

A black, textured cover for an investor presentation, centered on a white marble background. The cover is surrounded by various tobacco-related items: a pair of silver scissors at the top, a pile of brown tobacco shreds at the top right, a black fountain pen with gold accents on the right, a wooden smoking pipe with a black stem at the bottom right, a large cigar with a gold and black label on the left, and a smaller cigar below it. A pile of dark tobacco shreds is also visible on the left side.

INVESTOR PRESENTATION

FULL YEAR 2020

10 MARCH 2021



AGENDA

01 FY/Q4 highlights

02 Rolling towards 2025

03 CSR update

04 Divisional update

05 Group financials

06 2021 outlook

07 Q&A session



NIELS FREDERIKSEN
CEO



MARIANNE RØRSLEV BOCK
CFO



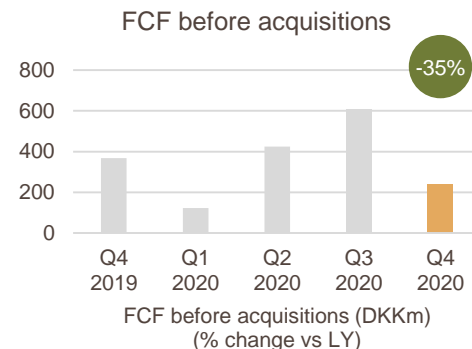
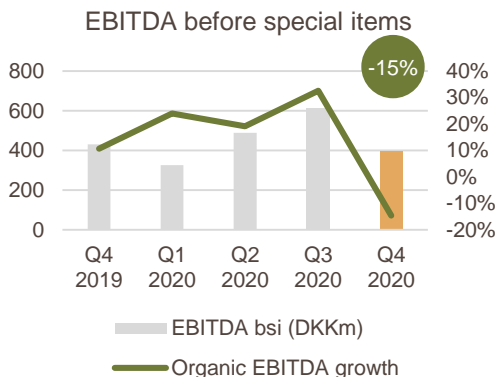
TORBEN SAND
Head of Investor Relations

All statements except for statements of historical fact in this presentation are forward-looking. Forward-looking statements give Scandinavian Tobacco Group's ("STG") current expectations and projections relating to its financial condition, results of operations, plans, objectives, future performance as well as business. No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or the opinions contained therein. The presentation has not been independently verified and will not be updated.



FY/Q4 2020 HIGHLIGHTS

- Delivered on the guidance on organic EBITDA growth and exceeded on FCF guidance due to timing of payables
- Net sales trend remained strong driven by handmade cigars and smoking tobacco
- Expected decline in EBITDA due to strong Q4 2019 and phasing between Q3 2020 and Q4 2020
- Cash flow generation slightly stronger than expected as normalization of payables was delayed into Q1 2021
- Agio integration on track and Fuelling the Growth targets achieved ahead of schedule





AGIO INTEGRATION ON TRACK



Integration delivers as planned

- The integration is on target and delivered savings of about DKK 80 million in 2020
- Commercial integration was finalized in 2020
- Stable market shares in acquired business
- Special costs of DKK 176 mio. expensed in Q4 including costs for changes in the factory footprint. Full year 2020 expense of DKK 346 mio.

2020

New organization established
Commercial integration completed

2021

Integration of production facilities

2022

Integration completed



DKK ~225 mio. in net cost synergies projected by the end of 2022

Post integration: to improve EBITDA margin bsi by at least 2%-points and to increase Group ROIC



