

READ THE REPORT

REMUNERATION REPORT

Our 2022 Remuneration Report includes an overview of the total remuneration received by the Board of Directors and Executive Management.

READ THE REPORT

OVERVIEW

WHO WE ARE

CREATING MOMENTS OF ENJOYMENT

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

~4

Billion cigars produced every year

~100

Countries our products are sold in

~10,000

Employees worldwide

PERFORMANCE HIGHLIGHTS

Group net sales increased to DKK 8.8 billion, EBITDA before special items increased whereas free cash flow before acquisitions declined versus the all-time high performance in 2021. The results were impacted by a stronger USD. Despite the weakening of overall consumer spending and increasing macro-economic uncertainty, consumption in our categories was resilient.

Combined with strong price management, the Group's organic net sales only declined by 0.8%. This should be compared to the very strong growth rates in the previous two years of 6.6% (2020) and 4.5% (2021). The performance in 2022 was driven by positive organic net sales growth in North America Branded & Rest of World, an unchanged level in Europe Branded and a negative growth in North America Online & Retail.

The EBITDA margin before special items was 25.9%, well above the pre-pandemic level of 23%, and comparable to the exceptionally strong level in 2021 of 27.1%. In 2022, the EBITDA margin was impacted by the return to the pre-pandemic market mix, increasing cost inflation across the entire value chain, high promotional pressure in the online business and our continued investments in the business.

The results have been impacted by production challenges which took longer to resolve than originally anticipated, which in August, forced us to revise our expectations down for the full-year guidance. The expectation for organic EBITDA growth was lowered from the range 0% to +6% to the range of 0% to -4%. For the full year, the organic EBITDA growth was -3.5%, i.e. within the revised guidance range. In 2020 and 2021, the organic EBITDA growth was 14.0% and 18.4% respectively.

The ROIC was 14.3% (versus 14.5% in 2021) reflecting the financial performance and the impact from exchange rate developments on our asset base. The free cash flow before acquisitions was almost DKK 1.3 billion (DKK 1.4 billion) and the leverage ratio was 1.6 times (1.5 times).

During the year, we returned an all-time high level of capital to our shareholders. In April, we paid DKK 692 million in ordinary dividends and throughout the year we have bought own shares of a total of DKK 777 million resulting in a total capital return of DKK 1.469 million, which is an increase of 17% versus 2021.

NET SALES

8,762 DKKm ▼0.8% Organic growth

EBITDA BEFORE SPECIAL ITEMS

2,270 DKKm ▼3.5% Organic growth

ADJUSTED EPS

16.0 DKK ▲8% Growth

FREE CASH FLOW BEFORE ACQUISITIONS

1,264 DKKm (1,393) 2021

RETURN ON INVESTED CAPITAL

14.3% (14.5%) 2021

FIVE-YEAR SUMMARY *

DKK million	2022	2021	2020	2019	2018
INCOME STATEMENT					
Net sales	8,762	8,233	8,006	6,719	6,563
Gross profit before special items	4,307	4,113	3,712	3,142	3,044
EBITDA before special items	2,270	2,233	1,826	1,513	1,304
Special items	35	-55	-435	-133	-266
EBIT	1,953	1,814	986	977	738
Net financial items	-137	-77	-53	-45	-37
Profit before tax	1,856	1,769	951	949	717
Income taxes	-380	-378	-274	-201	-51
Net profit	1,476	1,391	678	748	666
BALANCE SHEET					
Total assets	15,122	14,584	13,996	13,872	13,403
Equity	9,342	8,968	8,372	9,103	8,818
Net interest-bearing debt (NIBD)	3,629	3,266	3,274	2,330	2,585
Investment in property, plant and equipment	264	212	157	94	110
Total capital expenditures	390	240	201	122	125
CASH FLOW STATEMENT					
Cash flow from operating activities	1,393	1,567	1,585	1,300	784
Cash flow from investing activities	-132	-178	-1,752	-50	-511
Free cash flow	1,261	1,389	-166	1,250	274
Free cash flow before acquisitions	1,264	1,393	1,394	1,187	668

DKK million	2022	2021	2020	2019	2018
KEY RATIOS					
Net sales growth	6.4%	2.8%	19.2%	2.4%	1.5%
Gross margin before special items	49.2%	50.0%	46.4%	46.8%	46.4%
EBITDA margin before special items	25.9%	27.1%	22.8%	22.5%	19.9%
Effective tax percentage	20.5%	21.4%	28.7%	21.2%	7.2%
Equity ratio	61.8%	61.5%	59.8%	65.6%	65.8%
Cash conversion	87.2%	108.6%	135.4%	118.6%	88.2%
Organic net sales growth	-0.8%	4.5%	6.6%	-2.5%	0.4%
Organic EBITDA growth	-3.5%	18.4%	14.0%	7.1%	3.5%
NIBD / EBITDA before special items	1.6	1.5	1.8	1.5	2.0
ROIC	14.3%	14.5%	7.7%	8.2%	6.4%
ROIC ex. goodwill	23.6%	24.3%	12.7%	13.5%	10.4%
Adjusted earnings per share (DKK)	16.0	14.8	9.8	8.3	8.5
Basic earnings per share (DKK)	16.3	14.6	6.8	7.5	6.7
Diluted earnings per share (DKK)	16.2	14.5	6.8	7.5	6.7
Number of shares issued (‘000)	93,000	97,500	100,000	100,000	100,000
Number of treasury shares (‘000)	5,751	4,526	2,324	316	367
Number of outstanding shares (‘000)**	90,851	95,689	99,659	99,940	99,803
Share price at year end (DKK)	122.10	137.30	104.10	81.25	78.45
Dividend per share (DKK)	8.25	7.50	6.50	6.10	6.00
Pay-out ratio	52.0%	52.6%	95.9%	81.6%	90.2%

* See definition/explanation of financial ratios in note 5.8. The year 2018 is not adjusted in relation to IFRS16.
** Average number of shares outstannding including diluting effect of PSU’s.

LETTER FROM THE CHAIRMAN AND CEO

INVESTING IN THE FUTURE

Following two years of strong growth and exceptional financial results, 2022 turned into a more challenging year and resulted in the Company having to adjust accordingly. Consumption and market mix started to normalise following the changes induced by the pandemic. Consumer behaviour was impacted by increasing inflation and interest rates. Further, the war in Ukraine caused uncertainties and at the same time, we experienced supply chain disruptions and cost inflation. All implying visibility for the coming quarters was low throughout the year. In many regards, navigating in 2022 was a challenge, but we are very satisfied with the way in which our employees embraced these challenges, the uncertainties, and the volatile market conditions, and we salute each one of them globally.

The financial highlights include net sales growth of 6% to DKK 8.8 billion, a negative organic EBITDA growth of 3.5%, an increase in adjusted Earnings Per Share by 8%, a free cash flow before acquisition of almost DKK 1.3 billion and a return on invested capital of 14.3%. In August 2022, we had to lower our guidance for organic EBITDA growth as result of prolonged challenges in our European production. Although the revised expectation was a disappointment to us, we still believe the Company delivered a solid overall financial performance building further on our track record of historic growth and profitability improvement. In the past five years, group net sales and EBITDA before special items have increased organically by 8% and 44% respectively, free cash before acquisitions has improved by more than 30%, the EBITDA-margin has improved from 20% to 26% and we have returned almost DKK 4.7 billion of capital to our shareholders.

In perspective, these are results we are proud to have accomplished. We strive to do even better in the years ahead and based on our vision and the strategy Rolling Towards 2025, we have set the direction for future growth, EBITDA margin improvement, strong cash flow and a persistent high level of returns to our shareholders. In parallel, we will drive our enhanced sustainability agenda.

INVESTING FOR THE FUTURE

Our vision is to become the undisputed and sustainable global leader in cigars. Today, we are a clear number one within handmade cigars in the US, and within machine-rolled cigars we hold market leading positions in many European countries. We aim to build further on these strongholds in the future by growing organically and through mergers and acquisitions in the cigar and Next Generation product categories.

As we investigate different opportunities to grow our business, to strengthen our brand portfolio and to pursue simplification across our organisation, mergers and acquisitions remain a key priority for the ambition to expand the scope of the Company. In the recent year, we focused efforts on our handmade cigar business and successfully acquired Room101 cigar brands, a well-known brand in the boutique segment of premium cigars in the US, and in February 2023, we announced the acquisition of the Alec Bradley cigar business in a transaction worth almost DKK 500 million. The Alec Bradley brands will constitute a material addition to our US and international handmade cigar brand portfolio.

Creating shareholder value is fundamental to Scandinavian Tobacco Group. We strive to consistently operate in a way which encompasses this ambition.

LETTER FROM THE CHAIRMAN AND CEO

ALEC BRADLEY

The acquisition of the Alec Bradley cigar business is another important step in our ambition of becoming the undisputed and sustainable global leader in cigars.

Hence, our goal of growing our global positions in cigars remains unchanged. What also remains unchanged is our desire to grow the size of Scandinavian Tobacco Group through a combination of additional acquisitions, geographic expansion and further experimentation in Next Generation products. We aim to leverage our agility, our consumer insights and our distribution capabilities to explore growth opportunities in new categories that will complement our core categories.

Consumer demand for smoke-free alternatives and products that embrace the harm-reduction agenda are rapidly growing. Next generation products are instrumental in this consumer shift and will increasingly become more widely available. To support the strategic opportunities of Next Generation products, our Growth Incubator team was established to ensure we remain relevant and competitive and research growth opportunities outside our core categories. We are satisfied with the progress made in this space to date, with two products now active in the market. We launched STRÖM (a nicotine pouch in the Modern Whites category) in September 2022, and we are pleased with the initial reaction by consumers and its performance to date.

With expansion and growth coming from investments in mergers and acquisitions and from our investments in growth enablers like the retail expansion in the US and the Growth Incubator, profitability remains a key priority for us with focus on driving profit and cash flow growth shareholder value.

Conducting business sustainably and responsibly is critical to the future of both society and our company. In May 2022, we launched a revised and more ambitious sustainability strategy, Rolling Responsibly and dedicated much of the year to strengthening foundations, building capabilities, and refining the way in which we integrate sustainability into our corporate strategy. We also commenced several initiatives across different material topics that have been identified, with climate change and the communities in which we operate as our highest priorities. We made the first important step by formally committing to Science Based Targets initiative (SBTi) and set our carbon reduction targets for 2030 and 2050 as we work toward net-zero in our value chain.

CREATING SHAREHOLDER VALUE

Creating shareholder value is fundamental to Scandinavian Tobacco Group and we strive to consistently operate in a way which encompasses this ambition. Our disciplined capital allocation strategy is focused on capital efficiency and shareholder returns. For the year 2022, we have returned a record of more than DKK 1.4 billion to our shareholders through ordinary dividends and share repurchases. The total capital allocation corresponds to about 11% of the market value of Scandinavian Tobacco Group at the beginning of the year. We intend to continue returning excess capital going forward, though this is always subject to business needs for investments and potential acquisitions.

On the back of the financial performance in 2022, we propose an ordinary dividend of DKK 8.25 per share, which equals an increase of 10% versus 2021.

Based on the solid achievements of 2022 and the continued progress with our Rolling towards 2025 strategy, we look forward to 2023 with confidence. Although many uncertainties in the business environment remain, we have a strong underlying business and we envision many opportunities for growth. In 2023, we continue to focus on executing our strategy and we are certain that the year will bring us closer to achieving our ambition of becoming the undisputed and sustainable global leader in cigars and another year where we will create strong shareholder value.

On behalf of the Board of Directors and the Executive Board of Scandinavian Tobacco Group, we would like to thank our shareholders and consumers for their continued confidence and trust in our company.

NIELS FREDERIKSEN
Chief Executive Officer

HENRIK BRANDT
Chair of the Board of Directors

BUSINESS LANDSCAPE

We are a leading company in the cigar industry and are better positioned to drive consolidation than any other. We have the financial strength, expertise and flexibility to make strategic mergers and acquisitions that will grow our business and the products suite for our consumers.

Our experienced management team leads us confidently through transformations and optimisation, integration of acquired companies and adapts to a constantly changing industry with increasing regulation.

~200

Leading brands

#1

Handmade cigars - US
Machine-rolled cigars - Europe

11

Production sites worldwide

7

Retail cigar Superstores

BUSINESS LANDSCAPE

NATURE'S FINEST

Tobacco farming has roots that date back nearly 8,000 years in the Americas. It is an artform that has lasted centuries and requires a delicate mix of tradition, science and intuition to create the perfect leaf. Many of our consumers hold a deep passion for our products and take an active interest in knowing where the tobacco is cultivated, how it is cured, fermented, blended and aged.

From leaf sourcing to shelf, we strive to uphold this enduring artform to create products that deliver great enjoyment.

WORLDWIDE PRESENCE

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

Partagas Legend pays tribute to the historical figures that built the Partagas name and is handcrafted using the finest aged tobacco.

LEADING BRANDS

Our portfolio contains more than 200 industry leading brands, including the world-renowned Macanudo, CAO, Diesel, La Gloria Cubana, Mehari's, Panter, Signature, La Paz, and Punch and Partagas in the US. Pipe tobacco brands include Captain Black, Erinmore, Borkum Riff and W.Ø. Larsen, while our fine-cut tobacco brands include Bugler, Break, Escort, Bali Shag and Tiedemanns. We endeavour to continuously build on this portfolio through our robust M&A strategy, to ensure we progress towards our ultimate vision of becoming the undisputed and sustainable global leader in cigars.

CIGARS - OUR LARGEST PRODUCT CATEGORY

Cigars are our heritage, a source of our pride and form the backbone of our business.

Our handmade cigars are individually crafted at our sites in three of the world's most significant tobacco-growing countries: the Dominican Republic, Honduras and Nicaragua. Our partners on the ground in these locations meticulously care for the tobacco from first plantation through to the final transformation into a cigar itself.

Whilst machine-rolled cigars mimic the handmade process, they also produce a more diverse range of products by using smaller pieces of tobacco to deliver high quality cigars at affordable prices. The binder and wrapper (which both play a critical role in the formation of a cigar) for our machine-rolled cigars are produced in Indonesia, Sri Lanka and the Dominican Republic, and the automated cigar production takes place in Belgium, Indonesia and the Dominican Republic.

Smoking Tobacco comprises of pipe tobacco and fine-cut tobacco. Our pipe tobacco is predominantly produced at our site in Assens, Denmark and the facility remains one of the largest manufacturers of traditional pipe tobacco globally. Our fine-cut tobacco is manufactured at our sites in Holstebro, Denmark.

Contract Manufacturing and Accessories (CMA) category comprises four sub-categories: contract manufacturing, sales of fire products, accessories and matches. Our accessories are available internationally in the majority of our markets.

OUR CONSUMERS

Our large and diverse consumer base is one of the reasons we strive to constantly expand and strengthen our portfolio. We value our consumers and understand that trends and tastes evolve and change, which is why we have built agility and adaptability into our business strategy - to consistently be our consumer's first choice across all products.

Our handmade cigars are created for our consumers who seek a high quality, luxurious smoking experience. Handmade cigars give the consumer a true moment of enjoyment lasting an extended period of time and we understand this consumer tends to look for distinguishing characteristics.

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

BUSINESS LANDSCAPE

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

Room101 cigar brands complement our handmade cigar business that features a unique portfolio of heritage and boutique brands.

PATHWAY TO INNOVATION

Consumer demand for smoke-free alternatives and products that embrace the harm-reduction agenda are rapidly growing. Next Generation products are instrumental in this consumer shift and will increasingly become more widely available.

Many consumers use multiple tobacco and nicotine products. We aim to stay on top of consumer trends and demands with alternative products using our extensive knowledge and strength within the industry to reach our consumers across multiple categories.

Products within the Next Generation category represent an opportunity to potentially steer consumers away from cigarettes and other combustible products. Next Generation products by nature, do not come with the same health risks as combustible tobacco products

To support the strategic imperative of Next Generation products, we established the Growth Incubator segment of our business to ensure we remain relevant, competitive and evolve with our consumers' needs.

The Growth Incubator team researches growth opportunities outside our core categories with the aim of testing the new era of modern pleasure and ritualistic enjoyment.

These smoke-free alternatives also provide an opportunity for us to leverage our agility, our consumer insights and our distribution capabilities to explore ways we can further embrace the dynamic consumer environment and explore growth opportunities in new categories that will complement our core categories.

As market and consumer trends evolve, so do legislation and regulatory requirements. Scandinavian Tobacco Group boasts a long history of adaptability and responsiveness when it comes to the rapidly evolving regulatory environment within the industry, and we place the utmost importance on ensuring we are compliant in every market in which we operate.

In addition to compliance with law and legislation by country, we ensure full compliance with industry-wide regulations and continuously revise our policies accordingly.

THE DIVISIONAL STRUCTURE

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

The Europe Branded division includes sales of all product categories to wholesalers and distributors that supply retail in Germany, Denmark, Sweden, France, Italy, Belgium, the Netherlands, Luxembourg, Spain, Portugal as well as the UK and Ireland. The Europe Branded division includes leading brands such as La Paz, Balmoral, Break, Panter, Mehari's and Signature.

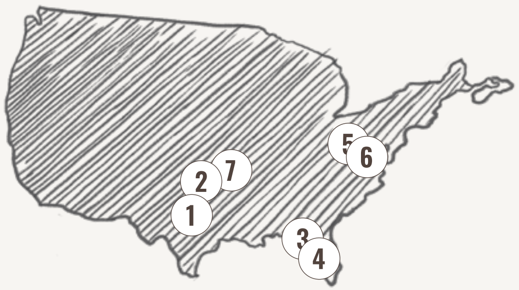
The North America Branded & Rest of World division includes sales of all product categories to wholesalers and distributors that supply retail in the US, Canada, Australia, New Zealand, International Sales (Norway, Finland, Switzerland and Israel), Asia, Global Travel Retail and contract manufacturing for third parties. The leading brands for this division include the world renowned Macanudo, Cohiba (US), CAO, Captain Black and Tiedemanns.

The North America Online & Retail division includes direct-to-consumer sales of all product categories sold via the online, catalogue and retail channels in North America.

We have five major business units supplying our products to consumers, with the largest being Cigars International which hosts about one million active customers. The leading brands for this division include Diesel, Mark Twain, Man O'War, Ave Maria and 5 Vegas.

OPERATIONS AND PRODUCTION

OUR CIGAR SUPERSTORES IN US



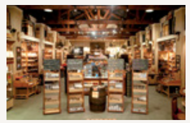

1 San Antonio, TX


2 Fort Worth, TX


3 Tampa, FL


4 Lutz, FL


5 Hamburg, PA


6 Bethlehem, PA


7 The Colony, TX

STRATEGY

ROLLING TOWARDS 2025

Rolling Towards 2025 was launched in 2020 and gives the strategic direction for the Group for the five-year period. In 2022, the vision was updated to embrace the importance and our increasing focus on sustainability. Our vision is to become the undisputed and sustainable global leader in cigars. This is ultimately supported by our ambition to become a larger company, grow EBITDA margin over time and create outstanding cash generation to support our continued growth.

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

We have made good progress in multiple areas of the strategy in 2022 and edged closer to our vision of becoming the undisputed and sustainable global leader in cigars. Within each of the Must-Win Battles, we launched, advanced and completed initiatives that have allowed us to continue the modernisation and the increased professionalism of Scandinavian Tobacco Group.

PURPOSE	CRAFT THE RITUALS THAT MAKE US MORE					
VISION	BE THE UNDISPUTED & SUSTAINABLE GLOBAL LEADER IN CIGARS					
AMBITION	LARGER COMPANY	GROWING EBITDA MARGIN	OUTSTANDING CASH GENERATION			
MUST-WIN BATTLES	GROW OUR HANDMADE CIGAR BUSINESS	DRIVE FUTURE PROFIT GROWTH IN MACHINE ROLLED CIGARS	INTEGRATE NEW MERGERS AND ACQUISITIONS	SIMPLIFY EVERYTHING WE DO	EMBRACE A PERFORMANCE CULTURE	LEAD SUSTAINABILITY AGENDA IN CIGARS
ENABLERS	IT AND DATA CAPABILITIES AND INFRASTRUCTURE	LEAN, AGILE, EFFICIENT OPERATIONS	ATTRACTIVE EMPLOYER FOR TALENT	GROWTH INCUBATOR		
VALUES	EMPOWER WITH PASSION	BLEND OUR STRENGTHS	CULTIVATE COURAGE	LIGHT THE WAY FORWARD		

MUST-WIN BATTLES

GROW OUR HANDMADE CIGAR BUSINESS

We aim to continuously grow in handmade cigars. We endeavour to direct our efforts at driving growth across the business in North America specifically and on a global scale. In the US online and retail market, we will strengthen our consumer orientation through an improved online experience and by continuously evaluating the potential of further retail expansion.

We aim to grow net sales, improve the EBITDA margin, deliver growth in number of active US online consumers and increase category profitability by increasing sales of proprietary handmade brands and building brand equity for top brands. In 2022, the roll out of the distribution network Forged Cigar Company was successful, and we continued to expand our presence in the important retail channel by adding to our portfolio the 7th cigar Superstore in Texas.

After stellar development during the pandemic, we saw a normalisation of handmade cigar sales, with a decrease in sales and stable gross profit margins. Additionally, as consumers returned to the retail channel, we delivered strong performance in retail and wholesale. The number of active consumers (12 months) in the online business decreased by more than 10% as consumers continued to move back to physical retail.

DRIVE FUTURE PROFIT GROWTH IN MACHINE-ROLLED CIGARS

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

Our key focus points are to maintain or increase annual net sales of machine-rolled cigars, continue to demonstrate disciplined and smart pricing to increase profit margins and to simplify the product portfolio by reducing the number of Stock Keeping Units (SKUs) and brands. We continue to acquire, merge and integrate strategic brands that align with this Must-Win Battle.

Net sales were negatively impacted by production challenges during the year while the margins improved, driven by integration synergies and pricing of products.

We met the target for brand and are on track with the share of gross profit from strategic brands increasing slightly.

MUST-WIN BATTLES

INTEGRATE NEW MERGERS AND ACQUISITIONS

We continue to explore different opportunities to grow the business, strengthen our market-leading portfolio and leverage our costs through successful mergers and acquisitions. We aim to continue building the capabilities to successfully integrate new acquisitions. The key focus points are to realise synergies fast and to ensure acquisitions improve Group ROIC.

During 2022, we acquired Room101 cigar brands and accessories which complement Scandinavian Tobacco Group's handmade cigar business and further strengthens our strategy to invest in brands with strong growth potential. Room101 has been integrated into our distribution network through Forged Cigar Company.

We also continued to enable the growth journey of all aspects of Moderno Opificio del Sigaro Italiano ("MOSI") following the acquisition in 2021.

The integration of Agio Cigars was completed in less than three years and in 2022, has delivered better results than expected as total savings reached DKK 250 million. The ROIC for the acquisition of Agio Cigars is close to 20%.

In February 2023, we announced the acquisition of the Alec Bradley cigar business, a leading player in the premium cigar market in the US. This acquisition broadens our blend book and expands opportunities for growth in the US and international markets

SIMPLIFY EVERYTHING WE DO

We aim to reduce complexity and make it easier to drive the business by simplifying portfolios, operations and back-office functions. We will simplify our IT infrastructure, increase digitalisation across the value chain, streamline the supply chain and establish simpler and more efficient distribution.

Our key focus points are to build lean and efficient product portfolios through a reduction of SKUs and brands, and increase digitalisation throughout our Group.

OneProcess is the transformation from our current multiple ERP system landscape into one (SAP S/4HANA Cloud) system which will be implemented by 2025. We have made good progress during 2022, including the development of the SAP solution and commencement of testing approximately 300 scenarios ahead of the first Go-Live in the first half of 2023.

In parallel, local leaders and employees impacted in Wave 1 of OneProcess are currently partaking in multiple sessions to prepare their teams for the Go-Live. Sessions include overview on testing, cutover period, data & reporting and overall changes.

The total investment is still expected to reach DKK 600-700 million with identified annual benefits estimated at DKK 150-250 million when fully implemented in 2025.

MUST-WIN BATTLES

EMBRACE A PERFORMANCE CULTURE

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

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

In 2022, we continued to strengthen the organisation from both a people and competency perspective through talent acquisition and numerous training courses. We continue to strengthen the execution and functional capabilities required for us to succeed in delivering on our ambition.

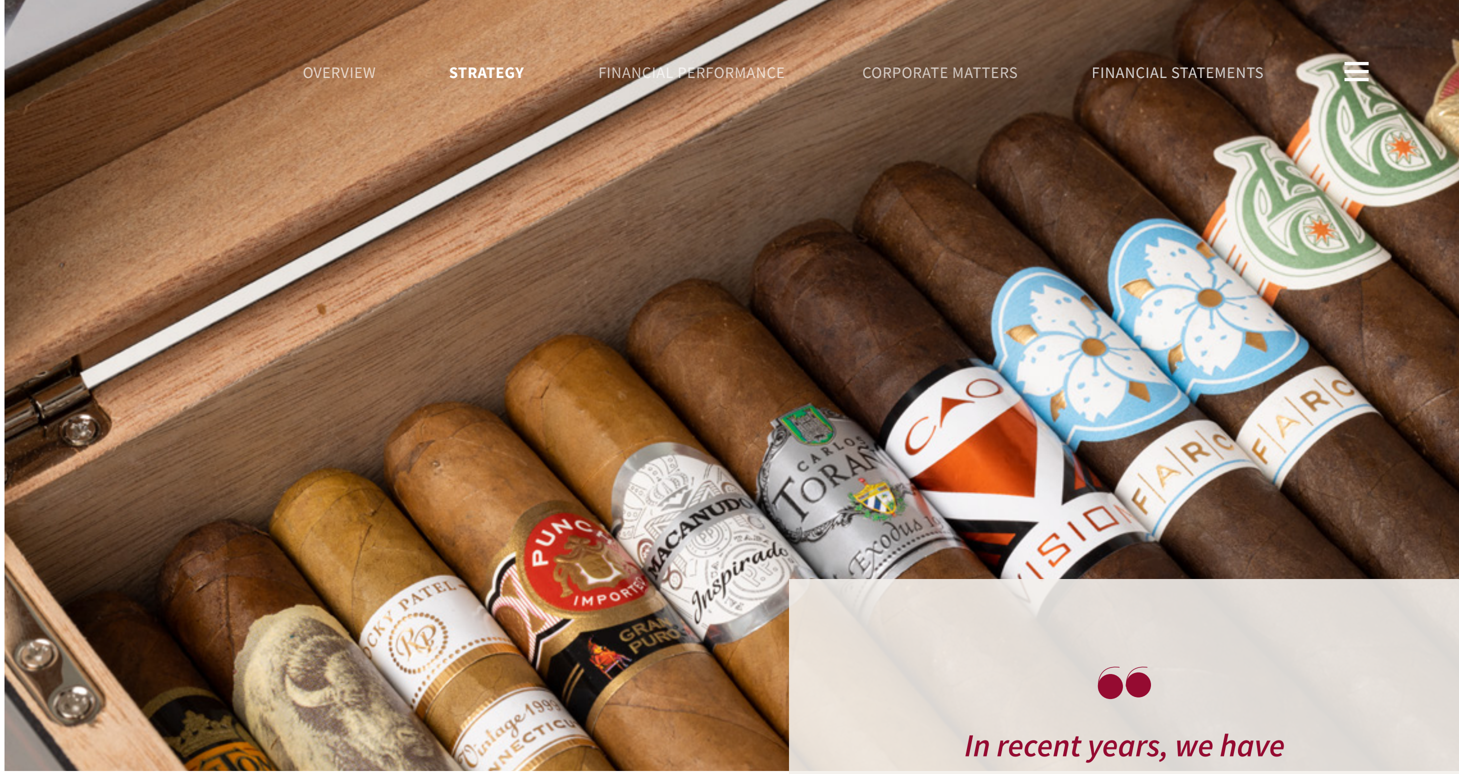
LEAD SUSTAINABILITY AGENDA IN CIGARS

We strive to craft a better tomorrow by elevating our communities and anchoring climate action in our corporate culture.

