

A photograph of a tobacco field. In the foreground, three large, conical burlap sacks are piled high with vibrant green tobacco leaves. The background shows a vast field of tobacco plants stretching to the horizon under a bright, slightly hazy sky. The overall scene is rural and agricultural.

INVESTOR PRESENTATION

FIRST QUARTER 2019

23 MAY 2019



AGENDA

1. Quarterly Highlights
2. New Reporting Structure and IFRS 16
3. The divisions
4. Financials
5. Guidance 2019
6. Q&A

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QUARTERLY HIGHLIGHTS

**Organic EBITDA growth
of 7.3%**



**Guidance unchanged
with >5% organic growth
in EBITDA**



**FtG progressing well.
New reporting structure
introduced**





Q1 2019 FINANCIAL HIGHLIGHTS

	Q1 2019
Net sales	DKK 1,464 million (organic growth -1.6%)
EBITDA before special items	DKK 239 million (organic growth 7.3%)
Free cash flow before acquisitions	DKK 72 million
Dividend per share	DKK 6.00 Approved at AGM, April 10



IMPACT FROM ACCOUNTING CHANGES IN 2019

	<u>Change</u>	<u>Impact on comparison</u>
IFRS 16	Operational leasing will going forward be treated a financial leasing	Historical numbers will <u>not</u> be restated
New divisions	Figures will be presented at divisional level rather than category level and will include EBITDA performance	Historical numbers will be restated
Special items	Special items will be reported as a separate line item in the Income statement and notes	Historical numbers will be restated

