

COMPANY ANNOUNCEMENT

No. 1/2018

Copenhagen, 31 January 2018

Scandinavian Tobacco Group acquires a leading US online cigar retailer

Scandinavian Tobacco Group today signed an agreement to acquire the business of Thompson and Co. of Tampa, Inc. ("Thompson"). The purchase price amounts to USD 62 million and the acquisition will be financed by existing cash at hand. The closing of the deal is expected to take place by the end of March 2018.

Thompson is a leading online retail cigar business in the US, a market where approximately two thirds of all handmade cigars are sold online. A family-owned business, Thompson was founded in 1915 and is based in Tampa, Florida. It has annual net sales of c. USD 100 million and 185 employees. Thompson provides Scandinavian Tobacco Group access to a substantial and attractive customer base, auction and retail websites as well as a retail store and a call centre facility in Tampa.

CEO of Scandinavian Tobacco Group, Niels Frederiksen says: "I am pleased to announce this acquisition which strengthens our position in the online retail channel in the US. Our existing US online retailer Cigars International will in combination with Thompson be able to deliver an unmatched range of premium cigars at the highest level of service to the US consumers. At the same time we foresee significant cost synergies to the benefit of our customers and shareholders."

The acquisition of Thompson is expected to deliver material synergies and scale benefits with the margins of the combined businesses over time being lifted towards Cigars International's existing level. Thompson is currently operating with low single digit EBITDA margins.

The acquisition is expected to have a positive impact on the Group's adjusted EBITDA during 2019.

For further information, please contact:

For investor enquiries: Torben Sand, Head of Investor Relations, phone: +45 7220 7126 or torben.sand@st-group.com

For media enquiries: Simon Mehl Augustesen, Director of Group Communications, phone: +45 7220 7152 or simon.augustesen@st-group.com

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 2016, the Group employed 7,600 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.

Scandinavian Tobacco Group A/S
Sydmarken 42
DK-2860 Søborg
Denmark

CVR 31 08 01 85