In 2022, we launched an updated, more ambitious and comprehensive sustainability strategy – Rolling Responsibly. The upgraded sustainability strategy is built into, and is now fundamental to, the overarching corporate strategy Rolling Towards 2025.

Our fully integrated sustainability programme consists of environmental, social and governance aspects and we have identified ten material topics relevant to the Group. The two main strategic pillars we are focused on are Net-zero along the journey of the leaf and Sustainable community pioneers.

HERITAGE



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

In 2009, the Group's net sales were approximately DKK 2.4 billion, it almost doubled in 2010 and in 2022, net sales reached DKK 8.8 billion, almost four times the size in 2009. In 2010, the Group took a leap forward by combining its cigar, smoking tobacco and tobacco-related accessories business with selected cigar, pipe tobacco and tobacco-related businesses of Swedish Match AB. Since then, growth has been achieved by a combination of organic net sales growth and multiple acquisitions. Hence, mergers and acquisitions have always been part of the Group's vision to become the undisputed and sustainable global leader in cigars.

In recent years, we have made two large acquisitions: in 2018 we acquired the online distribution company Thompson Cigars in the US and in 2020 the machine-rolled cigar company Agio Cigars in Europe. Smaller transactions like MOSI (2021) in Italy and Room101 (2022) in the US have also been acquired to strengthen our business.

Any acquisition or business combination must create value for our shareholders which is reflected in improving profit margins, strengthening cashflows and contributing to topline growth of the business. Since the public listing in 2016, the EBITDA margin before special items has improved from 20.5% in 2015 to 25.9% in 2022 and the free cash flow before acquisitions has increased from DKK 1.1 billion in 2015 to DKK 1.3 billion in 2022.

> *In recent years, we have made two large acquisitions: in 2018 we acquired the online distribution company Thompson Cigars in the US and in 2020 the machine-rolled cigar company Agio Cigars in Europe.*

2009
NET SALES
2.4 Bn DKK

2010 – Swedish Match

2011 – Scandinavian Tobacco Group Lane

2013 – Pipes and Cigars

2014 – Toraño, Verellen

2018 – Thompson Cigar, Peterson

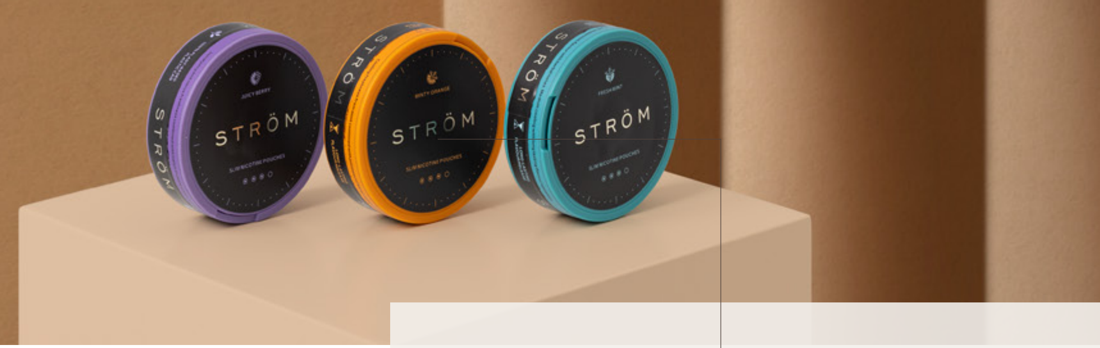
2019 – Dunhill

2020 – Agio

2021

2022 – Room101 Cigars

2022
NET SALES
8.8 Bn DKK



OUR ROAD AHEAD

Rolling Towards 2025 paves the way for the continuation of our strong track record, whilst simultaneously driving value for our shareholders. Cigars remain fundamental to our business and our long-term ambition is to deliver stable to increasing net sales with increasing EBITDA margins. Growing our business and creating shareholder value are derived from two different segments: growth enablers and mergers and acquisitions.

GROWTH ENABLERS

We endeavour to grow through acquisitions, geographic expansion and further experimentation in Next Generation products. Our core focus is cigars, but we aim to leverage our agility as a company to investigate Next Generation categories – through consumer insights and trends – that will complement our core categories.

Consumer demand for smoke-free alternatives and products that embrace the harm-reduction agenda is rapidly growing. Next Generation products are instrumental in this consumer shift and will increasingly become more widely available. To support this evolution, the Growth Incubator team researches growth opportunities outside our core categories with the aim of testing the new era of modern pleasure and ritualistic enjoyment. These smoke-free alternatives also provide an opportunity for us to leverage our agility, our consumer insights and our distribution capabilities to explore ways we can further embrace the dynamic consumer environment and explore growth opportunities in new categories that will complement our core categories.

To date, the Growth Incubator has launched two new products in the Next Generation category (Versa in 2021 and STRÖM in 2022), and more products are expected as we grow and evolve with our consumers.

In 2022, we also continued our retail expansion through the opening of our seventh cigar Superstore. This new Superstore is strategically placed in San Antonio, Texas and we are planning to open more Superstores in 2023.

MERGERS AND ACQUISITIONS

We continue to look into opportunities to grow our business, strengthen our brand portfolio across categories and leverage our costs through successful mergers and acquisitions.

We work on strategic screenings of potential M&A targets in the cigar and Next Generation product categories, and geographical locations whilst in parallel strengthening the Group's M&A playbook and transaction processes. This playbook allows us to have a detailed plan of how to run acquisitions and follow a defined process. The process within each strategic move is important to the business to ensure smooth transitions.

Our playbook comprises of three main elements (strategic screening, deal execution and integration), with the depth and details of these adapted according to the actual acquisition and its complexity. Strategic mergers and acquisitions play a critical role in our ultimate ambition to become the undisputed and sustainable global leader in cigars.

During the financial year, Agio Cigars, one of the biggest acquisitions and integrations since the Company went public, has been finalised. The integration of Agio Cigars progressed faster than anticipated and the expected total net synergies will be above first estimates reaching DKK 250 million. With commercial integration completed in 2020, integration of production facilities was completed with the closure of two production facilities in the Netherlands in 2022.

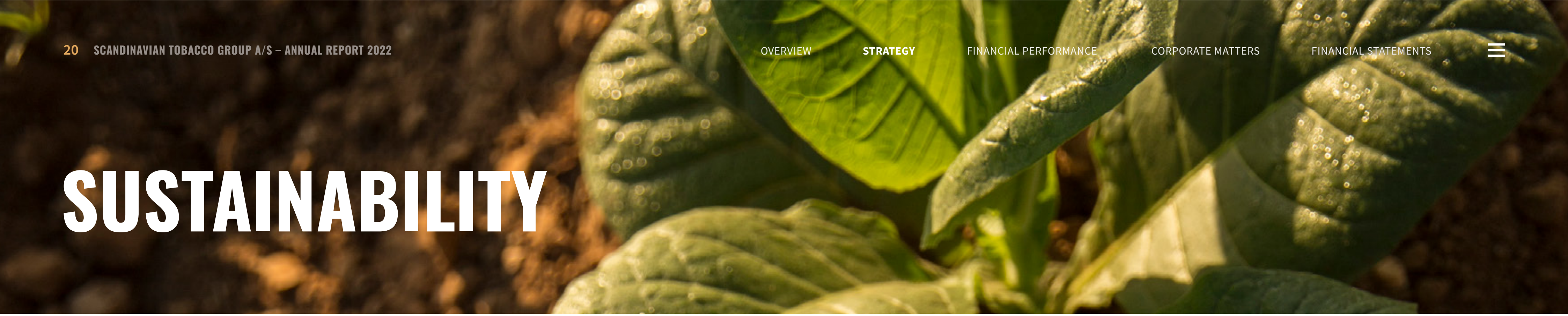
STRÖM

STRÖM, OUR LATEST CREATION

After extensive market research, STRÖM, a product within the "Modern Whites" category (tobacco-free oral pouch product containing nicotine) was launched in Sweden and the UK in 2022. STRÖM has been designed for consumers seeking a smoke-free alternative and provides an opportunity for us to showcase our agility and ability to diversify our portfolio to further embrace Next Generation categories.

We also focused efforts on securing growth in our handmade cigars business. One of the contributing elements to this was the acquisition of Room101, a well-known brand in the boutique segment of the premium cigar category. Room101 was based in Los Angeles and the brand portfolio includes top-rated expressions such as Payback, 10th Annv, Doomsayer, Farce, Hit and Run and The T, as well as Snake Shake, a limited edition release. This acquisition allows us to further anchor our position in the premium handmade cigar segment across the US market boosting category innovation in terms of creativity and quality.

In February 2023, we announced the acquisition of the Alec Bradley cigar business, a leading player in the premium cigar market in the US. The transaction is valued at about DKK 500 million and is expected to be margin, EPS and ROIC accretive when fully integrated.



SUSTAINABILITY

For Scandinavian Tobacco Group, conducting business responsibly is integral to the way in which we operate. From our employees through to our suppliers, we strive to foster a safe and healthy environment that encourages the responsible use of resources, strong corporate ethics and a sustainable mindset for the growth of our business.

In May, we released a new, more ambitious and comprehensive sustainability agenda, **Rolling Responsibly**, and immediately integrated it into our corporate strategy **Rolling Towards 2025** to reflect its importance. Our vision is clear – we want to be the undisputed and sustainable global leader in cigars.

During 2022, our sustainability efforts focused on establishing a strong foundation, building our internal capabilities and kicking off several initiatives which are outlined in the following pages. Our Environment, Social and Governance (ESG) agenda is incorporated within our Strategy, Transformation & Sustainability department with material topics owned by an Executive Board member. To build our competencies, we have established a dedicated Sustainability Center of Excellence with full time employees, dedicated to working toward our greater ESG ambitions.

ROLLING RESPONSIBLY

ASPIRATION

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

SUSTAINABILITY PRIORITIES

ENVIRONMENT

NET-ZERO ALONG THE JOURNEY OF THE LEAF

- Climate change
- Water management
- Land use & responsible agriculture
- Environmentally friendly materials & packaging

SOCIAL

SUSTAINABLE COMMUNITY PIONEERS

- Diversity & Inclusion
- Employee health & safety
- Anti-child labour
- Community engagement

KEY ENABLERS

GOVERNANCE

- Sustainability Center of Excellence
- Strong corporate ethics
- Responsible supply chain & procurement
- Proactive & transparent reporting
- Responsibility towards the consumer

SUSTAINABILITY

2022 SUSTAINABILITY REPORT

Our 2022 Sustainability Report can be accessed at:

www.st-group.com/annual-reports/sustainability-report-2022/

We believe that an impactful sustainability agenda must rest on a solid materiality assessment as it allows the identification of impacts, opportunities and risks associated with the business model. As a result, sustainability is directly tied to the development of our business. Our materiality assessment was performed by independent third parties to ensure objectivity, and in the process, inputs from key internal and external stakeholders were also accounted for.

Four material environmental topics were identified:

1. Climate change
2. Water management
3. Land use & responsible agriculture
4. Environmentally friendly materials & packaging

Climate change is without a doubt the most important topic we have identified, and as a result, has become one of our two fundamental sustainability pillars – “Net-zero along the journey of the leaf”.

Similarly, four material social topics were identified:

1. Diversity & Inclusion (D&I)
2. Employee health and safety
3. Anti-child labour
4. Community engagement

Looking at our business model and value chain, we have the potential to make a difference in the communities in which we operate. Thus, we made communities our second sustainability pillar: “Sustainable Community Pioneers”.

In 2022, our Sustainability Center of Excellence focussed on Climate, Water management, Community engagement, D&I, and Anti-child labour.

We have integrated ambitious targets in Net-zero along the journey of the leaf into our remuneration policy for senior leaders and have improved our sustainability data structure and processes, anchoring them within Corporate Finance.

Our 2022 Sustainability Report constitutes our statutory report for Corporate Social Responsibility for the financial year 2022, in accordance with Section 99a of the Danish Financial Statements Act (“Lovpligtig redegørelse for samfundsansvar, jf årsregnskabslovens §99a”) for the Scandinavian Tobacco Group, group of companies. The 2022 Sustainability Report also includes a statement regarding our Data Ethics Policy, as required by Section 99d of the Danish Financial Statements Act (Redegørelse for politik for dataetik, jf. årsregnskabslovens § 99d), and the section “Diversity and Inclusion” in our Sustainability Report constitutes our statutory report on the gender composition of management and related policies for financial year 2022, according to Sections 99b and 107d of the Danish Financial Statements Act (“Lovpligtig redegørelse for den kønsmæssige sammensætning af ledelsen, jf. årsregnskabslovens §99b” and ” Lovpligtig redegørelse for politik for mangfoldighed, jf. årsregnskabslovens §107d”).

Finally, our 2022 Sustainability Report which outlines our full sustainability agenda and initiatives, also includes our assessment of the Group’s business in relation to new EU reporting requirements regarding “Taxonomy-eligible” activities under the EU Sustainable Finance Taxonomy.

2050

We aim to be carbon-neutral in our entire value chain by 2050.

▼62%

Decrease in number of Lost Time Accidents (LTA) since 2020.

SUSTAINABILITY

ENVIRONMENT

Climate change is an ongoing challenge and as a business we influence climate change through our actions. Our goal is clear – we want to achieve Net-zero along the journey of the leaf and be carbon-neutral in our value chain by 2050.

We have begun executing the plan across different sectors within our business. The first important step taken in 2022 was our official commitment to the Science Based Targets initiative (SBTi). Our goal is a year-on-year reduction in scope 1 and scope 2 emissions, and since 2020 (baseline year), we have been successful in decreasing our emissions year-on-year.

During 2022, we:

1. Established climate and water workstreams
2. Committed to SBTi
3. Performed a deep-dive analysis of scope 1 and 2 emissions and developed a reduction action plan
4. Achieved 19.5% decrease in scope 1 and scope 2 carbon emissions compared to the 2020 baseline, exceeding our yearly reduction target of 4.2%
5. Identified where to focus scope 3 efforts to create a baseline
6. Reported through the Carbon Disclosure Project (CDP) for the first time

As part of the international effort through SBTi to limit global warming to 1.5°C by 2050, we set the following targets, creating milestones for 2030 and 2050:

1. Reduction of CO_2 emissions (scope 1 and 2) by 4.2% per year by 2030 with a baseline of 2020
2. Address at least 67% of scope 3 emissions and create climate engagement with our suppliers by 2030
3. Reach net-zero across the entire value chain (scope 1, 2, and 3) by 2050

Our reduction journey is in full swing with scope 1 and 2 emissions disclosed (baseline year 2020) here:

Thousand t CO_2eq

KPI	2022	2021	2020
Scope 1 emissions	11.8	14.2	15.3
Scope 2 emissions	17.6	20.9	21.2

CASE

INDONESIA

In Indonesia, we try to incorporate sustainability into everyday operations and believe that everyday small actions can make a big difference.

In 2022, Scandinavian Tobacco Group decided to focus initially on water management and wastewater treatment in the local factories. By collecting the wastewater and expanding our wastewater treatment plant, more water can be reused, resulting in lower water withdrawal. These actions resulted in the increased use of recycled wastewater and as an additional measure to reduce water withdrawal, the Indonesian team enhanced its rainwater harvesting.

Additionally, there are examples of initiatives that help embed sustainability into the culture of our Indonesian sites. For example, changing from incineration of tobacco waste to composting, but also the shift from electrically powered traffic lights to solar powered lights. These are examples that have a limited effect on our carbon emission reduction but are very positive in developing a sustainable mindset.

There are also other impactful actions taken on climate, such as the design and implementation of a new cooling system, using the refrigerant R1234ze, which is better for the environment. Outdated refrigerants have a very high global warming potential and by upgrading, fugitive CO_2 emissions can be avoided.

By collecting the wastewater and expanding our wastewater treatment plant, more water can be reused, resulting in lower water withdrawal.

SUSTAINABILITY

SOCIAL

SUSTAINABLE COMMUNITY PIONEERS

We create cigars in many countries around the world, and with more than 8,000 people working in these areas, our Group is an important part of many people's lives. We have the potential to make a difference for them, their families and the local communities.

Although we do not directly employ any tobacco farmers, we have the potential to make a difference for the entire value chain, and the people in it. Improving education and healthcare, enabling women and proactively combatting child labour are our top priorities.

During 2022, we:

1. Established Health & Safety, D&I, Communities, and Anti-child labour workstreams
2. Developed community sustainability strategy and funding guidelines
3. Continued to lead the D&I agenda and embed into core processes
4. Continued our support and involvement with the Eliminating Child Labour in Tobacco-growing Foundation (ECLT)

PEOPLE

We recognise that our different backgrounds and viewpoints foster a better environment for problem solving, attracting and retaining talent, as well as blending, creating, producing and distributing tobacco products safely and profitably. All of this combined, helps make Scandinavian Tobacco Group a better place to work. We employ more than 10,000 people, with more than 8,000 non-desk employees focused on manufacturing, and approximately 2,000 desk workers, working mainly in administration and business development. We are a diverse and global workforce, and proudly employ people across 20 countries, with more than 60 nationalities represented globally.

We strive to enable an ecosystem where D&I are at the core of the business and rooted in our culture. In 2022, we shifted focus solely from North America and adapted D&I principles through a global lens. A core component of our work has been hosting employee focus groups, which are made up of a cross-section of our global employee population. The purpose of these focus groups was to develop a baseline understanding of employees' expectations and experiences to help light the way forward for future D&I work.

This analysis has provided a basis for strengthening our D&I statement, which can be found in our 2022 Sustainability Report.

OUR STRATEGY FOR HEALTH AND SAFETY

Health and Safety is consistently a focus for Scandinavian Tobacco Group and is firmly anchored in the Group's culture and way of working. Our Environment, Health and Safety (EHS) Policy is the foundation of our work, and this policy is the framework for the entire Group and all operations.

The number of Lost Time Accidents (LTAs or injuries leading to one or more working days' absence) in 2022 was 41, an increase of 1 from 2021.

	2022	2021	2020
Number of Lost TimE Accidents (LTAs)	41	40	92
Number of working hours	16,853,392	17,439,673	16,077,807
Rate of LTAs per 200,000 hours	0.49	0.46	1.14

The rate of accidents (LTA) slightly increased during 2022, although the total number of working hours was less, and we endeavour to bring this figure back down during 2023.

We will continue to work toward the target for our overall accident rate of 0.39, which was set following the 2021 results. There are several reasons behind the 2022 performance, the most important being the organisational and site changes.

We aim to offer increased safety training and align safe procedures and instructions with all employees.

During 2022, we offered several health checks to our employees at our production facilities and offices in both Latin America and Asia. This is of particular value in communities where health services might not be readily available, and we endeavour to continue this initiative going forward.

SUSTAINABILITY

GOVERNANCE

Good governance is central to responsible business practice and to our work with sustainability. To us, good governance is about transparency, credibility, accountability, and creating a robust and sustainable organisation. Good governance is the foundation for trust with our stakeholders.

Our revised sustainability agenda was developed by the Board of Directors and Executive Board who continuously monitor, support and approve the work.

During 2022, we:

1. **Updated our Code of Conduct**
2. **Tied our management remuneration together with our sustainability agenda**
3. **Created a Supplier Code of Conduct and are working on a roll-out plan**
4. **Continued anti-corruption and anti-bribery training of employees**

SUSTAINABILITY

LOOKING AHEAD AT 2023

Following the implementation of the revised sustainability agenda in 2022, we are excited to continue the journey and progress in 2023. Highlighted to the right are the main areas of focus for the next calendar year and what we endeavour to achieve.

ROLLING RESPONSIBLY

SUSTAINABILITY PROGRAM

- Ensure we have the necessary elements for all material topics to report in accordance with the Corporate Sustainability Reporting Directive (CSRD) in 2024
- Partner with relevant parties to progress our sustainability agenda
- Continue to educate our colleagues on the sustainability aspects that affect them in their work
- Continue to build ESG transparency with our investors
- Embed sustainability thinking in our ways of working across the Group

TARGETS

ENVIRONMENT

- Commence the remaining workstreams, namely Biodiversity and Responsible Supply Chain
- Develop our concrete targets for the Science Based Targets initiative (SBTi)
- Continue to reduce our scope 1 and 2 carbon emissions delivering our yearly target of 4.2% or better, compared to the 2020 baseline
- Perform a deep-dive analysis of scope 3 emissions and create a baseline and an action plan
- File the Carbon Disclosure Project

SOCIAL

- Gain insight into the specific community needs in each of our production communities
- Begin to identify critical business risks in communities and value chain as pre-Corporate Sustainability Due Diligence Directive (CSDDD)
- Roll out our community strategy
- Assess partnerships relevant to material topics
- Make a plan for most impactful community initiatives implementation

GOVERNANCE

- Work to build more robust and transparent ESG data and processes in preparation for CSRD
- Kick off our responsibility towards the consumer and procurement work
- Roll out our updated and newly created policies, i.e. Code of Conduct, Supplier Code of Conduct and Policy on Data Ethics
- Initiate awareness campaign for our whistleblower platform

FINANCIAL PERFORMANCE

COMMERCIAL DIVISIONS

EUROPE BRANDED

32%

SHARE OF GROUP NET SALES

NORTH AMERICA BRANDED & REST OF WORLD

36%

SHARE OF GROUP NET SALES

NORTH AMERICA ONLINE & RETAIL

32%

SHARE OF GROUP NET SALES

EUROPE BRANDED

Division Europe Branded comprises sale of all product categories to wholesalers, distributors and direct to retail in Germany, Denmark, Sweden, France, Italy, Belgium, the Netherlands, Luxembourg, Spain, Portugal, the UK and Ireland.

Europe Branded accounts for about 32% of Group net sales with almost three quarters of its business within machine-rolled cigars. The division holds a strong brand portfolio of machine-rolled cigars and with a combined market share of more than 30% in core markets, we are the leader in the Europe. Key markets comprise France, Benelux, the UK, Germany, Spain and Italy.

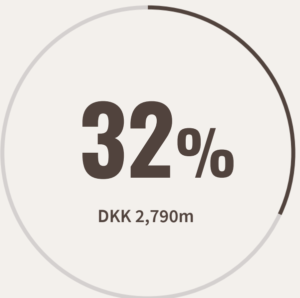
The ambition for Europe Branded is to deliver sustainable net sales and improving EBITDA margins. We aim to deliver on this through our strong market positions, brand leadership through the likes of La Paz, Signature, Mehari's and Panter and our proven ability to drive efficiency improvements as well as the ability to integrate acquisitions strategically.

Europe Branded has identified four strategic priorities that will drive long-term sustainable profit growth in the machine-rolled cigar category: Accelerate pricing, simplify portfolio, win in winning segments and win key customers.

> *The division holds a strong brand portfolio of machine-rolled cigars and with a combined market share of more than 30% in core markets, we are the leader in Europe.*

We will, in the coming years, leverage leading positions to build pricing capabilities to offset declining market trend and negative mix developments. We will simplify the product portfolio with fewer and stronger brands and we will focus on the pockets of growth in our categories to win where we are already strong.

SHARE OF GROUP NET SALES



DIVISIONAL SALES BY CATEGORY

4% HANDMADE CIGARS

19% SMOKING TOBACCO

73% MACHINE-ROLLED CIGARS

4% CONTRACT MANUFACTURING & ACCESSORIES

EUROPE BRANDED

BRANDS

Our portfolio of machine-rolled cigar brands covers all meaningful segments in Europe. We are dividing our extensive portfolio into Global Strategic Brands, Local Strategic Brands and Other Brands. Global Strategic Brands include Signature, La Paz, Mehari's, Balmoral and Panter. Examples of Local Strategic Brands include Gold, Mercator, Henri Wintermans, Moments and many more.

As part of both the division and the Group's wider strategy to simplify everything we do, Europe Branded aims to offer a competitive and leaner portfolio with fewer and bigger (more recognisable) brands. One of the focus areas is to optimise shelf layout with reduced number of Stock Keeping Units (SKUs) in order to support our customers in streamlining their assortment towards a better portfolio with larger and leading brands.

FOCUS ON SIGNATURE

In many markets, Signature (formerly known as Café Crème) is one of the largest cigarillo brands, and the best-selling brand in the family of machine-rolled cigar brands. Signature is sold in over 80 countries worldwide with significant exposure in the largest markets like the UK, France, Spain and Portugal. Signature holds a strong position in the mainstream segment, and the portfolio includes different format cigars with different taste profiles and variants with and without filter. Using tobaccos from Java, Colombia, the Dominican Republic, and Italy, the cigars are wrapped in natural Java or Ecuadorian leaves.

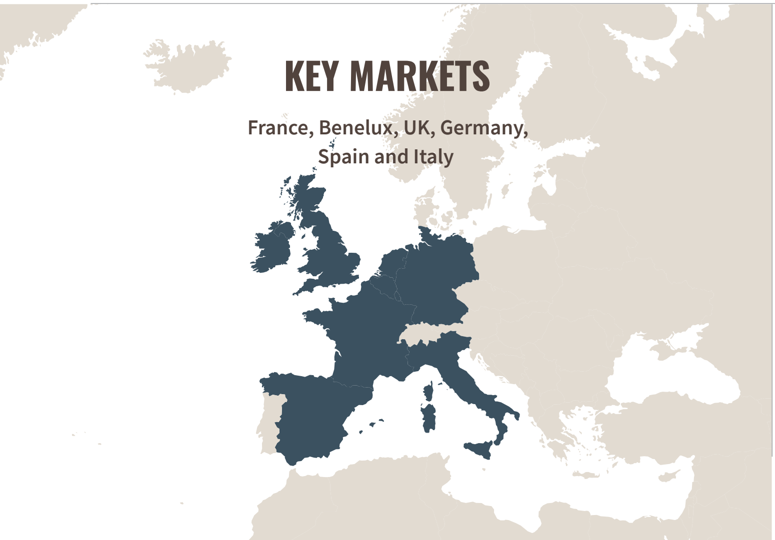
FOCUS ON GROWTH

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

- Strategic pricing initiatives
- Expansion in winning segments by focusing on new pockets of growth
- Better availability of our assortment through strong customer relationships and improved customer experience both on and off line
- Next generation products by evolving with consumer demands and trends to embrace the harm-reduction agenda and remain relevant through a diversified portfolio of products and capture a wider consumer base

CONSUMER PROFILE

Most consumers of machine-rolled cigars are either former cigarette smokers or dual smokers of both cigarettes and cigars. This implies that machine-rolled cigars typically are smoked by mature consumers. Consumption of machine-rolled cigars decline slightly each year, with the value for money and mainstream segments gaining share from the premium segment of the market. With our strong positions in all price segments of the market, we are generally maintaining our market share irrespective of up or down trading in the market.



