

A black, textured cover for an investor presentation, centered on a white marble background. The cover is surrounded by various tobacco-related items: a pair of silver tongs at the top left, a pile of brown tobacco at the top right, a black fountain pen with gold accents on the right, a wooden smoking pipe with a black stem at the bottom right, a large cigar with a gold and black label at the bottom left, and a smaller cigar next to it. There are also small piles of tobacco on the left side.

**INVESTOR
PRESENTATION**

THIRD QUARTER 2020

5 NOVEMBER 2020



AGENDA

01 Q3 highlights

02 Business update

03 Divisional update

04 Group financials

05 2020 outlook

06 Q&A session



NIELS FREDERIKSEN
CEO



MARIANNE RØRSLEV BOCK
CFO



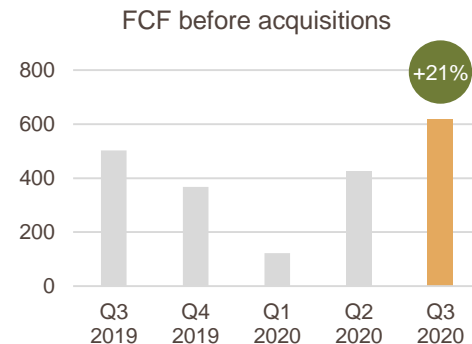
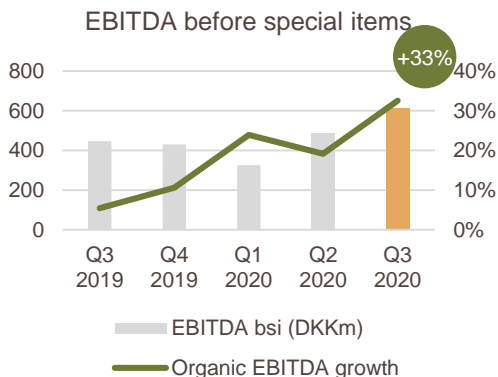
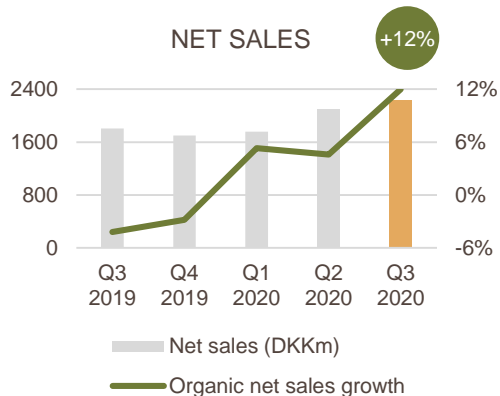
TORBEN SAND
Head of Investor Relations

All statements except for statements of historical fact in this presentation are forward-looking. Forward-looking statements give Scandinavian Tobacco Group's ("STG") current expectations and projections relating to its financial condition, results of operations, plans, objectives, future performance as well as business. No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or the opinions contained therein. The presentation has not been independently verified and will not be updated.



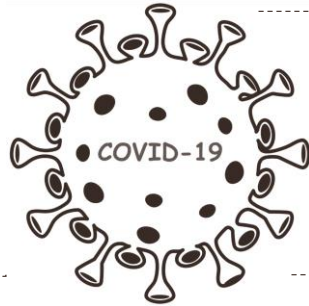
Q3 2020 CONTINUED STRONG PERFORMANCE

- Strong net sales trend supported by increased consumption and phasing
- Margin expansion driven by commercial actions and cost optimisations
- Cash flow generation supported by EBITDA growth and temporary working capital improvements
- Financial guidance maintained
- Baa3 credit rating and refinancing





MORE SMOKING OPPORTUNITIES HAVE INCREASED CONSUMPTION



SUPPLY CHAIN

- All factories up and running since April/May
- No (major) issues with 3rd party supplies
- Inventories of premium cigars lower than normal, though improving

SALES

- Strong resilience, temporary growing consumption in certain categories and markets
- Increase in number of active customers, order size and retention rate in North American Online
- Covid-19 close-downs impacted border, travel and retail sales

KEY UNCERTAINTIES

- Major worsening of pandemic in second wave impacting sales and supply chain
- Long-term impact on consumer behavior
- Lower visibility following loading/phasing



AGIO INTEGRATION ON TRACK



Implementation moving ahead

- The integration is on target to deliver expected savings of DKK 70-80 million in 2020
- Commercial integration expected to be finalized in Q4
- Stable market shares in acquired business
- Special costs of DKK 61 mio. expensed in Q3 (YTD: DKK 170 mio.)

