

A wide-angle photograph of a tobacco plantation. The foreground and middle ground are filled with rows of lush green tobacco plants, many of which have large, light-colored flowers. A dirt path runs down the center of the field, leading towards a line of trees in the distance. The sky is overcast with grey clouds.

INVESTOR PRESENTATION

THIRD QUARTER 2018

8 NOVEMBER 2018



FORWARD LOOKING STATEMENTS

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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Q3 2018 FINANCIAL HIGHLIGHTS

	Q3 2018	9M 2018
Reported net sales	DKK 1,887 million (organic growth 1.7%)	DKK 4,952 million (organic growth 2.1%)
Adjusted EBITDA	DKK 398 million (organic growth -0.3%)	DKK 942 million (organic growth 1.2%)
Free cash flow	DKK 315 million	DKK 63 million

Positive EBITDA contribution from Thompson Cigars

2018 guidance: Organic growth in EBITDA > 3%



TOP STORIES

Handmade cigars keeps strong momentum



**Launch of
Fuelling the Growth
October 23**

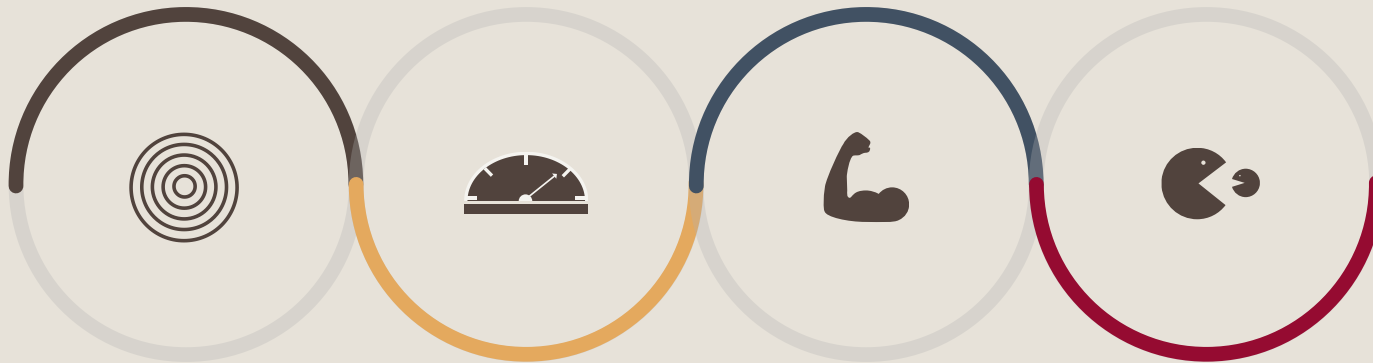
**France remains a
challenge in machine-
made cigars**



FUELLING THE GROWTH

GROUP WIDE TRANSFORMATION

Fuelling the Growth is a **Group wide transformation** and represents an acceleration of the change agenda we have pursued over the last couple of years. Fuelling the Growth will:



Give us a simplified organisation and more efficient operating model

Improve our execution of our strategic agenda and drive internal collaboration

Make us a stronger, company capable of coping with changing market conditions and increasing consumer demands

Prepare us for integration of future acquisitions

Financial Impact

- Supports the mid-term outlook of an average 3-5% annual organic growth in adjusted EBITDA.
- Non-recurring costs in the level of DKK 250 million. DKK 100 million to be expensed in 2018.



