SCANDINAVIAN TOBACCO GROUP

2024 ANNUAL REPORT

Scandinavian Tobacco Group A/S

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SCANDINAVIAN TOBACCO GROUP

CRAFT THE RITUALS THAT MAKE US MORE

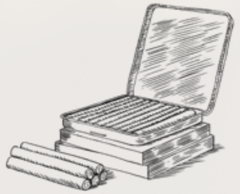
Our defining purpose is to create moments of great enjoyment for our consumers. For almost 275 years, we have produced premium tobacco products embedded with textures, flavours and aromas derived from crops in optimal climates throughout the world. We take pride in our portfolio of leading international and regional brands which are all developed, refined and innovated by talented artisans who are passionate about what they do.

#1 

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

VALUE CREATION

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

#1 

in machine-rolled cigars in Europe

5.9DKKbn

in shareholder returns in the past 5 years

GLOBAL 

consumer base within cigars & related niche products

2024

PERFORMANCE HIGHLIGHTS

In 2024 Scandinavian Tobacco Group made substantial progress in its strategy Rolling Towards 2025, with the financial performance being in line with the expectations announced at the beginning of 2024 and updated in November with the impact of the Mac Baren acquisition.

Key business highlights include the creation of One Commercial Organization, the acquisition of Mac Baren Tobacco Company (Mac Baren), continued progress on our sustainability agenda Rolling Responsibly, the opening of three Cigars International retail Superstores in the US and the opening of three Club Macanudo concept stores, two in Asia and one in the US.

The creation of a new commercial organization was announced in March and was completed by the end of the second quarter. The One Commercial Organization will enable us to better prioritise and re-allocate resources to growth opportunities and make faster decisions. With the establishment of the new organization, we intensified the focus on the three main product categories, Handmade Cigars, Machine-Rolled Cigars & Smoking Tobacco and Next Generation Products.

Mac Baren was acquired with effect from 1 July 2024 at a transaction value of DKK 535 million, paid in cash. Mac Baren is a leading global smoking tobacco company, which includes a strong portfolio of pipe tobacco brands, fine-cut tobacco brands and brands within the nicotine pouch category. The combination of Scandinavian Tobacco Group and Mac Baren is expected to deliver cost synergies in the level of DKK 150 million when fully integrated and will be accretive to group return on invested capital.

During 2024, the Group delivered further progress in its sustainability ambitions as expressed in the sustainability agenda, Rolling Responsibly, including, the reduction of Scope 1 & 2 emissions by 7.7% compared with 2023 and by 28.8% compared with the 2020 baseline (both figures excluding Mac Baren). As well as having the emission reduction targets validated by the Science Based Targets initiative across Scope 1, 2 and 3 for Green House Gas (GHG) emissions.

FINANCIAL PERFORMANCE 2024

The Group reported net sales increased by 5.4% in 2024 to DKK 9.2 billion. The increase in reported net sales was impacted by acquisitions by 4.9%, with the impact from exchange rate developments at close to zero. The organic growth in net sales was 0.4%.

The Group's organic net sales performance was impacted by -2% from Machine-Rolled Cigars & Smoking Tobacco and 26%

NET SALES

9,202
DKK million

▲**0.4%**
Organic growth

EBITDA*

2,079
DKK million

EBITDA MARGIN*

22.6%

FREE CASH FLOW**

931
DKK million

ROIC

9.4%

SCOPE 1&2 EMISSIONS

27,320
Tonnes CO_2e

▼**25.1%**
Compared with 2020 baseline year

* Before special items
** Before acquisitions

PERFORMANCE HIGHLIGHTS

from Next Generation Products, whereas the product category Handmade Cigars delivered 1% organic net sales growth. Measured by our reporting divisions, the organic net sales performance was driven by 0.1% growth in Europe Branded (EUB) and 4.2% in North America Online & Retail (NAOR), while North America Branded & Rest of World (NABROW) was negative by 2.6%.

Net sales from Growth Enablers accounted for 10% of Group net sales in 2024, including a 1.5% impact from a third-party distribution contract, which was discontinued at the end of the second quarter of 2024. The Growth Enablers accounted for 8% of Group net sales in the full-year 2023, which included about 1% of net sales from the above-mentioned third-party distribution agreement.

The EBITDA margin before special items decreased to 22.6% (24.1%). The margin decreased in all three reporting divisions compared to last year. The lower Group margin is primarily driven by investments in regaining our positions in machine-rolled cigars, continued investments in our NGP category and the inclusion of Mac Baren.

Special items were DKK -279 million primarily relating to the Group's ERP implementation programme, One Process, reorganisations and the Mac Baren acquisition.

Net profit was DKK 940 million (DKK 1,182 million) with Adjusted Earnings Per Share of DKK 13.7 (DKK 14.4). The Group's free cash flow before acquisitions was DKK 931 million (DKK 1,053 million). The development is negatively impacted by the operational performance as well as changes in working capital, which was negative by DKK 138 million in 2024 compared with negative DKK 37 million in 2023.

The Group's leverage ratio was 2.6 times versus 1.9 times at the end of 2023. The ROIC was 9.4% (11.4%) reflecting the financial performance and an increase in the net debt driven by the acquisition of Mac Baren and capital allocations.

During the year, the Group repurchased 7.2 million treasury shares at a total value of DKK 765 million as part of the up to DKK 850 million share buy-back programme which was launched November 2023 and completed in November 2024.

By year end, Scandinavian Tobacco Group owned a total of 7.3 million treasury shares, corresponding to 8.4% of the total share capital.

The capital distribution to shareholders, including the ordinary dividend payment of DKK 710 million in April, amounts to DKK 1.5 billion during 2024.

In September, Scandinavian Tobacco Group A/S issued 5-year senior unsecured notes for a principal amount of EUR 300 million with maturity in September 2029 and with a coupon of 4.875%. Moody's Investor Services assigned the bond a rating of Baa3, in line with the rating of Scandinavian Tobacco Group A/S.

5 YEAR SUMMARY *

DKK million	2024	2023	2022	2021	2020
INCOME STATEMENT					
Net sales	9,202	8,731	8,762	8,233	8,006
Gross profit before special items	4,279	4,204	4,307	4,113	3,712
EBITDA before special items	2,079	2,106	2,270	2,233	1,826
Special items	-279	-92	35	-55	-435
EBIT	1,380	1,638	1,953	1,814	986
Net financial items	-186	-177	-137	-77	-53
Profit before tax	1,219	1,491	1,856	1,769	951
Income taxes	-280	-308	-380	-378	-274
Net profit	940	1,182	1,476	1,391	678
BALANCE SHEET					
Total assets	17,104	15,853	15,122	14,584	13,996
Equity	9,217	9,434	9,342	8,968	8,372
Net interest-bearing debt (NIBD)	5,423	4,057	3,629	3,266	3,274
Investment in property, plant and equipment	216	199	264	212	157
Total capital expenditures	264	308	390	240	201
CASH FLOW STATEMENT					
Cash flow from operating activities	1,179	1,347	1,393	1,567	1,585
Cash flow from investing activities	-824	-875	-132	-178	-1,752
Free cash flow	355	472	1,261	1,389	-166
Free cash flow before acquisitions	931	1,053	1,264	1,393	1,394

DKK million	2024	2023	2022	2021	2020
KEY RATIOS					
Net sales growth	5.4%	-0.4%	6.4%	2.8%	19.2%
Gross margin before special items	46.5%	48.2%	49.2%	50.0%	46.4%
EBITDA margin before special items	22.6%	24.1%	25.9%	27.1%	22.8%
Effective tax percentage	22.9%	20.7%	20.5%	21.4%	28.7%
Equity ratio	53.9%	59.5%	61.8%	61.5%	59.8%
Cash conversion	100.8%	103.0%	87.2%	108.6%	135.4%
Organic net sales growth	0.4%	0.3%	-0.8%	4.5%	6.6%
NIBD / EBITDA before special items	2.6	1.9	1.6	1.5	1.8
ROIC	9.4%	11.4%	14.3%	14.5%	7.7%
ROIC ex. goodwill	14.7%	18.1%	23.6%	24.3%	12.7%
Adjusted earnings per share (DKK)	13.7	14.4	16.0	14.8	9.8
Basic earnings per share (DKK)	11.5	13.7	16.3	14.6	6.8
Diluted earnings per share (DKK)	11.4	13.6	16.2	14.5	6.8
Number of shares issued ('000)	86,000	87,000	93,000	97,500	100,000
Number of treasury shares ('000)	7,266	1,105	5,751	4,526	2,324
Number of outstanding shares ('000)**	82,162	86,668	90,851	95,689	99,659
Share price at year end (DKK)	95.30	117.30	122.10	137.30	104.10
Dividend per share (DKK)	8.50	8.40	8.25	7.50	6.50
Pay-out ratio	77.8%	61.8%	52.0%	52.6%	95.9%

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

Niels Frederiksen
Chief Executive Officer

HENRIK BRANDT
Chair of the Board of Director

LETTER FROM CHAIR AND CEO

CREATING A PLATFORM TO SUPPORT GROWTH

We are pleased to deliver solid results and good progress on the objectives set out in the five-year strategy - Rolling Towards 2025. Since its launch in 2020, we have added strong brands in both the US and in Europe, expanded our product portfolio to next generation products and launched an updated sustainability strategy. We have made multiple acquisitions, our Growth Enablers have gained traction, and we are creating a stronger platform with our many efforts within IT and digitalization. We are making good progress on creating a solid platform from which we can continue to grow.

2024 was another challenging year with a volatile business environment, but for the first time, we reported net sales exceeding DKK 9 billion and a satisfactory EBITDA margin of 22.6% in a period where we invest in both our Growth Enablers and in the turnaround of our core machine-rolled cigar business.

The decline rate in consumption for our main product categories has been volatile in recent years, first driven by the pandemic and then by a subsequent normalization, although more negative than anticipated. For 2024, the global market for handmade cigars remains dominated by US consumption, where we estimate the consumption declined by a mid-single digit percentage rate. For machine-rolled cigars, with our performance primarily relating to Europe, we estimate the consumption declined by slightly more than 3% in the past year.

INVESTING IN OUR FUTURE

2024 was an eventful year for STG and we achieved many important milestones, not least the acquisition of Mac Baren on 1 July. This transaction adds scale and solidifies our position as the undisputed global leader in pipe tobacco. We continue to see positive developments with our Growth Enablers with record high sales in our own retail stores, international sales of handmade cigars and nicotine pouches. We also managed to stabilize the market share for our machine-rolled cigars in Europe towards the end of 2024. We continued to invest in critical parts of our business and that did, as expected, affect our margins negatively. However, these are necessary investments if we are to deliver increasing organic sales and build stronger brands over time. Growth Enablers represented a little more than 10% of net sales in 2024.

When we look at our marketplace, we see opportunities, uncertainties, and fast-changing consumer behaviour, and we are ready to adapt to these. In 2024, we formed a new global commercial organization as we calibrated and aligned our organizational structure to create an even stronger fit with our markets and consumers. This was part of how we continue to strive to optimize our cost structure and prioritize business opportunities, but it is also part of how we position ourselves to better explore the opportunities that exist.

STG needs a strong core tobacco business and that remains our main focus. However, we are also investing in long-term sustainable growth

LETTER FROM CHAIRMAN & CEO

opportunities. These growth investments are an important pillar for the success of our strategy. Whether these investments are realised through acquisitions of companies or through our Growth Enablers, they must deliver attractive returns over time. Consequently, we pride ourselves for having a disciplined approach to acquisitions, which need to deliver a return on invested capital (ROIC) above the group level. This also is the case for investments in our Growth Enablers.

Our investment in retail expansion is one such example. By the end of 2024, we operated thirteen cigar Superstores in the US. Every store we have opened is profitable from day one, taking only a few years to ramp up in size and meet our ROIC targets. In 2024, stores which have been open for more than three years delivered a ROIC of more than 15%. Another example is our investments in Next Generation Products which is a more long-term business case where we need to build both brand strength and the overall size of the business. Since we launched the first nicotine pouch product in Sweden in 2022, we have invested less than DKK 250 million, including the acquisition of XQS in 2023. Yet we have delivered positive early results in market share in Sweden but also more recently in the UK. We remain in the build-up phase in the category, with the contribution to EBITDA currently being marginally negative. We maintain a balanced and disciplined investment approach during this build-up phase.

The successful DKK 535 million acquisition of Mac Baren is an important step to strengthen our smoking tobacco business. The integration of Mac Baren will deliver significant synergies and good value for our shareholders and has also added manufacturing capabilities within nicotine pouches that can further support the financial performance of this category over time.

OUR COMMITMENT TO CREATE VALUE

Creating attractive shareholder value remains at the core of our ambitions. We believe our commitment to deliver an annual increase in the ordinary dividend per share is a strong foundation to achieve this. In 2016, when Scandinavian Tobacco Group was listed as a public company, the ordinary dividend was DKK 5.00 per share. For 2024, the Board of Directors proposes a dividend of DKK 8.50 to be paid in April 2025. This comprises the ninth consecutive year with an increase in the ordinary dividend per share, and an average annual increase of 6% with a total increase of 70% since the listing. Total dividends paid since 2016 amount to almost DKK 6 billion.

Our shareholder return policy also commits us to return excess capital, which we don't deem necessary for business development and investments, and value adding acquisitions.

In 2024, we completed a DKK 850 million share repurchase program and have repurchased own shares at a combined value of DKK 2.5 billion since we became a listed company.

In 2024 alone, we returned DKK 1.5 billion to shareholders in the form of ordinary dividends and share buybacks, and we intend to continue returning excess capital going forward if such is deemed available.

PROGRESSING WITH OUR SUSTAINABILITY AGENDA

In this year's Annual Report, we are now compliant with the EU Corporate Sustainability Reporting Directive (CSRD) and the corresponding European Sustainability Reporting Standards (ESRS). We are proud of the progress we have been making during the year and since we launched the sustainability agenda, Rolling Responsibly. The agenda being strategically centred on our commitment to craft a better tomorrow by elevating our communities and anchoring climate action in our culture. During 2024, our emission targets across scope 1, 2 and 3 were validated by Science Based Targets initiative, SBTi, with our scope 1 and 2 emissions now being reduced by 25% compared with the baseline year 2020. We have launched a dedicated D&I committee and ESG screenings have been incorporated into our M&A process, just to mention a few of many embedding achievements during the year.

LOOKING FORWARD

2024 was another volatile year for our Company, yet we delivered a financial performance in line with our expectations, and we continued to make progress in executing our strategy. During the past five years net sales and EBITDA have increased by more than 35%, the free cash flow before acquisitions in 2024 was almost DKK 1 billion even after expanding the investments in our long-term growth opportunities and the capital returns to our shareholders were record high.

2025 will be a year of further investments, where we aim to balance the need for stability and predictability in our core tobacco business while continuing to invest in our Growth Enablers. We are prioritizing to strengthen the platform from which we can grow further, although it temporarily impacts profit margins, cash flows and ROIC which is reflected in our financial expectations for the year.

This year will also be the year where we develop and announce our strategy beyond 2025. We expect to do this sometime in the fourth quarter. The aim is to continue to deliver growth in both net sales, earnings and return on capital over time. We expect that faster changing consumer behaviours and preferences will continue, and we are ready to adapt to this. We have a strong underlying business with many routes to growth.

THANK YOU

On behalf of the Board of Directors and the Executive Board of Scandinavian Tobacco Group, we would like to thank our shareholders and consumers for their confidence and trust in our company. We also express a great deal of gratitude and thanks to all our employees across the globe for delivering an excellent contribution to the progress of Scandinavian Tobacco Group during another year of transition, turbulence and macroeconomic uncertainty.

MAC BAREN TOBACCO COMPANY

Mac Baren was a family-owned business founded in 1826 and is a leading smoking tobacco company with a strong portfolio of pipe and fine-cut tobacco brands. Its acquisition solidifies our position as the undisputed global leader in pipe tobacco.

OUR BUSINESS

We are a global leader in the cigar industry and are well positioned to drive consolidation creating value for consumers and shareholders. We hold market leading positions in handmade and machine-rolled cigars, we are a global leader within pipe tobacco and hold strong positions in select markets in fine-cut tobacco. Recently, we have developed our presence within the fast-growing nicotine pouch category within Next Generation Products (NGP).

We have the financial strength, expertise and flexibility to make strategic mergers and acquisitions that will grow our business and strengthen the product portfolio we offer consumers. We have a strong legacy in optimising value through integrations and transformations, and our many years of experience lead us in adapting to an industry with increasing regulation and changing consumer behaviours.

NATURE'S FINEST

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

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

WORLDWIDE PRESENCE

We firmly believe our products can be enjoyed by enthusiasts worldwide, which is why we have established a strong global presence. We employ approximately 10,000 people globally, have 22 sales offices in North America and Europe, and sell to more than 100 countries around the world. In the US, we are the owner of the largest portfolio of handmade cigar brands, and we have a market leading position in the business-to-consumer segment via our strong online and growing retail presence. In machine-rolled cigars we have market leading positions in several European countries and in pipe tobacco we are the undisputed global leader.

DISTINCT PRODUCTS

Handmade cigars

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

Machine-rolled cigars

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

Smoking tobacco

Smoking tobacco comprises pipe tobacco and fine-cut tobacco. Our pipe tobacco is produced to the highest standards at our sites in Assens and Svendborg, Denmark, and we are the largest global manufacturer of traditional pipe tobacco. Our fine-cut tobacco is manufactured at our sites in Holstebro and Svendborg, Denmark.

Next Generation Products

Within NGP, our nicotine pouches are produced in our own factory in Svendborg, Denmark and by third-party manufacturers in Sweden and Poland with close proximity to our largest active consumer bases in Sweden, Denmark and the UK.

LEADING BRANDS

Our portfolio is made up of a diverse range of highly esteemed brands. Our global handmade cigar brands include Macanudo, CAO, Alec Bradley and Silencio, and in the US, the portfolio also includes Cohiba, Punch, Partagas and La Gloria Cubana to mention a few. Our machine-rolled cigar portfolio includes many brands including Signature, La Paz, Mehari's and Panter

OUR BUSINESS

being the largest. Our pipe tobacco portfolio includes brands like Captain Black, Erinmore and Mac Baren and our fine-cut tobacco brands include BREAK, Bali Shag and Tiedemanns. In nicotine pouches our brand XQS has moved into the top four in the important Swedish market.

We strive to continuously build and enforce our strong portfolio of brands through our acquisition strategy.

CONSUMERS

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

Many consumers use multiple types of tobacco and nicotine products, and the megatrends we are seeing across the globe, show that consumers are embracing smoke-free products more extensively.

Our broad consumer insights and our distribution capabilities equip us to explore ways we can further embrace the dynamic consumer environment and develop our presence in ways that will complement our core categories. Our entrance into the nicotine pouch category has provided an exciting opportunity to leverage on our core competences, to stay relevant to our consumers and grow the company.

Market and consumer trends evolve fast and so do regulatory requirements, but with varying speed and significance from market to market. This puts high demands on producers and distributors to comply and adapt accordingly. OThe Group boasts a long history of adaptability and responsible operations when it comes to the evolving regulatory environment. We place the utmost importance on ensuring we are compliant in every market in which we operate.

Handmade cigars

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

Machine-rolled cigars

Our machine-rolled cigars consumers are typically mature, former cigarette smokers or multi-category consumers, with a range of different interests and personalities. Machine-rolled cigars provide a different, shorter and more cost-effective alternative for those wishing to enjoy the cigar experience. The pricing structure makes them more accessible, which establishes a wider consumer base. These consumers tend to remain loyal to their preferred brand which requires our factories to maintain high-quality affordable cigars consistently.

Smoking tobacco

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 remain loyal to their preferred brands, and demand consistency, quality and market availability, which are values we pride ourselves on.

Next Generation Products

Consumer demand for alternatives to combustible tobacco products is rapidly growing, particularly within NGP. Our focus has been to establish a position in the nicotine pouch category, and we are targeting consumers which fall into two main categories: those seeking alternatives to smoking and multiuse consumers who enjoy different tobacco product categories. The first type of consumer tends to show similar characteristics to those of machine-rolled cigars and fine-cut tobacco (frequent use, value priced products), and the multiuse consumer most commonly follows a ritualistic approach to their consumption, seeking distinguishing characteristics that cannot be found elsewhere.

Throughout 2024, NGP were further established as a focus category within the Group's new commercial structure and during the year a decision was taken to focus on nicotine pouches, where we have increased knowledge and insight into the category, building on our extensive strengths within adjacent product categories.

ESRS disclosure SBM-1 is incorporated by reference in Our Business section.

STRATEGY

HERITAGE & TRANSFORMATION

Scandinavian Tobacco Group has a long history of expanding through mergers and acquisitions. The history of Scandinavian Tobacco Group dates back nearly 275 years with the foundation of the Danish tobacco companies Chr. Augustinus Fabrikker (1750), C.W Obel (1787) and R. Færchs Fabrikker (1869). The three companies merged in 1961 and established Skandinavisk Tobakskompagni A/S.

In 2008 the cigarette business was divested to British American Tobacco and R. Færch Fabrikker exited its ownership in Skandinavisk Tobakskompagni. The new Scandinavian Tobacco Group was established with now two owners, Chr. Augustinus Fabrikker and C.W. Obel.

The Group's business was focused on the niche tobacco categories, cigars, pipe tobacco and fine-cut tobacco. In 2009 net sales were DKK 2.4 billion.

In 2010 Scandinavian Tobacco Group merged with the cigar and pipe tobacco business of Swedish Match and established the foundation for the Group's existing market-leading positions within cigars and smoking tobacco. Swedish Match became a minority owner with a 49% holding in the Group.

In the years after the new structure was established, the Group enforced its global market positions with multiple acquisitions. In 2015 net sales had almost tripled to DKK 6.7 billion and it was time to open a new chapter in the Group's history with the public listing in 2016, where we could welcome more than 4,000 new shareholders. The existing shareholders maintained a combined 65% ownership of the Group. In the years after the listing Swedish Match divested its shareholding in the open market, expanding our shareholder base to more than 8,000 at the end of 2024.

Since the public listing in 2016, growth has continued and net sales reached more than DKK 9 billion for the first time in 2024. The growth has been achieved by a combination of organic net sales growth and multiple acquisitions, thereby emphasizing mergers and acquisitions as a solid foundation of the Group's vision to become the undisputed and sustainable global leader in cigars. The acquisitions we have made over the past five years have contributed to enforcing our leadership in our core product categories; they have created value for our shareholders reflected in improving profit margins, delivered stronger cash-flows and improving return on invested capital.

Building a larger company through acquisitions and organic net sales growth necessitates focus on integration and reducing complexity. This is an important reason why the Group has been, and will continue to be, on a transformation journey leading us towards our goal of being a truly global company with fully integrated processes and capabilities. As we transform the Group, we have added new business streams, for example nicotine pouches and retail Superstores in parallel with our core categories and we have become more and more consumer focused.

Reducing complexity and creating value through our expansion have over the years been supported by several optimisation and efficiency programmes, which all have contributed to a protection of profit margins, cash-flows and return on invested capital. A detailed summary of the financial performance over recent years is available in Financial Ambitions & Achievements, page 36.

NET SALES
2.4 DKK billion

- 2009
- 2010 Swedish Match
- 2011 Scandinavian Tobacco Group Lane
- 2013 Pipes and Cigars
- 2014 Verellen, Toraño
- 2018 Thompson Cigar, Peterson
- 2019 Dunhill
- 2020 Agio
- 2021
- 2022 Room 101, Farce
- 2023 Alec Bradley, XQS, La Perla Habana
- 2024 Mac Baren

NET SALES
9.2 DKK billion

OUR BUSINESS STRUCTURE

OUR REPORTING DIVISIONS

Our reporting structure is organised into three commercial divisions covering two business-to-business divisions, Europe Branded and North America Branded & Rest of World, and one business-to-consumer division North America Online & Retail.

Europe Branded (EUB) comprises the 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.

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

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, as well as brands from other major brand owners in the US market, reinforcing the strong distribution capabilities.

DKK million	2024	2023	Reported growth	Acq.	Exchange rates	Organic growth
Europe Branded	3,090	2,863	7.9%	7.4%	0.4%	0.1%
North America Branded & RoW	3,139	3,044	3.1%	6.0%	-0.3%	-2.6%
North America Online & Retail	2,973	2,824	5.3%	1.0%	0.1%	4.2%
Group	**9,202**	**8,731**	**5.4%**	**4.9%**	**0.1%**	**0.4%**

OUR PRODUCT CATEGORIES

The products sold in our three commercial divisions are divided into three main product categories, Handmade Cigars, Machine-Rolled Cigars & Smoking Tobacco and Next Generation Products. Each has a unique profile, market and consumer dynamics, and regulatory conditions.

Handmade Cigars, approx. 36% of group net sales, includes sales of handmade cigars, both business-to-business and direct-to-consumers through our online and retail distribution channels and international sales (outside the US). Machine-Rolled Cigars and Smoking Tobacco, approx. 48% of group net sales, includes global net sales of machine-rolled cigars, pipe tobacco and fine-cut tobacco. Next Generation Products, approx. 5% of group net sales, includes sales of primarily own nicotine pouches. The category Other, approx. 11% of group net sales, includes sales of accessories, contract manufacturing and bar sales.

DKK million	2024	2023	Reported growth	Acq.	Exchange rates	Organic growth
Handmade Cigars	3,300	3,236	2.0%	0.7%	0.1%	1.2%
Machine-Rolled Cigars & Smoking Tobacco	4,431	4,295	3.2%	1.1%	0.1%	-2.0%
Next Generation Products	421	193	117.8%	91.6%	0.5%	25.7%
Other	1,051	1,007	4.3%	3.8%	-0.1%	0.6%
Group	**9,202**	**8,731**	**5.4%**	**4.9%**	**0.1%**	**0.4%**

OUR PRODUCT CATEGORIES

HANDMADE CIGARS

The handmade cigar market is a diverse and expansive category. In the US, the market is fragmented and we are a leading player with a strong portfolio of brands. In the international markets, there continues to be a shift in dynamics towards a premiumisation of the category and an increased openess to cigars from the Caribbean, creating growth opportunities for our brands.

Innovation continues to be a strong component of the handmade cigar market. New product launches as well as limited editions drive news and consumer interest.

OUR AMBITION FOR THE CATEGORY
Our ambition is to become the undisputed global and sustainable leader in cigars. We plan to do this by offering a superior choice for consumers and retailers through a strong portfolio of brands worldwide. Our defining purpose is to create moments of great enjoyment for our consumers. For almost 275 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, all developed, refined and innovated by talented artisans, passionate about what they do.

CRAFTING THE CIGAR AND CONSUMER TOUCH-POINTS
Our handmade cigars are individually crafted at our sites in three of the world's most significant tobacco-growing countries: the Dominican Republic, Honduras and Nicaragua. Together with our partners in these locations, we meticulously craft the final transformation into a cigar and a luxurious smoking experience to be enjoyed by consumers.

Our extensive portfolio of brands provides touchpoints for our consumers to connect with the handmade cigar category, which gives them trust in their purchase experience. In the US, our brands make us a leading player in the fragmented US market for handmade cigars, in combination with exclusive brands sold via our online platforms.

Our handmade cigars are sold to consumers through all leading online platforms and tobacconist retailers in the market. For online consumers, we provide convenience and the economies of internet shopping. For brick-and-mortar retailers, we provide efficiency and simplicity with a consolidated vendor experience through our portfolio of handmade cigar brands. In addition, the Group's geographical expansion across the US of company-owned cigar Superstores is a key growth enabler.

OUR PRODUCT CATEGORIES

THE CONSUMER

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

The handmade cigar market targets consumers who are looking for prestige, distinction and exclusivity. Our portfolio of cigars offers a choice for every occasion: at home, with friends, at parties or paired with a quality bourbon. We strive to connect with these consumers by creating limited additions within our premium and high-quality products, unique experiences through our lounges and clubs, and collaborations with high-end brands within adjacent categories that help deepen the consumer's connection to the lifestyle. Ultimately, we endeavor to create moments of great enjoyment on a multitude of levels for our handmade cigar consumers.

OUR BRANDS POSITION US WELL TO GROW

Our extensive portfolio of handmade cigar brands positions us to drive continued relevance and deeper connections with consumers on a global scale to increase market share, grow net sales, and increase the category's profitability. Throughout 2024, there has been a continued shift in the international market due to the high pricing and lower availability of cigars from certain regions. This presents an opportunity to bolster our expansion efforts through branding, distribution and lounge openings. This focus on international expansion illustrates the Group's strength of scalability, manufacturing, marketing and distribution capabilities. The growth seen to date is a result of playing off these core strengths, whilst simultaneously differentiating the products to deliver the international consumer's demands on taste, size and packaging.

KEY BRANDS AND THEIR CHARACTERISTICS

As the largest brand in the handmade cigar portfolio, Macanudo has a global distribution footprint. The brand's presence includes cigar lounges in the United States, Singapore, Malaysia, Indonesia and Taiwan. In 2024, the brand further broadened its consumer appeal with the worldwide launch of Macanudo Emissary, a sub-brand inspired by the idea of European sophistication. Using tobacco from Europe combined with tobacco from around the world, Macanudo Emissary delivers a refined smoking experience for cigar aficionados and novices to the handmade category alike. The Inspirado sub-brand is a growth driver for Macanudo that appeals to the premium handmade cigar consumer.

CAO is a global handmade cigar brand that focuses on providing consumers with interesting and unique smoking experiences. Using the motto "We go where the tobacco takes us," the brand has a long history of offering interesting, one-of-a-kind cigar blends using tobacco from around the world. In 2024, CAO continued this tradition by releasing the much sought-after limited edition, Amazon Basin, a cigar that is made with a rare tobacco called Bragança sourced from the region. In addition, the brand launched Arcana Thunder Smoke which was a limited edition cigar that used South African tobacco to deliver a new and exciting smoking experience for consumers.

Don Tomas is a mainstream brand that occupies an approachable price point that appeals to the more value-minded consumer. The brand ensures our portfolio covers a broad range of price points and consumers within the handmade cigar category.

BRAND STRATEGY

Our portfolio is made up of a diverse range of brands, including the world-renowned Macanudo, CAO, and Alec Bradley. In the US, this includes Cohiba, Punch, Partagas and La Gloria Cubana. We strive to continuously build on this portfolio through our robust M&A strategy, to ensure we achieve our ambition to become a larger company.

Our portfolio of handmade cigars covers all segments in the US and the international markets. Super exclusive brands include Cohiba (US) and Silencio. Brands in the premium price-tier include CAO, Alec Bradley, Room101 and Macanudo. Mainstream price-tier brands include Don Tomas and Diesel.

OUR PRODUCT CATEGORIES

MACHINE-ROLLED CIGARS & SMOKING TOBACCO

The category Machine-Rolled Cigars & Smoking Tobacco is complex and can be split into multiple sub-segments which have important similarities in sourcing and manufacturing.

Machine-rolled cigars are characterised by having a natural tobacco wrapper and can be divided into two subcategories: Short filler cigars and little cigars. Short filler cigars are bigger cigars of more than three grams per stick in weight. Short filler cigars can be categorised into bigger cigars in format, without filter or added flavour and cigarillos, which are smaller in size and come with or without flavour and/or filter. The second subcategory is little cigars.

Smoking Tobacco consists also of two subcategories: Fine-cut tobacco and pipe tobacco. Fine-cut, which can be divided into roll-your-own and make-your-own, often sold in bigger packaging formats to make your own cigarettes with a small tubing machine. The second subcategory is pipe tobacco, with a wide variety of flavours and blends.

Short filler cigars account for close to two thirds of the total category net sales, little cigars (7%), fine-cut tobacco (21%) and pipe tobacco (14%). Fine-cut tobacco and pipe tobacco are the most profitable measured by gross profit margins, followed by short-filler cigars. Europe is the most important market for the Machine-Rolled Cigars & Smoking Tobacco category. Measured by region about three quarters of net sales of short-filler cigars and almost half of smoking tobacco are derived from Europe.

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

OUR AMBITION FOR THE CATEGORY

We strive to grow net sales from the category with our high-quality selection of brands and products meeting consumer needs in all price segments, by increasing our market share in machine-rolled cigars and by delivering sufficient price increases across all subcategories to offset any structural volume declines. Key drivers for improved profitability are simplification, pricing and scale.

GROWING THROUGH OUR STRONG BRANDS

We are strongly positioned in short-filler cigars with a variety of different international brands such as Panter, Signature, Meharis and La Paz. These brands each play a different role within our portfolio of brands and attract a different consumer profile and are unique in flavour direction, length and circumference of the cigar. Each brand and cigar are developed so we can deliver what our consumer is looking for.

In little cigars we have strong international brands, such as Break across multiple countries in Europe and Captain Black in almost forty countries in global markets.

Although the total consumption of machine-rolled cigars is estimated to decline by a low single-digit percentage in our key European markets, we believe we can grow our positions in Europe, North America and outside these key markets.
We are relentlessly working to make our wide portfolio more streamlined which will allow us to focus better and provide better support to our global brands.

Along this journey we will continue to keep an open mind to potentially relevant acquisitions and if the right opportunity arises we will seize the opportunity to complement and strengthen our current portfolio even further.

OUR PRODUCT CATEGORIES

In fine-cut, our roll-your-own and make-your-own portfolio is positioned to address the main price segments from value for money, all the way up to premium. Our main brands are Break, very well performing in Germany, Bali, one of our key brands in Denmark, Global Travel Retail and Israel as well as Tiedemanns, our most traditional fine cut brand, very popular in Norway and in Global Travel Retail.

Pipe tobacco is a unique category with loyal consumers that are looking for carefully treated and blended tobaccos, with flavour nuances not available in other tobacco products, from aromatic US blends to the more "English" blends with natural tobaccos. With the acquisition of Mac Baren, we have an even stronger position in this category.

Going forward, we will be streamlining the total number of brands and SKUs within the two combined pipe portfolios to provide an ideal mix of exciting variants and brands to satisfy our consumers.

Some of our leading brands are Captain Black, Borkum Riff and Peterson. The Captain Black range was launched in 1973 and quickly became the top-selling pipe tobacco brand in the US, thanks to its unprecedented aroma and quality.

Beyond the US, Captain Black pipe tobacco and cigars have gained popularity in the Middle East and Asia. Borkum Riff is another pipe tobacco brand popular all over the world, originating in the 1960's in Sweden and it has since gained a reputation for excellence. The brand offers a wide range of flavours and is known for its mildly tasting Scandinavian Blend. Peterson is guided by its Irish heritage and inspired by the culture, creativity and craftmanship of the island, and the continuous quest for greatness in taste and smoking experience. It is known for high quality traditional blends and uniquely crafted pipe tobaccos.

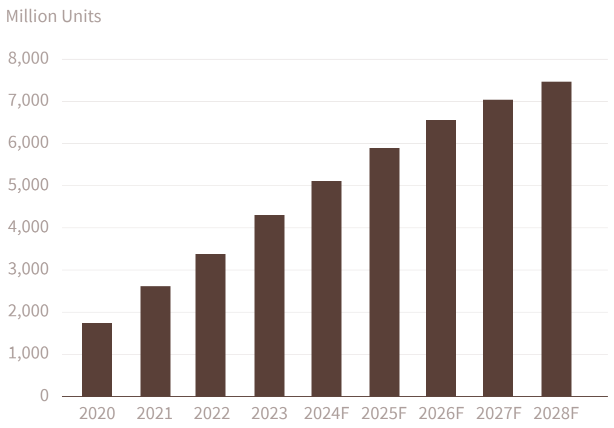
Innovation has played a key part in the ongoing strategy to streamline choices for our consumers, optimise shelf layout as well as the ability to build upon our existing premium brands.

OUR PRODUCT CATEGORIES

NEXT GENERATION PRODUCTS

Nicotine consumption is drastically changing from being dominated by combustible tobacco products like cigarettes and cigars, to increasingly include NGP. Today almost one third of adult nicotine users are using NGP with the share of consumers being multiple product category users increasing as well. Within NGP, nicotine pouches are the fastest growing subcategory with annual growth of mid double-digit rates expected to continue in the years to come.

NICOTINE POUCH VOLUMES - WESTERN EUROPE



Source: Euromonitor

Consumer trends and demands for alternative products in the NGP category are rapidly increasing, with consumers often developing a diverse repertoire of products across multiple categories without compromising on quality and taste. Our largest market in 2024 was Sweden where XQS almost tripled its market share to almost 10% by the end of the year.

OUR AMBITION FOR THE CATEGORY

Our ambition in nicotine pouches is to become a top three player in key markets, where we already have a strong presence with a superior distribution capability, and to be able to deliver value for our shareholders by using a disciplined approach expected to deliver meaningful contributions to group cash-flow, margins and ROIC over time.

We will achieve this by pursuing a ‘Contender Strategy’ where we aim to create value through product competitiveness, by delivering innovative and consumer-relevant product offerings, and by a conscious market expansion strategy. We will invest in markets with high potential, where we are not first-movers, and which allow us to build on existing distribution strongholds and build brand value through existing consumer touch-points.

OUR BRANDS

XQS is our international flagship brand which will be developed to stretch across user segments and new markets. XQS is known for its flavours, and we have also launched a new mint range in Denmark in January 2025 which is expected to become a contender in the established mint and menthol space.

XQS has almost tripled its market share in less than two years, in the most mature of the European markets, Sweden, to almost 10% at the end of 2024. In the UK, where XQS was launched in the middle of 2024, the market share was more than 1% by the end of the year.

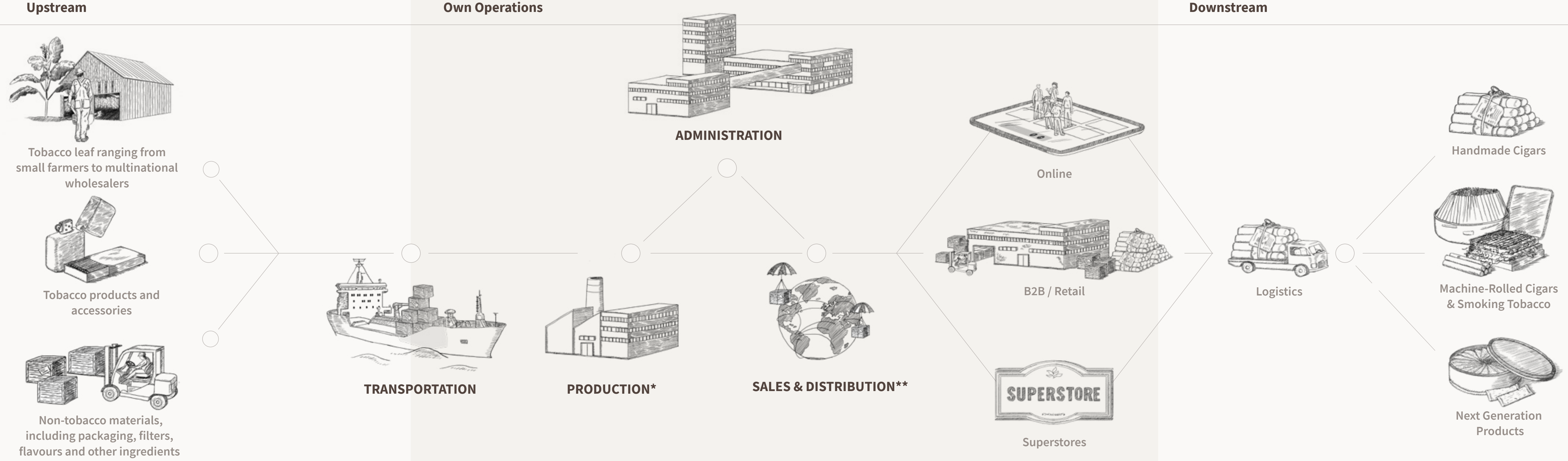
OUR VALUE CHAIN

* Global production sites in 8 countries, close to both tobacco growers and consumers.

** The Group sells its products and accessories in more than 100 countries globally via the Group's own sales companies and through third-party importers.

ESRS disclosure SBM-1 incorporated by reference in Our Value chain section.

Upstream | **Own Operations** | **Downstream**

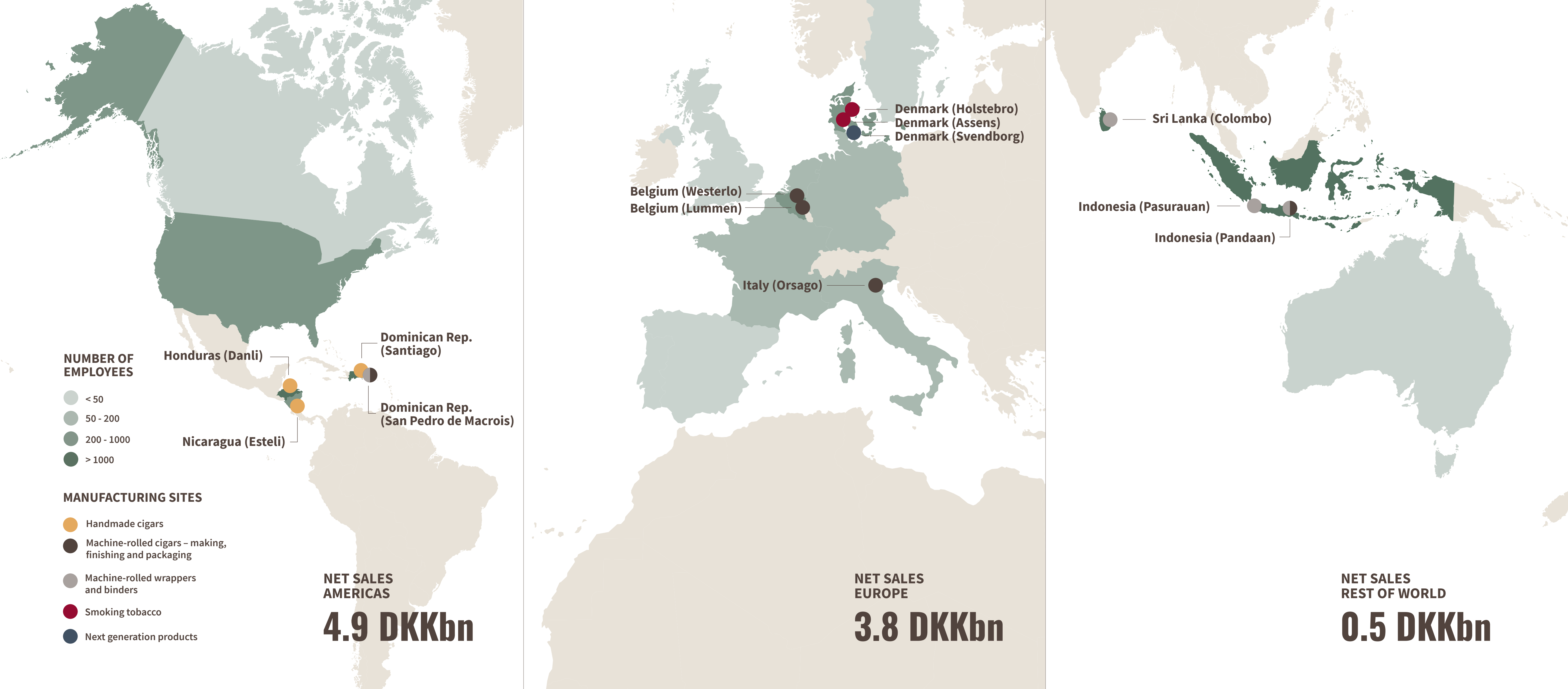


LOCATION OF MATERIAL TOPICS ALONG VALUE CHAIN

Upstream	Own Operations	Downstream
E1 CLIMATE CHANGE	E1 CLIMATE CHANGE	E1 CLIMATE CHANGE
E5 CIRCULAR ECONOMY AND RESOURCE USE	E5 CIRCULAR ECONOMY AND RESOURCE USE	E5 CIRCULAR ECONOMY AND RESOURCE USE
S2 WORKERS IN THE VALUE CHAIN	S1 OWN WORKFORCE	
	S4 CONSUMERS AND END USERS	S4 CONSUMERS AND END USERS
	G1 BUSINESS CONDUCT	

OUR VALUE CHAIN

GLOBAL WORKFORCE & PRODUCTION



NUMBER OF EMPLOYEES

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

MANUFACTURING SITES

- Handmade cigars
- Machine-rolled cigars – making, finishing and packaging
- Machine-rolled wrappers and binders
- Smoking tobacco
- Next generation products

NET SALES AMERICAS

4.9 DKKbn

NET SALES EUROPE

3.8 DKKbn

NET SALES REST OF WORLD

0.5 DKKbn

STRATEGY

Our defining purpose is to create moments of great enjoyment for our consumers by crafting the rituals that make us more, while our vision is to become the undisputed and sustainable global leader in cigars. The vision is supported by an ambition to become a larger company by sales, profits and market value, to grow the EBITDA margin over time and to create outstanding cash generation to support continued growth and deliver attractive returns to our owners.

