



Company Announcement
No.17/2018

Copenhagen, 8 November 2018

Scandinavian Tobacco Group A/S delivers organic net sales growth of 1.7% and negative organic EBITDA growth of 0.3% in Q3 2018 – Full year guidance maintained

Highlights for Q3 2018

- Reported net sales of DKK 1,887 million (DKK 1,721 million) – organic growth 1.7%
- Reported EBITDA of DKK 374 million (DKK 388 million) – negative organic growth 0.3%
- Net profit of DKK 221 million (DKK 224 million)
- Free cash flow of DKK 315 million (DKK 342 million)

Highlights for 9M 2018

- Reported net sales of DKK 4,952 million (DKK 4,773 million) – organic growth 2.1%
- Reported EBITDA of DKK 905 million (DKK 904 million) – organic growth 1.2%
- Net profit of DKK 515 million (DKK 465 million)
- Free cash flow of DKK 63 million (DKK 640 million)

For the third quarter of 2018, Scandinavian Tobacco Group A/S delivered net sales of DKK 1,887 million and an adjusted EBITDA of DKK 398 million. The quarter delivered 1.7% organic growth in net sales. Organic growth in EBITDA was negative by 0.3% and was as expected impacted by a strong comparison base. Net profit for the quarter decreased by 1.1% to DKK 221 million while the free cash flow was positive at DKK 315 million.

The handmade cigar category maintained its strong momentum and delivered an organic growth of 7.9% in net sales while the machine-made cigar category showed trend improvement with a negative organic growth of 0.7%. The accessories and contract manufacturing category delivered a positive organic growth of 1.4% and in the pipe tobacco category declining volumes and destocking resulted in a negative organic growth of 12.7%. Fine-cut tobacco reported negative organic growth of 1.3%.

“We are delivering a result in line with our expectations. Our handmade category continues to deliver strong growth and I am obviously particularly pleased that Thompson Cigars ahead of time delivers a positive contribution to the category. In Accessories and Contract Manufacturing, we are for the seventh straight quarter able to deliver growth and the category is now our third largest”, says CEO of Scandinavian Tobacco Group Niels Frederiksen. “During the quarter we launched Fuelling the Growth, a Group wide transformational program that will make us a stronger and more competitive company better equipped to become the best integrator in the industry. I am excited about the potential of both Scandinavian Tobacco Group and Fuelling the Growth and look forward to continue the development of the company”.

The performance in the quarter supports the unchanged 2018 full year guidance.

Conference Call and Webcast

A conference call and webcast will be held on 8 November 2018 at 10:00 AM CET.

Presentation materials will be available online approximately one hour before the webcast on investor.st-group.com.

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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 7,300 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 - Key Figures¹

DKK million	Q3 18	Q3 17	9M 18	9M 17	2017
INCOME STATEMENT					
Net sales	1,887	1,721	4,952	4,773	6,464
Gross profit	916	846	2,382	2,280	3,095
EBITDA	374	388	905	904	1,232
EBIT	292	306	675	660	913
Net financial items ²	-9	-18	-23	-63	-77
Profit before tax	288	292	666	606	852
Income taxes	-67	-68	-152	-141	-140
Net profit	221	224	515	465	712
BALANCE SHEET					
Total assets			13,450	13,363	12,990
Equity			8,628	8,613	8,448
Net interest-bearing debt (NIBD)			2,751	2,243	2,247
Investment in property, plant and equipment	32	14	88	40	54
Total capital expenditures	34	27	101	75	109
CASH FLOW STATEMENT					
Cash flow from operating activities	359	373	559	716	1,049
Cash flow from investing activities	-44	-31	-496	-76	-94
Free cash flow	315	342	63	640	955
KEY RATIOS					
Net sales growth	9.7%	-1.1%	3.8%	-3.3%	-4.2%
Gross margin	48.5%	49.1%	48.1%	47.8%	47.9%
EBITDA margin	19.8%	22.6%	18.3%	18.9%	19.1%
Effective tax percentage	23.2%	23.3%	22.8%	23.3%	16.4%
Equity ratio			64.1%	64.5%	65.0%
Cash conversion	101.7%	116.8%	83.1%	100.8%	110.2%
Organic net sales growth	1.7%	1.9%	2.1%	-2.6%	-2.2%
Adjusted gross margin	48.5%	49.8%	48.1%	48.7%	48.5%
Organic EBITDA growth	-0.3%	-0.8%	1.2%	-7.5%	-7.4%
Adjusted EBITDA (DKK million)	398	394	942	955	1,283
Adjusted EBITDA margin	21.1%	22.9%	19.0%	20.0%	19.9%
NIBD / Adjusted EBITDA			2.2	1.7	1.8
ROIC					7.9%
ROIC ex. goodwill and trademarks from 2010 merger					14.8%
Basic earnings per share (DKK)	2.2	2.2	5.1	4.7	7.1
Diluted earnings per share (DKK)	2.2	2.2	5.1	4.7	7.1
Number of shares issued ('000)					100,000
Number of treasury shares ('000)					367
Share price at year-end (DKK)					120.0
Dividend per share (DKK)					9.3
Pay-out ratio					130.0%

1. See definition/explanation of financial ratios in note 5.7 in the Annual Report 2017.

2. Excl. share of profit of associated companies.

Financial Developments

Net sales

Reported net sales increased by 9.7% to DKK 1,887 million (DKK 1,721 million) in third quarter 2018 and were DKK 4,952 million (DKK 4,773 million) for the first nine months of 2018. For third quarter 2018, the handmade cigar category maintained its strong momentum and delivered an organic growth of 7.9% in net sales with the machine-made cigars category delivering an improved although still negative organic growth of 0.7%.

In the pipe tobacco category declining volumes and destocking in certain markets resulted in a negative organic growth of 12.7%. Fine-cut tobacco reported negative organic growth of 1.3% primarily due to timing of shipments while the accessories and contract manufacturing category, our new name for "other", continued to show growth and delivered a positive organic growth of 1.4%.

STG delivered 1.7% organic net sales growth in third quarter 2018 and 2.1% for the first nine months of 2018.

