SCA

ANNUAL REPORT 2021

CVR NR: 31080185
Sandtoften 9
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FIND OUT MORE

SUSTAINABILITY REPORT

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

READ THE REPORT

REMUNERATION REPORT

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

READ THE REPORT

COMPANY PROFILE BROCHURE

Our Company Profile brochure includes facts about the Group and five must-win battle stories on the execution of our strategy.

READ THE BROCHURE

ST-GROUP.COM

2021 OVERVIEW

WHO WE ARE

Scandinavian Tobacco Group is a global leader in cigars. For more than 250 years, we have been maker of rituals by providing premium tobacco products and experiences to consumers embedded by textures, flavours and aromas. With our portfolio of industry leading cigar brands, we deliver consumer experiences that really make a difference.

10,000
EMPLOYEES WORLDWIDE

1 million
ACTIVE ONLINE CONSUMERS IN THE US

UNRIVALLED CIGAR BRAND PORTFOLIO

MACANUDO MONTEGO Y CIA
SIGNATURE
COHIBA

100
DISTRIBUTION MARKETS

FIVE-YEAR SUMMARY[1]

DKK million	2021	2020	2019	2018	2017
INCOME STATEMENT					
Net sales	8,233	8,006	6,719	6,563	6,464
Gross profit before special items	4,113	3,712	3,142	3,044	3,134
EBITDA before special items	2,233	1,826	1,513	1,304	1,283
Special items	-55	-435	-133	-266	-69
EBIT	1,814	986	977	738	913
Net financial items	-77	-53	-45	-37	-77
Profit before tax	1,769	951	949	717	852
Income taxes	-378	-274	-201	-51	-140
Net profit	1,391	678	748	666	712
BALANCE SHEET					
Total assets	14,584	13,996	13,872	13,403	12,990
Equity	8,968	8,372	9,103	8,818	8,448
Net interest-bearing debt (NIBD)	3,266	3,274	2,330	2,585	2,247
Investment in property, plant and equipment	212	157	94	110	54
Total capital expenditures	240	201	122	125	109
CASH FLOW STATEMENT					
Cash flow from operating activities	1,567	1,585	1,300	784	1,049
Cash flow from investing activities	-178	-1,752	-50	-511	-94
Free cash flow	1,389	-166	1,250	274	955
Free cash flow before acquisitions	1,393	1,394	1,187	668	963

DKK million	2021	2020	2019	2018	2017
KEY RATIOS					
Net sales growth	2.8%	19.2%	2.4%	1.5%	-4.2%
Gross margin before special items	50.0%	46.4%	46.8%	46.4%	48.5%
EBITDA margin before special items	27.1%	22.8%	22.5%	19.9%	19.9%
Effective tax percentage	21.4%	28.7%	21.2%	7.2%	16.4%
Equity ratio	61.5%	59.8%	65.6%	65.8%	65.0%
Cash conversion	108.6%	135.4%	118.6%	88.2%	110.2%
Organic net sales growth	4.5%	6.6%	-2.5%	0.4%	-2.2%
Organic EBITDA growth	18.4%	14.0%	7.1%	3.5%	-7.4%
NIBD / EBITDA before special items	1.5	1.8	1.5	2.0	1.8
ROIC	14.5%	7.7%	8.2%	6.4%	7.9%
ROIC ex. goodwill	24.3%	12.7%	13.5%	10.4%	12.7%
Adjusted earnings per share (DKK)	14.8	9.8	8.3	8.5	7.7
Basic earnings per share (DKK)	14.6	6.8	7.5	6.7	7.1
Diluted earnings per share (DKK)	14.5	6.8	7.5	6.7	7.1
Number of shares issued ('000)	97,500	100,000	100,000	100,000	100,000
Number of treasury shares ('000)	4,526	2,324	316	367	367
Number of outstanding shares ('000)[2]	95,689	99,659	99,940	99,803	99,735
Share price at year end (DKK)	137.30	104.10	81.25	78.45	120.00
Dividend per share (DKK)	7.5	6.5	6.1	6.0	9.3
Pay-out ratio	52.6%	95.9%	81.6%	90.2%	130.0%

1. See definition/explanation of financial ratios in note 5.8. The years 2017-2018 are not adjusted in relation to IFRS16.
2. Average number of shares outstanding, including dilutive effect of PSU's.

LETTER FROM CHAIRMAN AND CEO

KEEPING OUR PROMISE

In 2021, Scandinavian Tobacco Group continued to cope successfully with the disruptions caused by the COVID-19 pandemic to our business, our consumers and employees. On the back of strong demand for handmade cigars and a favourable market mix, we delivered particularly strong financial results and have given ourselves a strong foundation for a successful 2022.

For the second year running, we made it our priority to keep our employees safe during the COVID-19 pandemic while maintaining business operations, allowing us to keep our promise to cigar smokers around the world. We succeeded on both accounts. Faced with sustained increased demand for handmade cigars our more than 8,500 employees in our factories managed to increase productivity and deliver tobacco innovations to the market while improving our overall safety performance. We would like to thank them and every other employee in Scandinavian Tobacco Group for their commitment and valuable work in 2021.

LETTER FROM CHAIRMAN AND CEO

FINANCIAL RESULTS

Since the outbreak of the COVID-19 pandemic, demand for handmade cigars in the US - our biggest and most important market - has been extraordinarily strong. At the same time, tobacco consumption across other markets and categories has proven resilient. As a consequence, we raised our guidance for the year twice and delivered particularly strong results with 18.4% organic EBITDA growth, free cash flow before acquisitions of DKK 1,393 million, strong improvement of ROIC to 14.5% and increase in the adjusted earnings per share to DKK 14.8.

On the back of these strong results we continue our disciplined capital allocation strategy focused on capital efficiency and shareholder returns. Based on the 2021 results, we propose an ordinary dividend of DKK 7.5 per share. This equals a total payment of about DKK 0.7 billion to our shareholders and including share buy-back total capital distribution to our shareholders in 2021 was more than DKK 1.2 billion - or 12% of the market value of Scandinavian Tobacco Group at the beginning of the year.

During 2021, we completed a DKK 300 million share buy-back programme and initiated a new one-year programme at a total value of up to DKK 600 million. We maintain our share buy-back activity in 2022 and are launching a new one-year share buy-back programme at a total value of up to DKK 700 million. We regularly evaluate our total cash distribution to ensure alignment with our financial performance and the investment needs of the business including potential acquisitions.

CONTINUED STRATEGY EXECUTION

In the course of the year, we showed good progress on our strategy “Rolling Towards 2025” and edged closer to our vision of becoming the undisputed, global leader in cigars. In the US, we invested further to grow the handmade cigar category and launched Forged Cigar Company, a new distribution network, and announced our intention to build additional 6-8 cigar super stores under the Cigars International brand in the next two to three years.

We continued our focus on growing the Group through acquiring and integrating other businesses. We succeeded in integrating Agio Cigars faster than anticipated and increased total net synergies from this acquisition from DKK 225 million to DKK 250 million.

We also completed the Group’s 5th acquisition since 2016 as we acquired a majority stake in the Italian cigar company Moderno Opificio del Sigaro Italiano, MOSI. With MOSI we strengthen our share of the Italian machine-rolled cigar market and further grow our leadership position in the machine-rolled cigar category in Europe.

In continued efforts to simplify and professionalise our Group, we moved forward with the update to our Enterprise Resource Planning (ERP) system. By 2024/2025, our current 12 different ERP legacy systems will be replaced by one new global ERP system which will strengthen our ability to deliver continued growth and profitability.

We launched our first Sustainability strategy in 2021 and we believe that sustainability is key to our continued ability to operate effectively and we have taken steps to advance our environmental commitment. In 2021, we began measuring our Scope 1 and 2 emissions under the Greenhouse Gas Protocol and we will announce plans to invest further in sustainability in the course of 2022.

Based on the many achievements of 2021 we look forward to 2022 with confidence that it holds many opportunities for growth and that it will be yet another year that brings us closer to our ambition of becoming the undisputed, global leader in cigars. On behalf of the Board of Directors and the Executive Board of Scandinavian Tobacco Group, we would like to thank our shareholders and consumers for their continued confidence and trust in our company.

“Based on the many achievements of 2021 we look forward to 2022 with confidence that it holds many opportunities for growth”

Niels Frederiksen
President and CEO

Nigel Northridge
Chairman of the Board of Directors

CHANGING OF THE GUARDS

The 2021 Annual Report will be my last as Chairman of the Board for Scandinavian Tobacco Group. I have decided that the time is right to step down and pass on the Chairship baton to Henrik Brandt, whom the Board of Directors will propose as new Chairman on the Annual General Meeting on 31 March 2022.

It has been an honor and privilege to chair the Board of Directors for the past five years, and I am proud to be handing over a company that is stronger than ever and has a clear strategy in place to deliver continued growth and profitability. Since joining the Board of Directors in 2016, I have enjoyed the cooperation with the Management and employees of the Group. I would like to thank all of them as well as my successor and the Board of Directors and wish everyone the very best for the future.

Nigel Northridge
Chairman of the Board of Directors

PERFORMANCE 2021

PERFORMANCE HIGHLIGHTS

EXPANDING FOOTPRINT IN THE US

On the back of extraordinarily strong demand and to drive growth in the handmade cigar category, we expanded our footprint in the US in the wholesale and retail channel. To leverage the strength of our brand portfolio and strengthen support to retail partners we established the Forged Cigar Company, an independent national cigar distribution network with a dedicated sales force. In addition, we announced plans to open 6-8 cigar super stores under the Cigars International brand in the coming two to three years and effectively double the number of super stores we have in the US.

GROWING THROUGH M&A

We completed our 5th acquisition since 2016 with a majority stake in Moderno Opificio del Sigaro Italiano, MOSI - an Italian cigar company with a small exclusive offering of traditional Italian machine-rolled cigars under the brand "Ambasciator Italico". With MOSI we strengthen our share of the Italian machine-rolled cigar market and further grow our leadership position in the machine-rolled cigar category in Europe. The acquisition is a testament to Scandinavian Tobacco Group's continued commitment to growth and value creation from acquisitions of brands and businesses.

SIMPLIFYING THE BUSINESS

In an industry with declining markets, we continuously optimise the business model to current market conditions to ensure competitiveness. In 2021, we simplified our production and logistics footprint as we completed the closure of two manufacturing facilities in Eersel and Duizel, the Netherlands and announced plans to consolidate our US logistics. In Canada, Australia and New Zealand – some of the most heavily regulated tobacco markets – we changed our route-to-market approach. We decided to close the sales offices in Australia and New Zealand and subsequently we chose to go to a distributor model, and the Canadian organisation was integrated into the existing sales organisation in the US.

FINANCIAL PERFORMANCE

NET SALES

8,233 DKKm

▲ **4.5%** Organic growth

EBITDA BEFORE SPECIAL ITEMS

2,233 DKKm

▲ **18.4%** Organic growth

FREE CASH FLOW BEFORE ACQUISITIONS

1,393 DKKm

ORDINARY DIVIDEND

7.50 DKK per share

▲ **15%**

RETURN ON INVESTED CAPITAL

14.5%

STRATEGY EXECUTION

Rolling Towards 2025

RENEWED FOCUS

In 2020, we revised and updated our strategy. With Rolling Towards 2025 we renewed the vision and strategic direction for the Group until 2025 as we cemented our focus on cigars and our ambition to become a larger company, to grow EBITDA and to create outstanding cash generation to support our continued growth for our shareholders.

The revised strategy is based on five must-win battles; areas where we need to succeed by 2025 and that will allow us to improve the products, processes and consumer experiences that really make a difference. Each must-win battle is supported by four enablers that ensure efficient operations and IT infrastructure, establish a steady intake of new talent into the Group while identifying new paths to growth.

We have made good progress in all areas of the strategy in 2021 and edged closer to our vision of becoming the undisputed, global leader in cigars. Within each of the must-win battles we launched, advanced and completed initiatives that allowed us to continue the modernisation and professionalisation of Scandinavian Tobacco Group.

PURPOSE

CRAFT THE RITUALS THAT MAKE US MORE

VISION

BE THE UNDISPUTED, GLOBAL LEADER IN CIGARS

AMBITION

LARGER COMPANY	GROWING EBITDA MARGIN	OUTSTANDING CASH GENERATION

MUST-WIN BATTLES

1	2	3	4	5
GROW OUR HANDMADE CIGAR BUSINESS	**DRIVE** SUSTAINABLE PROFIT GROWTH IN MACHINE-ROLLED CIGARS	**INTEGRATE** NEW MERGERS AND ACQUISITIONS	**SIMPLIFY** EVERYTHING WE DO	**EMBRACE** A PERFORMANCE CULTURE

ENABLERS

IT AND DATA CAPABILITIES AND INFRASTRUCTURE	LEAN, AGILE, EFFICIENT OPERATIONS	ATTRACTIVE EMPLOYER FOR TALENT	GROWTH INCUBATOR

STRATEGY EXECUTION

MUST-WIN BATTLES

GROW OUR HANDMADE CIGAR BUSINESS

We want to grow in handmade cigars. This is our primary investment focus and we will direct our efforts at driving growth across the business, specifically in North America. In the US online and retail market we will strengthen our consumer orientation through improved online experience and by continuously evaluating the potential of further retail expansion.

KPIS

- Annually grow in category sales and gross margin
- Increase category profitability by increasing sales of proprietary handmade brands and by building brand equity for top brands
- Annually grow in number of active US online consumers (%)

2021 PERFORMANCE

Sales of handmade cigars increased by more than 10% with improving gross margins. The development of proprietary brands increased by 1% compared to 2020. The number of active consumers (12 months) in the online business decreased by 7% as consumers moved back to physical retail. Number of active consumers remains 15% above 2019 levels.

KEY ACHIEVEMENT

RETAIL EXPANSION AND THE FORGED CIGAR COMPANY

To drive growth in the handmade cigar category in North America we established the Forged Cigar Company, to increase support to our brands and announced plans for additional 6-8 cigar super stores under the Cigars International brand in the coming two to three years.

DRIVE SUSTAINABLE PROFIT GROWTH IN MACHINE-ROLLED CIGARS

We want to drive sustainable profit growth in machine-rolled cigars by efficient price management and by leveraging our market leading positions across Europe while simplifying our portfolio to drive efficiencies.

KPIS

- Annually maintain category sales and increase profitability
- Simplify portfolio and reduce number of brands

2021 PERFORMANCE

Net sales were negatively impacted by supply issues by the end of the year while the margins improved by 5.3%-points driven by integration synergies and pricing of products. We met the target for brand and SKU reductions as we reduced the number of brands by 4% and the number SKUs by 20% and are on track with the share of gross profit from strategic brands increased to 87% (86%).

KEY ACHIEVEMENT

PORTFOLIO SIMPLIFICATION

To offer consumers a more compelling and competitive machine-rolled cigar portfolio we are simplifying the number of brands, formats and packaging across European markets. We have developed a roadmap for portfolio simplification until 2025 that will drive efficiencies without putting pressure on sales or margins.

STRATEGY EXECUTION

INTEGRATE NEW MERGERS AND ACQUISITIONS

We continue to look into opportunities to grow the business, strengthen our brand portfolio and leverage our costs through successful mergers and acquisitions. And we want to continue building the capabilities to successfully integrate new acquisitions.

KPIS

- Integrate synergy cases fast and successfully
- Acquisitions must improve Group ROIC within three years

2021 PERFORMANCE

The integration of Agio Cigars has performed better than expected and the expected total savings was raised by more than 10% to DKK 250 million. When fully integrated by the end of 2022, the ROIC for the Agio Cigars investment is estimated to reach 20% versus a Group average of 14%.

KEY ACHIEVEMENT

AGIO INTEGRATION

The integration of Agio Cigars progressed faster than anticipated and the expected total net synergies was revised up from DKK 225 million to DKK 250 million. With commercial integration completed in 2020, integration of production facilities was completed with the closure of two production facilities in the Netherlands at the end of the year.

SIMPLIFY EVERYTHING WE DO

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

KPIS

- Reduce complexity of systems and processes
- Build lean and efficient product portfolio
- Increase digitalisation

2021 PERFORMANCE

The implementation of a new ERP system progressed according to the plan set out in 2020. The project called OneProcess will transform the Group's current 12 ERP systems into one by 2024/2025. Applying LEAN methodology and practices into ways of working across the organisation progressed during the year.

KEY ACHIEVEMENT

ERP PLATFORM

The clarification phase was completed emphasising a need to expand the scope of the project to ensure a successful implementation. This resulted in a revised investment forecast expected to reach DKK 600-700 million (previously DKK 280-340 million). We identified annual benefits from OneProcess estimated at DKK 150-250 million when fully implemented in 2025.

STRATEGY EXECUTION

EMBRACE A PERFORMANCE CULTURE

We want to ensure that we move in the same direction by embracing a performance culture with a strong focus on performance, learning and development in our appraisals and our everyday life allowing us to improve as a company and as individuals.

KPI'S

- Further develop as an attractive employer for international talent
- Build competencies across the workforce to increase efficiency
- Develop and embed a Scandinavian Tobacco Group leadership model

2021 PERFORMANCE

We continued to strengthen the organisation from both a people and competency perspective. New capabilities were created and contributed to the strong results of the year. More than 80% of all employees have performance objectives and are highly engaged: our employee engagement survey resulted in a satisfactory net promoter score of 36.

KEY ACHIEVEMENT

INCREASED CIGAR PRODUCTIVITY

The more than 8,500 employees in our manufacturing facilities have during the year improved our overall safety performance while increasing cigar productivity and improving equipment effectiveness. This has allowed us to keep our promise to our consumers while keeping our employees safe during the pandemic.

STRATEGY EXECUTION

MUST-WIN BATTLES STORIES

READ MORE ABOUT OUR MUST-WIN BATTLES STORIES AND MUCH MORE IN OUR COMPANY PROFILE BROCHURE

COMPANY PROFILE 2022.PDF

FROM ROUGH DIAMOND TO BUSINESS LEADER

The Forged Cigar Company is achieving significant growth through focusing on brands with untapped potential in the US, with a nimble team that responds quickly to the needs of retailers. Leading it is Sean Hardiman, a sales professional who has honed his skills during five years with Scandinavian Tobacco Group. **READ MORE**

SPANISH SUCCESS

With a focus on brands that appeal to new consumers, Scandinavian Tobacco Group has achieved growth and a significant gain in market share in Spain – even though overall volumes in this important market are declining. **READ MORE**

A DISCIPLINED AND FOCUSED APPROACH TO M&A

Scandinavian Tobacco Group aims to be the best acquirer and integrator in the industry. Part of this is a new M&A Playbook, which defines guidelines around future acquisitions – from selecting targets through to eventual integration – to ensure these create the maximum value for the company . **READ MORE**

SEEKING THE SINGLE TRUTH

A new ERP platform will bring the whole of Scandinavian Tobacco Group together on a single IT system. This business transformation will provide better processes and data, supporting growth, simplification and integration of future acquisitions. **READ MORE**

INCREASING EFFICIENCY, TOGETHER

Scandinavian Tobacco Group has significantly improved production efficiency in its handmade cigars factories, based on employing techniques from the Lean business philosophy. It has been achieved with a focus on safety, improving quality, standardisation and closely monitoring production.
READ MORE

STRATEGY EXECUTION

OUR SUSTAINABILITY JOURNEY

When Scandinavian Tobacco Group in 2019 decided to reboot and lift our sustainability work, we set out on what we knew would be a multi-year journey that would call for careful self-analysis, the creation of new and more robust capabilities, honest dialogue with our key stakeholders, and a strategy to provide a roadmap for our work.

We continued to make solid and steady progress in 2021 in advancing our sustainability work. Across all four focus areas of our strategy – People and Communities, Planet, Ethics, and Governance – we have now either launched new activities or are reviewing existing ones to ensure we have the policies, metrics, and, where necessary, targets in place to deliver impact for our material stakeholders.

Journeys are made of many milestones and require constant assessment of effort and direction. Our first sustainability strategy (originally our CSR strategy) was designed to guide us through the period 2020 – 2022, and as we enter 2022, we have begun work with internal and external stakeholders and partners to substantially raise our ambitions and present these in a new and upgraded sustainability strategy, to be released in the first half of 2022.

Our 2021 Sustainability Report constitutes our statutory report on Corporate Social Responsibility for the financial year 2021, in accordance with Section 99a of the Danish Financial Statements Act ("Lovpligtig redegørelse for samfundsansvar, jf årsregnskabslovens §99a") for the Scandinavian Tobacco Group group of companies. The 2021 Sustainability Report also includes a statement regarding our Data Ethics Policy, as required by Section 99d of the Danish Financial Statements Act (Redegørelse for politik for dataetik, jf. årsregnskabslovens § 99d), and the section "Diversity and Inclusion" in our Sustainability Report constitutes our statutory report on the gender composition of management and related policies for financial year 2021, according to Sections 99b and 107d of the Danish Financial Statements Act ("Lovpligtig redegørelse for den kønsmæssige sammensætning af ledelsen, jf. årsregnskabslovens §99b" and "Redegørelse for politik for mangfoldighed, jf. årsregnskabslovens §107d"). Finally, our 2021 Sustainability Report also includes our assessment of the Group's business in relation to new EU reporting requirements regarding "Taxonomy-eligible" activities under the EU Sustainable Finance Taxonomy. Our 2021 Sustainability Report can be accessed at:

ST-GROUP.COM/SUSTAINABILITYREPORT.PDF

PEOPLE AND COMMUNITIES
How we engage with our employees and the communities where they work and live

- We do not tolerate any kind of discrimination
- We work to protect labour rights and ensure safe and secure working environments

PLANET
How we work to ensure sustainable production

- We seek to reduce energy use and waste through prevention, reduction, recycling and reuse
- We will seek to measure, report and ultimately reduce our greenhouse gas emissions

ETHICS
How we promote responsible actions in our business and industry

- We are committed to eliminating child labour in all forms in our value chain
- We commit to non-discrimination under human rights laws and conventions

GOVERNANCE
How we embed strong oversight and transparency in our business

- We are working to adopt sustainable business practices
- We do not tolerate any form of corruption or bribery

STRATEGY EXECUTION

CLIMATE ACTION

Scandinavian Tobacco Group acknowledges the importance of limiting our environmental and climate impact.

In 2021, the Group completed its first assessment of our Group-wide Scope 1 and 2 emissions as defined under the Greenhouse Gas Protocol, allowing us to provide additional transparency and insight into our energy consumption and CO2 equivalent emissions.