NEW REPORTING STRUCTURE

FROM CATEGORIES TO DIVISIONS

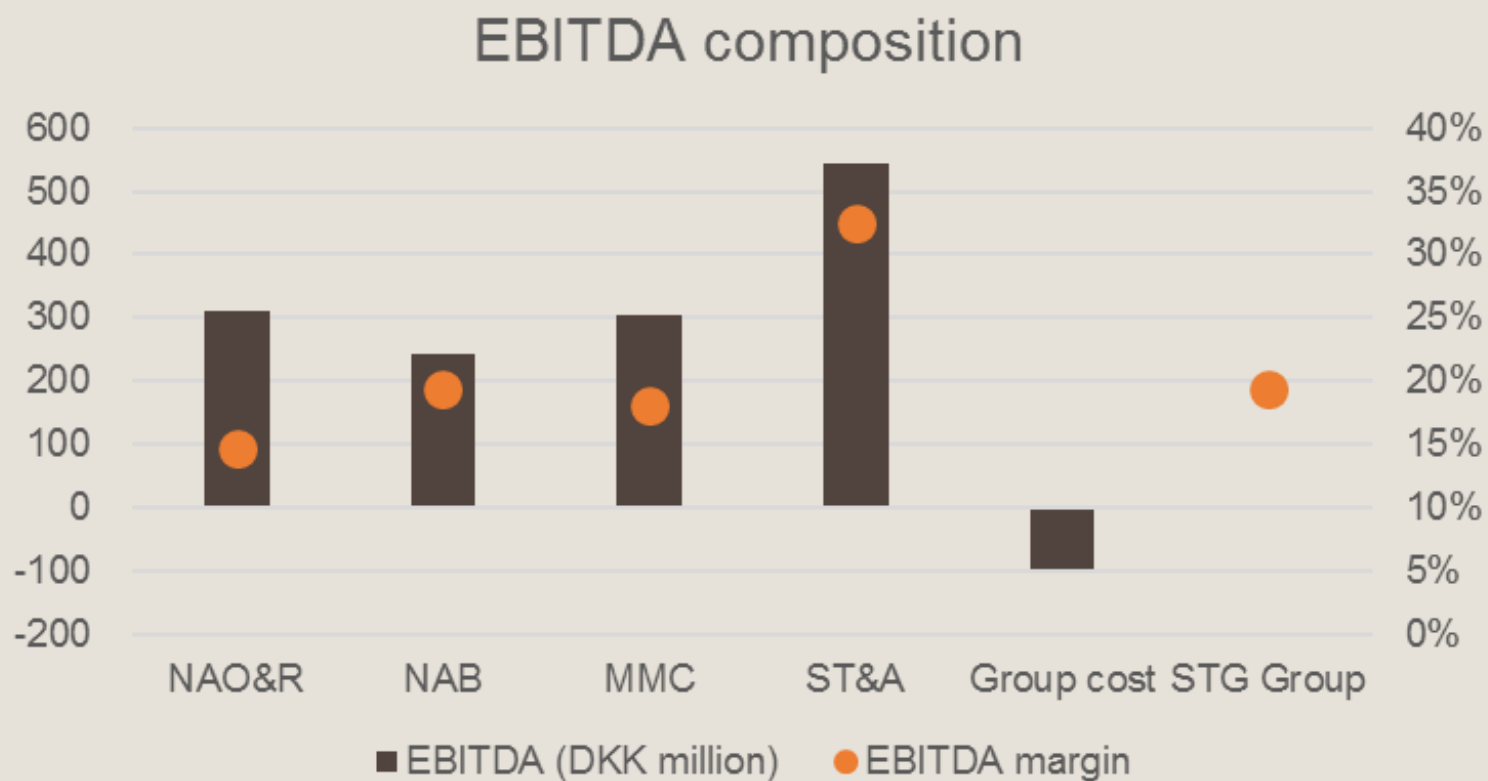
FULL YEAR 2018

DKK million	NAO&R	NAB	Region MMC	Region ST&A	Group
Net sales					
Handmade cigars	27%	8%	1%	0%	35%
Machine-made cigars	2%	5%	20%	8%	35%
Pipe tobacco	1%	2%	1%	3%	7%
Fine-cut tobacco	0%	2%	1%	6%	8%
ACM	2%	2%	3%	8%	14%
Group	31%	19%	25%	25%	100%

The product categories pipe tobacco and fine-cut tobacco have been combined to Smoking tobacco

NEW REPORTING STRUCTURE

FY 2018 EBITDA AND MARGIN BY DIVISION



Note: EBITDA and EBITDA margins are before special items

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



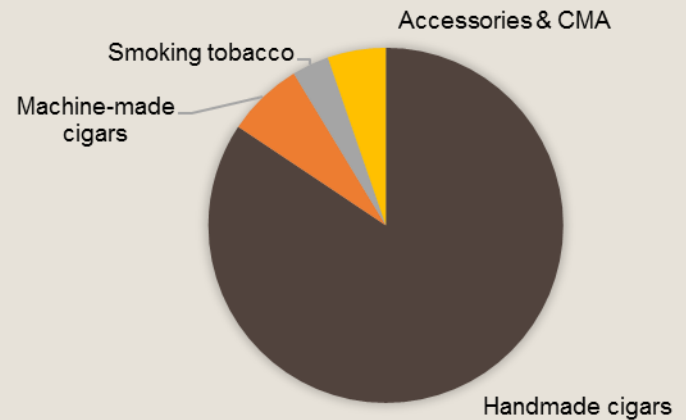
NORTH AMERICA ONLINE & RETAIL



Share of Group
Full year 2018



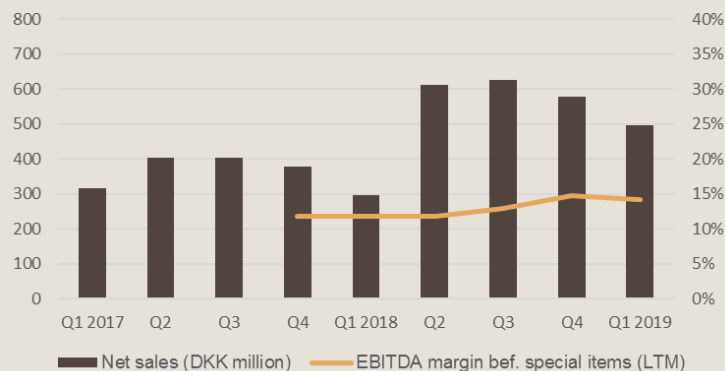
Divisional net sales by product category
Full year 2018





NORTH AMERICA ONLINE & RETAIL

Quarterly net sales and EBITDA margin



Q1 2019

- **Thompson Cigars:** Acquisition increased net sales and diluted margins
- **Active customers:** Increased by slightly versus Q4 2018
- **Handmade cigars:** The key driver for positive organic growth
- **IFRS 16** improved the EBITDA margin by 1.0%-point

DKK million	Q1 19	Q1 18	2018	2017
	excl IFRS 16		excl IFRS 16	excl IFRS 16
Net sales	496	297	2,111	1,500
Gross profit	182	112	793	530
EBITDA	50	32	310	177
Net sales growth	67.3%	-6.0%	40.7%	
- Organic growth ¹⁾	2.4%	8.8%	6.3%	
Gross margin	36.6%	37.6%	37.5%	35.3%
EBITDA margin	10.1%	10.9%	14.7%	11.8%
Handmade cigars				
Volume impact	1.4%	5.2%	1.6%	
Price/mix impact	-0.1%	2.0%	4.9%	
Organic growth¹⁾	1.3%	7.2%	6.5%	

