



SCANDINAVIAN TOBACCO GROUP
INVESTOR PRESENTATION

3 November 2016



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Q3 AND YTD 2016 – HIGHLIGHTS



EBITDA growth on track (+1.9% YTD)



Cost savings a key focus area – new initiatives taken



Net sales stable (0.0% YTD)



Strong free cash flow (+8% YTD)



Updated 2016 Guidance



STG GROUP – KEY PERFORMANCE DATA

	Q3 2016			YTD 2016		
	DKKm Reported	Growth, % Reported Organic ¹		DKKm Reported	Growth, % Reported Organic ¹	
Net sales	1,740	(0.1%)	(0.2%)	4,938	(0.5%)	(0.0%)
Gross profit	797	(4.1%)		2,375	(1.7%)	
OPEX	468	(10.8%)		1,415	(4.3%)	
EBITDA	328	7.5%		960	2.3%	
Non-recurring items	83			105		
Adjusted EBITDA	412	4.8%	4.9%	1,065	1.3%	1.9%
Net profit	152	9.2%		498	1.0%	
Capex	51	5.9%		198	15.6%	
Free cash flow	627	48.7%		792	8.3%	
NIBD/Adjusted EBITDA				2.0x		

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



FINANCIAL HIGHLIGHTS YTD 2016

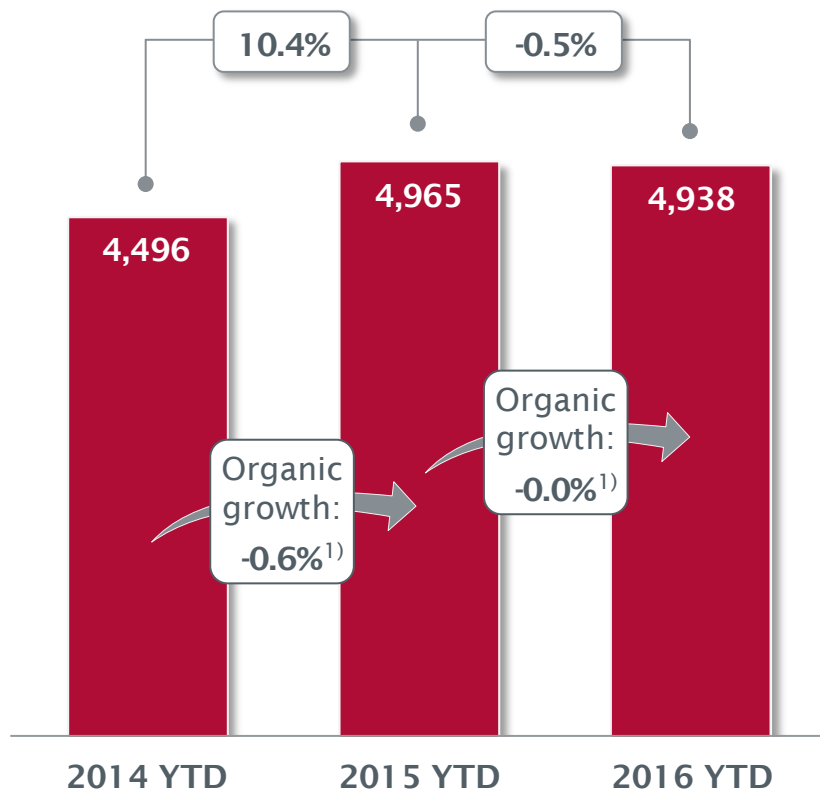
KPI	2016 guidance	2016 YTD actual performance
Adjusted Net sales	Approx. 0% organic growth ¹	0.0%
Adjusted EBITDA	3-5% organic growth ¹	1.9%
Capital expenditures	About DKK 250m	DKK 198m

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

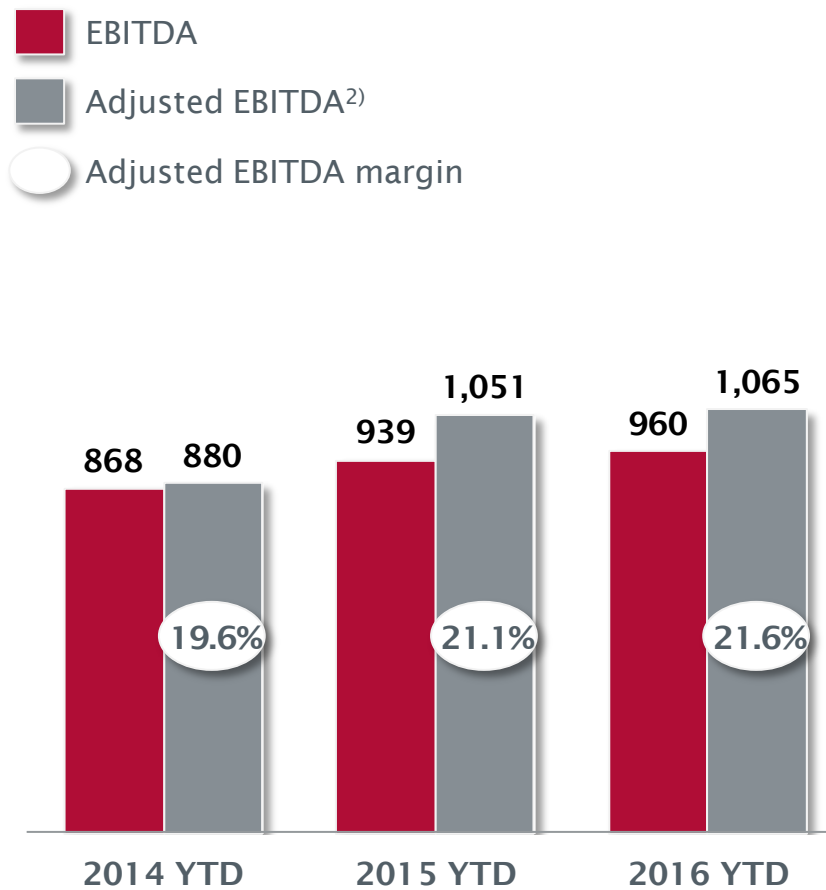


FINANCIAL OVERVIEW

Net sales (DKK m)



EBITDA (DKK m)

