



INVESTOR PRESENTATION

FIRST QUARTER 2018

17 MAY 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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Q1 2018 FINANCIAL HIGHLIGHTS

	Q1 2018
Reported net sales	DKK 1,285 million (organic growth +3.5%)
Adjusted EBITDA	DKK 199 million (organic growth +1.2%)
Free cash flow	DKK -76 million

As from 2 April 2018 Thompson will be included in the financial statement

2018 guidance: Organic growth in EBITDA > 3%



HIGHLIGHTS

**Handmade cigars
on track to deliver
FY growth**



**Full year guidance
maintained**

**France impacted by
excise increase**



THOMPSON UPDATE



- Integration has commenced
 - Full integration planned to be completed within 2 years, and will be basis for the financial synergies
 - EBITDA margins to be significantly improved
- Non-recurring costs expected to be around DKK 60 million – equally split between 2018 and 2019
 - Transactions costs in Q1 2018 DKK 3 million
- Consolidation as from 2 April 2018
 - **Thompson pro forma key data - Q1 2018**
 - Net sales of DKK 137 million
 - EBITDA at immaterial level



REVENUE RECOGNITION (IFRS 15)

RECLASSIFICATION OF IMPORT DUTIES

- Implementation of IFRS15 as from 1 January 2018
- Reclassification of specific import duties having “excise like” nature
- Previously these import duties were included in both net sales and COGS

- **No impact on gross profit and EBITDA**

- **Negative impact on net sales**
 - DKK 33 million in Q1 2018
 - Full year 2017 “like-for-like” adjustment of DKK 139 million

- **Positive impact on margins**
 - Adjusted gross margin Q1 2018 +1.2% and FY 2017 +1.1%
 - Adjusted EBITDA margin Q1 2018 +0.4%



HANDMADE CIGARS

NO. 1 IN THE US





HANDMADE CIGARS

DKK million	2015	2016	2017	Q1 17	Q1 18
Net sales	1,935	2,067	1,921	401	371
<i>Reported growth</i>	27.9%	6.8%	(7.1%)		(7.4%)
Gross profit	843	903	795	171	153
<i>Gross margin</i>	43.6%	43.7%	41.4%	42.7%	41.2%
Volume impact	6.6%	7.4%	(1.8%)		6.4%
Price/mix impact	1.3%	(0.2%)	(2.3%)		0.3%
Organic growth¹	7.9%	7.2%	(4.0%)		6.8%

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

IFRS15 reclass improves Q1 2017 margins from 42.7% to 42.8%

Q1 2018

- Cigars International remains on track for improved full year
- Volume growth at +6.4% driven by expected recovery in Cigars International
- Price/mix improvement as promotional activities starts to normalise
- Category gross margin is impacted by high volume growth in CI as well as a decreasing margin in CI compared to Q1 2017. Margins in General Cigars improved
- No impact from Thompson in Q1 2018





MACHINE-MADE CIGARS

NO. 1 IN THE EU, AUSTRALIA
AND CANADA





MACHINE-MADE CIGARS

DKK million	2015	2016	2017	Q1 17	Q1 18
Net sales	2,702	2,593	2,491	523	472
<i>Reported growth</i>	4.2%	(4.0%)	(3.9%)		(9.7%)
Gross profit	1,372	1,280	1,268	260	248
<i>Gross margin</i>	50.8%	49.3%	50.9%	49.6%	52.6%
<i>Adj. Gross margin</i>	52.2%	52.6%	52.4%	50.6%	52.6%
<i>Volume impact</i>	(5.7%)	(6.0%)	(3.7%)		(5.1%)
<i>Price/mix impact</i>	3.4%	2.2%	1.3%		4.1%
Organic growth¹	(2.3%)	(3.9%)	(2.4%)		(1.0%)

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

IFRS15 reclass improves Q1 2017 margins from 50.6% to 53.2%

Q1 2018

- Category volume impact held back by positioning in the trade in relation to the excise increase in France
- Improved performance in key markets like the UK and Belgium
- Temporary strong price/mix impact at 4.1% fuelled by price management in France
- Good pricing in most markets including Canada
- Gross margins slightly down on a “like-for-like” basis despite positive impact from cost savings due to changes in geographical mix