2020

New organization established
Commercial integration completed

2021

Integration of production facilities

2022

Integration completed



DKK ~225 mio. in net cost synergies projected by the end of 2022

EBITDA margin bsi to improve by at least 2%-points after integration

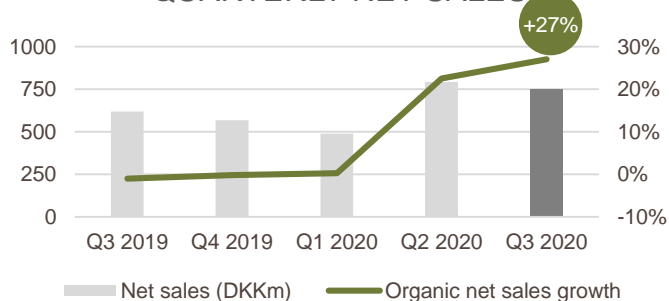


NORTH AMERICA ONLINE & RETAIL

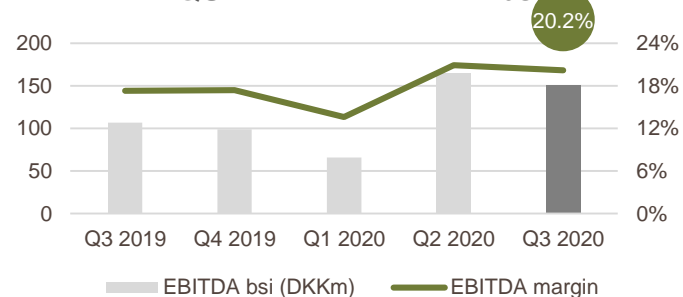
- Higher consumption of handmade cigars continues with increase in smoking opportunities
- Increase in Active Customers, Basket Size and Retention Rates
- Phase 1 of retail expansion plan finalized with 5 super stores
- Positive organic growth expected to continue in coming quarters



QUARTERLY NET SALES



QUARTERLY EBITDA bsi



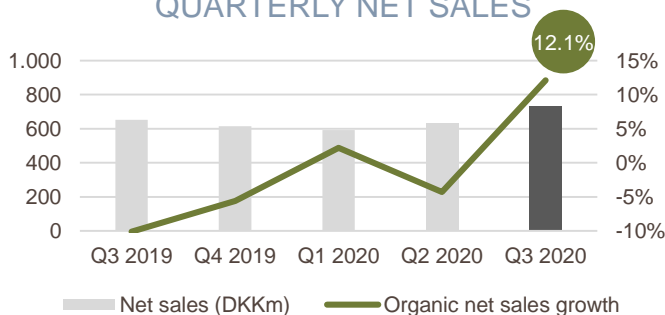


NORTH AMERICA BRANDED & ROW

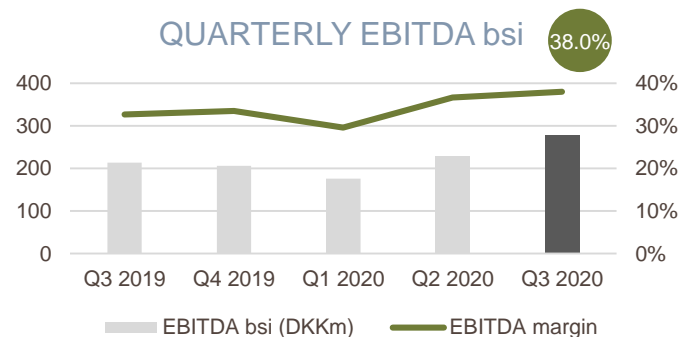
- Strong recovery in handmade cigar volumes to retail
- High demand from online distribution channels continued
- Growth in smoking tobacco despite structural market decline
- Margins supported by commercial and cost initiatives as well as mix