Net sales bridge

DKK million	Q3 2018	Q3 2017	Change in %	9M 2018	9M 2017	Change in %
Reported net sales	1,887	1,721	9.7%	4,952	4,773	3.8%
Reclassification		-35			-104	
Effect from currency development and acquisitions	-173			-186		
Organic net sales	1,714	1,686	1.7%	4,767	4,669	2.1%

Gross profit and gross margin

Reported gross profit for third quarter 2018 was DKK 916 million (DKK 846 million), an increase of 8.3%. Adjusted gross profit was DKK 916 million (DKK 857 million), an increase of 6.9%. The improvement was driven by increased net sales primarily coming from the handmade category including the newly acquired Thompson Cigars.

The adjusted gross margin for third quarter 2018 was 48.5% (49.8%). Further, excluding the impact of the reclassification of selected import duties (IFRS 15) and the impact of the acquired Thompson Cigars, the gross margin was down 0.7%. The decline is primarily due to a change of category mix from the relatively high margin pipe tobacco and fine-cut tobacco categories towards the relatively lower margin handmade cigars category.

For the first nine months of 2018, reported gross profit was DKK 2,382 million (DKK 2,280 million), an increase of 4.5% and the adjusted gross margin was 48.1% (48.7%).

Operating expenses

Operating expenses (OPEX) for third quarter 2018 were DKK 542 million (DKK 457 million), an increase of 18.5% compared to last year mainly driven by acquisition effect and non-recurring costs of DKK 24 million (DKK -5 million). The non-recurring cost comprises of primarily retention bonus accruals from the integration of Thompson Cigars and consultancy costs from the Fuelling the Growth programme.

The organic development in OPEX increased by 1.4% compared to last year which is in line with current inflation.

NON-RECURRING ITEMS

DKKm	Q3 2018			Q3 2017			9M 2018			9M 2017		
	Non-Recurring Items			Non-Recurring Items			Non-Recurring Items			Non-Recurring Items		
	Reported	Items	Adjusted	Reported	Items	Adjusted	Reported	Items	Adjusted	Reported	Items	Adjusted
Net Sales	1,887	-	1,887	1,721	-	1,721	4,952	-	4,952	4,773	-	4,773
Gross Profit	916	-	916	846	11	857	2,382	-	2,382	2,280	43	2,323
Gross-margin	48.5%		48.5%	49.1%		49.8%	48.1%		48.1%	47.8%		48.7%
OPEX	-542	24	-518	-457	-5	-462	-1,477	37	-1,440	-1,376	9	-1,368
EBITDA	374	24	398	388	6	394	905	37	942	904	52	955
EBITDA-margin	19.8%		21.1%	22.6%		22.9%	18.3%		19.0%	18.9%		20.0%

EBITDA

DKKm	Q3 2018	Q3 2017	9M 2018	9M 2017
EBITDA Reported	374	388	905	904
Integration and transactions costs (Thompson Cigars)	10	-	24	-
TPD & FDA related costs	-	14	-	37
Restructuring, optimisation and efficiency programmes	14	2	14	24
Sale of building	-	-10	-	-10
EBITDA Adjusted	398	394	942	955

For the first nine months of 2018, OPEX were DKK 1,477 million (DKK 1,376 million), an increase of 7.3% compared to last year. Organic development was up by 1.2% compared to last year.

EBITDA

Reported EBITDA for third quarter 2018 amounted to DKK 374 million (DKK 388 million), a decrease of 3.6% as the higher gross profit could not off-set the negative impact from higher OPEX and non-recurring costs. Adjusted EBITDA was DKK 398 million (DKK 394 million), a 0.9% increase compared to last year.

In third quarter 2018, Thompson Cigars delivered a positive contribution to the organic EBITDA growth, which ended at -0.3%, which was affected by a strong comparison base for third quarter 2017.

EBITDA bridge

DKK million	Q3 2018	Q3 2017	Change in %	9M 2018	9M 2017	Change in %
Reported EBITDA	374	388	-3.6%	905	904	0.1%
Non-recurring costs	24	6		37	52	
Adjusted EBITDA	398	394	0.9%	942	955	-1.4%
Currency development and acquisitions	-5			25		
Organic EBITDA	393	394	-0.3%	967	955	1.2%

For the first nine months of 2018, EBITDA was DKK 905 million (DKK 904 million), an increase of 0.1% compared to last year. Organic growth in EBITDA was 1.2% compared to last year.

Net profit

Net profit for third quarter 2018 was DKK 221 million (DKK 224 million), a 1.1% decrease compared to the same quarter of last year, mainly driven by higher non-recurring costs partly off-set by lower net financial costs.

For the first nine months of 2018 net profit was DKK 515 million (DKK 465 million), an increase of 10.7% compared to last year, mainly driven by lower non-recurring costs and impairments as well as lower net financial costs.

Earnings per share

Earnings per share (EPS) for third quarter 2018 were DKK 2.2 (DKK 2.2). Fully diluted EPS were DKK 2.2 (DKK 2.2). For the first nine months of 2018, earnings per share (EPS) were DKK 5.1 (DKK 4.7). Fully diluted EPS were DKK 5.1 (DKK 4.7).

Cash flows

DKK million	Q3 2018	Q3 2017	Change in %	9M 2018	9M 2017	Change in %
Cash flow from operating activities	359	373	-4%	559	716	-22%
CAPEX	-34	-27	26%	-101	-75	35%
Acquisitions	-12	-8	-	-401	-8	-
Dividend from associated companies, etc.	3	3	-22%	6	7	-4%
Free cash flow	315	342	-8%	63	640	-90%
Cash conversion	102%	117%	-15%	83%	101%	-18%

In third quarter 2018, STG generated a free cash flow of DKK 315 million (DKK 342 million). The free cash flow was compared to third quarter 2017 impacted by a temporary inventory increase and higher tax payments partly off-set by lower financial costs paid.

In the quarter, we have started exiting our agreement of selling trade receivables which was commenced in the third quarter of 2016. This impacted our net working capital negatively by DKK 17 million in the quarter and we expect a negative full year impact of DKK 160 million on net working capital.

For the first nine months of 2018, free cash flow was DKK 63 million (DKK 640 million), mainly driven by acquisitions, a negative development in net working capital and higher tax payments. The free cash flow was impacted by a cash outflow of DKK 401 million related to the acquired Thompson Cigars and Peterson Pipe Tobacco.

The cash conversion ratio was 102% (117%) in the third quarter. For the first nine months of 2018, the cash conversion ratio was to 83% (101%).

