



INVESTOR PRESENTATION

—
SECOND QUARTER 2018

30 AUGUST 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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Q2 2018 FINANCIAL HIGHLIGHTS

	Q2 2018	YTD 2018
Reported net sales	DKK 1,780 million (organic growth +1.6%)	DKK 3,065 million (organic growth +2.4%)
Adjusted EBITDA	DKK 346 million (organic growth +3.1%)	DKK 544 million (organic growth +2.4%)
Free cash flow	DKK -176 million	DKK -252 million

DKK 389 million invested in acquisitions

2018 guidance: Organic growth in EBITDA > 3%



HIGHLIGHTS

**Continued good growth
in Cigars International
and Thompson off to a
good start**



**Acquisition of Peterson
Pipe Tobacco**



**France still impacted by
excise increase in March**



HANDMADE CIGARS

NO. 1 IN THE US





HANDMADE CIGARS

DKK million	2015	2016	2017	Q2 17	Q2 18	YTD 17	YTD 18
Net sales	1,935	2,067	1,921	519	661	920	1,032
<i>Reported growth</i>	27.9%	6.8%	-7.1%		27.3%		12.2%
Gross profit	843	903	795	216	268	387	421
<i>Gross margin</i>	43.6%	43.7%	41.4%	41.6%	40.6%	42.1%	40.8%
Volume impact	6.6%	7.4%	-1.8%		1.3%		3.2%
Price/mix impact	1.3%	-0.2%	-2.3%		5.6%		3.6%
Organic growth¹⁾	7.9%	7.2%	-4.0%		6.9%		6.8%

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

Q2 2018

- Cigars International: Regaining momentum
- General Cigar: Growing at lower pace versus previous quarters
- Thompson: Off to a good start
- Regulation: Internet sales tax and health warnings postponed





MACHINE-MADE CIGARS

NO. 1 IN THE EU, AUSTRALIA
AND CANADA





MACHINE-MADE CIGARS

DKK million	2015	2016	2017	Q2 17	Q2 18	YTD 17	YTD 18
Net sales	2,702	2,593	2,491	635	618	1,158	1,090
<i>Reported growth</i>	4.2%	-4.0%	-3.9%		-2.7%		-5.9%
Gross profit	1,372	1,280	1,268	303	333	563	582
<i>Gross margin</i>	50.8%	49.3%	50.9%	47.8%	53.9%	48.6%	53.3%
<i>Adj. gross margin</i>	52.2%	52.6%	52.4%	51.6%	53.9%	51.2%	53.3%
<i>Volume impact</i>	-5.7%	-6.0%	-3.7%		-3.8%		-4.4%
<i>Price/mix impact</i>	3.4%	2.2%	1.3%		1.3%		2.6%
Organic growth¹⁾	-2.3%	-3.9%	-2.4%		-2.4%		-1.8%

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

IFRS15 reclass improves Q2 2017 margins from 51.6% to 53.4%

Q2 2018

- France: Continued impact by excise increase in March
- UK, Belgium and Canada: Good momentum established
- Price/mix: Healthy, although diluted by mix and excise absorption in France
- Like-for-like margin improved



PIPE TOBACCO

NO. 1 GLOBALLY





PIPE TOBACCO

DKK million	2015	2016	2017	Q2 17	Q2 18	YTD 17	YTD 18
Net sales	629	569	544	134	113	266	228
<i>Reported growth</i>	10.6%	-9.5%	-4.4%		-16.1%		-14.3%
Gross profit	378	346	326	84	66	163	134
<i>Gross margin</i>	60.1%	60.8%	59.9%	62.4%	58.6%	61.4%	58.9%
<i>Adj. gross margin</i>	60.1%	61.2%	60.1%	63.0%	58.6%	61.7%	58.9%
<i>Volume impact</i>	-5.1%	-10.6%	-2.3%		-18.0%		-11.2%
<i>Price/mix impact</i>	6.7%	1.7%	-0.3%		8.6%		5.5%
Organic growth¹⁾	1.6%	-8.9%	-2.6%		-9.4%		-5.8%

