

A photograph of a restaurant named 'Cigars International' at dusk. The building has a rustic, wooden structure with a large, open-air patio area. The patio is illuminated by warm string lights, and several people are seated at tables. A sign on the building reads 'CIGARS INTERNATIONAL'. The sky is a deep blue, and there are some trees and a parking lot visible in the background.

INVESTOR PRESENTATION

THIRD QUARTER 2019

14 NOVEMBER 2019



AGENDA

1. Quarterly Highlights
2. Royal Agio Cigars and Optimisation of Manufacturing Footprint
3. Divisional updates
4. Financials
5. Guidance 2019
6. 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

- * Higher decline in net sales
- EBITDA on track to meet guidance
- FCF guidance raised to ~DKK 1bn



Fuelling the Growth delivers more net savings in 2019 than expected



Acquisition of Agio Cigars



ROYAL
AGIO CIGARS

CIGAR MAKERS SINCE 1904



Q3 AND 9M 2019 FINANCIAL HIGHLIGHTS

	Q3 2019	9M 2019
Net sales	DKK 1,846 million <i>organic growth -4.5%</i>	DKK 5,127 million <i>organic growth -2.4%</i>
EBITDA before special items	DKK 446 million <i>organic growth 5.4%</i>	DKK 1,083 million <i>organic growth 5.8%</i>
Free cash flow before acquisitions	DKK 503 million	DKK 819 million



ACQUISITION ROYAL AGIO CIGARS



- Leading European producer and distributor of machine-made cigars based in Duizel, The Netherlands.
- Family-owned by the Wintermans-family since 1904.
- 3,200 employees with production facilities in Belgium, The Netherlands, the Dominican Republic and Sri Lanka.
- Strong brand portfolio spanning from premium machine- and handmade cigars to filter and flavoured cigarillos
- Great geographic fit with important market positions
- Well-run business with passion for cigars and a strong culture and history

SELECTED NUMBERS



- The transaction value is about DKK 1.5 billion (EUR 210 million)
- Royal Agio's net sales in FY 2018 of EUR 133 million was about 1/7 of STG net sales
- Royal Agio's EBITDA margin was about 13% versus STG's margin of 19.4%
- Since 2010, STG have invested approximately EUR 470 million in 8 mergers & acquisitions



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 (UNCHANGED)