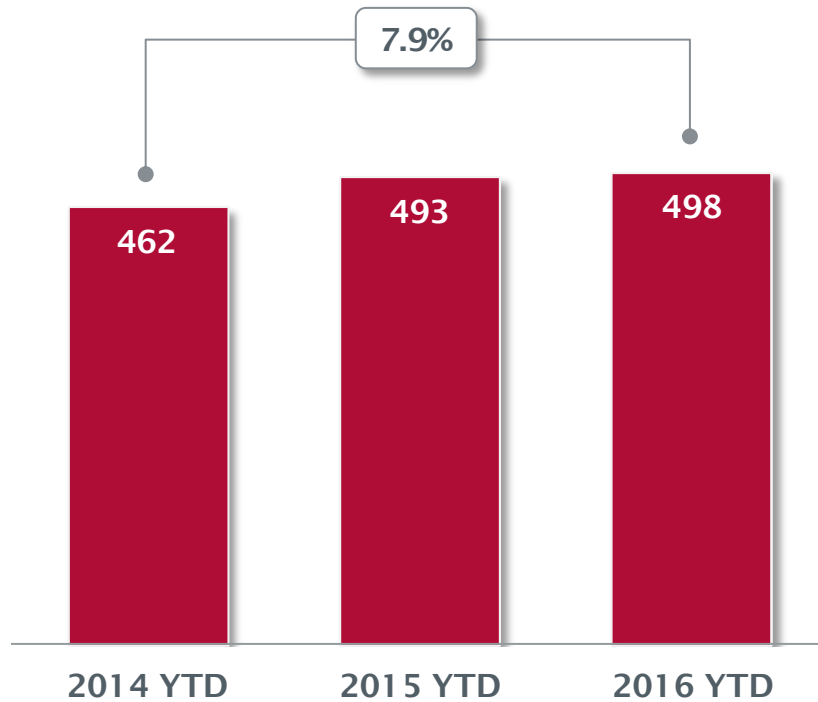


¹ Adjusted for currencies, acquisitions and non-recurring items
² Adjusted for non-recurring items

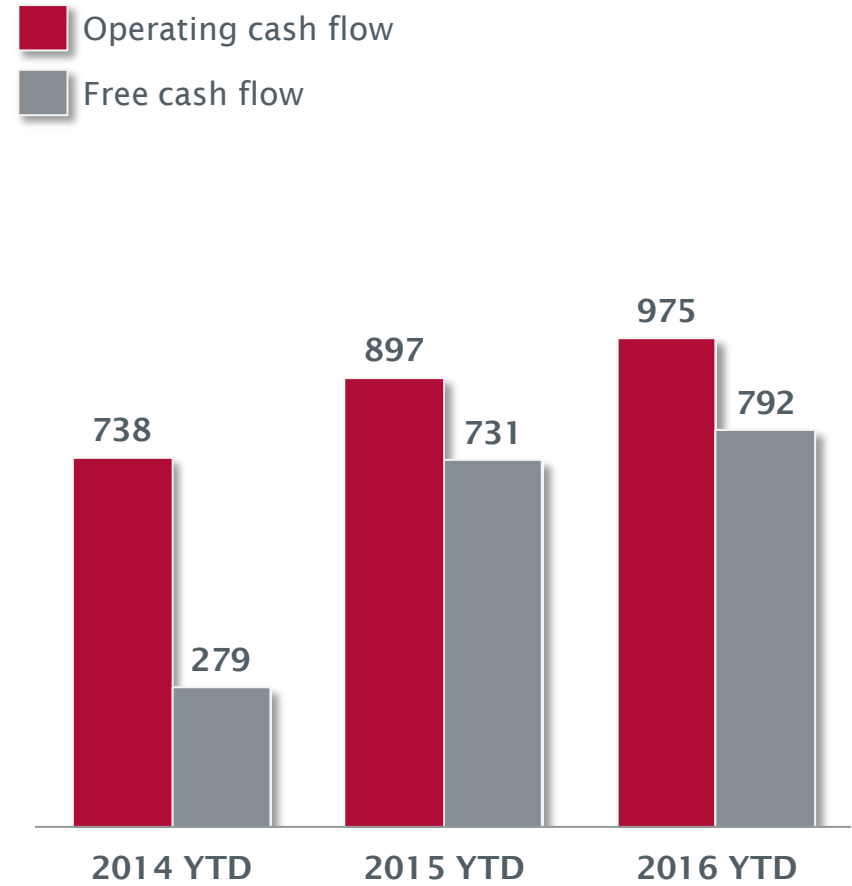


FINANCIAL OVERVIEW

Net profit (DKK m)

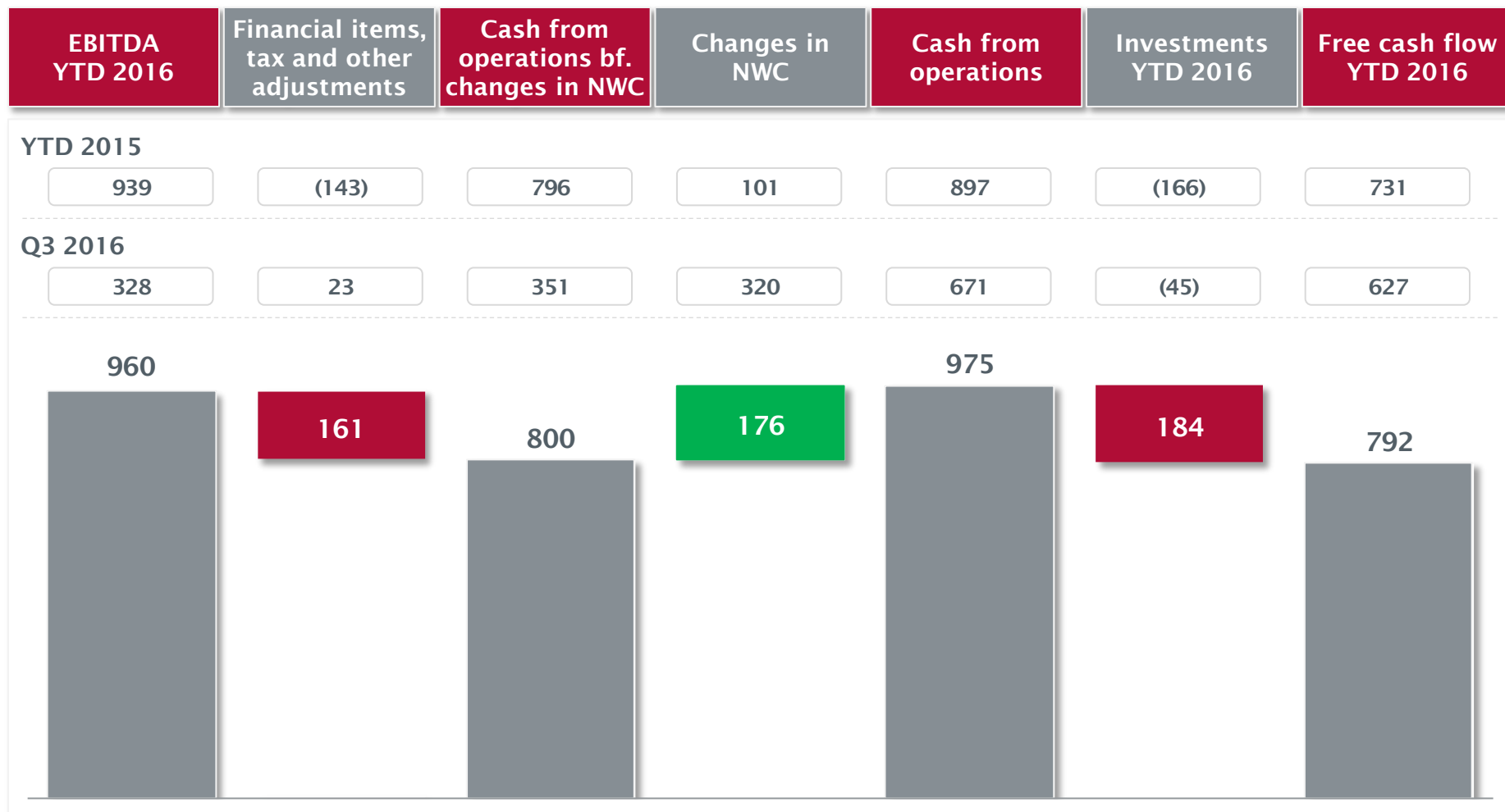


Cash flow (DKK m)





