

COMPANY ANNOUNCEMENT

No. 1/2016

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Copenhagen, 28 January 2016

Scandinavian Tobacco Group A/S Publishes Offering Circular And Sets Indicative Price Range in Connection with Its Contemplated IPO

Scandinavian Tobacco Group A/S today publishes an offering circular and sets the indicative price range in connection with its contemplated initial public offering ("IPO" or the "Offering") and subsequent admission to trading in and listing of its shares on Nasdaq Copenhagen. The contemplated IPO consists of a partial sale of existing shares by the Company's shareholders, Skandinavisk Holding II A/S and Swedish Match Cigars Holding AB.

The contemplated IPO marks an important milestone for STG 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 the board of directors of STG, commented:

"Today's announcement marks the start of an exciting new journey for the company. In 2010, we created a global leader with scale and a highly recognised and diverse brand portfolio within cigars, pipe tobacco and fine-cut tobacco. The company has a strong financial performance, and the management has a clear strategy for developing the business and improving profitability. I am excited to see the company go public and welcome new shareholders to take part in the future value creation of Scandinavian Tobacco Group."

Niels Frederiksen, CEO of STG, commented:

"Since we announced our intention to launch an IPO, we have received very positive feedback from potential investors and other stakeholders. We have several avenues for growing our business, and by optimising our business, particularly our supply chain, we improve profitability as well as our capabilities to act as consolidator of our industry. With our solid financial performance, a strong and diversified brand portfolio and global presence, we are in good shape to welcome new shareholders."

Selected highlights of the IPO

- The indicative price range has been set at DKK 93 to DKK 110 per share of DKK 1 nominal value
- The indicative price range corresponds to an implied market capitalisation of STG of DKK 9.3 billion to DKK 11 billion
- The IPO comprises the following:
 - An offering of 35,600,000 existing shares, equivalent to 35.6% of STG's share capital, by the Company's shareholders, Skandinavisk Holding II A/S and Swedish Match Cigars Holding AB,
 - The Managers have been granted an overallotment option of up to 4,400,000 additional shares, equivalent to 4.4% of STG's share capital, exercisable in whole or in part until 11 March 2016
 - Up to 231,642 shares, equivalent to approx. 0.2% of STG's share capital, have been reserved for purchase by the existing board of directors, the new board of directors, the executive management, the key employee and a limited number of other employees of STG and its subsidiaries
- STG will not receive any proceeds from the Offering
- Following the IPO, the free float will be 35.6%-40%, depending on the potential exercise of the overallotment option
- The offer price will be determined through a book-building process and is expected to be announced through Nasdaq Copenhagen no later than 8:00 a.m. CET on 10 February 2016
- The offer period will commence on 28 January 2016 and will close no later than 4:00 p.m. CET on 9 February 2016. The offer period may be closed prior to 9 February 2016; however, the offer period will not be closed in whole or in part before 6 February 2016 at 00:01 a.m. (CET). The Offer Period in respect of applications for purchases of amounts up to, and including, DKK 3 million may be closed before the remainder of the Offering is closed. Any such earlier closing in whole or in part will be published through Nasdaq Copenhagen
- The shares sold in the IPO are expected to be admitted to trading and official listing on Nasdaq Copenhagen no later than 10 February 2016 under the symbol "STG"
- The shares are issued under ISIN DK0060696300

Information on the Offering

The Offering includes:

- An initial public offering in Denmark to institutional and retail investors;
- A private placement in the United States only to persons who are qualified institutional buyers or QIBs in reliance on Rule 144A or pursuant to another available exemption from, or a transaction not subject to, the registration requirements under the U.S. Securities Act; and
- Private placements to institutional investors in the rest of the world in compliance with Regulation S under the U.S. Securities Act.

The shares are expected to be delivered on or around 12 February 2016 (the "Settlement Date") against payment in immediately available funds in Danish kroner (DKK). The shares will be delivered in book-entry form on the Settlement Date to investors' accounts with VP Securities A/S and through the facilities of Euroclear and Clearstream. All settlement in connection with the Offering will take place in the permanent ISIN (DK0060696300).