To achieve our vision and to deliver on our ambitions, we are guided by the five-year strategy Rolling Towards 2025 providing the Group with its strategic direction for the period.

Rolling Towards 2025 is based on six main pillars, our must-win-battles. Each pillar is essential to make a difference in Scandinavian Tobacco Group being successful with the strategy. Our strive to improve consumer experience, to stay relevant to all our stakeholders and to optimise our internal processes will all support us in achieving our vision.

The must-win-battles are supported by four enablers on IT and data infrastructure capabilities, agile and efficient operations, being perceived as an attractive employer and by identifying new paths to growth.

Four years into the strategy, we have made significant progress across multiple areas and edged closer to our vision.

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	LEAD sustainability agenda in cigars	INTEGRATE new megers and aquisitions	SIMPLIFY everything we do	EMBRACE a performance culture
SUSTAINABILITY PILLARS	NET-ZERO ALONG THE JOURNEY OF THE LEAF			SUSTAINABLE COMMUNITY PIONEERS		

The size of our company has increased by 15% measured by reported net sales. We have achieved this through an organic net sales growth in three of four years and a successful expansion of our positions through acquisitions in all our core categories as well as in new product categories.

Simultaneously, we have invested in enablers of sustainable sales growth, like retail Superstores in the US and in building our presence in the fast-growing nicotine pouch market. We have also invested in creating a more robust and agile cost structure. Although, these investments have had a negative impact on near-term cash-flow generation and EBITDA margins, we have still been able to return almost DKK 5 billion to our shareholders equal to 50% of our market capitalisation since the beginning of the strategy period.

ESRS disclosure SBM-1 and GOV-4 incorporated by reference in Strategy section.

STRATEGY

OUR PATH TO SUCCEED

GROW OUR HANDMADE CIGAR BUSINESS
Handmade cigars comprise 36% of group net sales and constitute a core category to succeed with our strategy. We aim to continuously grow the size of our handmade cigar business, covering the full value chain from growing, to production and direct consumer engagement through our online and retail distribution channels, at the same time as increasing profits.

Growing handmade cigars will be supported by our unmatched portfolio of brands, and by the strength in our well-diversified customer and consumer base, covering business-to-business wholesalers and distributors as well as our direct-to-consumer sales channels. We target growth both in the US which is the largest global market for handmade cigars, and in the international market.

We aim to achieve our ambition by increasing sales of proprietary handmade brands and by building brand equity for our top brands. We are expanding our presence both in the retail sales channel and in international markets, whilst simultaneously taking advantage of our best-in-class distribution capabilities and scale-benefits.

Four years into the five-year strategy plan we have made good progress through a combination of acquiring brands to our portfolio, adding nine new retail stores to our retail network in the US, significantly expanding our international presence through the opening of brand-specific bars/lounges and by delivering double digit net sales growth four years in a row. Today, our handmade cigar business is significantly stronger, more global and more diversified compared to the beginning of the strategy period.

In 2024 handmade cigars delivered 2% net sales growth, 1% organic. Since 2019, the category has delivered an increase of 29% in net sales.

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

During the four years since the launch of the strategy plan, we have integrated two companies, Agio Cigars (2020) and MOSI (2021) and realised significant cost synergies throughout the integration processes, mitigating the impacts from declining volumes. The combination with Agio Cigars also created the opportunity to build a more future oriented manufacturing setup in Belgium.

STRATEGY

In 2024 we have refined our pricing capabilities on the backdrop of an accelerating volume decline rate during the second half of 2023.

Although machine-rolled cigars in 2024 delivered 6.1% negative net sales growth (-6.4% organically). Since 2019, the category has delivered 29% reported net sales growth, primarily driven by acquisitions.

LEAD SUSTAINABILITY AGENDA IN CIGARS

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

Environmentally, our priority is to reduce our carbon emissions and initiate work towards a circular economy. Socially, we prioritise an inclusive workforce, zero tolerance towards child and forced labour, and fund local community initiatives at our productions sites which focus on wellbeing, education and women’s enablement. Good governance is essential to Rolling Responsibly.

This year we have validated our emission reduction targets across all 3 scopes by the Science Based Targets initiative and filed Carbon Disclosure Project (CDP). Finally, we showed progress towards our near-term targets on Scope 1, 2 & 3.

INTEGRATE NEW MERGERS AND ACQUISITIONS

M&A have been an instrumental part of the financial performance for the Group since 2010. We will continue to explore different opportunities to grow the business, strengthen our market leading portfolio and leverage our costs through successful mergers and acquisitions. We aim to continue building capabilities to successfully integrate new acquisitions. We aim to realise synergies fast and to ensure acquisitions improve the ROIC for the Group.

Since 2020, we have completed seven acquisitions with a total purchase value of about DKK 2.5 billion. We have shown an ability to integrate all acquisitions quickly, to extract value from near-term cost synergies and/or by strengthening long-term brand values.

In summer 2024, we announced the acquisition of Mac Baren Tobacco Company A/S, a leading player in the smoking tobacco category.

SIMPLIFY EVERYTHING WE DO

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

The most significant enabler for simplifying our business is the transformation from our current multiple ERP system landscape into one system.

EMBRACE A PERFORMANCE CULTURE

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

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

In 2024, 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.

STRATEGY

SPOTLIGHT ON GROWTH INVESTMENTS

To deliver on our ambition to create a larger company and increase profits as well as cash flow, it is essential to create long-term value for our shareholders.

We have targetted multiple areas to deliver on this ambition:

- Stabilize net sales in our core categories
- Improve profitability across our Group through efficiency and simplification
- Identify new revenue streams
- Pursue M&A opportunities in our markets
- Make sure all pillars deliver positive contributions to our group ROIC

Identifying new revenue streams is embedded in our Growth Enablers, where we currently have identified and invested in three: retail expansion, International sales of handmade cigars and Next Generation Products. Each are growing rapidly and by the end of 2024 these Growth Enablers accounted for about 10% of group net sales.

Retail expansion in the US: Geographic expansion of cigar Superstores across the US supporting the consumer experience by increasing the number of consumer touch points and by adding net sales growth, margin and ROIC improvements. Status is 13 Superstores opened to date, three of which were in 2024. Retail accounted for more than 3% of group net sales in 2024 with a 16% increase in net sales compared with last year and a 5% increase in same-store sales, i.e., stores open for more than one year. Every store that has been open for more than three years delivered an EBITDA margin of more than 25% and a combined ROIC of above 15%. Our ambition to further expand our retail network remains intact providing each new store can meet our investmenmt criteria.

International sales of handmade cigars: Strengthen our consumer orientation on a global scale by increasing market share, net sales and category profitability by strengthening the sales of proprietary handmade cigar brands and building brand equity for top brands. International sales of handmade cigars have been growing double-digit annually since the launch of Rolling Towards 2025 and accounted for almost 3% of group net sales in 2024 with a 11% increase in net sales compared with 2023.

Next Generation Products: Consumer demand for smoke-free alternatives to combustible tobacco is rapidly growing, and NGP are a response to this shift in consumer preference. NGP are estimated to become an increasing part of the total nicotine market and currently we have identified nicotine pouches as a relevant and meaningful category to engage in, to stay relevant across a multitude of consumers and at the same time utilize our existing distribution capabilities. Next Generation Products including the third-party distribution contract which was discontinued during the year, accounted for 4.5% of group net sales in 2024 excluding this contract, NGP accounted for more than 3% with a high doubled-digit growth in net sales.

In addition to the Growth Enablers, we have identified a number of important levers for our long-term success, profitability improvements and nurturing of our key asset, our employees. These include IT and data infrastructure capabilities, agile and efficient operations and to be perceived as an attractive employer.

The most significant lever for simplifying our business is the current transformation from our multiple ERP system landscape into one (SAP S/4HANA Cloud) system. This transformation is expected to be fully implemented during 2026. We made good progress during 2024 and executed the largest on boarding with Wave 2 Go-Live, covering Belgium, the Netherlands and Indonesia, at the beginning of 2025.

10%

GROWTH ENABLERS SHARE OF GROUP NET SALES

STRATEGY

SPOTLIGHT ON ROLLING RESPONSIBLY

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

Compliance: Our commitment to prepare diligently to meet the evolving landscape of regulatory demands, notably addressing the Corporate Sustainability Reporting Directive.

Climate commitments: Actively engaging with the Carbon Disclosure Project (CDP) and the Science Based Targets initiative (SBTi), emphasising a strong commitment to reach emission reduction targets.

Embedding sustainability into our ways of working: As a core principle, we continue to embed sustainability into our day-to-day business processes, ensuring that environmental and social factors are considered in our strategic decisions.

For 2024, there were no significant monetary amounts of CapEx and OpEx required to implement the actions taken with regards to the management of our Impacts, Risks and Opportunities (IROs).

MATERIAL TOPICS		2024 ACCOMPLISHMENTS	2025 PLAN
ENVIRONMENT	**E1 - Climate change** **E5 - Resource use and circular economy**	• Progressed Scope 1 & 2 decarbonisation pathway. • Emission reduction targets validated by the Science Based Targets initiative across Scope 1, 2 and 3 for GHG emissions. • Scope 3 education sessions focused on better business continuity decisions, including a roadmap for the coming years to achieve our near-term targets. • Started up resource use & circular economy workstream, primarily in packaging, with cross-functional involvement.	• Deliver emission reduction and progress in accordance with SBTi targets. • Create a process to ensure compliance with EU Deforestation Regulation (EUDR) & STG's no-deforestation commitment. • Create a roadmap to deliver Scope 3 targets across the organization. • Continue to educate colleagues in the organization. • Set resource use & circularity targets.
SOCIAL	**S1 - Own workforce** **S2 - Workers in the value chain** **S4 - Consumers and end-users**	• The Group launched a dedicated D&I committee and trained leaders in unconscious bias and microaggressions in the workplace. • Kicked off procurement workstream and launched a responsible procurement strategy with focus on due diligence, and a continual roll out of our Supplier Code of Conduct. • Gained insights from the Sustainable Tobacco Programme.	• Implement transparent reward structure, operationalise the D&I Committee, data tracking, inclusive recruitment and training. • Launch a global action plan focusing on training and skills development. • Strengthen our due diligence approach through close dialogue with suppliers and performing ESG risk assessment. • Centrally fund community initiatives supporting employee health & well-being, education & women's enablement.
GOVERNANCE	**G1 - Business conduct**	• Established a set of policies and commitments to more effectively manage our impacts, risks and opportunities. • Double Materiality Assessment (DMA) outcome considered in Enterprise Risk Management. • ESG screening incorporated into M&A process, with deal breakers.	• Regularly review and continuously monitor implementation of ESG policies. • Annual Double Materiality Assessment (DMA) review to revisit the Impacts, Risks and Opportunities (IROs) identification and assessment. • Workstream participants have sustainability objectives focused on delivering roadmaps to meet our targets.

ESRS disclosure SBM-1 and GOV-4 incorporated by reference in Strategy section.

PERFORMANCE

COMMERCIAL DIVISIONS

EUROPE BRANDED

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

The largest product category within Europe Branded is machine-rolled cigars, which in 2024 accounted for 61% of reported net sales in the division. Smoking tobacco accounted for 24%, whereas Next Generation Products and handmade cigars accounted for 8% and 5% respectively. By markets, the largest contributors to net sales in the division are France (22%), Germany (17%) and the Netherlands, Spain and the UK each close to 10%.

OUR AMBITION FOR EUROPE BRANDED

The ambition is to deliver sustainable net sales for our core categories, machine-rolled cigars and smoking tobacco, and to improve EBITDA margins. Although the performance in recent years has been muted, we expect to deliver on this ambition through our strong market positions, our brand leadership and our proven ability to drive efficiency improvements as well as the ability to integrate acquisitions strategically.

The strategic priority is to deliver sustainable net sales with increasing profit margins through tactical pricing and portfolio optimisations. In machine-rolled cigars we hold more than 50% volume share in Denmark, Sweden and Belgium and we are the market leader in the largest European markets including the UK, the Netherlands and France. We are the market leader within pipe tobacco in all markets by a distance, and in fine-cut tobacco we are the leading brand owner in Denmark, whereas we remain a challenger in Germany with our brand BREAK.

For our Next Generation Products, the aim is to strengthen our presence in the subcategory, nicotine pouches by growing our market shares in existing markets and expand into new markets. Since the acquisition of our flagship brand XQS, we have tripled the brand's market share in Sweden to almost 10% by the end of the year and in the UK the brand has grown its share of the market since the launch in summer 2024. XQS was also launched in Denmark in the third quarter of 2024.

DIVISIONAL SALES BY CATEGORY

5% HANDMADE CIGARS

61% MACHINE-ROLLED CIGARS

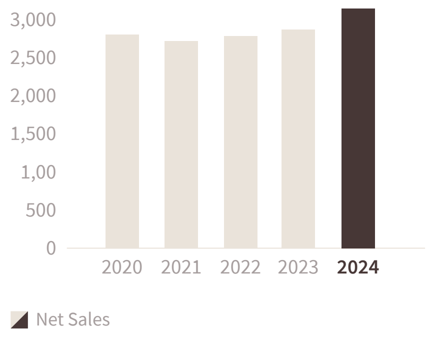
24% SMOKING TOBACCO

8% NEXT GENERATION PRODUCTS

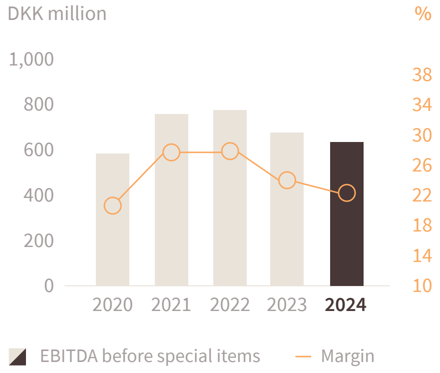
2% OTHER

COMMERCIAL DIVISIONS

NET SALES



EBITDA BEFORE SPECIAL ITEMS



FINANCIAL REVIEW 2024

Reported net sales in Europe Branded increased by 7.9% to DKK 3.1 billion. The acquisition of Mac Baren impacted growth by 7.4% and exchange rate developments by 0.4% resulting in an organic net sales growth of 0.1%. By product category the organic growth in net sales was: Next Generation Products (49%), Handmade Cigars (17%) and Machine-Rolled Cigars & Smoking Tobacco (-3%).

In machine-rolled cigars, the total market volume in our seven key markets decreased by about 3.5% (from about -3% in 2023) with our market share decreasing to 27.9% from 29.7% in 2023. During the year, we have succeeded in stabilising our market share and in the second half of the year the market share started to improve.

The acquisition of Mac Baren (from 1 July 2024) contributed by DKK 166 million in net sales, split by DKK 117 million in smoking tobacco and DKK 30 million in NGP.

By markets the organic growth in net sales was; Sweden (28%) driven by the nicotine pouch brand XQS , Germany (10%) driven by the fine-cut brand BREAK, Denmark (-3%), Spain (3%), the Netherlands (-4%), the UK (-1%), France (-5%) and Belgium (-15%).

EBITDA

EBITDA before special items decreased by 5.0% with an EBITDA margin before special items of 21.0% compared with 23.8% in 2023. The development in the profitability was negatively impacted by a change in the product mix with an increasing share of NGP sales, increasing sales and marketing expenses to ramp up our position in machine-rolled cigars as well as the inclusion of Mac Baren.

Price increases in machine-rolled cigars, smoking tobacco and handmade cigars by an average of 3% impacted margins positively.

DKK million	2024	2023
Net sales	3,090	2,863
Gross profit*	1,520	1,474
- gross margin*	49.2%	51.5%
EBITDA*	649	683
- EBITDA margin*	21.0%	23.8%
Net sales growth, reported	7.9%	2.6%
- acquisitions	7.4%	1.2%
- exchange rates	0.4%	-0.4%
Net sales growth, organic	**0.1%**	**1.8%**

* before special items

COMMERCIAL DIVISIONS

NORTH AMERICA BRANDED & REST OF WORLD

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

The largest product category within NABROW is handmade cigars, which in 2024 accounted for 33% of reported net sales in the division. Machine-rolled cigars accounted for 23%, smoking tobacco for 24%, next generation products for 2% and other (contract manufacturing & accessories) accounted for 18%. By markets, the largest contributors to net sales are USA (50%), Canada (9%) and Norway (6%).

For handmade cigars, North America Branded sells cigars to consumers through all leading online platforms and retailers in the US. Direct to consumer sales through our own channels are reported in the division North America Online & Retail. Our unrivalled portfolio in the US includes brands within all price segments.

The largest brands are Macanudo, CAO, Punch and Cohiba. International sales of handmade cigars, one of our Growth Enablers, accounts for about 4% of the divisional sales and have almost tripled in reported sales in the past four years.

In machine-rolled cigars, the largest markets are Canada, where we hold a market leading position, the US where we are relatively small player and Australia. In smoking tobacco, the largest market for the Group is in US, where we are market leader within both pipe tobacco and fine-cut tobacco and Norway, where we are the market leader within fine-cut tobacco.

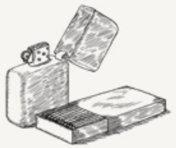
DIVISIONAL SALES BY CATEGORY

33% HANDMADE CIGARS

23% MACHINE-ROLLED CIGARS

24% SMOKING TOBACCO

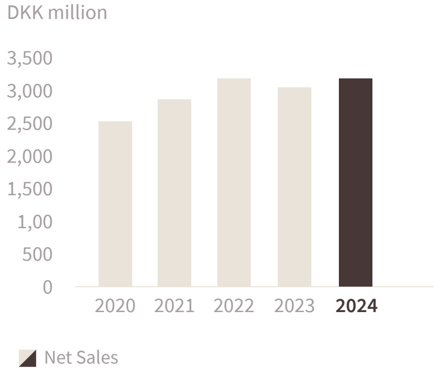
2% NEXT GENERATION PRODUCTS



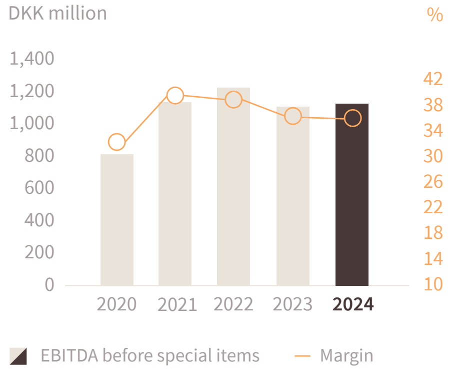
18% OTHER

COMMERCIAL DIVISIONS

NET SALES



EBITDA BEFORE SPECIAL ITEMS



FINANCIAL REVIEW 2024

Reported net sales in North America Branded & Rest of World (NABROW) increased by 3% to DKK 3.1 billion. The acquisition of Mac Baren impacted growth by 6% and exchange rate developments by -0.3% resulting in an organic net sales growth of -2.6%.

By product category the organic growth in net sales was: Next Generation Products (-28%), Handmade Cigars (-3%) and Machine-Rolled Cigars & Smoking Tobacco (-2%).

The development was impacted by volume decline from handmade cigars in the US and lower contract manufacturing sales. Net sales of handmade cigars in the US to external wholesalers and distributors declined by a high single digit percentage driven by the overall decline in consumption as well as lower contract manufacturing sales. Net sales to our international markets continue to develop well, although the growth rate was lower than in 2023.

By markets the organic growth in net sales was: US (-3%) primarily driven by the market development in handmade cigars, Canada (4%) and Norway (8%). Net sales to markets excluding North America, Europe and Australia increased by almost 9%.

EBITDA

EBITDA before special items increased by 2.4% with an EBITDA margin before special items of 36.0% compared with 36.3% in 2023. The development in the profitability was driven by a normalisation of mix and a positive impact from refunds of certain import tax paymnets. The Mac Baren net sales impacted the margin negatively by about 0.3%-points. The OPEX ratio declined to 16.3%. primarily driven by cost efficiencies.

DKK million	2024	2023
Net sales	3,139	3,044
Gross profit*	1,595	1,606
- gross margin*	50.8%	52.8%
EBITDA*	1,130	1,104
- EBITDA margin*	36.0%	36.3%
Net sales growth, reported	3.1%	-4.7%
- acquisitions	6.0%	3.4%
- exchange rates	-0.3%	-3.4%
Net sales growth, organic	**-2.6%**	**-4.7%**

* before special items

COMMERCIAL DIVISIONS

NORTH AMERICA ONLINE & RETAIL

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, as well as brands from other major brand owners in the US market, reinforcing the division's strong distribution capabilities.

North America Online & Retail is an agile, omni-channel business with a proven ability to engage and retain handmade cigar consumers and build brands. The direct-to-consumer sales via online, retail stores and contact centers in North America gives us unrivalled touchpoints with the US handmade cigar consumer.

NAOR distributes brands from the Group's own branded business as well as other major brand owners in the US market, reinforcing the division's strong distribution capabilities. Furthermore, NAOR markets and distributes a selection of exclusive brands like Man O'War and 5 Vegas, sold only through NAOR sales channels.

Net sales are divided with 90% by online/catalogues and 10% from our fast-growing retail business. The online business includes multiple web-site platforms uniquely positioned in the market tailored to target consumer groups with different purchasing preferences. Cigars International, which is our largest website-platform, is also the brand for our retail Superstores emphazing the omni-channel business strategy.

The network of retail Superstores was increased by three to a total of thirteen by the end of 2024. All Superstores are profitable and have become an important part of the Group's growth strategy.

DIVISIONAL SALES BY CATEGORY

72% HANDMADE CIGARS

9% MACHINE-ROLLED CIGARS

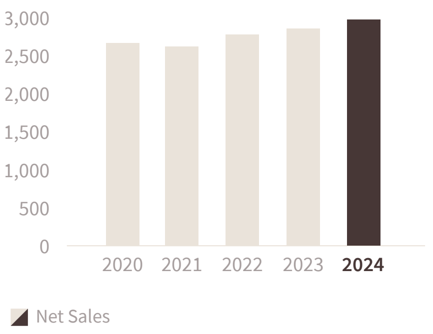
3% SMOKING TOBACCO

4% NEXT GENERATION PRODUCTS

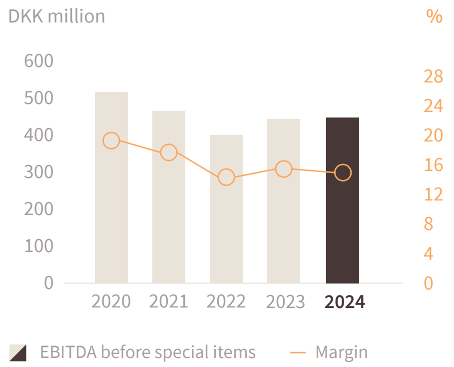
12% OTHER

COMMERCIAL DIVISIONS

NET SALES



EBITDA BEFORE SPECIAL ITEMS



FINANCIAL REVIEW 2024

Reported net sales in North America Online & Retail (NAOR) increased by 5% to DKK 3.0 billion. The acquisition of Mac Baren impacted growth by 1% and exchange rate developments by 0.1% resulting in an organic net sales growth of 4.2%.

By product category the organic growth in net sales was: Handmade Cigars (+3%) and Machine-Rolled Cigars & Smoking Tobacco (+2%), whereas the Other, including the impact from the third-party distribution of products, was up by 15%. The third-party distribution contract was discontinued as of the end of June 2024.

The positive momentum of handmade cigars in both the online business and in our retail stores continued. In the online business growth was driven by an increase in the average basket size while double digit net sales in the retail business were driven by the opening of new Superstores in previous years and a 5.3% increase in the same-store-sales. Three new stores were opened during the year.

EBITDA

EBITDA before special items decreased by 0.3% with an EBITDA margin before special items at 14.8% compared with 15.7% in 2023. The development in the profitability was a result of a lower gross margin and a slightly higher OPEX ratio. Both developments were driven by cost inflation as well as the inclusion of Mac Baren net sales.

DKK million	2024	2023
Net sales	2,973	2,824
Gross profit*	1,164	1,124
- gross margin*	39.1%	39.8%
EBITDA*	441	443
- EBITDA margin*	14.8%	15.7%
Net sales growth, reported	5.3%	1.7%
- acquisitions	1.0%	0.0%
- exchange rates	0.1%	-3.1%
Net sales growth, organic	**4.2%**	**4.8%**

* before special items

GROUP FINANCIAL REVIEW

NET SALES

Net sales increased by 5.4% to DKK 9,202 million (DKK 8,731 million) driven by the impact from acquisitions of 4.9%, a positive exchange rate development of 0.1% and positive organic growth in net sales of 0.4%. Organic net sales were primarily driven by North America Online & Retail and Europe Branded partly offset by negative organic growth in North America Branded & Rest of World. The Americas remained our largest market with a share of Group net sales of 53.4%. Europe and Rest of World accounted for 40.8% and 5.8% respectively.

GROSS PROFIT

Gross profit before special items increased by 1.8% to DKK 4,279 million (DKK 4,204 million). The increase was driven by a positive contribution from acquisitions of DKK 170 million and a positive currency impact of DKK 11 million partly offset by a lower gross margin. Organic gross profit decreased by 2.4%. Gross margin before special items decreased by 1.7 percentage point to 46.5% (48.2%) primarily driven by higher cost prices, mix changes and investment in new categories.

OPERATING EXPENSES (OPEX)

OPEX before special items increased by 6.5% to DKK 2,248 million (DKK 2,111 million). Organic OPEX increased by 1.2% to DKK 2,246 million (DKK 2,219 million). The OPEX-ratio increased to 24.4% from 24.2% in 2023. The OPEX-ratio was driven by market investments and new categories as well as increased staff costs.

DKK million	2024	2023	Change in %
Net Sales			
Net Sales	9,202	8,731	5.4%
Acquisitions		427	
Effect from currency development	-7		
Organic net sales	9,195	9,158	0.4%
Gross Profit			
Gross profit before special items	4,279	4,204	1.8%
Acquisitions		170	
Effect from currency development	-11		
Organic gross profit	4,268	4,374	-2.4%
OPEX			
OPEX before special items	-2,248	-2,111	6.5%
Acquisitions		-108	
Effect from currency development	2		
Organic OPEX	-2,246	-2,219	1.2%

EBITDA

EBITDA before special items decreased by 1.3% to DKK 2,079 million (DKK 2,106 million) while organic EBITDA decreased by 4.5% driven by the development in organic gross profit and the increase in OPEX. The EBITDA margin before special items decreased to 22.6% (24.1%).

EBITDA

DKK million	2024	2023	Change in %
EBITDA before special items	2,079	2,106	-1.3%
Acquisitions		61	
Effect from currency development	-8		
Organic EBITDA	2,071	2,167	-4.5%

SPECIAL ITEMS

Special items were negative by DKK 279 million (negative DKK 92 million) driven by OneProcess but also re-organisations and the integration of Mac Baren.

Special Items

DKK million	2024	2023
Integration and transactions costs (Mac Baren)	40	-
One Commercial Organisation	54	-
Service Delivery Organisation	53	-
OneProcess	132	92
Total special items incl. impairment, net costs	**279**	**92**

EBIT

EBIT decreased by 15.7% to DKK 1,380 million (DKK 1,638 million) and was negatively impacted by the decrease in EBITDA before special items, higher depreciations and amortisations as well as higher special items.

TAX AND NET PROFIT

Income taxes were DKK 280 million (DKK 308 million). The effective tax rate was 22.9% (20.7%)

Net profit decreased by 20.5% to DKK 940 million (DKK 1,182 million). Basic earnings per share decreased to DKK 11.5 (DKK 13.7). Adjusted earnings per share decreased by 4.6% to DKK 13.7 (DKK 14.4) as a result of the development in EBITDA before special items, increased depreciation/amortization and increased tax rate partly offset by the reduction in the number of outstanding shares (basic) which was reduced to 82.1 million (86.6 million).

BALANCE SHEET

Total assets were DKK 17,104 million (DKK 15,853 million). Net working capital increased by 19% to DKK 3,660 million (DKK 3,080 million) primarily due to higher level of trade receivables, inventory, other receivables and prepayments as well as a lower level of trade payables. This was partly offset by a higher level of other liabilities.

GROUP FINANCIAL REVIEW

RETURN ON INVESTED CAPITAL

The return on invested capital (ROIC) was 9.4% (11.4%) with a DKK 258 million reduction in EBIT driven by the operational performance as well as 2024 being more negatively impacted by special items compared to 2023. Also the increased level of invested capital of DKK 14.7 billion (DKK 14.3 billion) had a negative impact on the ROIC.

CASH FLOW

Cash flow from operating activities decreased to DKK 1,179 million (DKK 1,347 million) due to a decrease in cash flow from operations, more negative cash flow from change in working capital compared to 2023, being partly offset by decreased net financial items and decreased tax payments. In 2024, the change in working capital was negative by DKK 138 million versus a negative change in 2023 of DKK 37 million.

Cash flow from investing activities was an outflow of DKK 824 million (DKK 875 million) whereof outflow related to acquisitions amounted to DKK 576 million (DKK 582 million). CAPEX was DKK 264 million (DKK 308 million) and sale of property, plant and equipment contributed by DKK 3 million compared to DKK 2 million in 2023. Free cash flow was DKK 355 million (DKK 472 million). Free cash flow before acquisitions was DKK 931 million (DKK 1,053 million).

CASH FLOW

DKK million	2024	2023
EBITDA before special items	**2,079**	**2,106**
Fin. items, tax and other adjustments	-762	-722
Cash flow from operations before NWC	**1,317**	**1,384**
Changes in working capital	-138	-37
Cash flow from operations	**1,179**	**1,347**
Investments	-824	-875
Free cash flow	**355**	**472**

FINANCING

Net interest-bearing debt (NIBD) increased to DKK 5,423 million (DKK 4,057 million) primarily driven by positive cash flow from operations offset by dividend payments of DKK 710 million, acquisitions of DKK 576 million and share repurchases of DKK 774 million. Borrowings increased by DKK 1,302 million pirmarily due to issuance of a new EUR 300 million bond while only partly repurchasing the old bond. NIBD/EBITDA before special items ended at 2.6 times (1.9 times)

DIVIDEND

For the financial year 2024, the Board of Directors proposes a dividend of DKK 8.50 per share corresponding to a total dividend of DKK 731 million and a pay-out ratio of 77.8% (61.8%).

FINANCIAL AMBITIONS & ACHIEVEMENTS

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

The ambition is anchored in delivering sustainable long-term profit, cash flow and ROIC improvements over time, increasing the scope and size of our activities as well as the profitability. We are in a period where we are focusing more on growing net sales and the associated investments are affecting margins and cash flow temporarily. We still believe this will lead to supporting our financial ambitions over time.

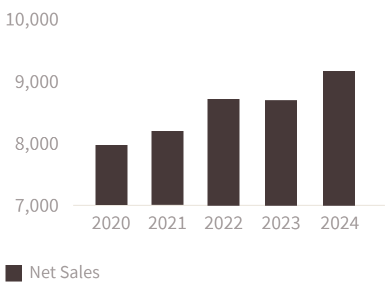
The development over time in net sales and the EBITDA margin, subject to changes in business mix as well as acquisitions, combined with the development in free cash flow and ROIC, are key performance indicators which reflect our progress in meeting these ambitions.

Our ability to realise the financial ambitions is dependent on stabilising our core tobacco business, as well as specific market and business developments.

ACHIEVEMENT

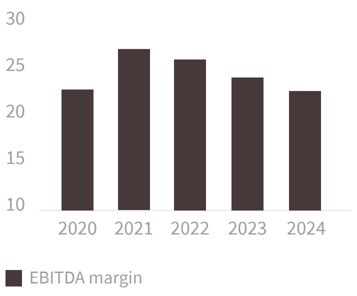
NET SALES

DKK million



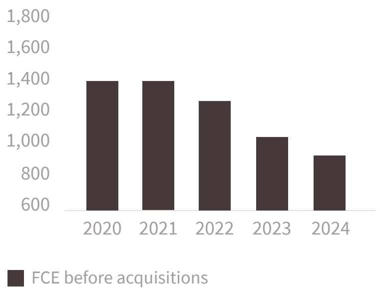
EBITDA MARGIN

%



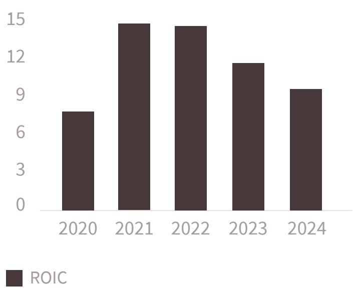
FREE CASH FLOW

DKK million



ROIC

%



AMBITION

INCREASE NET SALES

IMPROVE EBITDA MARGIN
over time*

AVERAGE ANNUAL GROWTH OF FREE CASH FLOW

IMPROVE ROIC

* Subject to changes in business mix and acquisitions

SHAREHOLDER RETURN POLICY

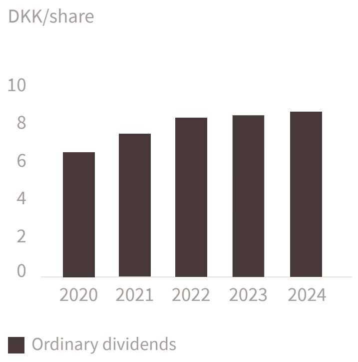
The Board of Directors continuously evaluates the distribution of excess capital to shareholders based on a comparison of the projected leverage ratio against a target of 2.5x with the leverage ratio calculated as Net Interest-Bearing Debt (NIBD)/EBITDA before special items.

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

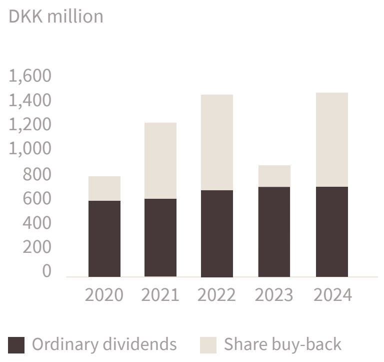
The Group maintains the flexibility to temporarily exceed the target leverage ratio in connection with dividend distribution, acquisitions or investments. The Group's capital distributions will always take into account potential acquisitions and other liquidity needs.

ACHIEVEMENT

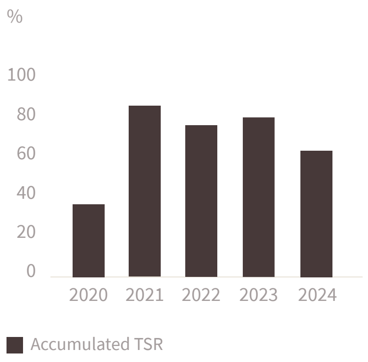
DIVIDEND PAYOUT



CAPITAL DISTRIBUTION



SHAREHOLDER RETURN



OUTLOOK AND GUIDANCE 2024

The markets for our core product categories continue to be challenged. Decreasing demand for machine-rolled cigars in Europe continues and the consumption of handmade cigars in the US has reversed to pre-covid levels. Supply chain stability, tactical price management and cost control remain essential to protect sales, profitability and cash-flows over time.

With macro-economic developments, we assess the uncertainty to both consumer behaviour and cost developments in our operations as higher than normal for the coming year. This is reflected in broader than usual ranges for our financial expectations for 2025.

The financial expectations are based on assumptions of an unchanged volume decline rate in the European market for machine-rolled cigars and a low single-digit volume decline rate in the consumption of handmade cigars in the US, no significant disruptions in our supply chain and no unexpected changes to our cost base.

Reported net sales will be positively impacted by the full year impact from the Mac Baren acquisition by an estimated 3% and by about 1% from exchange rate developments based on current spot rates. The discontinuation of the NGP-distribution in the US as of the third quarter 2024 will impact reported net sales negatively by almost 1.5% and the divestment of a smaller lighters business in France by about 0.3%. Excluding these factors, we expect a flat to slightly positive increase in net sales driven by our Growth Enablers and a stabilisation to slightly declining impact from our core categories. We expect our Growth Enablers to deliver double-digit growth with the strongest growth by our nicotine pouch business.

Continued investments in both our Growth Enablers and in turning our machine-rolled cigar business around will impact margins negatively but is being somewhat compensated by Mac Baren synergies. We expect about half of the total synergies of about DKK 150 million to impact the result in 2025 and expect the full integration to be complete by the end of next year.

Uncertainties to our base assumptions for the year are higher than normal. These include volume and price developments for our core categories, cost inflation and supply chain stability. We remain committed to strengthen our platform, which is important for further growth, although it may temporarily impact profit margins, cash flows and return on invested capital. We are prioritizing actions that will strengthen the company and our market positions in the long-term, also at the cost of near-term profitability. Consequently, the range for the EBITDA margin is wider than normal to reflect this.

Despite the continued investments in strengthening the positions for the Growth Enablers, we expect profitability from each of them to improve compared with 2024 and for nicotine pouches we expect the EBITDA to be close to break even.

	2024 Guidance[1]	2024 Realised	2025 Guidance
Net sales (DKK billion)	~9.1	9.2	9.2-9.7
EBITDA margin before special items	22-23%	22.6%	20-23%
Free cash flow before acquisitions (DKK billion)	0.8-0.9	0.9	0.8-1.1
Adjusted earnings per share (DKK)	~12.5	13.7	11-14

1. As of 12 November 2024

OUTLOOK AND GUIDANCE 2025

In the first quarter of 2025, we expect growth in reported net sales driven by the inclusion of Mac Baren, whereas organic growth is expected to be negative as result of portfolio optimisations in relation to the Mac Baren integration.
The EBITDA margin is expected to be broadly unchanged compared with the first quarter 2024. In the following quarters the margin is expected to decrease compared with the comparable quarters in 2024 as result of the above-mentioned factors, but to remain well above the EBITDA margin in the first quarter.

Free cash flow is expected in the range of DKK 0.8-1.1 billion and will be impacted by capex investments of up to DKK 300 million including factory consolidations, OneProcess investments and the opening of 2 new retail super stores in the US. Special cash items paid is expected at about DKK 200 million, primarily relating to the Mac Baren integration and roll-out of our SAP 4/Hana ERP solution. Working capital is expected to deliver a slightly positive contribution, whereas financial expenses paid increase as result of the refinancing of the corporate bond in September last year.

Given these considerations our expectations for 2025 are:

- Reported net sales in the range of DKK 9.2-9.7 billion
- EBITDA margin before special items in the range of 20-23%
- Free cash flow before acquisitions in the range DKK 0.8-1.1 billion
- Adjusted EPS in the range of 11.0-14.0.

Guidance and assumptions are based on no impact from potential new acquisitions and at current exchange rates*

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

CORPORATE MATTERS

REGULATION

Tobacco products are subject to extensive 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.

Some countries require standardised consumer packaging and prohibit the display of tobacco products at the retail level. 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 such as nicotine products are regulated, 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.). We support that also new tobacco and nicotine product categories are regulated. They come with health risks that call for restrictions and responsible behaviour.

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 2023, FDA's regulation of premium cigars was vacated in a federal court. Following an appeal by the FDA, the matter is now pending before the US Court of Appeals for the District of Columbia.

In recent years the FDA has issued draft rules and guidance documents covering several topics and asked for comments on these. Shortly after the new US administration took office in January 2025, it was announced that a very recent proposal from the FDA to limit the level of nicotine in cigarettes and certain other combusted tobacco products to minimal/non-addictive levels had been removed from the agency's agenda. The same happened to FDA's proposed regulation on Tobacco Product Manufacturing Practices which contained comprehensive rules on manufacture, design, packing and storage of tobacco products. Late January 2025, the FDA further announced a withdrawal of its proposed ban on menthol in cigarettes (the only non-tobacco flavour allowed in cigarettes) and its proposed ban on flavoured cigars. The issuance of the federal ban on flavoured cigars (and menthol cigarettes) had already been postponed several times by the prior administration. 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 [ ]% 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 and in May 2024 for cigars and pipe tobacco. Under Track and Trace, each individual consumer package must be traceable from the manufacturer/importer to the last stop before the retailer.
The EU Tobacco Excise Directive contains 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 at national level and also happened in 2024 . Occasionally these changes impact consumer behaviour in the shorter or longer term.
The EU Tobacco Products Directive and the EU Tobacco Excise Directive are expected to undergo a statutory review within the next couple of years.

The EU Tobacco Products Directive does not regulate nicotine pouches. EU Member States take very different approaches to regulating these products, ranging from banning them completely to allowing them to be sold without any product specific restrictions. Some countries charge excise tax on nicotine pouches. 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. Cross-border marketing of tobacco products, for instance online, is prohibited by EU's Tobacco Advertising Directive.

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. A risk team works with key stakeholders across the business to receive input from the organisation and 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.

The ERM risk assessment indicates an overall more optimistic picture this year. A lot of projects have been managed well by STG during 2024. Track & Trace has been successfully integrated. STG has secured financing for a 5-year period. Manufacturing disruptions are less of a concern and the Mac Baren integration is progressing according to plan.

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, bans on certain flavourings as well as restrictions on sale and consumption of tobacco products, and Track & Trace requirements that further regulate the tobacco industry. 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 a 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
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. Furthermore, 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 are investing significantly in updating the Group's ERP system. This represents a significant business transformation and will strengthen our ability to deliver growth and profitability in a declining market. 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. SAP will be rolled out in several waves to maximise value and minimise risk. Wave one and two have been implemented satisfactorily. STG entities in Denmark, Sweden, the Netherlands, Belgium and Indonesia is now on our new global ERP system, SAP S/4HANA. The journey will continue one wave at a time. Six additional European countries will be rolled on to SAP in the next wave during 2025.

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.

DATA ETHICS

§

This sentence constitutes our statutory reporting according to the Danish Financial Statements Act § 99d.

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

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

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

We disseminated our Data Ethics Policy to all relevant employees who are required to understand and apply the fundamental principles for our ethical approach in relation to the generation, use and other processing of data.
We have also established a Data Ethics Committee that will decide on specific data ethical issues that may arise over time and ensure that such are handled and decided upon in accordance with our Data Ethics Policy.

Further to this, we have initiated the development of Data Ethics Guidelines to facilitate a consistent and coherent understanding and application of the Company's data ethical principles. These guidelines are supplemented by specific guidelines issued in 2023 on the use of artificial intelligence.
In 2025 we will review our Data Ethics Policy in accordance with the general policy governance principles of Scandinavian Tobacco Group.

We also plan to publish the Data Ethics Guidelines, and continue to develop our data ethical mindset and tools, including training sessions on issues relating to data ethics for relevant groups of employees. Data Ethics is still a new discipline that will develop over time, in society in general and within the Group.