OUR ACHIEVEMENTS

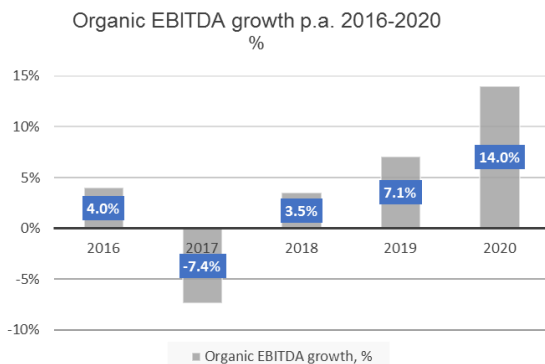
OUR JOURNEY





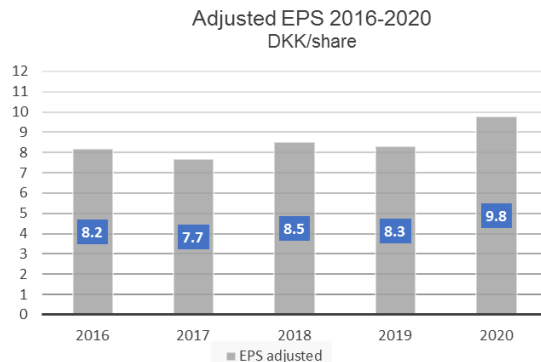
5 YEAR FINANCIAL ACHIEVEMENTS

Organic EBITDA growth



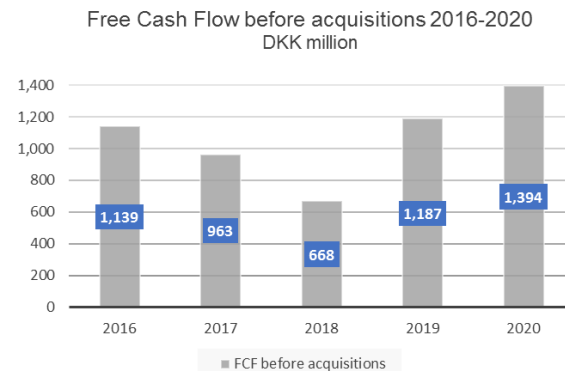
**5y average
4.2%**

Adjusted EPS growth



~5.3% 5y CAGR

FCF before acquisitions

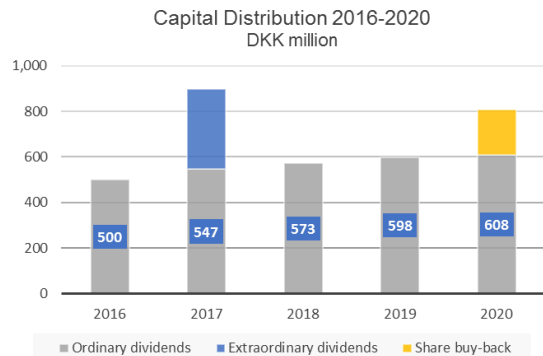


**5y average
DKK 1,070m**



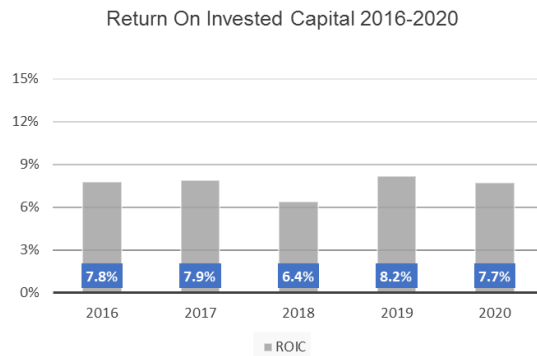
5 YEAR FINANCIAL ACHIEVEMENTS

Capital allocation



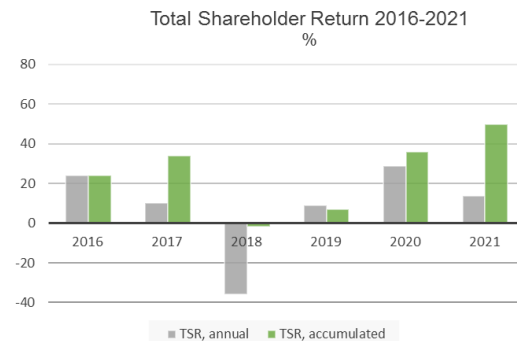
**Ordinary Dividend
5.4% CAGR**

Return On Invested Capital



**5y average
7.6%**

Total Shareholder Return



~8.2% CAGR



ROLLING TOWARDS 2025



OUR PURPOSE

**CRAFT THE RITUALS
THAT MAKE US MORE**



OUR VISION

**WE WANT TO BE THE
UNDISPUTED, GLOBAL
LEADER IN CIGARS**



ROLLING TOWARDS 2025



OUR MUST-WIN BATTLES

#1

GROW OUR
HANDMADE
CIGAR BUSINESS

#2

DRIVE
SUSTAINABLE
PROFIT GROWTH
IN MACHINE-
ROLLED CIGARS

#3

INTEGRATE NEW
MERGERS AND
ACQUISITIONS

#4

SIMPLIFY
EVERYTHING
WE DO

#5

EMBRACE A
PERFORMANCE
CULTURE

ENABLERS

IT AND DATA
CAPABILITIES AND
INFRASTRUCTURE

LEAN, AGILE,
EFFICIENT
OPERATIONS

ATTRACTIVE
EMPLOYER FOR
TALENT

GROWTH
INCUBATOR



FINANCIAL AMBITIONS

AVERAGE ANNUAL ORGANIC EBITDA GROWTH OF 3-5%

AVERAGE ANNUAL GROWTH IN FREE CASH FLOW BEFORE ACQUISITIONS

IMPROVE RETURN ON INVESTED CAPITAL



CORPORATE SOCIAL RESPONSIBILITY

We want our CSR work to have a meaningful and recognizable impact in our business and in the world around us. That is why we have developed our first CSR Strategy, which we have mapped to the United Nations Sustainable Development Goals (SDGs).