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

IFRS15 reclass improves Q2 2017 margins from 63.0% to 66.2%

Q2 2018

- Price/mix: Strong price management and positive mix impact
- Lower volumes: Nigeria and the US
- Margins: Impacted by low production volumes
- Acquisition: Peterson, a small Irish premium business





FINE-CUT TOBACCO

NO. 1 IN THE US AND DENMARK





FINE-CUT TOBACCO

DKK million	2015	2016	2017	Q2 17	Q2 18	YTD 17	YTD 18
Net sales	583	652	598	148	141	274	247
<i>Reported growth</i>	3.9%	11.8%	-8.3%		-4.7%		-9.7%
Gross profit	342	378	364	88	83	161	141
<i>Gross margin</i>	58.5%	57.9%	60.9%	59.9%	58.7%	58.7%	57.0%
<i>Adj. gross margin</i>	58.5%	58.3%	61.1%	60.3%	58.7%	59.0%	57.0%
<i>Volume impact</i>	-6.0%	7.1%	-14.0%		-2.6%		-6.8%
<i>Price/mix impact</i>	4.7%	6.2%	7.0%		1.7%		2.6%
Organic growth¹⁾	-1.3%	13.3%	-7.0%		-0.9%		-4.2%

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

IFRS15 reclass improves Q2 2017 margins from 60.3% to 61.6%

Q2 2018

- Norway: Shipments recovered as expected
- US: Volume impact continued to be negative
- Israel: Strong performance continued
- Price/mix: Influenced by price competition in Germany





OTHER

POSITIVE GROWTH





OTHER

DKK million	2015	2016	2017	Q2 17	Q2 18	YTD 17	YTD 18
Net sales	882	864	909	237	248	434	468
<i>Reported growth</i>	-1.0%	-2.0%	5.2%		4.5%		7.7%
Gross profit	304	318	342	95	103	160	188
<i>Gross margin</i>	34.5%	36.8%	37.6%	40.0%	41.5%	36.9%	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%		5.3%		11.3%

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

IFRS15 reclass improves Q2 2017 margins from 40.0% to 40.1%

Q2 2018

- Good momentum continues
- Good growth in sales of accessories and other tobacco products
- CMA constitutes approx. 30% of the category
- Margins: Improvement due to favourable mix changes





FINANCIAL HIGHLIGHTS Q2 2018

KPI	Q2 2018 actual performance	2018 guidance
NET SALES ¹	+1.6%	Organic growth flat to slightly positive
EBITDA ¹	+3.1%	Organic growth > 3%
OTHER EXPECTATIONS	A. Financial expenses ² DKK 18m B. Capital expenditure DKK 34m C. Effective tax rate 22.4%	A. DKK 80-90m B. ~ DKK 175m (from 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