CORPORATE GOVERNANCE

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

The Group's corporate governance is based on the Danish Companies Act, the Danish Financial Statements Act, the International Financial Reporting Standards (IFRS), the EU Market Abuse Regulation, Nasdaq Copenhagen A/S' Rulebook for Issuers of Shares and its Rules for Issuers of Bonds as well as the company's Articles of Association, among others. Further, the Danish Recommendations on Corporate Governance are taken into account.

The ultimate authority over the Company is held by the shareholders who exercise their rights at general meetings. The annual report, the remuneration report and amendments to the Articles of Association are approved at the general meeting which also elects members of the Board of Directors and the independent auditor. The general meeting exercises its powers pursuant to the provisions of Scandinavian Tobacco Group's Articles of Association which are available at the corporate website www.st-group.com. The Articles of Association were last updated in connection with the Annual General Meeting held on 4 April 2024. 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 www.corporategovernance.dk. Reports by companies in scope 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 Board of Directors chose not to elect a Vice-chairman in 2024).

A detailed overview can be found in Scandinavian Tobacco Group's 2024 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 for their contractual terms and compensation. The remuneration is adopted, managed and reviewed 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. It also makes it possible to reward the Executive Management appropriately for achieving core short-term and long-term business goals, while managing and growing the company to ensure its continued sustainability in a way which aligns with shareholders' and stakeholders' interests. The current Remuneration Policy was adopted at the Annual General Meeting in 2024 and it 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 2024 is outlined in the 2024 Remuneration Report available at st-group.com.

Scandinavian Tobacco Group complies with the Danish recommendations on Corporate Governance. A detailed overview can be found in Scandinavian Tobacco Group's 2024 Statutory Report on Corporate Governance:

→ **www.st-group.com/annual-reports/statutory-corporate-governance-report-2024/**

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

→ **www.st-group.com/annual-reports/remuneration-report-2024/**

BOARD OF DIRECTORS

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

	HENRIK BRANDT 	ANDERS C. OBEL 	JÖRG BIEBERNICK 
	★ 1955 ⚑ Danish	★ 1960 ⚑ Danish	★ 1968 ⚑ German
	◷ 2024-2025	◷ 2024-2025	◷ 2024-2025
	👤 Joined the Board in 2017 and was elected Vice-Chairman. Was elected Chairman in 2022	👤 2018	👤 2024
EDUCATION	MBA from Stanford University Master of Science (Econ), Copenhagen Business School	Bachelor of Science in Economics and Business Administration from Copenhagen Business School	Advanced Management Program, Columbia Business School Diplom Kaufmann, Koblenz School of Corporate Management
COMPETENCIES	• Extensive executive and non-executive experience in leading international, publicly listed and private equity businesses • Sale 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	• Extensive executive experience in leading international and publicly listed businesses • Sales and marketing of fast-moving consumer goods • Strategic business development
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 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	• Various positions within Imperial Brands plc 2017-2022, including President Europe 2020-2022, Interim CEO 2020, Chairman of the Board of Reemtsma Sigarettenfabriken GmbH 2021-2022 • President Latin America, Kimberley-Clark Corporation 2014-2017 • Vice President Consumer Goods Category, SCA 2012-2013 • Division Vice President & General Manager EMEA, Georgia Pacific LLC 2007-2012 • Various positions in marketing and innovation, Procter & Gamble 1992-2006
MANAGEMENT POSITIONS WITH OTHER ENTITIES	**Chairman of the Board of** Toms Gruppen A/S, Intervare A/S (and its subsidiary nemlig.com A/S) and of Gerda & Victor B. Strand Holding A/S. **Member of the Board of** Ferd Holding as, Norway and Gerda & Victor B. Strands Fond/Toms Gruppens Fond	**Chairman of the Board of** C.W. Obel Bolig A/S, C.W. Obel Ejendomme A/S, Obel-LFI Ejendomme A/S, Semco Maritime A/S, Semco Maritime Holding A/S, Goodvalley A/S 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** Woodmancott Fonden, STG's Gavefond, 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, Rexholm A/S, A/S Motortramp, Skovselskabet af 13. December 2017 A/S and Ejendomsselskabet Amaliegade 49 A/S. **CEO of** C.W. Obel A/S, Anders Christen Obel ApS.	**CEO of** Paulaner Brauerei Gruppe GmbH & Co. KGaA
STG COMMITTEES	Chair of the Nomination and Remuneration Committees	Member of the Nomination and Remuneration Committees	Member of the Audit Committee
CONSIDERED INDEPENDENT	Yes	Yes	Yes
HOLDING OF SHARES AT 31 DECEMBER 2024	112,670	20,270	-

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
	◷ 2024-2025	◷ 2024-2025	◷ 2024-2025
	👤 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	Master of Science 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 and strategy development • Financial management and reporting expertise • Considerable insight into the US tobacco industry	• Executive experience from contributing to the running of large, international and global corporations • Extensive experience with strategy development, change and program management • Considerable insight into digital transformation, global IT management and cyber security & compliance • Experience with retail and online business
SELECTED FORMER EMPLOYMENT POSITIONS	• Senior Vice President and CFO of Swedish Match AB 2013-2018 • Member of the Board of Scandinavian Tobacco Group A/S 2014-2017 • Various positions in the Swedish Match group, including Vice President Group Reporting and Vice President Business Control 2004-2013 • Analyst Ernst & Young 2001-2004	• Member of the Board of Directors of Lorillard, Inc. 2011-2015 • Executive Vice President and Chief Financial Officer of Reynolds American, Inc., 2004-2007 • Various positions in Reynolds American and its subsidiaries 1988-2003 • Executive Vice President and Chief Financial Officer of R. J. Reynolds Tobacco Holdings, Inc. 2003-2004	• CIO and Corporate Management Member in the LEGO Group, 2007-2021 • CIO and Board Member, TDC Totalløsninger A/S & TDC A/S, 2005-2007 • Finance and IT Director, Management Board Member, AAK A/S, 2004-2005 • CIO, Aarhus Oliefabrik A/S, 1999-2004
MANAGEMENT POSITIONS WITH OTHER ENTITIES	**Member of the Board of** Kambi Group plc (Chair of the Audit Committee), Lime Technologies AB, not up for re-election (Chair of the Audit Committee), Nobia AB (Chair of the Audit Committee), Norican Global A/S (Chairman of the Audit Committee), AddSecure AB (Chair of the Audit Committee) and Viedoc technologies AB	**Member of the Board of** Ameriprise Financial Services, Inc. (Chairperson of the Compensation Committee, Member of the Audit and Risk Committee, Member of the Executive Committee), Triad Business Bank (Member of the Operating Risk Committee and Member of the Audit Committee) and Winston-Salem Police Foundation, Reynolda House Museum of American Art	**Chairman of the Board of** Eltronic A/S, **Member of the Board of** DSB SOV (Member of the Audit Committee), Falck Digital Technology Poland Sp. z.o.o., **CEO and Member of** the Board of Falck Digital Technology Denmark A/S, **CIO of** Falck Danmark A/S
STG COMMITTEES	Chair of the Audit Committee	Member of the Audit, Nomination and Remuneration Committees	-
CONSIDERED INDEPENDENT	Yes	Yes	Yes
HOLDING OF SHARES AT 31 DECEMBER 2024	3,250	1,700	-

BOARD OF DIRECTORS

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

	KARSTEN DAM LARSEN	MARK DRAPER	THOMAS THOMSEN
	★ 1961 ■ Danish	★ 1966 ■ American / Danish	★ 1976 ■ Danish
	◷ 2023-2027	◷ 2023-2027	◷ 2023-2027
	👤 2023	👤 2023	👤 2023
EDUCATION	Construction and Machinery blacksmith	Master's degree in strategic studies from the US Army War College	Degree in Sales and Marketing from Lyngby Business College
COMPETENCIES	• Elected by the employees	• Elected by the employees	• Elected by the employees
CURRENT STG ROLE	Technician	Public Affairs Director	Facility Manager
MANAGEMENT POSITIONS WITH OTHER ENTITIES	-	-	Partner of Lyngby Multi Service I/S
STG COMMITTEES	-	-	-
CONSIDERED INDEPENDENT	No	No	No
HOLDING OF SHARES AT 31 DECEMBER 2024	1,600	200	6,000

ATTENDANCE MEETINGS 2024

Board of Directors Meetings

Henrik Brandt	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Claus Gregersen	Attended	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
Dianne Neal Blixt	Attended	Attended	Did not attend	Attended	Attended	Attended	Attended
Anders C. Obel	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Marlene Forsell	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Henrik Amsinck	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Mark Draper	Attended	Did not attend	Attended	Attended	Attended	Attended	Attended
Thomas Thomsen	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Karsten Dam Larsen	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Jörg Biebernick	Not a member at the time	Not a member at the time	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 C. Obel	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
Jörg Biebernick	Not a member at the time	Attended	Did not attend	Attended	Did not attend	Attended

Nomination Committee Meetings

Henrik Brandt	Attended	Attended	Attended
Claus Gregersen	Attended	Not a member at the time	Not a member at the time
Dianne Neal Blixt	Attended	Attended	Attended
Anders C. Obel	Not a member at the time	Attended	Attended

Remuneration Committee Meetings

Henrik Brandt	Attended	Attended	Attended	Attended
Claus Gregersen	Attended	Not a member at the time	Not a member at the time	Not a member at the time
Dianne Neal Blixt	Attended	Attended	Attended	Attended
Anders C. Obel	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 is currently also the Chair of the board of directors of Boman A/S.

2 MARIANNE RØRSLEV BOCK

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

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

3 RÉGIS BROERSMA

CHIEF COMMERCIAL OFFICER

Régis Broersma (1977) joined Scandinavian Tobacco Group in 2002 and has since held various positions in the Group including Managing Director of Scandinavian Tobacco Group Germany and President of General Cigar Co. Ltd. Régis became Senior Vice President of the North America Branded Business Division in 2018 and Senior Vice President of the Smoking Tobacco & Accessories Division in 2019. In April 2020, he became Senior Vice President of North America Branded and Rest of World (RoW) Division. In March 2024, Régis became Chief Commercial Officer for the Group's commercial organisation.

4 YULIA LYUSINA

SENIOR VICE PRESIDENT, STRATEGY, TRANSFORMATION & SUSTAINABILITY

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

5 JESPER TERNDRUP MADSEN

CHIEF SUPPLY CHAIN OFFICER

Jesper Terndrup Madsen (1975) joined Scandinavian Tobacco Group as Chief Supply Chain Officer in 2023. Prior to this, he spent more than seven years with Nilfisk A/S where he was Chief Operating Officer since 2017. Jesper has also held various leadership positions in operations in Nilfisk A/S, Royal Copenhagen A/S and GN Netcom A/S. Jesper is currently also a member of the board of directors of Toms Gruppen A/S and Gerda og Victor B. Strand Holding A/S.

6 THOMAS KOLBER

CHIEF HUMAN RESOURCES OFFICER

Thomas Kolber (1971) joined Scandinavian Tobacco Group as Chief Human Resources Officer in 2024. Prior to joining STG, Thomas spent four years at Knauf Ceiling Solutions where he was Chief People and Change Officer since 2020. Thomas has also held various human resource leadership positions in organisations including Nets (a division of Nexi Group), Copenhagen Airports and Carlsberg Group. Thomas is also Managing Director of Martho ApS.

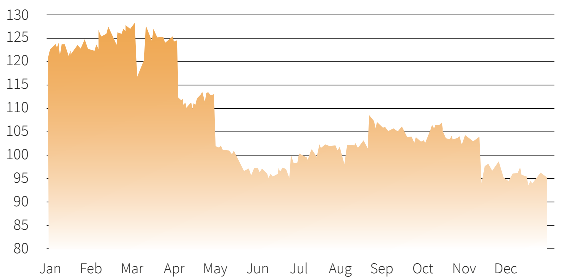
SHAREHOLDER INFORMATION

SHAREHOLDER RETURN 2024

Scandinavian Tobacco Group is listed on the Nasdaq Copenhagen Stock Exchange. In 2024, the share price decreased 19% from DKK 117.3 to DKK 95.3. In the same period the Nasdaq OMX25 index decreased by 4%.

Including dividends paid, the Total Shareholder Return was -11% in the period ending 31 December 2024.

SHARE PRICE DEVELOPMENT



SHAREHOLDERS

Scandinavian Tobacco Group had approximately 8,200 shareholders by the end of 2024. The Company owned 8.5% of the share capital. As of 28 February, 2025 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%
Capital Group Companies, Inc	>5%

SHARE INFORMATION AND AUTHORISATIONS

At the Annual General Meeting on 4 April 2024, the shareholders approved that the Company's share capital be reduced by cancelling treasury shares with a nominal value of DKK 1,000,000. After the reduction, the nominal value of the Company's share capital is DKK 86,000,000.

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)	86,000,000
Number of shares	86,000,000
Nominal value (DKK)	1 per share
Votes per share	1

DIVIDENDS AND SHARE REPURCHASES

At the Annual General Meeting held on 4 April 2024, the shareholders approved an ordinary dividend of DKK 8.40 per share to be paid out for the financial year 2023.

For the financial year 2024, the Board of Directors proposes that the Annual General Meeting approves a dividend of DKK 8.50 per share is paid to the shareholders. This will be equivalent to a total payment of DKK 731 million and a pay-out ratio of 78%. The proposed dividend of DKK 8.50 per share corresponds to an increase of 1.2% versus last year's ordinary dividend.

During 2024, Scandinavian Tobacco Group has bought back 1,532,727 shares in total at a market value of DKK 181 million under the up to DKK 1,000 million share buy-back programme and the up to DKK 850 million share buy-back programme that was completed in November 2024.

TOTAL SHAREHOLDER RETURN

In the five years from 2020-2024, Total Shareholder Return (TSR) equals 63% or DKK 51 per share. TSR is shareholder return including share price performance and dividends paid. The share price increase in the period was DKK 14 and dividends paid have in total been DKK 37 per share.

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 2025

09 APR	**Annual General MeetingMeeting**
14 MAY	**Q1 Interim Report**
27 AUG	**Q2 Interim Report**
11 NOV	**Q3 Interim Report**

QUARTERLY FINANCIAL HIGHLIGHTS

	2024					2023				
DKK million	Q4	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1	Full year
REPORTED DATA										
Net sales	2,458	2,431	2,366	1,948	9,202	2,275	2,269	2,225	1,963	8,731
Gross profit before special items	1,162	1,126	1,109	881	4,279	1,089	1,092	1,044	979	4,204
EBITDA before special items	596	568	580	335	2,079	517	602	514	474	2,106
Special items	-148	-49	-53	-30	-279	-35	-14	-16	-27	-92
EBIT	342	401	429	208	1,380	385	489	406	358	1,638
Net financial item	-54	-26	-53	-54	-186	-79	-44	-22	-31	-177
Profit before tax	292	383	385	159	1,219	311	453	392	335	1,491
Income taxes	-71	-86	-88	-34	-280	-43	-102	-88	-76	-308
Net profit	221	297	297	125	940	268	351	304	260	1,182
OTHER FINANCIAL KEY DATA										
Reported Net sales growth	8.0%	7.1%	6.3%	-0.7%	5.4%	4.1%	-3.9%	-2.3%	1.3%	-0.4%
EBITDA Margin	24.3%	23.4%	24.5%	17.2%	22.6%	22.7%	26.5%	23.1%	24.1%	24.1%
Free cash flow before acquisitions	604	275	177	-126	931	452	622	159	-179	1,053

QUARTERLY FINANCIAL HIGHLIGHTS

	2024					2023				
DKK million	Q4	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1	Full year
NORTH AMERICA ONLINE & RETAIL										
Net sales	740	743	840	650	2,973	738	745	740	602	2,824
Gross profit before special items	286	292	331	255	1,164	293	299	290	242	1,124
EBITDA before special items	99	109	152	81	441	108	129	122	83	443
Net sales growth	0.2%	-0.2%	13.6%	8.1%	5.3%	4.9%	-3.2%	0.4%	5.9%	1.7%
Organic net sales growth	-2.4%	-0.9%	12.1%	9.2%	4.2%	10.4%	4.4%	2.7%	1.3%	4.8%
Gross margin before special items	38.6%	39.3%	39.4%	39.2%	39.1%	39.8%	40.1%	39.2%	40.2%	39.8%
EBITDA margin before special items	13.4%	14.6%	18.1%	12.5%	14.8%	14.7%	17.4%	16.4%	13.9%	15.7%
NORTH AMERICA BRANDED & REST OF WORLD										
Net sales	870	837	751	681	3,139	743	809	773	720	3,044
Gross profit before special items	445	418	391	340	1,595	380	435	397	395	1,606
EBITDA before special items	342	302	275	211	1,130	242	321	265	276	1,104
Net sales growth	17.1%	3.5%	-2.9%	-5.4%	3.1%	-1.0%	-4.9%	-5.7%	-6.9%	-4.7%
Organic net sales growth	3.5%	-4.8%	-3.5%	-6.1%	-2.6%	-1.4%	-2.6%	-6.1%	-9.2%	-4.7%
Gross margin before special items	51.2%	50.0%	52.0%	50.0%	50.8%	51.1%	53.8%	51.3%	55.1%	52.8%
EBITDA margin before special items	39.3%	36.1%	36.6%	31.2%	36.0%	32.6%	39.7%	34.2%	38.3%	36.3%
EUROPE BRANDED										
Net sales	848	850	775	617	3,090	794	716	712	641	2,863
Gross profit before special items	431	416	388	286	1,520	416	359	357	342	1,474
EBITDA before special items	183	189	193	83	649	196	176	164	146	683
Net sales growth	6.9%	18.8%	8.8%	-3.8%	7.9%	8.6%	-3.5%	-1.3%	7.6%	2.6%
Organic net sales growth	-4.2%	5.8%	6.1%	-7.7%	0.1%	6.7%	-4.8%	-1.4%	8.3%	1.8%
Gross margin before special items	50.8%	48.9%	50.0%	46.3%	49.2%	52.4%	50.1%	50.1%	53.2%	51.5%
EBITDA margin before special items	21.6%	22.3%	24.9%	13.8%	21.0%	24.7%	24.6%	23.1%	22.8%	23.8%
GROUP COSTS										
EBITDA before special items	-28	-33	-40	-40	-141	-30	-25	-37	-32	-123

GLOSSARY

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

SUSTAINABILITY STATEMENT

LAURIE RÆBILD
HEAD OF SUSTAINABILITY

At STG, we are a responsible company with passionate people. It makes sense for us to work with sustainability so we together can craft a better tomorrow by elevating our colleagues in our communities and by anchoring climate action in our value chain.

ESRS DISCLOSURE REQUIREMENTS

ADDITIONAL NOTE
* Incorporated by reference in the management review section within page 1-55.
** Incorporated in the data section of the sustainability statement within page 86-102.
*** Deemed not material during the Double Materiality Assessmnet process described in page 61-63.

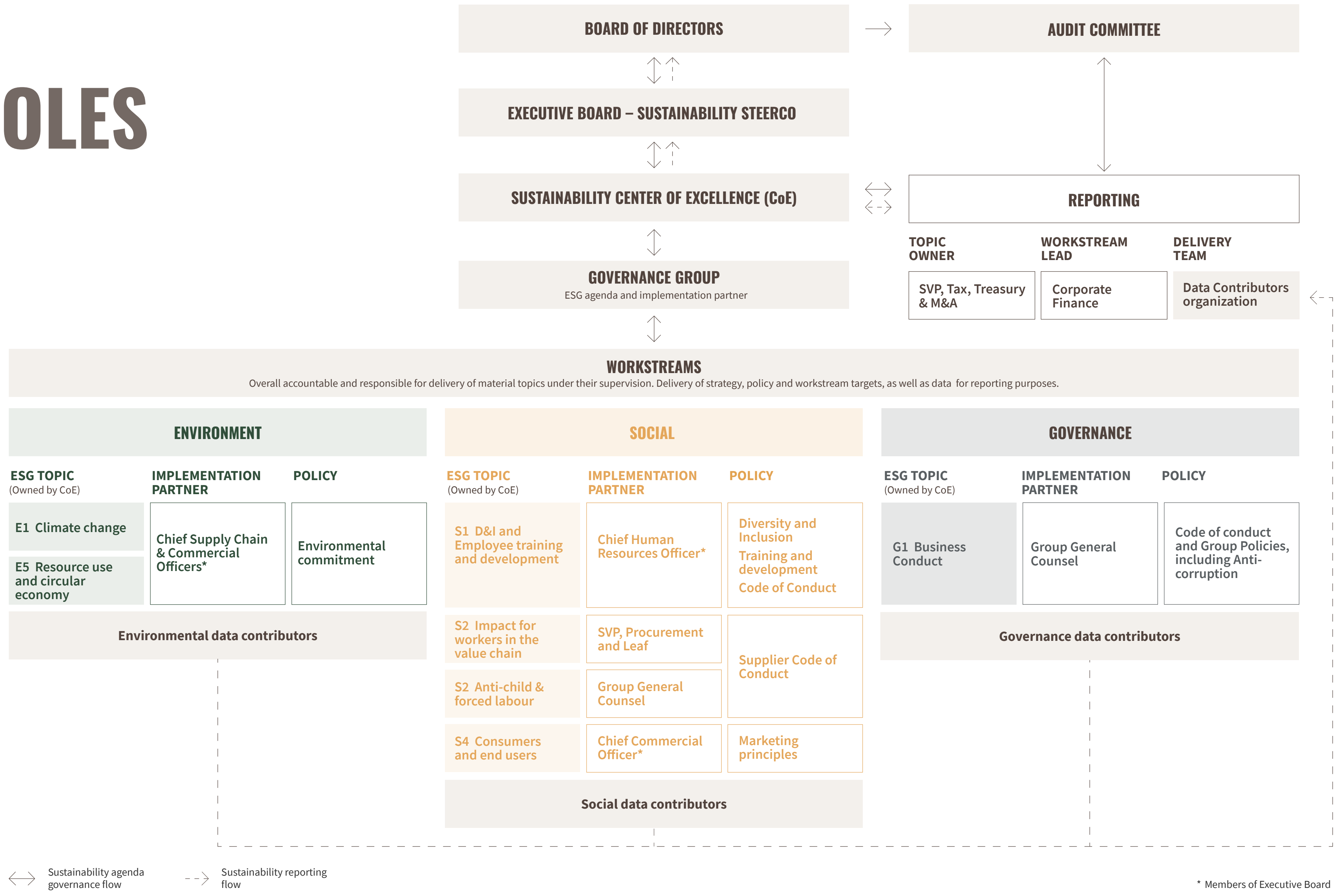
NON-MATERIAL***
The following sub-topics were deemed not material: collective bargaining, adequate wages, social protection, persons with disabilities, health and safety, work-life balance, remuneration metrics, management of supplier relationships, political influence and lobbying activities, and payment practices within Social and Governance, and waste for Resource use and circular economy.

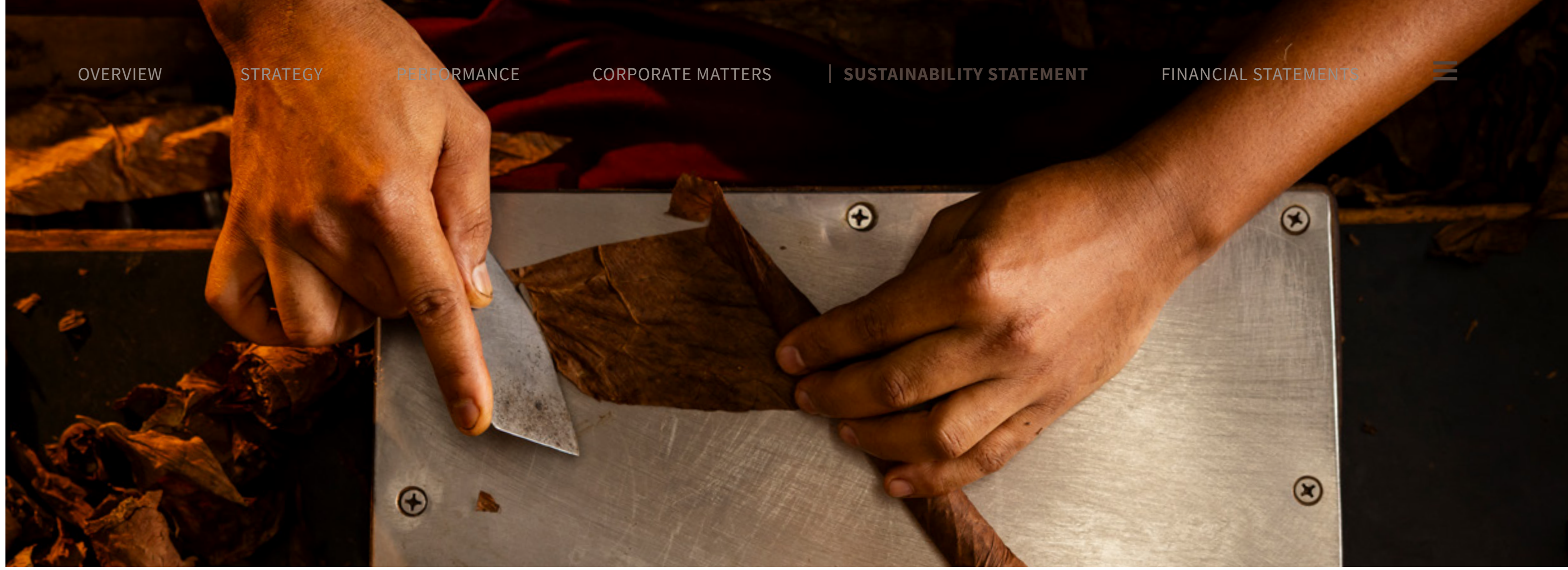
PHASE-IN
The phase-in data points includes non-employee characteristics, training and skills development, resource outflow metrics, and anticipated financial effects for Climate Change and Circular Economy. With GHG removals and carbon credits, internal carbon pricing not relevant to STG for the reporting year.

OVERSIGHT AND SUPERVISORY ROLES

STG manages material topics through the sustainability agenda – Rolling Responsibly. Led by the Sustainability Center of Excellence (CoE), STG is maturing in the journey to manage at Impact, Risk and Opportunity (IRO) level. Our approach and procedures are disclosed across each chapter in relation to policy, actions and targets.

Our policies are available at our website st-group.com





OVERSIGHT AND SUPERVISORY ROLES

Body	Roles and Responsibilities
Board of Directors	Oversees sustainability agenda, and acts as an ambassador for STG's sustainability journey. Includes ESG goals when awarding executive compensation. The identity of the administrative, management and supervisory bodies responsible for oversight of material impacts, risks and opportunties can be found in the Board of Directors section in page 47.
Audit Committee	Reporting to the Board of Directors, assesses the reporting processes for transparency and compliance. Through dialogue with the CFO, Corporate Finance, and CoE, the Audit Committee is broadening their understanding of the processes that are being built, the control mechanisms, and the procedures to monitor, manage and oversee the ESG data and the outcomes of the Double Materiality Assessment.
Executive Board / Sustainability SteerCo	Oversees and directs the sustainability agenda and business model, allots budget and approves changes to material topics, being responsible for the final DMA outcome. The CEO, with the Head of Sustainability, are responsible for updates to the Board, and the CFO ensures data quality and oversees the Annual Report.
Governance Group	The Governance Group consists of Executive Board Members, the Head of Legal and Corporate Finance as they are the implementation partners and are responsible for the material topics. The key elements are prioritisation, budget and resource allocation, and communicating progress and results. Owned and facilitated by CoE, with creation of roadmaps with initiatives, targets, forecast including yearly funding and resources. Meeting cadence quarterly.
Head of Sustainability / Center of Excellence	Owns and prioritizes the sustainability agenda, including developing and embedding initiatives into the Group. Sets targets and metrics, reports to the Executive Board, as they are the Steering Committee, informs the Board of Directors, and builds sustainability knowledge within the organization.
Topic Owners	Part of the CoE, they ensure roadmap development with initiatives, assessment and planning with cross functional project teams, and in collaboration with implementation partners. Define strategies, policies, and plans for each topic, support delivery teams and remove obstacles. Ensures quarterly results sharing, mitigating actions and prioritizing of initiatives to deliver targets. Topic owners are accountable for material topics in their respective areas and are essential in determining the DMA outcome.
Workstream Lead	Accountable for delivering material topics and collaborating with topic owners to create strategies, policies, metrics and plans. Defines and oversees initiatives, coordinates efforts, engages stakeholders, identifies resources and provides data for reporting purposes on initiatives per material topic, bringing necessary matters to the CoE and implementation partner.
Delivery Team	Executes initiatives according to plan, gathers data on impact, supports CoE in reporting and provides material topic data.

SUSTAINABILITY EXPERTISE

The CoE together with the different workstreams represent the sustainability-related experience and skills across a range of material topics in the Group. To cover gaps in the organization, the group assesses knowledge through subject matter experts from the consultancy sector or other relevant organisations, and thus develops key competencies internally with external support. Training and reinforcement in new skills and knowledge is deemed part of the way STG is embedding ESG considerations into the processes, including in Operations, Procurement and Commercial.

INCENTIVE SCHEMES AND REPORTING CONTROLS

INTEGRATION OF SUSTAINABILITY-RELATED PERFORMANCE
The Group started its journey in aligning financial rewards with its broader goals of environmental responsibility and social impact in 2022. STG implemented an incentive scheme in the Long-Term Incentive Program (LTIP) tied to the outcomes of ESG work in two pillars of our agenda:

Net zero along the journey of the leaf
Scope 1 & 2 emissions reduction targets from E1-Climate Change; which corresponds to 5% weight of the remuneration reward.

Sustainable Community Pioneers
A qualitative evaluation by the Board of Directors on plan and execution, which corresponds to 5% weight of remuneration reward. Even though it does not directly address any material Impact, Risk and Opportunity in the social pillar, it's part of Rolling Responsibly.

The term of of LTIP is three years. Based on proposals from the Remuneration Committee the Board of Directors decide the KPIs and scales for the program.

For more information refer to Remuneration Policy section and the Remuneration Report is available at st-group.com

DATA RISK MANAGEMENT AND INTERNAL CONTROL
To ensure our sustainability risk assessment and reporting process is accurate and robust, we have applied the same principles as our financial reporting risk assessment process. We identify risks linked to the standard audit assertions of Completeness, Accuracy, Cut Off, Occurrence, Presentation & Disclosure and Rights & Obligations. The risks are assessed for likelihood and impact, and controls designed for those deemed to be material as per the DMA.

We have established policies, procedures and internal control systems throughout the organisation to ensure mitigation of risks and to identify emerging risks as they materialise. Our process was designed with input from key stakeholder and external consultants to ensure completeness and transparency. Risks and controls are evaluated on an annual basis to ensure they are still relevant and working appropriately.

We have established governance to sustainability reporting by linking material topics to relevant Executive Board members and our approach and findings are reported to the Audit Committee and Board of Directors on a regular basis.
Our financial and sustainability reports are audited by the same independent audit firm, which is elected at the annual general meeting. Our sustainability data is subject to limited assurance based on the CSRD requirements. Observations raised by external auditors are reviewed and addressed with appropriate action plans, which are regularly followed up on until completion.

The estimations and uncertainty are disclosed in the Basis of Preparation section of the report in page 87.

DOUBLE MATERIALITY ASSESSMENT

Scandinavian Tobacco Group conducted a Double Materiality Assessment (DMA) to identify the material Impacts, Risks and Opportunities (IROs) across the topics and sub-topics relevant to its business activities.

The Group, led by CoE, conducted stakeholder mapping to identify groups and individuals in STG and external experts who could provide input during the assessment.

Internal stakeholders, including workstream leads, topic owners and subject matter experts from various departments such as Finance, Operations, including the Leaf buying department, Legal, HR and Public Affairs, among others, actively participated in workshops and discussions. Their insights and expertise enriched the assessment process and ensured that a comprehensive evaluation was performed.

External stakeholders' perspectives have been included indirectly though subject matter experts from consulting companies, and topical experts in the ESG domains. Finally, previous assessments, where stakeholders like suppliers, customers, local communities, authorities, and experts, were also considered. The engagement did not include direct consultation with affected stakeholders.

The Group also reviewed its structure and business activities to identify concentrated areas of IROs within the Group's value chain (operations, downstream and upstream). The process considered the opinions of the subject matter experts representing key functional areas, gathering input across meetings, workshops and online channels, for in-depth discussions to agree on the different ratings and achieve alignment of the final scoring.

PROCESS OVERVIEW

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

1 Interpretation of the European Sustainability Reporting Standards (ESRS)

A high-level view of what topics and sub-topics within the ESRS matter to the tobacco industry and to the Group in connection to STG's business model and value chain.

2 Identifying and shortlisting ESRS sub-topics

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

THE FOUR PHASES OF OUR DMA PROCESS

1 INTERPRETATION

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

2 IDENTIFICATION

Based on the previous assessment and using SASB standards, narrow down relevant ESG topics, and identify specific value chain impacts, risks, and opportunities.

3 ASSESMENT

Impact materiality assesment

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

Financial materiality assesment

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

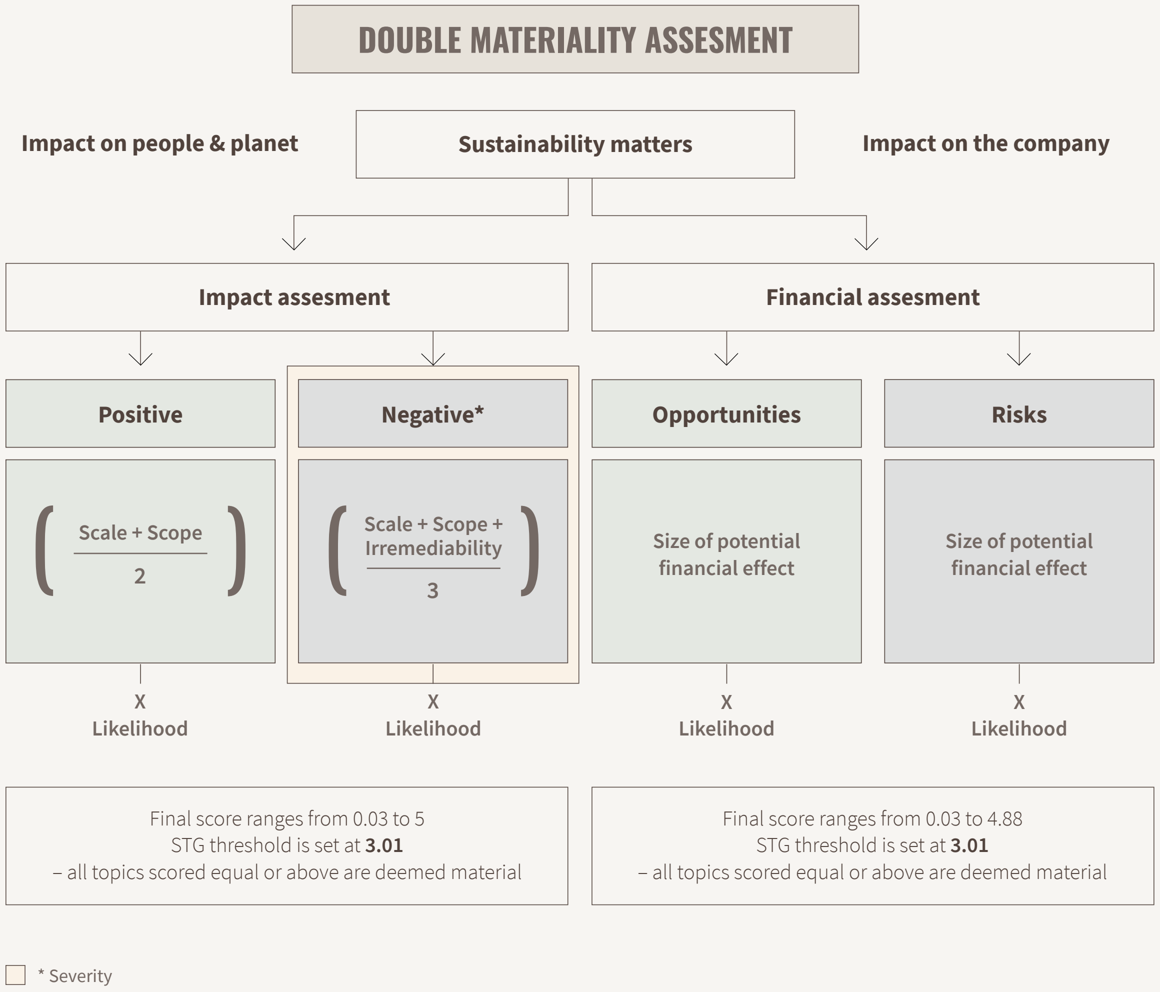
4 APPLICATION

Workstream CSRD gap assesment

Documentation for sustainability reporting

Make roadmap to close gaps

DOUBLE MATERIALITY ASSESMENT



3 Impact and Financial assessments

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

Impact assessment - Evaluating the severity of STG's effect on the environment and people consists of three factors, scale - meaning the magnitude of the impact it could have; scope - where and how it would affect; and irremediability - how easily STG could fix it. All are measured from 1 to 5, with 1 indicating minimal impact, immediate surroundings, or very easy to remedy, and 5 indicating large-scale impact, global level, or irremediable. Likelihood is measured by percentage where 2.5% (rare, less than once every 10 years) is equal to 1, and 100% (actual, occurring) is equal to 5.

From the human rights perspective, materiality of "actual" impacts is based on the severity of the impact, while "Potential" human rights impacts consider both severity and likelihood, but severity carries more weight over likelihood. As for "potential" negative impacts (non-human rights related), they are based on the severity and likelihood of the impact. If scored 3.01 or above, it was deemed material.

Financial assessment - The financial assessment was scored using the size of the financial effect, based on the threshold aligned to STG's internal risk management. It was set for the size of the potential financial impact, at 5% EBT (or approximately 70m DKK). The higher the financial effect of the risk or opportunity is in relation to the threshold, the higher the score will be. Likelihood ranges from 2.5% is equal to 1 (rare, expected in exceptional circumstances) to 97.5% is equal to 5 (almost certain, may occur within 1 year).

Sub-topics were deemed material if the respective IROs scored 3.01 or above in either of the assessments. SMEs, including Finance Business Partners, insight and expertise enriched the assessment process and ensured a comprehensive evaluation was performed, including the connections between impacts, risks and opportunities.

The threshold of 3.01 was set after external consultation and internal discussions to prioritize STG's materiality, both for the impact and financial assessment.

4 Application of results

Findings and results were reviewed by all participants, subject matter experts, topic owners and the Executive Board, to fine tune the outcome and ensure a thorough process was adhered to. The results of the DMA make sense for STG and were thus presented to the Audit Committee and Board of Directors for final approval.

DMA RESULTS

6 topics across Environment, Social and Governance were deemed material.

Also, the outcome of the double materiality assessment for impacts, risk and opportunities was considered and embedded in the risk identification component of the enterprise risk management process.

In 2025, we will revisit the DMA.

MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

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

The Group defines short term as events within the reporting year, medium term within the next five years, and long term as beyond five years, unless specified otherwise. All IROs identified as short to medium term.

The Group has not identified current nor anticipated material financial implications from its impacts, risks and opportunities.

Non-material topics are disclosed on page 57.

IRO	Topic	Sub-topic	Value Chain	Classification / time horizon	IROs, Relation to Strategy, Business Model, and Policy, Action and Targets
IMPACTS	E1 Climate Change	Climate change adaptation	Across*	Potential	66
		Climate change mitigation	Across*	Potential and Actual (in the value chain)	66
		Energy	Own operations	Actual	66
	E5 Resource use and circular economy	Resources inflows, including resource use	Across*	Actual	71
		Resource outflows related to products and services	Across*	Actual	71
	S1 Own workforce	Equal treatment and opportunities for all - Training and skills development	Own operations	Actual	74
		Equal treatment and opportunities for all - Harassment and discrimination	Own operations	Actual	74
	S2 Workers in the value chain	Working conditions – Working time	Upstream*	Actual	77
		Working conditions – Adequate wages	Upstream*	Actual	77
		Working conditions - Work life balance	Upstream*	Potential	77
		Working conditions – Health and safety	Upstream*	Actual	77
		Other work-related rights – Child labour	Upstream*	Potential	77
	S4 Consumers and end users	Personal safety of consumers and/or end-users - Health and safety	Downstream	Actual	80
		Personal safety of consumers and/or end-users -Protection of children	Downstream	Actual	80
		Personal safety of consumers and/or end-users - Protection of children	Own operations	Potential	80
	G1 Business Conduct	Corruption and bribery - Incidents	Own operations	Potential	83
		Protection of whiste-blowers	Own operations	Potential	83
RISKS	S2 Workers in the value chain	Other work-related rights – Child labour	Upstream*	Short term	77
		Other work-related rights – Forced labour	Upstream*	Short term	77
OPPORTUNITIES	S2 Workers in the value chain	Other work-related rights – Child labour and Forced labour	Upstream*	Short term	77

* including business relationships

INTEREST AND VIEWS OF KEY-STAKEHOLDERS

Engagement with stakeholders occurs across different communication channels, including meetings, surveys, online and in other forums, to fit business needs across STG's activities and value chain. Engagement is key to enhance trust and align with ethical business practices and contributes to long-term stability. An overview of how the Group interacts with the various key stakeholder groups across its value chain and business model is shown on this page.

During each iteration, information is aggregated and communicated to supervisors. If deemed necessary, it is escalated to management, who then decide based on the proposals put forward, on the necessary course of action or required steps to adapt the business model or strategy.

Stakeholder Group	Value chain	Stakeholder relationship	Widely used engagement channels
S1 Employees and future employees	Own operations	• Seeking job satisfaction, fair compensation, and growth • Desire a collaborative and ethical culture with transparent communication • Value supportive leadership, input opportunities, and purpose for fulfillment • Local communities at manufacturing sites are essential stakeholders impacting operations and production, environment and social responsibility	Regular engagements between supervisors and coworkers in the form of face-to-face or online meetings. Also, a survey system in place to capture employee feedback. Most recent in 2023, physical workshops, feedback rounds, surveys, and open dialogue were held across our communities at production sites. Works councils and unions represent employees' interests, focusing on securing economic, social, and governance aspects in the Group's policies and strategy. The workers' rights vary based on local legislation.
S2 Leaf suppliers and workers in the value chain	Upstream	• Are crucial for the primary raw material - tobacco leaf • Impact operations, environment, and social responsibility • Seek lasting and transparent partnerships • Workers in the value chain, including farmers seek secure employment, fair wages, good working conditions and opportunities for satisfactory living conditions with access to health and education	Supplier engagements through online channels, as well as regular meetings and occasional visits. Indirect engagement with farmers through associations and initiatives (Sustainable Tobacco Program).
S4 Consumers	Downstream	• Essential stakeholders, forming the foundation of the business by creating demand for products • Seek satisfaction, enjoyment, high and consistent quality, and fair prices	Limited opportunities to communicate with consumers due to the tobacco industry being highly regulated (with regulators setting legal and regulatory standards, and communicated only when requested and allowed), and STG adherence to its marketing principles.
Investors / shareholders	N/A	• Some shareholders are concerned about the potential ESG impacts, and addressing these concerns can therefore safeguard shareholder value • Shareholders have high and direct influence on the Group's value and overall market performance	Overall proactive communication across different channels on company strategy and performance.

ENVIRONMENT

ROLLING RESPONSIBLY

NET-ZERO ALONG THE JOURNEY OF THE LEAF

Across Climate Change topic, we have advanced in the decarbonization journey, got validation on our science-based targets for all scopes by SBTi and are developing a solid pipeline of initiatives. We are also looking to become more efficient in utilizing natural resources to better manage the environmental impact of our packaging.

