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## Scandinavian Tobacco Group Announces New Financial Reporting Structure

On October 23, 2018, Scandinavian Tobacco Group A/S launched Fuelling the Growth, a transformational program with a new organisational structure with four new commercial divisions. To align financial reporting with the new organisational structure and ensure consistency with internal management reporting, the Group's external reporting structure has been revised and will from the 2019 first quarter results present figures at divisional level rather than category level. Comparative figures have been restated to reflect the new reporting structure. The four new divisions are:

**North America Online & Retail (NAO&R)** includes direct to consumer sales of all product categories sold via the online, catalogue and retail channel in North America. The division holds the overall Group responsibility for sales and marketing activities of all products and sales within the division.

In 2018 North America Online & Retail accounted for 31% of Group net sales, 25% of gross profit and 24% of EBITDA. In 2018 handmade cigars accounted for 84% of divisional net sales.

**North America Branded (NAB)** includes sales of all product categories to wholesalers and distributors that supply retail in North America. The division holds the overall Group responsibility for product development, sales and marketing activities of all products and sales within the division.

In 2018 North America Branded accounted for 19% of Group net sales, 22% of gross profit and 19% of EBITDA. In 2018 handmade cigars accounted for 42% of divisional net sales and machine-made cigars for 27%.

**Region Machine-Made Cigars (MMC)** includes sales of all product categories to wholesalers and distributors that supply retail. Machine-made cigars make up the majority of divisional net sales and also dominates sales in the main markets in the division, which are France, Belgium, the UK, Spain and the Netherlands. The division holds the overall Group responsibility for product development, sales and marketing activities of machine-made cigars outside North America.

In 2018 Region MMC accounted for 25% of Group net sales, 26% of gross profit and 23% of EBITDA. In 2018 machine-made cigars accounted for 79% of divisional net sales.

**Region Smoking Tobacco & Accessories (ST&A)** includes sales of all product categories to wholesalers and distributors that supply retail. Main markets are Australia, Germany, Denmark and Norway. The division holds the overall Group responsibility for product development, sales and marketing activities of smoking tobacco (pipe tobacco and fine-cut tobacco) and accessories outside North America.

In 2018 Region ST&A accounted for 25% of Group net sales, 27% of gross profit and 42% of EBITDA. In 2018 smoking tobacco, machine-made cigars and accessories & contract manufacturing respectively accounted for 35%, 33% and 30% of divisional net sales.

Operating expenses that are not directly inherent in the divisions are to some extent allocated to the division based on allocation keys defined by activities or other relevant component. Certain costs relating to Group functions are managed on Group level. These items are not included in the reportable divisions and therefore reported as 'Group costs'. In 2018 Group costs was DKK 169 million (DKK 96 million before special items).

**Organic growth in net sales** will be disclosed by each of the four divisions and volume and price/mix impact will be disclosed for handmade cigars within the divisions North America Online & Retail (84% of divisional net sales in 2018) as well as for North America Branded (42% of divisional net sales) and for machine-made cigars within the division Region MMC (79% of divisional net sales).

### Historical Data

Following the new reporting structure, divisional quarterly data for Q1 2017-Q4 2018 are included in this company announcement. The historical data include net sales, gross profit, EBITDA, organic growth in net sales as well as gross margins and EBITDA-margins before special items. Furthermore, historical data for the above mentioned break-down of organic growth in net sales by volume and price/mix impact are also included.

Table: New Reporting Structure (FY 2018)

DKK million	NAOR	NAB	Region MMC	Region ST&A	Group costs	STG Group
<b>Net sales</b>						
Handmade cigars	1,781	530	36	29		<b>2,376</b>
Machine-made cigars	147	335	1,333	552		<b>2,367</b>
Pipe tobacco	71	123	80	204		<b>478</b>
Fine-cut tobacco	0	118	59	384		<b>562</b>
ACM	112	141	174	508		<b>935</b>
<b>STG Group</b>	<b>2,111</b>	<b>1,247</b>	<b>1,682</b>	<b>1,677</b>		<b>6,718</b>
<b>Gross profit</b>	<b>793</b>	<b>712</b>	<b>832</b>	<b>882</b>		<b>3,219</b>
Gross margin	37.5%	57.1%	49.5%	52.6%		47.9%
<b>EBITDA before special items</b>	<b>310</b>	<b>242</b>	<b>304</b>	<b>545</b>	<b>-96</b>	<b>1,304</b>
EBITDA margin before special items	14.7%	19.4%	18.0%	32.5%		19.4%
Special items						-216
<b>EBITDA</b>						<b>1,089</b>

The 2019 first quarter results will be announced May 23, 2019.