2020
For 2020, Group entities consumed 100,636 megawatt hours of energy, corresponding to 36.5 thousand tons of CO_2 equivalents. Of these emissions, 42%, or 15.3 thousand tons were Scope 1 emissions, while 58%, or 21.2 thousand tons, were Scope 2.

2021
For 2021, Group entities consumed 96,847 megawatt hours of energy, corresponding to 35.1 thousand tons of CO_2 equivalents. Of this amount, 40%, or 14.2 thousand tons were Scope 1 emissions, while 60%, or 20.9 thousand tons, were Scope 2.

SETTING FUTURE CLIMATE GOALS
Now that the Group has completed these measurements for 2020 and 2021, we are now considering appropriate emissions reduction targets and relevant reduction measures to help us achieve our goals.

Anticipating that we would be considering these emissions goals in 2022, the Group already in 2021 undertook a series of pilot initiatives to identify potential levers for emissions reduction. Those initiatives have shown significant promise and we expect them to provide a running start in reaching our future climate goals.

For more detail regarding our 2020 and 2021 emissions data, please see our full 2021 Sustainability Report available at:

→ ST-GROUP.COM/SUSTAINABILITYREPORT.PDF

-3.7%

Group CO_2 equivalent emissions (Scope 1 and 2) decreased by 3.7% in 2021 compared to 2020.

SCOPE 1

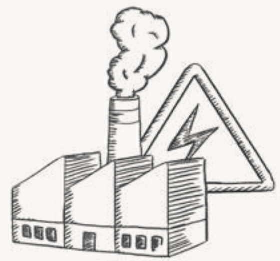
From sources owned or controlled by a company, including:

- Vehicles and equipment
- Stationary combustion
- Wastewater treatment
- On-site landfill

SCOPE 2

From the generation of electricity, heat or steam purchased by a company, including:

- Purchased electricity
- Purchased heating / cooling
- Purchased steam



Scope 3 – All other upstream and downstream emissions not included in Scope 1 and 2.

PERFORMANCE HIGHLIGHTS

EMPLOYEE SAFETY
We significantly improved our safety performance in 2021, reducing the number of Lost Time Accidents by more than 50%, and we have set a new and more ambitious safety target for our overall accident rate.

CO_2 EMISSIONS
We have, for the first time, measured and disclosed our Group-wide Scope 1 and 2 CO_2 emissions and have already launched a series of pilot initiatives to manage our future emissions footprint.

DIVERSITY AND INCLUSION
25% of our senior managers in 2021 were women, still short of our goal of 33%.

EMPLOYEE ENGAGEMENT
Participation in our Group-wide 2021 engagement survey was high with 88% of Group employees taking part, and with 92% of respondents agreeing that "This company is committed to employee safety."

M&A STRATEGY

GROWING THROUGH MERGERS AND ACQUISITIONS

Mergers and acquisitions are part of Scandinavian Tobacco Group's DNA. We are based on mergers and acquisitions and it remains an integral part of our Rolling Towards 2025 strategy.

In the tobacco business, taking part in industry consolidation by combining business entities and taking advantage of economies of scale, has for years been a proven recipe for maintaining and creating stronger brands, managing regulatory challenges, improving profitability and to create shareholder value. Since the merger with certain Swedish Match activities in 2010, we have actively taken part in industry consolidation with a total of seven acquisitions. Mergers and acquisitions have allowed us to become a stronger and more profitable company. In the past 12 years, net sales have increased from DKK 2.5 billion to more than DKK 8.0 billion.

STRATEGIC RATIONALE FOR ACQUISITIONS

Scandinavian Tobacco Group continues to look for opportunities to grow the business and believes acquisitions have the potential to create significant value when founded in a structured and disciplined approach. Each investment must support the financial ambition of increasing the Group's Return on Invested Capital within three years. The focus area for mergers and acquisitions is handmade cigars, machine-rolled cigars in Europe and online in the US. A strategic rationale for value creation has been identified for each of the focus areas. In handmade and machine-rolled cigars, the aim is to strengthen the cigar brand portfolios, gain synergies across the value chain and get access to high growth segments in the markets. For machine-rolled cigars it further comprises the value in building scale through consolidation of markets. And in the US online and retail market the aim is to protect and grow market share across distribution channels and to improve profitability by synergies and scale.

INTEGRATION OF AGIO CIGARS

In 2020, Scandinavian Tobacco Group made its biggest acquisition in the Group's history with Agio Cigars, a leading European manufacturer of machine-rolled cigars, at a total value of DKK 1,559 million. The acquisition of Agio Cigars significantly strengthened our market share positions in key European markets for machine-rolled cigars and increased Group net sales by 15%. The integration of Agio Cigars has progressed faster than expected and in May 2021, the cost synergy target was raised by DKK 25 million to DKK 250 million. When fully integrated by the end of 2022, the acquisition has improved the Group EBITDA-margin by more than 2%-points and the Return on Invested Capital, including costs for integrating Agio Cigars, will have reached around 20%.

ACQUISITION OF MOSI

In 2021, we acquired a majority stake in Italian cigar-maker Moderno Opificio del Sigaro Italiano, MOSI. The acquisition gives us access to the most profitable cigar segment in the Italian market and grows our market share position in Italy for machine-rolled cigars.

2010 – Swedish Match

2011 – SCANDINAVIAN TOBACCO GROUP LANE

2013 – Pipes and Cigars

2014 – TORAÑO

2018 – Peterson

2019 – Dunhill

2020 – AGIO

2021

FINANCIAL PERFORMANCE

THREE COMMERCIAL DIVISIONS

NORTH AMERICA ONLINE & RETAIL

32%

Share of group net sales

NORTH AMERICA BRANDED & REST OF WORLD

35%

Share of group net sales

EUROPE BRANDED

33%

Share of group net sales

NORTH AMERICA ONLINE & RETAIL

KEY BRANDS

SHARE OF GROUP NET SALES

32%

DKK 2,620m

DIVISIONAL SALES BY CATEGORY

80% HANDMADE CIGARS	6% MACHINE-ROLLED CIGARS
3% SMOKING TOBACCO	11% ACCESSORIES AND CMA

NORTH AMERICA ONLINE & RETAIL

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

In 2021, online, catalogue and tele sales comprised 94% of net sales with the retail channel comprising 6%. Handmade cigars accounted for 80% of divisional net sales, accessories for 11% and machine-rolled cigars and smoking tobacco for 6% and 3% respectively.

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

In 2021, North America Online & Retail accounted for 32% of Group net sales, 26% of gross profit before special items and 21% of EBITDA before special items. In a five-year perspective (2020-2025), North America Online & Retail is expected to deliver organic net sales growth above the Group average and a margin expansion which will be positive though below the Group average margin expansion.

RETAIL EXPANSION

Growth in North America Online & Retail will come from investments in consumer insights and the expansion of the brick and mortar retail channel with the intent to develop and expand the handmade cigar category. Consumer insights will grow the number of active consumers, improve retention rates and consumer value over time, paving the way for the online channel to deliver long-term sales growth. By the end of 2021, the division had almost 1 million active consumers. This represents a 7% decrease versus the end of 2020, but an increase of almost 15% versus the end of 2019. Both retention rates and average consumer value improved during 2021.

In 2021, we announced the planned opening of additional 6-8 super stores in the next two to three years. The investment per store will amount to USD 4-7 million and when fully up and running the stores will be margin enhancing for the division and will be enhancing the Group's Return on Invested Capital.

1996

Cigars International was established in 1996 and has since then grown into an industry leading online and retail business.

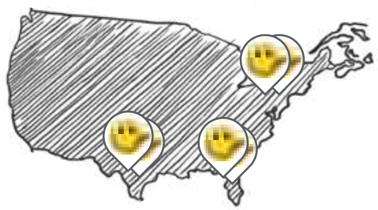
25 million

Cigars International distributes 25 million catalogues on an annual basis.

5 ONLINE BUSINESS UNITS

6 SUPER STORES

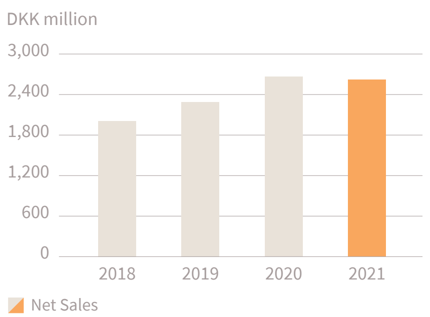
in Pennsylvania, Texas and Florida and more stores to come



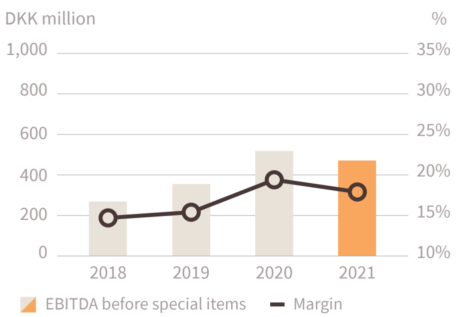
Cigars International super stores

NORTH AMERICA ONLINE & RETAIL

NET SALES



EBITDA BEFORE SPECIAL ITEMS



Net sales decreased by 1.6% to DKK 2,620 million during the year composed by a 2.4% positive organic net sales growth and a negative exchange rate effect of 4.0%. EBITDA before special items decreased by 9% to DKK 470 million with an EBITDA margin before special items of 17.9% (19.4%).

The margin development is driven by higher promotional and marketing expenses as the competitive pressure has started to normalise after an unusual low activity in 2020. General cost efficiencies and optimisations continue to impact underlying margin development positively.

The organic development was driven by all product categories, with organic net sales growth in handmade cigars decreasing in the second half of the year as the year-on-year comparisons were tough reflecting the peak of the pandemic-driven channel shift to online in 2020. Net sales in retail increased by 92% compared with 2020 and accounted for more than 6% of full year net sales in the division versus 3% last year. The growth primarily reflects that the number of stores increased from three to six during 2020.

The structural trend for the handmade cigar market is estimated to be a volume decline rate of approximately 1% per year. However, following the outbreak of the COVID-19 pandemic, consumption has increased in both 2020 and 2021, and it is expected that the structural decline rate will resume from this higher level.

During the past two years there have been significant shifts from retail to online and back again. In 2021, consumers moved partly back to the retail channel.

DKK million	2021	2020
Net sales	2,620	2,662
Gross profit before special items	1,050	1,075
EBITDA before special items	470	517
Net sales growth	-1.6%	16.2%
Organic net sales growth	2.4%	18.9%
Gross margin before special items	40.1%	40.4%
EBITDA margin before special items	17.9%	19.4%

NORTH AMERICA BRANDED & REST OF WORLD

KEY BRANDS

MACANUDO MONTEGO Y CIA

Captain Black

CAO

COHIBA

TIEDEMANNS

SHARE OF GROUP NET SALES

35%

DKK 2,877m

DIVISIONAL SALES BY CATEGORY

29% HANDMADE CIGARS	28% MACHINE-ROLLED CIGARS
21% SMOKING TOBACCO	22% ACCESSORIES AND CMA

NORTH AMERICA BRANDED & REST OF WORLD

North America Branded & Rest of World comprises sale of all product categories to wholesalers and distributors that supply retail in North America (US and Canada) and Rest of World which is Australia, New Zealand, European markets where we do not have own sales organisations, International Sales, Asia, Global Travel Retail and contract manufacturing (CMA).

In 2021, net sales in the division were split between North America (56%) and Rest of World (44%) and the category split was fairly even with 29% net sales from handmade cigars, 28% from machine-rolled cigars, 21% from smoking tobacco and 22% from accessories and contract manufacturing. In 2021, North America Branded & Rest of World accounted for 35% of Group net sales, 38% of gross profit before special items and 51% of EBITDA before special items. In a five-year perspective from 2020-2025, North America Branded & Rest of World is expected to deliver both organic net sales growth and margin expansion in line with the Group average.

ACCELERATE HANDMADE CIGARS

The path for further growth in North America Branded & Rest of World is focused on three priorities: accelerate handmade cigars globally, maximise EBITDA growth and pursuit of growth opportunities. In 2021, to explore the full potential of our broad brand portfolio in handmade cigars in the US, we launched Forged Cigar Company, an independent national cigar distribution network. Operating side by side with the existing sales operation in General Cigar Company, Forged Cigar Company is already contributing to the growth in the category.

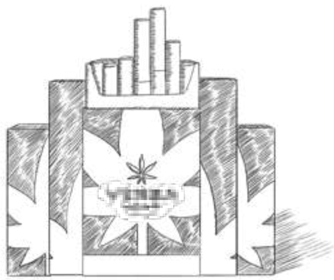
In efforts to increase divisional profitability, we changed the route-to-market in Canada, Australia and New Zealand. In Canada, the sales organisation was integrated into the existing sales organisation in the US - and in Australia and New Zealand we moved to a distributor model.

As part of the strategic Growth Incubator initiative, aimed at identifying pockets of growth, we launched Versa in the US, which is a unique combustible non-nicotine hemp product.

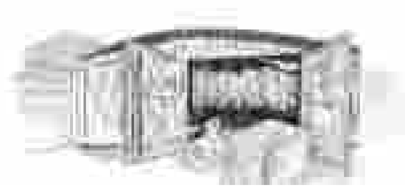
NATIONAL CIGAR DISTRIBUTION NETWORK

FORGED CIGAR COMPANY ESTD 2020 CULTIVATED. CRAFTED. CURATED.

COMBUSTIBLE HEMP PRODUCT



TOBACCO INNOVATION



MACANUDO MONTEGO Y CIA

1868

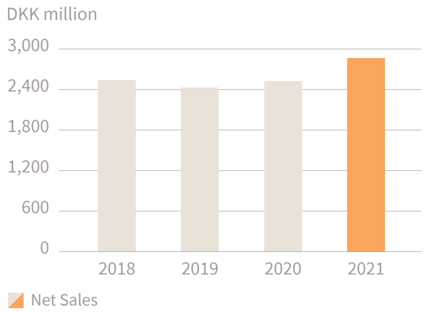
The Macanudo brand was introduced as a frontmark of the Cuban Punch brand in 1868, and in 1971 the brand was launched in the US sold under General Cigar Company.

30%

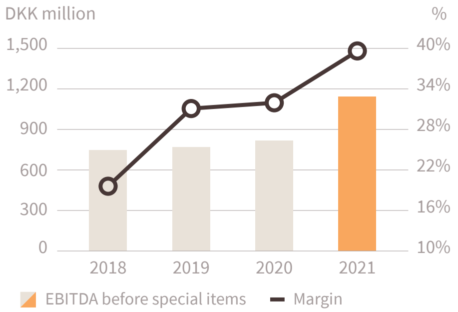
In 2021, Macanudo net sales grew by 30% - the biggest growth in the history of the brand.

NORTH AMERICA BRANDED & REST OF WORLD

NET SALES



EBITDA BEFORE SPECIAL ITEMS



Net sales increased by 13.8% to DKK 2,877 million composed by a positive organic net sales growth of 15.3% and an exchange rate effect of -1.5%. EBITDA before special items increased by 40% to DKK 1,135 million with an EBITDA margin before special items of 39.5% (32.2%).

The margin improvement in the division was realised with an improved gross margin and OPEX ratio. The gross margin improved as result of mix changes with high margin markets like Canada and Norway performing well as well as price increases. The OPEX ratio decreased due to general efficiency improvements. The 2021 result was impacted by DKK 31 million in other income from a refund of certain duty and excise taxes in the US.

Organic net sales growth was predominantly driven by the very strong development in handmade cigars in the US with an organic growth of almost 35%. Other contributors were growth in machine-rolled cigars by about 15% driven by positive sales development in Canada and about 5% growth in smoking tobacco driven by strong demand in Norway. The majority of the remaining markets in the division also delivered positive organic net sales growth in 2021.

The change in consumer behaviour brought about by the outbreak of the COVID-19 pandemic in 2020 has proven sustainable throughout 2021. This has caused demand for handmade cigars to remain at a high level and have resulted in positive mix impacts from lower travelling and border trade.

During the year, demand for handmade cigars from the US online channel continued to be strong, although lower than in 2020 when the brick and mortar retail channel was partially closed. In the retail trade, the launch of Forged Cigar Company has further highlighted the potential of the broader brand portfolio and has supported the strong volume growth in the category.

DKK million	2021	2020
Net sales	2,877	2,527
Gross profit before special items	1,562	1,241
EBITDA before special items	1,135	813
Net sales growth	13.8%	3.8%
Organic net sales growth	15.3%	0.4%
Gross margin before special items	54.3%	49.1%
EBITDA margin before special items	39.5%	32.2%

EUROPE BRANDED

KEY BRANDS

SHARE OF GROUP NET SALES

33%

DKK 2,735m

DIVISIONAL SALES BY CATEGORY

3%
HANDMADE CIGARS

73%
MACHINE-ROLLED CIGARS

19%
SMOKING TOBACCO

5%
ACCESSORIES AND CMA

EUROPE BRANDED

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

The division holds a strong brand portfolio of machine-rolled cigars and a combined market share of 32% in core European markets (France, Belgium, the Netherlands, the UK, Germany, Spain and Italy). 73% of net sales in the division is machine-rolled cigars, 19% is smoking tobacco, 5% is accessories and contract manufacturing and 3% is handmade cigars.

In 2021, Europe Branded accounted for 33% of Group net sales, 36% of gross profit before special items and 34% of EBITDA before special items.

In a five-year perspective from 2020-2025, Europe Branded is expected to deliver organic net sales growth below Group average, though still slightly positive and a margin expansion above the Group average.

SUSTAINABLE PROFIT GROWTH

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

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

ACQUISITIONS GROW MARKET SHARE

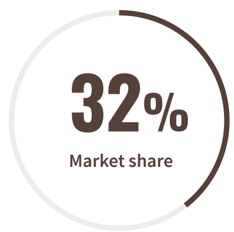
The acquisition of Agio Cigars in 2020 significantly improved the market positions in several key markets. In the Netherlands market share grew from above 25% to above 60%, in France from above 30% to above 50% and in Spain it almost doubled to above 20%. In Germany and Italy market shares more than doubled to more than 10% respectively and in Belgium and the UK our market leading positions were cemented further to more than 90% and 50% respectively.

With the acquisition of a majority stake in Italian cigarmaker Moderno Opificio del Sigaro Italiano, MOSI in 2021, we strengthened our share of the Italian machine-rolled cigar market and further grew our leadership position in the machine-rolled cigar category in Europe.

ACQUISITION OF MOSI

PORTFOLIO SIMPLIFICATION

LEADING POSITION IN CORE EUROPEAN MARKETS



SIGNATURE

1963

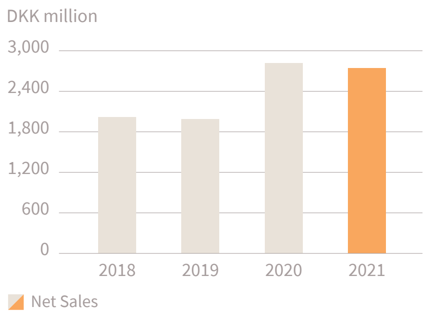
Established in 1963, Signature/Café Crème is one of the world's largest cigarillo brands.

CATEGORY LEADER

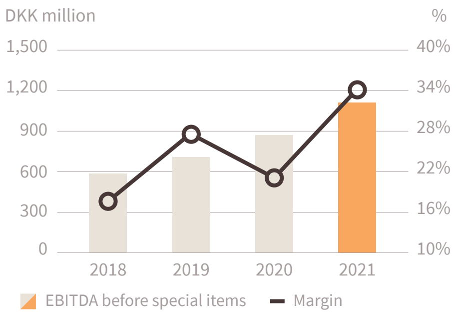
The brand is the category leader in the key markets i.e. France, the UK and Portugal.

EUROPE BRANDED

NET SALES



EBITDA BEFORE SPECIAL ITEMS



Net sales in the division decreased by 2.9% to DKK 2,735 million with a 3.1% negative organic net sales growth. EBITDA before special items increased by 30% to DKK 754 million with an EBITDA margin before special items of 27.6% (20.6%). The 2020 result was impacted by a fair value adjustment of inventories related to the acquisition of Agio Cigars of DKK 62 million.

Excluding this adjustment the EBITDA margin before special items in 2020 was 22.8%.

The organic growth in net sales was negatively impacted by supply issues, and the termination of a distribution contract further contributed with a 1% decrease. Machine-rolled cigars - the largest product category in the division - delivered negative growth of 4% and the price/mix was positive by approximately 3%.

In France, the largest market, machine-rolled cigars delivered negative growth of 3%, whereas the UK was the only market delivering positive growth (8%) driven by pricing. The category smoking tobacco delivered 7-9% positive growth.

The integration of Agio Cigars progressed better and faster than expected in 2021 as both commercial integration and integration of manufacturing facilities were completed. The majority of the savings in relation to the Agio Cigars integration impacts the financial performance in Europe Branded and is the primary reason for the significantly improved profitability in 2021. The margin improvement was also driven by improved pricing.

In 2021, the overall market for machine-rolled cigars decreased by about 2% compared with a historical structural market decline of 3-5% and going forward the expected decline rate is ~3%.

DKK million	2021	2020
Net sales	2,735	2,817
Gross profit before special items	1,501	1,397
EBITDA before special items	754	581
Net sales growth	-2.9%	41.4%
Organic net sales growth	-3.1%	2.3%
Gross margin before special items	54.9%	49.6%
EBITDA margin before special items	27.6%	20.6%

GROUP FINANCIAL REVIEW

FINANCIAL HIGHLIGHTS 2021

NET SALES

Net sales increased by 2.8% to DKK 8,233 million (DKK 8,006 million) driven by a positive organic growth in net sales of 4.5% and exchange rate developments of -1.7%. Organic net sales were primarily driven by North America Branded & Rest of World. North America Online & Retail also delivered positive organic growth in net sales whereas Europe Branded delivered negative growth. The Americas remained our largest market and grew its share of Group net sales to 52.6%. Europe and Rest of World account for 41.8% and 5.6% respectively.

GROSS PROFIT

Gross profit before special items increased by 10.8% to DKK 4,113 million (DKK 3,712 million). The increase was driven by the development in net sales, a negative currency impact of DKK 32 million and a fair value adjustment of DKK 62 million impacting negatively in 2020. Organic gross profit increased by 9.8%. Gross margin before special items increased by 3.6 percentage points to 50.0% (46.4%) primarily driven by mix and pricing as well as the fair value adjustment in 2020.