E1 CLIMATE CHANGE

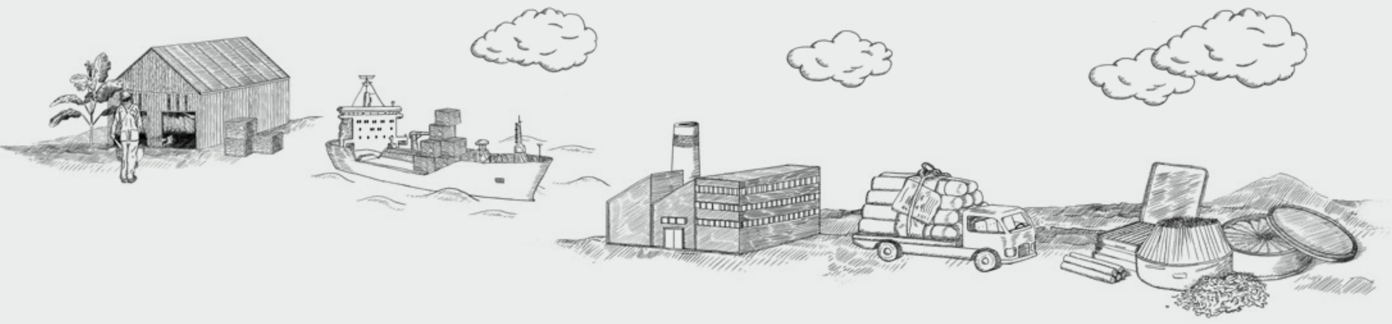
MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

NEGATIVE IMPACTS

Climate Change Adaptation - Without proper measures for adaptation to climate change, there are risks of adverse environmental effects on the tobacco growers and their farms.
> Upstream

Climate Change Mitigation - We are directly contributing to climate change through greenhouse gas (GHG) emissions from our own operations and manufacturing, as well as indirect emissions from different parts of our value chain, including suppliers and contractors.
> Across the value chain

Energy - We are contributing to the depletion of energy resources through the intensive use of energy within manufacturing and distribution of our products.
> Own Operations



CLIMATE RISK SCENARIO ANALYSIS

Scenario analysis was conducted in alignment to the guiding principles from the Task Force on Climate-Related Financial Disclosures (TCFD) to identify and assess physical, and transition risks and opportunities in own operations, and across the upstream and downstream value chain. The parameters were chosen based on STG's business model, geographical and operational setup, strategic planning, science-based targets and time horizons.

Methodology

GHG emissions sources have been identified in both own operations and along the value chain. Our projection is limited to the currently identified levers and emissions reductions plans. Potential future GHG emissions sources and projection of the Group emissions were modelled for selected risks.

Physical climate hazards assessment

- Conducted across own operations, including production sites, various warehousing and distribution centers, and across the value chain in several key tobacco leaf sourcing locations.
- For our own operations, geospatial coordinates or regional location data were used to define the risk magnitude based on selected scientific indicators (such as water stress and other indicators).
- For tobacco sourcing regions, regional location data was used to define risk magnitude covering more than 80% of purchased leaf volumes.
- The final scoring of the risks was based on the weighted average assessment of tobacco sourcing locations, as well as the average of own operation locations in scope.

Transition risks assessment

- Conducted on an aggregated level for the Group, considering own operations and sales, as well as value chain (incl. core activities, such as procurement, transportation and distribution).
- For several risks, such as carbon pricing regulation and energy price changes, financial models have been built to assess the risks' magnitude, which included disaggregation of STG emissions and energy consumption by scopes and locations.
- The final scoring of the risks was defined on Group level for all transition risks.

Climate scenarios

The Group chose to use two climate scenarios which reflect a positive and negative trajectory of climate development, enabling the evaluation of the range of the risks' magnitude. Considering the maturity of the climate agenda in STG, financial statements do not directly incorporate climate-related assumptions, therefore they are not yet validated for compatibility with selected climate scenarios.

Sustainable development scenario - This IPCC scenario corresponds with STG's emissions reductions targets aligned with the SBTi way below 2°C pathway

E1 CLIMATE CHANGE

Fossil fuel-driven development scenario – In this scenario temperatures increase by between 3.3°C to 5.7°C by 2100. Refer to note 1 on page 95-96 for more information on the scenarios.

Climate-related hazards

- Chronic: Changing temperature, precipitation change, water stress and soil degradation.
- Acute: Extreme temperature events, floods, wind-related events (cyclones, hurricanes and storms) and droughts.

Climate-related transition events

- Cost and access to capital
- Cost and coverage of insurance
- Consumer concerns
- Carbon pricing
- Regulation & reporting
- Energy price change

Refer to note 2 on page 95-96 for more information regarding climate hazards and transition events.

Project team analysis and input from STG subject matter experts has identified eight climate related hazards and six transition risks that are relevant and could become material for STG.

Time horizon

The risks have been analysed over three time frames (different to the ones used for the DMA process and IRO management):

- **2030** near-term science-based targets and corresponds with our next strategic planning cycle.
- **2040** medium-term as a mid-point between 2030 and 2050.
- **2050** long-term reflects our science-based net-zero targets across the value chain.

Risk assessment and assumptions

All identified risks have been modelled under the two climate scenarios across three-time horizons. A hybrid assessment approach has been used, which implies application of both quantitative and qualitative metrics for analysis of risk magnitude and risk relevance.

Refer to note 3 on page 95-96 for more information.

The final scoring has been calculated as an average of the risk ratings across the tobacco value chain and locations within own operations.

Evaluated climate related risks and opportunities are deemed material if they have a medium or high final score under at least one of the climate scenarios and time horizons. No climate-related opportunities have been shortlisted for evaluations, as they have been deemed insignificant and not compatible with current business strategy.

Material risks

Risks associated with physical impacts of climate change

- Chronic Weather: Includes all chronic climate-related hazards. Temperature and precipitation changes, higher water stress, and soil degradation can lower tobacco yields and negatively impact workforce health, safety and productivity.
- Acute Weather: Includes all acute climate-related hazards. More frequent and severe extreme weather events can disrupt the tobacco supply chain, damage production capacity, increase costs, reduce quality and hinder meeting customer demand.

Risks associated with transition to low carbon economy

- Cost and access to capital: Rising ESG concerns from investors can increase costs, reduce capital access and limit STG's market performance.
- Cost and coverage of insurance: Climate change can increase costs due to contracting insurance markets, higher premiums and reduced coverage.
- Consumer concerns: Failing to meet consumer demand for sustainable products can harm reputation and reduce revenue.

Refer to note 4 on page 95-96 for more information.

Conclusion

Chronic weather risks may decrease tobacco quality and yield globally. Acute weather risks, already observed in regions like Brazil and Indonesia, damage crops and affect yields and prices. Significant impacts are also seen in operations in South Asia, the Caribbean, and Central America due to cyclones, floods, and extreme temperatures. The tobacco supply chain is more exposed to physical risks than own operations. Refer to note 5 on page 95-96 for more information.

RESILIENCE ANALYSIS

We assessed STG's strategy and business model resilience to the material climate-related risks identified in the climate scenario analysis. The analysis focused on tobacco sourcing on aggregated level and own operations. Key assumptions from IPCC[1] and IEA[2] scenarios were applied, considering estimated financial effects and the impact of physical climate events and environmental policies. STG's emissions reductions targets, strategy, operating model, and environmental initiatives formed the basis for evaluating its resilience to material climate risks.

We have rated resilience medium and strong across all material risks.

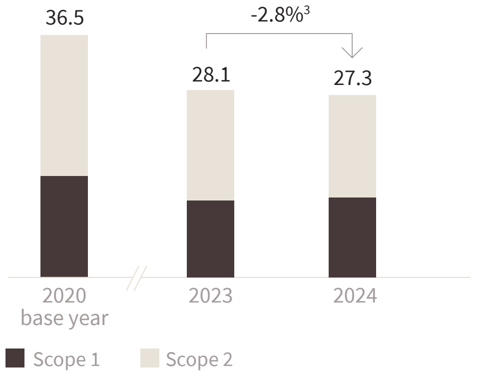
Despite exposure to climate-related risks, STG believes it is well-equipped to manage and mitigate potential consequences of the risks. Our diversified business model, wide geographic sourcing, manufacturing footprint, diverse funding and strong climate initiatives will help us adapt and transition to a low-carbon economy. We strive to address climate change but acknowledge the uncertainty of the actual climate scenario development and complexity of the adaptation, and mitigation.

1 The Intergovernmental Panel on Climate Change (IPCC) is the United Nations body for assessing the science related to climate change.
2 International Energy Agency

E1 CLIMATE CHANGE

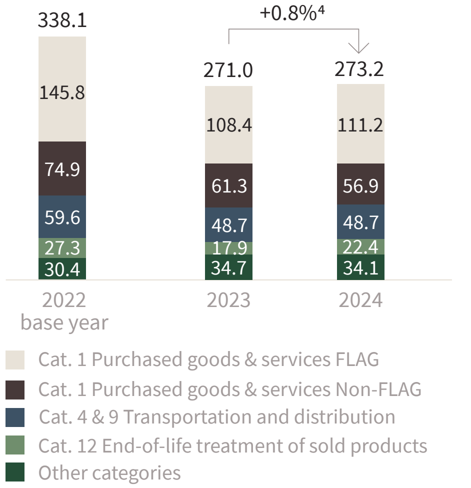
SCOPE 1 & 2 EMISSIONS[1,2]

Thousand tonnes CO_2e



SCOPE 3 EMISSIONS[1,2]

Thousand tonnes CO_2e



1 Including Mac Baren
2 2023 data not covered by auditor's limited assurance
3 -7.7% vs 2023 without Mac Baren
4 -1.9% vs 2023 without Mac Baren

OUR APPROACH

STG does not have a fully developed transition plan for climate change mitigation. It will be developed in the short to medium term and is expected to be compatible with limiting global warming to 1.5°C in line with the Paris Agreement. STG is excluded from EU Paris-aligned Benchmarks.

STG is focusing on detailed abatement plans to achieve absolute emissions reductions across all scopes, aiming for near and long-term science-based targets. While a concrete plan for neutralizing unabated emissions is still to be developed, we follow GHG Protocol guidelines and SBTi requirements. To reach net-zero by 2050, STG aims for a 90% reduction in absolute emissions for Non-FLAG emissions, 72% for FLAG - Emissions related to Forest, Land and Agriculture; and then using high quality offsets for the remaining unabated emissions. No GHG removals or carbon credits were used in the reporting period. Future emission reductions is subject to certain degree of uncertainty due to evolving global circumstances and developments.

For a detailed description and overview of our metrics, baseline and progress to meet targets - see page 92-97.

OUR DECARBONIZATION JOURNEY

2021 STG began working with Scope 1 & 2 carbon emissions by collecting data to build a baseline from 2020.

2022 STG included climate change as a pillar in the STG Sustainability agenda, Rolling Responsibly.

STG calculated its Scope 1 & 2 emissions baseline (2020), committed to 4.2% yearly emissions reductions, and has been successfully delivering on the target since 2021 (without Mac Baren).

2023 Compiled and completed our Scope 3 baseline (2022) calculations.

2024 The SBTi has approved STG's near-term and long-term science-based emission reduction targets.

2030 Near-term science-based targets.

2050 Long-term science-based net zero targets.

SOLAR PANELS INSTALLATION

Solar panels in San Pedro, Dominican Republic were installed at the end of 2024 as a renewable source of energy for our production site as part of our Scope 1 & 2 emission reduction initiatives. This initiative is expected to reduce emissions by ~350 tonnes CO_2e, which represents 23% contribution to the Scope 1&2 yearly targets.

E1 CLIMATE CHANGE

POLICY, ACTIONS AND TARGETS

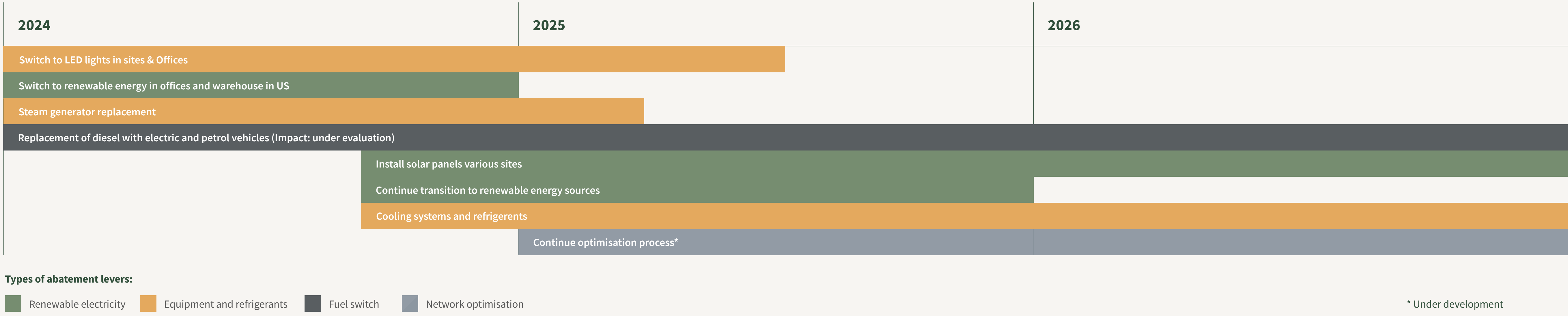
POLICY
STG has issued Environmental Actions and Commitments, and committed to reducing Scope 1, 2 and 3 GHG emissions, in line with near- and long-term science-based targets. This means increasing its share of renewable energy use and more efficient energy management. Assessing its material impacts and risks in its operations and value chain, setting strategies and actions to improve its environmental performance and contribute to our operations' adaptation to climate change. The most senior level accountable for implementation is the Group's Head of Sustainability and the Chief Supply Chain Officer.

ACTIONS
To progress on our decarbonization journey, STG has identified all sources of emissions within Scope 1, 2 and 3 and has implemented a cross functional process for assessing, selecting and prioritizing initiatives aimed at GHG emissions reductions. This requires global execution and supplier collaboration.

Scope 1 & 2 - Key planned areas for emissions reductions in the upcoming years include:
- **Renewable electricity:** Transitioning to renewable electricity from the grid and installing solar panels at several production sites.
- **Equipment and refrigerants:** Improve effiency by replacing outdated equipment to avoid leakages, and use modern refrigerants. Additionally, shift to LED lighting, use inverters to optimize the power conversion process and conduct energy audits.
- **Fuel switch:** Implement a fleet transition plan from diesel to petrol and electric vehicles.
- **Network optimisation:** Through STG's ongoing efforts to enhance operational efficiency, the Group will continue to implement initiatives aimed at optimizing the factory footprint.

Refer to page 93 for the decarbonization levers contributions.

SCOPE 1 & 2: DECARBONIZATION LEVERS 2024-2026



STEAM GENERATOR
In Westerlo, Belgium, STG upgraded to new steam boilers which are more energy efficient and provide a more reliable production. After evaluating various energy sources, gas was chosen for its flexibility to switch to diesel or a hydrogen mix, reducing CO_2 emissions.

E1 CLIMATE CHANGE

The Group has begun to develop a roadmap to reduce emissions to reach a near-term 42% absolute reduction target by 2030. Implementation of the initiatives started in 2021 and is continuously reviewed and adjusted.

Scope 3
We have advanced significantly in building the roadmap for reducing our value chain emissions to achieve our near-term science-based targets for FLAG and non-FLAG-related emissions.

The focus areas and initial pipeline of initiatives have been developed. The effectiveness of pipeline initiatives is measured by emissions reductions, return on investment, and their contribution to STG's long-term efficiency. The reduction levers cover the following areas:

- **Leaf and 3rd party cigars:** Optimize leaf use in products and engage suppliers to reduce emissions from cultivation and farm activities (incl. land use change).
- **Wood*:** Use certified wood and develop alternative packaging to partially replace wooden boxes.
- **Non-tobacco materials*:** Change pack materials, reduce packaging weight and optimise packaging solutions with suppliers (purchasing and end-of-life treatment).
- **Transportation & distribution:** Consolidate orders, address customer behaviour, improve fill rates and space utilisation, and enhance transportation efficiency with suppliers (including routing and fuels).

*Closely related to E5-Circular Economy & Resource Use.

Although the pipeline will focus on reductions of emissions from 2025 onwards, we have started our decarbonization journey already by anchoring sustainability aspects in projects in the commercial and operational areas.

TARGETS
To address climate related material impacts and risks, STG has set near and long-term science-based emissions reduction targets. The metrics and targets correspond with the prioritized areas identified in the DMA, an in-depth analysis of STG emissions profile, climate related scenario analysis, potential decarbonization levers and an external benchmark evaluation. STG's targets for all scopes have been validated by the SBTi. STG does not have a separate target for energy consumption and efficiency, but we are expecting to see an overall decrease of energy consumption and energy intensity due to the projects targeting enhancement of equipment and energy use efficiency within our pipeline to address Scope 1 & 2 emissions.

The targets have been developed in close collaboration with internal and external subject matter experts using Greenhouse Gas Protocol, SBTi and CDP (Carbon Disclosure Project) frameworks. STG has furthermore adopted a recalculation policy to ensure that GHG calculations, targets and progress remain accurate over time.

Refer to page 94 for more information on targets.

	2030 Near-term targets	2050 Long-term targets
Absolute Scope 1 & 2 GHG emissions (2020 base year)	↓42%	↓90%
Absolute Scope 3 Non-FLAG* GHG emissions (2022 base year)	↓25%	↓90%
Absolute Scope 3 FLAG** GHG emissions (2022 base year)	↓30.3%	↓72%
Reach net-zero GHG emissions across the value chain by 2050.		NET-ZERO

***Scope 3 Non-FLAG:** emissions from purchased goods and services, fuel-and energy-related activities, upstream and downstream transportation and distribution, waste generated in operations, and end-of-life treatment of sold products.

****Scope 3 FLAG:** emissions from Forest, Land and Agriculture related products & activities. Includes categories such as tobacco leaf, purchased tobacco products and wood. Scandinavian Tobacco Group commits to no deforestation across its primary deforestation-linked commodities with a target date of December 31, 2025.

E5 RESOURCE USE & CIRCULAR ECONOMY

MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

NEGATIVE IMPACTS

Resources inflows and use – Resource-related impacts stem from the use of resources for various packaging materials, including:

- Plastic: Made from fossil fuels like natural gas and oil derivatives
- Wood, cardboard and paper: Depend on trees as primary raw materials, which could lead to deforestation. This effect extends beyond the Group's operations into natural habitats, potentially endangering protected areas
- Metal: Tins used for packaging require the exploitation of raw material, with potential risks from indirect sourcing in conflict-affected countries.

> Across the value chain

Resource outflows – The Group creates a significant amount of packaging material waste downstream value chain, as these are not part of a closed-loop system. There is a high chance that this waste will end up in natural environments and landfills rather than waste management facilities, such as recycling centers, therefore increasing finite material consumption.

> Across the value chain

The Double Materiality Assessment serves as the process to screen activities and identify material negative impacts. The Group's consultations have been limited to SMEs within the organization and external consultants, but has not included engagement with affected communities. The Group conducted additional workshop sessions with internal stakeholders from various departments, including Procurement, R&D, Commercial and Finance. During these sessions, discussions on circularity impacts were aligned with the findings of the DMA.

Despite tobacco being a core raw material, it was not deemed a material impact within E5 Resource use and circular economy, since is not considered a scarce resource, and can be easily replenished through regrowth.

OUR APPROACH

STG uses a wide range of raw materials, as well as semi-finished and finished goods in our own operations and upstream value chain to manufacture and place our products on the market. We are engaging with a vast network of suppliers to source direct materials, including tobacco leaf, non-tobacco materials (packaging, flavours and other ingredients), and finished tobacco products. Considering a wide range of materials and an extensive supplier base, we are focusing on collecting data and assessing resource inflow and outflow for the products and materials that are critical for our operations and business model. In that context, we are prioritizing engagement with our direct suppliers.

CIRCULAR ECONOMY PRINCIPLES

The Group has not yet adopted a circular business model and does not have a well-established process to develop products based on circular principles, as STG has newly begun the journey to optimize resource use and address resource outflows across our business. At the same time, our current R&D processes include some circularity aspects from cost efficiency projects. Past projects have simplified packaging, developed solutions that facilitate higher recyclability levels and reduce resource use and outflows in our packaging by avoiding unnecessary packaging where possible. We are developing a methodology to assess resource use changes in future R&D packaging projects.

E5 RESOURCE USE AND CIRCULAR ECONOMY

Examples of those initiatives include:

- Switching from individually wrapped packs to packs without cellophane
- Designing packs to be easily disposable and more recyclable by separating materials
- Reducing the thickness of cardboard packs and tins
- Minimising the use of leaflet coupons inside packs
- Reducing the use of cigar rings and individual cellophane for machine-rolled cigars

For information about our metrics, see page 98.

POLICY, ACTIONS AND TARGETS

POLICY

STG has issued Environmental Actions and Commitments, which commit to optimizing our resource use (affecting inflows and outflows) in non-tobacco materials and other relevant products/ingredient groups. This may include using less material, increasing recycled content in our packaging and a greater use of renewable sources, to gradually move away from virgin resources.

ACTIONS

We gained a more detailed understanding of our resource inflow and materials use by collecting data from our suppliers and setting the stage for future targets and initiatives to improve resource use and outflows.

In the short to medium term, the development and implementation of initiatives to increase the efficiency of resource use and addressing resource outflows will be conducted together with our climate work in the relevant Scope 3 category. As non-tobacco materials, primarily packaging (including wood) contribute significantly to our value chain emissions, we are addressing both emissions reduction targets and circularity in one dedicated cross functional workstream. Implementation of the initiatives is dependent on the availability and allocation of resources, commercial viability, operational feasibility and business prioritisation.

TARGETS

STG has not set any targets in relation to resource use and resource outflows. However, we plan to develop dedicated targets as we mature.

The Group expects to improve its circularity (outflows) and efficiency of resource use while reducing its Scope 3 Non-FLAG emissions by 25% and Scope 3 FLAG emissions by 30.3% by 2030. Since non-tobacco materials account for a substantial amount of the emissions in the respective categories, those materials are prioritized in the development of our roadmap for emissions reduction.

SOCIAL

SUSTAINABLE COMMUNITY PIONEERS

We aim to foster an inclusive culture and provide our employees with fair and safe working conditions across all operations. We support local community initiatives and focus on developing our employees to align with business needs. We are also engaging in stronger relationships with our suppliers to strive towards a responsible supply chain and sourcing, which includes efforts to eliminate child labour and forced labour. Furthermore, we adhere to responsible marketing practices in line with our Marketing Principles.

S1 OWN WORKFORCE

MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

NEGATIVE IMPACTS

Harassment & Discrimination – The vulnerability of employees to harassment and discrimination poses a significant concern for employees in Customer-Facing Roles, specifically sales representatives and retail staff. The scale of impact is considerable, as instances of harassment or discrimination could severely affect the well-being and morale of employees. Addressing this widespread issue presents a challenge and is inherently difficult to remedy. It requires concerted efforts, including educating customers on appropriate behaviour and fostering a culture of respect and inclusion.

> Own operations

Training and skills development – STG's operations face certain challenges due to absence of opportunities for professional development, training and upskilling initiatives, which impedes employee adaptability, job security, and career advancement, potentially increasing turnover rates. This systemic issue applies to parts of the organization, including manufacturing and office roles, globally. While some development opportunities exist, effective growth relies on proactive organizational policies and training plans, rather than individual initiatives alone. Remediation for this situation requires a dedicated and concerted effort, which could potentially span over several years.

> Own operations

OUR APPROACH

Scandinavian Tobacco Group's strategy and business model is influenced by the interests and views of its employees through interactions such as meetings and dialogues among supervisors, managers and colleagues, and a feedback survey system. To engage with employees, the Group conducts a global employee engagement survey once every 3 years, and a pulse survey for all office employees worldwide on specific topics once or twice a year. HR and the Executive Board analyze the results of every survey. Key takeaway points are then communicated and when deemed necessary, accompanied by action plans at top management level across the organization and in individual teams.

STG employees have a significant stake in various aspects of the Group's operations, spanning from manufacturing to marketing and sales, along with other business-related services. The Group exercises considerable influence over its employees, impacting their compensation, working conditions, health, safety and growth opportunities. The rights, including human rights, of STG employees are influenced by local laws and contractual agreements, and where applicable, through unions. In case of strategic organizational changes or closure of one or more parts of our operations, our employees shall be considered under each country's specific labour laws and regulations.

75 NATIONALITIES

The Group represents 75 nationalities across its workforce, bringing global perspectives within the organisation and fostering a diverse and inclusive environment that strengthens the organization.

S1 OWN WORKFORCE

As internal stakeholders, employees value a collaborative and ethical work environment characterized by transparent communication and acknowledgment of their contributions. Supportive leadership, opportunities for providing input, and a clear sense of purpose are essential components of their expectations for a fulfilling work experience with the Group. STG believes equal treatment and opportunities for all influence organisational competitiveness because it leads to increased innovation, increased team performance, and better problem solving abilities.

REMEDIATION PROCESS AND CHANNELS TO RAISE CONCERNS

Necessary remedies in relation to human rights impacts for our own workers are captured by the structures and reporting channels in the organisation (e.g. Management, HR departments, Works Councils, Union and employee representatives, whistleblower scheme or other). In late 2023, STG introduced a process that all suspected or actual breaches of law and STG policies, including the Code of Conduct, shall ultimately be reported by Managers/HR departments via the whistleblower platform to ensure both a consistent approach to the investigation of such matters and an overview at Group level of such cases. This also applies to incidents related to human rights, including discrimination and harassment.

Please see section in G1-Business Conduct in page 82-85 for more information on the whistleblower scheme.

POLICY, ACTIONS AND TARGETS

HARASSMENT AND DISCRIMINATION

POLICY

Scandinavian Tobacco Group has a policy on Diversity and Inclusion (D&I) which aims to create a culture and work environment where people can be themselves, feel connected to their colleagues and the organization, and contribute equally to STG's growth and success. The owner of this policy is the Chief Human Resources Officer (CHRO).

STG does not tolerate any form of harassment or discrimination, including harassment or discrimination based on gender, age, race, religion, nationality, ethnicity, political opinion, sexual orientation, union membership, disability, health status, or any other basis. The policy does not focus on any vulnerable group, but its ambition applies to all employees.

Code of Conduct

The cornerstone of the group policies related to responsible behaviour is the Code of Conduct, owned by the Group's General Counsel, and sponsored by the CEO.

As stated in the Code of Conduct, STG embraces diversity as a source of strength and values a diverse workforce that includes people of different nations, cultures, ethnic groups, generations, backgrounds, skills, abilities, and all the other unique differences that make each of us who we are. The Code of Conduct states that the Group respects internationally recognized human rights with an express reference to the International Bill of Human Rights, the fundamental rights set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the UN Guiding Principles on Business and Human Rights, the Children's Rights & Business Principles, the UN Convention on the Rights of the Child and its corresponding General Commitment No. 16, the ILO Convention No. 182 concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour, the ILO Convention No. 138 concerning Minimum Age for Admission to Employment, and the ILO Convention No. 184 concerning Safety and Health in Agriculture.

ACTIONS

STG's training plan consists of foundational awareness around D&I topics. To roll out D&I training on a global scale, the organization followed the same structure that had already been successful in the US and is replicating into 2025 in the global Senior Leadership Community. Training requirements are customized based on the social and cultural norms of each region, ensuring that the content resonates with the audience participating in the sessions. The main topics of the training sessions are: Inclusive leadership practices, foundational D&I training (unconscious bias, microaggressions and creating a positive workplace culture), and Allyship (the course explains what everyday actions inclusive leaders can take to support marginalized employees in the workplace).

S1 OWN WORKFORCE

The Group established a dedicated D&I committee, comprised of representatives from across the organization globally, for the purpose of fostering a diverse and inclusive workplace. These activities are primarily overseen and managed by the Human Resources department – CHRO. Internal resources like trainers, the tech team, the global D&I Committee and HR supported diversity and inclusion initiatives, while an external consultancy was used for specific initiatives.

The Group runs employee surveys to assess, among other things, employees' feeling of inclusion, belonging, and overall satisfaction. Sales reps and customer facing associates are in scope of the survey. The results are trickled down into the organization, and managers get together with their teams to create actions for improvement that are relevant for that particular team.

STG tracks and measures the training provided to employees on a local level, as we currently lack a system to gather this information on a Group level.

2025 and beyond
STG will focus on creating transparent reward structures, having a fully operational D&I Committee setting up different initiatives globally across the organization, establishing data tracking protocols, updating the Talent Acquisition strategy to foster D&I practices into recruitment procedures and developing new training guidelines for D&I.

TARGET
The Group has not set any targets in relation to this topic. Training will continue to be reinforced in North America and Europe for managers, with instructions on reporting allegations of discrimination and harassment via the whistle-blower portal and linked to the Code of Conduct. Once in place, targets will be developed.

TRAINING AND SKILLS DEVELOPMENT

POLICY
STG's training and skills development initiatives are designed to support the Company's strategic priorities and training needs are identified through strategic business objectives, performance appraisals, and employee feedback. This policy applies to all employees globally and is owned by the CHRO.

It encompasses various options for training and development, according to the area of expertise, from online compliance courses, craftsmanship, onboarding and corporate training, to professional development and performance evaluations.

STG's onboarding process is designed to integrate new employees into the corporate culture, job role and operational systems ensuring all new colleagues receive all necessary compliance training.

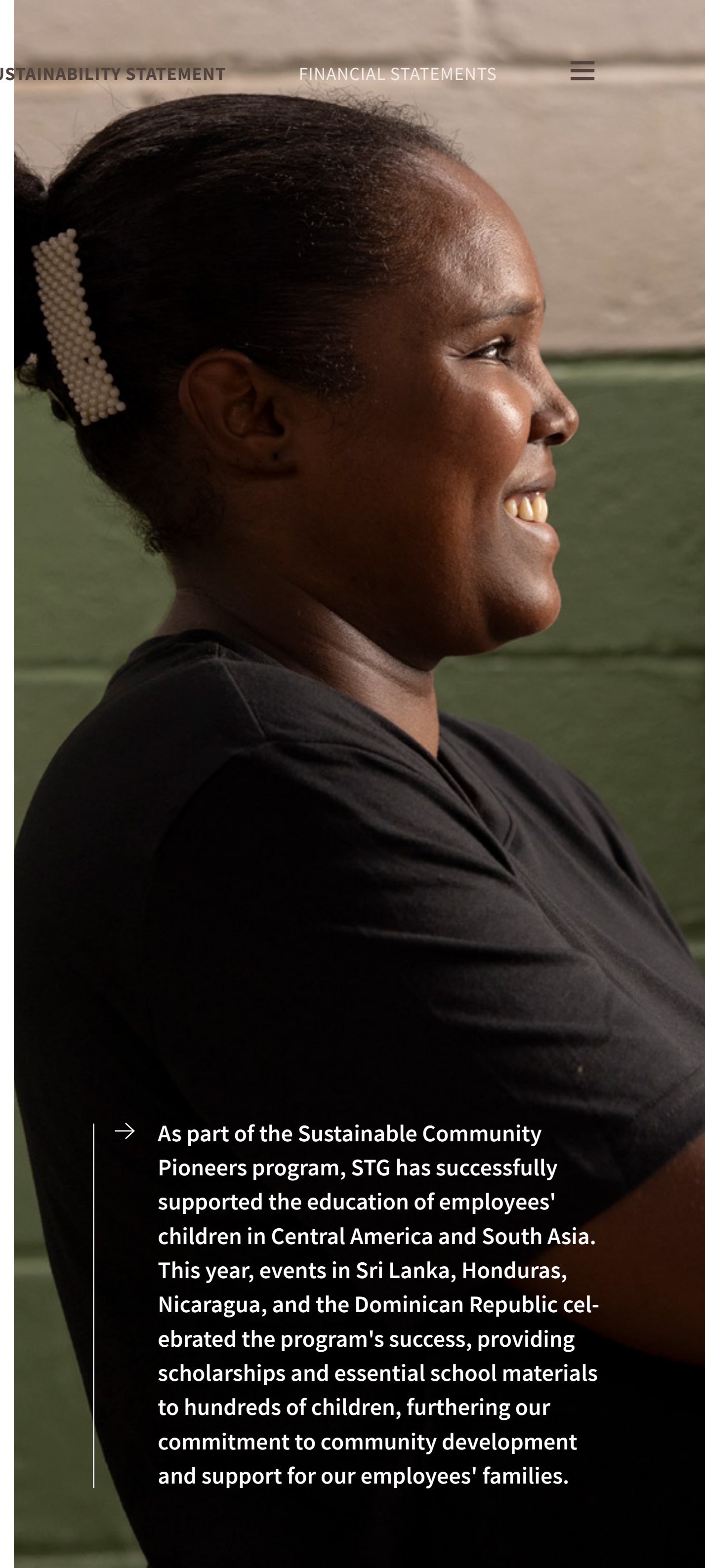
Line managers play a key role in employees' careers and as such, annual performance discussions are held where specific objectives for each employee are set as part of their development process. A full cycle of employee evaluations is implemented yearly to identify development opportunities, assess performance, and set goals for the upcoming year. Training programs are evaluated for their effectiveness and relevance, with employees providing feedback to ensure continuous improvement. The Executive Board, in collaboration with departmental heads, is responsible for the implementation and monitoring of this policy. Employees are responsible for actively engaging in training opportunities and applying the acquired knowledge and skills in their roles.

STG employees can report issues to any manager, Executive Board or Management members, local or Group HR, the Legal function, union representatives, local works council representatives, or employee-elected board members.

ACTIONS
The Group implemented a policy on Training and Skills development and increased capacity of people development, by hiring resources. Relevant actions will be defined in 2025 to further advance this area.

TARGET
The Group has not set any targets or metrics, as it is currently maturing and building capabilities in the topic as well as looking for a system to track the relevant metrics.

See page 99-102 for relevant metrics.



→ **As part of the Sustainable Community Pioneers program, STG has successfully supported the education of employees' children in Central America and South Asia. This year, events in Sri Lanka, Honduras, Nicaragua, and the Dominican Republic celebrated the program's success, providing scholarships and essential school materials to hundreds of children, furthering our commitment to community development and support for our employees' families.**

S2 WORKERS IN THE VALUE CHAIN

MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

NEGATIVE IMPACTS

Adequate Wages

The tobacco farming sector which is mostly based in low-income countries often employs low-cost labour, including sometimes seasonal or migrant workers, who may accept low wages due to their vulnerable status.

> Upstream value chain

Working time

Field workers may be living under poor conditions and not have access to adequate wages, potentially resulting in long working hours to compensate for that. Further, tobacco is grown in countries that may not have strong labour regulation of for instance fixed working time.

> Upstream value chain

Work-life balance

Field workers may carry out physically demanding work and work long hours which may leave only little energy and time for leisure and rest.

> Upstream value chain

Health and Safety

Health and safety standards on some tobacco farms may be deficient, with workers exposed to hazards such as harmful chemicals, elevated temperatures, nicotine exposure and inadequate personal protective equipment (PPE).

> Upstream value chain

Child Labor

Child labour in tobacco farms can have severe and lasting negative impacts on the well-being, development, and prospects of the children involved. Child labour constitutes a breach of the child’s fundamental right to education and to a childhood with play and rest, free of child labour.

> Upstream value chain

RISKS AND OPPORTUNITIES

Child Labour – The potential occurrence of child labour at tobacco farms presents significant risks to the children, but also presents a reputational risk for STG in the short term. Given the known prevalence of child labour in the tobacco farming, the risk of occurrence is relatively high despite initiatives from many stakeholders, including tobacco product manufacturers and international, national and regional bodies. Child labour is rooted in poverty, lack of awareness and lack of education among other factors and difficult to combat effectively.

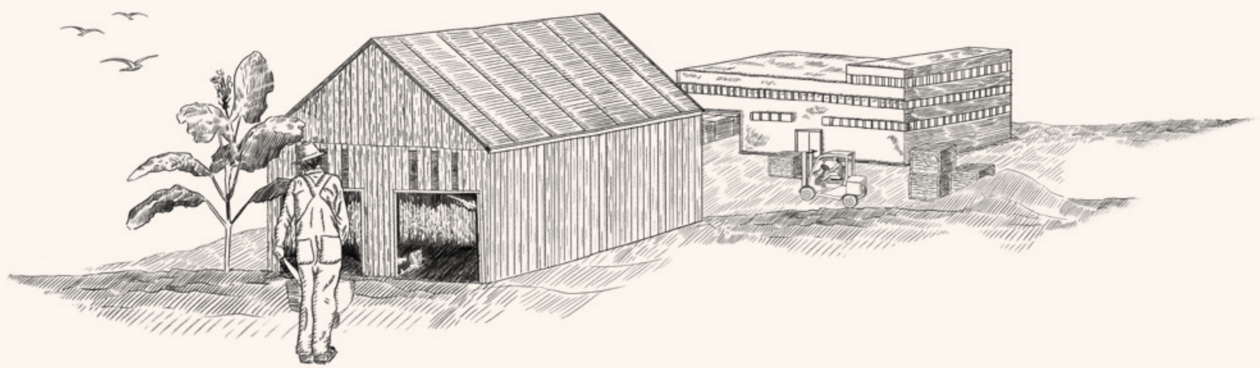
> Upstream value chain

Forced Labour – Forced labour may inflict profound physical and psychological tolls on workers and their families. Forced labour is a breach of fundamental human rights. Instances of forced labour among tobacco farm workers can also pose a significant reputational risk for STG in the short term.

> Upstream value chain

The impact, risks and opportunities across workers in the value chain originate from sourcing tobacco leaf and non-tobacco materials. STG sources tobacco from regions in Asia, Africa, South and Central America, which are often exposed to poverty, insufficient access to education and which do not always have adequate labour regulation and rights in place and/or insufficient enforcement of these by the authorities. Including a significant risk of child and forced labour, with most of these impacts being widespread and systemic in the agricultural sector.

STG has developed an understanding of how certain categories of workers may be at greater risk of harm, particularly those engaged in tobacco leaf farming. Factors such as seasonal employment, migrant status, and socioeconomic vulnerability increase the likelihood of exploitation and poor working conditions.



S2 WORKERS IN THE VALUE CHAIN

OUR APPROACH

Tobacco growing and processing is labour intensive. All workers, including tobacco growers and labourers are entitled to good labour practices, safe working conditions, and opportunities to sustain satisfactory living standards. STG does not accept child labour and forced labour of any kind and will react to below-standard working conditions and any breaches of human rights and other labour rights that we become aware of in our supply chain. Our Supplier Code of Conduct describes the fundamental rights that should exist and be protected in our supply chain.

Workers involved with tobacco growing indirectly influence STG's strategy and business model through STG supplier engagement, involving meetings and occasional visits to foster mutual understanding of each other's businesses. STG has close relationships with direct leaf suppliers, sharing a common desire to eliminate child and forced labour. Additionally, STG captures workers' views and interests through industry collaborations, including the Sustainable Tobacco Program - STP, and Eliminating Child Labour in Tobacco (for more information visit: https://www.eclt.org/en)

ENGAGEMENT PROCESS

Procurement engages with a vast network of over 5,000 suppliers, strategically sourcing goods and services worldwide. However, STG has no direct engagement with its value chain workers. Our Supplier Code of Conduct defines our expectations towards our suppliers.

REMEDIATION PROCESS AND CHANNELS TO RAISE CONCERNS

STG does not have a formal process for handling and remediating negative impacts on value chain workers. Any reports are managed on a case-by-case basis. Incidents may come to our awareness in various ways, including through our due diligence process in the leaf tobacco supply chain (the Sustainable Tobacco Program), via visits to our suppliers, via reports directly to our Management or other representatives of the Company, or via our Whistleblower Channel. We are aware, however, that most likely value chain workers are unaware of our Whistleblower Scheme at this point in time.

There have been no reports made via STG's reporting channels of severe human rights issues or incidents. However, STG is aware that there is a general risk of child labour and other severe human rights issues in its upstream value chain as it relates to tobacco growing.

POLICY, ACTIONS AND TARGETS

POLICY

Recognizing the importance of responsible sourcing, STG has its Supplier Code of Conduct that serves to ensure that suppliers are informed of STG's expectations, share them, and apply those standards for responsible and ethical behaviour. This includes expectations around labour practices, health and safety, human rights, ethical business conduct and the environment. STG's Supplier Code of Conduct can be found on our website st-group.com.

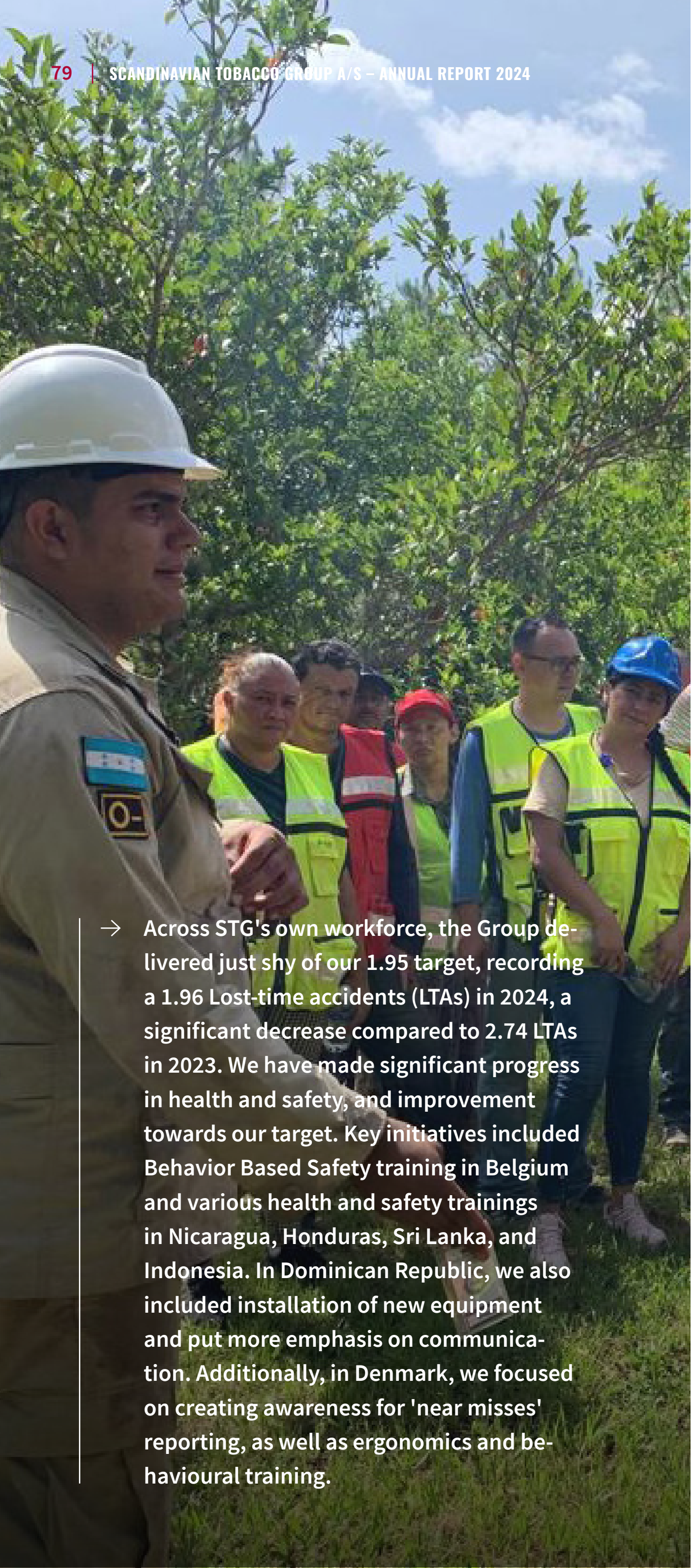
The Supplier Code of Conduct applies to all STG suppliers regardless of the goods or services they offer. STG encourages suppliers to promote the spirit of this Code in their own supply chain. The policy is owned by the Group's General Counsel and sponsored by the CEO, while the function and the most senior roles in ensuring the implementation, are Procurement, the Senior Vice President of Procurement and the Senior Vice President of Leaf.