FIVE PROJECTS

Fuelling the Growth consists of five major projects



01

Organisational
re-structure



02

Realignment of
our commercial
set-up



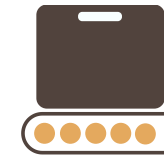
03

Optimisation of
our logistics
set-up



04

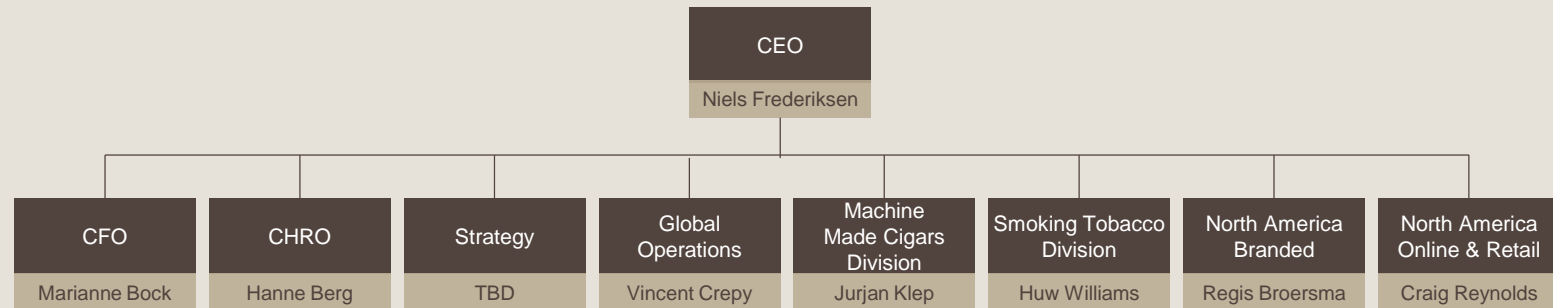
Globalised
approach to
procurement



05

Further reduction
of production
complexity

THE NEW EXECUTIVE BOARD





HANDMADE CIGARS

NO. 1 IN THE US





HANDMADE CIGARS

DKK million	2015	2016	2017	Q3 17	Q3 18	9M 17	9M 18
Net sales	1,935	2,067	1,921	530	721	1,449	1,753
<i>Reported growth</i>	27.9%	6.8%	-7.1%		36.2%		20.9%
Gross profit	843	903	795	227	307	614	728
<i>Gross margin</i>	43.6%	43.7%	41.4%	42.8%	42.6%	42.3%	41.5%
Volume impact	6.6%	7.4%	-1.8%		4.9%		3.9%
Price/mix impact	1.3%	-0.2%	-2.3%		2.9%		3.3%
Organic growth¹⁾	7.9%	7.2%	-4.0%		7.9%		7.2%

1) Excluding impact of currencies, acquisitions and non-recurring items

IFRS15 reclass improves Q3 2017 margins from 42.8% to 42.9%

Q3 2018

- Cigars International: Growth continued partly due to soft Q3 2017
- General Cigar: Net sales growth elevated by temporary volume
- Thompson Cigars: EBITDA contribution ahead of plan
- Gross margin: Strong recovery despite Thompson dilution





MACHINE-MADE CIGARS

NO. 1 IN THE EU, AUSTRALIA
AND CANADA





MACHINE-MADE CIGARS

DKK million	2015	2016	2017	Q3 17	Q3 18	9M 17	9M 18
Net sales	2,702	2,593	2,491	665	660	1,823	1,751
<i>Reported growth</i>	4.2%	-4.0%	-3.9%		-0.7%		-4.0%
Gross profit	1,372	1,280	1,268	345	352	907	933
<i>Gross margin</i>	50.8%	49.3%	50.9%	51.8%	53.3%	49.8%	53.3%
<i>Adj. gross margin</i>	52.2%	52.6%	52.4%	53.5%	53.3%	52.0%	53.3%
<i>Volume impact</i>	-5.7%	-6.0%	-3.7%		-2.4%		-3.7%
<i>Price/mix impact</i>	3.4%	2.2%	1.3%		1.8%		2.3%
Organic growth¹⁾	-2.3%	-3.9%	-2.4%		-0.7%		-1.4%

1) Excluding impact of currencies, acquisitions and non-recurring items

IFRS15 reclass improves Q3 2017 margins from 53.5% to 55.6%

Q3 2018

- Organic net sales decline improving despite tough comparison
- Good performance in most key markets including Belgium, UK and Canada
- France remains the biggest challenge. Consumer down-trading
- Like-for-like gross margin slightly down versus strong Q3 2017



PIPE TOBACCO

NO. 1 GLOBALLY





PIPE TOBACCO

DKK million	2015	2016	2017	Q3 17	Q3 18	9M 17	9M 18
Net sales	629	569	544	143	121	408	348
<i>Reported growth</i>	10.6%	-9.5%	-4.4%		-15.5%		-14.7%
Gross profit	378	346	326	84	73	247	207
<i>Gross margin</i>	60.1%	60.8%	59.9%	58.9%	60.6%	60.5%	59.5%
<i>Adj. gross margin</i>	60.1%	61.2%	60.1%	59.0%	60.6%	60.8%	59.5%
<i>Volume impact</i>	-5.1%	-10.6%	-2.3%		-12.0%		-11.5%
<i>Price/mix impact</i>	6.7%	1.7%	-0.3%		-0.6%		3.3%
Organic growth¹⁾	1.6%	-8.9%	-2.6%		-12.7%		-8.2%