A NEW STRATEGY

The Group adopted our first CSR Strategy in June 2020. The new CSR Strategy has four Focus Areas, each with its own defined ambitions, activities, and goals. Those Focus Areas are:

- People and Communities
- Planet
- Ethics
- Governance

We assess that these Focus Areas and related activities impact 5 of the UN Sustainable Development Goals:



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 do not tolerate any form of corruption or bribery



GOVERNANCE

How we embed strong oversight and transparency in our business



We are working to adopt sustainable business practices



We are committed to non-discrimination under human rights laws and conventions

DIVERSITY AND INCLUSION

25% of our senior managers in 2020 were women. That falls short of our goal of 33%, and we want to do better.

CLIMATE ACTION

The Group will in 2021 begin measuring our Scope 1 and 2 emissions under the Greenhouse Gas Protocol.

CODE OF CONDUCT

Our Code of Conduct describes the ethical behaviour we expect from every one of our employees.



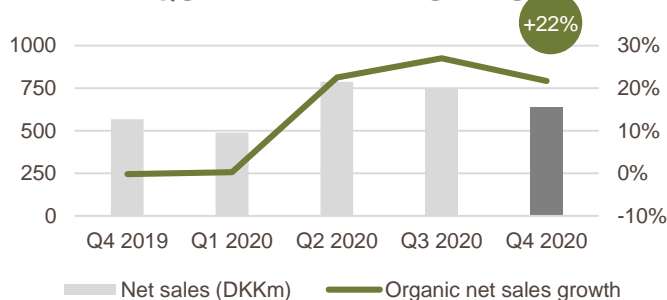
NORTH AMERICA ONLINE & RETAIL

HIGHLIGHTS OF THE YEAR

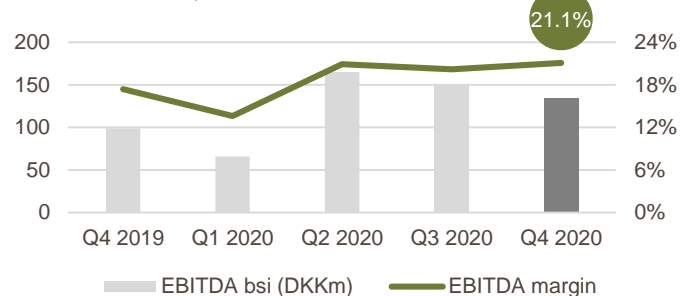
- Higher consumption of handmade cigars continued throughout the year with increase in smoking opportunities and increase in number of active customers in online business resulting in 19% organic net sales growth for the full year
- Strong performance accelerated by strategic initiatives as well as Covid-19
- First phase of retail expansion completed with the opening of second Texas super store and two Florida super stores