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

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



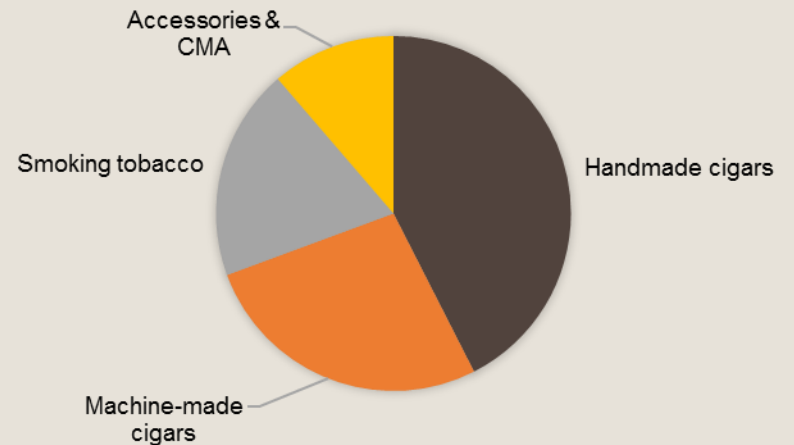
NORTH AMERICA BRANDED



Share of Group
Full year 2018

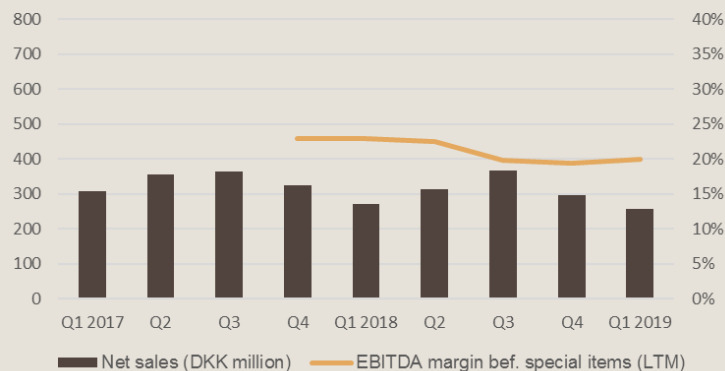


Divisional net sales by product category
Full year 2018



NORTH AMERICA BRANDED

Quarterly net sales and EBITDA margin



Q1 2019

- **Machine-made cigars** down due to Canada
- **Handmade cigars** had lower sales to all channels especially online distributors
- **EBITDA margins** improved due to IFRS 16 and price/mix
- **IFRS 16** improved the EBITDA margin by 2.1%-point

DKK million	Q1 19 excl IFRS 16	Q1 18 excl IFRS 16	2018 excl IFRS 16	2017 excl IFRS 16
Net sales	257	271	1,247	1,348
Gross profit	147	151	712	783
EBITDA	45	42	242	309
Net sales growth	-5.3%	-11.8%	-7.5%	
- Organic growth ¹⁾	-9.2%	1.3%	-1.2%	
Gross margin	57.4%	55.7%	57.1%	58.1%
EBITDA margin	17.7%	15.5%	19.4%	22.9%
Handmade cigars				
Volume impact	-4.6%	7.2%	1.8%	
Price/mix impact	2.9%	-4.4%	0.9%	
Organic growth¹⁾	-1.7%	2.8%	2.7%	