KEY MARKETS

France, Benelux, UK, Germany, Spain and Italy

KEY BRANDS

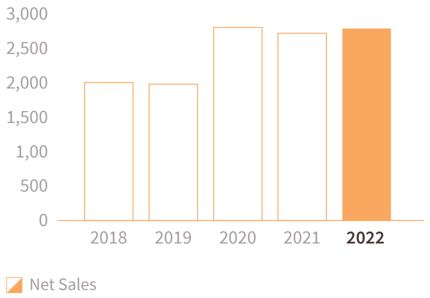
La Paz, Panter, Mehari's, Signature

MOST POPULAR PRODUCT

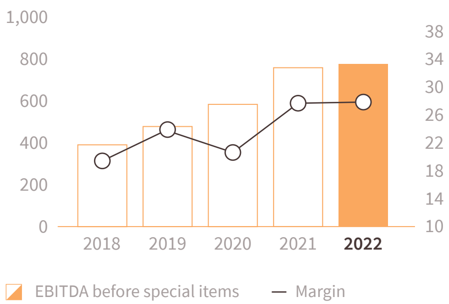
SIGNATURE FINOS

EUROPE BRANDED

NET SALES



EBITDA BEFORE SPECIAL ITEMS



Net sales in the division increased by 2.0% to DKK 2,790 million with a 0.1% organic net sales growth. EBITDA before special items increased by 2% to DKK 772 million with an EBITDA margin before special items of 27.7% (27.6%).

The organic growth in net sales was driven by growth in handmade cigars and smoking tobacco offsetting a slight decline in the largest product category machine-rolled cigars. In machine-rolled cigars, organic net sales growth was positive in Benelux, Spain and Portugal. Overall pricing remained strong, increasing by almost 5%.

In France, our largest market in Europe Branded, machine-rolled cigars delivered negative growth of 6% and the UK delivered negative growth of 1%. In both markets pricing could not offset the volume decline, which is driven by the structural market decline and loss of market shares caused by the production issue.

The EBITDA margin improved by 0.1 percentage point to 27.7% comprised of a 0.7 percentage points negative impact from the gross margin and a 0.8 percentage points positive impact from a lower OPEX-ratio. The improved OPEX-ratio is a result of general cost reductions and full-year cost savings following the Agio integration, which was finalised in 2022. The gross margin declined as pricing could not fully offset cost inflation and mix changes.

The combined market share in our key markets declined to 31.1% versus 32.7% in 2021. We expect to slowly reverse the loss in market share as the production issue normalises.

In 2022, the overall market for machine-rolled cigars decreased by about 3%. Our assessment of the long-term annual decline rate remains unchanged at about 3%.

DKK million	2022	2021
Net sales	2,790	2,735
Gross profit before special items	1,511	1,501
EBITDA before special items	772	754
Net sales growth	2.0%	-2.9%
Organic net sales growth	0.1%	-3.1%
Gross margin before special items	54.2%	54.9%
EBITDA margin before special items	27.7%	27.6%

NORTH AMERICA BRANDED & REST OF WORLD

North America Branded & Rest of World ("NABROW") comprises the sale of all product categories to wholesalers and distributors that supply retail in North America (US and Canada) and Rest of World which includes Australia, Middle East, Africa, South America, European markets (where we do not have own sales organisations), international sales, Asia regions, Global Travel Retail and Contract Manufacturing and Accessories (CMA).

In 2022, the division accounted for 36% of Group net sales and accounted for more than 50% of Group EBITDA before special items. The divisional net sales split between North America and Rest of World was 57/43 with the most important markets in Rest of World being the Nordics and Australia.

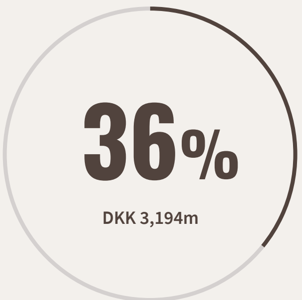
The category split in the division was fairly even between the product categories handmade cigars, machine-rolled cigars, smoking tobacco and contract manufacturing & accessories.

The NABROW division also manages the Growth Incubator team which in 2022, successfully launched its second product, STRÖM in Sweden and in Manchester, UK. We are pleased with the initial reaction by consumers and the product's performance to date.

Our unrivalled handmade cigar portfolio in the US includes leading brands like Macanudo, CAO, Punch, Partagas, Cohiba and many more. These brands make us the leading player in the fragmented US market for handmade cigars, in combination with exclusive brands sold via our online platforms. The total market is estimated at about ~500 million cigars in 2022. North America Branded sells cigars to consumers through all leading online platforms and retailers in the market.

The long-term path is focused on three priorities: accelerate net sales of handmade cigars globally, deliver sustainable growth in EBITDA and further pursue growth opportunities. These priorities are continuously being developed and several workstreams saw a successful outcome during 2022. Forged Cigar Company (an independent national cigar distribution network for optimising our reach, and increasing focus on individual brands in our handmade cigars portfolio), expanded considerably, which resulted in high growth rates in the retail channel. The change of route-to-market models in markets like Canada and Australia has offset the impact of market decline.

SHARE OF GROUP NET SALES



DIVISIONAL SALES BY CATEGORY

30% HANDMADE CIGARS

21% SMOKING TOBACCO

26% MACHINE-ROLLED CIGARS

23% CONTRACT MANUFACTURING & ACCESSORIES

NORTH AMERICA BRANDED & REST OF WORLD

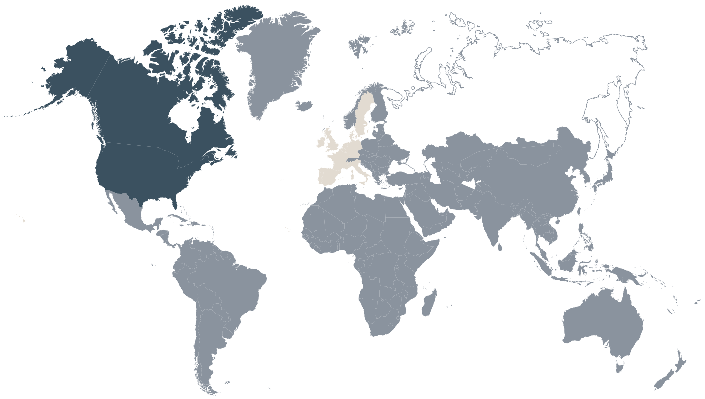
BRANDS
Our unrivalled brand portfolio of handmade cigars covers all segments in the US market with brands like Macanudo, CAO, Cohiba, Punch, Partagas and many more and in the international market the portfolio covers brands like Macanudo, CAO and others. Examples of super exclusive brands are Cohiba (US) and Silencio, premium brands are CAO, Punch and Macanudo, and brands like Don Tomas and Diesel are primarily positioned in the mainstream segment of the market.

FOCUS ON MACANUDO
Macanudo is the largest premium handmade cigar brand in the US in terms of sales volumes. Acquired by General Cigar Company in 1969, Macanudo has since grown into a global brand in the handmade category and the brand is today sold in more than 50 countries. The Macanudo portfolio consists of nine distinct blends, each handcrafted in the Dominican Republic and Honduras. An example of our ongoing product releases was the launch of a new cigar called Macanudo Inspirado "Year of the Rabbit," a limited-edition release which is sold exclusively in select markets in Europe and Asia.

CONSUMER PROFILE

The product category handmade cigars – sometimes also referred to as premium cigars as opposed to machine-rolled cigars – can be divided into eight primary segments. The largest segment is measured by volume and is mostly consumed in social settings. Each social setting, whether at home or out and about, creates moments of enjoyment. Our broad selection of brands and cigars at any price segment, positions us well in all consumer segments.

KEY MARKETS



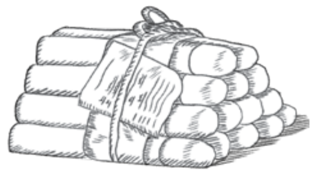
KEY BRANDS

TIEDEMANNS CAO COHIBA

MACANUDO MONTEGO Y CIA · Captain Black · PUNCH

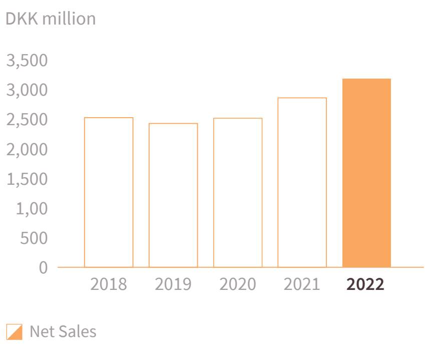
MOST POPULAR PRODUCT

MACANUDO MONTEGO Y CIA

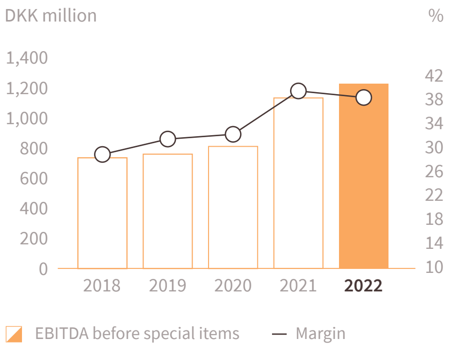


NORTH AMERICA BRANDED & REST OF WORLD

NET SALES



EBITDA BEFORE SPECIAL ITEMS



Net sales increased by 11.0% to DKK 3,194 million comprised of a positive organic net sales growth of 3.1% and a positive exchange rate effect of almost 8%. EBITDA before special items increased by 8% to DKK 1,226 million with an EBITDA margin before special items of 38.4% (39.5%).

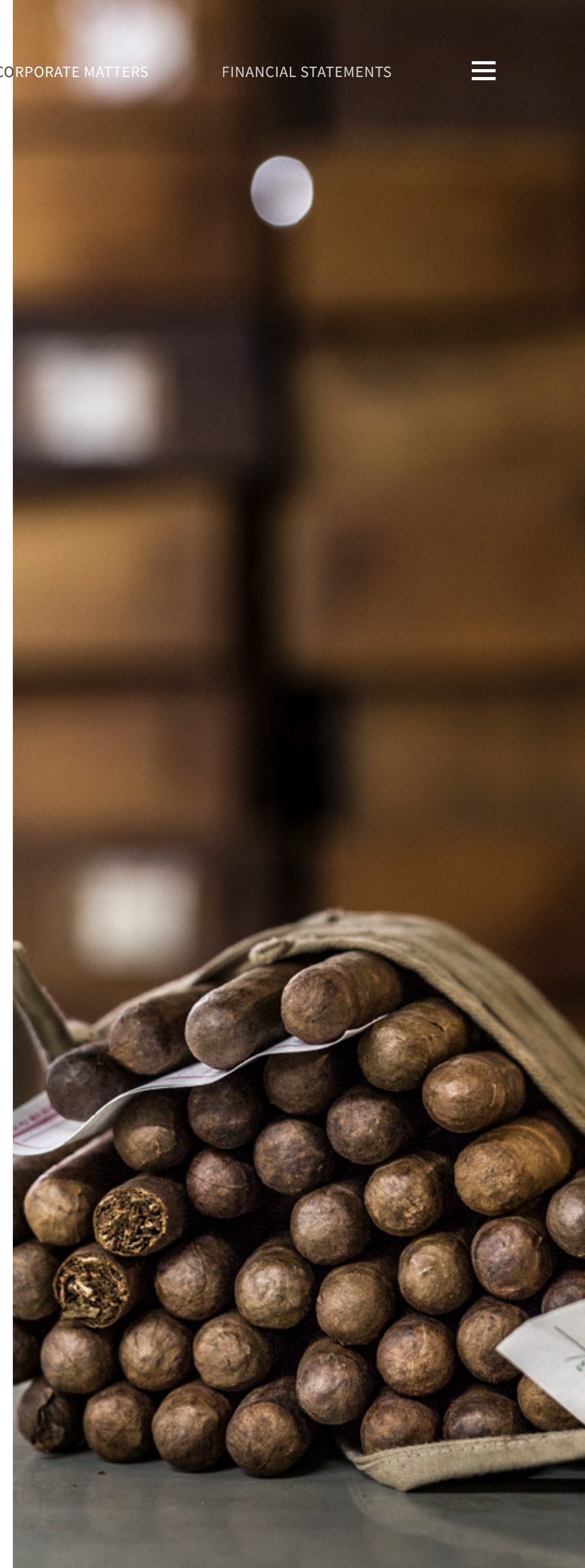
The division completed a record-breaking year across many segments and international markets reached the highest growth to date across many countries. Our cigar restaurant, Club Macanudo in New York, reached its highest net sales seen to date, a new Club Macanudo opened in Kuala Lumpar and the division sold more than 10 million cigars outside of USA. These milestones have been supported by a strong year in pricing, distribution consolidations in Australia, the expansion of Forged Cigar Company and the return of Global Travel Retail off the back of a few difficult years during the pandemic. The growth was lowered by the reversal to pre-pandemic market and product mix, a reduction in the sale of handmade cigars in the US, especially to the online channel and the decision to cease sales to Russia and Belarus as of March 2022.

The changes in consumer behavior for handmade cigars brought about by the pandemic have remained sustainable, and consumption in the US turned out to be resilient to the macro-economic developments during 2022. Hence, the demand for handmade cigars has returned to a declining trend, but from its new higher level well above pre-pandemic figures. Machine-rolled cigars and smoking tobacco have in general normalised to their pre-pandemic development.

The margin decline in the division primarily reflects the normalisation of market and product mix and a refund of certain duties in the US in 2021. The EBITDA margin decline of 1.1 percentage points was composed by a similar decline in the gross margin and an unchanged OPEX-ratio. The 1.1 percentage points decline in the gross margin is driven by the changes in product and market mix.

The 2022 reporting year has been offset by a positive impact from general cost efficiencies, the change of distribution model in Australia and the inventory sale to British American Tobacco in Australia and New Zealand.

DKK million	2022	2021
Net sales	3,194	2,877
Gross profit before special items	1,698	1,562
EBITDA before special items	1,226	1,135
Net sales growth	11.0%	13.8%
Organic net sales growth	3.1%	15.3%
Gross margin before special items	53.2%	54.3%
EBITDA margin before special items	38.4%	39.5%



NORTH AMERICA ONLINE & RETAIL

Division North America Online & Retail ("NAOR") includes direct to consumer sales of all product categories sold via online, retail stores and contact centres in North America. NAOR distributes brands from the Group's own branded business NABROW as well as brands from all other major brand owners in the US market. Furthermore, NAOR markets and distributes a selection of exclusive brands like Diesel and 5 Vegas.

In 2022, online, catalogue and tele sales comprised 92% of net sales with the retail channel comprising 8%. Handmade cigars are by far the largest product category being distributed and sold through NAOR.

The division comprises seven brick-and-mortar cigar Superstores in Pennsylvania (2), Texas (3) and Florida (2) and six online business units each uniquely positioned towards a specific consumer group. The six online platforms have a combined estimated volume share of approximately 45% of the US online market.

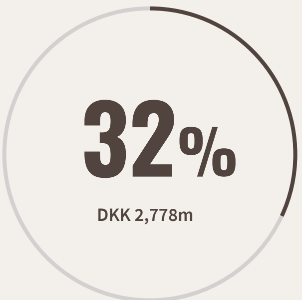
The main KPIs for the online business are number of active customers, the retention rate and the average spend per customer.

Growth in North America Online & Retail will come from investments in consumer insights and the expansion of the brick-and-mortar retail channel with the intent to develop and expand the handmade cigar category. Consumer insights will grow the number of active consumers, improve retention rates and consumer value over time, paving the way for the online channel to deliver long-term sales growth. By the end of 2022, the division had almost 1 million active consumers.

In 2021, we announced the plan to open an additional 6-8 cigar Superstores over the period of two to three years. In April 2022, a new Superstore was opened in San Antonio, Texas, marking our seventh Superstore in total. When fully up and running, the Superstores will be margin enhancing for the division and will increase the Group's Return on Invested Capital.

In October 2022, our sixth website **cigora.com** was launched to engage consumers through a community first approach as well as the added commerce element.

SHARE OF GROUP NET SALES



DIVISIONAL SALES BY CATEGORY

81% HANDMADE CIGARS

3% SMOKING TOBACCO

5% MACHINE-ROLLED CIGARS

11% CONTRACT MANUFACTURING & ACCESSORIES

NORTH AMERICA ONLINE & RETAIL

OUR DIRECT TO CONSUMER BUSINESSES

Our business-to-consumer business is divided by online/catalogue with 92% of net sales in 2022 and our fast-growing retail business with 8% of net sales. The online business includes six website platforms: **Cigarsinternational.com** - the largest cigar-based online platform in the US, **cigar.com** - adds another level of personal customer service and forum communities to the offering, **cigarbid.com** - an auction site for cigars, **thompsoncigar.com** - a unique platform added to our portfolio by the acquisition of Thompson Cigars in 2018, **pipesandcigars.com** - targets pipe tobacco consumers and finally our newly launched **cigora.com** platform. Each online platform has its unique position in the market tailored to target consumers with different purchasing preferences.

The retail business comprises seven concept Superstores branded under the Cigars International umbrella. The Hamburg, Pennsylvania Superstore was opened in 2012 and has, through its steadily improving financial performance, proven the rationale of expanding the concept to additional concentrated consumer areas in the US. The Superstores opened in Texas and Florida throughout 2020-2022 have all confirmed the business rationale with the retail business unit enhancing both net sales growth, margins and return on invested capital for the division.

FOCUS ON CIGARSINTERNATIONAL.COM

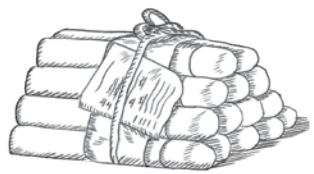
Established in 1996, Cigars International has become a fast-growing retailer and is the industry leader in online and direct marketing of premium to value segmented handmade cigars and tobacco accessories. The portfolio covers brands from most cigar brand owners in the US with an active consumer base of close to 1 million US consumers. Cigars International distribute almost 20 million catalogues on an annual basis.

OUR ONLINE STORES

cigar.com
cigarsinternational.com
cigarbid.com
thompsoncigar.com
cigora.com
pipesandcigars.com

KEY BRANDS

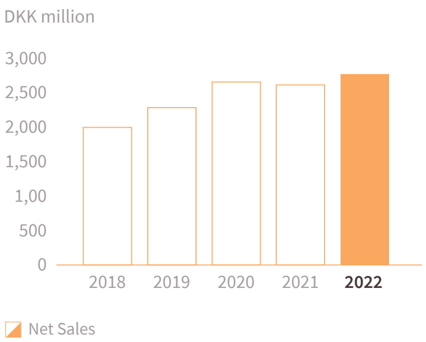
MOST POPULAR PRODUCT



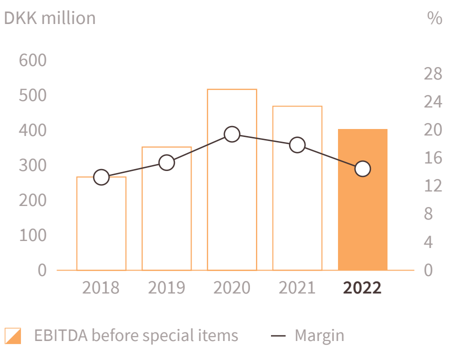
CI LEGENDS DREW ESTATE

NORTH AMERICA ONLINE & RETAIL

NET SALES



EBITDA BEFORE SPECIAL ITEMS



Net sales increased by 6.0% to DKK 2,778 million comprised of a 6.1% negative organic net sales growth and a positive exchange rate effect of almost 12%. EBITDA before special items decreased by 14% to DKK 403 million with an EBITDA margin before special items of 14.5% (17.9%).

The organic net sales development was driven by a decline in the online distribution channel, being only partially offset by continued growth in the retail business. The proportion of divisional net sales in our retail business increased to about 8% for the year from about 6% in 2021.

The online channel experienced a double-digit decline in the active customer base reflecting a general channel shift in the market from online to retail compared with 2021. An overall market decline in the consumption of handmade cigars as well as loss of market share in the online channel were driven by fierce competition. Although average order value is increasing, the prevailing competitive situation puts pressure on pricing. The number of active customers remains above pre-pandemic level in 2019.

The retail business continues to deliver good growth primarily driven by Superstore openings in the past two years. In 2022, we opened one new Superstore, in San Antonio Texas.

The EBITDA margin decline is primarily driven by a higher OPEX-ratio as the gross margin is relatively stable at 39.5% versus 40.1% in 2021 with pricing partly offsetting general cost inflation. The increase in the OPEX-ratio reflects a higher level of promotional and marketing expenses driven by the competitive situation, increased expenses relating to IT investments as well as the scale impact of declining sales volumes. General cost efficiencies and optimisation continues to impact the underlying margin development positively.

DKK million	2022	2021
Net sales	2,778	2,620
Gross profit before special items	1,098	1,050
EBITDA before special items	403	470
Net sales growth	6.0%	-1.6%
Organic net sales growth	-6.1%	2.4%
Gross margin before special items	39.5%	40.1%
EBITDA margin before special items	14.5%	17.9%

GROUP FINANCIAL REVIEW

NET SALES

Net sales increased by 6.4% to DKK 8,762 million (DKK 8,233 million) driven by a negative organic growth in net sales of 0.8%, exchange rate developments of 6.6% and impact from acquisitions of 0.6%. Organic net sales were primarily driven by North America Branded & Rest of World. North America Online & Retail delivered negative organic growth in net sales whereas Europe Branded delivered zero growth. The Americas remained our largest market and grew its share of Group net sales to 53.8%. Europe and Rest of World accounted for 39.0% and 7.2% respectively.

GROSS PROFIT

Gross profit before special items increased by 4.7% to DKK 4,307 million (DKK 4,113 million). The increase was driven by the development in net sales, a positive currency impact of DKK 229 million and a postive contribution from acquistions of DKK 24 million. Organic gross profit decreased by 1.4%. Gross margin before special items decreased by 0.8 percentage points to 49.2% (50.0%) primarily driven by mix changes.

OPERATING EXPENSES (OPEX)

OPEX before special items increased by 6.6% to DKK 2,037 million (DKK 1,911 million). Organic OPEX decreased by 0.6% to DKK 1,923 million (DKK 1,935 million). The OPEX-ratio increased to 23.3% from 23.2% in 2021. The OPEX-ratio was driven by savings from the integration of Agio Cigars and cost efficiency across our operations offsetting underlying cost inflation.

DKK million	2022	2021	Change in %
Net Sales	8,762	8,233	6.4%
Acquisitions		53	
Effect from currency development	-544		
Organic net sales	8,218	8,286	-0.8.%
Gross Profit			
Gross profit before special items	4,307	4,113	4.7%
Acquisitions		24	
Effect from currency development	-229		
Organic gross profit	4,078	4,137	-1.4%
OPEX			
OPEX before special items	-2,037	-1,911	6.6%
Acquisitions		-24	
Effect from currency development	114		
Organic OPEX	-1,923	-1,935	-0.6%

EBITDA

EBITDA before special items increased by 1.7% to DKK 2,270 million (DKK 2,233 million) while organic EBITDA decreased by 3.5% driven by the development in organic gross profit. The EBITDA margin before special items decreased to 25.9% (27.1%).

DKK million	2022	2021	Change in %
EBITDA before special items	2,270	2,233	1.7%
Acquisitions			
Effect from currency development	-115		
Organic EBITDA	2,155	2,233	-3.5%

SPECIAL ITEMS

Special items were positive by DKK 35 million (DKK -55 million) and relate primarily to the production footprint DKK 118 million which includes gains from sale of buildings, partly offset by the cost of Agio Cigars integration which was DKK 13 million and OneProcess ERP project which was DKK 68 million.

DKK million	2022	2021
Integration and transactions costs (Agio Cigars)	13	22
Fuelling the Growth programme	1	2
OneProcess (ERP project)	68	19
Production footprint, incl. sale of buildings	-118	14
Impairment intangible assets	-	59
Reversal of impairments	-	-61
Total special items, net costs	-35	55

GROUP FINANCIAL REVIEW

EBIT
EBIT increased by 7.7% to DKK 1,953 million (DKK 1,814 million) and was positively impacted by the increase in EBITDA before special items and lower special items.

TAX AND NET PROFIT
Income taxes were DKK 380 million (DKK 378 million). The effective tax rate was 20.5% (21.4%).

Net profit increased by 6.2% to DKK 1,476 million (DKK 1,391 million). Basic earnings per share increased to DKK 16.3 (DKK 14.6). Adjusted earnings per share increased by 8.1% to DKK 16.0 (DKK 14.8) as a result of the development in EBITDA before special items and as the number of outstanding shares (basic) was reduced to 90.6 million (95.3 million).

BALANCE SHEET
Total assets were DKK 15,122 million (DKK 14,584 million). Net working capital increased by 16.1% to DKK 3,110 million (DKK 2,679 million) primarily due to higher inventories and lower level of other liabilities.

RETURN ON INVESTED CAPITAL
The return on invested capital (ROIC) was 14.3% (14.5%) with a DKK 139 million improvement in EBIT driven by the operational performance and based on an invested capital of DKK 13.7 billion (DKK 12.5 billion).

CASH FLOW
Cash flow from operating activities decreased to DKK 1,393 million (DKK 1,567 million) with an increase in cash flow from operations being offset by negative cash flow from working capital changes. In 2022, the change in working capital was negative by DKK 364 million versus a negative change in 2021 of DKK 6 million.

Cash flow from investing activities was an outflow of DKK 132 million (DKK 178 million). CAPEX was DKK 390 million (DKK 240 million) and sale of property, plant and equipment contributed by DKK 246 million (DKK 57 million). Free cash flow was DKK 1,261 million (DKK 1,389 million). Free cash flow before acquisitions was DKK 1,264 million (DKK 1,393 million).

CASH FLOW

DKK million	2022	2021
EBITDA before special items	**2,270**	**2,233**
Fin. items, tax and other adjustments	-513	-660
Cash flow from operations before NWC	**1,757**	**1,573**
Changes in working capital	-364	-6
Cash flow from operations	**1,393**	**1,567**
Investments	-132	-178
Free cash flow	**1,261**	**1,389**

FINANCING
Net interest-bearing debt (NIBD) increased to DKK 3,629 million (DKK 3,266 million) primarily driven by positive cash flow from operations offset by dividend payments of DKK 692 million and share repurchases of DKK 776 million. NIBD/EBITDA before special items ended at 1.6 times (1.5 times).

