



Company Announcement
No.11 2019

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Scandinavian Tobacco Group A/S optimises its manufacturing footprint

Scandinavian Tobacco Group has decided to reduce the number of production sites in the Group from 12 to 11 by closing Scandinavian Tobacco Group Lane Ltd's facility in Tucker, Georgia in the United States and moving production to its production facilities in Assens and Holstebro, Denmark and Santiago, the Dominican Republic. The closure is expected to be completed by the end of 2020.

The facility in Tucker manufactures brands within the Group's portfolios of pipe tobacco, fine-cut tobacco and little cigars. As these markets are declining, excess capacity across Scandinavian Tobacco Group's manufacturing footprint has been established. The closure of the facility in Tucker will adjust the capacity to current and projected volumes and is expected to improve the Group's overall annual cost structure by more than DKK 20 million when fully implemented by the end of 2020. The transfer of production is expected to incur investments of about DKK 30 million.

The decision to close the facility in Tucker will regrettably result in terminations of positions at Scandinavian Tobacco Group Lane Ltd. The affected employees will be offered outplacement support.

This announcement has no impact to the Group's financial guidance for 2019, except for special items. Special costs related to the closure are expected of about DKK 120 million and will be expensed in 2019. Special costs for the Group, excluding costs related to the acquisition of Royal Agio, are now expected to be about DKK 205 million in 2019 (previously DKK 85 million). DKK 20 million of the special cost are expected to have cash flow effect in 2020, while the closure of the factory will result in non-cash impairment costs of about DKK 100 million. Possible proceeds from sale of land and buildings have not been included in the above figures.

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About Scandinavian Tobacco Group

Scandinavian Tobacco Group A/S is a world leading manufacturer of cigars and pipe tobacco with annual production of three billion cigars and 5,000 tonnes of pipe and fine-cut tobacco.

Scandinavian Tobacco Group holds market-leading positions in several categories and has a portfolio of more than 200 brands providing a complementary range of established global brands and local champions.

The Group employs 7,650 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