

A photograph of a tobacco field. In the foreground, several large, rounded burlap sacks are piled high with vibrant green tobacco leaves. The background shows a vast field of tobacco plants stretching towards a hazy horizon under a bright, overcast sky. The overall scene is agricultural and natural.

INVESTOR PRESENTATION

SECOND QUARTER 2019

29 AUGUST 2019



AGENDA

1. Quarterly Highlights
2. Regulatory Update
3. Financials
4. Guidance 2019
5. Q&A

This presentation contains forward-looking statements. All statements other than statements of historical fact included in the presentation are forward-looking statements. Forward-looking statements give Scandinavian Tobacco Groups (“STG”) current expectations and projections relating to its financial condition, results of operations, plans, objectives, future performance and business.

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QUARTERLY HIGHLIGHTS

**Q2 2019 and 6M 2019
support guidance**



**Selected investments in
trademarks and Super
Stores**



**Fuelling the Growth
delivers expected net
savings**



Q2 2019 FINANCIAL HIGHLIGHTS

	Q2 2019	6M 2019
Net sales	DKK 1,818 million (organic growth -0.9%)	DKK 3,282 million (organic growth -1.2%)
EBITDA before special items	DKK 398 million (organic growth 5.5%)	DKK 637 million (organic growth 6.2%)
Free cash flow before acquisitions	DKK 243 million	DKK 316 million
Dividend per share		DKK 6.00 AGM, April 10

FUELLING THE GROWTH UPDATE



ORGANISATION



- FTE/net sales ratio
- Organisational layers from 10 to 7
- 100-120 white collar positions



COMMERCIAL RESOURCES



- Four divisions anchored in Executive Board
- Customer service level
- Market shares in selected markets
- Number of active customers in online/catalogue business



GLOBAL LOGISTICS



- Manufacturing network
- Production allocation across factories
- Distribution efficiency and improve customer service



GLOBAL PROCUREMENT



- A global procurement organisation
- Group purchases of DKK 4 billion
- The number of suppliers



OPERATIONAL COST EFFICIENCY



- Product platforms
- SKU portfolio
- Capacity utilisation

SPECIAL COSTS

250M

SPECIAL COSTS OF UP TO DKK 250 MILLION (DKK 182 MILLION IN 2018)