DIVIDEND
For the financial year 2022, the Board of Directors proposes a dividend of DKK 8.25 per share corresponding to a total dividend of DKK 767 million and a pay-out ratio of 52.0% (52.6%).

CREDIT RATING
On 11 September 2020, Moody's Investor Service ("Moody's") assigned a first-time issuer rating of Baa3 with a stable outlook to Scandinavian Tobacco Group A/S. This rating was confirmed in 2022.

Moody's also assigned a Baa3 rating to a EUR 300 million senior unsecured bond issued on 24 September 2020 by Scandinavian Tobacco Group A/S' wholly owned subsidiary STG Global Finance B.V. and guaranteed by Scandinavian Tobacco Group A/S.

EQUITY STORY

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

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

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

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

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

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

We aim to optimise value for our shareholders with:
- An increased capital efficiency
- A disciplined shareholder return policy
- A dedicated sustainability effort as embedded in our Sustainability Strategy

SHAREHOLDER RETURN POLICY

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

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

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

FIVE-YEAR ACHIEVEMENTS 2018-2022

TOTAL SHAREHOLDER RETURN
CAGR
6%

CAPITAL DISTRIBUTION
Total
4.7 DKKbn

FREE CASH FLOW
Average
1.2 DKKbn

ADJUSTED EPS
CAGR
21%

EBITDA GROWTH
Average
8%

RETURN ON INVESTED CAPITAL
Average
10.2%

FINANCIAL AMBITIONS

1 ORGANIC EBITDA GROWTH
In the past five years, the annual organic EBITDA growth was in the range of -3.5% to 18.4% with an annual average of 7.9%.

2 EBITDA MARGIN
In the past five years, the EBITDA margin before special items improved by 6.0% from 19.9% in 2017 to 25.9% in 2022.

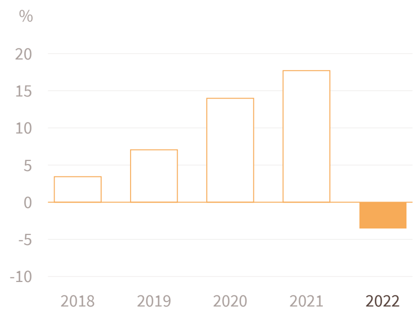
3 ADJUSTED EPS
In the past five years, the CAGR growth in adjusted Earnings Per Share was 21%.

4 FREE CASH FLOW
In the past five years, the average annual free cash flow before acquisitions was DKK 1.2 billion driven by a combination of a strong structural cash flow generation in the tobacco categories and a focus on reducing capital tied up in the operation.

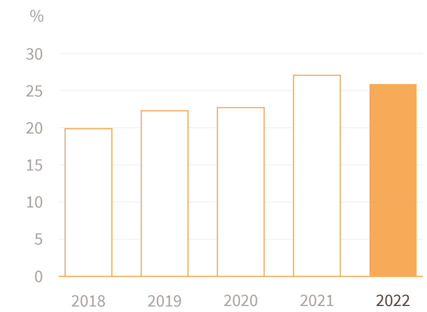
5 CAPITAL DISTRIBUTION
Including a proposed ordinary dividend for 2022 of DKK 8.25 per share, the Group will for the past five years have paid almost DKK 3.1 billion back to shareholders either as ordinary or extraordinary dividends. In the same period, the Group repurchased own shares at a value of DKK 1.6 billion resulting in a total capital distribution of DKK 4.7 billion to shareholders.

6 RETURN ON INVESTED CAPITAL
In the past five years, the pre-tax return on invested capital (ROIC) was in the range of 6.4%-14.5%. In 2022 the ROIC was 14.3%.

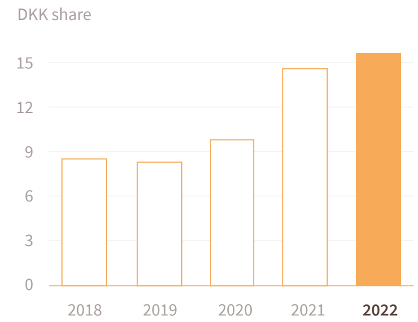
1 ORGANIC EBITDA GROWTH



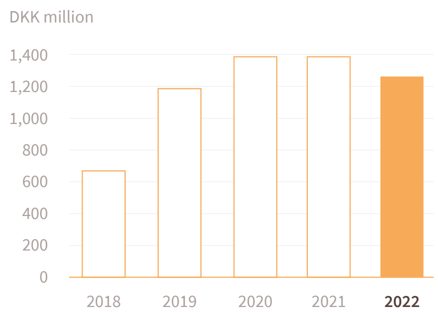
2 EBITDA MARGIN



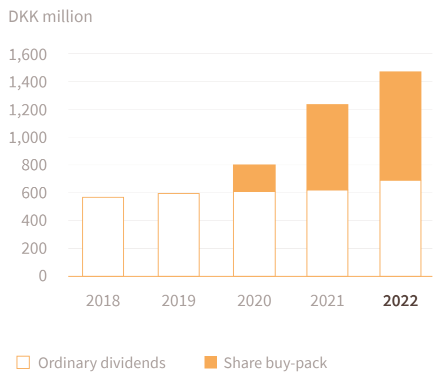
3 ADJUSTED EPS



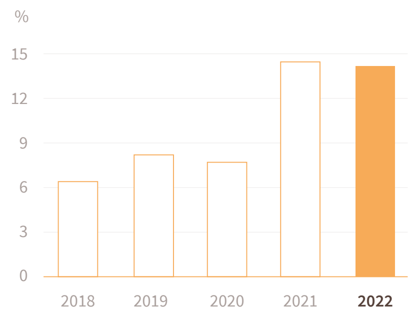
4 FREE CASH FLOW



5 CAPITAL DISTRIBUTION



6 RETURN ON INVESTED CAPITAL



FINANCIAL AMBITIONS

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

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

We believe the development in net sales and the EBITDA margin combined with cash flow and ROIC are the right performance indicators to reflect our progress in meeting these ambitions. We will continue to report on the development in organic EBITDA growth, but it will no longer be part of our guidance metrics. Our ability to realise the financial ambitions is dependent on specific market and business developments and the ambitions are supplemented by annual guidance.

EARNINGS

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

FREE CASH FLOW

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

RETURN ON INVESTED CAPITAL

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

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

2023 GUIDANCE

9.0-9.3BN

Net sales

24-25%

EBITDA margin before special items

1.2-1.4BN

Free cash flow before acquisitions

14.5-16.5

Adjusted earnings per share increase

2023 GUIDANCE

	2022 GUIDANCE[1]	2022 REALISED	2023 GUIDANCE
Net sales (DKK billion)	-	8.8	9.0-9.3
EBITDA margin before special items	-	25.9%	24-25%
Organic EBITDA growth	-4 to 0%	-3.5%	-
Free cash flow before acquisitions (DKK billion)	1.1-1.4	1.3	1.2-1.4
Adjusted earnings per share (change in %/DKK)	>5%	8%	14.5-16.5

1. As of 25 August 2022

NEW GUIDANCE METRICS

New guidance metrics will be introduced as of the start of the 2023 financial year and will, going forward, focus on reported net sales and the EBITDA margin before special items. These guidance metrics better reflect the operational performance in the Group and the change will increase transparency from divisional performance to Group level.

The financial guidance continues to include the free cash flow before acquisitions and adjusted EPS growth as both are essential performance indicators reflecting the aim to deliver attractive shareholder returns. To facilitate a smooth transition to the new guidance metrics and bridge the annual guidance and financial ambitions, the Group will provide an indication of the expected organic EBITDA growth in 2023.

OUTLOOK 2023

In 2023, the consumption of product categories is expected to remain resilient. The consumption of handmade cigars in the US and machine-rolled cigars in primary European markets is expected to develop close to their structural decline rates with price increases expected to offset the volume decline. A minor contribution to net sales is expected from the growth enablers, the retail expansion in the US and the new product launches in the Growth Incubator. The reported net sales are expected in the range of DKK 9.0-9.3 billion driven by organic growth and the acquisition of the Alec Bradley cigar business.

The EBITDA margin before special items is expected in the range of 24-25%. The margin is assumed to be positively impacted by price increases and improved productivity in our factories, whereas the margin is assumed to be negatively impacted by cost inflation for most categories, mix changes as well as investments in our growth enablers and sustainability.

The EBITDA margin is expected to increase in North America Online & Retail, to remain about unchanged for Europe Branded and to decrease in North America Branded & Rest of World.

The largest uncertainties for net sales and the EBITDA margin are changes in consumer behaviour, major changes in market and/or product mix and unexpected cost inflation.

The free cash flow is expected to be impacted by up to DKK 500 million in capital expenditures including investments in the retail expansion in the US and in OneProcess, the implementation of the SAP 4/HANA ERP solution. A positive cash flow impact from changes in the working capital is expected to be partly offset by special items paid.

The adjusted EPS is expected in the range from DKK 14.5-16.5 excluding any impact from potential new share repurchase programs.

Given these considerations, guidance for 2023 is:
• Reported net sales in the range of DKK 9.0-9.3 billion.
• EBITDA-margin before special items in the range of 24-25%.
• Free cash flow before acquisitions in the range of DKK 1.2-1.4 billion.
• Adjusted EPS in the range of DKK 14.5-16.5.

The financial performance for Scandinavian Tobacco Group for the full year 2023 rests on several assumptions:
• No contribution or expenses related to potential new acquisitions.
• The effective tax rate is expected to be in the range of 22-23%
• Working capital is expected to deliver a positive contribution.
• Capital expenditure, net is expected at up to DKK 500 million.
• Guidance and assumptions are based on current exchange rates*

* A 10% change in the USD/DKK exchange rate would impact group net sales by approximately 5 percentage points with EBITDA margins being only marginally impacted.

Based on the financial guidance and the related assumptions, organic EBITDA growth in 2023 is expected to be slightly negative.

CORPORATE MATTERS

REGULATION

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

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

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

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

REGULATORY DEVELOPMENTS IN THE US

In the US, the Food and Drug Administration (FDA) has the regulatory responsibility for tobacco products, including cigars and pipe tobacco. The regulation of cigars and pipe tobacco, which was first introduced in 2016, is complex and often requires essential additional FDA guidance and involves great uncertainty in terms of the specific requirements as well as timing. In 2022, FDA's application of its regulation on premium cigars was set aside and a ruling is expected in 2023 setting the direction for the future regulation of premium cigars in the US.

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

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

REGULATORY DEVELOPMENTS IN EUROPE

In the EU, the so-called Tobacco Products Directive sets the framework for most regulation of tobacco products. One example of regulation in the Tobacco Products Directive and its impact, is the so called "Track and Trace" regime that took effect in May 2019 for cigarettes and fine-cut tobacco. Under Track and Trace, each individual consumer package must be traceable from the manufacturer/importer to the last stop before the retailer. Scandinavian Tobacco Group expects to leverage the extensive experience gathered in connection with the implementation of Track and Trace in its fine-cut tobacco business when Track and Trace is extended to cigars and pipe tobacco in May 2024. The EU Tobacco Products Directive is expected to undergo a statutory review within the next couple of years.

The European Commission is expected to release a proposal for an update of the EU Tobacco Excise Directive during the first half of 2023. The Tobacco Excise Directive sets out definitions of the various tobacco product categories for excise purposes and determines the structure and minimum rates of tobacco excise tax in the EU. With due consideration of these minimum rates, each EU member state sets its own tobacco excise rates. Increases in excise rates are common and happened also in 2021. Occasionally these changes impact consumer behavior in the shorter or longer term.

Standardised consumer packaging requirements as well as the regulation of display and marketing of tobacco products at the points of sale are not within the scope of EU's tobacco regulations but subject to national regulations. Several EU member states have introduced requirements for standardised packaging and display bans at the retail level for some or all types of tobacco products.

RISK MANAGEMENT

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

GOVERNANCE

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

RISK ASSESSMENT PROCESS

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

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

RISKS IN SCANDINAVIAN TOBACCO GROUP

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

Generally, society is affected by the highest inflation rate in decades. This inflation will affect the Group in the coming years as it creates uncertainty which requires special attention.

REGULATION

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

EXCISE TAXES

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

TOTAL MARKET DEVELOPMENT

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

CYBER RISK

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

IMPLEMENTATION OF ERP SYSTEM

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

RISK MANAGEMENT

REGULATION

RISK DESCRIPTION

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

MITIGATING ACTIONS

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

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

EXCISE TAXES

RISK DESCRIPTION

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

In the US we expect an increase in the number of states requiring remote sellers to collect excise tax. This could lead to additional costs and complexity for our operations, affect consumer behaviour and impact our sales volumes and profitability.

MITIGATING ACTIONS

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

TOTAL MARKET DEVELOPMENT

RISK DESCRIPTION

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

MITIGATING ACTIONS

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

RISK MANAGEMENT

CYBER RISK

RISK DESCRIPTION

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

MITIGATING ACTIONS

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

IMPLEMENTATION OF ERP SYSTEM

RISK DESCRIPTION

Scandinavian Tobacco Group will in the coming years invest significantly in updating the Group's ERP system. This represents a significant business transformation and will strengthen our ability to deliver growth and profitability in a declining market. Further, a higher degree of digitalisation, process simplification and automation will provide the Group with an improved basis for participating in further industry consolidation.

Implementation of the new ERP system requires significant resources and affects many divisions across the Group, not least supply chain, business operations, finance and IT. Disruptions, delays or deficiencies in the transition, design and implementation of the new system could have an adverse effect on the Group's business.

MITIGATING ACTIONS

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

CORPORATE GOVERNANCE

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

The Group's corporate governance is based on the Danish Companies Act, the Danish Financial Statements Act, the International Financial Reporting Standards (IFRS), the EU Market Abuse Regulation, Nasdaq Copenhagen A/S' Rulebook for Issuers of Shares and its Rules for Issuers of Bonds as well as the company's Articles of Association, among others. Further, the Danish Recommendations on Corporate Governance are taken into account. The ultimate authority over the company is held by the shareholders who exercise their rights at general meetings. The annual report and amendments to the Articles of Association are approved at the general meeting which also elects members of the Board of Directors and the independent auditor. The general meeting exercises its powers pursuant to the provisions of Scandinavian Tobacco Group's Articles of Association which are available at st-group.com. The Articles of Association were last updated in connection with the Annual General Meeting held on 31 March 2022. The minutes of the Annual General Meeting are available at **investor.st-group.com**.

As a publicly listed company, Scandinavian Tobacco Group is required by law to report on its compliance with the Danish Recommendations on Corporate Governance, which can be found at **corporategovernance.dk**. Reports by companies on corporate governance must be presented in accordance with the 'comply or explain approach', which means that a company may choose not to comply with a specific recommendation, but instead explain why it has chosen not to comply with the recommendation, and what it has chosen to do instead. Scandinavian Tobacco Group complies with all of the current Danish Recommendations on Corporate Governance (with one minor exception as the election of a Vice-chairman of the Board of Directors is optional, not mandatory).

A detailed overview can be found in Scandinavian Tobacco Group's 2022 Statutory Report on Corporate Governance. The report is available here.

REMUNERATION

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

The overall objective of the Remuneration Policy is to enable the company to attract and retain high calibre, experienced and qualified individuals to its Board of Directors and Executive Management. Further, the Remuneration Policy enables the company to incentivise the Executive Management to deliver the company's strategic ambitions in a way which creates sustained shareholder value and reward the Executive Management appropriately for achieving core short-term and long-term business goals, while managing and growing the company to ensure its continued sustainability in a way which aligns with shareholders' and stakeholders' interests. The Remuneration Policy, which was adopted at the Annual General Meeting in 2020, was reviewed in 2021 and a minor change was adopted by the Board of Directors. The Remuneration Policy can be found at **st-group.com**.

A detailed description of the main elements of the remuneration of the Board of Directors and the Executive Management and the remuneration paid in 2022 is outlined in the 2022 Remuneration Report available at **st-group.com**.

DIVERSITY AND INCLUSION

The Board of Directors believes that diversity improves the quality of discussions and decision making, not only in the Board of Directors, but in the Group as a whole. Diversity brings strength to our Group.

The Board of Directors has adopted the Group's Diversity and Inclusion Policy, which is available at **st-group.com** and diversity and inclusion are in focus in the Company's sustainability agenda as described in the Sustainability Report 2022.

The statutory report and description of the company's activities to ensure relevant diversity at management levels, including the objectives and the progress made in achieving the objectives can also be found in the company's Sustainability Report 2022.

CORPORATE GOVERNANCE

Scandinavian Tobacco Group complies with the Danish recommendations on Corporate Governance. A detailed overview can be found in Scandinavian Tobacco Group's 2022 Statutory Report on Corporate Governance:

www.st-group.com/annual-REPORTS/STATUTORY-CORPORATE-GOVERNANCE-REPORT-2022/

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

BOARD OF DIRECTORS

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

BOARD OF DIRECTORS

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

	MARLENE FORSELL	DIANNE NEAL BLIXT	HENRIK AMSINCK
			
	★ 1976 ■ Swedish	★ 1959 ■ American	★ 1961 ■ Danish
	◷ 2022-2023	◷ 2022-2023	◷ 2022-2023
	👤 2019	👤 2016	👤 2021
EDUCATION	Master of Science degree in Business Administration and Economics from Stockholm School of Economics	Master's degree in Business Administration and Finance from University of North Carolina at Greensboro	M. Sc. Business Economics from Aarhus University
COMPETENCIES	• Extensive experience with and insight into financial matters • Enterprise performance management • Reporting processes in listed companies • Considerable insight into the tobacco industry	• Significant experience in business analysis • Financial management and reporting expertise • Considerable insight into the US tobacco industry	• Executive experience from contributing to the running of large, international and global corporations • Extensive experience with strategy development, change and program management • Considerable insight into digital transformation, global IT management and cyber security & compliance • Experience with retail and online business
SELECTED FORMER EMPLOYMENT POSITIONS	• Senior Vice President and CFO of Swedish Match AB 2013-2018 • Member of the Board of Scandinavian Tobacco Group A/S 2014-2017 • Various positions in the Swedish Match group, including Vice President Group Reporting and Vice Presi-dent Business Control 2004-2013 • Analyst Ernst & Young 2001-2004	• Member of the Board of Directors of Lorillard, Inc. 2011-2015 • Executive Vice President and Chief Financial Officer of Reynolds American, Inc., 2004-2007 • Various positions in Reynolds American and its subsidiaries 1988-2003 • Executive Vice President and Chief Financial Officer of R. J. Reynolds Tobacco Holdings, Inc. 2003-2004	• CIO and Corporate Management Member in the LEGO Group, 2007-2021 • CIO and Board member, TDC Totalløsninger A/S & TDC A/S, 2005-2007 • Finance and IT Director, Management Board Member, AAK A/S, 2004-2005 • CIO, Aarhus Oliefabrik A/S, 1999-2004
MANAGEMENT POSITIONS WITH OTHER ENTITIES	**Member of the Board of** Kambi Group plc (Chairman of the Audit Committee), Lime Technologies AB (Chairman of the Audit Committee), Nobia AB (Chairman of the Audit Committee), InDex Pharmaceuticals Holding AB and AddSecure AB (Chairman of the Audit Committee)	**Member of the Board of** Ameriprise Financial Services, Inc. (Chairperson of the Compensation Commit-tee, Member of the Audit Committee, Member of the Executive Committee), Triad Business Bank (Mem-ber of the Executive Committee), the National Sports Media Association (Member of the Finance and Governance Committee) and Reynolda House Museum of American Art (Chairperson of the Strategy Committee, Member of the Finance Committee)	**Member of the Board of** DSB (Member of the Audit Committee), Eltronic A/S, LEGO GmbH and LEGO In-dia, Private Limited
STG COMMITTEES	Chairman of the Audit Committee	Member of the Audit, Nomination and Remuneration Committees	-
CONSIDERED INDEPENDENT	Yes	Yes	Yes
HOLDINGS OF SHARES IN 2022	3,250	1,700	1,000

BOARD OF DIRECTORS

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

	LINDY LARSEN	**HANNE MALLING**	**MOGENS OLSEN**
	★ 1955 Danish	★ 1960 Danish	★ 1967 Danish
	2019-2023	2019-2023	2019-2023
	2016	2010	2017
EDUCATION	Financial Advisor, Business Services. M. Sc. Business Administration & Auditing from Copenhagen Business School	Trademark Manager Bi-lingual Commercial Correspondent degree from Aarhus School of Business	Operator Primary
COMPETENCIES	Elected by the employees	Elected by the employees	Elected by the employees
SELECTED FORMER EMPLOYMENT POSITIONS	-	-	-
MANAGEMENT POSITIONS WITH OTHER ENTITIES	**Member of the Board** of Chr. Augustinus Fabrikkers Understøttelsesfond	**-**	-
STG COMMITTEES	-	-	-
CONSIDERED INDEPENDENT	No	No	No
HOLDINGS OF SHARES IN 2022	242	250	3,450

ATTENDANCE MEETINGS 2022

Board of Directors Meetings

Nigel Northridge	Attended	Not a member at the time	Not a member at the time	Not a member at the time	Not a member at the time	Not a member at the time
Henrik Brandt	Attended	Attended	Attended	Attended	Attended	Attended
Claus Gregersen	Attended	Attended	Attended	Attended	Attended	Attended
Dianne Neal Blixt	Attended	Attended	Attended	Attended	Attended	Attended
Anders Obel	Attended	Attended	Attended	Attended	Attended	Attended
Luc Missorten	Attended	Not a member at the time	Not a member at the time	Not a member at the time	Not a member at the time	Not a member at the time
Marlene Forsell	Attended	Attended	Attended	Attended	Attended	Attended
Henrik Amsinck	Attended	Attended	Attended	Attended	Attended	Attended
Mogens Olsen	Attended	Attended	Attended	Attended	Attended	Attended
Hanne Malling	Attended	Attended	Attended	Attended	Attended	Attended
Lindy Larsen	Attended	Attended	Attended	Attended	Attended	Attended

Audit Committee Meetings

Marlene Forsell	Attended	Attended	Attended	Attended	Attended	Attended
Dianne Neal Blixt	Attended	Attended	Attended	Attended	Attended	Attended
Anders Obel	Not a member at the time	Attended	Attended	Attended	Did not attend	Attended
Luc Missorten	Attended	Not a member at the time	Not a member at the time	Not a member at the time	Not a member at the time	Not a member at the time

Nomination Committee Meetings

Nigel Northridge	Attended	Not a member at the time	Not a member at the time
Luc Missorten	Attended	Not a member at the time	Not a member at the time
Henrik Brandt	Attended	Attended	Attended
Claus Gregersen	Attended	Attended	Attended
Dianne Neal Blixt	Not a member at the time	Attended	Attended

Remuneration Committee Meetings

Nigel Northridge	Attended	Not a member at the time	Not a member at the time	Not a member at the time
Luc Missorten	Attended	Not a member at the time	Not a member at the time	Not a member at the time
Henrik Brandt	Attended	Attended	Attended	Attended
Claus Gregersen	Attended	Attended	Attended	Attended
Dianne Neal Blixt	Not a member at the time	Attended	Attended	Attended

Attended
Did not attend
Not a member at the time

EXECUTIVE BOARD

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

1 NIELS FREDERIKSEN

CHIEF EXECUTIVE OFFICER

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

2 MARIANNE RØRSLEV BOCK

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

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

3 RÉGIS BROERSMA

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

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

4 YULIA LYUSINA

SENIOR VICE PRESIDENT, STRATEGY AND TRANSFORMATION

Yulia Lyusina (1986) joined Scandinavian Tobacco Group as Senior Vice President of Strategy & Transformation in 2019. Prior to this, Yulia Lyusina has worked for 8 years in the Boston Consulting Group. Yulia has held different positions at other consulting and audit companies before that.

5 JURJAN KLEP

PRESIDENT AND SENIOR VICE PRESIDENT, EUROPE BRANDED DIVISION

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

6 HANNE BERG

SENIOR VICE PRESIDENT AND CHIEF HUMAN RESOURCES OFFICER

Hanne Berg (1966) joined Scandinavian Tobacco Group as Senior Vice President of HR in 2017. Prior to this, she was 10 years with the LEGO Group as an HR executive. Hanne Berg has held leading HR positions in various companies since 1996, including If Forsikring and Energinet.

7 SARAH SANTOS

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

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

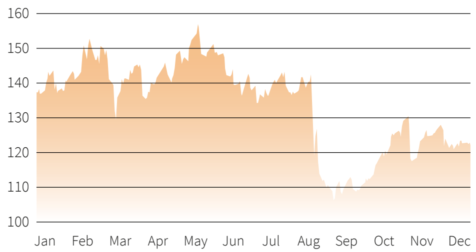
SHAREHOLDER INFORMATION

SHAREHOLDER RETURN 2022

Scandinavian Tobacco Group is listed on the Nasdaq Copenhagen Stock Exchange. In 2022, the share price decreased from DKK 137.3 to DKK 122.1 equivalent to an 11% decrease. In the same period the Nasdaq OMX25 index decreased by 14%.

Including dividends paid out, the Total Shareholder Return was negative by 5% in the period ending 31 December 2022.

Share price development



SHAREHOLDERS

Scandinavian Tobacco Group had approximately 6,500 shareholders by the end of 2022. The Company owned 6.1% of the share capital. As of 6 February, 2023 the following investors have reported holdings of more than 5% of Scandinavian Tobacco Group's share capital and voting rights.

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

SHARE INFORMATION AND AUTHORISATIONS

At the Annual General Meeting on 31 March 2022, the shareholders approved that the Company's share capital be reduced by cancelling treasury shares with a nominal value of DKK 4,500,000. After the reduction, the nominal value of the Company's share capital is DKK 93,000,000.

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

Trading symbol	STG
ISIN	DK0060696300
Share capital (DKK)	93,000,000
Number of shares	93,000,000
Nominal value (DKK)	1 per share
Votes per share	1

DIVIDENDS AND SHARE REPURCHASES

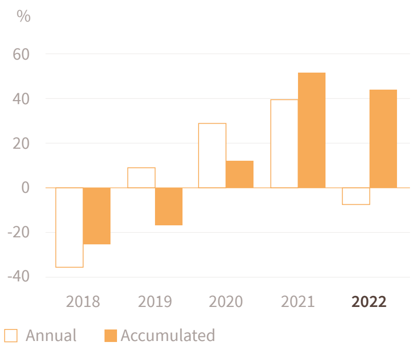
At the Annual General Meeting held on 31 March 2022, the shareholders approved an ordinary dividend of DKK 7.50 per share to be paid out for the financial year 2021.

For the financial year 2022, the Board of Directors proposes that the Annual General Meeting approves a dividend of DKK 8.25 per share is paid to the shareholders. This will be equivalent to a total payment of DKK 725 million and a pay-out ratio of 52%. The proposed dividend of DKK 8.25 per share corresponds to an increase of 10% versus last year's ordinary dividend.