OPERATING AND FREE CASH FLOW YTD 2016 (DKKM)



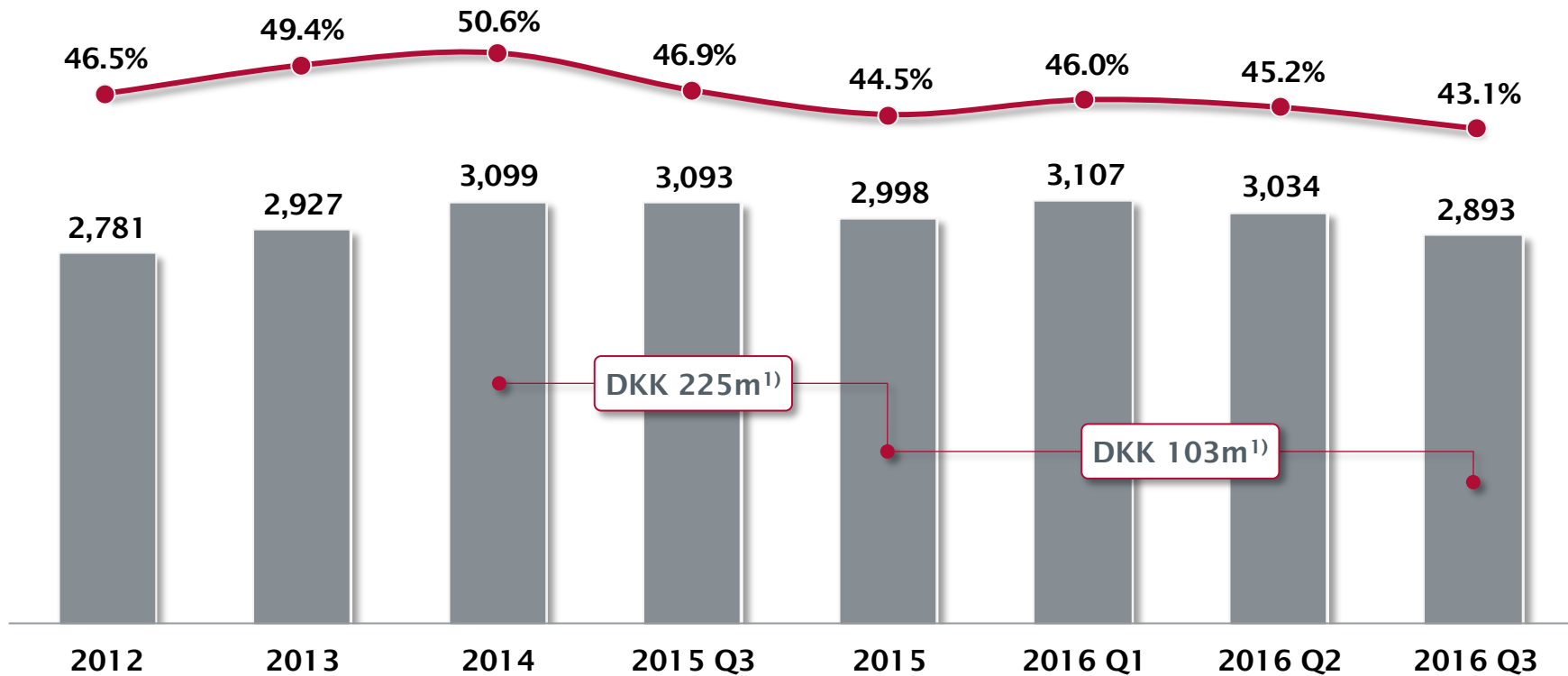


INVENTORY DEVELOPMENT

Inventory (DKK m)

■ Inventory (reported ending balance)