QUARTERLY NET SALES



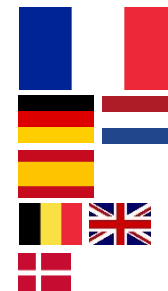
QUARTERLY EBITDA bsi



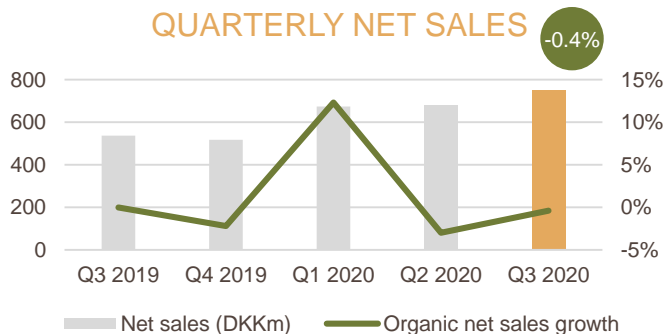


EUROPE BRANDED

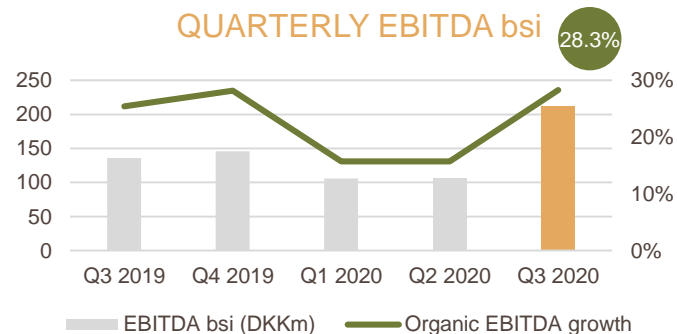
- Markets back to pre Covid-19 trends. Growth in Germany and Italy
- Market shares slightly down due to country mix. France up!
- Positive growth in smoking tobacco
- Margins improved with mix and price increases



QUARTERLY NET SALES



QUARTERLY EBITDA bsi





9M RESULTS

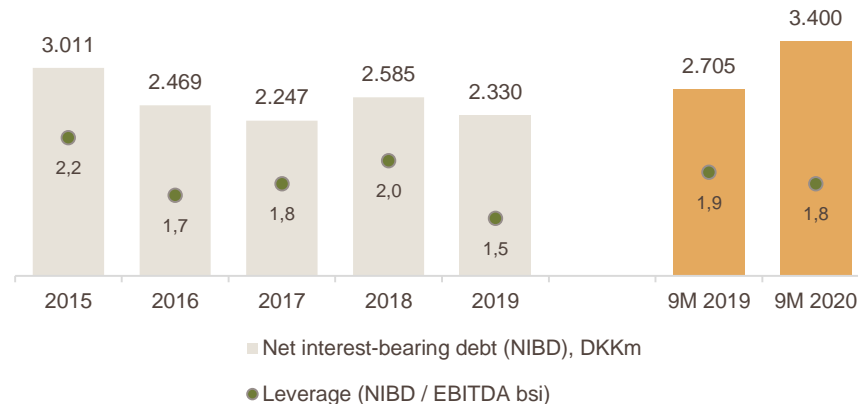
DKK mio.	Q3 2020	Q3 2019	9M 2020	9M 2019	9M 2020 (9M 2019)
Net sales	2,231	1,808	6,084	5,020	7.5% Organic net sales growth (-2.4%)
Gross profit (before special items)	1,124	854	2,845	2,332	46.8% Gross margin (46.5%)
OPEX	-510	-408	-1,416	-1,249	23.3% OPEX ratio (24.9%)
EBITDA before special items	614	446	1,429	1,083	23.5% EBITDA margin (21.6%)
Special items	-80	-118	-314	-162	
EBIT	436	229	806	627	
Net financials	7	-16	-38	-42	
Net profit	356	172	630	469	
EPS adjusted for special items (DKK)	4.2	2.6	8.7	5.9	
Cash flow from operations	660	532	1,309	896	
Free cash flow before acquisitions	609	503	1,156	819	