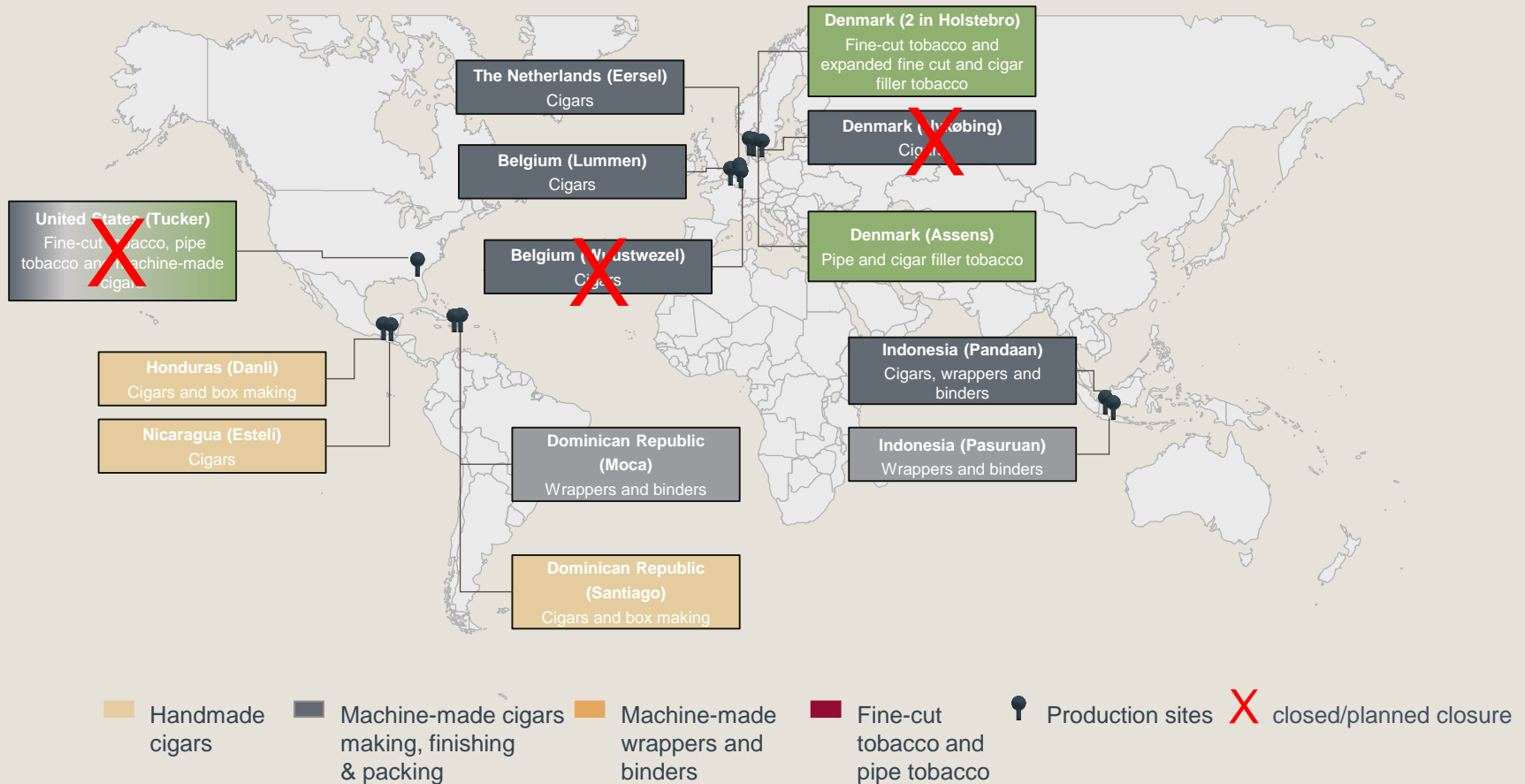
~DKK 250 MILLION IN TOTAL (2018-2021)
DKK 182 MILLION IN 2018
~DKK ~35 MILLION IN 2019 (PREVIOUSLY ~60M)

FTG NET SAVINGS 250M (UNCHANGED)

~DKK 250 MILLION FULL-YEAR RUNRATE BY THE END OF 2021
>1/3 IN 2019 (PREVIOUSLY >1/4)



MANUFACTURING FOOTPRINT 2016-2020





REGULATION UPDATE



- FDA
- Excise and tax

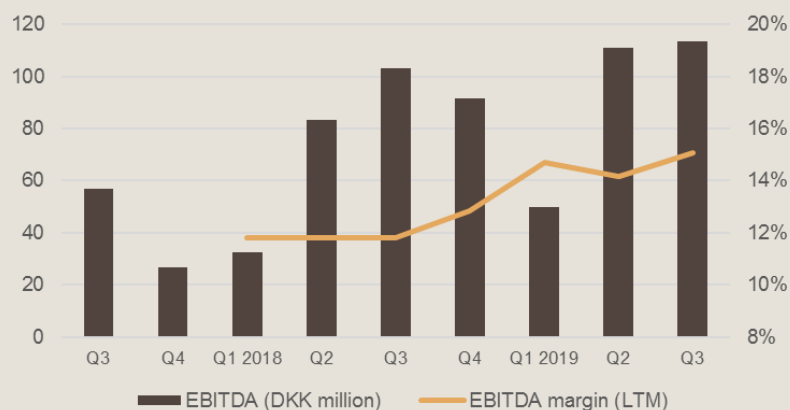


- Tobacco Products Directive
- Excise and tax



NORTH AMERICA ONLINE & RETAIL

Quarterly EBITDA (before special items)