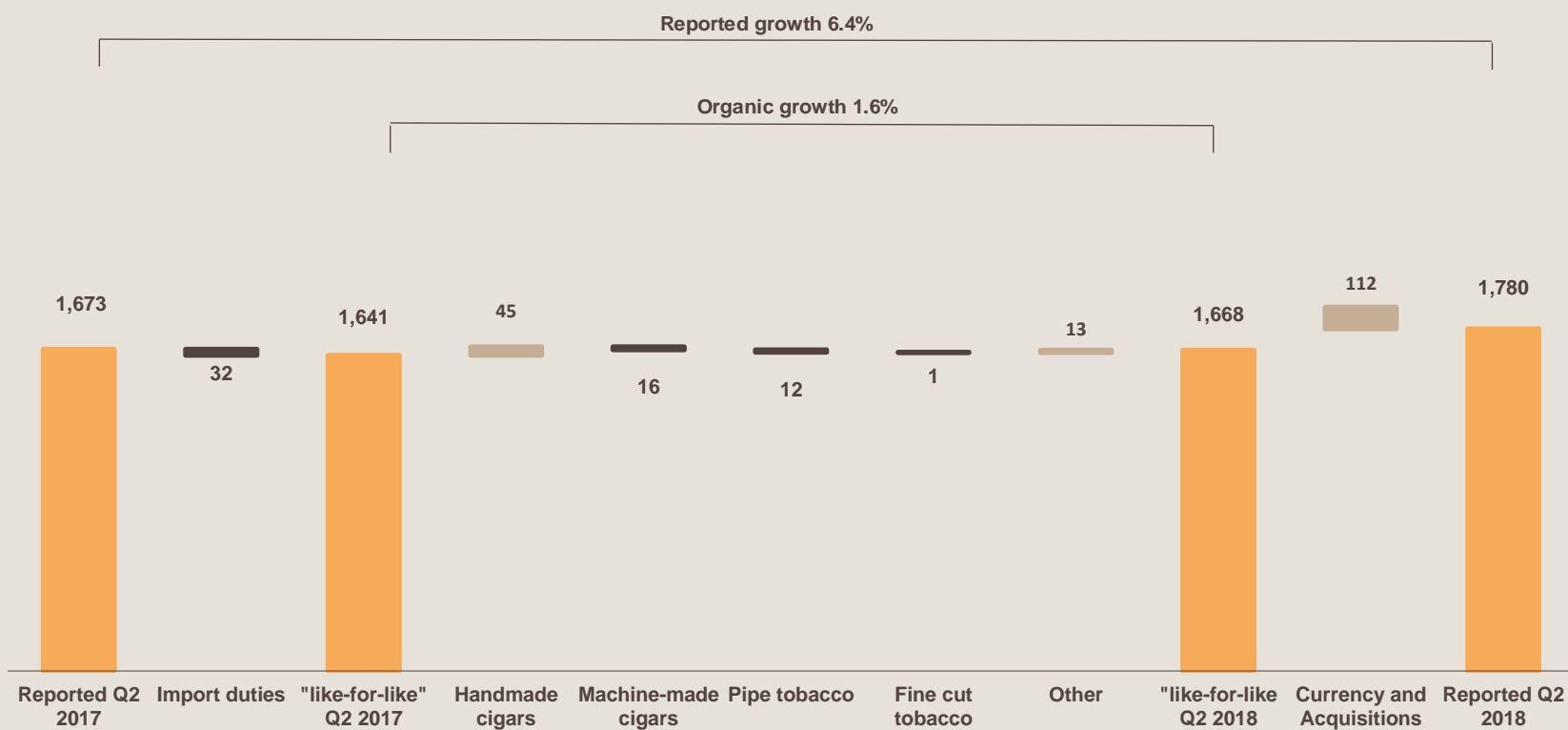
	Q2 2018			YTD 2018			Q2 2017	YTD 2017
	DKKkM		Growth, %	DKKkM		Growth, %	DKKkM	DKKkM
	Reported	Reported	Organic ¹	Reported	Reported	Organic ¹	Reported	Reported
Net sales	1,780	6%	1.6%	3,065	0%	2.4%	1,673	3,052
Gross profit	853	8%		1,466	2%		786	1,434
OPEX (ex other income)	-518	10%		-935	2%		-472	-919
EBITDA	335	6%		531	3%		315	515
EBIT	258	9%		383	8%		236	353
Pre tax Profit	264	22%		378	20%		216	314
Net profit	205	23%		293	22%		166	241
Gross profit, adjusted	853	5%		1,466	0%		812	1,465
EBITDA, adjusted	346	(1%)	3.1%	544	(3%)	2.4%	349	561
Cash flow from operations	245	(9%)		200	(42%)		270	343
Free cash flow	-176	n.m.		-252	n.m.		251	299