1) Excluding impact of currencies, acquisitions and non-recurring items

IFRS15 reclass improves Q3 2017 margins from 59.0% to 61.6%

Q3 2018

- Mature markets: Price increases not compensating declining volumes
- Asia and Middle East/Africa: Declining volumes driven by destocking
- Gross margins: Slightly down on a like-for-like basis
- Improved but still declining volumes in Q4 2018
- Peterson to contribute from Q4 2018





FINE-CUT TOBACCO

NO. 1 IN THE US AND DENMARK





FINE-CUT TOBACCO

DKK million	2015	2016	2017	Q3 17	Q3 18	9M 17	9M 18
Net sales	583	652	598	156	151	430	399
<i>Reported growth</i>	3.9%	11.8%	-8.3%		-3.1%		-7.3%
Gross profit	342	378	364	98	91	259	232
<i>Gross margin</i>	58.5%	57.9%	60.9%	62.9%	59.9%	60.3%	58.1%
<i>Adj. gross margin</i>	58.5%	58.3%	61.1%	63.1%	59.9%	60.5%	58.1%
<i>Volume impact</i>	-6.0%	7.1%	-14.0%		-7.5%		-7.0%
<i>Price/mix impact</i>	4.7%	6.2%	7.0%		6.2%		4.0%
Organic growth¹⁾	-1.3%	13.3%	-7.0%		-1.3%		-3.1%

1) Excluding impact of currencies, acquisitions and non-recurring items

IFRS15 reclass improves Q3 2017 margins from 63.1% to 64.0%

Q3 2018

- Norway: Gain of market share in declining market
- US: Volume impact negative
- Price/mix: Normalisation of price/mix after weak Q2 2018





ACCESSORIES AND CONTRACT MANUFACTURING

POSITIVE GROWTH





ACCESSORIES AND CONTRACT MANUFACTURING

DKK million	2015	2016	2017	Q3 17	Q3 18	9M 17	9M 18
Net sales	882	864	909	227	234	662	701
<i>Reported growth</i>	-1.0%	-2.0%	5.2%		2.7%		6.0%
Gross profit	304	318	342	92	94	252	282
<i>Gross margin</i>	34.5%	36.8%	37.6%	40.5%	40.1%	38.2%	40.2%
Volume impact	n/a	n/a	n/a		n/a		n/a
Price/mix impact	n/a	n/a	n/a		n/a		n/a
Organic growth¹⁾	-4.5%	-3.6%	6.4%		1.4%		7.9%

1) Excluding impact of currencies, acquisitions and non-recurring items

IFRS15 reclass improves Q3 2017 margins from 40.5% to 40.6%

Q3 2018

- Positive organic net sales in seven straight quarters
- Contract manufacturing returning to positive growth
- Margins: Slightly down from high level