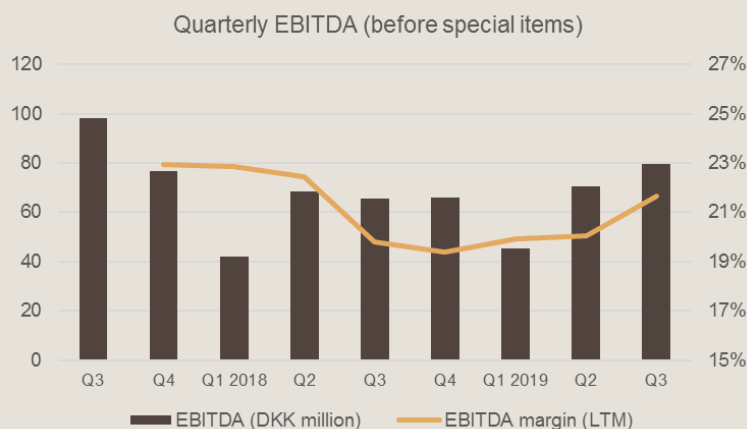
Q3 2019

- **Thompson:** Integration will, as expected, be finalised by the end of 2019
- **Organic net sales:** Volume growth off-set by negative price/mix impact (product mix and increased promotional activity)
- **EBITDA margin (ex IFRS16):** Slight improvement despite negative price/mix impact
- **IFRS 16** improved the EBITDA margin by 0.8%-point in Q3

DKK million	Q3 19	Q3 18	9M 19	9M 18	2018
	excl IFRS 16		excl IFRS 16		excl IFRS 16
Net sales	648	626	1,803	1,534	2,111
Gross profit	246	238	687	572	793
EBITDA	113	103	274	219	310
Net sales growth	3.5%	54.9%	17.6%	36.6%	40.7%
- Organic growth ¹⁾	-1.2%	5.5%	0.7%	8.0%	6.3%
Gross margin	37.9%	38.0%	38.1%	37.3%	37.5%
EBITDA margin	17.5%	16.4%	15.2%	14.3%	14.7%
Handmade cigars					
Volume impact	5.6%	4.1%	3.4%	4.0%	1.6%
Price/mix impact	-7.8%	3.8%	-3.0%	4.2%	4.9%
Organic growth¹⁾	-2.2%	7.9%	0.4%	8.2%	6.5%

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

NORTH AMERICA BRANDED



Q3 2019

- **Handmade cigars** continues to be negatively impacted by a weak sell-in to the online distribution channel
- **Other product categories** all had negative organic growth in net sales driven by structural trends and preparations for plain packaging in Canada
- **EBITDA margins** improved by more than 5% points driven by FTG and **IFRS 16** (+1.7% points in Q3)

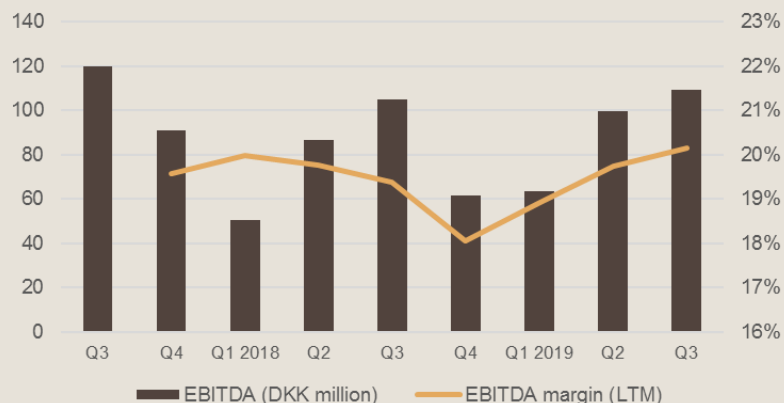
DKK million	Q3 19	Q3 18	9M 19	9M 18	2018
	excl IFRS 16		excl IFRS 16		excl IFRS 16
Net sales	341	368	913	952	1,247
Gross profit	191	210	517	548	712
EBITDA	80	66	196	176	242
Net sales growth	-7.4%	1.2%	-4.1%	-7.1%	-7.5%
- Organic growth ¹⁾	-11.4%	4.3%	-8.4%	1.1%	-1.2%
Gross margin	56.0%	57.0%	56.6%	57.6%	57.1%
EBITDA margin	23.3%	17.8%	21.4%	18.5%	19.4%
Handmade cigars					
Volume impact	-12.6%	10.2%	-10.0%	4.0%	1.8%
Price/mix impact	5.5%	-1.6%	3.3%	0.5%	0.9%
Organic growth¹⁾	-7.1%	8.5%	-6.7%	4.5%	2.7%