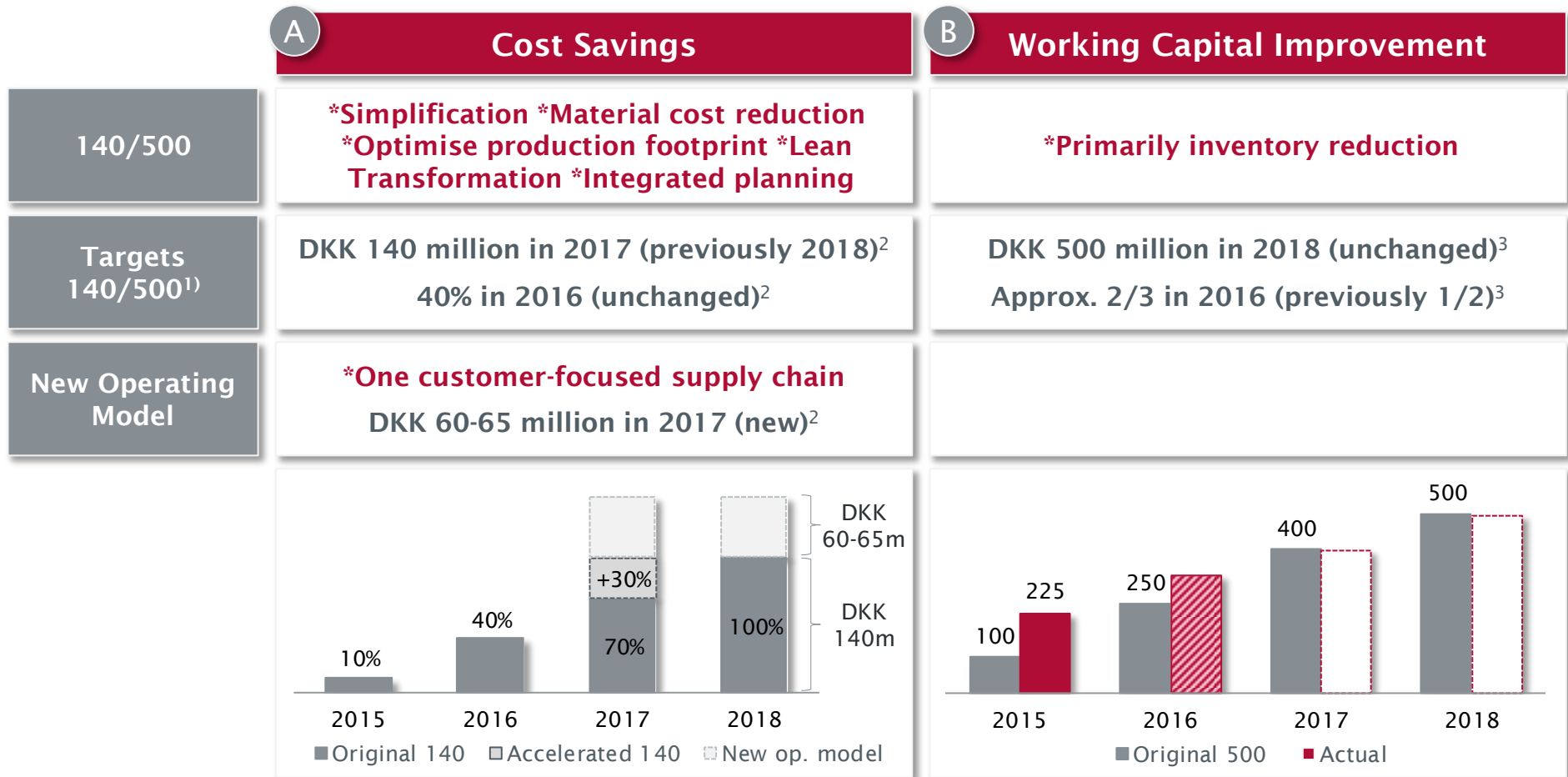
● Inventory ratio % of LTM net sales



¹ Inventory reduction net of currency and adjusted for provisions



OPTIMISATION AND EFFICIENCY PROGRAMMES - UPDATE



¹⁾ Compared to 2014 level

²⁾ Run rate by year-end

³⁾ Inventory reduction on a like-for-like basis at constant currencies

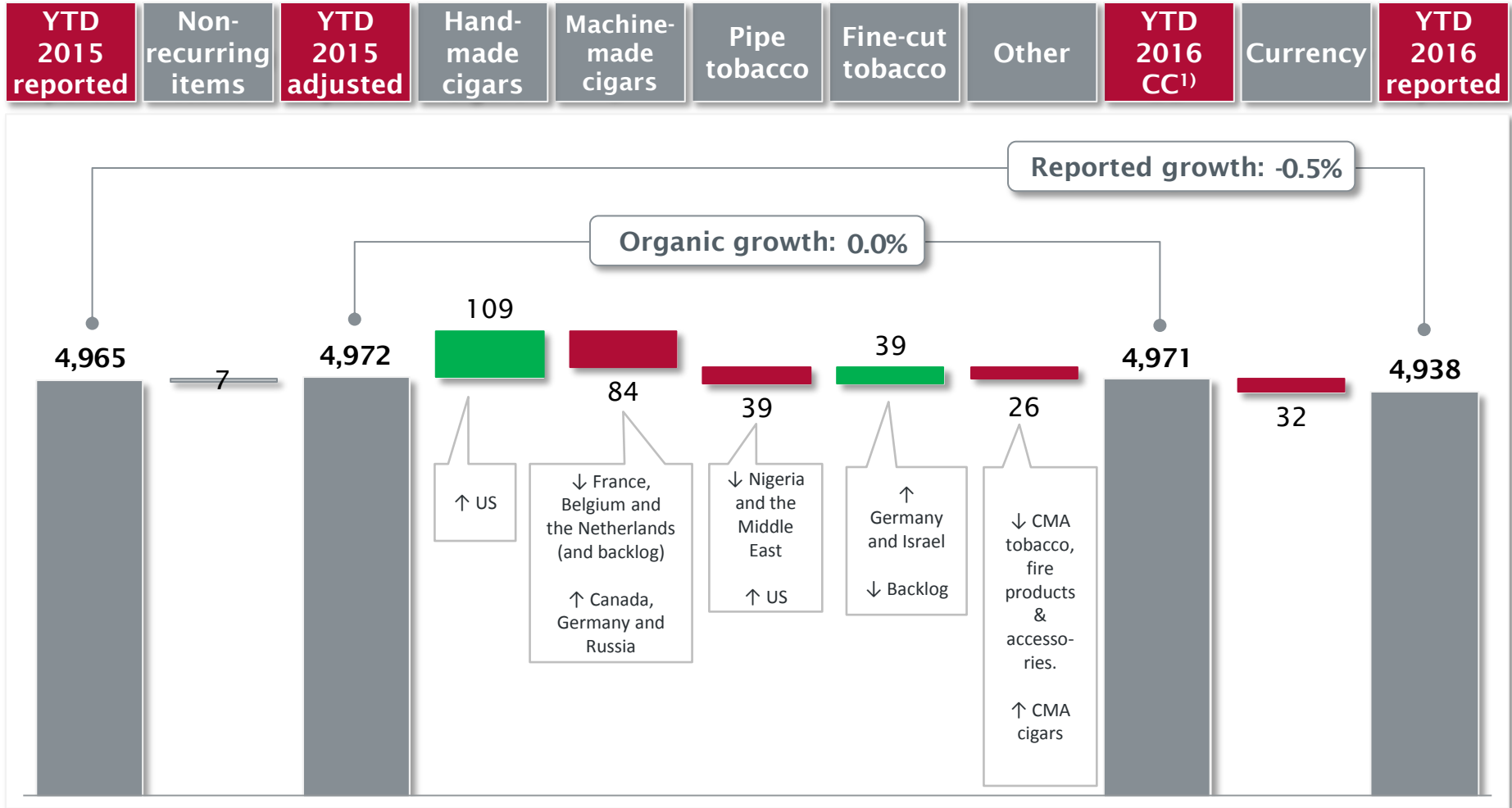


NON-RECURRING ITEMS

		YTD 2015	YTD 2016	FY 2015	FY 2016e	FY 2017e
Gross profit	TPD & other	44	11	44	12	
	140 project		60		66	12
	New Operating Model				3	50
	Total	44	71	44	81	62
EBITDA	TPD & other	70	25	96	28	
	140 project	42	73	42	83	7
	New Operating Model		7		26	63
	Total	112	105	138	137	70
Impairment	TPD & other					
	140 project		38		38	27
	New Operating Model					
	Total		38		38	27