KEY DATA

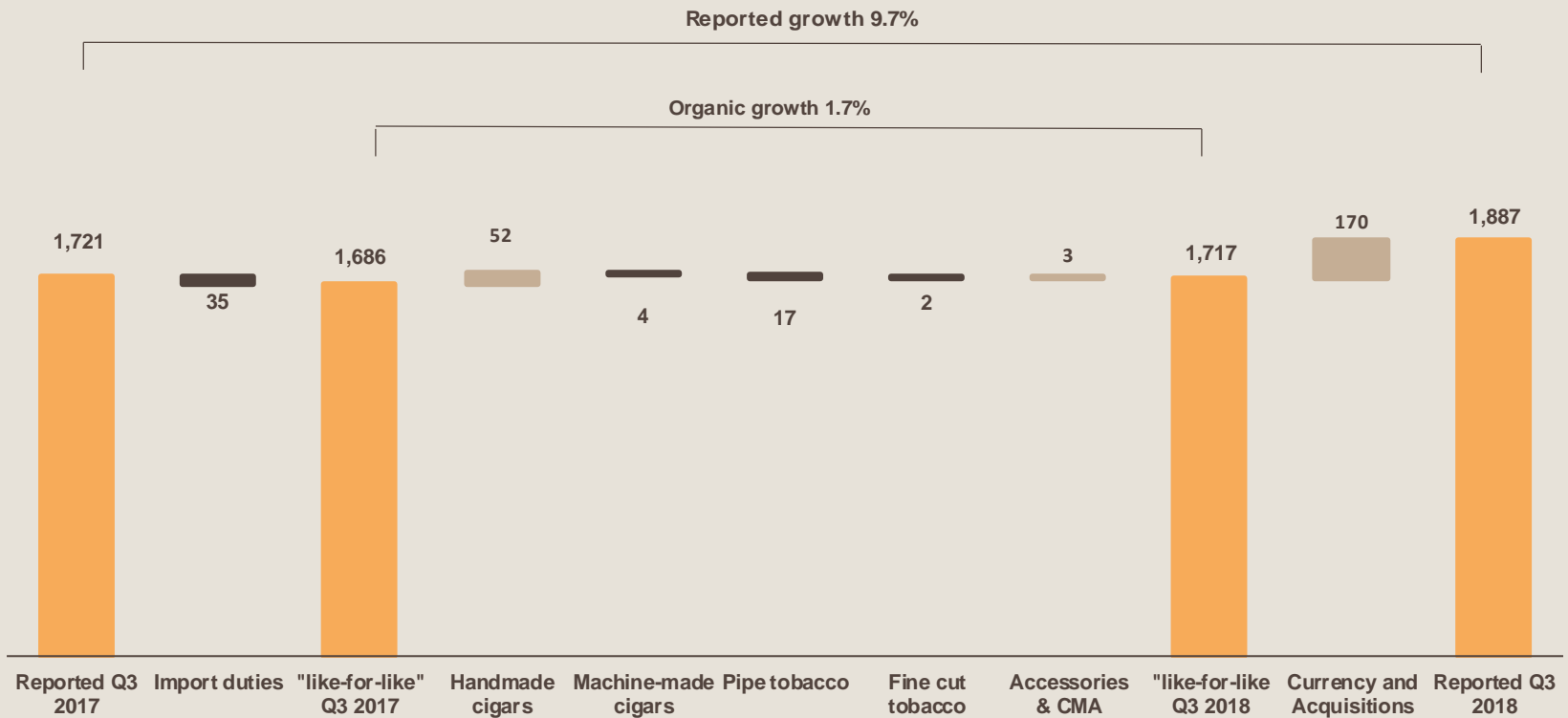
	Q3 2018			9M 2018			Q3 2017	9M 2017
	DKKkm		Growth, %	DKKkm		Growth, %	DKKkm	DKKkm
	Reported	Reported	Organic ¹	Reported	Reported	Organic ¹	Reported	Reported
Net sales	1,887	10%	1.7%	4,952	4%	2.1%	1,721	4,773
Gross profit	916	8%		2,382	4%		846	2,280
OPEX (ex other income)	-542	16%		-1,477	7%		-466	-1,386
EBITDA	374	(4%)		905	0%		388	904
EBIT	292	(5%)		675	2%		306	660
Pre tax Profit	288	(1%)		666	10%		292	606
Net profit	221	(1%)		515	11%		224	465
Gross profit, adjusted	916	7%		2,382	3%		857	2,323
EBITDA, adjusted	398	1%	(0.3%)	942	(1%)	1.2%	394	955
Cash flow from operations	359	(4%)		559	(22%)		373	716
Free cash flow	315	(8%)		63	(90%)		342	640