Suppliers are expected to offer terms of employment and working conditions that, as a minimum, comply with local labour laws, including any rules on minimum wage, working hours and overtime work. Suppliers are expected to respect all laws, regulations and international standards related to human rights, understood as those expressed in the International Bill of Human Rights. Suppliers should work actively to avoid causing, or contributing to, adverse impacts on human rights, and to address and mitigate such impacts if they occur. STG expects suppliers to implement internal controls and reporting channels so that human rights issues and breaches can be raised confidentially and investigated appropriately.

STG's suppliers are responsible for continuously monitoring and reviewing that they are acting in accordance with the expectations and requirements set out in our Supplier Code of Conduct. STG retains the right to verify compliance with the

RESPONSIBLE PROCUREMENT STRATEGY

STG has launched a Responsible Procurement Strategy that aligns with our Rolling Responsibly agenda, supporting our climate ambitions and embedding sustainability into our operations. This strategy, guided by strong governance, aims to support our reputation as a responsible company and build strong supplier relationships. The rollout of our Supplier Code of Conduct has improved supply chain data visibility, ensuring compliance and fostering discussions on sustainability with our suppliers.



→ Across STG's own workforce, the Group delivered just shy of our 1.95 target, recording a 1.96 Lost-time accidents (LTAs) in 2024, a significant decrease compared to 2.74 LTAs in 2023. We have made significant progress in health and safety, and improvement towards our target. Key initiatives included Behavior Based Safety training in Belgium and various health and safety trainings in Nicaragua, Honduras, Sri Lanka, and Indonesia. In Dominican Republic, we also included installation of new equipment and put more emphasis on communication. Additionally, in Denmark, we focused on creating awareness for 'near misses' reporting, as well as ergonomics and behavioural training.

S2 WORKERS IN THE VALUE CHAIN

Code of Conduct, and suppliers are expected to supply STG with relevant information regarding compliance, if requested. Our first aim would be to ensure improvement and compliance with the standards for the benefit of the value chain workers, but non-compliance may also result in the termination of STG's agreement with the supplier.

At the moment, STG does not have full oversight of all its suppliers to ensure that they meet the standards outlined in the Supplier Code of Conduct. However, STG is committed to working towards this goal as regards our suppliers of leaf tobacco through its collaboration with STP.

A supplier audit may be considered to verify the information in the areas where high risks have been identified. If an audit is eventually carried out, corrective actions would be issued to suppliers who have performed below standards, and this is followed up on to ensure improvements occur. When there would be a discrepancy between the standards that STG expects in our supply chain (as expressed in our Supplier Code of Conduct) and those identified at any given supplier, STG encourages and expects continuous improvement from suppliers.

ACTIONS

In 2024, via a tool developed by STP's Secretariat, all STG leaf suppliers conduct a self-assessment, addressing different ESG topics to gain insights into what are the potential risks per country and per supplier, and observe if there are any breaches within the supply chain. If risks are identified, a risk analysis is carried out that may lead to in-depth assessment of selected suppliers and countries based on priorities.

While STG does not engage directly with workers in the value chain, the Group relies on third-party data from its risk assessment tools. Several internal team members, including in the Procurement and Sustainability functions, support the initiatives alongside industry programs.

STG is a long-standing contributor to the multi-stakeholder Eliminating Child Labour in Tobacco Growing Foundation (ECLT). The foundation is engaged in creating awareness about child labour and initiatives to eliminate it, internationally as well as at national and regional levels, including on-the-ground projects for children and adolescents and their families in tobacco-growing communities. Among other activities, ECLT develops training programs, which STG's Procurement and Leaf teams follow.

2025 AND BEYOND

STG will leverage its relationship with suppliers through our collaboration within the STP, including in-depth analyses and necessary actions with the suppliers across the priority areas.

STG will continue to drive the integration of sustainability principles into its operations and supply chain management. This involves conducting due diligence of our leaf tobacco suppliers via STP and following up on findings where mandated as well as a continuing education in human rights due diligence (child labour and forced labour) to identify and react adequately to any potential impact.

TARGETS

STG has met this year's objectives of covering more than 90% of suppliers when rolling out our Supplier Code of Conduct to our tobacco leaf suppliers and to those suppliers of non-tobacco materials that are in scope based on spend-based information.

The Group has not yet set additional targets, as it is currently working to better understand the value chain data from its suppliers. It aims to define targets in the short to medium term.

STG is engaged in the Sustainable Tobacco Program (STP), a sustainability-focused industry initiative developed to promote voluntary best practices in tobacco farming and processing. For more information visit: https://sustainabletobaccoprogram.com/

S4 CONSUMER AND END-USERS

MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

NEGATIVE IMPACTS

Health and safety – The consumption of tobacco and nicotine products carries significant health risks for both consumers and those exposed to second-hand smoke. For individuals who contract smoking-related diseases, this can ultimately lead to death or serious adverse health effects. While this widespread and systemic issue may vary among individuals, the overall number affected remains high. Unfortunately, due to the inherent nature of tobacco, it is extremely challenging for our organization to eliminate it.

> Downstream

Protection of children – Children could be exposed to second-hand smoke, which presents a significant risk to children's health globally. Unfortunately, this systemic issue is irremediable as it is inherent to how people consume our products.

> Downstream

Protection of children – Smoking of tobacco products and the use of nicotine products come with significant health risks. Therefore, nobody below the legal age for purchase of tobacco and nicotine products should consume such products. In spite of this, some tobacco and nicotine product categories appeal to young people, even if this use is unwanted by manufacturers and society overall. Due to their characteristics, STG's product categories cigars and pipe tobacco generally have no appeal to youthes, but we acknowledge the risk that underage youthes may use certain tobacco and nicotine products, in spite of our strong belief that they should not and our efforts to distance ourselves from underage.

> Own operations

OUR APPROACH

STG's business and strategy are centered on the production and sale of tobacco and nicotine products, and we have increased our ambition in our growth products or NGP, to diversify our offerings to our consumers and end-users. It is well known that there are serious health risks associated with the consumption of our products. STG adheres to responsible marketing practices in line with our Marketing Principles.

The use of tobacco and nicotine products should be a personal choice and those who do use them must weigh the associated health risks and balance those against their enjoyment. Nobody under the age of 18 (or higher as determined by local law) should buy or consume tobacco or nicotine products. We grow our business by improving our market share. Our aim is to give smokers and users of nicotine products reasons to choose our products and categories over those of competitors.

For more information about our product categories and consumers see Our Business section of the report in page 10 and 15.

STG's influence on consumers remains limited due to industry regulations and restrictions on marketing and communication activities in most markets. Responsibility and human rights

S4 CONSUMER AND END-USERS

are central to STG conducting good ethical business, with regulation and local laws influencing the strategy and business model in relation to respecting human rights.

As market and consumer trends evolve, so does the regulation of tobacco and nicotine products, including their marketing, sale and consumption. Scandinavian Tobacco Group boasts a long history of adaptability and responsible operations when it comes to the evolving regulatory environment. We place the utmost importance on ensuring we are compliant in every market in which we operate.

POLICY, ACTIONS AND TARGETS

POLICY

Marketing Principles - The Group does not direct its marketing, advertising or promotion to consumers under the age of 18 (or such higher age as may have been determined by local law). In cases where there are differences between the applicable laws and our Marketing Principles, STG always applies the more restrictive rule. The essence of the STG Marketing Principles implies that all advertising and promotional activities are only targeting adults, and that consumers are always warned about the health risks associated with our products. The marketing principles do not strictly address commitments in relation to human rights, nor the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Word or OECD Guidelines for Multinational Enterprises. However, tobacco products are subject to extensive and increasing regulations globally, as well as the labelling, packaging, marketing, display, sale and consumption of products.

Our Marketing Principles are owned by the Group's General Counsel, sponsored by our CEO, ingrained in the way we work and are front of mind in our consumer-focused teams. We conduct training in the STG Marketing Principles to the relevant functions in the Group.

The Group does not have a policy related to the protection of children from second-hand smoke. The ability to fully remediate this impact remains limited to regulatory initiatives and responsible consumer behaviour.

ENGAGEMENT PROCESS

In most of our markets, regulation prevents us from any engagement with consumers. Information to consumers about the health risks associated with our products is conveyed via health warnings on the product packaging and in advertising materials where advertising is permitted, in compliance with the applicable laws and the STG Marketing Principles. For more information on Regulation see page 43.

REMEDIATION PROCESS AND CHANNELS TO RAISE CONCERNS

Consumers can submit complaints about our products through our website, although we rarely receive them regarding health and safety aspects. If we receive complaints from consumers about health aspects or other concerns related to our products, we meet them with the responsibility and attention they deserve. STG does not assess whether consumers and/or end users are aware of and trust the consumer reporting function, nor does it assess the effectiveness of the channel.

There is no clear way for STG to remedy the inherent risks associated with the use of our products. In some markets, STG offers oral products as an alternative for consumers of nicotine who prefer not to smoke. However, these are also associated with risks to the user's health.

The comprehensive regulation in place in the vast majority of the countries where our products are sold, our review processes to ensure compliance with legal requirements, and responsible marketing practices in accordance with our Marketing Principles in our opinion limit the risk considerably that consumers enjoy our products without having been exposed to information about the health risks. This, in combination with the general awareness in society for many decades that smoking and nicotine products come with significant health risks, means that consumers, whether they use our products or not, are generally well aware of there being health risks.

ACTIONS

The Group conducts training in the STG Marketing Principles to the relevant functions and this will continue in 2025 to ensure compliance. Group legal leads the delivery of trainings. The effectiveness of the training is not currently assessed.

TARGETS

The Group does not have any targets or metrics in this area but in line with its belief in responsible business conduct, STG strives to always act in full compliance with all applicable laws and regulations as well as our self-imposed Marketing Principles.

GOVERNANCE

BUSINESS CONDUCT

Business conduct is central to our business practices, focusing on strong corporate ethics and zero tolerance towards bribery and corruption.

G1 BUSINESS CONDUCT

MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

NEGATIVE IMPACTS

Protection of whistleblowers - The absence of such protection could lead to undetected misconduct, including undetected illegal activities and violations of company policies, which may negatively impact the business culture and the respective whistleblowers.

> Own operations

Corruption and bribery - As a large corporation operating internationally and with international value chains, also in countries with a high prevalence of corruption, there is exposure to bribery and corruption, including facilitation payments. Occurrences are unlikely to be of significant scale due to the nature of STG's business which only implies limited interaction with public authorities and officials. Should there be incidents of corruption they would likely not impact many individuals. However, it would be difficult or impossible for STG to remediate.

> Own operations

OUR APPROACH

THE ROLE OF THE ADMINISTRATIVE AND SUPERVISORY MANAGEMENT BODIES

Scandinavian Tobacco Group A/S has a two-tier management structure consisting of the Board of Directors and the Executive Management. The Board of Directors is responsible for the overall strategic direction and supervises the activities, management and organisation of the Group. The Executive Management is responsible for the day-to-day management. The Board of Directors oversees that the Executive Management performs its duties in an appropriate manner and in accordance with the directions of the Board of Directors. The Board of Directors' responsibility, among other things also includes ensuring that the Group has an appropriate organisational structure and efficient business processes. The business conduct of STG is governed in accordance with these governance principles. The Board of Directors as well as the Executive Management consist of individuals who have many years of experience from leadership roles in international businesses, including matters such as governance, ethics and compliance which are the essence of business conduct. In the daily operations of the Group, the development of policies, training and handling of matters related to business conduct are managed by departments such as legal and HR departments which have particular experience and expertise within the relevant areas, duly supervised by the Executive Board, Executive Management and ultimately the Board of Directors.

STG's Board of Directors consists of six individuals who are elected by the shareholders at the general meeting and three employees who are elected by the employees. The members of the Board of Directors in combination hold many years of experience from within the tobacco industry and from other sectors, and many have solid experiences from management positions (executive and non-executive) in large international corporations with activities in the US, Europe and other places relevant to STG.

STG's Executive Management and the wider Executive Board also together hold many years of experience with the tobacco business and other industries and fast-moving-consumer goods.

Refer to page 59 for a detailed description of the access to sustainability expertise to the supervisory roles.

BUSINESS CONDUCT POLICIES AND CORPORATE CULTURE

Scandinavian Tobacco Group has a number of policies applicable across the Group that serve the purpose of maintaining high ethical standards and compliance with laws and regulations. The cornerstone of the Group policies related to responsible behaviour is the Code of Conduct. It is supplemented by more detailed policies on, for instance, marketing principles, anti-corruption/anti-bribery, competition law, data ethics, trade restrictions, protection of personal data, diversity & inclusion, IT security, and others. The Code of Conduct and several of the pertaining group policies are approved by the Board of Directors, the rest by the Executive Management/Executive Board. Group policies are available to employees on the Group intranet, and when relevant the policies are translated into the local languages

G1 BUSINESS CONDUCT

spoken at the Group's sites. All policies shall be reviewed annually and approved (with or without changes) by the relevant management body.

Employees are upon onboarding and with regular intervals thereafter required to complete training related to the policies that are relevant to them. The training is generally conducted as e-learning but can also be in-person training. The Company's values are promoted via the Executive Board and wider leadership. The values often form an integrated part of the communication to the organization, be it on the intranet, in town hall meetings, or other meetings. The performance evaluation of employees includes an evaluation of the behaviour/leadership performance of the employee vis-à-vis each of the Company's values.

The Group does not have a policy for training in business conduct. However, training is conducted in relation to the Code of Conduct and several other policies supporting the Code of Conduct, including policies on anti-corruption/anti-bribery, personal data protection, and others. Training on the Code of Conduct comprises all employees and explains the behaviour that is expected of all employees by walking them through each of the basic principles of the Code of Conduct. The training is conducted online while employees in Operations who don't have access to on-line training as part of their job function receive in-person training.

SPEAK UP
Employees are encouraged to speak up if they notice behaviour that they suspect is in breach of the Group policies, including the Code of Conduct, or the law. Reporting may take place via channels such as HR, a manager or through the confidential Whistleblower Channel. This encouragement is expressed in the Whistleblower Policy and pertaining information easily accessed at the intranet and may also take the form of group-wide campaigns to speak up. Such a campaign was most recently launched in 2023 by the CEO at a group-wide town hall, on the intranet and at leadership meetings supported by various written communication materials and a video presentation by the CEO. The material is available in all the relevant languages. Such campaigns will be repeated with intervals.

POLICY, ACTIONS AND TARGETS

WHISTLEBLOWER SCHEME

POLICY
The Group has established an internal reporting channel to enable employees, customers, suppliers, business partners and other stakeholders to raise concerns and report behaviour that appears to be illegal, dishonest, or otherwise contrary to law or our policies. The Whistleblower Policy ensures confidential and secure reporting, while providing safeguards and remedies for those harmed by inaccurate or malicious reports.

Information on the Group's Whistleblower Policy is available to employees on our intranet and through material distributed at all sites. Senior leaders, including HR, have been trained in how to handle reports that may be received via other channels than the Whistleblower Channel. We do not conduct training of our own workers how to report on but we use awareness campaigns to create trust in the set-up and the protection of reporters. The Group's Whistleblower Scheme and compliance with the Whistleblower Policy is overseen by the Audit Committee.

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

The Group has procedures in place to ensure that reports received under the Whistleblower Scheme are followed up and incidents, including incidents of corruption and bribery, are investigated promptly and objectively and in accordance with the EU Whistleblower Directive. All incoming reports are reviewed by an external law firm to avoid any conflict

CHANNELS TO RAISE CONCERNS

Anyone who experiences or suspects misconduct is encouraged to report to the relevant person in the organization (e.g. a manager, the Executive Management, HR or Legal) or to make use of the Group's online Whistleblower Channel.

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

The portal is available in the local languages of all the countries in which the Group operates and is supplemented with a telephone reporting option.

G1 BUSINESS CONDUCT

of interest before being forwarded to the Group General Counsel. Should the external law firm identify a conflict of interest, the report will be forwarded to the chairman of the Audit Committee or the chairman of the Board of Directors. There is a written procedure applicable to the investigation of reports which shall ensure prompt, independent and objective investigation of all reported matters, including any incidents of corruption and bribery. As a fundamental principle stated in the policies, reporters can make reports in confidence, including anonymously, and anyone reporting in good faith is protected against any form of retaliation.

TARGETS

STG has a clear target of zero instances of retaliation against whistleblowers.

ANTI-CORRUPTION AND ANTI-BRIBERY

POLICY

STG has zero-tolerance towards any kind of corruption and bribery along the entire value chain. This is expressed in our Code of Conduct, our Supplier Code of Conduct and our Anti-corruption Policy. The Anti-corruption Policy sets forth guidelines to prevent the Group and its employees from being involved in any form of bribery or corruption. The policy applies worldwide to management and all employees, as well as all individuals acting on the Group's behalf.

TRAINING

The training in anti-corruption/anti-bribery is mandatory for all employees with a corporate email address (typically office-based employees), including the Group's Executive Management, and is an integral part of the onboarding of such employees. The online training, which is available in all relevant languages (with two exceptions that will be addressed in early 2025) includes training on how to identify risks of corruption, the implications of corruption and bribery as well as conflicts of interest, and how to react to such situations. Interactive exercises and questions serve to ensure that the employees are aware of the Group's Anti-corruption Policy and understand the consequences of breaching it. Both the course material and the accompanying policy material can be accessed at any time via the internal training platform.

The Group has operations in countries where the risk of corruption and bribery is generally considered significant, namely Nicaragua, Honduras, the Dominican Republic, Sri Lanka and Indonesia. Certain employees in those countries are most at risk of bribery and corruption. We define the group "functions-at-risk" widely to include any employee in those countries who has a corporate email address. They are part of the training program, meaning that like other employees in the training programme they must complete online training approximately every 18 months (and upon onboarding).

All employees, including the Executive Board and Executive Management, are covered by the online training programme.

Members of the Board of Directors (with the exception of the employee-elected Members of the Board) are not offered or required to do the training, since the Board of Directors annually adopts the Code of Conduct as well as the Anti-corruption Policy of the Group.
Refer to page 102 for the relevant training metrics.

CHANNELS TO RAISE CONCERNS

Incidents and allegations of corruption and bribery reported via the Whistleblower Channel, detected via financial controls or otherwise detected would be reported to the Executive Management and the Audit Committee. Any incident or alleged incident would be investigated internally by the Group's legal, financial and/or HR functions, depending on the circumstances, and if necessary, with the involvement of external support. Appropriate sanctions would be applied, including disciplinary sanctions and potential involvement of the police for criminal investigations and sanctions. Typically, the Group General Counsel would oversee the investigations. Anyone with a conflict of interest would be excluded from participation in investigations of any kind of wrongdoing, including alleged or suspected corruption and bribery.

For the relevant metrics regarding incidents of corruption and bribery, see page 102.

TARGETS

STG has a clear target of zero instances of corruption and bribery.

PERFORMANCE AND METRICS

CONTENTS

BASIS OF PREPARATION

GENERAL REPORTING STANDARDS AND PRINCIPLES
The sustainability statements are prepared in accordance with the ESRS issued by the European FInancial Reporting Advisory Group (EFRAG). This report serves as the statutory statement on Corporate Social Responsibility for Scandinavian Tobacco Group A/S and our group of companies in accordance with Section 99a of the Danish Financial Statement Act.

Our statement on data ethics in accordance with Section 99d of the Act can be found on page 45. This report also contains our statement regarding compliance with the EU Sustainable Finance Taxonomy, which can be found on pages 88-91.

MATERIALITY
The Double Materiality Assessment has been conducted in accordance with the Corporate Sustainability Reporting Directive (CSRD) described on page 61-63, and serves as basis of our ESG reporting in 2024. This will be updated on a regular basis.

The 2024 consolidated sustainability statement includes metrics aligned with STG's Sustainability agenda, Rolling Responsibly and Double Materiality Assessment. When assessing whether a KPI is material to the consolidated sustainability statement, Management considers whether the matter is of such relevance and importance that it could substantially influence the assessment of STG's sustainability performance by the users of the Annual Report 2024.

TIMELINE
The Group defines short term as events within the reporting year, medium term within the next five years, and long term as beyond five years, unless specified otherwise.

PRINCIPLES OF CONSOLIDATION
The scope of consolidation covers the entire Scandinavian Tobacco Group organisation, similar to our financial consolidation principles. Unless otherwise stated, the data and reporting included in the performance tables covers the entire value chain, including production sites, warehouses, administration, sales, representative offices, and legal entities. The illustration of the value chain can be found on page 20.

ACCOUNTING POLICIES
The accounting policies set out in the notes have been applied consistently in the preparation of the consolidated sustainability statements for all years presented, unless stated otherwise.

ESTIMATION UNCERTAINTY
The Group has relied on partial estimations to cover downstream and upstream value chain where there is limited visibility and access to data across Scope 3 calculations. Mapping activity data with emission factors involves some uncertainty and occasional approximation.

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ENVIRONMENT

EU TAXONOMY

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

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

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

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

OPEX in the taxonomy consist of direct non-capitalised costs for building renovation, maintenance and repair, and other direct expenditures relating to the day-to-day servicing of our assets of property, plant, and equipment. This includes the volume of non-capitalised leases (FRS 16), and expenses for short-term leases and low-value assets. Reference is made to note 3.3 Right-of-use assets page 126. Maintenance costs is based on an allocation of total maintenance costs times the share of NBV of buildings versus production facilities. The OPEX numerator is defined as Taxonomy-eligible OPEX divided by our total Taxonomy OPEX in order to establish the OPEX KPIs.

The total CAPEX is reconciled to our consolidated financial statement. For details on policies refer to note 3.1 Intangible assets page 123, note 3.2 Property, plant and equipment page 126 and note 3.3 Right-of-use assets page 127.

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

For further details on our accounting policies regarding consolidated net sales, please refer to note 2.1 Gross profit (net sales and cost of goods sold) page 114. Our turnover can be reconciled to our consolidated financial statements, cf. consolidated statement of income on page 106 (Net sales).

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

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

Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

CONTENTS

EU TAXONOMY – CONTINUED

REPORTING ON TURNOVER

2024 - Economic Activities	Code	Turnover	Proportion of Turnover	Substantial contribution criteria: Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity and ecosystems	DNSH criteria ('Does Not Significantly Harm'): Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) Turnover 2023	Category (enabling activity)	Category (transitional activity)
		DKK million	%														%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
None		-	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0%	N/A	N/A
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		-	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0%		
Of which enabling		-	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0%		
Of which transitional		-	0%							N	N	N	N	N	N	N	0%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
None		-	0%	N	N	N	N	N	N								0%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		-	0%	N	N	N	N	N	N								0%		
A. Turnover of Taxonomy-eligible activities (A.1+A.2)		-	0%														-		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		9,202.1	100%																
Total (A+B)		9,202.1	100%																

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

CONTENTS

EU TAXONOMY – CONTINUED

REPORTING ON CAPEX

2024 - Economic Activities	Code	CAPEX	Proportion of CAPEX	Substantial contribution criteria: Climate change mitigations	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity and ecosystems	DNSH criteria ('Does Not Significantly Harm'): Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) CAPEX 2023	Category (enabling activity)	Category (transitional activity)
		DKK million	%														%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
None		-	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0%	N/A	N/A
CAPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		-	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0%		
Of which enabling		-	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0%		
Of which transitional		-	0%							N	N	N	N	N	N	N	0%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Electric generation using concentrated solar power (CSP)	CCM 4.2	2.0	0%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								0%		
Transportation by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	37.1	6%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								3%		
Renovation of existing buildings	CCM 7.2	1.0	0%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								0%		
Acquisition and ownership of buildings	CCM 7.7	241.8	37%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								9%		
CAPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		281.9	43%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								12%		
A. CAPEX of Taxonomy-eligible activities (A.1+A.2)		281.9	43%																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CAPEX of Taxonomy-non-eligible activities		365.3	57%																
Total (A+B)		**647.2**	**100%**																

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

	Activity	Additions to Property, Plant and Equipment	Internally generated or purchased intangibles	Right-of-use assets	Total	Thereof acquired through business combinations	Thereof part of a Capex plan
	4.2	2.0	-	-	**2.0**	-	-
	6.5	-	-	37.1	**37.1**	6.5	-
	7.2	1.0	-	-	**1.0**	-	-
	7.7	113.1	-	128.7	**241.8**	42.5	-
Total		**116.1**	**0.0**	**165.9**	**281.9**	**49.0**	**0.0**

CONTENTS

EU TAXONOMY – CONTINUED

REPORTING ON OPEX

2024 -Economic Activities	Code	OPEX	Proportion of OPEX	Substantial contribution criteria: Climate change mitigations	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity and ecosystems	DNSH criteria ('Does Not Significantly Harm'): Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) OPEX 2023	Category (enabling activity)	Category (transitional activity)
		DKK million	%														%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
None		-	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0%	N/A	N/A
OPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		-	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0%		
Of which enabling		-	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0%		
Of which transitional		-	0%							N	N	N	N	N	N	N	0%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Transportation by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	25.6	9%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								11%		
Renovation of existing buildings	CCM 7.2	124.1	42%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								47%		
OPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		149.7	51%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								58%		
A. OPEX of Taxonomy-eligible activities (A.1+A.2)		149.7	51%																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OPEX of Taxonomy-non-eligible activities		144.2	49%																
Total (A+B)		**293.9**	**100%**																

CCM Climate change mitigation

Y Yes (Taxonomy-eligible and Taxonomy-aligned activity with the relecant environmental objective)

N No (Taxonomy-eligible but not Taxonomy-aligned activity with the relecant environmental objective)

EL Taxonomy-eligible activity for the relevant objective. The code for the most relevant objective is stated in bold

N/EL Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

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ENVIRONMENT

CLIMATE CHANGE

	Retrospective				Milestones and targets			
1,000 tonnes CO_2e emissions	Base year	2024	2023*	%	2025	2030	2050	Annual % target[1]
Direct Scope 1 GHG emissions	**2020 base**							
Gross Scope 1 GHG emissions	15.3	12.1	11.6	4.2%	11.4	8.9[2]	1.5	-4.2%
Percentage of Scope 1 GHG emissions from regulated emission trading schemes	0%	0%	0%		0%	0%	0%	0%
Indirect Scope 2 GHG emissions	**2020 base**							
Gross location-based Scope 2 GHG emissions	20.5	18.6	18.9	-1.6%	N/A	N/A	N/A	N/A
Gross market-based Scope 2 GHG emissions	21.2	15.3	16.5	-7.7%	14.4	12.3	2.1	-4.2 %
Indirect Scope 3 GHG emissions - significant categories	**2022 base**							
Category 1 disaggregated - Tobacco, cigars & other FLAG products	145.8	111.2	108.4	2.5%	105.7	101.6[3]	40.8[3]	-3.8%
Category 1 disaggregated - Non-tobacco materials	36.0	23.4	28.7	-18.3%	22.3	27.0[4]	3.6[6]	-3.1%
Category 1 disaggregated - Other goods and services	39.5	33.4	32.6	2.4%	N/A[5]	N/A	N/A	N/A
Total category 1 - Purchased goods and services	221.3	168.0	169.8	-1.0%	N/A	N/A	N/A	N/A
Category 4 - Upstream transportation and distribution	41.9	33.2	34.7	-4.3%	31.9	31.5[4]	4.2[6]	-3.1%
Category 9 - Downstream transportation	17.7	15.5	14.1	10.4%	15.0	13.3[4]	1.8[6]	-3.1%
Category 12 - End-of-life treatment of sold products	27.3	22.4	17.9	25.2%	21.5	20.5[5]	2.7[6]	-3.1%
Total Scope 3 - significant categories	308.3	239.1	236.4	1.2%	N/A[5]	N/A	N/A	N/A
Other categories	30.4	34.1	34.7	-1.5%	N/A	N/A[7]	N/A	N/A
Total Gross indirect Scope 3 GHG emissions	**338.6**	**273.2**	**271.0**	**0.8%**	**261.7**	**246.1**	**60.6**	**-3.4%**
Total GHG Emissions[8]								
Total GHG emissions - Location-based	374.4	303.9	301.5	0.8%	N/A	N/A	N/A	N/A
Total GHG emissions - Market-based	375.1	300.6	299.1	0.5%	287.5	267.3	64.2	-3.5 %

(1) Annual % target calculated based on 2030 target
(2) In line with Scope 1 & 2 combined science-based target (validated by SBTi)
(3) In line with science-based near-term and long-term targets for FLAG GHG emissions
(4) In line with science-based near-term target for non-FLAG GHG emissions (not disaggregated by categories).
(5) Scope 3 significant categories include both FLAG and non-FLAG GHG emissions, therefore there is no separate aggregated target.
(6) In line with science-based near-term target for non-FLAG GHG emissions (not disaggregated by categories).
(7) Scope 3 is covered by both FLAG and non-FLAG emission reduction targets, therefore weighted average near-term and long-term targets are included for Total scope 3 (combined target not validated by SBTi)
(8) Combined Scope 1, 2 & 3 baseline emissions includes Scope 1 & 2 2020 emissions and Scope 3 2022 emissions according to the base years for respective scopes

*2023 data not covered by the independent auditor's limited assurance engagement

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CLIMATE CHANGE - CONTINUED

PERFORMANCE AGAINST BASELINE
Scope 3 GHG emissions reduction vs baseline year is attributed to both business related changes and activities, as well as data improvement and emission factor fluctuations. Business changes affecting baseline and 2023 year emissions include among others, business normalisation after Covid, fluctuations in portfolio, and development of categories. Since building Scope 3 baseline we have also improved data and updated emissions factors, which had a direct impact on the total emissions in several categories. In line with our recalculation policy, STG will recalculate Scope 1, 2 & 3 baselines in 2025.

PERFORMANCE AGINST PREVIOUS YEAR
The main levers to Scope 1 & 2 emission reduction in 2024 have been a transition to 100% renewable electricity in several US sites & LED lights installation in Bethlehem warehouse (1,375 tonnes CO_2e reduction), replacement of an outdated steam generator in our manufacturing site in Belgium (66 tonnes CO_2e reduction), and continued implementation of the fleet transition plan from diesel to electric vehicles and more sustainable petrol cars, leading to a 4.4% emission reduction from combined gasoline and diesel consumption in 2024. Several initiatives, including refrigerants replacement with modern alternatives in our manufacturing site in Honduras and further switch to renewable energy (incl. Mac Baren in Denmark) have been initiated in the end of 2024 with emission reduction potential to be fully realized in 2025.

Total Scope 3 increased vs. last year primarily due to the acquision of Mac Baren. Increase in tobacco leaf and wood purchase resulted in emissions increases in Cat. 1 Purchased goods & services and Cat. 12 End of life treatment of sold products.

The STG emissions reductions achieved, excluding the impact of the Mac Baren acquisition, in 2024 was for Scope 1: -5.2%, market based Scope 2: -9.4% (-7.7% for combined Scope 1 & 2) and Scope 3: -1.9%

BIOGENIC EMISSIONS
Biogenic emissions (CO_2 emissions from combustion) is reported separately as a disclosure, and has not been reported in STG's CO_2 emissions table for Scope 1, 2, and 3.

Biogenic emissions associated with burning tobacco and paper products during use phase resulted in 5.1 thousand tonnes CO_2e which indicates an increase by 6.2% vs. 2023, and 4.5% decrease vs. 2022 baseline.

Biogenic CO_2 is considered carbon neutral according to the GHG Protocol framework, as the carbon released during the combustion of biomass, is absorbed by the plants in the nature. Over the course of their lifecycle, these emissions do not increase the overall CO_2 levels in the atmosphere, unlike fossil fuels.

1,000 tonnes CO_2e per net sales in DKK billion	2024	2023*	%
GHG intensity per net sales			
Total GHG emissions, location-based per net sales	33.0	34.5	-4.4%
Total GHG emissions, market-based per net sales	32.7	34.3	-4.7%

§ **ACCOUNTING POLICIES**

Reported CO_2e emissions comprise of Scope 1, 2 and 3 and is reported in 1,000 metric tonnes. Emissions are calculated and reported in accordance with the Greenhouse Gas (GHG) Protocol and the reporting requirements from the ESRS. Reporting is based on actual and estimated data based on availability, from all STG entities and locations where STG has operational control.

SCOPE 1
CO_2 emissions from internally generated energy (Scope 1) is calculated based on the internal consumption of different types of fuel consumed multiplied by the relevant CO_2e emission factor supplied by the Department for Environment Food & Rural Affairs UK (DEFRA UK).

The reporting of emissions from refrigerant leaks is calculated based on leaks of refrigerants gasses measured through replenishments, multiplied by relevant emission factors provided by DEFRA UK or supplier specific emissions. Emissions associated with refrigerant leaks are included in Scope 1.

SCOPE 2
CO_2e emissions from externally generated energy (Scope 2) are reported applying both the market-based and location-based method, in accordance with the GHG Protocol.

The reporting of Scope 2 CO_2e indirect emissions is calculated based on purchased electricity and district heating.

SCOPE 2 (MARKET-BASED)
The CO_2e emissions arising from the market-based method is calculated based on site and supplier specific emission factors where available and remaining emission factors from International Energy Agency (IEA). Renewable consumption is reported according to the GHG Protocol scope 2 guidelines, through procurement of contractual instruments such as Energy Attribute Certificates (ECAs), ensuring energy supply from wind, hydro, solar and biomass sources.

SCOPE 2 (LOCATION-BASED)
Our location-based Scope 2 CO_2e emissions are based on emission factors from IEA or country specific databases, where location-based average emissions are applied, without taking company specific renewable energy mix into consideration.

SCOPE 3
The following three categories are excluded from the disclosure of STG Scope 3 GHG emissions: Category 8 Upstream leased assets, Category 13 Downstream leased assets and Category 14 Franchises. Based on the internal analysis, STG has no emissions in those categories. The conclusion of the analysis and justification of the exclusion of those categories from disclosure are reflected in the Scope 3 accounting manual.

Scandinavian Tobacco Group has identified four significant categories out of the remaining 12 categories of Scope 3 emissions defined by the GHG protocol. The remaining Scope 3 categories have been reported consolidated under the bracket 'other categories'.

Our GHG emission data, including calculation methodology and emissions across all scopes and categories, have been consulted with and validated by an external consultancy firm.

*2023 data not covered by the independent auditor's limited assurance engagement

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PURCHASED GOODS AND SERVICES
Purchased goods and services include emissions associated with spend related to externally purchased goods and services, except for transportation, travel spend, capital goods and investments. Purchased goods and services mainly comprise of tobacco, and other FLAG related materials used for production, packaging materials, other non-tobacco materials as well as other goods and services. The sub-categories of other goods and services, purchased finished tobacco products and non-tobacco materials are converted into CO_2 emissions using the average-spend based method, while tobacco, wood, and other flag products are converted into CO_2e emissions using the average-product based method. Product and material weights are multiplied by relevant CO_2e emission factors and spend-based CO_2e emission factors are applied for direct spend data where no weight can be obtained.

UPSTREAM AND DOWNSTREAM TRANSPORTATION AND DISTRIBUTION
CO_2 emissions from upstream and downstream transportation and distribution are calculated based on the spend-based method using the EPA emission factors on a level disaggregated by transportation modes. All transportation related activities, including inbound, intercompany and outbound are in scope with exception of activities accounted in other scopes (e.g. fuel used by own fleet accounted in Scope 1). Due to the nature of spend data used for calculation, there is limited visibility on the emission distribution between the upstream and downstream value chain. The split by Category 4 and Category 9 has been done based on the internal mapping of logistics models. For downstream transportation and distribution extrapolation was applied to cover part of the value chain where STG does not have data.

END-OF-LIFE TREATMENT OF SOLD PRODUCTS
End-of-life treatment of sold products comprise the CO_2e emissions from the waste disposal and treatment of all sold products and packaging materials, based on the waste-type method and based on emission factors from EPA and DEFRA for the respective material and disposal type.

EMISSIONS BASE YEAR
STG may periodically need to recalculate our GHG emissions baseline and progress towards our emissions targets. This, to ensure our GHG calculations, targets and progress remain accurate over time. STG will do this when either structural changes or when the calculation methodology give rise to an increase or decrease in emissions greater than 5%. STG has set 2020 as the baseline year for Scope 1 & 2, and 2022 for Scope 3 for our GHG emissions calculations and targets. Recalculation of the baseline is a consequence of material mergers and acquisitions, and will be done in the following year of the acquisition, when the acquired company has a full year impact on the emissions reporting.
As a consequence, the acquisition of Mac Baren Tobacco Company is not reflected in the 2024 reporting of the baselines for Scope 1, 2 and 3.

BUSINESS COMBINATIONS
With effect from 1st July 2024 Mac Baren Tobacco Company A/S has been included in the reported scope 1, 2 and 3 emissions reporting.

ACCURACY
For most Scope 3 categories STG uses spend-based data to calculate emissions (excluding partially Cat. 1 and Cat 12, and fully Cat. 3 and Cat. 7). Activity data is being retrieved from internal ERP systems and covers all STG entities where the Group has operational control. For several categories (incl. Cat. 1 Purchased good & services non-FLAG, Cat 4. Upstream T&D, Cat. 9 Downstream T&D) activity data from several entities have been excluded from the calculation, as the estimated emissions contribution for Scope 3 is less than 5%, which falls within the permitted exclusion threshold set by the SBTi. All exclusions are reflected in the accounting manual for Scope 3. In several categories, specifically Cat. 1 Purchased good & services FLAG and Cat 12. End of life treatment of sold products, mass-based data has been used to account for emissions, which is associated with the higher level of accuracy. In the reporting year, the Group did not use activity data obtained directly from suppliers or customers for Scope 3 emissions accounting. The project to enhance data accuracy has been initiated in 2024, which entails gradual transition from spend based to mass/distance/fuel data (depending on the category), and collection of supplier specific activity data and emission factors.

UNCERTAINTY
The level of measurement uncertainty for E1 Climate quantitative metrics, for Scope 1 & 2 own operations, calculations are estimated as low as we have a higher amount of primary data, while for Scope 3 value chain, data is often estimated and therefore has a higher level of measurement uncertainty. For Scope 1, 2 and 3, we followed the GHG Protocol guidelines for calculation methodologies for all categories, and are covering activity data from all entities where STG has operational control (exclusions mentioned earlier). A limited level of uncertainty is related to the mapping of activity data with relevant emission factors, which require an approximation in some cases (applicable to Cat. 1 Purchased good and services). Split of the emissions related to Transportation and Distribution in Cat. 4. and Cat. 9 is subject to medium uncertainty due to the use of spend data, which provides limited visibility on the emissions distribution between the upstream and downstream value chain. It also requires additional downstream emissions estimations to cover the part of the value chain where STG does not have access to data. Due to limited visibility of the material types and weight for 3rd party purchased finished goods (product and packaging), assumptions are used to extrapolate emissions from 3rd party products in Cat. 12 End of life treatment of sold products. Most of the uncertainties are addressed with the relevant assumptions.

ASSUMPTIONS
Assumptions are used for E1 Climate quantitative indicators due to limited access to activity data, insufficient precision of emission factors, limited visibility on weights and materials, and lack of direct visibility on consumer behavior patterns. These assumptions are developed by internal Subject Matter Experts (SMEs) and external consultants based on an in-depth understanding of STG's business and operating model, utilizing scientific research, internal modeling and mapping tools.

CONTINUATION OF E1 - CLIMATE CHANGE: TARGETS
The targets have been set considering STG's organizational boundaries, specifically emissions from all entities where STG has operational control were accounted fully in Scope 1 & 2. Investments that were not included in Scope 1 & 2, were accounted for in Scope 3 following the GHG Protocol methodology. Scope 3 emissions have been calculated in line with the GHG Protocol based on activity and spend data, accounting for all categories which are relevant to STG.

Non-FLAG targets across scopes are calculated using SBTi Corporate near-term and the Net-zero tool and follow Absolute Contraction Approach (ACA). Scope 3 FLAG targets are calculated using SBTi's FLAG Target setting tool and follow the FLAG sectorial pathway. All targets except the near-term Scope 3 Non-FLAG target are compatible with limiting global warming to 1.5°C (Scope 3 Non-FLAG target is comparable with limiting global warming well below 2°C).

Scope 3 STG will focus on both FLAG related categories and the categories attributing the biggest share of non-FLAG emissions. For these, the following categories have been prioritized:

- Category 1 Purchased goods & services FLAG with focus on leaf tobacco, wood and 3rd party purchased cigars (42% of Scope 3 in 2022)
- Category 1 Purchased goods and services non-FLAG with focus on non-tobacco materials (11% of Scope 3 in 2022)
- Category 4 & 9 Upstream and Downstream transportation & distribution (18% Scope 3 in 2022)
- Category 12 End-of-life treatment of sold products (8% of Scope 3 in 2022)

CONTINUATION OF CLIMATE RISK SCENARIO ANALYSIS

Note 1 – Two scenarios:

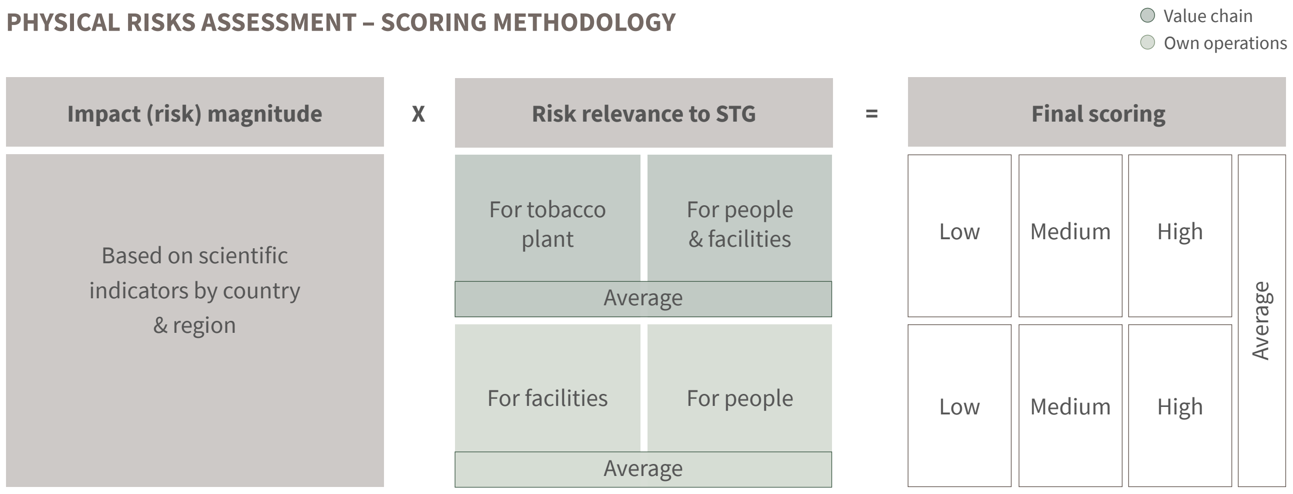
Sustainable development scenario – In this scenario CO_2 emissions are widely reduced, and it is characterized by sustainable socioeconomic growth: strict environmental regulations and effective institutions, rapid technological change, improved water use efficiencies, and low population growth. Transition risks are more significant than the severity of physical risks.