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



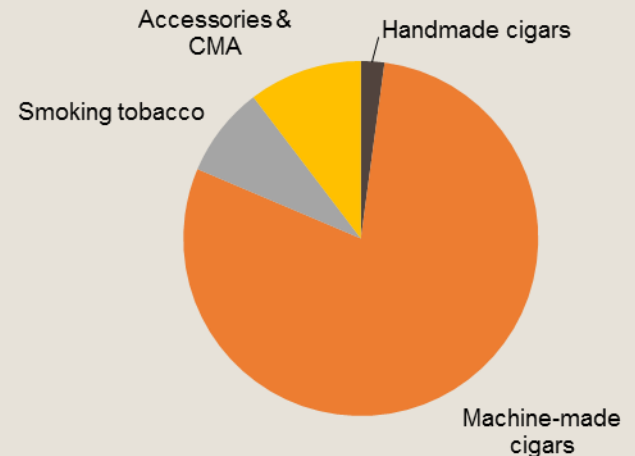
REGION MACHINE-MADE CIGARS



Share of Group
Full year 2018



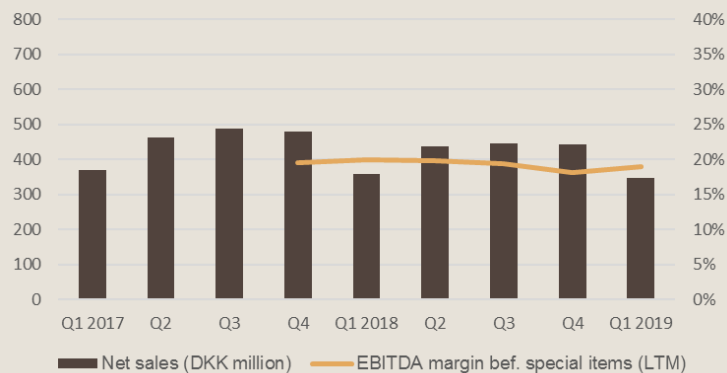
Divisional net sales by product category
Full year 2018





REGION MACHINE-MADE CIGARS

Quarterly net sales and EBITDA margin



Q1 2019

- **Machine-made cigars:** Improving market share driven by France
- **Organic growth -3.3%:** Smoking tobacco and handmade and price/mix in France
- **EBITDA margins:** Improving following progress in FtG
- **IFRS 16** improved the EBITDA margin by 2.0%-point

DKK million	Q1 19	Q1 18	2018	2017
	excl IFRS 16		excl IFRS 16	excl IFRS 16
Net sales	348	357	1,682	1,798
Gross profit	177	177	832	915
EBITDA	64	51	304	352
Net sales growth	-2.6%	-3.5%	-6.4%	
- Organic growth ¹⁾	-3.3%	-3.2%	-6.4%	
Gross margin	50.9%	49.6%	49.5%	50.9%
EBITDA margin	18.3%	14.2%	18.0%	19.6%
Machine-made cigars				
Volume impact	0.6%	-7.2%	-7.8%	
Price/mix impact	-1.3%	4.4%	1.0%	
Organic growth ¹⁾	-0.7%	-2.9%	-6.8%	

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



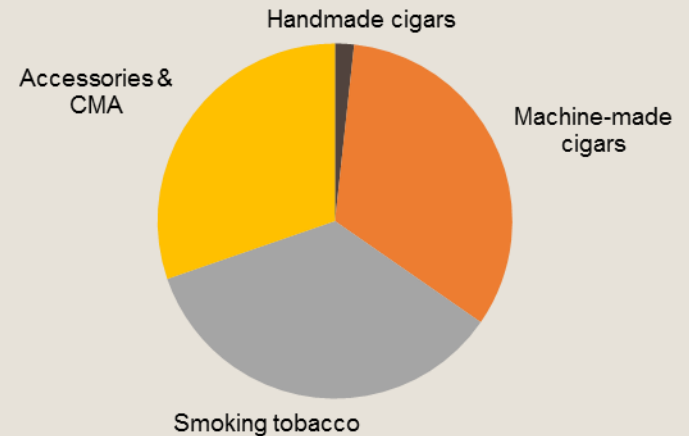
REGION SMOKING TOBACCO & ACCESSORIES



Share of Group
Full year 2018



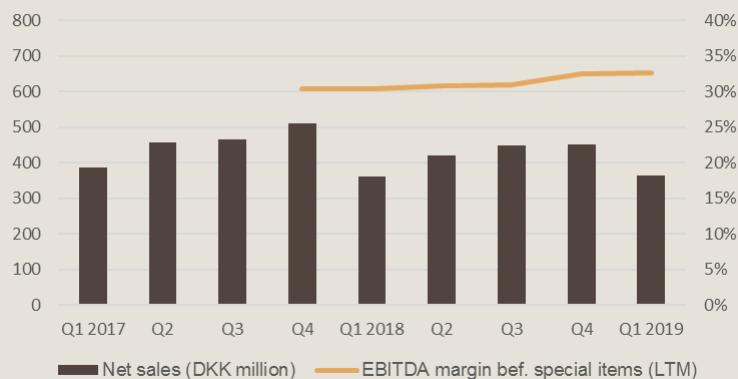
Divisional net sales by product category
Full year 2018