1) Excluding impact of currencies, acquisitions and non-recurring items



NET SALES BRIDGE

Q3 2017 VS Q3 2018



Note: All numbers in DKK million

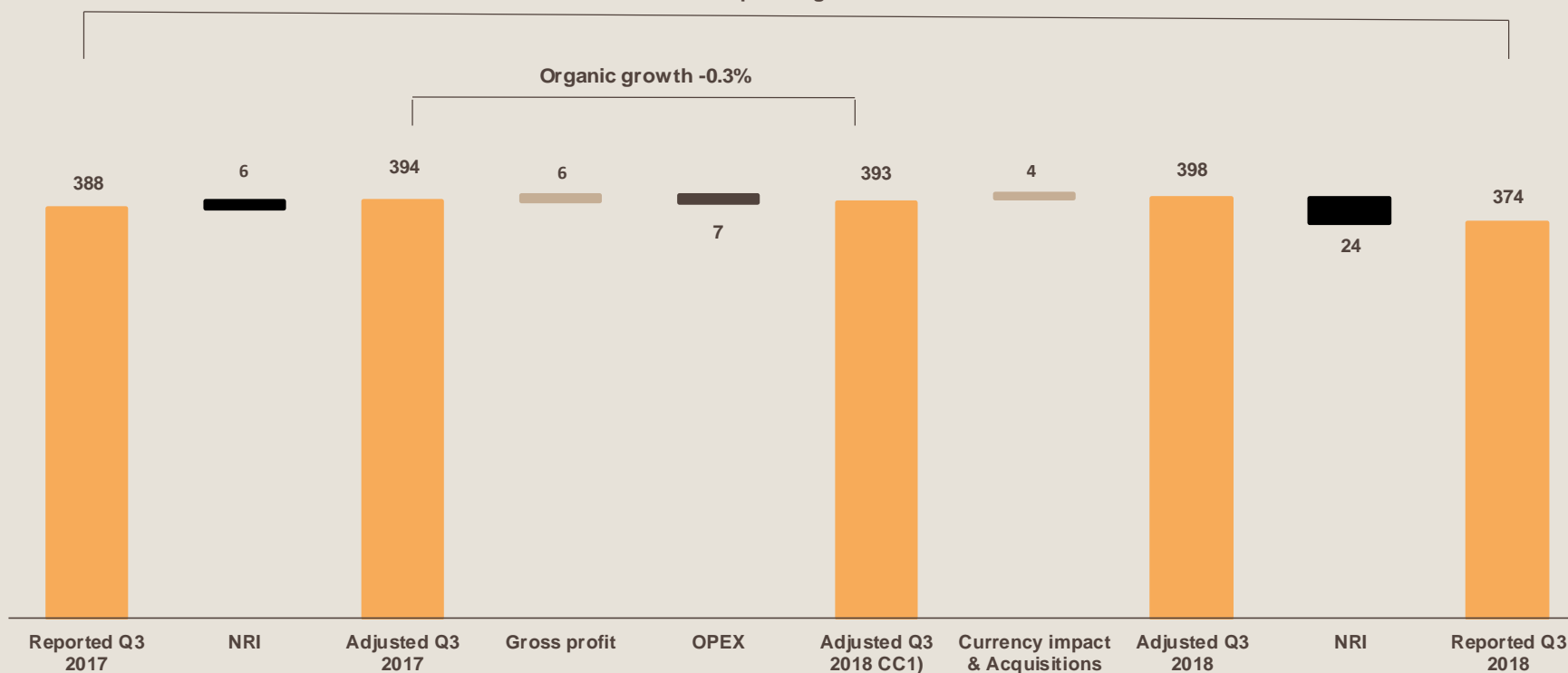


EBITDA BRIDGE

Q3 2017 VS Q3 2018

Reported growth -3.6%

Organic growth -0.3%



Note: All numbers in DKK million

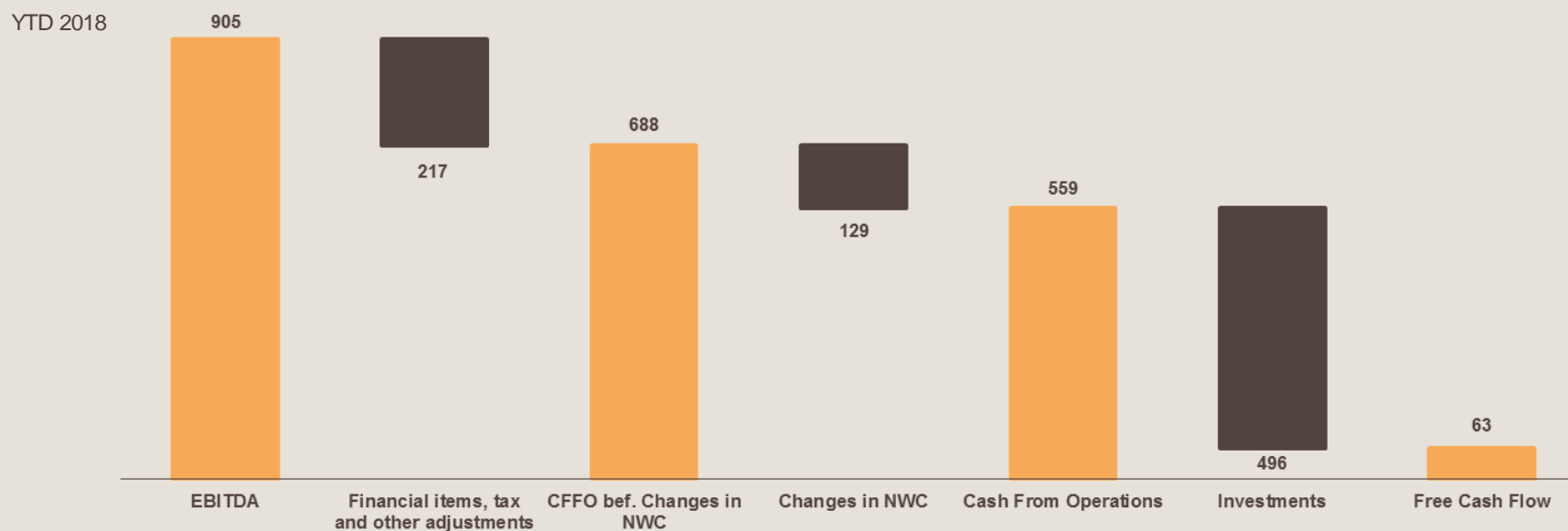
1) Excluding currencies, acquisitions and non-recurring items (NRI)