OPERATING EXPENSES (OPEX)

OPEX before special items increased by 1.3% to DKK 1,911 million (DKK 1,886 million). Organic OPEX increased by 2.9% to DKK 1,940 million (DKK 1,886 million). The OPEX ratio declined to 23.2% from 23.6% in 2020. The lower OPEX ratio was driven by savings from the integration of Agio Cigars and improved cost efficiency across our operations.

DKK million	2021	2020	Change in %
Net Sales			
Reported net sales	8,233	8,006	2.8%
Effect from currency development	135		
Organic net sales	8,368	8,006	4.5%
Gross Profit			
Gross profit before special items	4,113	3,712	10.8%
Acquisitions		62	
Effect from currency development	32		
Organic gross profit	4,145	3,774	9.8%
OPEX			
OPEX before special items	1,911	1,886	1.3%
Effect from currency development	29		
Organic OPEX	1,940	1,886	2.9%

EBITDA

EBITDA before special items increased by 22.3% to DKK 2,233 million (DKK 1,826 million) while organic EBITDA grew by 18.4% driven by the development in organic gross profit and the improved OPEX-ratio. The EBITDA margin before special items increased to 27.1% (22.8%).

DKK million	2021	2020	Change in %
EBITDA before special items	2,233	1,826	22.3%
Acquisitions		62	
Effect from currency development	3		
Organic EBITDA	2,236	1,888	18.4%

SPECIAL ITEMS

Special items were DKK 55 million (DKK 435 million) and relate primarily to costs for the integration of Agio Cigars by DKK 22 million, OneProcess (ERP project) by DKK 19 million and expenses in relation to the production footprint of DKK 14 million. Income of DKK 61 million relating to a reversal of previously recognised impairment of buildings and machinery. DKK 59 million relates to the impairment of trademarks as part of the Group's portfolio simplification.

DKK million	2021	2020
Integration and transactions costs (Agio Cigars)	22	234
Fuelling the Growth programme	2	5
OneProcess (ERP project)	19	
Production footprint, incl. sale of buildings	14	141
Impairment intangible assets	59	
Impairment tangible assets		107
Reversal of impairments	-61	-52
Total special items, net costs	55	435

GROUP FINANCIAL REVIEW

EBIT
EBIT increased by 84.1% to DKK 1,814 million (DKK 986 million) and was positively impacted by the increase in EBITDA before special items and lower special items.

TAX AND NET PROFIT
Income taxes were DKK 378 million (DKK 274 million). The effective tax rate was 21.4% (28.7%).

Net profit increased by 105.1% to DKK 1,391 million (DKK 678 million). Basic earnings per share increased by 115.4% to DKK 14.6 (DKK 6.8). Adjusted earnings per share increased by 51.0% to DKK 14.8 (DKK 9.8) as a result of the development in EBITDA before special items and as the number of outstanding shares was reduced to 95.7 million from 99.7 million in 2020.

BALANCE SHEET
Total assets were DKK 14,584 million (DKK 13,996 million). Net working capital increased by 5.2% to DKK 2,679 million (DKK 2,572 million) due to primarily higher inventories.

RETURN ON INVESTED CAPITAL
The return on invested capital (ROIC) improved to 14.5% (7.7%) with a DKK 829 million improvement in EBIT driven by the operational performance and based on an invested capital of DKK 12.5 billion (DKK 12.8 billion).

CASH FLOW
Cash flow from operating activities decreased to DKK 1,567 million (DKK 1,585 million) with the increase in cash flow from operations being off-set by lower cash flow from working capital changes. In 2021, the change in working capital was DKK -6 million versus a positive change in 2020 of DKK 294 million.

Cash flow from investing activities was an outflow of DKK 178 million (DKK 1,752 million). CAPEX was DKK 240 million (DKK 201 million) and acquisitions and divestments, net contributed with a negative impact of DKK 4 million (negative impact of DKK 1,560 million). Free cash flow was DKK 1,389 million (DKK -166 million). Free cash flow before acquisitions was DKK 1,393 million (DKK 1,394 million).

CASH FLOW

DKK million	2021	2020
EBITDA before special items	**2,233**	**1,826**
Fin. items, tax and other adjustments	-660	-535
Cash flow from operations before NWC	**1,573**	**1,291**
Changes in working capital	-6	294
Cash flow from operations	**1,567**	**1,585**
Investments	-178	-1,752
Free cash flow	**1,389**	**-166**

FINANCING
Net interest-bearing debt (NIBD) decreased to DKK 3,266 million (DKK 3,274 million) driven by the positive cash flow from operations offset by dividend payments of DKK 627 million and share repurchases of DKK 607 million. NIBD/EBITDA before special items ended at 1.5x (1.8x).

DIVIDEND
For the financial year 2021, the Board of Directors proposes a dividend of DKK 7.50 per share corresponding to a total dividend of DKK 731 million and a pay-out ratio of 52.6% (95.9%).

CREDIT RATING
On 11 September 2020, Moody's Investor Service ("Moody's") assigned a first-time issuer rating of Baa3 with a stable outlook to Scandinavian Tobacco Group A/S. This rating was confirmed in 2021.

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

FINANCIAL AMBITIONS AND 2022 GUIDANCE

EQUITY STORY

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 of annual growth in ordinary dividend payments. This ambition reflects our financial targets of annual organic EBITDA growth and free cash flow improvements.

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

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

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

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

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

The strategy Rolling Towards 2025 sets the scene for our long-term ambitions:
- To become the undisputed, global leader in cigars through organic growth and driving industry consolidation through value accretive acquisitions
- To increase profits and to deliver outstanding cash flows

We aim to optimise value for our shareholders by:
- increasing capital efficiency
- a disciplined shareholder return policy and
- a dedicated sustainability effort as embedded in our Sustainability Strategy

FIVE-YEAR ACHIEVEMENTS 2017-2021

TOTAL SHAREHOLDER RETURN
8%
CAGR

EBITDA GROWTH
~7.0%
AVERAGE

ADJUSTED EPS
16%
CAGR

STRONG CASH FLOW
1.1 DKKbn
AVERAGE

CAPITAL DISTRIBUTION
4.3 DKKbn
TOTAL

RETURN ON INVESTED CAPITAL
8.9%
AVERAGE

FINANCIAL AMBITIONS AND 2022 GUIDANCE

1 TOTAL SHAREHOLDER RETURN

In the period 2017-2021 total shareholder return (TSR) equals 44%. TSR is shareholder return including share price performance and dividends paid. The share price increase in the period has been 15% and dividends have in total accounted for 28%. This implies a CAGR of 8% over the past five years.

2 EBITDA GROWTH

In the past five years from 2017-2021, the average annual organic EBITDA growth has been 7.0% p.a.

3 ADJUSTED EPS

In the past five years from 2017-2021, the CAGR growth in adjusted Earnings Per Share has been 16%.

4 STRONG CASH FLOW

In the five years from 2017-2021, the average annual free cash flow before acquisitions has been DKK 1.1 billion driven by a combination of a strong structural cash flow generation in the tobacco categories and a focus on reducing capital tied up in the operation.

5 CAPITAL DISTRIBUTION

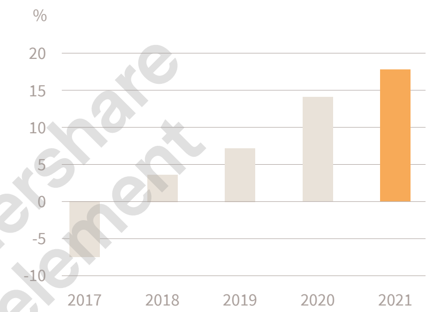
Including a proposed ordinary dividend for 2021 of DKK 7.5 per share, the Group will for the past five years (2017-2021) have paid almost DKK 3.5 billion back to shareholders either as ordinary or extraordinary dividends. Furthermore, in the same period the Group has repurchased own shares at a value of DKK 0.8 billion resulting in a total capital distribution of DKK 4.3 billion to shareholders in the past five years.

6 RETURN ON INVESTED CAPITAL

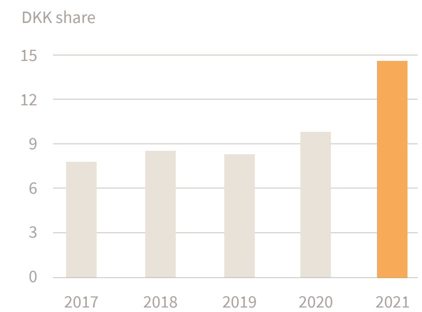
In the five years from 2017-2021, the return on invested capital (ROIC) pre tax has been in the range of 6.4%-14.4%. In 2021 the ROIC was 14.5%.

1 TOTAL SHAREHOLDER RETURN

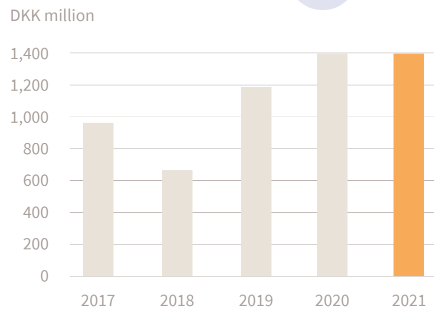
2 EBITDA GROWTH



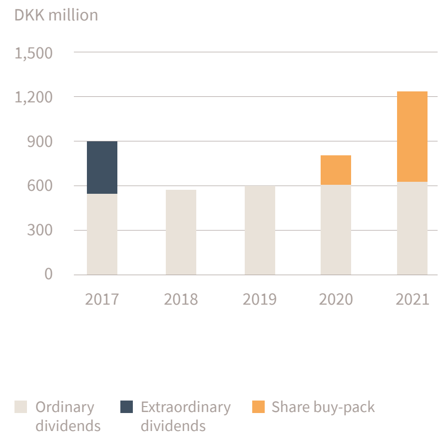
3 ADJUSTED EPS



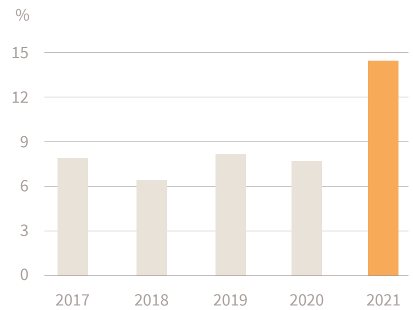
4 STRONG CASH FLOW



5 CAPITAL DISTRIBUTION



6 RETURN ON INVESTED CAPITAL



FINANCIAL AMBITIONS AND 2022 GUIDANCE

FINANCIAL AMBITIONS

Scandinavian Tobacco Group's financial ambition is to deliver strong financial performance. The Group continuously strives to increase its market share by focusing on innovation and core brands, sales and marketing excellence, dynamic pricing and leveraging of commercial resources. In addition, we aim to deliver growth in net sales and earnings through acquisitions.

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

EARNINGS

We aim to continuously deliver average annual organic EBITDA growth of 3-5%. Our efforts to deliver stable to slightly increasing organic net sales, to drive gross margin enhancement, to improve operational cost efficiency and savings are instrumental in delivering these continuous improvements.

FREE CASH FLOW

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

RETURN ON INVESTED CAPITAL

We aim to improve Return on Invested Capital (ROIC). We strive to do this through profitable growth driven by organic growth in net sales and margin expansion across our businesses supporting our ambition of organic EBITDA growth as well as a disciplined approach to capex investments and acquisitions and by driving down working capital.

2022 GUIDANCE

0-6%

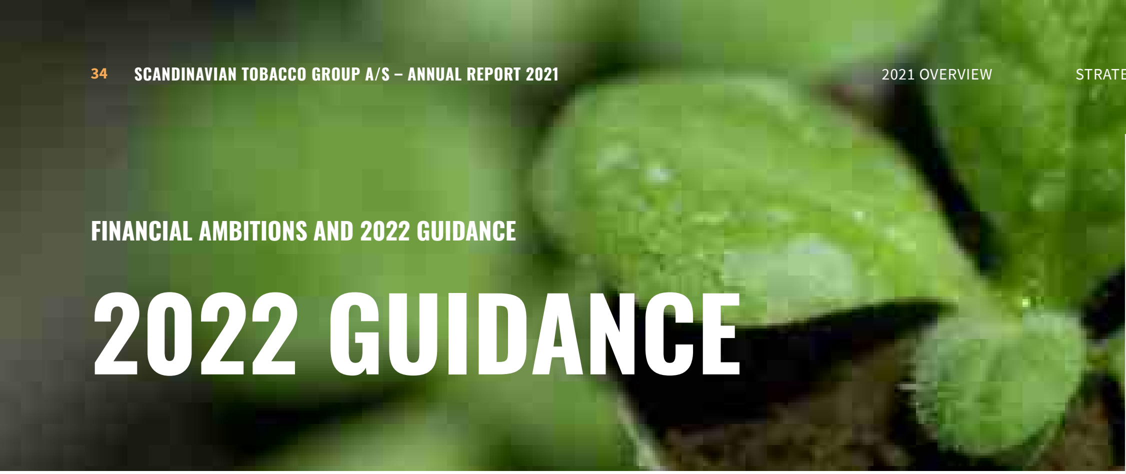
Organic EBITDA growth

1.1-1.4BN

Free cash flow before acquisitions

>5%

Adjusted earnings per share increase



FINANCIAL AMBITIONS AND 2022 GUIDANCE

2022 GUIDANCE

	2021 GUIDANCE[1]	2021 REALISED	2022 GUIDANCE
Organic EBITDA growth	16-20%	18.4%	0-6%
Free cash flow before acquisitions (DKK million)	1,100-1,300	1,393	1,100-1,400
Adjusted earnings per share (change in %)	>35%	+51%	>5%

1. As of 25 August 2021

The Group is expected to deliver continued growth in 2022 even on the backdrop of the past two years exceptionally strong performance and despite current uncertainties related to consumer behaviour, cost developments and supply chain stability.

Further, Russia's invasion of Ukraine and the geopolitical tension in the area have added further to the uncertainty negatively impacting the visibility for the financial performance for the full year. However, signs of a normalisation have started to materialise for most product categories and for most markets and we expect visibility to improve during the year. Currently, additional price adjustments are expected to compensate for cost inflation and the disruptions in the supply chain are improving. Given these considerations, our guidance for 2022 is:

EARNINGS

Organic growth in net sales for the Group is expected to be positive in 2022. Consumption of handmade cigars in the US is expected to stabilise at its end 2021 level. Furthermore, the consumer behaviour across our product categories and markets has started to normalise as COVID-19 restrictions as well as travel and border restrictions are being removed.

We expect to generate organic EBITDA growth in the range of 0-6% for the full year 2022. This expectation includes the full-year impact of synergies from the integration of Agio Cigars of approximately DKK 50 million and an increase in operating costs relating to the ramp-up of our sustainability initiatives, which are anticipated in the level of DKK 10-20 million, increased cyber security initiatives as well as the normalisation of certain costs that have been lower during COVID-19. The development in organic EBITDA growth also reflects the absence of other income from the refund of certain duty and excise taxes of DKK 31 million, which was realised in 2021 and the potential loss of net sales and profits from the Russian/Ukrainian crisis.

Organic EBITDA growth is expected to be negative in the first and second quarter of the year with the performance in the comparable quarters in 2021 being above normal. Organic EBITDA growth is expected to turn positive in the third quarter and fourth quarter as the comparison base normalises and as the performance from the business initiatives starts to be reflected in financial numbers.

FREE CASH FLOW

Based on the projected earnings growth, we expect the Group's free cash flow before acquisitions to be in the range of DKK 1.1-1.4 billion. The free cash flow before acquisitions is expected to be impacted by investments in the retail expansion in the US and the ERP project OneProcess, a negative impact from working capital of DKK 100 million as well as a negative impact from special items of about DKK 200 million.

ADJUSTED EARNINGS PER SHARE

The adjusted EPS is expected to increase by more than 5% (from DKK 14.8 in 2021) including a positive impact from the share repurchases of about DKK 1.0 per share and a marginal positive impact from currency developments.

ASSUMPTIONS

Financial performance for Scandinavian Tobacco Group for the full year 2022 rests on several assumptions and is subject to continued uncertainties relating to consumer behavior after two years of exceptional market dynamics following the COVID-19 pandemic. Also, uncertainties relating to both cost inflation and supply-chain stability remain at a high level. The key assumptions are:

- The positive impact of the COVID-19 pandemic on demand for handmade cigars in North America is expected to stabilise in 2022 on the existing levels
- In Europe, we are assuming that most restrictions will be lifted and the product categories to return to their long-term structural development
- No major supply-chain disruptions are anticipated during the year

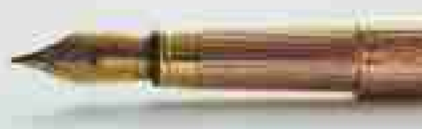
Key financial assumptions are:

- Organic growth in net sales is expected to be positive for the Group with positive organic growth in North America Online & Retail and in Europe Branded, whereas North America Branded & Rest of World is expected to deliver negative organic net sales growth as product and market mix normalises
- Special items are expected to be approximately DKK -100 million relating to an expense for OneProcess of approx. DKK 110 million, an expense for the Agio integration of approx. DKK 30 million and an income of approx. DKK 40 million from sale of property, plant and equipment
- Financial expenses, excluding currency effects, are expected at DKK 100-110 million
- The effective tax rate is expected to be in the range of 22-23%
- Working capital is expected to deliver a negative contribution of approx. DKK 100 million due to rebuilding of inventories
- Capital expenditure, net is expected at approximately DKK 350 million including special investments relating to OneProcess of about DKK 100 million, investments relating to the expansion of the retail network and a new warehouse building in the US at about DKK 175 million and an income from sale of property, plant and equipment of approximately DKK 150 million
- Guidance and assumptions are based on current exchange rates. A 5% change in the USD/DKK exchange rate would impact net sales by approximately 2.5%-points and EBITDA by approximately 2.0%-points
- No contribution or expenses related to potential acquisitions are included

2021 REALISED

The organic EBITDA growth was 18.4% as a result of strong growth in the consumption of handmade cigars in the US, positive mix and price impacts and general cost savings. This is in line with the guidance provided in August 2021. Free cash flow before acquisitions was slightly higher than expected due to lower than anticipated capital expenditures.

CORPORATE MATTERS



CORPORATE MATTERS

REGULATION

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

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

Standardised consumer packaging and prohibitions on the display of tobacco products at the retail level are examples of regulation introduced by some countries in recent years. Scandinavian Tobacco Group expects the development with 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. Regulation offers risks 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, often requires essential additional FDA guidance and involves great uncertainty in terms of the specific requirements as well as timing. At the request of the FDA, the National Academies of Sciences, Engineering and Medicine (NASEM) are considering the appropriate way to regulate premium cigars in particular, which among other characteristics hold significant natural variances due to the tobacco used and the manual manufacturing process. NASEM's report will form the basis for FDA's proposed regulation of premium cigars.

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

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

The European Commission is also expected to release a proposal for an update of the EU Tobacco Excise Directive during 2022. The Tobacco Excise Directive sets out definitions of the various tobacco product categories for excise purposes and determines the structure and minimum rates of tobacco excise tax in the EU. With due consideration of these minimum rates, each EU member state sets its own tobacco excise rates. Increases in excise rates are common and happened also in 2021. Occasionally these changes impact consumer behavior in the shorter or longer term.

The European Commission is also reviewing provisions in EU legislation governing cross-border acquisitions of excised goods by private individuals ("border trade"), potentially with a focus on the amount of excised goods that an individual may bring across a border for private consumption.

Otherwise, 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.

CORPORATE MATTERS

RISK MANAGEMENT

Our enterprise risk management is designed to identify and manage uncertainties and risks affecting the Group in the global market place. We seek to identify, prioritise and manage key risks at all levels of the business to support the Group 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 our 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 our risk management and our Executive Management ensures proper and complete reporting to the Audit Committee.

RISK ASSESSMENT PROCESS

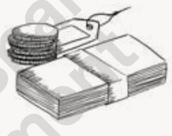
Scandinavian Tobacco Group operates with a framework including various principles that secure a structured and cross-functional approach to risk management.

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

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 on **pages 77-81**.

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 exchange the ERP platform.

CORPORATE MATTERS

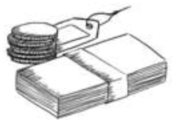
REGULATION

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 and bans on tobacco product displays, labelling requirements, standardised packaging, and bans on certain flavourings as well as restrictions on sale and consumption of tobacco products. Regulatory changes could lead to an increase in costs and increase in operational complexity, impact the ability to compete and differentiate products, erode brand values, reduce possibilities to launch new products and cause loss of sales and profitability.

The Biden administration in the US is working on a significant tax reform to finance extensive US investments. The negotiations are ongoing and the outcome of the tax reform is difficult to predict. The most recent draft-bill does not suggest an increase in corporate income tax and is significantly modified compared to the initial draft-version of the bill. The outcome of the final reform will likely still affect companies in general.

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 monitor regulatory initiatives and use significant resources preparing for and implementing changes to our business to observe new and updated regulations.

We focus our sales in categories with mainly adult smokers, where the regulatory landscape seems more stable than for new tobacco product categories. Also, we mainly focus on the non-aromatic segment for cigars which has been less exposed to regulatory focus than the aromatic segment.



EXCISE TAXES

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 unusual high excise increases could limit our ability to pass on excise increases to consumers through price increases. It could also give 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 two US states, remote sellers are currently required to collect excise tax. In 2022, three additional states will begin requiring, two as of January 1, 2022 and a third as of July 1, 2022. We expect a further 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

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 also declining. With 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.

For Scandinavian Tobacco Group, the negative consequences of the COVID-19 pandemic have so far been limited. The consumer behaviour seems not to be negatively impacted by the pandemic. The negative impact is therefore mainly supply chain issues that is expected to be a short-term phenomenon.

Mitigating actions
We continuously monitor the market trends, collect market research data, and perform forecasts to project market developments and trends. The trend analyses help us address adverse market conditions more promptly. We have a strong focus on portfolio and pricing strategies. We strive to gain market shares 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.