FTG NET SAVINGS

250M

FULL-YEAR RUNRATE NET SAVINGS OF ~DKK 250 MILLION BY THE END OF 2021



REGULATION UPDATE



- FDA
- Excise and tax

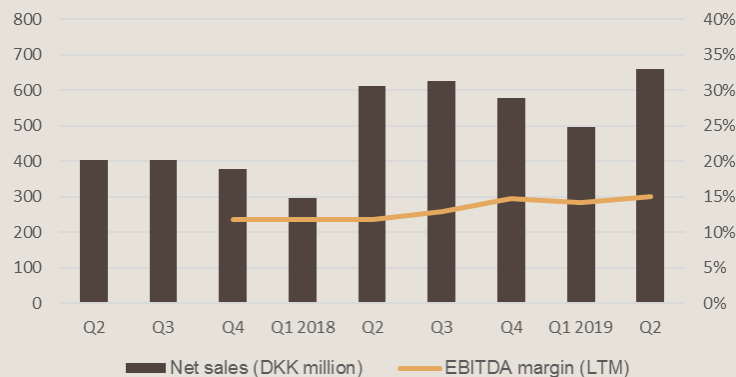


- Tobacco Products Directive
- Excise and tax



NORTH AMERICA ONLINE & RETAIL

Quarterly net sales and EBITDA margin



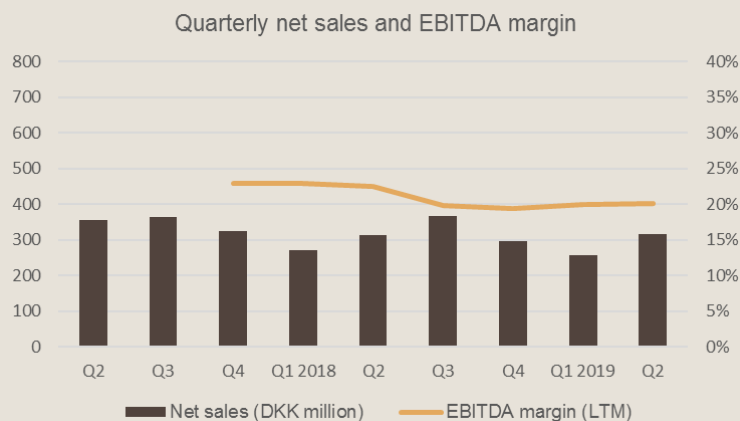
Q2 2019

- **Online:** Transfer of Thompson IT platforms completed
- **Retail:** Expansion continues with plans for 2 Super-Stores in Florida
- **EBITDA margin:** Increase driven by efficiency improvements
- **IFRS 16** improved the EBITDA margin by 0.8%-point in Q2 and by 0.9%-point in H1

DKK million	Q2 19	Q2 18	6M 19	6M 18	2018
	excl IFRS 16		excl IFRS 16		excl IFRS 16
Net sales	658	610	1,155	907	2,111
Gross profit	259	222	441	334	793
EBITDA	111	83	161	116	310
Net sales growth	7.8%	51.7%	27.3%	26.4%	40.7%
- Organic growth ¹⁾	1.6%	10.1%	1.9%	9.6%	6.3%
Gross margin	39.3%	36.4%	38.2%	36.8%	37.5%
EBITDA margin	16.8%	13.7%	13.9%	12.8%	14.7%
Handmade cigars					
Volume impact	3.9%	3.4%	2.0%	3.9%	1.6%
Price/mix impact	-1.5%	5.7%	-0.1%	4.5%	4.9%
Organic growth¹⁾	2.4%	9.1%	1.9%	8.4%	6.5%

1) Excluding impact of currencies, acquisitions and IFRS 16.

NORTH AMERICA BRANDED



Q2 2019

- **Machine-made cigars** improved versus Q1
- **Handmade cigars** had lower sales to online distributors driven by inventory rebalancing
- **EBITDA margins** (adjusted for IFRS 16) were down due to volume development. OPEX ratio improvement
- **IFRS 16** improved the EBITDA margin by 2.0%-point in both Q2 and H1

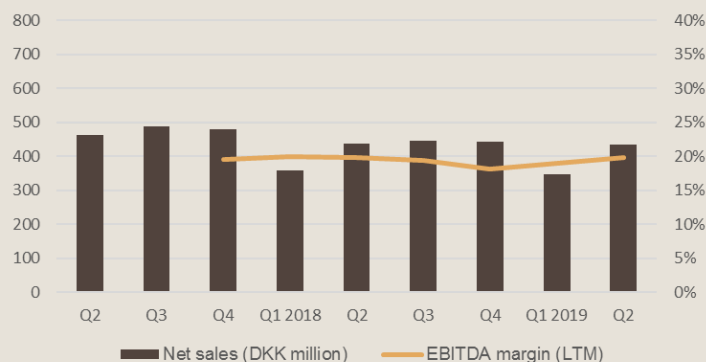
DKK million	Q2 19	Q2 18	6M 19	6M 18	2018
	excl IFRS 16		excl IFRS 16		excl IFRS 16
Net sales	316	313	573	584	1,247
Gross profit	179	188	326	339	712
EBITDA	71	68	116	110	242
Net sales growth	0.9%	-11.6%	-2.0%	-11.7%	-7.5%
- Organic growth ¹⁾	-4.2%	-2.4%	-6.5%	-0.7%	-1.2%
Gross margin	56.6%	59.9%	57.0%	58.0%	57.1%
EBITDA margin	22.3%	21.8%	20.3%	18.9%	19.4%
Handmade cigars					
Volume impact	-8.6%	-3.5%	-7.9%	1.2%	1.8%
Price/mix impact	-1.1%	5.2%	1.5%	1.0%	0.9%
Organic growth¹⁾	-9.7%	1.7%	-6.4%	2.2%	2.7%

1) Excluding impact of currencies, acquisitions and IFRS 16.