Capital structure and net interest-bearing debt

At 30 September 2018, STG had net interest-bearing debt of DKK 2,751 million (DKK 2,243 million). The net interest-bearing debt to adjusted EBITDA ratio increased to 2.2x (1.7x at 30 September 2017).

Launch of a transformational programme to support mid-term EBITDA growth

On 23 October 2018, we launched Fuelling the Growth, a group-wide transformational program to increase shareholder value by raising earnings capabilities, driving efficiencies and stimulating market share growth.

Fuelling the Growth supports the mid-term outlook of an average 3-5% annual organic growth in EBITDA.

Fuelling the Growth consists of five initiatives:

- 1) organisational restructuring to ensure an agile organisation,
- 2) realignment of commercial resources in four new divisions,
- 3) optimisation of the global logistics set-up,
- 4) establishment of a global procurement organisation,
- 5) improved operational cost efficiency through reduction of production complexity.

As a result of the organisational restructuring and the new commercial set-up the Executive Board expands to nine members. Each of the four commercial divisions will be represented in the Executive Board in efforts to strengthen the commercial presence here.

Effective 23 October 2018 The Executive Board consists of Niels Frederiksen (CEO), Marianne Rørslev Bock (Executive Vice President and CFO), Hanne Berg (Senior Vice President and CHRO), Vincent Crepy (Executive Vice President Supply Chain), Jurjan Klep (President and Senior Vice President Machine Made Cigars Division), Huw Williams (President and Senior Vice President Smoking Tobacco Division), Regis Broersma (President and Senior Vice President North America Branded

Business Division) and Craig Reynolds (President and Executive Vice President North America Online and Retail Division). In addition, a Head of a newly established Strategy function will be recruited to the Executive Board.

As part of the organisational restructuring, approximately 100-120 white collar positions across the organisation will be made redundant.

The initiatives are expected to have full-year run-rate effect by the end of 2021 and savings will be front-end loaded as the reduction in the above mentioned positions is expected to have full savings impact from mid-2019.

Fuelling the Growth will incur non-recurring costs up to a level of DKK 250 million. The non-recurring costs are expected to be expensed by approximately DKK 100 million in 2018 and by up to a level of DKK 150 million in 2019-2021.

Category update

Handmade Cigars

Key data (DKK million)	Q3 18	Q3 17	Change	9M 18	9M 17	Change	2017
Net sales	721	530	36%	1,753	1,449	21%	1,921
Gross profit	307	227	35%	728	614	19%	795
Adjusted gross profit *	307	227	35%	728	614	19%	795

Key ratios (%)	Q3 18	Q3 17	Change	9M 18	9M 17	Change	2017
Organic net sales growth	7.9%			7.2%			
- Volume impact	4.9%			3.9%			
- Price/mix impact	2.9%			3.3%			
Gross margin	42.6%	42.8%	-0.2%	41.5%	42.3%	-0.8%	41.4%
Adjusted gross margin *	42.6%	42.8%	-0.2%	41.5%	42.3%	-0.8%	41.4%

*Adjusted for non-recurring items

Financial performance

In third quarter 2018, the reported net sales of handmade cigars increased by 36.2% to DKK 721 million (DKK 530 million) driven by the impact of the acquired Thompson Cigars. The organic net sales growth was up by 7.9% after adjusting for the acquisition effect and a positive exchange rate impact of 2%. The organic growth was driven by a volume impact of 4.9% and a price/mix impact of 2.9%.

Cigars International, Thompson Cigars and General Cigar all delivered organic volume growth. The sales of premium cigars outside the US experienced a small decline caused by a slow-down in France following the excise increase earlier in the year.

The positive price/mix for the category was driven by price developments across all our businesses as well as reduced promotional activities in our online business.

Gross profit in third quarter 2018 increased by DKK 80 million to DKK 307 million (DKK 227 million) driven by the impact of Thompson Cigars, increased net sales, improved pricing and underlying margin improvements. The adjusted gross margin was almost unchanged 42.6% (42.8%) despite lower margins from Thompson Cigars. The gross margin improved by 1.3%-points compared to third quarter 2017 excluding Thompson Cigars.

Reported net sales for the first nine months of 2018 were DKK 1,753 million (DKK 1,449 million) and the organic growth was 7.2%. Gross profit for the first nine months of 2018 was DKK 728 million (DKK 614 million) and the adjusted gross margin was 41.5% (42.3%).

Business update

Cigars International has during third quarter 2018 continued to deliver positive organic growth rates partly driven by solid operational performance and partly due to the weak performance last year.

Thompson Cigars delivered another quarter of positive organic growth. The process of improving gross margins and reducing the level of operating expenses in Thompson Cigars has continued and progresses well. In the quarter Thompson is ahead of plan and is delivering a positive contribution to the EBITDA growth. Overall the category gross margins have however been diluted by the still somewhat lower profitability in Thompson Cigars.

For General Cigar growth was driven partly by a strong response to promotional activities during the summer and partly by a normalisation of inventory levels after destocking in certain sales channels.

On 22 September, Cigars International opened its first Texan cigar super store in Dallas and the opening of the second super store in Texas is planned for mid-2019.

Machine-made Cigars

Key data (DKK million)	Q3 18	Q3 17	Change	9M 18	9M 17	Change	2017
Net sales	660	665	-1%	1,751	1,823	-4%	2,491
Gross profit	352	345	2%	933	907	3%	1,268
Adjusted gross profit *	352	356	-1%	933	948	-2%	1,305

Key ratios (%)	Q3 18	Q3 17	Change	9M 18	9M 17	Change	2017
Organic net sales growth	-0.7%			-1.4%			
- Volume impact	-2.4%			-3.7%			
- Price/mix impact	1.8%			2.3%			
Gross margin	53.3%	51.8%	1.4%	53.3%	49.8%	3.5%	50.9%
Adjusted gross margin *	53.3%	53.5%	-0.2%	53.3%	52.0%	1.3%	52.4%

*Adjusted for non-recurring items

Financial performance

In third quarter 2018, reported net sales of machine-made cigars declined by 0.7% to DKK 660 million (DKK 665 million). Adjusted for IFRS 15, acquisition effects and exchange rate developments, organic growth was negative by 0.7%. Volume impact was negative by 2.4% and the price/mix impact was positive with 1.8%.