PIPE TOBACCO

NO. 1 GLOBALLY





PIPE TOBACCO

DKK million	2015	2016	2017	Q1 17	Q1 18
Net sales	629	569	544	131	115
<i>Reported growth</i>	10.6%	(9.5%)	(4.4%)		(12.5%)
Gross profit	378	346	326	79	68
<i>Gross margin</i>	60.1%	60.8%	59.9%	60.3%	59.2%
<i>Adj. Gross margin</i>	60.1%	61.2%	60.1%	60.3%	59.2%
<i>Volume impact</i>	(5.1%)	(10.6%)	(2.3%)		(4.2%)
<i>Price/mix impact</i>	6.7%	1.7%	(0.3%)		2.3%
Organic growth¹	1.6%	(8.9%)	(2.6%)		(2.0%)

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

IFRS15 reclass improves Q1 2017 margins from 60.3% to 62.9%

Q1 2018

- Structural volume decline in mature markets unchanged
- Volume growth in Middle East/Africa continues
- Both price/mix and gross margins impacted by geographical mix and lower prices in Nigeria





FINE-CUT TOBACCO

NO. 1 IN THE US AND DENMARK





FINE-CUT TOBACCO

DKK million	2015	2016	2017	Q1 17	Q1 18
Net sales	583	652	598	126	107
<i>Reported growth</i>	3.9%	11.8%	(8.3%)		(15.6%)
Gross profit	342	378	364	73	58
<i>Gross margin</i>	58.5%	57.9%	60.9%	57.4%	54.8%
<i>Adj. Gross margin</i>	58.5%	58.3%	61.1%	57.4%	54.8%
Volume impact	(6.0%)	7.1%	(14.0%)		(11.7%)
Price/mix impact	4.7%	6.2%	7.0%		3.7%
Organic growth¹	(1.3%)	13.3%	(7.0%)		(8.0%)

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

IFRS15 reclass improves Q1 2017 margins from 57.4% to 60.0%

Q1 2018

- Volume impact was below trend, primarily due to Norway and the US
- The Norwegian market has temporarily been impacted by fluctuations in the trade ahead of the introduction of plain packaging in the market and in the US we have adjusted a partner programme
- The price/mix impact was held back by Norway and Germany. The other key markets reported healthy price/mix improvements
- The gross margin was down due to geographical mix changes





OTHER

POSITIVE GROWTH IN ACCESSORIES





OTHER

DKK million	2015	2016	2017	Q1 17	Q1 18
Net sales	882	864	909	197	220
<i>Reported growth</i>	<i>(1.0%)</i>	<i>(2.0%)</i>	<i>5.2%</i>		<i>11.6%</i>
Gross profit	304	318	342	66	85
<i>Gross margin</i>	<i>34.5%</i>	<i>36.8%</i>	<i>37.6%</i>	<i>33.2%</i>	<i>38.7%</i>
Volume impact	n/a	n/a	n/a		n/a
Price/mix impact	n/a	n/a	n/a		n/a
Organic growth¹	(4.5%)	(3.6%)	6.4%		18.6%

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

IFRS15 reclass improves Q1 2017 margins from 33.2% to 33.3%

Q1 2018

- Strong growth in other accessories and chewing tobacco as well as increased contract manufacturing
- CMA growth driven by handmade cigars
- Gross margin development continues due to positive mix and margin improvement in most business segments





FINANCIAL HIGHLIGHTS Q1 2018

KPI	Q1 2018 actual performance	2018 guidance
NET SALES ¹	+3.5%	Organic growth flat to slightly positive
EBITDA ¹	+1.2%	Organic growth > 3%
OTHER EXPECTATIONS	A. Financial expenses ² DKK 21m B. Capital expenditure DKK 33m C. Effective tax rate 22.8%	A. DKK 80-90m B. ~ DKK 215m D. ~ 22-23%