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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](http://www.st-group.com)

# Quarterly Financial Data by Divisions

DKK million	2018					2017				
	Q4	Q3	Q2	Q1	Full-year	Q4	Q3	Q2	Q1	Full-year
<b>Divisions</b>										
<b>North America Online &amp; Retail (NAOR)</b>										
Net sales	578	626	610	297	2,111	378	404	402	316	1,500
Gross profit	221	238	222	112	793	113	148	152	117	530
EBITDA before special items	91	103	83	32	310	27	57	59	35	177
Net sales growth	52.9%	54.9%	51.7%	-6.0%	40.7%					
Organic net sales growth	1.8%	5.5%	10.1%	8.8%	6.3%					
Gross margin	38.2%	38.0%	36.4%	37.6%	37.5%	29.8%	36.7%	37.7%	37.2%	35.3%
EBITDA margin bef special items	15.8%	16.4%	13.7%	10.9%	14.7%	7.1%	14.1%	14.6%	11.1%	11.8%
<b>North America Branded (NAB)</b>										
Net sales	295	368	313	271	1,247	323	363	354	307	1,348
Gross profit	164	210	188	151	712	186	219	203	175	783
EBITDA before special items	66	66	68	42	242	77	98	83	52	309
Net sales growth	-8.6%	1.2%	-11.6%	-11.8%	-7.5%					
Organic net sales growth	-8.5%	4.3%	-2.4%	1.3%	-1.2%					
Gross margin	55.6%	57.0%	59.9%	55.7%	57.1%	57.7%	60.1%	57.3%	56.9%	58.1%
EBITDA margin bef special items	22.4%	17.8%	21.8%	15.5%	19.4%	23.7%	27.0%	23.3%	16.8%	22.9%
<b>Region MMC (MMC)</b>										
Net sales	442	446	437	357	1,682	478	489	461	370	1,798
Gross profit	198	233	225	177	832	254	254	231	176	915
EBITDA before special items	62	105	87	51	304	91	120	95	46	352
Net sales growth	-7.6%	-8.8%	-5.2%	-3.5%	-6.4%					
Organic net sales growth	-7.5%	-8.8%	-5.2%	-3.2%	-6.4%					
Gross margin	44.7%	52.2%	51.5%	49.6%	49.5%	53.2%	51.9%	50.1%	47.7%	50.9%
EBITDA margin bef special items	13.9%	23.5%	19.9%	14.2%	18.0%	19.0%	24.5%	20.7%	12.4%	19.6%
<b>Region ST&amp;A</b>										
Net sales	450	447	419	360	1,677	511	464	456	386	1,818
Gross profit	255	236	218	173	882	258	236	227	185	906
EBITDA before special items	163	147	136	98	545	157	148	141	106	552
Net sales growth	-12.0%	-3.7%	-8.0%	-6.7%	-7.7%					
Organic net sales growth	-5.0%	6.3%	0.5%	7.4%	1.9%					
Gross margin	56.7%	52.7%	52.0%	48.0%	52.6%	50.5%	50.9%	49.7%	47.9%	49.9%
EBITDA margin bef special items	36.3%	32.9%	32.5%	27.1%	32.5%	30.8%	31.9%	30.9%	27.4%	30.4%
<b>Group costs</b>										
EBITDA	-20	-23	-30	-24	-96	-24	-29	-28	-26	-107
<b>STG Group</b>										
Net sales	1,765	1,887	1,780	1,285	6,718	1,691	1,721	1,673	1,379	6,464
Gross profit	838	916	853	613	3,219	812	857	812	653	3,134
EBITDA before special items	362	398	345	199	1,304	328	394	349	212	1,283
Special items	-179	-24	-10	-3	-216	0	-6	-35	-11	-52
EBITDA	184	374	335	195	1,089	328	388	315	201	1,232
<b>ORGANIC GROWTH COMPOSITION</b>										
<b>Volume impact (%)</b>										
Handmade cigars (NAOR)	-4.3%	4.1%	3.4%	5.2%	1.6%					
Handmade cigars (NAB)	-5.2%	10.2%	-3.5%	7.2%	1.8%					
Machine-made cigars (MMC)	-10.7%	-9.9%	-3.0%	-7.2%	-7.8%					
<b>Price/mix impact (%)</b>										
Handmade cigars (NAOR)	6.0%	3.8%	5.7%	2.0%	4.9%					
Handmade cigars (NAB)	1.6%	-1.6%	5.2%	-4.4%	0.9%					
Machine-made cigars (MMC)	0.0%	1.0%	-0.4%	4.4%	1.0%					

Note: The new accounting standard IFRS16 has been implemented as from January 1, 2019. The data in the table are not restated to the new standard. For further information on the impact of IFRS16, see the full year report 2018.