The development was primarily driven by a negative volume trend in France. Other key markets like Belgium, UK and Canada delivered stable to slightly positive organic growth rates. Price/mix impact for the machine-made cigars category was driven by solid underlying price increases in most markets with the exception of France, where price/mix was negative.

Gross profit in the third quarter 2018 increased by 2% to DKK 352 million (DKK 345 million), primarily due to lower non-recurring costs compared with third quarter 2017. The adjusted gross margin was 53.3% (53.5%). Further, excluding for the IFRS 15 impact and acquisition effects, the "like-for-like" third quarter 2018 gross margin was slightly down versus a strong third quarter 2017.

Reported net sales for the first nine months of 2018 were DKK 1,751 million (DKK 1,823 million). The organic growth was negative at 1.4%. Reported gross profit for the first nine months of 2018 was DKK 933 million (DKK 907 million) with a gross margin of 53.3% (49.8%). The adjusted gross margin was 53.3% (52.0%).

Business update

In France, the market continues to be impacted by the excise tax increase in March. As a reaction to the price increases consumers have traded down. The decline rate in market volumes is estimated to be unchanged versus the previous quarters. In the market segments, where we have the strongest positions, the impact is relatively larger, but through an ongoing strengthening of our product portfolio, we expect to minimise the long-term impact on our market shares.

Pipe Tobacco

Key data (DKK million)	Q3 18	Q3 17	Change	9M 18	9M 17	Change	2017
Net sales	121	143	-16%	348	408	-15%	544
Gross profit	73	84	-13%	207	247	-16%	326
Adjusted gross profit *	73	84	-13%	207	248	-17%	327

Key ratios (%)	Q3 18	Q3 17	Change	9M 18	9M 17	Change	2017
Organic net sales growth	-12.7%			-8.2%			
- Volume impact	-12.0%			-11.5%			
- Price/mix impact	-0.6%			3.3%			
Gross margin	60.6%	58.9%	1.7%	59.5%	60.5%	-1.0%	59.9%
Adjusted gross margin *	60.6%	59.0%	1.5%	59.5%	60.8%	-1.3%	60.1%

*Adjusted for non-recurring items

Financial performance

In third quarter 2018, reported net sales declined by 15.5% to DKK 121 million (DKK 143 million). Adjusted for IFRS 15 impact and exchange rate developments, organic growth was negative at 12.7%. Volume impact was negative at 12.0% and the price/mix impact was negative at 0.6%.

The negative volume development was driven by the structural market development and destocking resulting in fewer shipments to Asia and the Middle East/Africa regions. Price/mix for the category was driven by a negative mix impact only partly compensated by price increases in key markets.

Gross profit in third quarter 2018 was down by 13.2% to DKK 73 million (DKK 84 million) driven by the net sales development. The adjusted gross margin was 60.6% (59.0%). Excluding the IFRS 15 impact, the third quarter "like-for-like" adjusted margin was down by 0.8%-points.

Reported net sales for the first nine months of 2018 were DKK 348 million (DKK 408 million) and the organic growth was negative at 8.2%. Gross profit for the first nine months of 2018 was DKK 207 million (DKK 247 million) and the adjusted gross profit was DKK 207 million (DKK 248 million). The adjusted gross margin was 59.5% (60.8%).

Business update

Volume development has been weaker than expected. The mature European markets has experienced an accelerating decline in volumes. Furthermore, the shipments to Asia has been impacted by a temporary destocking and the Middle East/Africa region has been impacted by inventory adjustments in the distribution channel.

We expect improved but still declining volumes for the fourth quarter of 2018.

The acquisition of Peterson Pipe Tobacco business will contribute from the start of Q4 2018.

Fine-cut Tobacco

Key data (DKK million)	Q3 18	Q3 17	Change	9M 18	9M 17	Change	2017
Net sales	151	156	-3%	399	430	-7%	598
Gross profit	91	98	-8%	232	259	-11%	364
Adjusted gross profit *	91	99	-8%	232	260	-11%	365

Key ratios (%)	Q3 18	Q3 17	Change	9M 18	9M 17	Change	2017
Organic net sales growth	-1.3%			-3.1%			
- Volume impact	-7.5%			-7.0%			
- Price/mix impact	6.2%			4.0%			
Gross margin	59.9%	62.9%	-3.1%	58.1%	60.3%	-2.2%	60.9%
Adjusted gross margin *	59.9%	63.1%	-3.2%	58.1%	60.5%	-2.4%	61.1%

*Adjusted for non-recurring items

Financial performance

In third quarter 2018, reported net sales declined by 3.1% to DKK 151 million (DKK 156 million). Adjusted for IFRS 15 impact and exchange rate developments, organic growth was negative at 1.3%. Volume impact was negative at 7.5% and the price/mix impact was positive at 6.2%.

The volume development was driven by a negative contribution from Norway and the US, whereas price/mix was strong for most important markets.

Gross profit in third quarter 2018 was down by DKK 7 million to DKK 91 million (DKK 98 million). The adjusted gross margin was 59.9% (63.1%). Excluding the IFRS 15 impact the third quarter "like-for-like" margin was down by 4.1%-points. The decline in the "like-for-like" gross margin was primarily driven by country mix.

Reported net sales for the first nine months of 2018 were DKK 399 million (DKK 430 million) and the organic growth was negative at 3.1%. Gross profit for the first nine months of 2018 was DKK 232 million (DKK 259 million). Adjusted gross profit was DKK 232 million (DKK 260 million) with an adjusted gross margin of 58.1% (60.5%).

Business update

The shipments to Norway have remained volatile and was lower in third quarter 2018 compared to the same period last year. We are however gaining market shares in a total market that continues to decline.

In Germany, the market has started to normalise following an intensified level of promotional activities in the beginning of the year.

Accessories and Contract Manufacturing

Key data (DKK million)	Q3 18	Q3 17	Change	9M 18	9M 17	Change	2017
Net sales	234	227	3%	701	662	6%	909
Gross profit	94	92	2%	282	252	12%	342
Adjusted gross profit *	94	92	2%	282	252	12%	342

Key ratios (%)	Q3 18	Q3 17	Change	9M 18	9M 17	Change	2017
Organic net sales growth	1.4%			7.9%			
Gross margin	40.1%	40.5%	-0.3%	40.2%	38.2%	2.0%	37.6%
Adjusted gross margin *	40.1%	40.5%	-0.3%	40.2%	38.2%	2.0%	37.6%

*Adjusted for non-recurring items

Financial performance

The category “Other” has been renamed Accessories and Contract Manufacturing.