REGION MACHINE-MADE CIGARS

Quarterly net sales and EBITDA margin



Q2 2019

- **Machine-made cigars:** Top 5 market share slightly down versus Q1 2019
- **Organic growth** -1.4% with machine-made cigars at -3.7%
- **EBITDA margins:** Improving following progress in FtG
- **IFRS 16** improved the EBITDA margin by 1.8%-point in Q2 and by 1.9%-point in H1

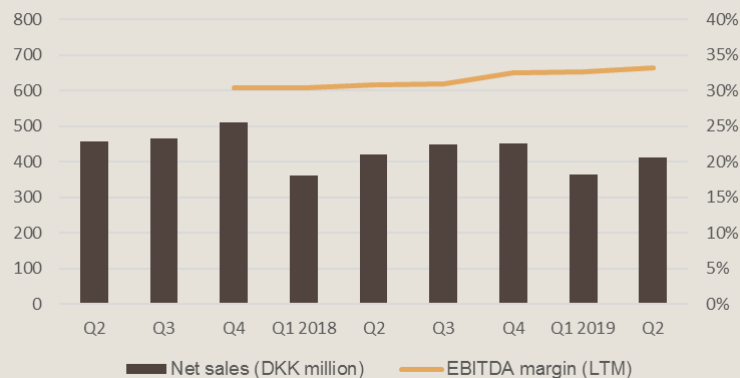
DKK million	Q2 19	Q2 18	6M 19	6M 18	2018
	excl IFRS 16		excl IFRS 16		excl IFRS 16
Net sales	433	437	781	794	1,682
Gross profit	217	225	394	402	832
EBITDA	100	87	163	137	304
Net sales growth	-0.9%	-5.2%	-1.7%	-4.4%	-6.4%
- Organic growth ¹⁾	-1.4%	-5.2%	-2.0%	-4.3%	-6.4%
Gross margin	50.2%	51.5%	50.5%	50.7%	49.5%
EBITDA margin	23.0%	19.9%	20.9%	17.3%	18.0%
Machine-made cigars					
Volume impact	-4.6%	-3.0%	-2.5%	-4.6%	-7.8%
Price/mix impact	0.9%	-0.4%	0.1%	1.4%	1.0%
Organic growth¹⁾	-3.7%	-3.4%	-2.4%	-3.2%	-6.8%

1) Excluding impact of currencies, acquisitions and IFRS 16.



REGION SMOKING TOBACCO & ACCESSORIES

Quarterly net sales and EBITDA margin



Q2 2019

- Good performance in Germany and Middle East / Africa offset by timing of shipments and fine-cut in Israel
- **EBITDA margin:** Improvement driven price/mix and a lower OPEX ratio
- **IFRS 16** improved the EBITDA margin by 0.8%-point in both Q2 and H1
- Trademarks and designs acquired from Dunhill Tobacco Company

DKK million	Q2 19	Q2 18	6M 19	6M 18	2018
	excl IFRS 16		excl IFRS 16		excl IFRS 16
Net sales	410	419	773	779	1,677
Gross profit	218	218	396	391	882
EBITDA	142	136	243	234	545
Net sales growth	-2.1%	-8.0%	-0.8%	-7.4%	-7.7%
- Organic growth ¹⁾	-1.6%	0.5%	-0.7%	3.6%	1.9%
Gross margin	53.2%	52.0%	51.3%	50.2%	52.6%
EBITDA margin	34.6%	32.5%	31.5%	30.0%	32.5%

1) Excluding impact of currencies, acquisitions and IFRS 16.