REGION SMOKING TOBACCO & ACCESSORIES

Quarterly net sales and EBITDA margin



DKK million	Q1 19	Q1 18	2018	2017
	excl IFRS 16		excl IFRS 16	excl IFRS 16
Net sales	363	360	1,677	1,818
Gross profit	178	173	882	906
EBITDA	101	98	545	552
Net sales growth	0.7%	-6.7%	-7.7%	
- Organic growth ¹⁾	1.6%	7.4%	1.9%	
Gross margin	49.1%	48.0%	52.6%	49.9%
EBITDA margin	27.9%	27.1%	32.5%	30.4%

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

Q1 2019

- **Smoking tobacco:** Good growth in Germany
- **EBITDA margin:** Gross margin improvement diluted by higher OPEX ratio
- **IFRS 16** improved the EBITDA margin by 0.7%-point

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



KEY DATA

	Q1 2019	Q1 2018			FY 2018
	excl IFRS 16				excl IFRS 16
	DKK ^m	DKK ^m	Growth, %		DKK ^m
			Organic ¹		
Net sales	1,464	1,285	14%	(1.6%)	6,718
Gross profit (before special items)	684	613	12%		3,219
OPEX (ex other income)	-445	-414	7%		-1,915
EBITDA before special items	239	199	20%	7.3%	1,304
<i>EBITDA margin before special items</i>	16.3%	15.5%	0.9%		19.4%
Special items	-24	-3			-216
EBIT	119	125	(5%)		738
Pre tax Profit	119	114	4%		717
Net profit	93	88	6%		666
Cash flow from operations	89	-45			784
Free cash flow before acquisitions	72	-76			668

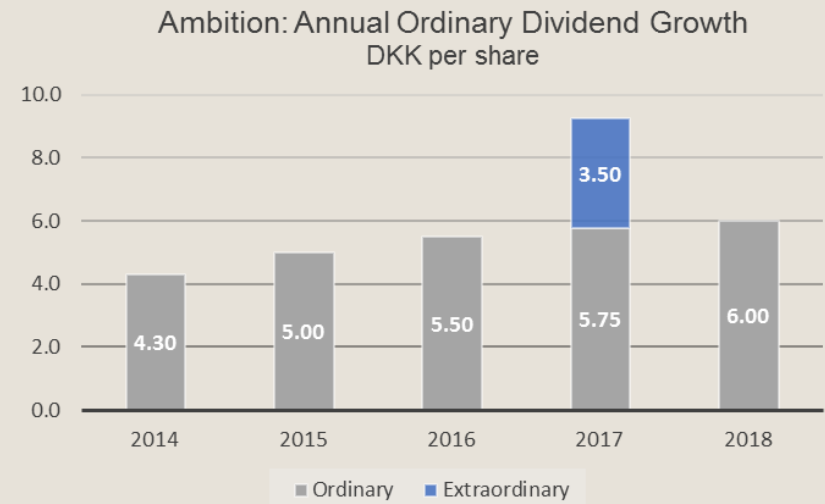
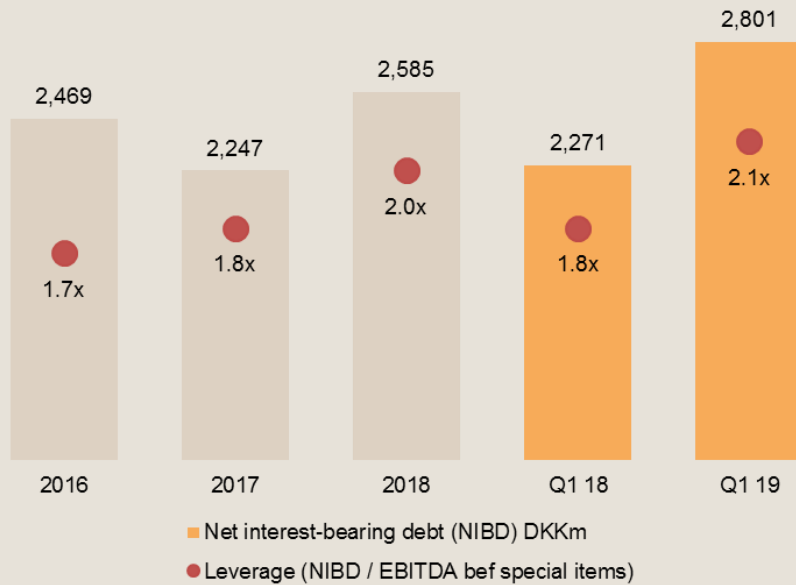
1) Excluding impact of currencies, acquisitions and IFRS 16