QUARTERLY NET SALES



QUARTERLY EBITDA bsi





LOOKING AHEAD

- Higher consumption of handmade cigars expected to continue in the first half of the year with a normalization in the second half
- A substantial part of new active customers in online business to be retained post Covid-19 supported by strategic initiatives
- Positive organic growth expected to continue in 2021 though slowing down in the second half as consumer behavior expected to normalize and due to more “equal” comparison base
- Promotional activity by competitors started to increase by the end of the year



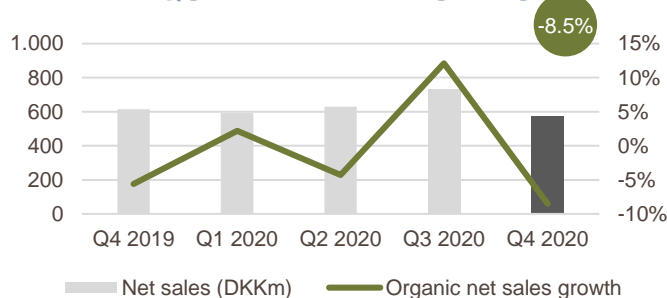


HIGHLIGHTS OF THE YEAR

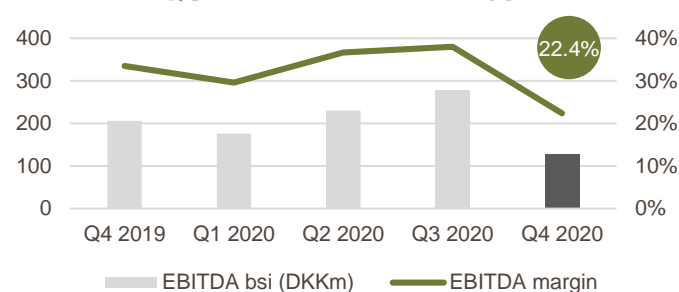
- Growth in handmade cigars and smoking tobacco categories. Machine rolled cigars experienced declining volumes
- Margin improvement supported by commercial and cost initiatives as well as mix.
- High quarterly fluctuations in 2020 driven by phasing/hoarding as well as travel and border restrictions
- Q4 2020 impacted by phasing between quarters and mix changes



QUARTERLY NET SALES



QUARTERLY EBITDA bsi





LOOKING AHEAD



- Volume increase in handmade cigars expected to continue in 2021 with higher consumption of handmade cigars expected to continue in the first half of the year with a normalization in the second half
- Positive organic growth in net sales expected for full year
- Launch of The Forged Cigar Company, a national cigar distribution network

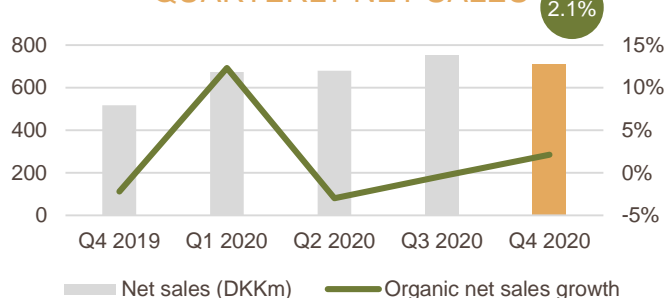


HIGHLIGHTS OF THE YEAR

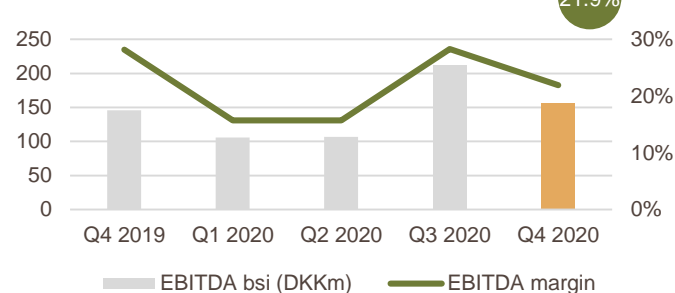
- Volume trends are generally back to normal, though country mix impacted by border closures and travel restrictions
- Throughout the commercial integration of Agio Cigars during 2020, the combined volume market share has been maintained
- Fair value adjustment of Agio inventories Agio impacted first half 2020 EBITDA by DKK 62 million
- Margins (excl. FV adjustments) improved driven by price increases, integration benefits and general cost efficiencies.