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



REGION MACHINE-MADE CIGARS

Quarterly EBITDA (before special items)



Q3 2019

- **Organic growth:** -2.3% with **machine-made cigars** at -2.0% and positive growth in France and the UK
- **Market share:** Top5 index slightly up vs. Q2 2019 and Q3 2018 driven by France
- **EBITDA margin:** Excluding IFRS 16 the margin were slightly down compared with the strong Q3 2018
- **IFRS 16** improved the EBITDA margin by 1.7%-point in Q3

DKK million	Q3 2019	Q3 18	9M 19	9M 18	2018
	excl IFRS 16		excl IFRS 16		excl IFRS 16
Net sales	436	446	1,217	1,240	1,682
Gross profit	231	233	626	635	832
EBITDA	109	105	272	242	304
Net sales growth	-2.3%	-8.8%	-1.9%	-6.0%	-6.4%
- Organic growth ¹⁾	-2.3%	-8.8%	-2.1%	-6.0%	-6.4%
Gross margin	53.1%	52.2%	51.4%	51.2%	49.5%
EBITDA margin	25.0%	23.5%	22.4%	19.5%	18.0%

Machine-made cigars

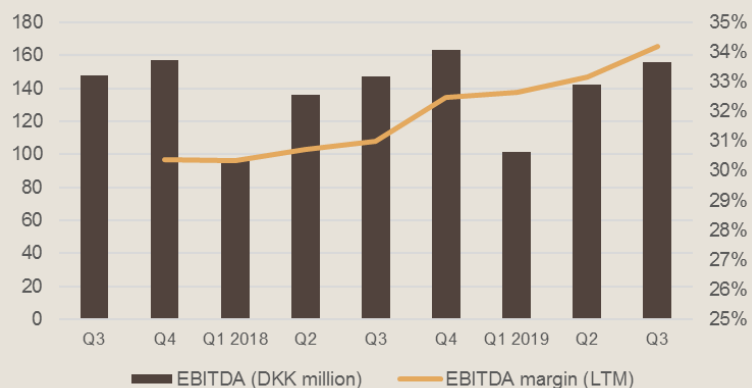
Volume impact	-1.4%	-9.9%	-2.1%	-6.6%	-7.8%
Price/mix impact	-0.6%	1.0%	-0.1%	1.3%	1.0%
Organic growth¹⁾	-2.0%	-8.9%	-2.2%	-5.3%	-6.8%

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



REGION SMOKING TOBACCO & ACCESSORIES

Quarterly EBITDA (before special items)



Q3 2019

- Positive organic growth in net sales for pipe tobacco and fine-cut. Negative growth in other product categories
- **EBITDA margin** improved by more than 4 %-points driven by an increase in the gross margin, a lower OPEX ratio and by **IFRS 16** (0.5%-point in Q3)
- Sales companies in Slovenia and Croatia terminated

DKK million	Q3 2019	Q3 18	9M 19	9M 18	2018
	excl IFRS 16		excl IFRS 16		excl IFRS 16
Net sales	421	447	1,194	1,227	1,677
Gross profit	231	236	627	627	882
EBITDA	156	147	399	381	545
Net sales growth	-5.8%	-3.7%	-2.6%	-6.1%	-7.7%
- Organic growth ¹⁾	-5.6%	6.3%	-2.5%	4.6%	1.9%
Gross margin	54.8%	52.7%	52.5%	51.1%	52.6%
EBITDA margin	37.1%	32.9%	33.4%	31.1%	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