NET DEBT AND LEVERAGE

- NIBD decreased by DKK 595 mio. versus end Q2 2020
- Leverage ratio down to 1.8x EBITDA versus 2.4x end Q2 2020
- Decrease driven by strong cash flow generation
- In September, a 5-year unsecured corporate bond for a principal amount of EUR 300 million with maturity in September 2025 and with a coupon of 1.375% was issued
- Scandinavian Tobacco Group A/S and the corporate bond assigned a Baa3 rating with a stable outlook by Moody's

NIBD AND LEVERAGE

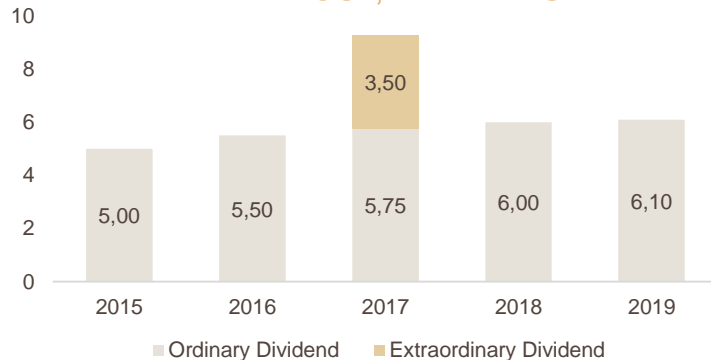




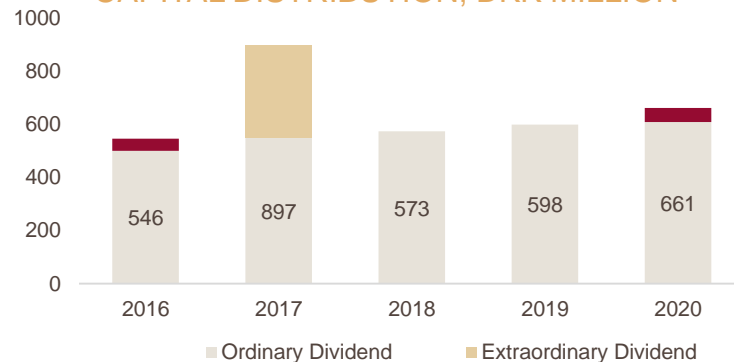
CAPITAL DISTRIBUTION

- DKK 300m share buy-back was initiated by 31 August. Purpose to adjust capital structure and cover Long Term Incentive obligations
- DKK 53m purchased by end of Q3 2020 and DKK 98m purchased as of 30 OCT 2020
- Total capital distribution DKK 661m by end of Q3 2020 and DKK 706m as of 30 OCT 2020
- Total capital distribution 2016-Q3 2020 is DKK 3,275m

DIVIDEND PAYOUT, DKK PER SHARE



CAPITAL DISTRIBUTION, DKK MILLION





REGULATORY UPDATE



EUROPE

- Excise Directive Revision
- Tobacco Products Directive Revision
- Plain packaging

USA

- FDA prioritise focus on NGPs
- Substantial Equivalence, premium cigars



2020 FULL-YEAR GUIDANCE

GUIDANCE 2020

Unchanged

EBITDA

Organic growth >9%

FCF Before acquisitions

> DKK 1,000 mio

KEY ASSUMPTIONS

- Positive organic net sales growth for FY 20.
- Change in consumer behavior continues and no material supply chain disruptions
- DKK 70-80 mio cost savings from Agio, further benefits from FtG
- DKK 375-400 mio special costs (previously DKK 415-435 mio)
- CAPEX in the level of DKK 250 mio (previously DKK 300 mio)



Q&A





EVENT CALENDAR & CONTACT

EVENT CALENDAR 2020



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