During 2022, Scandinavian Tobacco Group has bought back 5,724,763 shares in total at a market value of DKK 776 million under the up to DKK 1,000 million share buy-back programme and the DKK 600 million share buy-back programme that was completed in February 2023 and February 2022, respectively.

TOTAL SHAREHOLDER RETURN

In the past five years, Total Shareholder Return (TSR) equals 28%. TSR is shareholder return including share price performance and dividends paid. The share price increase in the period was 2% and dividends have in total accounted for 27%. This implies a CAGR of 6% over the past five years.



INVESTOR RELATIONS POLICY

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

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

FINANCIAL CALENDAR 2023

13 APR	**Annual General Meeting** Scandinavian Tobacco Group's Annual General Meeting.
17 MAY	**Interim Report** Q1
29 AUG	**Interim Report** Q2
08 NOV	**Interim Report** Q3

QUARTERLY FINANCIAL HIGHLIGHTS

	2022					2021				
DKK million	Q4	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1	Full year
REPORTED DATA										
Net sales	2,185	2,362	2,278	1,938	8,762	2,012	2,182	2,156	1,883	8,233
Gross profit before special items	1,042	1,172	1,074	1,019	4,307	985	1,102	1,071	955	4,113
EBITDA before special items	563	631	544	532	2,270	474	627	606	527	2,233
Special items	103	-27	-23	-18	35	13	-26	-24	-17	-55
EBIT	579	514	433	427	1,953	393	510	492	419	1,814
Net financial item	-47	-32	-44	-14	-137	-16	-29	-21	-12	-77
Profit before tax	541	492	400	423	1,856	385	489	480	414	1,769
Income taxes	-84	-111	-90	-95	-380	-78	-106	-104	-90	-378
Net profit	457	382	310	328	1,476	307	383	376	324	1,391
OTHER FINANCIAL KEY DATA										
Organic EBITDA growth	13.3%	-6.2%	-14.6%	-2.7%	-3.5%	14.2%	0.9%	20.8%	49.1%	18.4%
Organic net sales growth	1.7%	-1.4%	-1.8%	-1.7%	-0.8%	1.8%	-2.2%	7.5%	12.5%	4.5%
Free cash flow before acquisitions	530	462	143	129	1,264	307	564	434	89	1,393

QUARTERLY FINANCIAL HIGHLIGHTS

	2022					2021				
DKK million	Q4	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1	Full year
NORTH AMERICA ONLINE & RETAIL										
Net sales	703	770	737	568	2,778	658	696	703	564	2,620
Gross profit before special items	278	308	285	227	1,098	264	279	277	231	1,050
EBITDA before special items	117	110	101	75	403	125	113	132	99	470
Net sales growth	6.9%	10.5%	4.9%	0.8%	6.0%	2.9%	-6.6%	-10.8%	15.3%	-1.6%
Organic net sales growth	-4.8%	-5.6%	-7.5%	-6.3%	-6.1%	-1.2%	-5.7%	-2.0%	26.5%	2.4%
Gross margin before special items	39.5%	40.1%	38.7%	39.9%	39.5%	40.1%	40.0%	39.4%	41.0%	40.1%
EBITDA margin before special items	16.7%	14.3%	13.7%	13.2%	14.5%	19.1%	16.2%	18.8%	17.5%	17.9%
NORTH AMERICA BRANDED & REST OF WORLD										
Net sales	751	851	819	773	3,194	656	768	761	693	2,877
Gross profit before special items	385	450	416	448	1,698	346	422	422	373	1,562
EBITDA before special items	267	326	305	328	1,226	215	335	311	274	1,135
Net sales growth	14.5%	10.7%	7.7%	11.6%	11.0%	14.6%	4.7%	21.0%	16.8%	13.8%
Organic net sales growth	7.4%	-0.2%	-0.5%	6.6%	3.1%	10.4%	4.3%	25.6%	22.7%	15.3%
Gross margin before special items	51.2%	52.9%	50.8%	57.9%	53.2%	52.8%	54.9%	55.4%	53.8%	54.3%
EBITDA margin before special items	35.5%	38.3%	37.2%	42.4%	38.4%	32.9%	43.7%	40.9%	39.5%	39.5%
EUROPE BRANDED										
Net sales	731	742	721	596	2,790	699	718	692	626	2,735
Gross profit before special items	380	414	373	345	1,511	375	402	373	351	1,501
EBITDA before special items	209	231	173	159	772	171	214	191	179	754
Net sales growth	4.6%	3.4%	4.2%	-4.8%	2.0%	-1.7%	-4.6%	1.8%	-7.0%	-2.9%
Organic net sales growth	2.4%	1.4%	2.4%	-6.6%	0.1%	-2.3%	-5.1%	1.7%	-6.6%	-3.1%
Gross margin before special items	51.9%	55.8%	51.7%	57.8%	54.2%	53.7%	56.1%	53.8%	56.0%	54.9%
EBITDA margin before special items	28.6%	31.1%	24.0%	26.7%	27.7%	24.4%	29.8%	27.6%	28.5%	27.6%
GROUP COSTS										
EBITDA before special items	-30	-36	-34	-31	-131	-38	-36	-28	-24	-126

FINANCIAL STATEMENTS 2022

CONSOLIDATED FINANCIAL STATEMENTS

NOTES

1 JANUARY - 31 DECEMBER

STATEMENT OF COMPREHENSIVE INCOME

DKK million	Note	2022	2021
CONSOLIDATED INCOME STATEMENT			
Net sales	2.1	**8,762.2**	**8,232.7**
Cost of goods sold	2.1	-4,454.9	-4,119.6
Gross profit before special items	2.1	**4,307.3**	**4,113.1**
Other external costs		-1,126.4	-1,052.9
Staff costs	2.2	-910.9	-858.4
Other income		-	31.0
Earnings before interest, tax, depreciation, amortisation and special items (EBITDA before special items)		**2,270.0**	**2,232.8**
Depreciation and impairment	2.5, 3.2, 3.3	-183.8	-202.7
Earnings before interest, tax, amortisation and special items (EBITA before special items)		**2,086.2**	**2,030.1**
Amortisation and impairment	2.5, 3.1	-168.5	-161.2
Earnings before interest, tax and special items (EBIT before special items)		**1,917.7**	**1,868.9**
Special items incl. impairment, net costs	2.5	35.3	-54.7
Earnings before interest and tax (EBIT)		**1,953.0**	**1,814.2**
Share of profit of associated companies, net of tax	4.3	40.4	31.5
Financial income	4.4	197.3	75.0
Financial costs	4.4	-334.2	-152.2
Profit before tax		**1,856.5**	**1,768.5**
Income taxes	2.6	-380.2	-377.9
Net profit for the year		**1,476.3**	**1,390.6**
Earnings per share			
Basic earnings per share (DKK)	4.5	16.3	14.6
Diluted earnings per share (DKK)	4.5	16.2	14.5

DKK million		2022	2021
Net profit for the year		**1,476.3**	**1,390.6**
OTHER COMPREHENSIVE INCOME			
Items that will not be recycled subsequently to the Consolidated Income Statement:			
Actuarial gains and losses on pension obligations		96.8	5.9
Tax of actuarial gains and losses on pension obligations		-26.3	-4.7
Items that will be recycled subsequently to the Consolidated Income Statement, when specific conditions are met:			
Cash flow hedges, realisation of previously deferred gains/losses to financial items		8.8	9.7
Cash flow hedges, deferred gains/losses incurred during the year		-	0.1
Tax of cash flow hedges		-1.9	-2.2
Foreign exchange adjustments on net investments in foreign operations		270.1	409.3
Other comprehensive income for the year, net of tax		**347.5**	**418.1**
Total comprehensive income for the year		**1,823.8**	**1,808.7**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

DKK million	Note	2022	2021
ASSETS			
Goodwill		5,331.5	5,142.5
Trademarks		2,987.6	3,044.6
IT software		50.5	33.7
Other intangible assets		195.1	218.9
Intangible assets under construction		125.4	54.7
Total intangible assets	3.1	**8,690.1**	**8,494.4**
Property, plant and equipment	3.2	1,425.4	1,261.1
Right-of-use assets	3.3	314.2	187.2
Investments in associated companies	4.3	223.6	187.5
Deferred income tax assets	2.6	104.6	130.2
Total non-current assets		**10,757.9**	**10,260.4**
Inventories	3.4	3,248.9	2,935.9
Trade receivables	3.5	884.6	852.4
Other receivables		86.4	98.8
Corporate tax	2.6	21.4	69.5
Prepayments	3.6	100.7	84.6
Cash and cash equivalents		22.2	173.6
Assets classified as held for sale	3.7	-	108.5
Total current assets		**4,364.2**	**4,323.3**
Total assets		**15,122.1**	**14,583.7**

DKK million	Note	2022	2021
EQUITY AND LIABILITIES			
Share capital	4.5	93.0	97.5
Reserve for hedging		-	-6.9
Reserve for currency translation		963.8	693.7
Treasury shares		-748.1	-570.5
Retained earnings		9,032.9	8,754.0
Total equity		**9,341.6**	**8,967.8**
Borrowings	4.1	3,101.1	2,918.0
Deferred income tax liabilities	2.6	673.5	698.9
Pension obligations	3.9	204.7	307.4
Other provisions	3.8	17.9	17.9
Lease liabilities		275.1	149.4
Other liabilities		31.0	58.4
Total non-current liabilities		**4,303.3**	**4,150.0**
Trade payables		506.8	504.5
Corporate tax	2.6	207.4	102.4
Other provisions	3.8	19.8	64.3
Lease liabilities		56.3	48.5
Other liabilities		686.9	746.2
Total current liabilities		**1,477.2**	**1,465.9**
Total liabilities		**5,780.5**	**5,615.9**
Total equity and liabilities		**15,122.1**	**14,583.7**

1 JANUARY - 31 DECEMBER

CONSOLIDATED CASH FLOW STATEMENT

DKK million	Note	2022	2021
Net profit for the year		1,476.3	1,390.6
Depreciation, amortisation and impairment		352.3	361.5
Adjustments	5.2	428.4	498.2
Changes in working capital	4.6	-363.9	-6.2
Special items, paid		-140.8	-219.1
Cash flow from operating activities before financial items		**1,752.3**	**2,025.0**
Financial income received		93.0	33.9
Financial costs paid		-199.2	-118.0
Cash flow from operating activities before tax		**1,646.1**	**1,940.9**
Tax payments	2.6	-253.6	-374.2
Cash flow from operating activities		**1,392.5**	**1,566.7**
Acquisitions	5.1	-3.7	-3.9
Investment in intangible assets	3.1	-125.4	-28.8
Investment in property, plant and equipment	3.2	-264.1	-211.6
Sale of property, plant and equipment		245.8	57.2
Dividend from associated companies	4.3	15.6	9.6
Cash flow from investing activities		**-131.8**	**-177.5**
Free cash flow		**1,260.7**	**1,389.2**

DKK million	Note	2022	2021
Repayment of lease liabilities		-67.4	-58.8
Other financing		-	-45.2
New external funding		138.3	-
Repayment bank loans		-4.0	-
Dividend payment		-692.0	-626.7
Purchase of treasury shares		-776.4	-607.1
Cash flow from financing activities		**-1,401.5**	**-1,337.8**
Net cash flow for the year		**-140.8**	**51.4**
Cash and cash equivalents, net at 1 January		173.6	117.0
Exchange gains/losses on cash and cash equivalents		-10.6	5.2
Net cash flow for the year		-140.8	51.4
Cash and cash equivalents, net at 31 December		**22.2**	**173.6**

1 JANUARY - 31 DECEMBER

STATEMENT OF CHANGES IN GROUP EQUITY

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

DKK million	Share capital	Reserve for hedging	Reserve for currency translation	Treasury shares	Retained earnings	Total
Equity at 1 January 2021	**100.0**	**-14.5**	**284.4**	**-227.7**	**8,230.1**	**8,372.3**
COMPREHENSIVE INCOME FOR THE YEAR						
Net profit for the year	**-**	**-**	**-**	**-**	**1,390.6**	**1,390.6**
OTHER COMPREHENSIVE INCOME						
Cash flow hedge	-	9.8	-	-	-	9.8
Tax of cash flow hedges	-	-2.2	-	-	-	-2.2
Foreign exchange adjustments on net investments in foreign operations	-	-	409.3	-	-	409.3
Actuarial gains and losses on pension obligations	-	-	-	-	5.9	5.9
Tax of actuarial gains and losses on pension obligations	-	-	-	-	-4.7	-4.7
Total other comprehensive income	**-**	**7.6**	**409.3**	**-**	**1.2**	**418.1**
Total comprehensive income for the year	**-**	**7.6**	**409.3**	**-**	**1,391.8**	**1,808.7**
TRANSACTIONS WITH SHAREHOLDERS						
Capital reduction	-2.5	-	-	247.2	-244.7	-
Purchase of treasury shares	-	-	-	-606.4	-	-606.4
Share-based payments	-	-	-	-	23.7	23.7
Tax on share-based payments	-	-	-	-	0.7	0.7
Settlement of vested PSUs	-	-	-	16.4	-16.4	-
Settlement in cash of vested PSUs	-	-	-	-	-4.5	-4.5
Dividend paid to shareholders (note 4.5)	-	-	-	-	-650.0	-650.0
Dividend, treasury shares	-	-	-	-	23.3	23.3
Total transactions with shareholders	**-2.5**	**-**	**-**	**-342.8**	**-867.9**	**-1,213.2**
Equity at 31 December 2021	**97.5**	**-6.9**	**693.7**	**-570.5**	**8,754.0**	**8,967.8**

SECTION 1

1.1 BASIS OF PREPARATION

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

RECOGNITION AND MEASUREMENT

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

PRINCIPAL ACCOUNTING POLICIES

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

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

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

IMPACT OF NEW ACCOUNTING STANDARDS

Based on an assessment of new or amended and revised accounting standards and interpretations ('IFRS') issued by the International Accounting Standards Board (IASB) and IFRS endorsed by the European Union effective on or after 1 January 2022, it has been assessed that the application of these new IFRS has not had a material impact on the Consolidated Financial Statements in 2022, and the Group does not anticipate any significant impact on future periods from the adoption of these new IFRS. The Group has adopted all new, amended and revised standards and interpretations.

NEW OR AMENDED IFRS THAT HAVE BEEN ISSUED BUT HAVE NOT YET COME INTO EFFECT AND HAVE NOT BEEN EARLY ADOPTED

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

SUBTOTALS AND ALTERNATIVE PERFORMANCE MEASURES

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

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

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

BASIS OF CONSOLIDATION

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

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

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

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

TRANSLATION POLICIES

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

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

1.1 (CONTINUED)
BASIS OF PREPARATION

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

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

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

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

The reserve for currency translation in the Consolidated Financial Statements comprises foreign exchange differences arising from translation of financial statements of foreign enterprises from their functional currencies to the presentation currency of the Group (Danish kroner).

When there is full or partial disposal of the net investment, the foreign exchange adjustments are recognised in the income statement.

The reserve for hedges includes the accumulated net change in the fair value of hedging transactions qualifying for hedge accounting.

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

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

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

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

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

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

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

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

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

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

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

The annual report submitted to the Danish Financial Supervisory Authority (The Officially Appointed Mechanisms) consists of the XHTML document together with the technical files, all included in the ZIP-file named; 5299003KG4JS99TRML67-2022-12-31-en.zip.

1.2
CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

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

- Income and deferred income taxes (note 2.6)
- Goodwill (note 3.1)
- Trademarks (note 3.1)
- Property, plant and equipment (note 3.2)
- Inventories (note 3.4)
- Pension obligations (note 3.9)
- Business combinations (note 5.1)

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

DEFINING MATERIALITY

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

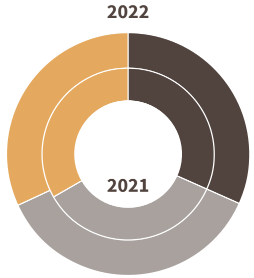
SECTION 2

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

8,762

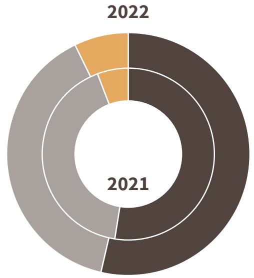
NET SALES (DKK million)

NET SALES PER DIVISION (DKK million)



- North America Online & Retail 2,778
- North America Branded & RoW 3,194
- Europe Branded 2,790

NET SALES PER REGION (DKK million)



- Americas 4,715
- Europe 3,418
- Rest of world 629

2022

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

2021

DKK million	North America Online & Retail	North America Branded & RoW	Europe Branded	Group costs / not allocated	Total
Net sales	2,620.4	2,877.2	2,735.1	-	8,232.7
Cost of goods sold	-1,570.2	-1,315.0	-1,234.4	-	-4,119.6
Gross profit before special items	**1,050.2**	**1,562.2**	**1,500.7**	**-**	**4,113.1**
Staff and other external costs	-580.6	-458.1	-746.3	-126.3	-1,911.3
Other income	-	31.0	-	-	31.0
EBITDA before special items	**469.6**	**1,135.1**	**754.4**	**-126.3**	**2,232.8**
Depreciation and impairment	-	-	-	-202.7	-202.7
Amortisation and impairment	-	-	-	-161.2	-161.2
EBIT before special items	**-**	**-**	**-**	**-490.2**	**1,868.9**
Special items incl. impairment, net costs	-	-	-	-54.7	-54.7
EBIT	**-**	**-**	**-**	**544.9**	**1,814.2**
Share of profit of associated companies, net of tax	-	-	-	31.5	31.5
Financial income	-	-	-	75.0	75.0
Financial costs	-	-	-	-152.2	-152.2
Profit before tax	**-**	**-**	**-**	**590.6**	**1,768.5**

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

DKK million	2022	2021
Category split, net sales		
Handmade cigars	3,302.2	3,035.0
Machine-rolled cigars	3,009.8	2,918.9
Smoking tobacco	1,279.5	1,206.2
Accessories and Contract Manufacturing	1,170.7	1,072.6
Total net sales	**8,762.2**	**8,232.7**

Licence income and other sales of DKK 64.5 million (DKK 50.1 million) are included in the category 'Accessories and Contract Manufacturing'.

DKK million	2022	2021
Geographical split, net sales		
Americas	4,715.3	4,328.2
Europe	3,418.2	3,445.4
Rest of world	628.7	459.1
Total net sales	**8,762.2**	**8,232.7**

GEOGRAPHIC INFORMATION

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

The Group is domiciled in Denmark. Net sales from external customers in Denmark amount to DKK 166.5 million (DKK 183.1 million), and net sales from external customers outside Denmark amount to DKK 8,595.7 million (DKK 8,049.6 million). Individual, material country (>10% of total net sales) are the US DKK 4,277.0 million (DKK 3,937.1 million).

Individual, material countries (>10% of total non-current assets) are the US DKK 4,627.4 million (DKK 4,153.4 million) and the Netherlands DKK 2,898.6 million (DKK 2,928.0 million).

DKK million	2022	2021
Non-current assets[1]		
Denmark	1,847.9	1,809.9
Americas	4,873.0	4,394.3
Europe	3,883.5	3,867.7
Rest of world	48.9	58.3
Total non-current assets	**10,653.3**	**10,130.2**

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

§ ACCOUNTING POLICIES

Net Sales

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

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

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

Cost of Goods Sold

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

Segments

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

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

Division North America Online & Retail includes direct to consumer sales of all product categories sold via the online, catalogue and retail channel in North America.

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

Division Europe Branded includes sales of all product categories to wholesalers and distributors that supply retail in Germany, Denmark, Sweden, France, Italy, Belgium, the Netherlands, Luxembourg, Spain, Portugal, as well as the UK and Ireland.

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

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

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

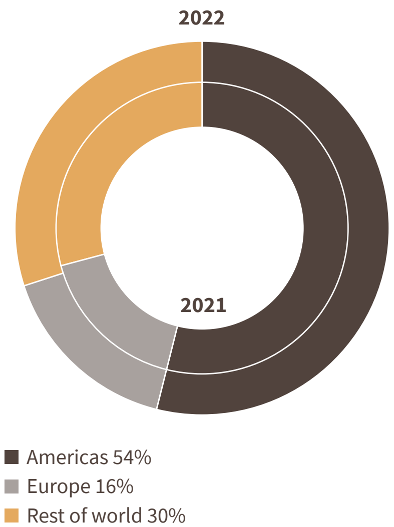
No assets and liabilities are allocated to segments in the internal reporting.

2.2
STAFF COSTS

DKK million	2022	2021
Wages and salaries	1,449.3	1,384.7
Pensions - defined contribution plans	57.3	59.5
Pensions - defined benefit plans	12.9	13.5
Social security costs	168.8	167.5
Total staff costs for the year	**1,688.3**	**1,625.2**
Staff cost included in intangible assets	-5.2	-2.0
Change in employee costs included in inventories	12.8	2.3
Total staff costs expensed to the income statement	**1,695.8**	**1,625.5**

DKK million	2022	2021
Included in the income statement:		
Cost of goods sold	784.9	767.1
Staff costs	910.9	858.4
Total included in the income statement	**1,695.8**	**1,625.5**
Average number of employees in the Group	**10,098**	**10,275**

EMPLOYEES PER REGION (%)



REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE BOARD

Total fees to the Board of Directors and Executive Board amounted to DKK 51.8 million (DKK 64.4 million).

Executive Board

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

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

For the year 2022, the total cost of remuneration for the Executive Board amounts to DKK 45.3 million (DKK 56.7 million).

2.2 (CONTINUED)
STAFF COSTS

§ ACCOUNTING POLICIES

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

EXECUTIVE BOARD 2022

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

EXECUTIVE BOARD 2021

DKK million	Salary and benefits	Bonus	Pension	Extraordinary remuneration /stay-on and loyalty bonus	Share-based incentive programme	Total
Niels Frederiksen	7.6	3.7	-	2.0	6.9	20.2
Marianne Rørslev Bock	4.6	2.2	-	-	3.0	9.8
Total Executive Management	**12.2**	**5.9**	**-**	**2.0**	**9.9**	**30.0**
Other key management	13.7	7.7	1.1	-	4.2	26.7
Total Executive Board	**25.9**	**13.6**	**1.1**	**2.0**	**14.1**	**56.7**

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

In 2022, members of the Board of Directors and the board committees received fixed annual fees in the aggregate amount of DKK 6.4 million (DKK 7.2 million).

DKK 0.2 million (DKK 0.5 million) was paid during 2022 related to social security taxes and similar taxes imposed by non-Danish authorities in relation to the remuneration.

BOARD OF DIRECTORS

DKK thousand	Position	Joined the Board	Left the Board	Board	Committees	Other	Total
Henrik Brandt	Chairman	Apr 2017		1,210	192	-	1,402
Nigel Northridge	Chairman	Apr 2016	Mar 2022	330	56	-	386
Marlene Forsell	Board member	Apr 2019		440	330	-	770
Dianne Neal Blixt	Board member	Feb 2016		440	247	-	687
Luc Missorten	Board member	Feb 2016	Mar 2022	110	69	-	179
Anders Obel	Board member	Apr 2018		440	124	-	564
Claus Gregersen	Board member	Apr 2019		440	110	-	550
Henrik Amsinck	Board member	Apr 2021		440	-	55	495
Hanne Malling	Employee-elected	Oct 2010		440	-	-	440
Lindy Larsen	Employee-elected	Jul 2016		440	-	-	440
Mogens Olsen	Employee-elected	Jul 2017		440	-	-	440
Total 2022				**5,170**	**1,128**	**55**	**6,353**
Total 2021				**6,033**	**1,210**	**-**	**7,243**

Social security taxes and similar taxes
In addition to the above remuneration to the Board of Directors, the Company may pay social security taxes and similar taxes imposed by non-Danish authorities in relation to the remuneration. In 2022 the Company paid DKK 192 thousand compared to DKK 464 thousand in 2021.

2.3
SHARE-BASED PAYMENTS

VALUE OF THE PROGRAMMES AND IMPACT ON THE INCOME STATEMENT

	LTIP 2019	LTIP 2020	LTIP 2021	LTIP 2022
Total PSUs granted	168,720	158,684	96,719	93,458
Fair value of PSUs expected to vest at grant date, DKK million	10.8	12.6	10.6	13.0
Fair value of PSUs expected to vest at 31 December 2022, DKK million	-	22.9	11.9	13.7
Recognised in the income statement in 2022, DKK million*	-	14.4	5.2	3.4
Not yet recognised in respect of PSUs expected to vest, DKK million	-	-	3.8	8.5

* DKK 23.0 million (DKK 23.7 million) was recognised in staff costs.

LTIP 2019 (number of PSUs)	Executive Board Niels Frederiksen	Executive Board Marianne Rørslev Bock	Executive Board Other Key Management	Senior Management	Total
Outstanding at 1 January 2021	38,944	16,146	54,367	35,927	145,384
Transferred	-	-	4,628	-4,628	-
Granted	2,149	891	3,255	1,729	8,024
Adjustment	41,093	17,037	62,250	33,028	153,408
Outstanding at 31 December 2021	**82,186**	**34,074**	**124,500**	**66,056**	**306,816**
Outstanding at 1 January 2022	82,186	34,074	124,500	66,056	306,816
Vested	-82,186	-34,074	-124,500	-66,056	-306,816
Outstanding at 31 December 2022	**-**	**-**	**-**	**-**	**-**

LTIP 2020 (number of PSUs)	Executive Board Niels Frederiksen	Executive Board Marianne Rørslev Bock	Executive Board Other Key Management	Senior Management	Total
Outstanding at 1 January 2021	35,592	16,028	38,801	39,546	129,967
Transferred	-	-	3,131	-3,131	-
Granted	1,964	884	2,314	2,013	7,175
Cancelled	-	-	-	-398	-398
Outstanding at 31 December 2021	**37,556**	**16,912**	**44,246**	**38,030**	**136,744**
Outstanding at 1 January 2022	37,556	16,912	44,246	38,030	136,744
Granted	2,027	913	2,387	2,053	7,380
Adjustment	24,146	10,873	28,446	24,451	87,916
Outstanding at 31 December 2022	**63,729**	**28,698**	**75,079**	**64,534**	**232,040**

LTIP 2021 (number of PSUs)	Executive Board Niels Frederiksen	Executive Board Marianne Rørslev Bock	Executive Board Other Key Management	Senior Management	Total
Outstanding at 1 January 2021	-	-	-	-	-
Granted	25,115	11,337	27,420	27,930	91,802
Cancelled	-	-	-	-715	-715
Outstanding at 31 December 2021	**25,115**	**11,337**	**27,420**	**27,215**	**91,087**
Outstanding at 1 January 2022	25,115	11,337	27,420	27,215	91,087
Granted	1,356	612	1,480	1,469	4,917
Outstanding at 31 December 2022	**26,471**	**11,949**	**28,900**	**28,684**	**96,004**

2.3 (CONTINUED)
SHARE-BASED PAYMENTS

LTIP 2022 (number of PSUs)	Executive Board			Senior Management	Total
	Niels Frederiksen	Marianne Rørslev Bock	Other Key Management		
Outstanding at 1 January 2022	-	-	-	-	-
Granted	25,215	12,158	26,627	29,458	93,458
Outstanding at 31 December 2022	**25,215**	**12,158**	**26,627**	**29,458**	**93,458**

All of the outstanding PSUs at 31 December 2022 are hedged by treasury shares.