For physical risks IPCC SSP1-2.6 (RCP 2.6) scenario and relevant projections have been used, which represent the temperature increase stabilization at around 1.8°C by the end of the century.

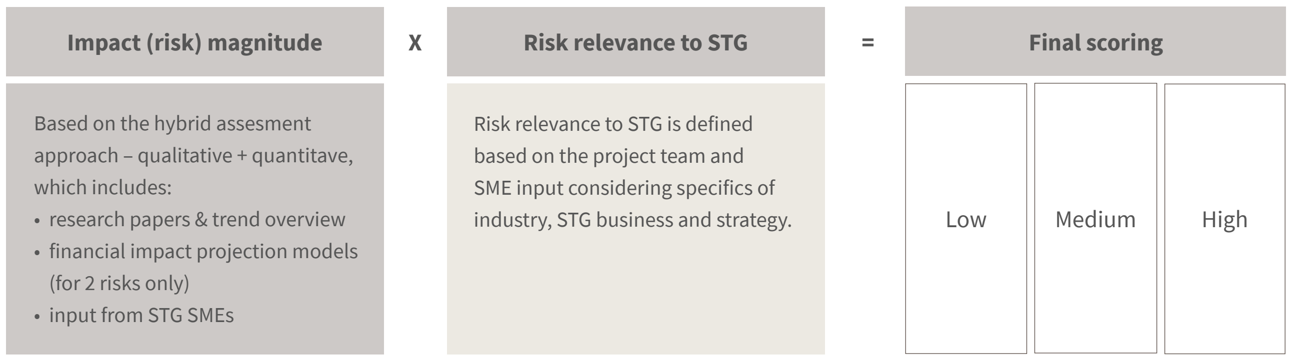
For transition risks IEA Net-zero Emissions by 2050 scenario and relevant projections have been used, which is compliant with the 1.5°C objective in the Paris Agreement and corresponds with the most ambitious sustainable transition scenario. Transitions risks are considered much lower, while physical risks will be high.

Fossil fuel-driven development scenario – It is characterized by fossil-fuel development, which implies rapid economic growth and globalization powered by carbon intensive energy, strong institutions with high investment in education and technology but a lack of global environmental concern. For physical risks IPCC SSP5 RCP8.5 (RCP 8.5) scenario and relevant climate projections have been used. For transition risks IEA STEPS (Stated Policies scenario) and relevant projections have been used.

PHYSICAL RISKS ASSESSMENT – SCORING METHODOLOGY



TRANSITION RISK ASSESSMENT – SCORING METHODOLOGY



BASIS OF PREPARATION
| ENVIRONMENT
EU Taxonomy
Climate change
Energy consumption
Circular Economy
SOCIAL AND GOVERNANCE
OTHER EU LEGISLATION

Note 2 – Climate related hazards: Task Force on Climate-Related Financial Disclosures framework and classification of climate-related hazards based on Commission Delegated Regulation (EU) 2021/2139 has been used as a basis for risk selection and shortlisting. (C) – chronic and (A) – acute. Task Force on Climate-Related Financial Disclosures classification has been used as a basis for risk selection and shortlisting.

Climate-related transition events
Based on the high-level screening of STG assets and business activities, we have confirmed that all assets and activities are compatible with a transition to a climate-neutral economy. In the span of STG emissions reductions targets timeline, most elements of the value chain, current assets and strategic developments (e.g. retail expansion, further development of NGP) have opportunities to support the transition provided prioritization and investment in implementation of targeted initiatives.

Note 3 – Evaluated climate related risks and opportunities are deemed material if they have a medium or high final score under at least one of the climate scenarios and time horizons.

Note 4 – Physical risks are more significant in the 3-4°C scenario. Transition risks are higher under the Sustainable Development scenario (1.5-2°C). Carbon pricing risk is low due to minimal direct impact and uncertainty from value chain activities. Future re-evaluation is needed as carbon pricing mechanisms become more transparent. No high-risk ratings are projected for STG based on current assessments and projections.

The following climate-related risks have been deemed material:

Low risk
Medium risk

Risk	Risk description	Sustainable development (1.5-2˚ C)			Fossil fuel-driven development (3-4˚ C)		
		2030	2040	2050	2030	2040	2050
Physical risks associated with physical impacts of climate change							
Chronic weather (aggregated risk)	Temperature and precipitation changes, higher water stress, and soil degradation can lower tobacco yields and negatively impact workforce health, safety, and productivity.	Low risk	Low risk	Low risk	Low risk	Medium risk	Medium risk
Acute weather (aggregated risk)	More frequent and severe extreme weather events can disrupt the tobacco supply chain, damage production capacity, increase costs, reduce quality, and hinder meeting customer demand.	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk
Transition risks associated with transition to low carbon economy							
Cost and access to capital	Rising ESG concerns from investors can increase costs, reduce capital access, and limit STG's market performance.	Low risk	Medium risk	Medium risk	Low risk	Medium risk	Medium risk
Cost and coverage of insurance	Climate change can increase costs due to contracting insurance markets, higher premiums, and reduced coverage.	Low risk	Medium risk	Medium risk	Low risk	Medium risk	Medium risk
Consumer concerns	Failing to meet consumer demand for sustainable products can harm reputation and reduce revenue.	Medium risk	Medium risk	Medium risk	Low risk	Medium risk	Medium risk

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ENVIRONMENT

ENERGY CONSUMPTION

Energy consumption and mix in GWh (Gigawatt-hour)	2024	2023*
Fuel consumption from coal and coal products	-	-
Fuel consumption from crude oil and petroleum products	16.0	16.1
Fuel consumption from natural gas	25.0	19.7
Fuel consumption from other fossil sources	-	-
Consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources	28.7	31.6
Total fossil energy consumption	**69.7**	**67.4**
Fuel consumption from renewables sources	-	-
Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources	20.4	17.5
Consumption of self-generated non-fuel renewable energy	**0.7**	**0.9**
Total renewable energy consumption	**21.1**	**18.4**
Consumption from nuclear sources	0.9	0.8
Total energy consumption	**91.7**	**86.6**
Total excess renewable self-generated energy distributed to the grid	-	0.1
Energy mix		
Share of consumption from fossil sources	76.0%	77.8%
Share of consumption from renewable sources	23.0%	21.2%
Share of consumption from nuclear sources	1.0%	0.9%
Energy intensity		
Net sales in DKK million	9,202.1	8,730.9
Energy intensity - GWh/net sales in DKK billion	10.0	9.9

ENERGY CONSUMPTION

The energy consumption in the Group was 91.7 GWh (2023: 86.6 GWh) resulting in an increase of 5.9%.

The increase in energy consumption is driven by the acquisition of Mac Baren company, which contributed to the increase in consumption of natural gas and electricity. Total energy consumption of the Group without Mac Baren decreased by 1.9% compared to 2023.

The energy mix improved with a 1.8 percentage point increase in the energy consumed from renewable sources, resulting in 23.0% share of renewable energy in the total energy consumption of the Group. consumption.

§ ACCOUNTING POLICIES

Our reporting of energy consumption is based on data collected from all STG companies and all locations where STG has operational control.

Energy consumption is measured by as consumption of electricity, district heating, and different types of fuel. Energy consumption is based on actual consumption and is primarily based on meter readings or invoices.

The share of renewable consumption if reported according to the GHG Protocol Scope 2 guidelines, where the market-based method is used to account for renewable energy consumption, through procurement of contractual instruments such as Energy Attribute Certificates (EACs), ensuring energy supply from wind, hydro, solar and biomass sources.

*2023 data not covered by the independent auditor's limited assurance engagement

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ENVIRONMENT

CIRCULAR ECONOMY

2024

Material group in 1,000 tonnes	Total weight in (absolute value)	Share of total weight
Wood	117.9	78%
incl. certified sources	43.7	29%
Wooden boxes	14.8	10%
incl. certified sources	8.2	5%
Plastic	9.7	6%
Cardboard & paper	5.8	4%
Metal	1.1	1%
Aluminium	0.4	0%
Other materials	1.3	1%
Total	**151.0**	**100%**

CIRCULAR ECONOMY

The total weight of both technical and biological materials was 151,000 tonnes. Wood is our primary material, indicating a predominance of biological materials. This is the first time the Group is reporting on this metric, and we will further analyze its implications for our performance in the coming years. Metrics for resource outflows is missing for this year overview.

§ ACCOUNTING POLICIES

We collect, evaluate, and provide data, which covers the following categories: Packaging materials, wood, non-tobacco materials used for manufacturing tobacco products, such as tipping/mouth paper, plastic filters, and tips, Other finished goods: nicotine and non-nicotine pouches, pipes, and Paper catalogs.

We account for the materials used in our own manufacturing for STG proprietary brands and products, as well as contract manufacturing and products purchased from 3rd party suppliers and placed on the market by STG.

Several product categories are excluded from the scope of the reporting, specifically: Products deemed immaterial for Resource use and circular economy, such as tobacco leaf, property, plant, office and IT equipment, and water. Finished products purchased and placed in the markets by STG, and have an insignificant contribution to the total group sales, such as lighters, matches, and other accessories. STG does not use any biofuels for non-energy purposes in our manufacturing processes.

Despite tobacco being the core raw material used for the manufacturing of STG products, tobacco has been deemed immaterial in E5 – Resource use and circular economy, as described in our material IROs. Therefore, tobacco inflows (including leaf and semi-finished products) for own manufacturing and 3rd party products are not included in disclosures, but accounted as part of E1 – Climate change.

All cardboard, paper products and finished wooden boxes purchased by STG are considered technical materials due to additional treatment, such as dying, printing or coating that is applied to most of the materials in scope. Loose wood purchased by STG is categorized as biological material, which accounts for 77% of total materials used by STG.

Recyclable content in products and packaging
In the reporting year, STG began to identify the level of recyclable content in the products and packaging in scope. As part of the supplier data collection process initiated in 2024, we expect to get better visibility of the recyclability of materials and packaging solutions purchased. This will allow us to assess the rate of recyclable content in the products and packaging in the years to come, and gain better insights into the resource outflows, as per the ESRS phase-in with regards to value chain data.

Methodology and key assumptions
Calculation approach
STG uses a hybrid approach to calculate the total weight of products and materials in scope, which implies: direct collection of weight data from ERP systems for materials used in own manufacturing. Weight proxies for finished goods purchased from 3rd party manufacturers, where STG does not have full visibility of all materials, were developed internally in close collaboration with an external climate expert.

Sample data use
In several cases, for both own products and 3rd party manufactured goods, when full data for all purchased quantities cannot be retrieved from the systems, sample data is used to calculate the average weight per item of the material or product.

Extrapolations
Due to the existing limitations to obtaining complete mass-based packaging data broken down by material types for finished products purchased from 3rd parties, STG is using extrapolations of our own packaging mix to account for the respective 3rd party products' packaging. The extrapolation is applied on the packaging type level (e.g. metal tins, composite can, label, etc.) and corresponds with the utilization of the respective packaging type for different product categories – Hand-made cigars, Machine-rolled cigars or Smoking tobacco. The calculation of packaging weights for third-party finished products is based on the ratio of STG's own and contract manufacturing product sales to third-party product sales.

Assumptions
Materials in the scope of calculation are consolidated and reported by material type grouped according to the primary material utilized for the respective item (e.g. pack). Due to the limited availability of materials disaggregation by all components and their mass contributions, the full weight of the item (e.g. pack) is allocated to the primary material type (e.g. metal). In the case of the composite nature of material where we lack the ability to define the primary material, the product/material is allocated to 'Other' material type.

In the reporting year, STG did not have access to the data to distinguish between virgin and reused/recycled material for most of the materials in scope, therefore all materials are considered virgin to follow a conservative approach (i.e. results in higher emissions).

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SOCIAL AND GOVERNANCE

EMPLOYEE CHARACTERISTICS

2024	Female	Male	Other	Not disclosed	Total
Number of employees	6,355	3,860	2	2	10,219
Number of permanent employees	5,736	3,613	2	2	9,353
Number of temporary employees	619	247	-	-	866
Number of non-guaranteed hours	-	-	-	-	-

EMPLOYEE CHARACTERISTICS

The total number of permanent employees was 9,353 in 2024, compared to 10,020 in 2023. This represents a slight decrease of 6.66%. The distribution of employees remains balanced across different geographies and age groups.

The most representative number in the financial statements is the average number of employees, 9,630, as detailed in the Staff costs section of the report on page 116.

§ ACCOUNTING POLICIES

Our reporting of employee characteristics is based on data extracted from our HRIS systems at year end (December 31st) and represents an actual headcount representation of that date.

Permanent:
Total headcount of permanent employees (individuals employed for work that is of a continuos full-time and part-time nature defined as per home country require-ments respectively).

Temporary workers:
STG employs temporary workers for various reasons, including project-specific needs, covering for absent employees (e.g., maternity or sick leave), and during periods of increased activity. Temporary workers are-individuals with a fixed-term contract or a temporary employment relationship with STG. These people receive a pay stub from STG for a specific period of time. This approach ensures operational flexibility and continuity.

Non-guaranteed hours:
STG does not have any employees in this category.

Age distribution of total employees[1,2]	2024	2023*
<30 years old	1,829	2,374
30-50 years old	5,573	5,860
>50 years old	1,951	1,786
Employee head count by gender[2]		
Female	6,355	6,527
Male	3,860	3,491
Other	2	2
Not disclosed	2	-
Total employees	**10,219**	**10,020**

1) Tables does only contain information for permanent employees in actual numbers.
2) Tables does only contain information for permanent employees in comparable numbers.

§ ACCOUNTING POLICIES

Age distribution of employees:
Headcount of own employees (i.e. not including non-employees) by age group.

Employees by gender:
Total headcount of employees split by gender registered by the employee or by HR in the Global HR system (HRIS), as either female, male, other or “not disclosed”.

*2023 data not covered by the independent auditor’s limited assurance engagement

CONTENTS

EMPLOYEE CHARACTERISTICS - CONTINUED

Turnover	2024	2023*
Total employee turnover	22.7%	18.3%
Total number of employees who have left	2,205	1,856

Number of employees by country[1]	2024	2023*
Belgium	1,518	828
Denmark	613	438
Dominican Republic	2,123	2,713
France	85	87
Germany	131	78
Honduras	1,311	1,348
Indonesia	1,543	1,701
Italy	80	87
The Netherlands	169	154
Nicaragua	399	391
Spain	60	N/A
Sri Lanka	1,178	1,282
United States	875	760
Other[2]	134	153
Total	**10,219**	**10,020**

1) Tables does only contain information for permanent employees in comparable numbers.
2) Other comprises the total of STG companies with less than 50 employees in each. These include Australia, Canada, Hong Kong, Portugal, Spain (2023), Sweden and United Kingdom.

2024

Employee by Region	Americas	Europe	Rest of world	Total
Number of employees	4,749	2,746	2,724	10,219
Number of permanent employees	4,739	1,970	2,644	9,353
Number of temporary employees	10	776	80	866
Number of non-guaranteed hours	-	-	-	-

EMPLOYEE TURNOVER

The employee turnover rate increased to 22.7% from 18.3% in 2023. The turnover was primarily attributed to production employees in Latin America and retail employees in NA where a naturally high turnover trend exists in the retail sector.

§ ACCOUNTING POLICIES

Our reporting of employee characteristics is based on data extracted from our HRIS systems at year end (December 31st) and represents an actual headcount representation of that date.

Employee turnover:
The turnover rate is calculated by dividing the number of terminations that occur during the reporting period by the average number of employees (headcount) during the same period expressed as a percentage. The rate is calculated based on number of permanent employees.

Employees by country:
Total headcount of employees split by country. Countries with fewer employees than 50, will be consolidated into the "Other" category.

Employees by region:
Total headcount of employees split by region.

*2023 data not covered by the independent auditor's limited assurance engagement

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SOCIAL AND GOVERNANCE

DIVERSITY

2024

Diversity in Top Management	Male	Female	Other	Total
Board of Directors (including employee elected members)	7	2	-	9
Executive Management	1	1	-	2
Senior Leadership	66	22	-	88
Top Management	**74**	**25**	**-**	**99**

2023*

Diversity in Top Management	Male	Female	Other	Total
Board of Directors (including employee elected members)	7	2	-	9
Executive Management	1	1	-	2
Senior Leadership	66	21	-	87
Top Management	**74**	**24**	**-**	**98**

DIVERSITY
Gender distribution in Top Management presented a slight increase in Females from 24.5% in 2023 to 25.3% in 2024, attributed to the number of Females in Senior Leadership increasing from 24.1% to 25.0%. Diversity in the Board of Directors (including employee elected members) is unchanged compared to 2023.

STATUTORY REPORT
This chapter together with pages 74-76 constitutes our statutory report on the composition of the management and the policies, targets, and activities for diversity and inclusion for the financial year 2024, according to Section 107d of the Danish Financial Statements Act.

By the end of 2024, 2 of 6 (33%) of the shareholder elected members of the Board of Directors were female; the gender balance in the Executive Management was 50:50, and the gender representation in the Executive Board was 2 women (33%) and 4 men (66%).

§ ACCOUNTING POLICIES

Our reporting on diversity in management is based on data from our HR IT-systems and Group Legal. Data within this category is extracted or counted as per the last day of the year (December 31st)

Board of Directors:
Total headcount of individuals in the Board of Directors, by gender.

Executive Management:
Total headcount of individuals in the Executive Management, by gender.

Senior Leadership:
Total headcount of individuals in the Senior Leadership, by gender. Senior Leadership is defined as employees with titles: Senior Vice President, Vice President, or Director.

BOARD CHARACTERISTICS

Board characteristics	2024	2023*
Share of female Board of directors (shareholder-elected)	33.33%	33.33%
Share of male Board of directors (shareholder-elected)	66.67%	66.67%
Share of Board of directors - others (shareholder-elected)	-	-
Board of directors diversity - number of nationalities	4	3
Number of non-executive board members	9	9
Number of executive board members	-	-
Share of independent Board of directors	66.67%	55.56%

BOARD CHARACTERISTICS
The number of female and male board members in 2024 remains the same as in 2023 (excluding employee-elected board members).

§ ACCOUNTING POLICIES

Our reporting on Board characteristics and meeting attendance is based data collected by Group Legal.

Board of Directors - gender diversity:
Gender split of shareholder-elected members of the Board of Directors as per year-end.

Board of Directors - national diversity:
Number of nationalities represented in the shareholder-elected board members as per year-end.

Board of Directors - non-executive members:
Proportion of members of the Board of Directors that are also part of the Executive Board as per year-end.

Board of Directors - executive members:
None of the Board of Directors are executive members.

Board of Directors - independence:
Split on number of members of the Board of Directors in terms of independence. Independence is defined according to the Danish Recommendations on Corporate Governance. Reported as per year end.

*2023 data not covered by the independent auditor's limited assurance engagement

CONTENTS

SOCIAL AND GOVERNANCE

BUSINESS CONDUCT, INCIDENTS, COMPLAINTS AND SEVERE HUMAN RIGHTS IMPACTS

	2024	2023*
Corruption and bribery		
Convictions	-	-
Amount of fines	-	-
Share of employees considered "functions-at-risk" that have been assigned training	90.44 %	N/A
Human rights issues		
Total confirmed incidents	-	-
Confirmed incidents considered human rights violations	-	-
Amount of fines	-	-
Discrimination & harassment		
Reported incidents	1	1
Amount of fines related to work-related grievances	-	-
Other		
Reported incidents	-	1

WHISTLEBLOWING
Whistleblower cases are taken very seriously, and we continuously enhance the awareness of good business conduct through education and awareness campaigns to minimise future cases of misconduct.

None of the reported cases were critical to our business or caused adjustments to our financial results.

§ ACCOUNTING POLICIES

Our reporting on Business Conduct, Incidents, Complaints and Severe Human Rights Impacts is based on data collected by Group Legal, representing the knowledge of the company at time of reporting. Statistics on incident reporting is based on data from STG's Whistleblower Scheme.

Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws:
The number of convictions and the amount of fines (in DKK) received during the reporting period, for violation of anti-corruption and anti-bribery laws. Data is collected by Group Legal.

Share of employees considered " functions-at-risk" that have been assigned training:
The relevant employees are those with a personal STG email in Nicaragua, Honduras, Dominican Republic, Sri Lanka and Indonesia; that are covered by the relevant online training programme.

Reported incidents of discrimination and harrasment: Number of work-related incidents of discrimination or harassment reported in the reporting period. Based on data from STG's Whistleblower Scheme and manually collected data by Group Legal.

Other reported incidents: Number of other work-related incidents reported during the reporting period in the STG Whistleblower Scheme or manually collected data by Group Legal. This excludes incidents categorized as "discrimination" or "harassment" as already reported in separate indicator.

Amount of fines related to reported incidents: The total amount of fines, penalties, and compensation for damages (in DKK) received during the reporting year as a result of incidents and complaints reported, incl. those considered discrimination or harassment. If fines are received for cases reported in a previous reporting period, this would be stated. Data is manually collected by Group Legal.

Total confirmed incidents considered severe human rights : The number of incidents considered severe human rights issues (E.g. forced labour, human trafficking or child labour) connected to STG's workforce during the reporting period in the STG Whistleblower Scheme or manually collected data by Group Legal.

Total confirmed incidents considered human rights violations: The number of severe human rights issues and incidents reported during the reporting period, that are also violations of the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises. Data collected through STG's Whistleblower Scheme or manually collected data by Group Legal.

Amount of fines related to human rights issues:
The total amount of fines, penalties, and compensation for damages (in DKK) received during the reporting year as a result of the incidents of human rights violations. If fines are received for cases reported in a previous reporting period, this would be stated. Data is manually collected by Group Legal.

*2023 data not covered by the independent auditor's limited assurance engagement

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OTHER EU LEGISLATION

Disclosure requirements		SFRD (23) reference	Pillar 3 (24) reference	Benchmark Regulation (25) reference	EU	Page
ESRS2 GENERAL DISCLOSURES						
GOV-1	Board's gender diversity	●	○	●	○	101
GOV-1	% of board members who are independent	○	○	●	○	101
GOV-4	Statement on due diligence	●	○	○	○	57
SBM-1	Involvement in activities related to fossil fuel activities	●	●	●	○	-
SBM-1	Involvement in activities related to chemical production	●	○	●	○	-
SBM-1	Involvement in activities related to controversial weapons	●	○	●	○	-
SBM-1	Involvement in activities related to cultivation and production of tobacco	○	○	●	○	N/A
ENVIRONMENT						
E1 – Climate change						
E1-1	Transition plan to reach climate neutrality by 2050	○	○	○	●	68
E1-1	Exclusion from Paris-aligned Benchmarks	○	●	●	○	68
E1-4	GHG emission reduction targets	●	●	●	○	70
E1-5	Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors)	●	○	○	○	97
E1-5	Energy consumption and mix	●	○	○	○	97
E1-5	Energy intensity associated with activities in high climate impact sectors	●	○	○	○	-
E1-6	Gross Scope 1, 2, 3 and Total GHG emissions	●	●	●	○	92
E1-6	Gross GHG emissions intensity	●	●	●	○	93
E1-7	GHG removals and carbon credits	○	○	○	●	N/A
E1-9	Exposure of the benchmark portfolio to climate-related physical risks	○	○	●	○	N/A
E1-9	Disaggregation of monetary amounts by acute and chronic physical risk	○	●	○	○	N/A
E1-9	Location of significant assets at material physical risk	○	●	○	○	67

Disclosure requirements		SFRD (23) reference	Pillar 3 (24) reference	Benchmark Regulation (25) reference	EU	Page
E1-9	Breakdown of the carrying value of its real estate assets by energy-efficiency classes	○	●	○	○	N/A
E1-9	Degree of exposure of the portfolio to cli-mate- related opportunities	○	○	●	○	N/A
E5 – Resource use & circular economy						
E5-5	Non-recycled waste	●	○	○	○	N/A
E5-5	Hazardous waste and radioactive waste	●	○	○	○	N/A
SOCIAL						
S1 – Own workforce						
SBM3	Risk of incidents of forced labour	●	○	○	○	N/A
SBM3	Risk of incidents of child labour	●	○	○	○	N/A
S1-1	Human rights policy commitments	●	○	○	○	75
S1-1	Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8	○	○	●	○	75
S1-1	Processes and measures for preventing trafficking in human beings	●	○	○	○	N/A
S1-1	Workplace accident prevention policy or management system	●	○	○	○	N/A
S1-3	Grievance/complaints handling mechanisms	●	○	○	○	84
S1-14	Number of fatalities and number and rate of work-related accidents	●	○	●	○	N/A
S1-14	Number of days lost to injuries, accidents, fatalities or illness	●	○	○	○	N/A
S1-16	Unadjusted gender pay gap	●	○	●	○	N/A
S1-16	Excessive CEO pay ratio	●	○	○	○	N/A
S1-17	Incidents of discrimination	●	○	○	○	102
S1-17	Non-respect of UNGPs on Business and Human Rights and OECD Guidelines	●	○	●	○	102

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Disclosure requirements		SFRD (23) reference	Pillar 3 (24) reference	Benchmark Regulation (25) reference	EU	Page
S2 – Workers in the value chain						
SBM3	Significant risk of child labour or forced labour in the value chain	●	○	○	○	77
S2-1	Human rights policy commitments	●	○	○	○	78
S2-1	Policies related to value chain workers	●	○	○	○	78
S2-1	Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines	●	○	●	○	78
S2-1	Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8	○	○	●	○	78
S2-4	Human rights issues and incidents connected to its upstream and downstream value chain	●	○	○	○	N/A
S4 – Consumers and end users						
S4-1	Policies related to consumers and end-users	●	○	○	○	81
S4-1	Non-respect of UNGPs on Business and Human Rights and OECD guidelines	●	○	●	○	81
S4-4	Human rights issues and incidents	●	○	○	○	N/A
GOVERNANCE						
G1 – Business conduct						
G1-1	United Nations Convention against Corruption	●	○	○	○	84
G1-1	Protection of whistleblowers	●	○	○	○	84
G1-4	Fines for violation of anti-corruption and anti-bribery laws	●	○	●	○	102
G1-4	Standards of anti-corruption and anti-bribery	●	○	○	○	85

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

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1 JANUARY - 31 DECEMBER

CONSOLIDATED STATEMENT OF INCOME

DKK million	Note	2024	2023
INCOME STATEMENT			
Net sales	2.1	**9,202.1**	**8,730.9**
Cost of goods sold	2.1	-4,923.6	-4,526.8
Gross profit before special items	2.1	**4,278.5**	**4,204.1**
Other external costs		-1,190.8	-1,142.6
Staff costs	2.2	-1,057.2	-968.0
Other income		48.5	12.2
Earnings before interest, tax, depreciation, amortisation and special items (EBITDA before special items)		**2,079.0**	**2,105.7**
Depreciation and impairment	3.2, 3.3	-236.3	-201.0
Earnings before interest, tax, amortisation and special items (EBITA before special items)		**1,842.7**	**1,904.7**
Amortisation and impairment	3.1	-183.5	-174.0
Earnings before interest, tax and special items (EBIT before special items)		**1,659.2**	**1,730.7**
Special items incl. impairment, net costs	2.5	-279.0	-92.4
Earnings before interest and tax (EBIT)		**1,380.2**	**1,638.3**
Share of profit of associated companies, net of tax	4.3	25.4	29.4
Financial income	4.4	130.2	184.6
Financial costs	4.4	-316.5	-361.5
Profit before tax		**1,219.3**	**1,490.8**
Income taxes	2.6	-279.6	-308.4
Net profit for the year		**939.7**	**1,182.4**
Earnings per share			
Basic earnings per share (DKK)	4.5	11.5	13.7
Diluted earnings per share (DKK)	4.5	11.4	13.6

DKK million	Note	2024	2023
STATEMENT OF COMPREHENSIVE INCOME			
Net profit for the year		**939.7**	**1,182.4**
OTHER COMPREHENSIVE INCOME			
Items that will not be recycled subsequently to the Consolidated Income Statement:			
Actuarial gains and losses on pension obligations		-11.1	12.8
Tax of actuarial gains and losses on pension obligations		2.0	-3.0
Items that will be recycled subsequently to the Consolidated Income Statement, when specific conditions are met:			
Foreign exchange adjustments on net investments in foreign operations		326.3	-198.4
Other comprehensive income for the year, net of tax		**317.2**	**-188.6**
Total comprehensive income for the year		**1,256.9**	**993.8**

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CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

DKK million	Note	2024	2023
ASSETS			
Goodwill		5,409.9	5,235.6
Trademarks		3,224.1	3,226.1
IT software		65.3	74.4
Other intangible assets		400.0	404.0
Intangible assets under construction		215.5	183.1
Total intangible assets	3.1	**9,314.8**	**9,123.2**
Property, plant and equipment	3.2	1,664.2	1,475.1
Right-of-use assets	3.3	402.3	284.6
Investments in associated companies	4.3	261.9	234.0
Deferred income tax assets	2.6	129.8	93.7
Total non-current assets		**11,773.0**	**11,210.6**
Inventories	3.4	3,478.2	3,269.6
Trade receivables	3.5	1,213.7	963.7
Other receivables		207.0	113.7
Corporate tax	2.6	97.4	63.3
Prepayments	3.6	174.6	132.9
Cash and cash equivalents		160.1	99.6
Total current assets		**5,331.0**	**4,642.8**
Total assets		**17,104.0**	**15,853.4**

DKK million	Note	2024	2023
EQUITY AND LIABILITIES			
Share capital	4.5	86.0	87.0
Reserve for currency translation		1,091.7	765.4
Treasury shares	4.5	-787.8	-141.4
Retained earnings		8,827.1	8,723.0
Total equity		**9,217.0**	**9,434.0**
Borrowings	4.1	3,710.6	3,656.7
Deferred income tax liabilities	2.6	742.3	706.8
Pension obligations	3.8	213.7	195.3
Other provisions	3.7	16.4	17.9
Lease liabilities		337.3	245.8
Other liabilities		32.5	46.2
Total non-current liabilities		**5,052.8**	**4,868.7**
Borrowings	4.1	1,247.8	-
Trade payables		383.6	508.2
Corporate tax	2.6	85.1	120.3
Other provisions	3.7	46.9	17.8
Lease liabilities		73.4	59.1
Other liabilities		997.4	845.3
Total current liabilities		**2,834.2**	**1,550.7**
Total liabilities		**7,887.0**	**6,419.4**
Total equity and liabilities		**17,104.0**	**15,853.4**

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1 JANUARY - 31 DECEMBER

CONSOLIDATED CASH FLOW STATEMENT

DKK million	Note	2024	2023
Net profit for the year		939.7	1,182.4
Depreciation, amortisation and impairment		419.8	375.0
Adjustments	5.2	694.8	513.0
Changes in working capital	4.6	-138.4	-36.7
Special items, paid		-211.0	-98.3
Cash flow from operating activities before financial items		**1,704.9**	**1,935.4**
Financial income received		51.4	49.9
Financial costs paid		-226.1	-248.7
Cash flow from operating activities before tax		**1,530.2**	**1,736.6**
Tax payments	2.6	-351.1	-389.6
Cash flow from operating activities		**1,179.1**	**1,347.0**
Acquisitions	5.1	-575.6	-581.7
Investment in intangible assets	3.1	-48.3	-109.4
Investment in property, plant and equipment	3.2	-216.0	-199.0
Sale of property, plant and equipment		2.9	2.4
Dividend from associated companies	4.3	12.9	12.4
Cash flow from investing activities		**-824.1**	**-875.3**
Free cash flow		**355.0**	**471.7**

DKK million	Note	2024	2023
Repayment of lease liabilities	4.8	-94.3	-67.8
New external funding - RCF and bank loan	4.8	405.0	581.0
New external funding - bond issuance	4.8	2,233.0	-
Repurchase of bonds	4.8	-1,355.0	-
Repayment bank loans	4.8	-4.1	-4.2
Dividend payment		-709.8	-714.6
Purchase of treasury shares		-773.6	-180.6
Cash flow from financing activities		**-298.8**	**-386.2**
Net cash flow for the year		**56.2**	**85.5**
Cash and cash equivalents, net at 1 January		99.6	22.2
Exchange gains/losses on cash and cash equivalents		4.3	-8.1
Net cash flow for the year		56.2	85.5
Cash and cash equivalents, net at 31 December		**160.1**	**99.6**

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1 JANUARY - 31 DECEMBER

STATEMENT OF CHANGES IN GROUP EQUITY

DKK million	Share capital	Reserve for currency translation	Treasury shares	Retained earnings	Total
Equity at 1 January 2024	**87.0**	**765.4**	**-141.4**	**8,723.0**	**9,434.0**
COMPREHENSIVE INCOME FOR THE YEAR					
Net profit for the year	**-**	**-**	**-**	**939.7**	**939.7**
OTHER COMPREHENSIVE INCOME					
Foreign exchange adjustments on net investments in foreign operations	-	326.3	-	-	326.3
Actuarial gains and losses on pension obligations	-	-	-	-11.1	-11.1
Tax of actuarial gains and losses on pension obligations	-	-	-	2.0	2.0
Total other comprehensive income	**-**	**326.3**	**-**	**-9.1**	**317.2**
Total comprehensive income for the year	**-**	**326.3**	**-**	**930.6**	**1,256.9**
TRANSACTIONS WITH SHAREHOLDERS					
Capital reduction	-1.0	-	118.8	-117.8	-
Purchase of treasury shares	-	-	-765.2	-	-765.2
Share-based payments	-	-	-	1.1	1.1
Tax on share-based payments	-	-	-	-	-
Settlement of vested PSUs	-	-	-	-	-
Settlement in cash of vested PSUs	-	-	-	-	-
Dividend paid to shareholders (note 4.5)	-	-	-	-730.8	-730.8
Dividend, treasury shares	-	-	-	21.0	21.0
Total transactions with shareholders	**-1.0**	**-**	**-646.4**	**-826.5**	**-1,473.9**
Equity at 31 December 2024	**86.0**	**1,091.7**	**-787.8**	**8,827.1**	**9,217.0**

DKK million	Share capital	Reserve for currency translation	Treasury shares	Retained earnings	Total
Equity at 1 January 2023	**93.0**	**963.8**	**-748.1**	**9,032.9**	**9,341.6**
COMPREHENSIVE INCOME FOR THE YEAR					
Net profit for the year	**-**	**-**	**-**	**1,182.4**	**1,182.4**
OTHER COMPREHENSIVE INCOME					
Foreign exchange adjustments on net investments in foreign operations	-	-198.4	-	-	-198.4
Actuarial gains and losses on pension obligations	-	-	-	12.8	12.8
Tax of actuarial gains and losses on pension obligations	-	-	-	-3.0	-3.0
Total other comprehensive income	**-**	**-198.4**	**-**	**9.8**	**-188.6**
Total comprehensive income for the year	**-**	**-198.4**	**-**	**1,192.2**	**993.8**
TRANSACTIONS WITH SHAREHOLDERS					
Capital reduction	-6.0	-	762.7	-756.7	-
Purchase of treasury shares	-	-	-181.1	-	-181.1
Share-based payments	-	-	-	0.5	0.5
Tax on share-based payments	-	-	-	0.7	0.7
Settlement of vested PSUs	-	-	25.1	-25.1	-
Settlement in cash of vested PSUs	-	-	-	-6.9	-6.9
Dividend paid to shareholders (note 4.5)	-	-	-	-767.3	-767.3
Dividend, treasury shares	-	-	-	52.7	52.7
Total transactions with shareholders	**-6.0**	**-**	**606.7**	**-1,502.1**	**-901.4**
Equity at 31 December 2023	**87.0**	**765.4**	**-141.4**	**8,723.0**	**9,434.0**

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SECTION 1

1.1 BASIS OF REPORTING

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

RECOGNITION AND MEASUREMENT

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

PRINCIPAL ACCOUNTING POLICIES

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

- Gross profit (net sales and cost of goods sold) (note 2.1)
- Income and deferred income taxes (note 2.6)
- Intangible assets and property, plant and equipment including impairment (note 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 2024, it has been assessed that the application of these new IFRSs has not had a material impact on the Consolidated Financial Statements in 2024, and the Group does not anticipate any significant impact on future periods from the adoption of these new IFRSs. 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, except from IFRS 18 described below.

The IASB has issued IFRS 18, Presentation and Disclosure in Financial Statements. This new standard replaces the current IAS 1, Presentation of Financial Statements, and it implements a set of new requirements for presentation and disclosures in the financial statements. The new standard requires the income statement to be structured into five categories, while also introducing two new subtotals. Furthermore, the new term "Management Performance Measures (MPM)" is introduced, which must be disclosed in the notes of the financial statements. The new requirements for presentation and disclosures are applicable for all financial statements, including consolidated financial statements, separate financial statements and interim financial statements.

The new IFRS 18 has not been endorsed by the European Union yet but is expected to come into effect for financial statements starting on or after 1 January 2027. Early adoption of the amendment is permitted, when approved by the EU. It is expected that the new standard will impact the Consolidated Financial Statements of the Group, and the assessment of these impacts will be carried out in the coming year.

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 entity. 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.

CONTENTS

1.1 (CONTINUED)

BASIS OF REPORTING

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

TRANSLATION POLICIES

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

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

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

OTHER EXTERNAL COSTS

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

OTHER INCOME

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

EQUITY

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

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

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

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, 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 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

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

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 accordance with the ESEF taxonomy, which is part of the ESEF Regulation and developed based on the IFRS taxonomy, published by the IFRS Foundation. Furthermore, iXBRL tags have been prepared according to additional Danish disclosure requirements.

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; 5299003KG4JS99TRML67-2024-12-31-en.zip.

CONTENTS

1.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

ESTIMATION UNCERTAINTY

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

The judgements, estimates and assumptions 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.

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

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

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

DEFINING MATERIALITY

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

CONTENTS

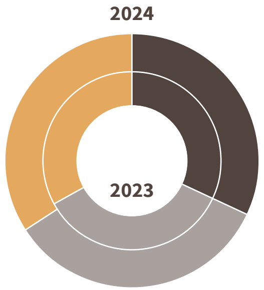
SECTION 2

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

9,202

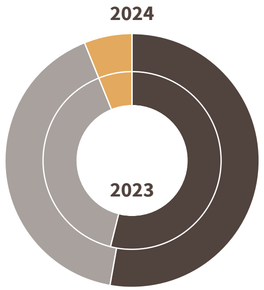
NET SALES (DKK million)

NET SALES PER DIVISION (DKK million)



- North America Online & Retail 2,973
- North America Branded & RoW 3,139
- Europe Branded 3,090

NET SALES PER REGION (DKK million)



- Americas 4,912
- Europe 3,756
- Rest of world 534

2024

DKK million	North America Online & Retail	North America Branded & RoW	Europe Branded	Group costs / not allocated	Total
Net sales	2,973.3	3,138.8	3,090.0	-	9,202.1
Cost of goods sold	-1,809.3	-1,544.0	-1,570.3	-	-4,923.6
Gross profit before special items	**1,164.0**	**1,594.8**	**1,519.7**	**-**	**4,278.5**
Staff and other external costs	-723.0	-513.5	-871.0	-140.5	-2,248.0
Other income	-	48.5	-	-	48.5
EBITDA before special items	**441.0**	**1,129.8**	**648.7**	**-140.5**	**2,079.0**
Depreciation and impairment				-236.3	-236.3
Amortisation and impairment				-183.5	-183.5
EBIT before special items				**-560.3**	**1,659.2**
Special items incl. impairment, net costs				-279.0	-279.0
EBIT				**-839.3**	**1,380.2**
Share of profit of associated companies, net of tax				25.4	25.4
Financial income				130.2	130.2
Financial costs				-316.5	-316.5
Profit before tax				**-1,000.2**	**1,219.3**

2023

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

CONTENTS

2.1 (CONTINUED)

GROSS PROFIT (NET SALES AND COST OF GOODS SOLD)

DKK million	2024	2023
Category split, net sales		
Handmade cigars	3,299.5	3,235.9
Machine-rolled cigars & Smoking tobacco	4,431.2	4,294.5
Next Generation Products	420.9	193.3
Other	1,050.5	1,007.2
Total net sales	**9,202.1**	**8,730.9**

Licence income and other sales of DKK 19.0 million (DKK 24.0 million) are included in the category 'Machine-rolled cigars & Smoking tobacco'.
Licence income and other sales of DKK 76.4 million (DKK 52.3 million) are included in the category 'Other'.

DKK million	2024	2023
Geographical split, net sales		
Americas	4,911.9	4,745.8
Europe	3,756.2	3,459.6
Rest of world	534.0	525.5
Total net sales	**9,202.1**	**8,730.9**

GEOGRAPHIC INFORMATION

In the table above, sales to external customers are attributable to the country of the customers' domicile, and in the table below, 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 195.7 million (DKK 159.0 million), and net sales from external customers outside Denmark amount to DKK 9,006.4 million (DKK 8,571.9 million). Individual, material country (>10% of total net sales) are the US DKK 4,511.5 million (DKK 4,364.8 million). Individual, material countries (>10% of total non-current assets) are the US DKK 4,931.2 million (DKK 4,481.5 million) and the Netherlands DKK 2,809.4 million (DKK 2,850.6 million).

DKK million	2024	2023
Non-current assets[1]		
Denmark	2,616.0	2,490.6
Americas	5,183.0	4,713.3
Europe	3,783.8	3,853.9
Rest of world	60.4	59.1
Total non-current assets	**11,643.2**	**11,116.9**

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 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 (amongst others 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/segments are to some extent allocated to the divisions/segments 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/segments 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 divisions/segments.

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

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

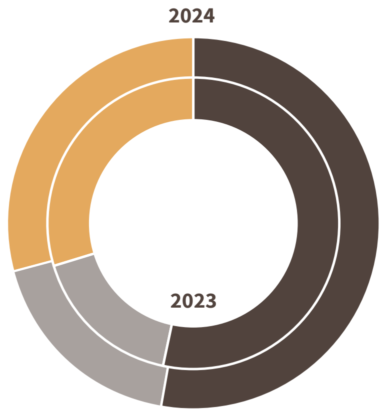
CONTENTS

2.2
STAFF COSTS

DKK million	2024	2023
Wages and salaries	1,547.7	1,429.3
Pensions - defined contribution plans	74.1	65.2
Pensions - defined benefit plans	22.9	24.7
Social security costs	237.5	224.5
Total staff costs for the year	**1,882.2**	**1,743.7**
Staff cost included in intangible assets	-3.4	-4.9
Change in employee costs included in inventories	2.1	9.4
Total staff costs expensed to the income statement	**1,880.9**	**1,748.2**

DKK million	2024	2023
Included in the income statement:		
Cost of goods sold	823.7	780.2
Staff costs	1,057.2	968.0
Total included in the income statement	**1,880.9**	**1,748.2**
Average number of employees in the Group	**9,630**	**10,141**

EMPLOYEES PER REGION (%)



2024
- Americas 53%
- Europe 18%
- Rest of world 29%

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

REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE BOARD

Total fees to the Board of Directors and Executive Board amounted to DKK 51.1 million (DKK 43.8 million).

Executive Board

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

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

For the year 2024, the total cost of remuneration for the Executive Board amounts to DKK 44.4 million (DKK 37.5 million).

CONTENTS

2.2 (CONTINUED)

STAFF COSTS

§ ACCOUNTING POLICIES

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

EXECUTIVE BOARD 2024

DKK million	Salary and benefits	Bonus	Pension	Extraordinary remuneration /stay-on and loyalty bonus	Share-based incentive programme	Total
Niels Frederiksen	8.1	3.5	-	-	0.4	12.0
Marianne Rørslev Bock	5.1	2.2	-	-	0.2	7.5
Total Executive Management	**13.2**	**5.7**	**-**	**-**	**0.6**	**19.5**
Other key management	15.4	7.5	1.3	-	0.7	24.9
Total Executive Board	**28.6**	**13.2**	**1.3**	**-**	**1.3**	**44.4**

EXECUTIVE BOARD 2023

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

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 2024, members of the Board of Directors and the board committees received fixed annual fees in the aggregate amount of DKK 6.5 million (DKK 6.0 million).