CASH FLOW DEVELOPMENT

	Q1 2019	Q1 2018	FY 2018
	DKKm	DKKm	DKKm
EBITDA before special items	239	199	1,089
Changes in working capital	-89	-68	-101
Adjustments	-2	-8	135
Special items, paid	-26	-12	-103
Cash flow from operating activities before financial items	123	111	1,019
Financial items, net	16	-39	-15
Tax payments	-49	-117	-220
Cash flow from operating activities	89	-45	784
Acquisitions	0	0	-394
Investment in intangible and tangible assets, sales of PPE and div.	-17	-31	-117
Cash flow from investing activities	-17	-31	-511
Free cash flow	72	-76	274
Repayment of lease liabilities	-22		
Free cash flow before acquisitions	72	-76	668



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	~USD/DKK 6.50-6.60

1) Financial expenses, excluding currency losses or gains



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

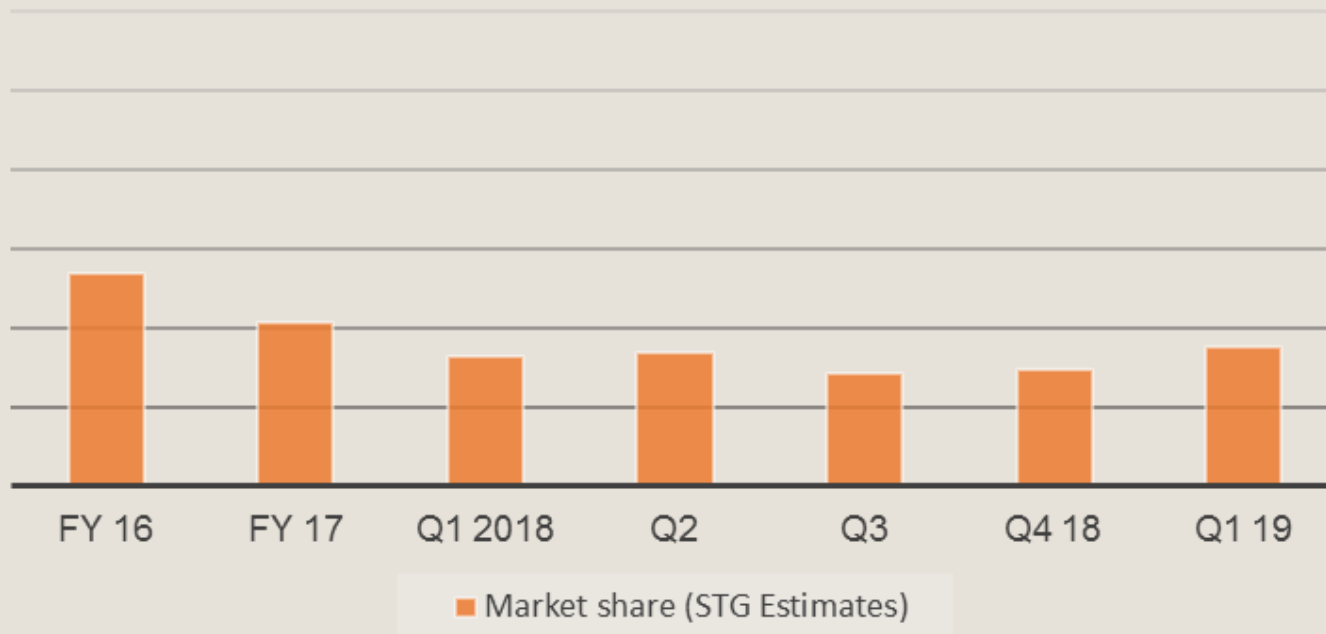
Nine months 2019*

* 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 KEY GROUP FIGURES, Q1 2019

DKK million	Reported	Impact	Ex IFRS 16
EBITDA before special items	239	22	218
Free cash flow before acquisitions	72	22	50
EBITDA margin before special items	16.3%	1.4%	14.9%
Net interest bearing debt	2,801	235	2,566

IFRS 16 IMPACT ON DIVISIONAL FIGURES, Q1 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	50	45	64	101	-21	239
IFRS 16 impact	-5	-5	-7	-3	-2	-22
EBITDA before special items excl. IFRS 16	45	40	57	98	-23	218
EBITDA margin before special items	10.1%	17.7%	18.3%	27.9%		16.3%
EBITDA margin before special items excl. IFRS 16	9.1%	15.6%	16.3%	27.1%		14.9%



FORWARD LOOKING STATEMENTS

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