CASH FLOW DEVELOPMENT

9M 2018

Q3 2018	374	-33	341	17	359	-44	315
YTD 2017	904	-196	708	8	716	-76	640



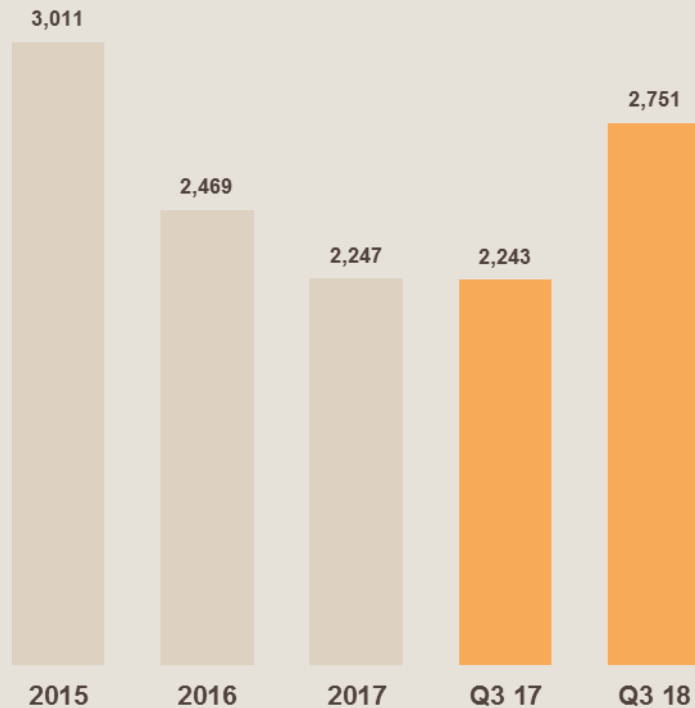
Note: All numbers in DKK million



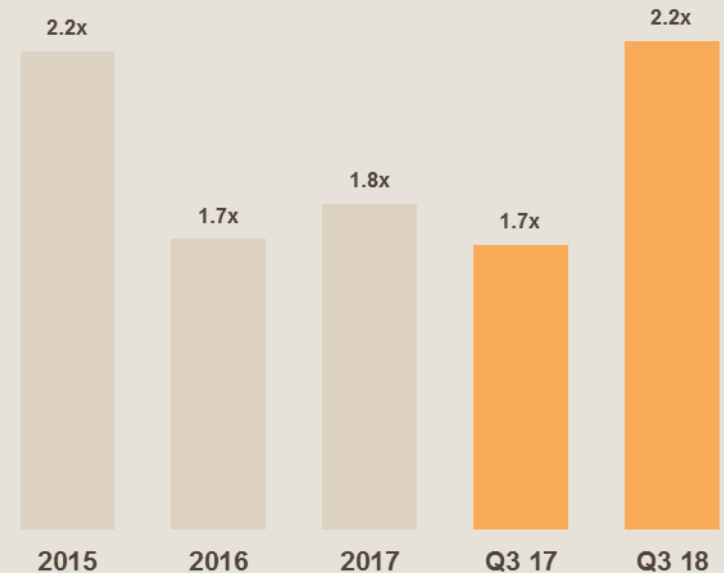
CAPITAL STRUCTURE

NET DEBT/LEVERAGE

Net interest-bearing debt (NIBD)
DKKm



Leverage (NIBD / Adjusted EBITDA)





GUIDANCE 2018

	Guidance
NET SALES	Flat to slightly positive organic growth ¹
EBITDA	Organic growth > 3% ¹
ORDINARY DIVIDEND	2018* > 2017 (DKK 575 million) * to be paid in 2019
OTHER EXPECTATIONS	Financial expenses, excl. currency losses/gains DKK 80-90 million Effective tax rate in the range of 22-23% Capital expenditure up to DKK 150 million (previous ~DKK 175 million)

1) Annual organic growth, i.e. excluding currencies, acquisitions and non-recurring items



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



FORWARD LOOKING STATEMENTS

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