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

2) Financial expenses excluding currency losses/gains



KEY DATA

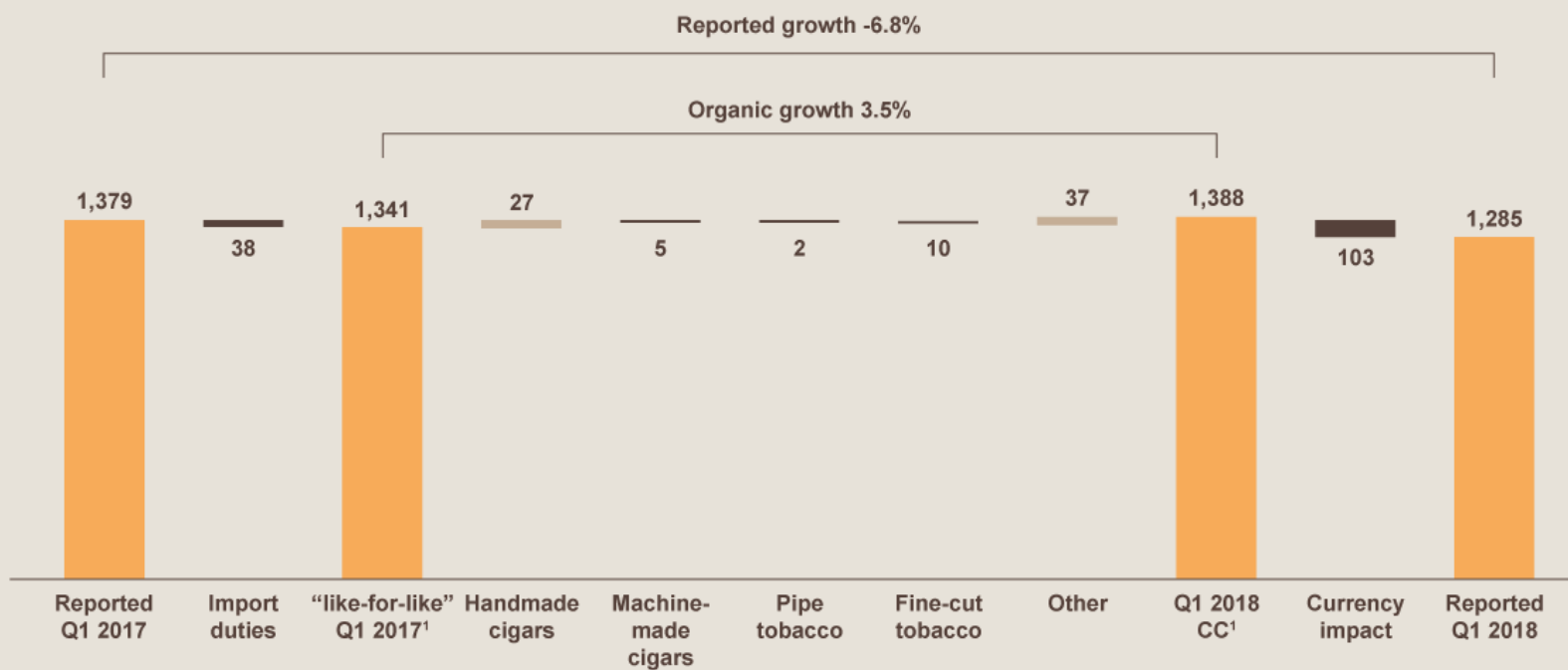
	Q1 2018			YTD 2018		
	DKK m	Growth, %		DKK m	Growth, %	
	Reported	Reported	Organic ¹	Reported	Reported	Organic ¹
Net sales	1,285	(7%)	3.5%	1,285	(7%)	3.5%
Gross profit	613	(5%)		613	(5%)	
OPEX (ex other income)	417	(7%)		417	(4%)	
EBITDA	196	(3%)		196	(3%)	
EBIT	125	6%		125	6%	
Pre tax profit	114	16%		114	16%	
Net profit	88	18%		88	18%	
Gross profit, adjusted	613	(6%)		613	(6%)	
EBITDA, adjusted	199	(6%)	1.2%	199	(6%)	1.2%
Cash flow from operations	-45	n/a		-45	n/a	
Free cash flow	-76	n/a		-76	n/a	