DKK 0.2 million (DKK 0.2 million) was paid during 2024 related to social security taxes and similar taxes imposed by non-Danish authorities in relation to the remuneration.

BOARD OF DIRECTORS

DKK thousand	Position	Joined the Board	Left the Board	Board	Committees	Other	Total
Henrik Brandt	Chairman	Apr 2017		1,320	440	-	1,760
Dianne Neal Blixt	Board member	Feb 2016		440	385	-	825
Anders C. Obel	Board member	Apr 2018		440	206	-	646
Claus Gregersen	Board member	Apr 2019	Apr 2024	115	57	-	172
Jörg Biebernick	Board member	Apr 2024		325	122	-	447
Marlene Forsell	Board member	Apr 2019		440	330	-	770
Henrik Amsinck	Board member	Apr 2021		440	-	110	550
Thomas Thomsen	Employee-elected	Apr 2023		440	-	-	440
Mark Draper	Employee-elected	Apr 2023		440	-	-	440
Karsten Dam Larsen	Employee-elected	Jun 2023		440	-	-	440
Total 2024				**4,840**	**1,540**	**110**	**6,490**
Total 2023				**4,815**	**1,100**	**110**	**6,025**

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 2024, the Company paid DKK 240 thousand compared to DKK 239 thousand in 2023.

CONTENTS

2.3

SHARE-BASED PAYMENTS

VALUE OF THE PROGRAMMES AND IMPACT ON THE INCOME STATEMENT

	LTIP 2021	LTIP 2022	LTIP 2023	LTIP 2024
Total PSUs granted	102,647	106,460	109,121	116,094
Fair value of PSUs expected to vest at grant date, DKK million	10.6	13.0	11.5	10.5
Fair value of PSUs expected to vest at 31 December 2024, DKK million	-	2.0	12.0	11.3
Recognised in the income statement in 2024, DKK million*	-	-6.2	4.5	2.8
Not yet recognised in respect of PSUs expected to vest, DKK million	-	-	4.5	8.4

* DKK 1.1 million (DKK 0.5 million) was recognised in staff costs.

LTIP 2021 (number of PSUs)	Executive Board: Niels Frederiksen	Executive Board: Marianne Rørslev Bock	Other Key Management	Senior Management	Total
Outstanding at 1 January 2023	26,471	11,949	28,900	28,684	96,004
Transferred	-	-	-9,887	9,887	-
Granted	1,684	760	1,209	2,275	5,928
Forefeited	-	-	-	-6,124	-6,124
Adjustment	-28,155	-12,709	-20,222	-34,722	-95,808
Outstanding at 31 December 2023	**-**	**-**	**-**	**-**	**-**
Outstanding at 1 January 2024	-	-	-	-	-
Outstanding at 31 December 2024	**-**	**-**	**-**	**-**	**-**

LTIP 2022 (number of PSUs)	Executive Board: Niels Frederiksen	Executive Board: Marianne Rørslev Bock	Other Key Management	Senior Management	Total
Outstanding at 1 January 2023	25,215	12,158	26,627	29,458	93,458
Transferred	-	-	-9,705	9,705	-
Granted	1,604	773	1,077	2,295	5,749
Forefeited	-	-	-	-10,809	-10,809
Outstanding at 31 December 2023	**26,819**	**12,931**	**17,999**	**30,649**	**88,398**
Outstanding at 1 January 2024	26,819	12,931	17,999	30,649	88,398
Transferred	-	-	-10,125	10,125	-
Granted	2,024	976	594	3,659	7,253
Forefeited	-	-	-	-299	-299
Adjustment	-24,517	-11,821	-7,198	-37,768	-81,304
Outstanding at 31 December 2024	**4,326**	**2,086**	**1,270**	**6,366**	**14,048**

LTIP 2023 (number of PSUs)	Executive Board: Niels Frederiksen	Executive Board: Marianne Rørslev Bock	Other Key Management	Senior Management	Total
Outstanding at 1 January 2023	-	-	-	-	-
Transferred					
Granted	27,639	13,326	26,426	34,071	101,462
Forefeited	-	-	-	-4,152	-4,152
Outstanding at 31 December 2023	**27,639**	**13,326**	**26,426**	**29,919**	**97,310**
Outstanding at 1 January 2024	27,639	13,326	26,426	29,919	97,310
Transferred	-	-	-11,069	11,069	-
Granted	2,086	1,006	1,160	3,407	7,659
Forefeited	-	-	-	-4,207	-4,207
Outstanding at 31 December 2024	**29,725**	**14,332**	**16,517**	**40,188**	**100,762**

CONTENTS

2.3 (CONTINUED)
SHARE-BASED PAYMENTS

LTIP 2024 (number of PSUs)	Executive Board				
	Niels Frederiksen	Marianne Rørslev Bock	Other Key Management	Senior Management	Total
Outstanding at 1 January 2024	-	-	-	-	-
Granted	34,629	17,173	24,914	39,378	116,094
Outstanding at 31 December 2024	**34,629**	**17,173**	**24,914**	**39,378**	**116,094**

All of the outstanding PSUs at 31 December 2024 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 2021 are organic EBITDA growth and cash conversion and for LTIP 2022, LTIP 2023 and LTIP 2024 organic EBITDA growth, ROIC growth, EPS growth and ESG scorecard.

In March 2024, PSUs granted under the LTIP 2021 were vested and based on the actual achieved performance, the participants received no shares corresponded to 0% of the grant. Consequently the programme has lapsed.

Under the LTIP programme, new PSUs were granted to participants in 2024. This was the ninth 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 2024	LTIP 2023	LTIP 2022	LTIP 2021
Share price (DKK)	97.0	120.60	146.90	122.70

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	10.7
Marlene Forsell	3,250	-	-	3,250	0.3
Dianne Neal Blixt	1,700	-	-	1,700	0.2
Anders C. Obel	20,270	-	-	20,270	1.9
Jörg Biebernick	-	-	-	-	-
Henrik Amsinck	1,000	-	-1,000	-	-
Karsten Dam Larsen	600	1,000	-	1,600	0.2
Mark Draper	200	-	-	200	0.0
Thomas Thomsen	3,500	2,500	-	6,000	0.6
Board of Directors in total	**143,190**	**3,500**	**-1,000**	**145,690**	**13.9**
Niels Frederiksen	326,365	-	-	326,365	31.1
Marianne Rørslev Bock	71,372	-	-	71,372	6.8
Régis Broersma	20,780	385	-	21,165	2.0
Yulia Lyusina	-	-	-	-	-
Jesper Madsen	-	-	-	-	-
Thomas Kolber	-	-	-	-	-
Executive Board in total	**418,517**	**385**	**-**	**418,902**	**39.9**
Total Board of Directors and Executive Board	**561,707**	**3,885**	**-1,000**	**564,592**	**53.8**

1) Calculation of market value is based on the quoted share price of DKK 95.3 at the end of the year.

CONTENTS

2.5

SPECIAL ITEMS

§ ACCOUNTING POLICIES

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

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

DKK million	2024	2023
Integration and transactions costs (Mac Baren)	40.4	-
One Commercial Organisation	53.5	-
Solution Delivery Organisation	53.0	-
OneProcess	132.1	92.4
Total special items incl. impairment, net costs	**279.0**	**92.4**

DKK million	2024	2023
Specified by line items in the consolidated income statement		
Cost of goods sold	16.4	12.2
Other external costs	128.6	68.8
Staff costs	134.0	11.4
Total special items incl. impairment, net costs	**279.0**	**92.4**

2.6

INCOME AND DEFERRED INCOME TAXES

22.9

EFFECTIVE TAX RATE (%)

279.6

INCOME STATEMENT TAX EXPENSE (DKK million)

DKK million	2024	2023
Tax expense		
Current income tax	266.2	265.0
Deferred income tax	11.4	45.7
Total	**277.6**	**310.7**
Tax is allocated as follows		
Tax in the income statement	279.6	308.4
Tax in equity - share-based payments	-	-0.7
Tax on other comprehensive income related to		
Actuarial gains and losses on pension obligations	-2.0	3.0
Total	**277.6**	**310.7**
Income tax receivable/payable (net) - in the balance sheet		
Corporate tax receivables	97.4	63.3
Corporate tax payables	85.1	120.3
Total (net)	**-12.3**	**57.0**

CONTENTS

2.6 (CONTINUED)

INCOME AND DEFERRED INCOME TAXES

DKK million	2024	2023
Income tax receivable/payable (net)		
Balance at 1 January	57.0	186.0
Currency adjustments	8.3	-4.4
Prior-year tax adjustment	-7.7	6.0
Tax paid on account in current year	-317.3	-276.0
Received regarding previous years	117.8	39.6
Paid regarding previous years	-151.6	-153.2
Acquisition of entities	7.3	-
Current income tax	273.9	259.0
Balance at 31 December	**-12.3**	**57.0**
Deferred tax (net) – in the balance sheet		
Deferred income tax assets	129.8	93.7
Deferred income tax liabilities	742.3	706.8
Deferred income tax liabilities (net)	**612.5**	**613.1**
Deferred tax (net)		
Balance 1 January	613.1	568.9
Currency adjustments	7.8	-1.5
Acquisition of entities	-19.8	-
Change in deferred tax charge	11.4	45.7
Balance at 31 December	**612.5**	**613.1**
Breakdown of deferred income tax liabilities (net)		
Intangible assets	794.7	773.4
Property, plant and equipment	30.7	38.0
Inventories	-47.2	-45.3
Receivables	-5.9	-4.2
Pensions	-40.0	-34.8
Other liabilities	-17.5	-31.6
Tax losses to be carried forward	-53.2	-37.2
Other	-49.1	-45.2
Total (net)	**612.5**	**613.1**

DKK million	2024	2023
Breakdown of tax in the income statement		
Tax calculated at 22.0% of profit before tax	268.3	328.0
Tax according to income statement	279.6	308.4
Variance	**11.3**	**-19.6**
Tax effect of		
Non-deductable costs	11.6	16.6
Income from associated companies	-5.6	-6.5
Non-taxable income	-1.7	-
Prior-year adjustments	10.8	0.2
Other tax percentages	-16.9	-8.5
Other*	13.1	-21.4
Total	**11.3**	**-19.6**

* Other includes the impact from movement on the provision for uncertain tax positions and payment of withholding taxes on dividends.
At 31 December 2024 the Group has no unrecognised tax assets (DKK 0.0 million).

UNCERTAIN TAX POSITIONS

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

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

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

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

CONTENTS

2.6 (CONTINUED)

INCOME AND DEFERRED INCOME TAXES

OECD PILLAR TWO

The Group is within the scope of the OECD Pillar Two model rules, and it applies the IAS 12 exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

Under the legislation, the Group is liable to pay a top-up tax for the difference between its GloBE (Global Anti-Base Erosion Rules) effective tax rate in each jurisdiction and the 15% minimum tax rate.

All entities within the Group have fully met the Safe Harbour requirements under the Pillar Two framework. No top-up tax has been recognised for the financial year ended 31 December 2024.

ACCOUNTING POLICIES

Income taxes

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

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

Current tax receivables and liabilities

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

Deferred tax assets and liabilities

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

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

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

KEY ACCOUNTING ESTIMATES

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

CONTENTS

SECTION 3

3.1 INTANGIBLE ASSETS

48.3

ADDITIONS (DKK million)

2024

DKK million	Goodwill	Trade-marks	IT software	Other intangible assets	Intangible assets under construction*	Total
Accumulated cost at 1 January	5,236.5	5,131.2	384.5	731.6	183.1	11,666.9
Exchange rate adjustment	173.5	83.1	5.1	14.3	0.2	276.2
Acquisition	0.8	81.6	-	19.8	-	102.2
Additions	-	0.1	-	7.6	40.6	48.3
Disposals	-	-	-0.6	-	-	-0.6
Transfers	-	-0.6	8.0	1.0	-8.4	-
Accumulated cost at 31 December	5,410.8	5,295.4	397.0	774.3	215.5	12,093.0
Accumulated amortisation and impairment at 1 January	0.9	1,905.1	310.1	327.6	-	2,543.7
Exchange rate adjustment	-	39.2	4.9	7.5	-	51.6
Amortisation	-	127.0	17.3	39.2	-	183.5
Disposals	-	-	-0.6	-	-	-0.6
Accumulated amortisation and impairment at 31 December	0.9	2,071.3	331.7	374.3	-	2,778.2
Carrying amount at 31 December	**5,409.9**	**3,224.1**	**65.3**	**400.0**	**215.5**	**9,314.8**

* By the end of 2024 capitalised internal resources amounts to DKK 15.5 million (DKK 12.1 million).

KEY ACCOUNTING ESTIMATES

Impairment of intangible assets

The carrying amounts of all 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 in question. 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. Goodwill and trademarks with indefinite useful lifetime are tested annually for impairment. Refer to following sections regarding accounting estimates for these assets.

2023

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

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

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 tested 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. The cost of IT software includes capitalised internal resources, being an internally generated intangible asset. Amortisation is calculated on a straight-line basis over the expected useful lives of the assets, which are typically in the range of 5-10 years.

Other intangible assets

Other intangible assets mainly comprise acquired name rights, know-how, customer relations and distribution rights. Other intangible assets are measured at cost less accumulated amortisation and less any accumulated impairment losses. Amortisation is calculated on a straight-line basis over the expected useful lives of the assets, which are typically in the range of 5–20 years.

Intangible assets under construction

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

CONTENTS

3.1 (CONTINUED)

INTANGIBLE ASSETS

GOODWILL

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

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

The carrying amount of goodwill at 31 December 2024 amounted to DKK 5,409.9 million (DKK 5,235.6 million).

As per 31 December 2024 the carrying amount of goodwill was allocated to the reportable segments as follows:

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 2024 (and 2023), 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.

DKK million	North America Online & Retail	North America Branded & RoW	Europe Branded	Total
2024	1,780.5	1,497.4	2,132.0	5,409.9
2023	1,687.0	1,418.4	2,130.2	5,235.6

2024

APPLIED KEY ASSUMPTIONS – Goodwill impairment test	North America Online & Retail	North America Branded & RoW	Europe Branded
EBITDA Growth	An average growth rate of 5.2% 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 growth in the underlying business, driven by price increases across all divisions and product groups, volume growth and opening of new Superstores in the US. Furthermore, volume growth in the Next Generation Product category, cost saving initiatives, and development in acquired businesses will add to the projected growth.		
Terminal growth (based on adjusted historical development taking into account expected future development)	1.0%	0.0%	0.0%
Discount rate after-tax (%)	8.8%	8.8%	7.8%
Discount rate pre-tax (%)	10.6%	11.0%	9.8%

2023

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

KEY ACCOUNTING ESTIMATES

Impairment test of goodwill

In the annual impairment test of goodwill, an estimate is made to determine how the Group will be able to generate sufficient positive net cash flow in the future to support the value of goodwill, trademarks and other net assets. For the purpose of the annual impairment test of goodwill, the costs and income in each reporting segment according to 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 forecasts, 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. The impairment test includes significant judgments made by Management and future events could cause Management to conclude that impairment indicators exist and that goodwill is impaired. Any resulting impairment loss could have a material impact on the financial condition and on the result of operations.

In 2024, as well as in 2023, Management did not identify any impairments.

CONTENTS

3.1 (CONTINUED)

INTANGIBLE ASSETS

TRADEMARKS

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

The carrying amount of trademarks at 31 December 2024 amounted to DKK 3,224.1 million (DKK 3,226.1 million).

	Carrying amount	
DKK million	2024	2023
Trademarks indefinite lives	2,399.4	2,359.0
Other trademarks (definite useful lives)	824.7	867.1
Total	**3,224.1**	**3,226.1**

Trademarks with the highest carrying amounts are listed below.

			Carrying amount	
DKK million	Trademarks allocated to segment*	Remaining amortisation period	2024	2023
Captain Black and Bugler	1,2	Indefinite / 6 years	711.3	696.2
Café Crème/Signature	2,3	Indefinite	482.4	482.4
Mehari's	2,3	Indefinite	357.4	356.9
Alec Bradley	1,2,3	Indefinite	291.3	291.3
Tiedemanns	2,3	11 years	90.5	106.4
Mercator	3	3 years	89.7	112.1
La Paz	2,3	Indefinite	215.2	215.2
Other trademarks	1,2,3	Indefinite / 1-18 years	986.3	965.6
Total			**3,224.1**	**3,226.1**

* 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
2024	252.6	1,173.5	973.3	2,399.4
2023	243.8	1,148.5	966.7	2,359.0

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

When carrying out the impairment test for trademarks with indefinite useful lives, each trademark is seen as a separate asset capable of generating cash flow. The carrying value of each trademark is compared to it's value 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 2024 (and 2023), 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 7.8% and 8.8% (pre-tax WACC between 9.5% and 10.7%). Terminal growth in EBITDA is set between 0.0% and 1.0% and is based on historical development and expected future development.

KEY ACCOUNTING ESTIMATES

Impairment test of 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. The impairment test includes significant judgments made by Management and future events could cause Management to conclude that impairment indicators exist and that some trademarks are impaired.

In 2024, as well as in 2023, Management did not identify any impairments.

Other trademarks with definite useful lives and other inW
Acquired trademarks with a definite useful lifetime and other intangible assets are in general amortised over their useful lives according to the Group's accounting principles. The trademarks and other intangible assets are tested for impairment when circumstances indicate that the value might be impaired.

In 2024, as well as in 2023, Management did not identify any indications of impairment.

CONTENTS

3.2
PROPERTY, PLANT AND EQUIPMENT

216.0

ADDITIONS (DKK million)

2024

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	971.8	724.5	296.4	81.0	196.8	2,270.5
Exchange rate adjustment	26.3	7.2	12.1	4.2	4.8	54.6
Acquisition	19.5	70.9	-	-	1.7	92.1
Additions	1.2	6.8	5.7	1.0	201.3	216.0
Disposals	-0.6	-47.3	-37.0	-0.9	-1.1	-86.9
Transfers	125.3	150.7	18.1	9.2	-303.3	-
Accumulated cost at 31 December	**1,143.5**	**912.8**	**295.3**	**94.5**	**100.2**	**2,546.3**
Accumulated depreciation and impairment at 1 January	267.9	359.4	142.4	25.4	0.3	795.4
Exchange rate adjustment	3.9	4.2	4.7	1.7	-	14.5
Depreciation	40.8	78.6	24.7	9.7	-	153.8
Disposals	-0.6	-46.1	-36.1	-0.9	-	-83.7
Impairment	-	2.1	-	-	-	2.1
Transfers	-	7.3	-7.3	-	-	-
Accumulated amortisation and impairment at 31 December	312.0	405.5	128.4	35.9	0.3	882.1
Carrying amount at 31 December	**831.5**	**507.3**	**166.9**	**58.6**	**99.9**	**1,664.2**

IMPAIRMENT

In 2024, impairment costs of DKK 2.1 million were recognised in the income statement. Management did not identify any other indications of impairment.

2023

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

IMPAIRMENT

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

CONTENTS

3.2 (CONTINUED)
PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICIES

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

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

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

Buildings	10–40 years
Plant and machinery	12–20 years
Equipment, tools and fixtures	3–20 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.

2024 DKK million	Land, buildings, offices and warehouses	Motor vehicles	Other equipment	Total
Carrying amount at 1 January	**238.3**	**43.8**	**2.5**	**284.6**
Exchange rate adjustment	14.3	0.4	-	14.7
Aquisition	23.4	6.5	-	29.9
Additions	126.4	30.6	1.3	158.3
Disposals	-0.1	-4.6	-0.1	-4.8
Depreciation	-52.4	-26.1	-1.9	-80.4
Carrying amount at 31 December	**349.9**	**50.6**	**1.8**	**402.3**

2023 DKK million	Land, buildings, offices and warehouses	Motor vehicles	Other equipment	Total
Carrying amount at 1 January	**274.6**	**35.8**	**3.8**	**314.2**
Exchange rate adjustment	-5.6	-0.1	-	-5.7
Additions	16.3	33.5	1.0	50.8
Disposals	-2.0	-0.5	-	-2.5
Depreciation	-45.0	-24.9	-2.3	-72.2
Carrying amount at 31 December	**238.3**	**43.8**	**2.5**	**284.6**

3.3
RIGHT-OF-USE ASSETS

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

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

The following amounts are recognised in the income statement:

DKK million	2024	2023
Depreciation expense of right-of-use assets	80.4	72.2
Interest expense on lease liabilities	9.5	10.7
Expense relating to short-term leases	4.0	4.6
Expense relating to leases of low-value assets	0.2	0.1
Total amount recognised in the income statement	**94.1**	**87.6**

In 2024, the Group had total cash outflows for leases of DKK 108.0 million (DKK 83.2 million). The Group has entered into lease contracts at a value of DKK 0.7 million (DKK 0.3 million) that have not yet commenced. The Group has extension options of a total value of DKK 25.5 million (DKK 25.2 million) that are not included in the recognised leases, as it is not considered reasonable certain that the Group will exercise the options.

CONTENTS

3.3 (CONTINUED) RIGHT-OF-USE ASSETS

§ ACCOUNTING POLICIES

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

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

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

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

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

3.4 INVENTORIES

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

DKK million	2024	2023
Raw materials and consumables	1,412.2	1,351.7
Work in progress	405.6	384.1
Finished goods, goods for resale and excise stamps	1,660.4	1,533.8
Total	**3,478.2**	**3,269.6**
Movements in the Group provision for obsolete stock are as follows:		
Provision for obsolete stock 1 January	-55.1	-96.2
Additions for the year	-39.2	-40.6
Reversal for the year	2.4	35.9
Write-downs during the year	29.5	45.4
Effect of exchange rate adjustments	-1.5	0.4
Total provision at 31 December	**-63.9**	**-55.1**

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 4,099.9 million (DKK 3,746.6 million).

§ ACCOUNTING POLICIES

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

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

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

KEY ACCOUNTING ESTIMATES

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

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

3.5 TRADE RECEIVABLES

DKK million	2024	2023
Trade receivables (net) at 31 December comprise the following:		
Trade receivables (gross)	1,232.3	981.6
Provision for bad debt	-18.6	-17.9
Trade receivables (net)	**1,213.7**	**963.7**
Movements in the Group provision for bad debt are as follows:		
Provision for bad debt at 1 January	-17.9	-14.4
Additions for the year	-1.6	-8.2
Reversal for the year	1.3	3.8
Confirmed losses	-	0.6
Effect of exchange rate adjustments	-0.4	0.3
Total provision at 31 December	**-18.6**	**-17.9**

CONTENTS

3.5 (CONTINUED)

TRADE RECEIVABLES

2024

Impairment of trade receivables can be specified as follows	Receivables, DKK million	Loss rate, %	Provision, DKK million
Current	948.2	0.1%	-0.9
Overdue < 30 days	165.5	0.1%	-0.2
Overdue 31 - 60 days	43.6	1.0%	-0.5
Overdue 61 - 90 days	21.9	9.2%	-2.0
Overdue 91 - 180 days	21.9	9.6%	-2.1
Overdue > 180 days	31.2	41.3%	-12.9
Total	**1,232.3**		**-18.6**

2023

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

§ ACCOUNTING POLICIES

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

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

3.6

PREPAYMENTS

§ ACCOUNTING POLICIES

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

CONTENTS

3.7
OTHER PROVISIONS

DKK million	2024	2023
Balance at 1 January	35.7	37.7
Addition during the year	43.2	17.1
Utilised during the year	-10.0	-17.4
Reversed provision unused	-5.6	-1.7
Carrying amount at 31 December	**63.3**	**35.7**
Non-current	16.4	17.9
Current	46.9	17.8
Total	**63.3**	**35.7**

Other provisions mainly consist of restructuring costs, reestablishment costs and other items. The restructuring costs are primarily related to redundancy payments expected to take place in 2025. The amounts and timing of the restructurings depend on negotiations with the affected employees.

§ **ACCOUNTING POLICIES**

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

3.8
PENSION OBLIGATIONS

Post-employment defined benefit – recognised in the balance sheet

DKK million	2024	2023
Present value of funded obligations	346.5	316.6
Fair value of plan assets	-195.8	-186.2
Deficit (+) / surplus (-)	150.8	130.4
Present value of unfunded obligations	62.9	64.9
Net asset (-) / liability (+) in the balance sheet	**213.7**	**195.3**
Amounts in the balance sheet		
Liabilities	213.7	195.3
Assets	-	-
Net asset (-) / liability (+) in the balance sheet	**213.7**	**195.3**

DKK million	2024	2023
Movement during the period in the net asset (-)/ liability (+)		
Balance at 1 January	195.3	204.7
Recognised in the income statement	35.1	34.9
Actuarial gain recognised in other comprehensive income, financial assumptions	10.6	-13.4
Benefit payments to employees	-19.2	-15.4
Employer contributions	-12.2	-12.3
Other	0.6	-0.9
Exchange rate adjustment	3.5	-2.4
Balance at 31 December	**213.7**	**195.3**

CONTENTS

3.8 (CONTINUED)

PENSION OBLIGATIONS

Actuarial assumptions

Actuarial assumptions used for valuation (expressed as weighted averages and in %)	2024	2023
Discount rate	3.9	4.6
Future salary increases	3.3	3.7

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 occurring at the end of the period.

	2024		2023	
DKK million	1%-point increase	1%-point decrease	1%-point increase	1%-point decrease
Discount rate	-27.5	35.0	-25.4	34.0
Future salary increases	24.4	-17.5	26.6	-16.7

DKK million	2024	2023
CHANGE IN THE DEFINED BENEFIT OBLIGATIONS AND PLAN ASSETS		
Defined benefit obligations – movements		
Balance at 1 January	381.5	385.4
Current service costs	25.1	26.0
Interest cost	17.5	17.0
Change in plan provisions	-	-1.7
Actuarial losses (+)/gains (-)	10.4	-13.4
Benefits paid	-29.1	-29.1
Settlements	0.6	-0.7
Exchange rate adjustment	3.7	-2.1
Balance at 31 December	**409.5**	**381.5**

DKK million	2024	2023
Plan assets – movements in fair value		
Balance at 1 January	186.2	180.8
Interest income	7.6	6.8
Actuarial losses (-)/gains (+)	-0.4	-0.1
Employer contributions	26.4	15.2
Benefits paid	-24.1	-16.9
Exchange rate adjustment	0.2	0.4
Balance at 31 December	**195.8**	**186.2**

The actual return on plan assets in 2024 was a gain of DKK 7.2 million (DKK 6.7 million).

Categories of plan assets:

DKK million	2024	2023
Other*	195.8	186.2
Total	**195.8**	**186.2**

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

The weighted average duration of the defined benefit obligation is 9.7 years (9.4 years).

DKK million	2024	2023
Post-employment benefit plans recognised in income statement		
Current service costs	25.1	26.0
Interest on net obligation	9.9	10.2
Settlements	0.6	-0.7
Recognised net actuarial gain/loss	-0.5	-1.3
Net income (-)/expense (+) reported in the income statement	**35.1**	**34.2**

CONTENTS

3.8 (CONTINUED)
PENSION OBLIGATIONS

DKK million	2024	2023
The income/expenses for defined benefit plans are reported under the following headings in the income statement:		
Staff costs	25.2	24.7
Financial costs	9.9	10.2
Net income (-)/expense (+) reported in the income statement	**35.1**	**34.9**

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 (-)	11.1	-12.8

EXPECTED CONTRIBUTION NEXT YEAR

Expected contributions to post-employment benefit plans for the year ending 31 December 2025 amount to DKK 22.3 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 74.1 million (DKK 65.2 million).

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

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

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

§ ACCOUNTING POLICIES

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

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

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

Past service costs are recognised immediately in the income statement.

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

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

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

Post-employment employee benefits

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

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

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

KEY ACCOUNTING ESTIMATES

Actuarial assumptions

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

CONTENTS

SECTION 4

4.1 BORROWINGS

DKK million	2024	2023
Borrowings are recognised in the balance sheet as follows:		
Non-current liabilities	3,710.6	3,656.7
Current liabilities	1,247.8	-
Total	**4,958.4**	**3,656.7**

The Group has the following external borrowings at 31 December:

				Carrying amount	
Currency	Fixed/ floating	Term/revolving credit facility/ annuity	Maturity date	2024	2023
USD	Floating	RCF	19/03/2027	785.7	741.9
DKK	Floating	RCF	19/03/2027	685.0	680.0
DKK	Floating	STL	14/02/2025	400.0	-
EUR	Floating	Term	Multiple	3.4	7.1
EUR	Fixed	Bond	24/09/2025*	847.8	2,227.7
EUR	Fixed	Bond	12/09/2029	2,227.3	-
USD	Fixed	Annuity	04/12/2034	9.2	-
Total				**4,958.4**	**3,656.7**

* Bond was partly repurchased during 2024.

§ 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 2024	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	478.7	1,571.4	-	2,050.1	-	1,883.4	1,883.4
Bonds	964.0	2,641.7	-	3,605.7	3,119.3	-	3,075.0
Trade payables	383.6	-	-	383.6	-	-	383.6
Lease liabilities	66.7	136.1	217.7	420.5	-	-	410.7
Other liabilities	996.8	37.3	-	1,034.1	-	-	1,029.3
Total	**2,889.8**	**4,386.5**	**217.7**	**7,494.0**	**3,119.3**	**1,883.4**	**6,782.0**
Recognised at fair value							
Currency swaps	0.6	-	-	0.6	-	0.6	0.6
Total	**0.6**	**-**	**-**	**0.6**	**-**	**0.6**	**0.6**
Total financial liabilities	**2,890.4**	**4,386.5**	**217.7**	**7,494.6**	**3,119.3**	**1,884.0**	**6,782.6**
Recognised at amortised cost							
Cash and cash equivalents	160.1	-	-	160.1	-	-	160.1
Trade receivables	1,213.7	-	-	1,213.7	-	-	1,213.7
Other receivables	206.7	-	-	206.7	-	-	206.7
Total	**1,580.5**	**-**	**-**	**1,580.5**	**-**	**-**	**1,580.5**
Recognised at fair value							
Currency swaps	0.3	-	-	0.3	-	0.3	0.3
Total	**0.3**			**0.3**	**-**	**0.3**	**0.3**
Total financial assets	**1,580.8**	**-**	**-**	**1,580.8**	**-**	**0.3**	**1,580.8**

* 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.

CONTENTS

4.2 (CONTINUED)

FINANCIAL RISKS AND INSTRUMENTS

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

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

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

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	2024	2023
USD		
Average	689.45	688.97
Year-end	714.29	674.47
Average change	0.1%	-2.6%
NOK		
Average	64.18	65.28
Year-end	62.98	66.30
Average change	-1.7%	-11.5%
GBP		
Average	881.25	856.64
Year-end	899.34	857.59
Average change	2.9%	-1.9%
CAD		
Average	503.41	510.51
Year-end	496.18	509.01
Average change	-1.4%	-6.1%
AUD		
Average	454.94	457.83
Year-end	445.21	458.27
Average change	-0.6%	-6.7%

CONTENTS

4.2 (CONTINUED)

FINANCIAL RISKS AND INSTRUMENTS

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

TRANSLATION RISK

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

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

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.

Sensitivity Analysis on Exchange

2024

DKK million	Change in exchange rate	Net sales	EBITDA
USD	5%	231.1	55.1
NOK	5%	8.6	8.6
GBP	5%	14.2	11.5
CAD	5%	11.1	7.2
AUD	5%	7.8	7.7

2023

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

31 December 2024

DKK million	Change in exchange rate	Net profit	Other comprehensive income
USD	5%	-1.7	-
CAD	5%	-0.1	-
AUD	5%	-2.4	-
GBP	5%	-0.2	-
NOK	5%	0.2	-

31 December 2023

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

INTEREST RATE RISK

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

As of 31 December 2024, the Group has 62% of the total debt with fixed interest rate.

An increase in relevant interest rates of 1%-point would have decreased net profit by DKK 17.7 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 2024 included trade receivables with a net book value of DKK 1,213.7 million (DKK 963.7 million), representing a gross receivable balance of DKK 1,232.3 million (DKK 981.6 million) and a provision for expected credit losses of DKK 18.6 million (DKK 17.9 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.

LIQUIDITY RISK

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

CONTENTS

4.2 (CONTINUED)

FINANCIAL RISKS AND INSTRUMENTS

The Group ensures diversification of debt portfolio, maturity dates and lenders to reduce refinancing risk. The Group has a committed revolving credit facility of EUR 450.0 million (EUR 450.0 million) maturing in 2027 equally split between providers. The undrawn amount of the credit facility at 31 December 2024 was EUR 252.9 million (EUR 259.2 million).

In addition, the Group has issued a rated bond of EUR 300 million maturing in 2029, and after a partly repurchase during 2024 a principal amount of EUR 113 million maturing in 2025.

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

Level 1: Observable market prices of identical instruments.

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

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

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

OTHER TRANSACTIONS

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

The Group uses currency swaps to manage and centralise liquidity. These swaps are in USD, 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.

2024

DKK million (fair value)	Nominal	Fair value
Currency swaps, USD	17.1	-0.2
Currency swaps, NOK	22.5	0.1
Currency swaps, CAD	15.9	-0.2
Currency swaps, SEK	38.0	-0.2
Currency swaps, GBP	4.2	0.0
Total		**-0.5**

2023

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

§ ACCOUNTING POLICIES

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

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

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

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

CONTENTS

4.3 FINANCIAL FIXED ASSETS

12.9

DIVIDEND (DKK million)

2024

DKK million	Investments in associated companies
Cost at 1 January	93.9
Disposal	-1.3
Accumulated cost at 31 December	92.6
Accumulated revaluation and impairment at 1 January	140.1
Disposal	2.5
Dividends	-12.9
Currency translation	14.2
Profit after tax	25.4
Accumulated revaluation and impairment at 31 December	169.3
Carrying amount at 31 December	**261.9**

In 2024 STG A/S acquired the remaining 50% of !Act A/S and by the end of 2024 the company is a wholly owned subsidiary.

2023

DKK million	Investments in associated companies
Cost at 1 January	92.6
Acquisition	1.3
Accumulated cost at 31 December	93.9
Accumulated revaluation and impairment at 1 January	131.0
Dividends	-12.4
Currency translation	-7.9
Profit after tax	29.4
Accumulated revaluation and impairment at 31 December	140.1
Carrying amount at 31 December	**234.0**

NAME AND COUNTRY OF INCORPORATION

	Caribbean Cigar Holdings Group Co. S.A, Panama*		!Act A/S, Denmark**	
DKK million	2024	2023	2024	2023
Profit or loss				
Revenue	688.4	668.1	-	4.4
Profit for the year	134.3	151.5	-	-1.7
Total comprehensive income	**134.3**	**151.5**	**-**	**-1.7**
Financial position				
Non-current assets	98.3	88.0	-	-
Current assets	1,029.9	917.2	-	5.9
Non-current liabilities	2.7	3.9	-	-
Current liabilities	87.9	91.3	-	5.0
% Interest held	**20%**	**20%**	**-**	**50%**
Reconciliation carrying amount				
Scandinavian Tobacco Group's share of equity	207.5	182.0	-	0.4
Goodwill	59.0	55.7	-	-
Elimination of internal profit	-4.6	-4.1	-	-
Carrying amount at 31 December	**261.9**	**233.6**	**-**	**0.4**

* The financial information stated above is based on estimates, with subsequently adjustments in the current year.
** The financial information stated above (2023) is based non-audited financial statement.

§ ACCOUNTING POLICIES

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

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

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

CONTENTS

4.4
FINANCIAL INCOME AND COSTS

DKK million	2024	2023
FINANCIAL INCOME		
Interest on deposits in financial institutions etc.	3.1	4.2
Exchange gains	82.5	179.4
Other financial income	44.6	1.0
Total	**130.2**	**184.6**

DKK million	2024	2023
FINANCIAL COSTS		
Interest on borrowings	191.4	141.4
Interest part of pension cost	9.9	10.2
Exchange losses	69.8	167.1
Lease interest costs	9.5	10.7
Other financial costs	35.9	32.1
Total	**316.5**	**361.5**

Effective interest expenses on financial liabilities measured at amortised cost amounted to DKK 200.9 million (DKK 152.1 million).

§ **ACCOUNTING POLICIES**

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

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

731

PROPOSED DIVIDEND (DKK million)

Development in share capital

DKK million	
2020	**100.0**
2021 reduction	-2.5
2022 reduction	-4.5
2023 reduction	-6.0
At the beginning of the year	**87.0**
2024 reduction	-1.0
At the end of the year	**86.0**

At the Annual General Meeting on 4 April 2024, it was decided to reduce the share capital by DKK 1,000,000. The reduction of the share capital was effectuated 10 May 2024. At 31 December 2024, the share capital consists of 86,000,000 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 2024	1.1	1,105	141.4	1.3
Addition	7.2	7,161	765.2	8.2
Settlement of vested PSUs	-	-	-	-
Share capital reduction	-1.0	-1,000	-118.8	-1.1
Treasury shares at 31 December 2024	**7.3**	**7,266**	**787.8**	**8.4**

The market value of treasury shares at 31 December 2024 was DKK 692.4 million (DKK 129.6 million). Treasury shares are acquired for the purpose of adjusting the Company's capital structure and to hedge the Group's share-based incentive programmes. According to the authorisation granted by the General Meeting, the Board of Directors may allow the Company to acquire treasury shares up to a total holding of 10% of the nomimal share capital at a price quoted on Nasdaq Copenhagen at the time of acquisition with a deviation of up to 10%.
In addition, the Board of Directors is authorised to increase the share capital by up to 10%. The authorisation granted to the Board of Directors is in effect until 26 March 2025.

CONTENTS

4.5 (CONTINUED)

SHARE CAPITAL, TREASURY SHARES, DIVIDEND AND EARNINGS PER SHARE

	Dividend DKK million	Per share DKK
2020 (proposed dividend in 2019 Annual Report)	610.0	6.1
2021 (proposed dividend in 2020 Annual Report)	650.0	6.5
2022 (proposed dividend in 2021 Annual Report)	731.3	7.5
2023 (proposed dividend in 2022 Annual Report)	767.3	8.3
2024 (proposed dividend in 2023 Annual Report)	730.8	8.4

Retained earnings end of 2024 include proposed dividend of DKK 731 million (DKK 8.5 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	2024	2023
Net profit for the year	939.7	1,182.4
Average number of shares outstanding (in 1,000 shares)	86,355	89,367
Average number of treasury shares (in 1,000 shares)	-4,293	-2,766
Average number of shares - basic (in 1,000 shares)	82,062	86,601
Dilutive effect of outstanding PSUs (in 1,000 shares)	100	67
Average number of shares outstanding, including dilutive effect of PSUs (in 1,000 shares)	82,162	86,668
Basic earnings per share (DKK)	11.5	13.7
Diluted earnings per share (DKK)	11.4	13.6

4.6

CHANGES IN WORKING CAPITAL (CASH FLOW STATEMENT)

DKK million	2024	2023
Change in receivables	-148.3	-113.8
Change in inventories	135.5	-16.6
Change in liabilities	-125.6	93.7
Total	**-138.4**	**-36.7**

§ **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	2024	2023
Interest-bearing liabilities, net	5,369.5	3,961.7
Pensions	213.7	195.3
Cash equivalents	-160.1	-99.6
Total	**5,423.1**	**4,057.4**

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 2024, the ratio was 2.6 (1.9).

CONTENTS

4.8
CHANGES IN FINANCING LIABILITIES

2024

		Cash movements		Non-cash movements					
DKK million	Beginning of the year	Proceeds	Repayments	Additions	Disposals	Aquisitions	Exchange rate adjustment	Other	End of the year
Lease liabilities	304.9	-	-94.3	142.6	11.3	29.9	16.3	-	410.7
Issued bonds	2,227.7	2,233.0	-1,355.0	-	-	-	0.8	-31.4	3,075.1
RCF	1,421.9	5.0	-	-	-	-	43.8	-	1,470.7
Bank loans	7.1	400.0	-4.1	-	-	9.3	0.3	-	412.6
Total financing liabilities	**3,961.6**	**2,638.0**	**-1,453.4**	**142.6**	**11.3**	**39.2**	**61.2**	**-31.4**	**5,369.1**

2023

		Cash movements		Non-cash movements					
DKK million	Beginning of the year	Proceeds	Repayments	Additions	Disposals	Aquisitions	Exchange rate adjustment	Other	End of the year
Lease liabilities	331.4	-	-67.8	50.8	-3.4	-	-6.1	-	304.9
Issued bonds	2,218.3	-	-	-	-	-	4.9	4.5	2,227.7
RCF	871.5	581.0	-	-	-	-	-30.6	-	1,421.9
Bank loans	11.3	-	-4.2	-	-	-	-	-	7.1
Total financing liabilities	**3,432.5**	**581.0**	**-72.0**	**50.8**	**-3.4**	**-**	**-31.8**	**4.5**	**3,961.6**

CONTENTS

SECTION 5

5.1 BUSINESS COMBINATIONS

2024

MAC BAREN TOBACCO COMPANY A/S

With effect from 1 July 2024, Scandinavian Tobacco Group A/S acquired all the shares of Mac Baren Tobacco Company A/S ("Mac Baren") from Halberg A/S. The total consideration of DKK 527 million was paid in cash. The disclosure for the business combination is considered provisional as the figures are based on the preliminary closing balance of Mac Baren. The provisional figures can be changed up until 30 June 2025.

MAC BAREN

Mac Baren was a family-owned business founded in 1826 and is a leading global smoking tobacco company, which includes pipe tobacco brands such as Mac Baren, Amphora and Holger Danske as well as fine-cut tobacco brands like Amsterdamer, Choice and Opal. The company also produces and sells nicotine pouches with the brands ACE and GRITT.

Mac Baren's products are sold in 74 countries with the majority of net sales generated in the US, Denmark and Germany. Other key markets include the UK, France, Spain and Italy. The company is based in Svendborg, Denmark with production facilities in Denmark and in Richmond, Virginia in the US. At the time of the acquisition, the company had approximately 200 full-time employees.

DKK million	Provisional fair value at date of acquisition
Trademarks	81.6
Other intangible assets	19.8
Property, plant and equipment	92.1
Right-of-use assets	29.9
Deferred income tax assets	43.6
Inventories	249.5
Trade receivables	161.3
Other receivables	1.9
Corporate tax	1.0
Prepayments	3.1
Total assets	**683.8**
Deferred income tax liabilities	25.0
Trade payables	83.8
Corporate tax	8.3
Lease liabilities	29.9
Other liabilities	82.9
Total liabilities	**229.9**
Acquired net assets	**453.9**
Receivable closing balance adjustment	35.8
Acquisition (cash flow)	**489.7**
Cash and cash equivalents in acquired business	37.1
Consideration transferred	**526.8**

FAIR VALUE OF ACQUIRED NET ASSETS

Net assets are provisional and may be adjusted and off-balance sheet items may be recorded within the 12 months period of the acquisition date in compliance with IFRS 3, Business Combinations.

IMPACT ON CONSOLIDATED INCOME STATEMENT

The Financial Statements include net sales of DKK 333 million and net profit of DKK 15 million from the acquisition for the period 1 July to 31 December 2024.

On a proforma basis, if the acquisition had been effective from 1 January 2024 the business of Mac Baren would in 2024 have contributed with DKK 670 million to net sales and DKK 24 million on net profit.