Note: Gross profit, EBITDA and related margins are all before special items



KEY DATA

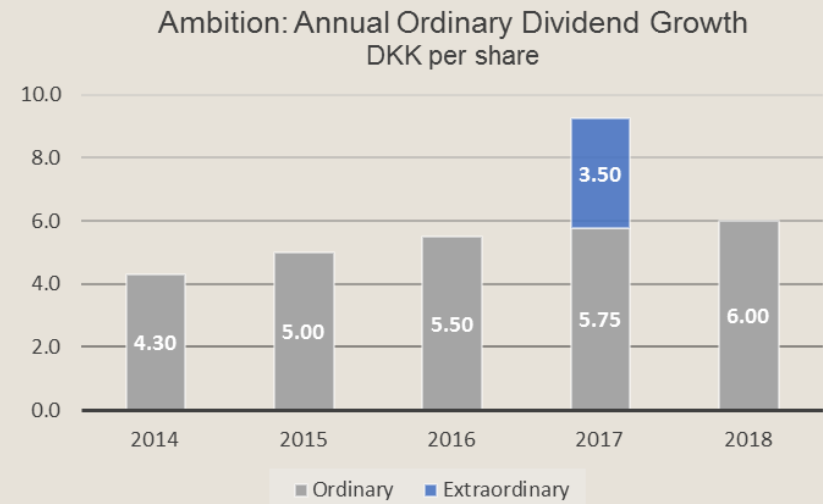
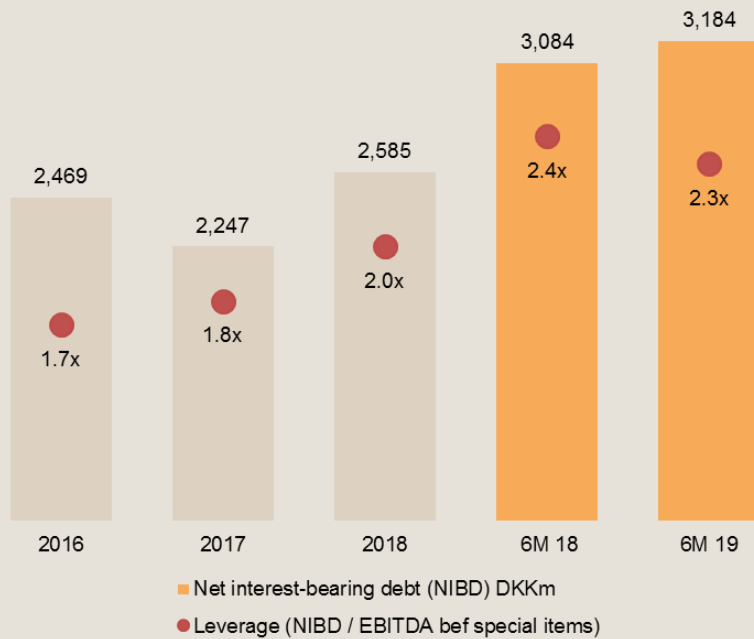
Q2 2019 AND 6M 2019

	Q2 2019	Q2 2018	Growth, %		6M 2019	6M 2018	Growth, %	
	DKKkm	ex IFRS 16 DKKkm	Reported	Organic ¹	DKKkm	ex IFRS 16 DKKkm	Reported	Organic ¹
Net sales	1,818	1,780	2%	(0.9%)	3,282	3,065	7%	(1.2%)
Gross profit before special items	873	853	2%		1,558	1,466	6%	
<i>Gross margin before special items</i>	<i>48.0%</i>	<i>47.9%</i>			<i>47.5%</i>	<i>47.8%</i>		
EBITDA before special items	398	346	15%	5.5%	637	544	17%	6.2%
<i>EBITDA margin before special items</i>	<i>21.9%</i>	<i>19.4%</i>			<i>19.4%</i>	<i>17.8%</i>		
Net profit	205	205	0%		298	293	1%	
Free cash flow before acquisitions	243	213			316	137		

1) Excluding impact of currencies, acquisitions and IFRS 16



CAPITAL STRUCTURE AND DIVIDENDS





GUIDANCE 2019

GUIDANCE	
EBITDA	Organic growth >5%
FREE CASH FLOW BEFORE ACQUISITIONS	>DKK 750 million