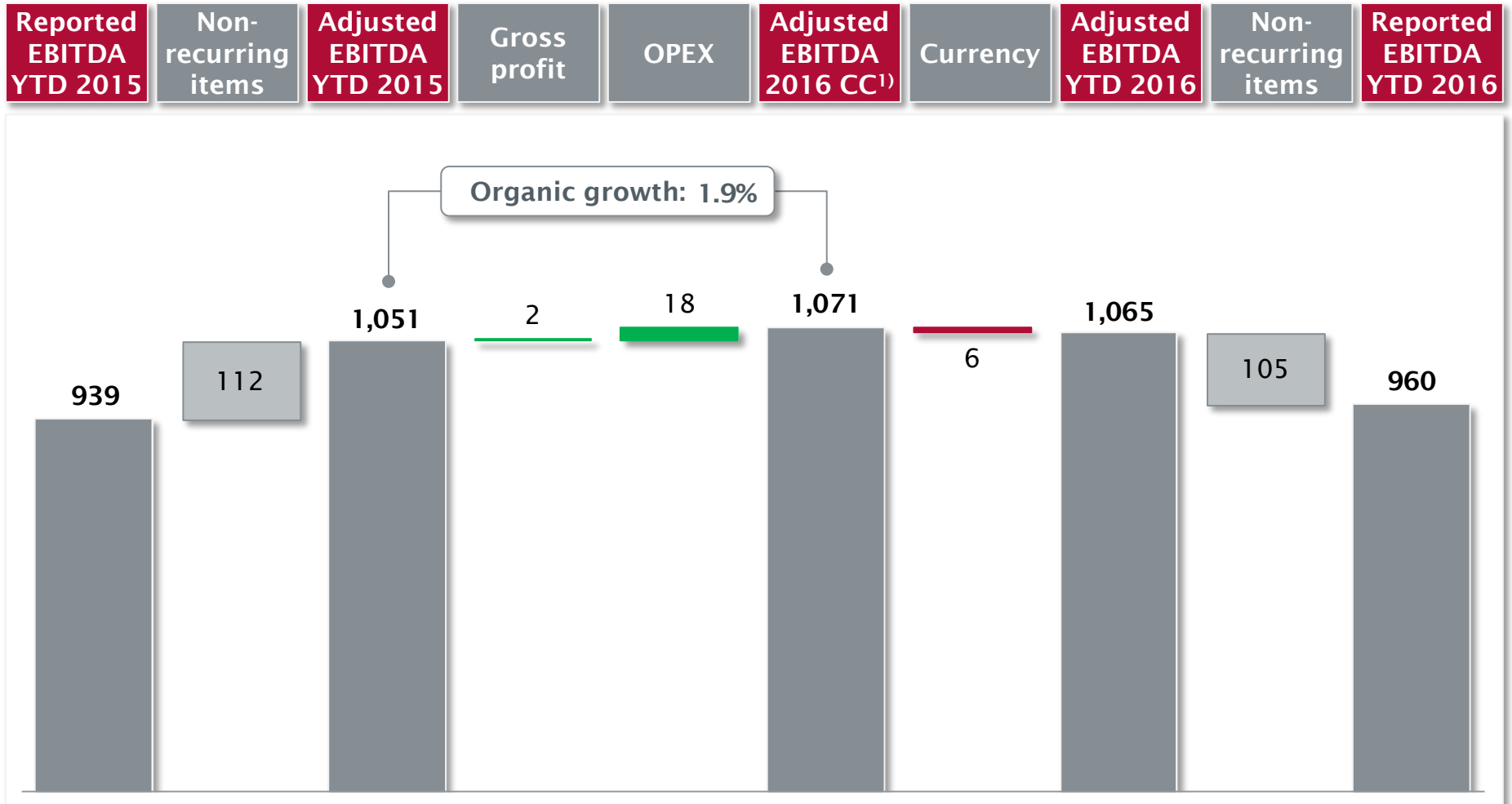
NET SALES BRIDGE YTD 2015 VS YTD 2016 (DKKM)



¹ Excluding currency impact



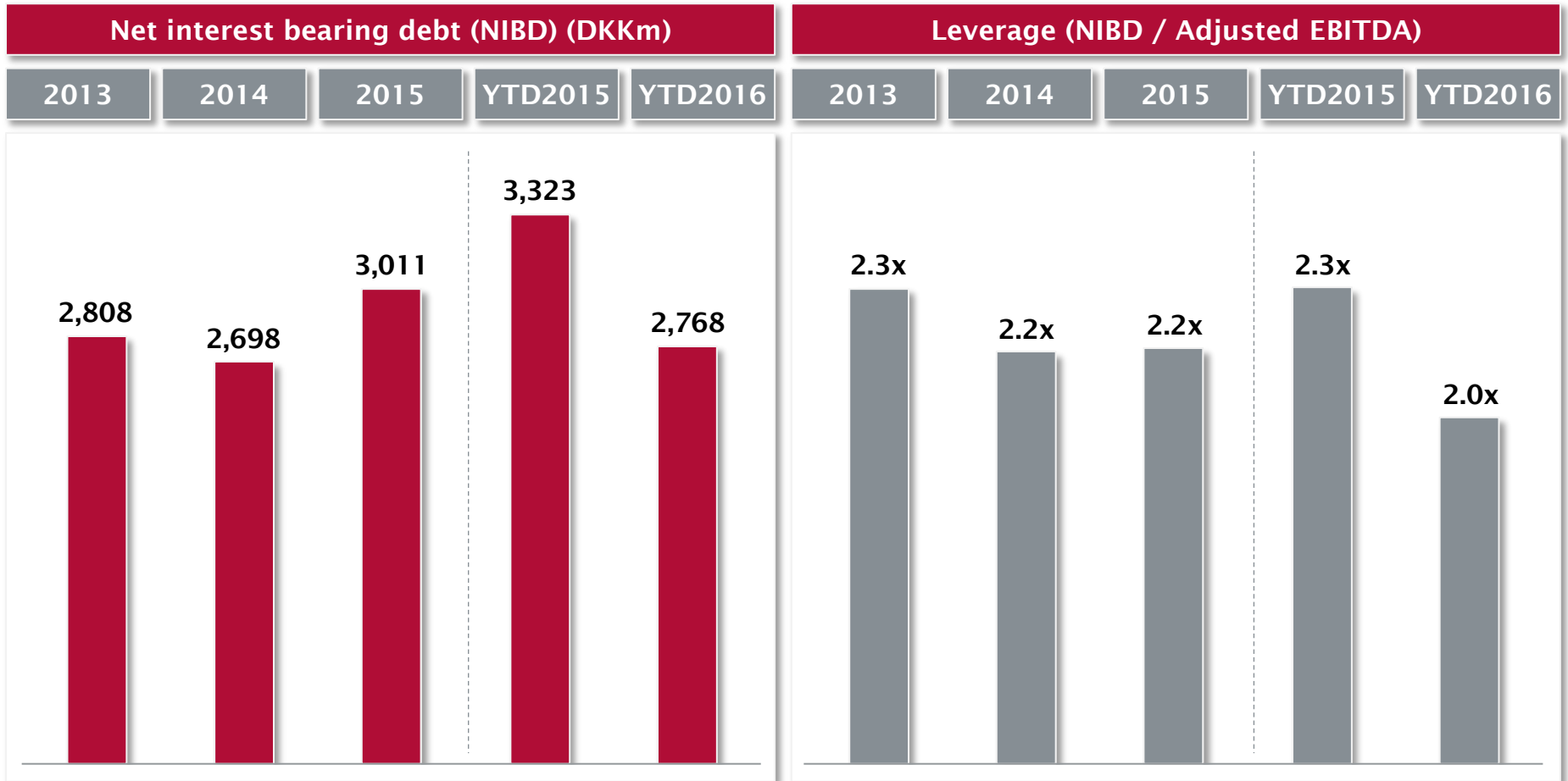
ADJUSTED EBITDA BRIDGE YTD 2015 VS YTD 2016 (DKKM)