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



NET SALES BRIDGE

Q1 2017 VS Q1 2018



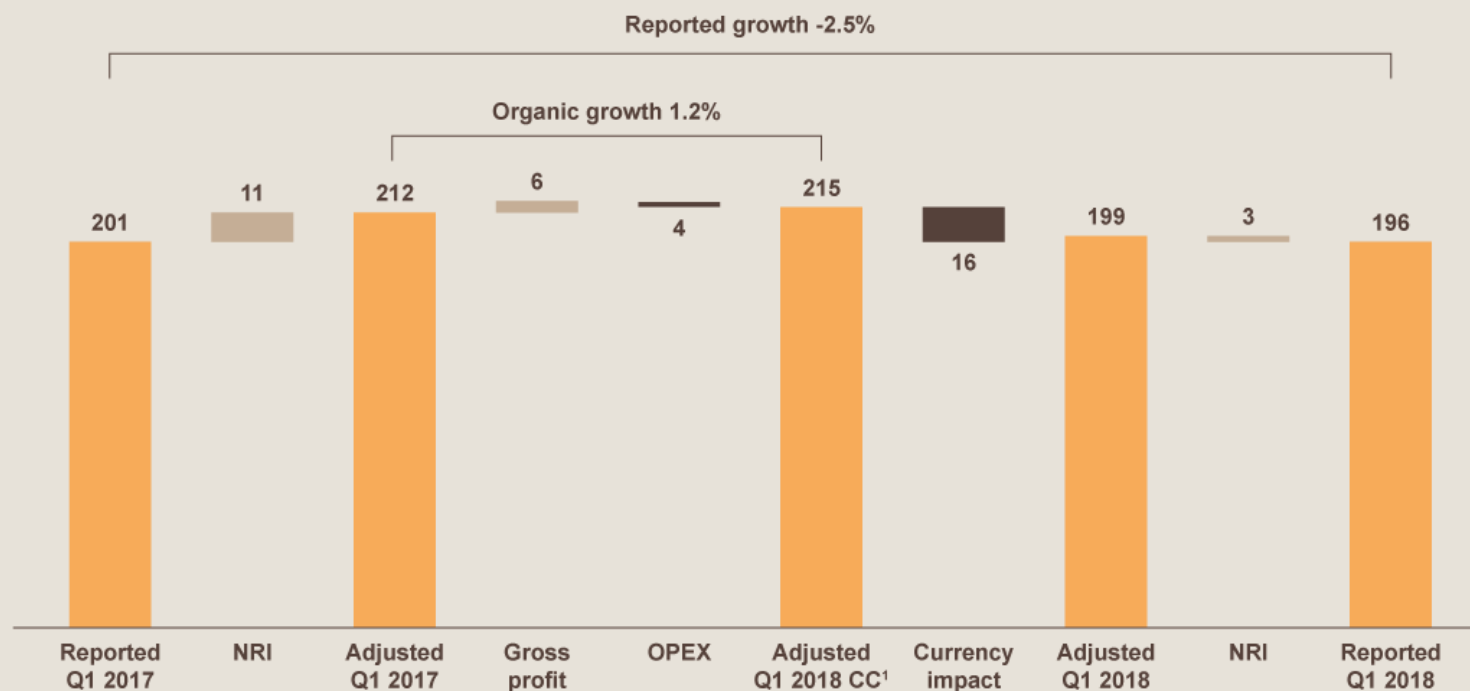
Note: All numbers in DKK million

1) Excluding currency impact



EBITDA BRIDGE

Q1 2017 VS Q1 2018



Note: All numbers in DKK million

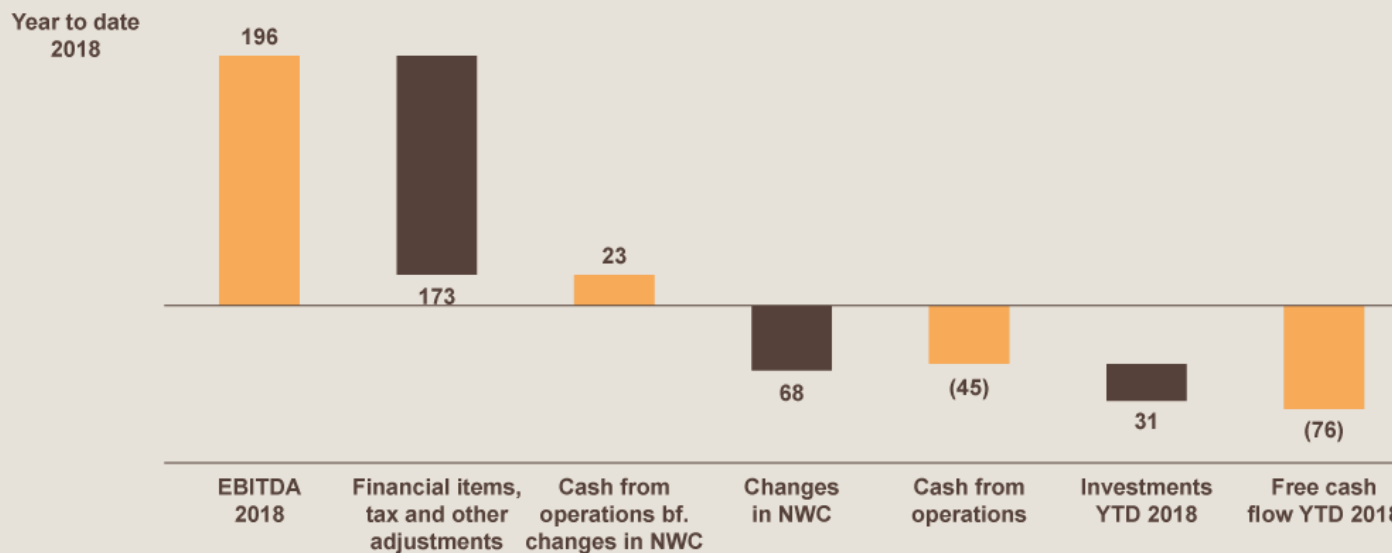
1) Excluding currencies, acquisitions and non-recurring items (NRI)



CASH FLOW DEVELOPMENT

Q1 2018

Full year 2017	1,232	(352)	880	168	1,049	(94)	955
Q1 2017	201	(2)	199	(126)	73	(25)	48