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



NET SALES BRIDGE

Q2 2017 VS Q2 2018

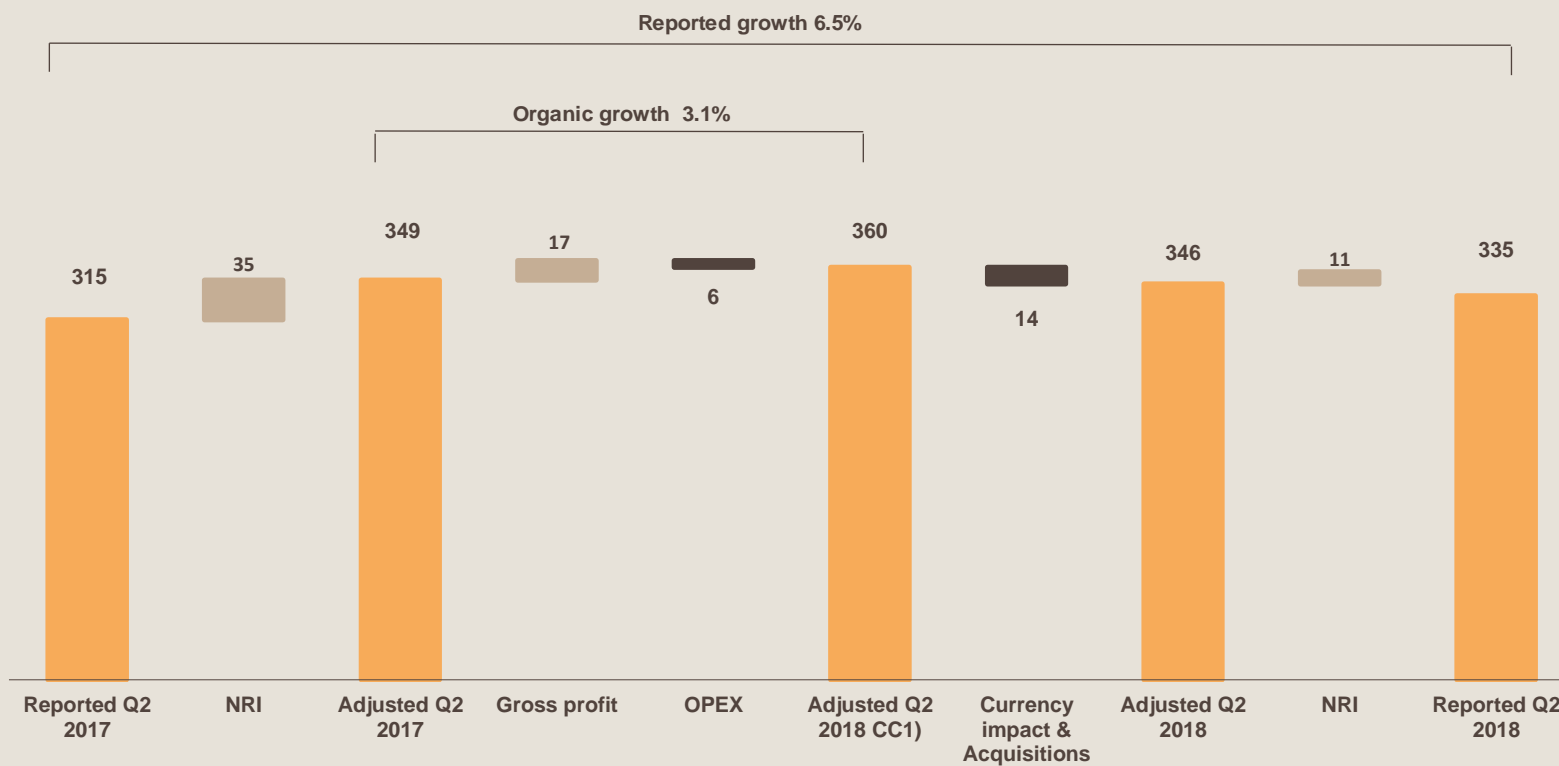


Note: All numbers in DKK million