¹ Excluding currencies, acquisitions and non-recurring items



NET DEBT AND LEVERAGE



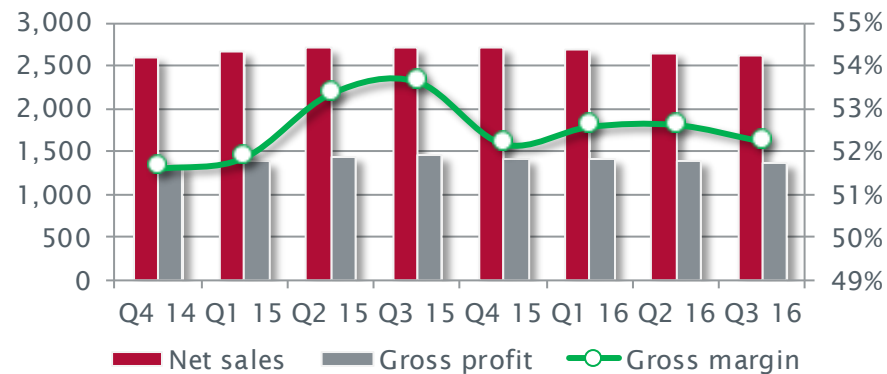


MACHINE-MADE CIGARS

DKKm	2014	2015	LTM ²⁾	Q3 15	Q3 16	YTD 15	YTD 16
Net sales	2,595	2,702	2,609	679	653	1,991	1,898
<i>Reported growth</i>	3.3%	4.1%	(3.4%)		(3.9%)		(4.7%)
Gross profit	1,341	1,371	1,295	329	277	1,018	941
<i>Gross margin</i>	51.7%	50.8%	49.6%	48.4%	42.5%	51.1%	49.6%
<i>Adj. gross margin</i>	51.7%	52.2%	52.3%	53.6%	52.1%	53.1%	53.2%
Volume impact	(0.6%)	(5.7%)	(5.8%)		(7.0%)		(6.4%)
Price/mix impact	2.8%	3.4%	2.4%		2.8%		2.2%
Organic growth¹⁾	2.2%	(2.3%)	(3.4%)		(4.1%)		(4.2%)



LTM (DKKm)




Q3 2016

- Pricing remains good
- Canada, UK and Russia deliver as expected
- Volume decline have intensified in certain markets
- France and the Netherlands remain challenging
- Cost base lowered substantially. Low production volumes temporarily dilute margins
- Back-log issue (about 2% of quarterly net sales) expected to be solved by year end

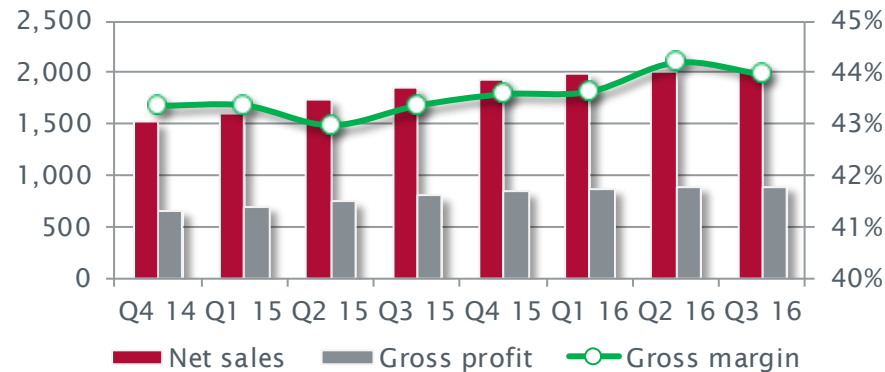
¹ Excluding impact of currencies, acquisitions and non-recurring items²⁾ LTM = last twelve months



HANDMADE CIGARS

DKKm		2014	2015	LTM ²⁾	Q3 15	Q3 16	YTD 15	YTD 16
Net sales		1,514	1,935	2,033	555	576	1,439	1,536
Reported growth		10.6%	27.9%	10.1%		3.8%		6.8%
Gross profit		656	843	894	248	253	627	677
Gross margin		43.3%	43.6%	44.0%	44.7%	43.8%	43.6%	44.1%
Volume impact		7.3%	6.6%	8.3%		2.0%		7.7%
Price/mix impact	2.3%	1.3%	(0.8%)		2.0%		(0.1%)	
Organic growth¹⁾		9.6%	7.9%	7.5%		4.1%		7.6%

LTM (DKKm)



Q3 2016

- Organic growth continues to be strong
- Growth contribution from both GC and CI
- Impacts by FDA-activities through-out value chain
- Price optimisation as well as collaboration between our US platforms are in focus
- International sales outside the US deliver double-digit growth

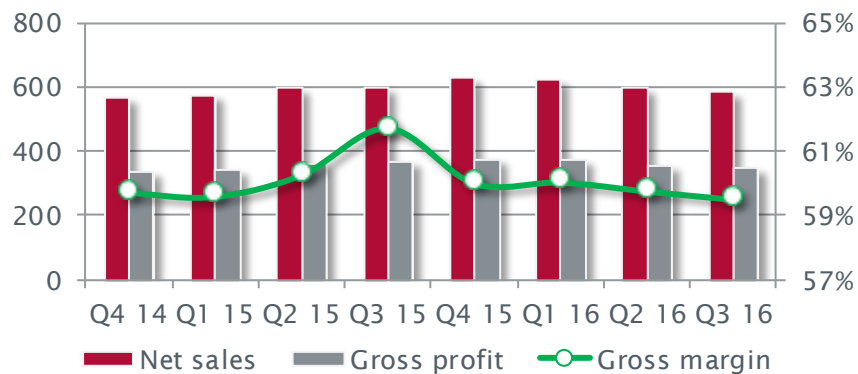
¹ Excluding impact of currencies, acquisitions and non-recurring items. ²⁾ LTM = last twelve months



PIPE TOBACCO

DKKm		2014	2015	LTM ²⁾	Q3 15	Q3 16	YTD 15	YTD 16
Net sales		569	629	586	150	138	459	416
Reported growth		0.4%	10.6%	(2.2%)		(8.0%)		(9.5%)
Gross profit		340	378	348	96	87	287	257
Gross margin		59.8%	60.1%	59.5%	64.0%	63.3%	62.5%	61.9%
Adj. gross margin		59.8%	60.1%	59.6%	64.0%	63.3%	62.5%	62.0%
Volume impact		(3.1%)	(5.1%)	(5.6%)		(9.7%)		(10.1%)
Price/mix impact		3.6%	6.7%	2.4%		2.2%		1.5%
Organic growth ¹⁾		0.5%	1.6%	(3.2%)		(7.6%)		(8.6%)