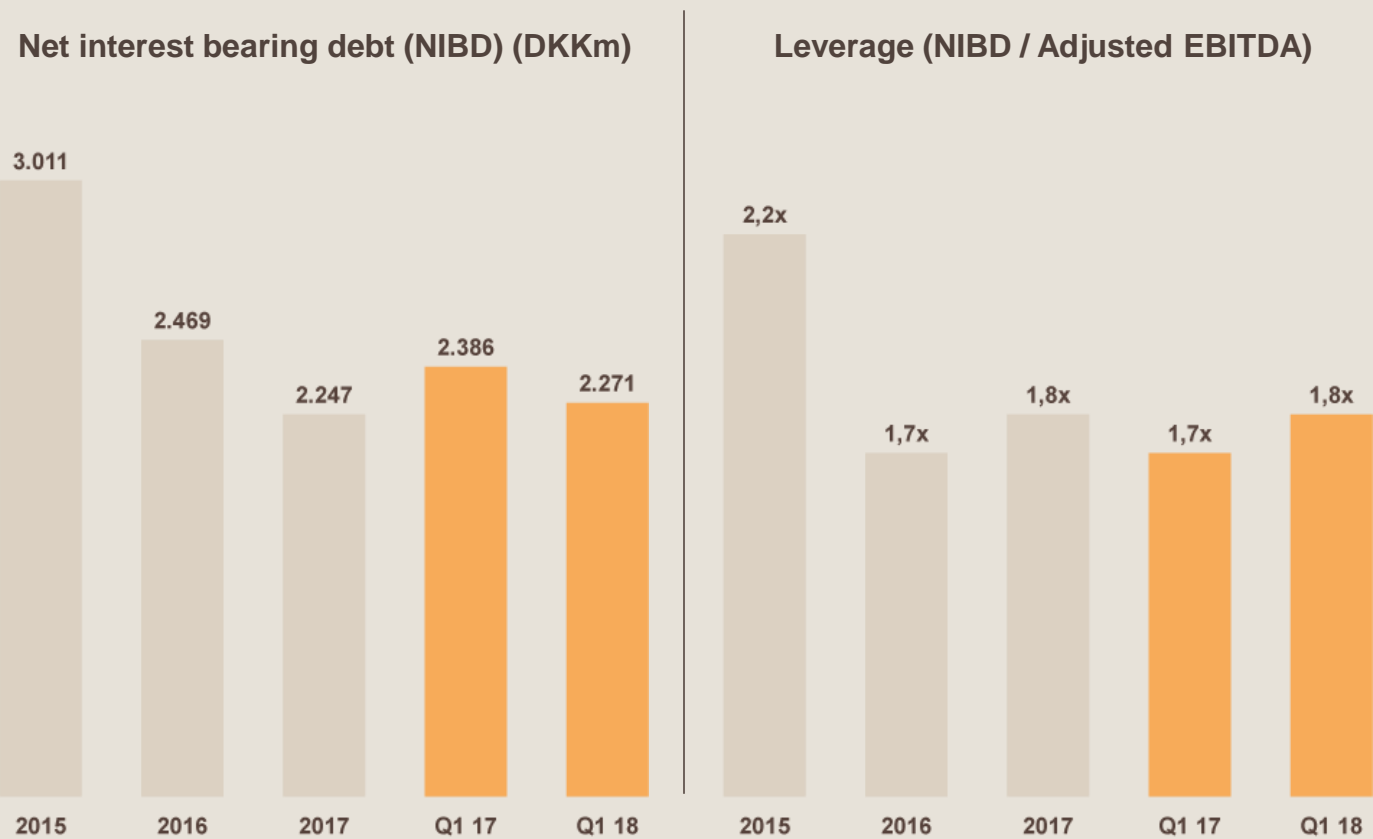


Note: All numbers in DKK million



CAPITAL STRUCTURE

NET DEBT/LEVERAGE



GUIDANCE 2018 UNCHANGED

	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 ~ DKK 215 million

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



Q & A



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FINANCIAL CALENDAR

2018

8

MAR

Annual report 2017*

2018

26

APR

Annual General Meeting

2018

17

MAY

First quarter 2018*

2018

30

AUG

Half year report 2018*

2018

9

NOV

Third quarter 2018*

* Silent period starts four weeks prior to interim report announcements



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APPENDIX



FORWARD LOOKING STATEMENTS

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REVENUE RECOGNITION (IFRS 15)

RECLASSIFICATION OF IMPORT DUTIES

	2017				FY2017	2018
	Q1	Q2	Q3	Q4		Q1
Net sales (New IFRS15)						
Handmade cigars	400	518	529	470	1,918	371
Machine-made cigars	498	614	639	645	2,396	472
Pipe tobacco	126	128	137	131	521	115
Fine-cut tobacco	121	145	154	163	582	107
Other	197	236	227	247	907	220