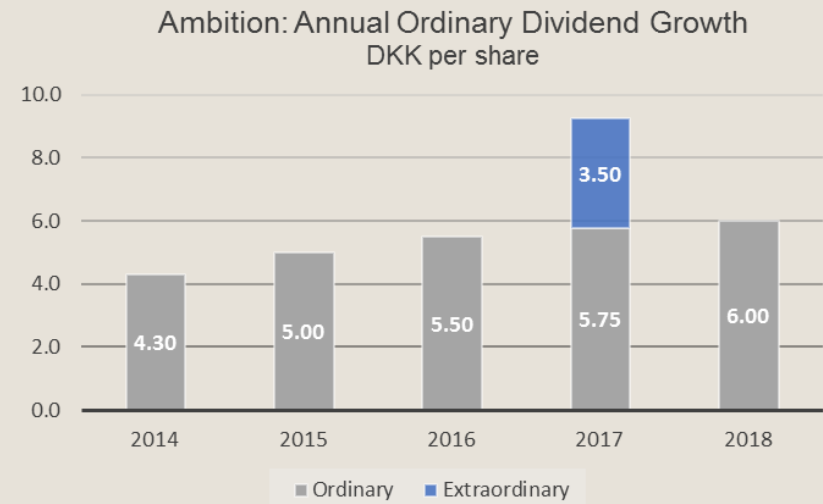
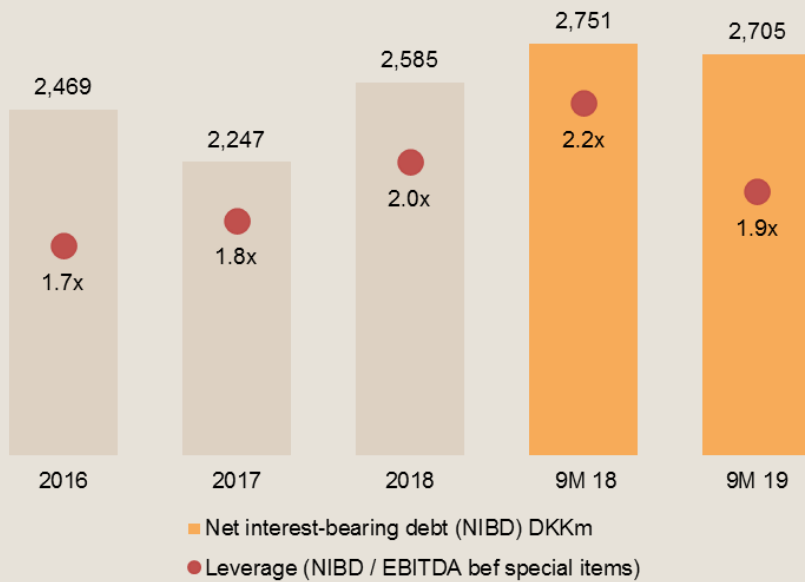
Q3 2019 AND 9M 2019

	Q3 2019	Q3 2018 ex IFRS 16	Growth, %		9M 2019	9M 2018 ex IFRS 16	Growth, %	
	DKKm	DKKm	Reported	Organic ¹	DKKm	DKKm	Reported	Organic ¹
Net sales	1,846	1,887	(2%)	(4.5%)	5,127	4,952	4%	(2.4%)
Gross profit before special items	899	916	(2%)		2,457	2,382	3%	
<i>Gross margin before special items</i>	<i>48.7%</i>	<i>48.5%</i>			<i>47.9%</i>	<i>48.1%</i>		
EBITDA before special items	446	398	12%	5.4%	1,083	942	15%	5.8%
<i>EBITDA margin before special items</i>	<i>24.2%</i>	<i>21.1%</i>			<i>21.1%</i>	<i>19.0%</i>		
Net profit	172	221	(22%)		469	515	(9%)	
Free cash flow before acquisitions	503	327			819	464		

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 1 billion (previously >DKK 750 million)

ASSUMPTIONS	
FINANCIAL EXPENSES ¹⁾	DKK 70-80 million
EFFECTIVE TAX RATE	21-23%
SPECIAL ITEMS, NET	~DKK -200 million
EXCHANGE RATES	Current exchange rates