In third quarter 2018, reported net sales increased by 2.7% to DKK 234 million (DKK 227 million). Adjusted for the exchange rate developments, organic growth was 1.4%.

Gross profit in third quarter 2018 increased by DKK 2 million to DKK 94 million (DKK 92 million). The adjusted gross margin was 40.1% (40.5%).

Reported net sales for the first nine months of 2018 were DKK 701 million (DKK 662 million) and the organic growth was 7.9%. Gross profit for the first nine months of 2018 was DKK 282 million (DKK 252 million) and the gross margin was 40.2% (38.2%).

Key Data Per Category

	Q3 18	Q3 17	Change	9M 18	9M 17	Change	2017
Net sales (DKKm)							
Handmade cigars	721	530	36.2%	1,753	1,449	20.9%	1,921
Machine-made cigars	660	665	-0.7%	1,751	1,823	-4.0%	2,491
Pipe tobacco	121	143	-15.5%	348	408	-14.7%	544
Fine-cut tobacco	151	156	-3.1%	399	430	-7.3%	598
Accessories and Contract Manufacturing	234	227	2.7%	701	662	6.0%	909
Group total	1,887	1,721	9.7%	4,952	4,773	3.8%	6,464
Gross profit (DKKm)							
Handmade cigars	307	227	35.5%	728	614	18.6%	795
Machine-made cigars	352	345	2.1%	933	907	2.8%	1,268
Pipe tobacco	73	84	-13.2%	207	247	-16.2%	326
Fine-cut tobacco	91	98	-7.8%	232	259	-10.6%	364
Accessories and Contract Manufacturing	94	92	1.8%	282	252	11.7%	342
Group total	916	846	8.3%	2,382	2,280	4.5%	3,095
Organic net sales growth (%)							
Handmade cigars	7.9%	-2.8%		7.2%	-4.6%		-4.0%
Machine-made cigars	-0.7%	3.5%		-1.4%	-3.0%		-2.4%
Pipe tobacco	-12.7%	6.0%		-8.2%	-1.3%		-2.6%
Fine-cut tobacco	-1.3%	-5.7%		-3.1%	-7.9%		-7.0%
Accessories and Contract Manufacturing	1.4%	13.3%		7.9%	6.7%		6.4%
Group total	1.7%	1.9%		2.1%	-2.6%		-2.2%
Volume impact (%)							
Handmade cigars	4.9%	-1.9%		3.9%	-2.6%		-1.8%
Machine-made cigars	-2.4%	2.6%		-3.7%	-4.2%		-3.7%
Pipe tobacco	-12.0%	8.8%		-11.5%	-0.9%		-2.3%
Fine-cut tobacco	-7.5%	-12.8%		-7.0%	-14.3%		-14.0%
Accessories and Contract Manufacturing	-	-		-	-		-
Group total	-	-		-	-		-
Price/Mix impact (%)							
Handmade cigars	2.9%	-1.0%		3.3%	-2.0%		-2.3%
Machine-made cigars	1.8%	0.9%		2.3%	1.1%		1.3%
Pipe tobacco	-0.6%	-2.9%		3.3%	-0.4%		-0.3%
Fine-cut tobacco	6.2%	7.1%		4.0%	6.4%		7.0%
Accessories and Contract Manufacturing	-	-		-	-		-
Group total	-	-		-	-		-
Gross margin (%)							
Handmade cigars	42.6%	42.8%	-0.2%	41.5%	42.3%	-0.8%	41.4%
Machine-made cigars	53.3%	51.8%	1.4%	53.3%	49.8%	3.5%	50.9%
Pipe tobacco	60.6%	58.9%	1.7%	59.5%	60.5%	-1.0%	59.9%
Fine-cut tobacco	59.9%	62.9%	-3.1%	58.1%	60.3%	-2.2%	60.9%
Accessories and Contract Manufacturing	40.1%	40.5%	-0.3%	40.2%	38.2%	2.0%	37.6%
Group total	48.5%	49.1%	-0.6%	48.1%	47.8%	0.3%	47.9%
Adjusted Gross margin (%)*							
Machine-made cigars	53.3%	53.5%	-0.2%	53.3%	52.0%	1.3%	52.4%
Pipe tobacco	60.6%	59.0%	1.5%	59.5%	60.8%	-1.3%	60.1%
Fine-cut tobacco	59.9%	63.1%	-3.2%	58.1%	60.5%	-2.4%	61.1%
Group total	48.5%	49.8%	-1.3%	48.1%	48.7%	-0.6%	48.5%

* Adjusted for non-recurring items

Events after the reporting period

15 October 2018, Marianne Rørslev Bock assumed responsibility as Chief Financial Officer in STG.

23 October 2018, STG launched Fuelling the Growth, a group-wide transformational programme to increase shareholder value by raising earnings capabilities, driving efficiencies and stimulating market share growth. The programme supports the mid-term outlook of an average 3-5% annual organic growth in EBITDA. The programme will incur non-recurring costs up to a level of DKK 250 million split by approximately DKK 100 million in 2018 and up to a level of DKK 150 million in 2019-2021.

No other events which are expected to have material impact on the financial position of the Group have occurred after 30 September 2018.

Financial guidance for 2018

We maintain our full-year guidance for 2018

- Organic net sales growth flat to slightly positive
- Organic EBITDA growth >3%
- Ordinary dividend for 2018 > 2017 (DKK 575 million)

Other financial expectations are:

- Financial expenses, exclusive of currency gains/losses, are expected to be in the range of DKK 80-90 million
- The effective tax rate is expected to be in the range of 22-23%
- Capital expenditure is expected to be up to DKK 150 million (previously 175 million)

Finance calendar for 2019

Annual Report 2018:	14 March, 2019
Annual General Meeting:	10 April, 2019
Interim report Q1 2019:	23 May, 2019
Interim report Q2 2019:	29 August, 2019
Interim report Q3 2019:	14 November, 2019

Forward-looking Statements

This report contains forward-looking statements. Such statements are subject to risk and uncertainties as various factors, many of which are beyond Scandinavian Tobacco Group's control, may cause actual developments and results to differ materially from the expectations set out in this report.