CORPORATE MATTERS

CYBER RISK

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

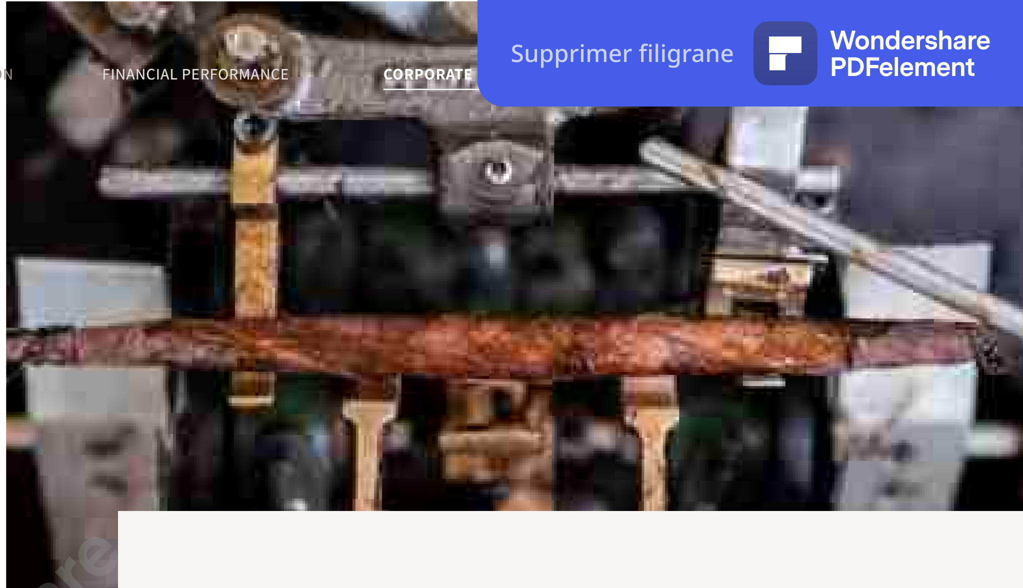
Mitigating actions
Our focus is on implementation of security policies, business continuity management, recovery plans, proactive monitoring, global penetration tests and keeping our defences updated. We evaluate, monitor and test our cyber resilience and IT enhancements – and we educate our employees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

IMPLEMENTATION OF ERP SYSTEM

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

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

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



CORPORATE MATTERS

CORPORATE GOVERNANCE

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

The Group's corporate governance is based on the Danish Companies Act, the Danish Financial Statements Act, the International Financial Reporting Standards (IFRS), the EU Market Abuse Regulation, Nasdaq Copenhagen A/S' Rulebook for Issuers of Shares and its Rules for Issuers of Bonds as well as the company's Articles of Association, among others. Further, the Danish Recommendations on Corporate Governance are taken into account. The ultimate authority over the company is held by the shareholders who exercise their rights at general meetings. The annual report and amendments to the articles of association are approved by the general meeting which also elects members of the Board of Directors and the independent auditor. The general meeting exercises its powers pursuant to the provisions of Scandinavian Tobacco Group's Articles of Association which are available at **st-group.com**. The Articles of Association were last updated in connection with the Annual General Meeting held on 14 April 2021. The minutes of the Annual General Meeting are available at **investor.st-group.com**.

As a publicly listed company, Scandinavian Tobacco Group is required by law to report on its compliance with the Danish Recommendations on Corporate Governance, which can be found at **corporategovernance.dk**. Reports by companies on corporate governance must be presented in accordance to 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. A detailed overview can be found in Scandinavian Tobacco Group's 2021 Statutory Report on Corporate Governance. The report is available **here**.

CORPORATE GOVERNANCE

Scandinavian Tobacco Group complies with the Danish recommendations on corporate governance. A detailed overview can be found in Scandinavian Tobacco Group's 2021 Statutory Report on Corporate Governance.

READ THE REPORT

REMUNERATION

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

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

A detailed description of the main elements of the remuneration of the Board of Directors and the Executive Management and the remuneration paid in 2021 is outlined in the 2021 Remuneration Report available at **st-group.com**.

DIVERSITY AND INCLUSION

The Board of Directors believes that diversity improves the quality of discussions and decision making not only in the Board of Directors but in the Group as a whole. Diversity brings strength to our Group. The Board of Directors has adopted the Group's Diversity and Inclusion Policy, which is available at **st-group.com** and diversity and inclusion are in focus in the Company's sustainability agenda as described in the **Sustainability Report 2021.**

The statutory report and description of the company's activities to ensure relevant diversity at management levels, including the goals and accounting for its objectives and the progress made in achieving the objectives can also be found in the company's **Sustainability Report 2021.**

CORPORATE MATTERS

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

BOARD OF DIRECTORS



	NIGEL NORTHRIDGE CHAIRMAN	**HENRIK BRANDT** VICE-CHAIRMAN	**ANDERS C. OBEL** MEMBER OF THE BOARD
	★ 1956 ▬ Irish	★ 1955 ▬ Danish	★ 1960 ▬ Danish
	◷ 2021-2022	◷ 2021-2022	◷ 2021-2022
	👤 2016 and was elected Vice-Chairman in 2016 and Chairman in 2017	👤 2017 and was elected Vice-Chairman	👤 2018
EDUCATION	HND in Business Studies from Northern Ireland Polytechnic, Sullivan Upper School, Belfast	MBA from Stanford University Master of Science (Econ), Copenhagen Business School	BSc in Economics and Business Administration from Copenhagen Business School
COMPETENCIES	• Long professional experience as an executive director in the international tobacco industry • Experience as executive and non-executive director in managing publicly listed companies • Sales and marketing of fast-moving consumer goods	• Extensive executive and non-executive experience in leading international, publicly listed, private, 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
SELECTED FORMER EMPLOYMENT POSITIONS	• CEO of Gallaher Group PLC 2000-2007 • Held a number of sales, marketing and then general management positions within the group of Gallaher Tobacco Ltd. (subsequently Gallaher Group PLC) in the UK and overseas, before being appointed to the board of directors in 1993, a position held 1993-2000	• 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
MANAGEMENT POSITIONS WITH OTHER ENTITIES	**Director of Board** of London Irish Holdings Ltd	**Chairman of the board:** Toms Gruppen A/S, Fritz Hansen A/S, Intervare A/S (and its subsidiary nemlig.com A/S), Danish Bake Holding ApS (Ole & Steen). **Member of the board:** Ferd Holding as, Norway, Gerda & Victor B. Strands Fond/Toms Gruppens Fond, Gerda & Victor B. Strand Holding A/S	**Chairman of the board:** 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 (Board Committee: Audit Committee; Member, Nomination Committee; Member, Remuneration Committee; Chairman), Woodmancott Fonden, Haxholm v/Anders Christen Obel. **Vice-Chairman of the board:** Fritz Hansen A/S, Skandinavisk Holding A/S. **Member of the board:** Scandinavian Tobacco Group's gavefond, Minkpapir A/S, Palcut A/S, C.W. Obels Fond, Danmark-Amerika Fondet (Danmarks amerikanske selskab), Fonden Det Obelske Jubilæumskollegium, Mullerupgaard- og Gl. Estrupfonden, Høvdingsgaard Fonden, Skjørringefonden, Aktieselskabet Dampskibsselskabet Orient's Fond, Kilsmark A/S, Rexholm A/S, A/S Motortramp, Skovselskabet af 13. December 2017 A/S. **CEO of:** C.W. Obel A/S, Anders Christen Obel Aps
STG COMMITTEES	Chairman of the Nomination and Remuneration Committees	Member of the Nomination and Remuneration Committees	-
CONSIDERED INDEPENDENT	Yes	Yes	Yes

CORPORATE MATTERS

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

BOARD OF DIRECTORS

CLAUS GREGERSEN
MEMBER OF THE BOARD

1961 · Danish
2021-2022
2019

MARLENE FORSELL
MEMBER OF THE BOARD

1976 · Swedish
2021-2022
2019

DIANNE NEAL BLIXT
MEMBER OF THE BOARD

1959 · American
2021-2022
2016

	CLAUS GREGERSEN	MARLENE FORSELL	DIANNE NEAL BLIXT
EDUCATION	Bachelor of Commerce degree (HD) in Business Finance from Copenhagen Business School	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.
COMPETENCIES	• Board experience from international, private and public enterprises • Management experience from Danish and international enterprises • Extensive experience with M&A, capital markets, strategic development, risk management and operations	• Extensive experience with and insight into financial matters • Enterprise performance management • Reporting processes in listed companies • Considerable insight into the tobacco industry	• Significant experience in business analysis • Financial management and reporting expertise • Considerable insight into the US tobacco industry
SELECTED FORMER EMPLOYMENT POSITIONS	• CEO and Country Manager at Carnegie Investment Bank 2010-2017 • Partner, Select Partners, Asset Management 2005-2010	• 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
MANAGEMENT POSITIONS WITH OTHER ENTITIES	**Chairman of the board:** Skandinavisk Holding A/S, Skodsborg Sundhedscenter A/S, Kurhotel Skodsborg A/S, Rungsted Sundpark A/S, Skodsborg Sundpark A/S, The Scandinavian ApS, Scandinavian Tobacco Group's gavefond. **Vice-Chairman of the board:** Jeudan A/S (Board committee: Remuneration Committee; Member, Nomination Committee; Member). **Member of the board:** Gyldendal A/S (Board committee: Remuneration Committee; Member, Nomination Committee; Member), Fritz Hansen A/S, Tivoli A/S (Board committee: Audit Committee; Member), Axcel Future, Aktive Ejere, Søren Gyldendal Fonden. **CEO of:** Chr. Augustinus Fabrikker Aktieselskab, CAF Invest A/S	**Member of the board:** Kambi Group plc (Board committee: Audit Committee; Chairman), Lime Technologies AB (Board committee: Audit Committee; Chairman), Nobia AB (Board committee: Audit Committee; Chairman), InDex Pharmaceuticals Holding AB, AddSecure AB	**Member of the board:** Ameriprise Financial Services, Inc. (Board committee: Compensation Committee; Chairperson, Audit Committee; Member, Executive Committee; Member), Triad Business Bank (Board committee: Executive Committee; Member), National Sports Media Association (Board committee: Finance and Governance Committee; Member), Reynolda House Museum of American Art (Board committee: Strategy Committee; Chairperson, Finance Committee; Member)
STG COMMITTEES	Member of the Nomination and Remuneration Committees	Chairman of the Audit Committee	Member of the Audit Committee
CONSIDERED INDEPENDENT	No	Yes	Yes

CORPORATE MATTERS

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

BOARD OF DIRECTORS



	LUC MISSORTEN MEMBER OF THE BOARD ★ 1955 ▬ Belgian ◷ 2021-2022 👤 2016	**HENRIK AMSINCK** MEMBER OF THE BOARD ★ 1961 ▬ Danish ◷ 2021-2022 👤 2021	**LINDY LARSEN** MEMBER OF THE BOARD ★ 1955 ▬ Danish ◷ 2019-2023 👤 2016
EDUCATION	Law degree from the Catholic University of Leuven, Certificate of Advanced European Studies from the College of Europe, Bruges. Master of Laws from the University of California, Berkeley	M. Sc. Business Economics from Aarhus University	Financial Advisor M. Sc. Business Administration & Auditing from Copenhagen Business School
COMPETENCIES	• Executive and non-executive general management experience • Substantial experience in financial management of international corporations	• Executive experience from contributing to the running of large, international and global corporations • Extensive experience with strategy development, change and programme management • Considerable insight into digital transformation, global IT management and cyber security & compliance • Experience with retail and online business	Elected by the employees
SELECTED FORMER EMPLOYMENT POSITIONS	• CEO of Corelio NV 2007-2014 • Group CFO and Executive Vice President for Finance at UCB S.A. 2004-2007 • Executive Vice President and CFO at Inbev S.A. (now ABI) 1995-2003	• 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:** Recticel NV/SA (Board committee: Audit Committee; Chairman, Remuneration Committee; Member), GIMV NV (Board committee: Audit Committee; Chairman) **Managing director**: Lubis BV	**Member of the board:** DSB (Board Committee; Audit Committee; Member) LEGO GmbH, LEGO India, Private Limited	**Member of the Board and Manager** of Scandinavian Tobacco Group Nykøbing ApS, Member of the Board of Chr. Augustinus Fabrikkers Understøttelsesfond
STG COMMITTEES	Member of the Audit, Remuneration and Nomination Committees	-	-
CONSIDERED INDEPENDENT	Yes	Yes	No

CORPORATE MATTERS

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

BOARD OF DIRECTORS

	HANNE MALLING MEMBER OF THE BOARD	MOGENS OLSEN MEMBER OF THE BOARD
	★ 1960 ■ Danish	★ 1967 ■ Danish
	◷ 2019-2023	◷ 2019-2023
	👤 2010	👤 2017
EDUCATION	Trademark Manager Bi-lingual Commercial Correspondent degree from Aarhus School of Business	Operator Primary
COMPETENCIES	Elected by the employees	Elected by the employees
SELECTED FORMER EMPLOYMENT POSITIONS	-	-
MANAGEMENT POSITIONS WITH OTHER ENTITIES	-	-
STG COMMITTEES	-	-
CONSIDERED INDEPENDENT	No	No

HOLDINGS OF SHARES IN 2021

NAME	2020	2021
NIGEL NORTHRIDGE	5,000	5,000
HENRIK BRANDT	112,670	112,670
ANDERS C. OBEL	20,270	20,270
CLAUS GREGERSEN	15,928	15,928
MARLENE FORSELL	3,250	3,250
DIANNE NEAL BLIXT	1,700	1,700
LUC MISSORTEN	2,000	2,000
HENRIK AMSINCK	-	500
LINDY LARSEN	242	242
HANNE MALLING	250	250
MOGENS OLSEN	3,450	3,450

CORPORATE MATTERS

ATTENDANCE 2021 MEETINGS

Board of Directors Meetings

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

Audit Committee Meetings

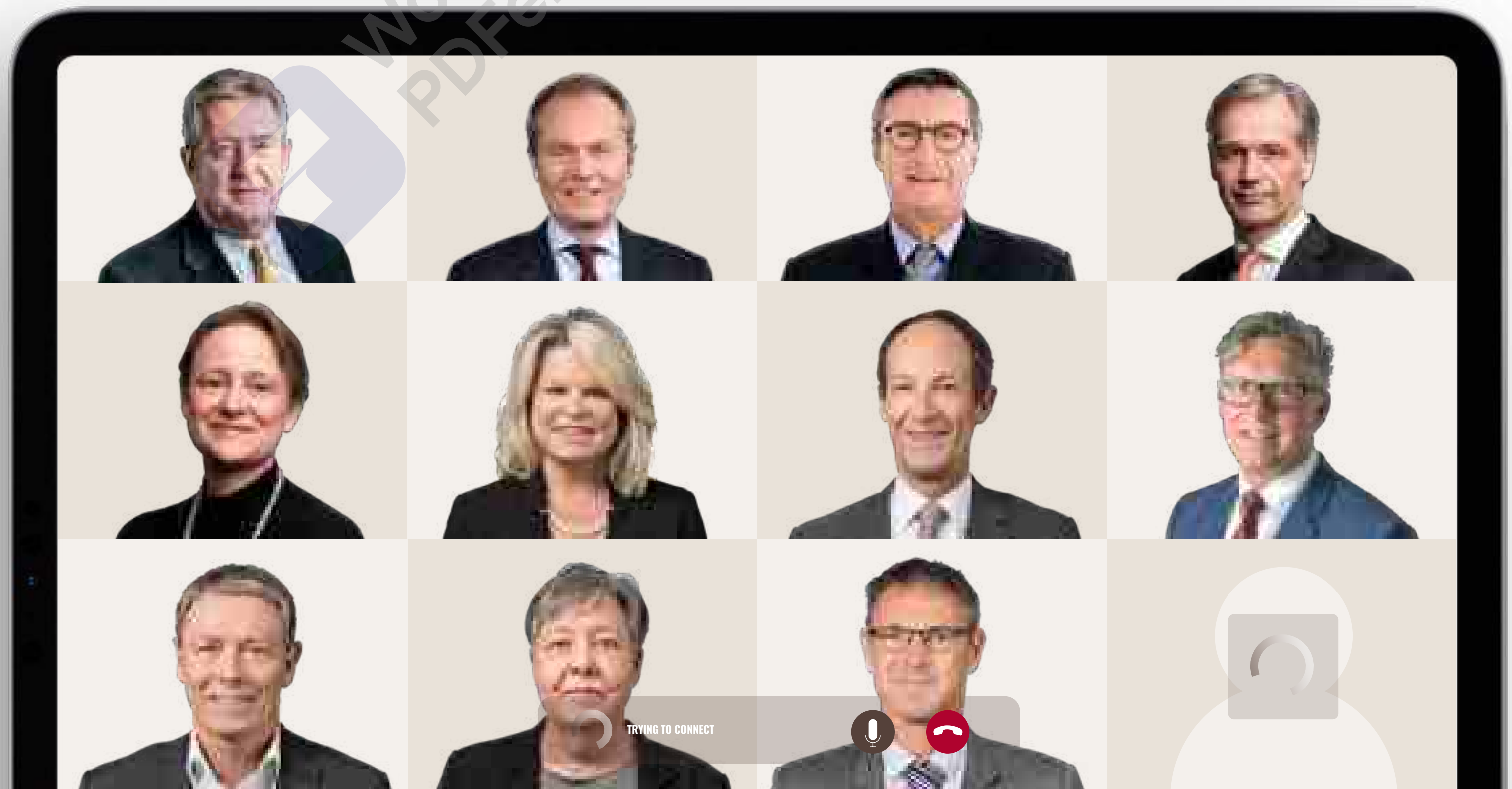
Marlene Forsell	Attended	Attended	Attended	Attended	Attended	Attended
Dianne Neal Blixt	Attended	Attended	Attended	Attended	Attended	Attended
Luc Missorten	Attended	Attended	Attended	Attended	Attended	Attended

Nomination Committee Meetings

Nigel Northridge	Attended	Attended
Henrik Brandt	Attended	Attended
Claus Gregersen	Attended	Attended
Luc Missorten	Attended	Attended

Remuneration Committee Meetings

Nigel Northridge	Attended	Attended	Attended	Attended
Henrik Brandt	Attended	Attended	Attended	Attended
Claus Gregersen	Attended	Attended	Attended	Attended
Luc Missorten	Attended	Attended	Attended	Attended



Attended
Did not attend
Not a board member at the time

CORPORATE MATTERS

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

PRESIDENT AND CEO

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

2 MARIANNE RØRSLEV BOCK

EXECUTIVE VICE PRESIDENT AND CFO

Marianne Rørslev Bock (1963) joined Scandinavian Tobacco Group in 2018 as Executive Vice President and Chief Financial Officer (CFO) from a position as CFO of Brdr. Hartmann. Marianne Rørslev Bock is currently Vice Chairman of the board of directors of Kemp & Lauritzen A/S and Axel Muusfeldts Foundation, on the board of directors of Dansk Landbrugs Grovvareselskab A.M.B.A., the Danish Financial Supervisory Authority and Axel Muusfeldts Fond Holding A/S, and member of the Danish Committee on Corporate Governance.

3 RÉGIS BROERSMA

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

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

4 YULIA LYUSINA

SENIOR VICE PRESIDENT, STRATEGY AND TRANSFORMATION

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

5 JURJAN KLEP

PRESIDENT AND SENIOR VICE PRESIDENT, EUROPE BRANDED DIVISION

Jurjan Klep (1971) joined Scandinavian Tobacco Group in 1997 and has since held various sales and marketing positions in the Group including Senior Vice President of Sales. Jurjan Klep became Senior Vice President of the Machine-rolled Cigar Division in 2018 and Senior Vice President of the Europe Branded Division in 2020.

6 HANNE BERG

SENIOR VICE PRESIDENT AND CHRO

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

7 SARAH SANTOS

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

Sarah Santos (1978) started at Cigars International as a marketing consultant in 2003 and joined Scandinavian Tobacco Group as Marketing Director in 2008. She held various leadership positions before becoming Senior Vice President of the North America Online & Retail Division in 2018. Sarah Santos is a member of the board of the LifePath Foundation and is a member of the foundation's investment board committee.

8 GRAHAM CUNNINGHAM

CHIEF SUPPLY CHAIN OFFICER

Graham Cunningham (1976) joined Scandinavian Tobacco Group in 2017 as Senior Vice President for Development, Technology, QEHS and Lean. Prior to this, Graham Cunningham was 18 years with Unilever and held leading supply chain positions in manufacturing, integrated planning, procurement and transformation across Europe and Asia.

CORPORATE MATTERS

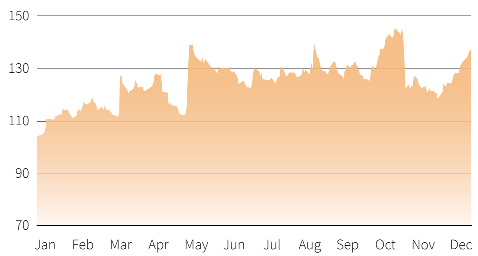
SHAREHOLDER INFORMATION

SHAREHOLDER RETURN 2021

Scandinavian Tobacco Group is listed on the Nasdaq Copenhagen Stock Exchange. In 2021, the share price increased from DKK 104.1 to DKK 137.3 equivalent to a 32% increase. In the same period the Nasdaq OMX25 index increased by 13%.

Including dividends paid out the Total Shareholder Return was positive by 38% in the period ending 31 December 2021.

Share price development



SHAREHOLDERS

Scandinavian Tobacco Group had almost 6,900 shareholders by the end of 2021. The company owns 4.5% of the share capital. As of 1 February, 2022 the following investors have reported holdings of more than 5% of Scandinavian Tobacco Group's share capital and voting rights.

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

SHARE INFORMATION AND AUTHORISATIONS

At the Annual General Meeting on 14 April 2021, the shareholders approved that the Company's share capital be reduced by cancelling treasury shares with a nominal value of DKK 2,500,000. After the reduction, the nominal value of the Company's share capital is DKK 97,500,000.

Until 26 March 2025, the Board of Directors is authorised to increase the share capital by issuance of new shares up to nominally DKK 9,750,000. 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 nominally DKK 9,750,000 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)	97,500,000
Number of shares	97,500,000
Nominal value (DKK)	1 per share
Votes per share	1

DIVIDENDS AND SHARE REPURCHASES

At the Annual General Meeting held on 14 April 2021, the shareholders approved an ordinary dividend of DKK 6.50 per share to be paid out for the financial year 2020.

For the financial year 2021, the Board of Directors proposes that the Annual General Meeting approves a dividend of DKK 7.50 per share is paid to the shareholders. This will be equivalent to a total payment of DKK 700 million and a pay-out ratio of 52.6%. The proposed dividend of DKK 7.50 per share corresponds to an increase of 15% versus last year's ordinary dividend.

During 2021, Scandinavian Tobacco Group has bought back 4,450,018 shares in total at a market value of DKK 555 million under the current DKK 600 million share buy-back programme and the DKK 300 million share buy-back programme that was completed in February 2021.