Group total	1,341	1,641	1,686	1,656	6,324	1,285
Net sales adjustment (DKKm)						
Handmade cigars	-0.7	-0.5	-0.7	-0.9	-2.8	-0.8
Machine-made cigars	-25.3	-21.5	-25.5	-23.0	-95.3	-22.8
Pipe tobacco	-5.5	-6.4	-6.0	-5.3	-23.2	-3.9
Fine-cut tobacco	-5.6	-3.0	-2.3	-5.0	-15.9	-5.1
Other	-0.5	-0.4	-0.6	-0.5	-2.0	-0.4
Group total	-37.6	-31.9	-35.1	-34.7	-139.2	-33.1
Impact adjusted gross margin						
Handmade cigars	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%
Machine-made cigars	2.6%	1.8%	2.1%	1.9%	2.1%	2.4%
Pipe tobacco	2.6%	3.1%	2.6%	2.3%	2.7%	1.9%
Fine-cut tobacco	2.7%	1.3%	0.9%	1.9%	1.7%	2.5%
Other	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Group total	1.3%	0.9%	1.0%	1.0%	1.1%	1.2%



CASH FLOW QUARTER BY QUARTER

	2015				2016				2017				2018
DKK million	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Cash flow from operating activities	22	408	467	389	-148	452	671	383	73	270	373	332	-45
Cash flow from investing activities	-36	-84	-46	-63	-56	-83	-45	-35	-25	-19	-31	-18	-31
Free cash flow	-14	324	421	326	-204	369	627	348	48	251	342	315	-76