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



Q & A





INVESTOR RELATIONS CONTACT

Scandinavian Tobacco Group A/S

Sydmarken 42
2860 Søborg
Denmark
www.st-group.com



Torben Sand

Head of Investor Relations
Tel: +45 5084 7222
torben.sand@st-group.com

FINANCIAL CALENDAR

2020

27

FEB

Annual report 2019*

2020

26

MAR

Annual General Meeting

2020

20

MAY

First quarter 2020*

2020

28

AUG

Half year report 2020*

2020

5

NOV

Nine months 2020*

* Silent period starts four weeks prior to interim report announcements

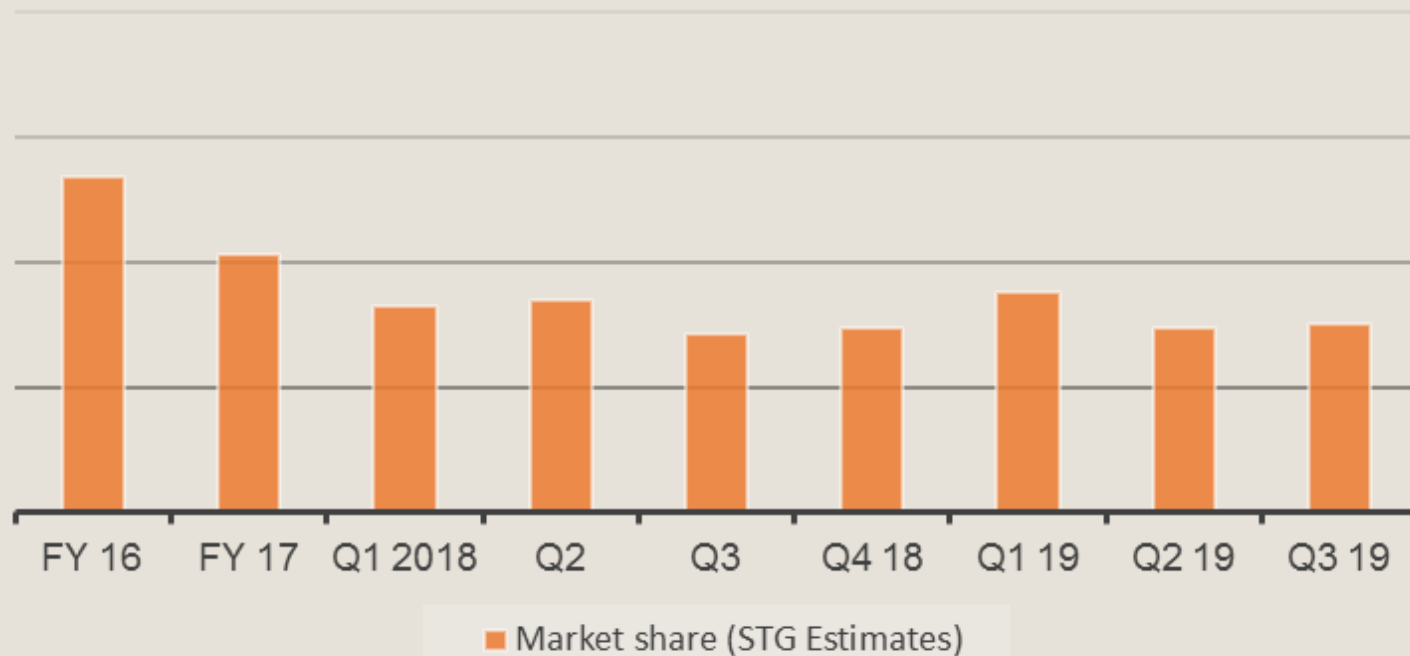


MARKET SHARE PERFORMANCE

FY 2016 – Q3 2019

Market Share Index

Top 5 European machine-made cigar markets



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



KEY DATA

	Q3 2019		Q3 2018		9M 2019		9M 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	1,846	1,887	(2%)	(4.5%)	5,127	4,952	4%	-2.4%	6,718
Gross profit (before special items)	899	916	(2%)		2,457	2,382	3%		3,219
OPEX (ex other income)	-459	-518	(11%)		-1,379	-1,440	(4%)		-1,915
Other income	6	0			6	0			0
EBITDA before special items	446	398	12%	5.4%	1,083	942	15%	5.8%	1,304
<i>EBITDA margin before special items</i>	<i>24.2%</i>	<i>21.1%</i>	<i>3.1%</i>		<i>21.1%</i>	<i>19.0%</i>	<i>2.1%</i>		<i>19.4%</i>
Special items	-118	-23			-162	-37			-216
EBIT	229	292	(22%)		627	675	(7%)		738
Pre tax Profit	217	288	(25%)		598	666	(10%)		717
Net profit	172	221	(22%)		469	515	(9%)		666
Cash flow from operations	532	359			896	559			784
Free cash flow before acquisitions	503	327			819	464			668