§ ACCOUNTING POLICIES

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

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

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

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

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

Upon vesting, each PSU entitles the holder to receive one share in Scandinavian Tobacco Group at no cost. The actual number of shares vesting may range between 0 and 200% of the grant and is determined by a service period of 3 years and the achievement of certain performance indicators which for LTIP 2019, LTIP 2020 and LTIP 2021 are organic EBITDA growth and cash conversion and for LTIP 2022 organic EBITDA growth, ROIC growth, EPS growth and ESG scorecard.

In March 2022, PSUs granted under the LTIP 2019 were vested and the participants received shares in Scandinavian Tobacco Group A/S at no cost. The shares received corresponded to 200% of the grant, based on the actual achieved performance. Consequently the programme has lapsed.

Under the LTIP programme, new PSUs were granted to participants in 2022. This was the seventh grant following the IPO in 2016.

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

APPLIED ASSUMPTIONS AT THE TIME OF GRANT

	LTIP 2022	LTIP 2021	LTIP 2020	LTIP 2019
Share price (DKK)	146.9	122.70	94.80	78.65/78.80 80.40

2.4
MANAGEMENT'S HOLDINGS OF STG SHARES

Management's Holdings of Shares	At the beginning of the year	Additions during the year	Disposals during the year	At the end of the year	Market value[1] DKK million
Henrik Brandt	112,670	-	-	112,670	13.8
Marlene Forsell	3,250	-	-	3,250	0.4
Dianne Neal Blixt	1,700	-	-	1,700	0.2
Anders Obel	20,270	-	-11,700	8,570	1.0
Claus Gregersen	15,928	-	-	15,928	1.9
Henrik Amsinck	500	500	-	1,000	0.1
Lindy Larsen	242	-	-	242	0.0
Hanne Malling	250	-	-	250	0.0
Mogens Olsen	3,450	-	-	3,450	0.4
Board of Directors in total	**158,260**	**500**	**-11,700**	**147,060**	**17.8**
Niels Frederiksen	180,450	82,186	-	262,636	32.1
Marianne Rørslev Bock	8,600	34,074	-	42,674	5.2
Sarah Santos	5,877	8,392	-	14,269	1.7
Hanne Berg	5,128	8,316	-8,405	5,039	0.6
Yulia Lyusina	-	1,850	-	1,850	0.2
Jurjan Klep	11,030	7,830	-	18,860	2.3
Régis Broersma	12,760	3,170	-	15,930	1.9
Graham Cunningham	-	7,182	-	7,182	0.9
Executive Board in total	**223,845**	**153,000**	**-8,405**	**368,440**	**44.9**
Total Board of Directors and Executive Board	**382,105**	**153,500**	**-20,105**	**515,500**	**62.7**

1) Calculation of market value is based on the quoted share price of DKK 122.10 at the end of the year.

2.5
SPECIAL ITEMS

ACCOUNTING POLICIES

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

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

DKK million	2022	2021
Integration and transactions costs (Agio Cigars)	13.3	22.1
Fuelling the Growth programme	1.1	1.7
Production footprint, incl. sale of building	-118.0	13.9
OneProcess	68.3	19.4
Impairment intangible assets	-	58.5
Reversal of impairments	-	-60.9
Total special items incl. impairment, net costs	**-35.3**	**54.7**

DKK million	2022	2021
Specified by line items in the consolidated income statement		
Cost of goods sold	35.5	24.7
Other income	-139.3	-18.3
Other external costs	53.6	39.8
Staff costs	14.9	10.9
Depreciation and impairment	-	-60.9
Amortisation and impairment	-	58.5
Total special items incl. impairment, net costs	**-35.3**	**54.7**

2.6
INCOME AND DEFERRED INCOME TAXES

20.5

EFFECTIVE TAX RATE (%)

380.2

INCOME STATEMENT TAX EXPENSE (DKK million)

DKK million	2022	2021
Tax expense		
Current income tax	406.8	332.7
Deferred income tax	-1.3	51.4
Total	**405.5**	**384.1**
Tax is allocated as follows		
Tax in the income statement	380.2	377.9
Tax in equity - share-based payments	-2.9	-0.7
Tax on other comprehensive income related to		
Hedging instruments	1.9	2.2
Actuarial gains and losses on pension obligations	26.3	4.7
Total	**405.5**	**384.1**
Income tax receivable/payable (net) - in the balance sheet		
Corporate tax receivables	21.4	69.5
Corporate tax payables	207.4	102.4
Total (net)	**186.0**	**32.9**

2.6 (CONTINUED)

INCOME AND DEFERRED INCOME TAXES

DKK million	2022	2021
Income tax receivable/payable (net)		
Balance at 1 January	32.9	64.5
Currency adjustments	-0.1	9.9
Prior-year tax adjustment	11.8	37.7
Tax paid on account in current year	-301.4	-331.6
Received regarding previous years	88.5	63.9
Paid regarding previous years	-40.7	-106.5
Current income tax	395.0	295.0
Balance at 31 December	**186.0**	**32.9**
Deferred tax (net) – in the balance sheet		
Deferred income tax assets	104.6	130.2
Deferred income tax liabilities	673.5	698.9
Deferred income tax liabilities (net)	**568.9**	**568.7**
Deferred tax (net)		
Balance 1 January	568.7	498.9
Currency adjustments	1.5	1.1
Acquisition of entities	-	17.3
Change in deferred tax charge	-1.3	51.4
Balance at 31 December	**568.9**	**568.7**
Breakdown of deferred income tax liabilities (net)		
Intangible assets	733.9	725.8
Property, plant and equipment	19.6	26.0
Inventories	-49.0	-44.4
Receivables	-3.3	-3.5
Pensions	-35.9	-60.2
Other liabilities	-20.8	-24.3
Tax losses to be carried forward	-35.4	-28.5
Other	-40.2	-22.2
Total (net)	**568.9**	**568.7**

DKK million	2022	2021
Breakdown of tax in the income statement		
Tax calculated at 22.0% of profit before tax	408.4	389.1
Tax according to income statement	380.2	377.9
Variance	**-28.2**	**-11.2**
Tax effect of		
Non-deductable costs	7.2	8.0
Income from associated companies	-8.9	-6.9
Non-taxable income	-16.4	-0.7
Prior-year adjustments	-5.3	7.6
Other tax percentages	5.2	-4.9
Effect of enacted changes of tax rates*	0.6	12.7
Other	-10.6	-27.0
Total	**-28.2**	**-11.2**

* Effect of enacted change of tax rates in 2021 related to the Dutch corporate tax rate which late December 2021 was eneacted to increase to 25.8% with effect from 1 Janaury 2022.

At 31 December 2022 the Group has no unrecognised tax assets (DKK 0.0 million).

UNCERTAIN TAX POSITIONS

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

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

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

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

2.6 (CONTINUED)

INCOME AND DEFERRED INCOME TAXES

ACCOUNTING POLICIES

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

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

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

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

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

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

KEY ACCOUNTING ESTIMATES

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

SECTION 3

3.1 INTANGIBLE ASSETS

125.4

ADDITIONS (DKK million)

2022

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

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

2021

DKK million	Goodwill	Trade-marks	IT software	Other intangible assets	Intangible assets under construction	Total
Accumulated cost at 1 January	4,896.0	4,523.0	387.1	462.9	34.5	10,303.5
Exchange rate adjustment	236.5	107.0	6.5	16.2	0.8	367.0
Acquisition	10.9	75.8	0.1	0.7	-	87.5
Additions	-	-	2.1	-	26.7	28.8
Disposals	-	-	-1.5	-7.1	-	-8.6
Transfers	-	-	7.3	-	-7.3	-
Accumulated cost at 31 December	5,143.4	4,705.8	401.6	472.7	54.7	10,778.2
Accumulated amortisation and impairment at 1 January	0.9	1,455.5	343.7	223.7	-	2,023.8
Exchange rate adjustment	-	35.0	6.0	6.8	-	47.8
Amortisation	-	112.2	18.9	29.9	-	161.0
Impairment	-	58.5	0.2	-	-	58.7
Disposals	-	-	-0.9	-6.6	-	-7.5
Accumulated amortisation and impairment at 31 December	0.9	1,661.2	367.9	253.8	-	2,283.8
Carrying amount at 31 December	**5,142.5**	**3,044.6**	**33.7**	**218.9**	**54.7**	**8,494.4**

KEY ACCOUNTING ESTIMATES

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

ACCOUNTING POLICIES

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

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

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

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

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

3.1 (CONTINUED)

INTANGIBLE ASSETS

GOODWILL

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

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

The carrying amount of goodwill at 31 December 2022 amounted to DKK 5,331.5 million (DKK 5,142.5 million).

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

DKK million	North America Online & Retail	North America Branded & RoW	Europe Branded	Total
2022	1,740.4	1,463.5	2,127.6	5,331.5
2021	1,643.9	1,382.0	2,116.6	5,142.5

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

When goodwill was tested for impairment in 2022 (and 2021), the value in use exceeded the carrying value for the individual cash generating units and no basis for impairment was found.

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

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

2022

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

2021

APPLIED KEY ASSUMPTIONS – Goodwill impairment test	North America Online & Retail	North America Branded & RoW	Europe Branded
EBITDA Growth	An average growth rate of 4.7% in the five-year budget period has been applied for EBITDA for the overall Group (accumulated for the three cash generating units). The growth projection is expected to be reached through volume growth in North America, market share gains in Europe Branded, price increases in all divisions, a positive impact from the integration of Agio, cost prices and OPEX development in line with current inflation level adjusted for savings coming from the Integration of Agio and other saving initiatives.		
Terminal growth (based on adjusted historical development taking into account expected future development)	1.0%	0.0%	0.0%
Discount rate after-tax (%)	7.7%	7.7%	7.8%
Discount rate pre-tax (%)	9.5%	9.7%	9.7%

KEY ACCOUNTING ESTIMATES

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

3.1 (CONTINUED)

INTANGIBLE ASSETS

TRADEMARKS

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

Other trademarks are amortised in a straight line over the expected useful lives.

The carrying amount of trademarks at 31 December 2022 amounted to DKK 2,987.6 million (DKK 3,044.6 million).

	Carrying amount	
DKK million	2022	2021
Trademarks indefinite lives	2,091.0	2,050.9
Other trademarks (definite useful lives)	896.6	993.7
Total	**2,987.6**	**3,044.6**

Trademarks with the highest carrying amounts are listed below.

			Carrying amount	
DKK million	Indefinite trademarks allocated to segment*	Remaining amortisation period	2022	2021
Captain Black and Bugler	1,2,3	Indefinite / 8 years	728.1	711.2
Café Crème/Signature	1,2,3	Indefinite	482.4	482.4
Mehari's	1,2,3	Indefinite	356.0	356.0
Tiedemanns	2,3	13 years	125.6	144.3
Mercator	3	5 years	139.4	168.7
La Paz	2,3	Indefinite	215.2	215.2
Other trademarks	1,2,3	Indefinite / 1-19 years	940.9	966.8
Total			**2,987.6**	**3,044.6**

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

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

DKK million	North America Online & Retail	North America Branded & RoW	Europe Branded	Total
2022	148.1	978.6	964.3	2,091.0
2021	134.0	952.6	964.3	2,050.9

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

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

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

When trademarks with indefinite useful lives were tested for impairment in 2022 (and 2021), the value in use exceeded the carrying value for each of the individual trademarks and no basis for impairment was found.

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

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

Management has used a discount rate (WACC after tax) between 7.9% and 8.5% (pre-tax WACC between 10.1% and 10.4%). Terminal growth in EBITDA is set between 0.0% and 1.0% and is based on adjusted historical development taking into account expected future development.

KEY ACCOUNTING ESTIMATES

Impairment test – trademarks with indefinite useful lives

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

Other trademarks (definite useful lives)

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

In 2022, Management did not identify any indications of impairment.

In 2021, impairment costs of DKK 58.5 million were recognised in the income statement related to simplification of the Group's brand portofolio.

IT software

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

In 2022, Management did not identify any indications of impairment.

In 2021, impairment costs of DKK 0.2 million were recognised in the income statement.

Other intangible assets

Other intangible assets mainly comprise acquired name rights, customer relations and distribution rights. During 2022, Management did not identify any indications of impairment (same in 2021).

Intangible assets under construction

Intangible assets under construction comprise expenses for acquired IT software and expenses related to preparing the software for its intended use, being both external expenses and internal resources. During 2022 Management did not identify any indications of impairment (same in 2021).

3.2

PROPERTY, PLANT AND EQUIPMENT

264.1

ADDITIONS (DKK million)

2022

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

IMPAIRMENT

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

2021

DKK million	Land and buildings	Plant and machinery	Equipment, tools and fixtures	Leasehold improve-ments	Construc-tion in progress	Total
Accumulated cost at 1 January	969.5	730.4	275.6	69.3	75.6	2,120.4
Exchange rate adjustment	14.8	12.9	8.9	5.2	5.9	47.7
Acquisition	4.6	5.5	1.1	-	-	11.2
Additions	0.6	0.8	1.0	0.2	209.0	211.6
Assets classified as held for sale and other disposals	-190.5	-54.4	-51.8	-	-14.7	-311.4
Transfers	3.6	51.0	5.8	1.0	-61.4	-
Accumulated cost at 31 December	**802.6**	**746.2**	**240.6**	**75.7**	**214.4**	**2,079.5**
Accumulated depreciation and impairment at 1 January	297.3	365.7	200.5	41.0	15.1	919.6
Exchange rate adjustment	0.7	7.4	7.1	3.7	-	18.9
Depreciation	34.6	62.1	24.4	14.6	-	135.7
Assets classified as held for sale and other disposals	-100.9	-53.4	-33.1	-	-14.7	-202.1
Impairment	4.5	-	-	-	0.2	4.7
Reversal of impairment	-29.9	-16.6	-11.9	-	-	-58.4
Accumulated amortisation and impairment at 31 December	206.3	365.2	187.0	59.3	0.6	818.4
Carrying amount at 31 December	**596.3**	**381.0**	**53.6**	**16.4**	**213.8**	**1,261.1**

IMPAIRMENT

In 2021, impairment costs of DKK 5 million were recognised in the income statement. These costs are mainly related to land and buildings in Cofradia, Honduras.

In 2021, a partly reversal of the impairment costs from 2020 was recognised in the income statement as the potential to sell land and buildings improved significantly as well as the utilisation of the machinery improved. Reversal of impairment cost are recognised in 'Special items' in the income statement.

DEPRECIATION

All depreciations are recognised in the income statement in 2022 and in 2021.

3.2 (CONTINUED)
PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICIES

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

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

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

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

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

KEY ACCOUNTING ESTIMATES

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

2022

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

2021

DKK million	Land, buildings, offices and warehouses	Motor vehicles	Other equipment	Total
Carrying amount at 1 January	**163.9**	**37.7**	**3.1**	**204.7**
Exchange rate adjustment	7.8	0.6	-	8.4
Acquisition	1.2	1.4	2.0	4.6
Additions	9.8	21.1	0.3	31.2
Disposals	-0.8	-1.1	-	-1.9
Depreciation and impairment	-36.5	-21.9	-1.4	-59.8
Carrying amount at 31 December	**145.4**	**37.8**	**4.0**	**187.2**

3.3
RIGHT-OF-USE ASSETS

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

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

The following amounts are recognised in the income statement:

DKK million	2022	2021
Depreciation expense of right-of-use assets	73.0	62.3
Special items, impairment (reversal)	-	-2.5
Interest expense on lease liabilities	11.8	6.4
Expense relating to short-term leases	3.6	5.1
Expense relating to leases of low-value assets	0.1	0.1
Variable lease payments	0.2	0.2
Total amount recognised in the income statement	**88.7**	**71.6**

In 2022, the Group had total cash outflows for leases of DKK 83.1 million (DKK 70.6 million). The Group has entered into lease contracts at a value of DKK 0.4 million (DKK 152.6 million) that have not yet commenced. The Group has extension options of a total value of DKK 24.9 million (DKK 24.6 million) that are not included in the recognised leases, as it is not considered reasonable certain that the Group will exercise the options.

3.3 (CONTINUED)

RIGHT-OF-USE ASSETS

§ ACCOUNTING POLICIES

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

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

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

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

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

3.4

INVENTORIES

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

DKK million	2022	2021
Raw materials and consumables	1,464.6	1,273.0
Work in progress	348.0	372.0
Finished goods, goods for resale and excise stamps	1,436.3	1,290.9
Total	**3,248.9**	**2,935.9**
Movements in the Group provision for obsolete stock are as follows:		
Provision for obsolete stock 1 January	-97.6	-102.9
Additions for the year	-74.1	-52.0
Reversal for the year	15.7	14.7
Write-downs during the year	59.2	46.4
Effect of exchange rate adjustments	0.6	-3.8
Total provision at 31 December	**-96.2**	**-97.6**

The net movement in the year in respect of inventory provision is included in 'cost of goods sold'. The cost of inventories recognised as cost and included in 'cost of goods sold' amounted to DKK 3,670.0 million (DKK 3,352.5 million).

§ ACCOUNTING POLICIES

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

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

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

KEY ACCOUNTING ESTIMATES

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

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

3.5

TRADE RECEIVABLES

DKK million	2022	2021
Trade receivables (net) at 31 December comprise the following:		
Trade receivables (gross)	899,0	872.3
Provision for bad debt	-14.4	-19.9
Trade receivables (net)	**884.6**	**852.4**
Movements in the Group provision for bad debt are as follows:		
Provision for bad debt at 1 January	-19.9	-15.6
Additions for the year	-2.6	-6.0
Reversal for the year	6.4	2.1
Confirmed losses	2.0	0.2
Effect of exchange rate adjustments	-0.3	-0.6
Total provision at 31 December	**-14.4**	**-19.9**

3.5 (CONTINUED)
TRADE RECEIVABLES

2022

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

2021

Impairment of trade receivables can be specified as follows	Receivables, DKK million	Loss rate, %	Provision, DKK million
Current	647.8	0.1%	-0.7
Overdue < 30 days	129.9	0.3%	-0.4
Overdue 31 - 60 days	41.0	4.7%	-1.9
Overdue 61 - 90 days	20.0	9.2%	-1.8
Overdue 91 - 180 days	14.3	16.5%	-2.4
Overdue > 180 days	19.3	65.7%	-12.7
Total	**872.3**		**-19.9**

§ ACCOUNTING POLICIES

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

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

3.6
PREPAYMENTS

§ ACCOUNTING POLICIES

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

3.7
ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets held for sale

DKK million	2022	2021
Land and buildings	-	108.5
Total	**-**	**108.5**

Land and buildings held for sale

In 2021 Management decided to sell the land and buildings in Eersel and Duizel, The Netherlands, as the close-down of production at these sites were completed. The sales were completed in November 2022.

A gain of DKK 139 million was realised, and recognised as 'Special items' in the income statement. Please refer to note 2.5 (part of 'Production footprint').

No assets are classified as held for sale by the end of 2022.

3.8

OTHER PROVISIONS

DKK million	2022	2021
Balance at 1 January	82.2	231.2
Exchange rate adjustment	-0.4	0.2
Discounting cost	0.0	0.0
Addition during the year	10.8	0.3
Utilised during the year	-46.2	-136.4
Reversed provision unused	-8.7	-13.1
Carrying amount at 31 December	**37.7**	**82.2**
Non-current	17.9	17.9
Current	19.8	64.3
Total	**37.7**	**82.2**

Other provisions mainly consist of restructuring costs in relation to the integration of Agio and the changes in production footprint. The restructuring costs are primarily related to redundancy payments expected to take place in 2023. The amounts and timing of the restructurings depend on negotiations with the affected employees.

§ ACCOUNTING POLICIES

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

3.9

PENSION OBLIGATIONS

Post-employment defined benefit – recognised in the balance sheet

DKK million	2022	2021
Present value of funded obligations	280.8	338.8
Fair value of plan assets	-180.8	-189.5
Deficit (+) / surplus (-)	100.0	149.3
Present value of unfunded obligations	104.7	158.1
Net asset (-) / liability (+) in the balance sheet	**204.7**	**307.4**
Amounts in the balance sheet		
Liabilities	204.7	307.4
Assets	-	-
Net asset (-) / liability (+) in the balance sheet	**204.7**	**307.4**

DKK million	2022	2021
Movement during the period in the net asset (-)/ liability (+)		
Balance at 1 January	307.4	289.3
Acquisitions	-	2.1
Recognised in the income statement	19.8	20.7
Actuarial gain recognised in other comprehensive income, financial assumptions	-96.8	-14.0
Actuarial gain recognised in other comprehensive income, demographic assumptions	0.0	7.9
Benefit payments to employees	-14.2	-13.8
Employer contributions	-10.9	-11.4
Other	0.0	18.8
Exchange rate adjustment	-0.6	7.7
Balance at 31 December	**204.7**	**307.4**

3.9 (CONTINUED)
PENSION OBLIGATIONS

Actuarial assumptions

Actuarial assumptions used for valuation (expressed as weighted averages and in %)	2022	2021
Discount rate	3.8	2.0
Future salary increases	3.1	3.5

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

	2022		2021	
DKK million	1%-point increase	1%-point decrease	1%-point increase	1%-point decrease
Discount rate	-28.1	35.9	-44.7	49.1
Future salary increases	30.7	-19.4	39.4	-28.9

DKK million	2022	2021
CHANGE IN THE DEFINED BENEFIT OBLIGATIONS AND PLAN ASSETS		
Defined benefit obligations – movements		
Balance at 1 January	496.9	444.6
Acquisitions	-	2.1
Current service costs	25.2	24.1
Interest cost	8.4	8.0
Change in plan provisions	-14.3	-10.8
Actuarial losses (+)/gains (-)	-91.4	-5.3
Benefits paid	-40.7	-20.7
Curtailments	0.0	-1.1
Settlements	1.9	1.2
Other	-	47.3
Exchange rate adjustment	-0.6	7.6
Balance at 31 December	**385.4**	**496.9**

DKK million	2022	2021
Plan assets – movements in fair value		
Balance at 1 January	189.5	155.3
Interest income	1.5	0.5
Actuarial losses (-)/gains (+)	5.4	0.8
Employer contributions	14.2	14.4
Benefits paid	-29.8	-10.0
Other	-	28.5
Exchange rate adjustment	0.0	-0.1
Balance at 31 December	**180.8**	**189.5**

The actual return on plan assets in 2022 was a gain of DKK 6.9 million (DKK 1.3 million).

Categories of plan assets:

DKK million	2022	2021
Other*	180.8	189.5
Total	**180.8**	**189.5**

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

The weighted average duration of the defined benefit obligation is 10.8 years (11.5 years).

DKK million	2022	2021
Post-employment benefit plans recognised in income statement		
Current service costs	25.2	24.1
Interest on net obligation	6.9	7.5
Change in plan provisions	-14.2	-10.8
Curtailments	0.0	-1.1
Settlements	1.9	1.2
Recognised net actuarial gain/loss	0.0	-0.2
Net income (-)/expense (+) reported in the income statement	**19.8**	**20.7**

3.9 (CONTINUED)

PENSION OBLIGATIONS

DKK million	2022	2021
The income/expenses for defined benefit plans are reported under the following headings in the income statement:		
Staff costs	12.9	13.5
Special items incl. impairment, net costs	-	-0.3
Financial costs	6.9	7.5
Net income (-)/expense (+) reported in the income statement	**19.8**	**20.7**
Amounts recognised in other comprehensive income		
For the post-employement defined benefit plans all actuarial gains and losses are recognised in other comprehensive income as they occur in accordance with the year-end valuation.		
Net actuarial losses (+)/ gains (-)	-96.8	-5.9

EXPECTED CONTRIBUTION NEXT YEAR
Expected contributions to post-employment benefit plans for the year ending 31 December 2023 amount to DKK 25.5 million.

DEFINED CONTRIBUTION PLANS
The Group has certain obligations under defined contributions plans. Contributions to these plans are determined by provisions in the respective plans. Costs for defined contribution plans charged to the income statement for the year amount to DKK 57.3 million (DKK 59.5 million).

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

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

§ ACCOUNTING POLICIES

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

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

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

Past service costs are recognised immediately in the income statement.

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

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

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

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

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

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

KEY ACCOUNTING ESTIMATES

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

SECTION 4

4.1
BORROWINGS

DKK million	2022	2021
Borrowings are recognised in the balance sheet as follows:		
Non-current liabilities	3,101.1	2,918.0
Total	**3,101.1**	**2,918.0**

The Group has the following external borrowings at 31 December:

				Carrying amount	
Currency	Fixed/ floating	Term/revolving credit facility	Maturity date	2022	2021
USD	Floating	RCF	19/03/2027	871.5	688.9
EUR	Floating	Term	Multiple	11.3	15.3
EUR	Fixed	Bond	24/09/2025	2,218.3	2,213.8
Total				**3,101.1**	**2,918.0**

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

§ ACCOUNTING POLICIES

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

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

4.2
FINANCIAL RISKS AND INSTRUMENTS

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

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

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

4.2 (CONTINUED)

FINANCIAL RISKS AND INSTRUMENTS

Maturity at 31 december 2021	0-1 Year	2-5 Years	After 5 years	Total*	Fair value level 1	Fair value level 2**	Carrying amount
LIQUIDITY							
Recognised at amortised cost							
Financial institutions	14.1	727.5	-	741.6	-	704.2	704.2
Bonds	31.1	2,316.1	-	2,347.2	2,266.9	-	2,213.8
Trade payables	504.5	-	-	504.5	-	-	504.5
Lease liabilities	52.5	101.0	62.0	215.5	-	-	197.9
Other liabilities	727.7	74.6	-	802.3	-	-	786.1
Total	**1,329.9**	**3,219.2**	**62.0**	**4,611.1**	**2,266.9**	**704.2**	**4,406.5**
Recognised at fair value							
Interest rate swaps	19.0	-	-	19.0	-	18.5	18.5
Currency swaps	-	-	-	-	-	-	-
Total	**19.0**	**-**	**-**	**19.0**	**-**	**18.5**	**18.5**
Total financial liabilities	**1,348.9**	**3,219.2**	**62.0**	**4,630.1**	**2,266.9**	**722.7**	**4,425.0**
Recognised at amortised cost							
Cash and cash equivalents	173.6	-	-	173.6	-	-	173.6
Trade receivables	852.4	-	-	852.4	-	-	852.4
Other receivables	96.8	-	-	96.8	-	-	96.8
Total	**1,122.8**	**-**	**-**	**1,122.8**	**-**	**-**	**1,122.8**
Recognised at fair value							
Currency swaps	2.0	-	-	2.0	-	2.0	2.0
Total	**2.0**	**-**	**-**	**2.0**	**-**	**2.0**	**2.0**
Total financial assets	**1,124.8**	**-**	**-**	**1,124.8**	**-**	**2.0**	**1,124.8**

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

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

FINANCIAL RISKS

FINANCIAL RISK MANAGEMENT POLICY AND STRATEGY

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

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

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

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

FOREIGN EXCHANGE RISK

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

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

Key currencies

Movement of exchange rates against DKK

Exchange rate DKK	2022	2021
USD		
Average	707.68	628.71
Year-end	697.22	656.12
Average change	12.6%	-3.9%
NOK		
Average	73.75	73.19
Year-end	70.73	74.59
Average change	0.8%	5.2%
GBP		
Average	872.88	864.86
Year-end	838.45	886.04
Average change	0.9%	3.1%
CAD		
Average	543.64	501.52
Year-end	514.99	513.53
Average change	8.4%	2.8%
AUD		
Average	490.47	472.36
Year-end	473.87	476.88
Average change	3.8%	4.8%

4.2 (CONTINUED)
FINANCIAL RISKS AND INSTRUMENTS

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

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

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

Sensitivity Analysis on Exchange

2022

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

2021

DKK million	Change in exchange rate	Net sales	EBITDA
USD	5%	202.8	51.0
NOK	5%	13.4	13.4
GBP	5%	14.1	13.6
CAD	5%	12.4	8.0
AUD	5%	12.3	5.6

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

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

31 December 2022

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

31 December 2021

DKK million	Change in exchange rate	Net profit	Other comprehensive income
USD	5%	2.2	0.4
CAD	5%	0.1	-
AUD	5%	0.7	-
GBP	5%	0.9	-
NOK	5%	0.1	-

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

The Group had Interest Rate Swaps (IRS) which matured in September 2022. As of 31 December 2022, the Group has 72% of the total debt with fixed interest rate.