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 web-casted 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 2022

31 MAR	**Annual General Meeting** Scandinavian Tobacco Group's Annual General Meeting.
19 MAY	**Interim Report** Q1
24 AUG	**Interim Report** Q2
09 NOV	**Interim Report** Q3

CORPORATE MATTERS

QUARTERLY FINANCIAL HIGHLIGHTS

	2021					2020				
DKK million	Q4	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1	Full year
REPORTED DATA										
Net sales	2,012	2,182	2,156	1,883	8,233	1,922	2,231	2,097	1,756	8,006
Gross profit before special items	985	1,102	1,071	955	4,113	867	1,124	940	781	3,712
EBITDA before special items	474	627	606	527	2,233	397	614	489	326	1,826
Special items	13	-26	-24	-17	-55	-121	-80	-78	-155	-435
EBIT	393	510	492	419	1,814	180	436	304	66	986
Net financial item	-16	-29	-21	-12	-77	-15	7	-2	-43	-53
Profit before tax	385	489	480	414	1,769	170	450	305	26	951
Income taxes	-78	-106	-104	-90	-378	-122	-94	-52	-6	-274
Net profit	307	383	376	324	1,391	48	356	254	21	678
OTHER FINANCIAL KEY DATA										
Organic EBITDA growth	14.2%	0.9%	20.8%	49.1%	18.4%	-14.6%	32.5%	19.1%	23.9%	14.0%
Organic net sales growth	1.8%	-2.2%	7.5%	12.5%	4.5%	4.2%	12.0%	4.6%	5.3%	6.6%
Free cash flow before acquisitions	307	564	434	89	1,393	238	609	425	122	1,394

CORPORATE MATTERS

QUARTERLY FINANCIAL HIGHLIGHTS

	2021					2020				
DKK million	Q4	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1	Full year
NORTH AMERICA ONLINE & RETAIL										
Net sales	658	696	703	564	2,620	639	746	788	489	2,662
Gross profit before special items	264	279	277	231	1,050	272	309	310	183	1,075
EBITDA before special items	125	113	132	99	470	135	151	165	66	517
Net sales growth	2.9%	-6.6%	-10.8%	15.3%	-1.6%	12.5%	20.5%	24.9%	3.4%	16.2%
Organic net sales growth	-1.2%	-5.7%	-2.0%	26.5%	2.4%	21.7%	27.0%	22.5%	0.3%	18.9%
Gross margin before special items	40.1%	40.0%	39.4%	41.0%	40.1%	42.6%	41.5%	39.3%	37.5%	40.4%
EBITDA margin before special items	19.1%	16.2%	18.8%	17.5%	17.9%	21.1%	20.2%	20.9%	13.6%	19.4%
NORTH AMERICA BRANDED & REST OF WORLD										
Net sales	656	768	761	693	2,877	572	734	629	593	2,527
Gross profit before special items	346	422	422	373	1,562	240	386	329	286	1,241
EBITDA before special items	215	335	311	274	1,135	128	279	230	176	813
Net sales growth	14.6%	4.7%	21.0%	16.8%	13.8%	-6.9%	12.4%	-1.9%	12.3%	3.8%
Organic net sales growth	10.4%	4.3%	25.6%	22.7%	15.3%	-8.5%	12.1%	-4.3%	2.2%	0.4%
Gross margin before special items	52.8%	54.9%	55.4%	53.8%	54.3%	42.0%	52.6%	52.4%	48.1%	49.1%
EBITDA margin before special items	32.9%	43.7%	40.9%	39.5%	39.5%	22.4%	38.0%	36.7%	29.6%	32.2%
EUROPE BRANDED										
Net sales	699	718	692	626	2,735	712	752	680	673	2,817
Gross profit before special items	375	402	373	351	1,501	355	428	301	312	1,397
EBITDA before special items	171	214	191	179	754	156	213	107	106	581
Net sales growth	-1.7%	-4.6%	1.8%	-7.0%	-2.9%	37.6%	40.1%	33.1%	57.4%	41.4%
Organic net sales growth	-2.3%	-5.1%	1.7%	-6.6%	-3.1%	2.1%	-0.4%	-3.0%	12.3%	2.3%
Gross margin before special items	53.7%	56.1%	53.8%	56.0%	54.9%	49.9%	57.0%	44.2%	46.4%	49.6%
EBITDA margin before special items	24.4%	29.8%	27.6%	28.5%	27.6%	21.9%	28.3%	15.7%	15.7%	20.6%

FINANCIAL STATEMENTS 2021

CONSOLIDATED FINANCIAL STATEMENTS

NOTES

1 JANUARY – 31 DECEMBER

STATEMENT OF COMPREHENSIVE INCOME

DKK million	Note	2021	2020
CONSOLIDATED INCOME STATEMENT			
Net sales	2.1	**8,232.7**	**8,005.9**
Cost of goods sold	2.1	-4,119.6	-4,293.7
Gross profit before special items	2.1	**4,113.1**	**3,712.2**
Other external costs		-1,052.9	-1,007.9
Staff costs	2.2	-858.4	-878.4
Other income		31.0	-
Earnings before interest, tax, depreciation, amortisation and special items (EBITDA before special items)		**2,232.8**	**1,825.9**
Depreciation and impairment	2.5, 3.2, 3.3	-202.7	-238.1
Earnings before interest, tax, amortisation and special items (EBITA before special items)		**2,030.1**	**1,587.8**
Amortisation and impairment	2.5, 3.1	-161.2	-167.0
Earnings before interest, tax and special items (EBIT before special items)		**1,868.9**	**1,420.8**
Special items incl. impairment, net costs	2.5	-54.7	-435.2
Earnings before interest and tax (EBIT)		**1,814.2**	**985.6**
Share of profit of associated companies, net of tax	4.3	31.5	18.7
Financial income	4.4	75.0	81.1
Financial costs	4.4	-152.2	-134.0
Profit before tax		**1,768.5**	**951.4**
Income taxes	2.6	-377.9	-273.5
Net profit for the year		**1,390.6**	**677.9**
Earnings per share			
Basic earnings per share (DKK)	4.5	14.6	6.8
Diluted earnings per share (DKK)	4.5	14.5	6.8

DKK million	Note	2021	2020
Net profit for the year		**1,390.6**	**677.9**
OTHER COMPREHENSIVE INCOME			
Items that will not be recycled subsequently to the Consolidated Income Statement:			
Actuarial gains and losses on pension obligations		5.9	9.4
Tax of actuarial gains and losses on pension obligations		-4.7	-2.4
Items that will be recycled subsequently to the Consolidated Income Statement, when specific conditions are met:			
Cash flow hedges, realisation of previously deferred gains/losses to financial items		9.7	4.6
Cash flow hedges, deferred gains/losses incurred during the year		0.1	-3.8
Tax of cash flow hedges		-2.2	-0.2
Foreign exchange adjustments on net investments in foreign operations		409.3	-630.0
Other comprehensive income for the year, net of tax		**418.1**	**-622.4**
Total comprehensive income for the year		**1,808.7**	**55.5**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

DKK million	Note	2021	2020
ASSETS			
Goodwill		5,142.5	4,895.1
Trademarks		3,044.6	3,067.5
IT software		88.4	77.9
Other intangible assets		218.9	239.2
Total intangible assets	3.1	**8,494.4**	**8,279.7**
Property, plant and equipment	3.2	1,261.1	1,200.8
Right-of-use assets	3.3	187.2	204.7
Investments in associated companies	4.3	187.5	152.0
Deferred income tax assets	2.6	130.2	129.3
Total non-current assets		**10,260.4**	**9,966.5**
Inventories	3.4	2,935.9	2,816.3
Trade receivables	3.5	852.4	830.2
Other receivables		98.8	113.3
Corporate tax	2.6	69.5	72.2
Prepayments	3.6	84.6	48.7
Cash and cash equivalents		173.6	117.0
Assets classified as held for sale	3.7	108.5	31.8
Total current assets		**4,323.3**	**4,029.5**
Total assets		**14,583.7**	**13,996.0**

DKK million	Note	2021	2020
EQUITY AND LIABILITIES			
Share capital	4.5	97.5	100.0
Reserve for hedging		-6.9	-14.5
Reserve for currency translation		693.7	284.4
Treasury shares		-570.5	-227.7
Retained earnings		8,754.0	8,230.1
Total equity		**8,967.8**	**8,372.3**
Borrowings	4.1	2,918.0	2,843.5
Deferred income tax liabilities	2.6	698.9	628.2
Pension obligations	3.9	307.4	289.3
Other provisions	3.8	17.9	20.0
Lease liabilities		149.4	159.8
Other liabilities		58.4	19.0
Total non-current liabilities		**4,150.0**	**3,959.8**
Trade payables		504.5	525.1
Corporate tax	2.6	102.4	136.7
Other provisions	3.8	64.3	211.2
Lease liabilities		48.5	54.6
Other liabilities		746.2	736.3
Total current liabilities		**1,465.9**	**1,663.9**
Total liabilities		**5,615.9**	**5,623.7**
Total equity and liabilities		**14,583.7**	**13,996.0**

1 JANUARY – 31 DECEMBER

CONSOLIDATED CASH FLOW STATEMENT

DKK million	Note	2021	2020
Net profit for the year		1,390.6	677.9
Depreciation, amortisation and impairment		361.5	460.0
Adjustments	5.2	498.2	774.1
Changes in working capital	4.6	-6.2	294.2
Special items, paid		-219.1	-196.4
Cash flow from operating activities before financial items		**2,025.0**	**2,009.8**
Financial income received		33.9	115.8
Financial costs paid		-118.0	-312.2
Cash flow from operating activities before tax		**1,940.9**	**1,813.4**
Tax payments	2.6	-374.2	-228.0
Cash flow from operating activities		**1,566.7**	**1,585.4**
Acquisitions	5.1	-3.9	-1,560.1
Investment in intangible assets	3.1	-28.8	-44.2
Investment in property, plant and equipment	3.2	-211.6	-156.5
Sale of property, plant and equipment		57.2	1.6
Dividend from associated companies	4.3	9.6	7.5
Cash flow from investing activities		**-177.5**	**-1,751.7**
Free cash flow		**1,389.2**	**-166.3**

DKK million	Note	2021	2020
Repayment of lease liabilities		-58.8	-70.3
Other financing		-45.2	14.7
New external funding		-	7,549.5
Repayment bank loans		-	-7,299.0
Dividend payment		-626.7	-608.3
Purchase of treasury shares		-607.1	-188.5
Cash flow from financing activities		**-1,337.8**	**-601.9**
Net cash flow for the year		**51.4**	**-768.2**
Cash and cash equivalents, net at 1 January		117.0	897.5
Exchange gains/losses on cash and cash equivalents		5.2	-12.3
Net cash flow for the year		51.4	-768.2
Cash and cash equivalents, net at 31 December		**173.6**	**117.0**

1 JANUARY – 31 DECEMBER

STATEMENT OF CHANGES IN GROUP EQUITY

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

DKK million	Share capital	Reserve for hedging	Reserve for currency translation	Treasury shares	Retained earnings	Total
Equity at 1 January 2020	**100.0**	**-15.1**	**914.4**	**-35.0**	**8,138.4**	**9,102.7**
COMPREHENSIVE INCOME FOR THE YEAR						
Net profit for the year	**-**	**-**	**-**	**-**	**677.9**	**677.9**
OTHER COMPREHENSIVE INCOME						
Cash flow hedge	-	0.8	-	-	-	0.8
Tax of cash flow hedges	-	-0.2	-	-	-	-0.2
Foreign exchange adjustments on net investments in foreign operations	-	-	-630.0	-	-	-630.0
Actuarial gains and losses on pension obligations	-	-	-	-	9.4	9.4
Tax of actuarial gains and losses on pension obligations	-	-	-	-	-2.4	-2.4
Total other comprehensive income	**-**	**0.6**	**-630.0**	**-**	**7.0**	**-622.4**
Total comprehensive income for the year	**-**	**0.6**	**-630.0**	**-**	**684.9**	**55.5**
TRANSACTIONS WITH SHAREHOLDERS						
Purchase of treasury shares	-	-	-	-196.9	-	-196.9
Share-based payments	-	-	-	-	20.6	20.6
Settlement of vested PSUs	-	-	-	4.2	-4.2	-
Settlement in cash of vested PSUs	-	-	-	-	-1.3	-1.3
Dividend paid to shareholders (note 4.5)	-	-	-	-	-610.0	-610.0
Dividend, treasury shares	-	-	-	-	1.7	1.7
Total transactions with shareholders	**-**	**-**	**-**	**-192.7**	**-593.2**	**-785.9**
Equity at 31 December 2020	**100.0**	**-14.5**	**284.4**	**-227.7**	**8,230.1**	**8,372.3**

SECTION 1

1.1
BASIS OF PREPARATION

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

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

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

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

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

IMPACT OF NEW ACCOUNTING STANDARDS
The following amendments and interpretations have been implemented in 2021:
- IBOR reform, Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- International Financial Reporting Standards Interpretations Committee's final agenda decision relating to Configuration or customisation costs in a cloud computing arrangement.

Based on the assessment of the amendmends and the agenda decision, it has been assessed that the implementation of these have not had a material impact on the Consolidated Financial Statements in 2021, and the Group does not anticipate any significant impact on future periods from the adoption of these.

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.

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

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

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

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

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

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

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.

1.1 (CONTINUED)

BASIS OF PREPARATION

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

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

CASH FLOW STATEMENT

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

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

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

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

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

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

REPORTING UNDER ESEF REGULATION

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

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

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

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

The annual report submitted to the Danish Financial Supervisory Authority (The Officially Appointed Mechanisms) consists of the XHTML document together with the technical files, all included in the ZIP-file named; 5299003KG4JS99TRML67-2021-12-31-en.

1.2

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

ESTIMATION UNCERTAINTY

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

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

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

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

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

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

DEFINING MATERIALITY

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

SECTION 2

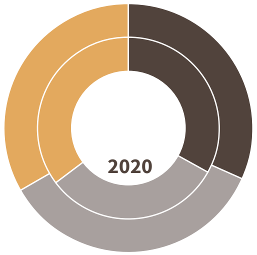
2.1 GROSS PROFIT (NET SALES AND COST OF GOODS SOLD)

8,233

NET SALES (DKK million)

NET SALES PER DIVISION (DKK million)

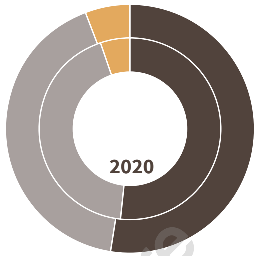
2021



- North America Online & Retail 2,620
- North America Branded & RoW 2,877
- Europe Branded 2,735

NET SALES PER REGION (DKK million)

2021



- Americas 4,328
- Europe 3,445
- Rest of world 459

2021

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

2020

DKK million	North America Online & Retail	North America Branded & RoW	Europe Branded	Group costs / not allocated	Total
Net sales	2,661.7	2,527.4	2,816.8	-	8,005.9
Cost of goods sold	-1,586.9	-1,286.7	-1,420.1	-	-4,293.7
Gross profit before special items	**1,074.8**	**1,240.7**	**1,396.7**	**-**	**3,712.2**
Staff and other external costs	-557.9	-427.6	-815.8	-85.0	-1,886.3
Other income	-	-	-	-	-
EBITDA before special items	**516.9**	**813.1**	**580.9**	**-85.0**	**1,825.9**
Depreciation and impairment	-	-	-	-238.1	-238.1
Amortisation and impairment	-	-	-	-167.0	-167.0
EBIT before special items	**-**	**-**	**-**	**-490.1**	**1,420.8**
Special items incl. impairment, net costs	-	-	-	-435.2	-435.2
EBIT	**-**	**-**	**-**	**-925.3**	**985.6**
Share of profit of associated companies, net of tax	-	-	-	18.7	18.7
Financial income	-	-	-	81.1	81.1
Financial costs	-	-	-	-134.0	-134.0
Profit before tax	**-**	**-**	**-**	**-959.5**	**951.4**

2.1 (CONTINUED)

GROSS PROFIT (NET SALES AND COST OF GOODS SOLD)

DKK million	2021	2020
Category split, net sales		
Handmade cigars	3,035.0	2,878.7
Machine-rolled cigars	2,918.9	2,894.8
Smoking tobacco	1,206.2	1,144.2
Accessories and Contract Manufacturing	1,072.6	1,088.2
Total net sales	**8,232.7**	**8,005.9**

Licence income and other sales of DKK 50.1 million (DKK 46.0 million) are included in the category 'Accessories and Contract Manufacturing'.

	2021	2020
Geographical split, net sales		
Americas	4,328.2	4,138.8
Europe	3,445.4	3,462.8
Rest of world	459.1	404.3
Total net sales	**8,232.7**	**8,005.9**

GEOGRAPHIC INFORMATION

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

The Group is domiciled in Denmark. Net sales from external customers in Denmark amount to DKK 183.1 million (DKK 185.9 million), and net sales from external customers outside Denmark amount to DKK 8,049.6 million (DKK 7,820.0 million). Individual, material country (>10% of total net sales) are the US DKK 3,937.1 million (DKK 3,780.1 million).

Individual, material countries (>10% of total non-current assets) are the US DKK 4,153.4 million (DKK 3,868.1 million) and the Netherlands DKK 2,928.0 million (DKK 2,963.1 million). Total non-current assets in Denmark amount to DKK 1,809.9 milion (DKK 1,871.8 million).

DKK million	2021	2020
Non-current assets[1]		
Americas	4,394.3	4,032.3
Europe	5,677.6	5,757.4
Rest of world	58.3	47.5
Total non-current assets	**10,130.2**	**9,837.2**

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

§ ACCOUNTING POLICIES

Net Sales

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

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

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

Cost of Goods Sold

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

Segments

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

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

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

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

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

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

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

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

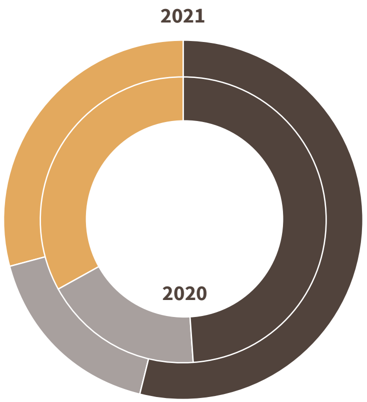
No assets and liabilities are allocated to segments in the internal reporting.

2.2
STAFF COSTS

DKK million	2021	2020
Wages and salaries	1,384.7	1,391.8
Pensions - defined contribution plans	59.5	63.7
Pensions - defined benefit plans	13.5	21.0
Social security costs	167.5	196.9
Total staff costs for the year	**1,625.2**	**1,673.4**
Staff cost included in intangible assets	-2.0	-
Change in employee costs included in inventories	2.3	-2.2
Total staff costs expensed to the income statement	**1,625.5**	**1,671.2**

DKK million	2021	2020
Included in the income statement:		
Cost of goods sold	767.1	792.8
Staff costs	858.4	878.4
Total included in the income statement	**1,625.5**	**1,671.2**
Average number of employees in the Group	**10,275**	**10,561**

EMPLOYEES PER REGION (%)



- Americas 54%
- Europe 17%
- Rest of world 29%

REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE BOARD

Total fees to the Board of Directors and Executive Board amounted to DKK 64.4 million (DKK 79.4 million).

Executive Board

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

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

For the year 2021, the total cost of remuneration for the Executive Board amounts to DKK 56.7 million (DKK 72.7 million).

2.2 (CONTINUED)

STAFF COSTS

§ ACCOUNTING POLICIES

Staff costs comprise wages and salaries as well as payroll expenses other than production wages.

EXECUTIVE BOARD 2021

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

EXECUTIVE BOARD 2020

DKK million	Salary and benefits	Bonus	Pension	Extraordinary remuneration /stay-on and loyalty bonus	Share-based incentive programme	Total
Niels Frederiksen	7.5	4.0	-	2.0	6.3	19.8
Marianne Rørslev Bock	4.5	2.2	-	-	1.2	7.9
Total Executive Management	**12.0**	**6.2**	**-**	**2.0**	**7.5**	**27.7**
Other key management*	29.4	7.8	0.7	0.6	6.5	45.0
Total Executive Board	**41.4**	**14.0**	**0.7**	**2.6**	**14.0**	**72.7**

*Includes severance pay in the amount of DKK 16.2 million related to salaries and benefits, DKK 1.9 million related to bonus, DKK 0.6 million related to stay-on and loyalty bonus and DKK 4.1 million related to sharebased incentive programme.

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 and Vice-chairman receive 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 2021, members of the Board of Directors and the board committees received fixed annual fees in the aggregate amount of DKK 7.2 million (DKK 6.3 million). DKK 0.5 million (DKK 0.4 million) was paid during 2021 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	Total
Nigel Northridge	Chairman	Apr 2016		1,320	220	1,540
Henrik Brandt	Vice-chairman	Apr 2017		880	110	990
Marlene Forsell	Board member	Apr 2019		440	330	770
Dianne Neal Blixt	Board member	Feb 2016		440	165	605
Luc Missorten	Board member	Feb 2016		440	275	715
Anders Obel	Board member	Apr 2018		440	-	440
Claus Gregersen	Board member	Apr 2019		440	110	550
Henrik Amsinck	Board member	Apr 2021		313	-	313
Hanne Malling	Employee represen.	Oct 2010		440	-	440
Lindy Larsen	Employee represen.	Jul 2016		440	-	440
Mogens Olsen	Employee represen.	Jul 2017		440	-	440
Total 2021				**6,033**	**1,210**	**7,243**
Total 2020				**5,200**	**1,100**	**6,300**

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 2021 the Company paid DKK 464 thousand compared to DKK 404 thousand in 2020.

2.3
SHARE-BASED PAYMENTS

VALUE OF THE PROGRAMS AND IMPACT ON THE INCOME STATEMENT

	LTIP 2018	LTIP 2019	LTIP 2020	LTIP 2021
Total PSUs granted	108,286	168,720	151,304	91,802
Fair value of PSUs expected to vest at grant date, DKK million	9.2	10.8	12.6	10.6
Fair value of PSUs expected to vest at 31 December 2021, DKK million	-	25.1	13.2	11.2
Recognised in the income statement in 2021, DKK million*	-	16.8	4.6	2.3
Not yet recognised in respect of PSUs expected to vest, DKK million	-	-	4.7	8.9

* DKK 23.7 million (DKK 20.6 million) was recognised in staff costs.