QUARTERLY NET SALES



QUARTERLY EBITDA bsi





LOOKING AHEAD

- Structural decline in cigar volumes to continue in 2021
- Focus on market shares and price improvements
- Organic net sales growth expected to decline due to loss of distribution contract
- Additional benefits from the integration of Agio Cigars to improve margins





Q4/FY RESULTS

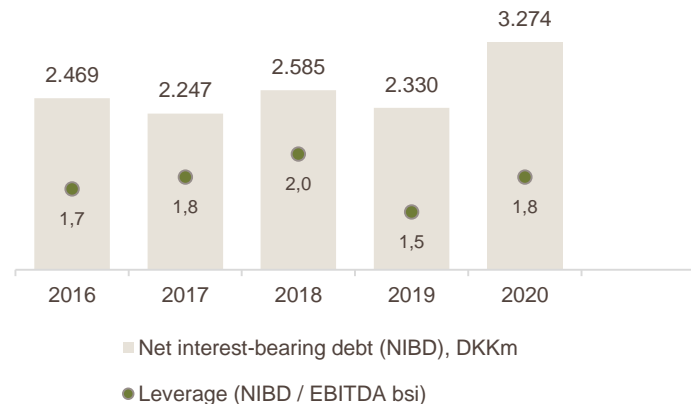
DKK mio.	Q4 2020	Q4 2019	FY 2020	FY 2019	FY 2020 (FY 2019)
Net sales	1,922	1,699	8,006	6,719	6.6% Organic net sales growth (-2.5%)
Gross profit (before special items)	867	810	3,712	3,142	46.4% Gross margin (46.8%)
OPEX	-470	-380	-1,886	-1,629	23.6% OPEX ratio (24.3%)
EBITDA before special items	397	430	1,826	1,513	22.8% EBITDA margin (22.5%)
Special items	-121	29	-435	-133	
EBIT	180	350	986	977	
Net financials	-15	-3	-53	-45	
Net profit	48	279	678	748	
Adjusted EPS (DKK)	x.x	x.x	9.8	8.3	
Cash flow from operations	276	404	1,585	1,300	
Free cash flow before acquisitions	238	368	1,394	1,187	



NET DEBT AND LEVERAGE

- NIBD increased by DKK 944 million versus Q4 2019 and decreased by DKK 126 million versus Q3 2020
- Leverage ratio down to 1.8x EBITDA versus 1.5x end Q4 2019 and 1.8x end Q3 2020
- Decrease driven by strong cash flow generation
- In September, a 5-year unsecured corporate bond for a principal amount of EUR 300 million with maturity in September 2025 and with a coupon of 1.375% was issued
- Scandinavian Tobacco Group A/S and the corporate bond assigned a Baa3 rating with a stable outlook by Moody's