TRANSACTION COSTS

Total transaction costs related to the acquisition amount to DKK 7.0 million recognised in "Special Items".

!Act A/S

With effect from 18 December 2024, the Group acquired the remaining 50% of !Act A/S, and by the end of 2024 the company is included in the Consolidated Financial Statements as a wholly owned subsidiary.

Net sales of !Act A/S constitute less than 1% of the Group's net sales and total assets of !Act constitute less than 1% of the Group's total assets.

Given the financial insignificance of the acquisition, no information according to IFRS 3, Business Combinations has been disclosed in the Annual Report for 2024.

CONTENTS

5.1 (CONTINUED)

BUSINESS COMBINATIONS

2023

ALEC BRADLEY CIGAR DISTRIBUTORS INC. AND ASSOCIATED COMPANIES

With effect from 1 March 2023, Scandinavian Tobacco Group A/S acquired substantially all assets of Alec Bradley Cigar Distributors Inc. and associated companies ("Alec Bradley"). The total consideration of USD 72.4 million was paid in cash.

ALEC BRADLEY

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

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

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

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

TRANSACTION COSTS

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

DKK million	2023
Trademarks	291.3
Other intangible assets	194.2
Inventories	12.9
Trade receivables	18.8
Prepayments	1.4
Total assets	**518.6**
Trade payables	10.7
Other liabilities	0.4
Total liabilities	**11.1**
Acquired net assets	**507.5**
Consideration transferred	**507.5**

XQS INTERNATIONAL AB

With effect from 31 May 2023, Scandinavian Tobacco Group A/S acquired substantially all assets of XQS International AB ("XQS"). The transaction value consists of an upfront payment in cash of DKK 70.5 million as well as an earn-out agreement with a fair value of DKK 81.1 million at the effective date.

XQS

XQS is active in smoke-free products and its products are primarily sold in Sweden.

XQS reported annual net sales in 2022 of DKK 50 million with a low single-digit EBITDA margin and a total volume of 3 million cans.

TRANSACTION COSTS

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

EARN-OUT

The earn-out becomes payable subject to net sales within a qualifying period being greater than an earn-out threshold. There are five thresholds and three qualifying periods, last one ending 31 December 2025. It is expected that all five thresholds will be reached before the end of the second qualifying period.

DKK million	2023
Trademarks	87.1
Other intangible assets	58.9
Fixed assets	0.3
Inventories	4.9
Trade receivables	13.6
Other receivables	1.4
Total assets	**166.2**
Trade payables	12.0
Other liabilities	2.6
Total liabilities	**14.6**
Acquired net assets	**151.6**
Consideration transferred including value of earn-out	**151.6**

KEY ACCOUNTING ESTIMATES

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

§ ACCOUNTING POLICIES

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

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

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

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

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

CONTENTS

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	2024	2023
Financial items, net	186.3	176.9
Share of profit of associated companies, net of tax	-25.4	-29.4
Income taxes	279.6	308.4
(Gains)/losses from sale of fixed assets	-1.7	0.4
Special items, paid	211.0	98.3
Other provisions movement	27.6	-2.0
Bad debt allowance and provision for obsolete stock movements	4.3	-37.6
Other adjustments	13.1	-2.0
Total	**694.8**	**513.0**

5.3 CONTINGENT LIABILITIES

GUARANTEE OBLIGATIONS
The Group has (via 3rd parties) issued guarantees totalling DKK 1,059.8 million (DKK 746.0 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	2024	2023
Caribbean Cigar Holdings Group Co. S.A.		
Purchase of products by Scandinavian Tobacco Group	-123.1	-106.5
!Act A/S		
Purchase of products by Scandinavian Tobacco Group	-1.3	-4.8
Sale of services provided by Scandinavian Tobacco Group	1.9	2.3

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

DKK million	2024	2023
Caribbean Cigar Holdings Group Co. S.A.		
Payables for products to Scandinavian Tobacco Group	-5.4	-11.0
!Act A/S		
Receivables for services provided by Scandinavian Tobacco Group	-	4.6

During 2024 Scandinavian Tobacco Group A/S has purchased 1,923,388 (401,426) own shares from Chr. Augustinus Fabrikker A/S at a market value of DKK 205.3 million (DKK 47.3 million).

Related parties comprise companies controlled by the Augustinus Foundation, key management and the associated companies Caribbean Cigar Holdings Group Co. S.A and !Act A/S.

As per 18 December 2024 the Group acquired the remaining 50% of !Act A/S, and by the end of 2024 the company is included in the Consolidated Financial Statements as a wholly owned subsidiary. Disclosed transactions with !Act A/S for 2024 therefore cover the period 1 January - 18 December 2024.

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 2024 or 2023.

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. No major shareholders have controlling influence on the Group.

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5.5 EVENTS AFTER THE REPORTING PERIOD

The Group has not experienced any significant events after 31 December 2024 which have an impact on the Annual Report.

5.6 FEE TO STATUTORY AUDITOR

DKK million	2024	2023
Statutory audit	6.9	6.4
Assurance engagements	2.2	0.1
Tax advisory	0.1	-
Other services	2.9	1.7
Total	**12.1**	**8.2**

Fees for services other than the statutory audit of the financial statements provided by Pricewaterhouse-Coopers Statsautoriseret Revisionspartnerselskab to the Group amounted to DKK 4.2 million. This includes other assurance opinions including limited assurance on the sustainability statement as well as M&A activities.

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5.7

ENTITIES IN SCANDINAVIAN TOBACCO GROUP

Company	Country	Ownership	Activity: Production	Activity: Sales and marketing	Activity: Administration	Activity: Finance
PARENT COMPANY						
Scandinavian Tobacco Group A/S	Denmark	–	✓	✓	✓	✓
SUBSIDIARIES BY REGION						
EUROPE						
Scandinavian Tobacco Group Belux N.V.	Belgium	100%		✓		
Scandinavian Tobacco Group Belgium Manufacturing N.V.	Belgium	100%	✓			
Scandinavian Tobacco Group Belgium Services N.V.	Belgium	100%			✓	
Insurgent Ventures II A/S	Denmark	100%		✓		
!Act A/S	Denmark	100%		✓		
Mac Baren Tobacco Company A/S	Denmark	100%	✓	✓	✓	
Peter Stokkebye Tobaksfabrik A/S	Denmark	100%		✓		
Scandinavian Tobacco Group France S.A.S	France	100%		✓		
Mac Baren Germany GmbH	Germany	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	85%	✓	✓	✓	
Scandinavian Tobacco Group Norway AS	Norway	100%		✓		
STG Portugal S.A.	Portugal	100%		✓		
Scandinavian Tobacco Group Spain S.A.U.	Spain	100%		✓		
Mac Baren Ministry Of Snus AB	Sweden	100%		✓		
STG Sweden AB	Sweden	100%		✓		
Agio Beheer B.V.	The Netherlands	100%			✓	
Agio Sigarenfabrieken N.V.	The Netherlands	100%		✓	✓	
P.G.C. Hajenius B.V.	The Netherlands	100%		✓		
Scandinavian Tobacco Group Eersel B.V.	The Netherlands	100%		✓	✓	
Scandinavian Tobacco Group Nederland B.V.	The Netherlands	100%		✓		
ST Cigar Group Holding B.V.	The Netherlands	100%			✓	
STG Global Finance B.V.	The Netherlands	100%				✓
Scandinavian Tobacco Group Bethlehem Sales B.V.	The Netherlands	100%		✓	✓	
Scandinavian Tobacco Group United Kingdom Limited	United Kingdom	100%		✓		
ASIA						
Scandinavian Tobacco Group Hong Kong Limited	Hong Kong	100%		✓		
PT Scandinavian Tobacco Group Indonesia	Indonesia	100%	✓			
Agio Tobacco Processing Company Ltd.	Sri Lanka	100%	✓			
AUSTRALIA AND NEW ZEALAND						
Scandinavian Tobacco Group Australia Pty Ltd	Australia	100%		✓		
AMERICA						
Agio Caribbean Tobacco Company Ltd.*	British Virgin Islands	100%	✓			
Scandinavian Tobacco Group Canada Holding Inc.	Canada	100%			✓	
Scandinavian Tobacco Group Canada Inc.	Canada	100%		✓		
General Cigar Dominicana S.A.S.	The Dominican Republic	100%	✓			
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 US Holding, Inc.	United States	100%			✓	

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5.7 (CONTINUED)

ENTITIES IN SCANDINAVIAN TOBACCO GROUP

			Activity			
Company	Country	Ownership	Production	Sales and marketing	Administration	Finance
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%		●		
Mac Baren USA, Inc.	United States	100%			●	
Sutliff Tobacco Company, LLC	United States	100%	●	●	●	
STC Property, LLC	United States	100%			●	
STC Holding, LLC	United States	100%		●		
Cigar Smokers Restaurant Holdings, Inc.	United States	100%			●	
Cigars International Kentucky, LLC	United States	100%		●		
Cigars International Missouri, LLC	United States	100%		●		
Cigars International Ohio, LLC	United States	100%		●		
Cigars International Texas, LLC	United States	100%		●		
Cigars International Tennessee, LLC	United States	100%		●		
Bethlehem Restaurant Corporation, Inc.	United States	100%			●	
CI Hamburg Superstore Lounge, LLC	United States	100%		●		
CI Florida, LLC	United States	100%		●		
Lilly Online, LLC	United States	100%		●		
Insurgent Ventures Holdings, Inc.	United States	100%			●	
Insurgent Ventures, Inc.	United States	100%		●		

* Doing business in the Dominican Republic.

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

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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

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1 JANUARY - 31 DECEMBER

INCOME STATEMENT – PARENT COMPANY

DKK million	Note	2024	2023
Net sales	2	**1,692.6**	**1,285.2**
Cost of goods sold		-792.8	-581.6
Gross profit		**899.8**	**703.6**
Other external costs		-327.7	-233.4
Staff costs	3	-275.1	-273.3
Other income		160.2	322.6
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**457.2**	**519.5**
Depreciation and impairment	4	-38.8	-40.2
Earnings before interest, tax and amortisation (EBITA)		**418.4**	**479.3**
Amortisation and impairment	4	-68.7	-97.2
Earnings before interest and tax (EBIT)		**349.7**	**382.1**
Result of investments in affiliated companies, net of tax	5	378.4	596.4
Financial income	6	235.0	196.6
Financial costs	7	-320.9	-291.4
Profit before tax		**642.2**	**883.7**
Income taxes	8	-72.6	-73.3
Net profit for the year		**569.6**	**810.4**
Distribution of profit	9		

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BALANCE SHEET AT 31 DECEMBER – PARENT COMPANY

DKK million	Note	2024	2023
ASSETS			
Trademarks	10	361.2	397.7
IT software	10	62.5	70.8
Other intangible assets	10	229.5	245.7
Intangible assets under construction	10	214.7	182.6
Total intangible assets	**10**	**867.9**	**896.8**
Land and buildings	11	69.3	76.8
Plant and machinery	11	115.4	125.1
Equipment, tools, and fixtures	11	7.8	1.3
Leasehold improvements	11	1.9	2.5
Construction in process	11	1.5	10.9
Right-of-use assets	12	27.5	30.2
Total tangible assets		**223.4**	**246.8**
Investments in affiliated companies	13	6,456.0	6,761.6
Receivables from affiliated companies		3,141.2	3,056.1
Financial fixed assets		**9,597.2**	**9,817.7**
Fixed assets		**10,688.5**	**10,961.3**
Inventories	**14**	**380.0**	**517.5**
Receivables from affiliated companies		2,377.7	1,102.5
Trade receivables		165.1	234.1
Other receivables		117.6	20.0
Income tax receivable		6.5	0.9
Prepayments	15	37.2	28.4
Total receivables		**2,704.1**	**1,385.9**
Current assets		**3,084.1**	**1,903.4**
Assets		**13,772.6**	**12,864.7**

DKK million	Note	2024	2023
EQUITY, PROVISIONS AND LIABILITIES			
Share capital		86.0	87.0
Retained earnings		3,814.5	4,082.6
Reserve for development costs		10.9	9.0
Revaluation reserve according to the equity method		814.6	619.6
Treasury shares		-787.8	-141.4
Proposed dividend		730.6	730.4
Equity		**4,668.8**	**5,387.2**
Deferred income tax liabilities	8	134.1	100.9
Other provisions	16	2.5	2.5
Provisions		**136.6**	**103.4**
Borrowings	17	3,698.0	1,421.9
Lease liabilities	18	22.6	26.4
Liabilities to affiliated companies		-	2,814.0
Other liabilities		32.6	27.5
Long-term liabilities		**3,753.2**	**4,289.8**
Borrowings	17	442.8	3.0
Liabilities to affiliated companies		4,472.6	2,723.9
Income tax payable		-	3.0
Trade creditors		72.0	165.3
Lease liabilities	18	8.2	7.8
Other liabilities		218.4	181.3
Current liabilities		**5,214.0**	**3,084.3**
Liabilities		**9,103.8**	**7,477.5**
Equity, provisions and liabilities		**13,772.6**	**12,864.7**
Contingent liabilities	19		
Financial instruments	20		
Related-party transactions	21		
Fee to statutory auditor	22		
Ownership	23		
Events after the reporting date	24		

CONTENTS

1 JANUARY - 31 DECEMBER

STATEMENT OF CHANGES IN EQUITY – PARENT COMPANY

DKK million	Share capital	Retained earnings	Reserve for develop-ment costs	Revaluation reserve according to the equity method	Treasury shares	Proposed dividend	Total
Equity at 1 January 2024	87.0	4,082.6	9.0	619.6	-141.4	730.4	5,387.2
Capital reduction	-1.0	-117.8	-	-	118.8	-	-
Purchase of treasury shares	-	-	-	-	-765.2	-	-765.2
Share-based payments	-	1.1	-	-	-	-	1.1
Tax on share-based payments	-	-	-	-	-	-	-
Settlement of vested PSUs	-	-	-	-	-	-	-
Settlement in cash of vested PSUs	-	-	-	-	-	-	-
Equity movement in subsidiaries	-	-9.1	-	-	-	-	-9.1
Foreign exchange adjustments of net investments in foreign subsidiaries	-	-	-	195.0	-	-	195.0
Dividend paid to shareholders	-	-	-	-	-	-730.8	-730.8
Dividend, treasury shares	-	21.0	-	-	-	-	21.0
Profit / loss for the year	-	-163.3	1.9	-	-	731.0	569.6
Equity at 31 December 2024	**86.0**	**3,814.5**	**10.9**	**814.6**	**-787.8**	**730.6**	**4,668.8**

The share capital consists of 86,000,000 shares of a nominal value of DKK 1. No shares carry any special rights. The share capital was in May 2021 reduced by 2,500,000 shares, in May 2022 reduced by 4,500,000 shares, in May 2023 reduced by 6,000,000 shares and in May 2024 reduced by further 1,000,000 shares.
No other changes have been made to the share capital in the past five years.

DKK million	Share capital	Retained earnings	Reserve for develop-ment costs	Revaluation reserve according to the equity method	Treasury shares	Proposed dividend	Total
Equity at 1 January 2023	93.0	4,730.0	7.2	754.9	-748.1	766.7	5,603.7
Capital reduction	-6.0	-756.7	-	-	762.7	-	-
Purchase of treasury shares	-	-	-	-	-181.1	-	-181.1
Share-based payments	-	0.5	-	-	-	-	0.5
Tax on share-based payments	-	0.7	-	-	-	-	0.7
Settlement of vested PSUs	-	-25.1	-	-	25.1	-	-
Settlement in cash of vested PSUs	-	-6.9	-	-	-	-	-6.9
Equity movement in subsidiaries	-	9.8	-	-	-	-	9.8
Foreign exchange adjustments of net investments in foreign subsidiaries	-	-	-	-135.3	-	-	-135.3
Dividend paid to shareholders	-	-	-	-	-	-767.3	-767.3
Dividend, treasury shares	-	52.7	-	-	-	-	52.7
Profit / loss for the year	-	77.6	1.8	-	-	731.0	810.4
Equity at 31 December 2023	**87.0**	**4,082.6**	**9.0**	**619.6**	**-141.4**	**730.4**	**5,387.2**

The share capital consists of 87,000,000 shares of a nominal value of DKK 1. No shares carry any special rights. The share capital was in May 2021 reduced by 2,500,000 shares, in May 2022 reduced by further 4,500,000 shares and in May 2023 reduced by 6,000,000 shares.
No other changes have been made to the share capital in the past five years.

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NOTE 1

ACCOUNTING POLICIES

§ ACCOUNTING POLICIES

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

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

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

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 estimated useful 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 pension plans, the company follow the requirements in the Danish Financial Statement Act (dated 1 July 2015 for financial statements starting 1 January 2016), meaning that actuarial gains and losses are recognised directly in other comprehensive income instead of directly in the income statement. For the monetary impact, please refer to the statement of changes in equity and note 3.8 'Pension obligations' for the Group.

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

NOTE 2

NET SALES

DKK million	2024	2023
Category split, net sales		
Handmade cigars	3.6	4.8
Machine-rolled cigars & Smoking tobacco	1,375.3	971.7
Next Generation Products	0.9	5.1
Other	312.8	303.6
Total net sales	**1,692.6**	**1,285.2**

Licence income and other sales of DKK 71.9 million (DKK 63.1 million) are included in the category 'Other'.

DKK million	2024	2023
Geographical split		
Americas	151.6	122.7
Europe	1,244.6	900.6
Rest of World	296.4	261.9
Total net sales	**1,692.6**	**1,285.2**

GEOGRAPHICAL INFORMATION

In the table above, sales to external customers are attributable to the country of the customers' domicile. STG A/S is domiciled in Denmark.

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NOTE 3

STAFF COSTS

DKK million	2024	2023
Wages and salaries	315.0	276.6
Pensions defined contribution plans	30.0	27.9
Social security costs	0.6	1.9
Total staff costs for the year	**345.6**	**306.4**
Staff costs included in intangible assets	-3.4	-4.9
Change in employee costs included in inventories	-2.2	2.6
Total staff costs expensed to the income statement	**340.0**	**304.1**

DKK million	2024	2023
Cost of goods sold	64.9	30.8
Staff costs	275.1	273.3
Total included in the income statement	**340.0**	**304.1**
Average number of employees	**405**	**419**

Remuneration of the board of directors and executive board*
Total fees to the Board of Directors and Executive Board amounted to DKK 51.1 million (DKK 43.8 million).

2024

DKK million Executive Management	Salary and benefits	Bonus	Pension	Stay-on bonus / loyalty programme	Share-based incentive programme	Total
Niels Frederiksen	8.1	3.5	-	-	0.4	12.0
Marianne Rørslev Bock	5.1	2.2	-	-	0.2	7.5
Total	**13.2**	**5.7**	**-**	**-**	**0.6**	**19.5**
Other key management	15.4	7.5	1.3	-	0.7	24.9
Total Executive Board	**28.6**	**13.2**	**1.3**	**-**	**1.3**	**44.4**

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

2023

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

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

DKK thousand	Position	Joined the Board	Left the Board	Board	Committees	Other	Total
Henrik Brandt	Chairman	Apr 2017		1,320	440	-	1,760
Dianne Neal Blixt	Board member	Feb 2016		440	385	-	825
Anders C. Obel	Board member	Apr 2018		440	206	-	646
Claus Gregersen	Board member	Apr 2019	Apr 2024	115	57	-	172
Jörg Biebernick	Board member	Apr 2024		325	122	-	447
Marlene Forsell	Board member	Apr 2019		440	330	-	770
Henrik Amsinck	Board member	Apr 2021		440	-	110	550
Thomas Thomsen	Employee-elected	Apr 2023		440	-	-	440
Mark Draper	Employee-elected	Apr 2023		440	-	-	440
Karsten Dam Larsen	Employee-elected	Jun 2023		440	-	-	440
Total 2024				**4,840**	**1,540**	**110**	**6,490**
Total 2023				**4,815**	**1,100**	**110**	**6,025**

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 2024, the Company paid DKK 240 thousand compared to DKK 239 thousand in 2023.

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NOTE 4
DEPRECIATION AND AMORTISATION

DKK million	2024	2023
Depreciation		
Land and buildings	8.2	7.9
Plant and machinery	22.4	23.4
Equipment, tools, and fixtures	0.8	1.2
Leasehold improvements	0.6	0.6
Right-of-use assets	6.8	7.1
Total	**38.8**	**40.2**
Amortisation		
Trademarks	36.5	54.4
IT software	16.0	15.5
Other intangible assets	16.2	27.3
Total	**68.7**	**97.2**

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

DKK million	2024	2023
Result of investments in affiliated companies, net of tax	378.4	596.4
Total	**378.4**	**596.4**

NOTE 6
FINANCIAL INCOME

DKK million	2024	2023
Interest on deposits in financial institutions, etc.	3.4	2.6
Interest on balances with affiliated companies	206.7	158.7
Exchange gains, net	24.8	35.3
Other financial income	0.1	-
Total	**235.0**	**196.6**

NOTE 7
FINANCIAL COSTS

DKK million	2024	2023
Interest on debt to financial institutions, etc.	-164.6	-105.0
Interest on balances with affiliated companies	-143.1	-158.5
Other financing costs	-12.0	-3.8
Lease interest costs	-0.7	-0.7
Exchange losses, net	-0.5	-23.4
Total	**-320.9**	**-291.4**

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NOTE 8

INCOME TAXES

DKK million	2024	2023
Current income tax	61.1	42.0
Deferred income tax	17.0	31.6
Adjustment regarding prior years, current income tax	-21.7	19.7
Adjustment regarding prior years, deferred income tax	16.2	-20.0
Total	**72.6**	**73.3**

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

DKK million	2024	2023
BREAKDOWN OF DEFERRED INCOME TAX:		
Intangible assets	92.7	96.3
Property, plant and equipment	15.0	16.9
Financial fixed assets	-	-1.4
Receivables	-	-1.1
Inventories	2.2	-0.5
Other liabilities	24.2	-9.3
Total	**134.1**	**100.9**
BREAKDOWN OF INCOME TAX:		
Tax calculated at 22% of profit before tax	141.3	194.4
TAX EFFECT OF:		
Adjustment regarding prior years	-5.5	-0.3
Non-deductable costs	17.4	10.4
Other	2.6	-
Result of investments in affiliated companies	-83.2	-131.2
Total	**72.6**	**73.3**
Deferred income tax 1 January	100.9	89.3
Deferred income tax in income statement	33.2	11.6
Deferred income tax at 31 December	**134.1**	**100.9**

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NOTE 9

DISTRIBUTION OF PROFIT

DKK million	2024	2023
DISTRIBUTION OF PROFIT		
Proposed distribution of profit:		
Proposed dividend	731.0	731.0
Retained earnings	-163.3	77.6
Reserve for development costs	1.9	1.8
Total	**569.6**	**810.4**

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NOTE 10

INTANGIBLE ASSETS

2024

DKK million	Trademarks	IT software	Other intangible assets	Other intangible assets under construction	Total
Accumulated cost at 1 January	1,044.8	220.5	597.2	182.6	2,045.1
Acquisition	-	-	-	-	-
Additions	-	-	-	39.8	39.8
Disposals	-	-	-	-	-
Transfers	-	7.7	-	-7.7	-
Accumulated cost at 31 December	**1,044.8**	**228.2**	**597.2**	**214.7**	**2,084.9**
Accumulated amortisation at 1 January	647.1	149.7	351.5	-	1,148.3
Amortisation	36.5	16.0	16.2	-	68.7
Disposals	-	-	-	-	-
Accumulated amortisation at 31 December	**683.6**	**165.7**	**367.7**	**-**	**1,217.0**
Carrying amount at 31 December	**361.2**	**62.5**	**229.5**	**214.7**	**867.9**

2023

DKK million	Trademarks	IT software	Other intangible assets	Other intangible assets under construction	Total
Accumulated cost at 1 January	753.6	260.7	403.0	124.8	1,542.1
Acquisition	291.2	-	194.2	-	485.4
Additions	-	-	-	99.9	99.9
Disposals	-	-82.3	-	-	-82.3
Transfers	-	42.1	-	-42.1	-
Accumulated cost at 31 December	**1,044.8**	**220.5**	**597.2**	**182.6**	**2,045.1**
Accumulated amortisation at 1 January	592.7	217.5	324.2	-	1,134.4
Amortisation	54.4	15.5	27.3	-	97.2
Disposals	-	-83.3	-	-	-83.3
Accumulated amortisation at 31 December	**647.1**	**149.7**	**351.5**	**-**	**1,148.3**
Carrying amount at 31 December	**397.7**	**70.8**	**245.7**	**182.6**	**896.8**

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NOTE 11

PROPERTY, PLANT AND EQUIPMENT

2024

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	224.1	429.5	28.2	7.0	10.9	699.7
Additions	0.7	2.3	3.2	-	5.1	11.3
Transfers	-	10.4	4.1	-	-14.5	-
Accumulated cost at 31 December	**224.8**	**442.2**	**35.5**	**7.0**	**1.5**	**711.0**
Accumulated depreciation at 1 January	147.3	304.4	26.9	4.5	-	483.1
Depreciation	8.2	22.4	0.8	0.6	-	32.0
Accumulated depreciation at 31 December	**155.5**	**326.8**	**27.7**	**5.1**	**-**	**515.1**
Carrying amount at 31 December	**69.3**	**115.4**	**7.8**	**1.9**	**1.5**	**195.9**

2023

DKK million	Land and buildings	Plant and machinery	Equipment, tools and fixtures	Leasehold improve-ments	Construc-tion in progress	Total
Accumulated cost at 1 January	225.7	428.4	26.7	7.0	9.7	697.5
Additions	-	-	1.3	-	0.9	2.2
Transfers	-1.6	1.1	0.2	-	0.3	-
Accumulated cost at 31 December	**224.1**	**429.5**	**28.2**	**7.0**	**10.9**	**699.7**
Accumulated depreciation at 1 January	139.4	281.0	25.7	3.9	-	450.0
Depreciation	7.9	23.4	1.2	0.6	-	33.1
Accumulated depreciation at 31 December	**147.3**	**304.4**	**26.9**	**4.5**	**-**	**483.1**
Carrying amount at 31 December	**76.8**	**125.1**	**1.3**	**2.5**	**10.9**	**216.6**

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NOTE 12

RIGHT-OF-USE ASSETS

2024

DKK million	Land, buildings, offices, and warehouses	Motor vehicles	Other equipment	Total
Accumulated cost at 1 January	44.4	8.7	2.3	55.4
Additions	-	3.8	0.6	4.4
Disposals	-	-4.9	-	-4.9
Accumulated cost at 31 December	**44.4**	**7.6**	**2.9**	**54.9**
Accumulated depreciation at 1 January	18.6	6.0	0.6	25.2
Depreciation	4.4	1.9	0.5	6.8
Depreciation on disposals	-	-4.6	-	-4.6
Accumulated depreciation at 31 December	**23.0**	**3.3**	**1.1**	**27.4**
Carrying amount at 31 December	**21.4**	**4.3**	**1.8**	**27.5**

2023

DKK million	Land, buildings, offices, and warehouses	Motor vehicles	Other equipment	Total
Accumulated cost at 1 January	42.4	8.7	2.3	53.4
Additions	2.0	0.8	-	2.8
Disposals	-	-0.8	-	-0.8
Accumulated cost at 31 December	**44.4**	**8.7**	**2.3**	**55.4**
Accumulated depreciation at 1 January	14.1	4.3	0.2	18.6
Depreciation	4.5	2.2	0.4	7.1
Depreciation on disposals	-	-0.5	-	-0.5
Accumulated depreciation at 31 December	**18.6**	**6.0**	**0.6**	**25.2**
Carrying amount at 31 December	**25.8**	**2.7**	**1.7**	**30.2**

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NOTE 13

INVESTMENTS IN AFFILIATED COMPANIES

DKK million	2024	2023
Accumulated cost at 1 January	14,290.1	14,217.6
Additions	597.1	70.0
Disposals	-	2.5
Accumulated cost at 31 December	**14,887.2**	**14,290.1**
Revaluation and impairment		
Accumulated revaluation and impairment at 1 January	-7,528.5	-6,417.9
Dividends	-1,467.0	-1,514.3
Currency translation	195.0	-135.3
Equity adjustments	-9.1	2.9
Disposals	-	-60.3
Profit after tax	378.4	596.4
Accumulated revaluation and impairment at 31 December	**-8,431.2**	**-7,528.5**
Carrying amount at 31 December	**6,456.0**	**6,761.6**

Goodwill of DKK 1,932.4 million (DKK 2,144.2 million) is included in the carrying amount at 31 December 2024.

Investments in affiliated companies can be specified as follows:

Name	Country	Ownership
Scandinavian Tobacco Group Australia Pty Ltd	Australia	100%
Mac Baren Tobacco Company A/S	Denmark	100%
Peter Stokkebye Tobaksfabrik A/S	Denmark	100%
Insurgent Ventures II A/S	Denmark	100%
General Cigar Dominicana S.A.S.	The Dominican Republic	100%
Scandinavian Tobacco Group Esteli S.A.	Nicaragua	100%
Scandinavian Tobacco Group Danli S.A.	Honduras	100%
Scandinavian American Tabaco SA de CV	Honduras	100%
Scandinavian Tobacco Group Hong Kong Limited	Hong Kong	100%
Scandinavian Tobacco Group Italy S.R.L.	Italy	100%
Moderno Opificio del Sigaro Italiano S.r.l. *	Italy	85%
ST Cigar Group Holding B.V.	The Netherlands	100%
STG Global Finance B.V.	The Netherlands	100%
Scandinavian Tobacco Group Norway AS	Norway	100%
STG Portugal S.A.	Portugal	100%
Scandinavian Tobacco Group Spain S.A.U.	Spain	100%
STG Sweden AB	Sweden	100%
Cigar Smokers Restaurant Holdings, Inc.	United States	100%
Insurgent Ventures Holdings, Inc.	United States	100%
Scandinavian Tobacco Group Lane Holding, Inc.	United States	100%
Scandinavian Tobacco Group US Holding, Inc.	United States	100%

For a complete list of all entities in the Group please refer to Group note 5.7.

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

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NOTE 14
INVENTORIES

DKK million	2024	2023
Raw materials and consumables	194.5	226.3
Work in progress	20.4	26.2
Finished goods, goods for resale and excise stamps	165.1	265.0
Total	**380.0**	**517.5**
Movements in provision for obsolete stock are as follows:		
Provision for obsolete stock 1 January	-2.5	-1.9
Additions for the year	-3.2	-2.5
Write-downs during the year	2.3	1.9
Total provision at 31 December	**-3.4**	**-2.5**

NOTE 15
PREPAYMENTS

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

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NOTE 16
OTHER PROVISIONS

2024

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

NOTE 17
BORROWINGS

DKK million	2024	2023
Within 1 year	442.8	3.0
Between 1 and 5 years	3,698.0	1,421.9
After 5 years	-	-
Total borrowings	**4,140.8**	**1,424.9**

NOTE 18
LEASE LIABILITIES

DKK million	2024	2023
Expected due:		
Within 1 year	8.2	7.8
Between 1 and 5 years	22.6	22.7
After 5 years	-	3.7
Total	**30.8**	**34.2**

NOTE 19
CONTINGENT LIABILITIES

GUARANTEE OBLIGATIONS

The Company has guarantee obligations totalling DKK 1,031 million at 31 December 2024 (DKK 743 million).

PARENT COMPANY GUARANTEES

Scandinavian Tobacco Group A/S has guaranteed the EUR 113 million bond issued by the wholly owned subsidiary STG Global Finance B.V.

NOTE 20
FINANCIAL INSTRUMENTS

Reference is made to Group note 4.2.

NOTE 21
RELATED-PARTY TRANSACTIONS

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

The income statement includes the following transactions with related parties:

DKK million	2024	2023
Affiliated companies		
Services provided by Scandinavian Tobacco Group A/S	1,778.5	1,478.5
Services provided to Scandinavian Tobacco Group A/S	-813.7	-626.2
Financial income	206.7	158.7
Financial costs	-143.1	-158.5

For information on remuneration to the Management of Scandinavian Tobacco Group A/S, please refer to note 3. For an overview of affiliated companies, please refer to note 13. There has not been and there are no loans to key management personnel in 2024 or 2023.

NOTE 22
FEE TO STATUTORY AUDITOR

DKK million	2024	2023
Statutory audit	1.0	1.2
Assurance engagements	0.2	-
Tax advisory	-	-
Other services	1.8	1.7
Total	**3.0**	**2.9**

NOTE 23
OWNERSHIP

As of 28 February 2025, 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%

NOTE 24
EVENTS AFTER THE REPORTING DATE

The Company has not experienced any significant events after 31 December 2024 which have an impact on the Annual Report.

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MANAGEMENT'S STATEMENT

The Board of Directors and Executive Board have today considered and adopted the Annual Report of Scandinavian Tobacco Group A/S for the financial year 1 January – 31 December 2024.

The Consolidated Financial Statements have been prepared in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and the Parent Company Financial Statements have been prepared in accordance with the Danish Financial Statements Act. Management's Review has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2024 of the Group and the Parent Company and of the results of the Group and Parent Company operations and consolidated cash flows for 2024.

In our opinion, Management's Review includes a fair review 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, which the Group and the Parent Company are facing.

Additionally, the sustainability statement, which is part of Management's Review, has been prepared, in all material respects, in accordance with paragraph 99 a of the Danish Financial Statements Act. This includes compliance with the European Sustainability Reporting Standards (ESRS) including that the process undertaken by Management to identify the reported information (the "Process") is in accordance with the description set out in the section titled Double Materiality Assessment. Furthermore, disclosures within the subsection titled EU taxonomy in the Sustainability Statement are, in all material respects, in accordance with Article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation").

The year 2024 marks the initial implementation of paragraph 99 a of the Danish Financial Statements Act concerning compliance with ESRS. As such, more clear guidance and practice are anticipated in various areas, which are expected to be issued in the coming years. Furthermore, the sustainability statement includes forward-looking statements based on disclosed assumptions about events that may occur in the future and possible future actions by the Group. Actual outcomes are likely to be different since anticipated events frequently do not occur as expected.

In our opinion, the Annual Report of Scandinavian Tobacco Group A/S for the financial year 1 January to 31 December 2024 with the file name 5299003KG4JS99TRML67-2024-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

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

GENTOFTE, 6 MARCH 2025

EXECUTIVE MANAGEMENT

Niels Frederiksen
Chief Executive Officer

Marianne Rørslev Bock
Chief Financial Officer

BOARD OF DIRECTORS

Henrik Brandt
Chair of the Board of Directors

Marlene Forsell

Dianne Neal Blixt

Anders C. Obel

Mark Kristen Draper

Jörg Biebernick

Henrik Amsinck

Thomas Thomsen

Karsten Dam Larsen

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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 2024 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2024 in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2024 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2024 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 2024 comprise the consolidated statement of income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes, including material accounting policy information.

The Parent Company Financial Statements of Scandinavian Tobacco Group A/S for the financial year 1 January to 31 December 2024 comprise the income statement, the balance sheet, the statement of changes in equity and the notes, including material accounting policy information. Collectively referred to as the "Financial Statements".

BASIS FOR OPINION

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

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

Independence

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

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

Appointment

We were first appointed auditors of Scandinavian Tobacco Group A/S on 26 April 2017 for the financial year 2017. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 8 years including the financial year 2024.

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INDEPENDENT AUDITOR'S REPORTS (CONTINUED)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2024. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
IMPAIRMENT OF TRADEMARKS The principal risks are in relation to Management's assessment of the future timing and amount of cash flows that are used to project the recoverability of the carrying amount of trademarks with indefinite lives. There are specific risks related to macroeconomic conditions and volatile earnings caused by volume decline, intensified competition and changed regulations in key markets. Bearing in mind the generally long-lived nature of the assets, the significant assumptions are Management's view of prices, volumes, terminal growth rates and discount rates. We focused on this area, as there is a high level of subjectivity exercised by Management in determining significant assumptions and estimating cash flows. The key assumptions and accounting treatment are described in Section 3.1 'Intangible Assets' in the Consolidated Financial Statements.	We assessed whether the Group's accounting policies are in accordance with IFRS Accounting Standards. We updated our understanding of relevant controls, including Group controlling procedures and IT systems, and business processes regarding impairment testing 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 to independently challenge the key inputs used in calculating the discount rates and to assess the methodologies applied. We challenged Management and evaluated the appropriateness of the significant assumptions regarding prices, volumes, terminal growth rates and discount rates applied by Management in the cash flow forecasts. As part of this we also assessed Management's sensitivity calculation and assessed the appropriateness of the disclosures.

CONTENTS

INDEPENDENT AUDITOR'S REPORTS (CONTINUED)

STATEMENT ON MANAGEMENT'S REVIEW

Management is responsible for Management Review.

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

In connection with our audit of the Financial Statements, our responsibility is to read Management Review and, in doing so, consider whether Management 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 Review includes the disclosures required by the Danish Financial Statements Act. This does not include the requirements in paragraph 99 a related to the sustainability statement covered by the separate auditor's limited assurance report hereon.

Based on the work we have performed, in our view, Management 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, except for the requirements in paragraph 99 a related to the sustainability statement, cf. above. We did not identify any material misstatement in Management Review.

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

CONTENTS

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.
- Plan and perform the Group audit to 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 and the Parent Company Financial Statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

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INDEPENDENT AUDITOR'S REPORTS (CONTINUED)

REPORT ON COMPLIANCE WITH THE ESEF REGULATION

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of Scandinavian Tobacco Group A/S for the financial year 1 January to 31 December 2024 with the filename 5299003KG4JS99TRML67-2024-12-31-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 2024 with the file name 5299003KG4JS99TRML67-2024-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

HELLERUP, 6 MARCH 2025

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Anette Beltrão-Primdahl

Michael Groth Hansen
State authorised
public accountant
mne33228

Anette Beltrão-Primdahl
State authorised
public accountant
mne45854

CONTENTS

INDEPENDENT AUDITOR'S REPORTS (CONTINUED)

To the shareholders of Scandinavian Tobacco Group A/S

INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT ON THE SUSTAINABILITY STATEMENT

LIMITED ASSURANCE CONCLUSION

We have conducted a limited assurance engagement on the sustainability statement of Scandinavian Tobacco Group A/S (the "Group") included in the section Management Review (the "Sustainability Statement"), page 56-104, for the financial year 1 January – 31 December 2024.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Sustainability Statement is not prepared, in all material respects, in accordance with the Danish Financial Statements Act paragraph 99 a, including:

- compliance with the European Sustainability Reporting Standards (ESRS), including that the process carried out by the management to identify the information reported in the Sustainability Statement (the "Process") is in accordance with the description set out in the section titled Double Materiality Assessment; and
- compliance of the disclosures in the section EU Taxonomy of the Sustainability Statement with Article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation").

BASIS FOR OPINION

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance engagements other than audits or reviews of historical financial information* ("ISAE 3000 (Revised)") and the additional requirements applicable in Denmark.

The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. Our responsibilities under this standard are further described in the *Auditor's responsibilities for the assurance engagement* section of our report.

Our independence and quality management

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.

Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

MANAGEMENT'S RESPONSIBILITIES FOR THE SUSTAINABILITY STATEMENT

Management is responsible for designing and implementing a process to identify the information reported in the Sustainability Statement in accordance with the ESRS and for disclosing this Process as included in the section titled Double Materiality Assessment of the Sustainability Statement. This responsibility includes:

- understanding the context in which the Group's activities and business relationships take place and developing an understanding of its affected stakeholders;
- the identification of the actual and potential impacts (both negative and positive) related to sustainability matters, as well as risks and opportunities that affect, or could reasonably be expected to affect, the Groups financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium-, or long-term;
- the assessment of the materiality of the identified impacts, risks and opportunities related to sustainability matters by selecting and applying appropriate thresholds; and
- making assumptions that are reasonable in the circumstances.

Management is further responsible for the preparation of the Sustainability Statement, which includes the information identified by the Process, in accordance with the Danish Financial Statements Act paragraph 99 a, including:

- compliance with the ESRS;
- preparing the disclosures as included in the section, EU Taxonomy of the Sustainability Statement, in compliance with Article 8 of the Taxonomy Regulation;
- designing, implementing and maintaining such internal control that management determines is necessary to enable the preparation of the Sustainability Statement that is free from material misstatement, whether due to fraud or error; and
- the selection and application of appropriate sustainability reporting methods and making assumptions and estimates that are reasonable in the circumstances.

Inherent limitations in preparing the Sustainability Statement

In reporting forward-looking information in accordance with ESRS, management is required to prepare the forward-looking information on the basis of disclosed assumptions about events that may occur in the future and possible future actions by the Group. Actual outcomes are likely to be different since anticipated events frequently do not occur as expected.

AUDITOR'S RESPONSIBILITIES FOR THE ASSURANCE ENGAGEMENT

Our responsibility is to plan and perform the assurance engagement to obtain limited assurance about whether the Sustainability Statement is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to

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INDEPENDENT AUDITOR'S REPORTS (CONTINUED)

influence decisions of users taken on the basis of the Sustainability Statement as a whole.

As part of a limited assurance engagement in accordance with ISAE 3000 (Revised) we exercise professional judgement and maintain professional scepticism throughout the engagement.
Our responsibilities in respect of the Process include:

- Obtaining an understanding of the Process, but not for the purpose of providing a conclusion on the effectiveness of the Process, including the outcome of the Process;
- Considering whether the information identified addresses the applicable disclosure requirements of the ESRS; and
- Designing and performing procedures to evaluate whether the Process is consistent with the Group's description of its Process, as disclosed in the section titled Double Materiality Assessment.

Our other responsibilities in respect of the Sustainability Statement include:

- Identifying where material misstatements are likely to arise, whether due to fraud or error; and
- Designing and performing procedures responsive to disclosures in the Sustainability Statement where material misstatements are likely to arise. 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.

SUMMARY OF THE WORK PERFORMED
A limited assurance engagement involves performing procedures to obtain evidence about the Sustainability Statement. The nature, timing and extent of procedures selected depend on professional judgement, including the identification of disclosures where material misstatements are likely to arise, whether due to fraud or error, in the Sustainability Statement.
In conducting our limited assurance engagement, with respect to the Process, we:

- Obtained an understanding of the Process by performing inquiries to understand the sources of the information used by management; and reviewing the Groups internal documentation of its Process; and
- Evaluated whether the evidence obtained from our procedures about the Process implemented by the Group was consistent with the description of the Process set out in the section titled Double Materiality Assessment.

In conducting our limited assurance engagement, with respect to the Sustainability Statement, we:

- Obtained an understanding of the Group's reporting processes relevant to the preparation of its Sustainability Statement including the consolidation processes by obtaining an understanding of the Group's control environment, processes and information systems relevant to the preparation of the Sustainability Statement but not evaluating the design of particular control activities, obtaining evidence about their implementation or testing their operating effectiveness;
- Evaluated whether the information identified by the Process is included in the Sustainability Statement;
- Evaluated whether the structure and the presentation of the Sustainability Statement are in accordance with the ESRS;
- Performed inquiries of relevant personnel and analytical procedures on selected information in the Sustainability Statement;
- Performed substantive assurance procedures on selected information in the Sustainability Statement;
- Where applicable, compared disclosures in the Sustainability Statement with the corresponding disclosures in the financial statements and Management Review;
- Evaluated the methods, assumptions and data for developing estimates and forward-looking information; and
- Obtained an understanding of the Group's process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Sustainability Statement.

OTHER MATTER
The comparative information for 2023 as well as related comments on the development between 2023 and 2024 included in the Sustainability Statement were not subject to an assurance engagement. Our conclusion is not modified in respect of this limitation in scope.

HELLERUP, 6 MARCH 2025

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Anette Beltrão-Primdahl

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