1) Excluding impact of currencies, acquisitions and IFRS 16

CASH FLOW DEVELOPMENT

	Q3 2019	Q3 2018	9M 2019	9M 2018	FY 2018
	DKKm	DKKm	DKKm	DKKm	DKKm
EBITDA before special items	446	398	1,083	942	1,304
Changes in working capital	113	17	21	-129	-101
Adjustments	13	-17	23	-36	-81
Special items, paid	-40	-14	-130	-36	-103
Cash flow from operating activities before financial items	532	384	997	741	1,019
Financial items, net	23	-2	20	-3	-15
Tax payments	-22	-24	-122	-179	-220
Cash flow from operating activities	532	359	896	559	784
Acquisitions	-6	-13	-6	-401	-394
Divestments	22	-	22	-	-
Investment in intangible and tangible assets, sales of PPE and div.	-29	-31	-77	-95	-117
Cash flow from investing activities	-13	-44	-61	-496	-511
Free cash flow	519	315	835	63	274
Repayment of lease liabilities	-22	-	-67	-	-
Free cash flow before acquisitions	503	327	819	464	668



IFRS 16 – MATERIAL IMPACT ON RESULTS

IFRS 16 IMPACT ON DIVISIONAL FIGURES, Q3 2019

<i>DKK million</i>	North America Online & Retail	North America Branded	Region MMC	Region ST&A	Group costs / not allocated	Total
EBITDA before special items	113	80	109	156	-12	446
IFRS 16 impact	-5	-6	-7	-2	-1	-22
EBITDA before special items excl. IFRS 16	108	74	102	154	-13	424
EBITDA margin before special items	17.5%	23.3%	25.0%	37.1%		24.2%
EBITDA margin before special items excl. IFRS 16	16.7%	21.7%	23.4%	36.6%		23.0%

IFRS 16 IMPACT ON DIVISIONAL FIGURES, 9M 2019

<i>DKK million</i>	North America Online & Retail	North America Branded	Region MMC	Region ST&A	Group costs / not allocated	Total
EBITDA before special items	274	196	272	399	-58	1,083
IFRS 16 impact	-16	-17	-22	-8	-4	-67
EBITDA before special items ex. IFRS 16	259	178	250	391	-63	1,016
EBITDA margin before special items	15.2%	21.4%	22.4%	33.4%		21.1%
EBITDA margin before special items ex. IFRS 16	14.3%	19.5%	20.6%	32.8%		19.8%



SPECIAL ITEMS SPECIFICATION

DKK million	Announced Total	2018 Actual	"2019-2021" Rest	Guidance 2019 "old"	Guidance 2019 "new"
Thompson	~60	33	~27	~27	~27
Fuelling the Growth	up to 250	182	up to 68	~60	~35
Agio Transaction Costs	~20		~20		~20
Tucker Factory, US	~120		~120	~120	~120
Actual 2018		216			
Guidance 2019 (Thompson+FtG)				~85	
Guidance 2019 (Thompson+FtG+Tucker)				~205	
New Guidance 2019 (Thompson+FtG+Tucker+Agio)					~200



