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Copenhagen, 14 January 2016

## **Scandinavian Tobacco Group Announces Intention to Launch an Initial Public Offering on Nasdaq Copenhagen**

Scandinavian Tobacco Group A/S ("Scandinavian Tobacco Group" or the "Group"), a world leading producer of cigars and traditional pipe tobacco, announces its intention to launch an Initial Public Offering ("IPO") and to list on Nasdaq Copenhagen.

The contemplated IPO is expected to consist of a sale of up to 40 percent of the existing shares, on an equal basis, by the Group's two shareholders, Swedish Match Cigars Holding AB ("Swedish Match") and the two Danish foundations The Augustinus Foundation and The Obel Family Foundation via Skandinavisk Holding II A/S ("Skandinavisk Holding"). Prior to the Offering, the Group is ultimately owned by The Augustinus Foundation and The Obel Family Foundation (51%) and by Swedish Match AB (49%). The Danish foundations have roots in the tobacco industry dating back more than 250 years. Swedish Match AB is listed on Nasdaq Stockholm.

The contemplated IPO is a natural next step for the Group and follows the combination in 2010 of the cigar, pipe tobacco, fine-cut tobacco and tobacco-related accessories businesses of Scandinavian Tobacco Group and the similar activities of Swedish Match (excluding Swedish Match's US machine-made cigars business).

The contemplated IPO marks an important milestone for the Group, providing a strong platform for future growth by enhancing the visibility of the company, further improving the ability to attract and retain key employees as well as diversifying the shareholder base, among other benefits.

**Jørgen Tandrup, Chairman of Scandinavian Tobacco Group** commented:

*"The contemplated IPO marks the culmination of the journey embarked upon in 2010 when we created a global leader with scale and a highly recognised and diversified brand portfolio within cigars, pipe tobacco and fine-cut tobacco. Since then, the management team has commenced the implementation of several initiatives which define a new strategy for our brand portfolio, improve production processes and right-size the production capacity. We now have multiple avenues for growth of the business as well as a strong platform to act as consolidator in a fragmented industry. I am pleased to chair Scandinavian Tobacco Group and believe that with its more than 8,000 dedicated employees across the world the company is very well positioned to execute its strategy for the future. I am excited to see the company go public and welcome new shareholders to take part in Scandinavian Tobacco Group's development."*

**Niels Frederiksen, CEO of Scandinavian Tobacco Group** commented:

*“Scandinavian Tobacco Group has an attractive and stable business due to our strong and diverse brand portfolio and the global presence of our business. We have successfully maintained and expanded our market leadership in our cigar, pipe tobacco and fine-cut tobacco markets and we have a clearly defined strategic agenda to continue to improve profitability. Over the past years, we have worked to grow our net sales and have implemented production efficiency initiatives in our supply chain to improve profitability and cash generation. We have also expanded in important areas, including our fast-growing US online and catalogue business which provides unique insights and relationships with our end-consumers. I am confident that we have the right management team and platform in place, and I am pleased to continue to lead the execution of our strategy after Scandinavian Tobacco Group has become a public company.”*

#### **Financial overview:**

Over the past years, Scandinavian Tobacco Group has shown robust financial performance with high cash generation. The table below summarises the key financials for the nine months ending on 30 September 2015 and 2014, as well as for the financial years 2012–2014.

<b>MDKK</b>	<b>9M 2015</b>	<b>9M 2014</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net sales	4,965	4,496	6,126	5,925	5,978
EBITDA	939	867	1,177	1,175	1,301
Adj. EBITDA <sup>1</sup>	1,051	880	1,247	1,198	1,268
Net profit	493	462	640	573	618
Operating cash flow	897	738	1,056	745	716
Adj. EBITDA margin (%)	21.2	19.6	20.3	20.2	21.2

<sup>1</sup> Adjusted for nonrecurring items

#### **New Board of Directors:**

In connection with the contemplated IPO, changes will be made to the Board of Directors. Søren Bjerre-Nielsen, Dianne Neal Blixt and Luc Missorten will be elected as new independent board members of Scandinavian Tobacco Group immediately prior to completion of the IPO. The new members bring extensive and diverse board experience from international public and private companies.

Søren Bjerre-Nielsen (born 1952, Danish national) has previously served as executive officer of Danisco A/S (now Dupont Nutrition Biosciences ApS). He currently serves as chairman of the board of directors of Danmarks Nationalbank, MT Højgaard A/S, Højgaard Holding A/S, VKR Holding A/S, Højgaard Industri A/S and Velux A/S.

Dianne Neal Blixt (born 1959, US national) has held senior positions at the Reynolds Tobacco Group, most recently as Executive Vice President and CFO of Reynolds American, Inc. Ms Blixt currently serves as a member of the board of directors of Ameriprise Financial Services, Inc. and as the chairperson of the board of trustees of Reynolda House Museum of American Art. Ms Blixt also currently serves as a member of the board of managers of NatureWorks Organics LLC.