MANAGEMENT STATEMENT

The Board of Directors and the Executive Management have today considered and approved the interim report of Scandinavian Tobacco Group A/S for the period 1 January – 30 September 2018.

The interim consolidated financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU and additional Danish disclosure requirements for listed companies. The interim report has not been reviewed or audited.

In our opinion, the interim consolidated financial statements give a true and fair view of the Group's assets, liabilities and financial position at 30 September 2018 and of the results of the Group's operations and consolidated cash flows for the financial period 1 January – 30 September 2018.

Furthermore, in our opinion the Management Review gives a fair review of the development and performance of the Group's activities and of the Group's results for the period and financial position taken as a whole, together with a description of the most significant risks and uncertainties that the Group may face.

Søborg, 8 November 2018

EXECUTIVE MANAGEMENT

Niels Frederiksen
CEO

Marianne Rørslev Bock
CFO

BOARD OF DIRECTORS

Nigel Northridge
CHAIRMAN

Henrik Brandt
VICE-CHAIRMAN

Søren Bjerre-Nielsen

Dianne Neal Blixt

Anders Obel

Luc Missorten

Hanne Malling

Lindy Larsen

Kurt Asmussen

Mogens Olsen

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME**1 JANUARY - 30 SEPTEMBER****CONSOLIDATED INCOME STATEMENT**

DKK million	Note	Q3 2018	Q3 2017	9M 2018	9M 2017
Net sales	2	1,887.2	1,720.9	4,952.1	4,773.0
Cost of goods sold	2	-971.2	-875.3	-2,570.3	-2,493.1
Gross profit	2	916.0	845.6	2,381.8	2,279.9
Other external costs		-341.4	-295.5	-880.2	-836.4
Staff costs		-200.2	-170.9	-596.7	-549.1
Other income		0.0	9.2	0.0	9.2
Earnings before interest, tax, depreciation and amortisation (EBITDA)		374.4	388.4	904.9	903.6
Depreciation and impairment		-29.6	-39.5	-87.9	-116.4
Earnings before interest, tax and amortisation (EBITA)		344.8	348.9	817.0	787.2
Amortisation		-52.7	-42.5	-142.1	-127.5
Earnings before interest and tax (EBIT)		292.1	306.4	674.9	659.7
Share of profit of associated companies, net of tax		5.0	3.5	14.7	9.2
Financial income		13.1	8.1	48.1	15.2
Financial costs		-22.2	-26.2	-71.3	-78.0
Profit before tax		288.0	291.8	666.4	606.1
Income taxes		-66.7	-68.0	-151.9	-141.2
Net profit for the period		221.3	223.8	514.5	464.9
Earnings per share					
Basic earnings per share (DKK)		2.2	2.2	5.1	4.7
Diluted earnings per share (DKK)		2.2	2.2	5.1	4.7
OTHER COMPREHENSIVE INCOME					
<i>Items that will not be recycled subsequently to the Consolidated Income Statement:</i>					
Actuarial gains and losses on pension obligations		0.0	0.0	0.0	-1.6
Tax of actuarial gains and losses on pension obligations		0.0	0.0	0.0	0.5
<i>Items that will be recycled subsequently to the Consolidated Income Statement, when specific conditions are met:</i>					
Cash flow hedges, deferred gains/(losses) incurred during the period		7.5	6.5	27.1	23.6
Tax of hedging instruments		-1.5	-1.5	-5.9	-4.9
Foreign exchange rate adjustments		49.0	-168.2	210.8	-597.6
Other comprehensive income for the period, net of tax		55.0	-163.2	232.0	-580.0
Total comprehensive income for the period		276.3	60.6	746.5	-115.1

CONSOLIDATED BALANCE SHEET**ASSETS**

DKK million	30 Sep 2018	30 Sep 2017	31 Dec 2017
Goodwill	4,518.9	4,294.6	4,255.8
Trademarks	2,984.5	3,064.3	3,013.9
IT software	85.1	94.9	99.4
Other intangible assets	314.0	188.0	181.9
Total intangible assets	7,902.5	7,641.8	7,551.0
Property, plant and equipment	1,228.7	1,232.6	1,217.3
Investments in associated companies	142.0	124.2	127.7
Deferred income tax assets	104.5	129.6	96.0
Other financial fixed assets	35.5	12.2	20.6
Total non-current assets	9,413.2	9,140.4	9,012.6
Inventories	2,665.0	2,593.9	2,421.0
Trade receivables	760.1	755.4	712.8
Other receivables	102.4	60.3	78.7
Corporate tax	146.6	79.3	76.9
Prepayments	76.9	73.0	83.2
Cash and cash equivalents	285.6	660.5	605.2
Total current assets	4,036.6	4,222.4	3,977.8
Total assets	13,449.8	13,362.8	12,990.4

CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES

DKK million	30 Sep 2018	30 Sep 2017	31 Dec 2017
Share capital	100.0	100.0	100.0
Reserve for hedging	25.2	-8.8	4.0
Reserve for currency translation	691.2	563.1	480.4
Treasury shares	-40.5	-40.5	-40.5
Retained earnings	7,851.7	7,999.3	7,904.3
Total equity	8,627.6	8,613.1	8,448.2
Bank loans	2,830.3	2,620.1	2,606.3
Deferred income tax liabilities	591.1	665.3	571.5
Pension obligations	246.8	259.7	237.8
Other provisions	29.5	48.3	33.7
Other liabilities	20.6	27.1	22.4
Total non-current liabilities	3,718.3	3,620.5	3,471.7
Trade payables	364.5	347.6	365.4
Corporate tax	209.1	169.0	170.5
Other provisions	7.9	41.5	27.4
Other liabilities	522.4	571.1	507.2
Total current liabilities	1,103.9	1,129.2	1,070.5
Total liabilities	4,822.2	4,749.7	4,542.2
Total equity and liabilities	13,449.8	13,362.8	12,990.4