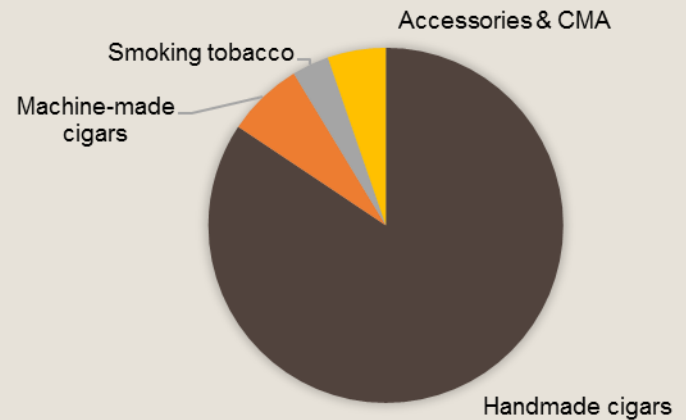
NORTH AMERICA ONLINE & RETAIL



Share of Group
Full year 2018



Divisional net sales by product category
Full year 2018





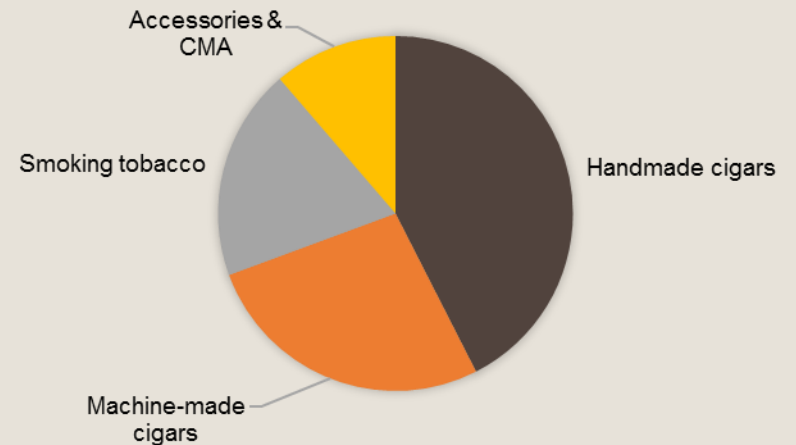
NORTH AMERICA BRANDED



Share of Group
Full year 2018



Divisional net sales by product category
Full year 2018





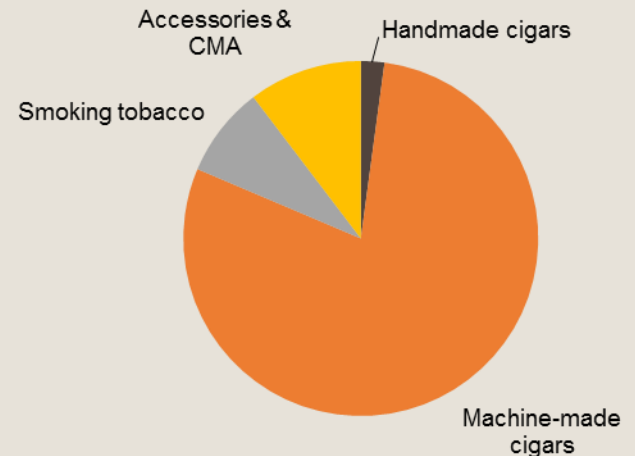
REGION MACHINE-MADE CIGARS



Share of Group
Full year 2018



Divisional net sales by product category
Full year 2018





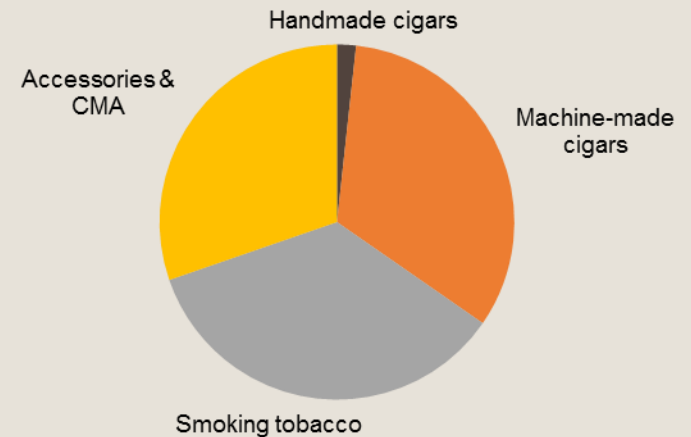
REGION SMOKING TOBACCO & ACCESSORIES



Share of Group
Full year 2018



Divisional net sales by product category
Full year 2018





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