COMPANY ANNOUNCEMENT
No. 47/2016

Copenhagen, 22 September 2016

Scandinavian Tobacco Group Accelerates Its Optimisation and Efficiency Programme by 1 Year

Scandinavian Tobacco Group plans to accelerate the cost savings in our 140/500 optimisation and efficiency programme.

We intend to reduce the number of production sites in the Group from 14 to 12 by moving production from Scandinavian Tobacco Group Nykøbing and Scandinavian Tobacco Group Wuustwezel to our remaining production facilities. Consequently, we will initiate information and consultation procedures to close down our factories in Nykøbing Falster, Denmark, and Wuustwezel, Belgium.

The potential close down will adjust our capacity to our current and projected volumes. The factories in Nykøbing and Wuustwezel both manufacture brands and SKUs within our portfolio of machine-made cigars. A significant number of these brands and SKUs have been rationalised over the recent year as part of our Group's format and SKU rationalisation programme. The programme has simplified and optimised our business and facilitated the implementation of the new EU Tobacco Products Directive. It has also left our factories in Nykøbing and Wuustwezel with significantly lower volumes to manufacture.

The potential reduction of production sites will accelerate the cost savings in our 140/500 optimisation and efficiency programme by one year. We now intend to achieve our planned cost savings of DKK 140 million annual in run rate compared to 2014 on a like-for-like basis by the end of 2017.

Our working capital reduction target of DKK 500 million by the end of 2018 compared to the end of 2014 remains unchanged.

The previously announced non-recurring cost related to the cost savings programme is estimated to up to DKK 90 million and will be incurred in 2016 and 2017 covering restructuring and close down costs. In addition, the intended close down of the two factories will result in impairments costs of approximately DKK 65 million.

This announcement has no impact on our financial guidance for 2016.

CEO Niels Frederiksen says:

“We have completed our SKU rationalisation programme and we have implemented the EU Tobacco Products Directive. We now intend to proceed to the next phase of our optimisation and efficiency programme and thereby accelerate the programme by one year.

We recognise that today’s announcement affects our employees and their families. Also for local communities this is an unpleasant event. Our factories have long histories in the cities where we manufacture. We have enjoyed collaboration with local communities and authorities, and we feel responsible not only to our employees, their families and the cities of Nykøbing and Wuustwezel, but to all communities where we manufacture. We intend to fulfil this responsibility by treating our employees in Nykøbing and Wuustwezel well while sustaining our entire business to ensure that we remain efficient and competitive in the marketplace.”

Conference call (webcast)

On Thursday, 22 September 2016 at CET 10.00, Scandinavian Tobacco Group will host a web-casted conference call. The web-cast will be accessible via st-group.com/investor. The call will be held in English and questions may be asked through a conference call. The telephone numbers for the conference call are:

UK	+44(0)20 3427 1919
USA	+1646 254 3367
Denmark	+45 3832 2869
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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.