CONSOLIDATED CASH FLOW STATEMENT

1 JANUARY - 30 SEPTEMBER

DKK million	Q3 2018	Q3 2017	9M 2018	9M 2017
Net profit for the period	221.3	223.8	514.5	464.9
Adjustments	159.5	176.9	391.3	463.5
Changes in working capital	17.2	47.8	-129.3	7.7
Non-recurring costs, paid	-14.1	-42.3	-35.6	-101.3
Cash flow from operating activities before financial items	383.9	406.2	740.9	834.8
Financial income received	17.3	8.1	85.3	15.2
Financial costs paid	-19.2	-41.3	-88.3	-134.3
Cash flow from operating activities before tax	382.0	373.0	737.9	715.7
Tax payments	-23.5	0.1	-179.4	0.4
Cash flow from operating activities	358.5	373.1	558.5	716.1
Acquisitions	-12.5	-7.9	-401.1	-7.9
Investment in intangible assets	-1.9	-12.6	-13.0	-34.3
Investment in property, plant and equipment	-31.7	-14.1	-88.1	-40.4
Sale of property, plant and equipment	0.5	1.5	0.9	1.5
Dividend from associated companies	2.0	1.7	5.5	5.2
Cash flow from investing activities	-43.6	-31.4	-495.8	-75.9
Free cash flow	315.0	341.7	62.8	640.2
Revolving credit facility	-186.3	-223.2	186.0	0.0
Dividend payment	0.0	0.0	-572.9	-550.0
Cash flow from financing activities	-186.3	-223.2	-386.9	-550.0
Net cash flow for the period	128.7	118.5	-324.1	90.2
Cash and cash equivalents, net at 1 July / 1 January	154.7	542.0	605.2	570.3
Exchange gains/(losses) on cash and cash equivalents	2.2	0.0	4.5	0.0
Net cash flow for the period	128.7	118.5	-324.1	90.2
Cash and cash equivalents, net at 30 September	285.6	660.5	285.6	660.5

STATEMENT OF CHANGES IN GROUP EQUITY

1 JANUARY - 30 SEPTEMBER 2018

DKK million	Share capital	Reserve for hedging	Reserve for currency translation	Treasury shares	Retained earnings	Total
Equity at 1 January 2018	100.0	4.0	480.4	-40.5	7,904.3	8,448.2
<i>Comprehensive income for the period</i>						
Net profit for the period	0.0	0.0	0.0	0.0	514.5	514.5
<i>Other comprehensive income</i>						
Cash flow hedges	-	27.1	-	-	-	27.1
Tax of cash flow hedges	-	-5.9	-	-	-	-5.9
Foreign exchange adjustments on net investments in foreign operations	-	-	210.8	-	-	210.8
Total other comprehensive income	0.0	21.2	210.8	0.0	0.0	232.0
Total comprehensive income for the period	0.0	21.2	210.8	0.0	514.5	746.5
<i>Transactions with shareholders</i>						
Share-based payments	-	-	-	-	5.8	5.8
Dividend paid to shareholders	-	-	-	-	-575.0	-575.0
Dividend, treasury shares	-	-	-	-	2.1	2.1
Total transactions with shareholders	0.0	0.0	0.0	0.0	-567.1	-567.1
Equity at 30 September 2018	100.0	25.2	691.2	-40.5	7,851.7	8,627.6

STATEMENT OF CHANGES IN GROUP EQUITY

1 JANUARY - 30 SEPTEMBER 2017

DKK million	Share capital	Reserve for hedging	Reserve for currency translation	Treasury shares	Retained earnings	Total
Equity at 1 January 2017	100.0	-27.5	1,160.7	-45.5	8,085.2	9,272.9
<i>Comprehensive income for the period</i>						
Net profit for the period	0.0	0.0	0.0	0.0	464.9	464.9
<i>Other comprehensive income</i>						
Cash flow hedges	-	23.6	-	-	-	23.6
Tax of cash flow hedges	-	-4.9	-	-	-	-4.9
Foreign exchange adjustments on net investments in foreign operations	-	-	-597.6	-	-	-597.6
Actuarial gains and losses on pension obligations	-	-	-	-	-1.6	-1.6
Tax of actuarial gains and losses on pension obligations	-	-	-	-	0.5	0.5
Total other comprehensive income	0.0	18.7	-597.6	0.0	-1.1	-580.0
Total comprehensive income for the period	0.0	18.7	-597.6	0.0	463.8	-115.1
<i>Transactions with shareholders</i>						
Share-based payments	-	-	-	-	5.3	5.3
Settlement of vested PSUs	-	-	-	5.0	-5.0	0.0
Dividend paid	-	-	-	-	-550.0	-550.0
Total transactions with shareholders	0.0	0.0	0.0	5.0	-549.7	-544.7
Equity at 30 September 2017	100.0	-8.8	563.1	-40.5	7,999.3	8,613.1

NOTES

NOTE 1

BASIS OF PREPARATION

The unaudited interim report has been prepared in accordance with IAS 34 and additional Danish disclosure requirements for listed companies.

Significant accounting estimates

The estimates made by STG in the determination of the carrying amounts of assets and liabilities are based on assumptions that are subject to future events. For a description of risks and accounting estimates, see the Annual Report for 2017.

Accounting policies

The interim report has been prepared in accordance with the accounting policies set out in the Annual Report for 2017 and with the implementation of IFRS 15 'revenue from contracts with customers' as also described in the Annual Report for 2017, note 1.2. IFRS 15 replaces the current standards on revenue (IAS 11 'Construction Contracts' and IAS 18 'Revenue').

The implementation of IFRS 15 has not resulted in any changes to the Group's accounting policies, but only a change to the classification of import duty in selected markets since it is perceived equal to normal excise but previously recognised in both net sales and cost of goods sold. From 1 January 2018 net sales have been recognised exclusive this "excise like" import duty.

The modified retrospective method has been applied at implementation where comparison numbers have not been restated. The impact on the Consolidated Financial Statements for the nine month of 2018 is a reduction of both net sales and COGS of DKK 94.3 million, a reported gross margin improvement of 0.9%-point and an EBITDA margin improvement of 0.3%-point. The reclassification has no impact on reported or adjusted gross profit or EBITDA.

New accounting standards

IASB has issued a number of new or amended and revised accounting standards and interpretations that have not yet come into effect. The most significant of these is IFRS 16 Leases which will have effect from 1 January 2019.

The standard will change accounting for leases as it is to require capitalization of the majority of the Group's operational lease contracts.