NIBD AND LEVERAGE

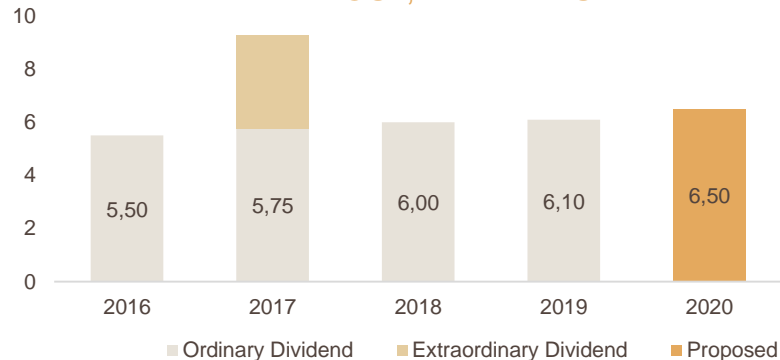




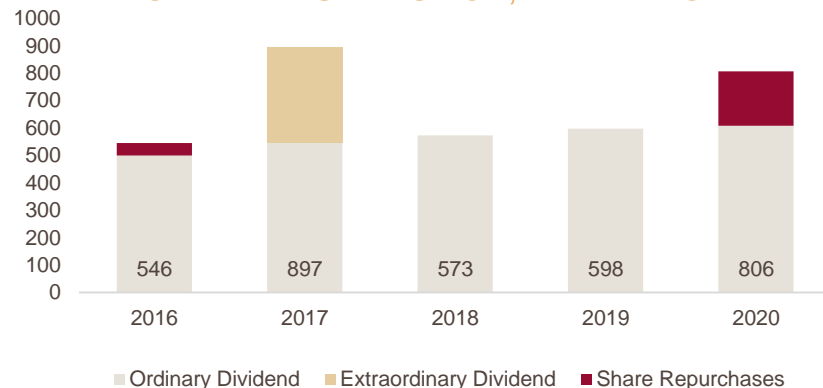
CAPITAL DISTRIBUTION

- Total capital distribution DKK 806m in 2020 (608 million in dividends and DKK 198 million in SBB)
- Total capital distribution 2016-2020 of DKK 3.4 billion
- DKK 300 million share buy-back was initiated in August 2020. Purpose to adjust capital structure and cover Long Term Incentive obligations
- DKK 300 million purchased by end of February 2021 @ DKK 101.43 in average price
- Proposal of an ordinary dividend per share of DKK 6.50 (6.6% increase)
- Intention to initiate new share buy-back of up to DKK 600 million (@DKK 115 = 5.2m shares)

DIVIDEND PAYOUT, DKK PER SHARE



CAPITAL DISTRIBUTION, DKK MILLION





2021 FULL-YEAR GUIDANCE

GUIDANCE 2021

EBITDA

Organic growth >7%

FCF Before acquisitions

➤ DKK 1,000 million

Adjusted Earnings Per Share

>10% increase

KEY ASSUMPTIONS

- Positive organic net sales growth for FY 2021 with normalization of consumer behavior in second half of years
- ~DKK 70-80 million cost savings from Agio
- Financial expenses, excl. FX of DKK 105-115 million
- DKK 90 million special costs
- CAPEX in the level of DKK 410 million



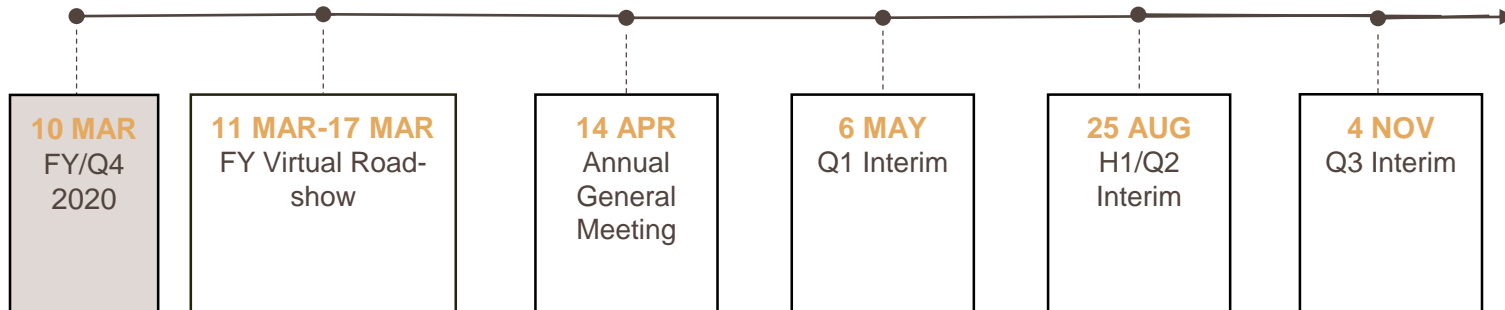
Q&A





EVENT CALENDAR & CONTACT

EVENT CALENDAR 2021



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