



Generalforsamling i Scandinavian Tobacco Group April 26th 2016



Jacob Johansen, Portfolio Manager

Thank you for the floor.

My name Jacob Johansen and I represent ATP.

First of all, thanks to the chairman and the CEO for their reports and presentation of the annual report for 2015. However, the most important event for the company happened here in the beginning of 2016. That was the listing on Nasdaq OMX Copenhagen. I would hereby like to welcome Scandinavian Tobacco Group as a listed company.

Looking from the outside at STG, we see an interesting investment opportunity based on primarily three things:

1. Market-leading position within the specialised and global cigars and tobacco industry combined with a strong online US retailer.
2. Stable business model with high cash flow generation.
3. Last, but not least, clearer focus on improving profitability and cash flow generation through the newly launched optimisation and efficiency programme.

In order to make the coming years value-creating for us as shareholders, it will be important – continuously – to improve profitability. The optimisation programme will, of course, be a vital contributor, and we are expecting to see the DKK 140 million of cost reductions having a positive impact on the bottom line. The optimisation programme must, of course, have top priority. But to make it a success story, we have to see underlying earnings improvements. Here, price increases are important. Structurally, tobacco volumes are falling, but if STG can achieve price increases that counterbalance the drop in volumes, it will be very helpful.

Hopefully, the external focus that comes with an IPO can help push STG in the right direction.

Nothing comes without risk. And when investing in tobacco, some risks are embedded. In our view, the most serious risks for STG are implementation of the EU product directive, new FDA regulation in the US and potential lifting of the Cuban embargo. We, however, feel that the company as a market leader is in a good position to manage the risks. A lot of preparations are being made, for example in Europe. And in the long term, STG can leverage on its strong market position and explore new opportunities on the back of the regulation. In Europe, the deadline for transposing the EU directive into national law is coming up. I therefore like to address a question to the embedded risk:

- *Looking at products and markets, what are the most severe risks from the EU product directive that STG faces during 2016?*

In connection with the IPO, three new board members were elected and later on today's agenda, the meeting will elect another new member. We very much appreciate the changes to the composition of the board which means that STG's competences and knowledge from global FMCG companies in general and tobacco specifically are further strengthened.

With the new board in place, the foundation for a value-creating future for Scandinavian Tobacco Group has been laid. I wish everyone the best of luck on the journey.

Thank you for the attention.

Spørgsmål blev kommenteret af bestyrelsesformanden.

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ATP deltager aktivt i selskabernes generalforsamlinger og fører løbende dialog med de enkelte selskaber for at drøfte strategi og resultater og for at vurdere ledelsens fokus på aktionærinteresser.