

General assembly, Scandinavian Tobacco Group 26 April 2017

My name is Claus Wiinblad and I represent ATP.

Thank you to the Chairman of the Board and CEO for the 2016 report. 2016 was an important year for Scandinavian Tobacco Group where we welcomed you as a listed company on the Nasdaq Stock Exchange Copenhagen. The first annual report as a listed company delivered a solid result with a flat development in top line and 4 pct. increase in adjusted EBITDA. Slightly below the initial guidance on the top line, but within the guidance on earnings.



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When you operate in a market with declining volumes - improvement in profitability is a key parameter in order to create value for us as shareholders. In November 2016 Scandinavian Tobacco Group showed acceleration in the existing optimisation and efficiency programmes and the investors were introduced to the “New Operating Model” with annual cost savings of DKK 60-65m. We as investors very much welcome that STG have further ambitions in addition to the initial plans for improving the margins.

Of course, it is important that the company invest what is necessary in order to develop the business, but it was a disappointment in connection with the annual report that it was stated that part of the savings would be reinvested in the business.

STG and the tobacco industry is a low growth industry, so improvement in the margin is an essential part of the investment case. This leads me to raise the following question:

Will the annual savings from the optimisation programmes to the full extent lead to margin improvement in the long term or is it required to continuously reinvest some of the cost savings in the development of the business in order to maintain the top line?

When we look at the individual divisions, we have seen a strong performance within handmade cigars and a more disappointing performance within machine made cigars, which leads to the following question:

What potential do you see for improving the commercial agenda within machine made cigars and utilise the current disruption from the new regulation in order to strengthen both top line performance and margin within this part of the business?

The strong improvement in net working capital plus other improvement has delivered a strong and positive development in the cashflow. This had raised some expectations of increased pay out in connection with the

annual report. In my opinion, doing acquisitions is an important part of the strategy of Scandinavian Tobacco. I therefore fully support the postponing of any potential additional pay-out, until you have more clarity on which acquisitions that may arise.

At this AGM, Scandinavian Tobacco is going to have a new chairman. I would like to thank Jørgen Tandrup for the effort of a very successful listing of the company on the stock market and also to welcome Henrik Brandt as the new member of the board.

Thank you for the attention.

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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.