ASSUMPTIONS	
FINANCIAL EXPENSES 1)	DKK 70-80 million
EFFECTIVE TAX RATE	21-23%
SPECIAL ITEMS, NET	~DKK -85 million
EXCHANGE RATES	Current exchange rates

1) Financial expenses, excluding currency losses or gains and fair value adjustments



Q&A





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FINANCIAL CALENDAR

2019
14
 MAR

Annual report 2018*

2019
10
 APR

Annual General Meeting

2019
23
 MAY

First quarter 2019*

2019
29
 AUG

Half year report 2019*

2019
14
 NOV

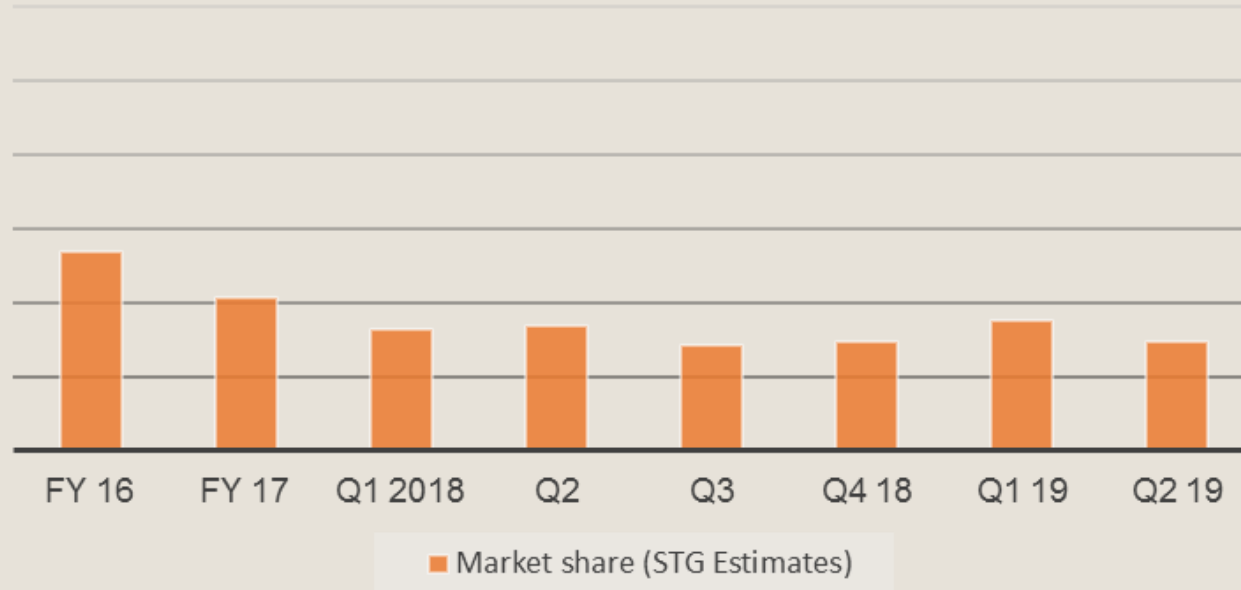
Nine months 2019*

* Silent period starts four weeks prior to interim report announcements



MARKET SHARE PERFORMANCE

Market Share Index
Top 5 European machine-made cigar markets



Top 5 EU Markets: France, Belgium, Holland, UK and Spain



IFRS 16 – MATERIAL IMPACT ON RESULTS

IFRS 16 IMPACT ON DIVISIONAL FIGURES, Q2 2019

<i>DKK million</i>	<i>North America Online & Retail</i>	<i>North America Branded</i>	<i>Region MMC</i>	<i>Region ST&A</i>	<i>Group costs / not allocated</i>	<i>Total</i>
EBITDA before special items	111	71	100	142	-25	398
IFRS 16 impact	-5	-6	-8	-3	-1	-24
EBITDA before special items excl. IFRS 16	106	64	92	139	-27	374
EBITDA margin before special items	16.8%	22.3%	23.0%	34.6%		21.9%
EBITDA margin before special items excl. IFRS 16	16.0%	20.3%	21.2%	33.9%		20.6%