LTM (DKKm)



Q3 2016

- Pricing remains healthy
- Volume growth of dual-usage in the US continue to have an adverse impact on price/mix
- Structural decline in mature markets combined with lower sales to Nigeria and Middle East imply below normal volume trends
- Gross margins about unchanged versus last year

¹ Excluding impact of currencies, acquisitions and non-recurring items. ²⁾ LTM = last twelve months

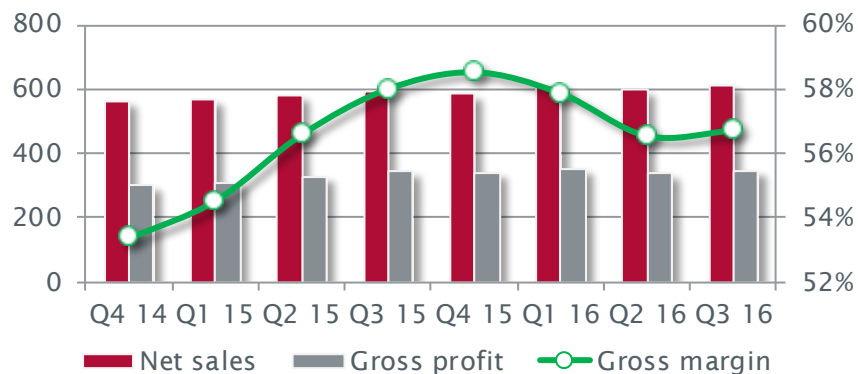


FINE-CUT TOBACCO

DKKm	2014	2015	LTM ²⁾	Q3 15	Q3 16	YTD 15	YTD 16
Net sales	562	583	613	152	168	439	468
<i>Reported growth</i>	7.7%	3.8%	3.2%		10.9%		6.7%
Gross profit	300	342	347	89	99	265	271
<i>Gross margin</i>	53.4%	58.5%	56.6%	58.7%	59.0%	60.4%	57.8%
<i>Adj. gross margin</i>	53.4%	58.5%	56.7%	58.7%	59.1%	60.4%	57.9%
Volume impact	1.1%	(6.0%)	(2.0%)		6.6%		2.9%
Price/mix impact	7.7%	4.7%	5.8%		5.3%		6.0%
Organic growth¹⁾	8.8%	(1.3%)	3.8%		11.9%		8.9%



LTM (LTM)



Q3 2016

- Double-digit organic growth on the back of a decline in second quarter
- Growing volumes and gaining market share in Germany
- Strong price development in key markets
- Margins slightly up with sound pricing

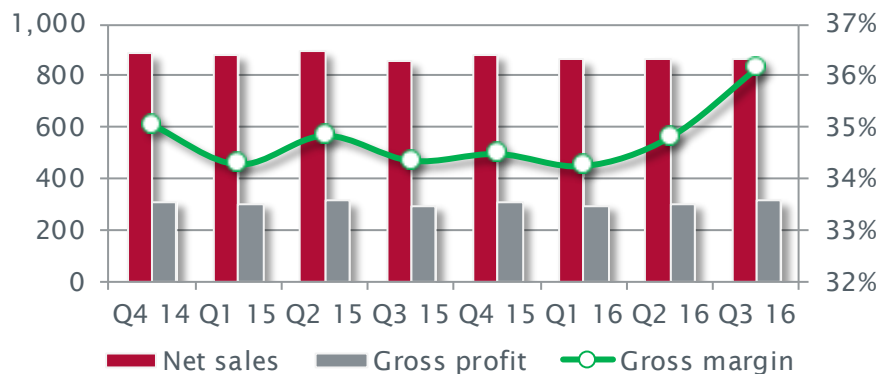
¹⁾ Excluding impact of currencies, acquisitions and non-recurring items. ²⁾ LTM = last twelve months



OTHER

DKKm	2014	2015	LTM ²⁾	Q3 15	Q3 16	YTD 15	YTD 16
Net sales	886	882	865	205	205	637	620
<i>Reported growth</i>	(7.3%)	(0.5%)	1.1%		0.0%		(2.6%)
Gross profit	310	304	313	69	80	220	229
<i>Gross margin</i>	35.0%	34.5%	36.1%	33.6%	39.2%	34.6%	36.9%
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⁾	(6.6%)	(4.5%)	(0.8%)		(2.3%)		(4.2%)

LTM (DKKm)



Q3 2016

- Normalised level of contract manufacturing
- Gross margin increased primarily driven by fire products in Australia and price increases in contract manufacturing

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

²⁾ LTM = last twelve months



GUIDANCE AND MEDIUM-TERM OUTLOOK

	2016 guidance	Medium-term outlook
A Adjusted net sales	Approx. 0% organic growth ¹ (from 1-3%)	1-3% organic growth ¹ (through the cycle)
B Adjusted EBITDA	3-5% organic growth ¹ (unchanged)	3-5% organic growth ¹ (through the cycle)
C Capital expenditures	Around DKK 250m (unchanged)	c. DKK 150m (maintenance)