EBITDA BRIDGE

Q2 2017 VS Q2 2018



Note: All numbers in DKK million

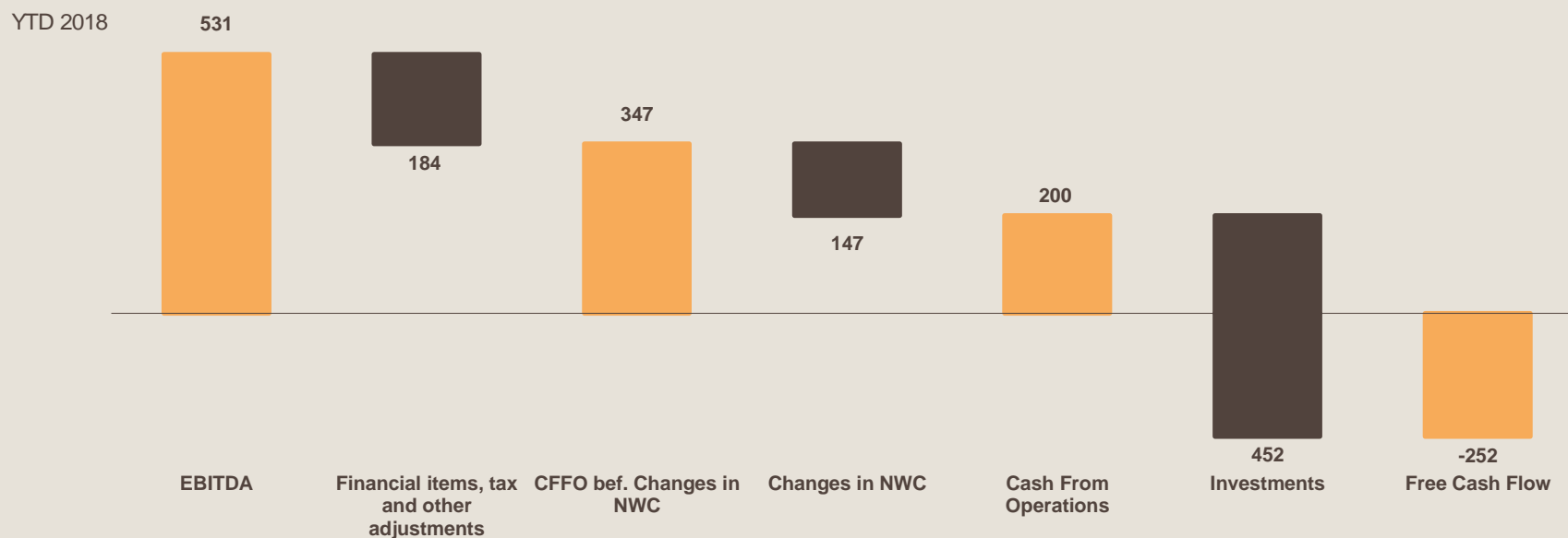
1) Excluding currencies, acquisitions and non-recurring items (NRI)