An increase in relevant interest rates of 1%-point would have decreased net profit by DKK 9 million. The estimate was based on the Group's average floating rate loans and borrowings, i.e. disregarding cash and cash equivalents. The analysis assumes that all other variables remain constant.

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

OPERATIONAL CREDIT RISK
The Group's balance sheet at 31 December 2022 included trade receivables with a net book value of DKK 884.6 million (DKK 852.4 million), representing a gross receivable balance of DKK 899.0 million (DKK 872.3 million) and a provision for expected credit losses of DKK 14.4 million (DKK 19.9 million), based on the expected credit loss model (ECL). The ECLs on trade receivables are estimated by using a matrix based on aging of customers, and includes both historical as well as forward-looking information. The estimation takes into account geography, past default experience, analysis of the debtor's current financial position, factors that are specific to the debtors, general economic conditions in which the debtors operate and an assessment of the forecast direction of developments at the reporting date.

The Group's net sales primarily comprise sales of tobacco to different distributors, retailers and direct to consumers. The Group has historically experienced limited risk with regard to the solvency of its customers. As part of the Group's internal procedures regarding risk management, the operational credit risk relating to customers is monitored on a monthly basis. The Group has no significant concentration of credit exposure as the exposure has been spread on a large number of creditworthy trading partners.

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

The Group's exposure to counterparty risk is managed by establishing approved counterparty limits detailing the maximum exposure that the Group is prepared to accept with respect to the individual counterparty. In the event of bankruptcy among the lending banks, the Group has in accordance with the Danish Bankruptcy Act the right to offset cash deposits in the counterparty bank debt totalling DKK 0.0 million at 31 December 2022 (DKK 0.0 million).

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

4.2 (CONTINUED)

FINANCIAL RISKS AND INSTRUMENTS

The Group ensures diversification of debt portfolio, maturity dates and lenders to reduce refinancing risk. The Group has a committed revolving credit facility of EUR 450.0 million (EUR 450.0 million) maturing in 2027 equally split between providers. The undrawn amount of the credit facility at 31 December 2022 was EUR 332.8 million (EUR 357.6 million).

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

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

Level 1: Observable market prices of identical instruments.

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

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

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

HEDGING TRANSACTIONS

The Group had engaged in Interest Rate Swaps (IRS) to partially offset the risk arising from floating interest rate on the RCF. The Interest Rate Swaps matured in September 2022 and the below table show the 2021 comparison numbers of the Group's outstanding interest swaps at the balance sheet date:

		2022		2021	
DKK million	Maturity date	Contract amount at year-end	Fair value at year-end	Contract amount at year-end	Fair value at year-end
EUR 150 million interest rate swap	30/09/2022	-	-	1,115.5	-9.9
USD 100 million interest rate swap	30/09/2022	-	-	656.1	-8.6
Total		**-**	**-**	**1,771.6**	**-18.5**
Recognised in the income statement			-		-9.9
Recognised in other comprehensive income			-		-8.6

OTHER TRANSACTIONS

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

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

2022

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

2021

DKK million (fair value)	Nominal	Fair value
Currency swaps, AUD	10.0	0.2
Currency swaps, NOK	31.0	0.1
Currency swaps, CAD	29.0	1.4
Currency swaps, GBP	8.6	0.3
Total		**2.0**

§ ACCOUNTING POLICIES

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

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

Hedge accounting
Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement like changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised directly in other comprehensive income as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in other comprehensive income is transferred from other comprehensive income and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in other comprehensive income is transferred from other comprehensive income to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

4.3
FINANCIAL FIXED ASSETS

15.6

DIVIDEND (DKK million)

2022

DKK million	Investments in associated companies
Cost at 1 January	92.6
Accumulated cost at 31 December	92.6
Accumulated revaluation and impairment at 1 January	94.9
Dividends	-15.6
Currency translation	11.3
Profit after tax	40.4
Accumulated revaluation and impairment at 31 December	131.0
Carrying amount at 31 December	**223.6**

2021

DKK million	Investments in associated companies
Cost at 1 January	92.6
Accumulated cost at 31 December	92.6
Accumulated revaluation and impairment at 1 January	59.4
Dividends	-9.6
Currency translation	13.6
Profit after tax	31.5
Accumulated revaluation and impairment at 31 December	94.9
Carrying amount at 31 December	**187.5**

NAME AND COUNTRY OF INCORPORATION

Caribbean Cigar Holdings Group Co. S.A., Panama

DKK million	2022	2021
Profit or loss		
Revenue	709.2	573.1
Profit for the year	200.1	151.3
Total comprehensive income	**200.1**	**151.3**
Financial position		
Non-current assets	79.6	60.1
Current assets	872.7	706.2
Non-current liabilities	5.2	5.6
Current liabilities	86.1	63.0
% Interest held	**20%**	**20%**

The financial information stated above is based on estimates.

Reconciliation carrying amount	2022	2021
Scandinavian Tobacco Group's share of Caribbean Cigar Holdings Group's equity	172.2	139.5
Goodwill concerning Caribbean Cigar Holdings Group	57.6	54.2
Elimination of internal profit	-6.2	-6.2
Carrying amount at 31 December	**223.6**	**187.5**

§ ACCOUNTING POLICIES

Investments in associated companies are recognised and measured under the equity method.

The item 'Investments in associated companies' in the balance sheet includes the proportionate ownership share of the net asset value of the enterprises with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill) calculated on the basis of the fair values of identifiable net assets at the time of acquisition.

The item 'Share of profit of associated companies, net of tax' in the income statement includes the proportionate share of the profit after tax for the year regarding the associated companies

4.4
FINANCIAL INCOME AND COSTS

DKK million	2022	2021
FINANCIAL INCOME		
Interest on deposits in financial institutions etc.	1.7	0.6
Exchange gains	185.6	58.1
Other financial income	10.0	16.3
Total	**197.3**	**75.0**

DKK million	2022	2021
FINANCIAL COSTS		
Interest on borrowings	96.2	86.4
Interest part of pension cost	6.9	7.5
Exchange losses	189.1	37.8
Lease interest costs	11.8	6.4
Other financial costs	30.2	14.1
Total	**334.2**	**152.2**

Interest on debt to financial institutions etc. includes realisation of previously deferred losses from interest rate swaps of DKK 8.8 million (DKK 9.7 million). Effective interest expenses on financial liabilities measured at amortised cost amounted to DKK 108 million (DKK 92.8 million). Ineffectiveness of interest rate swaps of DKK 9.9 million included in other financial income (DKK 15.6 million included in other financial income).

§ ACCOUNTING POLICIES

Financial income and costs comprise interests, realised and unrealised exchange adjustments, hedging costs, interest part of pension costs, lease interest costs and other financial income and costs.

4.5
SHARE CAPITAL, TREASURY SHARES, DIVIDEND AND EARNINGS PER SHARE

767

PROPOSED DIVIDEND (DKK million)

Development in share capital

DKK million	
2018-2020	**100.0**
2021 reduction	-2.5
At the beginning of the year	**97.5**
2022 reduction	-4.5
At the end of the year	**93.0**

At the Annual General Meeting on 31 March 2022, it was decided to reduce the share capital by DKK 4,500,000. The reduction of the share capital was effectuated 4 May 2022. At 31 December 2022 the share capital consists of 93,000,000 shares of a nominal value of DKK 1. No shares carry any special rights.

Treasury shares

	Nominal value (DKK million)	Number of shares (in thousands)	Purchase price (DKK million)	% of share capital
Treasury shares at 1 January 2022	4.5	4,526	570.5	4.6
Addition	6.0	5,984	776.7	6.1
Settlement of vested PSUs	-0.3	-259	-29.6	-0.3
Share capital reduction	-4.5	-4,500	-569.5	-4.6
Treasury shares at 31 December 2022	**5.8**	**5,751**	**748.1**	**6.2**

The market value of treasury shares at 31 December 2022 was DKK 702.1 million (DKK 621.4 million). Treasury shares are acquired for the purpose of adjusting the Company's capital structure and to hedge the Group's share-based incentive programmes.

According to the authorisation granted by the General Meeting, the Board of Directors may allow the Company to acquire treasury shares up to a total holding of 10% of the nomimal share capital at a price quoted on Nasdaq Copenhagen at the time of acquisition with a deviation of up to 10%. In addition, the Board of Directors is authorised to increase the share capital by up to 10%. The authorisation granted to the Board of Directors is in effect until 26 March 2025.

4.5 (CONTINUED)

SHARE CAPITAL, TREASURY SHARES, DIVIDEND AND EARNINGS PER SHARE

	Dividend DKK million	Per share DKK
2018 (proposed dividend in 2017 Annual Report)	575.0	5.8
2019 (proposed dividend in 2018 Annual Report)	600.0	6.0
2020 (proposed dividend in 2019 Annual Report)	610.0	6.1
2021 (proposed dividend in 2020 Annual Report)	650.0	6.5
2022 (proposed dividend in 2021 Annual Report)	731.3	7.5

Retained earnings end of 2022 include proposed dividend of DKK 767 million (DKK 8.25 per share).

Earnings per share:
Earnings per share are presented as both basic and diluted earnings per share. Basic earnings per share are calculated as net profit divided by the average number of shares outstanding. Diluted earnings per share are calculated as net profit divided by the sum of average number of shares outstanding, including the dilutive effect of outstanding share bonus programmes. Please refer to note 5.8 'Explanation of financial ratios' for a description of the calculation of basic and diluted earnings per share.

DKK million	2022	2021
Net profit for the year	1,476.3	1,390.6
Average number of shares outstanding (in 1,000 shares)	94,516	98,212
Average number of treasury shares (in 1,000 shares)	-3,950	-2,910
Average number of shares - basic (in 1,000 shares)	90,566	95,302
Dilutive effect of outstanding PSUs (in 1,000 shares)	285	387
Average number of shares outstanding, including dilutive effect of PSUs (in 1,000 shares)	90.851	95,689
Basic earnings per share (DKK)	16.3	14.6
Diluted earnings per share (DKK)	16.2	14.5

4.6

CHANGES IN WORKING CAPITAL (CASH FLOW STATEMENT)

DKK million	2022	2021
Change in receivables	-26.9	-9.4
Change in inventories	-228.1	41.5
Change in liabilities	-108.9	-38.3
Total	**-363.9**	**-6.2**

§ ACCOUNTING POLICIES

Working capital is defined as current assets less current liabilities. It measures how much in liquid assets the Group has available for the business.

4.7

NET INTEREST-BEARING DEBT

DKK million	2022	2021
Interest-bearing liabilities, net	3,446.2	3,132.4
Pensions	204.7	307.4
Cash equivalents	-22.2	-173.6
Total	**3,628.7**	**3,266.2**

FINANCIAL POLICY
According to the financial policy, the Group has a leverage ratio target of 2.5 (measured as net interest-bearing debt divided by EBITDA before special items) while maintaining flexibility to increase leverage temporarily, for example to pursue acquisitions. At 31 December 2022 the ratio was 1.6 (1.5).

4.8
CHANGES IN FINANCING LIABILITIES

DKK million	2022	2021
Balance at 1 January	3,115.9	3,079.3
Acquisition	-	43.6
Lease liabilities	124.8	-30.0
New external funding	138.3	-
Repayment bank loans	-4.0	-
Other financing	4.4	-38.0
Exchange rate adjustment	53.1	61.0
Carrying amount at 31 December	**3,432.5**	**3,115.9**

SECTION 5

5.1 BUSINESS COMBINATIONS

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

Due to the timing of the acquisition no provisional figures are disclosed and in compliance with IFRS 3 net assets will be recorded based on provisional figures, which are subject to adjustments within a 12 months period of the acquisition date.

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

Alec Bradley

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

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

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

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

Impact on Consolidated Income Statement

The Financial Statements for 2022 do not include net sales or net profit from the acquisition. On a proforma basis, if the acquisition had been effective from 1 January 2022 the business of Alec Bradley would in 2022 have contributed approximately DKK 139 million to net sales (gross DKK 184 million offset by Alec Bradleys sales to STG) and DKK 38 million on net profit.

Transaction costs

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

2022

There has been no significant business combinations during 2022.

2021

In November 2021, the Group acquired a majority stake in Moderno Opificio del Sigaro Italiano (MOSI).

Net sales of MOSI constitute less than 1 per cent of the Group's net sales and total assets of MOSI constitute 1 per cent of the Group's total assets.

Given the financial insignificance of the acquisition, no information according to IFRS 3 Business Combination has been disclosed.

KEY ACCOUNTING ESTIMATES

The most significant assets acquired generally comprise goodwill, trademarks, tradenames, customer relations and inventories. As no active market exists for the majority of acquired assets, the fair value is based on Management's projections and estimates. The methods applied are based on the present value of future cash flows related to the specific asset. Estimates of fair value are associated with uncertainty and may be adjusted subsequently.

§ ACCOUNTING POLICIES

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measued at acquisition date fair value.

Acquisition-related costs are expensed as incurred and included in "Special items" in the Income statement.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. If uncertainties exist at the acquisition date regarding identification or measurement of identifiable assets, liabilities and contingent liabilities or regarding the consideration transferred, initial recognition will take place on the basis of provisionally determined fair values. If identifiable assets, liabilities and contingent liabilities are subsequently determined to have a different fair value at the acquisition date from that first assumed, goodwill is adjusted up until 12 months after the acquisition date. Thereafter no adjustments are made to goodwill, and changes in estimates of contingent consideration relating to business combinations are recognised under "Other income and costs".

Goodwill is initially measured at cost. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all assets acquired and all liabilities assumed, and the Group reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, the gain is recognised in the income statement. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination.

5.2
CASH FLOW ADJUSTMENTS

For the purpose of presenting the cash flow statement, non-cash items with effect on the income statement must be reversed to identify the actual cash flow effect from the income statement. The adjustments are specified as follows:

DKK million	2022	2021
Financial items	136.9	77.2
Share of profit of associated companies, net of tax	-40.4	-31.5
Income taxes	380.2	377.9
(Gains)/losses from sale of fixed assets	-139.5	-18.3
Special items, paid	140.8	219.1
Other provisions movement	-44.5	-149.0
Bad debt allowance and provision for obselete stock movements	-6.9	-1.0
Other adjustments	1.8	23.8
Total	**428.4**	**498.2**

5.3
CONTINGENT LIABILITIES

GUARANTEE OBLIGATIONS
The Group has (via 3rd parties) issued guarantees totalling DKK 734.1 million (DKK 608.6 million), which are primarily issued towards local tax authorities in relation to excise and tax stamps.

LAWSUITS ETC.
From time to time the Group faces legal claims and disputes as part of the ordinary course of business, mainly related to employees and trademarks. Management continuously assesses the risks associated with the legal claims and disputes and their likely outcome. It is the opinion of Management that, apart from items recognised in the financial statements, the outcome of any of these legal claims and disputes is highly uncertain and/or cannot be reliably estimated in terms of amount or timing. The Group does not expect any of the pending claims or disputes to have a material impact on the consolidated financial statements.

DISCLOSURE REGARDING CHANGE OF CONTROL
The Group's loan facilities at financial institutions and issued bonds are subject to change of control clauses.

The Group's investments in associated companies are subject to change of control clauses.

5.4
RELATED-PARTY TRANSACTIONS

The Group has had the following transactions with related parties, income/expense (+/-):

DKK million	2022	2021
Caribbean Cigar Holdings Group Co. S.A. (associated company)		
Purchase of products by Scandinavian Tobacco Group	-104.0	-81.5

The Group has the following balances with related parties, receivables/payables (+/-):

DKK million	2022	2021
Caribbean Cigar Holdings Group Co. S.A. (associated company)		
Payables for products to Scandinavian Tobacco Group	-5.7	-6.2

Related parties comprise companies controlled by the Augustinus Foundation, key management and Caribbean Cigar Holdings Group Co. S.A. Key management is Scandinavian Tobacco Group A/S' Board of Directors and Executive Board as well as management in the controlling companies.

For information on remuneration to the Management of Scandinavian Tobacco Group A/S, please refer to note 2.2 and note 2.3. For an overview of Group companies, please refer to note 5.7. There have not been and there are no loans to key management personnel in 2022 or 2021.

Dividends to shareholders have not been included in the above overview. For further information around dividends received from associated companies, please refer to note 4.3.

OWNERSHIP AND CONSOLIDATED FINANCIAL STATEMENTS
For information concerning major shareholders, please refer to Shareholder information in the Management Report, page 47. No major shareholders have controlling influence on the Group.

5.5 EVENTS AFTER THE REPORTING PERIOD

On 22 February 2023 Scandinavian Tobacco Group A/S agreed on the terms and conditions for the acquisition of substantially all assets of Alec Bradley Cigar Distributors Inc. and associated companies ("Alec Bradley"). The acquisition was closed with effect from 1 March 2023. Please refer to note 5.1 for more information on the acquisition.

The Group has not experienced any other significant events after 31 December 2022 which have an impact on the Annual Report.

5.6 FEE TO STATUTORY AUDITOR

DKK million	2022	2021
Statutory audit	6.4	6.2
Audit-related services	0.1	0.1
Tax advisory services	0.1	0.4
Other services	5.5	0.2
Total	**12.1**	**6.9**

Fees for other services in addition to the statutory audit of the financial statements, which were provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to the Group amounted to DKK 2.3 million. Non-audit services in addition to the statutory audit of the financial statements comprise services relating to ESG strategy and reporting and M&A activities.

5.7

ENTITIES IN SCANDINAVIAN TOBACCO GROUP

			Activity			
Company	**Country**	**Ownership**	**Production**	**Sales and marketing**	**Administration**	**Finance**
PARENT COMPANY						
Scandinavian Tobacco Group A/S	Denmark	–		✓	✓	✓
SUBSIDIARIES BY REGION						
EUROPE						
Agio Cigars Belgium N.V.	Belgium	100%	✓			
Scandinavian Tobacco Group Belux N.V.	Belgium	100%		✓		
Scandinavian Tobacco Group Lummen N.V.	Belgium	100%	✓			
Scandinavian Tobacco Group Belgium Services N.V.	Belgium	100%			✓	
Scandinavian Tobacco Group Assens A/S	Denmark	100%	✓	✓	✓	
Scandinavian Tobacco Group Denmark A/S	Denmark	100%		✓		
STG Finans ApS	Denmark	100%				✓
Insurgent Ventures II A/S	Denmark	100%		✓		
Peter Stokkebye Tobaksfabrik A/S	Denmark	100%		✓		
Scandinavian Tobacco Group France S.A.S	France	100%		✓		
Scandinavian Tobacco Group Deutschland GmbH	Germany	100%		✓		
Scandinavian Tobacco Group Italy S.R.L.	Italy	100%		✓		
Moderno Opificio del Sigaro Italiano S.r.l. **	Italy	65%	✓	✓	✓	
Scandinavian Tobacco Group Norway AS	Norway	100%		✓		
STG Portugal S.A.	Portugal	100%		✓		
Scandinavian Tobacco Group Spain S.A.U.	Spain	100%		✓		
STG Sweden AB	Sweden	100%		✓		
Agio Beheer B.V	The Netherlands	100%			✓	
Agio Sigarenfabrieken N.V.	The Netherlands	100%			✓	
P.G.C. Hajenius B.V.	The Netherlands	100%		✓		
Scandinavian Tobacco Group Eersel B.V.	The Netherlands	100%		✓	✓	
Scandinavian Tobacco Group Nederland B.V.	The Netherlands	100%		✓		
ST Cigar Group Holding B.V.	The Netherlands	100%			✓	
STG Global Finance B.V.	The Netherlands	100%				✓
Scandinavian Tobacco Group Bethlehem Sales B.V.	The Netherlands	100%		✓	✓	
Scandinavian Tobacco Group United Kingdom Limited	United Kingdom	100%		✓		
ASIA						
Scandinavian Tobacco Group Hong Kong Limited	Hong Kong	100%		✓		
PT Scandinavian Tobacco Group Indonesia	Indonesia	100%	✓			
Agio Tobacco Processing Company Ltd.	Sri Lanka	100%	✓			
AUSTRALIA AND NEW ZEALAND						
Scandinavian Tobacco Group Australia Pty Ltd	Australia	100%		✓		
AMERICA						
Agio Caribbean Tobacco Company Ltd.*	British Virgin Islands	100%	✓			
Scandinavian Tobacco Group Canada Holding Inc.	Canada	100%			✓	
Scandinavian Tobacco Group Canada Inc.	Canada	100%		✓		

5.7 (CONTINUED)

ENTITIES IN SCANDINAVIAN TOBACCO GROUP

			Activity			
Company	Country	Ownership	Production	Sales and marketing	Administration	Finance
General Cigar Dominicana S.A.S.	The Dominican Republic	100%	✓			
Honduras American Tabaco SA de CV	Honduras	100%	✓			
Scandinavian Tobacco Group Danli S.A.	Honduras	100%				✓
Scandinavian Tobacco Group Esteli, S.A.	Nicaragua	100%	✓			
Scandinavian Tobacco Group Moca, S.A.*	Panama	100%	✓			
Scandinavian Tobacco Group US Holding, Inc.	United States	100%			✓	
General Cigar Co., Inc.	United States	100%		✓		
Cigar Masters Inc.	United States	100%			✓	
GCMM Co., Inc.	United States	100%			✓	
Club Macanudo (Chicago), Inc.	United States	100%		✓		
Club Macanudo, Inc.	United States	100%		✓		
Henri Wintermans Cigars USA, Inc.	United States	100%			✓	
M&D Wholesale Distributors, Inc.	United States	100%		✓		
Bethlehem Shared Services, LLC	United States	100%			✓	
Bethlehem Sales, LLC	United States	100%			✓	
Specialty Cigars, LLC	United States	100%		✓		
BPA Sales, LP	United States	100%		✓		
Bethlehem IP Holdings, LLC	United States	100%			✓	
LVPenn Sales, LLC	United States	100%		✓		
Scandinavian Tobacco Group Lane Holding, Inc.	United States	100%			✓	
Scandinavian Tobacco Group Lane Ltd	United States	100%		✓		
Cigar Smokers Restaurant Holdings, Inc.	United States	100%			✓	
Cigars International Ohio, LLC	United States	100%		✓		
Cigars International Texas, LLC	United States	100%		✓		
Bethlehem Restaurant Corporation, Inc.	United States	100%			✓	
CI Hamburg Superstore Lounge, LLC	United States	100%		✓		
CI Florida, LLC	United States	100%		✓		
Lilly Online, LLC	United States	100%		✓		
Insurgent Ventures Holdings, Inc.	United States	100%			✓	
Insurgent Ventures, Inc.	United States	100%		✓		
Royal Agio Cigars USA Inc.	United States	100%		✓		

* Doing business in the Dominican Republic.
** The non-controlling shareholder holds a put option which is accounted for as if the put option has already been exercised. Accordingly, the subsidiary is consolidated with no non-controlling interest.

5.8
EXPLANATION OF FINANCIAL RATIOS

GROSS MARGIN BEFORE SPECIAL ITEMS = Gross profit before special items / Net sales

EBIT MARGIN = EBIT / Net sales

CASH CONVERSION = CFFO before interest and tax, excluding payment of special items – Maintenance CAPEX / Adjusted operating profit (EBITA before special items)

NET INTEREST-BEARING DEBT = Interest-bearing liabilites and pensions less cash equivalents and interest-bearing receivables

BASIC EARNINGS PER SHARE = Net profit / Average number of shares outstanding

DIVIDEND PER SHARE = Proposed and interim dividend / Number of shares issued

EBITDA MARGIN BEFORE SPECIAL ITEMS = EBITDA before special items / Net sales

TAX PERCENTAGE = Tax / Profit before tax

EQUITY RATIO = Equity / Total assets

ROIC = EBIT / 12 months average invested capital*

ROIC EX. GOODWILL = EBIT / 12 months average invested capital* ex. goodwill

ADJUSTED EARNINGS PER SHARE = Net profit adjusted for special items and fair value adjustments and currency gains/losses, net of tax / Average number of shares outstanding

DILUTED EARNINGS PER SHARE = Net profit / Average number of shares outstanding + dilutive effect of the outstanding performance stock units (PSUs)

PAY-OUT RATIO = Proposed and interim dividend / Net profit

ORGANIC NET SALES GROWTH: is defined as growth in net sales before special items and impact from currencies, acquisitions and changes in accounting policies

ORGANIC EBITDA GROWTH: is defined as growth in EBITDA before special items and impact from currencies, acquisitions and changes in accounting policies

* Average invested capital comprises intangible assets, property, plant and equipment, right-of-use assets, inventories, receivables (excluding receivables recognised at fair value) and prepayments less trade creditors, provisions and other liabilities (excluding other liabilities recognised at fair value).