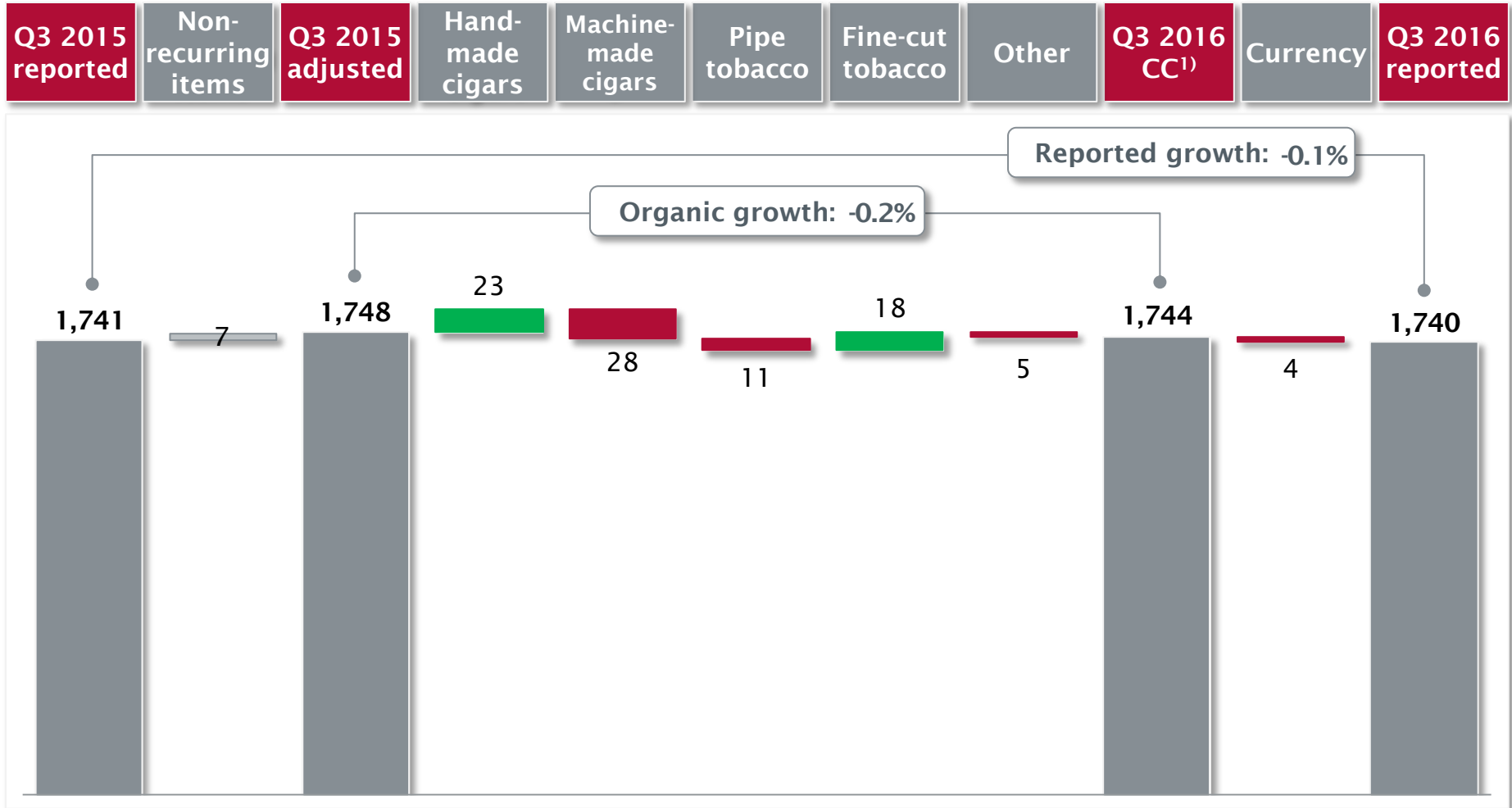
¹ Annual organic growth, i.e. excluding currencies, acquisitions and non-recurring items



APPENDIX



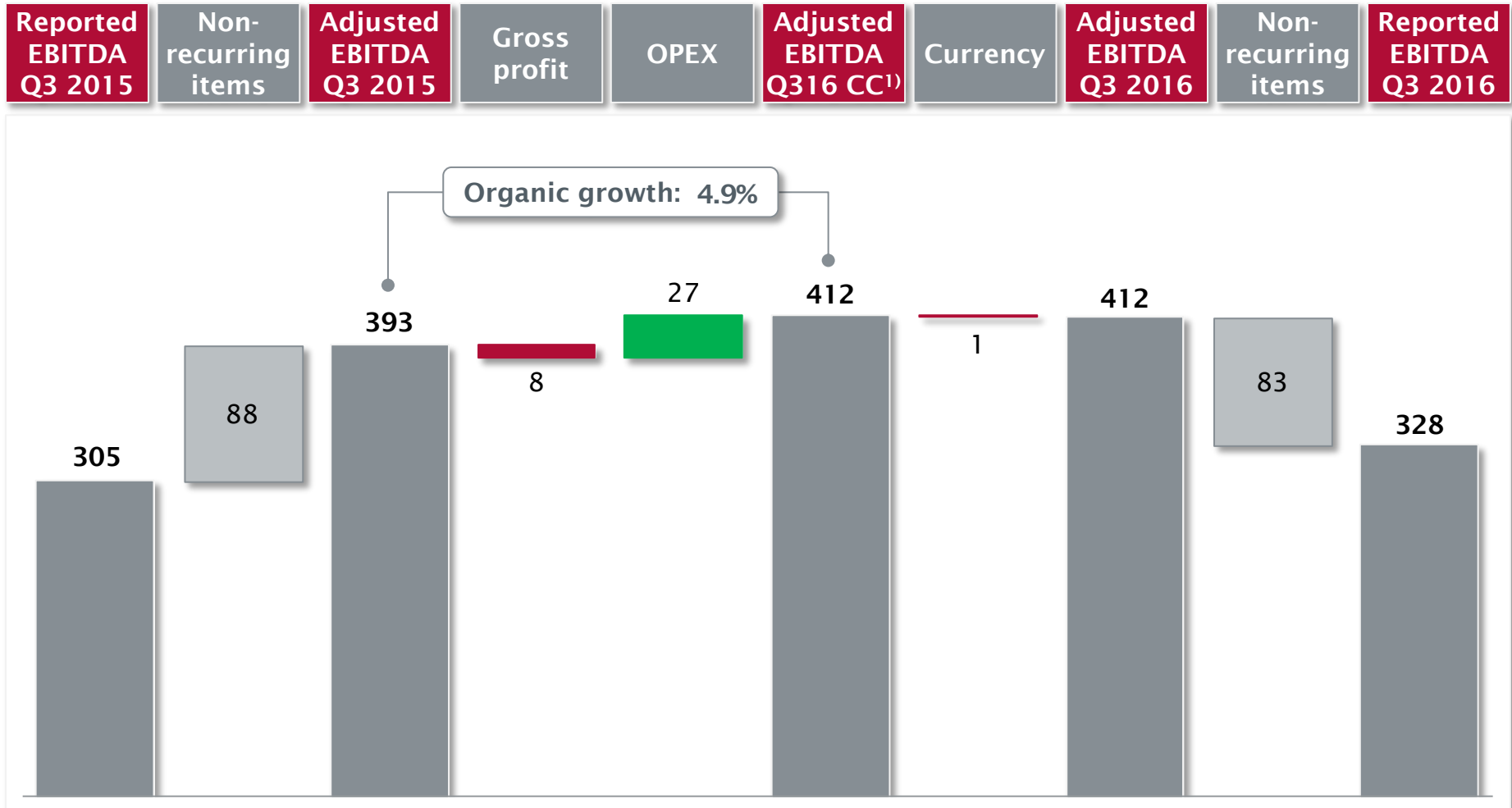
NET SALES BRIDGE Q3 2015 VS Q3 2016 (DKKM)



¹ Excluding currency impact



ADJUSTED EBITDA BRIDGE Q3 2015 VS Q3 2016 (DKKM)



¹ Excluding currencies, acquisitions and non-recurring items



FINANCIAL CALENDAR 2017

Event	Date	Silent period starts
Fourth Quarter (Q4 2016) and full year results	March 16	February 16
Annual General Meeting (AGM 2016)	April 26	n/a
First Quarter (Q1 2017)	May 18	April 20
Second Quarter (Q2 2017)	August 24	July 27
Third Quarter (Q3 2017)	November 8	October 11



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