The expected impact of implementing the standard on the Scandinavian Tobacco Group financial statement remains unchanged from the assessment disclosed in note 1.2 of the Annual Report 2017.

NOTE 2

SEGMENT INFORMATION

9M 2018					Accessories and Contract Manufacturing		
DKK million	Hand-made cigars	Machine-made cigars	Pipe tobacco	Fine-cut tobacco		Not allocated	Total
Net sales	1,752.9	1,750.8	348.2	398.9	701.3	0.0	4,952.1
Cost of goods sold	-1,025.0	-817.5	-141.0	-167.2	-419.6	0.0	-2,570.3
Gross profit	727.9	933.3	207.2	231.7	281.7	0.0	2,381.8
Other external costs						-921.1	-921.1
Staff costs						-555.8	-555.8
Other income						0.0	0.0
EBITDA						-1,476.9	904.9
Depreciation and impairment						-87.9	-87.9
Amortisation						-142.1	-142.1
EBIT						-1,706.9	674.9
Share of profit of associated companies, net of tax						14.7	14.7
Financial income						48.1	48.1
Financial costs						-71.3	-71.3
Profit before tax						-1,715.4	666.4

NOTE 2

SEGMENT INFORMATION (continued)

9M 2017							
DKK million	Hand-made cigars	Machine-made cigars	Pipe tobacco	Fine-cut tobacco	Accessories and Contract Manufacturing	Not allocated	Total
Net sales	1,449.4	1,823.1	408.4	430.4	661.7	0.0	4,773.0
Cost of goods sold	-835.8	-915.7	-161.3	-171.1	-409.2	0.0	-2,493.1
Gross profit	613.6	907.4	247.1	259.3	252.5	0.0	2,279.9
Other external costs						-836.4	-836.4
Staff costs						-549.1	-549.1
Other income						9.2	9.2
EBITDA						-1,376.3	903.6
Depreciation and impairment						-116.4	-116.4
Amortisation						-127.5	-127.5
EBIT						-1,620.2	659.7
Share of profit of associated companies, net of tax						9.2	9.2
Financial income						15.2	15.2
Financial costs						-78.0	-78.0
Profit before tax						-1,673.8	606.1

Geographic information

In the table below, sales to external customers are attributed to the country of the customers' domicile.

External sales are distributed by geographic region and segment as follows:

Net sales 9M 2018	Hand-made cigars	Machine-made cigars	Pipe tobacco	Fine-cut tobacco	Accessories and Contract Manufacturing	Total
DKK million						
Americas	1,706.7	356.4	145.1	88.6	248.9	2,545.7
Europe	35.4	1,250.1	162.8	268.1	282.0	1,998.4
Rest of World	10.8	144.3	40.3	42.2	170.4	408.0
Total	1,752.9	1,750.8	348.2	398.9	701.3	4,952.1

Licence income and other sales of DKK 24.9 million are included in the 'Accessories and Contract Manufacturing' segment. DKK 15.5 million in Americas and DKK 9.4 in Europe.

NOTE 2**SEGMENT INFORMATION (continued)**

Net sales 9M 2017	Hand- made cigars	Machine- made cigars	Pipe tobacco	Fine-cut tobacco	Accessories and Contract Manu- facturing	Total
DKK million						
Americas	1,402.7	310.4	157.6	105.4	225.9	2,202.0
Europe	38.0	1,314.0	169.4	277.1	267.7	2,066.2
Rest of World	8.7	198.7	81.4	47.9	168.1	504.8
Total	1,449.4	1,823.1	408.4	430.4	661.7	4,773.0

Licence income and other sales of DKK 24.4 million are included in the 'Accessories and Contract Manufacturing' segment. DKK 14.2 million in Americas and DKK 10.2 in Europe.

NOTE 3**FINANCIAL INSTRUMENTS**

The fair value of financial instruments included in the balance sheet as per 30 September 2018 amounts to a net receivable of DKK 41.0 million (net liability of DKK 7.9 million on 31 December 2017).

NOTE 4**BUSINESS COMBINATIONS**

With effect from 2 April 2018, STG acquired, in an asset deal, the business of Thompson and Co. of Tampa, a leading US Online Cigar Retailer. The total consideration transferred is paid in cash. Final net working capital statement may result in an adjustment to the consideration transferred. The accounting for the business combination is considered provisional as the acquisition was only completed on 2 April 2018.

Thompson and Co. of Tampa

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 around USD 100 million and 185 employees. Thompson provides STG access to established, recognised and appreciated auction and retail websites, a substantial and attractive customer base, as well as a retail store and a call centre facility in Tampa and strengthens STG position in the online retail cigar channel in the US.

Fair value of acquired net assets and recognised goodwill

Net assets and goodwill are provisional and may be adjusted and off-balance sheet items may be recorded within the 12 months period of the acquisition date in compliance with IFRS 3. Net assets have been adjusted to comply with STG's accounting policies and financial reporting requirements.

The provisional calculated goodwill relates to synergies from merging the business into the existing internet and catalogue business in the US including optimisations within sales, marketing and procurement, workforce and business expertise.

Impact on Consolidated Income Statement

The interim Report includes net sales of DKK 389 million with a net profit of DKK 6 million from the acquisition. On a proforma basis, if the acquisition had been effective from 1 January 2018 the business of Thompson would to the nine month of 2018 have contributed DKK 526 million to net sales (gross DKK 536 million offset by STG's sales to Thompson in Q1 2018) and DKK 4 million on net profit.

Transaction costs

Total transaction costs related to the acquisition amounts to DKK 6 million, of which DKK 2 million was recognised in 2017 Financial Statements, DKK 3 million in Q1 2018 and DKK 1 million in Q2 2018. Transaction costs are recognised in 'Other External costs'.

NOTE 4**BUSINESS COMBINATIONS (continued)**

	Provisional fair value at date of acquisition
DKK million	
Intangible assets	142.6
Property, plant and equipment	6.3
Inventories	125.1
Trade receivables	21.1
Other receivables	1.4
Cash	1.9
Total assets	298.4
Other provisions	21.8
Trade payables	47.3
Other liabilities	1.7
Total liabilities	70.8
Acquired net assets	227.6
Consideration transferred	388.6
Goodwill from acquisition	161.0

The recognised goodwill is tax deductible.