FINANCIAL STATEMENTS OF THE PARENT COMPANY

NOTES

1 JANUARY - 31 DECEMBER

INCOME STATEMENT – PARENT COMPANY

DKK million	Note	2022	2021
Other income		**435.4**	**391.2**
Other external costs	2	-247.5	-201.0
Staff costs	2, 3	-177.2	-181.8
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**10.7**	**8.4**
Depreciation and impairment	4	-4.9	-4.7
Earnings before interest, tax and amortisation (EBITA before special items)		**5.8**	**3.7**
Amortisation and impairment	4	-14.0	-12.5
Earnings before interest and tax (EBIT)		**-8.2**	**-8.8**
Result of investments in affiliated companies, net of tax	5	1,155.3	1,063.6
Financial income	6	104.3	111.0
Financial costs	7	-154.8	-114.8
Profit before tax		**1,096.6**	**1,051.0**
Income taxes	8	11.9	1.3
Net profit for the year		**1,108.5**	**1,052.3**

DKK million	Note	2022	2021
DISTRIBUTION OF PROFIT			
Proposed distribution of profit:			
Proposed dividend		767.0	731.0
Reserve for development costs		5.2	2.0
Reserve for retained earnings - equity method		-	-
Retained earnings		336.3	319.3
Total		1,108.5	**1,052.3**

BALANCE SHEET AT 31 DECEMBER – PARENT COMPANY

DKK million	Note	2022	2021
ASSETS			
IT Software	9	39.6	15.9
Know how	9	14.9	17.4
Other intangible assets under construction	9	124.9	52.8
Intangible assets		**179.4**	**86.1**
Equipment, tools and fixtures	10	0.1	0.3
Leasehold improvements	10	2.2	2.5
Right-to-use assets	11	24.7	28.9
Tangible assets		**27.0**	**31.7**
Investments in affiliated companies	12	8,876.0	9,239.3
Financial fixed assets		**8,876.0**	**9,239.3**
Fixed assets		**9,082.4**	**9,357.1**
Receivables from affiliated companies		3,128.1	2,688.3
Other receivables		5.8	4.4
Income tax receivable		109.2	111.3
Prepayments	13	29.2	24.7
Receivables		**3,272.3**	**2,828.7**
Cash and cash equivalents		-	-
Current assets		**3,272.3**	**2,828.7**
Assets		**12,354.7**	**12,185.8**

DKK million	Note	2022	2021
EQUITY, PROVISIONS AND LIABILITIES			
Share capital		93.0	97.5
Retained earnings		5,484.9	5,432.1
Reserve for development costs		7.2	2.0
Treasury shares		-748.1	-570.5
Proposed dividend		766.7	731.0
Equity		**5,603.7**	**5,692.1**
Deferred income tax liabilities	8	8.1	9.7
Other provisions	14	2.5	2.5
Provisions		**10.6**	**12.2**
Bank loans		871.5	688.9
Lease liabilities	15	23.9	29.1
Other liabilities		31.0	60.5
Long-term liabilities		**926.4**	**778.5**
Bank loans		62.2	22.2
Liabilities to affiliated companies		5,612.2	5,543.8
Trade creditors		39.6	44.5
Lease liabilities	15	4.3	3.5
Other liabilities		95.7	89.0
Current liabilities		**5,814.0**	**5,703.0**
Liabilities		**6,751.0**	**6,493.7**
Equity, provisions and liabilities		**12,354.7**	**12,185.8**
Contingent liabilities	16		
Financial instruments	17		
Related-party transations	18		
Fee to statutory auditor	19		
Ownership	20		
Events after the reporting period	21		

1 JANUARY - 31 DECEMBER

STATEMENT OF CHANGES IN EQUITY – PARENT COMPANY

DKK million	Share capital	Retained earnings	Reserve for development costs	Revaluation reserve according to the equity method	Treasury shares	Proposed dividend	Total
Equity at 1 January 2022	97.5	4,852.9	2.0	579.2	-570.5	731.0	5,692.1
Capital reduction	-4.5	-565.0	-	-	569.5	-	-
Cash flow hedges	-	8.8	-	-	-	-	8.8
Tax of cash flow hedges	-	-1.9	-	-	-	-	-1.9
Purchase of treasury shares	-	-	-	-	-776.7	-	-776.7
Share-based payments	-	23.0	-	-	-	-	23.0
Tax on share-based payments	-	2.9	-	-	-	-	2.9
Settlement of vested PSUs	-	-29.6	-	-	29.6	-	-
Settlement in cash of vested PSUs	-	-7.2	-	-	-	-	-7.2
Equity movement in subsidiaries	-	70.5	-	-	-	-	70.5
Foreign exchange adjustments of net investments in foreign subsidiaries	-	-	-	175.7	-	-	175.7
Dividend paid to shareholders	-	-	-	-	-	-731.3	-731.3
Dividend, treasury shares	-	39.3	-	-	-	-	39.3
Profit / loss for the year	-	336.3	5.2	-	-	767.0	1,108.5
Equity at 31 December 2022	**93.0**	**4,730.0**	**7.2**	**754.9**	**-748.1**	**766.7**	**5,603.7**

The share capital consists of 93,000,000 shares of a nominal value of DKK 1. No shares carry any special rights. The share capital was in May 2021 reduced by 2,500,000 shares and in May 2022 reduced by further 4,500,000 shares. No other changes have been made to the share capital in the past five years.

DKK million	Share capital	Retained earnings	Reserve for development costs	Revaluation reserve according to the equity method	Treasury shares	Proposed dividend	Total
Equity at 1 January 2021	100.0	4,742.7	-	333.3	-227.7	650.0	5,598.3
Capital reduction	-2.5	-244.7	-	-	247.2	-	-
Cash flow hedges	-	9.8	-	-	-	-	9.8
Tax of cash flow hedges	-	-2.2	-	-	-	-	-2.2
Purchase of treasury shares	-	-	-	-	-606.4	-	-606.4
Share-based payments	-	23.7	-	-	-	-	23.7
Tax on share-based payments	-	0.7	-	-	-	-	0.7
Settlement of vested PSUs	-	-16.4	-	-	16.4	-	-
Settlement in cash of vested PSUs	-	-4.5	-	-	-	-	-4.5
Equity movement in subsidiaries	-	1.2	-	-	-	-	1.2
Foreign exchange adjustments of net investments in foreign subsidiaries	-	-	-	245.9	-	-	245.9
Dividend paid to shareholders	-	-		-	-	-650.0	-650.0
Dividend, treasury shares	-	23.3	-	-	-	-	23.3
Profit / loss for the year	-	319.3	2.0	-	-	731.0	1,052.3
Equity at 31 December 2021	**97.5**	**4,852.9**	**2.0**	**579.2**	**-570.5**	**731.0**	**5,692.1**

NOTE 1
ACCOUNTING POLICIES

§ ACCOUNTING POLICIES

The Parent Company has prepared its Financial Statements in accordance with the provisions of the Danish Financial Statements Act (Class D) and other accounting regulations for companies listed on NASDAQ Copenhagen.

The Consolidated Financial Statements have been prepared in accordance with IFRS. The accounting policies applied for the Consolidated Financial Statements regarding recognition and measurement have also been applied for the Parent Company with the below exceptions.

No separate statement of cash flows has been prepared for the Parent Company. Please refer to the Statement of cash flows for the Group.

In the financial year 2022, the Parent Company has acquired activities from the subsidiaries Scandinavian Tobacco Group Nykøbing ApS and Scandinavian Tobacco Group Latin Holding ApS, as part of a vertical merger, where the relevant subsidiaries have been ceased to exist. The annual report is not materially impacted by this merger, but the assets, liabilities, income and costs of the discontinued subsidiaries are incorporated into the annual report of Scandinavian Tobacco Group A/S, based on the values in the consolidated financial statement (the "group method"). The values from the discontinued subsidiaries have been incorporated in the Parent Company's annual report, as if they had always been part of the Parent Company's activities. As a result, comparative figures, Financial Statement and notes, are affected by the values from the discontinued subsidiaries.

Result of investments in affiliated companies, net of tax
The item 'Result of investments in affiliated companies, net of tax' in the income statement includes the proportionate share of the profit for the year after tax less goodwill amortisation.

Goodwill
Goodwill is amortised on a straight-line basis over the estimated useful life determined on the basis of Management's experience with the individual business areas. The maximum amortisation period is 20 years, the longest period applying to enterprises acquired for strategic purposes with a strong market position and a long earnings profile.

Trademarks
Trademarks are amortised on a straight-line basis over the estimateduseful life determined on the basis of Management's experience. The maximum amortisation period is 20 years, the longest period applying to strategic trademarks with a strong market position and a long earnings profile.

Investments in affiliated companies
Investments in affiliated companies are recognised and measured under the equity method.

The item 'Investments in affiliated companies' in the balance sheet includes the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to 'Reserve for retained earnings – equity method' under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in subsidiaries.

Defined benefit pension plans
In relation to defined benefit plans, the company follow the requirements in the Danish Financial Statement Act (dated 1 July 2015 for financial statements starting 1 January 2016), meaning that actuarial gains and losses are recognised directly in other comprehensive income instead of directly in the income statement. For the monetary impact, please refer to the statement of changes in equity and note 3.9 "pension obligation" for the Group.

Share based payments
In relation to share-based payments, the provisions in IFRS 2 have been adopted as the Danish Financial Statements Act does not regulate share-based payments settled via equity instruments, but only cash-settled share-based payments. Derogation from the Danish Financial Statements Act for share based payments means that the year's cost for share-based payments are not recognised as a liability in the balance sheet, but directly in the statement of equity. For the monetary impact, please refer to the statement of changes in equity and note 3 'Staff costs'.

NOTE 2
SPECIAL ITEMS

During 2022 DKK 58.9 million (DKK 26.8 million) have been expensed as special items. The special items are related to OneProcess (ERP project) by DKK 57.8 million (DKK 17.1 million), Fuelling the Growth programme by DKK 1.1 million (DKK 1.9 million) and Integration and transaction costs related to Agio Cigars by DKK nil million (DKK 7.8 million). Special items consist of operating expenditures of DKK 52.6 million (DKK 22.9 million) and staff costs of DKK 6.3 million (DKK 3.9 million).

NOTE 3
STAFF COSTS

DKK million	2022	2021
Wages and salaries	167.6	171.7
Pensions defined contribution plans	13.7	11.4
Social security costs	1.1	0.7
Total staff costs for the year	**182.4**	**183.8**
Staff costs included in intangible assets	-5.2	-2.0
Total staff costs expensed to the income statement	**177.2**	**181.8**

DKK million	2022	2021
Cost of goods sold	-	-
Staff costs	177.2	181.8
Total included in the income statement	**177.2**	**181.8**
Average number of employees	**143**	**124**

Remuneration of the board of directors and executive board
Total fees to the Board of Directors and Executive Board amounted to DKK 51.6 million (DKK 64.4 million).

2022

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

* The Executive board comprises the Executive Management (registered members) and other key management (not registered members).

2021

DKK million Executive Management	Salary and benefits	Bonus	Pension	Stay-on bonus / loyalty programme	Share-based incentive programme	Total
Niels Frederiksen	7.6	3.7	-	2.0	6.9	20.2
Marianne Rørslev Bock	4.6	2.2	-	-	3.0	9.8
Total	**12.2**	**5.9**	**-**	**2.0**	**9.9**	**30.0**
Other key management	13.7	7.7	1.1	-	4.2	26.7
Total Executive Board	**25.9**	**13.6**	**1.1**	**2.0**	**14.1**	**56.7**

* The Executive board comprises the Executive Management (registered members) and other key management (not registered members).

DKK thousand Board of Directors	Position	Joined the Board	Left the Board	Board	Committees	Other	Total
Henrik Brandt	Chairman	Apr 2017		1,210	192	-	1,402
Nigel Northridge	Chairman	Apr 2016	Mar 2022	330	56	-	386
Marlene Forsell	Board member	Apr 2019		440	330	-	770
Dianne Neal Blixt	Board member	Feb 2016		440	247	-	687
Luc Missorten	Board member	Feb 2016	Mar 2022	110	69	-	179
Anders Obel	Board member	Apr 2018		440	124	-	564
Claus Gregersen	Board member	Apr 2019		440	110	-	550
Henrik Amsinck	Board member	Apr 2021		440	-	55	495
Hanne Malling	Employee -elected	Oct 2010		440	-	-	440
Lindy Larsen	Employee-elected	Jul 2016		440	-	-	440
Mogens Olsen	Employee-elected	Jul 2017		440	-	-	440
Total 2022				**5,170**	**1,128**	**55**	**6,353**
Total 2021				**6,033**	**1,210**	**-**	**7,243**

Social security taxes and similar taxes:
In addition to the above remuneration to the Board of Directors, the company may pay social security taxes and similar taxes imposed by non-Danish authorities in relation to the remuneration. In 2022 the company paid DKK 192 thousand compared to DKK 464 thousand in 2021.

NOTE 4
DEPRECIATION AND AMORTISATION

DKK million	2022	2021
Depreciation		
Equipment, tools and fixtures	0.2	0.2
Leasehold improvements	0.3	0.2
Right-of-use assets	4.4	4.3
Total	**4.9**	**4.7**
Amortisation		
IT software	11.5	10.0
Know how	2.5	2.5
Total	**14.0**	**12.5**

NOTE 5
RESULT OF INVESTMENTS IN AFFILIATED COMPANIES, NET OF TAX

DKK million	2022	2021
Result of investments in affiliated companies, net of tax	1,155.3	1,063.6
Total	**1,155.3**	**1,063.6**

NOTE 6
FINANCIAL INCOME

DKK million	2022	2021
Interest on deposits in financial institutions, etc.	1.2	0.1
Interest on balances with affiliated companies	89.6	74.6
Exchange gains, net	13.3	36.1
Other financial income	0.2	0.2
Total	**104.3**	**111.0**

NOTE 7
FINANCIAL COSTS

DKK million	2022	2021
Interest on debt to financial institutions, etc.	-56.1	-48.3
Interest on balances with affiliated companies	-78.3	-51.5
Other financing costs	-13.4	-3.3
Lease interest cost	-0.4	-0.4
Exchange losses, net	-6.6	-11.3
Total	**-154.8**	**-114.8**

NOTE 8
INCOME TAXES

DKK million	2022	2021
Current income tax	14.4	18.6
Deferred income tax	-2.1	-16.6
Adjustment regarding prior years, current income tax	-4.1	-3.4
Adjustment regarding prior years, deferred income tax	3.7	2.7
Total	**11.9**	**1.3**

Scandinavian Tobacco Group A/S and its Danish subsidiaries are jointly taxed why all the Danish companies are jointly and individually liable for the joint taxation. The tax for the individual companies is allocated in full on the basis on the expected taxable income. STG A/S is the management company of the jointly taxed companies and settles corporate taxes with the tax authorities.

DKK million	2022	2021
BREAKDOWN OF DEFERRED INCOME TAX:		
Intangible assets	-11.6	-7.0
Property, plant and equipment	1.0	1.0
Financial fixed assets	1.3	-
Treasury shares	6.3	-
Other liabilities	-5.1	-3.7
Total	**-8.1**	**-9.7**
BREAKDOWN OF INCOME TAX:		
Tax calculated at 22% of profit before tax	241.3	231.2
TAX EFFECT OF:		
Adjustment regarding prior years	0.4	0.8
Non-deductable costs/income	0.6	0.7
Other		
Result of investments in affiliated companies	-254.2	-234.0
Total	**-11.9**	**-1.3**
Deferred income tax 1 January	102.9	116.8
Deferred income tax in income statement	-1.6	-13.9
Deferred income tax 31 December	**- 101.3**	**102.9**

NOTE 9
INTANGIBLE ASSETS

2022

DKK million	IT software	Know how	Other intangible assets under construction	Total
Accumulated cost at 1 January	134.2	99.8	52.8	286.8
Additions through merger	-	-	-	-
Additions	-	-	107.3	107.3
Transfers	35.2	-	-35.2	-
Accumulated cost at 31 December	**169.4**	**99.8**	**124.9**	**394.1**
Accumulated amortisation at 1 January	118.3	82.4	-	200.7
Additions through merger	-	-	-	-
Amortisation	11.5	2.5	-	14.0
Accumulated amortisation at 31 December	**129.8**	**84.9**	**-**	**214.7**
Carrying amount at 31 December	**39.6**	**14.9**	**124.9**	**179.4**

2021

DKK million	IT software	Know how	Other intangible assets under construction	Total
Accumulated cost at 1 January	126.0	-	28.0	154.0
Additions through merger	-	99.8	-	99.8
Additions	1.2	-	31.8	33.0
Transfers	7.0	-	-7.0	-
Accumulated cost at 31 December	**134.2**	**99.8**	**52.8**	**286.8**
Accumulated amortisation at 1 January	108.3	-	-	108.3
Additions through merger	-	79.9	-	79.9
Amortisation	10.0	2.5	-	12.5
Accumulated amortisation at 31 December	**118.3**	**82.4**	**-**	**200.7**
Carrying amount at 31 December	**15.9**	**17.4**	**52.8**	**86.1**

NOTE 10
PROPERTY, PLANT AND EQUIPMENT

2022

DKK million	Equipment, tools and fixtures	Leasehold improvements	Total
Accumulated cost at 1 January	0.8	3.0	3.8
Accumulated cost at 31 December	**0.8**	**3.0**	**3.8**
Accumulated depreciation at 1 January	0.5	0.5	1.0
Depreciation	0.2	0.3	0.5
Accumulated depreciation at 31 December	**0.7**	**0.8**	**1.5**
Carrying amount at 31 December	**0.1**	**2.2**	**2.3**

2021

DKK million	Equipment, tools and fixtures	Leasehold improvements	Total
Accumulated cost at 1 January	0.8	3.0	3.8
Accumulated cost at 31 December	**0.8**	**3.0**	**3.8**
Accumulated depreciation at 1 January	0.3	0.3	0.6
Depreciation	0.2	0.2	0.4
Accumulated depreciation at 31 December	**0.5**	**0.5**	**1.0**
Carrying amount at 31 December	**0.3**	**2.5**	**2.8**

NOTE 11
RIGHT-OF-USE ASSETS

2022

DKK million	Land, buildings, offices, and warehouses	Motor vehicles	Total
Accumulated cost at 1 January	33.9	3.8	37.7
Additions	-	0.2	0.2
Disposals	-	-1.6	-1.6
Accumulated cost at 31 December	**33.9**	**2.4**	**36.3**
Accumulated depreciation at 1 January	7.1	1.7	8.8
Depreciation	3.4	1.0	4.4
Depreciation on disposals	-	-1.6	-1.6
Accumulated depreciation at 31 December	**10.5**	**1.1**	**11.6**
Carrying amount at 31 December	**23.4**	**1.3**	**24.7**

2021

DKK million	Land, buildings, offices, and warehouses	Motor vehicles	Total
Accumulated cost at 1 January	33.9	3.3	37.2
Additions	-	1.4	1.4
Disposals	-	-0.9	-0.9
Accumulated cost at 31 December	**33.9**	**3.8**	**37.7**
Accumulated depreciation at 1 January	3.7	1.5	5.2
Depreciation	3.4	0.9	4.3
Depreciation on disposals	-	-0.7	-0.7
Accumulated depreciation at 31 December	**7.1**	**1.7**	**8.8**
Carrying amount at 31 December	**26.8**	**2.1**	**28.9**

NOTE 12
INVESTMENTS IN AFFILIATED COMPANIES

DKK million	2022	2021
Accumulated cost at 1 January	15,628.5	15,431.2
Additions	4.0	126.1
Additions through merger	-	281.1
Disposals	-802.7	-
Disposals through merger	-	-209.9
Accumulated cost at 31 December	**14,829.8**	**15,628.5**
Revaluation and impairment		
Accumulated revaluation and impairment at 1 January	-6,389.2	-6,189.0
Dividends	-1,756.7	-1,411.1
Currency translation	175.7	245.9
Equity adjustments	70.5	1.2
Additions through merger	-	483.4
Disposals	790.6	-
Disposals through merger	-	-583.2
Profit after tax	1,155.3	1,063.6
Accumulated revaluation and impairment at 31 December	**-5,953.8**	**-6,389.2**
Carrying amount at 31 December	**8,876.0**	**9,239.3**

Goodwill of DKK 2,453.1 million (DKK 2,630.9 million) is included in the carrying amount at 31 December 2022.

NOTE 13
PREPAYMENTS

Prepayments comprise prepaid costs relating to up-front fee, licences, etc.

NOTE 14
OTHER PROVISIONS

2022

DKK million	Other provisions
Balance at 1 January 2022	2.5
Disposal during the year	-
Additions during the year	-
Utilised during the year	-
Balance at 31 December	**2.5**
Expected due:	
Within 1 year	-
Between 1 and 5 years	-
After 5 years	2.5
Total	**2.5**

2021

DKK million	Other provisions
Balance at 1 January 2021	4.5
Disposal during the year	-2.0
Additions during the year	-
Utilised during the year	-
Balance at 31 December 2021	**2.5**
Expected due:	
Within 1 year	-
Between 1 and 5 years	-
After 5 years	2.5
Total	**2.5**

NOTE 15
LEASE LIABILITIES

2022

DKK million	2022	2021
Within 1 year	4.3	3.5
Between 1 and 5 years	16.7	17.6
After 5 years	7.2	11.5
Total	**28.2**	**32.6**

NOTE 16
CONTINGENT LIABILITIES

GUARANTEE OBLIGATIONS
The Company has guarantee obligations totalling DKK 734 million at 31 December 2022 (DKK 604 million).

PARENT COMPANY GUARANTEES
Scandinavian Tobacco Group A/S has guaranteed the EUR 300 million bond issued by the wholly-owned subsidiary STG Global Finance B.V.

NOTE 17
FINANCIAL INSTRUMENTS

Reference is made to the notes 4.2 regarding the group.

NOTE 18
RELATED-PARTY TRANSACTIONS

Related parties comprise companies controlled by the Augustinus Foundation and key management. Key management are Scandinavian Tobacco Group A/S' Board of Directors and Executive Board (Executive Management and other key management) as well as management in the controlling companies.

The income statement include the following transactions with related parties:

DKK million	2022	2021
Affiliated companies		
Services provided by Scandinavian Tobacco Group A/S	437.0	396.4
Services provided to Scandinavian Tobacco Group A/S	-1.6	-4.8
Financial income	89.6	74.6
Financial cost	-78.3	-51.5

For information on remuneration to the Management of Scandinavian Tobacco Group A/S, please refer to note 2.2. For an overview of affiliated companies, please refer to note 5.7. There have not been and there are no loans to key management personnel in 2022 or 2021.

NOTE 19
FEE TO STATUTORY AUDITOR

DKK million	2022	2021
Statutory audit	1.4	1.1
Audit-related services	-	-
Tax advisory services	-	0.2
Other services	4.8	0.1
Total	**6.2**	**1.4**

NOTE 20
OWNERSHIP

As of 6 February 2023 the following investors have reported holdings of more than 5% of Scandinavian Tobacco Group's share capital/voting rights:

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

NOTE 21
EVENTS AFTER THE REPORTING PERIOD

On 22 February 2023 Scandinavian Tobacco Group A/S agreed on the terms and conditions for the acquisition of substantially all assets of Alec Bradley Cigar Distributors Inc. and associated companies ("Alec Bradley"). The acquisition was closed with effect from 1 March 2023. Please refer to note 5.1 in the Consolidated Financial Statements for more information on the acquisition.

The Company has not experienced any other significant events after 31 December 2022 which have an impact on the Annual Report.

MANAGEMENT'S STATEMENT

The Executive Management and the Board of Directors have today considered and adopted the Annual Report of Scandinavian Tobacco Group A/S for the financial year 1 January – 31 December 2022.

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. The Financial Statements are prepared in accordance with the Danish Financial Statements Act. Moreover, the Consolidated Financial Statements and the 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.

In our opinion, the Consolidated Financial Statements and the Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Group and the Parent Company and of the results of the Group and Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2022.

In our opinion, the Management Report includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

In our opinion, the Annual Report of Scandinavian Tobacco Group A/S for the financial year 1 January to 31 December 2022 with the file name 5299003KG4JS99TRML67-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

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

Gentofte, 8 March 2023

EXECUTIVE MANAGEMENT

Niels Frederiksen
Chief Executive Officer

Marianne Rørslev Bock
Chief Financial Officer

BOARD OF DIRECTORS

Henrik Brandt
Chair of the Board of Directors

Marlene Forsell

Dianne Neal Blixt

Anders C. Obel

Claus Gregersen

Henrik Amsinck

Lindy Larsen

Hanne Malling

Mogens Olsen

INDEPENDENT AUDITOR'S REPORTS

To the shareholders of Scandinavian Tobacco Group A/S

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OUR OPINION

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2022 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2022 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2022 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The Consolidated Financial Statements of Scandinavian Tobacco Group A/S for the financial year 1 January to 31 December 2022 comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes, including summary of significant accounting policies.

The Parent Company Financial Statements of Scandinavian Tobacco Group A/S for the financial year 1 January to 31 December 2022 comprise the income statement, the balance sheet, the statement of changes in equity and the notes, including summary of significant accounting policies.

Collectively referred to as the "Financial Statements".

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of Scandinavian Tobacco Group A/S on 26 April 2017 for the financial year 2017. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 6 years including the financial year 2022.

INDEPENDENT AUDITOR'S REPORTS (CONTINUED)

KEY AUDIT MATTERS
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2022. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
IMPAIRMENT OF TRADEMARKS The principal risks are in relation to Management's assessment of the future timing and amount of cash flows that are used to project the recoverability of the carrying amount of trademarks with indefinite lives. There are specific risks related to macroeconomic conditions and volatile earnings caused by volume decline, intensified competition and changed regulations in key markets. Bearing in mind the generally long-lived nature of the assets, the significant assumptions are Management's view of prices, volumes, terminal growth rates and discount rates. We focused on this area, as there is a high level of subjectivity exercised by Management in determining significant assumptions and estimating cash flows. The key assumptions and accounting treatment are described in Section 3.1 'Intangible Assets' in the Consolidated Financial Statements.	We assessed whether the Group's accounting policies are in accordance with IFRS. We updated our understanding of relevant controls, including Group controlling procedures and IT systems, and business processes regarding impairment of trademarks. For the controls, we assessed whether they were designed and implemented to effectively address the risk of material misstatement. We obtained and assessed the impairment tests on trademarks with indefinite lives. We examined the methodology used by Management to assess the carrying amount of trademarks with indefinite lives and tested the mathematical accuracy of the relevant value-in-use models prepared by Management. We made use of our internal valuation specialists in the audit. We challenged Management and evaluated the appropriateness of the significant assumptions regarding prices, volumes, terminal growth rates and discount rates applied by Management in the cash flow forecasts. As part of this we also assessed Management's sensitivity calculation.

INDEPENDENT AUDITOR'S REPORTS (CONTINUED)

STATEMENT ON MANAGEMENT'S REVIEW

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORTS (CONTINUED)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

INDEPENDENT AUDITOR'S REPORTS (CONTINUED)

REPORT ON COMPLIANCE WITH THE ESEF REGULATION

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of Scandinavian Tobacco Group A/S for the financial year 1 January to 31 December 2022 with the filename 5299003KG4JS99TRML67-2022-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements including notes.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements including notes;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of Scandinavian Tobacco Group A/S for the financial year 1 January to 31 December 2022 with the file name 5299003KG4JS99TRML67-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 8 March 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Søren Ørjan Jensen
STATE AUTHORISED PUBLIC ACCOUNTANT
mne33226

Michael Groth Hansen
STATE AUTHORISED PUBLIC ACCOUNTANT
mne33228

Scandinavian Tobacco Group A/S
Sandtoften 9
2820 Gentofte
Denmark

www.st-group.com

CVR 31 08 01 85