	Executive Board				
LTIP 2018 (number of PSUs)	**Niels Frederiksen**	**Marianne Rørslev Bock**	**Other Key Management**	**Senior Management**	**Total**
Outstanding at 1 January 2020	27,808	2,898	45,010	21,954	97,670
Transferred	-	-	2,213	-2,213	-
Granted	2,417	252	3,162	2,659	8,490
Cancelled	-	-	-11,794	-	-11,794
Adjustment	30,225	3,150	38,591	22,400	94,366
Outstanding at 31 December 2020	**60,450**	**6,300**	**77,182**	**44,800**	**188,732**
Outstanding at 1 January 2021	60,450	6,300	77,182	44,800	188,732
Transferred	-	-	7,056	-7,056	-
Vested	-60,450	-6,300	-84,238	-37,744	-188,732
Outstanding at 31 December 2021	**-**	**-**	**-**	**-**	**-**

	Executive Board				
LTIP 2019 (number of PSUs)	**Niels Frederiksen**	**Marianne Rørslev Bock**	**Other Key Management**	**Senior Management**	**Total**
Outstanding at 1 January 2020	35,829	14,855	60,767	36,392	147,843
Transferred	-	-	4,466	-4,466	-
Granted	3,115	1,291	4,446	4,001	12,853
Cancelled	-	-	-15,312	-	-15,312
Outstanding at 31 December 2020	**38,944**	**16,146**	**54,367**	**35,927**	**145,384**
Outstanding at 1 January 2021	38,944	16,146	54,367	35,927	145,384
Transferred	-	-	4,628	-4,628	-
Granted	2,149	891	3,255	1,729	8,024
Adjustment	41,093	17,037	62,250	33,028	153,408
Outstanding at 31 December 2021	**82,186**	**34,074**	**124,500**	**66,056**	**306,816**

	Executive Board				
LTIP 2020 (number of PSUs)	**Niels Frederiksen**	**Marianne Rørslev Bock**	**Other Key Management**	**Senior Management**	**Total**
Outstanding at 1 January 2020	-	-	-	-	-
Granted	35,592	16,028	52,963	39,546	144,129
Cancelled	-	-	-14,162	-	-14,162
Outstanding at 31 December 2020	**35,592**	**16,028**	**38,801**	**39,546**	**129,967**
Outstanding at 1 January 2021	35,592	16,028	38,801	39,546	129,967
Transferred	-	-	3,131	-3,131	-
Granted	1,964	884	2,314	2,013	7,175
Cancelled	-	-	-	-398	-398
Outstanding at 31 December 2021	**37,556**	**16,912**	**44,246**	**38,030**	**136,744**

2.3 (CONTINUED)

SHARE-BASED PAYMENTS

LTIP 2021 (number of PSUs)	Executive Board: Niels Frederiksen	Executive Board: Marianne Rørslev Bock	Executive Board: Other Key Management	Senior Management	Total
Outstanding at 1 January 2021	-	-	-	-	-
Granted	25,115	11,337	27,420	27,930	91,802
Cancelled	-	-	-	-715	-715
Outstanding at 31 December 2021	**25,115**	**11,337**	**27,420**	**27,215**	**91,087**

All of the outstanding PSUs at 31 December 2021 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 all current LTIP programmes are Organic EBITDA growth and cash conversion.

In April 2021, PSUs granted under the LTIP 2018 were vested and the participants received shares in Scandinavian Tobacco Group A/S at no cost. The shares received corresponded to 200% of the grant, based on the actual achieved performance. Consequently the programme has lapsed.

Under the LTIP programme, new PSUs were granted to participants in 2021. This was the sixth 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 2021	LTIP 2020	LTIP 2019	LTIP 2018
Share price (DKK)	122.70	94.80	78.65 / 78.80 80.40	107.70 / 86.75

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
Nigel Northridge	5,000	-	-	5,000	0.7
Henrik Brandt	112,670	-	-	112,670	15.5
Marlene Forsell	3,250	-	-	3,250	0.4
Luc Missorten	2,000	-	-	2,000	0.3
Dianne Neal Blixt	1,700	-	-	1,700	0.2
Anders Obel	20,270	-	-	20,270	2.8
Claus Gregersen	15,928	-	-	15,928	2.2
Henrik Amsinck	-	500	-	500	0.1
Lindy Larsen	242	-	-	242	0.0
Hanne Malling	250	-	-	250	0.0
Mogens Olsen	3,450	-	-	3,450	0.5
Board of Directors in total	**164,760**	**500**	**-**	**165,260**	**22.7**
Niels Frederiksen	120,000	60,450	-	180,450	24.8
Marianne Rørslev Bock	2,300	6,300	-	8,600	1.2
Sarah Santos	1,067	4,810	-	5,877	0.8
Hanne Berg	2,209	5,560	2,641	5,128	0.7
Yulia Lyusina	-	-	-	-	-
Jurjan Klep	6,000	5,030	-	11,030	1.5
Régis Broersma	8,576	4,184	-	12,760	1.8
Graham Cunningham	-	-	-	-	-
Executive Board in total	**140,152**	**86,334**	**2,641**	**223,845**	**30.7**
Total Board of Directors and Executive Board	**304,912**	**86,834**	**2,641**	**389,105**	**53.4**

1) Calculation of market value is based on the quoted share price of DKK 137.3 at the end of the year.

2.5
SPECIAL ITEMS

§ **ACCOUNTING POLICIES**

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

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

DKK million	2021	2020
Integration and transactions costs (Agio Cigars)	22.1	234.0
Fuelling the Growth programme	1.7	5.2
Production footprint, incl. sale of building	13.9	141.1
OneProcess	19.4	-
Impairment tangible assets and right-of-use assets	-	106.7
Impairment intangible assets	58.5	-
Reversal of impairments	-60.9	-51.8
Total special items incl. impairment, net costs	**54.7**	**435.2**

Special items are specified by line items in the income statements.

DKK million	2021	2020
Cost of goods sold	24.7	180.0
Other income	-18.3	-
Other external costs	39.8	83.6
Staff costs	10.9	116.7
Depreciation and impairment	-60.9	58.8
Amortisation and impairment	58.5	-3.9
Total special items incl. impairment, net costs	**54.7**	**435.2**

2.6
INCOME AND DEFERRED INCOME TAXES

21.4

EFFECTIVE TAX RATE (%)

377.9

INCOME STATEMENT TAX EXPENSE (DKK million)

DKK million	2021	2020
Tax expense:		
Current income tax	332.7	267.6
Deferred income tax	51.4	8.5
Total	**384.1**	**276.1**
Tax is allocated as follows:		
Tax in the income statement	377.9	273.5
Tax in equity - share-based payments	-0.7	-
Tax on other comprehensive income related to:		
Hedging instruments	2.2	0.2
Actuarial gains and losses on pension obligations	4.7	2.4
Total	**384.1**	**276.1**
Income tax receivable/payable (net) - in the balance sheet:		
Corporate tax receivables	69.5	72.2
Corporate tax payables	102.4	136.7
Total (net)	**32.9**	**64.5**

2.6 (CONTINUED)

INCOME AND DEFERRED INCOME TAXES

DKK million	2021	2020
Income tax receivable/payable (net):		
Balance at 1 January	64.5	39.5
Currency adjustments	9.9	-5.6
Prior-year tax adjustment	37.7	-26.8
Tax paid on account in current year	-331.6	-253.5
Received regarding previous years	63.9	62.3
Paid regarding previous years	-106.5	-36.8
Acquisition of entities	-	-9.0
Current income tax	295.0	294.4
Balance at 31 December	**32.9**	**64.5**
Deferred tax (net) – in the balance sheet:		
Deferred income tax assets	130.2	129.3
Deferred income tax liabilities	698.9	628.2
Deferred income tax liabilities (net)	**568.7**	**498.9**
Deferred tax (net):		
Balance 1 January	498.9	380.4
Currency adjustments	1.1	1.6
Acquisition of entities	17.3	108.4
Change in deferred tax charge	51.4	8.5
Balance at 31 December	**568.7**	**498.9**
Breakdown of deferred income tax liabilities (net):		
Intangible assets	725.8	715.4
Property, plant and equipment	26.0	16.6
Inventories	-44.4	-51.6
Receivables	-3.5	-2.0
Pensions	-60.2	-59.1
Other liabilities	-24.3	-57.9
Tax losses to be carried forward	-28.5	-21.7
Other	-22.2	-40.8
Total (net)	**568.7**	**498.9**

DKK million	2021	2020
Breakdown of tax in the income statement:		
Tax calculated at 22.0% of profit before tax	389.1	209.4
Tax according to income statement	377.9	273.5
Variance	**-11.2**	**64.1**
Tax effect of:		
Non-deductable costs	8.0	17.8
Income from associated companies	-6.9	-4.1
Non-taxable income	-0.7	-1.5
Prior-year adjustments	7.6	-6.0
Other tax percentages	-4.9	-4.4
Effect of enacted changes of tax rates*	12.7	49.0
Other	-27.0	13.3
Total	**-11.2**	**64.1**

* Effect of enacted change of tax rates in 2021 relates to the Dutch corporate tax rate which late December 2021 was eneacted to increase to 25.8% with effect from 1 Janaury 2022.
Effect of enacted change of tax rates in 2020 related to the Dutch corporate tax rate, which late December 2020 was enacted to be kept at 25% (in 2019 it was enacted that the tax rate should be reduced to 21.7% in 2021).

At 31 December 2021 the Group has no unrecognised tax assets (DKK 0.0 million).

UNCERTAIN TAX POSITIONS

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

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

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

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

2.6 (CONTINUED)

INCOME AND DEFERRED INCOME TAXES

ACCOUNTING POLICIES

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

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

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

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

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

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

KEY ACCOUNTING ESTIMATES

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

SECTION 3

3.1 INTANGIBLE ASSETS

28.8

ADDITIONS (DKK million)

KEY ACCOUNTING ESTIMATES

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

The impairment test includes significant judgments made by Management, such as assumption of projected future cash flows used in the valuation of the intangible assets. Future events could cause Management to conclude that impairment indicators exist and that intangible assets are impaired. Any resulting impairment loss could have a material impact on the financial condition and on the result of operations.

2021

DKK million	Goodwill	Trademarks	IT software	Other intangible assets	Total
Accumulated cost at 1 January	4,896.0	4,523.0	421.6	462.9	10,303.5
Exchange rate adjustment	236.5	107.0	7.3	16.2	367.0
Acquisition	10.9	75.8	0.1	0.7	87.5
Additions	-	-	28.8	-	28.8
Disposals	-	-	-1.5	-7.1	-8.6
Accumulated cost at 31 December	5,143.4	4,705.8	456.3	472.7	10,778.2
Accumulated amortisation and impairment at 1 January	0.9	1,455.5	343.7	223.7	2,023.8
Exchange rate adjustment	-	35.0	6.0	6.8	47.8
Amortisation	-	112.2	18.9	29.9	161.0
Impairment	-	58.5	0.2	-	58.7
Reversal of impairment	-	-	-	-	-
Disposals	-	-	-0.9	-6.6	-7.5
Accumulated amortisation and impairment at 31 December	0.9	1,661.2	367.9	253.8	2,283.8
Carrying amount at 31 December	**5,142.5**	**3,044.6**	**88.4**	**218.9**	**8,494.4**

2020

DKK million	Goodwill	Trademarks	IT software	Other intangible assets	Total
Accumulated cost at 1 January	4,630.7	4,225.0	380.9	481.7	9,718.3
Exchange rate adjustment	-273.2	-136.5	-8.9	-20.5	-439.1
Acquisition	538.5	434.5	9.9	-	982.9
Additions	-	-	42.5	1.7	44.2
Disposals	-	-	-2.8	-	-2.8
Accumulated cost at 31 December	4,896.0	4,523.0	421.6	462.9	10,303.5
Accumulated amortisation and impairment at 1 January	0.9	1,384.8	335.2	200.6	1,921.5
Exchange rate adjustment	-	-41.7	-8.3	-8.0	-58.0
Amortisation	-	112.4	23.5	31.1	167.0
Impairment	-	-	-	-	-
Reversal of impairment	-	-	-3.9	-	-3.9
Disposals	-	-	-2.8	-	-2.8
Accumulated amortisation and impairment at 31 December	0.9	1,455.5	343.7	223.7	2,023.8
Carrying amount at 31 December	**4,895.1**	**3,067.5**	**77.9**	**239.2**	**8,279.7**

§ ACCOUNTING POLICIES

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

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

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

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

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) and Agio Cigars (2020).

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

The carrying amount of goodwill at 31 December 2021 amounted to DKK 5,142.5 million (DKK 4,895.1 million).

As per 31 December 2021 the carrying amount of goodwill has been allocated to the identified cash-generating units according to the reportable segments as follows:

DKK million	North America Online & Retail	North America Branded & RoW	Europe Branded	Total
2021	1,643.9	1,382.0	2,116.6	5,142.5
2020	1,525.6	1,282.1	2,087.4	4,895.1

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 2021 (and 2020), 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.

2021

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

2020

APPLIED KEY ASSUMPTIONS – Goodwill impairment test	North America Online & Retail	North America Branded & RoW	Europe Branded
EBITDA Growth	An average growth rate of 6.9% 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 (both Online & Retail and Branded), market share gains in Europe Branded, price increases in all divisions, a positive impact from the integration of Agio, cost prices and OPEX development in line with current inflation level adjusted for savings coming from both Fuelling the Growth and the Integration of Agio.		
Terminal growth (based on adjusted historical development taking into account expected future development)	1.0%	0.0%	0.0%
Discount rate after-tax (%)	8.9%	8.9%	7.4%
Discount rate pre-tax (%)	11.1%	11.3%	9.3%

KEY ACCOUNTING ESTIMATES

Goodwill impairment test

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

3.1 (CONTINUED)

INTANGIBLE ASSETS

TRADEMARKS

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

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

The carrying amount of trademarks at 31 December 2021 amounted to DKK 3,044.6 million (DKK 3,067.5 million).

	Carrying amount	
DKK million	2021	2020
Trademarks indefinite lives	2,050.9	2,001.4
Other trademarks (definite useful lives)	993.7	1,066.1
Total	**3,044.6**	**3,067.5**

Trademarks with the highest carrying amounts are listed below.

			Carrying amount	
DKK million	Indefinite trademarks allocated to segment*	Remaining amortisation period	2021	2020
Captain Black and Bugler	1,2,3	Indefinite / 9 years	711.2	685.1
Café Crème/Signature	1,2,3	Indefinite	482.4	482.4
Mehari's	1,2,3	Indefinite	356.0	356.1
Tiedemanns	2,3	14 years	144.3	148.8
Mercator	3	6 years	168.7	199.2
La Paz	2,3	Indefinite	215.2	215.2
Other trademarks	1,2,3	Indefinite / 1-20 years	966.8	980.7
Total			**3,044.6**	**3,067.5**

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

As per 31 December 2021 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
2021	134.0	952.6	964.3	2,050.9
2020	123.2	914.2	964.0	2,001.4

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

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

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

When trademarks with indefinite useful lives were tested for impairment in 2021 (and 2020), 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 7.7% and 7.8% (pre-tax WACC between 9.4% and 9.5%). Terminal growth in EBITDA is set between -3.0% and 1.0% and is based on adjusted historical development taking into account expected future development.

KEY ACCOUNTING ESTIMATES

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

OTHER TRADEMARKS (DEFINITE USEFUL LIVES)

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

In 2021, impairment costs of DKK 58.5 million (DKK 0.0 million) were recognised in the income statement related to simplification of the Group's brand portofolio. Management did not identify any other indications of impairment.

IT SOFTWARE

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

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

In 2020, a partly reversal of DKK 3.9 million of the impairment costs from 2019 was recognised in the income statement as some continued future usage for the IT software was indentified.

OTHER INTANGIBLE ASSETS

Other intangible assets mainly comprise acquired name rights, customer relations and distribution rights. During 2021, Management did not identify any indications of impairment (same in 2020).

3.2

PROPERTY, PLANT AND EQUIPMENT

211.6

ADDITIONS (DKK million)

2021 DKK million	Land and buildings	Plant and machinery	Equipment, tools and fixtures	Leasehold improve-ments	Construc-tion in progress	Total
Accumulated cost at 1 January	969.5	730.4	275.6	69.3	75.6	2,120.4
Exchange rate adjustment	14.8	12.9	8.9	5.2	5.9	47.7
Acquisition	4.6	5.5	1.1	-	-	11.2
Additions	0.6	0.8	1.0	0.2	209.0	211.6
Assets classified as held for sale and other disposals	-190.5	-54.4	-51.8	-	-14.7	-311.4
Transfers	3.6	51.0	5.8	1.0	-61.4	-
Accumulated cost at 31 December	802.6	746.2	240.6	75.7	214.4	2,079.5
Accumulated depreciation and impairment at 1 January	297.3	365.7	200.5	41.0	15.1	919.6
Exchange rate adjustment	0.7	7.4	7.1	3.7	-	18.9
Depreciation	34.6	62.1	24.4	14.6	-	135.7
Depreciation on assets classified as held for sale and other disposals	-100.9	-53.4	-33.1	-	-14.7	-202.1
Impairment	4.5	-	-	-	0.2	4.7
Reversal of impairment	-29.9	-16.6	-11.9	-	-	-58.4
Accumulated depreciation and impairment at 31 December	206.3	365.2	187.0	59.3	0.6	818.4
Carrying amount at 31 December	**596.3**	**381.0**	**53.6**	**16.4**	**213.8**	**1,261.1**

IMPAIRMENT

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

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

2020 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	873.4	772.5	258.3	75.2	67.4	2,046.8
Exchange rate adjustment	-30.7	-40.3	-19.0	-6.7	-7.5	-104.2
Acquisition	127.4	69.3	37.8	-	1.1	235.6
Additions	7.4	2.1	4.5	0.3	142.2	156.5
Assets classified as held for sale and other disposals	-90.0	-107.6	-15.3	-1.4	-	-214.3
Transfers	82.0	34.4	9.3	1.9	-127.6	-
Accumulated cost at 31 December	969.5	730.4	275.6	69.3	75.6	2,120.4
Accumulated depreciation and impairment at 1 January	334.4	391.3	180.4	32.2	10.3	948.6
Exchange rate adjustment	-17.6	-30.2	-16.5	-3.8	-	-68.1
Depreciation	38.6	70.8	34.1	13.5	-	157.0
Depreciation on assets classified as held for sale and other disposals	-56.8	-105.6	-12.7	-0.9	-	-176.0
Impairment	31.1	52.7	17.4	-	4.8	106.0
Reversal of impairment	-32.4	-13.3	-2.2	-	-	-47.9
Accumulated depreciation and impairment at 31 December	297.3	365.7	200.5	41.0	15.1	919.6
Carrying amount at 31 December	**672.2**	**364.7**	**75.1**	**28.3**	**60.5**	**1,200.8**

IMPAIRMENT

In 2020, impairment costs of DKK 106 million were recognised in the income statement. These costs are related to the decision to optimise the production footprint by closing three production sites. Further, as part of the Agio integration, excess capacity on machinery resulted in impairment costs.

In 2020, a partly reversal of the impairment costs from 2019 was recognised as the potential to sell land and buildings improved significantly as well as the utilisation of the machinery improved. Impairment costs and reversals of impairment cost are recognised in 'Special items' in the income statement.

DEPRECIATION

All depreciations are recognised in the income statement in 2021 and in 2020.

3.2 (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT

§ ACCOUNTING POLICIES

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

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

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

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

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

KEY ACCOUNTING ESTIMATES

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

2021 DKK million	Land, buildings, offices and warehouses	Motor vehicles	Other equipment	Total
Carrying amount at 1 January	**163.9**	**37.7**	**3.1**	**204.7**
Exchange rate adjustment	7.8	0.6	-	8.4
Acquisitions	1.2	1.4	2.0	4.6
Additions	9.8	21.1	0.3	31.2
Disposals	-0.8	-1.1	-	-1.9
Depreciation and impairment	-36.5	-21.9	-1.4	-59.8
Carrying amount at 31 December	**145.4**	**37.8**	**4.0**	**187.2**

2020 DKK million	Land, buildings, offices and warehouses	Motor vehicles	Other equipment	Total
Carrying amount at 1 January	**187.6**	**36.2**	**1.7**	**225.5**
Exchange rate adjustment	-10.4	-0.8	-0.1	-11.3
Acquisitions	6.8	11.1	-	17.9
Additions	31.7	28.1	3.0	62.8
Disposals	-5.0	-3.3	-	-8.3
Depreciation and impairment	-46.8	-33.6	-1.5	-81.9
Carrying amount at 31 December	**163.9**	**37.7**	**3.1**	**204.7**

3.3

RIGHT-OF-USE ASSETS

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

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

The following amounts are recognised in the income statement:

DKK million	2021	2020
Depreciation expense of right-of-use assets	62.3	76.2
Special items, impairment	-2.5	5.7
Interest expense on lease liabilities	6.4	5.5
Expense relating to short-term leases	5.1	3.0
Expense relating to leases of low-value assets	0.1	0.1
Variable lease payments	0.2	0.3
Total amount recognised in the income statement	**71.6**	**90.8**

In 2021, the Group had total cash outflows for leases of DKK 70.6 million (DKK 79.2 million). The Group has entered into lease contracts at a value of DKK 152.6 million (DKK 114.8 million) that have not yet commenced. The Group has extension options of a total value of DKK 24.6 million (DKK 24.3 million) that are not included in the recognised leases, as it is not considered reasonable certain that the Group will exercise the options.

3.3 (CONTINUED)

RIGHT-OF-USE ASSETS

ACCOUNTING POLICIES

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

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

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

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

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

3.4

INVENTORIES

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

DKK million	2021	2020
Raw materials and consumables	1,273.0	1,275.8
Work in progress	372.0	333.6
Finished goods, goods for resale and excise stamps	1,290.9	1,206.9
Total	**2,935.9**	**2,816.3**
Movements in the Group provision for obsolete stock are as follows:		
Provision for obsolete stock 1 January	-102.9	-77.1
Additions for the year	-52.0	-74.1
Reversal for the year	14.7	2.3
Write-downs during the year	46.4	43.0
Effect of exchange rate adjustments	-3.8	3.0
Total provision at 31 December	**-97.6**	**-102.9**

The net movement in the year in respect of inventory provision is included in 'cost of goods sold'. The cost of inventories recognised as cost and included in 'cost of goods sold' amounted to DKK 3,352.5 million (DKK 3,500.9 million).