IFRS 16 IMPACT ON DIVISIONAL FIGURES, 6M 2019

<i>DKK million</i>	<i>North America Online & Retail</i>	<i>North America Branded</i>	<i>Region MMC</i>	<i>Region ST&A</i>	<i>Group costs / not allocated</i>	<i>Total</i>
EBITDA before special items	161	116	163	243	-46	637
IFRS 16 impact	-10	-12	-15	-6	-3	-46
EBITDA before special items excl. IFRS 16	151	104	149	237	-49	592
EBITDA margin before special items	13.9%	20.3%	20.9%	31.5%		19.4%
EBITDA margin before special items excl. IFRS 16	13.0%	18.2%	19.0%	30.7%		18.0%



KEY DATA

	Q2 2019		Q2 2018		6M 2019		6M 2018		FY 2018
	ex. IFRS 16		ex. IFRS 16		ex. IFRS 16		ex. IFRS 16		ex. IFRS 16
	DKKm	DKKm	Growth, %		DKKm	DKKm	Growth, %		DKKm
	Organic ¹				Organic ¹				
Net sales	1,818	1,780	2%	(0.9%)	3,282	3,065	7%	-1.2%	6,718
Gross profit (before special items)	873	853	2%		1,558	1,466	6%		3,219
OPEX (ex other income)	-475	-507	(6%)		-921	-922	(0%)		-1,915
EBITDA before special items	398	346	15%	5.5%	637	544	17%	6.2%	1,304
<i>EBITDA margin before special items</i>	<i>21.9%</i>	<i>19.4%</i>	<i>2.5%</i>		<i>19.4%</i>	<i>17.8%</i>	<i>1.7%</i>		<i>19.4%</i>
Special items	-20	-11			-44	-14			-216
EBIT	280	258	8%		399	383	4%		738
Pre tax Profit	262	264	(1%)		381	378	1%		717
Net profit	205	205	0%		298	293	1%		666
Cash flow from operations	274	245			363	200			784
Free cash flow before acquisitions	243	213			316	137			668

1) Excluding impact of currencies, acquisitions and IFRS 16

CASH FLOW DEVELOPMENT

	Q2 2019	Q2 2018	6M 2019	6M 2018	FY 2018
	DKKm	DKKm	DKKm	DKKm	DKKm
EBITDA before special items	398	346	637	544	1,304
Changes in working capital	-3	-79	-92	-147	-101
Adjustments	12	-11	10	-19	-81
Special items, paid	-64	-10	-90	-22	-103
Cash flow from operating activities before financial items	343	246	465	357	1,019
Financial items, net	-18	38	-2	-1	-15
Tax payments	-51	-39	-100	-156	-220
Cash flow from operating activities	274	245	363	200	784
Acquisitions	-	-389	-	-389	-394
Investment in intangible and tangible assets, sales of PPE and div.	-31	-32	-48	-64	-117
Cash flow from investing activities	-31	-421	-48	-452	-511
Free cash flow	243	-176	316	-252	274
Repayment of lease liabilities	-24	-	-46	-	-
Free cash flow before acquisitions	243	213	316	137	668