Luc Missorten (born 1955, Belgian national) has previously served as the chief executive officer of Corelio NV. Mr Missorten currently serves as chairman of the board of directors of Ontex Group NV. He also currently serves as a member of the board of directors of Barco NV, Recitel NV/SA, GIMV NV and Corelio NV.

In connection with the election of Søren Bjerre-Nielsen, Dianne Neal Blixt and Luc Mis-sorten to the Group's Board of Directors, Anders Obel, Lars Dahlgren and Fredrik Lagercrantz will resign from the Board of Directors. Hereafter, the Board of Directors will consist of eight members elected by the general meeting, seven of whom will be considered independent, and four members elected by the employees.

**Global co-ordinators and bookrunners:**

J.P. Morgan Securities Ltd. ("J.P. Morgan") is acting as Lead Global Coordinator, and together with Deutsche Bank AG, London Branch and Nordea Markets (division of Nordea Bank Danmark A/S) as Joint Global Coordinators and Joint Bookrunners. Carnegie Investment Bank has been appointed Co-lead Manager. FIH Partners is acting as financial advisor to Scandinavian Tobacco Group.

***For further information please contact:***

*Chairman of the Board of Directors, Jørgen Tandrup, or CEO Niels Frederiksen by contacting Director of Group Communications Kaspar Bach Habersaat, kaspar.bach@st-group.com or phone +45 7220 7152.*

**About Scandinavian Tobacco Group:**

Scandinavian Tobacco Group is a world leading producer of cigars and traditional pipe tobacco. The Group also produces fine-cut tobacco and sells tobacco-related accessories.

The Group produces and sells 3 billion cigars and 5,000 tonnes of pipe and fine-cut tobacco annually. It is the only company globally with a core strategic focus on production and distribution in all of these product categories.

Scandinavian Tobacco Group holds market-leading positions in the machine-made cigar market in Europe, the handmade cigar market in the US, the online and catalogue retail sales of cigars in the US, the traditional pipe tobacco market globally and selected fine-cut tobacco markets. In 2014, more than 70% of net sales were generated in markets in which the Group holds #1 or #2 positions.

With a diversified portfolio of more than 200 brands, Scandinavian Tobacco Group provides a complementary range of established global brands and local champions. Products cover all major consumer segments, consumption occasions and price points.

In the cigar segment, the brand portfolio comprises Café Crème, La Paz, Macanudo, CAO, Partagas (US) and Cohiba (US). Pipe tobacco brands include Captain Black, Erinmore, Borkum Riff and W.Ø. Larsen, while leading fine-cut tobacco brands include Bugler, Break, Escort, Bali Shag and Tiedemanns.

The Group has 18 sales offices in North America, Europe, New Zealand and Australia, and its products are sold in more than 100 countries around the world.

The Group employed 8,115 people as of 30 September 2015 in the Dominican Republic, Honduras, Nicaragua, Indonesia, Europe, New Zealand, Australia, Canada and the US.

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#### *Stabilisation/FCA*

The Joint Global Coordinators, the Joint Bookrunners and the Co-lead Manager and their affiliates are acting exclusively for Scandinavian Tobacco Group A/S and the selling shareholders and no one else in connection with the contemplated IPO. They will not regard any other person as their respective client in relation to the contemplated IPO and will not be responsible to anyone other than Scandinavian Tobacco Group A/S and the selling shareholders for providing the protections afforded to their respective clients, nor for providing advice in relation to the contemplated IPO, the contents of this communication or any transaction, arrangement or other matter referred to herein.

In connection with the contemplated IPO, the Joint Global Coordinators, the Joint Bookrunners and the Co-lead Manager and any of their affiliates, acting as investors for their own accounts, may purchase shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such shares and other securities of Scandinavian Tobacco Group A/S or related investments in connection with the contemplated IPO or otherwise. Accordingly, references in the prospectus to the shares being offered, acquired, placed or otherwise dealt in should be read as including any offer to, acquisition, placing or dealing by such Joint Global Coordinators, the Joint Bookrunners and the Co-lead Manager and any of their affiliates acting as investors for their own accounts. The Joint Global Coordinators, the Joint Bookrunners and the Co-lead Manager do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

Matters discussed in this communication may constitute forward-looking statements. Forward-looking statements are statements (other than statements of historical fact) relating to future events and anticipated or planned financial and operational performance and can be identified by words such as “targets,” “believes,” “expects,” “aims,” “intends,” “plans,” “seeks,” “will,” “may,” “might,” “anticipates,” “would,” “could,” “should,” “continues,” “estimate” or similar expressions. The forward-looking statements in this communication are based upon various assumptions, many of which are based, in turn, upon further assumptions. Although Scandinavian Tobacco Group A/S believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict and are beyond its control. Such risks, uncertainties, contingencies and other important factors could cause actual events to differ materially from the expectations expressed or implied in this communication by such forward-looking statements.

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