J.P. Morgan Securities Ltd. is acting as Lead Global Coordinator, and J.P. Morgan Securities Ltd. together with Deutsche Bank AB, London Branch and Nordea Markets (division of Nordea Bank Danmark A/S) are acting as Joint Global Coordinators and Joint Bookrunners in the Offering, and Carnegie Investment Bank, filial af Carnegie Investment Bank AB (publ), Sverige is acting as Co-Lead Manager in the Offering. FIH Partners A/S is acting as financial advisor to STG.

Offering Circulars

In connection with the Offering, the Company has prepared four versions of the offering document: (i) a prospectus in English for purposes of the Danish Offering (the "English Language Offering Circular"); (ii) an offering circular in Danish to be made available in connection with the Danish Offering (the "Danish Offering Circular"); (iii) an offering circular in English for use in the international private placement outside of Denmark and the United States (the "International Offering Circular"); and (iv) an offering circular in English in connection with the private placement in the United States (the "U.S. Offering Circular", and together with the English Language Offering Circular, the Danish Offering Circular and the International Offering Circular, the "Offering Circular").

Special attention should be given to the "Risk Factors" described in the Offering Circular. The Offering Circular will be made available to eligible investors at no cost at the registered office of Scandinavian Tobacco Group A/S, Sydmarken 42, DK-2860 Søborg, Denmark. The Offering Circular can also be obtained upon request from:

Nordea Markets (division of Nordea Bank Danmark A/S)
Strandgade 3, PO Box 850
DK-0900 Copenhagen C
Denmark

phone: 33 33 52 78
e-mail: prospekt.ca@nordea.com

and can be requested through Nordea's branches in Denmark. The Offering Circular is also available to eligible persons on the STG website, www.st-group.com.

New Board of Directors

As announced in STG's intention to float press release of 14 January 2016 Søren Bjerre-Nielsen, Dianne Neal Blixt and Luc Missorten are expected to be appointed as new members of the Board of Directors of STG immediately before the completion of the IPO.

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.

For further information, please contact:

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About Scandinavian Tobacco Group

Scandinavian Tobacco Group A/S with its subsidiaries (the "**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. Scandinavian Tobacco Group believes it is the only company globally with a core strategic focus on production and distribution in all of these tobacco 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 in selected fine-cut tobacco markets.

Scandinavian Tobacco Group has a diversified portfolio of more than 200 brands providing a complementary range of established global brands and local champions. 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.

As at 31 December 2015, the Group employed approx. 8,100 people in the Dominican Republic, Honduras, Nicaragua, Indonesia, Europe, New Zealand, Australia, Canada and the US.

For more information please visit www.st-group.com.

Important notice

Copies of this announcement are not being made and may not be distributed or sent into the United States of America, Canada, Australia or Japan.

This communication does not constitute an offer of the securities to the public in the United States. The securities referred to herein may be offered or sold in the United States only (1) if registered, or in a transaction exempt from, or not subject to, registration under the U.S. Securities Act of 1933, as amended, and (2) by the issuer or a manager (or affiliate thereof) registered as a broker-dealer under the U.S. Securities Exchange Act of 1934. Scandinavian Tobacco Group A/S does not intend to register any portion of the offering of the securities in the United States or to conduct a public offering of the securities in the United States.

In any EEA Member State, other than Denmark, that has implemented Directive 2003/71/EC as amended (together with any applicable implementing measures in any Member State, the "Prospectus Directive"), this communication is only addressed to and is only directed at qualified investors in that Member State within the meaning of the Prospectus Directive.

This communication does not constitute an offer of the securities to the public in the United Kingdom. No prospectus has been or will be approved in the United Kingdom in respect of the securities. This communication is being distributed to and is directed only at (i) persons who are outside the United Kingdom or (ii) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") and (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "Relevant Persons"). Any investment activity to which this communication relates will only be available to and will only be engaged with Relevant Persons. Any person who is not a Relevant Person should not act or rely on this document or any of its contents.

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.

In connection with the offering, Nordea Bank Danmark A/S (the “Stabilising Manager”) (or agents acting on behalf of the Stabilising Manager) may over-allot securities or effect transactions with a view to supporting the market price of the securities at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or agents acting on behalf of the Stabilising Manager) will undertake stabilisation actions. Any stabilisation action may begin on or after the date of commencement of trading and official listing of the securities on Nasdaq Copenhagen and, if begun, may be ended at any time, but must end no later than 30 days after the date of commencement of trading and official listing of the securities.

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.

The information, opinions and forward-looking statements contained in this announcement speak only as at its date and are subject to change without notice.