ACCOUNTING POLICIES

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

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

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

KEY ACCOUNTING ESTIMATES

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

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

3.5

TRADE RECEIVABLES

DKK million	2021	2020
Trade receivables (net) at 31 December comprise the following:		
Trade receivables (gross)	872.3	845.8
Provision for bad debt	-19.9	-15.6
Trade receivables (net)	**852.4**	**830.2**
Movements in the Group provision for bad debt are as follows:		
Provision for bad debt at 1 January	-15.6	-16.7
Additions for the year	-6.0	-2.5
Reversal for the year	2.1	1.6
Confirmed losses	0.2	1.2
Effect of exchange rate adjustments	-0.6	0.8
Total provision at 31 December	**-19.9**	**-15.6**

3.5 (CONTINUED)

TRADE RECEIVABLES

2021

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

2020

Impairment of trade receivables can be specified as follows:	Receivable, DKK million	Loss rate, %	Provision, DKK million
Current	648.2	0.0%	-0.3
Overdue < 30 days	129.5	0.3%	-0.3
Overdue 31 - 60 days	18.8	2.7%	-0.5
Overdue 61 - 90 days	15.9	11.6%	-1.8
Overdue 91 - 180 days	19.4	15.3%	-3.0
Overdue > 180 days	14.0	68.8%	-9.7
Total	**845.8**		**-15.6**

§ ACCOUNTING POLICIES

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

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

3.6

PREPAYMENTS

§ ACCOUNTING POLICIES

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

3.7

ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets held for sale

DKK million	2021	2020
Land and buildings	108.5	31.8
Total	**108.5**	**31.8**

Land and buildings held for sale
In 2021 Management decided to sell the land and buildings in Eersel and Duizel, The Netherlands as the close-down of production at these sites were completed. The sales are expected to be completed before the end of 2022.

Land and buildings classified as held for sale during the reporting period were measured at their carrying amount at the time of reclassification.

In November 2020, Management decided to sell the land and buildings in Tucker, US as the close-down of production at this site was completed. The sale was completed in December 2021.

3.8
OTHER PROVISIONS

DKK million	2021	2020
Balance at 1 January	231.2	56.9
Exchange rate adjustment	0.2	-1.5
Acquisition	-	7.2
Discounting cost	0.0	0.2
Addition during the year	0.3	203.0
Utilised during the year	-136.4	-28.5
Reversed provision unused	-13.1	-6.1
Carrying amount at 31 December	82.2	231.2
Non-current	17.9	20.0
Current	64.3	211.2
Total	82.2	231.2

Other provisions mainly consist of restructuring costs in relation to the integration of Agio and the changes in production footprint. The restructuring costs are primarily related to redundancy payments expected to take place in 2022. The amounts and timing of the restructurings depend on negotiations with the affected employees.

§ **ACCOUNTING POLICIES**

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

3.9
PENSION OBLIGATIONS

Post-employment defined benefit – recognised in the balance sheet:

DKK million	2021	2020
Present value of funded obligations	338.8	288.9
Fair value of plan assets	-189.5	-155.3
Deficit (+) / surplus (-)	149.3	133.6
Present value of unfunded obligations	158.1	155.7
Net asset (-) / liability (+) in the balance sheet	**307.4**	**289.3**
Amounts in the balance sheet		
Liabilities	307.4	289.3
Assets	-	-
Net asset (-) / liability (+) in the balance sheet	**307.4**	**289.3**

DKK million	2021	2020
Movement during the period in the net asset (-)/ liability (+)		
Balance at 1 January	289.3	281.7
Acquisitions	2.1	37.7
Recognised in the income statement	20.7	22.4
Actuarial gain recognised in other comprehensive income, financial assumptions	-14.0	-9.3
Actuarial gain recognised in other comprehensive income, demographic assumptions	7.9	-0.1
Benefit payments to employees	-13.8	-17.6
Employer contributions	-11.4	-7.7
Other	18.8	-
Exchange rate adjustment	7.7	-17.8
Balance at 31 December	**307.4**	**289.3**

Actuarial assumptions

Actuarial assumptions used for valuation (expressed as weighted averages and in %)	2021	2020
Discount rate	2.0	2.0
Future salary increases	3.5	3.5

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

3.9 (CONTINUED)

PENSION OBLIGATIONS

DKK million	2021 1%-point increase	2021 1%-point decrease	2020 1%-point increase	2020 1%-point decrease
Discount rate	-44.7	49.1	-39.1	37.8
Future salary increase	39.4	-28.9	42.4	-30.2

DKK million	2021	2020
CHANGE IN THE DEFINED BENEFIT OBLIGATIONS AND PLAN ASSETS		
Defined benefit obligations – movements		
Balance at 1 January	444.6	411.5
Acquisitions	2.1	63.0
Current service costs	24.1	21.2
Interest cost	8.0	8.6
Change in plan provisions	-10.8	-
Actuarial losses (+)/gains (-)	-5.3	-6.0
Benefits paid	-20.7	-28.5
Curtailments	-1.1	-6.7
Settlements	1.2	-0.2
Other	47.3	-
Exchange rate adjustment	7.6	-18.3
Balance at 31 December	**496.9**	**444.6**
Plan assets – movements in fair value		
Balance at 1 January	155.3	129.8
Acquisitions	-	25.3
Interest income	0.5	0.5
Actuarial losses (-)/gains (+)	0.8	3.4
Employer contributions	14.4	10.8
Benefits paid	-10.0	-13.9
Other	28.5	-
Exchange rate adjustment	-0.1	-0.6
Balance at 31 December	**189.5**	**155.3**

The actual return on plan assets in 2021 was a gain of DKK 1.3 million (DKK 3.9 million).

Categories of plan assets:

DKK million	2021	2020
Other*	189.5	155.3
Total	189.5	155.3

* 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 11.5 years (11.3 years).

DKK million	2021	2020
Post-employment benefit plans recognised in income statement		
Current service costs	24.1	21.2
Interest on net obligation	7.5	8.1
Change in plan provisions	-10.8	-
Curtailments	-1.1	-6.7
Settlements	1.2	-0.2
Recognised net actuarial gain/loss	-0.2	-
Net income (-)/expense (+) reported in the income statement	**20.7**	**22.4**
The income/expenses for defined benefit plans are reported under the following headings in the income statement:		
Staff costs	13.5	21.0
Special items incl. impairment, net costs	-0.3	-6.7
Financial costs	7.5	8.1
Net income (-)/expense (+) reported in the income statement	**20.7**	**22.4**

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 (-)	-5.9	-9.4

3.9 (CONTINUED)

PENSION OBLIGATIONS

EXPECTED CONTRIBUTION NEXT YEAR

Expected contributions to post-employment benefit plans for the year ending 31 December 2022 amount to DKK 25.6 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 59.5 million (DKK 63.7 million).

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

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

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

§ ACCOUNTING POLICIES

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

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

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

Past service costs are recognised immediately in the income statement.

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

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

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

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

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

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

KEY ACCOUNTING ESTIMATES

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

SECTION 4

4.1
BORROWINGS

DKK million	2021	2020
Borrowings are recognised in the balance sheet as follows:		
Non-current liabilities	2,918.0	2,843.5
Total	**2,918.0**	**2,843.5**

The Group has the following external borrowings at 31 December:

Currency	Fixed/ floating	Term/revolving credit facility	Maturity date	Carrying amount 2021	Carrying amount 2020
USD	Floating	RCF	19/03/2026	688.9	636.0
EUR	Floating	Term	Multiple	15.3	-
EUR	Fixed	Bond	24/09/2025	2,213.8	2,207.5
Total				**2,918.0**	**2,843.5**

95% (100%) of the interest risk related to USD Loan balance is hedged until 30 September 2022 by fixed interest swap contracts (maturing 30 September 2022).

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

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

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

4.2 (CONTINUED)

FINANCIAL RISKS AND INSTRUMENTS

Maturity at 31 december 2020	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	8.7	664.1	-	672.8	-	636.0	636.0
Bonds	30.8	2,322.5	-	2,353.3	2,273.6	-	2,207.5
Trade payables	525.1	-	-	525.1	-	-	525.1
Lease liabilities	58.3	108.8	75.2	242.3	-	-	214.4
Other liabilities	711.3	-	-	711.3	-	-	711.3
Total	**1,334.2**	**3,095.4**	**75.2**	**4,504.8**	**2,273.6**	**636.0**	**4,294.3**
Recognised at fair value							
Interest rate swaps	24.5	18.7	-	43.2	-	43.8	43.8
Currency swaps	0.2	-	-	0.2	-	0.2	0.2
Total	**24.7**	**18.7**	**-**	**43.4**	**-**	**44.0**	**44.0**
Total financial liabilities	**1,358.9**	**3,114.1**	**75.2**	**4,548.2**	**2,273.6**	**680.0**	**4,338.3**
Recognised at amortised cost							
Cash and cash equivalents	117.0	-	-	117.0	-	-	117.0
Trade receivables	830.2	-	-	830.2	-	-	830.2
Other receivables	113.1	-	-	113.1	-	-	113.1
Total	**1,060.3**	**-**	**-**	**1,060.3**	**-**	**-**	**1,060.3**
Recognised at fair value							
Currency swaps	0.2	-	-	0.2	-	0.2	0.2
Total	**0.2**	**-**	**-**	**0.2**	**-**	**0.2**	**0.2**
Total financial assets	**1,060.5**	**-**	**-**	**1,060.5**	**-**	**0.2**	**1,060.5**

* 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 must be 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, AUD and IDR. 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	2021	2020
USD		
Average	628.71	654.22
Year-end	656.12	605.76
Average change	-3.9%	-1.9%
NOK		
Average	73.19	69.61
Year-end	74.59	70.53
Average change	5.2%	-8.2%
GBP		
Average	864.86	838.90
Year-end	886.04	823.78
Average change	3.1%	-1.5%
CAD		
Average	501.52	487.76
Year-end	513.53	473.81
Average change	2.8%	-3.0%
AUD		
Average	472.36	450.69
Year-end	476.88	464.23
Average change	4.8%	-2.8%
IDR		
Average	0.04	0.05
Year-end	0.05	0.04
Average change	-2.4%	-9.3%

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 subsidiaries' income statement and net assets into DKK. The single most significant currency is USD.

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

Sensitivity Analysis on Exchange

2021

DKK million	Change in exchange rate	Net sales	EBITDA
USD	5%	202.8	51.0
NOK	5%	13.4	13.4
GBP	5%	14.1	13.6
CAD	5%	12.4	8.0
AUD	5%	12.3	5.6
IDR	5%	-	3.9

2020

DKK million	Change in exchange rate	Net sales	EBITDA
USD	5%	194.8	40.1
NOK	5%	11.6	11.5
GBP	5%	12.3	11.3
CAD	5%	10.3	6.3
AUD	5%	11.4	5.0
IDR	5%	-	4.1

TRANSACTION RISK

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

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

31 December 2021

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

31 December 2020

DKK million	Change in exchange rate	Net profit	Other comprehensive income
USD	5%	0.9	1.1
CAD	5%	0.0	-
AUD	5%	0.6	-
GBP	5%	2.5	-
NOK	5%	0.6	-

INTEREST RATE RISK

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

The Group has engaged in Interest Rate Swaps (IRS). The IRS exchanges floating rate interest to a fixed rate for the remainder of the hedged period and thus removes the interest rate uncertainty for interest payments.

As long as the fixing rate and terms on the floating leg of IR swap and loan are the same the hedge will be 100% effective. Sources of ineffectiveness are mismatch in terms, such as a floor or cap on the interest in either the loan or hedge. Ineffectiveness which impact the income statement is described under Hedge Accounting.

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 2021 included trade receivables with a net book value of DKK 852.4 million (DKK 830.2 million), representing a gross receivable balance of DKK 872.3 million (DKK 845.8 million) and a provision for expected credit losses of DKK 19.9 million (DKK 15.6 million), based on the expected credit loss model (ECL). The ECLs on trade receivables are estimated by using a matrix based on aging of customers, and includes both historical as well as forward-looking information. The estimation takes into account geography, past default experience, analysis of the debtor's current financial position, factors that are specific to the debtors, general economic conditions in which the debtors operate and an assessment of the forecast direction of developments at the reporting date.

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

FINANCIAL CREDIT RISK

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

The Group's exposure to counterparty risk is managed by establishing approved counterparty limits detailing the maximum exposure that the Group is prepared to accept with respect to the individual counterparty. In the event of bankruptcy among the lending banks, the Group has in accordance with the Danish Bankruptcy Act the right to offset cash deposits in the counterparty bank debt totalling DKK 0.0 million at 31 December 2021 (DKK 0.0 million).

LIQUIDITY RISK

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

4.2 (CONTINUED)

FINANCIAL RISKS AND INSTRUMENTS

The Group ensures diversification of debt portfolio, maturity dates and lenders to reduce refinancing risk. The Group has a committed revolving credit facility of EUR 450 million (EUR 450.0 million) maturing in 2026 equally split between providers. The undrawn amount of the credit facility at 31 December 2021 was EUR 357.6 million (EUR 364.5 million).

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

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

Level 1: Observable market prices of identical instruments.

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

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

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

HEDGING TRANSACTIONS

The Group has engaged in Interest Rate Swaps (IRS) to partially offset the risk arising from floating interest rate on the RCF. As at the balance sheet date, the Group has the following outstanding interest rate swaps:

		2021		2020	
DKK million	Maturity date	Contract amount at year-end	Fair value at year-end	Contract amount at year-end	Fair value at year-end
EUR 150 million interest rate swap	Matured	-	-	1,115.9	-4.5
EUR 150 million interest rate swap	30/09/2022	1,115.5	-9.9	1,115.9	-13.3
EUR 75 million interest rate swap	Matured	-	-	557.9	-3.9
USD 100 million interest rate swap	Matured	-	-	605.8	-6.0
USD 50 million interest rate swap	Matured	-	-	302.9	-4.2
USD 100 million interest rate swap	30/09/2022	656.1	-8.6	605.8	-11.9
Total		**1,771.6**	**-18.5**	**4,304.2**	**-43.8**
Recognised in the income statement			-9.9		-25.5
Recognised in other comprehensive income			-8.6		-18.3

The average fixed rate on USD and EUR swaps are 2.155% and 0.635% respectively.

Assuming the current portfolio of swap contracts remains the same, an increase in the EUR and USD rate of interest by one percentage point would impact (before tax) other comprehensive income and financial items as stated below.

DKK million	Other comprehensive income	Financial items
2021	4.9	8.4
2020	15.7	34.5

OTHER TRANSACTIONS

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

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

2021

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

2020

DKK million (fair value)	Nominal	Fair value
Currency swaps, NOK	26.0	0.2
Currency swaps, CAD	6.5	-0.1
Currency swaps, GBP	1.0	-0.1
Total		**0.0**

§ ACCOUNTING POLICIES

Derivative financial instruments

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

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

Hedge accounting

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

4.2 (CONTINUED)

FINANCIAL RISKS AND INSTRUMENTS

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

4.3

FINANCIAL FIXED ASSETS

9.6

DIVIDEND (DKK million)

2021

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

2020

DKK million	Investments in associated companies
Cost at 1 January	92.6
Accumulated cost at 31 December	92.6
Accumulated revaluation and impairment at 1 January	63.3
Dividends	-7.5
Currency translation	-15.1
Profit after tax	18.7
Accumulated revaluation and impairment at 31 December	59.4
Carrying amount at 31 December	**152.0**

NAME AND COUNTRY OF INCORPORATION
Caribbean Cigar Holdings Group Co. S.A., Panama

DKK million	2021	2020
Profit or loss		
Revenue	573.1	394.3
Profit for the year	151.3	100.8
Total comprehensive income	**151.3**	**100.8**
Financial position		
Non-current assets	60.1	55.9
Current assets	706.2	562.8
Non-current liabilities	5.6	6.2
Current liabilities	63.0	68.1
% Interest held	**20%**	**20%**

The financial information stated above is based on estimates.

Reconciliation carrying amount	2021	2020
Scandinavian Tobacco Group's share of Caribbean Cigar Holdings Group's equity	139.5	108.9
Goodwill concerning Caribbean Cigar Holdings Group	54.2	50.0
Elimination of internal profit	-6.2	-6.9
Carrying amount at 31 December	**187.5**	**152.0**

§ ACCOUNTING POLICIES

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

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

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

4.4

FINANCIAL INCOME AND COSTS

DKK million	2021	2020
FINANCIAL INCOME		
Interest on deposits in financial institutions etc.	0.6	2.0
Exchange gains	58.1	77.1
Other financial income	16.3	2.0
Total	**75.0**	**81.1**

DKK million	2021	2020
FINANCIAL COSTS		
Interest on borrowings	86.4	77.8
Interest part of pension cost	7.5	8.1
Exchange losses	37.8	22.2
Lease interest costs	6.4	5.5
Other financial costs	14.1	20.4
Total	**152.2**	**134.0**

Interest on debt to financial institutions etc. includes realisation of previously deferred losses from interest rate swaps of DKK 9.7 million (DKK 4.6 million). Effective interest expenses on financial liabilities measured at amortised cost amounted to DKK 92.8 million (DKK 83.3 million). Ineffectiveness of interest rate swaps of DKK 15.6 million included in other financial income (DKK 13.0 million in other financial costs).

§ **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	
2017-2020	-
At the beginning of the year	**100.0**
2021 reduction	-2.5
At the end of the year	**97.5**

At the Annual General Meeting on 14 April 2021, it was decided to reduce the share capital by DKK 2,500,000. The reduction of the share capital was effectuated 19 May 2021. At 31 December 2021 the share capital consists of 97,500,000 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 2021	2.3	2,324	227.7	2.3
Addition	4.9	4,853	606.4	4.9
Settlement of vested PSUs	-0.2	-151	-16.4	-0.2
Share capital reduction	-2.5	-2,500	-247.2	-2.5
Treasury shares at 31 December 2021	**4.5**	**4,526**	**570.5**	**4.6**

The market value of treasury shares at 31 December 2021 was DKK 621.4 million (DKK 241.9 million).

Treasury shares are acquired for the purpose of adjusting the Company's capital structure and to hedge the Group's share-based incentive programmes.

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

4.5 (CONTINUED)

SHARE CAPITAL, TREASURY SHARES, DIVIDEND AND EARNINGS PER SHARE

Net cash distribution to shareholders (dividend):	Dividend DKK million	Per share DKK
2017 (proposed dividend in 2016 Annual Report)	550.0	5.5
2017 (extraordinary dividend)	350.0	3.5
2018 (proposed dividend in 2017 Annual Report)	575.0	5.8
2019 (proposed dividend in 2018 Annual Report)	600.0	6.0
2020 (proposed dividend in 2019 Annual Report)	610.0	6.1
2021 (proposed dividend in 2020 Annual Report)	650.0	6.5

Retained earnings end of 2021 include proposed dividend of DKK 731 million (DKK 7.5 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	2021	2020
Net profit for the year	1,390.6	677.9
Average number of shares outstanding (in 1,000 shares)	98,212	100,000
Average number of treasury shares (in 1,000 shares)	-2,910	-639
Average number of shares - basic (in 1,000 shares)	95,302	99,361
Dilutive effect of outstanding PSUs (in 1,000 shares)	387	298
Average number of shares outstanding, including dilutive effect of PSUs (in 1,000 shares)	95,689	99,659
Basic earnings per share (DKK)	14.6	6.8
Diluted earnings per share (DKK)	14.5	6.8

4.6

CHANGES IN WORKING CAPITAL (CASH FLOW STATEMENT)

DKK million	2021	2020
Change in receivables	-9.4	58.9
Change in inventories	41.5	-41.8
Change in liabilities	-38.3	277.1
Total	**-6.2**	**294.2**

§ ACCOUNTING POLICIES

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

4.7

NET INTEREST-BEARING DEBT

DKK million	2021	2020
Interest-bearing liabilities, net	3,132.4	3,101.7
Pensions	307.4	289.3
Cash equivalents	-173.6	-117.0
Total	**3,266.2**	**3,274.0**

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 2021 the ratio was 1.5 (1.8).

4.8

CHANGES IN FINANCING LIABILITIES

DKK million	2021	2020
Balance at 1 January	3,079.3	2,915.6
Acquisition	43.6	17.9
Lease liabilities	-30.0	51.2
New external funding	-	7,549.5
Repayment bank loans	-	-7,369.3
Other financing	-38.0	14.7
Exchange rate adjustment	61.0	-100.3
Carrying amount at 31 December	**3,115.9**	**3,079.3**

In 2021 no major changes. In 2020 the Group refinanced its debt in a new club deal financing agreement with a EUR 450 million five-year committed RCF and a EUR 300 million 18 months bridge loan. The bridge loan was repaid during 2020 with the issuance of a five-year corporate bond for a principal amount of EUR 300 million.

SECTION 5

5.1 BUSINESS COMBINATIONS

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

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

Given the financial insignificance of the acquisition, no information according to IFRS 3 Business Combination has been disclosed in the Annual Report for 2021.

2020
With effect from 2 January 2020, the Group acquired 100% of the shares in Agio Beheer B.V. (Agio Cigars) a leading European cigar company. The total consideration transferred of EUR 220 million was paid in cash.

Agio Cigars
Agio Cigars is a leading European cigar company with a strong cigar portfolio including key brands such as Mehari´s, Panter and Balmoral. The company was based in Duizel, the Netherlands and had approximately 3,200 full-time employees. Agio Cigars' annual net sales for 2019 were EUR 133 million (DKK 995 million) with a net profit of EUR 7 million (DKK 55 million).

Agio Cigars has contributed with a strong product portfolio to the Group and with important market positions in key European machine-rolled cigar markets. The acquisition will secure leading positions in France, Belgium and the Netherlands and significantly improve the position in key cigar markets such as Spain and Italy.

Fair value of acquired net assets and recognised goodwill
Net assets have been adjusted to comply with the Group's accounting policies and financial reporting requirements. The calculated goodwill relates to synergies from integrating Agio Cigars into the existing divisions 'Europe Branded' and 'North America Branded & RoW' including optimisations within sales, marketing, procurement, workforce and manufacturing expertise.

Transaction costs
Total transaction costs related to the acquisition amount to DKK 27 million, of which DKK 5 million (DKK 22 million) were recognised in 2020. Transaction costs for 2020 are recognised by DKK 5 million (DKK 20 million) in 'Special items'.

Impact on Consolidated Income Statement
The Financial Statements include net sales of DKK 971 million from the acquisition for the period 2 January to 31 December 2020. The disclosure of net profit is considered impracticable as the ongoing integration of Agio Cigars into the Group has resulted in consolidated operating expenses including synergies, where an Agio stand-alone result cannot be separated on a valid basis.

During 2020 impairment losses of DKK 35.2 million have been recognised in the income statement relating to property, plant and equiptment from the acquisition. The reason for the impairment losses is the Group's changes in the production footprint where one of the acquired factories will be closed.