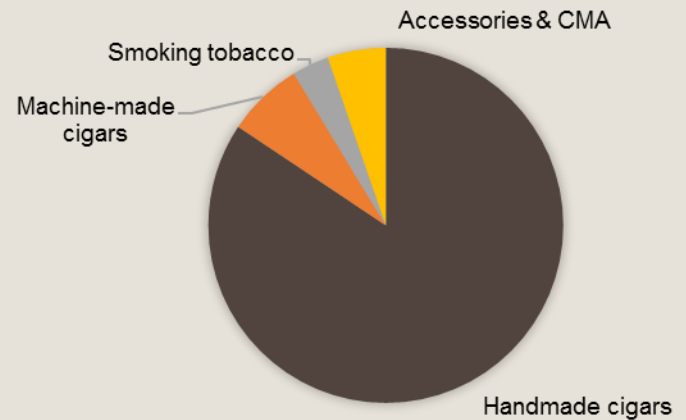
NORTH AMERICA ONLINE & RETAIL



Share of Group
Full year 2018



Divisional net sales by product category
Full year 2018





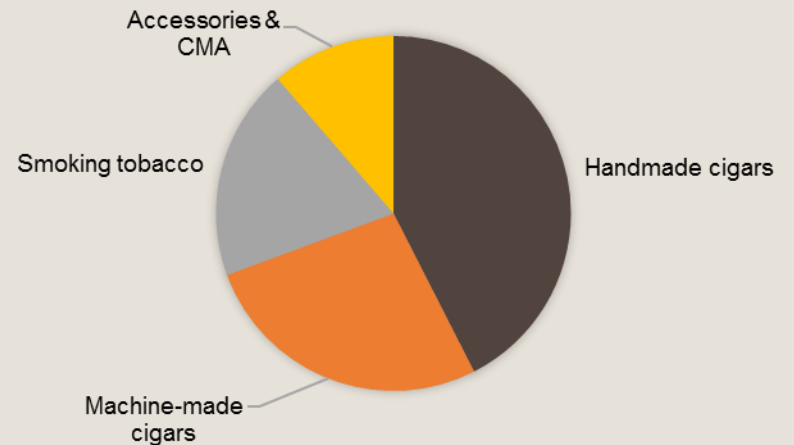
NORTH AMERICA BRANDED



Share of Group
Full year 2018



Divisional net sales by product category
Full year 2018





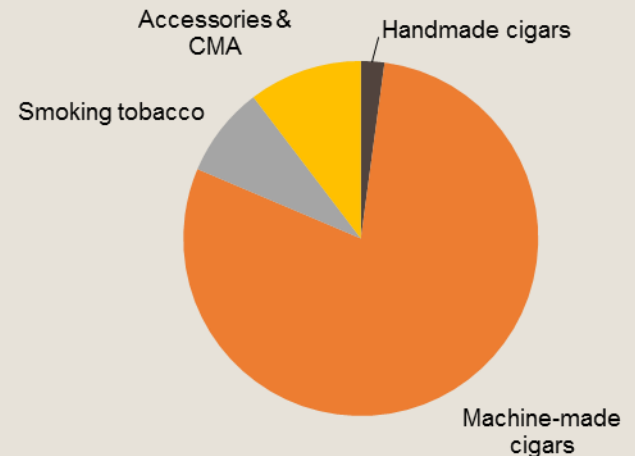
REGION MACHINE-MADE CIGARS



Share of Group
Full year 2018



Divisional net sales by product category
Full year 2018





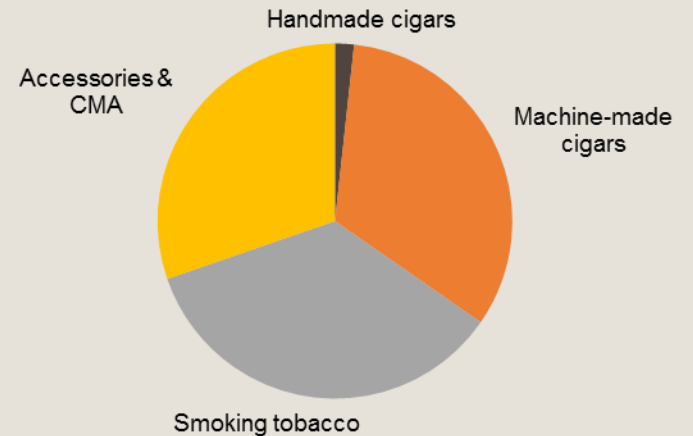
REGION SMOKING TOBACCO & ACCESSORIES



Share of Group
Full year 2018



Divisional net sales by product category
Full year 2018





FORWARD LOOKING STATEMENTS

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