CASH FLOW DEVELOPMENT

YTD 2018

Q2 2018	335	-11	324	-79	245	-421	-176
YTD 2017	515	-132	383	-40	343	-45	299

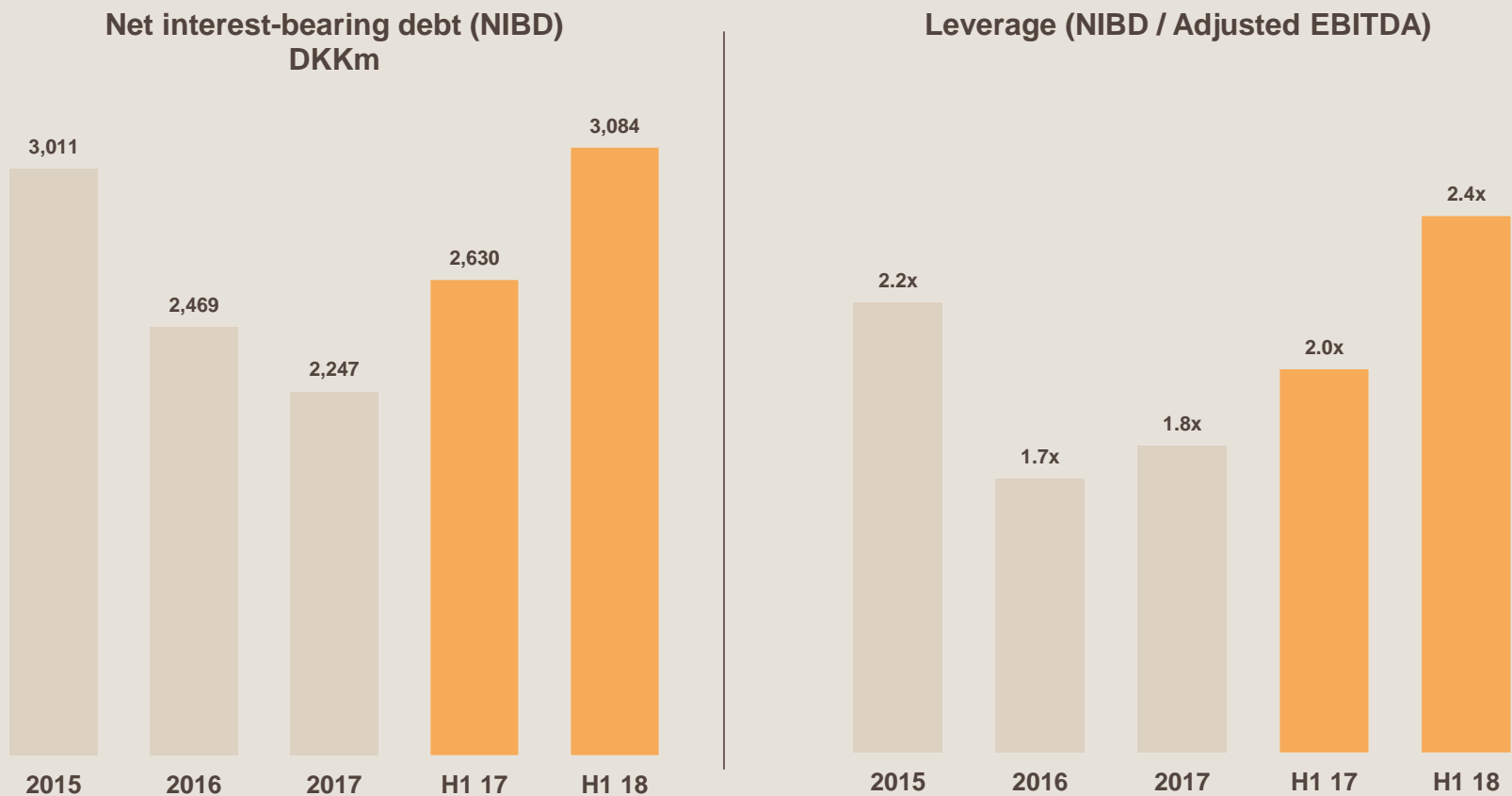


Note: All numbers in DKK million



CAPITAL STRUCTURE

NET DEBT/LEVERAGE





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 ~ DKK 175 million (previous DKK 215 million)

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



Q & A



INVESTOR RELATIONS CONTACT

Scandinavian Tobacco Group A/S
 Sydmarken 42
 2860 Søborg
 Denmark



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

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

8

NOV

Third quarter 2018*

* Silent period starts four weeks prior to interim report announcements



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INFO@ST-GROUP.COM

WWW.LINKEDIN.COM/ST-GROUP

WWW.ST-GROUP.COM





APPENDIX



FORWARD LOOKING STATEMENTS

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