KEY ACCOUNTING ESTIMATES

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

§ ACCOUNTING POLICIES

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

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

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

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

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

5.2 CASH FLOW ADJUSTMENTS

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

DKK million	2021	2020
Financial items	77.2	52.9
Share of profit of associated companies, net of tax	-31.5	-18.7
Income taxes	377.9	273.5
(Gains)/losses from sale of fixed assets	-18.3	-
Special items, paid	219.1	196.4
Other provisions movement	-149.0	167.1
Bad debt allowance and provision for obselete stock movements	-1.0	24.7
Fair value adjustment acquisition	-	62.0
Other adjustments	23.8	16.2
Total	**498.2**	**774.1**

5.3
CONTINGENT LIABILITIES

GUARANTEE OBLIGATIONS
The Group has (via 3rd parties) issued guarantees totalling DKK 608.6 million (DKK 607.3 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	2021	2020
Caribbean Cigar Holdings Group Co. S.A. (associated company)		
Purchase of products by Scandinavian Tobacco Group	-81.5	-106.9

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

For information on remuneration to the Management of Scandinavian Tobacco Group A/S, please refer to note 2.2 and note 2.3. For an overview of Group companies, please refer to note 5.7. There have not been and there are no loans to key management personnel in 2021 or 2020.

Dividends to shareholders have not been included in the above overview.

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

5.5
EVENTS AFTER THE REPORTING PERIOD

The Group has not experienced any significant events after 31 December 2021 which have an impact on the Annual Report.

5.6
FEE TO STATUTORY AUDITOR

DKK million	2021	2020
Statutory audit	6.2	7.4
Audit-related services	0.1	0.4
Tax advisory services	0.4	0.4
Other services	0.2	1.4
Total fee to statutory auditors	**6.9**	**9.6**

Fees for other services in addition to the statutory audit of the financial statements, which were provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to the Group amounted to DKK 0.4 million. Non-audit services in addition to the statutory audit of the financial statements comprise services relating to other general accounting and tax consultancy services.

5.7

ENTITIES IN SCANDINAVIAN TOBACCO GROUP

Company	Country	Ownership	Activity: Production	Activity: Sales and marketing	Activity: Administration	Activity: Finance
PARENT COMPANY						
Scandinavian Tobacco Group A/S	Denmark	–		✓	✓	✓
SUBSIDIARIES BY REGION						
EUROPE						
Agio Cigars Belgium N.V.	Belgium	100%	✓			
Bogaert Cigars N.V.	Belgium	100%			✓	
Scandinavian Tobacco Group Belux N.V.	Belgium	100%		✓		
Scandinavian Tobacco Group Lummen N.V.	Belgium	100%	✓			
Scandinavian Tobacco Group Belgium Services N.V.	Belgium	100%			✓	
Scandinavian Tobacco Group Assens A/S	Denmark	100%	✓	✓	✓	
Scandinavian Tobacco Group Denmark A/S	Denmark	100%		✓		
Scandinavian Tobacco Group Nykøbing ApS	Denmark	100%			✓	
STG Finans ApS	Denmark	100%				✓
STG Latin Holding ApS	Denmark	100%			✓	
Peter Stokkebye Tobaksfabrik A/S	Denmark	100%		✓		
Scandinavian Tobacco Group France S.A.S.	France	100%		✓		
Scandinavian Tobacco Group Deutschland GmbH	Germany	100%		✓		
Scandinavian Tobacco Group Italy S.R.L.	Italy	100%		✓		
Moderno Opificio del Sigaro Italiano S.r.l. **	Italy	65%	✓	✓	✓	
Scandinavian Tobacco Group Norway AS	Norway	100%		✓		
STG Portugal S.A.	Portugal	100%		✓		
Scandinavian Tobacco Group Spain S.A.U.	Spain	100%		✓		
Intermatch Sweden AB	Sweden	100%			✓	
STG Sweden AB	Sweden	100%		✓		

Company	Country	Ownership	Activity: Production	Activity: Sales and marketing	Activity: Administration	Activity: Finance
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%		✓		
Scandinavian Tobacco Group Tobacco Service B.V.	The Netherlands	100%			✓	
ST Cigar Group Holding B.V.	The Netherlands	100%			✓	
STG Finance 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%		✓		
Scandinavian Tobacco Group New Zealand Ltd	New Zealand	100%		✓		
AMERICA						
Agio Caribbean Tobacco Company Ltd.*	British Virgin Islands	100%	✓			
Scandinavian Tobacco Group Canada Holding Inc.	Canada	100%			✓	
Scandinavian Tobacco Group Canada Inc.	Canada	100%		✓		

5.7 (CONTINUED)

ENTITIES IN SCANDINAVIAN TOBACCO GROUP

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

* Doing business in the Dominican Republic.

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

5.8

EXPLANATION OF FINANCIAL RATIOS

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

EBIT MARGIN = EBIT / Net sales

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

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

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

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

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

TAX PERCENTAGE = Tax / Profit before tax

EQUITY RATIO = Equity / Total assets

ROIC = EBIT / 12 months average invested capital*

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

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

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

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

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

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

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

THE PARENT COMPANY

FINANCIAL STATEMENTS OF THE PARENT COMPANY

NOTES

1 JANUARY – 31 DECEMBER

INCOME STATEMENT – PARENT COMPANY

DKK million	Note	2021	2020
Other income		**370.0**	**332.2**
Other external costs		-196.1	-175.5
Staff costs	2	-181.8	-157.9
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**-7.9**	**-1.2**
Depreciation	3	-4.8	-5.1
Earnings before interest, tax and amortisation (EBITA)		**-12.7**	**-6.3**
Amortisation	3	-10.0	-10.9
Earnings before interest and tax (EBIT)		**-22.7**	**-17.2**
Result of investments in affiliated companies, net of tax	4	1,074.6	351.5
Financial income	5	110.8	188.1
Financial costs	6	-114.7	-191.9
Profit before tax		**1,048.0**	**330.5**
Income taxes	7	4.3	8.2
Net profit for the year		**1,052.3**	**338.7**

DKK million	Note	2021	2020
DISTRIBUTION OF PROFIT			
Proposed distribution of profit:			
Proposed dividend		731.0	650.0
Retained earnings		321.3	-311.3
Total		**1,052.3**	**338.7**

BALANCE SHEET AT 31 DECEMBER – PARENT COMPANY

DKK million	Note	2021	2020
ASSETS			
Other intangible assets		68.7	45.7
Intangible assets	8	**68.7**	**45.7**
Equipment, tools and fixtures	9	0.4	0.5
Leasehold improvements	9	2.4	2.7
Right-of-use assets	10	28.9	32.0
Property, plant and equipment		**31.7**	**35.2**
Deferred income tax assets	7	-	8.4
Investments in affiliated companies	11	9,279.0	9,242.2
Financial fixed assets		**9,279.0**	**9,250.6**
Fixed assets		**9,379.4**	**9,331.5**
Receivables from affiliated companies		3,043.1	2,858.4
Other receivables		4.4	0.2
Income tax receivable		113.6	45.5
Prepayments	12	24.7	19.5
Total receivables		**3,185.8**	**2,923.6**
Current Assets		**3,185.8**	**2,923.6**
Assets		**12,565.2**	**12,255.1**

DKK million	Note	2021	2020
EQUITY, PROVISIONS AND LIABILITIES			
Share capital		97.5	100.0
Retained earnings		5,434.1	5,076.0
Treasury shares		-570.5	-227.7
Proposed dividend		731.0	650.0
Equity		**5,692.1**	**5,598.3**
Deferred income tax liabilities	7	5.9	-
Other provisions	13	2.5	2.5
Provisions		**8.4**	**2.5**
Bank loans		688.9	636.0
Lease liabilities	14	29.1	32.0
Other liabilities		60.5	19.0
Long-term liabilities		**778.5**	**687.0**
Credit facilities		22.2	38.3
Liabilities to affiliated companies		5,927.2	5,765.9
Trade creditors		44.5	47.0
Lease liabilities	14	3.5	1.3
Other provisions	13	-	2.0
Other liabilities		88.8	112.8
Current liabilities		**6,086.2**	**5,967.3**
Liabilities		**6,864.7**	**6,654.3**
Equity, provisions and liabilities		**12,565.2**	**12,255.1**
Contingent liabilities	15		
Financial instruments	16		
Related-party transactions	17		
Fee to statutory auditor	18		
Ownership	19		

1 JANUARY – 31 DECEMBER

STATEMENT OF CHANGES IN EQUITY – PARENT COMPANY

DKK million	Share capital	Retained earnings	Treasury shares	Proposed dividend	Total
Equity at 1 January 2021	100.0	5,076.0	-227.7	650.0	5,598.3
Capital reduction	-2.5	-244.7	247.2	-	-
Cash flow hedges	-	9.8	-	-	9.8
Tax of cash flow hedges	-	-2.2	-	-	-2.2
Purchase of treasury shares	-	-	-606.4	-	-606.4
Share-based payments	-	23.7	-	-	23.7
Tax on share-based payments	-	0.7	-	-	0.7
Settlement of vested PSUs	-	-16.4	16.4	-	-
Settlement in cash of vested PSUs	-	-4.5	-	-	-4.5
Equity movement in subsidiaries	-	1.2	-	-	1.2
Foreign exchange adjustments of net investments in foreign subsidiaries	-	245.9	-	-	245.9
Dividend paid to shareholders	-			-650.0	-650.0
Dividend, treasury shares	-	23.3	-	-	23.3
Profit / loss for the year	-	321.3	-	731.0	1,052.3
Equity at 31 December 2021	**97.5**	**5,434.1**	**-570.5**	**731.0**	**5,692.1**

The share capital consists of 97,500,000 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. No other changes have been made to the share capital in the past five years.

DKK million	Share capital	Retained earnings	Treasury shares	Proposed dividend	Total
Equity at 1 January 2020	100.0	5,835.5	-35.0	610.0	6,510.5
Cash flow hedges	-	0.8	-	-	0.8
Tax of cash flow hedges	-	-0.2	-	-	-0.2
Purchase of treasury shares	-	-	-196.9	-	-196.9
Share-based payments	-	20.6	-	-	20.6
Settlement of vested PSUs	-	-4.2	4.2	-	-
Settlement in cash of vested PSUs	-	-1.3	-	-	-1.3
Equity movement in subsidiaries	-	7.0	-	-	7.0
Foreign exchange adjustments of net investments in foreign subsidiaries	-	-472.6	-	-	-472.6
Dividend paid to shareholders	-	-	-	-610.0	-610.0
Dividend, treasury shares	-	1.7	-	-	1.7
Profit / loss for the year	-	-311.3	-	650.0	338.7
Equity at 31 December 2020	**100.0**	**5,076.0**	**-227.7**	**650.0**	**5,598.3**

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 and certain trademark amortisations.

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 plans, the Company follows the requirements in the Danish Financial Statements 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 Group note 3.9.

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 is 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 2.

NOTE 2
STAFF COSTS

DKK million	2021	2020
Salaries	169.6	148.1
Pensions	11.4	9.5
Social security costs	0.8	0.3
Total	**181.8**	**157.9**
Average number of employees	**124**	**107**

Remuneration of the board of directors and executive board*
Total fees to the Board of Directors and Executive Board amounted to DKK 64.4 million (DKK 79.4 million).

2021

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

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

NOTE 2 (CONTINUED)

STAFF COSTS

2020

DKK million

Executive Board	Salary and benefits	Bonus	Pension	Extraordinary remuneration /stay-on and loyalty bonus	Share-based incentive programme	Total
Niels Frederiksen	7.5	4.0	-	2.0	6.3	19.8
Marianne Rørslev Bock	4.5	2.2	-	-	1.2	7.9
Total Executive Management	**12.0**	**6.2**	**-**	**2.0**	**7.5**	**27.7**
Other key management**	29.4	7.8	0.7	0.6	6.5	45.0
Total Executive Board	**41.4**	**14.0**	**0.7**	**2.6**	**14.0**	**72.7**

* Executive Board comprises the Executive Management (registered members) and other key management (not registered members).
**Includes severance pay in the amount of DKK 16.2 million related to salaries and benefits, DKK 1.9 million related to bonus, DKK 0.6 million related to stay-on and loyalty bonus and DKK 4.1 million related to sharebased incentive programme.

DKK thousand

Board of Directors	Position	Joined the Board	Left the Board	Board	Committees	Total
Nigel Northridge	Chairman	Apr 2016		1,320	220	1,540
Henrik Brandt	Vice-chairman	Apr 2017		880	110	990
Marlene Forsell	Board member	Apr 2019		440	330	770
Dianne Neal Blixt	Board member	Feb 2016		440	165	605
Luc Missorten	Board member	Feb 2016		440	275	715
Anders Obel	Board member	Apr 2018		440	-	440
Claus Gregersen	Board member	Apr 2019		440	110	550
Henrik Amsinck	Board member	Apr 2021		313	-	313
Hanne Malling	Employee represen.	Oct 2010		440	-	440
Lindy Larsen	Employee represen.	Jul 2016		440	-	440
Mogens Olsen	Employee represen.	Jul 2017		440	-	440
Total 2021				**6,033**	**1,210**	**7,243**
Total 2020				**5,200**	**1,100**	**6,300**

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 2021 the company paid DKK 464 thousand compared to DKK 404 thousand in 2020.

NOTE 3

DEPRECIATION AND AMORTISATION

DKK million	2021	2020
Depreciation		
Equipment, tools and fixtures	0.2	0.2
Leasehold improvements	0.3	0.3
Right-of-use assets	4.3	4.6
Total	**4.8**	**5.1**
Amortisation		
Other intangible assets	10.0	10.9
Total	**10.0**	**10.9**

NOTE 4

RESULT OF INVESTMENTS IN AFFILIATED COMPANIES, NET OF TAX

DKK million	2021	2020
Result of investments in affiliated companies, net of tax	1,074.6	351.5
Total	**1,074.6**	**351.5**

NOTE 5

FINANCIAL INCOME

DKK million	2021	2020
Interest on deposits in financial institutions, etc.	0.1	0.5
Interest on balances with affiliated companies	74.6	43.6
Exchange gains, net	36.1	144.0
Total	**110.8**	**188.1**

NOTE 6

FINANCIAL COSTS

DKK million	2021	2020
Interest on debt to financial institutions, etc.	48.3	66.2
Interest on balances with affiliated companies	51.5	21.3
Other financing costs	3.3	13.8
Lease interest costs	0.4	0.4
Exchange losses, net	11.2	90.2
Total	**114.7**	**191.9**

NOTE 7

INCOME TAXES

DKK million	2021	2020
Current income tax	-22.1	14.4
Deferred income tax	17.0	-22.6
Adjustment regarding prior years, current income tax	3.5	-
Adjustment regarding prior years, deferred income tax	-2.7	-
Total	**-4.3**	**-8.2**

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

DKK million	2021	2020
BREAKDOWN OF DEFERRED INCOME TAX:		
Intangible assets	3.5	4.3
Property, plant and equipment	-2.7	-1.8
Receivables	11.4	-4.5
Other liabilities	-6.3	-6.4
Total	**5.9**	**-8.4**
BREAKDOWN OF INCOME TAXES:		
Tax calculated at 22% of profit before tax	230.6	72.7
TAX EFFECT OF:		
Adjustment regarding prior years	0.8	-
Non-deductable costs	0.7	-3.7
Result of investments in affiliated companies	-236.4	-77.2
Total	**-4.3**	**-8.2**
Deferred income tax 1 January	-8.4	14.2
Deferred income tax in income statement	14.3	-22.6
Deferred income tax at 31 December	**5.9**	**-8.4**

NOTE 8

INTANGIBLE ASSETS

2021

DKK million	Other intangible assets
Accumulated cost at 1 January	154.0
Addition	33.0
Accumulated cost at 31 December	187.0
Accumulated amortisation at 1 January	108.3
Amortisation	10.0
Accumulated amortisation at 31 December	118.3
Carrying amount at 31 December	**68.7**

NOTE 9

PROPERTY, PLANT AND EQUIPMENT

2021

DKK million	Equipment, tools and fixtures	Leasehold improvements	Total
Accumulated cost at 1 January	0.7	3.0	3.7
Additions	0.1	-	0.1
Accumulated cost at 31 December	0.8	3.0	3.8
Accumulated depreciation at 1 January	0.2	0.3	0.5
Depreciation	0.2	0.3	0.5
Accumulated depreciation at 31 December	0.4	0.6	1.0
Carrying amount at 31 December	**0.4**	**2.4**	**2.8**

NOTE 10

RIGHT-OF-USE ASSETS

DKK million	Land, buildings, offices and warehouses	Cars	Total
Carrying amount at 1 January 2021	**30.2**	**1.8**	**32.0**
Additions	-	1.5	1.5
Disposals	-	-0.3	-0.3
Depreciation	-3.3	-1.0	-4.3
Carrying amount at 31 December 2021	**26.9**	**2.0**	**28.9**

The following amounts are recognised in the income statement:

DKK million	2021	2020
Depreciation expense of right-of-use assets	4.3	4.6
Interest expense on lease liabilities	0.4	0.4
Total amount recognised in the income statement	**4.7**	**5.0**

The Parent Company had total cash outflows for leases of DKK 2.4 million (DKK 1.3 million) in 2021.

NOTE 11

INVESTMENTS IN AFFILIATED COMPANIES

DKK million	2021	2020
Accumulated cost at 1 January	15,431.2	14,083.9
Additions	126.1	1,379.8
Disposals	-	-32.5
Accumulated cost at 31 December	15,557.3	15,431.2
Accumulated revaluation and impairment at 1 January	-6,189.0	-2,778.6
Dividends	-1,411.0	-3,297.8
Currency translation	245.9	-472.6
Equity adjustments	1.2	7.0
Profit after tax	1,074.6	351.5
Disposals	-	1.5
Accumulated revaluation and impairment at 31 December	-6,278.3	-6,189.0
Carrying amount at 31 December	**9,279.0**	**9,242.2**

Goodwill of DKK 2,630.9 million (DKK 2,749.6 million) is included in the carrying amount at 31 December 2021.

NOTE 11 (CONTINUED)

INVESTMENTS IN AFFILIATED COMPANIES

Investments in affiliated companies can be specified as follows:

Name	Country	Ownership
Scandinavian Tobacco Group Australia Pty Ltd	Australia	100%
Scandinavian Tobacco Group Assens A/S	Denmark	100%
Scandinavian Tobacco Group Denmark A/S	Denmark	100%
STG Finans ApS	Denmark	100%
STG Latin Holding ApS	Denmark	100%
General Cigar Dominicana S.A.S.	The Dominican Republic	100%
Scandinavian Tobacco Group Hong Kong Limited	Hong Kong	100%
Scandinavian Tobacco Group Italy S.R.L.	Italy	100%
Moderno Opificio del Sigaro Italiano S.r.l. *	Italy	65%
ST Cigar Group Holding B.V.	The Netherlands	100%
STG Finance 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%
Intermatch Sweden AB	Sweden	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.

NOTE 12

PREPAYMENTS

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

NOTE 13

OTHER PROVISIONS

2021

DKK million	Other provisions
Balance at 1 January	4.5
Utilised during the year	-2.0
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 14

LEASE LIABILITIES

2021

DKK million	Lease liabilities
Expected due:	
Within 1 year	3.5
Between 1 and 5 years	17.6
After 5 years	11.5
Total	**32.6**

NOTE 15

CONTINGENT LIABILITIES

Guarantee obligations

The Company has guarantee obligations totalling DKK 604 million at 31 December 2021 (DKK 603 million).

Parent Company guarantees

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

NOTE 16

FINANCIAL INSTRUMENTS

Reference is made to Group note 4.2.

NOTE 17

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	2021	2020
Affiliated companies		
Services provided by Scandinavian Tobacco Group A/S	381.0	338.5
Services provided to Scandinavian Tobacco Group A/S	-11.0	-5.0
Financial income	74.6	43.6
Financial costs	-51.5	-21.3

For information on remuneration to the Management of Scandinavian Tobacco Group A/S, please refer to note 2. For an overview of affiliated companies, please refer to note 11. There have not been and there are no loans to key management personnel in 2021 or 2020.

NOTE 18

FEE TO STATUTORY AUDITOR

DKK million	2021	2020
Statutory audit	1.0	1.6
Audit-related services	-	0.2
Tax advisory services	0.2	0.1
Other services	0.1	0.4
Total	**1.3**	**2.3**

NOTE 19

OWNERSHIP

As of 1 February 2021 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%
Parvus Asset Management Europe Limited	> 10%
Capital Group Companies, Inc	> 5%

MANAGEMENT'S STATEMENT

The Executive Management and the Board of Directors have today considered and adopted the Annual Report of Scandinavian Tobacco Group A/S for the financial year 1 January – 31 December 2021.

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

In our opinion, the Consolidated Financial Statements and the Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Group and the Parent Company and of the results of the Group and Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2021.

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

In our opinion, the Annual Report of Scandinavian Tobacco Group A/S for the financial year 1 January to 31 December 2021 with the file name 5299003KG4JS99TRML67-2021-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

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

Gentofte, 8 March 2022

EXECUTIVE MANAGEMENT

Niels Frederiksen
CEO

Marianne Rørslev Bock
CFO

BOARD OF DIRECTORS

Nigel Northridge
Chairman

Henrik Brandt
Vice-Chairman

Marlene Forsell

Dianne Neal Blixt

Luc Missorten

Anders Obel

Claus Gregersen

Lindy Larsen

Hanne Malling

Mogens Olsen

Henrik Amsinck

INDEPENDENT AUDITOR'S REPORT

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 2021 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2021 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2021 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 2021 comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes, including summary of significant accounting policies.

The Parent Company Financial Statements of Scandinavian Tobacco Group A/S for the financial year 1 January to 31 December 2021 comprise the income statement, the balance sheet, the statement of changes in equity and the notes, including summary of significant accounting policies.

Collectively referred to as the "Financial Statements".

BASIS FOR OPINION

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

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

Independence

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

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

Appointment

We were first appointed auditors of Scandinavian Tobacco Group A/S on 26 April 2017 for the financial year 2017. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 5 years including the financial year 2021.

INDEPENDENT AUDITOR'S REPORT (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 2021. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

STATEMENT ON MANAGEMENT'S REVIEW

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT (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 2031 with the filename 5299003KG4JS99TRML67-2021-12-31-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.

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;
- 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 2021 with the file name 5299003KG4JS99TRML67-2021-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 8 March 2022

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Søren Ørjan Jensen	Michael Groth Hansen
STATE AUTHORISED PUBLIC ACCOUNTANT	STATE AUTHORISED PUBLIC ACCOUNTANT
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